

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 (“Novozyymes”) 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

Novozyymes’ 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

Novozyymes 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

Component	Description	The Relative and Normal Proportion and the Maximum Level	Link to Performance and Strategy
<p>Base salary</p>	<p>Base salaries are set based on the role, responsibilities and experience of the individual. Salaries are reviewed annually.</p> <p>Base salary is a fixed amount of money generally paid monthly through bank transfer.</p>	<p>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.</p>	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> (i) Where there is, in the Nomination and Remuneration Committee's opinion, a significant change in an Executives scope or role; (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; (iii) Where it is considered necessary to reflect significant changes in market practice; or (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.

Benefits	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.	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.	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.
Pension	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.	Employer pension contributions of up to 11% of base salary.	Provides a market-competitive level of post-employment benefits provided to attract and retain high-quality and experienced Executives.

<p>Short-term incentives program (STIP)</p>	<p>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.</p> <p>STIP is a variable amount of money within the stated maximum generally paid yearly through bank transfer.</p>	<p>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.</p>	<p>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.</p>
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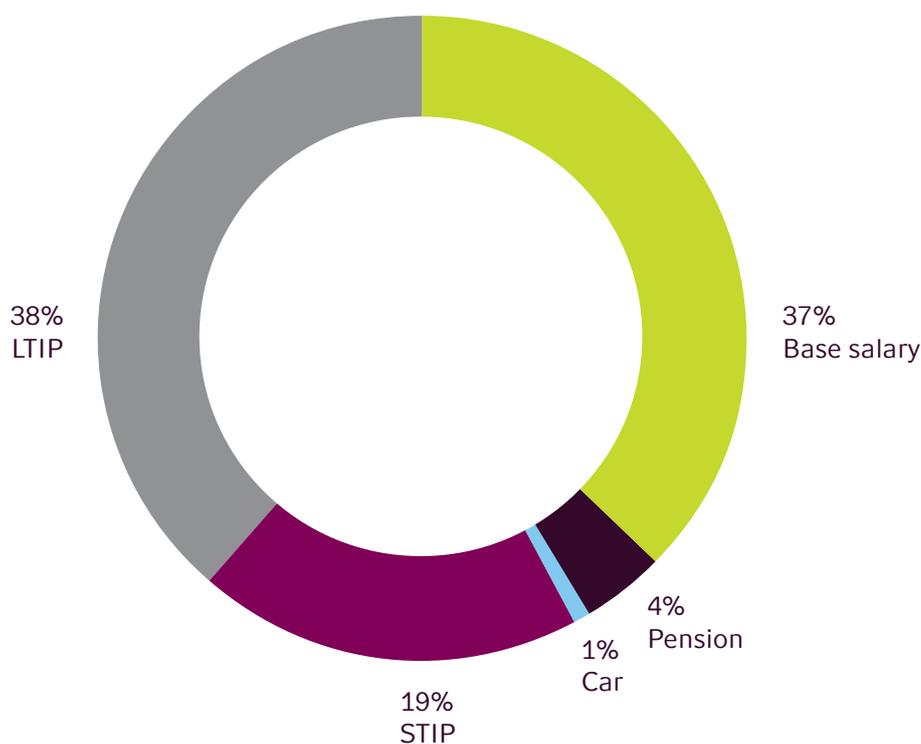
<p>Long-term incentives program (LTIP)</p>	<p>Annual awards of performance shares and/or market-value share options that provide significant alignment between Executives and shareholders. Share awards vest after three years and share option awards vest after four years subject to the achievement of challenging performance targets linked to Novozymes' business strategy, long-term goals and sustainability.</p> <p>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.</p> <p>If deemed appropriate by the Board of Directors for administrative or other relevant reasons, the stock-based incentive program can fully or partly be substituted with a similar long-term incentive program based on cash ("phantom shares"), provided that the other terms and conditions in this Policy shall apply with the necessary changes (<i>mutatis mutandis</i>).</p>	<p>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.</p>	<p>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.</p>
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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.

Total Target Remuneration



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 reasonable 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.