Invitation to Novozymes’ Annual Shareholders’ Meeting 2020
To the shareholders of Novozymes A/S
The Board of Directors is pleased to invite you to the company’s annual shareholders’ meeting on

Wednesday February 26, 2020
at 4:00 p.m.

at Ballerup Super Arena, Ballerup Idrætsby 4, 2750 Ballerup, Denmark

Agenda, including complete proposals:

1. The Board of Directors’ report on the company’s activities

2. Presentation and approval of the audited annual report

3. Resolution on distribution of profit in accordance with the approved annual report
   The Board of Directors proposes a dividend of DKK 5.25 per A/B share of DKK 2.

4. Approval of remuneration of the Board of Directors for 2019 and the remuneration level for 2020
   The Board of Directors proposes that the actual remuneration of the Board of Directors for 2019 of DKK 7 million is approved by the annual shareholders’ meeting, which is identical to the remuneration level approved by the annual shareholders’ meeting in 2019 for the 2019 financial year.

   - The base fee for board members is DKK 500,000
   - The chairman shall receive 3.0 times the base fee
   - The vice chairman shall receive 2.0 times the base fee
   - The Audit Committee chairman shall receive a supplementary fee of 1.0 times the base fee
   - The Audit Committee members shall receive a supplementary fee of 0.5 times the base fee
   - The Nomination and Remuneration Committee chairman shall receive a supplementary fee of 1.0 times the base fee unless the person elected is the chairman or the vice chairman of the Board of Directors as they shall not receive any such supplementary payments
   - The Nomination and Remuneration Committee members shall receive a supplementary fee of 0.5 times the base fee unless the person elected is the chairman or the vice chairman of the Board of Directors as they shall not receive any such supplementary payments.
Novozymes' annual shareholders' meeting 2020

5. Election of Chairman
The Board of Directors proposes re-election of the incumbent Chairman.

Jørgen Buhl Rasmussen
Born 1955. Adjunct professor at the Copenhagen Business School. Member of the Audit Committee. Chairman of the Nomination and Remuneration Committee.
The Board of Directors recommends re-election of Jørgen Buhl Rasmussen based on his international business and management experience, specifically within sales, marketing, branding and acquisitions, and based on his financial and accounting expertise.
Jørgen Buhl Rasmussen serves as chairman of the board of F. Uhrenholt Holding A/S and as a member of the board of Smurfit Kappa Group. Jørgen Buhl Rasmussen is also managing director of Buhlras ApS.
Jørgen Buhl Rasmussen is recommended as an independent member of the Board of Directors as defined in 3.2.1 of the Danish Recommendations on Corporate Governance.
Jørgen Buhl Rasmussen has been a member of the Board of Directors since 2011.

6. Election of Vice Chairman
Agnete Raaschou-Nielsen is not seeking re-election as Vice Chairman. The Board of Directors proposes election of Cornelis (Cees) de Jong as Vice Chairman.

Cornelis (Cees) de Jong
The Board of Directors recommends election of Cees de Jong based on his extensive international business and management experience from the food, food ingredient and industrial biotech industries.
Cees de Jong serves as chairman of Mediq B.V., ForFarmers N.V. and A-Mansia Biotech.
Cees de Jong is recommended as an independent member of the Board of Directors as defined in 3.2.1 of the Danish Recommendations on Corporate Governance.

7. Election of other board members
The Board of Directors proposes re-election of:

Kasim Kutay
Born 1965. CEO, Novo Holdings A/S. The Board of Directors recommends re-election of Kasim Kutay based on his broad experience within biotechnology, mergers, acquisitions and strategy, and based on his financial and accounting expertise.
Kasim Kutay serves as a member of the board of Novo Nordisk A/S.
Kasim Kutay is recommended as a non-independent member of the Board of Directors as defined in 3.2.1 of the Danish Recommendations on Corporate Governance.
Kasim Kutay has been a member of the Board of Directors since 2017.

Kim Stratton
Born 1962. CEO, Orphazyme A/S. Member of the Nomination and Remuneration Committee.
The Board of Directors recommends re-election of Kim Stratton based on her broad international commercial experience, including within sales and marketing, emerging markets, innovation pipeline management and sustainability.
Kim Stratton serves as a member of the board of Vifor Pharma AG.
Kim Stratton is recommended as an independent member of the Board of Directors as defined in 3.2.1 of the Danish Recommendations on Corporate Governance.
Kim Stratton has been a member of the Board of Directors since 2017.

Mathias Uhlén
Born 1954. Professor at the Royal Institute of Technology (Sweden) and the Technical University of Denmark (DTU).
The Board of Directors recommends re-election of Mathias Uhlén based on his broad experience in research and biotechnology.
Mathias Uhlén serves as chairman of the board of Atlas Antibodies AB, Antibodypedia AB and ScandiBio Therapeutics AB, vice chairman of the board of Affibody Medical AB and is a member of the board of Bure Equity AB.
Mathias Uhlén is recommended as a non-independent member of the Board of Directors as defined in 3.2.1 of the Danish Recommendations on Corporate Governance. Mathias Uhlén has been a member of the Board of Directors since 2007.

The Board of Directors proposes election of the following:

**Sharon James**  
Born 1961. Former Senior Vice President, Global R&D, Bayer Consumer Health.  
The Board of Directors recommends election of Sharon James based on her broad international experience in commercial research and innovation pipeline management. Sharon James serves as a member of the board of Mölnlycke Health Care.  
Sharon James is recommended as an independent member of the Board of Directors as defined in 3.2.1 of the Danish Recommendations on Corporate Governance.

**Heine Dalsgaard**  
Born 1971. CFO, Carlsberg A/S  
The Board of Directors recommends election of Heine Dalsgaard based on his broad financial and accounting expertise.  
Heine Dalsgaard is recommended as a non-independent member of the Board of Directors as defined in 3.2.1 of the Danish Recommendations on Corporate Governance.

8. **Election of auditor**  
The Board of Directors recommends re-election of PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab based on a recommendation from the Audit Committee. The Audit Committee’s recommendation has not been influenced by third parties and has not been subject to any agreement with a third party restricting the shareholder meeting’s election of certain auditors or audit firms.

9. **Proposals from the Board of Directors**

9a. **Approval of new remuneration policy of the Board of Directors and Executive Management**  
The Board of Directors has undertaken a review of the Executive Management’s pay arrangements in advance of seeking shareholder approval for this proposal of a new remuneration policy. The existing general guidelines for remuneration of the Board of Directors and Executive Management were last approved by shareholders at the 2018 Annual Shareholders’ Meeting, however the remuneration principles and the structure of the Executive Management’s pay arrangements have been broadly unchanged for more than a decade. The purpose of this review has been to ensure that executive pay is aligned with the new 2020+ strategy of Novozymes, reflects the expectations of investors, is appropriately positioned relative to the market and takes account of recent governance developments (e.g. the provisions of the Danish Corporate Governance Code and further developments under the EU Shareholder Rights Directive).

In June 2019, Novozymes announced its strategy update “Better Business with Biology” to drive stronger growth and returns over the three-year period 2020-2022. The updated strategy and consequent adjustments focus on better utilization of Novozymes’ core capabilities, making it possible to better prioritize high-impact pipeline projects, invest in new longer-term strategic opportunity areas and drive stronger commercial execution. Novozymes serves many industries with different customer needs. The ability to differentiate innovation, product offerings and service levels at industry and geographical level is expected to generate higher growth.

In undertaking the review of the existing general guidelines for remuneration of the Board of Directors and Executive Management, the Board of Directors was mindful that the guidelines contain some structural differences to typical market practice and was therefore keen to test the rationale for these areas. The Board of Directors was also aware that the policy could be brought more in line with the best practice expectations of investors in a number of areas, and the Board of Directors also aimed to maximize the clarity and simplicity of the remuneration arrangements. The Board of Directors has further wished to ensure that the policy and the target setting for the variable pay components are driving the desired behavior and are
The Board of Directors has reviewed the remuneration policy with this in mind and has sought independent advice from external experts on executive remuneration in Denmark and Europe.

Based on the review, the Board of Directors is satisfied that the current total remuneration package is competitive compared to external benchmarks in Denmark and across Europe, including a European Sector peer group consisting of similar sized pan-European companies from the biotechnological, chemical, pharmaceuticals and healthcare sectors. As such, the Board of Directors is not proposing any fundamental changes to either fixed pay nor total expected pay levels, nor the overarching components.

The Board of Directors is, however, taking the opportunity (i) to simplify remuneration arrangements where possible; (ii) to bring the remuneration policy further into line with the best practice expectations of investors; (iii) to ensure packages are sufficiently competitive and drive performance; and (iv) to further strengthen the alignment between shareholders and executives.

The proposed executive remuneration framework is proposed to consist of:

**Fixed pay**
- Base salaries set in line with the market at comparable Danish and European companies
- A car allowance and other reasonable benefits set in line with Danish and European market norms
- A pension contribution of 11% of base salary, aligned to the Danish workforce of Novozymes
- Overall, fixed pay levels will remain broadly unchanged. However, the 11% of base salary pension contribution represents a significant reduction from the current 25% to 30% of base salary plus short-term incentives. The Board of Directors is furthermore reducing the car allowance and therefore base salaries will be proportionately increased to maintain current levels of fixed pay. This balance is more aligned to market norms and will offer a simpler, more flexible, and therefore more attractive and retentive package to current and future members of the Executive Management

**Variable pay**
- An annual cash short-term incentive program (‘STIP’) of up to 9.5 months’ base salary, subject to challenging financial and personal targets
- Annual long-term incentive program (‘LTIP’) awards of up to 19 months’ base salary (at conditional grant) in stock and/or market-value options, both subject to stretching performance conditions e.g. for Economic Profit, organic sales and sustainability measured over three years. Since 2011, Novozymes has run the LTIP in consecutive three-year blocks. Such blocks are very rare in the market. Going forward, the Board of Directors intends to instead make annual LTIP grants with overlapping three-year performance periods, in line with the majority of peers. This will allow the Board of Directors to re-assess targets for each annual grant cycle to ensure they are both sufficiently stretching and aligned with the strategy. It will also smoothen the payout profile, with annual vesting once up and running (subject to performance), creating a stronger retention incentive for executives
- In conjunction with new maximum levels, the STIP and LTIP delivered for on-target performance, will be slightly reduced. At these levels of STIP and LTIP, Novozymes maintains a pay mix with more weight on variable, performance-based pay than the market. Furthermore, the 35/65 split between STIP and LTIP places significantly more weight on long-term performance than the market. The Board of Directors believes this balance aligns executive pay with the long-term strategy of the business, whilst allowing the Board of Directors to also place sufficient significance on the broad range of annual strategic goals incentivized under the STIP

**Total pay**
- Given fixed pay levels will remain unchanged but on-target variable opportunity will be broadly reduced, total on-target remuneration levels will also be marginally lower. However, there will be increased levels of reward if Executive Management delivers exceptional, stretch levels of long-term performance, under the LTIP.

In addition, the Board of Directors proposes to add the following best-practice features to enhance protection for shareholders:
Novozymes' annual shareholders' meeting 2020

- Board discretion to vary the level of payment under the STIP and/or LTIP if it determines that the performance of Executive Management or the performance of the company, does not, in the reasonable opinion of the Board of Directors, justify paying outstanding awards or vesting of incentive compensation because of exceptional circumstances, such that the formulaic vesting level would not reflect business performance
- Clawback and malus clauses that will facilitate the recovery of overpayments under the STIP and/or LTIP due to errors/misstatements
- Share ownership guidelines of 100% of base salary for the Executive Management with a five-year build-up period

The proposed policy is designed to provide a simple, performance-based package that supports sustainable value creation for the shareholders. The arrangements are structured to provide strong alignment between the interests of executives and shareholders, including a focus on delivering the Novozymes’ key strategic objectives.

In addition to the above, the Board proposes largely unchanged principles for remuneration of the Board of Directors.

The proposed new remuneration policy is enclosed with this notice.

9b. Renewal of authorization to the Board of Directors to implement capital increases

The Board of Directors proposes to amend articles 5.1 to 5.3 of the articles of association with the following wording:

“5.1 Until April 1, 2021, the Board of Directors shall be authorized to increase the share capital in one or more stages without pre-emptive rights for existing shareholders at a subscription price equivalent to market price of the B shares by issuing B shares of up to nominally DKK 57,000,000 by means of cash payment or in connection with any full or partial acquisition of an existing enterprise.

5.2 Until April 1, 2021, the Board of Directors shall further be authorized to increase the share capital with pre-emptive rights for existing shareholders in one or more stages by up to nominally DKK 57,000,000 by means of cash payment. Where the subscription price of the capital increase is lower than the market price of the B shares, the capital increase shall be distributed proportionately between A shares and B shares.

5.3 Until April 1, 2021, the Board of Directors shall further be authorized to issue warrants in one or more stages by up to DKK 5,700,000 B shares to the company’s or its subsidiaries’ employees and to resolve on the corresponding capital increases. The shareholders of the company are not to have any pre-emptive rights at the exercise of this authorization by the Board of Directors – be it in connection with the issuance of warrants or in connection with the exercise of warrants – provided that warrants are issued at a subscription price corresponding at least to the market price on the date of the resolution of the Board of Directors. The Board of Directors stipulate in-detail terms for the issuance of warrants, including provisions on terms of exercise of warrants and the recipient’s legal position in case of capital increase, capital decrease, issuance of new warrants as well as liquidation, merger and demerger of the company prior to the time of exercise.”

The basis of the proposal is to ensure that the Board of Directors has a reasonable degree of flexibility in relation to provision of capital for the company’s continuous activities.

9c. Reduction of share capital

The Board of Directors proposes a reduction of the company’s share capital by cancellation of part of its holding of its treasury B shares. The Board of Directors proposes that the company’s B share capital shall be reduced by DKK 12,000,000 from DKK 474,512,800 to DKK 462,512,800. The capital reduction will be effected at a rate that corresponds to an average price of DKK 303.42 per B share of nominally DKK 2, which means that a total premium of DKK 1,808,520,000 has been paid to the shareholders (corresponding to a rate of 15,171 according to Danish company law). The total share capital will hereafter amount to DKK 570,000,000.

9d. Authorization to acquire treasury shares

The Board of Directors proposes that the Board of Directors is authorized to allow the company to acquire treasury shares up to a total nominal amount of DKK 57,000,000 corresponding to 10% of the share capital,
subject to a holding limit of 10% of the total share capital, cf. the Danish Companies Act § 198. The purchase price must not deviate by more than 10% from the price quoted on Nasdaq Copenhagen A/S on the date of acquisition. The authorization shall be in force until April 1, 2021.

9e. Amendment of article 4.2 (shares and shareholders’ register), article 11.1 (shareholders’ meeting, agenda) and article 14.2 (language)

(i) The Board of Directors proposes to amend article 4.2 in the company's articles of association to the effect that "VP Investor Services A/S (VP Services A/S), CVR no. 30201183," is replaced by “VP Securities A/S, CVR no. 21599336,” entailing that article 4.2 is amended as follows (amendment marked in bold):

“The company’s shareholders’ register is maintained by VP Securities A/S, CVR no. 21599336, which has been appointed by the company to maintain the shareholders’ register on the company’s behalf.”

(ii) The Board of Directors proposes to amend article 11.1 in the company's articles of association to the effect that “Presentation and approval of the remuneration report” will be the new item 4 of the agenda for the annual shareholders’ meeting entailing that article 11.1 is amended as follows (addition marked in bold):

“The agenda for the annual shareholders’ meeting shall comprise:

1. The Board of Directors’ verbal report on the company’s activities in the past financial year
2. Presentation and approval of the audited annual report
3. Resolution on the distribution of profit or covering of loss
4. Presentation and approval of the remuneration report
5. Approval of the Board of Directors’ remuneration for the current year
6. Election of Chairman of the Board of Directors
7. Election of Vice Chairman of the Board of Directors
8. Election of other members of the Board of Directors
9. Election of auditor(s)
10. Any proposals from the Board of Directors or shareholders
11. Any other business”

(ii) The Board of Directors proposes to add a new third sentence to article 14.2 in the company's articles of association in order for the Board of Directors to decide that the company is to prepare company announcements in English implying that article 14.2 will have the following wording (additions marked in bold):

“14.2 The company’s annual report is prepared in English. The Board of Directors may decide that the annual report is to be prepared in Danish as well. The company’s company announcements may be prepared in English only if decided by the Board of Directors.

9f. Authorization to the meeting chairperson

The Board of Directors proposes that the annual shareholders’ meeting authorizes the chairperson with power of delegation to register the adopted proposals and to make such alterations thereto as the Danish Business Authority or other authorities may demand or request as a condition for registration or approval as well as to continuously make and register linguistic and other modifications in the company’s articles of association that are without significance as regard to content.

10. Any other business

Majority requirement

Items 9b, 9c and 9e(i)-(iii) may only be adopted if shareholders representing at least 2/3 of the total number of votes in the company are represented at the annual shareholders’ meeting, and if at least 2/3 of both the votes cast as well as 2/3 of the voting capital represented at the meeting vote in favor of the proposal, cf. article 9.2 of the articles of association. Approval, resolutions and elections in respect of the other items on the agenda require a simple majority.

Registration date

A shareholder’s right to participate in and vote at the annual shareholders’ meeting is solely determined in proportion to the number of shares the shareholder owns on the registration date, which is Wednesday February 19, 2020.
Ordering admission
Admission to the annual shareholders’ meeting may be ordered no later than Friday February 21, 2020 by:

- Visiting the website of VP Securities A/S at www.vp.dk/en/agm or the company’s website investors.novozymes.com no later than 11:59 p.m. to register electronically (remember to have your VP deposit number at hand); or
- calling VP Securities A/S on +45 4358 8891 no later than 4:00 p.m. (remember to have your VP deposit number at hand when you call).

Ordered admission documentation will be sent out electronically. This requires that your email address is registered on the website of VP Securities A/S at www.vp.dk/en/agm (InvestorPortal). After registration, you will receive an electronic admission documentation. Please bring your electronic version on your smartphone or tablet. You can also bring a printed version of the admission documentation. If you have forgotten your admission documentation for the annual shareholders’ meeting, it can be obtained at the annual shareholders’ meeting against presentation of appropriate proof of identification. Ballot papers will be handed out at the entry point at the annual shareholders’ meeting.

Proxy/postal vote
If you are unable to attend the annual shareholders’ meeting, you may choose to:

- Assign a proxy to a named third party. Should you choose to attend the annual shareholders’ meeting by proxy, your proxy will receive admission documentation from VP Securities A/S that must be presented at the meeting; or
- assign a proxy to the Board of Directors. In this case your votes will be cast in accordance with the recommendations of the Board of Directors; or
- assign a proxy to the Board of Directors by indicating how you wish your votes to be cast; or
- vote by post.

Go to the company’s website investors.novozymes.com or www.vp.dk/en/agm to vote by post, assign a proxy to the Board of Directors to vote in accordance with its recommendations, or assign a proxy indicating how you wish your votes to be cast by checking the boxes on the electronic proxy form. This must be done by 11:59 p.m. on Friday February 21, 2020. You can also complete and sign the enclosed proxy form or postal vote form (via link) and return it by post to VP Securities A/S, Weidekampsgade 14, DK-2300 Copenhagen S, Denmark, or scan it and return it by email to vpinvestor@vp.dk or by fax to +45 4358 8867 so that it is received by VP Securities A/S by 11:59 p.m. on Friday February 21, 2020.

Please note that you may either assign a proxy or vote by post, but not both.

Foreign shareholders should consult the guidance at investors.novozymes.com

Shareholder information
The company’s total share capital has a nominal value of DKK 582,000,000 (corresponding to 1,549,384,800 votes), comprising A shares with a nominal value of DKK 107,487,200 (corresponding to 1,074,872,000 votes) and B shares with a nominal value of DKK 474,512,800 (corresponding to 474,512,800 votes).

The company’s share capital is divided into shares of DKK 1 or multiples thereof. Each A share of DKK 1 carries 10 votes and each B share of DKK 1 carries one vote. Consequently, each A share of DKK 2 carries 20 votes, while each B share of DKK 2 carries 2 votes.

Dividends approved at the annual shareholders’ meeting will be paid via VP Securities A/S to shareholders’ accounts in their own custodian banks.

The following material is available as of today on the company’s website investors.novozymes.com:

- Notice convening the meeting
- The documents to be submitted to the annual shareholders’ meeting, including the most recent audited annual report
- The agenda and full proposals
- Forms used for voting by proxy or by post

Practical information
The annual shareholders’ meeting will be webcast live on Novozymes’ website investors.novozymes.com

Shareholders’ questions to the Board of Directors and the Executive Management will be answered at the annual shareholders’ meeting. The shareholders may ask written questions to the company on the above agenda, the complete proposals, documents regarding the annual shareholders’ meeting, and other matters relevant to the annual shareholders’ meeting.
Novozymes' annual shareholders’ meeting 2020

Written questions must be sent to ninl@novozymes.com

Transportation options
Bus transportation will be provided from Ballerup Station, where three buses from Lyngby Turistfart will depart from the station at 3.00 p.m. to Ballerup Super Arena. The buses will have a sign in the front window saying “Novozymes' Generalforsamling.” Departure times will be posted at Ballerup Super Arena.

Please note that there are many stairs at the venue, but a lift is available.

Light refreshments will be served after the meeting.

The Board of Directors
Novozymes A/S
Remuneration Policy for the Executive Management and Board of Directors of Novozymes A/S

Introduction

This remuneration policy ("Policy") concerns the remuneration of the Board of Directors of Novozymes A/S ("Novozymes") and the members of Novozymes' Executive Management registered at any time with the Danish Business Authority (collectively "Executive Management" and individually an “Executive”). This Policy has been drawn up in accordance with section 139 and 139a of the Danish Companies Act and replaces the existing General Guidelines for Remuneration of the Board of Directors and Executive Management of Novozymes A/S.

This Policy shall be presented to shareholders for approval at the annual shareholders meeting in 2020. Thereafter, the Policy will be submitted to shareholders for re-approval every four years or sooner if material changes to the Policy are proposed.

Agreements for remuneration entered into prior to the adoption of this Policy may continue on the terms agreed.

Remuneration Policy for the Executive Management

Novozymes' remuneration Policy for Executive Management is designed to provide for a simple, performance-based remuneration package that supports sustainable value creation for our shareholders. The components are structured to provide strong alignment between the interests of Executives and shareholders, including a focus on delivering Novozymes' key strategic objectives.

How remuneration for the Executive Management is determined

Novozymes has a two-tier management system in which the Board of Directors is in charge of the overall and strategic management of the affairs of Novozymes and Novozymes' subsidiaries (jointly referred to as the "Group") and in which the responsibility for the day-to-day management of Novozymes and the Group is vested in Executive Management. The Board of Directors determines the employment and termination of Executives, including their remuneration within the frame of this Policy.

According to Novozymes’ articles of association and the Danish Companies Act, the Board of Directors is comprised by a number of members elected by the shareholders at the annual shareholders' meeting and a number of members elected by the employees. The Board of Directors has established a Nomination and Remuneration Committee which consists of members of the Board of Directors and which is responsible for the oversight of nominations and remuneration of the Board of Directors and the Executive Management. A majority of the members must be considered independent pursuant to the Danish corporate governance recommendations. All members must possess the relevant qualifications and competences. No Executives may serve on the Nomination and Remuneration Committee as a member.

The Nomination and Remuneration Committee has responsibility for advising the Board of Directors in respect of the remuneration of Board members, Board committee members and members of the Executive Management.

The Nomination and Remuneration Committee meets as necessary, but at least 2 times a year. Subjects dealt with at meetings comprise both fixed topics that are reviewed at each meeting according to the Committee’s annual agenda and other items identified for discussion during the course of the year. This includes, for example, reviewing the structure and level of executive remuneration, the fixed remuneration adjustments, the variable remuneration outcomes for the year and the grant of short and long-term incentive arrangements,
including the relevant performance targets. The Charter of the Remuneration and Nomination Committee can be found on the Novozymes website www.novozymes.com.

The Committee receives assistance from the Head of People & Organization, the General Counsel, the Chief Executive Officer and others as appropriate. Assistance from external advisers is also sought when relevant.

**How the remuneration Policy supports the business strategy, long-term interests and sustainability**

Novozymes seeks to generate financial, environmental and social value. This is the triple bottom line approach we have always taken, and which is ingrained in our purpose, strategy and long-term targets. The triple bottom line approach ensures that business decisions balance financial, environmental and social considerations, always keeping in mind the best interests of all our stakeholders.

To deliver on these aims, we seek to attract Executive Management members with broad and global management experience, strong execution skills and the capability to deliver on our long-term focus and strategy.

Our Policy is designed with this in mind with the majority of remuneration at-risk through short and long-term incentives, and with the majority of this variable remuneration weighted towards the long-term, in-line with our strategic focus and mirroring the long-term nature of our investments in the business.

The short and long-term incentive programs are designed to incentivize performance against selected financial and operational key performance indicators (KPIs) and personal objectives, which are directly linked to Novozymes’ business strategy, and to incentivize long-term value creation and alignment with the long-term interests of shareholders, customers and other stakeholders.

We offer a fixed remuneration comprising base salary, pension and benefits to attract and retain Executives of the experience and quality required to deliver our strategy, recognizing the market value of an Executive’s role, skills, responsibilities, performance and experience.

We set out more detail below on these remuneration elements and how we assess performance.

**The remuneration components**

The total remuneration to members of Executive Management comprises:

- **(i) A base salary plus pension, company car and certain other benefits**
- **(ii) A short-term incentive program (cash bonus) - STIP**
- **(iii) A long-term incentive program (stock-based program) - LTIP**
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<th>Component</th>
<th>Description</th>
<th>The Relative and Normal Proportion and the Maximum Level</th>
<th>Link to Performance and Strategy</th>
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<td>Base salary</td>
<td>Base salaries are set based on the role, responsibilities and experience of the individual. Salaries are reviewed annually.</td>
<td>No maximum limits apply but salaries are set in line with comparable Danish and European peers and taking into account the individual's skills, experience and performance.</td>
<td>A competitive base salary is paid in order to attract and retain high-quality and experienced Executives and to provide appropriate remuneration for their important role in Novozymes. This is required to support the recruitment and retention of Executives of the caliber required to implement Novozymes’ strategy. Any increases in base salary will normally be in line with the range of increases awarded to other employees in Novozymes. Salary increases in Denmark, where the Executive Management is located, are particularly relevant, as they reflect the local economic conditions. Increases may be above this level or applied more frequently in certain circumstances, such as:</td>
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<td>Base salary is a fixed amount of money generally paid monthly through bank transfer.</td>
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<td>(i) Where there is, in the Nomination and Remuneration Committee’s opinion, a significant change in an Executives scope or role;</td>
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<td>(ii) Where a new Executive has been appointed with a base salary lower than the typical market level for such a role and the Executive has become established in the role;</td>
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<td>(iii) Where it is considered necessary to reflect significant changes in market practice; or</td>
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<td>(iv) Where there is, in the Nomination and Remuneration Committee’s opinion, a need to retain an Executive, in relation to a competitive offer from another potential employer.</td>
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<td>Benefits</td>
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<td>Members of the Executive Management may have a number of work-related benefits at their disposal, including a company car, fuel/power allowance, free internet, free telephony, relevant insurances, training, relevant media subscriptions, personal tax return preparation and other benefits related to their position. In a transition period, members of the Executive Management may, where applicable, receive expatriate/separation allowances and compensation for transportation, housing, relocation, consultancy and health insurances for the Executive and his/her relatives. Where applicable, compensation for tuition fees may be paid, however, not limited to such transition period.</td>
<td>The Executive Management participate in a defined contribution pension scheme where the company has a set contribution to the Executive’s pension plan and where benefits are based on the amounts credited to these accounts through employer (and as the case may be Executive) contributions plus any investment earnings on the money in the account.</td>
<td>Benefits may not exceed 10% of the total remuneration assuming full allocation. The scope and level of individual benefits are set in line with comparable Danish and European peers.</td>
<td>Provides a market-competitive level of benefits to attract and retain high-quality and experienced Executives. The level of benefits will not be set to drive performance as that will primarily be driven by the variable remuneration.</td>
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<td><strong>Short-term incentives program (STIP)</strong></td>
<td><strong>Annual cash bonus, the size of which depends on the degree of fulfilment of financial targets set by the Board of Directors and individual targets previously agreed with the Nomination and Remuneration Committee.</strong> STIP is a variable amount of money within the stated maximum generally paid yearly through bank transfer.</td>
<td><strong>The annual cash bonus may not exceed a maximum STIP threshold of nine and a half (9.5) months base salary. Target performance is normally 65% of the maximum STIP threshold. The STIP is not pensionable.</strong></td>
<td><strong>The purpose of the STIP is to enable the alignment of pay with performance by incentivizing year-on-year delivery of rigorous short-term financial, strategic and operational objectives selected to support Novozymes’ annual business strategy and the ongoing enhancement of shareholder value. The STIP encourages and focuses the Executives efforts on the delivery of Novozymes’ strategic priorities for the relevant financial year and rewards the Executive for achieving stretch performance objectives. The performance measures for each year are chosen on the basis that they are expected to have a significant impact on the success of Novozymes.</strong></td>
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<td><strong>Long-term incentives program (LTIP)</strong></td>
<td><strong>Annual awards of performance shares and/or market-value share options that provide significant alignment between Executives and shareholders. Share awards vest after three years and share option awards vest after four years subject to the achievement of challenging performance targets linked to Novozymes' business strategy, long-term goals and sustainability. LTIP may consist of shares and/or share options. The mix between shares and share options are determined by the Board of Directors and the LTIP may be based entirely on shares, entirely on share options or in any mix in between.</strong></td>
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<td><strong>Annual LTIP awards of up to a maximum of nineteen (19) months' base salary (fair value at conditional grant) the final release being dependent on the degree to which performance criteria have been reached. Target performance is normally 65% of the maximum LTIP. Further, awards may be scaled back if the intrinsic value on final grant exceeds two times (2x) the value at conditional grant. The LTIP is not pensionable.</strong></td>
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<td><strong>The purpose of the LTIP is to enable the alignment of pay with performance, with emphasis on long-term shareholder value. This is done by focusing the Executives' efforts on the achievement of sustainable long-term value creation, including through the appropriate management of business risks. The LTIP also encourages retention through long-term share exposure for the Executives over the three-year performance period and the four-year vesting period for share options. It aligns the long-term interests of the Executives and our shareholders.</strong></td>
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In addition to the above, Novozymes may pay the cost of or compensate for social security and social contributions as well as taxes imposed by foreign authorities.

Further, the Board of Directors may in individual cases, as determined by the Board of Directors, for recruitment or retention purposes decide to award a one-off bonus or extraordinary incentive-based remuneration, e.g. sign-on bonus, relocation payment, retention bonus or other schemes. Such extraordinary awards may consist of cash or share-based remuneration or a combination thereof. The total value of such extraordinary awards for an Executive cannot at the time of the agreement on the arrangement exceed an amount corresponding to 100% of the Executive's total annual remuneration assuming full allocation.
The chart below illustrates the intended relative proportions of pay for on-target performance once the Policy is fully implemented given a mechanistic application of the principles subject to permitted adjustments and ad hoc extraordinary incentive-based remuneration for recruitment or retention purposes.

A significant proportion of the package is based on performance related pay and, in particular, long-term value creation, aligned with Novozymes’ business strategy.

How performance is assessed

Based on a recommendation from the Nomination and Remuneration Committee the Board of Directors sets performance targets for the variable pay schemes annually as part of each new award cycle. The performance measures used may vary from year-to-year as appropriate to reflect strategic priorities. The performance targets actually applied for each incentive program will be described in general terms in Novozymes’ remuneration report.

Performance measures are selected to align Novozymes’ performance targets with the overall business strategy objectives. Novozymes’ primary business objective is to create value in a sustainable way. The performance measures focus management on the delivery of a combination of (i) top-line revenue growth, (ii) cashflow, profit and/or economic profit, (iii) in respect of the LTIP, also the achievement of a number of specific sustainability targets, and (iv) in respect of the STIP, also the achievement of a number of specific individual targets for each Executive. The measures chosen for the incentives will reward the delivery of these objectives, with distinct measures for each of the short- and long-term incentive programs.

The majority of both the annual bonus (STIP) and long-term incentive awards (LTIP) will be based on financial...
performance targets. The Board of Directors sets performance targets for incentive programs taking into account internal budgets, business priorities and external forecasts so that the targets are sufficiently stretched. Good performance will result in target payout while maximum payout is only achieved for delivering extraordinary performance. Target performance is typically set in connection with the review of the business plan for the year following rigorous scrutiny of the plan by the Board of Directors. Threshold to stretch targets is then normally set based on a sliding scale on the basis of relevant commercial factors. Only standard rewards are available for delivering threshold performance levels with rewards at stretch requiring substantial outperformance of the business plan.

The level of achievement of individual performance targets and thus the size of remuneration payment to the individual Executive shall in each case be determined by the Board of Directors based on recommendations from the Nomination and Remuneration Committee.

In case of the long-term incentive program (LTIP), once the conditional grant per Executive has been approved by the Board of Directors, the total cash amount is converted into Novozymes A/S B shares and/or B share options at market price. The value of share options and/or shares conditionally granted is calculated in accordance with International Financial Reporting Standards (IFRS), with conditionally granted share options calculated using the Black & Scholes model (“Value”). The market price for shares is calculated as the average trading price for Novozymes A/S B shares on Nasdaq Copenhagen on the first five trading days following the release of financial results for the year prior to the starting year of any given LTIP period; i.e. in the open trading window immediately following the Board of Directors’ approval of the LTIP program. The exercise price for share options granted is determined at the time of conditional grant. The exercise price for share options is set at the average of the closing rate for the company’s shares on Nasdaq Copenhagen A/S on the first five trading days after publication of the annual report for the financial year prior to the first vesting year.

The shares conditionally granted to the Executive for a given year will be locked up for three years before they are transferred to the Executive. If the Executive resigns during the vesting period, the Executive’s conditionally granted shares will be lost and forfeited, unless the Nomination and Remuneration Committee determines otherwise. In the vesting period the market value of the conditionally granted shares for the Executive will change dependent upon the development in the Novozymes B share price, aligning the interests of the Executive with those of shareholders. No dividends are paid on conditionally granted shares in the vesting period and the conditionally granted shares are administered as part of Novozymes’ holding of treasury shares.

In the case of a share option program (part or full), share options may be exercised between four and nine years from the conditional grant. If the Executive resigns during the vesting period, the Executive’s unvested share options will be lost and forfeited, unless the Nomination and Remuneration Committee determines otherwise.

To ensure that the share-based portion of the total remuneration does not reach unintended levels, the Board of Directors may reduce the scope of an LTIP such that the Intrinsic Value (as defined below) at the end of the program does not exceed the Value, assuming full allocation, at the date of conditional grant plus 100%. A share option or share program is considered to be concluded in respect of performance targets when the Board of Directors approves the financial statements for the last year in the program’s three-year performance period.

The Intrinsic Value of a share option program component is calculated as the difference between the average of the closing rates for the company’s shares on Nasdaq Copenhagen A/S on the last five trading days ahead of approval of the most recent annual report and the exercise prices times the number of share options granted, while the Intrinsic Value of a share program is calculated as the average of the closing rates for the company’s shares on Nasdaq Copenhagen A/S on the last five trading days ahead of approval of the most recent annual report times the number of shares granted (“Intrinsic Value”).

Stock options may only be exercised within the trading windows laid down in Novozymes’ internal rules in force at any time governing trading in Novozymes’ listed shares or in accordance with any exemptions that may ensue from these rules. If the rules in force at any time governing trading in securities, rules for issuers and/or the company’s internal rules for trading in the company’s shares, may prevent exercise of stock options...
in the specified period, the exercise period shall be deferred by decision of the Board of Directors such that exercise of stock options may take place in accordance with the current rules governing trading in securities.

Plan discretions and ability to reclaim variable pay

The Nomination and Remuneration Committee will operate the incentive schemes in accordance with the rules of the respective schemes and the discretions contained therein. This includes a discretionary power to vary the pay-out under the annual bonus or the level of vesting of a long-term incentive award, if the Board of Directors determines that exceptional circumstances exist such that the formulaic vesting level does not reflect underlying financial or individual performance. The plan rules also contain authority for the Committee to withhold or claw-back variable pay if the payment is based on misstated results, there was an error in the calculation or gross misconduct by the individual. These mechanisms have been established to mitigate the risk of “pay for failure”.

Share ownership requirements

To align an Executive’s interest in Novozymes more closely with that of its shareholders, the Executive must hold (through purchase, grant or exercise), at the Executive’s cost and expense, Novozymes B shares in an aggregate amount equivalent to the Executive’s then current annual base salary excluding pension. This holding is to be built-up over a period as determined by the Board of Directors of up to 5 years by requiring that the Executive keep at least 50% of any vested shares and shares corresponding to 50% of the value of exercised options stemming from LTIP governed by this Policy – net of tax – until the Executive reaches the threshold. The Executive must then maintain such total equity ownership position throughout the remainder of the term of the Executive until release of the duty to perform services for Novozymes. The shareholding will be valued at the end of each calendar year using (i) the then current base salary, (ii) the shareholding at the end of the calendar year, and (iii) the average share price during that calendar year.

Only wholly owned and unrestricted shares shall count towards these share ownership requirements. These could be vested LTIP shares / shares from exercised options or shares the Executive has otherwise purchased (or which are held by the Executive’s spouse and/or dependent children). This also includes shares held in a pension scheme where the Executive controls and directs the specific investments.

Alignment with employee pay

The Nomination and Remuneration Committee provides the Board of Directors with advice and recommendations on the remuneration Policy for the Executive Management. The Nomination and Remuneration Committee is briefed on and considers prevailing market conditions, the competitive environment and the positioning and relativities of pay and employment conditions across the wider Novozymes workforce. The Committee takes into account the annual base salary increases for the Novozymes employee population when determining any change in Executive Management’s base salary. Salary increases in Denmark, where the Executive Management is located, are particularly relevant, as they reflect the local economic conditions.

The performance measures used to determine variable pay outcomes for the Executive Management and all other employees are linked to the delivery of our strategy and behaviors that are aligned to our values.

Further, recommendations for Novozymes’ remuneration Policy, including revisions thereof, and final decisions on revisions of Executive Management’s remuneration are made by the Board of Directors. As the Board of Directors include employee-elected board members, this allows perspectives on executive remuneration from employee representatives to be discussed in connection with such recommendations and decisions.

As part of the Board of Directors’ commitment to good corporate governance, the Nomination and Remuneration Committee also considers shareholder views, together with those of the wider community, when setting the remuneration policy for the Executive Management. The Board of Directors is committed to engaging and communicating with shareholders regularly and, as our shareholders are spread across the globe, we are proactive with our engagement on remuneration and governance matters with institutional shareholders and investor representative organizations. Feedback from shareholders and investors is shared with, and used as
input into decision-making by, the Board of Directors and the Nomination and Remuneration Committee in respect of our remuneration Policy and its application. The Committee considers that this approach provides a robust mechanism to ensure that Board members have a good understanding of current shareholder views and can formulate policy and make decisions as appropriate. We encourage shareholders to always make their views known to the Nomination and Remuneration Committee by directly contacting our Investor Relations team (contact details available on our website at www.novozymes.com).

Executive service contracts, notice periods and payments linked to termination

The members of the Executive Management have contracts of employment containing standard conditions for executive officers of Danish listed companies. In general, notices of termination given by Novozymes to Executives cannot exceed 12 months, and the notice of termination to be given by Executives to Novozymes cannot exceed 6 months.

Since 2016 all executive service contracts with new Executives contain clauses that set out that when an Executive's contract of employment is terminated by the company without any misconduct on the part of the Executive, the Executive has a notice period of 12 months and subsequently up to 12 months' severance consisting of base pay plus pension. Contracts entered into prior to 2016, including updated versions thereof, may include a termination clause that, in the event of termination on the part of Novozymes, sets out that when an Executive's contract of employment is terminated by the company without any misconduct on the part of the Executive, the Executive has a notice period of 12 months and subsequently up to 24 months' severance consisting of base pay plus pension.

Executive service contracts may contain non-compete clauses applicable for a period after termination provided that the contract has been terminated by the Executive without material breach by the company. As compensation for the non-competition clause for the period the clause is effective, Novozymes may pay the Executive an amount of no more than the Executive's most recent annual remuneration excluding incentives under the long-term incentive program (LTIP).

Treatment under the long-term incentive program (LTIP) is determined on the basis of the program's rules. Normally, any outstanding awards will lapse on date of cessation of employment when the contract is terminated by the Executive. However, under the rules of the plans, in certain circumstances, such as death, disability, mutually agreed retirement or other circumstances at the discretion of the Board of Directors, 'good leaver' status can be applied. In these circumstances, a participant’s awards may continue to vest as determined by the Board of Directors.

Changes to and winding up of incentive programs

The Board of Directors may change or wind up the remuneration package in case of resignation or dismissal of a member of the Executive Management, a take-over in whole or in part, significant acquisitions, significant divestments, demerger, merger, changes to the capital structure, certain dividend distributions or other material events (e.g. agree on an earlier pay out date).

Deviations from the remuneration Policy

In addition to the above, the Board of Directors may in extraordinary circumstances, in which it is deemed necessary to serve the long-term interests of Novozymes, as further determined by the Board of Directors, for recruitment or retention purposes decide to grant extraordinary benefits and/or special exit conditions.
Remuneration Policy for the Board of Directors

The Board of Directors regularly assesses the fees paid to the Board based on recommendations from the Nomination and Remuneration Committee. In making its recommendation, the Nomination and Remuneration Committee is guided by relevant benchmarks, including benchmarks at comparable companies in Denmark and the rest of Europe. The actual remuneration of the Board of Directors for the previous calendar year and the remuneration level for the current calendar year is approved at the annual shareholders’ meeting each year.

The remuneration of the Board of Directors comprises a fixed base fee and as such is not incentive-based. This ensures that the Board of Directors safeguards the company’s long-term interests without taking into consideration what this may mean in terms of the value of incentive-based remuneration.

The Board of Directors’ fee is set at a level that conforms to the market and reflects the competencies and efforts required of the role, given the complexity of the Group, the scope of the work, and the number of Board meetings.

Board members receive a fixed base fee, while the Chairman receives a fee that is three times higher and the Vice Chairman a fee that is two times higher.

In addition, the chairman of the Audit Committee and chairman of the Nomination and Remuneration committee each receives an additional payment of one times the fixed base fee and members of the Audit Committee and the Nomination and Remuneration Committee each receive an additional payment of fifty percent of the fixed base fee as a supplementary payment; provided, however, that the Chairman and Vice Chairman shall not receive any such supplementary payment if elected to the Nomination and Remuneration Committee.

The Board of Directors may decide to grant an additional fee to individual board members (including the Chairman and the Vice Chairman of the Board of Directors) for extraordinary Novozymes board work which can reasonably be considered outside the scope of the ordinary board work in Novozymes and the work in the existing board committees or for work in new Board committees established by and as decided by the Board of Directors. In each such case, the Board of Directors shall determine a fixed fee for the work carried out related to those tasks up to a total maximum of an extra half base fee per member per annum (or extra full base fee for chairing any new committees or groups). The fixed fee will be disclosed in the annual report and presented for approval at the next annual shareholders’ meeting.

Travel, accommodation and other reasonable expenses etc., related to board work and/or meetings, including expenses associated with relevant training are paid on submission of receipts.

The company pays statutory contributions to social security and similar taxes and charges that the company is obligated to pay according to applicable law in relation to a Board members’ position as a member of the Board.

Conflict of Interest

The Board of Directors shall approve any agreements made between a Board member or a member of the Executive Management and Novozymes or one of its subsidiaries as well as any agreements entered into between Novozymes or its subsidiaries and a third party in which a Board member or a member of the Executive Management is deemed to have an interest which may be contrary to the interests of Novozymes or its subsidiaries.

A Board member or a member of the Executive Management shall not be entitled to be present during discussions in the Board of Directors or in the Nomination and Remuneration Committee of disputes where, on the one part, said Board member or member of the Executive Management and, on the other part, Novozymes or its subsidiaries are counterparts, nor in the consideration of any other material issue in connection with which
the Board member or the member of the Executive Management, in the opinion of the other Board or committee members, is deemed to have interests which may be contrary to the interests of Novozymes.

The Board of Directors and the Nomination and Remuneration Committee do not consult with the same external advisers as the Executive Management with respect to matters relating to remuneration.

**Publication of the remuneration Policy**

Immediately after approval the remuneration Policy will be published on the company’s website (www.novozymes.com) together with the date and result of the vote at the shareholders meeting.