

The Novozymes Report 2023

Novozymes A/S (Part of Novonosis)
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Novozymes Annual Report 2023

novonosis

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Novozymes A/S

“Two years after launching our strategy “Unlocking growth – powered by biotech,” we are delivering solid growth and earnings in a volatile market environment, clearly demonstrating Novozymes’ return to higher growth rates.”

[Click to read the Message from the Chair and the CEO](#)

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Remuneration Report 2023

Read [↗](#)

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Reader's guide

This annual report has been released subsequent to the approval of the combination of Novozymes and Chr. Hansen on January 29, 2024. The new combined group is called Novonesis.

As an annual report is required to cover the activities of a group during a financial year, this report only discloses Novozymes' financial and non-financial performance in 2023. Non-financial elements concerning the combined group, Novonesis, are provided in separate and clearly labeled sections. Read more about Novonesis in the section [The next step on our strategic journey](#).

This report does not include any realised, combined, proforma or stand-alone financials of Chr. Hansen or the combined entity Novonesis.

Our corporate policies are available at www.novonesis.com.

Visit

The big picture

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Performance highlights

Financial

5%

Organic sales growth

25.4%

EBIT margin before special items*

2.1

 DKKbn

Free cash flow before acquisitions

16.5%

ROIC** before special items*

		2023 outlook	2023 realized
Organic sales growth	%	4-6	5
EBIT margin before special items*	%	25-26	25.4
ROIC** before special items*	%	16-17	16.5

See more details in [Accounts and performance](#)

* Special items include costs related to the combination of Novozymes and Chr. Hansen.

** Including goodwill.

Non-financial

67%

Absolute greenhouse gas emissions reduction from operations
(From a 2018 baseline)

84%

Electricity from renewable sources

1.5

Three-year rolling average of occupational injuries with absence*

36%

Women in senior management

43%

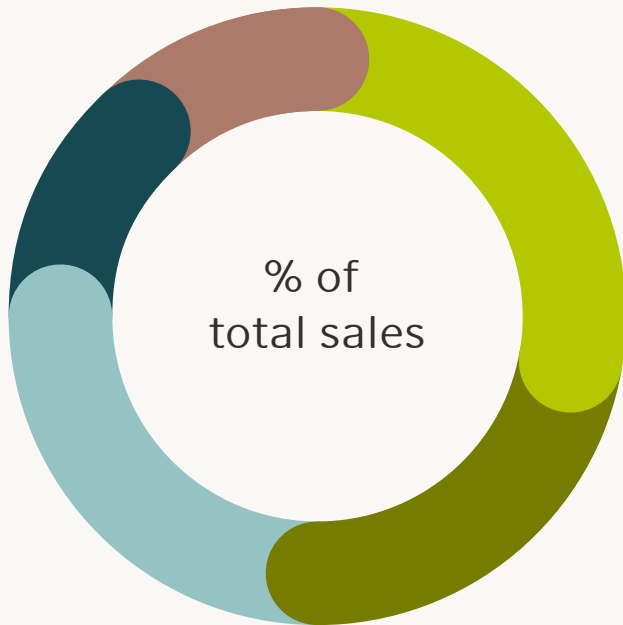
Women across all professionals

Targets	2025 target	2023 realized
Reduce absolute greenhouse gas emissions from operations (scopes 1+2) from a 2018 baseline	65%	67%
Purchase electricity from renewable sources	100%	84%
Gender diversity:		
Women in senior management / Across all professionals	≥ 35% / ≥ 45%	36% / 43%
Three-year rolling average of occupational injuries with absence*	≤ 1.5	1.5

See details on all non-financial targets in [Targets](#)

* Frequency of occupational injuries with absence per million working hours.

Sales by business area



Diversified portfolio and end market exposure creates overall stability for Novozymes as we saw strong double-digit growth in Bioenergy and solid growth in Household Care and Agriculture, Animal Health & Nutrition, while Food, Beverages & Human Health and Grain & Tech Processing declined.

- Household Care
28% (5%*)
 2022: 28%
- Food, Beverages & Human Health
22% (-2%*)
 2022: 24%
- Bioenergy
25% (23%*)
 2022: 21%
- Grain & Tech Processing
13% (-6%*)
 2022: 15%
- Agriculture, Animal Health & Nutrition
12% (3%*)
 2022: 12%

* Organic sales growth

Household Care



2023 performance

Household Care grew 5% organically in 2023 and sales in reported DKK were up 2%. Growth in developed markets was driven by innovation in both laundry and dishwash and was achieved despite industry volume softness and consumer downtrading. Growth in emerging markets was driven by increased penetration of enzyme solutions and innovation across regions. The Freshness platform performed in line with expectations and pricing had a positive impact on growth.

Public product launches

- Medley Unido 300L** - An enzyme blend for China unit dose detergents delivering better stain removal and whiteness benefits.

SDG impact

Our biosolutions in Household Care for laundry, dishwashing, and cleaning are used by more than half of the world's population. They ensure stellar cleaning performance while reducing the consumption of water, energy and chemicals.



Learn more about our work with the Sustainable Development Goals on our website.

[Visit](#)

Food, Beverages & Human Health



2023 performance

Sales in Food, Beverages & Human Health declined 2% organically and by 4% in reported DKK in 2023. Organic sales were negatively impacted by roughly 2 percentage points as last year's first-quarter comparator included sales of a specific enzyme solution, which is not sold this year.

Underlying growth trends across subareas with the focus on health, clean label and efficiencies remained intact with solid progress on recent launches as well as a solid innovation pipeline in collaboration with customers. The flat underlying sales growth was driven by pricing, offset by the negative impact of destocking across the value chain in Food and Beverages and reduced consumer demand. Food delivered the strongest underlying performance while Beverages and Human Health were soft. Human Health was impacted by supply chain constraints affecting the ability to accommodate demand in the robust healthcare practitioner channel and, additionally, general softness in demand for probiotic solutions in North America.

Public product launches

- *MenaquinGold™* - a natural vitamin K2-7 produced via fermentation that can be seamlessly integrated with supplements and foods to help people maintain bone strength and heart health.

- *Vertera® Probite* – an innovative solution to the plant-based meat industry that improves the texture and mouthfeel of plant-based meat products, while enabling a cleaner label.
- *ProSilience™ HU58* – a unique and stable probiotic solution for a broad range of food products that provides health benefits related to digestion and immunity.
- *Lumista® Gold* – is a solution that helps brewers prevent haze formation and achieve an appealing clear beer throughout the product's shelf life, while reducing energy consumption and waste in the brewery.

SDG impact

Our biosolutions in Food and Beverages lower the environmental footprint of food production and consumption by reducing food waste and enabling the use of local raw materials. Our proactive and preventative biosolutions in Human Health enable consumers to live healthier lives.



Learn more about our work with the Sustainable Development Goals on our website.

[Visit](#)

Bioenergy



2023 performance

Sales in Bioenergy grew 23% organically and by 19% in reported DKK in 2023. The strong performance was driven by the continued penetration of the broad and innovative solution toolbox allowing for higher yields, throughput, and byproduct value-capture for producers in a favorable market environment. In particular, the North American market experienced strong developments supported by a favorable market environment and roughly a 2% increase in U.S. ethanol production in 2023, as reported by the EIA.

Performance was also strong outside of North America, driven by innovation as well as capacity expansion of corn-based ethanol production in Latin America. Additionally, growth was supported by solutions for biodiesel production and sales of enzymes used in second-generation biofuels, commonly referred to as biomass conversion. Overall, pricing had a positive impact on growth.

SDG impact

Our biosolutions in Bioenergy promote the development and deployment of low-carbon fuels for the transport sector. They enable better use of raw materials, while saving energy in the production of bioethanol, corn oil, feed protein and biodiesel.



Learn more about our work with the Sustainable Development Goals on our website.

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Grain & Tech Processing



2023 performance

In 2023, Grain & Tech Processing sales declined 6% organically and by 12% in reported DKK. The decline was driven by the negative development in Tech with sales of enzymes used for Covid-19 test kits significantly lower, as expected, and reduced sales to a much softer-than-expected textile market. Strong growth in vegetable oil processing and distilling driven by increased penetration was partly offset by somewhat softer sales in the grain processing subarea impacted by destocking in the food-exposed parts of this business. Pricing had a positive impact across subareas.

Public product launches

- *Quara® LowP* – a biosolution that makes fuel production more efficient by changing how feedstock producers pre-treat the vegetable oils used to make fuel.

SDG impact

Our biosolutions in Grain & Tech Processing optimize processes across a variety of industries while reducing the environmental footprint. They help improve yields and reduce the use of chemicals, water usage, steam and electricity.



Learn more about our work with the Sustainable Development Goals on our website.

Visit [↗](#)

Agriculture, Animal Health & Nutrition



2023 performance

Sales in Agriculture, Animal Health & Nutrition grew 3% organically and by 1% in reported DKK in 2023. Pricing had a positive impact and growth was led by Animal Health & Nutrition and driven by innovation and healthy demand for yield-enhancing solutions. This was partly offset by a soft performance in Agriculture, impacted by general destocking in the value chain and volatile end-market demand.

Public product launches

- *Protide® L* – a natural protease that helps customers raise the nutritional value of their feed ingredients, while reducing production cost.

SDG impact

Our biosolutions improve yields in agriculture by improving plants' access to nutrients in the soil and by improving animals' uptake of energy, proteins and minerals in feed. The result is better use of arable land for food and feed production, reduced use of chemicals, and reduced emissions to the environment from manure in livestock production.



Learn more about our work with the Sustainable Development Goals on our website.

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Sales by geography

* Organic sales growth

Europe, the Middle East & Africa

Sales grew 3% organically in 2023, driven by Agriculture, Animal Health & Nutrition and Household Care, while Food, Beverages & Human Health and Grain & Tech Processing had negative impacts.

35%

3%*



North America

In North America, organic sales grew 7% in 2023, driven by Bioenergy and supported by Food, Beverages & Human Health while Agriculture, Animal Health & Nutrition and Grain & Tech Processing declined.

34%

7%*



Asia Pacific

Sales in Asia Pacific declined by 1% organically in 2023, driven by negative developments in Grain & Tech Processing and Food, Beverages & Human Health that were partly offset by growth in Agriculture, Animal Health & Nutrition and Bioenergy. Human Health and Agriculture, Animal Health & Nutrition were only partly offset by strong growth in Household Care.

18%

-1%*

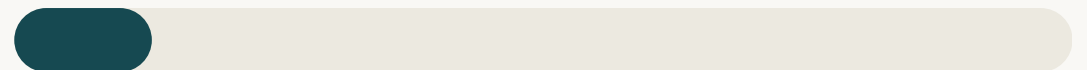


Latin America

Organic sales in Latin America grew 17% in 2023, driven by Bioenergy and a strong performance in Household Care and Grain & Tech Processing.

13%

17%*



Five-year summary

DKK million	2019	2020	2021	2022	2023
Income statement					
Revenue	14,374	14,012	14,951	17,553	17,899
Gross profit	7,954	7,853	8,623	9,577	9,722
EBITDA	5,292	4,918	5,423	6,046	5,365
Operating profit (EBIT) before special items*	4,039	3,652	4,007	4,629	4,552
Special items*	-	-	-	(68)	(576)
Operating profit (EBIT)	4,039	3,652	4,007	4,561	3,976
Financial items, net	(235)	(127)	(79)	2	(49)
Net profit	3,155	2,826	3,145	3,686	3,039
Balance sheet					
Total assets	20,437	20,510	24,767	27,983	28,391
Equity	11,480	11,244	12,206	14,228	14,351
Invested capital	15,507	15,094	18,118	20,703	21,490
Net interest-bearing debt	4,049	3,871	5,225	5,807	6,617
Investments and cash flows					
Cash flow from operating activities	3,196	4,355	4,062	4,006	4,152
Purchases of property, plant and equipment	862	794	1,071	2,760	1,857
Net investments excluding acquisitions	991	936	1,116	2,862	2,052
Free cash flow before acquisitions	2,205	3,419	2,946	1,144	2,100
Business acquisitions, divestments, purchase and sale of financial assets	430	(588)	(1,631)	190	(81)
Free cash flow	2,635	2,831	1,315	1,334	2,019

Key ratios have been prepared as described in the Glossary.

* Special items include costs related to the combination of Novozymes and Chr. Hansen.

** Including goodwill.

DKK million		2019	2020	2021	2022	2023
Key ratios						
Sales growth, DKK	%	0	(3)	7	17	2
Sales growth, organic	%	(1)	0	6	9	5
R&D costs (% of revenue)	%	13.7	13.8	13.4	11.4	11.3
Gross margin	%	55.3	56.0	57.7	54.6	54.3
EBITDA margin	%	36.8	35.1	36.3	34.4	30.0
EBIT margin before special items*	%	28.1	26.1	26.8	26.4	25.4
EBIT margin	%	28.1	26.1	26.8	26.0	22.2
Effective tax rate	%	17.0	19.7	19.9	19.1	22.3
Equity ratio	%	56.2	54.8	49.3	50.8	50.5
NIBD/EBITDA	x	0.8	0.8	1.0	1.0	1.2
Return on equity	%	27.5	24.9	27.3	28.6	21.7
ROIC** before special items*	%	21.1	18.9	19.3	17.9	16.5
ROIC**	%	21.1	18.9	19.3	17.6	14.4
Earnings per share (EPS), diluted	DKK	11.01	10.02	11.23	13.19	10.88
Dividend per share***	DKK	5.25	5.25	5.50	6.00	4.20

Environmental, social and governance data		2019	2020	2021	2022	2023
Total number of employees	No.	6,125	6,185	6,527	6,781	6,756
Rate of employee turnover	%	12.7	8.7	11.8	11.4	10.6
Frequency of occupational injuries with absence per million working hours		0.9	1.3	1.5	1.7	1.3
Women in senior management	%	31	33	34	33	36
GHG emissions from operations (scopes 1+2)	1,000 tonnes	330	234	218	161	143
GHG emissions from supply chain (scope 3)****	1,000 tonnes	655	626	684	734	644
Renewable electricity share	%	49	69	68	82	84
Total water withdrawal	1,000 m ³	7,845	7,998	8,538	8,720	7,793

*** Proposed dividend for the period September 1 - December 31, 2023 will be announced by the Board of Directors of Novonesis in connection with the notice of the Annual Shareholders' Meeting.

**** Supply chain emissions coming from purchased goods and services, fuel and energy-related activities, upstream transportation and distribution, waste generated in operations and business travel.

Message from the Chair and the CEO

Unleashing the full potential of biosolutions

Novozymes has been on an incredible journey. For decades, our biosolutions have helped address climate change, transform food systems, and support healthier populations while sustainably growing our company and remaining committed to creating long-term value for our shareholders. Our 2023 results clearly reflect this journey. It is on this strong legacy and foundation that we are building our new future. A future with an even greater impact for our employees, customers, shareholders and the world.

Cees de Jong,
Chair



Ester Baiget,
CEO



Growing our business

On January 29, 2024, we successfully completed the combination of Novozymes and Chr. Hansen and came together as one leading global biosolutions partner. Novonesis combines our joint strengths and the wonders of biology, and we are set to lead a new era of biosolutions. We will continue to create powerful biosolutions for our customers and partners based on our more than 100 years of innovation and application expertise. Together, we will serve as a growth partner to our customers; a value creator to our shareholders; and a company that has a significant, positive impact on society and the planet.

Two years after launching our strategy “Unlocking growth – powered by biotech,” we are delivering solid growth and earnings in a volatile market environment, clearly demonstrating Novozymes’ return to higher growth rates.

In 2023, we generated 5% organic sales growth and delivered a solid EBIT margin of 25.4% before special items, reflecting the positive impact of our pricing efforts in another year affected by high input costs. Our free cash flow before acquisitions was DKK 2.1 billion, a sound cash generation considering the substantial impact of special items related to the combination.

The strength of Novozymes’ diversified portfolio and end-market exposure enable us to capture growth opportunities when they arise, creating overall stability. We delivered strong double-digit

growth in Bioenergy and solid growth in Household Care and Agriculture, Animal Health & Nutrition in difficult markets. Food, Beverages & Human Health and Grain & Tech Processing declined in markets impacted by inventory adjustments.

We achieved these results by leveraging our broad market presence, diverse portfolio, strong innovation muscle and our robust and unique scale-up capabilities. Throughout the year, we continued our pricing efforts by engaging in dialogue with customers to capture the fair share of the value that our biosolutions bring.

Delivering on our strategic ambitions

Meeting customer needs across both developed and emerging markets, we achieved organic sales growth of 6% in developed markets and 4% in emerging markets in 2023. We launched 18 innovative biosolutions to meet customer needs, and by leveraging capabilities across technologies and markets we launched new biosolutions including in the human health and functional foods space to enable bone strength and heart health, aid digestion and immunity, and improve plant-based foods.

Through our unique innovation capabilities, we enabled our customers in bioenergy to optimize the performance of their plants and achieve higher yields. Our customers highly value the ability to diversify their revenue streams through our biosolutions, which allow them to capture more protein, corn oil, and fiber. As the market for low carbon

Novonesis builds on more than one hundred years of innovation, unparalleled biotech capabilities, and the ability to deliver high quality biosolutions at scale to meet customer needs across the world.

fuels expands, we see an accelerating impact from our biosolutions for biomass conversion.

In Household Care, we delivered solutions for several segments and markets, including laundry, dish-wash, and fabric care.

We announced an exclusive long-term strategic global partnership with Carbios to enable biological recycling of plastic waste, which reduces greenhouse gas emissions and represents an important step towards the circular economy that we so greatly need.

An important achievement in 2023 was to finalize the construction of our state-of-the-art advanced protein production facility in Nebraska, U.S., which was done on time and according to plan. The site will enable us to meet the growing demand for alternative protein solutions.

In 2023, we joined a new innovative consortium together with the Novo Nordisk Foundation, the Bill & Melinda Gates Foundation, and other relevant players to convert carbon dioxide into protein for human consumption. On this important long-term journey, we are committed to contributing



our innovation power and biotech expertise to fight the rising global problems of food security and greenhouse gas emissions from agriculture.

We also joined forces with Arla Food Ingredients to develop advanced protein ingredients using precision fermentation. The initial focus of the collaboration will be protein ingredients for medical nutrition, but we aim to expand into other segments in the future.

Novonesis to lead a new era of biosolutions

Biosolutions are key to addressing the challenges our world is currently facing. They help tackle climate change, repair and improve broken food systems, and enable healthier lifestyles. To unleash the full potential of biosolutions and generate significant value for all stakeholders and society, we have taken an important strategic step to combine Novozymes and Chr. Hansen into Novonesis.

Novonesis builds on more than one hundred years of innovation, unparalleled biotech capabilities, and the ability to deliver high quality biosolutions at scale to meet customer needs across the world. Most importantly, it has a pool of more than 10,000 talented employees, all with a passion to better our world with biology. These strengths will enable Novonesis to lead a new era of biosolutions and unlock additional growth opportunities.

Short-term revenue and cost synergies will come from leveraging our commercial excellence to cross-sell biosolutions in an expanded market and from an optimized production setup, portfolio efficiencies, procurement savings and a more streamlined organization. Our unmatched biotech toolbox, diversified portfolio, and global reach will over the long term enable us to accelerate customer value creation and make us an unequalled partner to our customers.

Half of Novonesis' portfolio is focused on enabling healthier lives, while the other half is directed at enabling a healthier planet. We are better together, and the future will demonstrate the impact of our shared purpose and powerful capabilities. We are excited to have embarked on this next step of our journey as a leading global biosolutions partner.

Continuing our sustainability leadership

Biosolutions hold enormous opportunity for sustainable growth and will benefit societies worldwide. According to the World Economic Forum, the current addressable market for biosolutions is

around EUR 15 billion, and its economic impact is expected to triple by 2040. We see significant opportunities across our portfolio to address global needs while at the same time accelerating our growth ambitions. For example, biosolutions for carbon capture, biomass conversion, plastics recycling and advanced proteins can unleash our long-term growth potential and enable a more sustainable future.

We continue to advocate for biosolutions as a key enabler of a green transition across public and private sectors. In 2023, we attended the World Economic Forum, the U.N. General Assembly and COP28 to promote cross-sector collaboration for a healthier planet. We serve on the Board of Trustees of the Science Based Targets initiative and in the leadership of World Economic Forum's CEO Climate Leaders Alliance. Positions that enable us to push for corporate climate action across sectors.

In addition to our climate-related efforts, we also work on addressing challenges to biodiversity. We are committed to using nature's resources with the utmost care to ensure that our net impact benefits nature and our planet. In 2023, we worked closely with partners to support the development of scientific frameworks for companies to address their impact on nature, and going forward, we will deepen our engagement in this space.

Novozymes has walked the talk as a sustainability leader and we are proud to have achieved a 67%

reduction of greenhouse gas emissions from our operations, relative to our 2018 baseline, and sourced 84% of our electricity from renewable sources. These efforts are aligned with our goal of reaching net-zero emissions across scopes 1, 2 and 3 by 2050, targets which have been validated by the Science Based Targets initiative.

Our scores on employee engagement and development were at 84, which was above the industry benchmark of 81. We are especially proud of this achievement during what has been a year of change at Novozymes. Diversity and inclusion also remained a priority, and we conducted several initiatives across our regions, including trainings and changing HR policies. In 2023, the share of women in senior management increased to 36%, compared with 33% last year.

As a combined entity, Novonesis is well-positioned to continue the path of sustainability leadership, and we will strive to do even better for our planet and our people. We will remain committed to achieving net-zero emissions by 2050 while nurturing diversity and inclusion and aiming to achieve gender balance across all professionals and senior management by 2030.

Building a future on a strong legacy

During the past 23 years, Novozymes has made a positive mark on the world, driven by a strong and powerful purpose. We are building our future on this strong legacy and foundation.

In May 2023, we announced the appointment of Rainer Lehmann as CFO and Executive Vice President. Rainer joined Novozymes in November 2023, and will be a strong partner to the whole organization as we execute on our integration with Chr. Hansen and drive our operating results to secure sustainable value creation. Rainer succeeds Lars Green, who left Novozymes in 2023. We are immensely grateful for everything Lars has contributed to Novozymes and we wish him all the best in his future endeavors.

We extend our thanks to Novozymes' Executive Leadership Team and Board of Directors for their contributions. We are deeply appreciative of the lasting impact you have had on Novozymes. We also thank our dedicated employees, customers, partners, and shareholders for their trust in and support for Novozymes and our exciting journey ahead.



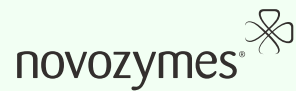
Cees de Jong, Chair



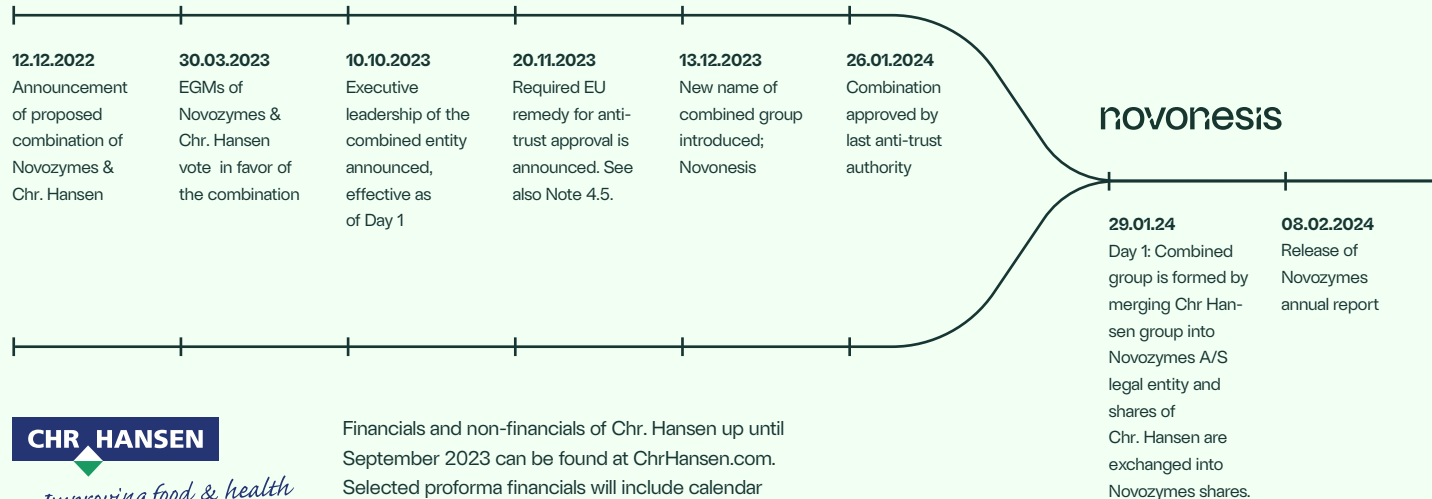
Ester Baiget, CEO

Novonesis: a new beginning

novonesis



2023 financials and non-financials of Novozymes are disclosed in this annual report. Forward-looking elements represent Novonesis.



Financials and non-financials of Chr. Hansen up until September 2023 can be found at ChrHansen.com. Selected proforma financials will include calendar year financials released during 2024. Novonesis financial reporting will include Chr. Hansen financials and non-financials from 29 January, 2024.

Completion of the combination between Novozymes and Chr. Hansen

Novozymes and Chr. Hansen proposed on Dec. 12, 2022, to combine by way of a statutory merger, and the final registration with the Danish Business Authority* was successfully completed on 29 January, 2024.

The name, Novonesis**, reflects a new era of biosolutions where innovation in biological sciences and technology will offer solutions to solve some of the biggest challenges facing humanity. The combined entity will create a leading global biosolutions partner with a broad biological toolbox and a diversified portfolio in attractive markets.

Chr. Hansen's shares were exchanged for a total of 187,298,646 Novozymes shares at the exchange ratio of 1.5326 for Chr. Hansen Shareholders, excluding stock held by Novo Holdings A/S, and at the exchange ratio of 1.0227 for Novo Holdings' shares resulting in a total value of DKK 67.7 billion being paid out to former Chr. Hansen Shareholders.

Novo Holding will remain the main shareholder of Novonesis, like for Novozymes and Chr. Hansen, and their long-term interest in Novonesis is reflected by their full support of the merger and the acceptance of a lower exchange ratio.

* By Chr. Hansen Holding A/S being merged into the continuing legal entity of Novozymes A/S.

** The Novonesis and Novozymes A/S names will co-exist for an extended time to govern the regulation name change process. The combined group has been called and operated as Novonesis since January 29, 2024.

Our business

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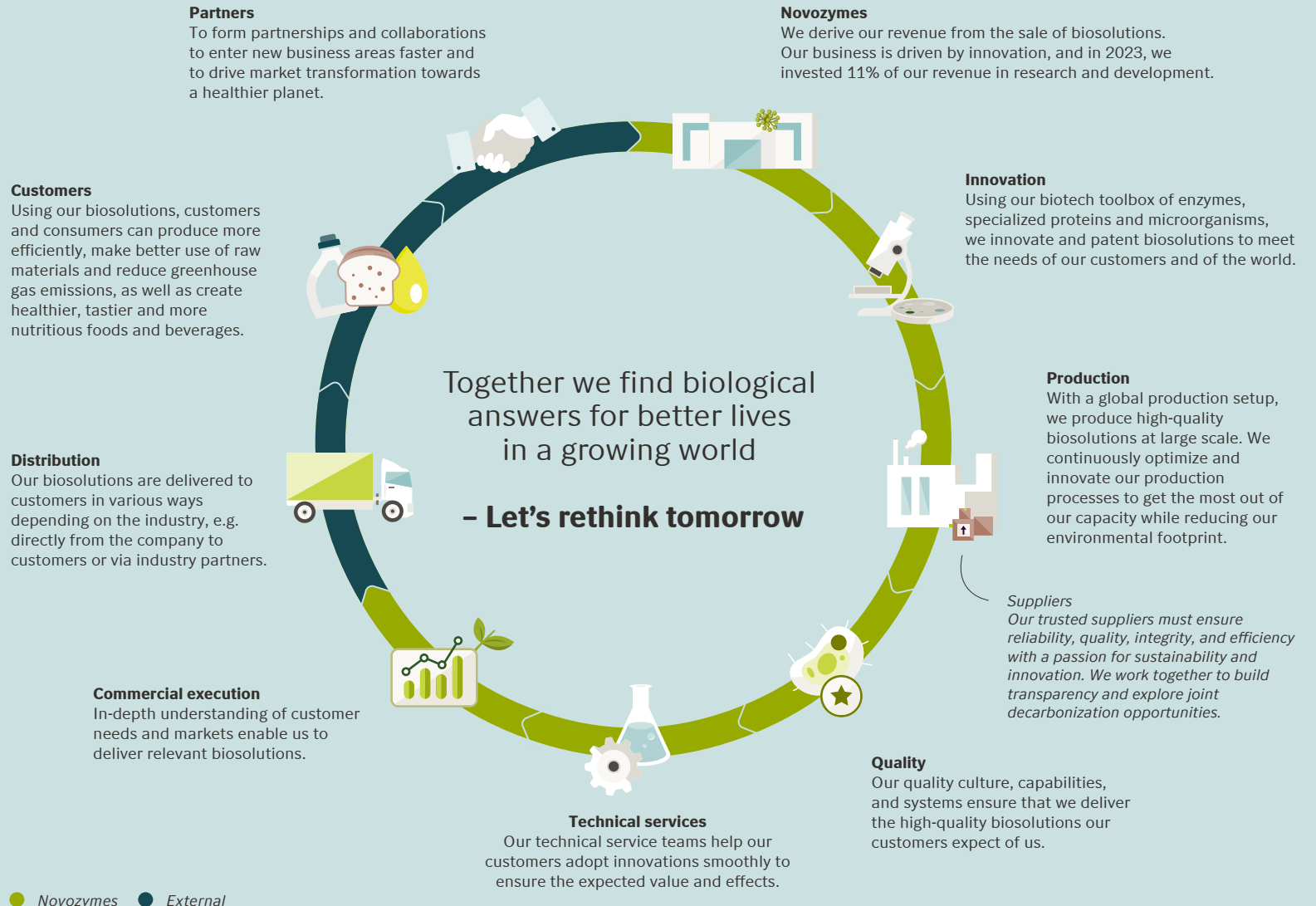
Novozymes' business model

Novozymes is a world leader in biosolutions. We provide hundreds of biosolutions across numerous industries the world over. We use the power of biotech to help our customers grow their businesses while preserving the planet's resources and enabling better lives.

We combine an insights-driven approach with an unparalleled biotech toolbox and ability to develop solutions at large scale. Our business model and our strategy, "Unlocking growth – powered by biotech", have formed the framework for how we use our resources.

Read more about Novozymes' business on [Novozymes.com](https://www.novozymes.com).

Visit



Strategy & commitments

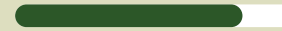
Our strategy “Unlocking growth – powered by biotech” has set a clear direction for Novozymes’ continued growth. It has guided us on how to invest, innovate, partner with customers, and develop our organization to deliver biosolutions that address the growing needs of our world. Our strategic focus has supported a return to higher growth rates in recent years in a profitable and sustainable manner, laying the building blocks for future growth.

2023 was another year marked by dynamic market conditions with high input costs and supply chain disruptions. In this context, our biosolutions were more important than ever, helping our customers save on vital resources while enabling them to meet consumer needs. We stayed on track with our strategic goals, and two years after launching our strategy, we are executing at full speed. We are leveraging our broad market presence, diverse portfolio of biosolutions, our unique biotech toolbox and our robust scale-up capabilities.

We have accelerated growth and invested in platforms for future growth and value creation. The combination with Chr. Hansen, creating Novone-sis, marks a new era in biosolutions allowing for stronger combined and profitable growth for both the short and the long term.

Our commitments to a healthy planet

“Unlocking growth – powered by biotech” started with our three commitments to a healthy planet: “Accelerate towards a climate-neutral society”, “Transform food systems” and “Enable healthier lives”. In 2023, we derived most of our revenue from biosolutions that enable a healthy planet:



81%

of revenue came from biosolutions that help accelerate a climate-neutral society.

We enabled our customers to reduce their greenhouse gas emissions by helping them produce more from less and reduce the use of fossil-based fuels, chemicals and other raw materials.



32%

of revenue came from biosolutions that help transform food systems.

We enable our customers to rethink food production from field to fork by growing more per acre and ensuring better quality and tastier food and beverages. Our biosolutions also help prevent food waste and enable products with plant-based protein.



7%

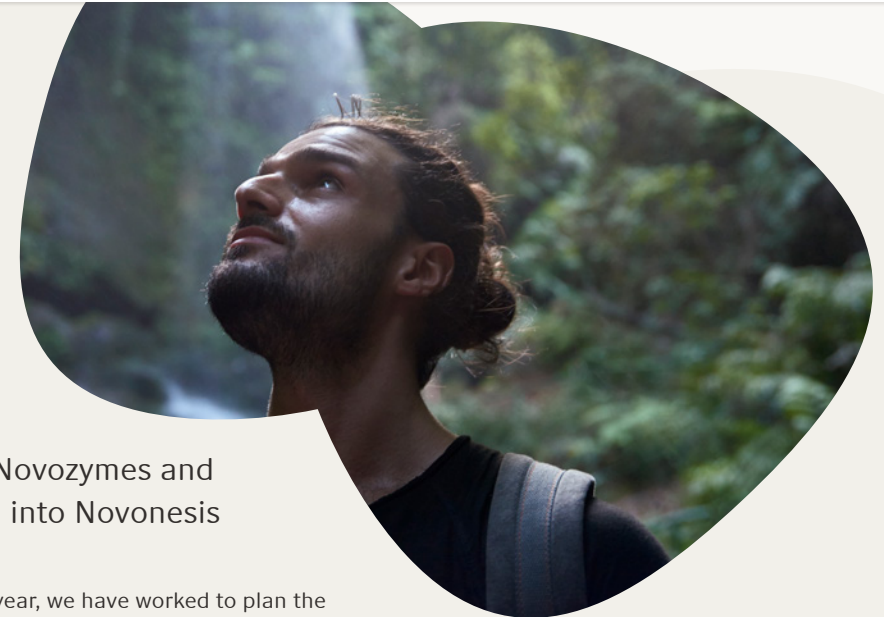
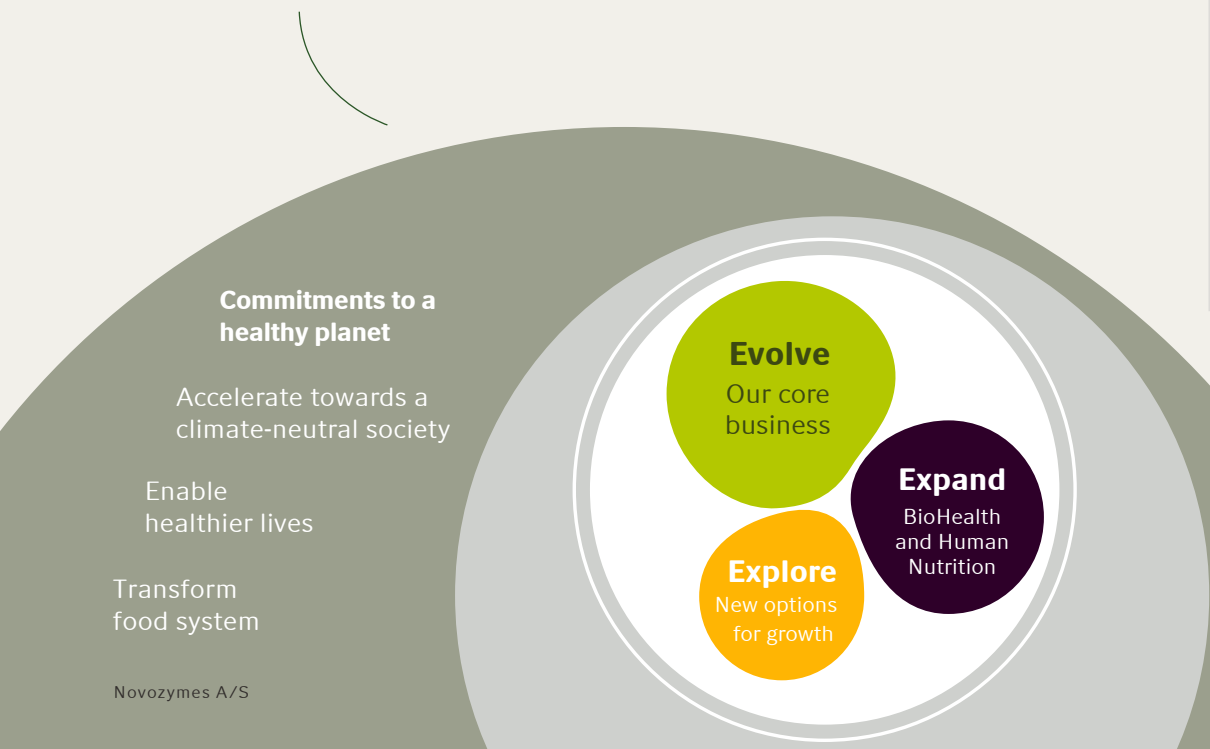
of revenue came from biosolutions that enable healthier lives.

We helped our customers meet consumer needs with biosolutions that enhance nutrition and increase well-being. Our biosolutions enabled health benefits as well as food and beverages with cleaner labels, an improved nutritional profile and less sugar.

The total adds up to more than 100% as some of our biosolutions contribute to more than one commitment.

2023 strategy highlights

The three growth pillars Evolve, Expand and Explore in our strategy, “Unlocking growth – powered by biotech” have guided our investments and priorities to grow Novozymes and direct the company’s next chapter.



Combining Novozymes and Chr. Hansen into Novonesis

Throughout the year, we have worked to plan the integration of Novozymes and Chr. Hansen, while also delivering on business continuity. Dedicated teams from both companies have worked in 22 workstreams to ensure that the new company will be fully operational and able to deliver synergies from day one. Focus has also been on meeting important milestones, including obtaining both shareholder and regulatory approvals.

We also worked on designing the right organization for Novonesis to support the company’s ambition to stay positioned as a globally leading biosolutions partner, delivering value to shareholders and society. We announced a new Executive Leadership Team and the proposed candidates for the board of Novonesis, all with the right competences and experience to drive the company forward and deliver customer value together with our more than 10,000 employees. We also focused on defining a new culture for Novonesis, grounded in the company’s strong heritage, as well as creating a new brand identity and purpose that inspires a new era for biosolutions.



Evolve

Our core business

Strengthening our engagement with customers

We expanded and deepened our engagement with customers to help them meet consumer and market needs better and faster. With new abilities to co-create prototypes of final products across more categories coupled with a consumer first perspective, we were able to quickly demonstrate to customers the impact biosolutions can have for their products. For example, we co-developed prototypes for plant-based meats, dairy products, and food and beverages with added nutritional benefits.

We accelerated this journey by opening two new customer co-creation centers in Europe and the U.S., which provide a place to develop new exper-

tise, design new food concepts and to create prototypes to speed up the product development process in the food and health space.

Driving sustainability leadership

We continued to advocate for biosolutions as key enablers for a green and just transition, engaging with stakeholders on the global stage in 2023. Our CEO, Ester Baiget, joined the Science Based Targets initiative's Board of Trustees to help drive corporate climate action across the private sector. As vice-chair of The B Team and co-chair of the World Economic Forum's Alliance of CEO Climate Leaders, Ester also works to enhance cross-sector collaboration between companies, governments and organizations to ensure the health of our planet and its people.

Furthermore, Novozymes engaged in the World Economic Forum's Annual Meeting, the U.N. General Assembly and COP28 to advocate for biosolutions as a key enabler of a green and just transition and to encourage the removal of regulatory barriers for green technologies to incentivize investments and accelerate a net-zero economy.

We also continued to work with important stakeholders, the U.N. Global Compact, the International Chamber of Commerce, the U.N. Foundation and many others to push for a greener future.



Expand

BioHealth and Human Nutrition

Expanding the reach of our biosolutions

We expanded our offerings to customers and launched 18 biosolutions across different industries and geographies. By achieving synergies from earlier acquisitions, we launched new biosolutions in the human health and functional food space to enable bone strength and heart health, aid digestion and immunity, and enable better plant-based foods. We enabled customers to produce ethanol more efficiently to achieve higher yields, including yields of co-products, such as corn, oil, fiber, and protein. We also met the increasing demand for biosolutions for second-generation ethanol and biodiesel produc-

tion, which is gaining momentum, especially across emerging markets.

In Household Care, we continued to address unmet consumer needs beyond stain removal and launched another freshness solution with a key partner to meet demand for hygienic deep cleaning.

We continued to deliver on our ambition to enable the next generation of protein solutions. The new advanced protein production facility in Nebraska, U.S., will enable us to meet the growing demand for protein solutions and is an important step in our commitment to transform food systems.



Explore

New options
for growth

Accelerating a climate-neutral society

We advanced our collaboration with Carbios and announced an exclusive long-term strategic global partnership to continue to tackle the challenge of plastic pollution.

Our continued focus on biomass conversion has enabled our customers to efficiently produce bio-fuels from waste material. Cellulosic ethanol produced by biomass conversion has a lower carbon intensity than conventional bioenergy, qualifying it for use as sustainable aviation fuel and opening new channels for growth. In 2023, we saw sol-

id progress on the expansion of the capacity for biomass conversion led by Brazil, but also with positive developments globally.

We continued to explore new opportunities for biosolutions to address some of the world's biggest challenges. We joined a new innovative consortium consisting of the Novo Nordisk Foundation, the Bill & Melinda Gates Foundation, and other relevant players to convert carbon dioxide into protein for human consumption.

Novozymes and Arla Food Ingredients entered into a partnership in 2023 to develop advanced protein ingredients through precision fermentation.

novonesis

The next step on our strategic journey

Combining with Chr. Hansen is a significant step forward in the implementation of our strategy. The new company is a leading global biosolutions partner that is uniquely positioned to enable the transition to a more sustainable world. Novonesis will leverage its technology platform to bring biological innovations to scale and to market, addressing some of the world's most pressing challenges.

We are committed to delivering what the market demands, whether it be enzymes, microbes, proteins, or combinations of these different solutions. Our approach involves close collaboration with customers to tailor solutions that precisely meet their requirements.

By leveraging the complementary skills of both companies, Novonesis will be even better positioned to deliver solutions for healthier people and a healthier planet. Half of Novonesis' portfolio focuses on enabling healthier lives and producing better foods. The other half addresses reducing chemical use and targeting climate neutral practices to create a healthier planet. Novonesis has a very diverse portfolio, a strong innovation muscle, world class fermentation

capabilities and a global reach. This enables Novonesis to innovate, scale and meet evolving customer needs.

Beyond our solutions, we will continue to hold ourselves accountable by having clear non-financial targets for our operations, supply chain and our employees.

Building on the strong legacy of both companies, Novonesis will continue on the path of sustainability leadership. As part of the combination announcement, we have already defined two specific commitments on climate action and diversity.

The company marks the beginning of a new era of biosolutions. Based on our purpose of making the world better with biology, Novonesis will serve as a growth partner to customers, a value creator for shareholders, and a company that has a significant, positive impact on society and the planet.

[Learn more about Novonesis here](#)

Visit

Targets & progress

Sustainability is deeply rooted in our mindset and business. We are committed to ensuring continued growth and value creation for our company by delivering biosolutions that enable a healthier planet, while also reducing the environmental impact of our production and supply chain.

We believe actions speak louder than words, and we hold ourselves accountable by setting clear financial and non-financial targets for our business, operations, employees and society. The targets guide our efforts to improve the environmental performance of our operations, ensure that we continue to better our workplace, and that we act as a responsible corporate citizen.

We are proud to be recognized for our sustainability leadership and performance by many leading rating agencies, including CDP, MSCI, Sustainalytics, Ecovadis and more.

Climate action and transparency

Climate action was a key focus area throughout 2023.

We achieved a 67% reduction of greenhouse gas (GHG) emissions from our operations from a 2018 baseline, and we sourced 84% of our electricity from renewable sources.

At the same time, we made strides to engage with key suppliers to ensure better transparency of emissions and explore joint decarbonization opportunities. Our total scope 3 emissions in 2023 were reduced by 12% compared to 2022, driven by reductions related to the purchase of goods and services, as a result of lower inventories, changes in product mix and production volumes. Moving forward, we expect scope 3 emissions to continue to fluctuate based on production and market variability, while in a downward trend.

Since 2018, our total scopes 1, 2 and 3 emissions have decreased by 32%, and most of the emissions come from our supply chain (scope 3), as explained in the table. These efforts are aligned with our ambitious goal of achieving net-zero emissions across scopes 1, 2 and 3 by 2050, targets which have been validated by the [Science Based Targets initiative](#).

In our report, “Our Climate Journey”, we outline the decarbonization pathway and our further efforts to drive market transformation towards a climate neutral society.

Read more here [Visit](#)

Staying focused on our employees

We remain committed to helping our employees develop in a thriving, diverse and inclusive workplace, and we are proud of the results we achieved in 2023. Our Thrive Index, which is developed from specific questions around engagement and development from our annual employee survey, showed

a score of 84, which is three points higher than the industry benchmark, indicating that our employees are learning, developing and feel connected to our company and strategy.

We are especially proud of this achievement during what was a year of change at Novozymes due to the planned combination with Chr. Hansen. Such a significant event can naturally be a cause of uncertainty for people, and we focused on supporting our employees navigate this changing landscape by communicating clearly and consistently and by equipping our leaders with knowledge and tools to lead during a period of uncertainty and change.

CO ₂ equivalent emissions (1,000 tonnes)	2018	2022	2023
Scope 1 total	38	46	40
Scope 2 total	399	115	103
Purchased Goods and services	536	545	477
Fuel and energy related activities	95	109	100
Upstream transportation and distribution	63	67	53
Waste generated in operations	7	7	7
Business travel	14	6	7
Scope 3 total	715	734	644
Total scopes 1+2+3 emissions	1152	895	787

Scope 1: Direct GHG emissions that occur from sources controlled or owned by an organization.

Scope 2: Indirect GHG emissions associated with purchased energy.

Scope 3: All other GHG emissions from activities not owned or controlled by Novozymes, but which form part of our value chain.

Operations

Climate

We are committed to high standards and ambitious actions to improve our climate footprint across scopes 1, 2 and 3 with the aim of achieving net-zero emissions by 2050. Novozymes' net-zero target has been validated by the Science Based Targets initiative*.

2023 summary

We achieved a 67% reduction of our absolute scopes 1+2 GHG emissions through our persistent focus on energy efficiency and increased sourcing of renewable electricity. In 2023, 84% of our electricity came from renewable sources.

One of the key contributors to the emissions reduction in 2023, was our site in Blair, U.S. which started to procure renewable energy certificates from wind farms in Nebraska.

Additionally, as one of the few companies to receive such recognition, Novozymes was named on CDP's Climate Change A List for our commitment to environmental transparency and action on climate change.

Learn more in the Notes on [Climate change](#) and [Energy](#)

novonesis

Climate is a key material issue for Novonesis, and we remain committed to our climate leadership position. Novonesis will retain the target of reaching net-zero GHG emissions by 2050 as verified by the Science Based Targets initiative. By 2030, we aim to achieve a 75% reduction in scopes 1 and 2 GHG emissions from Novonesis' own operations, and a 35% reduction in scope 3 emissions from the full supply chain, all from a 2018 baseline*.

* As per guidelines from the Science Based Targets initiative (SBTi), we have combined the existing emissions data across scopes 1, 2 and 3 from Novozymes and Chr. Hansen. The combined emissions do not represent a significant change in the percentage contribution from scopes 1, 2, 3 and within scope 3 categories. Therefore, Novonesis' target will have 2018 as the baseline year, and the targets will remain SBTi validated. Moving forward, Novonesis will merge the methodologies, improve emissions data, and consistently monitor progress following guidance from SBTi and GHG Protocol.

Targets	2023 performance	Status	2025 target	2030 validated target	2050 validated target
Scopes 1+2	We achieved a 67% reduction of our absolute greenhouse gas (GHG) emissions.* In 2023, 84% of our electricity came from renewable sources.	On track	Reduce absolute GHG emissions* from our operations by 65% Purchase 100% renewable electricity	Reduce absolute GHG emissions* from operations by 75%	Net-zero*
Scope 3	We implemented optimization initiatives to deliver solutions produced with fewer materials.	On track		Reduce absolute GHG emissions from supply chain* by 35%	

* Novozymes commits to reach net-zero GHG emissions across the value chain by 2050 from a 2018 base year.

Near-Term Targets: Novozymes commits to: reduce absolute scopes 1 and 2 GHG emissions 75% by 2030 from a 2018 base year¹, increase annual sourcing of renewable electricity from 37% in 2018 to 100% by 2025, reduce absolute scope 3 GHG emissions from purchased goods and services, fuel and energy-related activities, upstream transportation and distribution, waste generated in operations and business travel by 35% by 2030 from a 2018 base year.

Long-Term Targets: Novozymes commits to: reduce absolute scopes 1 and 2 GHG emissions by 90% by 2050 from a 2018 base year¹, reduce absolute scope 3 GHG emissions from purchased goods and services, fuel and energy-related activities, upstream transportation and distribution, waste generated in operations and business travel by 90% within the same timeframe.

¹ The target boundary includes biogenic emissions and removals associated with the use of bioenergy.

Operations

Water

Our approach towards water stewardship is driven by science and our ambition to manage water in balance with local conditions at all our sites. We focus on optimizing our water consumption, while outside our operations, we work on water restoration in collaboration with external partners.

2023 summary

In 2023, we implemented three key water recycling and efficiency projects – a nano filtration and reverse osmosis project in Kalundborg, Denmark for water recycling and two water efficiency projects in Franklinton, U.S. and Tianjin, China. The

reverse osmosis equipment installed in Kalundborg will bring us closer to meeting our target of improving freshwater withdrawal by recycling 10% more water by 2025 from a 2021 baseline.

In India, we continued to work on water restoration projects together with the local community. Since 2020, we have completed water availability projects across five villages in Patalganga, India, which have benefitted approximately 3,100 people.

Learn more in the Note on [Water](#)



Targets	2023 performance	Status	2025 target	2030 long-term commitment	2035 long-term commitment
Water recycling	<p>We began implementing our roadmap and initiated the execution of three major water recycling projects across our global sites.</p> <p>We completed the installation of a nanofiltration and reverse osmosis project in Kalundborg, Denmark, which resulted in the recycling of approximately 58 million liters of freshwater, which is equivalent to 23 Olympic swimming pools.</p>	On track	Improve freshwater withdrawal by recycling 10% more water*	Improve freshwater withdrawal by recycling 15% more water*	Improve freshwater withdrawal by recycling 20% more water*
Water, Sanitation and Hygiene (WASH)	We restored 5.08 billion liters of groundwater across five villages in Patalganga where WASH is a challenge. Since 2022, approximately nine billion liters of water have been restored in the basin.	On track	Restore 10 billion liters of water* in basins close to our production sites where WASH is a challenge	Restore 30 billion liters of water* in basins close to our production sites where WASH is a challenge	

* From a 2021 baseline.

Operations

Circular

Novozymes is committed to managing waste and resources in a circular manner. In our operations, we take a holistic approach towards circularity, such as via packaging recyclability and site-specific initiatives to reduce and recover waste.

2023 summary

In 2023, the total recycling and composting rate was above 99%, and less than 1% was sent to landfill or for incineration without energy recovery. 100% of our biomass was managed in a circular manner and used as raw material in fertilizer production for agriculture with or without prior biogas production.

Of the non-biomass waste, we achieved a 74% recycling rate compared with 63% in 2022. We have undertaken various initiatives to further reduce, recycle, reuse, and recover the waste gen-

erated in 2023. At one of our North American sites, cross-functional collaboration has led to increased recycling and elimination of most of the waste, which previously was sent to landfills.

In 2023, we took action on our previously developed circular packaging plans to make our key packaging recyclable, reusable or compostable. We have already started working on two strategic initiatives and are on track to have key circular projects in pilots with demonstrated benefit by 2025.

Learn more in the Note on [Waste](#)



Targets	2023 performance	Status	2025 target	2030 long-term commitment
Zero waste	The total recycling and composting rate was above 99%, while less than 1% was sent to landfill or for incineration without energy recovery.	On track	N/A	Zero waste to landfill from operations*
Circular projects	We have identified and begun work on two strategic circular projects.	On track	Two key circular projects in pilots with demonstrated benefits	Three key circular projects successfully implemented

* The target does not include sites with activities not considered to have a significant environmental impact, e.g. sales offices, R&D labs, etc.

Employees & society

Include

We strive for an inclusive and diverse organization. We aim to achieve that by nurturing a culture of inclusion and belonging, where employees can be themselves, and by fostering equity in all aspects of employment. We seek to achieve gender balance* and mirror the societies in which we operate.

2023 summary

We conducted various regional initiatives to promote a diverse and inclusive workforce, ranging from employee engagement activities to changing HR policies. For example, across countries in the Asia Pacific region, we held training sessions that focused on cultural awareness and unconscious bias.

In the Middle East and India, the focus on equity included a mentoring program focused on leadership development for female employees. In North America, we trained managers to talk to their teams about inclusion.

In Latin America, employee resource group leads were trained in effective sponsorship of diversity, equity and inclusion, and all employees were encouraged to attend training in the importance of promoting minority groups. In Denmark, we changed our policies to provide employees with equal access to fully paid parental leave regardless of their tenure at Novozymes.

Learn more in the Note on [Inclusion & diversity](#)



novonesis

Novonesis remains committed to diversity and inclusion. With a target of 45% women and 45% men across all professionals and in senior management by 2030, Novonesis aims to achieve gender balance across the organization.

Targets	2023 performance	Status	2025 target	2030 long-term commitment
Diversity & Inclusion	<p>Our senior management consisted of 215 employees of which 36% were women; an increase compared to 33% in 2022.</p> <p>The gender diversity balance across all professionals remained at 43% women and 57% men, as in 2022.</p>	On track	≥ 35% women in senior management and ≥ 45% women across all professionals	≥ 45% women and ≥ 45% men across all professionals and in senior management

* Gender balance means that, as a minimum, we will have 45% women and 45% men across all professionals and in senior management. Definitions on professional and senior management can be found in the Note on [Inclusion & diversity](#).

Employees & society

Thrive

We are dedicated to having a workplace where employees can feel safe, thrive and grow. We achieve that by ensuring their safety, promoting mental and physical well-being, supporting them across different life stages as a compassionate employer, and boosting their learning and skills development.

2023 summary

We conducted an extensive analysis of incidents from previous years, developed a new strategy for health and safety with strengthened targets and defined key initiatives. In 2023, we also rolled out a mandatory global safety e-learning program for

all employees and a new safety compliance assessment tool to further analyze and identify safety gaps and ensure corrective action in high-risk areas such as manufacturing, laboratories and maintenance.

The announcement of the combination of the two companies has brought about many changes and questions, which can naturally cause uncertainty for some people. We prioritized supporting our employees by providing clear and consistent communication, as well as equipping our leaders with the necessary knowledge and tools to lead during a period of change and uncertainty. During the year, we also strengthened our focus on psycho-

logical safety to ensure that we nurture a culture where everyone can comfortably voice their opinion.

Learn more in the Note on [Employee safety & well-being](#)



Targets	2023 performance	Status	2025 target	2030 long-term commitment
Safety	The three-year rolling average of occupational injuries with absence* was recorded at 1.5, which is consistent with our target.	On track	Three-year rolling average of occupational injuries with absence* ≤ 1.5 by 2025	A workplace where employees stay safe, thrive and grow
Employee engagement & learning	We achieved a score of 84 on our Thrive Index**, which is three points higher than the 2023 industry benchmark of 81. This result indicates that our employees are not only learning but also engaged and committed to our purpose and strategy.	On track	Achieve the same score as benchmark on our Thrive Index***	

* Frequency of occupational injuries with absence per million working hours.

** Our Thrive index is developed from specific questions around engagement and development from our annual employee survey.

Employees & society

Inspire

We pride ourselves on having a culture of change-makers with employees who want to leave a positive mark on the world. We encourage this by pledging 1% of our work time to outreach activities that support community needs, help educate the next generation and enable our employees to live more sustainably.

2023 summary

Our employees are engaged in multiple initiatives and causes. For example, to support people affected by the earthquake in Türkiye and Syria, employees packed supplies and raised funds for relief organizations.

In Denmark, South Korea, Japan, South Africa and other countries, employees engaged with students from high school to university level, showcasing and teaching them the captivating aspects of our work with biosolutions, as well as engaging in career talks.

Learn more in the Note on [Community engagement](#)



Targets	2023 performance	Status	2030 long-term commitment
Inspire the world	We engaged in several Inspire initiatives across our regions to support local communities, educate young people and enable sustainable living.	Qualitative reporting only	Pledge 1% of our time to community outreach

Outlook

As we continue to grow, we constantly challenge ourselves to do even better for our planet and our people. As a combined entity, Novonesis is well-positioned to continue the path of sustainability leadership.

The combination of Novozymes and Chr. Hansen only just closed on January 29, 2024, and management has not had access to data for the combined companies prior to closing, therefore 2024 expectations cannot be provided in a reliable and meaningful way for the Novonesis group at this point in time.

Outlook for 2024 will be provided as soon as data has been consolidated and verified but will be provided no later than March 31.



Governance

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Corporate governance

We have a proactive and transparent corporate governance structure in place to ensure responsible business conduct and long-term value creation.

Shareholder authority

Shareholders hold the ultimate authority over the company and can at the Annual Shareholders' Meetings exercise their right to make decisions, including through the appointment of the Board of Directors. The Board of Directors is accountable to the shareholders for the management of the company.

In 2023, we held an Annual Shareholders' Meeting as well as an Extraordinary General Meeting (EGM) to adopt the implementation of the statutory merger of Novozymes A/S and Chr. Hansen Holding A/S in accordance with the merger plan of 12 December 2022.

Board composition and responsibilities 2023

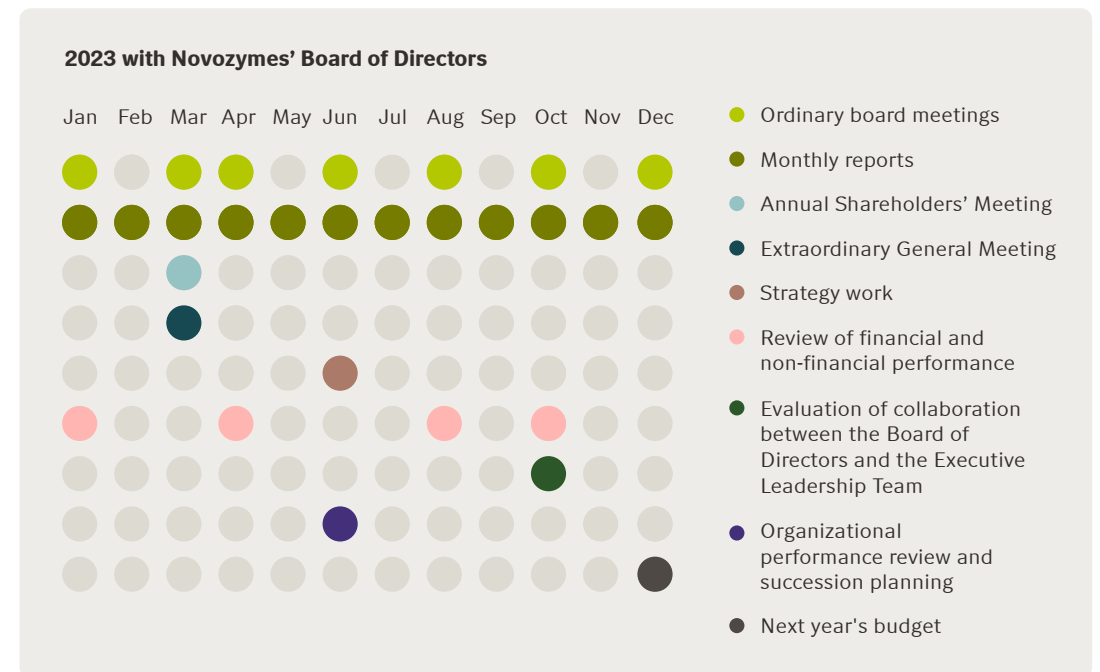
In accordance with Danish legislation, the company has a two-tier management structure consisting of the Board of Directors and the Executive Man-

agement, with no individual being a member of both. The division of responsibilities between the Board of Directors and the Executive Management is clearly outlined and described in the Rules of Procedure for the Board of Directors and the Rules of Procedure for the Executive Management.

Both rule sets are available on our website.

[Visit](#) 

Novozyymes' Articles of Association require the Board of Directors to consist of from four to ten members. At the EGM in 2023, it was approved to increase the number of members from eight to ten. In 2023, the Board of Directors had six shareholder-elected members, each elected for a term of one year. Nominations were based on an evaluation of various factors such as competencies,



diversity, independence and performance. In accordance with Danish law, the Board of Directors also had four employee-elected members, who serve four-year terms.

The composition of the Board of Directors ensured that the combined competencies of the Board enabled it to inspire, guide and oversee Novozymes' development, and diligently addressed and resolved the issues and challenges facing Novozymes at any given time.

The statutory report on diversity pursuant to section 107d of the Danish Financial Statements Act is available on our website.

[Visit](#) 

Governance structure

In accordance with the Articles of Association and the Rules of Procedure for the Board of Directors, the Board of Directors had a Chairmanship consisting of two members: the Chair and the Vice Chair. They assist in matters concerning the Execu-

tive Leadership Team's operational management and report back to the Board of Directors. The Chairmanship is also responsible for planning and preparing board meetings.

Sustainability governance

Sustainability has always been deeply rooted in our mindset and business. It has shaped the way we work, the way we run our operations, the delivery of biosolutions to customers, and our engagement with the communities we are a part of. It is deeply embedded in our purpose "Together we

find biological answers for better lives in a growing world - Let's Rethink Tomorrow" as well as our strategic direction. Novozymes' purpose and values have been reviewed regularly by Novozymes' Board of Directors to ensure that they remain sound and relevant in steering the company forward, nurturing our unique culture and being a responsible corporate citizen. The Board of Directors has also focused on ensuring that purpose, values, and culture play a key role in future business operations, including in relation to the combination of Novozymes and Chr. Hansen.

Sustainability has been governed from the highest level by the Board of Directors and the Executive Leadership Team and was presented and discussed at board meetings throughout 2023. Corporate performance on key environmental, social, and governance (ESG) matters were linked to executive remuneration through nonfinancial targets.

Please see our Remuneration Report for more details.

[Visit](#) 

The Board of Directors is responsible for overseeing financial and nonfinancial performance as part of the Executive Leadership Team's day-to-day running of Novozymes, as well as ensuring responsible corporate conduct and a long-term perspective.

Read more about our sustainability governance on the Novozymes website.

[Visit](#) 

Gender diversity

We are committed to nurture a culture of diversity, equity and inclusion, and have a policy for diversity and equal opportunity, which covers our entire workforce as well as the Board of Directors for the purpose of increasing diversity, including the share of the underrepresented gender, at all management levels.

For more information about our policy on diversity, please see "Position on diversity and equal opportunities" and our diversity statement prepared in accordance with Section 107d of the Danish Financial Statements Act.

[Visit](#) 

The statutory reports required by the Danish Financial Statements Act are published on our website:

- Corporate Governance (§107b)
- Diversity (§107d)
- Data ethics (§99d)
- Corporate social responsibility (§99a)

<https://investors.novozymes.com/investors/corporate-governance/articles-of-association-and-reports-on-corporate-governance/default.aspx>

[Visit](#) 



Diversity on the Board of Directors

Our policy for diversity and equal opportunities covers the workforce and the Board of Directors. Ambitious diversity targets have been in place for the Board of Directors to ensure the right mix of competencies to address the challenges of a large global company.

The Board Competency Profile reflects the targets that have been defined for all competencies required on the Board of Directors.

Visit [↗](#)

According to Novozymes' target on gender diversity for shareholder-elected board members, 40% or more must be female and 40% or more must be male. In 2023, 33% of Novozymes' shareholder-elected board members were women. Please also refer to the overview of diversity targets for board members elected by shareholders. Despite not meeting our own gender diversity target, the composition of the Board of Directors met the gender diversity requirements set out in Danish legislation, see the table on statutory reporting of gender diversity.

Gender diversity at other management levels

Our targets on gender diversity aim to increase the share of the underrepresented gender at all management levels.

In accordance with section 99b of the Danish Financial Statements Act, we have a target specifically for "other management levels" at Novozymes A/S defined as a first management level, which we identify as the Executive Leadership Team, and a second management level comprising people managers of Novozymes A/S reporting to the Executive Leadership Team. Here, we strive to achieve a minimum of 45% women and 45% men at other management levels by 2030.

In 2023, the number of employees at other management levels was 38, of which 40% were women. We will continue to work towards a 2030 target for Novonesis. More information on our 2025 and 2030 gender diversity targets globally can be found in Note 8.2 Inclusion & diversity.

Statutory reporting of gender diversity for Novozymes A/S

Board of Directors

	2023
Number of members	6
Minority gender in %	33%
Target in %*	Not required

Other management levels

Number of members	38
Minority gender in %	40%
Target in %	45%
Year of target	2030

* Novozymes has set voluntary targets, despite not being legally required to.

Measurements and impact

The Executive Leadership Team is included in the monitoring of the targets for gender diversity globally. The gender diversity targets are anchored in KPIs across the organization, and there are quarterly follow-ups on gender diversity in promotions and new hires. Focus on gender diversity is included in core HR processes and regional roadmaps.

Generally, we see an increased focus on gender diversity across our leadership teams, and as an example in 2023, our newest leadership program,

Leading Tomorrow, was offered to an equal number of female and male leadership talents, which provides a gender-balanced leadership talent pool for the future. Furthermore, to promote gender diversity among leaders in the company, we introduced specific requirements in our succession management systems to monitor diversity among the potential successors for leadership positions.



Board committees

The Board of Directors has three committees: The Nomination and Remuneration Committee, the Audit Committee, and the Innovation Committee. Committees covering specific topics may also be formed on an ad-hoc basis.

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board of Directors in nominating candidates for the Board of Directors, board committees and the Executive Management, as well as proposing the remuneration of members of the Executive Management, the board members and board committee members. The Nomination and Remuneration Committee meets as necessary, but always at least twice a year. The committee held six meetings in 2023, all with a 94% attendance rate. Members of the Committee in 2023 were Cees de Jong (Chair), Kim Stratton and Kasim Kutay.

Subjects dealt with at meetings cover both fixed topics that are reviewed regularly according to the committee's annual cycle and other items identified for discussion during the year.

More information can be found in the Charter of the Nomination and Remuneration Committee.

[Visit](#)

In 2023, some of the significant topics covered were selection process for a new CFO, updated benchmarking of management remuneration and various topics related to the proposed combination with Chr. Hansen.

The Audit Committee

The Audit Committee assists the Board of Directors in overseeing aspects relating to accounting, auditing, risks, internal controls and financial, tax, treasury, environmental, social and governance data. The Audit Committee meets as necessary, however, at least four times a year. The committee held five meetings in 2023, all with a 100% attendance rate. Members of the committee in 2023 were Heine Dalsgaard (Chair), Cees de Jong, and Morten Sommer.

Information on members, qualifications, self-assessment, and recurring tasks, etc. can be found in the Charter of the Audit Committee.

[Visit](#)

Novozymes' Audit Committee reviews all reports from the global corporate whistleblower system for reporting of suspected illegal or unethical misconduct within the company. See more in the Note on [Business ethics](#).

Significant topics covered in 2023, apart from those included in the Audit Committee Charter, were matters related to the combination with Chr. Hansen, ESG governance, transition process for the change to new auditors that are to be elected at the 2024 Annual Shareholders' Meeting, interim dividend payout and follow-up on the integration of acquired companies.

The Innovation Committee

The Innovation Committee assists the Board of Directors with the review of Novozymes' overall capabilities and strategic direction with respect to technology, science, and innovation. The Innovation Committee meets as necessary, but always at least twice a year. The committee held four meetings in 2023, all with a 100% attendance rate. Members of the Innovation Committee in 2023 were Sharon James (Chair), Kim Stratton, Morten Sommer, and Preben Nielsen.

Information on members, qualifications, self-assessment, and recurring tasks, etc. can be found in the Charter of the Innovation Committee.

[Visit](#)

Several topics were covered in 2023, including the R&D pipeline strategy, progression, and targets for 2023, a review of Product and Process Development including key pipeline focus areas and the product optimization portfolio, a review of R&D progress in strategic areas, a review of regulatory and advocacy strategies, as well as a technology review of Microbiomics, Bioinformatics & Omics capabilities.

Charters and recommendations

When laying down the management principles for the company, the Board of Directors followed the Recommendations on Corporate Governance that form part of the disclosure requirements applicable to companies listed on Nasdaq Copenhagen.

A detailed review of the corporate position on each of the recommendations, and a description of the internal control and risk management system relating to financial reporting, can be found in the report on corporate governance prepared pursuant to section 107b of the Danish Financial Statements Act.

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These recommendations require companies to comply with or explain any deviations. Novozymes follows 39 of the 40 recommendations, the one exception being:

- Due to the limitations imposed by the Novo Nordisk Foundation's Articles of Association and Novozymes' ownership structure, the Board of Directors reserves the right in certain circumstances to reject takeover bids without consulting the shareholders. (Recommendation 1.3.1).

Under the Danish Financial Statements Act (sections 99a), large companies are required to report on corporate social responsibility. The Notes on

Environmental data and Social and governance in this report meet the requirements of section 99a in the Danish Financial Statements Act. The mandatory reporting is placed in the Notes as the content is provided with reasonable assurance by our auditors.

Furthermore, the statutory report is available on our website.

Visit 

Reporting according to the EU Taxonomy can be found on page 45.

We have a data ethics policy, which sets out the overall principles for the ethical management of data by the company and supplements our commitment to integrity and compliance.

The statutory report on Novozymes' policy for, and work with, data ethics pursuant to section 99d of the Danish Financial Statements Act can be found on our website.

Visit 

Novozyymes is also committed to the ten principles of the U.N. Global Compact (UNGC) and as an active member of the UNGC, we continue to report our annual Communication on Progress (CoP).

Our UNGC CoP reports can be found on the UNGC website.

Visit 

Other governance-related information

Any amendments to the Articles of Association require that shareholders representing at least two thirds of the total number of votes in the company are represented at the Annual Shareholders' Meetings, and that at least two thirds of the votes, as well as two thirds of the voting capital represented at the meeting, are cast in favor of the proposal to amend the Articles of Association.

The Board of Directors has been authorized by the shareholders to allow the company to acquire treasury stock on an ongoing basis, provided the nominal value of the company's total holding of treasury stock does not exceed 10% of its share capital at any time, cf. section 198 of the Danish Companies Act. The purchase price must not deviate by more than 10% from the price quoted on Nasdaq Copenhagen at the date of acquisition. This authorization applies until April 1, 2024. In addition, the Board of Directors is authorized to increase the share capital.

Further, the Extraordinary General Meeting in 2023 approved the adoption of the implementation of the statutory merger of Novozymes and Chr. Hansen Holding A/S, as well as indemnification of management in connection with this merger.



Each year, one of the responsibilities of the Board of Directors is to assess whether the capital and share structure of Novozymes is optimal. In 2023, the Board of Directors assessed that the share structure with A and B common stock continues to be the best way to safeguard the company's long-term strategy and development for the benefit of the company's shareholders and other stakeholders. Regarding its capital structure, the company favored a rather modestly leveraged balance sheet, as reflected by a target for net inter-

est-bearing debt of around 1x EBITDA. Thus, the capital structure is in line with the target.

Novozymes is party to several partnership contracts that can be terminated by the other party in the event of significant changes to the ownership or control of Novozymes. A few of these contracts contain provisions that restrict Novozymes' licenses to use specific forms of technology in such situations.

Evaluation of the Board of Directors

The Board of Directors conducts an annual evaluation, and every three years, the evaluation is conducted by an external third party, which was done most recently in 2021. In 2023, the evaluation of the Board of Directors was conducted by the Chair who interviewed each member of the Board and the Executive Leadership Team. The evaluation revealed an overall good performance by the Board and good collaboration between the Board

and the Executive Leadership Team. The recommendations from the interviews included continuing the strong focus on the merger between Novozymes and Chr. Hansen, maintaining the right balance between short and long-term focus on the Board and ensuring a strong focus by the Board on innovation strategy.

Board member	Audit Committee member	Nomination and Remuneration Committee member	Innovation Committee member	Board meetings attended %	Board tenure	End of Board tenure	Share trading in 2023	Number of shares end of 2023
Jørgen Buhl Rasmussen ^{1,4}				100	2011	2023	-	-
Cees de Jong ^{1,2}	●	● (Chair)		100	2020	2024	2,000	5,000
Kim Stratton ^{1,2}		●	●	100	2017	2024	-	-
Heine Dalsgaard ¹	● (Chair)			90	2020	2024	-	3,000
Sharon James ^{1,2}			● (Chair)	100	2020	2024	-	-
Kasim Kutay ¹		●		100	2017	2024	829	1,046
Morten Sommer ^{1,2}	●		●	80	2022	2024	1,000	1,000
Anne Breum ³				100	2021	2025	145	464
Anders Hentze Knudsen ³				100	2013	2025	-	-
Preben Nielsen ³			●	100	2021	2025	-	426
Jens Øbro ³				100	2021	2025	-	557

1. Elected at the General Meeting. 2. Independent. 3. Employee representative. 4. Resigned from the Board on March 2, 2023.

Board of Directors

Cees de Jong



Born 1961. Dutch. Chair of the Board since 2023. Former CEO of Chr. Hansen. Chair of the Nomination and Remuneration Committee and member of the Audit Committee. Member of the Board since 2020. Elected for a term of one year.

Board positions

Chair: Oterra A/S, Oterra Operations ApS, Oterra Holding ApS, Spring TopCo DK ApS, Spring MidCo ApS, and Meatable B.V.

Special competencies

Extensive international business and management experience from a range of industries, such as the food, food ingredient and industrial biotech industries, as well as financial and accounting expertise. Pioneered to embed sustainability into strategy, operating model and reporting, ensuring a meaningful, positive corporate societal impact.

Kim Stratton



Born 1962. Australian. Vice Chair of the Board since 2023. CEO of Centogene NV. Member of the Nomination and Remuneration Committee and the Innovation Committee. Member of the Board since 2017. Elected for a term of one year.

Board positions

Member: Recordati S.p.A.

Special competencies

Broad global biopharmaceutical commercial experience, including emerging markets, innovation pipeline management and external affairs.

Novozymes' Board of Directors has six members, who are elected at the Annual Shareholders' Meeting, and four employee-elected members. The Board represents many years of international management experience, and the members' competencies combined ensures expert management of the company.

Heine Dalsgaard*



Born 1971. Danish. Group CFO of IVC Evidensia Ltd. Chair of the Audit Committee. Member of the Board since 2020. Elected for a term of one year.

Board positions

None.

Special competencies

Extensive international business and management experience from a range of industries, as well as a broad financial background, mergers and acquisitions experience and accounting expertise. Experience in sustainability reporting, including assurance requirements.

* This board member is not regarded as independent in the sense of the definition in the Danish Recommendations on Corporate Governance that apply to Danish listed companies.

Board of Directors

Sharon James



Born 1961. British. Chair of the Innovation Committee. Member of the Board since 2020. Elected for a term of one year.

Board positions

Member: Mölnlycke Health Care.

Special competencies

Broad international experience in commercial research and innovation pipeline management in the consumer goods and consumer products sector. Experience in sustainability integration into innovation processes.

Kasim Kutay*



Born 1965. British. CEO of Novo Holdings A/S. Member of the Nomination and Remuneration Committee. Member of the Board since 2017. Elected for a term of one year.

Board positions

Member: Novo Nordisk A/S.

Special competencies

Broad experience within biotechnology, strategy, business development, mergers and acquisitions, and financial and accounting expertise.

* This board member is not regarded as independent in the sense of the definition in the Danish Recommendations on Corporate Governance that apply to Danish listed companies.

Morten Otto Alexander Sommer



Born in 1981. Danish. Professor, Microbiology at the Technical University of Denmark (DTU) and Chief Scientific Officer of UNION therapeutics A/S. CEO of Manjin Aps and Manjin Holding ApS. Member of the Audit Committee and the Innovation Committee. Member of the Board since 2022. Elected for a term of one year.

Board positions

Member: Clinical-Microbiomics A/S, SNIPR Holdings ApS, SNIPR Biome ApS, UNION therapeutics A/S, UTILITY therapeutics Ltd.

Special competencies

Extensive experience in biotechnology research and development with special focus on bacterial synthetic biology, as well as broad experience in biotechnology entrepreneurship.

Board of Directors

Anne Breum*



Born 1961. Danish. Laboratory technician.
Employee representative.

Member of the Board since 2021.
Elected for a term of four years.

**Anders Hentze
Knudsen***



Born 1959. Danish. Senior Operator.
Employee representative.

Member of the Board since 2013.
Elected for a term of four years.

Preben Nielsen*



Born 1966. Danish. Science manager.
Employee representative.

Member of the Board since 2021. Elected for a term of
four years. Member of the Innovation Committee.

Jens Øbro*



Born 1977. Danish. Senior Professional.
Employee representative.

Member of the Board since 2021.
Elected for a term of four years.

* In accordance with Danish law, the Board of Directors includes four employee-elected members, who serve four-year terms.

Executive Management

Ester Baiget



Born 1971. Spanish. President and CEO.

Education

Holds a chemical engineering degree and an MBA from the Rovira i Virgili University, Spain.

Board positions

Member of the AkzoNobel Supervisory Board.

Special competencies

Ester Baiget is an experienced international leader with a strong business and technical background. With more than 25 years of international experience as a technical and commercial business leader, Ester has driven transformational change, enhanced profitability, and set a strong foundation for sustainable growth across a diverse range of industries. Through her leadership, she develops and nurtures a culture of inclusion, engagement, and commitment to delivering strong results.

Ester anchors sustainability across the company, ensuring it is integrated in the company's commitments and strategy. She is also the company's ambassador on the global stage and an advocate of biotech as an instrumental enabler of a healthier planet. Among other positions held, Ester is a member of the Board of Trustees of the Science-Based Targets Initiative (SBTi).

Rainer Lehmann



Born 1975. German. CFO and Executive Vice President.

Education

Holds a Master of Business Administration from the Private University of Applied Sciences in Goettingen, Germany.

Special competencies

Rainer Lehmann is responsible for Finance, Investor Relations, IT and Legal.

Rainer is an accomplished leader with a strong international background and over 20 years' experience in the biotechnology industry. He has a successful track record in scaling businesses and building high-performing teams. In recent years, Rainer has gained valuable experience in M&A transactions as well as business integrations. He utilizes his strong financial expertise and business acumen to drive value creation and ensures transparent disclosure of sustainability performance and adherence to company policies and standards.

Our Executive Leadership Team comprises broad and international management experience, comprehensive biotechnology expertise, sustainability leadership and in-depth knowledge of our business. Information on our Executive Management, consisting of Ester Baiget, CEO and Rainer Lehmann, CFO, is provided below.



Risk management

We operate on a global scale across a range of industries, which exposes our business to a diverse set of risks. To effectively navigate this landscape, we have a risk management framework in place, which enables us to identify, assess, and mitigate potential business risks that may impact our ability to grow our business sustainably and be a reliable partner to our customers, shareholders and the communities in which we operate.

In addition to addressing key business risks, which could potentially materialize within the next three years, we also identify long-term and strategic risks across categories such as sustainability and technology. Our approach is to consider both financial and non-financial risks in an integrated and holistic manner, treating all risks on similar terms.

2023 risk overview

The key business risks described in this section are based on Novozymes' Risk Management Framework applied in 2023, which means that the risks are based on Novozymes' business. However, due to the emergence of new risks following the announcement of the combination of Novozymes and Chr. Hansen, we include the combination itself in Novozymes' Risk Management reporting in 2023. As a result, we mention combi-

nation-related risks and mitigation actions under 'Data protection and cyberthreats' and we have also added a new integration risk, which covers the period from pre-closing and up to three years after the combination of the two companies.

Aside from this additional risk, the four key business risks identified for 2024 are the same as for 2023 as we see continued volatility in the markets in which we operate, spurred by ongoing and escalating global political and economic instability and uncertainty. Novozymes' key business risk and mitigating actions are described on the following pages.

Climate-related risks, such as extreme weather events, are also important factors when we look at the risks to our business. We address them in a structured way, and they are identified, managed,



and reported at different levels of our organization in the same manner as other business risks. As per our commitment to the Taskforce on Climate-Related Financial Disclosures (TCFD), we provided an overview of our approach to governance, strategy, targets and risk management related to climate change. Read more about our reporting to the [TCFD here](#). In 2024, we increased our focus on how to further strengthen our management and capture ESG perspectives.

Risk management framework

The Novozymes Board of Directors has the overall responsibility for overseeing risks and for maintaining a robust risk management and internal control system. The company operates an Enterprise Risk Management (ERM) process in which key enterprise risks (financial and non-financial) are identified, assessed, reported on, and mitigat-

ed at different levels of the organization. Each key risk is assigned to a risk owner by the Executive Leadership Team and a Risk Responsible.

The Risk Management & Controls department is responsible for ensuring that senior management promotes risk awareness, engagement, and ownership across the organization. Risks are assessed based on a two-dimensional heat map rating system that estimates the potential impact of a given risk on financials and reputation, and the likelihood of that risk materializing. The most significant key risks are reviewed and assessed by the Executive Leadership Team and the Board of Directors.

See [note 5.1](#) for information on financial risk factors and risk management.

Key business risks for 2024

Volatility of agriculture-related business

 *Climate related risk*

Description of risk

Several of our businesses may potentially be affected by agriculture-related events such as weather, volatile commodity prices, changes in the agricultural market cycle, and regulations for ethanol blending, all of which may impact the agricultural value chain.

A substantial economic downturn or a down-cycle in agriculture could pressure commodity prices and lead to reduced demand and lower margins in commodity-related business areas where we operate, such as BioAg, grain and oil processing and bioethanol production. For example, reduced economic activity in North America or Europe could lead to reduced demand for bioethanol blending and starch processing. Significant upward pressure on commodity prices due to shortages could also impact our customers' ability to source and process commodities such as grains. This could put our sales of biosolutions under pressure.

Mitigating actions

Flexibility is key to adapting to changing markets. Our biosolutions help producers achieve higher yields from the same inputs and to generate valuable co-products, such as corn oil, fiber and protein.

During the year, we worked with customers to enable such diversification to find new revenue streams and to future-proof their operations. We also continued to explore opportunities to use bioenergy feedstocks for other products, such as renewable fuels for heavy transport and as building blocks for renewable chemicals.

Going forward, we will continue to leverage our expertise to help customers address agricultural challenges with biosolutions and to diversify their revenue streams, as well as bring forward digital tools for process optimization.

Data protection and cyber threats

Description of risk

The threat of cyberattacks is considered to be high due to the increasing global demand for fast adaptation of digitalization and new information technology. Furthermore, the use of cyberattacks as a tool in wars and other conflicts has increased that threat.

The combination with Chr. Hansen represents an additional exposure to cyber threats. With the introduction of a new company name, domain, email address, and governance structures, there is an increased risk that cyber criminals may exploit any resulting confusion.

We are a technology-driven and fully IT-supported business, and our supply chain, logistics and production capabilities are highly digitalized. Cyberattacks could have a negative impact on our productivity if systems are not accessible for an extended period.

Our business may also be adversely affected if information about our unique technologies or production strains is disclosed. It is extremely important that we ensure that our business continues to run, and that we safeguard sensitive business data and critical assets against this global threat.

Mitigating actions

It is essential to increase our ability to identify, protect, detect, and respond to cyberattacks. In 2023, we implemented numerous organizational and technical security controls to protect digital assets, including enhanced protection of PCs and servers as well as the continued operation of a dedicated Cyber Defense Center, which ensures rapid detection and response to cyber and information security incidents. Furthermore, we run continuous security scans of systems and networks to detect and mitigate vulnerabilities and prevent unauthorized access, while providing comprehensive training to all employees on how to recognize and avoid phishing attempts. Since the announcement of the combination, actions have been taken to protect data and prevent cyberattacks, specifically those that may arise due to potential exposures following the combination.

To protect our business opportunities from the threat of global theft, we maintain a strong focus on patents and IP management, as exemplified by our more than 6500 granted or pending patents.

Going forward, we will continue to ensure that security tools and monitoring platforms are continuously upgraded in order to keep pace with the evolving threat landscape and to enable the detection and prevention of advanced cyberattacks. We will also continue to roll out security improvements to our systems and manufacturing sites, while always remaining focused on incident response and awareness. In 2024, our focus is on integrating Novozymes' and Chr. Hansen's systems and data in a safe manner.

● Global political and economic uncertainty

Description of risk

Novozymes' global presence exposes our business to the consequences of global political and economic instability, which further escalated in 2023. The war in Ukraine continued, impacting trade conditions and increasing volatility in raw materials and energy prices.

During the year, other geopolitical events arose that could potentially have a similar impact. These conditions may impact our business and make it difficult to optimize decisions beyond the short term.

Mitigating actions

Our diversified portfolio and global footprint enable us to mitigate this risk to some degree, as we are not overly exposed to economic downturns in specific sectors or countries.

We continue to advocate for the benefits of globalization and a shared commitment to sustainability on the global stage, such as the U.N. General Assembly and COP28.

We closely monitor political and economic developments to ensure that fast action can be taken as and when needed. We also deploy global versus local scenarios and considerations in short- and long-term capacity planning.

Going forward, we will continue to improve and identify scenarios and potential preparatory measures for our business, assets and people.

● Supply chain challenges and dynamic input prices

Description of risk

The geopolitical environment is dynamic and continues to be impacted by volatility in energy and raw material prices. Such factors could impact global supply chains and, by extension, companies. If prices remain volatile and at a higher price level than previously, we could be exposed to significant price fluctuations. This could imply a risk to our gross margin level, among other things.

Mitigating actions

In 2023, we continued to work with customers on pricing based on price trends in the market to ensure that we capture a fair share of value from our biosolutions. These efforts contributed to sales growth and helped mitigate increased input costs.

We also continued to monitor our key material levels, conducted high risk material reviews and initiated mitigating actions. For example, we planned for substitution with alternative materials where relevant and reduced our dependency on critical and single-sourced raw materials.

Finally, productivity improvements during the year also helped mitigate high input costs. We will continue to monitor the situation closely and secure supplies of raw materials and energy.

Integration of Novozymes and Chr. Hansen

Description of risk

While the combination of Novozymes and Chr. Hansen provides opportunities, the complexity during the integration period exposes the business to several risks.

A strong emphasis on integration planning and execution may lead to a risk of the company losing focus on ongoing business areas, while too little emphasis could hinder synergy realization and timely work on long-term initiatives. Uncertainty regarding job security or the new company could also impact employee retention and talent attraction. Furthermore, the integration of systems may expose the new company to increased attempts of cyber-attacks.

Mitigating actions

In 2023, dedicated teams from both Novozymes and Chr. Hansen collaborated at arm's length with consultants to develop integration plans that would ensure a seamless combination of the two businesses.

To ensure the full operational capability of the new company, focus has been on business continuity from day one. This involved establishing and maintaining the necessary structures, frameworks and tools, while also ensuring that the employees were well-informed and consistently updated.

Employee retention was a key focus in 2023, and during the integration planning phase. As a result, there were no significant changes in staff turnover over the year.

Integration efforts will also be anchored at the highest level in Novonesis. The Board of Directors will establish a dedicated integration committee to oversee the integration of Novozymes and Chr. Hansen and their respective businesses. In addition, the Novonesis Executive Leadership Team will include an EVP for Strategy and Integration to ensure delivery on synergies and integration progress in close collaboration with functions and businesses. The Enterprise Management reporting already includes risk reporting related to the combination.

Long-term risks

In addition to the key business risks, we also monitor strategic and fundamental risks that may potentially impact the business in the long term (beyond three years), the impact and likelihood of which can be difficult to quantify at the present time.

Such risks span across different risk categories, including sustainability and technology. Through our integrated sustainability trendspotting exercise, we identify long-term risks and opportunities, the risks being also assessed through our Enterprise Risk Management process.

We engage with relevant stakeholders in a timely manner to develop strategies and ensure that we are prepared to take adequate action and respond to key long-term risks. Based on our 2023 risk assessment, the following continue to be some of the most significant long-term risks, which will likely not change following the combination of Novozymes and Chr. Hansen.



Emerging technologies

Description of risk

Industrial biotech is a key enabling technology for the delivery of low-carbon and biobased solutions. The company's research and business are based on innovation and delivering biosolutions that can tackle some of today's biggest challenges.

Going forward, we expect to see the emergence of new technologies and innovative uses of current technologies, including gene editing, to find safe and innovative answers for carbon capture, sustainable food systems or replacing chemicals with biodegradable solutions.

New or rapidly changing technologies could pose a risk to our technology base.

Mitigating actions

We continuously monitor and assess new technologies, and we apply and promote safe and responsible use of biotech. We are committed to continuously learn and share our knowledge about the potential of biotech and its safe use.

Through proactive engagement with influencers and policy makers, we broaden the understanding of biotech, paving the way for future solutions to pressing challenges. We engage with industry associations and through the World Economic Forum to advocate for science-based and innovation-friendly policy frameworks that support the green transition the world needs.

Through our cooperation with the Novo Nordisk Foundation, we explore ways to provide new documentation and insights into biotech. In addition, we also engage in partnerships and collaborate with academia, foundations, and other companies to drive a transformative research agenda. For example, in 2023, we became part of an innovation consortium to develop a climate-neutral way of converting carbon dioxide into protein, bypassing the use of agricultural land, water and fertilizer.

We will accelerate the actions above in the coming years to mitigate any potential impacts.

Learn more in our position statement on Industrial biotechnology.

Visit [↗](#)

Water scarcity due to climate change

▲ *Climate related risk*

Description of risk

Climate change is becoming increasingly visible through more extreme weather events. The effect of climate change on water access through extreme weather events is currently a top concern.

Our technology relies on the availability of fresh water across our value chain as many of our raw materials are agricultural and water-intensive to produce. Increased long-term pressure on fresh water is a key risk driven by climate change. A severe drought, reduced water supply, poor water quality, or flooding all lead to water stress and limit our ability to meet customer demand by directly impacting our own operations or our supply chain.

Mitigating actions

We continue addressing this long-term risk through our water stewardship strategy, which is guided by SDG #6, aiming to ensure access to water and sanitation for all. Our long-term ambition is to manage water in balance with local conditions at our production sites by 2030.

Effective water management needs a local approach that is informed by science and context, and enables collective action from various stakeholders. This is why we have context-based water programs for our production sites, and we intend to pursue a scientific approach for addressing water quality and quantity challenges at our priority sites. We also aim to improve our freshwater withdrawal by focusing on recycling within our own operations. Learn more about our [non-financial targets](#).

To help achieve overall water security in the basins where our production sites are located, we work with external stakeholders to address relevant water challenges. In 2023, we initiated an ambitious wetland conservation project, in collaboration with the World Wildlife Fund for Nature (WWF) and local authorities. This project is expected to improve ecosystem services and restore 300 to 500 million liters of volumetric water. At our site in Mumbai, India, we work with local communities to restore ground water in the region and to solve water, sanitation, and hygiene challenges.

We disclose more details annually in CDP's Climate Change and Water Security questionnaires.

Visit [↗](#)

Taskforce on Climate-related Financial Disclosures

At Novozymes, we are fully committed to doing our part to accelerate towards a climate-neutral society. We actively invest in reducing the carbon footprint of our operations and supply chain as well as delivering biosolutions that address many of the climate-related challenges that the world is currently facing.

Environmental transparency is the essential first step in addressing and taking action on current and future risks and opportunities associated with climate change.

In 2023, Novozymes was named on CDP's Climate Change A List for our commitment to environmental transparency and action on climate change.

Novozymes strongly supports the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). We recognize that communicating climate-related impacts not only helps us understand and manage climate-related issues better, but that it also provides important insights for our stakeholders. The relevant sections for TCFD reporting are integrated in our annual report and outlined in the table and our CDP Climate Change response.

TCFD Recommended disclosures	Summary of our approach	Learn more
<p>Governance The organization's governance around climate-related risks and opportunities.</p>	<p>Sustainability is governed at the highest level by the Board of Directors and the Executive Leadership Team. The Board is responsible for overseeing financial and environmental, social, and governance performance as part of the Executive Leadership Team's day-to-day running of the company.</p> <p>The Executive Leadership Team is responsible for delivering on our strategy and targets, which are also guided by climate-related impacts in terms of both opportunities and risks. They are also responsible for managing climate-related impacts affecting Novozymes operations and supply chain.</p>	<p>Corporate governance</p> <p>CDP climate change – C1.</p> <p>Visit </p>
<p>Strategy The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</p>	<p>Climate-related risks and opportunities guide our strategic direction.</p> <p>We are committed to helping the world limit global temperature increases by providing biosolutions that help reduce greenhouse gas (GHG) emissions across industries. In 2023, we derived 81% of our revenue from biosolutions that contribute towards a climate-neutral society. As part of our strategy, we continue to explore, invest in, and drive innovations in business areas critical for climate change mitigation, such as advanced protein solutions and carbon capture.</p> <p>We also take action to reduce GHG emissions from our own operations and from our supply chain with the goal of achieving net-zero by 2050.</p> <p>We apply a 1.5°C scenario as our core transition scenario, aligning to our 2030 and net-zero climate targets. In 2023, we published a detailed description of our decarbonization roadmap.</p>	<p>Strategy & commitments Targets and progress</p> <p>CDP climate change – C2, C3.</p> <p>Visit </p> <p>Our climate journey.</p> <p>Visit </p>
<p>Risk Management The organization identifies, assesses, and manages climate-related risks.</p>	<p>Climate-related events, such as extreme weather, are important factors when we consider the risks to our business. We address climate-related risks in a structured way through our Enterprise Risk Management process. Both short- and long-term risks are identified, assessed, reported on, and mitigated at different levels of the organization.</p> <p>We consider all key climate-related risks, such as physical risks (weather conditions or flooding) or market risks (ethanol consumption for transportation). Climate change can impact our business for the long term. We closely monitor and address climate risks, currently with the focus on water scarcity.</p>	<p>Risk management</p> <p>CDP climate change – C2.</p> <p>Visit </p>
<p>Metrics and Targets The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>	<p>We have transparently disclosed our GHG emissions from scopes 1, 2 and 3.</p> <p>We are also committed to the Science Based Targets initiative and to driving action on our decarbonization journey. In 2022, our 2050 net-zero target was validated by the SBTi.</p> <p>By 2030, Novozymes aims to achieve a 75% reduction in scopes 1 and 2 emissions from our own operations, and a 35% reduction in scope 3 emissions from our supply chain, from a 2018 baseline.</p> <p>Going forward, Novonesis will remain committed to this target.</p>	<p>Targets and progress</p> <p>Our climate journey</p> <p>Visit </p> <p>CDP climate change – C4, C6, C7.</p> <p>Visit </p>

EU Taxonomy Regulation reporting

The EU Taxonomy Regulation (EU) 2020/852 is a classification system that encompasses a standard set of definitions for sustainable activities. The aim of the Regulation is to help the EU in guiding sustainable investments by requiring companies to report on the parts of revenue*, capital expenditures (CAPEX) and operational expenditures (OPEX), which are associated with environmentally sustainable economic activities. The defined activities are centered around six environmental objectives (climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems).

For 2023, all six objectives are in scope for reporting eligibility as the technical annexes for the last four environmental objectives was adopted in 2023 by the European Commission. This means that companies must assess whether they have economic activities that qualify as eligible under the Regulation (“eligible activities”) and report the proportion of revenue, CAPEX, and OPEX related to the eligible activities. For economic activities included in the two climate objectives, climate change mitigation and climate change adaptation, companies must further assess the alignment of the eligible activities to the Regulation. Alignment is deter-

mined by the technical screening criteria through “substantially contributing” to at least one of the objectives and ensuring to “do no substantial harm (DNSH)” to the remaining objectives, while also meeting the “minimum social safeguards”.

Despite the positive environmental impact of Novozymes’ biosolutions and our focus on minimizing our environmental footprint, Novozymes’ core activities do not fall within the scope of the activities defined in the EU Taxonomy. However, we have screened our non-core activities against the six environmental objectives to identify the proportion of any eligible and potentially aligned activities.

We screened the activities listed in the technical annexes under the Delegated Regulations 2021/2139 and 2023/2486, including amendments to Delegated Regulation 2021/2139 as set forth in the Delegated Regulation 2023/2485 to identify eligible and aligned activities.

Revenue

We identified no relevant eligible revenues. Revenue is defined as revenue included in the consolidated financial statements for the year 2023, see the Note on [Revenue](#).

Capital expenditures (CAPEX)

We identified eligible capital expenditures of DKK 70 million, corresponding to 3.4% of total CAPEX. Of the eligible activities, DKK 33 million was assessed as Taxonomy-aligned with substantial contribution to the objective for climate change mitigation, corresponding to 1.6% of total CAPEX. The Taxonomy-eligible CAPEX includes activities related to “renewal of wastewater collection and treatment” (CCM 5.4. and CCA 5.4.) and “material recovery from non-hazardous waste” (CCM 5.9. and CCA 5.9.). CAPEX is defined as additions of tangible and intangible assets as included in the consolidated financial statements for the year 2023. Please see the Note on [Property, plant, and equipment](#) and Note on [Intangible assets](#).

Operational expenditures (OPEX)

We identified eligible operating expenditures of DKK 9 million, corresponding to 0.4% of total OPEX. Of the eligible activities, DKK 2 million was assessed as Taxonomy-aligned with substantial contribution to the objective for climate change mitigation, corresponding to 0.1% of total OPEX. The Taxonomy-eligible OPEX includes activities related to “close to market research, development and innovation” (CCM 9.1.), “renewal of wastewater collection and treatment” (CCM 5.4. and CCA 5.4.) and “nature-based solutions for flood and

drought risk prevention and protection” (WTR 3.3.). Operating expenditures as per the EU Taxonomy are defined as directly incurred, non-capitalizable costs in 2023 relating to research and development, building renovations, short-term leases, and the repair and maintenance of property, plant, and equipment.

Full reporting tables

The full reporting tables as specified in Article 2 of Delegated Regulation 2021/2178 can be found in our EU Taxonomy reporting disclosure on [Novozymes.com](#).

Visit [↗](#)

2023	Revenue	CAPEX	OPEX
Taxonomy-aligned activities	0%	1.6%	0.1%
Taxonomy-eligible activities but not Taxonomy-aligned	0%	1.8%	0.3%
Total Taxonomy-eligible activities	0%	3.4%	0.4%
Taxonomy-non-eligible activities	100%	96.6%	99.6%

* The EU Taxonomy Regulation applies the term turnover. To reflect the terminology used in our financial reporting, we use the term revenue.

Summary of the Remuneration Report

In 2023, Novozymes delivered solid growth and earnings despite a volatile market environment. With an organic sales growth of 5% and an EBIT margin before special items of 25.4%, we delivered within our guidance for the year. Furthermore, we continued to reduce the environmental footprint of our operations. Throughout the year, we maintained a high employee engagement, which is an achievement we are especially proud of during a year of change. On January 29, 2024, the combination of Novozymes and Chr. Hansen was approved. The combined entity, Novonesis, marks the beginning of a new era and a promising road ahead.

Each year Novozymes issues the Novozymes Remuneration Report as a separate report. The content of the Remuneration Report has been prepared to meet the requirements of section 139b of the Danish Companies Act and holds information and details on the remuneration of the Board of Directors and the Executive Management. The Novozymes Remuneration Report 2023 will be presented for an advisory vote at the Annual Shareholders' Meeting to be held in 2024. The

Novozymes Remuneration Report 2022 was approved at the Annual Shareholders' Meeting in March 2023 without comments.

All remuneration of the Board of Directors and the Executive Management in 2023 was in line with the scope of the approved remuneration policy.

The following is a summary of the Novozymes Remuneration Report 2023.

General remuneration policy

Novozymes' remuneration policy for managers and other employees is designed both to encourage strong individual performance and to support Novozymes' overall value creation. Remuneration consists of a base salary, pension contributions, a cash bonus and stock-based incentive programs. These components are linked to employees' individual performance and to the level of achievement of Novozymes' financial, social and environmental targets. The remuneration policy aims to provide managers and other employees with a competitive financial package, which we review regularly against external benchmarks.

The remuneration policy is unchanged from 2022, except for an addition to our articles of association regarding indemnification of Board members and Executive Management as approved at the Annual Shareholders' Meeting in 2023.

Remuneration of the Board of Directors

The remuneration of the Board of Directors comprises a fixed fee and is not incentive-based. This ensures that the Board of Directors safeguards the company's long-term interests without taking into consideration what these may mean in terms of the value of incentive-based remuneration. The Board of Directors' fee is set at a market-conformant level

Board of Directors and committee memberships

Board member	Audit Committee	Nomination and Remuneration Committee	Innovation Committee	Board meetings attended %
Cees de Jong ^{1,2}	●	● (Chair)		100%
Heine Dalsgaard ¹	● (Chair)			90%
Sharon James ^{1,2}			● (Chair)	100%
Kasim Kutay ¹		●		100%
Kim Stratton ^{1,2}		●	●	100%
Morten Sommer ^{1,2}	●		●	80%
Anders Hentze Knudsen ³				100%
Anne Breum ³				100%
Preben Nielsen ³			●	100%
Jens Øbro ³				100%

1. Elected at the Annual Shareholders' Meeting 2. Independent 3. Employee representative

that reflects the competencies and efforts required of the role, given the complexity of the Novozymes Group, the scope of the work, and the number of Board meetings held.

The fixed base fee was raised from DKK 522,000 to DKK 535,000 in 2023, which corresponds to a 2.5% increase. The Chair receives a fee that is three times the base fee, and the Vice Chair receives a fee that is two times the base fee.

For committee work, the committee Chair and other committee members receive a further base fee and half a base fee respectively. However, the Chair and the Vice Chair of the Board do not receive such additional fee if appointed to the Nomination and Remuneration Committee in 2023 or prior years.

The Board of Directors consists of 10 members, six of whom are shareholder-elected, while four are employee-elected. The total remuneration paid to the Board of Directors in 2023 amounted to DKK 9.8 million compared to DKK 10.2 million in 2022. The decrease is a consequence of the reduced number of Board members. Despite significant extra workload and responsibilities related to the combination with Chr. Hansen, the Board did not grant any additional pay or fee to the Board of Directors.

In 2023, the Nomination and Remuneration Committee conducted a benchmark review of board remuneration in both a Danish peer group (C20 companies excluding financial institutions) and a

European sector peer group (excluding Swiss companies) to evaluate the board fees paid to the Chair, Vice Chair, and Board members, respectively.

The individual Board members' fees and their shareholdings can be found in the Novozymes Remuneration Report 2023.

Visit 

Remuneration of the Executive Management

As per 31 December 2023, the Executive Management of Novozymes A/S consisted of:

- Ester Baiget, President & Chief Executive Officer (CEO)
- Rainer Lehmann, Executive Vice President & Chief Financial Officer (CFO)

Rainer Lehmann replaced Lars Green as CFO of Novozymes on November 1, 2023. Remuneration numbers shown below cover remuneration of Lars Green for ten months and of Rainer Lehmann for two months.

The total remuneration of members of the Executive Management comprises:

- A base salary plus pension, company car and certain other benefits
- A short-term incentive program (cash bonus) - STIP
- A long-term incentive program (stock-based program) - LTIP

In April 2023, the members of the Executive Management received a 4.0% increase in their base salary.

In addition to their regular remuneration, Ester Baiget and Lars Green received compensation for lost incentives from their previous employers.

Over the period 2020-2023, Ester Baiget received a total of DKK 9.6 million in extraordinary sign-on compensation for lost incentives from her previous employer, of which DKK 1.4 million was paid out in 2023 and DKK 8.2 million was paid out in previous years. Over the period 2020-2023, Lars Green received a total of DKK 14.5 million in extraordinary sign-on compensation for lost incentives from his previous employer, of which DKK 3.8 million was paid out in 2023 and DKK 10.7 million was paid out in previous years. Over the period 2023-2024, Rainer Lehmann will receive a total of DKK 6.2 million in sign-on fee, of which DKK 3.1 million was paid out in 2023.

The targets for the short-term incentive program (STIP) are typically set by the Board of Directors in connection with the review of the business plan for the year. Good performance will result in target payout (65%) while maximum payout is only achieved for delivering an extraordinary performance. Maximum payout equals 9.5 months' salary.

In 2023, the targets for the STIP were split on the financial performance of the company at 50%

weight (sales 30% weight and EBIT margin before special items 20% weight), and a target for strategy contribution at 20% weight. Individual performance targets are set for each executive and account for the remaining 30%.

The sales performance of Novozymes in 2023 almost met the target and led to a payout of 60%. The EBIT margin before special items achieved in 2023 exceeded the target and resulted in a payout of 88%. The level of achievement of the contribution to strategy was 100% based on an assessment of progress on the company's must-win battles.

The level of achievement of individual performance targets, and thus the size of remuneration payment to the individual executive, is determined by the Board of Directors based on recommendations from the Nomination and Remuneration Committee.

Based on its assessment, the Board determined that the pay-out based on individual targets are 100% for Ester Baiget, 85% for Rainer Lehmann, and 87.5% for Lars Green.

Remuneration to the individual members of the Executive Management

DKK million	Fixed				Variable			2023 Total remuneration	Compensation for lost incentives/sign-on fee	2022 Total remuneration
	Salary	Contribution based pension	Other benefits	Total fixed (% of total remuneration)	Cash bonus (STIP)	Incentive programs (LTIP)	Total variable (% of total remuneration)			
Ester Baiget	9.7	1.1	0.4	11.2 (40%)	6.7	9.8	16.5 (60%)	27.7	1.4	23.7
Rainer Lehmann (from 1/11-2023)	1.2	0.1	0.1	1.4 (42%)	0.7	1.2	1.9 (58%)	3.3	3.1	-
Former executives										
Lars Green (to 31/10-2023)	5.3	0.6	0.1	6.0 (36%)	4.2	6.4	10.6 (64%)	16.6	3.8	17.9
Remuneration	16.2	1.8	0.6	18.6	11.6	17.4	29.0	47.6	8.3	41.6

The difference in the total remuneration to the Executive Management in the above table compared to Note 6.1 – Management Remuneration in the Annual Report is related to long-term incentives. The disclosure in Note 6.1 is based on IFRS recognition principles, according to which the long-term incentive programs are expensed over the four-year vesting period. The long-term incentive included in the above table is the cost of the 2023 program measured at market value at the grant date.

Short-term incentive program – Target achievement

Target	Weight	Actual performance			
		Ester Baiget	Rainer Lehmann	Lars Green	
Organic sales growth	30%	60%	60%	60%	
EBIT margin before special items	20%	88%	88%	88%	
Contribution to strategy	20%	100%	100%	100%	
Individual targets	30%	100%	85%	87.5%	
		Total, % of max	86%	81%	82%
		Total, DKK million	6.7	0.7	4.2

In addition to the STIP, Ester Baiget has been awarded an extraordinary retention bonus of DKK 10.9 million that is contingent on the statutory merger of Novozymes and Chr. Hansen being completed. The bonus will be paid in cash, with 50% following the final closing of the statutory merger and the remaining 50% being paid after the release of the Annual Report for the first full financial year of the combined company. As the conditions for the bonus was not yet fulfilled at the end of 2023, the bonus is not included in the reported remuneration for 2023.

Since 2020, the Board of Directors has issued annual long-term incentive program (LTIP) grants with overlapping three-year performance periods. This allows the Board of Directors to reassess targets for each annual grant cycle to ensure the targets are sufficiently demanding, incentivizing, and aligned with the strategy.

The new LTIP for the Executive Management covering the performance period 2023–2025 took effect in 2023. The LTIP consists of 50% shares and 50% share options, similar to the LTIP 2022. Like the previous LTIP, the targets of LTIP 2023 reflect 40% weight on organic sales growth, 20% weight on EBIT margin before special items, 20% weight on ROIC, and 20% weight on non-financial targets. Non-financial targets are set on four parameters covering environmental and social perspectives: Climate, Water stewardship, Work-place and Diversity.

The annual LTIP cannot exceed 19 months' base salary. Further, the program includes a maximum-value clause allowing the Board of Directors to limit the total allocation of stock options and stock if the intrinsic value exceeds twice the annual conditional grant.

The LTIP program covering the performance period 2021–2023 was finally allocated in 2023. The targets of LTIP reflected 40% weight on the target for organic sales growth, 40% weight on the target for economic profit generation, and 20% weight on sustainability targets. Average organic sales

growth during the three-year period was 6.7%, resulting in 100% of the target being met (40% of the total program). The accumulated economic profit generated during the three-year period was DKK 7.1 billion, resulting in 100% of the economic profit pool (40% of the total program) being awarded. 82% of the non-financial targets were reached (20% of the total program). In total 96% of the maximum allocation is being awarded.

For the current and former members of the Executive Management in 2023, this means that a total of 26,667 shares will be released in February 2024. The number of stock options granted for the three-year period is 151,845, reflecting the realized target achievement.

The members of the Executive Management have contracts of employment containing standard conditions for executive officers of Danish listed companies, including the periods of notice that both parties are required to give and noncompetition clauses. If an executive officer's contract of employment is terminated by the company without any misconduct on the part of the executive officer, the executive officer has a notice period of 12 months. In addition to the notice period, the executive officer has a right to termination compensation of 12 months' base salary and pension contributions.

Further details on the Executive Management's remuneration and their shareholdings etc. can be found in the Novozymes Remuneration Report 2023.



Remuneration of senior leadership

The remuneration of Novozymes' senior leadership (207 vice presidents and directors) is consistent with the general remuneration policy. Incentive programs for vice presidents and directors have been established for the 2023–2025 period. The programs follow the same mechanisms as the program for the Executive Management. The realized target achievement for the LTIP program cov-

ering the period 2021–2023 is the same as for the Executive Management and thus 96% of the program is being awarded.

Further information on the incentive programs for these employee groups can be found in the Note on Stock-based payment to the consolidated financial statements, which also includes an overview of outstanding stock options.

The Novozymes stock

Novozyymes' total market cap was DKK 104.3 billion at the end of 2023. The average daily trading volume of the stock (NZYM B) was 535,452 shares or DKK 179 million. In October 2023, Novozymes paid out DKK 4.20 per share in interim dividend in line with the merger agreement for its earnings for the period January 1 - August 31, 2023. Proposed dividend for the period September 1 - December 31, 2023 will be announced by the Board of Directors of Novonesis in connection with the notice of the Annual Shareholders' Meeting.

Stock performance

Novozyymes' total market cap was DKK 104.3 billion at the end of 2023 as the share price (NZYM B) increased by 5% from the closing price of DKK 351.9 at the end of 2022 to DKK 371.1 at the end of 2023. The share price performance together with

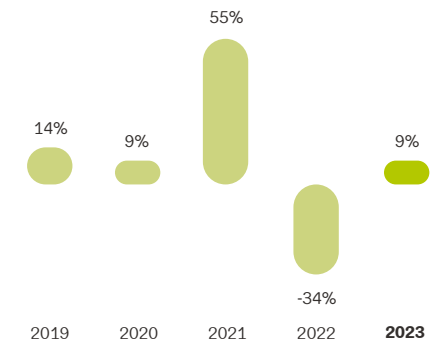
the dividend payment of DKK 2.8 billion resulted in a total shareholder return of +8.9% for the year.

Dividends

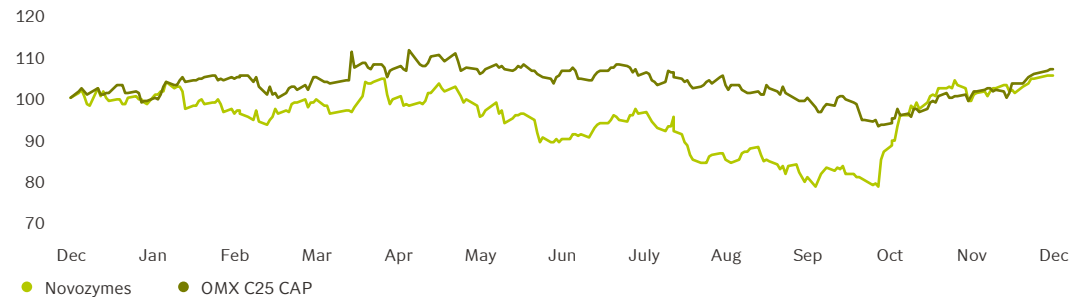
Novozyymes paid out DKK 4.20 per share in interim dividend in respect of its earnings for the period

January 1 - August 31, 2023, in line with the merger agreement. Proposed dividend for the period September 1 - December 31, 2023 will be announced by the Board of Directors of Novonesis in connection with the notice of the Annual Shareholders' Meeting.

Total shareholder return including dividends %



Share price development 2023



Share and ownership structure

December 31, 2023

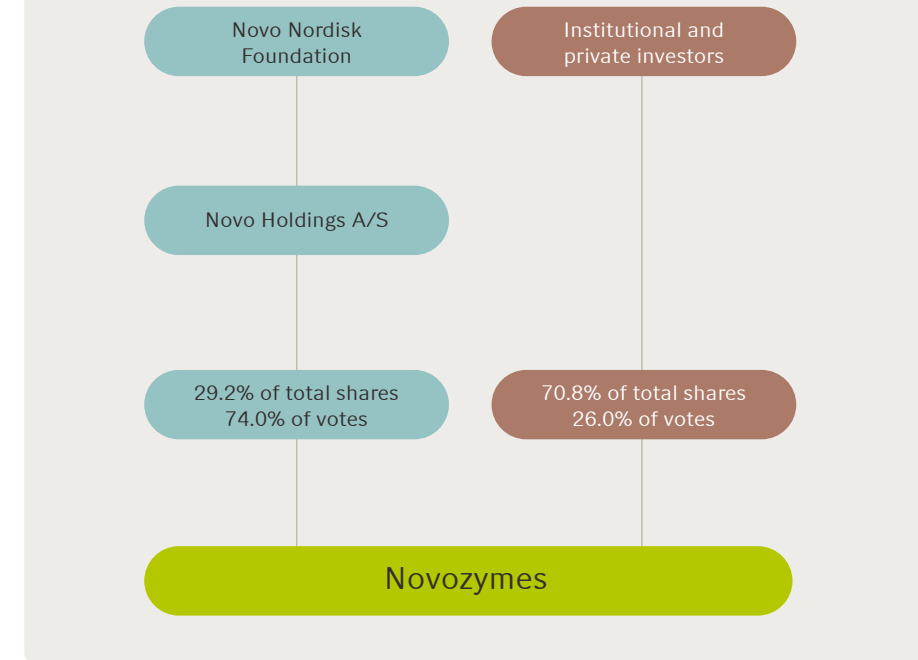
The common stock consists of 281,000,000 shares each with a nominal value of DKK 2 per share. The common stock is divided into 53,743,600 A shares that carry 20 votes each and 227,256,400 B shares that carry 2 votes each. Novozymes had more than 70,000 shareholders at the end of 2023, and 77% of the B shares were held outside Denmark, mainly by institutional investors. Fifty institutional investors, including Novo Holdings A/S, held approximately 55% of the B shares in aggregate.

Novo Holdings A/S held 29.2% of the total common stock in Novozymes and controlled 74.0% of the votes. Novo Holdings A/S is wholly owned by the Novo Nordisk Foundation, an independent Danish foundation with corporate interests. The objective of the Novo Nordisk Foundation is to provide a stable basis for the commercial and research activities of the companies of the Novo Group, and to support scientific, humanitarian and social causes. Novozymes held 3,682,554 treasury shares, or 1.3% of the total stock capital, at the end of 2023.

	A stock	B stock	Total
Share capital (DKK)	107,487,200	454,512,800	562,000,000
Number of shares	53,743,600	227,256,400	281,000,000
Held by Novo Holdings A/S (%)	100%	12.5%	29.2%
Number of votes	1,074,872,000	454,512,800	1,529,384,800
Voting rights (%)	70.3%	29.7%	100%
Held by Novo Holdings A/S (%)	70.3%	3.7%	74.0%

In 2024, Novozymes has issued 187,298,646 B shares, increasing the common stock to 468,298,646 million shares. The share issue relates to the combination with Chr. Hansen and is further described in [Note 3.5](#).

Ownership structure



Accounts and performance

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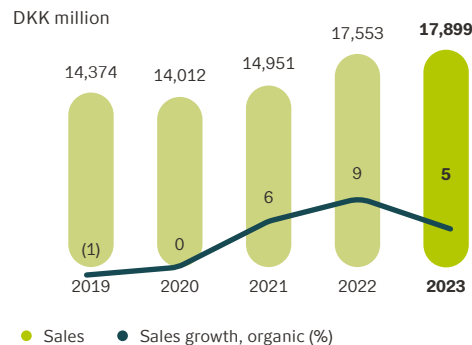
Sales and earnings

Sales

Total sales in 2023 were DKK 17,899 million, corresponding to an increase of 5% organically and of 2% reported in DKK compared with 2022.

Organic sales growth in 2023 was led by strong double-digit growth in Bioenergy driven by innovation and supported by expansion of corn-based ethanol production in Latin America and growth in solutions for biodiesel production and biomass conversion. Growth was further supported by a solid development in Household Care driven by innovation and penetration of enzymatic solutions in emerging markets. The macroeconomic situation in 2023 with higher inflation and rising interest rates impacted consumer demand and led to inventory adjustments

Sales and sales growth



in many food-related industries, having a negative impact on the food-related parts of Food, Beverages & Human Health, Grain & Tech Processing and Agriculture, Animal Health & Nutrition.

Gross profit and gross margin

Gross profit increased by 2% to DKK 9,722 million from DKK 9,577 million in 2022. The gross margin was 54.3%, down from 54.6% in 2022. The decrease in the gross margin compared to last year was driven by higher input and logistics costs, partly offset by a positive pricing impact.

Operating costs

Operating costs increased by 2% to DKK 5,341 million. Operating costs as a percentage of sales were 30%.

- Sales and distribution costs increased by 4%, accounting for 13% of sales.
- Research and development costs increased by 1%, accounting for 11% of sales.
- Administrative costs increased by 1%, accounting for 5% of sales.

The increase in operating costs in 2023 was mainly due to higher sales and distribution costs and strategic investments to support long-term growth.

Other operating income

Other operating income was DKK 171 million, compared with DKK 276 million in 2022. Other operating income in 2023 was positively impacted by DKK 88 million from the divestment of selected waste-water treatment solutions. In 2022, other operating income was positively impacted by DKK 201 million from the non-cash accounting gain related to the 21st.BIO transaction.

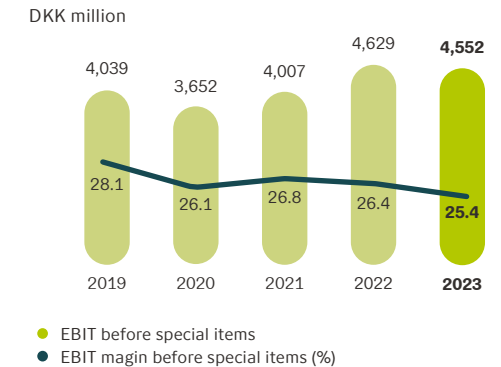
EBIT before special items

EBIT before special items was DKK 4,552 million, down from DKK 4,629 million in 2022. The EBIT margin before special items ended at 25.4%, down from 26.4%. The EBIT margin before special items was adversely impacted by a lower gross margin resulting from higher input prices, somewhat mitigated by higher selling prices. Additionally, currencies had a negative impact.

EBIT

EBIT decreased by 13% to DKK 3,976 million, down from DKK 4,561 million in 2022. The decline was driven by special items related to the combination with Chr. Hansen. The EBIT margin ended at 22.2%, down from 26.0% in 2022.

EBIT before special items



Net finance

Net financial costs were DKK 49 million in 2023, compared to net financial income of DKK 2 million in 2022. In 2023, a net loss of DKK 51 million on currency hedging/revaluation and other foreign exchange losses was realized.

Tax

The effective tax rate was 22.3%, up from 19.1% in 2022. In 2023, the effective tax rate was negatively impacted by merger-related costs not deductible for tax purposes, while being positively impacted by the settlement of a long-standing tax case. The effective tax rate for 2022 was positively impacted by various tax-exempt accounting gains that were one-offs.

Consolidated statements of income

Income statement

DKK million	Note	2023	2022
Revenue	2.1, 2.2	17,899	17,553
Cost of goods sold	2.3, 3.1, 3.2, 4.1	(8,177)	(7,976)
Gross profit		9,722	9,577
Sales and distribution costs	2.3, 3.1, 3.2	(2,365)	(2,271)
Research and development costs	2.3, 2.4, 3.1, 3.2	(2,017)	(2,001)
Administrative costs	2.3, 3.1, 3.2	(959)	(952)
Other operating income, net	2.5	171	276
Operating profit (EBIT) before special items		4,552	4,629
Special items	2.6	(576)	(68)
Operating profit (EBIT)		3,976	4,561
Share of result in associates		(18)	(7)
Financial income	5.2	282	533
Financial costs	5.2	(331)	(531)
Profit before tax		3,909	4,556
Tax	2.7	(870)	(870)
Net profit		3,039	3,686
Attributable to			
Shareholders of Novozymes A/S		3,024	3,676
Non-controlling interests		15	10
		3,039	3,686
Proposed dividend per share, DKK			6.00
Earnings per share, DKK	2.8	10.92	13.29
Earnings per share, diluted, DKK	2.8	10.88	13.19

Statement of comprehensive income

DKK million	Note	2023	2022
Net profit		3,039	3,686
Items that may subsequently be reclassified to the income statement:			
Currency translation adjustments			
Subsidiaries and non-controlling interests		(550)	155
Tax on currency translation adjustments		12	(15)
Currency translation adjustments		(538)	140
Cash flow hedges			
Fair value adjustments		(81)	(150)
Tax on fair value adjustments		17	33
Cash flow hedges reclassified to costs of goods sold		86	-
Cash flow hedges reclassified to financial costs		(25)	295
Tax on reclassified fair value adjustments		(13)	(65)
Cash flow hedges		(16)	113
Other comprehensive income		(554)	253
Comprehensive income		2,485	3,939
Attributable to			
Shareholders of Novozymes A/S		2,472	3,929
Non-controlling interests		13	10
		2,485	3,939

Cash Flow

Cash flow from operating activities

The cash flow from operating activities was DKK 4,152 million, up from DKK 4,006 million in 2022. The higher cash flow from operating activities was mainly driven by less negative developments in working capital, compared with 2022, and less tax paid.

Net investments

Net investments excluding acquisitions were DKK 2,052 million, down from DKK 2,862 million in 2022. Net investments in property, plant and equipment amounted to DKK 1,854 million, compared with DKK 2,732 million in 2022, as the

majority of the investments related to the investment in the new production line in Blair, Nebraska, U.S. were made in 2022.

Free cash flow before acquisitions and divestments

The free cash flow before acquisitions and divestments amounted to DKK 2,100 million, compared with DKK 1,144 million in 2022. The increase was mainly driven by lower net investments.

Free cash flow

The free cash flow was DKK 2,019 million in 2023, compared with DKK 1,334 million in 2022.

Financing activities

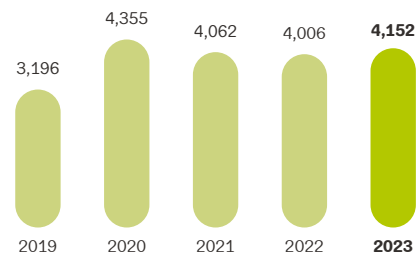
The cash flow from financing activities was negative at DKK 1,889 million, compared with a negative cash flow of DKK 1,250 million in 2022. The negative cash flow from financing activities was mainly due to increased dividend payments due to interim dividend payments, which was partly offset by the fact that no stock buyback programs were executed in 2023 due to the combination with Chr. Hansen.

Cash position

Cash and cash equivalents at December 31, 2023, amounted to DKK 1,116 million, up from DKK 1,041 million at December 31, 2022. Undrawn committed credit facilities were DKK 5,256 million at December 31, 2023.

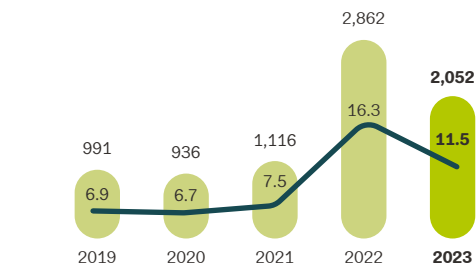
Cash flow from operating activities

DKK million



Net investments

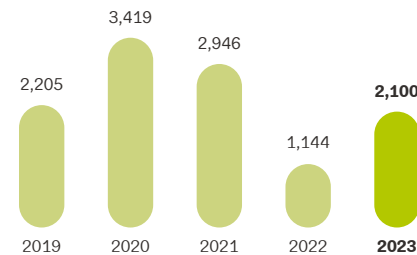
DKK million



● Net investments ● Net investments (% of sales)

Free cash flow before acquisitions

DKK million



Consolidated statement of cash flows

DKK million	Note	2023	2022
Net profit		3,039	3,686
Reversal of non-cash items	6.7	2,155	1,935
Income tax paid	2.7	(790)	(910)
Interest received		77	18
Interest etc. paid		(157)	(131)
Cash flow before change in working capital		4,324	4,598
Change in working capital			
(Increase)/decrease in receivables		(177)	(330)
(Increase)/decrease in inventories		138	(787)
Increase/(decrease) in payables, deferred income and contract liabilities		(127)	534
Currency translation adjustments		(6)	(9)
Cash flow from operating activities		4,152	4,006
Investments			
Purchase of intangible assets	6.7	(199)	(130)
Purchase of property, plant and equipment	6.7	(1,857)	(2,760)
Sale of intangible assets		1	-
Sale of property, plant and equipment		3	28
Business acquisitions, divestments, purchase and sale of financial assets	6.7	(81)	190
Cash flow from investing activities		(2,133)	(2,672)
Free cash flow		2,019	1,334

DKK million	Note	2023	2022
Financing			
Borrowings		3,295	2,140
Repayment of borrowings		(2,307)	(1,602)
Overdraft facilities, net		(65)	193
Repayment of lease liabilities		(123)	(120)
Shareholders:			
Purchase of treasury stock		-	(500)
Sale of treasury stock		167	164
Dividend paid		(2,856)	(1,525)
Cash flow from financing activities		(1,889)	(1,250)
Net cash flow		130	84
Unrealized gain/(loss) on currencies and financial assets included in cash and cash equivalents		(55)	(6)
Net change in cash and cash equivalents		75	78
Cash and cash equivalents at January 1		1,041	963
Cash and cash equivalents at December 31		1,116	1,041

Balance sheet and financial position

Total assets

Total assets increased from DKK 27,983 million at December 31, 2022, to DKK 28,391 million at December 31, 2023. The increase was mainly driven by net investments, partly offset by amortization and depreciation.

Invested capital

Invested capital increased from DKK 20,703 million in 2022 to DKK 21,490 million in 2023. This was mainly a result of net investments and a slight increase in net working capital.

ROIC before special items

Return on invested capital (ROIC) before special items was 16.5%, down 1.4 percentage points from 17.9% in 2022. The decrease in ROIC before special items was mainly due to an increase in invested capital, and an increase in the effective tax rate.

Net working capital

Novozymes' net working capital increased to DKK 4,710 million, up from DKK 4,244 million in 2022, due to an increase in trade receivables,

assets held for sale and lower trade payables due to lower investments, partly offset by lower inventories.

Net interest-bearing debt

Novozymes had net interest-bearing debt of DKK 6,617 million at December 31, 2023, compared with DKK 5,807 million at December 31, 2022.

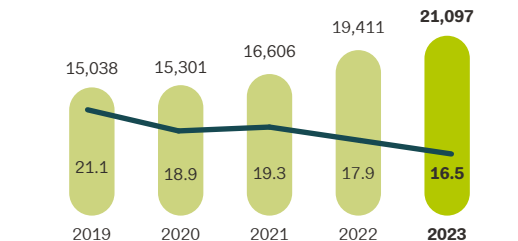
Net interest-bearing debt was impacted by cash outflows from dividend payments of DKK 2,856 million, partly offset by the fact that no stock buyback programs were executed in 2023.

Net interest-bearing debt-to-EBITDA

Net interest-bearing debt-to-EBITDA was 1.2x at December 31, 2023, up from 1.0x at December 31, 2022.

ROIC before special items and average invested capital

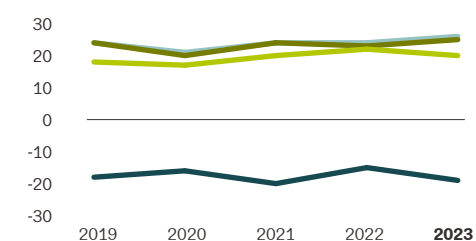
DKK million



● Average invested capital ● ROIC before special items (%)

Net working capital

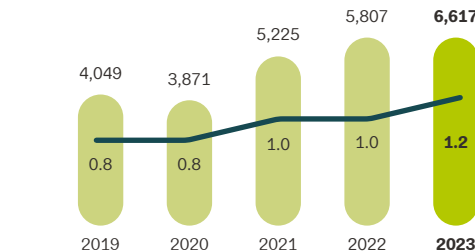
% of sales



● Inventories ● Receivables ● Net working capital ● Payables and deferred income

Net interest-bearing debt (NIBD) and net interest-bearing debt-to-EBITDA

DKK million



● NIBD ● NIBD/EBITDA

Consolidated balance sheet

Assets

DKK million	Note	Dec. 31, 2023	Dec. 31, 2022
Intangible assets	3.1	4,532	4,698
Land and buildings	3.2	4,614	3,999
Plant and machinery	3.2	4,953	4,151
Other equipment	3.2	992	1,028
Assets under construction	3.2	1,766	2,896
Deferred tax assets	2.7	1,762	1,623
Other financial assets		62	92
Investments in associates		205	223
Other receivables	4.3	43	32
Non-current assets		18,929	18,742
Inventories	4.1	3,627	3,803
Trade receivables	4.2	3,702	3,454
Contract assets	4.2	70	151
Tax receivables	2.7	296	352
Other receivables	4.3	279	360
Other financial assets		40	80
Cash and cash equivalents		1,116	1,041
		9,130	9,241
Assets held for sale	4.5	332	-
Current assets		9,462	9,241
Assets		28,391	27,983

Liabilities and equity

DKK million	Note	Dec. 31, 2023	Dec. 31, 2022
Common stock	5.5	562	562
Reserves and retained earnings		13,416	13,275
Equity attributable to shareholders of Novozymes A/S		13,978	13,837
Non-controlling interests	6.5	373	391
Total equity		14,351	14,228
Share purchase liability	6.5	-	760
Deferred tax liabilities	2.7	1,965	1,653
Provisions	3.4	100	119
Contingent consideration	3.6	-	224
Lease liabilities	5.3	232	288
Contract liabilities		152	129
Borrowings	5.3	4,329	3,619
Non-current liabilities		6,778	6,792
Share purchase liability	6.5	584	-
Lease liabilities	5.3	137	123
Provisions	3.4	12	10
Contingent consideration	3.6	72	158
Borrowings	5.3	3,083	2,919
Trade payables		1,616	1,869
Contract liabilities		65	94
Deferred income		54	44
Tax payables	2.7	183	326
Other liabilities	4.4	1,456	1,420
Current liabilities		7,262	6,963
Liabilities		14,040	13,755
Liabilities and equity		28,391	27,983

Equity and shareholder return

Equity

At December 31, 2023, equity was DKK 14,351 million, up from DKK 14,228 million at December 31, 2022.

Equity ratio

Equity accounted for 50.5% of total assets at December 31, 2023, down from 50.8% at December 31, 2022.

Return on equity

Return on equity was 21.7%, down 6.9 percentage points from 28.6% in 2022. The decrease was a result of the reduced net profit.

Treasury stock

At December 31, 2023, the holding of treasury stock was 3.7 million B shares, equivalent to 1.3% of the common stock, compared to 4.4 million B shares, equivalent to 1.6% of the common stock in 2022.

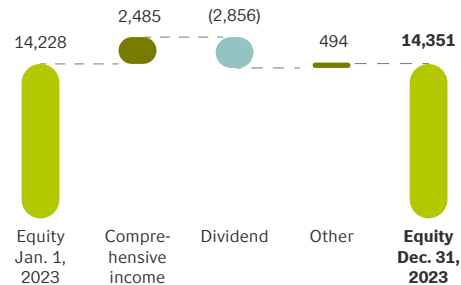
Dividend

In October 2023, interim dividends of DKK 4.20 per share were paid out for the period January 1 - August 31, 2023. A proposed dividend for the period September 1 - December 31, 2023 will be announced by the Board of Directors of Novonosis in connection with the notice of the Annual Shareholders' Meeting.

Read more about the Novozymes stock in [The Novozymes stock](#)

Changes in equity 2023

DKK million



Consolidated statement of equity

Attributable to shareholders of Novozymes A/S

DKK million	Common stock	Currency translation adjustments	Cash flow hedges	Retained earnings	Total	Non-controlling interests	Total equity
Equity at January 1, 2023	562	132	81	13,062	13,837	391	14,228
Net profit for the year				3,024	3,024	15	3,039
Other comprehensive income for the year		(536)	(16)		(552)	(2)	(554)
Total comprehensive income for the year		(536)	(16)	3,024	2,472	13	2,485
Sale of treasury stock				167	167		167
Dividends				(2,825)	(2,825)	(31)	(2,856)
Stock-based payment				147	147		147
Non-controlling interests and share purchase liability				176	176		176
Tax related to equity items				4	4		4
Changes in equity	-	(536)	(16)	693	141	(18)	123
Equity at December 31, 2023	562	(404)	65	13,755	13,978	373	14,351
Equity at January 1, 2022	564	(8)	(32)	11,303	11,827	379	12,206
Net profit for the year				3,676	3,676	10	3,686
Other comprehensive income for the year		140	113		253	-	253
Total comprehensive income for the year		140	113	3,676	3,929	10	3,939
Purchase of treasury stock				(500)	(500)		(500)
Sale of treasury stock				164	164		164
Write-down of common stock	(2)			2	-		-
Dividend				(1,524)	(1,524)	(1)	(1,525)
Stock-based payment				123	123		123
Non-controlling interests and share purchase liability				(43)	(43)	3	(40)
Tax related to equity items				(139)	(139)		(139)
Changes in equity	(2)	140	113	1,759	2,010	12	2,022
Equity at December 31, 2022	562	132	81	13,062	13,837	391	14,228

Proposed dividend for the period September 1 - December 31, 2023 will be announced by the Board of Directors of Novonesis in connection with the notice of the Annual Shareholders' Meeting.

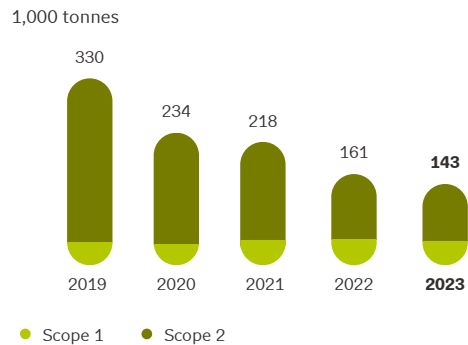
Environmental performance

Operational ecoefficiency

In 2023, sales increased organically by 5% driven by price increases, whereas production volumes decreased slightly. The consumption of energy and water decreased by 9% and 11% respectively compared to 2022. The decrease was driven by changes in product mix towards less resource consuming products, lower production volumes and implementation of efficiency-enhancing projects.

Novozymes strives to decouple environmental impact from business growth, and we define targets and metrics that measure and drive our sustainability performance.

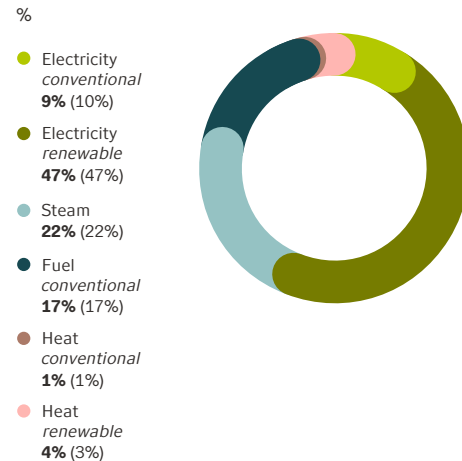
Five-year operational emissions (CO₂-eqv.)



Climate change

Novozymes' total scopes 1 and 2 GHG emissions were 143,000 tonnes in 2023, an 11% decrease from 161,000 tonnes in 2022. The major contributor was Novozymes' site in Blair, US, for which we procured green electricity during 2023.

Energy by source 2023 (2022)



Energy

In 2023, Novozymes' energy consumption was 4,396,000 GJ, a decrease of 9% compared with 2022.

Renewable sources accounted for 51% of the energy consumption in 2023 compared with 50% in 2022. Renewables made up 84% of the total electricity in 2023, up from 82% in 2022. The main contributor to this increase was our site in Blair, US which started to procure renewable energy certificates.

Water

Novozymes' water withdrawal decreased by 11%, from 8,720,000 m³ in 2022 to 7,793,000 m³ in 2023.

The total volume of wastewater generated in 2023 decreased by 7% compared to 2022.

Waste

Similar to 2022, 100% of our biomass was re-circulated as compost, fertilizer, feedstock for bio-gas or the like in 2023.

For non-biomass waste, the rate of recycling across our global production sites increased to 74%, from 63% in 2022.

Environmental compliance

The number of breaches of regulatory limits recorded worldwide in the Novozymes organization increased to 23 in 2023 from 21 in 2022. Most of them were related to wastewater discharge and biomass processing, handling and distribution.

Novozymes is addressing these incidents. Novozymes received 14 neighbor complaints in 2023, compared to 23 received in 2022. Most of them pertained to noise and light related to construction activities.

Consolidated environmental data

	Note		2023	2022
Climate change				
Greenhouse gas emissions (scopes 1+2)	7.1	1,000 tonnes CO ₂ -eqv.	143	161
Energy				
Energy consumption	7.2	1,000 GJ	4,396	4,840
Renewable energy	7.2	%	51	50
Water				
Water consumption	7.3	1,000 m3	7,793	8,720
Volume of wastewater	7.3	1,000 m3	6,295	6,766
Waste				
Total waste	7.4	1,000 tonnes	544	559
Recycling rate for non-biomass waste	7.4	%	74	63
Biomass volume	7.4	1,000 tonnes	529	539
Biomass handled in circular set-up (recycled)	7.4	%	100	100
Environmental compliance, etc.				
Breaches of regulatory limits	7.5	No.	23	21
Neighbor complaints	7.5	No.	14	23
References to notes without data				
Bioethics & biodiversity	7.6		n/a	n/a
Product stewardship	7.7		n/a	n/a

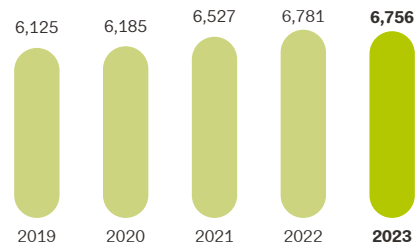
Social and governance performance

Labor practices & human rights

At December 31, 2023, the total number of employees was 6,756, compared with 6,781 in 2022.

Number of employees

No. of employees



In 2023, the employee absence rate was in line with 2022 at 2.6%.

Novozymes promotes equal opportunities and strengthens diversity in the global workplace. At December 31, 2023, 36% of senior management (directors and higher) were women compared to 33% in 2022.

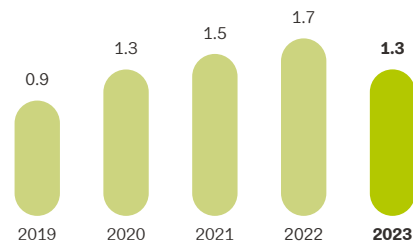
Occupational health & safety

The frequency of occupational injuries with absence decreased to 1.3 per million working hours in 2023, compared with 1.7 per million working hours in 2022, corresponding to a decline from 20 injuries in 2022 to 16 injuries in 2023. Our three-year rolling average frequency of occupational injuries with absence per million working hours was 1.5 similar to 1.5 in 2022.

Novozymes will continue to drive a safety culture to ensure that safety behaviors are a part of the daily routines in our organization.

Frequency of injuries

Per million working hours



Innovation

Novozymes is committed to delivering bioinnovation and launched 18 new products in 2023.

In 2023, Novozymes had 917 active patent families, compared with 892 in 2022, which comprise the number of inventions that have active patent applications or active patents.

Business ethics

In 2023, Novozymes reinforced our commitment to business integrity. During the year, 98% of Novozymes' employees in scope completed business integrity training. In 2022, that number was 97%.

As in 2022, there were no breaches of competition law in 2023.

Customer engagement

Novozymes conducts an annual customer satisfaction survey and tracks progress on its Net Promoter Score (NPS), which is assessed on a scale from -100 to +100. In 2023, we received an NPS of +71, compared to +69 in 2022, which confirms that we continue to have a solid relationship with our customers.

Consolidated social and governance data

	Note		2023	2022
Labor practices & human rights				
Employees, total	2.3	No.	6,756	6,781
Women	2.3	%	39.5	39.2
Rate of absence	8.1	%	2.6	2.6
Inclusion & Diversity				
Women in senior management	8.2	%	36	33
Employee safety and well-being				
Fatalities		No.	-	-
Frequency of occupational injuries with absence	8.3	Per million working hours	1.3	1.7
Frequency of occupational diseases	8.3	Per million working hours	0.3	0.1
Three-year rolling average of occupational injuries with absence	8.3	Per million working hours	1.5	1.5
Innovation				
New products	2.4	No.	18	26
Active patent families	2.4	No.	917	892
Business ethics				
Completion of business integrity training for employees in scope	8.4	%	98	97
Breaches of competition law	8.4	No.	-	-
Customer engagement				
Customer satisfaction, Net Promoter Score (NPS)	8.5	No.	71	69
Reference to notes without data				
Community engagement	8.6		n/a	n/a
Responsible sourcing	8.7		n/a	n/a

Notes

1 Basis of reporting

- 1.1 Significant changes and events
- 1.2 Basis of reporting

2 Net operating profit after tax

- 2.1 Segment
- 2.2 Revenue
- 2.3 Employees
- 2.4 Research and development costs
- 2.5 Other operating income, net
- 2.6 Special items
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- 3.2 Property, plant and equipment

- 3.3 Leases

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- 4.2 Trade receivables and contract assets

- 4.3 Other receivables

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- 4.5 Assets held for sale

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- 5.1 Financial risk factors and risk management

- 5.2 Financial income and Financial costs

- 5.3 Borrowings

- 5.4 Derivatives – hedge accounting

- 5.5 Common stock and treasury stock

- 5.6 Financial assets and liabilities by category

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- 6.4 Related party transactions

- 6.5 Non-controlling interests

- 6.6 Fees to statutory auditors

- 6.7 Cash flow

- 6.8 Events after the reporting date

- 6.9 Group companies

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- 7.1 Climate change

- 7.2 Energy

- 7.3 Water

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- 8.1 Labor practices & human rights

- 8.2 Inclusion & diversity

- 8.3 Employee safety & well-being

- 8.4 Business ethics

- 8.5 Customer engagement

- 8.6 Community engagement

- 8.7 Responsible sourcing

Note 1

Basis of reporting

1.1 Significant changes and events

1.2 Basis of reporting

1.1 Significant changes and events

The following significant events impacted Accounts and performance in 2023.

Completion of the combination of Novozymes and Chr. Hansen

On January 29, 2024, the final regulatory approvals were obtained and the final registration of the statutory merger with the Danish Business Authority successfully completed.

The combination of Novozymes and Chr. Hansen will create a leading global biosolutions partner with a broad biological toolbox and a diversified portfolio in attractive markets.

Reference is made to Note 2.6, Note 3.5, Note 6.3 and Note 6.8.

Divestment of part of the global lactase enzymes business

The European Commission approval of the Combination is conditional upon the divestment of a part of the combined company's global lactase enzyme business.

In 2023, a definitive agreement to sell the lactase enzyme business was entered into with Kerry Group plc ("Kerry"). The sale was subject to the European Commission's approval of Kerry as the purchaser, which was obtained on January 26, 2024.

Reference is made to Note 4.5.

Significant transactions

In 2023, Novozymes divested selected waste-water treatment solutions, which had a positive effect of DKK 88 million on other operating income.

Reference is made to Note 2.5 for further details.

1.2 Basis of reporting

This section provides an overview of Novozymes' principal accounting policies, the critical accounting estimates and judgments applied, a definition of materiality as well as the impact of new or amended IFRS standards and interpretations.

The symbols **I/S**, **B/S** and **ESG** show which amounts in the notes can be found in the income statement, the balance sheet, and in environmental data and social and governance data (ESG) respectively.

The accounting policies described below apply to the consolidated financial statements as a whole. Accounting policies and critical accounting estimates and judgments are described in the notes to which they relate to enhance understanding. The descriptions of accounting policies in the notes form part of the overall description of accounting policies.

ACCOUNTING POLICIES

Consolidation

The consolidated financial statements comprise the financial statements of Novozymes A/S (the Parent Company) and subsidiaries controlled by Novozymes A/S, prepared in accordance with

Group accounting policies. The consolidated financial statements are prepared by combining items of a uniform nature and subsequently eliminating intercompany transactions, internal stockholdings and balances, and unrealized intercompany profits and losses.

Non-controlling interests' share of subsidiaries' net profit for the year and equity are included in the Group's net profit and total equity, but are disclosed separately.

Consolidation of the environmental, social and governance data follows the same principles as the financial reporting.

Translation of foreign currencies

The consolidated financial statements are presented in Danish kroner (DKK), which is also the functional and presentation currency of the parent company.

Exchange rate differences arising between exchange rates at the transaction date and the reporting date are recognized as Financial income or Financial costs.

Foreign currency transactions are translated into the functional currency defined for each company using the exchange rates prevailing at the transaction date. Monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the reporting date.

Financial statements of foreign subsidiaries are translated into DKK at the exchange rates prevailing at the reporting date for assets and liabilities, and at average exchange rates for income statement items.

The following exchange rate differences, arising from translation using the exchange rate prevailing at the reporting date, are recognized in Other comprehensive income:

- Translation of foreign subsidiaries' net assets at the beginning of the year.
- Translation of foreign subsidiaries' income statements from average exchange rates.

iXBRL reporting

Novozyymes is required to file its annual report in the European Single Electronic Format ('ESEF') and The Novozymes Report is therefore prepared

in the XHTML format that can be displayed in a standard browser. The primary statements and notes in the consolidated financial statements are tagged using inline eXtensible Business Reporting Language (iXBRL). The iXBRL tags comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. Where a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy has been created. Extensions are anchored to elements in the ESEF taxonomy, except for extensions which are subtotals.

The Novozymes Report submitted to the Danish Financial Supervisory Authority consists of the XHTML document together with certain technical files, all included in a file named NOVOZYMES-2023-12-31-en.zip.

1.2 Basis of reporting (continued)

Non-IFRS financial measures

Novozymes uses certain financial measures that are not defined in IFRS to describe the Group's financial performance, financial position and cash flows. These financial measures may therefore be defined and calculated differently from similar measures in other companies, and may thus not be comparable.

The non-IFRS financial measures presented in The Novozymes Report are:

- Organic sales growth
- Special items
- Operating profit (EBIT) before special items
- Operating costs
- Economic profit
- ROIC
- ROIC before special items
- Free cash flow before acquisitions

Definitions of non-IFRS financial measures are provided in the Glossary section of The Novozymes Report.

ROIC before special items is the adjusted operating profit (NOPAT) before special items after tax for the last 12 months as a percentage of average invested capital.

ROIC before special items

DKK million	Note	2023	2022
Adjusted operating profit (NOPAT) before special items			
		3,481	3,471
DKK million			
	Note	2023	2022
Intangible assets	3.1	4,532	4,698
Property, plant and equipment	3.2	12,325	12,074
Investments in associates		205	223
Net working capital*		4,710	4,244
Financial assets, non-interest-bearing		40	80
Provisions	3.4	(112)	(129)
Contingent consideration	3.6	(72)	(382)
Derivatives		(48)	(101)
Tax, net		(90)	(4)
Invested capital		21,490	20,703
Average invested capital		21,097	19,411
ROIC before special items		16.5%	17.9%

* Net working capital includes Inventories, Trade receivables, Contract assets, Other receivables, Assets held for sale, Deferred income, Trade payables, Contract liabilities and Other liabilities.

1.2 Basis of reporting (continued)

Critical accounting estimates and judgments

The preparation of the consolidated financial statements and environmental, social and governance data requires Management to make estimates and assumptions that can have a significant effect on the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience and various other factors. Actual results may differ from these estimates.

The application of the Group's accounting policies may require Management to make judgments that can have a significant effect on the amounts recognized in the consolidated financial statements. Management judgment is required in particular when assessing the substance of transactions that have a complicated structure or legal form.

The critical accounting estimates and judgments could potentially have a significant impact on the consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates may be necessary if there are changes in the circumstances on which the estimate was based, or if more detailed information becomes available. Such changes are recognized in the period in which the estimate in question is revised.

The table shows critical accounting estimates and judgments and their level of potential impact on the consolidated financial statements:

Note	Critical accounting estimates and judgments	Estimate/judgment	Potential impact from estimates and judgments
2.2 Revenue	Revenue recognition	Estimate	● ● ●
2.6 Special items	Classification of special items	Judgment	● ● ●
2.7 Tax	Group tax charge and deferred tax assets	Estimate	● ● ●
3.1 Intangible assets and impairment test of goodwill	Impairment of intangible assets and goodwill	Estimate	● ● ●
3.5 Business acquisitions			
3.6 Contingent consideration	Fair value measurement	Estimate	● ● ●
6.5 Non-controlling interests			
4.1 Inventories	Cost of work in progress and finished goods	Estimate	● ● ●
4.2 Trade receivables and contract assets	Allowances for doubtful trade receivables	Estimate	● ● ●

1.2 Basis of reporting (continued)

Basis of reporting

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act. The financial year for the Group is January 1 – December 31. The financial statements were authorised for issue by the board of directors on 8 February 2024 and the general assembly, who has the power to amend and reissue the financial statements.

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, with the exception of derivatives, securities, contingent consideration and share purchase liability, which are measured at fair value. The accounting policies are unchanged from last year.

The consolidated environmental, social and governance data have been prepared in accordance with policies that adhere to internationally recognized voluntary reporting standards and principles such as the UN Global Compact (UNGC). Novozymes is a signatory to the Ten Principles and a member to the UNGC, a voluntary initiative for businesses committed to aligning their operations and strategies with ten universally accepted

principles in the areas of human rights, labor, the environment and anti-corruption. We also take inspiration from the Task Force on Climate Related Financial Disclosures (TCFD) framework for climate-related disclosures.

Our reporting and materiality assessments were also inspired by the GRI framework.

The policies are unchanged from last year.

Defining materiality

The Novozymes Report is based on the concept of materiality, to ensure that the content is material and relevant.

If items are individually immaterial, they are aggregated with other items of a similar nature in the statements or in the notes. Novozymes provides the specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the readers of The Novozymes Report.

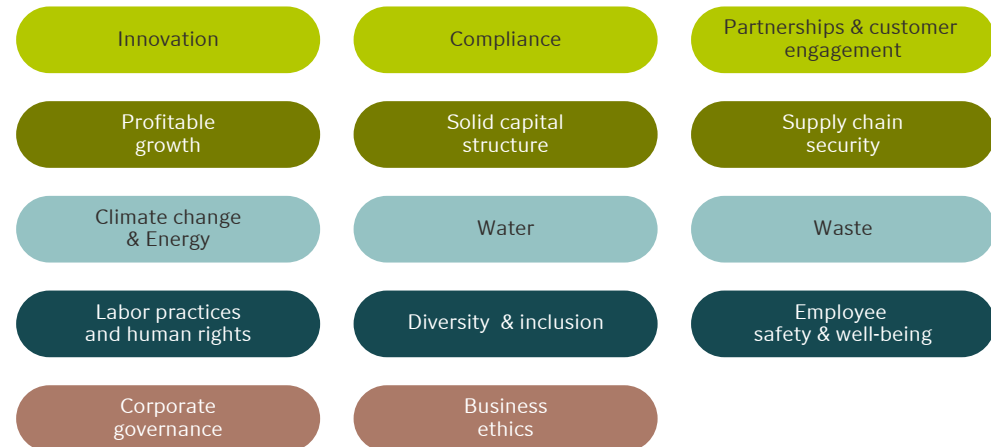
As for environmental, social and governance matters, we disclose information on issues that are identified by our materiality assessment. The disclosures in the notes include information on

our management approach, targets, initiatives, and related progress.

Novozyymes' materiality assessment is a systematic and rigorous process that takes double materiality into account. It allows us both to evaluate whether Novozymes has an impact on the

environment and society and to identify how ESG issues affect the creation of long-term value. We have established a two-phased process comprising a comprehensive assessment every three years and a refresh (light-assessment) every year. The process integrates input from external stakeholders, trend analyses and internal engagement

Selected material issues for Novozymes



Issue category

● All ● Economic ● Environmental ● Governance ● Social

1.2 Basis of reporting (continued)

with relevant departments including Investor Relations, Risk Management & Controls, Quality, Sustainability and our commercial areas. This process results in a materiality matrix of financial and non-financial issues. The matrix reflects the importance of those issues to our key stakeholders versus their impact on Novozymes, and it is used to guide our strategy and reporting.

In 2023, we conducted a light refresh of our materiality assessment. No new issues were added to our materiality matrix.

Limited reporting scope

The environmental data cover those activities that could have a significant impact on the environment. Sites with activities considered not to have a significant environmental impact are not included. Such sites comprise sales offices, R&D labs, and sites with limited blending and storage of products. However, measures are taken to ensure that at least 97% of the total Novozymes quantity of the measured environmental parameter is included in the reported numbers.

Impact of new accounting standards

Novozymes has adopted the following new or amended standards and interpretations from January 1, 2023:

- Amendments to IAS 1 – Presentation of Financial Statements: Disclosure of Accounting Policies that requires an entity to disclose their material accounting policies rather than their significant accounting policies.
- Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates clarifying the definition of accounting estimates and when changes in accounting estimates are a correction of an error and when it is a change in accounting estimate.

- Amendment to IAS 12 – Income Taxes: Deferred Tax related to Assets and Liabilities arising from a single transaction clarifying how to account for deferred tax on transactions such as leases and decommissioning obligations.
- Amendment to IAS 12 – Income Taxes: International Tax Reform – Pillar Two Model Rules implementing temporary relief from accounting for deferred taxes arising from the implementation of the Pillar Two rules issued by the OECD.

The adoption of the new and amended standards and interpretations has not had a significant impact on recognition, measurement, or disclosures in the consolidated financial statements for 2023 and is not anticipated to have a significant impact on future periods.

New standards and interpretations not yet adopted

IASB has issued new or amended accounting standards and interpretations that have not yet become effective and have consequently not been implemented in the consolidated financial statements for 2023. Novozymes expects to adopt the accounting standards and interpretations as they become mandatory. None of the new or amended standards or interpretations are expected to have a significant impact on the consolidated financial statements.

The new EU Corporate Sustainability Reporting Directive (CSRD) including the European Sustainability Reporting Standards developed by the European Financial Reporting Advisory Group (EFRAG) has not yet become effective and has consequently not been implemented in the Annual Report for 2023. Novozymes expects to report on the ESRS standards as part of the adoption of the directive in 2024 as it becomes mandatory.

For more information, refer to:
www.novozymes.com/en/about-us/sustainability/materiality

Visit 

Note 2

Net operating profit after tax

- 2.1 Segment
- 2.2 Revenue
- 2.3 Employees
- 2.4 Research and development costs
- 2.5 Other operating income, net
- 2.6 Special items
- 2.7 Tax
- 2.8 Earnings per share

Organic sales
growth down from 9% in 2022
to

5%

Gross margin down
from 54.6% in 2022 to

54.3%

EBIT margin before special items down from
26.4% in 2022 to

25.4%

Net operating profit after tax

2.1 Segment

Segment reporting

The internal reporting framework used for reporting on revenue and expenses to the Executive Management and the Board of Directors has been established to reflect and report on the global functional responsibility setup at Novozymes. This setup consolidates functions by type, and Management reviews the results of the Group as a whole to assess performance. Thus, there is only one operating segment.

Worldwide operations

The Group operates in four geographical regions: Europe, Middle East & Africa, North America, Asia Pacific and Latin America. From a revenue

perspective, U.S. is the largest single country, contributing ~32% of the Group's revenue (2022: ~31%).

The geographical distribution of revenue is based on the country in which the goods are delivered. For a number of customers, central deliveries are made to specified locations and the final destination is unknown. The stated geographical distribution of revenue may therefore vary from one year to the next if delivery destinations for these customers change.

Most of the Group's intangible assets and property, plant and equipment are located in Denmark, U.S., India and China.

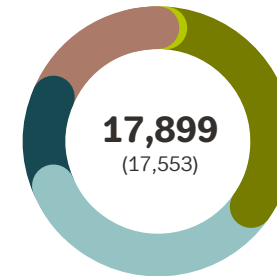
Intangible assets and property, plant and equipment, largest single countries:

	2023	2022
Denmark	41%	40%
U.S.	36%	33%
India	10%	11%
China	6%	9%

Revenue 2023 (2022)

DKK million

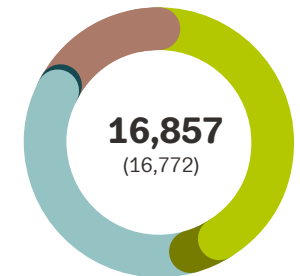
- Denmark **233** (211)
- Rest of Europe, Middle East & Africa **6,003** (5,884)
- North America **6,061** (5,829)
- Latin America **2,296** (2,063)
- Asia Pacific **3,306** (3,566)



Intangible assets and property, plant and equipment 2023 (2022)

DKK million

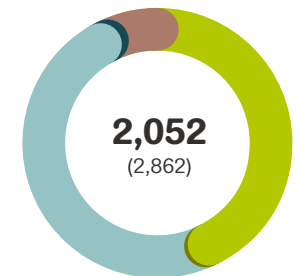
- Denmark **6,957** (6,747)
- Rest of Europe, Middle East & Africa **745** (788)
- North America **6,238** (5,804)
- Latin America **131** (121)
- Asia Pacific **2,786** (3,312)



Net investments 2023 (2022)

DKK million

- Denmark **877** (754)
- Rest of Europe, Middle East & Africa **11** (3)
- North America **994** (1,941)
- Latin America **23** (26)
- Asia Pacific **147** (138)



Net operating profit after tax

2.2 Revenue

DKK million	2023	2022
Consumer Biosolutions		
Household Care	5,106	4,988
Food, Beverages & Human Health	3,950	4,134
Agriculture & Industrial Biosolutions		
Bioenergy	4,445	3,748
Grain & Tech Processing	2,294	2,607
Agriculture, Animal Health & Nutrition	2,104	2,076
Revenue	17,899	17,553
Emerging markets	6,348	6,441
Developed markets*	11,551	11,112
Revenue	17,899	17,553
Revenue to the five largest customers as a percentage of revenue	24%	23%

* Developed markets comprise North America, Central Western Europe, Australia, New Zealand, Japan and South Korea. Rest of the world is classified as emerging markets.

Most of Novozymes' revenue is derived from the sale of goods to customers, with revenue being recognized when the goods are delivered.

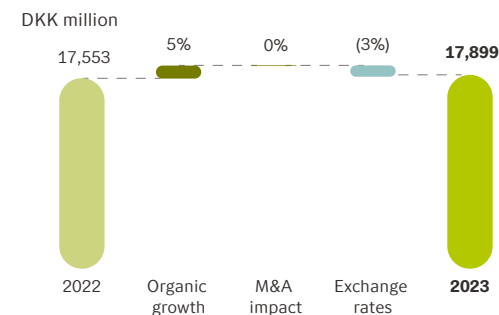
At January 1, 2023, contract liabilities amounted to DKK 223 million (2022: DKK 227 million), of which DKK 60 million was recognized as revenue in 2023 (2022: DKK 81 million).

Critical accounting estimates and judgments

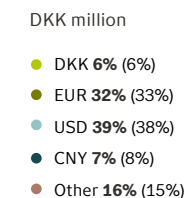
Novozymes has entered into various sales agreements, including agreements where Novozymes manufactures and sells products to a partner, who undertakes the sales to end customers, and where the profit on products sold to end customers is shared between the partner and Novozymes based on

predetermined profit-sharing mechanisms. Recognition of revenue requires judgment and estimates by Management in connection with determining the appropriate revenue recognition as well as the timing of recognition.

Sales growth 2023



Sales by currency 2023 (2022)



Net operating profit after tax

2.2 Revenue (continued)

Accounting policies

Novozymes produces a wide range of industrial enzymes, microorganisms and probiotics.

Revenue includes the sale of goods and related services and royalties, and is recognized at an amount that reflects the consideration to which Novozymes expects to be entitled. Revenue from the straightforward sale of goods to customers is recognized when control of the goods is transferred to the customer, i.e. when goods are delivered. Variable considerations are included in revenue to the extent that they are not subject to significant uncertainty.

The performance obligations in the contracts are to deliver enzymes, microorganisms and probiotics to customers, and each batch delivered is considered a separate performance obligation, as each batch is distinct.

Rebates

Enzymes, microorganisms and probiotics are sometimes sold at a rebate. A rebate agreement can be set up in various ways, but common to all agreements is that revenue is

recognized based on the price specified in the contract, net of the estimated rebate. The rebates are estimated based on experience, as well as information related to expected orders 3–12 months in advance. The estimated rebates are reassessed at the end of each reporting period.

Returns

A few of Novozymes' markets are granted a right of return. No revenue is recognized for the goods expected to be returned, as a refund liability is recognized. Estimates of the expected level of returns are based on analysis of historical returns and knowledge of the relevant markets/products. These estimates are updated at the end of each reporting period. As the goods returned are usually scrapped, no inventory asset is recognized.

Profit split

Novozymes has entered into partnerships where Novozymes manufactures and sells products to a partner, who undertakes the sale to end customers. The profit on products sold

to end customers is shared between the partner and Novozymes based on predetermined profit-sharing mechanisms.

Revenue from these arrangements consists of the sale of products to the partner and the shared profit, and is recognized in full when the goods are delivered to the other contracting party. This is done by calculating the expected profit based on insights, experience and other input factors. The calculated profit is recognized as a contract asset or contract liability until an invoice is issued. The profit realized is settled periodically.

Commission

Novozymes has entered into commission agreements where agents undertake sales to third parties in return for a commission on realized sales. Revenue from such agreements is recognized when the goods are delivered, as the nature of the performance obligation is to provide the specified goods.

Other

Revenue collected on behalf of third parties is not recognized as revenue.

Novozymes' obligation to provide a refund for products that are not of the agreed quality or according to agreed specifications under the standard warranty terms is recognized as contract liabilities.

A trade receivable is recognized when the customer obtains control of the goods and an invoice is issued, as this is the point in time when the consideration becomes unconditional and only the passage of time is required before payment is due. Typical payment terms are around 60 days.

Contract liabilities consist of advance payments, deferred revenue and liabilities for refund goods. The contract liabilities are recognized as revenue as the performance obligations under the contracts are fulfilled.

Net operating profit after tax

2.3 Employees

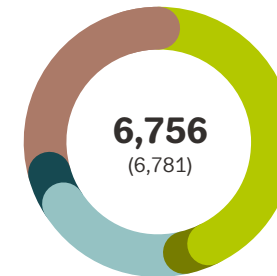
DKK million	2023	2022
Wages and salaries	3,897	3,721
Pensions – defined contribution plans	364	348
Other social security costs	301	263
Other employee costs	143	151
Stock-based payment	151	127
Employee costs	4,856	4,610
Recognized in the income statement under the following items:		
Cost of goods sold	1,773	1,654
Sales and distribution costs	1,192	1,209
Research and development costs	1,143	1,127
Administrative costs	611	575
Special items	76	-
	4,795	4,565
Change in employee costs recognized in Inventories	61	45
Employee costs	4,856	4,610

Employee costs in 2023 included severance pay, retention bonuses and other employee costs of DKK 76 million related to the combination between Novozymes and Chr. Hansen, recognized in Special items.

Number of employees at year-end 2023 (2022)

No. of employees

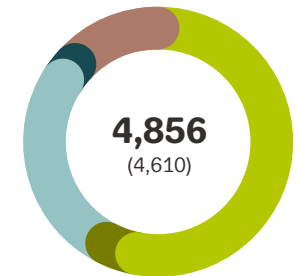
- Denmark **2,910** (2,883)
- Rest of Europe, Middle East & Africa **243** (238)
- North America **1,307** (1,303)
- Latin America **324** (319)
- Asia Pacific **1,972** (2,038)



Employee costs 2023 (2022)

DKK million

- Denmark **2,582** (2,383)
- Rest of Europe, Middle East & Africa **216** (205)
- North America **1,300** (1,244)
- Latin America **129** (123)
- Asia Pacific **629** (655)



Net operating profit after tax

2.3 Employees (continued)

DKK million	2023	2022
Average number of employees in the Group	6,805	6,690
Average number of employees who work with R&D	1,208	1,279
Number of employees outside Denmark as a percentage of total number of employees	57%	57%
Part-time employees	359	343
Full-time employees	6,397	6,438
Employees at December 31	6,756	6,781
Senior management	215	214
Management	1,432	1,388
Professional	1,912	1,894
Administrative	711	737
Skilled workers, laboratory technicians and other technicians	1,165	1,178
Process operators	1,321	1,370
Employees by category at December 31	6,756	6,781

Employee gender distribution 2023 (2022)

- Women **40%** (39%)
- Men **60%** (61%)



Senior management gender distribution 2023 (2022)

- Women **36%** (33%)
- Men **64%** (67%)



Accounting policies

The number of employees is derived from contractual obligations, but does not include employees on unpaid leave, temporary replacements, student interns, agency employees, consultants or PhD students. In the calculation of the number of full-time employees, employees with a working time ratio of 95% or more are counted as full-time employees.

The average number of employees is calculated as the average of the number of permanent employees at the end of each month.

Job categories are defined as follows: Senior management comprises the CEO, executive vice presidents, vice presidents and directors. Management comprises middle managers and specialists. Professional comprises employees with academic backgrounds as well as team leaders. Process operators comprises operators and unskilled workers.

All of the above classifications are based on internal job categories.

Net operating profit after tax

2.4 Research and development costs

DKK million	Note	2023	2022
Internal and external research and development costs		592	528
Employee costs	2.3	1,143	1,127
Amortization and impairment losses, intangible assets	3.1	124	182
Depreciation and impairment losses, property, plant and equipment	3.2	158	164
Total research and development costs	I/S	2,017	2,001
As a percentage of revenue		11.3%	11.4%

Due to significant uncertainty associated with the development of new products, none of the development projects met the criteria for capitalization in 2023 and 2022.

In 2023, Novozymes launched 18 new products (2022: 26 new products). New products comprise products with new or improved characteristics.

In 2023, Novozymes had 917 active patent families (2022: 892). Active patent families comprise the number of inventions for which Novozymes had one or more active patent applications or active patents at December 31.

Accounting policies

Research and development costs primarily comprise employee costs, internal and external costs related to the development of new products and to the ongoing optimization of production processes for existing products, and amortization, depreciation and impairment losses related to intangible assets and property, plant and equipment used in research and development activities.

Research costs are expensed as incurred, while development costs are expensed as incurred unless the criteria for capitalization are deemed to have been met.

Income received from research and collaboration agreements is recognized in Other operating income.

Net operating profit after tax

2.5 Other operating income, net

DKK million	2023	2022
Income and grants concerning research projects/collaborations	31	10
Gain from 21 st .BIO transaction	-	201
Net gain from divestment of selected waste-water treatment solutions	88	-
Other secondary income, net	52	65
Other operating income, net	171	276

In 2023, Other operating income was impacted by DKK 88 million from the divestment of selected waste-water treatment solutions.

In 2022, Other operating income was impacted by DKK 201 million from an accounting gain related to the 21st.BIO transaction, in which Novozymes Biotechnology ApS merged with 21st.BIO. Following the transaction, Novozymes obtained significant influence in 21st.BIO, and 21st.BIO is recognized as an associated company of Novozymes.

Accounting policies

Other operating income comprises income that is not product-related and that is not defined as special items. This includes income from research and collaboration agreements, government grants, sale of licenses, patents, etc., and other income of a

secondary nature in relation to the main activities of the Group. This item also includes non-recurring income items in respect of damages, outlicensing, etc., and gains and losses on divestments.

Net operating profit after tax

2.6 Special items

DKK million	2023	2022
Costs related to the combination of Novozymes and Chr. Hansen:		
Transaction costs	(220)	(68)
Integration costs	(326)	-
Costs related to divestment of the lactase enzymes business	(30)	-
Special items	(576)	(68)

Special items reconcile to the income statement as specified below:

DKK million	2023			2022		
	Reported income statement	Special items	Adjusted income statement	Reported income statement	Special items	Adjusted income statement
Revenue	17,899	-	17,899	17,553	-	17,553
Cost of goods sold	(8,177)	(56)	(8,233)	(7,976)	-	(7,976)
Gross profit	9,722	(56)	9,666	9,577	-	9,577
Sales and distribution costs	(2,365)	(381)	(2,746)	(2,271)	(67)	(2,338)
Research and development costs	(2,017)	(10)	(2,027)	(2,001)	-	(2,001)
Administrative costs	(959)	(129)	(1,088)	(952)	(1)	(953)
Other operating income, net	171	-	171	276	-	276
Operating profit (EBIT) before special items	4,552	(576)	3,976	4,629	(68)	4,561
Special items	(576)	576	-	(68)	68	-
Operating profit (EBIT)	3,976	-	3,976	4,561	-	4,561

Net operating profit after tax

2.6 Special items (continued)

Critical accounting estimates and judgments

Special items are used in the presentation of the income statement and include significant non-recurring income or costs not related to Novozymes' recurring operating profit. These items are classified separately in the income statement as Special items in order to provide a more transparent view of Novozymes' operating profit.

The use of special items entails management judgment in the separation from other items in the income statement.

Management considers individual items in order to ensure that special items include significant non-recurring income or costs not related to Novozymes' recurring operating profit.

Special items include income or costs from the combination of Novozymes and Chr. Hansen.

2.7 Tax

Tax risks

In many markets, Novozymes operates through sales companies and distributors, whereas production is located in only a few countries. This leads to transactions between group companies. Novozymes follows the OECD principles in setting internal transfer prices for these transactions. This is a complex area and entails a tax risk, because the transactions are subject to judgment in each country. The tax controversy risk for Novozymes is significantly reduced through the use of bilateral advance pricing agreements (APAs).

Bilateral APAs

As stated in our tax policy, Novozymes proactively engages in bilateral APAs negotiated at competent authority level to increase predictability and to mitigate transfer pricing risks. Most of the inter-company transaction value within the Novozymes Group is covered by bilateral APAs.

An APA is an agreement between a taxpayer and a tax authority determining the transfer pricing methodology for pricing the taxpayer's international transactions for future years.

The methodology is applied for a certain period based on the fulfilment of certain terms and conditions (called critical assumptions). An APA can

be unilateral or bilateral. Novozymes only enters into bilateral APAs, meaning that they are negotiated between the competent tax authorities of the two countries involved in the transaction. An APA provides assurance with respect to the tax outcome of our international transactions, by determining in advance arm's length pricing and the pricing methodology to be applied to the international transactions.

Novozymes has entered into bilateral APAs with the tax authorities in the countries where internal transactions are most significant. Included in APA-covered transactions are group internal transactions between Denmark and the U.S., China and India, respectively.

Joint taxation

Novozymes A/S and its Danish subsidiaries are jointly taxed with the Danish companies of the Novo Holdings A/S Group. Joint taxation also covers withholding taxes in the form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and individually liable for the joint taxation liability. Any subsequent adjustments to income taxes and withholding taxes may increase the liability. Tax for the individual companies is allocated in full on the basis of the expected taxable income.

Net operating profit after tax

2.7 Tax (continued)

Tax in the income statement

In 2023, the effective tax rate was negatively impacted by costs related to the combination, which are not deductible for tax purposes. There was a positive impact from the settlement of a long-standing tax case.

The effective tax rate for 2022 was positively impacted by the accounting gain related to 21st.BIO and the divestment of Novozymes' minority ownership in Albumedix. In addition,

there was a positive impact from a fair value adjustment of contingent consideration. The total positive impact of 3.3 percentage points was recognized in Other adjustments.

Global minimum top-up tax

The OECD has published Pillar Two model rules designed to implement a global minimum effective tax rate. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions where the Group operates.

The legislation will be effective for the Group's financial year beginning January 1, 2024.

Novozymes is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities of the Group.

Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. There are a limited number of jurisdictions where the transitional safe harbor relief does not apply. Novozymes does not expect any material exposure to Pillar Two income taxes in those jurisdictions.

Tax in the income statement

DKK million	2023	2022
Tax payable on net profit	(753)	(818)
Change in deferred tax	(87)	(105)
Prior-year adjustments - current tax	(25)	76
Prior-year adjustments - deferred tax	(5)	(23)
Tax in the income statement	(870)	(870)
Calculation of effective tax rate:		
Corporate tax rate in Denmark	(22.0)%	(22.0)%
Non-taxable income less non-deductible expenses	(1.1)%	(0.3)%
Difference in foreign tax rates	(1.2)%	(0.3)%
Other adjustments	2.0%	3.5%
Effective tax rate	(22.3)%	(19.1)%

Critical accounting estimates and judgments

As the Group operates across many different countries, the calculation of the Group's total tax charge in the income statement inherently involves estimation. Tax and transfer-pricing disputes with authorities in various countries may occur, and Management's assessment is applied to assess the possible outcome of such disputes.

The Group recognizes deferred tax assets, including the expected tax value of tax loss carryforwards, if management assesses they can be offset against positive taxable income

in the foreseeable future. This judgment is made annually and based on budgets and business plans for the coming years, including planned commercial initiatives.

Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there may be substantial differences between the tax charge recognized in the consolidated income statement and actual tax payments.

Net operating profit after tax

2.7 Tax (continued)

Deferred tax DKK million	Deferred tax assets		Deferred tax liabilities	
	2023	2022	2023	2022
Intangible assets and property, plant and equipment	596	716	(1,397)	(1,447)
Inventories	226	295	(67)	(93)
Tax loss carry-forwards	16	85	-	-
Stock options	75	67	-	-
Other	408	406	(60)	(59)
	1,321	1,569	(1,524)	(1,599)
Offsetting items	441	54	(441)	(54)
Deferred tax at December 31	1,762	1,623	(1,965)	(1,653)

The tax value of the unrecognized share of tax loss carry-forwards, tax credits, etc. that do not

expire amounted to DKK 55 million (2022: DKK 50 million).

DKK million	2023	2022
Deferred tax at January 1	(30)	300
Currency translation adjustments	(13)	3
Effect of business acquisitions	-	(7)
Tax related to the income statement	(92)	(128)
Tax on equity items	-	(198)
Transfer to/(from) other items	(68)	-
Deferred tax at December 31	(203)	(30)
Deferred tax assets	1,762	1,623
Deferred tax liabilities	(1,965)	(1,653)
Deferred tax at December 31	(203)	(30)

Tax receivables and payables

DKK million	2023	2022
Tax payables, net, at January 1	26	(200)
Currency translation adjustments	(13)	46
Tax related to the income statement	(778)	(742)
Tax on equity items	20	12
Tax paid for the current year, net	790	910
Transfers to/(from) other items	68	-
Tax payables, net, at December 31	113	26
Tax receivables	296	352
Tax payables	(183)	(326)
Tax payables, net, at December 31	113	26
Of which due within 12 months	23	5
Of which due after more than 12 months	90	21
Tax payables, net, at December 31	113	26
Corporate income taxes paid are specified as follows:		
Income taxes paid in Denmark	622	610
Income taxes paid outside Denmark	168	300
Total income taxes paid	790	910

Net operating profit after tax

2.7 Tax (continued)

Accounting policies

Corporation tax, comprising the current tax liability, change in deferred tax for the year and possible adjustments relating to prior years, is recognized in the income statement, unless it relates to items recognized either in Other comprehensive income or directly in equity. Uncertain tax positions are assessed individually and recognized if it is probable that an amount will be paid or received.

Deferred tax is measured using the balance sheet liability method and comprises all temporary differences between the carrying amount and the tax base of assets and liabilities. No deferred tax is recognized for goodwill, unless amortization of goodwill for tax purposes is allowed. The tax value of tax loss carry-forwards is included in the calculation of deferred tax to the extent that the tax losses can be expected to be utilized in the future.

Deferred tax is measured according to current tax rules and at the tax rate expected to be in force on elimination of temporary differences. Changes in deferred tax due to tax rate changes are recognized in the income statement, unless they relate to items recognized either in Other comprehensive income or directly in equity.

Novozymes is applying the temporary relief from accounting for deferred taxes arising from the implementation of the Pillar Two rules issued by the OECD.

2.8 Earnings per share

DKK million	2023	2022
Net profit for the year	3,039	3,686
Less net profit attributable to non-controlling interests	(15)	(10)
Net profit attributable to the shareholders of Novozymes A/S	3,024	3,676
Average number of shares		
Weighted average number of shares in circulation	277,035,068	276,644,153
Average dilutive effect of outstanding stock options and stock awards	839,903	2,089,765
Average number of diluted shares	277,874,971	278,733,918
Earnings per share, DKK	10.92	13.29
Earnings per share, diluted, DKK	10.88	13.19

Accounting policies

Earnings per share is calculated as net profit attributable to shareholders of Novozymes A/S divided by the average number of shares in circulation.

Diluted earnings per share is calculated as net profit attributable to shareholders of Novozymes A/S divided by the average number of shares in circulation, including the dilutive effect of stock options “in the money.”

Note 3

Invested capital

- 3.1 Intangible assets and impairment test of goodwill
- 3.2 Property, plant and equipment
- 3.3 Leases
- 3.4 Provisions
- 3.5 Business acquisitions
- 3.6 Contingent consideration

Increase in average
invested capital
of DKK million

1,686

ROIC before special
items down from 17.9%
in 2022 to

16.5%

Net investments excl. acquisitions
down from DKK 2,862 million in
2022 to DKK million

2,052

Invested capital

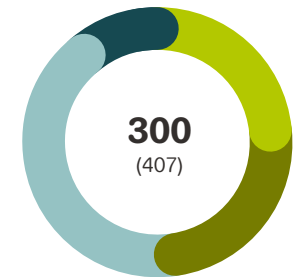
3.1 Intangible assets and impairment test of goodwill

DKK million	Goodwill	Acquired patents, trademarks, licenses and know-how, etc.	Completed IT development projects	IT development projects in progress	Total
Cost at January 1, 2023	2,007	4,969	941	180	8,097
Currency translation adjustments	(32)	(45)	-	(1)	(78)
Additions during the year	-	4	59	136	199
Disposals during the year	-	(154)	(8)	-	(162)
Transfers to/(from) other items	-	-	50	(50)	-
Cost at December 31, 2023	1,975	4,774	1,042	265	8,056
Amortization and impairment losses at January 1, 2023		(2,662)	(737)		(3,399)
Currency translation adjustments		13	-		13
Amortization during the year		(198)	(102)		(300)
Disposals during the year		154	8		162
Amortization and impairment losses at December 31, 2023		(2,693)	(831)		(3,524)
Carrying amount at December 31, 2023	1,975	2,081	211	265	4,532

Recognition of amortization and impairment losses by function 2023 (2022)

DKK million

- Cost of goods sold **70** (117)
- Sales and distribution **73** (71)
- Research and development **124** (182)
- Administration **33** (37)



Impairment

No impairment losses were recognized in 2023.

In 2022, an impairment loss of DKK 28 million on a know-how asset was recognized as the use of this know-how asset ceased. The impairment loss was recognized in Cost of goods sold and

Research and development costs at DKK 13 million and DKK 15 million respectively.

Impairment test of goodwill

An impairment test of goodwill of Novozymes' cash-generating units (CGUs) is performed for the entire Group, as cost bases of the cash-gen-

erating units cannot be measured at CGU level. As the market value of Novozymes is significantly higher than its equity, no further key assumptions are used to determine whether impairment of goodwill exists (2022: no impairment).

Invested capital

3.1 Intangible assets and impairment test of goodwill (continued)

DKK million	Goodwill	Acquired patents, trademarks, licenses and know-how, etc.	Completed IT development projects	IT development projects in progress	Total
Cost at January 1, 2022	2,020	5,002	839	150	8,011
Currency translation adjustments	(11)	(33)	1	2	(41)
Additions from business acquisitions	(2)	-	-	-	(2)
Additions during the year	-	-	22	108	130
Disposals during the year	-	-	(1)	-	(1)
Transfers to/(from) other items	-	-	80	(80)	-
Cost at December 31, 2022	2,007	4,969	941	180	8,097
Amortization and impairment losses at January 1, 2022		(2,348)	(639)		(2,987)
Currency translation adjustments		(5)	(1)		(6)
Amortization during the year		(281)	(98)		(379)
Impairment losses		(28)	-		(28)
Disposals during the year		-	1		1
Amortization and impairment losses at December 31, 2022		(2,662)	(737)		(3,399)
Carrying amount at December 31, 2022	2,007	2,307	204	180	4,698

B/S

Invested capital

3.1 Intangible assets and impairment test of goodwill (continued)

Critical accounting estimates and judgments

Management assesses the risk of impairment of the Group's intangible assets. This requires judgment in relation to the identification of cash-generating units (CGUs) and the underlying assumptions in the Group's impairment model.

If there is any indication of impairment for intangible assets other than goodwill, value in use is estimated and compared with the carrying amount. The calculation of value in use is based on the discounted cash flow method using estimates of future cash flows from the

continuing use. The key parameters are the expected revenue streams and the rate used to discount the cash flows.

Accounting policies

Intangible assets other than goodwill are measured at cost less accumulated amortization and impairment losses. Goodwill and IT development projects in progress are not subject to amortization.

Costs associated with large IT projects for the development of software for internal use are capitalized if incurred with a view to developing new and improved systems.

Amortization is based on the straight-line method over the expected useful lives of the finite-lived assets, as follows:

- Completed IT development projects are amortized over their useful lives. IT development assets are amortized over a period of 3–5 years.
- Acquired patents, trademarks, licenses, know-how, customer relationships and brands are amortized over their useful lives. The useful lives of patents and trademarks

are normally identical to the patent period. Licenses are amortized over the contractual period. Recognized patents, trademarks, licenses, know-how, customer relationships and brands are amortized over a period of 7–20 years.

Expected useful lives are reassessed annually.

The Group regularly reviews the carrying amounts of its finite-lived intangible assets to determine whether there is an indication of

impairment. An impairment loss is recognized to the extent that the asset's carrying amount exceeds its estimated recoverable amount. Impairment losses are reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation.

Goodwill is tested for impairment annually or whenever there is an indication that it may be impaired.

Invested capital

3.2 Property, plant and equipment

DKK million	Land and buildings	Plant and machinery	Other equipment	Assets under construction	Total
Cost at January 1, 2023	7,711	12,363	2,880	2,896	25,850
Currency translation adjustments	(167)	(281)	(62)	(77)	(587)
Additions during the year	231	358	154	1,242	1,985
Disposals during the year	(53)	(77)	(156)	-	(286)
Transfers to assets held for sale	(323)	(415)	(5)	-	(743)
Transfers to/(from) other items	950	1,260	85	(2,295)	-
Cost at December 31, 2023	8,349	13,208	2,896	1,766	26,219
Depreciation and impairment losses at January 1, 2023	(3,712)	(8,212)	(1,852)	-	(13,776)
Currency translation adjustments	93	184	42	-	319
Depreciation for the year	(298)	(555)	(236)	-	(1,089)
Disposals during the year	37	67	137	-	241
Transfer to assets held for sale	149	257	5	-	411
Transfers to/(from) other items	(4)	4	-	-	-
Depreciation and impairment losses at December 31, 2022	(3,735)	(8,255)	(1,904)	-	(13,894)
Carrying amount at December 31, 2023	4,614	4,953	992	1,766	12,325

During the period 2021-2023, Novozymes was committed to establishing the new production line in Blair, Nebraska, U.S. An accumulated capital investment of DKK 2,130 million has been incurred since the investment was initiated (2022: DKK 1,661 million). The production line was ready for production at the end of 2023.

Capitalized interest and pledges

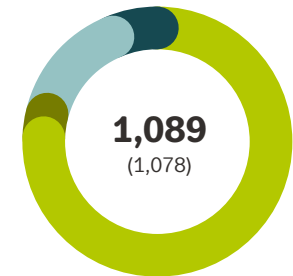
Interest of DKK 45 million (2022: DKK 9 million) was capitalized under Additions during the year and recognized as Investing activities in the statement of cash flows. Capitalization rate: 2.28% (2022: 0.82%).

Land and buildings with a carrying amount of DKK 1,296 million (2022: DKK 1,366 million) were pledged as security to credit institutions in respect of mortgage loans expiring in 2029 and 2039.

Recognition of depreciation and impairment losses by function 2023 (2022)

DKK million

- Cost of goods sold
824 (787)
- Sales and distribution
38 (37)
- Research and development
158 (164)
- Administration
69 (90)



Impairment

No impairment loss was recognized in 2023 or 2022.

Invested capital

3.2 Property, plant and equipment (continued)

DKK million	Land and buildings	Plant and machinery	Other equipment	Assets under construction	Total
Cost at January 1, 2022	7,551	11,958	2,696	876	23,081
Currency translation adjustments	86	185	38	25	334
Additions from business acquisitions	-	(8)	(1)	-	(9)
Additions during the year	129	124	117	2,432	2,802
Disposals during the year	(178)	(107)	(73)	-	(358)
Transfers to/(from) other items	123	211	103	(437)	-
Cost at December 31, 2022	7,711	12,363	2,880	2,896	25,850
Depreciation and impairment losses at January 1, 2022	(3,571)	(7,668)	(1,657)		(12,896)
Currency translation adjustments	(26)	(90)	(20)		(136)
Depreciation for the year	(286)	(550)	(242)		(1,078)
Disposals during the year	171	96	67		334
Depreciation and impairment losses at December 31, 2022	(3,712)	(8,212)	(1,852)		(13,776)
Carrying amount at December 31, 2022	3,999	4,151	1,028	2,896	12,074

Contractual obligations

Contractual obligations to third parties relating to property, plant and equipment amounted to DKK 252 million (2022: DKK 712 million).

Invested capital

3.2 Property, plant and equipment

(continued)

Accounting policies

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Borrowing costs in respect of construction of major assets are capitalized.

Depreciation is based on the straight-line method over the expected useful lives of the assets, as follows:

- Buildings: 12–50 years
- Plant and machinery: 5–25 years
- Other equipment: 3–18 years

The residual values and useful lives of the assets are reviewed on an annual basis and adjusted if necessary at each reporting date.

The Group regularly reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. If the recoverable amount of an asset is estimated to be lower than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment losses are reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation.

3.3 Leases

DKK million	2023	2022
Land and buildings	239	254
Plant and machinery	82	87
Other equipment	68	79
Carrying amount of lease assets	389	420

Additions to the lease assets during 2023 amounted to DKK 128 million (2022: DKK 42 million).

DKK million	2023	2022
Lease liabilities		
Less than 1 year	140	128
Between 1 and 5 years	188	222
More than 5 years	88	119
Undiscounted lease liabilities at December 31	416	469

DKK million	2023	2022
Amounts recognized in the income statement:		
Interest on lease liabilities	16	19
Depreciation of lease assets per asset class		
Land and buildings	68	65
Plant and machinery	5	5
Other equipment	45	49
Depreciation of lease assets	118	119
Amounts recognized in the statement of cash flows:		
Total cash outflow for leases	139	139

Invested capital

3.3 Leases (continued)

Accounting policies

Lease assets

Lease assets are 'right-of-use assets' from lease agreements. If, at inception, it is assessed that a contract contains a lease, a lease asset is recognized. Lease assets are initially measured at the present value of future lease payments, plus the cost of obligations to refurbish the asset. Payments include fixed payments, variable lease payments depending on an index or a rate and the exercise price of purchase options that are reasonably certain to be exercised.

Lease assets are depreciated using the straight-line method over the shorter of the expected lease term and the useful life of the underlying asset. Lease assets are tested for impairment whenever there is an indication that the assets may be impaired.

Lease assets are depreciated as follows:

- Buildings: 1–12 years
- Land: 10–90 years
- Plant and machinery: 1–10 years
- Other equipment: 1–10 years

Short-term leases and leases of low value are recognized as expenses in the income statement on a straight-line basis over the lease term.

Novozymes' portfolio of leases covers leases of land, buildings, plant and machinery and other equipment such as cars and transportation containers.

Lease liabilities

Lease liabilities are initially recognized at the present value of future lease payments including payments from extension or purchase options that are considered reasonably certain to be exercised.

The lease liability is measured using the implicit borrowing rate in the contracts or, where this is not available, the marginal borrowing rate in the countries in which Novozymes operates. Novozymes applies a single discount rate to portfolios of leases in the countries in which Novozymes operates based on contract currency and loan periods.

If a lease contract is modified, the lease liability is remeasured. For building leases, lease terms are estimated taking the size of the building and its strategic importance into consideration. Novozymes has entered into several open-ended building leases and building leases with extension options. Lease terms of such agreements are estimated based on the strategic importance of the buildings and the estimated time frame necessary to vacate the premises. The estimated lease term is reassessed at each reporting date. The estimated lease terms for such contracts do not exceed 12 years.

Invested capital

3.4 Provisions

DKK million	2023			2022		
	Dismantling and restoration	Legal and other obligations	Total	Dismantling and restoration	Legal and other obligations	Total
Provisions at January 1	58	71	129	56	118	174
Currency translation adjustments	(2)	-	(2)	2	(2)	-
Additions from business acquisitions	-	-	-	-	(35)	(35)
Additions during the year	-	9	9	-	3	3
Reversals during the year	(5)	(19)	(24)	-	(13)	(13)
Utilization during the year	-	-	-	-	-	-
Provisions at December 31	51	61	112	58	71	129
Recognized in the balance sheet as follows:						
Non-current	46	54	110	52	67	119
Current	5	7	12	6	4	10
Provisions at December 31	51	61	112	58	71	129

Dismantling and restoration

Dismantling and restoration relates to estimated future costs of environmental restoration.

Novozymes aims for its production sites not to have a negative environmental impact. These liabilities relate to established circumstances, and the costs are expected to be incurred either when concrete measures are implemented or when a site is vacated. The expected costs and timing are inherently uncertain.

Legal and other obligations

Novozymes is involved in a number of ongoing legal disputes, and provisions are made for the estimated costs based on a current evaluation of the outcomes. Current ongoing cases are expected to be finalized in 2024–2025. In Management's opinion, the outcomes of these cases are not expected to give rise to any significant losses beyond the amounts provided for at December 31, 2023.

Other obligations include other long-term employee benefits and other contractual obligations.

Other long-term employee benefits account for only a minor amount, as most of Novozymes' pension plans are defined contribution plans, covering almost all employees. These obligations are mainly expected to be incurred over a relatively long period of time.

Accounting policies

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events and it is probable that it will lead to an outflow of financial resources. Provisions are measured at the present value of the expected expenditure required to settle the obligation.

Invested capital

3.5 Business acquisitions

Acquisition after December 31, 2023

On January 29, 2024, the final regulatory approvals were obtained and the final registration of the statutory merger between Novozymes A/S (“Novozyymes”) and Chr. Hansen Holding A/S (“Chr. Hansen”) successfully completed with the Danish Business Authority.

The combination of Novozymes and Chr. Hansen will create a leading global biosolutions partner with a broad biological toolbox and a diversified portfolio in attractive markets. The combination is an important step towards unlocking additional growth opportunities as the combined scale, know-how, commercial strengths, and innovation excellence will drive value for the shareholders, customers, and society at large.

The statutory merger was effected through an exchange of all shares of Chr. Hansen (“Chr. Hansen Shares”) with a total of 187,298,646 Merger Consideration Shares. The total consideration for Chr. Hansen Holding A/S amounts to DKK 67.7 billion based on a share price of DKK 361.4.

The merger will be accounted for as a business combination using the acquisition method under IFRS 3 where Novozymes A/S was identified as the acquirer and Chr. Hansen Holding A/S was identified as the acquiree.

The combination of Novozymes and Chr. Hansen only just closed on January 29, 2024. Management has not had access to financial information in Chr. Hansen prior to closing and therefore a provisional purchase price allocation has not been prepared and no further disclosures are available.

Critical accounting estimates and judgments

Fair value measurement of the acquired assets and liabilities as well as contingent consideration requires Management to make estimates and use assumptions, as observable

market prices are not available. The determined fair values are associated with uncertainty and may be subject to subsequent adjustments.

Accounting policies

On acquisition of companies, the identifiable assets acquired and the liabilities and contingent liabilities assumed are recognized at their fair values at the acquisition date. The consideration transferred includes the fair value at the acquisition date of any contingent consideration arrangement.

Non-controlling interests in an acquired company is recognized either at fair value or at the non-controlling interest’s proportionate share of the acquired company’s net identifiable assets.

This decision is made on an acquisition-by-acquisition basis.

Goodwill may subsequently be adjusted for changes in the fair value of the consideration transferred and/or changes in the fair value of the identifiable net assets acquired until 12 months after the acquisition date, to the extent such changes relate to facts and circumstances present at the acquisition date. Acquired companies are consolidated from the date of acquisition. Acquisition-related costs are expensed as incurred.

Invested capital

3.6 Contingent consideration

DKK million	2023	2022
Contingent consideration at January 1	382	543
Currency translation adjustments	(3)	19
Interest on contingent consideration	16	43
Fair value adjustment of contingent consideration	(165)	(223)
Contingent consideration paid	(158)	-
Contingent consideration at December 31	72	382
Recognized in the balance sheet as follows:		
Non-current	B/S -	224
Current	B/S 72	158
Contingent consideration at December 31	72	382

PrecisionBiotics Group

The purchase agreement for PrecisionBiotics Group includes a contingent consideration of up to DKK 242 million.

The consideration is contingent on the achievement of sales targets for 2023 and recognized at the anticipated fair value of DKK 72 million (2022: DKK 224 million). Based on the lower-than-expected realized sales in 2023, Management reassessed the value of the earn-out and reduced the contingent consideration by DKK 165 million (2022: DKK 0 million).

Management's long-term expectations for PrecisionBiotics Group remain intact. The fair value adjustment was recognized in Financial income.

Fair value is assessed by using the earn-out from the realized sales in 2023 discounted at a rate of 7% (2022: 7%). An interest expense of DKK 12 million has been recognized in Financial costs (2022: DKK 14 million).

The contingent liability related to PrecisionBiotics Group is denominated in EUR.

Invested capital

3.6 Contingent consideration (continued)

Microbiome Labs

The contingent consideration related to Microbiome Labs of DKK 158 million was paid in 2023.

In 2022, the consideration was contingent on the achievement of realized sales for 2022 and was recognized at the anticipated fair value of DKK 158 million.

In 2022, Management reassessed the value of the earn-out due to lower-than-expected sales and reduced the contingent consideration by DKK 223 million. The fair value adjustment in 2022 was partly offset by interest and currency translation adjustments.

Management's long-term expectations for Microbiome Labs remain intact. The fair value adjustment was recognized in Financial income.

The fair value was assessed by using the earn-out from the realized sales in 2022 discounted at a rate of 8% (2022: 8%). An interest expense of DKK 4 million (2022: DKK 29 million) was recognized in financial costs.

The contingent liability related to Microbiome Labs was denominated in USD and decreased by DKK 4 million (2022: increased by DKK 20 million) due to currency translation adjustments.

Accounting policies

Contingent consideration is remeasured at fair value at each reporting date.

Interest and fair value adjustments resulting from events after the acquisition date are recognized in Financial income or Financial costs.

Critical accounting estimates and judgments

Fair value of contingent consideration is based on non-observable data (level 3 input) that requires Management to make estimates and use assumptions. Estimates are based on updated information after the initial recognition of the liability, such as budgets, sales forecasts, discount rates etc. The fair value of the

contingent consideration is calculated as the present value of the most probable redemption amount using the discounted cash flow method. The determined fair value is associated with uncertainty and may be subject to subsequent adjustments.

Note 4

Net working capital

4.1 Inventories

4.2 Trade receivables and contract assets

4.3 Other receivables

4.4 Other liabilities

4.5 Assets held for sale

Net working capital
as % of sales up from 24%
in 2022 to

26%

Average net working capital
up from 3,890 DKK million in
2022 to DKK million

4,477

Inventories decreased
from DKK 3,803 million
in 2022 to DKK million

3,627

Net working capital

4.1 Inventories

DKK million	2023	2022
Raw materials and consumables	446	603
Work in progress	1,312	1,333
Finished goods	1,869	1,867
Inventories at December 31	3,627	3,803
	<small>B/S</small>	
Cost of materials, included under Cost of goods sold	4,792	4,770
Indirect production costs capitalized in inventories at December 31	1,114	1,053
Write-downs expensed during the year	182	102
Reversal of write-downs during the year*	58	44

* Part of the reversal of write-downs is attributable to written-down inventory being reused in production.

Critical accounting estimates and judgments

Work in progress and Finished goods are measured at cost, including indirect production costs. Indirect production costs are assessed on an ongoing basis to ensure reliable measurement of employee costs, capacity

utilization, cost drivers and other relevant factors. Changes in these parameters may have an impact on the gross margin and the overall valuation of Work in progress and Finished goods.

Accounting policies

Inventories are measured at the lower of cost determined on a first-in first-out basis and net realizable value.

The cost of Work in progress and Finished goods comprises direct production costs such as raw materials and consumables, energy and labor directly attributable to production as well as indirect production costs such as employee costs, maintenance and depreciation of plants, etc.

If the expected selling price less any completion costs and costs to execute the sale (net realizable value) of inventories is lower than the carrying amount, inventories are written down to net realizable value.

Novozymes has entered into a few agreements where Novozymes supplies goods to a customer's premises but retains title to the inventory until the goods are consumed in the customer's production. Such goods are derecognized from inventories in the period when they are consumed in the customer's production.

Net working capital

4.2 Trade receivables and contract assets

DKK million	2023	2022
Trade receivables, gross	3,850	3,590
Allowances	(148)	(136)
Trade receivables at December 31	3,702	3,454
Aging of trade receivables, gross:		
Up to 30 days	3,598	3,350
Between 30 and 90 days	74	74
More than 90 days	178	166
Trade receivables, gross, at December 31	3,850	3,590
Changes in allowances for trade receivables:		
At January 1	136	151
Allowances during the year	43	51
Write-offs during the year	(22)	(35)
Reversed allowances	(9)	(31)
Allowances at December 31	148	136

Critical accounting estimates and judgments

The allowance for expected credit losses for trade receivables and contract assets is based on historical credit loss experience combined with forward-looking information

on macroeconomic factors affecting the credit risk. The expected loss rates are updated at each reporting date.

Contract assets

Contract assets amounted to DKK 70 million at December 31, 2023 (2022: DKK 151 million), and mainly related to goods delivered but not invoiced, and estimated profit splits arising from partnerships that Novozymes has entered into.

The contract assets are initially recognized as revenue when goods are delivered to the other contracting party. When invoiced, the contract assets are reclassified to trade receivables.

No allowance for expected credit losses had been made for contract assets at December 31, 2023 (2022: no allowance).

Accounting policies

Trade receivables and contract assets are measured at amortized cost less allowance for lifetime expected credit losses.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. Furthermore, an allowance for lifetime expected credit losses for trade receivables is recognized on initial recognition.

For contract assets, the credit risk is based on an individual assessment.

Trade receivables and contract assets are written off when all possible options have been exhausted and there is no reasonable expectation of recovery.

The cost of allowances for expected credit losses and write-offs for trade receivables and contract assets are recognized in Sales and distribution costs.

Net working capital

4.3 Other receivables

DKK million	2023	2022
Deposits	42	32
Prepaid expenses	157	174
Other	123	186
Other receivables at December 31	322	392
Recognized in the balance sheet as follows:		
Non-current	B/S 43	32
Current	B/S 279	360
Other receivables at December 31	322	392

4.4 Other liabilities

DKK million	2023	2022
Employee costs payable	797	672
Stock-based payment settled in cash	23	21
Other payables	636	727
Other liabilities at December 31	1,456	1,420
Recognized in the balance sheet as follows:		
Current	B/S 1,456	1,420
Other liabilities at December 31	1,456	1,420

4.5 Assets held for sale

DKK million	2023	2022
Carrying amount of non-current assets held for sale:		
Land and buildings	174	-
Plant and machinery	158	-
Total	B/S 332	-

Assets held for sale comprise assets related to the divestment of part of the global lactase enzyme business and the relocation of the headquarter from Bagsværd to Lyngby following the

combination with Chr. Hansen. A definitive agreement to sell the lactase enzyme business has been entered into with Kerry Group plc. Assets held for sale are expected to be sold in 2024.

Accounting policies

Non-current assets are classified as assets held for sale when their carrying amounts are to be recovered principally through a sale transaction and a sale is considered highly probable.

Such assets are stated at the lower of the carrying amount and fair value less costs to sell.

Note 5

Capital structure and financing

- 5.1 Financial risk factors and risk management
- 5.2 Financial income and Financial costs
- 5.3 Borrowings
- 5.4 Derivatives – hedge accounting
- 5.5 Common stock and treasury stock
- 5.6 Financial assets and liabilities by category

NIBD/EBITDA increased from
1.0x in 2022 to

1.2x

Return on equity down
from 28.6% in 2022 to

21.7%

5.1 Financial risk factors and risk management

Due to the international nature of Novozymes' operations, our earnings and financial position are exposed to a number of financial risk factors. Financial risks are managed centrally for the entire Group. The Treasury Policy is approved by the Board of Directors and sets the limits for the various financial risks and the derivatives used to hedge risk. The Treasury Policy is adjusted on an ongoing basis and adapted to the market situation. It contains rules for which derivatives can be used for hedging, which counterparties can be used, and the risk profile that is to be applied.

Currency risk

Currency risk arises due to imbalances between cash flows.

Treasury will hedge expected net exposure (cash flow exposure), if it is determined that a movement in a foreign exchange rate will have a material impact on expected earnings/cash flow.

Hedging of currency risk is carried out in the currencies in which Novozymes has the largest exposures. Hedging is managed by entering into derivatives such as forward contracts, currency options and swaps. Loans and deposits in foreign currencies are also utilized for hedging purposes.

Hedge effectiveness is assessed on a regular basis by comparing changes in the timing and value of the expected exposure in the relevant currencies with the timing and value changes for the designated cash flow hedging transaction.

Where deemed appropriate, currency risk related to net investments in foreign subsidiaries is hedged by taking out loans and entering into swaps. Currently, there are no open transactions used to hedge equity investments.

Foreign exchange sensitivity – 2023

The sensitivity analysis shows the impact on net profit and other comprehensive income of a 5% change in DKK versus the key currencies to which Novozymes was exposed on December 31, 2023. The sensitivity analysis comprises effects from the Group's cash, trade receivables, trade payables, loans, current and non-current financial investments, lease liabilities and derivatives. Anticipated currency transactions, investments in foreign subsidiaries and non-current assets are not included.

The sensitivity analysis assumes that exchange rates change on December 31, 2023, while all other variables remain constant. The table shows

Foreign exchange sensitivity analysis

DKK million	Increase in exchange rates	2023		2022	
		Change in net profit	Change in other comprehensive income	Change in net profit	Change in other comprehensive income
INR	5.0%	(1)	-	4	-
CNY	5.0%	(2)	-	(5)	-
USD	5.0%	1	(113)	(3)	(117)
Other	5.0%	(3)	-	4	-
Total		(5)	(113)	-	(117)

the effect of an increase in exchange rates. A decrease in the exchange rates would have the opposite effect.

Foreign exchange sensitivity – 2024 estimate

Operating profit (EBIT) is exposed to exchange rate developments, as the effect of hedges is included in financial income/costs. EBIT is mainly exposed to USD and EUR. A movement of 5% in the USD/DKK exchange rate would result in a change in the expected EBIT for 2024 of around DKK 150-180 million (2023: DKK 130-160 million). A 5% movement in the EUR/DKK exchange rate

would result in a change in expected EBIT for 2024 of around DKK 200 million (2023: DKK 200 million).

Of the expected USD cash flows for 2024, 88% has been hedged by forward contracts at an average rate of DKK 6.75. As a result, the impact on net profit from changes in the USD/DKK exchange rate has been reduced significantly compared with the impact on EBIT.

5.1 Financial risk factors and risk management (continued)

Interest rate risk

Interest rate risk arises in relation to interest-bearing assets and liabilities. In accordance with Novozymes' Treasury Policy, a minimum of 30% of loans must be at fixed interest rates. Hedging of the interest rate risk is managed by entering into fixed-rate loans and interest rate swaps. At December 31, 2023, 53% (2022: 62%) of the loan portfolio carried fixed interest rates.

With the current hedging of interest rate risk, an increase of 1 percentage point in the average interest rate on Novozymes' net interest-bearing debt would have a negative effect on net profit of DKK 23 million (2022: negative effect of DKK 14 million).

Credit risk

Credit risk arises especially on cash and cash equivalents, derivatives, trade receivables and contract assets. The credit risk on trade receivables is countered by thorough, regular analysis based on customer type, country and specific conditions. The credit risk on cash and cash equivalents as well as derivatives is mitigated by the Treasury Policy, which limits exposure solely to counterparties that have an investment-grade credit rating. The credit risk is calculated on the basis of net market values and is governed by the

Treasury Policy. Novozymes has entered into netting agreements (ISDA or similar) with all the banks used for trading in financial instruments, which means that Novozymes' credit risk is limited to net assets. At December 31, 2023, the Group considered its maximum credit risk to be DKK 5,155 million (2022: DKK 5,036 million), which is the total of the Group's financial assets. At December 31, 2023, the maximum credit risk related to one counterparty was DKK 440 million (2022: DKK 386 million).

Liquidity risk

In connection with the Group's ongoing financing of operations, including refinancing, efforts are made to ensure adequate and flexible liquidity. This is guaranteed by using committed credit facilities and placing free funds in deposits, government bonds or ultra-liquid mortgage bonds in accordance with the Treasury Policy.

At December 31, 2023, Novozymes' financial resources amounted to DKK 6,372 million (2022: DKK 18,543 million), consisting of net cash, cash equivalents, and undrawn committed credit facilities of DKK 5,256 million, which expire in 2024–2027. The decrease in undrawn committed credit facilities compared to 2022 is related to the facility obtained to refinance existing debt following

completion of the combination of Novozymes and Chr. Hansen. The facility was reduced by DKK 12,000 million during 2023.

With the exception of debt to credit institutions, the maturity dates are primarily within one year.

Capital structure

Novozyymes favors having a conservative balance sheet, which is reflected by a target for net interest-bearing debt of around 1x EBITDA. The target has been adjusted to 1.3-1.7x after the combination with Chr. Hansen in 2024. At December 31, 2023, the ratio was 1.2x and thus the target is considered as met in 2023. The capital structure is mainly managed using two instruments: 1) Dividend payments, through which Novozymes aims for a payout ratio of around 50%. In October 2023, an interim dividend of DKK 4.20 per share was paid out for the period January 1 - August 31, 2023, and proposed dividend for the period September 1 - December 31, 2023 will be announced by the Board of Directors of Novonosis in connection with the notice of the Annual Shareholders' Meeting. The payout ratio for 2023 based on reported net profit adjusted for special items is expected to be in line with the communicated target. 2) Stock buybacks. No program were executed in 2023 due to the combination with Chr. Hansen.

5.2 Financial income and Financial costs

DKK million	2023	2022
Interest income	90	18
Fair value adjustments of contingent consideration	165	223
Gains on cash flow hedges	25	-
Gains on minority ownership investments	2	267
Fair value adjustments of cash-settled stock options	-	25
Financial income	282	533
Interest costs	(141)	(40)
Interest on lease liabilities	(16)	(19)
Interest on contingent consideration	(16)	(43)
Losses on cash flow hedges	-	(295)
Losses on fair value hedges	(60)	(20)
Losses on minority ownership investments	(15)	-
Other financial costs	(66)	(99)
Other foreign exchange losses, net	(16)	(15)
Fair value adjustments of cash-settled stock options	(1)	-
Financial costs	(331)	(531)
Financial income/(costs), net	(49)	2

In 2022, Novozymes divested its minority share in Albumedix, a company built using Novozymes' technology platform. The sale resulted in a financial gain of DKK 267 million.

Accounting policies

Financial income and Financial costs comprise interest income and interest costs, realized and unrealized foreign exchange gains and losses, gains and losses on other financial assets, as well as fair value adjustments of cash-settled stock-based incentive programs and contingent consideration, which are offset against Other liabilities and fair value adjustments of Other financial assets.

Interest income and Interest costs are measured at amortized cost for financial assets and liabilities.

Financial income and Financial costs also include fair value adjustments of derivatives used to hedge assets and liabilities, and income and costs relating to cash flow hedges that are transferred from Other comprehensive income on realization of the hedged item.

Capital structure and financing

5.3 Borrowings

DKK million	2023	2022
Credit institutions	7,364	6,437
Derivatives	48	101
Borrowings at December 31	7,412	6,538
Recognized in the balance sheet as follows:		
Non-current	B/S 4,329	3,619
Current	B/S 3,083	2,919
Borrowings at December 31	7,412	6,538

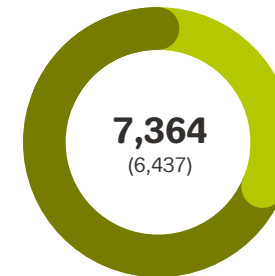
DKK million	2023			2022		
	Credit institutions	Lease liabilities	Total	Credit institutions	Lease liabilities	Total
Liabilities from financing activities at January 1	6,437	411	6,848	5,706	482	6,188
Financing cash flows	923	(123)	800	731	(120)	611
Currency translation adjustments	4	(9)	(5)	-	10	10
Other changes*	-	90	90	-	39	39
Total liabilities from financing activities at December 31	7,364	369	7,733	6,437	411	6,848

* Other changes include changes in lease liabilities from new or terminated leases and accrued interest expenses which will be presented as operating cash flows in the statement of cash flows when paid.

Credit institutions - currency 2023 (2022)

DKK million

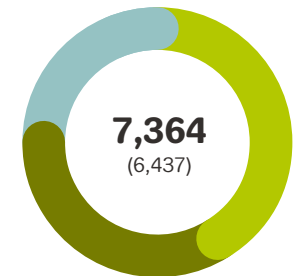
- EUR 2,329 (2,147)
- DKK 5,035 (4,290)



Credit institutions - time to maturity 2023 (2022)

DKK million

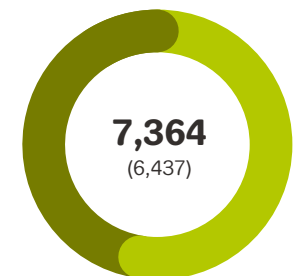
- Less than 1 year 3,036 (2,818)
- Between 1 and 5 years 2,496 (2,301)
- More than 5 years 1,832 (1,318)



Loan portfolio - fixed or floating interest rate 2023 (2022)

DKK million

- Fixed interest rate 3,884 (3,979)
- Floating interest rate 3,480 (2,458)



5.4 Derivatives – hedge accounting

DKK million	2023		2022	
	Contract amount based on agreed rates*	Fair value	Contract amount based on agreed rates*	Fair value
Forward exchange contracts				
CNH	(655)	(10)	(618)	(13)
BRL	55	-	165	2
USD	710	5	(228)	(20)
INR	278	5	374	23
Other (purchase)	(47)	1	(53)	-
Other (sale)	90	-	74	1
Fair value hedges at December 31	431	1	(286)	(7)

* Positive contract amounts represent a sale of the respective currency, and negative amounts represent a purchase.

Fair value hedges

The table above shows the derivatives the Group has contracted in order to hedge currency exposure on financial assets and liabilities that give rise to currency adjustments in the income statement.

The fair value hedges were 100% effective, as the loss on forward exchange contracts was DKK 60 million (2022: loss of DKK 20 million), compared with a gain on hedged items of DKK 60 million (2022: gain of DKK 20 million).

The forward exchange contracts mature in the period January 2024 to July 2024 (2022: January 2023 to August 2023).

5.4 Derivatives – hedge accounting (continued)

DKK million	2023		2022	
	Contract amount based on agreed rates	Fair value	Contract amount based on agreed rates	Fair value
Forward exchange contracts*				
USD	2,268	20	2,344	16
	2,268	20	2,344	16
Interest rate swaps				
DKK/DKK – pays fixed rate of (0.1075%) / earns variable rate of 3.9% (2022: (2.42%))	400	31	400	51
DKK/DKK – pays fixed rate of 0.595% / earns variable rate of 4.1233 % (2022: (2.45%))	174	7	243	12
	574	38	643	63
Forwards				
Electricity price agreements – average payment of DKK 1,021 / MWh	72	(30)	85	(31)
	72	(30)	85	(31)
Cash flow hedges at December 31	2,914	28	3,072	48

* Positive contract amounts represent a sale of the respective currency, and negative amounts represent a purchase.

Cash flow hedges

The table above shows the derivatives the Group has contracted to hedge currency, interest rate and electricity price exposure in future cash flows.

The forward exchange contracts mature in the period January 2024 to December 2024 (2022: January 2023 to December 2023), the swaps mature in May 2026 and December 2026 (2022: May 2026 and December 2026) and the electricity price agreements mature in the period January 2024 to December 2024 (2022: January 2023 to June 2023).

At the end of 2023, the Group had hedged 88% of expected future cash flows in USD for 2024 at an average rate of DKK 6.75 (2022: 88% of expected future cash flows in USD for 2023 at an average rate of DKK 6.98).

Accounting policies

Hedge accounting consists of positive and negative fair values of derivatives, which are recognized in the balance sheet under Other financial assets and Borrowings respectively. Derivatives are recognized at the transaction date.

Derivatives used for fair value hedges are measured at fair value at the reporting date, and value adjustments are recognized as Financial income or Financial costs. Derivatives used for cash flow hedges and hedges of net investments in subsidiaries are measured at fair value at the reporting date, and value adjustments are recognized in Other comprehensive income.

Income and costs relating to cash flow hedges and hedges of net investments in subsidiaries are transferred from Other comprehensive income. On realization, foreign exchange contracts and interest rate swaps are recognized as Financial income and Financial costs, and electricity price agreements covering production-related electricity are recognized as part of Cost of goods sold.

Capital structure and financing

5.5 Common stock and treasury stock

DKK million	2023		2022	
	No.	Nominal value DKK million	No.	Nominal value DKK million
Common stock				
A common stock (shares of DKK 2)	53,743,600	107	53,743,600	107
B common stock (shares of DKK 2)	227,256,400	455	227,256,400	455
Common stock at December 31	281,000,000	562	281,000,000	562
Treasury stock - B stock				
Treasury stock at January 1	4,401,011	9	4,894,362	10
Additions during the year	-	-	1,134,982	2
Disposals during the year	(718,457)	(2)	(628,333)	(1)
Cancellation of common stock	-	-	(1,000,000)	(2)
Treasury stock at December 31	3,682,554	7	4,401,011	9

No.	2023	2022
Shares of common stock in circulation		
Shares of stock at January 1	276,598,989	277,105,638
Purchase of treasury stock	-	(1,134,982)
Sale of treasury stock	718,457	628,333
Shares of common stock in circulation at December 31	277,317,446	276,598,989

Each A share entitles the holder to 20 votes, while each B share entitles the holder to two votes.

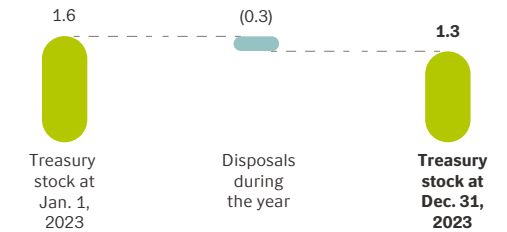
Each year, the Board of Directors assesses whether the ownership structure with A and B common stock is optimal. The Board of Directors continues to believe that this is the best way to safeguard Novozymes' long-term development to the benefit of the company's shareholders and other stakeholders.

Treasury stock is used to reduce the common stock and to hedge employees' exercise of granted stock awards and stock options.

In 2024, Novozymes has issued 187,298,646 B shares, increasing the common stock to 468,298,646 million shares. The share issue relates to the combination with Chr. Hansen and is further described in Note 3.5.

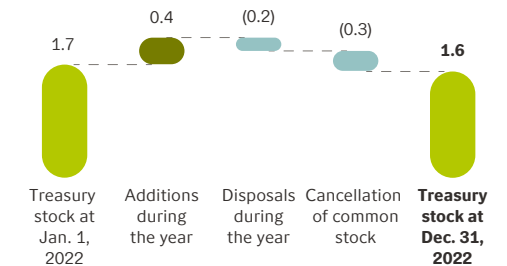
Treasury stock 2023

% of common stock



Treasury stock 2022

% of common stock



5.6 Financial assets and liabilities by category

DKK million	Note	2023	2022
Trade receivables	4.2	3,702	3,454
Contract assets	4.2	70	151
Other receivables, excl. prepaid expenses	4.3	165	218
Cash and cash equivalents		1,116	1,041
Financial assets at amortized cost		5,053	4,864
Derivatives		14	28
Other financial assets		25	30
Fair value through profit and loss		39	58
Derivatives		63	114
Fair value through other comprehensive income		63	114
Financial assets		5,155	5,036

Fair value hierarchy

Novozyymes has no financial instruments measured at fair value on the basis of quoted prices (level 1 input).

For financial assets and financial liabilities measured at amortized cost (level 2 input), the carrying amounts approximate fair value. Derivatives are measured at fair value based on observable data (level 2 input). The derivatives are not traded in an active market based on quoted

prices but on individual contracts. The fair value of these assets is determined using valuation techniques that utilize market-based data such as exchange rates, interest rates, credit risk, electricity prices and volatilities.

Other financial assets, contingent considerations and share purchase liability are measured at fair value based on non-observable data (level 3 input). Reference is made to Notes 3.6 and 6.5 for a description of their fair value measurement.

DKK million	Note	2023	2022
Lease liabilities	5.3	(369)	(411)
Credit institutions	5.3	(7,364)	(6,437)
Trade payables		(1,616)	(1,869)
Other payables	4.4	(636)	(727)
Financial liabilities at amortized cost		(9,985)	(9,444)
Derivatives	5.3	(13)	(35)
Contingent consideration	3.6	(72)	(382)
Fair value through profit and loss		(85)	(417)
Derivatives	5.3	(35)	(66)
Fair value through other comprehensive income		(35)	(66)
Share purchase liability	6.5	(584)	(760)
Fair value through equity		(584)	(760)
Financial liabilities		(10,689)	(10,687)

Note 6

Other financial notes

- 6.1 Management remuneration
- 6.2 Stock-based payment
- 6.3 Contingent liabilities and pending litigation
- 6.4 Related party transactions
- 6.5 Non-controlling interests
- 6.6 Fees to statutory auditors
- 6.7 Cash flow
- 6.8 Events after the reporting date
- 6.9 Group companies

Grant date fair value of options granted in 2023 in DKK million

50

Realized Group audit fee ratio during 2023

0.8

No. of Danish and foreign subsidiaries in the Group

51

Other financial notes

6.1 Management remuneration

DKK million	2023			2022		
	Board of Directors	Executive Management	Total	Board of Directors	Executive Management	Total
Salaries and other short-term benefits	10	17	27	10	15	25
Defined contribution plans	-	2	2	-	2	2
Cash bonus	-	12	12	-	11	11
Expensed stock-based incentive programs	-	18	18	-	16	16
Remuneration	10	49	59	10	44	54
Compensation for lost incentives/Sign-on bonus		8	8		8	8
Remuneration including additional payments	10	57	67	10	52	62
No. of members at December 31	10	2		11	2	

General guidelines for the remuneration of the Board of Directors and the Executive Management of Novozymes A/S, as assessed by the Board of Directors in accordance with the recommendations of the Nomination and Remuneration Committee, are approved at the Annual Shareholders' Meeting.

A summary of the Management remuneration can be found in the Governance section of The Novozymes Report.

Executive Management

Members of the Executive Management receive fixed remuneration comprising a base salary, pension, and benefits. Further, significant proportions of their remuneration packages are based on performance-related pay through short and long-term incentives. Most of the variable remuneration is weighted towards the long term, in line with Novozymes' strategic focus and mirroring the long-term nature of Novozymes' investments in the business.

The short and long-term incentive programs are designed to incentivize performance against selected financial, environmental, social and operational key performance indicators and individual objectives, which are directly linked to Novozymes' strategy, and to incentivize long-term value creation and alignment with the long-term interests of shareholders, customers and other stakeholders. The annual cash bonus cannot exceed 9.5 months' fixed base salary, of which 65% is expected to be payable at target

performance. The stock-based incentive programs are described in Note 6.2.

Members of the Executive Management have contracts of employment containing standard conditions for executives of Danish listed companies, including the periods of notice that both parties are required to give, and noncompetition clauses. If an executive officer's contract of employment is terminated by the company without any misconduct on the part of the executive officer, the executive officer has a notice period of 12 months. In addition to the notice period, the executive officer has a right to termination compensation of 12 months' base salary and pension contributions.

Board of Directors

The remuneration of the Board of Directors comprises a fixed fee and is not based on incentives.

Changes to the Executive Management

In November 2023, Rainer Lehmann, joined Novozymes as new Chief Financial Officer. Rainer Lehmann replaced CFO Lars Green, who left Novozymes at the end of 2023 to pursue a non-executive career.

6.2 Stock-based payment

New programs

Novozymes has established stock-based incentive programs for the Executive Leadership Team, vice presidents, directors and other employees. The purpose of these programs is to ensure an alignment of interests of the Management, employees and shareholders. Allocation of programs has been, and remains, dependent on profit, value creation and, in most cases, sustainability targets being achieved, and are made based on individual base salaries. The exercise price and the share price of a stock option are identical at the date of grant. In order to exercise the options, the employees must still be employed at the exercise date. This does not apply to persons who have retired, taken voluntary early retirement or been given notice.

The 2023 program for the Executive Leadership Team covering the performance period 2023-2025 is a combination of stock options and stock, with half of the incentive program allocated in stock options and half in stock. The total number of stock options and stock achievable is divided into two categories: 'target stock options and target stock' and 'extra stock options and extra stock'. The target stock options, and target stock correspond to 65% of the maximum stock options and stock, and extra stock options and extra stock

correspond to 35% of the maximum stock options and stock. The targets have 40% weight on organic sales growth, 20% weight on EBIT margin before special items, 20% weight on ROIC, and 20% weight on non-financial targets. The non-financial targets are measured in relation to Climate, Water stewardship, Workspace and Diversity. Each of the targets has a weight of 5%. The performance targets are as protocolled in the minutes of the board meeting approving the annual group financial statement for the year prior to the performance period.

- If Novozymes manages to outperform the targets, some or all of the extra stock options and extra stock may be granted.
- If Novozymes does not meet the targets for 2023-2025 or if Novozymes is significantly below the targets on one or more of the targets, then none or only part of the target stock options and the target stock will be granted.

The program contains a maximum-value clause, allowing the Board of Directors to choose to limit the total allocation of stock options and stock if the intrinsic value of the program exceeds twice the annual conditional grant.

The total target-level fair value of the program at the date of grant was approximately DKK 42 million. The value of the stock will be expensed over the three-year qualifying period (2023-2025) and will be released in 2026. The stock options have a vesting period of four years, followed by an exercise period of five years. The fair value of the stock options will be expensed over the four-year vesting period.

A new program was also established in 2023 for vice presidents and directors covering the performance period 2023-2025 (207 vice presidents and directors). The total target level fair value at grant date was approximately DKK 55 million and based on the same requirements and targets as for the Executive Leadership Team. The program is a combination of stock options and stock, with half of the incentive program allocated in stock and half in stock options. The stock options have a four-year vesting period, while the stock will be released in 2026.

The program contains a maximum-value clause, allowing the Executive Leadership Team to choose to limit the total allocation of stock and stock options if the intrinsic value of the program exceeds twice the annual conditional grant.

Finally awarded programs

Awards in the programs covering the performance period 2021-2023 were finalized in 2023.

Average organic sales growth during the three-year period was 6.7%, resulting in 100% of the sales growth pool (40% of the total program) being awarded. The accumulated economic profit generated in the three-year period (2021-2023) was DKK 7.1 billion, resulting in 100% of the economic profit pool (40% of the total program) being awarded. 82% of the sustainability targets were reached (20% of the total program). In total, 96% of the maximum of the program is being awarded.

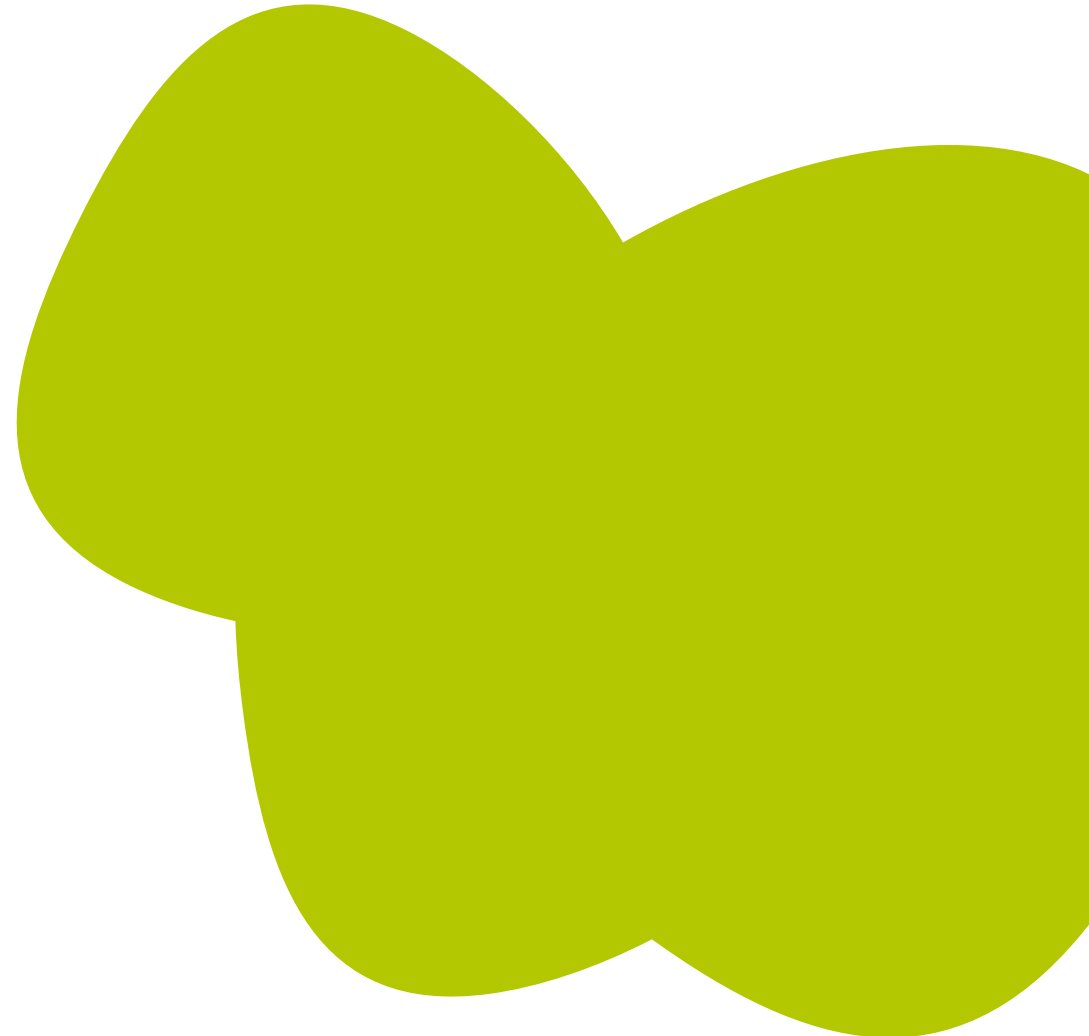
For the Executive Leadership Team, this means that a total of 57,324 shares will be released in February 2024. The number of stock options granted over the three-year period is 326,398 reflecting the realized target achievement. The program contains a maximum-value clause, allowing the Board of Directors to choose to limit the total allocation of stock and stock options if the intrinsic value exceeds twice the annual conditional grant at the end of the program. There will be no limitation on the total allocation, as the intrinsic value is DKK 26 million.

[Other financial notes](#)

6.2 Stock-based payment (continued)

The program for vice presidents and directors follows the same requirements and targets as the program for the Executive Leadership Team. The final number of shares allocated under this program is 92,816, which was released in February 2024. The number of stock options granted over the three-year period is 528,062, reflecting the realized target achievement of 96%.

Awards in the program for other employees covering the performance period 2021–2023 were also finalized in 2023. The number of stock options granted over the three-year period is 776,535, reflecting the realized target achievement of 96%.



Other financial notes

6.2 Stock-based payment (continued)

Stock options

The number of outstanding options (excl. stock awards) has developed as follows:

	Number of options			Total	DKK		DKK million
	Executive Leadership Team	Vice presidents and directors	Other employees		Avg. exercise price per option	Grant date fair value per option	
Outstanding at January 1, 2023	1,154,235	3,577,131	2,544,891	7,276,257	331		
Change in Management	(170,285)	170,285	-	-			
Granted ¹	189,134	318,128	-	507,262	355	98	50
Allocation adjustment ²	105,399	170,568	252,676	528,643	382	67	35
Exercised ³	(14,382)	(404,669)	(230,309)	(649,360)	271		
Forfeited	-	(26,553)	(113,148)	(139,701)	383		
Expired	-	(2,326)	(37,945)	(40,271)	244		
Outstanding at December 31, 2023	1,264,101	3,802,564	2,416,165	7,482,830	341		
Outstanding at January 1, 2022	899,295	3,761,733	2,349,300	7,010,328	312		
Granted ⁴	235,877	318,779	557,898	1,112,554	416	82	92
Allocation adjustment ²	19,063	19,439	32,382	70,884	351	48	3
Exercised ³	-	(414,669)	(222,654)	(637,323)	264		
Forfeited	-	(98,188)	(165,200)	(263,388)	366		
Expired	-	(9,963)	(6,835)	(16,798)	275		
Outstanding at December 31, 2022	1,154,235	3,577,131	2,544,891	7,276,257	331		
Number of exercisable options at December 31, 2023				2,775,168	279		
Number of exercisable options at December 31, 2022				2,534,562	278		

1. The allocation of stock options for 2023–2025 will be adjusted in January 2026 based on the cumulative level of target achievement for the period.
2. The allocation of stock options for 2021–2023 has been adjusted based on the realized level of target achievement for the period (96%).
3. The weighted average share price for stock options exercised during 2023 was DKK 352 (2022: DKK 433).
4. The allocation of stock options for 2022–2024 will be adjusted in January 2025 based on the cumulative level of target achievement for the period.

Other financial notes

6.2 Stock-based payment (continued)

For stock options outstanding at December 31, 2023, the range of exercise prices is DKK 249-486 per option (2022: DKK 233-486 per option), and the weighted average remaining term to maturity is five years (2022: five years).

During 2023, DKK 151 million arising from stock-based payment was recognized in the income statement (2022: DKK 127 million), DKK 147 million of which was from equity-settled programs (2022: DKK 123 million) and DKK 4 million was from cash-settled programs (2022: DKK 4 million).

Most programs are equity settled, and no liability

is recognized for these. If allocations under the programs are made in countries where ownership of foreign stock is not permitted, the value of stock options is settled in cash instead, and a liability of DKK 23 million was recognized for this in 2023 (2022: DKK 21 million). The intrinsic value of exercisable cash-settled programs in 2023 was DKK 9 million (2022: DKK 9 million).

The fair value of employee services received is measured with reference to the fair value of the equity instruments granted. Fair value at grant date is measured in accordance with the Black-Scholes model, using the average exercise price, the option term and the following significant assumptions:

DKK million	Note	2023	2022
Expected future dividends per share	DKK	39.6	38.9
Volatility	%	32.0	25.9
Annual risk-free interest rate	%	2.3	0.3
Weighted average share price at grant date	DKK	355	416

Furthermore, the options are assumed to be exercised two years after expiry of the vesting period, on average, or at the option's expiry date if within one year. Volatility is estimated using

the historical volatility over the last three years. The risk-free interest rate is based on Danish government bonds with a maturity equivalent to the option's term to maturity.

Stock awards

The stock allocated under the programs is used for stock awards. In 2023, 137,305 stock awards with an aggregate fair value of DKK 49 million were granted (2022: DKK 45 million) which will be expensed over the three-year period (2023–2025).

The total number of outstanding stock awards at December 31, 2023 was 389,590 (2022: 314,029).

The fair value of these at December 31, 2023 was DKK 145 million (2022: 111 million).

Accounting policies

The Group has established stock-based incentive programs comprising equity-settled and cash-settled programs.

The fair value of the employee services received in exchange for the grant of stock options and stock awards is measured with reference to the fair value of the stock options and stock awards granted. The fair value is measured using the Black-Scholes option-pricing model.

The fair value of stock-based payment at the grant date is recognized as an employee cost over the period in which the stock options vest. In measuring the fair value, account is taken of the number of employees expected

to gain entitlement to the options as well as the number of options the employees are expected to gain. This estimate is adjusted at the end of each reporting period such that only the number of options to which employees are entitled or expected to be entitled is recognized.

The value of equity-settled programs is recognized in equity. The value of cash-settled programs, which are recognized as Other liabilities, is adjusted to fair value at the end of each reporting period, and the subsequent adjustment is recognized in the income statement under Financial income or Financial costs.

6.3 Contingent liabilities and pending litigation

Pending litigation and arbitration

Novozymes is engaged in certain legal cases. The Board of Directors and Management believe that settlement or continuation of these cases will not have a significant effect on the Group's financial position. A liability is recognized under Provisions when the risk of a loss on a legal case is considered more likely than not.

Contingent liabilities

At December 31, 2023 Novozymes had a contingent liability in the form of a break-up fee of up to DKK 2,348 million (EUR 315 million) in the unlikely event that the combination of Novozymes and Chr. Hansen did not obtain regulatory approval. As the combination was

completed on January 29, 2024, the liability did not materialize.

At December 31, 2023, Novozymes had entered into consultancy agreements with fees contingent on the completion of the combination with Chr. Hansen. The expected fees amount to approximately DKK 250 million.

6.4 Related party transactions

Transactions

DKK million	2023	2022
Novo Holdings A/S		
Dividend payment to Novo Holdings A/S	803	396
The Novo Nordisk Group		
Sale of services	112	92
Sale of assets	-	21
Purchase of goods and materials	(14)	(29)
Purchase of services	(35)	(49)
The NNIT Group		
Purchase of services	(14)	(34)
The Chr. Hansen Group		
Sale of goods and materials	158	123
Synergia Life Sciences Pvt. Ltd*		
Purchases	(80)	(36)
Royalty income	8	6
Royalty expense	(12)	(10)
Dividend payment to non-controlling interests	30	-
Microbiogen Pty. Ltd.**		
Purchase of services	(71)	(38)
21st. BIO A/S**		
Sale of services	7	14

* Novozymes A/S holds a 60% ownership interest in Synergia Life Sciences Pvt. Ltd.

** Associate of Novozymes A/S

Other financial notes

6.4 Related party transactions (continued)

Outstanding balances

DKK million	2023	2022
The Novo Nordisk Group		
Receivables	22	10
Payables	(73)	(79)
The NNIT Group		
Payables	(1)	(7)
The Chr. Hansen Group		
Receivables	34	22
Synergia Life Sciences Pvt. Ltd.*		
Receivables	1	6
Payables	(2)	(13)
Microbiogen Pty. Ltd.**		
Payables	(31)	(12)
21st. BIO A/S**		
Receivables	-	2

* Novozymes A/S holds a 60% ownership interest in Synergia Life Sciences Pvt. Ltd.

** Associate of Novozymes A/S

Novozyymes A/S is controlled by Novo Holdings A/S, domiciled in Hellerup, Denmark, which holds 74.0% of the votes in Novozymes A/S. The remaining stock is widely held. The ultimate parent of the Group is the Novo Nordisk Foundation (incorporated in Denmark).

Related parties are considered to be Novo Holdings A/S and the Novo Nordisk Foundation, as well as the Board of Directors and Executive Management of these entities together with their immediate families. Other related parties are considered to be the Novo Nordisk Foundation's subsidiaries and associates, such as the Novo Nordisk Group, the NNIT Group and the Chr. Hansen Group, associates of Novozymes A/S, as well as the Board of Directors and Executive Management of Novozymes A/S together with their immediate families. Related parties also include companies in which the above persons have control or joint control.

All agreements relating to these transactions are based on market price (arm's length). The majority of the agreements are renegotiated regularly.

There were no transactions with related parties other than the transactions described and normal remuneration of the Board of Directors and Executive Management, which is presented in Note 6.1.

Guarantees, rental and other purchase commitments to related parties at December 31, 2023 amounted to DKK 27 million, compared with DKK 22 million at December 31, 2022.

In 2022, Novozymes Biotechnology ApS merged with 21st.BIO. As part of the merger, Novozymes received 40% of the shares in 21st.BIO, corresponding to the value of the intellectual property rights from Novozymes Biotechnology ApS of DKK 201 million.

6.5 Non-controlling interests

DKK million	2023	2022
Share purchase liability at January 1	760	717
Currency translation adjustments	(29)	(32)
Interest	80	75
Fair value adjustment	(197)	-
Paid as dividend	(30)	-
Share purchase liability at December 31	584	760

Share purchase liability

On December 10, 2021, Novozymes acquired 60% of the shares in Synergia Life Sciences, located in India. The remaining 40% of the shares in Synergia Life Sciences are held by non-controlling interests.

The remaining 40% of the shares in Synergia Life Sciences are expected to be acquired in 2024 and a liability of DKK 584 million (2022: DKK 760 million) is recognized.

The redemption amount is contingent on the achievement of realized sales for Synergia Life Sciences for the period January 1, 2023 to December 31, 2023 within the range of DKK 575 million to DKK 1,035 million.

In 2023, Management reassessed the value of the redemption amount due to

lower-than-expected realized sales and reduced the liability by DKK 197 million. The fair value adjustment is recognized in Equity and was partly offset by interest and currency translation adjustments.

Fair value of the share purchase liability is assessed by using the most probable redemption amount, discounted at a rate of 11% (2022: 11%).

Currency translation adjustments and interest of net DKK 51 million (2022: DKK 43 million) have been recognized in Equity. The share purchase liability is denominated in INR.

The liability is reduced by DKK 30 million from dividend payment of the non-controlling interests' stake of the net working capital and cash balances at the acquisition date.

Critical accounting estimates and judgments

Fair value of the share purchase liability is based on non-observable data (level 3 input) that requires Management to make estimates and use assumptions.

Estimates are based on updated information since the initial recognition of the liability, such as budgets, sales forecasts, discount

rates etc. The fair value of the share purchase liability is calculated as the present value of the most probable redemption amount using the discounted cash flow method. The determined fair value is associated with uncertainty and may be subject to subsequent adjustments.

Accounting policies

Share purchase liability is Novozymes's obligation to purchase non-controlling interests in subsidiaries and is remeasured at fair value at each reporting date. The fair value of the most likely redemption amount is initially

recognized within liabilities with a corresponding charge directly to Equity. Interest and fair value adjustments resulting from events after the initial recognition are recognized in Equity under Retained earnings.

Transactions with non-controlling interests

Dividend of DKK 30 million (2022: DKK 0 million) is paid to the non-controlling interests in Synergia Life Sciences.

Other financial notes

6.6 Fees to statutory auditors

DKK million	2023	2022
Statutory audit	11	9
Other assurance engagements	2	-
Tax assurance services	1	3
Other services	6	10
Fees to statutory auditors	20	22
Group audit fee ratio	0.8	1.4

Audit fee policy

It is Novozymes' policy that the annual fee for nonaudit services provided by the statutory auditors should not exceed the annual fee for statutory audit services measured at Group level. The Group audit fee ratio may only exceed 1 with the approval of the Audit Committee.

No such approval was given in 2023.

In 2022, approval was given for advisory services and mandatory statements of DKK 9.6 million related to the combination of Novozymes and Chr. Hansen.

Certain restrictions apply regarding the nonaudit services that the auditors elected at the Annual Shareholders' Meeting may perform, including a 70% cap. The fee for nonaudit services performed for Novozymes by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab was DKK 5 million (2022: DKK 4 million) and did not exceed the 70% cap. The services comprise tax advisory services concerning transfer pricing, advisory services related to the combination of Novozymes and Chr. Hansen and other general financial reporting and tax consultancy. The fee paid for the mandatory statements related to the combination of Novozymes and Chr. Hansen are by definition not a nonaudit service in relation to the 70% cap.

6.7 Cash flow

DKK million	Note	2023	2022
Non-cash items			
Accrued interest income and interest costs		83	146
(Gain)/loss on financial assets, etc., net		(152)	(248)
Depreciation, amortization and impairment losses	3.1, 3.2	1,389	1,485
Realized loss and allowances for doubtful trade receivables		36	15
(Gain)/loss on sale and disposal of assets		2	(25)
Unrealized foreign exchange (gain)/loss		(139)	70
Tax	2.7	870	870
Stock-based payment	6.2	151	127
Change in provisions		(15)	(44)
Gain from divestment of selected waste-water treatment solutions		(88)	-
Profit/loss in associates		18	7
Gain from 21 st .BIO transaction		-	(201)
Gain on divestment of minority ownership in Albumedix		-	(267)
Non-cash items		2,155	1,935

Other financial notes

6.7 Cash flow (continued)

DKK million	Note	2023	2022
Business acquisitions, divestments and purchases of financial assets			
Divestment of selected waste-water treatment solutions		88	-
Purchase of financial assets		(11)	-
Contingent consideration paid	3.6	(158)	-
Acquisition of Synergia Life Sciences		-	(77)
Divestment of minority ownership in Alumedix	5.2	-	267
Cash flow from acquisitions, net		(81)	190
Additions of intangible assets	3.1	199	130
Purchase of intangible assets		199	130
Additions of property, plant and equipment	3.2	1,985	2,802
Less additions to lease assets	3.3	(128)	(42)
Purchase of property, plant and equipment		1,857	2,760

Undrawn committed credit facilities amounted to DKK 5,256 million at December 31, 2023 (2022: DKK 17,502 million), all of which expire in 2024–2027. The decrease in undrawn committed credit facilities compared to 2022 is related to the facility obtained to refinance existing debt following completion of the combination of Novozymes and Chr. Hansen. The facility was reduced by DKK 12,000 million during 2023.

Accounting policies

The consolidated statement of cash flows, which is compiled using the indirect method, shows cash flows from operating, investing and financing activities, and the Group's cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities comprises net profit adjusted for non-cash items, paid financial items, corporate income tax paid and change in working capital.

Cash flow from investing activities comprises payments relating to the acquisition and sale

of companies and non-controlling interests, intangible assets, and property, plant and equipment.

Cash flow from financing activities comprises proceeds from borrowings, repayment of principal on interest-bearing debt, repayment of lease liabilities, payment of dividends, proceeds from stock issues, and the sale of treasury stock and other securities.

Cash and cash equivalents comprises cash at bank and in hand less current bank loans due on demand.

Other financial notes

6.8 Events after the reporting date

On January 29, 2024, the final regulatory approvals were obtained and the final registration of the statutory merger with the Danish Business Authority was successfully completed.

The combination of Novozymes and Chr. Hansen will create a leading global biosolutions partner with a broad biological toolbox and a diversified portfolio in attractive markets.

Further information on the combination are described in Note 3.5.

On January 26, 2024, the European Commission's approved Kerry as the purchaser of the global lactase enzyme business.

Reference is made to Note 4.5, Note 5.5 and Note 6.3 for further details.

6.9 Group companies

- ISO 14001-certified sites. All major companies are ISO 9001 certified.
- Production
- Sales and marketing
- ◆ Research and development
- Holding companies, etc.

Parent Company	Activity	Percentage of shares owned
Novozyymes A/S, Denmark	■ □ ● ◆	

Subsidiaries	Activity	Percentage of shares owned
Novozyymes BioAg S.A., Argentina	■ □ ● ◆	100
Novozyymes Australia Pty. Ltd.*, Australia	●	100
Novozyymes Belgium BV*, Belgium	●	100
Novozyymes Latin America Ltda.*, Brazil	■ □ ●	100
Novozyymes BioAg Productos Para Agricultura Ltda., Brazil	□ ●	100
Novozyymes BioAg Limited, Canada	■ □ ● ◆	100
Novozyymes Canada Limited, Canada	■ □ ●	100
Nuocheng Trillion Food (Tianjin) Co., Ltd., China	●	100
Novozyymes (China) Biotechnology Co. Ltd., China	■ □ ●	100
Novozyymes (China) Investment Co. Ltd., China	● ◆	100
Novozyymes (Shenyang) Biologicals Co. Ltd., China	■ □ ●	100
Suzhou Hongda Enzyme Co. Ltd., China	■ □ ●	96
Novozyymes OneHealth Biotechnology (Shanghai) Co. Ltd., China	●	100
Novozyymes Bioindustrial A/S*, Denmark	○	100
Novozyymes Bioindustrial China A/S*, Denmark	○	100
Novozyymes Biopharma DK A/S*, Denmark	○	100
Novozyymes BioAg A/S*, Denmark	○	100
Novozyymes EG SSC*, Egypt	●	100
Novozyymes France S.A.S.*, France	●	100
Novozyymes Deutschland GmbH*, Germany	●	100
Novozyymes Berlin GmbH, Germany	◆	100
Novozyymes Greece Single Member SA*, Greece	●	100
Novozyymes Hong Kong Ltd., Hong Kong	○	100

Other financial notes

6.9 Group companies (continued)

	Activity	Percentage of shares owned
Novozymes South Asia Pvt. Ltd., India	■ □ ● ◆	100
Riata Life Sciences Pvt. Ltd., India	□ ●	60
Synergia Life Sciences Pvt. Ltd.*, India	□ ● ◆	60
PT Novozymes Indonesia Biotechnology*, Indonesia	●	100
PrecisionBiotics Group Ltd.*, Ireland	● ◆	100
Novozymes Italia S.r.l.*, Italy	●	100
Novozymes Japan Ltd.*, Japan	● ◆	100
Novozymes Kenya Ltd.*, Kenya	●	100
Novozymes Malaysia Sdn. Bhd.*, Malaysia	●	100
Novozymes Mexicana, S.A. de C.V.*, Mexico	●	100
Novozymes Mexico, S.A. de C.V., Mexico	●	100
Novozymes Nederland B.V.*, Netherlands	●	100
Novozymes RUS LLC*,**, Russia	○	100
Novozymes Singapore Pte. Ltd.*, Singapore	●	100
Novozymes South Africa (Pty) Ltd.*, South Africa	●	100
Novozymes Korea Limited*, South Korea	●	100
Novozymes Spain S.A.*, Spain	●	100
Novozymes Switzerland AG, Switzerland	●	100
Novozymes (Thailand) Ltd.*, Thailand	●	100
Novozymes Enzim Dis Ticaret Ltd. Sirketi*, Türkiye	●	100
Novozymes UK Ltd.*, U.K.	● ◆	100
Novozymes BioAg, Inc., U.S.	■ □ ●	100
Novozymes Biologicals, Inc., U.S.	■ □ ● ◆	100
Novozymes Blair, Inc., U.S.	■ □	100

	Activity	Percentage of shares owned
Novozymes, Inc., U.S.	◆	100
Physicians Exclusive LLC (d.b.a) Microbiome Labs, U.S.	● ◆	100
Novozymes North America, Inc., U.S.	■ □ ● ◆	100
Novozymes US, Inc.*, U.S.	○	100
Joint operations/associates		
Grundejerforeningen Smørmosen*, Denmark		
Grundejerforeningen Hallas Park*, Denmark		
21 st .BIO A/S*, Denmark		40.60
Microbiogen PTY Ltd.*, Australia		23.10
Tecnol s.r.l. in liquidazione (formerly Beta Renewables S.p.A.)*, Italy		9.95
MagnaBioAnalytics LLC, U.S.		19.35

* Owned directly by Novozymes A/S.

** Sales to Russia have been discontinued and the sales office in Russia has been closed.

Note 7

Environmental data

- 7.1 Climate change
- 7.2 Energy
- 7.3 Water
- 7.4 Waste
- 7.5 Environmental compliance
- 7.6 Bioethics & biodiversity
- 7.7 Product stewardship

Mandatory statement on Corporate Social Responsibility

The Notes on Environmental data and Social and Governance data form the reporting required under section 99a of the Danish Financial Statements Act.

Topic	Reference	Pages
Business model	Our business	p. 15
Content of commitments, management approach, targets, data, initiatives, and related progress on corporate social responsibility issues:		
Climate and environment	Notes on Environmental data	pp. 124-135
Social matters	Notes on Social and Governance data	pp. 136-148
Human rights	Note on Labor practices and Human rights	pp. 137-138
Anti-corruption and bribery	Note on Business Ethics	pp. 143-144

Water withdrawal decreased relative to 2022 by

11%

Renewable electricity share increased from 82% in 2022 to

84%

Biomass recovered: on par with 2022

100%

Environmental data

7.1 Climate change

At Novozymes, we are fully committed to accelerate towards a climate-neutral society. We actively invest to lower the carbon footprint of our operations and deliver low-carbon solutions to our customers. Our solutions play a key role in addressing many of the climate-related challenges facing the world.

Our approach

Novozyymes is committed to decarbonizing in line with a science-based pathway and to reaching net-zero greenhouse gas (GHG) emissions across our operations and value chain by 2050.

We are committed to a 75% reduction of emissions from our operations (scopes 1+2) and a 35% reduction from our supply chain (scope 3) by 2030 from a 2018 baseline. In addition, to deliver on our long-term ambition, we work with milestone targets. Thus, by 2025, we aim to source 100% renewable electricity and reduce absolute GHG emissions from operations by 65% from a 2018 baseline.

In 2022, the Science Based Targets initiative (SBTi) re-validated our 2030 emissions reduction targets and our 2025 renewable electricity targets. Novozymes was among the first companies

in the world to receive validation of our net-zero targets by SBTi.

Further information on our science-based targets is available in the Targets section of this report.

We are committed to improve our climate data quality and transparency. We conduct peer-reviewed cradle-to-grave life cycle assessment (LCA) studies to document the environmental impact of our solutions. These studies are used to keep our stakeholders informed and to demonstrate to our customers ways to reduce their GHG emissions and leverage the positive impact on climate change that Novozymes' bio-solutions can enable. Our published LCAs are available on our website. We also use this data to help our customers' improve their climate transparency by providing product carbon footprint data on request.

We disclose our climate change impacts through CDP every year. In 2023, Novozymes was recognized in CDP's Climate Change A List (leadership ranking) for our commitment to environmental transparency and climate action.

2023 summary

In 2023, the GHG emissions from our operations (scopes 1+2) decreased by 11% to 143,000 tonnes from 161,000 tonnes in 2022. This reduction was mainly driven by changes in product mix towards less resource consuming products, slightly lower production volumes, and implementation of efficiency-enhancing projects.

We have reduced our absolute emissions from our operations (scopes 1+2) by 67% from a 2018 baseline and are thus on track to achieving our 2025 target.

CO₂-equivalent emissions 1,000 tonnes	2023	2022
Natural gas	35	40
Gas oil, light fuel oil, and diesel oil	4	4
HCFCs	1	2
Scope 1	40	46
District heat	1	1
Electricity	42	50
Steam	60	64
Scope 2 (market-based)	103	115
Scopes 1 and 2, total	143	161

Market-based vs. location-based scope 2 emissions 1,000 tonnes	2023	2022
Scope 2 GHG emissions (market-based)	103	115
Scope 2 GHG emissions (location-based)	291	332

Environmental data

7.1 Climate change (continued)

In 2023, we joined a new innovative consortium together with the Novo Nordisk Foundation, the Bill & Melinda Gates Foundation, and other relevant players to convert carbon dioxide into protein for human consumption. This is a long-term initiative which aims to address the rising global challenges with food security and GHG emissions from agriculture. The aim is convert carbon dioxide into acetate, which will replace sugar in the fermentation process used to produce proteins for food.

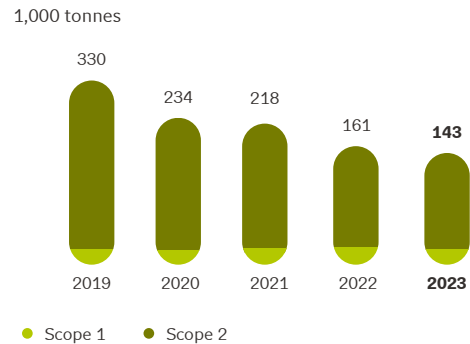
We have also partnered with ALGIECEL, a company focused on implementing microalgae-based carbon capture and utilization. Our Kalundborg

site is suitable for demonstrating carbon capture by algae processes with nutrient and carbon dioxide streams available. During the demonstration, we will explore whether ALGIECEL's technology can be combined with the carbon capture technology co-developed by Novozymes and Saipem.

Moving forward, we will continue to execute on our transition plan to accelerate towards a

climate neutral society. We will invest in renewable energy, production efficiency and energy recovery opportunities. Additionally, we will expand our collaboration with suppliers and work towards meaningful and actionable engagements to decarbonize our common value chain. Our leaders will continue taking the global stage and advocating for change, and collaborating with our customers, policymakers, and partners to drive market transformation.

Five-year operational emissions (CO₂-eqv.)



Accounting policies

Reported GHG (greenhouse gas) emissions comprise scope 1 and scope 2.

GHG from internally generated energy (scope 1) is calculated based on the amount of fuel consumed using local emission factors.

GHG from externally generated energy (scope 2) is reported in accordance with both the market-based and the location-based methods, as defined by the Greenhouse Gas Protocol. The market-based method assumes zero GHG emissions from the sourced

renewable energy and uses CO₂-eqv. factors from the International Energy Agency (IEA) for non-renewable energy. The location-based method uses third party validated CO₂-eqv. factors or CO₂-eqv. factors from IEA.

The environmental impact potentials for global warming and ozone layer depletion are calculated on the basis of data published by the U.S. Environmental Protection Agency (EPA) and the Montreal Protocol published by the United Nations Environment Programme (UNEP).



Environmental data

7.2 Energy

Novozymes is committed to a net-zero future, and energy is an integral part of achieving this commitment. For its operations, Novozymes relies on electricity, heat, and steam. Many of our biosolutions enable downstream users to save energy in certain applications compared with conventional methods, such as in detergents and textile applications.

Our approach

We manage energy in our operations through a two-pronged approach: increasing the sourcing of renewable energy and reducing energy consumption in production by implementing optimization or energy-saving projects. Relevant targets drive our performance in these areas.

All energy efficiency and renewable energy sourcing efforts are managed and monitored by our Operations, Supply and Quality function. In addition to internal energy savings, Novozymes focuses on recovering energy from waste to use in operations and to distribute to our local communities.

Novozymes has a target to source 100% renewable electricity by 2025. This target was re-validated by the Science Based Targets initiative

(SBTi) in 2022 and is in accordance with the best practice guidance defined by the RE100 initiative. We take a holistic approach in our end-to-end sourcing process, ensuring high quality and impactful projects for local communities, and we strive to purchase from the best electricity projects available.

Further information on our science-based targets is available in the Targets section of this report.

2023 summary

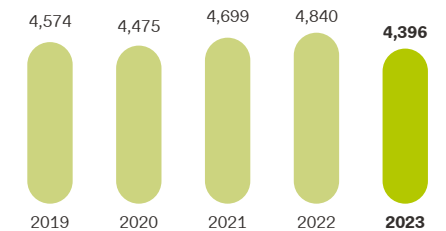
In 2023, our organic sales growth was recorded at 5%, while energy consumption decreased by 9%, compared to 2022 due to slightly lower production volumes, changes in product mix towards less resource consuming products, and the implementation of energy saving projects.

In 2023, projects driving process optimization and energy efficiency undertaken at our sites resulted in energy savings of approximately 56,000 GJ. The biggest drivers of this include heat recovery and installation of a heat pump at our site in China as well as energy savings from the reverse osmosis project in Kalundborg.

We also conducted smaller initiatives. For example, in Denmark, we initiated the 'Freezer Challenge' in collaboration with the NGO MyGreenLabs where lab teams were invited to come up with ideas to reduce the environmental footprint of cold storage units while maintaining the integrity of the samples stored in them.

Five-year energy consumption

1,000 GJ



Energy consumption by primary source 1,000 GJ

	2023	2022
Natural gas	678	762
Biogas	30	30
Gas oil, light fuel oil and diesel oil	49	39
Internally generated energy, total	757	831
Electricity – conventional	392	506
Electricity – renewable	2,070	2,264
District heat - conventional	57	56
District heat - renewable	134	141
Steam	986	1,042
Externally purchased energy, total	3,639	4,009
Energy consumption, total	4,396	4,840
Energy production from waste	15	66

Environmental data

7.2 Energy (continued)

Improvements included adjusting temperatures, storing only relevant samples and turning off empty freezers.

In 2023, the share of renewables in our total energy consumption increased to 51% from 50% in 2022. Electricity accounts for more than half of the total energy consumed, and 84% of the electricity came from renewable sources, compared to 82% in 2022. The major contributor to this improvement was our site in Blair, U.S., which began to procure green electricity in 2023, converting approximately 145,000 GJ from conventional to renewable electricity.

Renewable electricity sources 2023 (2022)

- Wind power
62% (42%)
- Solar
19% (20%)
- Hydro
0% (3%)
- Biomass
19% (35%)



In some of our sites we are still dependent on fossil-based steam and natural gas as a fuel source. We are exploring greener alternatives such as flex burners, electric boilers, and heat pumps to replace them. At our site Hongda, China, we now produce steam from a new high temperature heat pump technology which reduces the consumption of fossil-based heat at the site. We have also identified additional steam-saving projects in China that will be implemented in the coming years.

Moving forward, we will seek to implement our strong portfolio of projects to further invest in renewable electricity, to find cleaner alternatives for natural gas and coal-based steam and to save and recover energy.

Accounting policies

Energy consumption includes quantities consumed both in the production process and in other areas.

Internally generated energy is measured as fuel consumption converted to energy based on the lower of combustion value and weight by volume, except in the U.S., where legal requirements for reporting carbon dioxide state that the higher of combustion value and weight by volume is to be applied. Fuel consumption comprises all types of fuel used to produce electricity, heat and steam on site and is converted to energy using factors supplied by utility providers or local authorities. Fuel for transportation purposes is not included.

Externally generated energy is the input to Novozymes of externally generated electricity, heat and steam.

Energy produced from waste or wastewater is renewable and corresponds to the total energy (heat, electricity or steam) produced by an internal or external utility provider. An example is energy produced from biomass waste or biogas.

Reported quantities are based on meter readings, with the exception of steam, which may be subject to calculation.

The renewable energy percentage is calculated by dividing renewable energy consumed by total energy consumption. Renewable energy used at Novozymes sites comprises energy generated from natural processes and continuously replenished. Sources include solar, wind and hydropower-based electricity and energy from biogas and biomass.

District heat - renewable is primarily generated from biomass.

Environmental data

7.3 Water

Water stewardship is essential for Novozymes. The production, development, and processing of our solutions depends on the availability of water. We use water as a coolant, solvent, cleaning agent and as a component of our final products. Additionally, many of the raw materials required in our operations are agriculture-based and depend on water for production. Many of our biosolutions in textile, brewing, household care, and grain processing enable customers to reduce their water consumption compared with conventional methods or prevent water pollution by reducing dependence on hazardous chemicals.

Our approach

Our approach towards water stewardship is driven by science and our ambition to manage water in balance with local conditions at all our sites. We are committed to achieving overall water security by preserving water as a resource, addressing water challenges through biosolutions, and driving collective action with communities.

For our operations, we seek to reduce dependence on freshwater by implementing recycling and water efficiency projects, while ensuring compliance with local regulations. All our production sites have context-based water management plans drawn up based on site-specific risks

and opportunities. These plans were developed in partnership with water experts and contain actions to improve the health of the water basins near our production sites and address site-specific challenges including scarcity, quality and changing regulations. Our wastewater is biologically treated internally or externally before being discharged or before being recycled after secondary filtration. We aim to improve freshwater withdrawal by recycling 10% more water by 2025, 15% more by 2030, and 20% more by 2035 from a 2021 baseline.

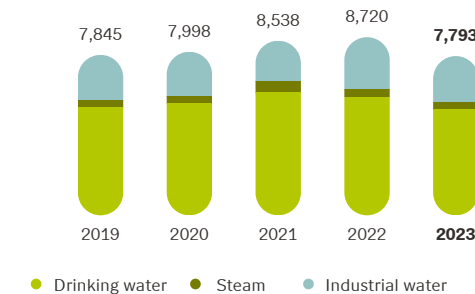
At community level, we drive collective action with communities and organizations within our production basins. Our actions address shared water challenges such as flooding, impaired ecosystem services, water quality and scarcity, through collective action on Water, Sanitization and Hygiene (WASH), nature restoration, and watershed restoration. In addition, in basins close to our production sites where WASH is a challenge, we aim to restore 10 billion liters of water by 2025 and 30 billion liters by 2030 from a 2021 baseline.

2023 summary

In 2023, our water withdrawal decreased by 11% compared with 2022 and wastewater discharge decreased by 7% compared with 2022. The main drivers of the decrease were changes in product mix towards less resource consuming products, slightly lower production volumes, and implementation of efficiency projects.

Five-year water withdrawal by primary source

1,000 m³



Water withdrawal by primary source 1,000 m³

	2023	2022
Drinking water	5,177	5,788
Industrial water	2,267	2,554
Steam	349	378
Water withdrawal, total	7,793	8,720

Our water withdrawal and discharge were also impacted by multiple water efficiency projects across sites. In 2023, we implemented three water recycling and efficiency projects which delivered water savings of approximately 86,000 m³. These were a nanofiltration and reverse osmosis project in Kalundborg for water recycling and two water efficiency projects in Franklinton, U.S., and Tianjin, China. The reverse osmosis equipment installed in Kalundborg has a saving potential estimated at 370,000 m³ of water annually and will also save energy and improve yields.

In Franklinton, we announced a reverse osmosis project which seeks to upgrade our wastewater discharge process while addressing evolving regulatory requirements.

Environmental data

7.3 Water (continued)

With projects like these, we have moved closer to meeting our target of improving freshwater withdrawal by recycling 10% more water by 2025.

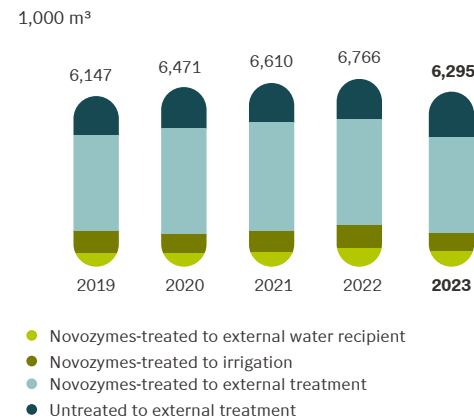
In the vicinity of our site in Patalganga, India, where WASH is a challenge, we have been working with the Novozymes Water Opulence project since 2020 to improve water availability and address local water basin risks. Among the activities, we build together loose boulder structures, gabion bunds, check dams, and recharge trenches. Since its start, the project has benefited approximately 3,100 people across five villages. In 2023, we continued restoring ground water in the region, and we are on track to meet our target of restoring 10 billion liters of water by 2025 in areas where WASH is a challenge.

In light of our ambition to manage water in balance with local conditions at all our sites, we carried out a pilot internally of the science-based targets for water methodology at our Hongda site. This included having a dialogue with our key Chinese suppliers on water management.

Here, we have integrated the actual situation of water resource management in the Taihu basin and have set site level targets for water withdrawal which are in alignment with local basin conditions.

Moving forward, we will continue to have site specific initiatives and aim for active engagement to identify hotspots, develop water efficiency projects, and reduce our dependence on freshwater.

Five-year wastewater by treatment method



Wastewater discharged 1,000 m³

	2023	2022
Wastewater to irrigation	634	825
Wastewater to surface water or treatment	5,661	5,941
Wastewater discharged, total	6,295	6,766

Accounting policies

Water withdrawal refers to the sum of all water drawn into the boundaries of Novozymes from all sources. Water/freshwater includes drinking water, industrial water, and externally supplied steam.

Drinking water is water of drinking water quality. Industrial water is not of drinking water quality, but is suitable for certain industrial processes, for example for use in cooling towers. Industrial water may come from lakes or wells.

The reported quantities are stated based on the metered intake of water to Novozymes and include quantities withdrawn both in the production process and in other areas. The reported quantities of steam are converted to volumes of running water and are therefore subject to calculation.

Wastewater is measured as the volume discharged by Novozymes or calculated based on water withdrawal.

Environmental data

7.4 Waste

Novozymes is committed to managing resources and waste in a circular manner. In our operations, we take a holistic approach towards circularity, by improving the recyclability of our packaging and by implementing site-specific initiatives to reduce and recover waste. In addition, our biosolutions enable our customers to adopt practices that help minimize waste from their operations. For example, our grain and vegetable oil processing biosolutions enable customers to optimize resource utilization by unlocking additional starch, protein, and oils from feedstock.

Our approach

Responsible packaging and waste management at Novozymes is a key element in reducing the environmental impact of our operations. We remain committed to ensuring zero waste to landfill from our operations by 2030. In addition, we are committed to having three key circular projects successfully implemented by 2030. To deliver on these long-term ambitions, we work with milestone targets. By 2025, we aim to have two key circular projects in pilot stage with demonstrated benefit.

Guided by our aim to achieve zero waste to landfill, we have a site-specific approach to waste

management with clearly outlined risks, opportunities, and prioritized actions. Regulations on waste management are complex and vary by region. To ensure compliance, we actively work with local experts and service providers to explore localized opportunities to manage waste.

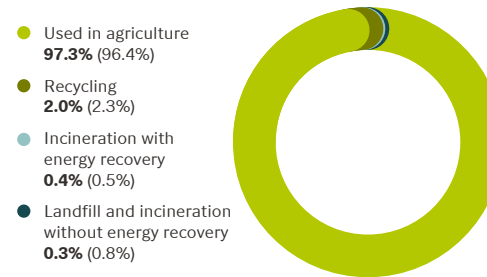
We are also committed to minimizing the impact of the waste generated by our packaging materials. We strive to use less virgin plastic wherever possible. We have clear processes to assess new materials on specific recyclability and reusability criteria before they are approved for enzyme packaging.

2023 summary

In 2023, we continued to work towards our target to have zero waste to landfill from our operations by 2030. The total recycling and composting rate of our waste was above 99%, and less than 1% was sent to landfill or incineration without energy recovery. The total waste decreased to 544,000 tonnes in 2023 from 559,300 tonnes in 2022. The main driver for this change was the slightly reduced production volumes.

Our waste is composed of biomass waste and non-biomass waste, and a small fraction of this non-biomass waste is treated as hazardous waste.

Total waste by disposal method 2023 (2022)



Biomass waste

Most of the waste generated during the production of our biosolutions is biomass. It has essential nutrients such as nitrogen and phosphorus, making it ideal for supporting agricultural activities. In 2023, 100% of our biomass was managed in a circular manner, just as in 2022.

Our biomass waste is utilized as a raw material in fertilizer production for agriculture with or without prior biogas production. In Blair, U.S., we launched a disposal solution that will enable us to maintain our performance by disposing it towards land applications in spite of projected higher waste volumes due to ongoing plant expansion.

The weight of the biomass upon exit from our facilities varies depending on the site and the biosolutions produced there. To facilitate transportation and application of biomass waste, we adjust its water content in accordance with local requirements, ranging from 5% to 85%. In 2023, the total dry matter content for biomass used in agriculture was 61,000 tonnes.

Moving forward, we will continue to focus on circular management of all of our biomass.

	Biomass wet (actual)		Biomass dry matter (excl. water)	
	2023	2022	2023	2022
Biomass 1,000 tonnes				
Used in agriculture	529	539	61	53
Landfill	-	-	-	-
Biomass, total	529	539	61	53

Environmental data

7.4 Waste (continued)

Waste 1,000 tonnes	2023	2022
Biomass waste, total	529.0	538.8
Nonhazardous waste		
Incineration	1.9	2.2
Landfill	1.5	3.6
Recycling	9.5	11.4
Nonhazardous waste, total	12.9	17.2
Hazardous waste		
Incineration	0.5	1.4
Landfill	-	0.2
Recycling	1.6	1.7
Hazardous waste, total	2.1	3.3
Waste, total	544.0	559.3

Non-biomass waste

Non-biomass waste accounts for 3% of Novozymes' total waste and is further classified into hazardous and nonhazardous waste. In 2023, the recycling rate of non-biomass waste was 74% compared with 63% in 2022. The remaining 26% of the waste was sent to landfill or incineration.

To further reduce, recycle, reuse, and recover the waste generated in 2023, we have undertaken various initiatives such as process improvements,

resource optimization, process planning and waste sorting in order to optimize waste management. For example, at our site in Saskatoon, Canada, we use sterilized peat as a substrate to grow our microbes used in production processes. However, bags that are damaged are no longer considered sterile and were previously discarded. In 2023, we started segregating damaged peat bags and re-sterilizing them, which has enabled us to recover waste and turn it back into raw material.

Across regions, we implemented various initiatives in waste management. At one of our North American sites, cross-functional collaboration has led to increased recycling and eliminated the majority of the waste generated locally, which previously was sent to landfills.

At our sites in Denmark, in response to regulatory requirements, household-like waste (from canteens, coffee stations and workspaces) is now sorted in up to 10 fractions.

At our site in TEDA, China, we have reduced waste by quickly connecting departments digitally to enable them to exchange furniture, IT accessories, printers, etc. Moving forward, this initiative will be rolled out to other sites in China.

Circular Packaging

In 2023, we took action drawing from our previously developed circular packaging plans to make our key packaging recyclable, reusable or compostable. We have identified and started working on two strategic circular projects, and are on track to have both projects in pilots with demonstrated benefit by 2025.

Accounting policies

Biomass is measured or calculated based on volume or weight produced. At each site, biomass is produced with a different dry matter to water ratio. The quantity of biomass dry matter is calculated based on spot checks of the dry matter content present in the wet biomass.

Non-biomass waste is the registered volume of waste broken down into hazardous and non-hazardous waste, and by disposal method. The amount recycled is the quantity recycled internally or sent to an external service provider for recycling.

Environmental data

7.5 Environmental compliance

Compliance with environmental norms and regulations is a high priority for Novozymes to maintain business continuity and day-to-day running of operations. Novozymes is committed to complying with all environmental regulations and maintaining high standards of environmental management across its operations, including pollution prevention, resource conservation and waste reduction. We take the well-being of the communities we operate in seriously. We do our best to implement meaningful solutions effectively so as to address any complaints we may receive from our neighbors.

Our approach

Our commitment to environmental compliance is outlined in our Sustainability Policy. All activities to ensure environmental compliance are anchored in the Quality, Environment & Safety function. Novozymes' main production sites are certified to the ISO14001 Environmental Management System standard. Our management system is based on this standard and is applied to most of our operations.

Further details on ISO-certified companies can be found in Note 6.9 Group Companies.

Environmental incidents and neighbor complaints are recorded in CAPTURE, our global incident management system. This system enables us to implement suitable remedial action to correct and prevent re-occurrence in the future. We strive to minimize the number of non-compliance and neighbor complaints.

2023 summary

A total of 23 environmental breaches of regulatory limits were registered across our facilities in 2023, compared with 21 in 2022. Most of them were related to wastewater discharge and biomass processing, handling and distribution. None resulted in environmental fines. Plans for preventive action for these incidents have been agreed with the relevant authorities.

Novozymes received 14 neighbor complaints in 2023, compared to 23 received in 2022. Most of them pertained to noise and light related to construction activities. The odor issues reported in 2022 have been resolved.

To support the growth of our human health business, we purchased two small production facilities in India at the end of 2021. Some of their environmental permits and consents were incomplete. We have begun the lengthy process of

amending these permits to align with production expectations, and implementing the actions needed to fulfil current and future environmental conditions. For example, in 2023, we broke ground on a new wastewater treatment facility, which is expected to be operational in 2024.

Accounting policies

Breaches of environmental regulatory limits are measured as the number of incidents in the reporting year considered not to be in conformity with environmental permits or requirements under environmental law.

Breaches related to annual control measurements of spills reported in previous years are not included, as they are not indicative of performance during the reporting year.

Neighbor complaints refer to the number of registered environmental complaints, primarily odor and noise related.

7.6 Bioethics & biodiversity

Novozymes is on a mission to find biological solutions that enable better lives in a growing world. The foundation of our business is based on analyzing bacteria and fungi at molecular level to create biosolutions that can help solve some of the world's biggest challenges, focusing on climate, food systems, and health. We have interfaces with nature and biodiversity across our business from research and development to operations and product use.

Our approach

Novozymes' approach to biodiversity and nature is guided by the principles of the United Nations' Convention on Biological Diversity. We have defined systems and processes, housed by an internal committee, that ensure compliance with local and global regulations, guidelines, and protocols.

Together with our stakeholders, we work to ensure that guidance and requirements from regulatory authorities on biotech innovation is duly followed. We adhere to the globally recognized principles on the utilization of genetic resources. Our scientists are committed to using scientifically sound tools and developing solutions that are safe for humans, animals, and the environment.

As the world's leading biotech powerhouse, we are fully aware of our responsibility to see beyond the possibilities of our solutions and understand the broader impact we may have on nature and biodiversity as a company. This is why we support a science-based approach and follow developments in this area to take action on nature and biodiversity. We regularly assess how to incorporate best practices into our solutions, operations, and reporting through constant dialogue with relevant business groups and UN organizations.

2023 summary

In 2023, we continued to closely monitor and participate in ongoing discussions and dialogues on nature and biodiversity loss across the globe. This includes discussions around the post-2020 Global Biodiversity Framework, a global vision and roadmap to halt and reverse biodiversity loss and live in harmony with nature. This framework was adopted by global leaders at the 2022 United Nations Biodiversity Conference

As an active member of multilateral organizations, we follow developments of new methodologies for companies to monitor and establish targets to prevent and reverse nature and biodiversity loss. For example, we continued to

be a part of the technical dialogues on the changing reporting landscape through industry and business groups such as the International Chamber of Commerce.

We established a cross functional working group to understand how these developments could impact the way we develop, produce, and market our biosolutions. The group includes representatives from Operations, Public Affairs, Research & Development, and Sustainability, and it reports to the Corporate Sustainability Committee when relevant.

As a responsible producer, we take action in our efforts to restore water and biodiversity. In the TEDA industrial park, we are making an innovative attempt to improve overall water stewardship by fostering collaboration across companies to increase the use of recycled water within the park.

Moving forward, we will explore additional ways to support the implementation of the post-2020 Global Biodiversity Framework.



7.7 Product stewardship

At Novozymes, we ensure our biosolutions are produced responsibly and that they are safe for humans, animals, and the environment. Product stewardship is a priority for our business given that many of our biosolutions serve as ingredients in consumer products such as detergents or are used to manufacture consumer products such as food, textiles, paper, dietary supplements, and cosmetics.

Our approach

Product stewardship is an integral part of Novozymes' Quality Management System, and our approach is outlined in our Quality and Product Safety Policy.

Procedures ensuring product stewardship for customers and end-users are enforced globally and audited by an independent external body. We collaborate with our customers, suppliers, and various trade associations to drive product safety and stewardship.

Novozymes has internal targets on product stewardship that guide our progress. We evaluate performance in the areas of product safety and hazardous substance management and constantly strive to reduce risks for humans, animals, and the environment.

For example, we seek to improve our products to ensure enzymes release a minimum amount of dust and prevent allergies. We also educate our employees and customers on the safe handling of our products using multiple communication channels, such as safety data sheets, videos, posters, brochures, and safety catalogues.

Wherever feasible, we substitute hazardous substances in our operations with safer alternatives. Through a rigorous and comprehensive cross-functional process, new and existing chemicals are screened annually for human health and environmental safety aspects, followed by risk and feasibility assessments to determine candidates for potential phase-out from our products.

To make it easier for our customers to ensure compliance of their products, we have a structured approach to key topics such as product information, labeling, and traceability. Novozymes' products comply with regulatory requirements such as REACH (Registration, Evaluation, Authorization and Restriction of Chemicals), one of the most advanced chemical legislations in the world, and food legislations such as FIAP (Food Improvement Agents Package).

2023 summary

In 2023, we completed the implementation of our new Regulatory Information Management System, allowing us to retire legacy tools for product stewardship activities across Regulatory Affairs. It means that documents, communication, and registration activities are now digitally linked, enabling more transparency and smoother communication on regulatory compliance internally.

To address increasing societal concerns about Endocrine Disruptors (EDs), we decided to phase out both EDs and potential EDs from our products and have begun to screen relevant materials.

We continued to expand the list of our OEKO-TEX® certified products, which is key for our textile and leather customers to bring certified greener products to the market. It requires proving the absence of unwanted chemicals such as carcinogens, volatile organic compounds, heavy metals, organotins, and flame retardants.

Chemical legislations similar to REACH are being implemented in other countries. In 2023, Novozymes successfully registered under such new legislation in Türkiye. In response to new regulations in South Korea, Novozymes established a new process with Only Representatives

(OR) that simplifies the regulatory obligations for customers. Novozymes is also a leading member of the South Korean Enzyme REACH Council, contributing to the discussion with authorities based on our own experience.

Novozymes continued to lead discussions on enzyme safety implementation across the enzyme industry and customers' industries through various trade associations globally. As an outcome of these discussions, the association of enzyme producers, AMFEP (Association of Manufacturers Fermentation Enzyme Products), launched an updated guideline on safe handling of industrial enzyme preparations as well as a specific guideline for the safe handling of enzymes within the feed industry. AMFEP also launched a state-of-the-art module for supporting and managing the development of product claims and hazardous substance management.

In addition, Novozymes was part of the development of a new guideline on how to conduct risk assessments of enzyme-containing products for professional cleaning. It is being developed collaboratively by AMFEP, AISE (European detergent industry), ACI (American Cleaning Institute), and HCPA (Household & Commercial Product Association).

Note 8

Social and governance data

- 8.1 Labor practices & human rights
- 8.2 Inclusion & diversity
- 8.3 Employee safety & well-being
- 8.4 Business ethics
- 8.5 Customer engagement
- 8.6 Community engagement
- 8.7 Responsible sourcing

Mandatory statement on Corporate Social Responsibility

The Notes on Environmental data and Social and Governance data form the reporting required under section 99a of the Danish Financial Statements Act.

Topic	Reference	Pages
Business model	Our business	p. 15
Content of commitments, management approach, targets, data, initiatives, and related progress on corporate social responsibility issues:		
Climate and environment	Notes on Environmental data	pp. 124-135
Social matters	Notes on Social and Governance data	pp. 136-148
Human rights	Note on Labor practices and Human rights	pp. 137-138
Anti-corruption and bribery	Note on Business Ethics	pp. 143-144

Completion rate of business integrity training for employees up from 97% in 2022 to

98%

Decrease from 1.7 in 2022 in frequency of occupational injuries with absence (per million working hours) to

1.3

Women in senior management up from 33% in 2022 to

36%

Social and governance data

8.1 Labor practices & human rights

At Novozymes, we take responsibility to ensure we follow proper labor practices and that human rights are respected both within our organization and throughout our value chain.

Our approach

We have adopted a common management approach and reporting structure for labor practices and human rights. Our People and Organization (P&O) function, together with leaders across Novozymes, are responsible for ensuring equal rights for all employees.

We are committed to ensuring equal opportunities and avoiding discrimination in our global organization based on age, sex, gender identity, race, national origin, ethnicity, disability, education, sexual orientation, and religious beliefs. We recognize and respect our workers' rights to form and join unions and associations and to bargain collectively.

Novozyymes respects human rights as defined by the U.N. Guiding Principles on Business and Human Rights and has implemented them in our operational policies and procedures.

We respect the International Bill of Human Rights, the International Labor Organization's

Declaration on Fundamental Principles and Rights at Work, and, since 2001, we have been a signatory to the United Nations Global Compact. Novozymes is also a signatory to the U.N. Women's Empowerment Principles. We publish an annual statement under the U.K. Modern Slavery Act.

We conduct focused human rights impact assessments to identify and assess human rights risks and impacts in our business and supplier base.

2023 summary

Labor practices

In 2023, the rate of employee turnover was 10.6%, compared to 11.4% in 2022. The rate of absence ended at 2.6% in line with 2.6% in 2022. It continues to be higher than pre-pandemic levels, likely due to new leave regulations and behavioral change. The rate of absence has been broken down in the table below into grouped job categories.

Employee statistics		2023	2022
Rate of employee turnover - retirement	%	0.8	1.0
Rate of employee turnover - dismissal	%	2.7	2.1
Rate of employee turnover - voluntary	%	7.1	8.3
Rate of employee turnover, total	%	10.6	11.4
Rate of absence			
Senior management, management, professional and administrative	%	1.7	1.7
Skilled workers, laboratory technicians, other technicians, and process operators	%	4.0	4.1
All employees	ESG %	2.6	2.6
Other employee statistics			
Average age	years	42.4	41.9
Average seniority	years	9.5	9.2
Number of expatriates	no.	24	18

Social and governance data

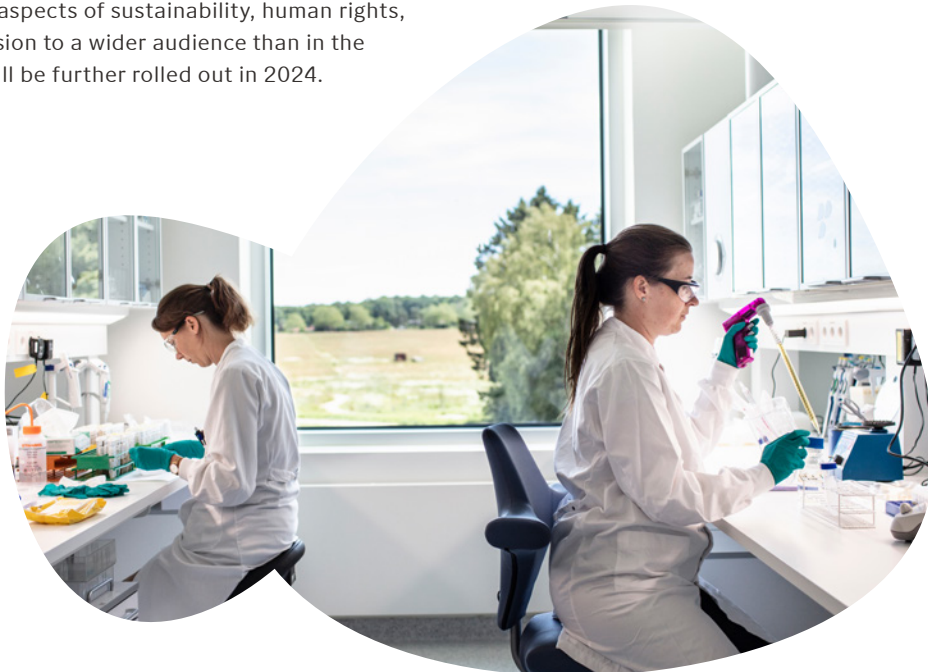
8.1 Labor practices & human rights (continued)

Human rights

As a responsible corporate citizen, we recognize our role in seeking to prevent or mitigate adverse human rights impacts, not just in operations but also through our business relationships.

In 2023, we launched a new code of conduct for our business partners in the supply chain, which enables us to communicate our expectations on different aspects of sustainability, human rights, and inclusion to a wider audience than in the past. It will be further rolled out in 2024.

In 2023, we conducted a Human Rights Impact Assessments focused on global policies and governance. We identified no systematic human rights violations within our global operations. We also followed up on recommendations from previous years, and those have either been addressed or are no longer relevant.



Accounting policies

Absence is defined as time lost due to an employee's illness, including leave, and occupational injuries and diseases.

The rate of absence is calculated as the number of registered days of absence as a percentage of the total number of normal working days in one year, less vacation and public holidays.

The rate of employee turnover is calculated as employee turnover divided by the average number of permanent employees. Employee turnover is measured as the number of

permanent employees leaving the Group during the preceding year excluding employees at divested entities transferred to the acquiring company.

Average age and seniority are calculated as the sum of the employees' aggregate age/seniority in whole years at the reporting date divided by the number of employees.

Expatriation refers to Novozymes employees temporarily reassigned within Novozymes from the country of original employment for periods of more than six months.

8.2 Inclusion & diversity

At Novozymes, we foster a collaborative atmosphere, bringing together individuals with varied and complementary skills. Our employees embrace shared values to form a vibrant culture. Nurturing an inclusive and diverse organization where employees thrive is the foundation from which we continue to bring the power of biosolutions to the world.

Our approach

We are committed to nurture a culture of diversity, equity, and inclusion. By 2030, we aim to achieve gender balance. This means that we will strive for a minimum of 45% women and 45% men across all professionals and in senior management.

We recognize that focusing on diversity of representation alone is not enough. For diverse teams to succeed, people need to feel that they are valued, respected, and have a shared sense of purpose, and thus we focus on inclusion. We take a regional approach to developing and defining programs based on local demographics to address diversity dimensions beyond gender. Many of our sites have Employee Resource Groups which aim to foster Diversity, Equity, and Inclusion (DE&I) locally.

At Novozymes, we have a policy for diversity and equal opportunities, which applies to our entire workforce. Our People and Organization (P&O) function, together with regional leaders across Novozymes are responsible for ensuring equal opportunities and for promoting DE&I.

2023 summary

In 2023, our senior management consisted of 215 employees of which 36% were women, an increase compared to 33% in 2022. In addition, gender balance across all professionals remained at 43% women and 57% men, as in 2022.

In 2023, we promoted gender diversity among leaders in the company. As an example, our newest leadership program, Leading Tomorrow, was offered to an equal number of female and male leadership talents, which provides a gender balanced leadership talent pool for the future. Furthermore, we introduced specific requirements in our succession management systems to monitor diversity among the potential successors for leadership positions.

Gender diversity		2023		2022	
		Women	Men	Women	Men
In senior management	ESG %	36	64	33	67
In management	%	41	59	40	60
At professional levels	%	46	54	45	55
Across all professionals	%	43	57	43	57



8.2 Inclusion & diversity (continued)

In 2023, Novozymes signed up to the United Nations Foundation's "Five for 5 initiative", a five-year program to implement specific policies that advance gender equality in workplaces.

We conducted different regional initiatives to promote a diverse and inclusive workforce, covering hiring, parental leave, parent care leave, and diversity trainings. For example, across Asia Pacific, we initiated local cultural festivals to create opportunities for employees to learn from, respect, and appreciate each other's countries in nurturing an inclusive regional workforce. The festivals included trainings on cultural awareness and unconscious bias along with hosting Country Cultural Shows.

In the Middle East and India, the focus on gender equity included a mentoring program focusing on leadership development for female employees. We hosted educational events, especially during Pride Month and International Women's Month, to enable greater understanding. In these countries, we also made changes to our benefits policy with regards to medical, bereavement, and parental leave.

In North America, managers were trained in inclusive leadership and asked to host inclusion-related team talks across the region. In Latin America, employee resource group leaders received training on effective sponsorship of DE&I, and all employees were encouraged to join a training session on the importance of promoting minority groups. In addition, an entire week in September was dedicated to workshops and engagements on DE&I.

In Denmark, we discontinued the nine-month seniority requirements for full pay during parental leave (birth and adoption) to provide equal access to all employees to this benefit. Our employees volunteered during Copenhagen Pride week, which raised awareness of human rights, equity, diversity, and inclusion through a series of workshops and seminars with external speakers. We also facilitated a "girl takeover" initiative in cooperation with Plan Børnefonden where a young woman gets to be leader for a day.

Moving forward, we will continue our region specific approach and focus on being an inclusive and diverse organization.

Accounting policies

Gender diversity in senior management measures the percentage of women and men in director positions or higher (i.e. director, vice president or executive vice president).

Gender diversity in management measures the percentage of women and men in middle management and specialist manager positions.

Gender diversity at professional levels measures the percentage of women and men in positions typically requiring an academic background or team lead positions.

Gender diversity across all professional levels measures the percentage of women and men across professional, manager, and senior leadership levels.

All of the above classifications are based on internal job categories.

8.3 Employee safety & well-being

Novozymes is steadfast in helping employees thrive across various stages of their professional pathway, whether it is staying safe, healthy, having meaningful work contributions, or learning new skills to advance their careers. We want them to have a positive work-life synergy and bring out their best at work and beyond. This is crucial to our success as a business and for sustaining our reputation as a great place to work.

Our approach

Our ambition is to have a workplace where employees stay safe, thrive, and grow. To deliver on this long-term ambition, we have a health & safety strategy toward 2030 that includes initiatives on leadership, culture, behaviors, workplace, tools, and training.

To support our culture, our People and Health & Safety Policies set the guidelines, and our employee survey serves as an important tool to track the organization's disposition and support better team conversations that focus on how we work together at Novozymes.

Our Health & Safety management system aims to ensure that robust safety processes, equipment, standards, tools, and training are fully integrated into the way we work. Our global incident

handling system, CAPTURE, enables us to monitor incidents and anchor improvements, corrective actions, and inspections. The data helps us develop targeted, theme-based safety initiatives, relevant to a specific site. Injury prevention is a focal point for Novozymes, and our preventive programs for enzyme and biological safety aim to protect both employees and customers.

Our global and regional health and well-being groups address local challenges, using our Wellbeing Portal to roll out relevant initiatives.

Learning and development is a key managerial responsibility with support from the People & Organization function.

2023 summary

Our Thrive Index showed a score of 84, which is three points higher than the industry benchmark, indicating that our employees are learning, developing and feel connected to Novozymes' purpose and strategy.

Safety

Our three-year rolling average frequency of occupational injuries with absence per million working hours was 1.5, equal to 1.5 in 2022. We are also on track to achieve our target for 2025 of ≤ 1.5 .

In 2023, we conducted an analysis of incidents from previous years to develop a new strategy for health and safety with strengthened targets and several defined initiatives. For example, we had a global mandatory safety e-learning for all employees. We launched three new tools focused on safety during maintenance as well as performing and documenting risk assessments. These aim to ensure we have a 360-degree view of safety conditions and can take appropriate action, specific to each location and jobs being performed.

The results of our employee survey on safety were very positive, indicating that our employees feel physically safe and secure in their work environment. Moving forward, we will continue to drive a safety culture, to ensure that safety behaviors are part of our organization and to proactively prevent injuries.

Well-being

In 2023, we continued to roll out our research-based e-learning program called Mindstrain. It has shown positive results in improving mental well-being and reducing stress.

Consequences of occupational injuries

No.	2023	2022
Return to original job	11	17
Return to a different job in the same department	-	1
Out of work or early retirement	-	2
Case pending	5	-
Occupational injuries with absence, total	16	20

Occupational injuries

		2023	2022
Days of absence due to occupational injuries	No.	500	745
Frequency of occupational injuries with absence	Per million working hours	1.3	1.7

Social and governance data

8.3 Employee safety & well-being (continued)

In addition, as part of the Psychological Safety Team Program, we added a combination of videos, workbooks, and team exercises to help us communicate better within a team while improving inclusion and well-being.

2023 was also a year of change at Novozymes in light of the combination with Chr. Hansen. For this reason, we focused on ensuring consistent and clear communication to our employees to help them

navigate the changing landscape and minimize uncertainty as much as possible. At the same time, we equipped our leaders with the necessary knowledge and tools to lead during a period of change and uncertainty.

Growth

Our strategic leadership development tools ensure that Novozymes has leaders that understand the behaviors needed to deliver results in

accordance with our strategy. Throughout 2022 and 2023, 95% of the leaders received feedback on the 360-degree leadership report and 73% of them anchored the development areas into “Individual Development Plans”.

We continue to encourage employees to discover and to learn while building skills and competencies needed for success in existing job roles and career growth.

Consequences of occupational diseases

No.	2023	2022
Return to original job	-	-
Return to a different job	3	1
Out of work or early retirement	-	-
Case pending	-	-
Occupational diseases, total	3	1

Occupational diseases

		2023	2022
Days of absence due to occupational diseases	No.	-	-
Frequency of occupational diseases	Per million working hours	0.3	0.1

Training costs

		2023	2022
Average training cost spent per employee	DKK	3,586	4,441
Percentage of total employee costs	%	0.5	0.7

Accounting policies

Occupational injuries are defined as the reported number of incidents that occur in the performance of job duties at or between Novozymes locations that prevents the individual from assuming working activities on the next day of their scheduled shift.

Occupational diseases are defined as the number of diseases contracted as a result of an exposure to risk factors arising from work activity and acknowledged as work related in accordance with national legislation.

The consequences of occupational injuries with absence and occupational diseases are measured by recording the work situation once the situation resulting from an incident has stabilized, for example whether the

employees have returned to their original jobs, and the total number of calendar days of absence.

Frequencies of occupational injuries with absence and frequencies of occupational diseases are stated per million working hours.

The Thrive Index is derived from specific questions in the annual employee questionnaire. The resulting score is a value of between 0 and 100.

Training costs express the costs of external training courses and seminars, translated into Danish kroner at average exchange rates. Training spend is also shown as a percentage of total employee costs.

8.4 Business ethics

We are committed to conducting business in a responsible, ethical, and transparent manner, and meeting stakeholders' expectations of high business integrity standards across our operations.

Our approach

We live and act as a responsible corporate citizen. Business ethics is integrated into everything we do and plan for the future. It is reflected in our purpose, values, policies, and position statements. We promote a strong compliance culture and take relevant measures to ensure compliance to the highest standards across all material environmental, social, governance, and financial-related issues.

Our purpose, values, and business integrity principles act as our code of conduct in business integrity matters. Our code of conduct forms the basis of our efforts to ensure a compliant business and eliminate all forms of corruption. It applies to all employees across the world and lays the ground rules for conducting business with honesty and fairness in compliance with laws and recognized standards for responsible and ethical business practices.

It contains principles, which among other things underline our zero tolerance position towards bribery and define clear rules for gifts and hospitality.

All employees have access to relevant guidance on business integrity and are encouraged to raise any concerns through the relevant grievance channels. In addition, annual compliance training in business integrity and competition law is conducted, which is mandatory for employees in scope. It focuses on anti-corruption, and it is based on questions raised during the year, including real-life case studies, to ensure relevance and applicability. We also provide targeted training on an ad-hoc basis, depending on needs or risks detected or foreseen.

We have a Committee responsible for the oversight of business integrity matters across the company. Members include executive and senior management representatives from both business and compliance functions. They meet on a regular basis to make strategic decisions and to follow up on the state of business integrity compliance and relevant initiatives.

The committee also engages with external advisors, when relevant, for a thorough and qualified decision-making process.

We work proactively to prevent, detect, and respond to fraud, corruption, and other business integrity violations. We have a global corporate whistleblower hotline which allows employees and external partners to report any concerns on illegal or unethical misconduct or other business integrity violations. The whistleblower hotline is supplemented by various internal reporting channels and screening activities. All allegations of fraud, corruption, and other business integrity cases are thoroughly investigated. Substantiated violations lead to proportionate disciplinary sanctions for the parties involved and an internal review on compliance gaps or potential improvements of policies and procedures.

Our responsibility for ensuring ethical business practices also extends to our business partners. Our third-party due diligence processes seek to ensure that our commercial partners conduct business with integrity and share our values regarding legal compliance.

2023 summary

This year, Novozymes' business integrity training was completed by 98% of employees in scope, compared to 97% in 2022. The training provided a general reminder of the principles we abide by to mitigate the risk of bribery and corruption,

with a particular focus on conflicts of interest. The competition law compliance training in 2023 served as a general reminder of do's and don'ts and had a focus on competition law aspects associated with interactions with customers, which may also be competitors.

As in previous years, Novozymes had no reported violations of competition law in 2023.

Advanced data analytics remains the main channel for revealing potential fraud, and we have greatly enhanced our ability to rapidly detect and respond to cyberattacks. Read more in our Risk Management section. In 2023, investigations based on whistleblower reports and tip-offs increased compared to 2022. The increase is impacted by an increase in non-fraud related whistleblower reports. None of the substantiated cases had material business or financial impact for Novozymes. The increased threat from cybercrime led to an increase in the number of detected cybercrime cases in 2023 to 29 from 23 in 2022.

The Audit Committee reviews quarterly information on all whistleblower reporting and other tip-offs on potential fraud and corruption.

Social and governance data

8.4 Business ethics (continued)

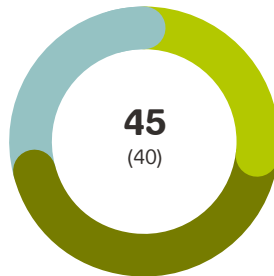
The charts provide further details of the reporting channels and consequences for fraud and corruption cases.

In 2023, Novozymes' Corporate Business Integrity Committee had a particular focus on compliance policies and programs within the areas of anti-corruption and data privacy.

Selected cases concerning matters of principle were reviewed by the committee for the purpose of providing additional and targeted guidance to the organization, e.g., conflicts of interest and acceptable hospitality.

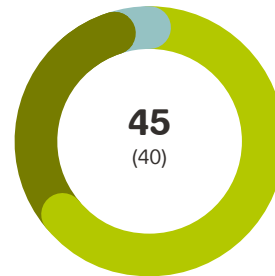
Investigation outcome for whistleblows and in-/external tip-offs 2023 (2022)

- Substantiated
27% (38%)
- Not substantiated
44% (45%)
- Other*
29% (17%)



Reporting channels for potential fraud 2023 (2022)

- Whistleblower
64% (25%)
- Internal tip-off
31% (55%)
- External tip-off
5% (20%)



* Not fraud investigations.

Accounting policies

Completion of business integrity training refers to the percentage of employees in scope who completed business integrity training in the last training period. New entities are included within six months of acquisition. Business integrity training is conducted for employees who could potentially influence third-party interactions or decisions as part of their job role. This comprises employees in professional, managerial or administrative positions.

The reporting criteria for a competition law violation is whether it has been established by an authority, which is a member of the International Competition Network, or by a competent court anywhere in the world that a company in the Novozymes Group has violated applicable anti-trust regulations.

Novozymes defines fraud including corruption, as deliberate misconduct with the intent to gain a direct or indirect personal advantage.

8.5 Customer engagement

Together with customers, partners, and the global community, we use our biosolutions to help customers grow their businesses while preserving the planet's resources and enabling better lives.

Therefore, customer engagements and partnerships are material to us. We seek to continue being a trusted business partner that delivers reliable products and innovative solutions.

Our approach

To meet increasing customer needs, Novozymes proactively engages with customers in various ways. Customer co-creation and commercial leadership are some of the main drivers behind our strategy.

Our technical services and customer co-creation teams have in-depth understanding of our customers' needs, and they help optimize product use by making necessary adjustments tailored to the needs of individual customers such as finding novel solutions and applications to help improve their processes and final products.

We also bring value through our online services and digital tools that are designed to be easy to use, inspirational, and available whenever our customers need them. We aim to increase our digital offerings to customers by providing more

transparency on our product offerings, easy access to purchasing, as well as digital collaboration with technical services.

We believe that getting feedback from our customers is crucial to determining our performance. It assists us in assessing customer expectations and driving improvements to our products and service offerings. Over the year, we gather feedback and rapidly respond to customer concerns and suggestions as they arise.

Throughout the year, we respond to several information requests from customers in areas such as governance, strategy, sourcing practices, safety, quality, and sustainability. We provide them with information on our products, services, corporate policies, commitments, targets, and initiatives in a transparent manner.

2023 summary

The Customer Satisfaction Survey resulted in a Net Promoter Score (NPS) of +71 in 2023, an increase from the score of +69 in 2022. The NPS score shows that our customers still strongly value the continuous support provided by Novozymes, the high quality of our products, long-term relationship, and close collaboration, despite the challenging business environment experienced in 2023.

In 2023, we expanded our customer co-creation (CCC) offering by strengthening capabilities such as formulation and prototyping, sensory, design thinking, and nutritional science.

A key milestone this year has been the launch of two new Food & Health co-creation centers in Franklinton, U.S. and Copenhagen, Denmark. We also have plans for a customer co-creation center in China. Additionally, we already had a Baking Innovation Technology Center in Türkiye and a Detergent Design Center in India.

Our new centers offer the ideal environment to collaborate with customers from ideation to product launch. CCC is integrated with our commercial team and works hand in hand with them. The centers have the space and tools to make high-quality prototypes in-house and help us collaborate faster with our customers. A key highlight was the Nutrition Claims tool that we developed to give customers a quick and simple overview of the regulatory scenario for potential nutritional claims on food labels in each EU member state, based on nutritional data from customer or pilot products.

Learn more about customer co-creation in the Strategy & commitments section of this report.

This year, we also invested in seamless digital solutions and advanced analytical tools to enable commercial teams to deliver on targets. Further, we started a program to refresh our go-to-market strategy to increase growth, improve customer satisfaction, and build a stronger commercial model.

We continued to invest in artificial intelligence and machine learning capabilities to secure insights, create efficiency, and develop better digital solutions and self-service options for our employees and customers.

When it comes to sustainability disclosures, we received more requests in 2023 than previous years for sustainability data and information from our customers. It represents a clear signal of the growing importance of sustainability to companies today. In addition to these requests, Novozymes also worked closely with a few strategic partners on innovating together for sustainability.

8.5 Customer engagement (continued)

As an example, LIBY, one of our leading partners for household care in China for over 30 years, is focused on creating a localized environmental calculator and shaping national green standards to guide China's detergent industry. Novozymes supports LIBY's initiatives with advisory and data, where possible. In 2023, the collaboration between both companies were among the Top 100 Cases in the "2023 Chinese Enterprises Report on Low Carbon Transition and High-Quality Development".

In 2023, Novozymes was one of the first companies to sign Unilever's Climate Promise, signaling our commitment to support their net-zero journey. We have championed their supplier engagement program at two separate Unilever supplier events. We conducted a joint decarbonization workshop to share knowledge and identify additional opportunities for Unilever to leverage biosolutions to deliver on their net-zero journey.

Together with our partners, we are shaping the future of energy. Raizen is a leader in the production of low-carbon fuels and power from sugar cane, biomass, biogas, and biomethane. In 2023, Raizen launched its second biomass ethanol plant with a capacity of producing 75 million liters of cellulosic ethanol per year with a minimal carbon footprint, powered by Novozymes' biosolutions. This is the first of many new plants they plan to build and operate by 2031.

FS, one of our biofuels partners in Brazil, aims to be the largest producer of negative carbon biofuel in the world by building ethanol refineries with carbon capture and storage. These plants produce bioenergy, while removing carbon dioxide permanently from the atmosphere, by capturing the emissions released during the fermentation process and storing them underground. We provided vital carbon footprint data and supported their certification process because we strive to help our customers achieve their sustainability goals.

Accounting policies

The Net Promoter Score (NPS) is derived from an annual questionnaire measuring on a scale from 1-10 how likely the customer is to recommend Novozymes to others. The NPS is

calculated as the share of promoters (rating us 9 or 10) less the share of detractors (rating us 1-6). The resulting score is a value between -100 and +100.



8.6 Community engagement

At Novozymes, we pride ourselves on having a culture of changemakers with employees who want to leave a positive mark on the world. We believe we have a responsibility for the well-being of the communities we operate in and to invest strategically in programs that create value to society. We inspire each other to make change happen and deliver on our promise of better lives in a growing world, both inside and outside the workplace.

Our approach

As part of our strategy, we aim to nurture a working environment that empowers employees to give back to society and nature. We encourage this by pledging 1% of our work time to outreach activities that support community needs, help educate the next generation, and enable our employees to live more sustainably.

Novozymes' global community outreach initiative "Inspire" is driven by passionate employees, who are encouraged to contribute to better lives via initiatives which they are enthusiastic about. All regions have groups coordinating the local agenda with the regional leadership team.

Further philanthropic contributions are done indirectly through our dividend payments to the Novo Nordisk Foundation, through Novo Holdings A/S,

which in 2023 held 29.2% of the shares in Novozymes (see The Novozymes Stock). The Foundation's objective is to support scientific, social, and humanitarian purposes, and it contributes to communities in large scale through donations and impact investments.

In addition, all employee-elected candidates serving on the Board of Directors donate the majority of their board remuneration to a foundation in the Novo Group called "Medarbejdernes Honorarfond". The excess capital of the foundation is granted for urgent humanitarian purposes or to humanitarian relief organizations.

2023 summary

Engaging with our local communities

To support the people affected by the earthquake in February in Türkiye and Syria, employees in Türkiye purchased and packed supplies and in Germany, they raised funds for relief organizations. Novozymes also donated monetary support to Türkiye Red Crescent and the Turkish NGO, Ahbap Platformu Resmi Sitesi.

As part of the welcome package, Novozymes Kenya introduced an initiative where every new employee plants 10 trees at a local high school to help the school become self-reliant in food for

students. In North America, employees continued to facilitate numerous donations as well as volunteering at a food bank and a nursery.

Helping to educate the next generation

Novozymes engaged with students all over the world to share the story about biosolutions, spread knowledge about study and career opportunities within STEM and by being passionate role models breaking prejudices and other barriers.

In Denmark, South Korea, Japan, South Africa and other countries, employees engaged with students from high school to university level, showcasing and teaching them the captivating aspects of our work with biosolutions, as well as engaging in career talks. In China, employees developed courses for the public to raise awareness on biology and sustainable development.

In North America, employees hosted demos at local libraries or schools, staffed a mobile innovation lab, and we also hosted over 100 elementary school children participating in STEM activities in our labs in Davis, U.S. In Brazil, we joined the "Impulsione um Jovem" initiative, which provides support and mentorship to students in vulnerable situations to ensure continuity of their studies and reinforce their professional development.



Empowering employees to live more sustainably
Sustainable living is a common theme for team building activities. In China, employees organized a street survey to raise awareness about food security and build an understanding of the community's needs. In Denmark, employees went sailing in kayaks to collect trash across the harbor in Copenhagen, while others joined an initiative that promoted carpooling to and from our site to reduce traffic and personal carbon footprint. Across our Asia Pacific region, more than 800 employees joined an internal physical exercise campaign to raise awareness about environmental issues such as Earth Overshoot Day, as well as promoting healthy and sustainable living.

8.7 Responsible sourcing

Novozymes' responsible sourcing practices are focused on environmental, social, and governance issues across our value chain. Agricultural raw materials are a major component of our production processes and having a responsible and secure supply of them is crucial for production at Novozymes.

Our approach

Novozymes' sourcing department drives our supplier management and responsible sourcing program, anchored within Novozymes' Operations, Supply and Quality function. Our approach to responsible sourcing is defined by our Responsible Purchasing Standards (RPS) and managed through our Supplier Performance Management (SPM) process and the Supplier Ethical Data Exchange (SEDEX) platform. Through the SPM process, Novozymes monitors suppliers and classifies their risk based on spend, country, and category. Novozymes uses the SEDEX collaboration platform to engage with suppliers and manage sustainability risks in our supply chain.

In addition, our suppliers of directly sourced agricultural raw materials are required to adhere to our requirements on zero net deforestation and zero tolerance for land grabbing. In case a supplier does not meet our assessment criteria,

either an action plan is established, or an alternate supplier is identified.

Responsible sourcing is a key driver of Novozymes' journey towards becoming net-zero by 2050. We aim to secure 100% renewable electricity by 2025. We are committed to reducing our supply chain (scope 3) greenhouse gas emissions by 35% by 2030, from a 2018 baseline. Furthermore, we recognize that the climate maturity of suppliers is critical for Novozymes' efforts to reduce emissions, and therefore engage with them on their own decarbonization efforts.

Further information on our efforts can be found in [Note 7.1](#) Climate change.

2023 summary

We are continuing to focus on progressing the existing opportunities to purchase renewable energy and identifying further long-term solutions. These initiatives require years of preparation. In 2023, 84% of our overall electricity consumption came from renewable sources, and we are well on track to meet our target for 2025.

As a member of the Roundtable on Sustainable Palm Oil (RSPO), 100% of the palm-derived products we sourced in 2023 were RSPO's mass

balance (MB) or Segregated (SG) certified. In 2023, Novozymes received its first RSPO supply chain (MB) certification in Denmark. We have now started working towards getting our Franklinton site certified in 2024. This certification further enables our customers to sell RSPO certified products themselves.

As part of our Human Rights commitments, our sourcing teams are given sustainability training on an annual basis, with a focus on human rights and modern slavery issues that may exist in our supply chain. In 2023, through this interactive training, the teams engaged with various online tools to improve our understanding of reporting violations, work with suppliers to resolve issues, and find common sustainability themes for engagement.

Throughout 2023, our sourcing teams have initiated various activities to promote sustainability across our sites. For example, in India, we implemented new initiatives to reduce the amount of paper used, lower the carbon footprint of employee commuting, and by partnering with a warehouse partner to convert over half of their electricity consumption to renewable sources.

Our suppliers of conference venues in Denmark are required to comply with high sustainability standards, such as acquiring a Green Key certificate. In 2023, over 90% of suppliers lived up to this requirement, and the rest have concrete action plans to fulfill it.

At the end of 2023, we introduced a code of conduct for our external business partners. The document covers broader themes such as business ethics, human and labor rights, occupational health and safety and environmental stewardship, including climate action. Going forward, it will replace our Responsible Purchasing Standard (RPS), and we will require all our external business partners, not just suppliers, to comply with this code of conduct.

This year, we adopted a new platform, ARAVO, which has now taken over the SPM process, which will enable better responsible sourcing data integration in the years to come. In 2024, we will work to deliver on our responsible sourcing strategy while ensuring compliance with emerging supply chain regulations.

Statement of the Board of Directors and Executive Management

The Board of Directors and the Executive Management have today considered and approved the Annual Report of Novozymes A/S for the financial year January 1 – December 31, 2023.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act and Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

In our opinion, the accounting policies used are appropriate, and the Group's internal controls relevant to the preparation and presentation of the Annual Report are adequate. The Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at December 31, 2023 of the Group and the Parent Company and of the results of the Group and the Parent Company operations and consolidated cash flows for the financial year January 1 – December 31, 2023.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year, and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

Novozymes' consolidated environmental data and the consolidated social and governance data and the related notes have been prepared in accordance with the reporting principles of materiality, inclusivity, responsiveness and the accounting policies. In our opinion, they give a true and fair view of the organisation's environmental, social and governance performance in accordance with these principles and policies.

In our opinion, the Annual Report of Novozymes A/S for the financial year January 1 - December 31, 2023 with the file name NOVOZYMES-2023-12-31-en.zip has been prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend that the Annual Report be adopted at the Annual Shareholders' Meeting.

Bagsvaerd, February 8, 2024

Executive Management

Ester Baiget
President & CEO

Rainer Lehmann
CFO

Board of Directors

Cornelis (Cees) de Jong
Chair

Kim Stratton
Vice Chair

Heine Dalsgaard

Sharon James

Kasim Kutay

Morten Otto Alexander Sommer

Anne Breum

Anders Hentze Knudsen

Preben Nielsen

Jens Øbro

Independent Auditor's Reports

To the shareholders of Novozymes A/S

Report on the audit of the Financial Statements and the Environmental, Social and Governance Data

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at December 31, 2023 and of the results of the Group's operations and cash flows for the financial year January 1 to December 31, 2023 in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at December 31, 2023 and of the results of the Parent Company's operations for the financial year January 1 to December 31, 2023 in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated environmental data and the Consolidated social and governance

data for the financial year January 1 to December 31, 2023 are prepared in accordance with the accounting policies for the Consolidated environmental data and the Consolidated social and governance data.

Our opinions are consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements of Novozymes A/S, pages 52-60 and 65-123 for the financial year January 1 to December 31, 2023 comprise the consolidated income statement and statement of comprehensive income, the consolidated balance sheet, the consolidated statement of equity, the consolidated cash flow statement and the notes, including material accounting policy information.

The Parent Company Financial Statements of Novozymes A/S, pages 155-169 for the financial year January 1 to December 31, 2023 comprise the income statement, the balance sheet, the statement of equity and the notes, including material accounting policy information.

These are collectively referred to as the "Financial Statements".

The Consolidated environmental data and the Consolidated social and governance data of Novozymes A/S, pages 61-64 and 124-148, for the financial year January 1 to December 31, 2023 comprise the environmental performance and consolidated data, the social and governance performance and consolidated data and the related notes, including material accounting policy information.

These are collectively referred to as the "Environmental, Social and Governance Data."

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements and the Environmental, Social and Governance Data section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were appointed as auditors of Novozymes A/S for the first time after the initial public offering on March 21, 2001. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 23 years, including the financial year 2023.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for 2023. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Revenue recognition

Novozymes has entered into various sales agreements that are subject to interpretation, which increases the inherent complexity of revenue recognition. Additionally, the volume of transactions and geographical spread of the Group's operations increase complexity, including in respect of occurrence and timing of revenue.

We focus on this area because of the significance to the Consolidated Financial Statements, as well as the inherent complexity in both revenue recognition and individual sales agreements including different terms therein.

Refer to Note 2.2 to the Consolidated Financial Statements.

How our audit addressed the key audit matter

We considered the appropriateness of the Group's accounting policies for revenue recognition and assessed compliance with applicable financial reporting standards.

We performed risk assessment procedures with the purpose of achieving an understanding of IT-systems, business procedures and relevant controls regarding recognition of revenue. In respect of controls, we assessed whether they were designed and implemented effectively to address the risk of material misstatement. For selected controls, which we planned to rely on, we tested whether these controls had been performed on a consistent basis.

We discussed the judgments related to the recognition and classification of revenue with Management.

We performed substantive procedures regarding returns, delivery terms and rebates in order to assess the principles applied for occurrence and timing of revenue.

We applied data analysis in our testing of revenue transactions in order to identify and test transactions outside the ordinary transaction flow.

Finally, we assessed the adequacy of disclosures relating to revenue recognition.

Statement on Management's Review

Management is responsible for Management's Review, pages 3-51 and 170-171.

Our opinion on the Financial Statements and on the Environmental, Social and Governance Data does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act and Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental, Social and Governance Data and has been prepared in accordance with the requirements of the Danish Financial Statements Act and the disclosure requirements of Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation). We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements and the Environmental, Social and Governance Data

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Furthermore, Management is responsible for preparing the Environmental, Social and Governance Data in accordance with the accounting policies for the Environmental, Social and Governance Data, and for such internal control as Management determines is necessary to enable the preparation of Environmental, Social and Governance Data that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the

Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements and the Environmental, Social and Governance Data

Our objectives are to obtain reasonable assurance about whether the Financial Statements and the Environmental, Social and Governance Data as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements and the Environmental, Social and Governance Data.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements and the Environmental, Social and Governance

Data, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's

report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information, environmental, social and governance data of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements and the Environmental, Social and Governance Data. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Novozymes A/S for the financial year January 1 to December 31, 2023 with the filename NOVOZYMES-2023-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgment where necessary;

- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements including notes;

- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Novozymes A/S for the financial year January 1 to December 31, 2023 with the file name NOVOZYMES-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, February 8, 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Lars Baungaard

State Authorised Public Accountant
mne23331

Michael Groth Hansen

State Authorised Public Accountant
mne33228

Financial statements for Novozymes A/S

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Income statement, Novozymes A/S

Income statement

DKK million	Note	2023	2022
Revenue	2.1	10,115	10,806
Cost of goods sold	2.5	(5,065)	(4,963)
Gross profit		5,050	5,843
Sales and distribution costs	2.5	(2,462)	(1,906)
Research and development costs	2.5	(1,852)	(1,773)
Administrative costs	2.5	(733)	(663)
Other operating income, net	2.3	1,893	1,352
Operating profit (EBIT)		1,896	2,853
Income from investments in subsidiaries	2.4	842	1,529
Share of result in associates	3.5	(18)	(7)
Financial income	4.1	214	260
Financial costs	4.1	(366)	(533)
Profit before tax		2,568	4,102
Tax		(416)	(557)
Net profit		2,152	3,545
Proposed appropriation of net profit			
Dividend to shareholders			1,686
Retained earnings		2,152	1,859
	4.4	2,152	3,545
Proposed dividend per share, DKK			6.00

Proposed dividend for the period September 1 - December 31, 2023 will be announced by the Board of Directors of Novonesis in connection with the notice of the Annual Shareholders' Meeting.

Balance sheet, Novozymes A/S

Assets

DKK million	Note	Dec. 31, 2023	Dec. 31, 2022
Intangible assets	3.1	3,432	4,061
Property, plant and equipment	3.2	4,811	4,501
Investments in subsidiaries	3.4	10,298	10,342
Investments in associates	3.5	205	223
Other financial assets		14	2
Other long-term receivables	3.6	38	13
Receivables from Group enterprises		302	302
Financial fixed assets		10,857	10,882
Fixed assets		19,100	19,444
Raw materials and consumables		202	293
Work in progress		645	620
Finished goods		939	931
Inventories		1,786	1,844
Trade receivables		1,392	1,344
Receivables from Group enterprises		400	88
Tax receivables		208	66
Other receivables	3.6	193	415
Receivables		2,193	1,913
Cash at bank and in hand		253	213
Current assets		4,232	3,970
Assets		23,332	23,414

Liabilities and equity

DKK million	Note	Dec. 31, 2023	Dec. 31, 2022
Common stock		562	562
Treasury stock		(3,181)	(3,348)
Reserve for development costs		282	260
Cash flow hedges		65	81
Retained earnings		14,515	13,374
Proposed dividend			1,686
Total equity		12,243	12,615
Provisions for deferred tax	3.7	609	650
Other provisions	3.8	83	264
Provisions		692	914
Lease liabilities		116	130
Borrowings		4,329	3,619
Non-current liabilities		4,445	3,749
Lease liabilities		63	47
Borrowings		3,081	2,909
Trade payables		734	830
Payables to Group enterprises	3.9	1,238	1,751
Other liabilities		836	599
Current liabilities		5,952	6,136
Liabilities		11,089	10,799
Liabilities and equity		23,332	23,414

Statement of equity, Novozymes A/S

DKK million	Common stock	Treasury stock	Reserve for development costs	Cash flow hedges	Retained earnings	Proposed dividend	Total
Equity at January 1, 2023	562	(3,348)	260	81	13,374	1,686	12,615
Net profit for the year					2,152		2,152
Capitalized development costs			22		(22)		-
Dividend paid						(1,661)	(1,661)
Dividend paid relating to treasury stock					25	(25)	-
Interim dividend paid					(1,164)		(1,164)
Sale of treasury stock		167					167
Fair value adjustments				(16)			(16)
Other adjustments					150		150
Equity at December 31, 2023	562	(3,181)	282	65	14,515	-	12,243

Proposed dividend for the period September 1 - December 31, 2023 will be announced by the Board of Directors of Novonesis in connection with the notice of the Annual Shareholders' Meeting.

1.1 Accounting policies

The financial statements of Novozymes A/S have been prepared in accordance with the Danish Financial Statements Act (accounting class D).

The accounting policies are consistent with those applied for the consolidated financial statements except as described below. For a description of the Group's accounting policies, please refer to the consolidated financial statements.

The accounting policies are unchanged from 2022.

No separate statement of cash flows has been prepared for Novozymes A/S; please refer to the consolidated statement of cash flows.

Recognition and measurement in general

Income is recognized in the income statement as earned.

All costs incurred in generating the year's revenue are also recognized in the income statement, including depreciation, amortization and impairment losses.

Value adjustments of financial assets and liabilities measured at fair value or amortized cost are also recognized in the income statement.

Assets are recognized in the balance sheet when it is considered probable that future economic benefits will flow to the company and the value of the asset can be reliably measured. Liabilities are recognized in the balance sheet when they are considered probable and can be reliably measured. On initial recognition, assets and liabilities are measured at cost. Assets and liabilities are subsequently measured as described below for each item.

Intangible assets

The accounting policies for intangible fixed assets follow those of the Group with the exception of goodwill, which is amortized over a period of 10 years using the straight-line method.

An amount equal to the total capitalized development costs after tax is recognized under Equity in Reserve for development costs.

Financial assets

Investments in subsidiaries are recognized initially at cost and subsequently measured using the cost method. Dividends from investments in subsidiaries are recognized in the income

statement of the Parent Company in the financial year in which the dividend is declared. If the carrying amount of an investment in a subsidiary exceeds the carrying amount of the net assets in the subsidiary's financial statements, or the dividend exceeds the total comprehensive income of the subsidiary in the period in which the dividend is declared, the carrying amount of the subsidiary is tested for impairment.

Share-based payments granted to employees of the Company's subsidiaries are recognized as contributions to the investment in the respective subsidiaries.

Investments in associates are initially recognized at cost and subsequently measured using the equity method. If the equity of associates is negative and Novozymes A/S has a legal or constructive obligation to cover their negative equity, a provision is recognized.

Share purchase liabilities are obligations to invest in subsidiaries and are disclosed as a contractual obligation. The derivative embedded in the share purchase obligation is measured at fair value through the income statement.

Dividend

The dividend proposed for the financial year is shown as a separate item under Equity.

Treasury stock

Treasury stock is used to reduce the common stock and to hedge employees' exercise of granted stock awards and stock options.

Note section 2

2.1 Revenue

DKK million	2023	2022
Geographical distribution:		
Denmark	233	211
Rest of Europe, Middle East & Africa	5,812	5,662
North America	1,489	1,878
Latin America	1,082	1,109
Asia Pacific	1,499	1,946
Revenue	10,115	10,806

Reference is made to Note 2.1 to the consolidated financial statements segment information.

2.2 Employee costs

DKK million	2023	2022
Wages and salaries	2,182	1,965
Pensions - defined contribution plans	209	196
Other social security costs	23	23
Other employee costs	206	181
Employee costs	2,620	2,365
Average number of employees in Novozymes A/S	2,931	2,849

Employee costs in 2023 included severance pay, retention bonuses and other employee costs of DKK 71 million related to the combination of Novozymes and Chr. Hansen.

Reference is made to Note 6.1 to the consolidated financial statements concerning remuneration of the Board of Directors and the Executive Management.

Note section 2

2.3 Other operating income, net

DKK million	2023	2022
Royalty income relating to subsidiaries	1,757	1,310
Net gain from divestment of selected waste-water treatment solutions	88	-
Other operating income	48	42
Other operating income	1,893	1,352

2.4 Income from investments in subsidiaries

DKK million	2023	2022
Dividends from subsidiaries	1,037	1,262
Impairment of subsidiaries	(322)	-
Reversal of impairment of subsidiaries	127	267
Income from investments in subsidiaries	842	1,529

2.5 Special items

In 2023, costs included DKK 543 million related to the combination of Novozymes and Chr. Hansen, of which DKK 34 million were recognized in Cost of goods sold, DKK 373 million in

Sales and distribution costs, DKK 8 million in Research and development costs and DKK 128 million in Administrative costs (2022: DKK 68 million in Sales and distribution costs).

Note section 3

3.1 Intangible assets

DKK million	2023				2022	
	Goodwill	Acquired patents, licenses and know-how, etc.	Completed IT development projects	IT development projects in progress	Total	Total
Cost at January 1	4,375	3,023	919	136	8,453	8,330
Additions during the year	-	4	13	113	130	123
Disposals during the year	-	(117)	(8)	-	(125)	-
Transfers to/(from) other items	-	-	47	(47)	-	-
Cost at December 31	4,375	2,910	971	202	8,458	8,453
Amortization and impairment losses at January 1	(2,002)	(1,670)	(720)		(4,392)	(3,572)
Amortization for the year	(469)	(192)	(98)		(759)	(820)
Disposals during the year	-	117	8		125	-
Amortization and impairment losses at December 31	(2,471)	(1,745)	(810)		(5,026)	(4,392)
Carrying amount at December 31	1,904	1,165	161	202	3,432	4,061

Impairment

No impairment loss was recognized in 2023 and 2022.

Note section 3

3.2 Property, plant and equipment

DKK million	2023				2022	
	Land and buildings	Production equipment and machinery	Other equipment	Property, plant and equipment under construction	Total	Total
Cost at January 1	3,526	5,459	1,485	608	11,078	10,646
Additions during the year	52	34	79	568	733	627
Disposals during the year	(2)	(34)	(24)	-	(60)	(195)
Transfers to/(from) other items	51	108	54	(213)	-	-
Cost at December 31	3,627	5,567	1,594	963	11,751	11,078
Depreciation and impairment losses at January 1	(1,602)	(4,004)	(971)		(6,577)	(6,373)
Depreciation for the year	(108)	(194)	(117)		(419)	(388)
Disposals during the year	2	32	22		56	184
Depreciation and impairment losses at December 31	(1,708)	(4,166)	(1,066)		(6,940)	(6,577)
Carrying amount at December 31	1,919	1,401	528	963	4,811	4,501

Capitalized interest

Interest of DKK 5 million was capitalized under Additions during the year (2022: DKK 0 million). Capitalization rate: 2.3% (2022: 0.8%).

Land and buildings with an aggregate carrying amount of DKK 1,296 million (2022: DKK 1,366 million) were pledged as security to credit institutions in respect of mortgage loans expiring in 2029 and 2039.

Contractual obligations

Contractual obligations to third parties relating to property, plant and equipment amount to DKK 138 million (2022: DKK 259 million).

Impairment

No impairment loss was recognized in 2023 and 2022.

Note section 3

3.3 Leases

DKK million	2023	2022
Land and buildings	33	38
Plant and machinery	82	87
Other equipment	56	43
Carrying amount of lease assets	171	168

Additions to lease assets during 2023 amounted to DKK 47 million (2022: DKK 9 million).

Maturity analysis of the lease liability

DKK million	2023	2022
Lease liability		
Less than 1 year	63	47
Between 1 and 5 years	53	61
More than 5 years	63	71
Undiscounted lease liability at December 31	179	179

DKK million	2023	2022
Amounts recognized in profit or loss		
Interest on lease liabilities	3	4
Depreciation of lease assets per asset class		
Land and buildings	8	9
Plant and machinery	5	6
Other equipment	29	30
Depreciation of lease assets	42	45

Note section 3

3.4 Investments in subsidiaries

DKK million	2023
Cost at January 1, 2023	12,086
Additions during the year	151
Disposals during the year	(32)
Cost at December 31, 2023	12,205
Impairment losses at January 1, 2023	(1,744)
Impairment losses	(322)
Reversal of impairment losses	127
Disposals during the year	32
Impairment losses at December 31, 2023	(1,907)
Carrying amount at December 31, 2023	10,298

Reference is made to Note 6.9 to the consolidated financial statements concerning investments in subsidiaries, joint operations and associates.

3.5 Investments in associates

DKK million	2023
Cost at January 1, 2023	329
Cost at December 31, 2023	329
Revaluation reserve at January 1, 2023	(106)
Share of result in associates	(18)
Revaluation reserve at December 31, 2023	(124)
Carrying amount at December 31, 2023	205

3.6 Other receivables

DKK million	2023	2022
Prepaid expenses	112	206
Derivatives	77	142
Other receivables	42	82
Other receivables at December 31	231	430
Recognized in the balance sheet as follows:		
Non-current	38	15
Current	193	415
Other receivables at December 31	231	430

Note section 3

3.7 Deferred tax

DKK million	Deferred tax assets		Deferred tax liabilities	
	2023	2022	2023	2022
Intangible assets	-	-	(296)	(295)
Property, plant and equipment	-	-	(269)	(312)
Inventories	-	-	(30)	(30)
Stock options	59	51	-	-
Other	-	-	(73)	(64)
	59	51	(668)	(701)
Offsetting items	(59)	(51)	59	51
Deferred tax at December 31	-	-	(609)	(650)

DKK million	2023	2022
Deferred tax at January 1	(650)	(483)
Prior-year adjustments	31	21
Tax related to the income statement	2	(26)
Tax on equity items	8	(162)
Deferred tax at December 31	(609)	(650)

3.8 Other provisions

Other provisions include contingent consideration related to the acquisition of PrecisionBiotics Group.

Reference is made to Note 3.6 to the consolidated financial statements concerning contingent consideration, as the figures and information related to PrecisionBiotics Group applying to Novozymes A/S are identical to the information provided there.

3.9 Payables to Group enterprises

Current payables for Group enterprises included an internal transfer of assets from Microbiome Labs.

The payable of DKK 158 million was paid in 2023 and contingent on the final purchase price for Microbiome Labs.

In 2022, Management reassessed the value of the earn-out due to lower-than-expected sales and reduced the contingent consideration by DKK 223 million. The fair value adjustment was recognized as Financial income.

Reference is made to Note 3.6 to the consolidated financial statements concerning contingent consideration, as the figures and information related to Microbiome Labs applying to Novozymes A/S are identical to the information provided there.

Note section 4

4.1 Financial income and costs

DKK million	2023	2022
Interest income relating to subsidiaries	30	23
Fair value adjustment of payables relating to subsidiaries	165	223
Other financial income	19	14
Financial income	214	260
Interest costs relating to subsidiaries	(59)	(32)
Other financial costs	(307)	(501)
Financial costs	(366)	(533)

4.2 Credit institutions

DKK million	2023	2022
Long-term debt to credit institutions falling due after 5 years	1,832	1,318

Undrawn committed credit facilities amounted to DKK 5,256 million at December 31, 2023 (2022: DKK 17,502 million), all of which expire in 2024–2027. Reference is made to Note 5.1 to the

consolidated financial statements concerning undrawn committed credit facilities, as the information applying to Novozymes A/S is identical to the information provided there.

4.3 Derivatives

Reference is made to Note 5.4 to the consolidated financial statements concerning derivatives, as the figures and information applying to Novozymes A/S is identical to the information provided there.

4.4 Proposed appropriation of net profit

DKK million	2023	2022
Proposed appropriation of net profit		
Dividend to shareholders		1,686
Retained earnings	2,152	1,859
Net profit	2,152	3,545

Proposed dividend for the period September 1 - December 31, 2023 will be announced by the Board of Directors of Novonesis in connection with the notice of the Annual Shareholders' Meeting.

Note section 5

5.1 Related party transactions

Transactions

DKK million	2023	2022
Novo Holdings A/S		
Dividend payment to Novo Holdings A/S	803	396
The Novo Nordisk Group		
Sales	112	113
Purchases	(49)	(78)
The NNIT Group		
Purchases	(14)	(34)
The Chr. Hansen Group		
Sales	128	114
Synergia Life Sciences Pvt. Ltd.*		
Purchases	(80)	(36)
Royalty income	8	6
Royalty expenses	(12)	(10)
Microbiogen Pty. Ltd.**		
Purchases	(71)	(38)

There were no transactions with related parties other than the transactions described herein and the ordinary remuneration of the Board of

Directors and Executive Management, which is presented in Note 6.1 to the consolidated financial statements.

Outstanding balances

DKK million	2023	2022
The Novo Nordisk Group		
Receivables	22	10
Payables	(73)	(79)
The NNIT Group		
Payables	(1)	(7)
The Chr. Hansen Group		
Receivables	28	20
Synergia Life Sciences Pvt. Ltd.*		
Receivables	1	6
Payables	(2)	(13)
Microbiogen Pty. Ltd.**		
Payables	(31)	(12)

* Novozymes A/S holds a 60% ownership interest in Synergia Life Sciences Pvt. Ltd.

** Associate of Novozymes A/S

Reference is made to Note 6.4 to the consolidated financial statements concerning transactions with related parties.

Novozyymes A/S is included in the consolidated financial statements of Novo Nordisk Foundation.

Novozyymes A/S has commitments and guarantees to related parties in the amount of DKK 341 million (2022: DKK 343 million), that primarily relate to guarantees issued for subsidiaries.

Note section 5

5.2 Fees to statutory auditors

DKK million	2023	2022
Statutory audit	7	6
Other assurance engagements	2	-
Tax advisory services	-	2
Other services	6	10
Fees to statutory auditors	15	18

Reference is made to Note 6.6 to the consolidated financial statements concerning fees to statutory auditors.

5.3 Common stock and treasury stock

Reference is made to Note 5.5 to the consolidated financial statements concerning common stock and treasury stock.

5.4 Contingent liabilities and pending litigation

Pending litigation and arbitration

Reference is made to Note 6.3 to the consolidated financial statements concerning pending litigation and arbitration.

Contingent liabilities

Novozymes A/S has a contingent liability to purchase the remaining 40% of the shares in Synergia Life Sciences in 2025, but the purchase is expected to be effected in 2024. Reference is made to Note 6.5 to the consolidated financial statements concerning non-controlling interests.

At December 31, 2023, Novozymes A/S had a contingent liability in the form of a break-up fee of up to DKK 2,348 million (EUR 315 million) in the unlikely event that the combination of Novozymes and Chr. Hansen did not obtain regulatory approval. As the combination was completed on January 29, 2024, the liability did not materialize.

At December 31, 2023, Novozymes A/S had entered into consultancy agreements with fees contingent on the completion of the combination with Chr. Hansen. The expected fees amount to approximately DKK 250 million.

5.5 Events after the reporting date

Reference is made to Note 6.8 to the consolidated financial statements concerning events after the reporting date.

Glossary (Part of the Management Review)

FINANCIAL TERMS

Earnings per share (diluted)

Net profit (attributable to shareholders of Novozymes A/S) divided by the weighted average number of shares outstanding (diluted).

Operating profit (EBIT)

Profit before interest and tax.

EBIT margin

Profit before interest and tax as a percentage of revenue.

Operating profit (EBIT) before special items

Profit before special items, interest and tax.

EBIT margin before special items

Profit before special items, interest and tax as a percentage of revenue.

EBITDA

Profit before interest, tax, depreciation and amortization.

EBITDA margin

Profit before interest, tax, depreciation and amortization as a percentage of revenue.

Economic profit

Economic profit is defined as adjusted operating profit (NOPAT) less (average invested capital * WACC).

Effective tax rate

Income tax expense as a percentage of profit before tax.

Equity ratio

Total equity as a percentage of total assets at year end.

Executive Leadership Team

The Executive Leadership Team consists of the Executive Management and Executive Vice Presidents.

Executive Management

Executive Management consists of the registered executives.

Free cash flow

Cash flow from operating activities less cash flow from investing activities.

Free cash flow before acquisitions

Cash flow from operating activities less cash flow from investing activities, business acquisitions, divestments, purchase and sale of financial assets.

Invested capital

Total assets excluding interest-bearing assets and minority investments less non-interest-bearing liabilities.

iXBRL tags

iXBRL tags is hidden meta-information embedded in the source code of an XHTML document in accordance with the Inline XBRL specification, which enables the conversion of XHTML-formatted information into a machine-readable XBRL data record by appropriate software.

iXBRL Taxonomy

Taxonomy is an electronic dictionary of business reporting elements used to report business data. A taxonomy element is an element defined in a taxonomy that is used for the machine-readable labeling of information in an XBRL data record.

Net interest-bearing debt (NIBD)

The market value of interest-bearing liabilities (financial liabilities) less the market value of cash at bank and in hand and other readily convertible interest-bearing current assets.

Net interest-bearing debt-to-EBITDA (NIBD/EBITDA)

Net interest-bearing debt as a percentage of last 12 months' EBITDA.

Net working capital

Current assets less current liabilities used in, or necessary for, the company's operations. The main components are inventories, trade receivables and trade payables.

Adjusted operating profit after tax (NOPAT)

Operating profit adjusted for exchange gains/losses, share of profit in associates less tax on adjusted operating profit using the effective tax rate.

NOPAT before special items

EBIT before special items adjusted for exchange gains/losses, share of profit in associates less tax on adjusted EBIT before special items using the effective tax rate.

Operating costs

Operating costs consist of Sales and distribution costs, Research and development costs and Administrative costs.

Organic sales growth

Sales growth from existing business, excluding divestments, measured in local currency. For acquisitions, pro forma sales for the prior year are included in the calculation.

Glossary (Part of the Management Review)

Return on equity

Net profit attributable to shareholders of Novozymes A/S as a percentage of average Equity attributable to shareholders of Novozymes A/S.

Return on invested capital (ROIC)

Adjusted operating profit (NOPAT) after tax for the last 12 months as a percentage of average invested capital.

Return on invested capital (ROIC) before special items

NOPAT before special items after tax for the last 12 months as a percentage of average invested capital.

Special items

Special items include income and costs related to the combination of Novozymes and Chr. Hansen.

XHTML

XHTML (eXtensible HyperText Markup Language) is a text-based markup language used to structure and mark up content such as text, images, and hyperlinks in documents that are displayed as Web pages in an updated standard Web browser like Chrome and Internet Explorer.

OTHER TERMS

CO₂-equivalent

CO₂-equivalent expresses the total effect that various greenhouse gases (GHG) emitted to the atmosphere (e.g. CO₂, CH₄, N₂O) have on the climate, in a quantity of carbon dioxide (CO₂) that has the same effect on the climate.

Climate neutral or net-zero

Climate neutral or net-zero emissions are achieved when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period. For Novozymes, the state of net-zero emissions covers both our operations and our supply chain, as defined by our science-based targets.

The International Panel on Climate Change (IPCC) defines climate neutrality as a state in which human activities result in no net effect on the climate system.

Gender balance

Gender balance means that, as a minimum, we will have 45% women and 45% men across all professionals and in senior management.

Scope 3

The Greenhouse Gas Protocol defines Scope 3 emissions as all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. For Novozymes, our Scope 3 target boundary is composed of purchased goods and services (Category 1), fuel- and energy-related activities, not included in scopes 1 or 2 (Category 3), upstream transportation and distribution (Category 4), waste generated in operations (Category 5) and business travel (Category 6).

Zero waste

Defined as (1) ≥ 99% (by weight) of the biomass being re-circulated as compost, fertilizer, feedstock for biogas or the like; and (2) ≥ 90% (by weight) of hazardous and nonhazardous waste being either composted, reused, recycled or incinerated with energy recovery.

About the Report

Novozymes' reporting ambition is to provide a single integrated report connecting our business model, strategy, targets and performance through integrated financial and non-financial data.

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Reporting and audits

The website contains links to a PDF version of The Novozymes Report 2023 as well as the XHTML version submitted to the Danish Financial Supervisory Authority.

PwC has not audited the Management's Review, nor the sections of the report under the headings: The big picture, Our business and Governance.

The audit covers financial, environmental, social and governance data. See also the [Independent Auditor's Reports](#) in the statements section of The Novozymes Report.

The report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, additional requirements of the Danish Financial Statements Act and additional requirements of Nasdaq Copenhagen A/S for the presentation of financial statements by listed companies. It is also inspired by the Task Force on Climate Related

Financial Disclosures (TCFD) and GRI Framework. See [Basis of reporting](#) in the report for more details.

Forward-looking statements

The Novozymes Report contains forward-looking statements, including statements about future events, future financial performance, plans, strategies and expectations. Forward-looking statements are associated with, but not limited to, words such as "believe", "anticipate", "expect", "estimate", "intend", "plan", "project", "could", "may", "might" and other words of similar meaning.

Forward-looking statements are by their very nature associated with risks and uncertainties that may cause actual results to differ materially from expectations, both positively and negatively. Such risks and uncertainties may, among other things, include unexpected developments in i) the ability to develop and market new products; ii) the demand for Novozymes' products, market-driven price decreases, industry

consolidation, and launches of competing products or disruptive technologies in Novozymes' core business areas; iii) the ability to protect and enforce the company's intellectual property rights; iv) significant litigation or breaches of contract; v) the materialization of the company's growth platforms; vi) political conditions, such as acceptance of enzymes produced by genetically modified organisms; vii) global economic and capital market conditions, including, but not limited to, currency exchange rates (USD/DKK and EUR/DKK in particular, but not exclusively), interest rates and inflation; viii) significant price decreases for input and other materials that compete with Novozymes' biological solutions. The company undertakes no obligation to update any forward-looking statements as a result of future developments or new information.

