

Remuneration Report 2020

Rethink tomorrow

novozymes 

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The Remuneration Report 2020 has been prepared to meet the requirements of section 139b of the Danish Companies Act. The report has also been prepared in accordance with the European Commission Guidelines' draft on the standardized presentation of the remuneration report as regards the encouragement of long-term shareholder engagement. The remuneration report will be presented for an advisory vote at the Annual General Meeting to be held in 2021.

Chair's introduction

On behalf of the Board of Directors, I have the pleasure of presenting Novozymes' remuneration report for 2020. Our objective in providing this report is to give a transparent and comprehensive overview of the remuneration of our Board of Directors and Executive Management.

In 2020, we adopted a new remuneration policy for Novozymes' Board of Directors and Executive Management. In designing the policy, we collected external benchmarks and sought independent advice from external experts on executive remuneration in Denmark and Europe and consulted a representative group of shareholders for input. We believe the new remuneration policy ensures alignment with the best practice expectations of investors, creates a strong link between performance and remuneration and provides clarity and simplicity of the remuneration arrangements.

We believe that the current total remuneration package for the Executive Management is competitive relative to external benchmarks in Denmark and across Europe, including a European sector peer group consisting of similar sized pan-European companies.

The remuneration of the Executive Management in 2020 reflects a year in which

Novozymes delivered resilient performance despite the COVID-19 pandemic. All Zymers have worked diligently to handle these difficult circumstances, and this is also reflected in the payout ratio of the short-term incentive program for the Executive Management.

In accordance with the new remuneration policy, a new long-term incentive program has been established for the Executive Management with a performance period covering the years 2020-2022.



Jørgen Buhl Rasmussen
Chair of the Nomination & Remuneration Committee



Summary of the remuneration policy

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.

The remuneration policy supports our strategy, long-term interests and sustainability.

Board of Directors

Novozymes' remuneration policy for the Board of Directors is designed to attract and retain qualified members of the Board of Directors and to ensure that the Board safeguards the company's long-term interests without taking into consideration what this may mean in terms of the value of incentive-based remuneration. Therefore, the members of the Board of Directors are paid a fixed fee each year.

The fees paid to the Board Members are regularly assessed based on recommendations from the Nomination and Remuneration Committee. In making its recommendations, the Nomination and Remuneration Committee is guided by relevant benchmarks, including board fees paid by comparable companies in Denmark and across 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.

Executive Management

Novozymes' remuneration policy for the Executive Management is designed to attract and retain qualified members of the Executive Management and to provide for a simple, performance-based remuneration package that supports sustainable value creation for our shareholders. The components are structured to strongly align the interests of executive officers and shareholders, including a focus on delivering Novozymes' key strategic objectives.

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

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

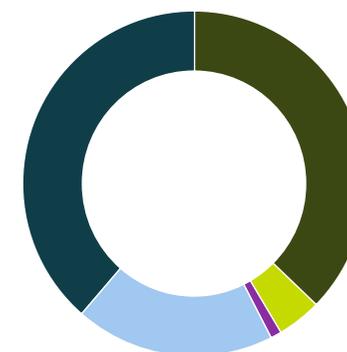
Nomination and Remuneration Committee

The Board has established a Nomination & Remuneration Committee that assists the Board of Directors in meeting its responsibilities with respect to establishing, implementing and executing its remuneration policy for the members of the Board of Directors, its committees and the Executive Management.

For the charter of the Nomination & Remuneration Committee and the key matters handled by the Nomination & Remuneration Committee in 2020, please refer to:

Novozymes.com

Total Target Remuneration for Executive Management



- Base salary 38%
- Pension 4%
- Car 1%
- Short-term incentive 19%
- Long-term incentive 38%



The full remuneration policy is available at **Novozymes.com**

Remuneration of the Board of Directors

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

The Board of Directors' fee is set at a market-conformant level that reflects the competencies and efforts required of the role, given the complexity of the Novozymes Group, the scope of the work, and the number of Board meetings held.

The fixed base fee was DKK 500,000 in 2020, the same as it has been since 2015. The Chair receives a fee that is three times the base fee and the Vice Chair a fee that is two times the base fee.

For committee work on the Audit Committee and the Nomination and Remuneration Committee, the committee chair and other committee members receive a further base fee and half a base fee respectively. However, the Chair and the Vice Chair of the Board do not receive such additional fee if appointed to the Nomination and Remuneration Committee.

In August 2020, the Board of Directors decided to establish an Innovation Committee. The Board of Directors determined that the chair of the Innovation Committee would

receive a further base fee (for 2020 pro rata adjusted to the relevant part of the year) and that members of the Innovation Committee would each receive half a base fee (similarly adjusted).

During 2019, Patricia Malarkey and Lars Green resigned from the Board, and at the Annual General Meeting held in February 2020, Agnete Raaschou-Nielsen, resigned from the Board as well. Cees de Jong, Sharon James and Heine Dalsgaard were elected as new board members. Cees de Jong was appointed Vice Chair.

The number of board members was thereby reestablished at seven members elected at the Annual General Meeting which, together with the newly-established Innovation Committee, resulted in an increase of the total fees paid to the Board of Directors from DKK 7.0 million in 2019 to DKK 8.2 million in 2020.

New board members elected, and board members not re-elected at the Annual General Meeting held in February 2020 received

pro rata shares of the annual base fee and committee fees for the time they served on the Board in 2020.

The Board of Directors may decide to grant an additional fee to individual board members for extraordinary board work performed, or for work on new Board committees established by the Board of Directors. No board members were granted such fees in 2020, except the fees for the members of the new Innovation Committee, as described above.

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

Novozymes 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.

See appendix for further details regarding remuneration of the Board of Directors.

Overview of Committee members

	Audit Committee	Nomination and Remuneration Committee	Innovation Committee
Chair	Heine Dalsgaard	Jørgen Buhl Rasmussen	Sharon James
Members	Jørgen Buhl Rasmussen Cees de Jong	Cees de Jong Kasim Kutay Kim Stratton	Kim Stratton Mathias Uhlén

Remuneration paid to individual members of the Board of Directors

DKK '000	2020			2019		
	Board of Directors	Committees	Total	Board of Directors	Committees	Total
Jørgen Buhl Rasmussen	1,500	250	1,750	1,500	250	1,750
Cees de Jong ³	845	211	1,056	-	-	-
Mathias Uhlén	500	97	597	500	-	500
Anders Hentze Knudsen	500	-	500	500	-	500
Lena Bech Holskov	500	-	500	500	-	500
Lars Bo Køppler	500	-	500	500	-	500
Kasim Kutay	500	211	711	500	-	500
Kim Stratton	500	347	847	500	250	750
Sharon James ³	422	195	617	-	-	-
Heine Dalsgaard ³	422	422	844	-	-	-
Agnete Raaschou-Nielsen ⁴	155	78	233	1,000	349	1,349
Lars Green ²	-	-	-	301	301	602
Patricia Malarkey ¹	-	-	-	42	-	42
Remuneration	6,344	1,811	8,155	5,843	1,150	6,993

1. Resigned on January 31, 2019. 2. Resigned on September 1, 2019 to join the Executive Leadership Team.

3. Joined on February 26, 2020. 4. Resigned on February 26, 2020.

The disclosed remuneration for board members excludes minor mandatory social security contributions paid by Novozymes.

It also excludes reimbursed expenses that board members have incurred in connection with board meetings, such as travel and accommodation.

The following members of the current Board of Directors hold shares of stock in Novozymes A/S

Shares of stock	Shares of stock at Jan. 1, 2020	Purchased during the year	Sold during the year	Shares of stock at Dec. 31, 2020	Market value DKK million
Jørgen Buhl Rasmussen	2,000	3,500	-	5,500	1.9
Cees de Jong	-	2,000	-	2,000	0.7
Heine Dalsgaard	-	3,000	-	3,000	1.0
Mathias Uhlén	650	-	-	650	0.2
Anders Hentze Knudsen	356	-	(356)	-	-
Lena Bech Holskov	1,100	-	-	1,100	0.4
Lars Bo Køppler	360	-	-	360	0.1
Board of Directors	4,466	8,500	(356)	12,610	4.3

Members of the Board of Directors are not granted stock options or stock awards. However, employee-elected members hold a limited number of stock options in Novozymes A/S due to Group-wide employee stock option programs.

Remuneration of the Executive Management

As per December 31, 2020, the Executive Management of Novozymes A/S consisted of:

- Ester Baiget, President & Chief Executive Officer (CEO)
- Lars Green, Executive Vice President & Chief Financial Officer (CFO)
- Thomas Videbæk, Executive Vice President

Ester Baiget replaced Peder Holk Nielsen as CEO of Novozymes on February 1, 2020.

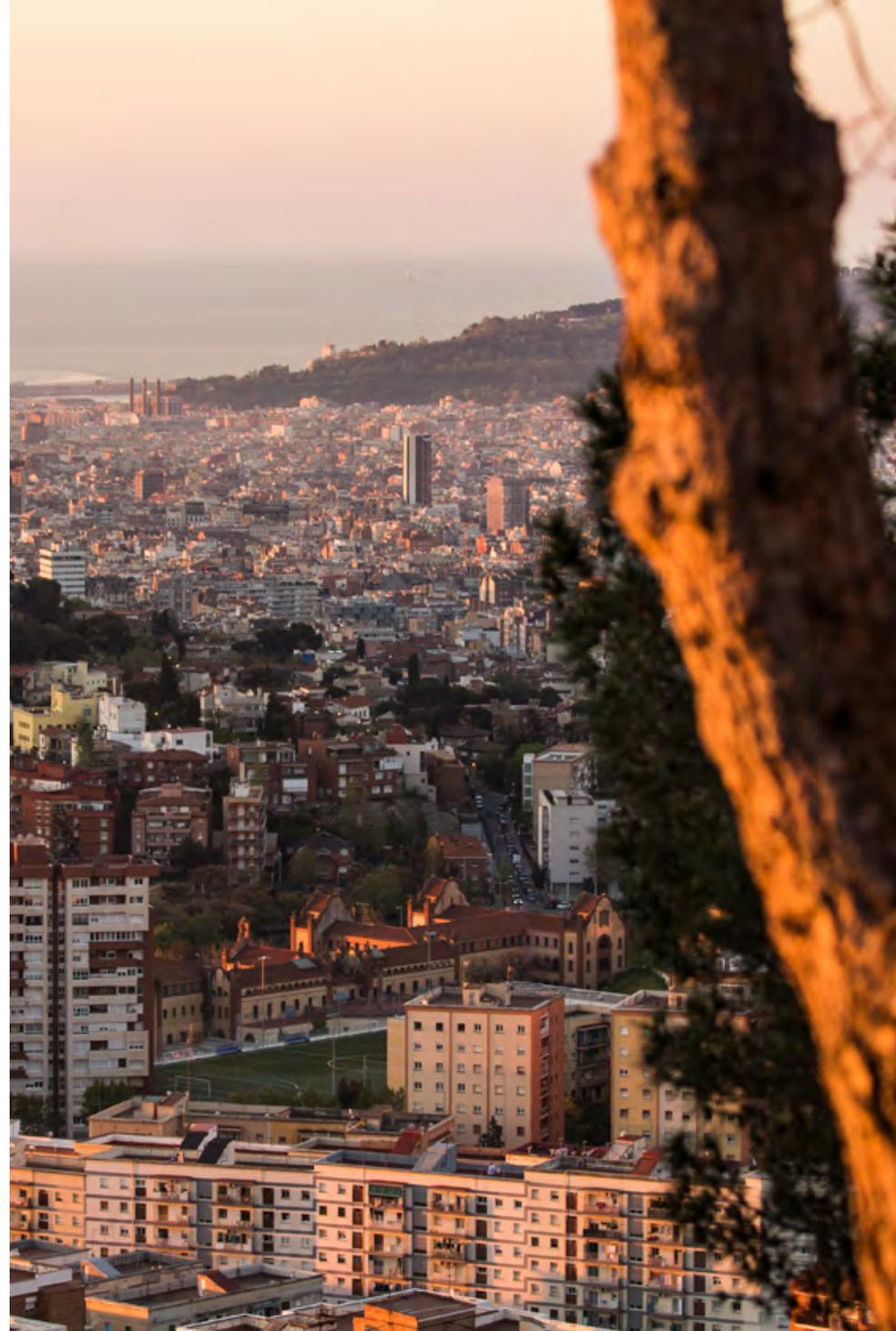
Thomas Videbæk will transition his roles as Executive Vice President of People, Sustainability & Brand and Strategy & Business Transformation during the second quarter of 2021, after which he will leave Novozymes.

We are immensely grateful for Thomas' contributions to Novozymes during his many years with the company.

The total remuneration to members of Executive Management comprises:

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

The remuneration structure for the Executive Management is shown in the table on the following page.



Component	Description	Relative and Normal Proportion and Maximum Level	Link to Performance and Strategy
Base salary	<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 the important roles they play at 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 of Novozymes. Salary increases in Denmark, where the Executive Management is located, are particularly relevant, as they reflect local economic conditions. Increases may exceed this level under special circumstances.</p>
Benefits	<p>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.</p>	<p>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.</p>	<p>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.</p>
Pension	<p>Members of the Executive Management participate in a defined contribution pension scheme where the company makes a set contribution to each executive's pension plan and where benefits are based on the amounts credited to these accounts through employer contributions plus any investment earnings on the account balance.</p>	<p>Employer pension contributions of up to 11% of base salary.</p>	<p>Provides a market-competitive level of post-employment benefits provided to attract and retain high-quality and experienced executives.</p>
Short-term incentive program (STIP)	<p>Annual cash bonus, the size of which depends on the degree of fulfillment of financial targets set by the Board of Directors and individual targets previously agreed with the Board of Directors.</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.</p> <p>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 each executive's efforts on the delivery of Novozymes' strategic priorities for the relevant financial year and rewards the executive for achieving stretched performance objectives. The performance measures chosen for each year are expected to have a significant impact on the success of Novozymes.</p>
Long-term incentive program (LTIP)	<p>Annual awards of performance shares and/or market-value share options that provide significant alignment of the interests of 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 of shares and share options is determined by the Board of Directors, and the LTIP may be based entirely on shares, entirely on share options or any mix in between.</p> <p>Under special circumstances, and if deemed appropriate by the Board of Directors, the stock-based incentive program can fully or partly be substituted with a similar long-term cash-based incentive program.</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.</p> <p>Target performance is normally 65% of the maximum LTIP.</p> <p>Further, awards may be scaled back if the intrinsic value on final grant exceeds twice (2x) the value at conditional grant.</p> <p>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.</p> <p>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>

The remuneration of the Executive Management in 2020 was in line with the remuneration policy

Base salary

In 2020, the members of the Executive Management received a 2.3% increase in their base salary. The increase was only given to executives with an employment start date prior to January 1, 2020.

Ester Baiget and Lars Green will in addition to their regular remuneration receive compensation for lost incentives from their previous employers. The compensation is subject to certain conditions. Over the period

2020-2023, Ester Baiget may receive up to a total of DKK 9.6 million in extraordinary sign-on compensation for lost incentives from her previous employer, of which DKK 4.2 million was paid out in 2020.

Over the period 2020-2023, Lars Green may receive up to a total of DKK 14.5 million in extraordinary sign-on compensation for lost incentives from his previous employer, of which DKK 0.7 million was paid out in 2020.

Thomas Videbæk will leave Novozymes during 2021. His severance package, totaling DKK 35 million, was fully expensed in 2020. The severance package consists of salary, pension and bonuses during the notice period (12 months) as well as termination compensation (24 months' salary and pension) and compensation for not being part of a stock-based program in 2020 and 2021.

Severance pay of DKK 9 million was paid out in 2020, while the remaining DKK 26 million will be paid out in 2021.

Peder Holk Nielsen left Novozymes January 31, 2020.

Pension

In 2020, executives were eligible for a defined contribution pension scheme of 11% of their base salary.

In 2019, the pension scheme was between 25% and 27.6% of the base salary and short-term cash-based incentives.

Remuneration paid to individual members of the Executive Management

DKK million	Fixed			Variable			2020 Total Remuneration	Compensation for lost incentives	Severance Package	2019 Total Remuneration	Severance Package*
	Salary	Contribution based pension	Other benefits	Cash bonus (STIP)	Incentive programs (LTIP)						
Ester Baiget (from 1/2-2020)	6.9	0.8	0.2	4.4	7.1	19.4	4.2	-	-	-	
Lars Green	5.9	0.6	0.2	3.6	5.9	16.2	0.7	-	5.5	-	
Thomas Videbæk	6.8	0.7	0.2	3.9	-	11.6	-	35.2	13.4	-	
Former executives											
Peder Holk Nielsen (to 31/1-2020)	0.7	0.2	-	-	-	0.9	-	-	19.1	31.9	
Prisca Havranec-Kosicek (to 30/8-2019)	-	-	-	-	-	-	-	-	4.7	16.2	
	20.3	2.3	0.6	11.9	13.0	48.1	4.9	35.2	42.7	48.1	

The difference in the total remuneration to the Executive Management in the above table compared to note 6.1 – Management Remuneration is related to long-term incentives. The disclosure in note 6.1 is based on IFRS recognition principles where the long-term incentive programs are expensed over the year of grant and the subsequent years of vesting. The long-term incentive included in the above table is the cost of the 2020 program measured at market value at the grant date.

* Peder Holk Nielsen and Prisca Havranec-Kosicek's severance packages were fully expensed in 2019. The severance packages consisted of salary, pension and bonuses during the notice period as well as termination compensation and compensation for not being part of the stock-based incentive program in 2020.

Short-term incentive program – Target achievement

Weight	Target	% / (index)	Ester Baiget	Lars Green	Thomas Videbæk
45%	EBIT	% of maximum / (index compared to target performance)	65 (100)	65 (100)	65 (100)
15%	Cash flow		100 (154)	100 (154)	100 (154)
40%	Individual targets		90 (138)	80 (123)	67 (103)
		Total, % of max	80% (123)	76% (117)	71% (109)
		Total, DKK million	4.4	3.6	3.9

Benefits

In 2020, executives received non-monetary benefits in relation to company cars, telephones, etc. in line with the remuneration policy.

Short-term incentive program

The targets for the short-term incentive program (STIP) are 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. Good performance will result in target payout (65%) while maximum payout is only achieved for delivering extraordinary performance. Maximum payout equals 9.5 months' salary.

In 2020, the targets for the STIP were split on financial performance of the company at 60% weight (EBIT 45% weight and cash flow 15% weight) and targets for the individual executives at 40% weight.

In 2020 the financial performance of Novozymes resulted in the EBIT target being met, while the cash flow target was exceeded. The payout related to these targets was 65% and 100%, respectively.

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

Based on its assessment, the Board determined that the payout based on individual targets would be 90% for Ester Baiget, 80% for Lars Green and 67% for Thomas Videbæk.

The total pay-out ratio on the STIP 2020 is shown above.

Long-term incentive program

The targets for the incentive program covering the period 2017-2019 were partly met, and 61% of the program was awarded in January 2020. As a result, 38,857 shares associated with the program were released to the Executive Management in January 2020.

Going forward, the Board of Directors will issue annual long-term incentive based program (LTIP) grants with overlapping three-year performance periods. This allows the Board of Directors to re-assess targets for each annual grant cycle to ensure they are both sufficiently demanding and aligned with the strategy. In 2020, the new LTIP for the Executive Management began covering the performance period 2020-2022. The LTIP consists of 50% shares and 50% share options. Relative to the previous long-term incentive program (2017-2019), the new LTIP reflects an increased weight on organic sales growth (weight of 40% of LTIP), a lower but still prominent weight on

economic profit generation (weight of 40% of LTIP), and an explicit weight on sustainability (weight of 20% of LTIP). The targets are aligned with the updated strategy and the measures of business success for the period 2020-2022.

Sustainability targets are also defined in line with the updated strategy on four sustainability parameters; climate, water & circular, workplace, and Zymers. The sustainability component will only be unlocked if Novozymes, by the end of 2022, performs above the floor levels across all four sustainability parameters. Once the floor is reached on all four parameters, the sustainability component will be released as per the performance against each parameter on a pro-rata basis.

The annual LTIP cannot exceed 19 months' base salary (value at conditional grant). Further, the program includes a maximum-value clause allowing the Board of Directors to choose to limit the total allocation of stock

options and stock if the intrinsic value exceeds twice the annual conditional grant.

Potential shares will be awarded and vest in the beginning of 2023 and potential share options will vest at the beginning of 2024 subject to achievements against the performance targets.

Thomas Videbæk is not part of the LTIP 2020 program but will, as part of his severance

agreement, receive a cash compensation instead.

For the LTIP 2020 program, the exercise price of the share options equals DKK 350.8 per share.

The tables below include an overview of allocated but not yet vested shares and stock options to each executive for the LTIP. All information included in the table, including the

number of shares and stock options and the calculation of value of these, are based on the allocation at the time of the establishment of the respective LTIP.

For the LTIP 2020-2022, the allocation reflects target performance equaling 65% of the maximum, and the number of shares and share options allocated may be reduced or increased, depending on whether the performance of the company in the respective three-year period

deviates from targets determined by the Board of Directors.

The performance of the company and consequently the number of shares and stock options to finally be granted to each executive will only be determined after the end of the three-year period and, thus, below is not an expression of the actual value of each program.

See appendix for further details regarding remuneration of the Executive Management.

Long-term incentive program - unvested shares

	Grant date	Vesting date	No. of shares at the beginning of year	No. of shares vested during the year	No. of shares allocated during the year	No. of shares at the end of the year	Market value at grant date
Ester Baiget	March 2020	January 2023	-	-	10,085	10,085	3.5
Lars Green	September 2019	January 2020	3,101	(3,101)	-	-	-
	March 2020	January 2023	-	-	8,464	8,464	3.0
Thomas Videbæk	March 2020	January 2020	35,756	(35,756)	-	-	-

Long-term incentive program - Stock options

	Grant date	Vesting date	Exercise period	No. of stock options allocated	Exercise price	Market value at grant date
Ester Baiget	March 2020	January 2024	5 years	73,551	350.8	3.5
Lars Green	September 2019	January 2023	5 years	21,740	279.5	0.9
	March 2020	January 2024	5 years	61,729	350.8	3.0
Thomas Videbæk	January 2017	January 2021	5 years	60,960	249.4	2.8
	January 2018	January 2022	5 years	55,440	301.0	2.8
	February 2019	January 2023	5 years	72,238	274.9	2.9

The Executive Management's share ownership in Novozymes A/S

Shares of stock	Shares of stock at Jan. 1, 2020	Additions during the year	Sold during the year	Shares of stock at Dec. 31, 2020	Market value DKK million
Ester Baiget	-	6,800	-	6,800	2.4
Lars Green	1,000	23,101	-	24,101	8.4
Thomas Videbæk	-	186,672	(177,916)	8,756	3.1
Executive Management	1,000	216,573	(177,916)	39,657	13.9

The Executive Management's holding of stock options in Novozymes A/S

Stock options	Options at Jan. 1, 2020	Additions during the year	Exercised during the year	Options at Dec. 31, 2020	Market value DKK million
Ester Baiget	-	73,551	-	73,551	-
Lars Green	21,740	61,729	-	83,469	1.5
Thomas Videbæk	339,554	-	(156,916)	188,638	14.2
Executive Management	361,294	135,280	(150,916)	345,658	15.7

Share holdings

To align the interests of the members of Novozymes' Executive Management more closely with those of the company's shareholders, each executive must hold (through purchase, grant or exercise), at the executive's own cost and expense, Novozymes B shares in an aggregate amount equivalent to the executive's current annual base salary excluding pension. This holding is to be built-up over a period of up to five years starting in 2020 or the year of hire if later than 2020.

Plan discretions and claw-back

The Nomination and Remuneration Committee has operated 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. In the 2020 financial year, this discretionary power was not applied.

The plan rules also contain the authority for the Committee to withhold or claw-back variable pay if a payment is based on misstated results, if there was an error in the calculation or in case of gross misconduct by the individual. In the 2020 financial year, no variable remuneration was withheld or reclaimed.

Termination

The members of the Executive Management have contracts of employment containing standard conditions for executive officers of Danish listed companies, including the periods

of notice that both parties are required to give and noncompetition clauses. If an executive officer's contract of employment is terminated by the company without any misconduct on the part of the executive officer, the executive officer has a notice period of 12 months. In addition to the notice period, the executive officer has a right to termination compensation of 12 months' base salary and pension contributions. However, as Thomas Videbæk was appointed before 2016, he was entitled to termination compensation of two years' base salary and pension contributions.

Business performance

DKK million	2020	2019
Financial performance		
<i>Group</i>		
Revenue	14,012	14,374
Organic sales growth	0%	-1%
EBIT	3,652	4,039
EBIT margin	26.1%	28.1%
<i>Parent</i>		
Revenue	8,519	8,260
Revenue growth	3%	0%
EBIT	2,506	2,126
EBIT margin	29.4%	25.7%

Salary development and CEO pay ratio

In 2020, the members of the Executive Management received a 2.3% increase in their base salary. The increase was only given to Executives with an employment start date prior to January 1, 2020.

The average fixed base salary increase for employees of the Group amounted to 4.1% in 2020.

In Denmark, the average fixed base salary increase was 2.3%. In 2020, the ratio of the Chief Executive Officer's total remuneration to the average remuneration per employee (Group) was 35.

Salary development

	2020	2019
Base salary increase		
<i>Executive Management</i>		
Ester Baiget, CEO ¹	-	-
Lars Green, CFO ¹	2.3%	-
Thomas Videbæk, EVP	2.3%	2.5%
<i>Novozymes' employees</i>		
Salary review average - Group	4.1%	4.0%
Salary review average - Parent	2.3%	2.5%
Average remuneration excl. Executive Management (DKK millions)		
Group	0.60	0.61
Parent	0.76	0.73
CEO pay ratio		
Group	35	n/a
Parent	28	n/a

1. No salary increase was given in the year of hiring.

Statement by the Board of Directors

The Board of Directors has today considered and approved the remuneration report of Novozymes A/S for the financial year January 1 - December 31, 2020.

The report has been prepared to meet the requirements of section 139b of the Danish Companies Act. The report was also prepared in accordance with the European Commission Guidelines' draft on the standardized presentation of the remuneration report as regards the encouragement of long-term shareholder engagement.

The remuneration of members of the Board of Directors and the Executive Management for the 2020 financial year is consistent with the scope of the remuneration policy. There has been no deviation or derogation from the framework provided by the remuneration policy.

In our opinion, the remuneration report provides a fair presentation of the development in the remuneration of our Executive Management and the remuneration of the Board of Directors as well as a fair presentation of the selected financial and non-financial figures for the financial year January 1 - December 31, 2020. We recommend that the remuneration report be adopted at the annual shareholders' meeting, at which the report will be presented for an advisory vote.

Board of Directors

Bagsvaerd, February 2, 2021

Jørgen Buhl Rasmussen
Chair

Cornelis (Cees) de Jong
Vice chair

Heine Dalsgaard

Lena Bech Holskov

Sharon James

Anders Hentze Knudsen

Kasim Kutay

Lars Bo Køppler

Kim Stratton

Mathias Uhlén

Independent Auditor's Report on Remuneration Report

To the Shareholders of Novozymes A/S

We have examined whether the remuneration report for Novozymes A/S for the financial year 1 January - 31 December 2020 contains the information required under section 139 b, subsection 3 of the Danish Companies Act.

We express reasonable assurance in our conclusion.

The Board of Directors' responsibility for the remuneration report

The Board of Directors is responsible for the preparation of the remuneration report in accordance with section 139 b, subsection 3 of the Danish Companies Act. The Board of Directors is also responsible for the internal control that the Board of Directors deems necessary to prepare the remuneration report without material misstatement, regardless of whether this is due to fraud or error.

Auditor's independence and quality management

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of

Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PricewaterhouseCoopers are subject to the International Standard on Quality Control, ISQC 1, and thus applies a comprehensive quality control system, including documented policies and procedures concerning compliance with ethical requirements, professional standards and current statutory requirements and other regulation.

Auditor's responsibility

Our responsibility is to express a conclusion on the remuneration report based on our examinations. We conducted our examinations in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information and additional requirements under Danish auditor regulation

to obtain reasonable assurance in respect of our conclusion.

As part of our examination, we checked whether the remuneration report contains the information required under section 139 b, subsection 3 of the Companies Act, number 1 - 6, on the remuneration of each individual member of the Executive Board and the Board of Directors.

We believe that the procedures performed provide a sufficient basis for our conclusion. Our examinations have not included procedures to verify the accuracy and completeness of the information provided in the remuneration report, and therefore we do not express any conclusion in this regard.

Conclusion

In our opinion the remuneration report, in all material respects, contains the information required under the Companies Act, section 139 b, subsection 3.

Hellerup, 2 February 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Lars Baungaard

State Authorised Public Accountant
mne23331

Rasmus Friis Jørgensen

State Authorised Public Accountant
mne28705

Appendices - Five year summary

Board of Directors' fees

DKK'000	2020			2019			2018			2017			2016		
	Board of Directors	Committees	Total												
Jørgen Buhl Rasmussen	1,500	250	1,750	1,500	250	1,750	1,500	250	1,750	1,417	250	1,667	917	208	1,125
Agnete Raaschou-Nielsen	155	78	233	1,000	349	1,349	1,000	250	1,250	917	250	1,167	583	250	833
Cornelis de Jong	845	211	1,056	-	-	-	-	-	-	-	-	-	-	-	-
Mathias Uhlén	500	97	597	500	-	500	500	-	500	500	-	500	500	-	500
Anders Hentze Knudsen	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500
Lars Bo Køppler	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500
Lena Bech Holskov	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500
Kasim Kutay	500	211	711	500	-	500	500	-	500	417	-	417	-	-	-
Kim Stratton	500	347	847	500	250	750	500	250	750	417	208	625	-	-	-
Sharon James	422	195	617	-	-	-	-	-	-	-	-	-	-	-	-
Heine Dalsgaard	422	422	845	-	-	-	-	-	-	-	-	-	-	-	-
Lars Green	-	-	-	301	301	602	500	500	1,000	500	500	1,000	500	500	1,000
Patricia Malarkey	-	-	-	42	-	42	401	-	401	-	-	-	-	-	-
Henrik Gürtler	-	-	-	-	-	-	-	-	-	250	-	250	1,500	-	1,500
Heinz-Jürgen Bertram	-	-	-	-	-	-	-	-	-	219	-	219	500	-	500
Lena Olving	-	-	-	-	-	-	-	-	-	-	-	-	83	42	125
Remuneration	6,344	1,811	8,155	5,843	1,150	6,993	6,401	1,250	7,651	6,137	1,208	7,345	6,083	1,000	7,083
Development in total board remuneration			17%			-9%			4%			4%			
Fixed base fee	500		0%	500		0%	500		0%	500		0%	500		0%

Executive Management remuneration

		2020		2019		2018		2017		2016	
		Total Remuneration	Development	Total Remuneration	Development	Total Remuneration	Development	Total Remuneration	Development	Total Remuneration	
Ester Baiget From 1/2-2020	Fixed remuneration	7.9	-								
	Short-term incentive	4.4	-								
	Long-term incentive	7.1	-								
	Total	19.4									
Lars Green From 1/9-2019	Fixed remuneration	6.7	-3%	2.3	-						
	Short-term incentive	3.6	200%	0.4	-						
	Long-term incentive	5.9	-30%	2.8	-						
				5.5							
	LTIP - performance adjustment	-		-1.1	-						
Total	16.2	23%	4.4	-							
Thomas Videbæk	Fixed remuneration	7.7	-4%	8.0	-2%	8.2	5%	7.8	8%	7.2	
	Short-term incentive	3.9	550%	0.6	-67%	1.8	6%	1.7	113%	0.8	
	Long-term incentive	-	-100%	4.8	2%	4.7	-75%	18.5	363%	4.0	
				13.4							
	LTIP - performance adjustment	-		-9.9		-		-		-	
Total	11.6	231%	3.5	-76%	14.7	-48%	28.0	133%	12.0		
Peder Holk Nielsen To 31/1-2020	Fixed remuneration	0.9	0%	11.2	-1%	11.3	2%	11.1	5%	10.6	
	Short-term incentive	-	-	0.7	-70%	2.3	0%	2.3	109%	1.1	
	Long-term incentive	-	-	7.2	3%	7.0	-75%	27.7	362%	6.0	
				19.1							
	LTIP - performance adjustment	-	-	-14.9		-		-		-	
Total	0.9	-	4.2	-80%	20.6	-50%	41.1	132%	17.7		

The numbers in the above table do not include severance pay and compensation for lost incentives from previous employer.

The difference in the total remuneration to the Executive Management in the above table compared to Note 6.1 – Management Remuneration in Novozymes Annual Reports is related to long-term incentives. The disclosure in Note 6.1 is based on IFRS recognition principles where the long-term incentive programs are expensed over the year of grant and the subsequent years of vesting. The long-term incentive included in the above table is the cost of the long-term incentive program measured at market value at the grant date.

Company performance

	2020		2019		2018		2017		2016	
	Development		Development		Development		Development		Development	
Group										
Revenue	14,012	-3%	14,374	0%	14,390	-1%	14,531	3%	14,142	1%
Organic sales growth %	0%		-1%		4%		4%		2%	
EBIT	3,652	-10%	4,039	-1%	4,070	1%	4,047	3%	3,946	2%
EBIT margin	26.1%		28.1%		28.3%		27.9%		27.9%	
Net profit	2,826	-10%	3,155	-2%	3,227	3%	3,120	2%	3,050	8%
Total number of employees	6,185	1%	6,125	-5%	6,427	3%	6,245	-3%	6,441	-1%
Parent company										
Revenue	8,519	3%	8,260	0%	8,272	0%	8,273	8%	7,648	0%
EBIT	2,506	18%	2,126	-18%	2,591	-7%	2,778	7%	2,588	3%
EBIT margin	29.4%		25.7%		31.3%		33.6%		33.8%	
Net profit	2,612	-15%	3,071	13%	2,717	-10%	3,021	2%	2,971	13%
Total number of employees in Novozymes A/S	2,607	-3%	2,688	1%	2,663	2%	2,613	-2%	2,660	-4%