

The Novozymes Report 2021

Rethink Tomorrow



novozymes 

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“Throughout 2021, we made important moves to better position Novozymes, and our employees showed an impressive ability to bring new innovations to market and keep our production running and delivering on time.”

Message from the Chair and the CEO



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Our strategy, Unlocking growth – powered by biotech, will guide the way towards 2025

Strategy



Explore the highlights of The Novozymes Report 2021
– at report2021.novozymes.com

Other reports

- Remuneration Report
- Corporate Governance Report

The big picture

- 4 Novozymes – The world's leading biotech powerhouse
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The world needs a future built on biotech
– and we intend to catalyze the change



Welcome to the world's leading biotech powerhouse

Our growing world is faced with pressing needs, emphasizing the necessity for solutions that can ensure the health of the planet and its population. At Novozymes, we believe biotech is at the core of connecting those societal needs with the challenges and opportunities our customers face. Novozymes is the global market leader in biological solutions, producing a wide range of enzymes, microorganisms, technical and digital solutions which help our customers, amongst other things, add new features to their products and produce more from less.

Grounded in our strong purpose...

TOGETHER WE
FIND BIOLOGICAL
ANSWERS FOR BETTER
LIVES IN A
GROWING WORLD
LET'S RE THINK
TOMORROW

...we use the power of biotech...

World-class bioengineering toolbox

High-quality scale-up and manufacturing

Mastery of real-world applications

🌐 To read more about our business model, go to [Novozymes.com](https://www.novozymes.com)

...to solve global needs

What if

Then

10% of the world's animal protein was replaced with alternative protein...



...900,000 km² of agricultural land would be saved

Detergents were biobased...



...5 million tonnes of fossil-based chemicals would be avoided

3% of all liquid transportation fuels were biobased...



...300 million tonnes of CO₂ would be avoided

10% of chemical pesticides were replaced with biologicals...



...250 million tonnes of chemicals would be avoided from entering our ecosystems

Performance highlights



Financial

6%

Organic sales growth

2.9 DKKbn

Free cash flow before acquisitions

19.3%

ROIC incl. goodwill

26.8%

EBIT margin

Outlook		Initial 2021 outlook	Latest 2021 outlook	Realized 12M 2021
Sales performance, organic	%	2 to 6	5 to 6	6
EBIT margin	%	25 to 26	~27	26.8
ROIC (including goodwill)	%	~19	19 to 20	19.3
Free cash flow before acquisitions	DKKbn	2.7 to 3.1	2.8 to 3.2	2.9

Outlook 2022

See more details on performance in Accounts and performance



Nonfinancial

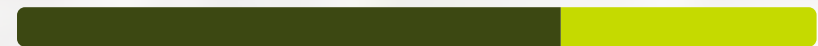
68%

Renewable

Electricity sources

32%

Non-renewable



98%

Recovered

Waste destination

2%

Not recovered



34%

Female

Gender diversity in senior management

66%

Male



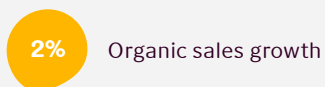
Sales by geography

Europe, the Middle East & Africa



38%

Of sales



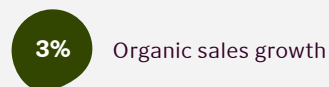
Full-year organic sales grew 2% compared to the previous year with a strong performance in Food, Beverages & Human Health while Household Care, Agriculture and Animal Health & Nutrition was soft.

North America



31%

Of sales



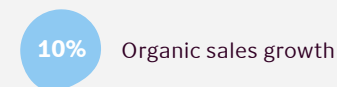
Full-year organic sales in North America increased by 3% organically in 2021 compared to 2020. Bioenergy and Grain & Tech Processing were the main growth drivers while particularly Agriculture, Animal Health & Nutrition declined.

Asia Pacific



20%

Of sales



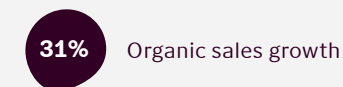
Full-year organic sales increased by 10% in 2021 compared to 2020 with all five business areas contributing positively. Growth was especially strong in Food, Beverages & Human Health and Grain & Tech Processing.

Latin America



11%

Of sales



Sales in Latin America increased by 31% organically in 2021 with broad-based growth across all business areas. Performance was especially strong for Agriculture, Animal Health & Nutrition, Bioenergy, and Grain & Tech Processing.

Sales by business area

Performance

Three out of five of our business areas grew in 2021. Food, Beverages & Human health, Agriculture, Grain & Tech Processing and Bioenergy all contributed with double-digit growth while Household Care and Agriculture, Animal Health & Nutrition performed much as expected.

Household Care

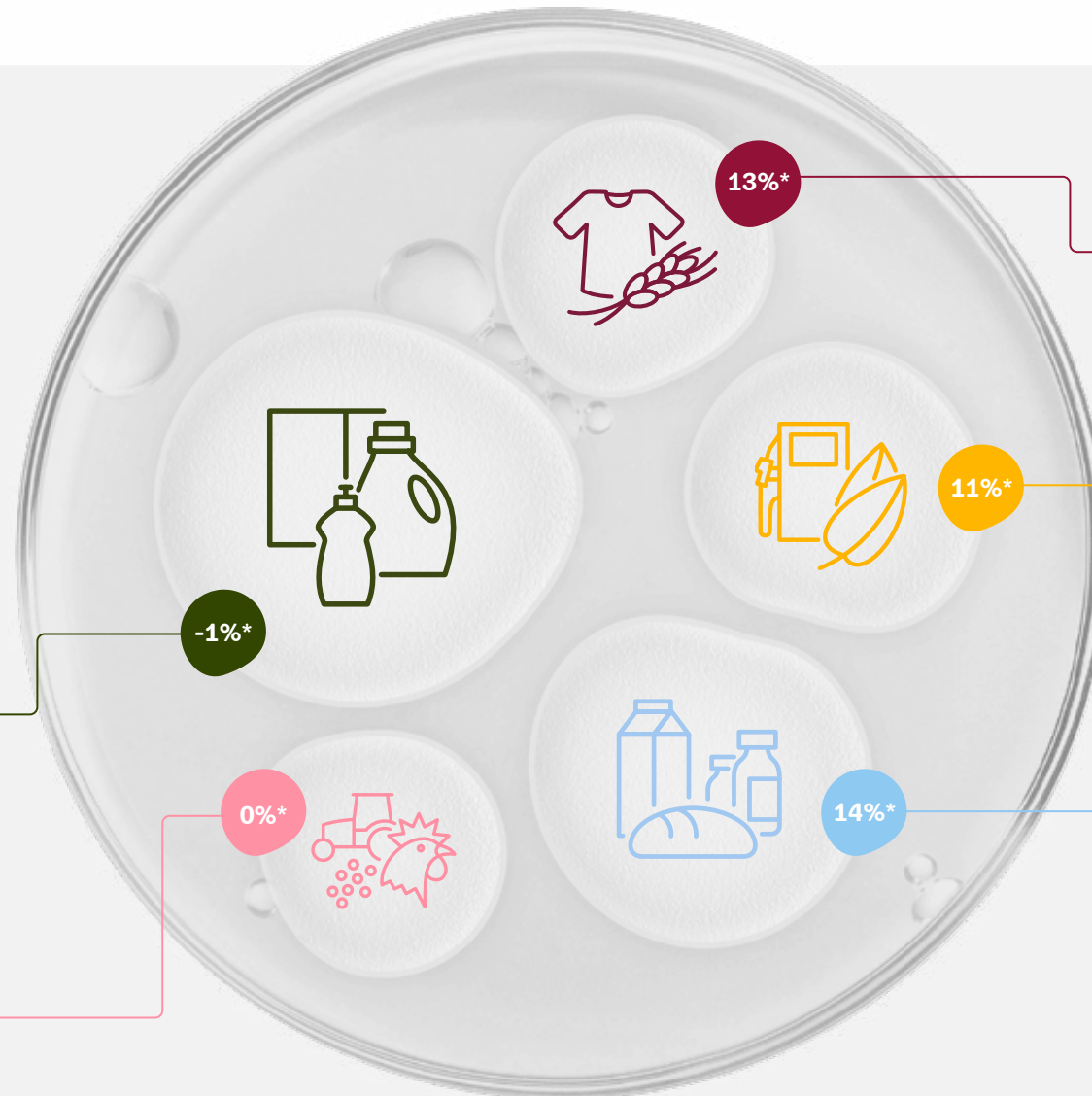
32%

of total sales
2020: 35%

Agriculture, Animal Health & Nutrition

12%

of total sales
2020: 13%



Grain & Tech Processing

15%

of total sales
2020: 14%

Bioenergy

18%

of total sales
2020: 18%

Food, Beverages & Human Health

23%

of total sales
2020: 19%

* Organic sales growth



Household Care

In Household Care, we have a significant opportunity to drive greener, more energy-efficient solutions and better cleaning performance for cleaning clothes, dishes, and surfaces. Our solutions are used by more than half of the world's population, and our powerful portfolio of enzymes and microbes ensure a strong cleaning performance while reducing the consumption of water, energy, and use of chemicals.

2021 performance

In 2021, Household Care sales declined 1% organically and 2% in reported DKK compared to last year. The soft full-year performance came against a strong 2020 performance that grew at 5% organically. Emerging markets performed well, supported by investments to increase our commercial footprint and tailored solutions. The performance in developed markets was subdued and sales declined, mainly due to reduced European consumer demand and certain

private-label customers experiencing difficulties. The Freshness technology performed well and in line with expectations. It was made available across several countries in Europe, with the broad market solution successfully launched in the third quarter.

Product launches in 2021

- **Pristine®** — a phosphodiesterase enzyme (PDE) that breaks down the sources of malodor and discoloration in fabrics. It can be applied to all detergent formats and is fully biodegradable, which makes it perfect for formulating natural detergents.

Key trends

- Consumers increasingly demand solutions that enable deeper, hygienic cleaning of laundry and hard surfaces.
- Transition away from bulkier powder and liquids to compact unit doses supported by growing consumer focus on convenience, reduction of plastic use and increased online sales.
- Industry focus on bio-based and green detergents is strong, with renewable and biodegradable enzymes supporting environmentally friendly formulations.

Consumers increasingly demand solutions that enable deeper, hygienic cleaning of laundry and hard surfaces.



Did you know?

Most ingredients in laundry detergents are fossil-based. Less than 15% of detergent raw materials are the renewable and biodegradable solutions that Novozymes develops. We want to change that and move the industry towards fully biodegradable solutions.

SDG impact





Food, Beverages & Human Health

In Food, Beverages & Human Health, we offer solutions that lower the environmental footprint of food consumption and enable consumers to live healthier lives. Our solutions improve the quality, taste, texture and freshness of foods and beverages, thereby reducing food waste and the need for additives and unwanted compounds and making plant-based meat and dairy alternatives more palatable. Our solutions in Human Health contain beneficial probiotics and enzymes, and we continue to innovate for the one-in-a-trillion biology-based solutions that can be proven to solve profound consumer health challenges.

2021 performance

Sales in Food, Beverages & Human Health grew 14% organically and 25% in reported DKK compared to last year. Sales growth was supported by the two Human Health-related acquisitions, PrecisionBiotics Group and

Microbiome Labs, and was insignificantly impacted by the Synergia transaction that closed mid-December. Full-year growth was broad-based, with all subareas growing organically in the double digits. Growth in Food was mainly driven by market penetration and was particularly strong for health-focused solutions such as acrylamide reduction in baking, sugar reduction in dairy and solutions for plant-based protein extraction. Additionally, in baking in particular, sales benefited to some extent from raw material optimization and ingredient substitution. Beverages benefited from a recovery in global brewing volumes following last year's COVID-19 lockdown measures whereas growth in Human Health was strong and driven by cross-selling of in-house and acquired solutions as well as geographical expansion.

Product launches in 2021

- **Alflorex® Immune** — a probiotic supplement that supports the human immune system.

Key trends

- Growing consumer focus on preventative solutions in health and nutrition.
- Concerns around environmental issues and a desire for healthier lifestyles is driving interest in plant-based alternatives.
- Consumers and food producers increasingly commit to reducing food waste.
- Requirements for quality, taste, texture and freshkeeping in foods and beverages continue to push the need for innovative biological solutions.



Did you know?

Plant-based food and beverages is one of the fastest growing retail categories in the U.S. We support the adoption of plant-based products in global diets to ensure better use of the available arable land, and we do this with solutions that reduce the need for sugar and salt, improve the taste and the texture of protein and eliminate additives. This does good for our planet while ensuring the health of consumers.

SDG impact





Bioenergy

In Bioenergy, we find innovative ways to respond to the increasing global demand for green energy solutions and other corn-derived materials. Our solutions support the production of biofuels by helping our customers get the most value out of corn, for example. Enzymatic and microbial solutions play an important role in the production of bioethanol, corn oil, feed protein, as well as biodiesel, by turning oil seeds and corn into valuable fuel for transportation.

2021 performance

Sales in Bioenergy grew 11% organically and 7% in reported DKK in 2021. U.S ethanol production gradually recovered following last year's severe disruption of gasoline and, subsequently, ethanol demand caused by COVID-19 restrictions. Yet, U.S. ethanol production in 2021 still ended below the 2019-level. The main factors behind the strong performance in

Bioenergy were the recovery of the U.S. ethanol industry in combination with growth from innovation, capacity expansion of corn-based ethanol production in Latin America, and market penetration with enzymatic solutions for biodiesel production.

Product launches in 2021

- **Innova® Element** — a yeast for ethanol plants seeking the highest level of starch and glucose conversion for their fermentation process.
- **Fiberex® F2.5** — an enzymatic solution designed to efficiently extract and convert the cellulose found in corn kernels.

Key trends

- Increasing global demand for cleaner fuels opening the door for alternatives such as renewable diesel, biodiesel, and carbon capture.

- Growing demand for biofuel in emerging markets.
- Producers are diversifying into value streams beyond ethanol, such as feed protein, corn oil, renewable diesel, and biogas.



Did you know?

Today's transport sector is a key area for reducing carbon emissions, as it accounts for about 25% of global energy-related CO₂ emissions. Our solutions for biorefineries and other green technologies play an important role in the pursuit of a carbon-neutral world. The ethanol production enabled by Novozymes' biosolutions results in the displacement of 8 billion gallons of gasoline. This corresponds to taking 25 million cars off the road..

SDG impact





Grain & Tech Processing

In Grain & Tech Processing, we support a range of industries such as grain processing, wastewater treatment, pulp & paper, leather, textile production, and ingredients for the production of bio-pharmaceuticals. These industries focus on process optimization, reducing environmental footprints and increasing yields, which makes the world's resources go further. Our portfolio of solutions improve yields and save energy as well as reducing chemicals, water usage, steam, and electricity.

2021 performance

Full-year sales in Grain & Tech Processing grew 13% organically and 11% in reported DKK. Sales in both Grain and Tech grew by double digits with strong performances across sub-areas. Growth in Grain was mainly driven by increased market penetration with solutions for vegetable oil processing, innovation in starch and particularly in grain milling, as well as increased end-market demand for

starch-derived products, especially in emerging markets. Growth in Tech was primarily the result of a recovering global textile industry following last year's severe COVID-19-related disruption complemented by good performance in areas such as pulp & paper, diagnostics, and leather.

Key trends

- Producers focus on cost reductions, process optimization and yield enhancement.
- Growing demand for effective solutions to address waste handling, water pollution, emissions, and excessive chemical use.
- The textile industry is slowly responding to changing consumer demand for clothes and fabrics with a lower environmental footprint, with renewed interest in biological alternatives to the chemicals currently being used in the textile industry.



Sales in both Grain and Tech grew by double-digits with strong performances across subareas.



Did you know?

Our Frontia® technology in grain milling can help reduce greenhouse gas (GHG) emissions, energy, water, and waste generation. In fact, Frontia® helps customers cut 9 kilograms of CO₂ equivalents per metric tonne of corn, while still generating higher yields. Together with our customers, we continue to push for a world where good business and a better environment go hand in hand.

SDG impact





Agriculture, Animal Health & Nutrition

The world is growing and, to feed it, we need to ensure we get the best yield out of crops and farm animals — while maintaining the health of both. Our solutions improve yields in agriculture by improving plants' absorption of nutrients in the soil, while reducing the need for chemical insecticides and pesticides. They also improve animals' intake of energy, proteins, and minerals in their feed. The result is better use of arable land for food and feed production, reduced use of chemicals, and reduced emissions to the environment from manure in livestock production.

2021 performance

Sales in Agriculture, Animal Health & Nutrition declined 3% in reported DKK and ended the year flat organically compared to 2020. This was despite a negative base effect from the DKK ~60 million one-off related to the former BioAg setup that positively impacted the second quarter of 2020.

Sales performance in Animal Health & Nutrition was primarily driven by innovations such as Balancius® and ProAct 360™, while sales in Agriculture declined due to the aforementioned base effect. Adjusted for the base effect, sales in Agriculture increased led by strong growth in Latin America.

Product launches in 2021

- **ProAct 360™** — protease solution helping poultry producers to achieve responsible and profitable production by improving animals' intake of nutrients.
- **Optimize FXC®** — liquid inoculant increases nitrogen fixation, accessibility to soil nutrients and water absorption in soybean plants, thereby reducing the need for fertilizer.
- **BioniQ®** — a family of inoculants that enhance nitrate, phosphate, and potassium availability for corn, sorghum, canola, all cereal crops, mustard, barley, and pulse crops, also reducing fertilizer-usage.

- **Taegro® 2** — broad-spectrum, foliar fungicide for fruit and vegetable crops that works as a pesticide replacement and protects against powdery mildew and botrytis, among other things, to maximize yields.

Key trends

- Farmers increasingly need to enhance crop performance and support healthier animals through more efficient production.
- Tightened regulations for use of pesticides, insecticides, and antibiotics, combined with an increased focus on chemical replacement and organic farming, create opportunities for biological solutions.
- As the world population grows and demand for protein increases, so does the need for higher performing animals and better animal welfare to ensure responsible and profitable production.



Did you know?

Synthetic fertilizers that are currently used in agriculture can be replaced by biological alternatives that are non-pollutant to water quality and marine wildlife. We are developing biological solutions that boost natural nitrogen absorption, allowing replacement of 50-60lbs of fertilizer per corn-acre per year. If all corn in the U.S. were produced this way, we could potentially save more than 2 million tonnes of chemical fertilizer annually. We engage deeply in sustainable agriculture to transform food systems and help feed and nourish a growing world.

SDG impact

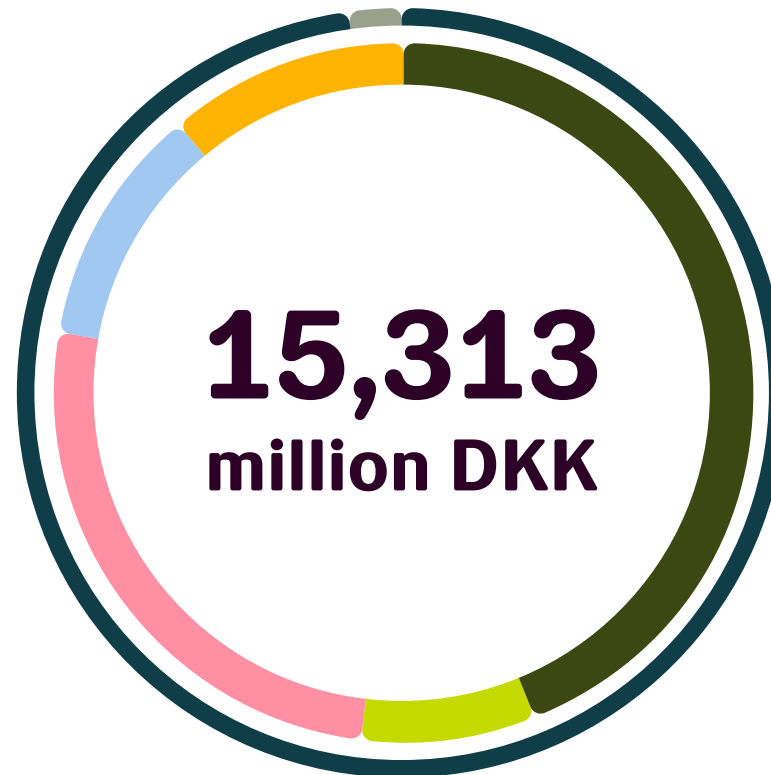


Economic contribution

In 2021, Novozymes generated economic value of DKK 15,313 million, and we returned 89% of it to society. The remaining 11% was reinvested in Novozymes to develop the company, build competitive strength and ensure future value generation for distribution among key stakeholders.

In 2021, Novozymes returned 11% of the value generated to our capital providers. This consisted mainly of our dividend payment of DKK 1,466 million. In addition to the 11%, Novozymes bought back stock worth 1,500 million in 2021.

At the end of 2021, the Novo Nordisk Foundation owned — through Novo Holdings A/S — 25.5% of the share in Novozymes (see The Novozymes Stock). The Novo Nordisk Foundation’s objective is to support scientific, social and humanitarian purposes, and the Foundation contributes to communities in large scale through donations and impact investments, to which we indirectly contribute through our dividend payments.



Suppliers 44%
used to purchase goods and services from our suppliers



Community 8%
returned to the community by paying corporation tax, other taxes and duties



Employees 26%
used for employee wages, pensions, etc.



Sales 98%



Financial & other income 2%



Reinvested in Novozymes 11%
reinvested in Novozymes for future value generation



Capital providers 11%
in dividends and financial costs for our capital providers

A responsible approach to tax

Novozyymes’ tax policy supports a responsible and positive tax contribution to society. We continuously work to fulfill our tax obligations wherever we operate. In 2021, Novozymes incurred corporate income taxes and other taxes and duties of approximately DKK 1,200 million.

Tax is a key component of corporate responsibility and governance in Novozymes. We are committed to being open and transparent about our tax policy and tax affairs. See Novozymes’ tax policy on **Novozyymes.com** as well as other information on tax.

We returned 89% of the economic value generated to society

Five-year summary

DKK million	2017	2018	2019	2020	2021	
Income statement						
Revenue	14,531	14,390	14,374	14,012	14,951	
Gross profit	8,413	8,255	7,954	7,853	8,623	
EBITDA	5,114	5,158	5,292	4,918	5,423	
Operating profit / EBIT	4,047	4,070	4,039	3,652	4,007	
Financial items, net	(157)	(117)	(235)	(127)	(79)	
Net profit	3,120	3,227	3,155	2,826	3,145	
Balance sheet						
Total assets	18,373	19,697	20,437	20,510	24,767	
Equity	11,267	11,438	11,480	11,244	12,206	
Invested capital	12,880	13,953	15,507	15,094	18,118	
Net interest-bearing debt	1,642	2,535	4,049	3,871	5,225	
Investments and cash flows						
Cash flow from operating activities	4,063	3,679	3,196	4,355	4,062	
Purchases of property, plant and equipment	1,593	1,332	862	794	1,071	
Net investments excluding acquisitions	1,665	1,388	991	936	1,116	
Free cash flow before acquisitions	2,398	2,291	2,205	3,419	2,946	
Business acquisitions, divestments and purchase of financial assets	(3)	(4)	430	(588)	(1,631)	
Free cash flow	2,395	2,287	2,635	2,831	1,315	
Key ratios						
Revenue growth, DKK	%	3	(1)	0	(3)	7
Revenue growth, organic	%	4	4	(1)	0	6
R&D costs (% of revenue)	%	13.2	13.0	13.7	13.8	13.4
Gross margin	%	57.9	57.4	55.3	56.0	57.7
EBITDA margin	%	35.2	35.8	36.8	35.1	36.3

		2017	2018	2019	2020	2021
Key ratios (continued)						
EBIT margin	%	27.9	28.3	28.1	26.1	26.8
Effective tax rate	%	19.5	18.0	17.0	19.7	19.9
Equity ratio	%	61.3	58.1	56.2	54.8	49.3
NIBD/EBITDA	x	0.3	0.5	0.8	0.8	1.0
Return on equity	%	27.1	28.4	27.5	24.9	27.3
ROIC including goodwill	%	25.6	24.2	21.1	18.9	19.3
Earnings per share (EPS), diluted	DKK	10.49	11.03	11.01	10.02	11.23
Dividend per share (2021 proposed)	DKK	4.50	5.00	5.25	5.25	5.50

Key ratios have been prepared in accordance with The Danish Finance Society's "Recommendations & Financial Ratios 2015 Nordic Edition" while certain key figures for the Novozymes Group were prepared as described in the Glossary.

IFRS 16 was implemented using the modified retrospective approach, and comparative figures for 2017-2018 have not been restated.

Environmental, social and governance data

		2017	2018	2019	2020	2021
Total number of employees	No.	6,245	6,427	6,125	6,185	6,527
Rate of employee turnover	%	11.9	8.8	12.7	8.7	11.8
Frequency of occupational injuries with absence per million working hours		1.6	2.4	0.9	1.3	1.5
Women in senior management	%	26	30	31	33	34
CO ₂ emissions from operations (scope 1+2)	Tonnes	408	437	330	234	253
Renewable Electricity share	%	38	37	49	69	68
Total water consumption	m ³	8,106	8,205	7,845	7,998	8,538
Biomass recovered	%	98	97	97	97	99

Message from the Chair and the CEO

A brighter future with biotech

2021 was a year of many things – overcoming, inspiring, investing, delivering, and learning. Despite continuing uncertainties throughout the year, our employees showed resilience, commitment, and adaptability, helping Novozymes to achieve even greater impact and strong results for the year.

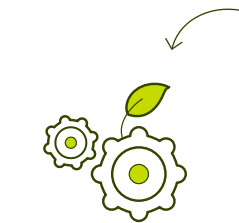


While the effects of the COVID-19 pandemic lessened in 2021, changes in consumer behavior and supply chain issues have continued to affect industries in different ways. In 2021, Food, Beverages & Human Health delivered strong double-digit growth supported by good market conditions. Bioenergy's double-digit sales growth was supported by recovering U.S. ethanol production and expansion of starch-based ethanol production in Latin America, while double-digit sales growth in Grain & Tech Processing came from strong demand for ag-processing solutions and a recovery in textile. Household Care and Agriculture, Animal Health & Nutrition performed much as expected.

Our organic sales growth came in at 6% for the year, and the reported EBIT margin was at a solid 26.8%. We also saw a strong free cash flow at DKK 2.9bn before acquisitions and excellent returns to our shareholders. These strong results have enabled us to make important strategic moves, such as growing our capabilities in BioHealth, and we have much to be proud of when we look back on 2021.

A strong foundation for future growth

If there is one specific takeaway from 2021 it is this: Now is the time for businesses with a sustainability platform to be focused and agile, while staying true to their purpose. At Novozymes, we live through our purpose — Together we find biological answers for better lives in a growing world. And it's the power of that purpose that gives us the right to dream — to imagine a better world with the help of biotechnology. But for those dreams to become reality and have the biggest possible impact, we must be bold in our ambitions and continue to invest to unleash our growth potential. In an everchanging world, we need to combine a clear direction with a level of agility that can keep pace with change. That's how we



Throughout 2021, we made important moves to better position Novozymes, and our employees showed an impressive ability to bring new innovations to market and keep our production running and delivering on time.

generate value for our shareholders, but it's also how we best contribute to the world.

In September, we launched Unlocking growth – powered by biotech, to meet our growth ambitions and unleash Novozymes' full potential. With this refreshed strategy, we now have a roadmap to ensure our solutions will have maximum impact, by guiding us in how we invest, how we innovate and how we interact with our customers and partners. But a world of opportunity requires attentive prioritization: we must boldly decide what we will do more of and where we intend to invest less to ensure our resources are spent where they matter most.

Ultimately, our expertise reaches far beyond enzymes. We have a world-class biotech toolbox, from enzymes to proteins and microorganisms, one-of-a-kind scale-up ability, and a global presence in more than 130 countries. We are a biotech powerhouse, and it is on this solid foundation that we are now building our future.

Delivering despite uncertainty

Throughout 2021, we made important moves to better position Novozymes, and our employees showed an impressive ability to bring new innovations to market and keep our production running and delivering on time.

Novozymes is a growth company, and we made significant investments and progress during the year to ensure future growth.

We strengthened our commitment to alternative proteins with the announcement of a DKK 2 billion investment in a new state-of-the-art production line for advanced protein solutions in Blair, Nebraska. With this investment, we tap into the growing market need for alternative sources of protein. Meanwhile, in

BioHealth, we accelerated our capabilities by acquiring a majority stake in Synergia Life Sciences Pvt. Ltd., a leading player in the field of spore probiotics and vitamin K2-7. This followed our acquisition earlier in the year of Microbiome Labs and our purchase of the Biota technology asset, which further added to our microbe innovation capability. In emerging markets, we increased our reach and achieved strong growth, for example with our yeast platform in Latin America. Our new Global Powder Center based in India will also help us to support our customers in this region on their journey towards greener detergent formulation.

We made numerous exciting product launches, such as Pristine®, which helps eliminate sources of bad odor in fabrics, answering consumer calls for clothes that smell and feel fresh for longer. For poultry producers, our new protease solution ProAct 360™, launched through the DSM – Novozymes Alliance, helps them to achieve responsible and profitable production by improving animals' intake of nutrients and ensuring greater retention of nitrogen in the metabolism of the animals, lowering nitrogen emissions to the environment. And for our customers in bioenergy, we not only expanded our yeast platform with Innova® Element for their fermentation processes, we also enabled them to make the most of new revenue streams with Fiberex® F2.5, which makes even better use of the cellulose found in corn kernels, so it can be used not only for animal feed but also for extracting corn oil and cellulosic ethanol.

Over the next few years, we will continue to strengthen our understanding of our customers' needs, for example by making key investments in customer co-creation centers in food and health. These centers will allow us to immerse ourselves in the world of our nutrition customers and better understand their needs. We will also further develop our

digital offerings to customers. In 2021 alone, we launched several digital tools for different stages of the customer journey. We now offer the on-line prediction tool SmartBake®, which helps Baking customers with their fresh-keeping dosage trials by providing quick and easy access to the right enzymes and dosage. And in June, we launched Front Sight®, a digital program which provides ethanol producers with live data and real-time analytics to help dose corn and enzymes in their production processes, ensuring they can achieve higher production yields with the right support throughout the process.

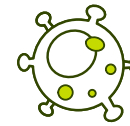
Working together for change

As a global leader and a responsible corporate citizen, we encourage and drive change across our entire value chain, including the societies in which we operate. Our solutions play an important role in helping our customers contribute to a healthier planet, but we can't stop there; we must look beyond our solutions. We do this by setting ambitious targets, and by working together with others to drive a sustainability agenda.

In shaping our strategy, we took an honest look at our operational targets and asked ourselves how we could best embrace our leadership position in sustainability. We are proud of what we have accomplished, with a 42% reduction in CO₂ emissions (scope 1 and 2), relative to our 2018 baseline, and we know we can do more to set the tone in the markets in which we operate. The result is that we now aim to reduce absolute greenhouse gas (GHG) emissions by 50% by 2030, not just for Scope 1 and 2 but also for Scope 3, taking stock of our entire supply chain when measuring our impact. In addition, we commit to maximize the percentage of our sales that enables a better world, and we will report the percentage of our sales that contributes to accelerating a carbon-neutral world, transforming food systems, and enabling healthier lives respectively.

This year also marked 20 years of our collaboration with the U.N. Global Compact, the world's largest corporate sustainability initiative. We were again chosen by the U.N. Global Compact as one of the few global companies to achieve LEAD status, thanks to our commitment to sustainability and our leadership in defining good practices for this. We continue to support the U.N. Global Compact in its work on climate change, such as by working with the Science Based Targets initiative, and Business Ambition for 1.5 Degrees. At COP26, Novozymes was awarded the Terra Carta Seal by His Royal Highness the Prince of Wales, thus being recognized along with other international corporations that have made serious and action-oriented commitments towards a better future. To ensure we can all live within the boundaries of a healthy planet, we must work together, as the efforts of many far outweigh the efforts of one. We will continue to actively advocate for change by engaging in dialogue and offering our expertise when working with organizations like the UN Global Compact, the World Economic Forum, the International Chamber of Commerce, The B Team, the UN Foundation, Business Fights Poverty, and many other wonderful organizations.

Solving some of the world's most pressing challenges also means we need to attract the brightest minds and retain the most talented people. As an innovation company seeking to catalyze change for the planet and people, we can only achieve our aim if different perspectives have a seat at the table and if their voice is heard. Therefore, we have set ourselves clear targets to drive an inclusive and diverse workforce where employees stay safe, thrive and grow, while also having the opportunity to pledge 1% of their time to community outreach.



The uncertainties experienced this year, whether it be from supply chain issues, rising price of raw materials or COVID-19, is something our employees have handled with an incredible spirit and determination.

Moving forward

The uncertainties experienced in 2021, whether it be from supply chain issues, rising price of raw materials or COVID-19, is something our employees have handled with an incredible spirit and determination. It's thanks to their diligence, planning and care for each other that we can look back on a year in which Novozymes delivered such strong results and kept the trust of our customers. We speak on behalf of the whole Board and Executive Leadership Team when we say that this makes us extremely proud and thankful.

In 2022, we have set an organic sales growth expectation of 3% to 7%, the broad range reflecting continued uncertainty related to the pandemic situation and volatile market conditions.

Going forward, we will continue to build on a foundation for growth and we will continue to invest in innovation and new ventures, our people, our partnerships, and our communities to ensure we live up to our purpose every day.

We thank our employees, customers and partners for the progress we made together in 2021 and we look forward to taking the next steps on our strategic journey in 2022.

Jørgen Buhl Rasmussen
Chair

Ester Baiget
CEO

Our business

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Unlocking growth – powered by biotech

We accelerate towards a climate-neutral society, we transform food systems and enable healthier lives



Strategy

At Novozymes, we have made important strategic moves in recent years to better reach our full potential. In 2021, we took the next big step on our journey as a leader in the field of biotech.

Our strategy, Unlocking growth – powered by biotech, will guide the way towards 2025 and will also act as a foundation for our 2030 ambition



Revenue share of 2030 commitments*

Accelerate towards a climate-neutral society



77%

of our revenue came from products that contribute to reduction in CO₂ emissions by reducing the use of fossil-based energy and chemicals

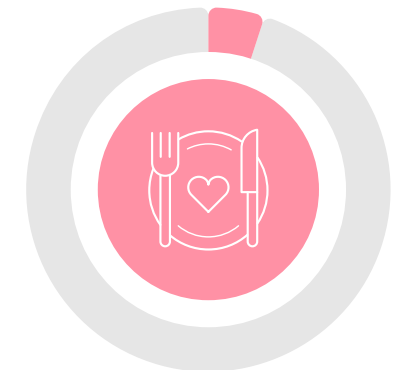
Transform food systems



35%

of our revenue came from products enabling our food production systems to produce more from less and improve nutrition and quality

Enable healthier lives



5%

of our revenue came from products that enable better health in people's daily lives

The purpose of our strategy has always been to steer the organization in a direction that better enables us to live up to our purpose “Together we find biological answers for better lives in a growing world – Let’s rethink tomorrow”, while staying true to our **values**. In recent years, we have focused our pipeline and resources on growth areas, built new strategic opportunity areas and formed a more customer-centric organizational structure with a strong emerging markets presence. And we have remained as committed as ever to society, the environment, and our employees; Zymers.

Based on the resulting solid foundation for growth along with valuable learnings gained over the years, we announced a refreshed strategy in 2021. We call this strategy Unlocking growth – powered by biotech.

* The total adds up to more than 100% as many of our solutions contribute to more than one commitment

Ensuring our impact in the future

At Novozymes, we believe that by focusing on where we have the greatest impact on the world, we will also achieve our growth potential. The process of refreshing our strategy therefore began by looking at the challenges and opportunities in a world where climate change, technology, and wellbeing are top of mind for customers, consumers and in societies in general.

Our strategy, Unlocking growth – powered by biotech, will guide the way towards 2025 and will also act as a foundation for our 2030 ambition of doubling our sales while accelerating towards a climate-neutral society, transforming food systems, and enabling healthier lives. From 2022 onwards, we will continue to evaluate our progress towards these commitments through a set of milestones for our workforce, our impact on the societies we operate in, the impact of our operations on the world and our financial results.

To fulfill our commitments, we focus on strategic priorities that give us greater and better access to the market potential for biotech. We have unparalleled capabilities within enzymes, microbes, and advanced proteins, and we leverage our position as a leader in biotech to excite customers, consumers, and societies through biological solutions for a better climate and improved health and nutrition. By succeeding with our strategy, we will provide our shareholders with short-term growth and unparalleled strategic platforms for future value creation.

Targets for Unlocking growth – powered by biotech



Business

Organic sales*
CAGR 5% or higher until 2025

EBIT margin*
26% or higher by 2025

ROIC incl. goodwill*
20% or higher by 2025



Zymers & society

Include
An inclusive and diverse workforce

Achieve gender balance across all professionals and in senior leadership by 2030

Thrive
A workplace where Zymers stay safe, thrive and grow

Take action and monitor progress to ensure organizational wellbeing

Inspire
A culture of changemakers

Pledge 1% of our time to community outreach



Operations

Climate
50% reduction** in absolute CO₂ emissions from operations and supply chain by 2030 and net zero by 2050

100% renewable electricity by 2030

Water
100% of sites*** to manage water in balance with local conditions by 2030

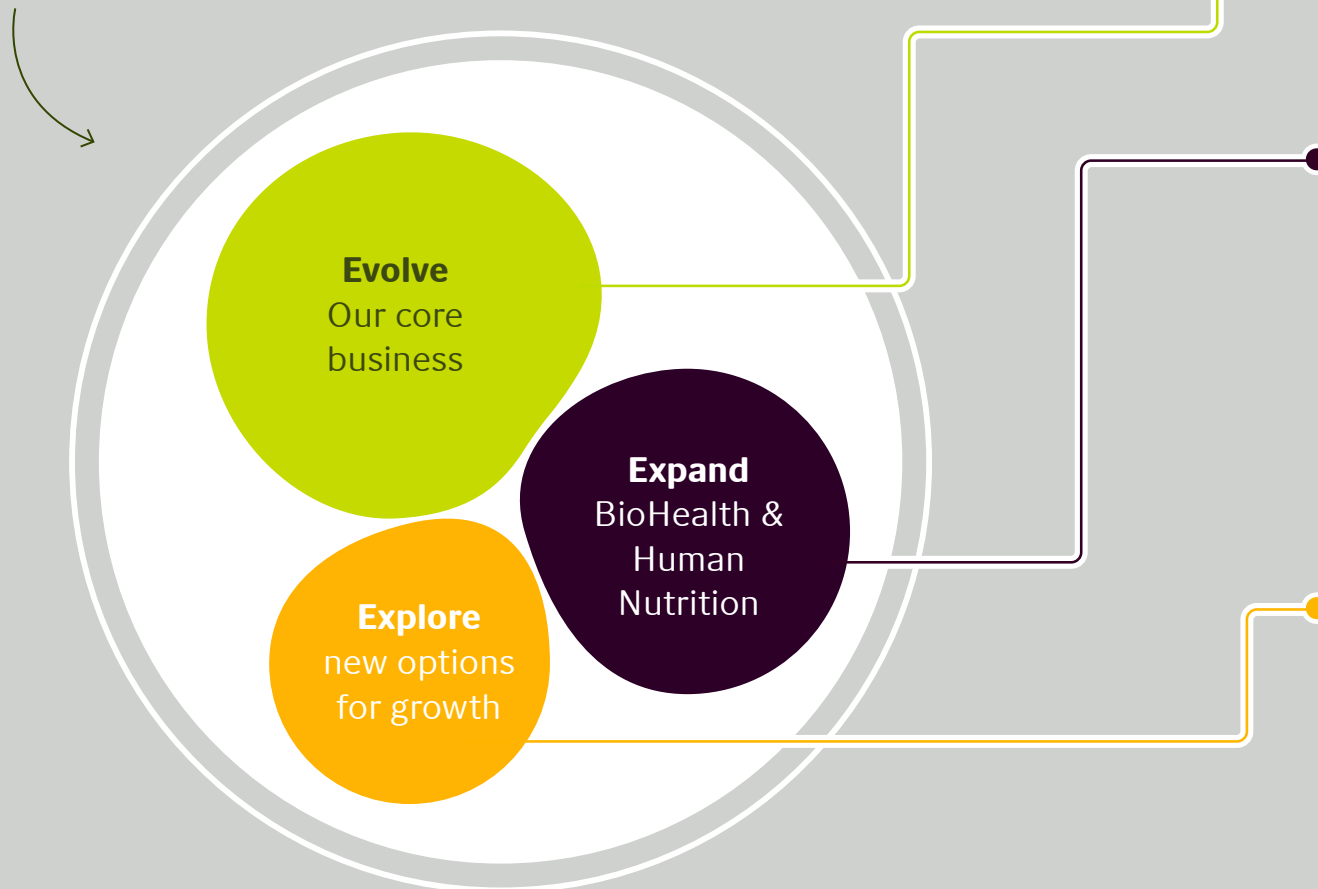
Circular
Zero waste from operations*** by 2030

* All targets assume constant currencies, no additional acquisitions, no divestments, no special items, a gradual normalization of the global economy and supply chain post-COVID, and no new severe disruptions of the global economy

** From a 2018 baseline

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

At the center of Unlocking growth – powered by biotech, we find the growth pillars that will take us to where we aim to be. They are:



Evolve our core business

In this growth pillar, we find the areas where we currently see most of our sales, such as detergents and bioenergy. These continue to offer solid growth opportunities which we will tap into via innovation, commercial excellence, digitalization, and production optimization.

Expand BioHealth & Human Nutrition

In the areas of BioHealth and Human Nutrition, we have solutions that provide natural answers to a growing focus in society on healthy people, healthy animals, and a healthy planet. We expect strong growth here and we intend to invest in these areas to ensure we can be close to our customers and have the capabilities to meet demand and capture attractive growth opportunities.

Explore new options for growth

In our Explore pillar, we aim to be bold and ambitious in our pursuit of new opportunities. Through a venture mindset, we will explore opportunities, such as carbon capture, fertilizer replacement and plastic degradation, which come with very high potential but also increased risk. An agile approach will ensure that we can quickly test out the viability of any opportunity and only move ahead with the ones that have the strongest potential.



To find out more about Unlocking growth – powered by biotech, please go to our online strategy tool

2021 strategic highlights

Investing in Advanced Protein Solutions

Consumers are embracing plant-based products, including plant-based meat. In order to address how we meet the increasing demand for proteins with lower environmental footprint, we are investing in a new state-of-the-art production line at our site in Blair, Nebraska, strengthening our commitment to the strategic opportunity area of Advanced Protein Solutions.

This DKK 2 billion investment follows an agreement to enter into a long-term contract with an anchor customer and key player in the plant-based industry. The new plant at Blair will enable Novozymes to capitalize on decades of experience with fermented catalytic proteins while also taking us closer to realizing our commitments for 2030.

Strengthening and accelerating our BioHealth business

In December, we acquired a majority stake in Synergia Life Sciences Pvt. Ltd., a leading player in the field of spore probiotics and vitamin K2-7, thereby accelerating our position in human health and functional foods.

Since mid-2020, we have made two other acquisitions in the BioHealth space; first with PrecisionBiotics Group, then Microbiome Labs and, in March of 2021, we strengthened our data science approach to our Novozymes OneHealth business with the purchase of the Biota technology asset.

These additions are helping to leverage our strong scientific capabilities and ability to combine microbes – pre- and probiotics – with enzymes and other biological solutions to develop innovative, effective, and clinically-proven solutions that improve human health in a growing world.

Setting new standards for efficiency in ethanol production

Our enzymes, yeast, and technical service platforms allow ethanol producers to generate the highest levels of ethanol, diversify, lower input costs, and achieve significant process efficiency gains, thereby making better use of the planet's resources.

In 2021, we added a new solution to our ambitious yeast platform: Innova® Element. We also launched Fibrex® F2.5 for converting fiber more efficiently into its value-add components, such as cellulosic ethanol and corn oil, and Front Sight®, a digital turnkey solution, providing ethanol producers with live data and real-time analytics to help dose corn and enzymes correctly, every time.

Advancing biological solutions for agriculture and livestock

There is increasing pressure on the agricultural industry to replace chemical pesticides with biological solutions. In 2021, we entered a strategic collaboration with FMC, a leading global agricultural sciences company, to research, co-develop, and commercialize novel enzyme-based crop protection solutions for farmers around the world. The new collaboration with FMC, alongside our existing toolbox of bioyield and biocontrol solutions, cements our position as a pioneer and enabler of a biological transformation in agriculture.

The feed industry is also experiencing an accelerated customer focus on sustainability and we have solutions that respond to these needs. Together with DSM, we launched ProAct 360™ which helps feed producers be more flexible in their raw materials selection and significantly enhances the digestibility of protein, ensuring greater retention of nitrogen in the metabolism and therefore lower nitrogen emissions to the environment. In China, Novozymes' key feed enzymes were approved, enabling access to a key strategic market.

Working together for a better world

In 2021, Novozymes was also present at COP26, to engage and help turn talk into action, so the global community can move closer to making clear plans and taking firm action on limiting the global temperature increase. We support plans that ensure a just and equitable transition to a net-zero economy. At COP26, we were also one of the international corporations awarded the Terra Carta Seal by His Royal Highness the Prince of Wales for our commitment to a sustainable future.

Our presence at COP26 ties in with the work we already do every day with various policymakers, helping to define enabling policy frameworks. We have close partnerships and collaborations with the World Economic Forum, the International Chamber of Commerce, The B Team, the UN Foundation, Business Fights Poverty and many more.

Our position as a leader in safer and more environmentally friendly solutions was also reinforced when we were chosen as a 2021 Safer Choice Partner of the Year by the U.S. Environmental Protection Agency (EPA).

Addressing consumer laundry challenges with Pristine®

Novozymes has long been at the forefront of exploring laundry benefits beyond stain removal. With the launch of our new laundry solution Pristine® in September, we took a significant step towards delivering those benefits through biological solutions to more customers.

Pristine® breaks down invisible layers of body grime and releases dirt and odor that might be trapped in fabrics, tackling the root cause of consumer challenges with hygiene, malodors, and color dullness in textiles. As fabrics washed with Pristine® become hygienically clean and are less prone to yellowing and decolorization, they last longer and need not be discarded as fast, which helps to tackle the challenges of overconsumption and waste in a growing world.

Smarter solutions for lowering GHG emissions

We recently announced our collaboration with Saipem, an advanced technological and engineering platform for complex infrastructure and plants, for the development of innovative solutions for enzymatic carbon capture.

Enzymatic carbon capture is a cleaner and more cost-effective method of carbon capture compared to traditional CO₂ capture processes, as enzymes enable lower temperature input and more moderate use of chemicals.

As part of the agreement, Saipem - which owns an enzyme-based CO₂ capture technology - will be responsible for providing process, mechanical and equipment design, while Novozymes will provide enzymes in addition to further optimizing the process through enzymes innovation.



Enzymatic carbon capture is a cleaner and more cost-effective method of carbon capture compared to traditional CO₂ capture processes

Our solutions contribute to several of the Sustainable Development Goals (SDGs), directly or indirectly.



Working with the SDGs

As a leader in biotech solutions, Novozymes holds many answers to overcoming some of the world's biggest challenges. Our solutions contribute to several of the United Nations Sustainable Development Goals (SDGs), directly or indirectly. The SDGs represent both responsibilities and opportunities for Novozymes. They have been an integral part of how we drive our business, innovate, run our operations, and work with our employees and the communities we are part of.

Sustainability has been a priority for Novozymes for decades. In 2002, we were the first company to have a fully integrated triple bottom line report. In 2012, when the SDGs creation process started, we were actively engaged in developing the set of goals for the global community as it was also highly relevant to Novozymes as a business. We were so inspired by the draft text of SDGs that it influenced the formulation of a purpose, strategy, and targets which we launched in January 2015, nine months before the SDGs were finally concluded by the 193 nations participating in the UN process. Today, we are still guided by that purpose, Together we find biological answers for better lives in a growing world – Let's rethink tomorrow, and we have contributed significantly to the SDGs since then.

With our refreshed strategy Unlocking growth – powered by biotech, we will strengthen our contributions to making the SDGs a reality by delivering on three new commitments to a healthy planet. We are committing to accelerate towards a climate-neutral society, transform food systems, and enable healthier lives.

Through strong collaborations, we encourage and drive change across our entire value chain, including our employees and the societies in which we operate. Our solutions help our customers contribute to a healthier planet, so they can produce more from less, often reducing CO₂ emissions and the use of water, energy, or chemicals. Our solutions also address modern human health challenges and food system sustainability. We actively seek to reduce the environmental footprint of our operations and supply chain, and we continue to invest in our employees as part of building an inclusive, thriving, and inspiring workforce.



For an overview of our contributions to the SDGs, read more on [Novozyymes.com](https://www.novozymes.com)

We encourage and drive change across our entire value chain

We help our customers contribute to a healthier planet

We actively seek to reduce the environmental footprint

Spotlight story

Innovating for a climate-neutral society

The report from the Intergovernmental Panel on Climate Change (IPCC) published in 2021 is a clear call to the world to accelerate the decarbonization journey. At Novozymes, we believe – and have shown — that our biological solutions can contribute significantly to decarbonization. Many of our solutions reduce the carbon intensity of the processes where they are applied.

We can already see that the low-carbon transition is creating demand for new goods and services across all sectors. This demand is driven by favorable policy developments and changing consumer needs alike. For example, in 2020, the EU Commission proposed a plan which includes a target of reducing the use of pesticides by 50% over the next decade. Likewise, consumers are increasingly making conscious choices when purchasing products. For example, consumers are seeking better and healthier protein solutions, and are ready to pay for it.

Novozymes fully recognizes the potential to grow our business while innovating transformative solutions for the climate. We have therefore decided to invest in strategic opportunity areas, including biological alternatives to synthetic fertilizers, carbon capture and advanced protein solutions.

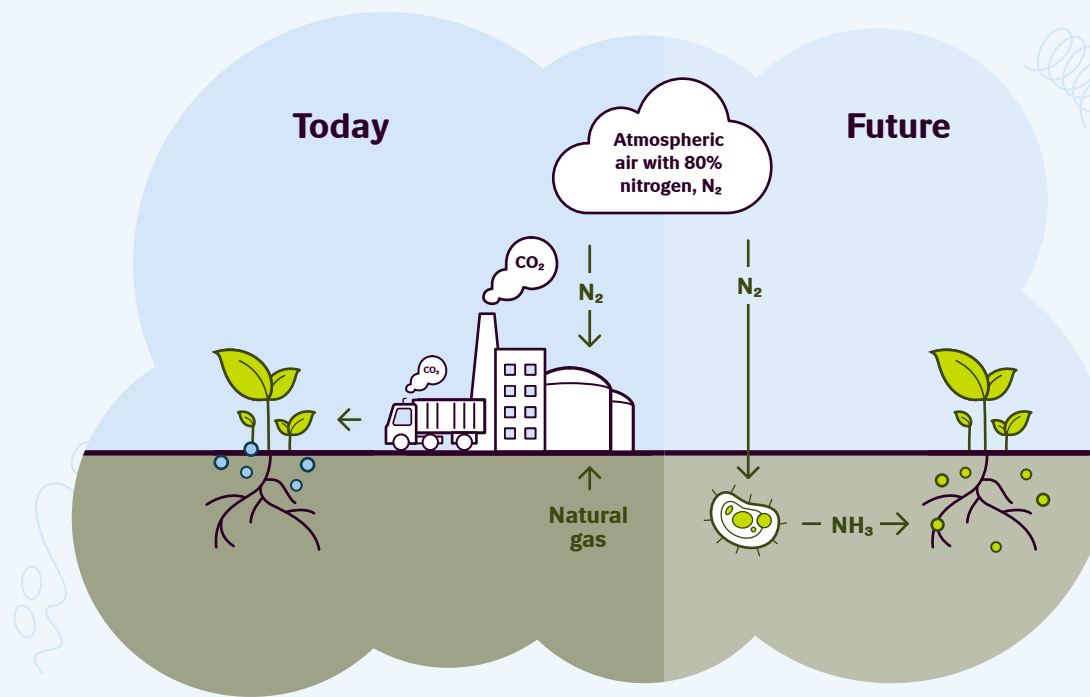
Biological solutions supporting climate smart agriculture

Decarbonizing the industrial agriculture production brings a specific opportunity to deliver significant CO₂ savings from higher yields, resulting from the application of biological solutions for agriculture. For example, if Novozymes' inoculants were to be used on all corn grown in the U.S., it could potentially reduce greenhouse gas (GHG) emissions by 3.9 million tonnes of CO₂.*

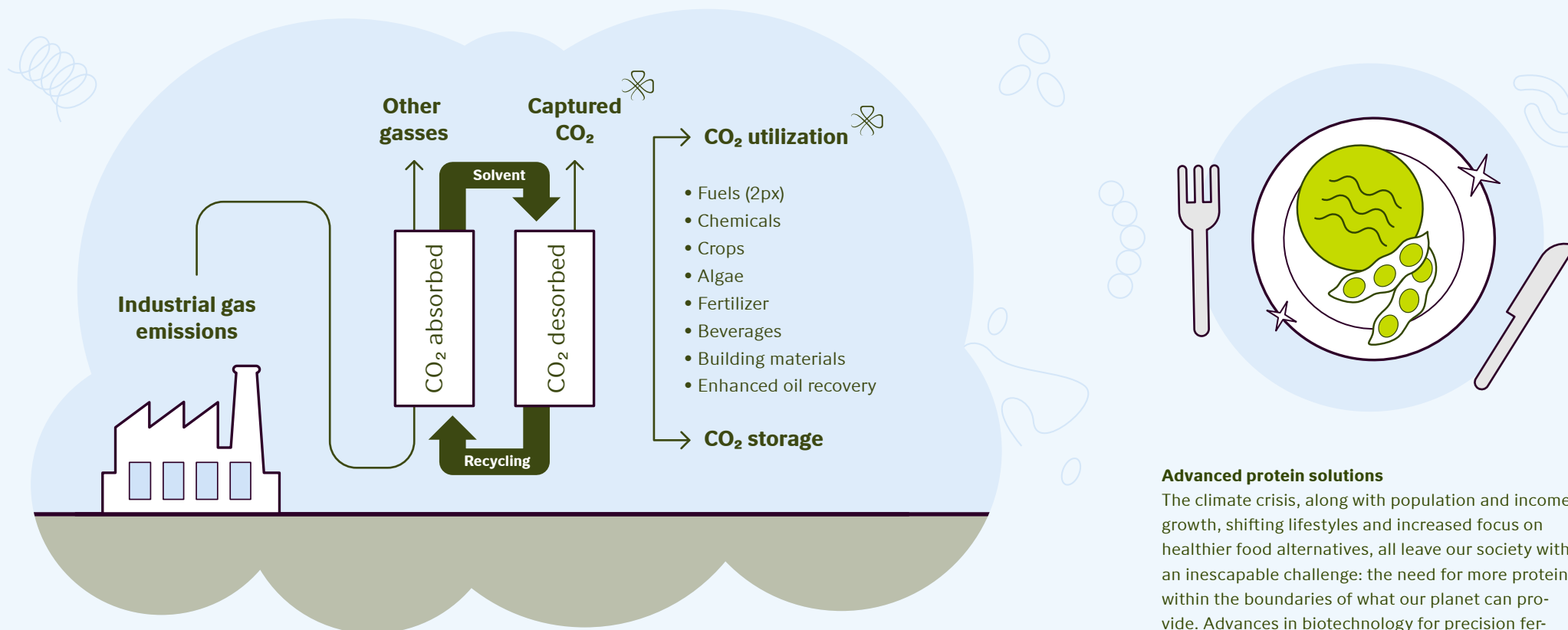
There is also a great opportunity to reduce environmental impact by using biological alternatives to the synthetic fertilizers that are currently used in

agriculture to ensure plant growth. We are developing biological solutions that boost natural nitrogen absorption and enable the replacement of 50-60lbs of fertilizer per corn-acre per year. If all corn in the U.S. were produced this way, we could potentially save more than 2 million tonnes of chemical fertilizer annually. At the same time, our solutions are non-pollutant to water quality and marine wildlife.

* Kløverpris et al. (2020): **Assessing life cycle impacts from changes in agricultural practices of crop production - Methodological description and case study of microbial phosphate inoculant.** *Int J Life Cycle Assess.*



- Synthetic nitrogen fertilizer (e.g. NO₃) spread on the soil surface
- Nitrogen fertilizer (ammonia, NH₃) released by microorganisms in the soil, next to the crops' roots



Enzymatic carbon capture

To limit global warming to 1.5°C, the world needs to capture carbon from the generating source directly. In the energy sector, current technologies and capacity need to be expanded significantly to reduce industrial emissions, even after renewable energy is widely adopted. The International Energy Agency (IEA) states that carbon capture and storage technologies can cover 12% of the reductions in GHG emissions needed by 2050 for the sector to achieve net zero emissions by 2070. And we believe enzymes can help make this process less energy intensive and more environmentally friendly.

Traditional carbon capture methods that extract CO₂ from flue gas rely on hazardous chemicals and highly capital-intensive assets, creating products that can harm people and the environment. By using enzymes (carbonic anhydrase) instead of conventional chemicals, we can enable a more reliable carbon capture process that requires less energy and produces no toxic waste, aerosols, or contaminants. In addition, carbon captured this way can then be used as feedstock or sent to storage. Novozymes is investing in developing such solutions for enzymatic carbon capture, for example through our collaboration agreement with Saipem, an advanced technology and engineering company.

Advanced protein solutions

The climate crisis, along with population and income growth, shifting lifestyles and increased focus on healthier food alternatives, all leave our society with an inescapable challenge: the need for more protein within the boundaries of what our planet can provide. Advances in biotechnology for precision fermentation, for example, are enabling tailor-made enzymes which maximize the extraction of protein, enhancing taste and texture, as well as advanced proteins ultimately resulting in desirable, cost-competitive, plant-based and animal-free nutrients.

Novozymes can play a key role in enabling a transition to a more diversified protein supply with alternative proteins. This includes enzymes that enable the next generation of plant-based alternatives, as well as high-value fermentation-based proteins. Novozymes will invest in technologies focused on improving the nutritional, functional and sensorial attributes of advanced protein solutions to drive and accelerate protein diversification in our diets.

Targets & 2022 outlook

To live our purpose and drive our business, we set financial and nonfinancial targets for our business and employees and for society and our operations. We evaluate and report transparently on our performance against those targets.

Novozymes' purpose is rooted in sustainability and we are committed to creating a healthier planet. We hold ourselves accountable by setting and reporting on our financial and nonfinancial targets guided by the Sustainable Development Goals (SDGs). These targets seek to maximize the positive impact of our solutions and to minimize the environmental impact of our operations while being a compassionate employer and responsible corporate citizen.

In 2019, we set targets for 2022 focusing on our business, our employees, our operations, and the world. We reported in detail on our progress against those targets in our 2019 and 2020 annual reports.

With our 2021 refreshed strategy, Unlocking growth – powered by biotech, we made new long-term commitments. Our 2022 nonfinancial targets are still valid and serve as milestones for our long-term journey.

For the period after 2022, we will communicate new non-financial targets and milestones to guide our journey toward our long-term commitments. Our current financial targets already reflect our refreshed strategy and run until 2025.

Business



We need to ensure a healthy and growing business, as the very nature of our solutions enables customers and consumers to find biological alternatives to their needs.

Long-term commitment

Our financial targets give us a clear prioritization of our capital allocation as we continue to invest in our established business – in people, innovation, and capacity – to protect and generate value from our core. We also continue to look at M&A opportunities which support our strategic journey or accelerate technology or capability building. We believe this sets us up for long-term growth beyond the strategy period to 2025 and have therefore defined an ambition to double reported sales by 2030 vs 2020*.

Milestones

Sales: In the period to 2025, we strive to grow our sales organically by a compounded annual growth rate (CAGR) of 5% or higher*

In 2021, we saw organic sales growth of 6%. Food, Beverages & Human health, Agriculture, Grain & Tech Processing and Bioenergy all contributed with double-digit growth while Household Care and Agriculture, Animal Health & Nutrition performed much as expected.

Outlook 2022: On track

Profit: By 2025, we aim to have an EBIT margin of 26% or higher, and not below 25% in any individual year. For ROIC including goodwill we aim to reach 20% or higher by 2025*

In 2021, reported EBIT margins of 26.8%. Higher operating costs during the year were more than offset by a higher gross margin and increased other operating income. Return on invested capital (ROIC) including goodwill was 19.3% for the full year. The improvement in ROIC including goodwill was due to the higher net operating profit after tax which more than offset an increase in average invested capital following the PrecisionBiotics Group, Microbiome Labs and Synergia Life Sciences acquisitions.

Outlook 2022: On track

Learn more: [Sales outlook & Financial outlook](#)

* All targets assume constant currencies, no additional acquisitions, no divestments, no special items, a gradual normalization of the global economy and supply chain post-COVID, and no new severe disruptions of the global economy

Zymers & Society



We are committed to continue to help our employees, also called Zymers, develop in a thriving, diverse and inclusive community.

Include

Long-term commitment

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

Milestone

Nurture diversity: Achieve a score of at least 86 on our diversity index by 2022

We achieved 85 on our diversity index and our senior management was 34% female and 66% male.

Outlook 2022: On track

Learn more: [Inclusion & Diversity note](#)

* Gender balance means that, at a minimum, we will have 45% women and 45% men across all professionals and in senior management

Thrive

Long-term commitment

We take pride in a workplace where Zymers can stay safe, thrive, and grow. We achieve that by ensuring Zymers' safety, promoting mental and physical wellbeing, supporting our Zymers across different life stages as a compassionate employer, and boosting Zymers' learning and skills development.

Milestones

Ensure safety and wellbeing: Three year rolling average of occupational injuries with absence** ≤ 1.5 by 2022

Our 2019-2021 average was 1.2 compared with 1.5 in 2020. We launched a mandatory safety e-learning module for all employees, focused on current safety challenges across Novozymes. The COVID-19 pandemic continued to pose challenges to Novozymes around the world, but teams have handled changes related to COVID-19 well, achieving a score of 91 out of 100 on our employee survey.

Outlook 2022: On track

Excite employees: Achieve a score of at least 81 on our Zymer Spirit index by 2022

We achieved a score of 82 points on our Zymer spirit index, showing our employees to be engaged and committed to our purpose and strategy. Throughout the year, we regularly host virtual and physical townhalls to explore strategic topics and allow employees to gain a better understanding of their role in Novozymes' success today and in the future.

Outlook 2022: On track

** Lost-time injuries per million working hours

Enable learning: Achieve a score of at least 80 on learning in our annual employee survey by 2022

We achieved a score of 79 points on Enable learning. We launched an online learning platform to help employees build skills and competencies needed for success in existing job roles and career growth by allowing discovering, sharing, and tracking learning content from a wide range of internal and external sources like LinkedIn Learning.

Outlook 2022: On track

[Learn more: Employee safety & wellbeing note](#)

Inspire

Long-term commitment

We pride ourselves on having a culture of changemakers. We do that by continuing to pledge 1% of our time to community outreach, helping educate the next generation and enabling Zymers to live more sustainably.

Milestone

Inspire the world: Pledge 1% of our time to local outreach activities by 2022

We supported those of our communities that were disrupted by the COVID-19 pandemic, for example by funding two community oxygen centers in India and donating 500 oximeters in Brazil. In Denmark, about 50 school girls spent a day with our inspiring female scientists as part of 'Girls Day in Science', promoting STEM education amongst women. Our Zymers joined forces and helped raise funds to support UNICEF, through COVAX, to deliver COVID-19 vaccines to low- and middle-income countries. The campaign was conducted with the Novo family, and together we raised DKK 23 million — enough to fully vaccinate 800,000 people.

Outlook 2022: On track

[Learn more: Community engagement note](#)

Operations



We are committed to high standards and ambitious actions to improve our footprint on climate, water, and circular waste management.

Climate

Long-term commitment

We continue our commitment to Science Based Targets (SBT) and to achieving Net Zero by 2050. With the new SBT guidance in 2021, we raised our ambition to 50% reduction* in absolute emissions from operations & supply chain (Scopes 1+2+3) by 2030, previously 50% from operations and 15% from purchased goods and services*. We continue our commitment to purchase 100% renewable electricity by 2030.

Milestone

Emissions in Operations: By 2022, reduce absolute CO₂ emissions* from Novozymes' operations by 40% (scope 1+2)

We achieved a 42% reduction* of our absolute emissions. We had a new axial flow compressor installed at our Hongda site in China, which will produce energy savings of approximately 31,000 GJ per year. During 2021 we engaged with key suppliers to better understand our supply chain emissions and our suppliers' climate maturity.

Outlook 2022: On track

[Learn more: Climate change & Energy notes](#)

* From a 2018 baseline

Water

Long-term commitment

We remain committed to having 100% of our sites* manage water in balance with local conditions by 2030. We are also working to pioneer a science-based approach to water stewardship. We will focus on what matters locally and help our communities.

Milestone

Water programs: By 2022, develop context-based water management programs at 100% of Novozymes' sites*

At the end of the year, 11 out of our 15 production sites had programs with actions to help us address local water challenges. We continued our partnership with the World Wide Fund for Nature (WWF) for developing our contextual water programs. We have begun to pilot the draft Science Based Target methodology for water.

Outlook 2022: On track

Learn more: [Climate Change & Energy notes](#)

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

Circular

Long-term commitment

We are committed to ensuring that zero waste from our operations* is sent to the landfills by 2030 through active site-specific waste management.

Milestones

Biomass: By 2022, achieve 100% circular management of our biomass

99% of our biomass was managed in a circular manner and utilized as raw material in fertilizer production for agriculture with or without prior biogas production.

Outlook 2022: On track

Packaging: Develop plans for circular management of 100% of key packaging materials

We are progressing as planned in the development of circular plans to make our key packaging recyclable, reusable or compostable.

Outlook 2022: On track

Zero Waste programs: Develop programs to reach zero waste by 2030 at 100% of our sites*

10 of our 15 production sites had developed Zero waste plans. In 2021, the recycling rate of non-biomass waste was 62% compared with 48% in 2020.

Outlook 2022: On track

Learn more: [Waste note](#)

World targets



When we live our purpose, finding biological answers for better lives in a growing world, we grow our business.

Long-term commitment

Our strategy, Unlocking growth – powered by biotech, starts with our long-term 2030 commitments to a healthy planet. We seek to deliver solutions that help accelerate towards a climate-neutral society, transform food systems, and enable healthier lives. Our 2022 World targets, defined in 2019, are milestones for our journey to deliver on our long-term commitments. In the Strategy section, we disclose our contribution by revenue to each of them.

Milestones

Climate: Save 60 million tonnes of CO₂ by enabling low-carbon fuels in the transport sector in 2022

Novozymes solutions in bioenergy helped the transport sector save 60 million tonnes of CO₂ in 2021 by enabling the production of low carbon fuels.

Outlook 2022: On track

Water: Reach >4 billion people by providing laundry solutions in 2022 that replace chemicals

We reached 4.1 billion people with our laundry solutions. This was mainly driven by the increased enzymatic detergent penetration in emerging markets.

Outlook 2022: On track



Production & consumption: Gain 500,000 tonnes of food by improving efficiency from farm to table in 2022

In 2021, we estimate 206,000 tonnes of food ingredients were gained by the use of our solutions in grain and vegetable oil processing, by unlocking additional starch, protein and oils from feedstocks.

Outlook 2022: More to do

Sales outlook

Novozymes expects to grow sales organically by 3% to 7% in 2022 and the year is expected to be off to a good start. Growth is supported by innovation and increased market penetration, especially in emerging markets.

The full-year indications per business area are well aligned with the mid-term 2025 outlook presented at the Capital Markets Day in September 2021. Food, Beverages & Human Health and Agriculture, Animal Health & Nutrition are expected to be the main growth drivers, while Household Care, Bioenergy and Grain & Tech Processing are expected to grow at or below the group average. The indicated ranges per business area are broader for the agriculturally-exposed areas due in part to higher end-market volatility. Sales in reported DKK net of currency and M&A-related effects are forecasted to be roughly 3 percentage points higher relative to the 3% to 7% organic sales growth range.



Household Care

Organic sales growth is expected to be driven by increased penetration in emerging markets and the continued roll-out of the Freshness technology. Areas outside of laundry, such as enzymes and microbes used in professional & medical cleaning as well as dishwash are also expected to contribute to growth. The first broad market Freshness solution was successfully launched in 2021, marking a significant milestone, and will contribute more to growth as the year progresses and in the years to come. The full-year indication for organic sales in Household Care is to grow by 2% to 4%.



Food, Beverages & Human Health

Organic sales growth is expected to be driven by continued strong performance in Food and Human Health while Beverages is expected to grow slightly. Growth in Food is expected to be broad based and driven primarily by our health-focused solutions, including strong performance in baking and food & protein, partly benefitting from raw material optimization and other ingredient substitutions. Human Health is estimated to grow organically in the solid double-digits and the Synergia

acquisition that closed on December 10, 2021, is expected to contribute to growth. Organic sales in Food, Beverages & Human Health is expected to grow by a high-single digit rate.



Bioenergy

Organic sales growth is expected to be driven by the continued recovery of U.S. ethanol production, market penetration enabled by innovation, capacity expansion of corn-based ethanol production in Latin America, and market penetration with enzymatic solutions for biodiesel production. Bioenergy is projected to grow in the low-to-mid-single-digits. Uncertainties related to the pandemic and volatile market conditions are the main reasons for the relatively broad range. The mid-point of the range assumes moderate growth in U.S. ethanol production with full-year volumes still slightly below 2019 production levels.



Grain & Tech Processing

Organic sales are expected to develop more moderately following a very strong performance in 2021. Performance is expected to be driven by growth in Grain mainly led by market penetration in vegetable oil processing and innovation in

starch, such as solutions for grain milling. The sales development in Grain & Tech Processing is expected to range from flat to low-single-digit growth. Uncertainties related to the pandemic and volatile market conditions are the main reasons for the sales growth range.



Agriculture, Animal Health & Nutrition

Organic sales growth will be led by double-digit growth in Agriculture. Good market conditions and a beneficial sustainability pull are expected to drive higher usage of inoculants supporting increased market penetration of both bioyield and biocontrol solutions that will also be enabled through innovation and a more direct go-to-market model. Growth in Animal Health & Nutrition will primarily be driven by innovation as well as end-market-driven volume growth. The indication for Agriculture, Animal Health & Nutrition is to grow at a rate in the high-single-digits to low-teens. Uncertainty related to the pandemic and volatile market conditions are the main reasons for the relatively broad range.

Financial outlook

For 2022, Novozymes expects a solid EBIT margin between 25% to 26% (2021: 26.8%). Compared to 2021, the EBIT margin will benefit from sales growth and productivity improvements, targeted price increases, as well as a slightly positive currency effect. Significantly higher input costs, continued investments in the business and lower other operating income are expected to have a negative impact. Due to the aforementioned increase in input costs, the gross margin is expected to decline by 1.5 to 2 percentage points.

Return on invested capital (ROIC), including goodwill, is expected at from 16% to 17%

		2022 outlook*
Sales performance, organic	%	3 to 7
EBIT margin	%	25 to 26
ROIC (including goodwill)	%	16 to 17
Free cash flow before acquisitions	DKKbn	1.7 to 2.1
For modeling purposes:		
Effective tax rate	%	~22
Net financial costs	DKKbn	~250
Net investments	DKKbn	2.5 to 2.8
Stock buyback program	DKKbn	0.5

* Assumes constant currencies from the time of this announcement and for the remainder of the year.

(2021: 19.3%) following lower NOPAT and higher invested capital, mainly from acquisitions.

Free cash flow (FCF) before acquisitions is expected to be between DKK 1.7 and 2.1 billion (2021: DKK 2.9 billion), mainly impacted by higher net investments to support long-term growth ambitions.

For modeling purposes, the following is provided:

The effective tax rate is expected at around 22% for 2022 (2021: 20%).

Net financial costs are expected to be around DKK 250 million (2021: DKK 83 million) mainly driven by higher hedging costs, primarily related to USD forward contracts, and somewhat higher interest expenses.

Net investments in 2022 are expected to be between DKK 2.5 to 2.8 billion (2021: DKK 1.1 billion). This reflects maintenance, optimization and expansion investments, also in new food and health-related customer co-creation centers, as well as roughly DKK 1 billion related to the investment in a new state of the art production line for Advanced Protein Solutions in Blair, Nebraska.

A stock buyback program of up to DKK 0.5 billion is approved for 2022.

Sustainability outlook

With our refreshed 2021 strategy, ‘Unlocking growth – powered by bio-tech’, we introduced a new set of long-term commitments to a healthy planet. The commitments will help accelerate towards a climate-neutral society, transform food systems, and enable healthier lives. We also recognize the urgent need for action and are raising our commitment on climate change to include all emissions from our supply chain as well, and we will now strive for a 50% reduction in absolute emissions from operations & supply chain across Scope 1, 2 and 3 by 2030. This is in line with the climate guidance from the Science Based Targets Initiative defined in 2021. We are also committed to continue to ensuring that our employees develop in a thriving, diverse and inclusive community. For the post-2022 period, we will communicate new nonfinancial targets and milestones to

further guide our journey towards our long-term commitments.

In 2022, we will continue to work towards our long-term commitments by investing in the development of solutions that contribute to a healthy planet, that improve our climate, water and waste footprints as well as promoting an inclusive and diverse workplace where employees can stay safe, thrive and grow. We will develop our roadmap further towards net zero emissions by 2050 and implement employee programs focused on inclusion. Furthermore, we will continue to work together with partners to drive the global sustainability agenda, such as the U.N. Global Compact, World Wide Fund for Nature, World Economic Forum, The B-team and the Science-Based Targets Initiative.

We will develop our roadmap further towards net zero emissions by 2050 and implement employee programs focused on inclusion

Governance

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Corporate Citizenship
We promote responsible business behavior and long-term value creation.



Corporate governance

We drive a proactive and transparent corporate governance structure to ensure responsible business conduct and long-term value creation. In 2021, several initiatives, such as adopting a data ethics policy and new competency targets for the Board of Directors, further strengthened our commitment to responsible governance.

Board composition and responsibilities

In accordance with Danish legislation, Novozymes has a two-tier management system comprising the Board of Directors and the Executive Leadership Team, with no individual being a member of both. The division of responsibilities between the Board of Directors and the Executive Leadership Team is clearly outlined and described in the Rules of Procedure for the Board of Directors and the Rules of Procedure for the Executive Leadership Team. Both of these rule sets are available at [Novozymes.com](https://www.novozymes.com)

Novozymes' Articles of Association require the Board of Directors to have from four to eight members, who are elected at the Annual Shareholders' Meeting. The Board of Directors currently has seven shareholder-elected members, elected for terms of one year. Nominations are based on an evaluation of factors such as competencies, diversity, independence, and performance. In accordance with Danish law, the Board of Directors also has a number of employee-elected members, corresponding to half of the number of directors elected by the shareholders, who serve four-year terms. In 2021, the number of employee-elected members increased from three to four.

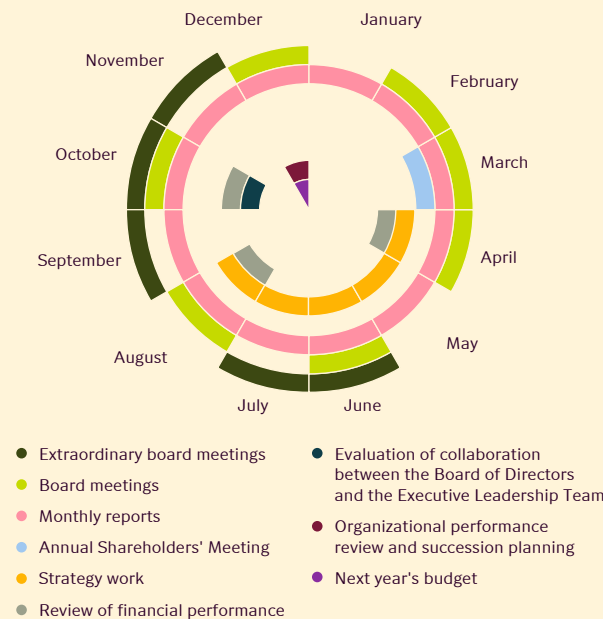
The Board of Directors is accountable to the company's shareholders for the management of the company. The composition of the Board of Directors must therefore ensure that the combined competencies of the Board enable it to inspire, guide and oversee Novozymes' development, and diligently address and resolve the issues and challenges facing Novozymes at any given time.

The individual competencies of the members of the Board of Directors are shown in the presentation of the Board. Novozymes' statutory report on diversity pursuant to section 107d of the Danish Financial Statements Act is available on our [website](#).

Governance structure

In accordance with the Articles of Association and the Rules of Procedure for the Board of Directors, the Board has a Chairmanship consisting of two members – the Chair and the Vice Chair – who are responsible for assisting the Board in matters concerning the Executive Leadership Team's operational management and for reporting back to the Board. The Chairmanship is also responsible for planning and preparing the meetings of the Board.

2021 with the Board of Directors



The Board of Directors' main responsibilities are to:

- Ensure the right management and organizational structure.
- Oversee financial, environmental, social, and governance performance, and the Executive Leadership Team's operational management of Novozymes.
- Supervise the overall management and strategic development of Novozymes.
- Ensure succession planning at Board and management level.

The Board of Directors has three committees:

The Nomination and Remuneration Committee, the Audit Committee, and the Innovation Committee.



The Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board of Directors in nominating candidates for the Board of Directors, board committees and the Executive Management, as well as proposing the remuneration of members of the Executive Management, the board members and board committee members. The Nomination and Remuneration Committee meets when necessary, but always at least twice a year. The committee held 5 meetings in 2021 with an overall attendance rate of 100%. Members of the committee in 2021 were Jørgen Buhl Rasmussen (Chair), Cees de Jong, Kim Stratton and Kasim Kutay.

Subjects dealt with at meetings cover both fixed topics that are reviewed regularly according to the committee's annual cycle and other items identified for discussion during the year. More information can be found in the **Charter of the Nomination and Remuneration Committee**.

In 2021, some of the significant topics covered were revision of the Board Competency Profile including adoption of new diversity targets and new competency requirements aligned with the refreshed strategy Unlocking growth – powered by biotech, nomination of a new board member, Morten Sommer, to replace Mathias Uhlén in 2022, adoption of a company diversity policy, and an improved process for succession management.



The Audit Committee

The Audit Committee assists the Board in overseeing aspects relating to accounting, auditing, risks, internal controls and financial, environmental, social and governance data. The Audit Committee meets as necessary, but always at least four times a year. The committee held four meetings in 2021, all with a 100% attendance rate. Members of the Audit Committee in 2021 were Heine Dalsgaard (Chair), Jørgen Buhl Rasmussen and Cees de Jong. Information on members, qualifications, self-assessment, and recurring tasks, etc. can be found in the **Charter of the Audit Committee**.

Significant Audit Committee topics covered in 2021 were a review of the impact of COVID-19, accounting for acquisitions and follow up on M&A learnings over the years, review of the revised Danish Corporate Governance recommendations, the new EU whistleblower directive, new EU taxonomy reporting, the Danish Data Ethics regulations, review of external financial reporting, review of tax and of treasury, climate risk management and the selection process for the appointment of new independent auditors in due time.

Novozymes' Audit Committee reviews all reports from a global corporate whistleblower system for reporting of suspected illegal or unethical misconduct within the Novozymes Group. See Note 8.4 for more.



The Innovation Committee

The Innovation Committee assists the Board with the review of Novozymes' overall capabilities and strategic direction when it comes to technology, science and innovation. The Innovation Committee meets as necessary, but always at least twice a year. The committee held four meetings in 2021, all with a 100% attendance rate. Members of the Innovation Committee in 2021 were Sharon James (Chair), Kim Stratton and Mathias Uhlén. Preben Nielsen joined the Committee in the second quarter. Information on members, qualifications, self-assessment, and recurring tasks, etc. can be found in the **Charter of the Innovation Committee**.

In 2021, the Innovation Committee covered, amongst other topics, R&D implications of the refreshed strategy Unlocking growth – powered by biotech, R&D Pipeline Strategy and Progression, Operating / Innovation models for R&D and Regulatory and Technology Strategy.

Adoption of new diversity targets in the Board Competency Profile

Diversity is important to Novozymes, including in respect of the Board of Directors' composition in order to ensure the right mix of skills and competencies to address the challenges of a large global company. Therefore, the Board Competency Profile has been updated with new and additional targets, and targets have now been defined for all competencies required on the Board.

First, there is a new target for board tenure to strike a balance between renewal and continuity. Consequently, a person should not be nominated for election or re-election if such board member has served on the Novozymes board for 12 years.

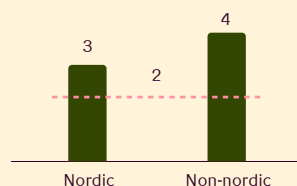
Another new target is that the Board of Directors must consist of at least one member that has lived and worked outside the Nordic countries for a substantial period of time. Thirdly, it is now a target that the Board of Directors consists of at least two shareholder-elected Board members of Nordic nationality and at least two shareholder-elected Board members of a nationality other than Nordic. Lastly, the target for board gender diversity has been revised to the effect that 40% or more of the shareholder-elected board members must be female and 40% or more must be male no later than by the annual shareholders meeting to be held in 2023.

All targets were met or on track by the end of 2021, except for the target to have no board members with a tenure of more than 12 years. With Mathias Uhlén not seeking re-election in 2022, the Board will again fulfill this target. The composition of the Board of Directors meets the gender diversity requirements set out in Danish legislation. Reporting on gender diversity at other management levels can be found in Note 8.2 Inclusion & Diversity in the Social and governance data section. The competencies and targets

Diversity targets for board members elected by shareholders

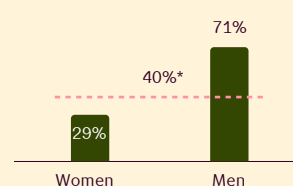
Nationality

Target achieved:



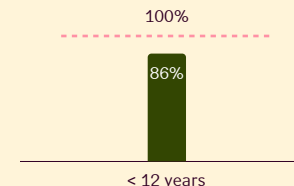
Gender

Target on track



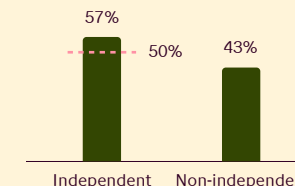
Tenure

Target achieved:



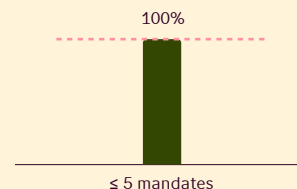
Board governance structure

Target achieved:



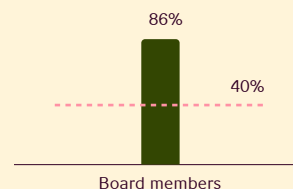
Number of mandates in listed companies incl. NZ

Target achieved:



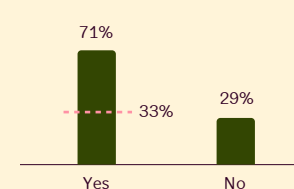
Has substantial international experience

Target achieved:



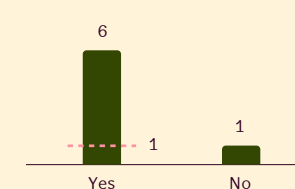
Executive position**

Target achieved:



Lived and worked outside the Nordic countries

Target achieved:



✓ Achieved ✗ Not achieved ● Actual - - - Target

* 40% or more of the shareholder-elected board members must be female and 40% or more must be male no later than by the annual shareholders meeting to be held in 2023

** Member holds current executive position or has held an executive position within previous five calendar years

are defined in a **competency profile** that specifies the requirements for personal characteristics, skills, and experience.

Charters and recommendations

When laying down the management principles for Novozymes, the Board of Directors followed the Recommendations on Corporate Governance that form part of the disclosure requirements applicable to companies listed on Nasdaq Copenhagen. A detailed review of Novozymes’ position on each of the recommendations, and a description of the internal control and risk management system relating to financial reporting, can be found in the **statutory report** on corporate governance prepared pursuant to section 107b of the Danish Financial Statements Act. These recommendations require companies to comply or explain any deviations. The recommendations were revised effective for the financial year 2021. The changes have been implemented and Novozymes continues to follow 39 of the 40 recommendations, the one exception being:

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

In addition, under the Danish Financial Statements Act (sections 99a and 99b), it is mandatory for large companies to report on corporate social responsibility and equal opportunities as defined by the Act. Novozymes is committed to the ten principles of the UN Global Compact (UNGC) and as a continuing member of the UNGC we prepare an annual Communication on Progress (CoP). The Novozymes Report together with **'Novozymes & the UNGC 2021'** serves as our CoP and meets the requirements of

sections 99a and 99b of the Danish Financial Statements Act.

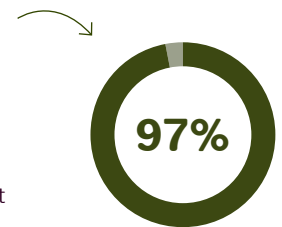
In 2021, Novozymes adopted a data ethics policy. This policy sets the overall principles for the ethical management of data by Novozymes and supplements our commitment to integrity and compliance. The basic principles identified to support the commitment to ethical data management are universal principles relevant for all categories of data processed in and by Novozymes. The statutory report on Novozymes’ policy for, and work with, data ethics pursuant to section 99d of the Danish Financial Statements Act can be found on our **website**.

Other Board-related information

The Board of Directors held 12 meetings in 2021, with an overall attendance rate of 97%.

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

The Board of Directors has been authorized by the shareholders to allow the company to acquire treasury stock on an ongoing basis, provided the nominal value of the company’s total holding of treasury stock does not exceed 10% of its share capital at any time, cf. section 198 of the Danish Companies Act. The purchase price must not deviate by more than 10% from the price quoted on Nasdaq Copenhagen at the date of acquisition. This authorization applies until April 1, 2022. In addition, the Board of Directors is authorized to reduce the share capital.



The Board of Directors held 12 meetings in 2021, with an overall attendance rate of 97%.

Each year, one of the responsibilities of the Board of Directors is to assess whether the capital and share structure of Novozymes is optimal. The Board of Directors believes that the share structure with A and B common stock continues to be the best way in 2021 to safeguard Novozymes’ long-term strategy and development for the benefit of the company’s shareholders and other stakeholders. Regarding its capital structure, Novozymes will continue to favor a rather modestly leveraged balance sheet, as reflected by a target for net interest-bearing debt of around 1x EBITDA. Thus, the capital structure is in line with the target.


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

Evaluation of the Board of Directors


For 2021, the Board of Directors commissioned an external third party to conduct the evaluation, consistent with the recommendations of the Danish Committee on Corporate Governance that companies conduct an external objective evaluation at least every third year. The evaluation was based on the input of eleven board members and eight executives and relied on in-depth personal interviews, online questionnaires, analysis of how time was spent during board meetings, board composition mapping and board composition benchmarking. As part of the evaluation, the board members and the executives were provided with feedback on their individual performance regarding how they add value to the Board of Directors. The result of the general board evaluation was discussed in a board meeting in October.

The Board of Directors was deemed to be a well-functioning board that had worked exceptionally well together. The operational board processes were in place and the overall tone of the Board of Directors was positive, encouraging, and constructive. The Board of Directors and Management perceived themselves as a team with shared goals and the executives perceived the Board to be knowledgeable and highly engaged. The conclusion was that the Board of Directors was well composed compared to other relevant boards and had become more diverse and a better fit in relation to the company strategy. While the Board of Directors was perceived to be very well functioning, the evaluation identified a few focus areas to improve their performance during 2022, including strategy discussions and implementation, the balance between full board meetings and committee work and the balance between virtual and physical meetings.


Statutory report on corporate governance

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


Statutory report on diversity

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

Statutory report on data ethics

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

Novozymes & the UNGC 2021

 <https://www.novozymes.com/en/about-us/sustainability/transparency-accountability>

Board member	Audit Committee member	Nomination and Remuneration Committee member	Innovation Committee member	Nationality	Board meetings attended	Board tenure	Election period	Share trading in 2021	Number of shares end of 2021
Jørgen Buhl Rasmussen ^{1,2}	Yes	Yes (chair)		Danish	●●●●●●●●●●●●●●●●	2011	1 year	-	5,500
Cees de Jong ^{1,2}	Yes	Yes		Dutch	●●●●●●●●●●●●●●●●	2020	1 year	-	2,000
Heine Dalsgaard ¹	Yes (chair)			Danish	●●●●●●●●●●●●●●●●	2020	1 year	-	3,000
Sharon James ^{1,2}			Yes (chair)	British	●●●●●●●●●●●●●●●●	2020	1 year	-	-
Kasim Kutay ¹		Yes		British	●●●●●●●●●●●●●●●●	2017	1 year	217	217
Kim Stratton ^{1,2}		Yes	Yes	Australian	●●●●●●●●●●●●●●●●	2017	1 year	-	-
Mathias Uhlén ¹			Yes	Swedish	●●●●●●●●●●●●●●●●	2007	1 year	-	650
Anders Hentze Knudsen ³				Danish	●●●●●●●●●●●●●●●●	2013	4 years	-	-
Lena Bech ^{3,4}				Danish	●●	2013	4 years	-	-
Lars Bo Kjøppler ^{3,4}				Danish	●●	2010	4 years	-	-
Anne Breum ^{3,5}				Danish	●●●●●●●●●●●●●●●●	2021	4 years	(134)	319
Preben Nielsen ^{3,5}			Yes	Danish	●●●●●●●●●●●●●●●●	2021	4 years	-	426
Jens Øbro ^{3,5}				Danish	●●●●●●●●●●●●●●●●	2021	4 years	(100)	557

1. Elected at the Shareholders' Meeting 2. Independent 3. Employee representative 4. Resigned from the Board on March 11, 2021 5. New member of the Board from March 11, 2021 ● Attended ● Not attended

Board of Directors

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



Jørgen Buhl Rasmussen

Born 1955. Danish. Chair of the Board since 2017. Former CEO of Carlsberg A/S. Adjunct Professor at Copenhagen Business School. Member of the Audit Committee and Chair of the Nomination and Remuneration Committee. Member of the Board since 2011. Elected for a term of one year.

Board positions

Chair: F. Uhrenholt Holding A/S and advisory board of Blazar Capital

Member: Smurfit Kappa Group and ISH Aps

Special competencies

Extensive international business and management experience, specifically within sales, marketing, branding, acquisitions, and financial and accounting expertise across many businesses, sectors, and geographies.



Cees de Jong

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

Board positions

Chair: Oterra A/S, Mediq B.V., Meatable B.V. and A-Mansia Biotech S.A.

Special competencies

Extensive international business and management experience from a range of industries, such as the food, food ingredient, and industrial biotech industries, as well as financial and accounting expertise.



Heine Dalsgaard*

Born 1971. Danish. CFO of Carlsberg A/S. Chair of the Audit Committee. Member of the Board since 2020. Elected for a term of one year.

Board positions

Chair: Carlsberg Ejendomme Holding A/S and Carlsberg Global Business Services A/S

Member: Pandora A/S, Carlsberg Breweries A/S, Carlsberg Byen Komplementar ApS and Carlsberg Byen P/S

Special competencies

Broad financial background, M&A experience and accounting expertise, as well as extensive experience in driving strategic results for international businesses.

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



Sharon James

Born 1961. British. Former Senior Vice President, Global R&D, Bayer Consumer Health. Chair of the Innovation Committee. Member of the Board since 2020. Elected for a term of one year.

Board positions

Member: Mölnlycke Health Care

Special competencies

Broad international experience in commercial research and innovation pipeline management in the consumer goods and consumer products sector.

Board of Directors



Kasim Kutay*

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

Board positions

Member: Novo Nordisk A/S and Evotec AB

Special competencies

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

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



Kim Stratton

Born 1962. Australian. Interim CEO of Centogene NV. Former Chief Executive Officer, Orphazyme ApS. Member of the Nomination and Remuneration Committee and the Innovation Committee. Member of the Board since 2017. Elected for a term of one year.

Board positions

Member: Vifor Pharma AG, Recordati S.p.A.

Special competencies

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



Mathias Uhlén*

Born 1954. Swedish. Professor at the Royal Institute of Technology (Sweden), Karolinska Institutet (Sweden) and the Technical University of Denmark (DTU). Member of the Innovation Committee. Member of the Board since 2007. Elected for a term of one year.

Board positions

Chair: Antibodypedia AB, ScandiBio Therapeutics AB and ScandiEdge Therapeutics
Vice Chair: Affibody Medical AB
Member: Atlas Antibodies AB

Special competencies

Broad experience in research and biotechnology. His research interests cover antibody engineering, proteomics and precision medicine.

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



Mathias Uhlén will not seek re-election in 2022 and the Board of Directors has proposed the election of Morten Sommer as a new member of the Board

Board of Directors



Anne Breum*

Born 1961. Danish. Laboratory technician. Employee representative.

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



Anders Hentze Knudsen*

Born 1959. Danish. Senior Operator. Employee representative.

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



Preben Nielsen*

Born 1966. Danish. Science manager. Employee representative.

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



Jens Øbro*

Born 1977. Danish. Senior Professional. Employee representative.

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

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

Executive Leadership Team

Our eight-member Executive Leadership Team comprises broad and international management experience, comprehensive biotechnology expertise and in-depth knowledge of Novozymes' business.



Ester Baiget

Born 1971. Spanish. President and CEO

Education

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

Special competencies

Ester Baiget is an experienced international leader with a strong business and technical background.

With more than 25 years of international experience as a technical and commercial business leader, Ester has driven transformational change and enhanced profitability across a diverse range of businesses. Through her leadership, she develops a culture of inclusion, engagement, commitment to ESG impact and of delivering strong financial results.



Lars Green

Born 1967. Danish. CFO and Executive Vice President

Education

Holds an M.Sc. in Business Administration from Aarhus University, Denmark.

Board positions

Member: Board of Directors of LEO Pharma. Board of trustees of the LEO Foundation and LEO Holding

Special competencies

Lars Green is responsible for the Finance, IT & legal functions.

Lars has in-depth knowledge of the Novo Group's business, international experience from managing global biotechnology and biopharma companies, and leverages his financial expertise to drive value creation across the company.



Amy Byrick

Born 1974. Canadian. Executive Vice President, Strategy & Business Transformation

Education

BScE in Chemical Engineering from Queen's University, Canada, and an MBA from INSEAD, France.

Special competencies

Amy Byrick is responsible for strategy, commercial excellence, digital transformation, and for building new businesses in Strategic Opportunity Areas and ventures.

Amy joined Novozymes in 2021 from DuPont Nutrition & Biosciences, where she led the Global Food & Beverage business. She brings years of international experience driving strategic transformation with a focus on post-merger integration, commercial excellence, and on building an inclusive, high energy, growth- and results-oriented organizational culture.



Tina Sejersgård Fanø

Born 1969. Danish. Executive Vice President, Agriculture & Industrial Biosolutions

Education

Holds an M.Sc. in Chemical Engineering from the Technical University of Denmark (DTU) and a diploma degree in Innovation, Strategy and Marketing in the Food & Beverage industry from SIMI (CBS executive, Denmark).

Board positions

Chair (until March 1, 2022): Danish Innovation Fund
Member: DLF Seeds & Science

Special competencies

Tina Sejersgård Fanø is responsible for application research, technical service, sales and marketing in Agriculture & Industrial Biosolutions.

Tina has significant experience in developing and managing global partnerships and has been instrumental in negotiating several major business deals for Novozymes over the years. She has strong biotech insights spanning R&D, marketing, and sales.

Executive Leadership Team



Claus Crone Fuglsang

Born 1968. Danish. CSO and Executive Vice President, Research & Development

Education

Holds an M.Sc. in Biochemistry from the University of Copenhagen and an MBA from Heriot-Watt University, Edinburgh Business School, Scotland, supplemented with courses at MIT, Boston and IMD, Lausanne.

Board positions

Member: Microbiogen Ltd., Biobased Industries Consortium, Erhvervspræsidiets for TekTanken and the Danish governmental panel on bio-economy

Special competencies

Claus Crone Fuglsang is responsible for Enzyme and Microbe Research, Product & Process Development, Regulatory Affairs and Product Safety, Intellectual Property & Licensing and R&D Portfolio & Projects.

Claus has strong leadership experience within R&D functions along with driving and leading partnership innovation programs. He also has significant international research and business experience.



Anders Lund

Born 1973. Danish. Executive Vice President, Consumer Biosolutions

Education

Holds an M.Sc. in Economics from Aarhus University, Denmark.

Special competencies

Anders Lund is responsible for application research, technical service, sales and marketing in Consumer Biosolutions including Household Care and Food & Beverages.

Anders has a strong commercial and strategic background and has played a significant role in shaping and executing Novozymes' strategies over the last two decades. He also has extensive experience in building customer relationships in several of Novozymes' business areas.



Graziela Chaluppe dos Santos Malucelli

Born 1973. Brazilian. COO and Executive Vice President, Operations, Supply & Quality

Education

Holds an M.Sc. in Food Engineering from Pontifical Catholic University of Paraná, Brazil.

Special competencies

Graziela Chaluppe dos Santos Malucelli is globally responsible for Production, Supply Chain, Planning & Product coordination, Engineering, Facility Services, Sourcing, Quality, Environment & Safety. She is also responsible for managing environmental and social impacts affecting the company's operations and supply chain.

Graziela has extensive experience from leadership roles in Brazil, the U.S., China, India, Denmark and has been developing key operational functions across the company. For more than 20 years, she has been driving continuous productivity and supply of solutions with a strong customer focus.



Morten Enggaard Rasmussen

Born 1976. Danish. Executive Vice President, People, Sustainability & Brand

Education

Master of Science degree from the Aarhus School of Business.

Special competencies

Morten Enggaard Rasmussen is responsible for Novozymes' people agenda, sustainability leadership and brand. He is also responsible for managing our non-financial impacts related to Zymers & Society.

Morten joined Novozymes in 2021 from Vestas where he was Vice President of People & Culture, in charge of Asia Pacific and China, and has a strong track record of building and developing high performance teams across the globe with a particular focus on responsible business. He has managed complex, international development projects and has operated as a trusted business partner across various functions and geographies.

Risk management

Novozymes is exposed to different risks due to the global and diverse nature of the industries we operate in. Within an evolving risk management framework, we identify and mitigate key risks to secure our business and our impact now and in the future.

Our risk management process ensures that we identify, assess and mitigate key business risks that may impact our ability to grow our business, be a profitable company, and be a reliable partner to our customers and the communities we operate in.

In addition to addressing key enterprise risks which could potentially materialize in the short term i.e. within the next three years, we also monitor longer-term threats and trends, like climate change and technology development. We seek to have an integrated and holistic approach of assessing and prioritizing financial, reputational and ESG risk on similar terms.

To manage businesses responsibly and have an impact, climate-related risks, such as supply disruptions owing to extreme weather events, should be addressed in a structured way. Hence, in 2021, we focused on further integrating and developing climate change risk management as part of our risk management framework, which was presented to and discussed by the Board of Directors and the Audit Committee, in alignment with our commitment to TCFD (Taskforce on Climate-related Financial Disclosures). In 2022, we will continue to work on how to further strengthen our management of ESG risks to our business, including climate-related risks, and explore how best to address such risks in a longer-term perspective.

In shaping our refreshed strategy Unlocking growth – powered by biotech, opportunities identified as part of our assessment of climate-related risks provided the foundation for our 2030 commitments. Our solutions could be key in addressing many of the climate-related risks facing the world today.

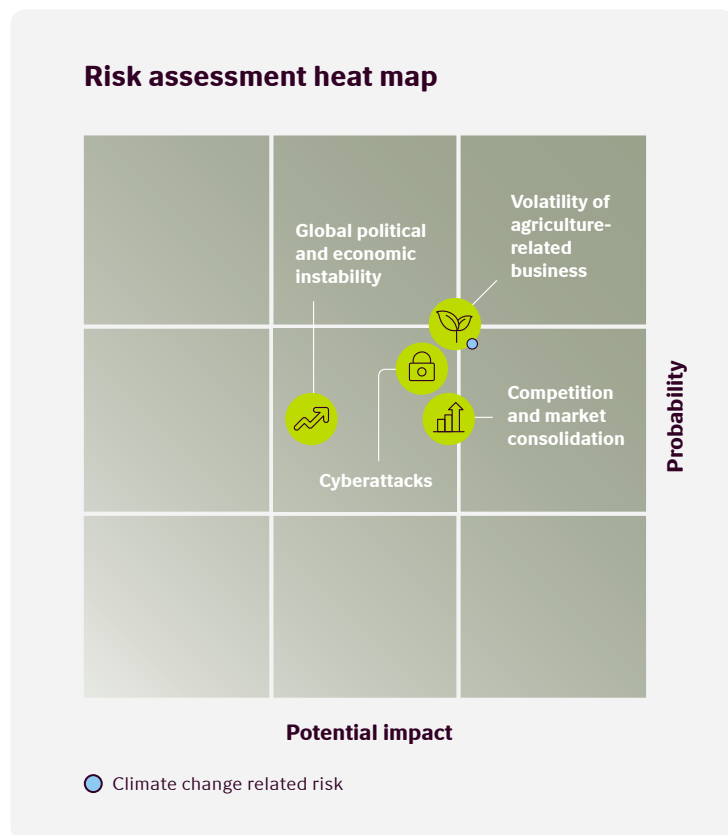
The COVID-19 pandemic continues to impact supply chains and societies around the globe, leading to uncertainties in 2022 and beyond. To safeguard our people, operations, and communities, the Executive Leadership Team monitors and addresses potential business risks arising from the pandemic, e.g., changed consumer behaviors and declining GDP growth.

Risk management framework

The Board of Directors has the overall responsibility for overseeing risks and for maintaining a robust risk management and internal control system. Novozymes operates an Enterprise Risk Management (ERM) process whereby the key enterprise risks (financial, reputational and ESG) facing the company are identified, assessed, and mitigated at different levels of the organization. Each key risk is assigned to a risk owner from the Executive Leadership Team and a Risk Responsible, usually a Vice President, in charge of mitigating all risks relevant to their respective areas.

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

The most significant key risks are reviewed and assessed by the Executive Leadership Team and the Board of Directors.



➤ See note 5.1 for information on financial risk factors and risk management

Key enterprise risks for 2022

● Climate change related risk



Competition and market consolidation

Description of risk

Novozymes is the market leader in the global enzymes market, which remains highly competitive. We could face increased competition from other enzyme manufacturers offering new solutions or from new players with technology platforms that are broader than ours. The recent instability of global supply chains has the potential to favor local suppliers and we continue to see a risk of competitors operating under less regulated market conditions.

Although consolidation can make the market more stable, it could also increase a competitor's financial strength and bargaining power.

Mitigating actions

In 2021, we enhanced our go-to-market strategies, accelerating regionally relevant innovations and upgrades, and strengthening customer relationships. We also acquired new businesses, entered into strategic partnerships and launched new innovations. Despite pressure on supply chains, we managed to deliver our orders to customers throughout 2021, without compromising on our fast response and dedicated service, thereby further improving the customer experience. As part of our refreshed strategy, we will form regional customer co-creation centers to work with local customers and cater to their needs.

In 2022, we will continue to improve our go-to-market strategies, invest in consumer insights, accelerate regional innovations to strengthen our position in selected markets, and build on our strong relationships with key customers and partners. We will also further strengthen our ability to deliver the broader biotech solutions that set us apart from the competition.



Volatility of agriculture-related business

Description of risk

Our agriculture-related business is affected in particular by numerous elements, such as weather conditions, commodity prices, political mandates for ethanol blends, etc. However, many of our businesses may potentially be affected by agriculture-related issues, as can be seen from the supply issues in the agriculture value chain.

In the U.S., the new infrastructure bill currently in progress may end up challenging our ability to grow in the bioenergy market if the bill favors electric vehicles over other alternatives to gasoline.

With the growing impact of — and increasing mitigation efforts towards — climate-related changes, this risk is likely to shift over the coming years.

Mitigating actions

In 2021, we continued to work with ethanol customers to explore alternative value streams (e.g., protein, oil), as well as diversified applications (e.g., jet fuel, biodiesel, feedstocks for biobased derivatives) with the help of our enzyme, yeast and fiber technologies, such as Innova® Element and Fiberex® F2.5.

We continue to nurture and invest in our valuable partnerships in the agriculture industry. In 2021, the DSM - Novozymes Alliance launched ProAct 360®, a new industry benchmark for protease technology to reduce even further the environmental footprint of poultry production and deliver greater cost savings to customers. We also announced a strategic partnership with FMC, a leading global agricultural sciences company, to research, co-develop, and commercialize enzyme-based crop protection solutions.

In 2022, we remain focused on leveraging our expertise to help customers find biological solutions to agricultural challenges and diversify their revenue streams, as well as optimizing our internal commercial competences, including technical sales support and digital tools for production optimization.



Cyberattacks

Description of risk

The threat of cyberattacks to our business operations continues to be a material risk. Preserving business continuity and safeguarding sensitive business data and critical assets against this global threat is extremely important. Accelerating digitalization continuously exposes Novozymes to such threats and cybercrime could have a negative impact on our productivity if systems are inaccessible for an extended period of time. Our business could also be adversely impacted if information about our unique technologies or production strains is disclosed.

Mitigating actions

This threat continues to intensify but so has our ability to identify, protect, detect, and respond to cyberattacks. In 2021, we implemented and tested initiatives on IT emergency response and will continue to improve on these regularly. We have also increased our focus on measuring our actual security level and obtaining better transparency in infrastructure and system management.

To protect our business opportunities from the threat of global theft, we have a strong focus on patents and IP management, as exemplified by our more than 7,000 granted or pending patents.

In 2022, we will continue to improve and develop our many IT security initiatives, including our OT (Operational Technology i.e. production systems) Cyber Security Strategy. A thorough understanding of OT risks is the foundation for making the right decisions on how to protect our production facilities to ensure they stay operational at all times.



Global political and economic instability

Description of risk

Novozymes' global footprint exposes our business to the consequences of global political and economic instability. Significant instability persists in the global economy and trade conditions but as the risk of a hostile trade environment has not ramped up, we have assessed the short-term likelihood of this risk to have reduced relative to 2020. Still, political uncertainty and low growth remain in many regions, compounded by the uncertainties of the COVID-19 pandemic.

Mitigating actions

In 2021, Novozymes closely monitored political and economic developments with an agile mindset to ensure fast action could be taken when needed. We also employed global versus local considerations in short- and long-term capacity planning, to ensure we could continue to deliver orders to customers even in challenging conditions.

We continue to champion the benefits of globalization and a shared commitment to sustainability on the global stage, such as at COP26 in Glasgow. And we work collaboratively with many valuable partners to drive a responsible business agenda, such as the World Economic Forum, the International Chamber of Commerce, The B Team, the UN Foundation and Business Fights Poverty.

In 2022, several potential conflicts need to be settled to ensure political stability and free trade. With the help of improved data analysis, general monitoring and the commitment and drive of our employees, we will improve the monitoring of these events as well as our speed of response.

Emerging risks

Climate change related risk

In addition to the key enterprise risks, Novozymes also closely monitors emerging risks that have the potential to impact our business in the long-term (3+ years) but that are difficult to quantify at the present time. Such risks span different ESG risks including technologies, financials, and sustainability.

Via our integrated sustainability **trendspotting exercise**, we identify long-term risks and opportunities, and the risks are jointly assessed through our enterprise risk management process.

We engage with relevant stakeholders in a timely manner to develop strategies and ensure that we are prepared to take adequate action and respond to those key emerging risks. The following continue to be some of the most significant emerging risks:



Concerns regarding new and emerging technologies

Description of risk

Industrial biotechnology is a key enabling technology for the delivery of natural, low-carbon and bio-based solutions. Over the coming years, we expect to see further significant biotech innovation, including the use of gene editing, which could be met with increasing government and NGO scrutiny. This can limit or slow the application of biotechnology. Novozymes' research and business are based on bio-innovation and through these technologies, we find safe and innovative answers to some of the planet's most pressing challenges, such as carbon capture, sustainable food systems or replacing chemicals with biodegradable solutions.

Mitigating actions

We apply and promote safe and responsible use of biotechnology. We are committed to sharing our knowledge about the potential of biology and industrial biotechnology with external stakeholders. Through proactive engagement with influencers and policy makers we broaden the understanding of the potential of technology, paving the way for future solutions to pressing challenges.

Through our growing cooperation with the Novo Nordisk Foundation, we are exploring ways to provide new documentation and insights into biotechnology. Together, we engage with the World Economic Forum's community to promote bio-solutions, while advocating for science-based and innovation-friendly policy frameworks for the introduction of solutions based on new gene technologies. We also drive the innovation agenda through business and industry organizations.

Learn more in Note 7.6 and **our position statement** on industrial biotechnology.



Water-constrained future

Description of risk

Increased long-term pressure on our water resources is a key chronic risk driven by climate change. We rely on water to maintain our production capacity. Many of our raw materials are agricultural and water intensive to produce. A severe drought or reduced water supply could impact our production and limit our ability to meet customer demand by directly impacting our own operations or our supply chain.

Mitigating actions

To continue addressing this long-term risk, we are developing context-based water programs for our production sites and piloting the drafted Science Based Targets methodology for water. We support our water stewardship agenda further with external engagements including the UN Global Compact, the CEO Water Mandate, the World Wide Fund for Nature (WWF) and the Science Based Targets Network (SBTN).

Our solutions in laundry, technical industries and agriculture also enable reduced aquatic pollution by reducing the load on wastewater treatment in these industries.

We disclose more details annually in CDP's Climate Change and Water Security questionnaires. Learn more in Notes 7.1 and 7.3.

Novozymes' climate-related financial disclosures

At Novozymes, we are fully committed to doing our part to help society in the net-zero transition. We actively invest in lowering our own carbon footprint and delivering low-carbon solutions.

In alignment with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), we include climate-related disclosures throughout this report. For ease of reference, these are summarized below around the four themes from TCFD recommendations. In the coming years, we aim to integrate more detailed climate-related disclosures.

Governance


Climate is a significant topic which the Board of Directors and Executive Management take into consideration in managing the company. Novozymes has Board-level oversight of its management of climate-related issues, as a part of its responsibility to oversee financial and environmental, social and governance (ESG) performance. The Board of Directors is also responsible for reviewing and signing off on our climate strategy and targets and has overall responsibility for overseeing risk management and control, including climate-related risks.

To ensure the integration of sustainability into Novozymes' business strategies and innovation pipeline and, consequently, our ability to deliver solutions

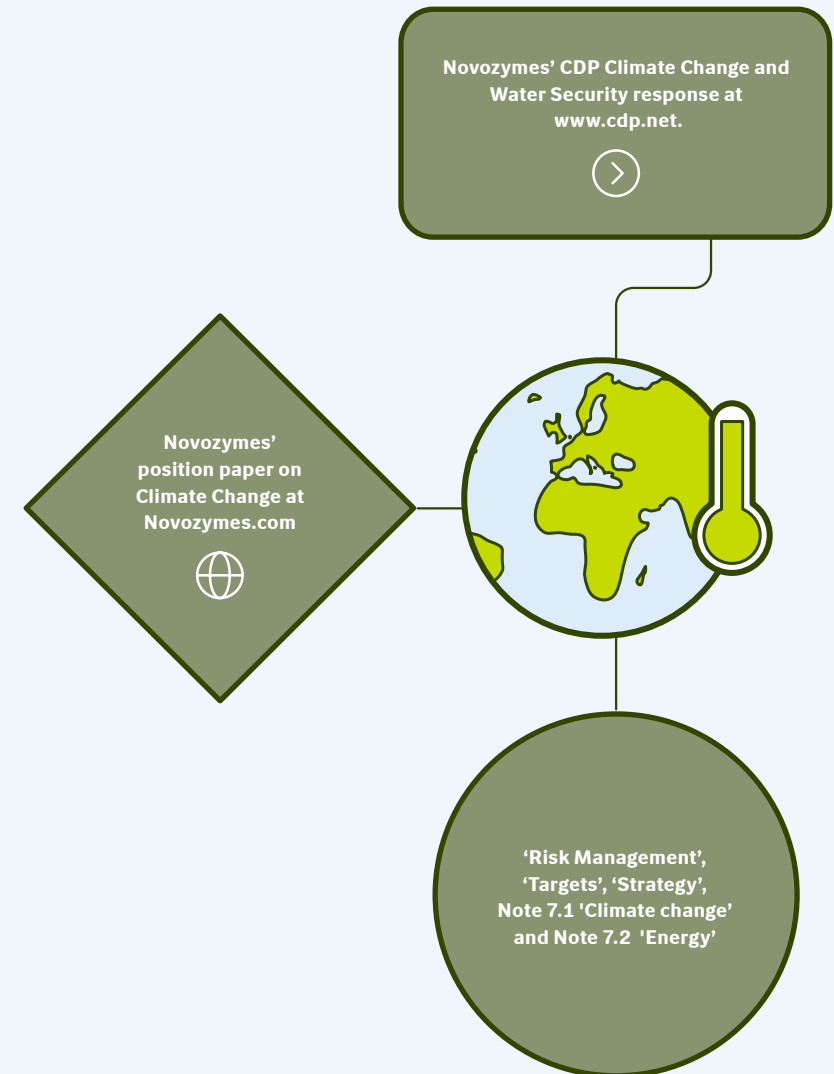
that meet the needs of society and drive sales growth, we have established a Corporate Sustainability Committee, comprising of various executive and senior leaders. The committee is also responsible for setting Novozymes' strategic direction, ambitious sustainability targets, and securing a strong internal foundation of responsible business practices.

Strategy

Our biological solutions offer many opportunities to support the transition to a low-carbon economy, and climate change action forms an integral part of our business strategy. In 2021, as part of our refreshed strategy, we invested to develop solutions for climate-related opportunities in Advanced proteins and Carbon Capture.

 **Spotlight story:**
Innovating for a climate-neutral society

For more information,
go to:



Alongside these opportunities, issues associated with climate change (regulatory action, physical or reputational damage, etc.) also pose multiple risks to our supply chain and operations.

We recognize the value of using climate scenario analysis to understand the implications of climate change on our business, in guiding our overall strategy and in preparing for the future. Currently, we are undertaking a project to determine climate-related risks in our agricultural value chain and the potential financial and non-financial impacts to our business and operations. While we presently use scenario analysis for qualitative assessments, we also expect to conduct quantitative assessments using relevant numerical models in the coming years.

Risk management

Climate change is an important factor when we look at the risks to our business. Our production processes are water-intensive and many of the raw materials sourced are agriculture-based and water-intensive to produce. Agriculture is affected by more frequent extreme weather conditions and other climate-related impacts. A severe drought could impact our production and limit our ability to meet customer demand by directly impacting our own operations or our supply chain.

As part of our risk management process, climate-related risks are identified, managed, and reported at different levels of the organization. At the asset level, Novozymes identifies climate-related risks based on a systematic risk mapping process that includes risks such as fire, earthquakes, drought, flooding, policy and regulatory changes. We also conduct periodic assessments of environmental impact at all significant production sites, with third parties being engaged to conduct periodic risk assessments and reviews.

We will continue to work on how to further strengthen our management of ESG risks in our business, including climate-related risks.

Metrics and targets

Novozymes is committed to the Science-Based Targets Initiative and to our long-term goal of achieving net zero across operations and value chain by 2050, a goal we set in 2019.

Considering new scientific findings reported by the Intergovernmental Panel on Climate Change (IPCC) in 2021, we are accelerating our net zero journey and significantly raising our ambition on climate change. Consequently, we commit to:

- a 50% reduction* in absolute CO₂ emissions from our operations (Scopes 1 & 2) and supply chain (Scope 3) by 2030.
- source 100% renewable electricity by 2030.

* From a 2018 baseline

Reporting on the EU Sustainable Finance Taxonomy

The EU Taxonomy Regulation requires listed companies to disclose the share of their turnover, capital and operational expenditure associated with environmentally sustainable economic activities. Despite the positive environmental impact from our biological solutions and our focus on minimizing our environmental footprint, Novozymes' activities do not fall within the scope of the EU Taxonomy Regulation and we have no activities eligible for this reporting requirement.



Summary of the remuneration report

In 2021, Novozymes delivered a highly satisfactory performance and solid set of financial and nonfinancial results.

Each year Novozymes issues the Novozymes Remuneration Report as a separate report. The content of the remuneration report has been prepared to meet the requirements of section 139b of the Danish Companies Act and holds information and details on the remuneration of the Board of Directors and the Executive Management. The Novozymes Remuneration Report 2021 will be presented for an advisory vote at the Annual General Meeting to be held in 2022. The Novozymes Remuneration Report 2020 was approved at the Annual General Meeting held in March 2021 without any comments.

All remuneration of the Board of Directors and the Executive Management in 2021 has been in line with the scope of the approved remuneration policy.

The following is a summary of the Novozymes **Remuneration Report 2021**.



The Novozymes Remuneration Report 2020 was approved at the Annual General Meeting held in March 2021 without any comments.



General remuneration policy

Novozyymes' remuneration policy for managers and other employees is designed to both encourage strong individual performance and support Novozymes' overall value creation. Remuneration consists of a base salary, pension contributions, a cash bonus and stock-based incentive programs.

These components are linked to employees' individual performance and to the level of achievement of Novozymes' financial, social and environmental targets. The remuneration policy aims to provide managers and other employees with a competitive financial package, which we review regularly against external benchmarks.

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 increased from DKK 500,000 to DKK 510,000 in 2021, the first change in base fee 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, 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 of Directors do not receive such additional fee if appointed to the Nomination and Remuneration Committee.

The size of the Board of Directors increased from 10 to 11 members in 2021, now consisting of seven shareholder-elected members and four employee-elected members. The total remuneration paid to the Board of Directors in 2021 amounted to DKK 9.8 million compared to DKK 8.2 million in 2020. The increase is a result of the full-year impact of the Innovation Committee that was established in August 2020, the increase in the number of employee representatives from three to four and the increase in the fixed base fee.

The individual board members' fees and their shareholdings can be found in the Novozymes Remuneration Report 2021.



The individual board members' fees and their shareholdings can be found in the Novozymes Remuneration Report 2021.



Remuneration of the Executive Management

As per December 31, 2021, 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, former Executive Vice President & COO, left Novozymes at the end of April 2021.

The total remuneration to members of the Executive Management comprises:

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

In 2021, the members of the Executive Management received a 2.3% increase in their base salary.

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 and DKK 1.4 million was paid out in 2021. 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 and DKK 4.3 million was paid out in 2021.

Thomas Videbæk left Novozymes at the end of April 2021. His severance package, totaling DKK 35 million, was fully expensed in 2020. Severance pay of DKK 9 million was paid out in 2020, while the remaining DKK 26 million was paid out in 2021.

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

In 2021 the targets for the STIP were split on the 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.

The financial performance of Novozymes in 2021 resulted in both the EBIT target and the cash flow target being exceeded. The payout related to these targets was 100% and 77%, respectively.

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

Based on its assessment, the Board determined that the pay-out based on individual targets would be 95% for Ester Baiget and 85% for Lars Green.

Remuneration to individual members of the Executive Management

DKK million	Fixed				Variable			2021 Total remuneration	Compensation for lost incentives	2020	
	Salary	Contribution based pension	Other benefits	Total fixed (% of total remuneration)	Cash bonus (STIP)	Incentive programs (LTIP)	Total variable (% of total remuneration)			Total remuneration	Severance package*
Ester Baiget, CEO (from 1/2-2020)	7.6	0.8	0.4	8.8 (40%)	5.7	7.7	13.4 (60%)	22.2	1.4	19.4	-
Lars Green, CFO	6.0	0.7	0.2	6.9 (40%)	4.3	6.1	10.4 (60%)	17.3	4.3	16.2	-
Former executives											
Thomas Videbæk (to 30/04-2021)	2.3	0.3	0.1	2.7	0.9	-	0.9	3.6	-	11.6	35.2
Peder Holk Nielsen (to 31/01-2020)										0.9	
Remuneration	15.9	1.8	0.7	18.4	10.9	13.8	24.7	43.1	5.7	48.1	35.2

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 four-year vesting period. The long-term incentive included in the above table is the cost of the 2021 program measured at market value at the grant date.

* Thomas Videbæk's severance package was fully expensed in 2020. The severance package 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 2021.

Short-term incentive program - Target achievement

Weight	Target	% / (index)	Ester Baiget, CEO		Lars Green, CFO	
45%	EBIT	% of maximum / (index compared to target performance)	100	(154)	100	(154)
15%	Cash flow		77	(118)	77	(118)
40%	Individual targets		95	(146)	85	(131)
	Total, % of max		95	(145)	91	(139)
	Total, DKK million		5.7		4.3	



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

The new LTIP for the Executive Management covering the performance period 2021-2023 took effect in 2021. The LTIP consists of 50% shares and 50% share options. Like the previous LTIP, the targets of the LTIP 2021 reflects 40% weight on the target on organic sales growth, 40% weight on the target on economic profit generation, and 20% weight on non-financial targets. The targets are aligned with the refreshed strategy and the measures of business success for the period 2021-2023.

The annual LTIP cannot exceed 19 months' base salary. 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 full annual conditional grant.

The members of the Executive Management have contracts of employment containing standard

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

Further details on the Executive Management's remuneration and their shareholdings etc. can be found in the Novozymes Remuneration Report 2021.

Remuneration of senior leadership

The remuneration of Novozymes' senior leadership (185 vice presidents and directors) is consistent with the general remuneration policy. Incentive programs for vice presidents and directors have been established for the 2021-2023 period. The programs follow the same mechanisms as the program for the Executive Management. Further information on the incentive programs for these employee groups can be found in Note 6.2 to the consolidated financial statements, which also includes an overview of outstanding stock options.

The Novozymes stock

The total shareholder return was 55% in 2021, including share price appreciation of 54% and DKK 1.5 billion dividend payments made during the year. Novozymes repurchased shares worth DKK 1.5 billion thereby completing the 2021 stock buyback program. A dividend of DKK 5.50 per share has been proposed and a new stock buyback program of up to DKK 500 million will be initiated in 2022.

Stock performance

Novozyymes total market cap reached DKK 151.5 billion at the end of 2021 after the share price (NZYM B) increased by 54% from the closing price of DKK 349.5 at the end of 2020 to DKK 537.2 at the end of 2021.

The strong share price performance together with the dividend payment of DKK 1.5 billion made during the year resulted in a total shareholder return of 55% for the year. This was the highest shareholder return over the past decade and significantly above the average annual return (compounded) to shareholders of 6% over the previous five years.

The average daily trading volume of the stock was 410,337 shares or DKK 180 million, making it the 13th most actively traded company on Nasdaq Copenhagen, which was unchanged from 2020.

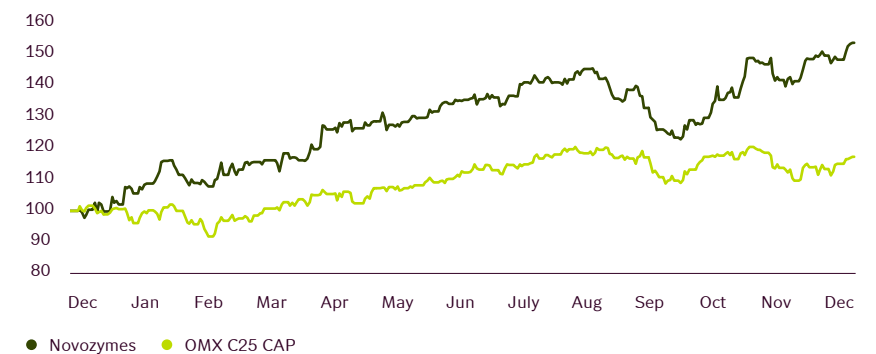
Share and ownership structure

The common stock consists of 282,000,000 shares all with a nominal value of DKK 2 per share. The common stock is divided into 53,743,600 A shares that carry 20 votes each and 228,256,400 B shares that carry 2 votes each.

Novozyymes had more than 57,000 shareholders at the end of 2021, and roughly 74% of the B shares were held outside Denmark, mainly by institutional investors. Fifty institutional investors, including Novo Holdings A/S, held approximately 62% of the B shares. Novo Holdings A/S held 25.5% of the total common stock in Novozymes and controlled 72.6% of the votes. Novo Holdings A/S is wholly owned by the Novo Nordisk Foundation, an independent Danish foundation whose objectives are to provide a stable base for the companies within the Novo Group and to support scientific and humanitarian purposes.

	A stock	B stock	Total
Share capital (DKK)	107,487,200	456,512,800	564,000,000
Number of shares	53,743,600	228,256,400	282,000,000
Held by Novo Holdings A/S (%)	100%	8.0%	25.5%
Number of votes	1,074,872,000	456,512,800	1,531,384,800
Voting rights (%)	70.2%	29.8%	100%
Held by Novo Holdings A/S (%)	70.2%	2.4%	72.6%

Share price development 2021



Novozymes repurchased 3,401,975 shares from February 8 to August 27, as part of the DKK 1.5 billion stock buyback program for 2021

Stock buyback programs

Novozymes repurchased 3,401,975 shares during the period from February 8 to August 30, as part of the DKK 1.5 billion stock buyback program for 2021. The repurchased shares were added to the treasury stock. Novozymes held 4,894,362 treasury shares, or 1.7% of the total stock capital, at the end of 2021.

A new stock buyback program worth up to a total of DKK 500 million or a maximum of 5 million shares will be initiated in 2022.

Dividends

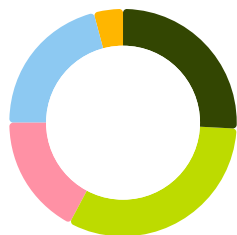
The Board of Directors proposes that the Annual Shareholders' Meeting approve a dividend of DKK 5.50 per share for a total payout of DKK 1,524 million for the 2021 financial year. The proposed

dividend corresponds to a payout ratio of 48.5%, which would be a decrease from 51.9% in 2020. The proposal is in line with the previously stated plan to have a payout ratio of ~50%.

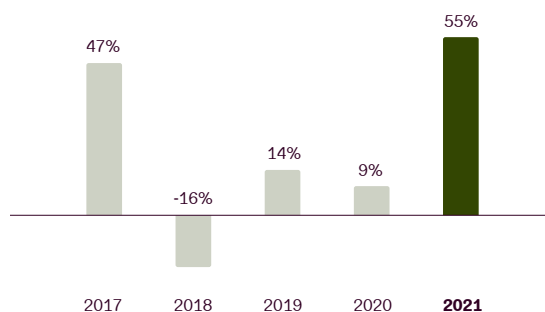
If approved, the 2021 dividend will be disbursed on March 21, 2022, with March 16, 2022, as the last trading day with dividend for 2021.

Ownership by geography (B shares)

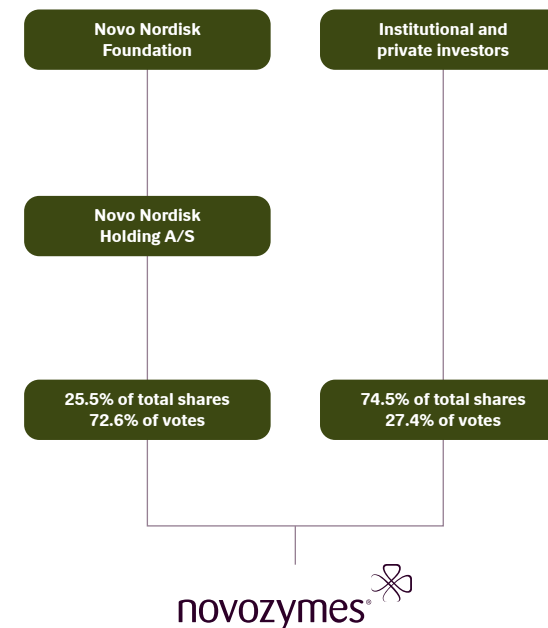
- Denmark **26%**
- UK & Ireland **32%**
- Rest of Europe **17%**
- North America **21%**
- Rest of world **4%**



Total shareholder return including dividends %



Ownership structure



The Novo Nordisk Foundation is an independent Danish foundation with corporate interests. The objective of the Novo Nordisk Foundation is twofold: to provide a stable base for the commercial and research activities conducted by the companies within the Novo Group and to support scientific, social and humanitarian purposes.

Investor Relations

Novozymes' Investor Relations maintains an ongoing dialogue with sell-side equity analysts as well as major institutional and retail shareholders.

 **A list of the current analysts covering Novozymes can be found at [Investors.novozymes.com](https://investors.novozymes.com).**

Accounts and performance

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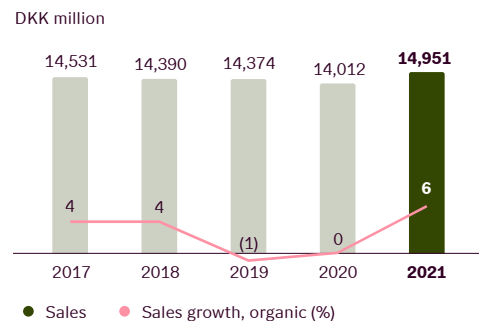
Sales and earnings

Sales

Total sales in 2021 were DKK 14,951 million, corresponding to an increase of 6% organically and of 7% reported in DKK compared with 2020.

While the effects of the COVID-19 pandemic lessened in 2021, changes in consumer behavior and supply chain issues have continued to affect industries in different ways. In 2021, Food, Beverages & Human Health delivered strong double-digit growth supported by good market conditions. Bioenergy's double-digit sales growth was supported by recovering U.S. ethanol production and expansion of starch-based ethanol production in Latin America, while double-digit sales growth in Grain & Tech Processing came from strong demand for ag-processing solutions and a recovery in textile. Household Care and Agriculture, Animal Health & Nutrition performed much as expected.

Sales and sales growth



Gross profit and margin

Gross profit increased by 10% to DKK 8,623 million from DKK 7,853 million in 2020. The gross margin was 57.7%, up from 56.0% in 2020. The increase was mainly due to improved production efficiency, price/mix and acquisitions, which was partly offset by higher input costs and adverse currency developments.

Operating costs

Operating costs increased by 13% to DKK 4,804 million. Operating costs as a percentage of sales were 32%.

- Sales and distribution costs increased by 22%, accounting for 13% of sales.
- Research and development costs increased by 4%, accounting for 13% of sales.
- Administrative costs increased by 16%, accounting for 6% of sales.

The increase in operating costs in 2021 was mainly due to increased commercial activities, the inclusion of acquisitions and one-offs including reorganization within research and development.

Other operating income

Other operating income was DKK 188 million, compared with DKK 56 million in 2020. Other operating income in 2021 was positively impacted by DKK 62 million from the contingent income related to the divestment of a pharmaceutical royalty, and DKK 60 million from the sale of a building classified as held for sale.

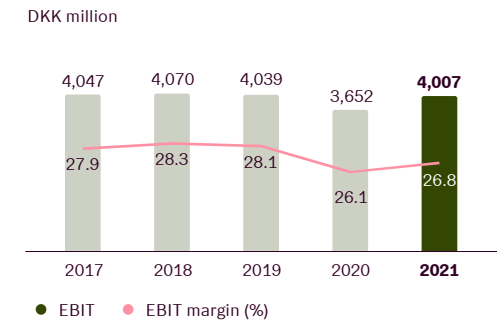
EBITDA

EBITDA increased by 10% to DKK 5,423 million, up from DKK 4,918 million in 2020. Depreciation, amortization and impairment losses were DKK 1,416 million in 2021, up 12% from DKK 1,266 million in 2020. The increase was mainly due to amortization related to the PrecisionBiotics Group and the Microbiome Labs acquisitions.

EBIT and EBIT margin

EBIT increased by 10% to DKK 4,007 million, up from DKK 3,652 million in 2020. The EBIT margin ended at 26.8%, up from 26.1% in 2020. Adjusting for one-offs, acquisition-related transaction costs and currencies, the EBIT margin in 2021 was around 27%.

EBIT and EBIT margin



Net finance

Net financial costs were DKK 79 million in 2021, compared with DKK 127 million in 2020. Novozymes realized a DKK 4 million currency hedging/revaluation net loss for 2021, compared with a net loss of DKK 35 million in 2020.

Tax

The effective tax rate was 19.9%, up from 19.7% in 2020.

Earnings per share (diluted)

Earnings per share (diluted) were DKK 11.23, compared with DKK 10.02 in 2020.

Consolidated statements of income

Income statement

DKK million	Note	2021	2020
Revenue	2.1, 2.2	14,951	14,012
Cost of goods sold	2.3, 3.1, 3.2, 4.1	(6,328)	(6,159)
Gross profit		8,623	7,853
Sales and distribution costs	2.3, 3.1, 3.2	(1,936)	(1,581)
Research and development costs	2.3, 2.4, 3.1, 3.2	(2,009)	(1,937)
Administrative costs	2.3, 3.1, 3.2	(859)	(739)
Other operating income, net	2.5	188	56
Operating profit / EBIT		4,007	3,652
Share of result in associates		(4)	(4)
Financial income	5.2	174	26
Financial costs	5.2	(253)	(153)
Profit before tax		3,924	3,521
Tax	2.6	(779)	(695)
Net profit		3,145	2,826
Attributable to			
Shareholders of Novozymes A/S		3,146	2,825
Non-controlling interests		(1)	1
		3,145	2,826
Proposed dividend per share, DKK		5.50	5.25
Earnings per share, DKK	2.7	11.32	10.07
Earnings per share, diluted, DKK	2.7	11.23	10.02

Statement of comprehensive income

DKK million	Note	2021	2020
Net profit		3,145	2,826
Items that may subsequently be reclassified to the income statement:			
Currency translation adjustments			
Subsidiaries and non-controlling interests		723	(786)
Tax on currency translation adjustments		(2)	1
Currency translation adjustments		721	(785)
Cash flow hedges			
Fair value adjustments		(173)	154
Tax on fair value adjustments		38	(34)
Cash flow hedges reclassified to financial costs	5.2	(31)	(15)
Tax on reclassified fair value adjustments		7	3
Cash flow hedges		(159)	108
Other comprehensive income		562	(677)
Comprehensive income		3,707	2,149
Attributable to			
Shareholders of Novozymes A/S		3,706	2,149
Non-controlling interests		1	-
		3,707	2,149

Cash Flow

Cash flow from operating activities

The cash flow from operating activities was DKK 4,062 million, down from DKK 4,355 million in 2020. The lower cash flow from operating activities of DKK 293 million compared to 2020 was mainly due to changes in working capital, somewhat mitigated by the higher net profit and improved earnings quality. The change in net working capital was caused by higher receivables and inventories, partly offset by higher payables.

Net investments

Net investments excluding acquisitions were DKK 1,116 million, up from DKK 936 million in 2020. Net investments in property, plant and equipment amounted to DKK 1,071 million, compared with DKK 794 million in 2020, partly due to the investment in the new production line in Blair, Nebraska, U.S.

Free cash flow before acquisitions and divestments

The free cash flow before acquisitions and divestments amounted to DKK 2,946 million, compared with DKK 3,419 million in 2020. The decrease of 14% was mainly driven by the development in cash flows from operating activities and an increase in net investments.

Free cash flow

The free cash flow was DKK 1,315 million in 2021, compared with DKK 2,831 million in 2020. Free cash flow was negatively impacted by the acquisition of Microbiome Labs and Synergia Life Sciences.

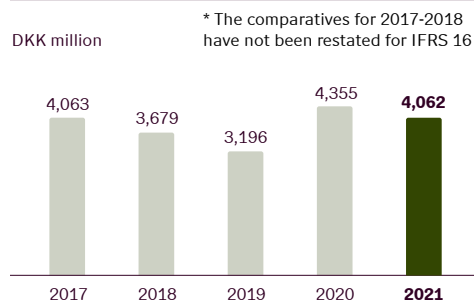
Financing activities

The cash flow from financing activities was negative at DKK 1,586 million, compared with a negative cash flow of DKK 2,314 million in 2020. The negative cash flow from financing activities was mainly due to the 2021 stock buyback program of DKK 1,500 million and dividend payments of DKK 1,466 million, partly offset by net borrowings.

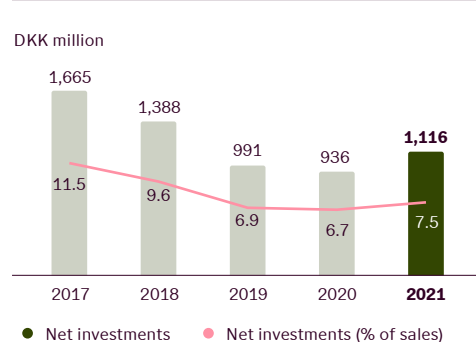
Cash position

Cash and cash equivalents at December 31, 2021, amounted to DKK 963 million, down from DKK 1,181 million at December 31, 2020. Undrawn committed credit facilities were DKK 3,785 million at December 31, 2021.

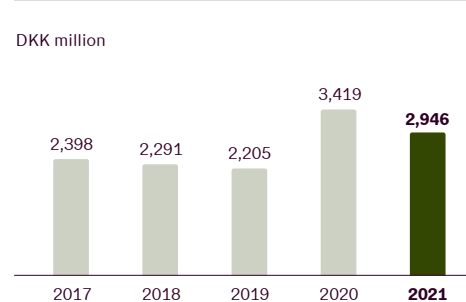
Cash flow from operating activities



Net investments



Free cash flow before acquisitions



Consolidated statement of cash flows

DKK million	Note	2021	2020	DKK million	Note	2021	2020
Net profit		3,145	2,826	Financing			
Reversal of non-cash items	6.7	2,198	2,220	Borrowings		2,144	999
Income tax paid	2.6	(627)	(951)	Repayment of borrowings		(1,283)	(434)
Interest received		18	10	Overdraft facilities, net		313	(293)
Interest paid		(52)	(62)	Repayment of lease liabilities		(103)	(111)
Cash flow before change in working capital		4,682	4,043	Shareholders:			
Change in working capital				Purchase of treasury stock		(1,500)	(1,500)
(Increase)/decrease in receivables		(574)	395	Sale of treasury stock		309	508
(Increase)/decrease in inventories		(556)	181	Dividend paid		(1,466)	(1,483)
Increase/(decrease) in payables, deferred income and contract liabilities		518	(265)	Cash flow from financing activities		(1,586)	(2,314)
Currency translation adjustments		(8)	1	Net cash flow		(271)	517
Cash flow from operating activities		4,062	4,355	Unrealized gain/(loss) on currencies and financial assets included in cash and cash equivalents		53	(47)
Investments				Net change in cash and cash equivalents		(218)	470
Purchase of intangible assets	6.7	(169)	(146)	Cash and cash equivalents at January 1		1,181	711
Purchase of property, plant and equipment	6.7	(1,071)	(794)	Cash and cash equivalents at December 31		963	1,181
Sale of property, plant and equipment		124	4				
Business acquisitions, divestments and purchase of financial assets	6.7	(1,631)	(588)				
Cash flow from investing activities		(2,747)	(1,524)				
Free cash flow		1,315	2,831				

Balance sheet and financial position

Total assets

Total assets increased from DKK 20,510 million at December 31, 2020, to DKK 24,767 million at December 31, 2021. The increase was mainly driven by net investments, an increase in net working capital, and the acquisitions of Microbiome Labs and Synergia Life Sciences, partly offset by amortization and depreciation.

Invested capital

Invested capital increased from DKK 15,094 million in 2020 to DKK 18,118 million in 2021. This was mainly a result of an increase in intangible assets from the acquisitions of Microbiome Labs and Synergia Life Sciences.

ROIC

Return on invested capital (ROIC), including goodwill, was 19.3%, up 0.4 percentage point from 18.9% in 2020. The increase was mainly driven by the higher net profit after tax which more than offset an increase in invested capital following the PrecisionBiotics Group, Microbiome Labs and Synergia Life Sciences acquisitions.

Net working capital

Novozymes' net working capital increased to DKK 3,535 million, up from DKK 2,901 million in 2020, due to an increase in inventories and trade receivables, partly offset by higher other payables.

Net interest-bearing debt

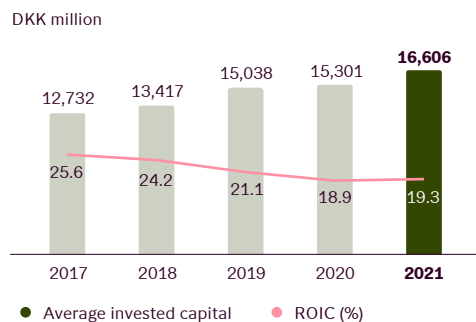
Novozymes had net interest-bearing debt of DKK 5,225 million at December 31, 2021, compared with DKK 3,871 million at December 31, 2020.

Net interest-bearing debt was impacted by cash outflows from stock buybacks of DKK 1,500 million, dividend payments of DKK 1,466 million and the acquisitions of Microbiome Labs and Synergia Life Sciences as well as the investment in the new production line in Blair, Nebraska, U.S.

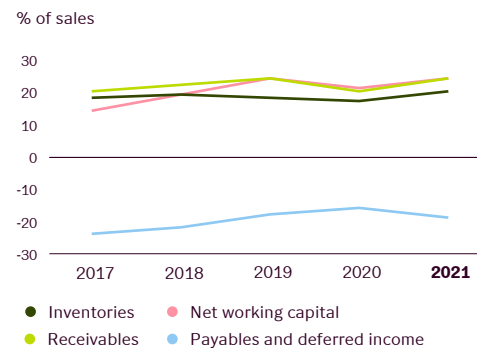
Net interest-bearing debt-to-EBITDA

Net interest-bearing debt-to-EBITDA was 1.0x at December 31, 2021, compared with 0.8x at December 31, 2020.

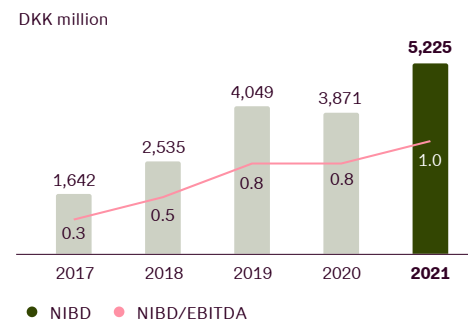
ROIC and average invested capital



Net working capital



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



Consolidated balance sheet

Assets				Liabilities and equity			
DKK million	Note	Dec. 31, 2021	Dec. 31, 2020	DKK million	Note	Dec. 31, 2021	Dec. 31, 2020
Intangible assets	3.1	5,024	2,554	Common stock	5.5	564	570
Land and buildings	3.2	3,980	3,853	Reserves and retained earnings		11,263	10,663
Plant and machinery	3.2	4,290	4,136	Equity attributable to shareholders of Novozymes A/S		11,827	11,233
Other equipment	3.2	1,039	941	Non-controlling interests	6.5	379	11
Assets under construction	3.2	876	682	Total equity		12,206	11,244
Deferred tax assets	2.6	1,637	1,339	Share purchase liability	6.5	717	-
Other financial assets		30	21	Deferred tax liabilities	2.6	1,337	1,204
Investments in associates		29	33	Provisions	3.4	153	115
Other receivables	4.3	39	40	Contingent consideration	3.6	543	146
Non-current assets		16,944	13,599	Lease liabilities		360	386
Inventories	4.1	2,992	2,361	Deferred income		98	-
Trade receivables	4.2	2,948	2,549	Other financial liabilities	5.3	3,680	3,254
Contract assets	4.2	40	6	Non-current liabilities		6,888	5,105
Tax receivables	2.6	286	460	Lease liabilities		122	136
Other receivables	4.3	519	212	Provisions	3.4	21	90
Other financial assets		75	119	Other financial liabilities	5.3	2,139	1,309
Cash and cash equivalents		963	1,181	Trade payables		1,490	1,100
		7,823	6,888	Contract liabilities		129	67
Assets held for sale	4.5	-	23	Deferred income		34	22
Current assets		7,823	6,911	Tax payables	2.6	486	336
Assets		24,767	20,510	Other liabilities	4.4	1,252	1,101
				Current liabilities		5,673	4,161
				Liabilities		12,561	9,266
				Liabilities and equity		24,767	20,510

Equity and shareholder return

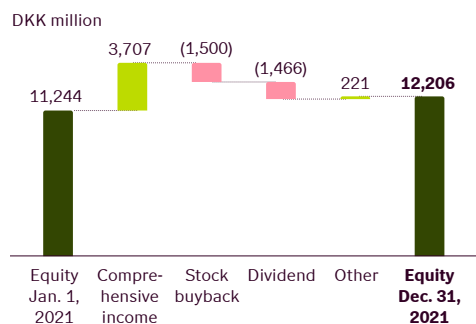
Equity

At December 31, 2021, equity was DKK 12,206 million, up from DKK 11,244 million at December 31, 2020, as comprehensive income more than offset dividend payments and net stock buybacks in 2021.

Equity ratio

Equity accounted for 49.3% of total assets at December 31, 2021, down from 54.8% at December 31, 2020.

Movements in equity 2021



Return on equity

Return on equity was 27.3%, up 2.4 percentage points from 24.9% in 2020. The increase was a result of the higher net profit.

Treasury stock

At December 31, 2021, the holding of treasury stock was 4.9 million B shares, equivalent to 1.7% of the common stock.

Payout ratio and dividend per share



Dividend

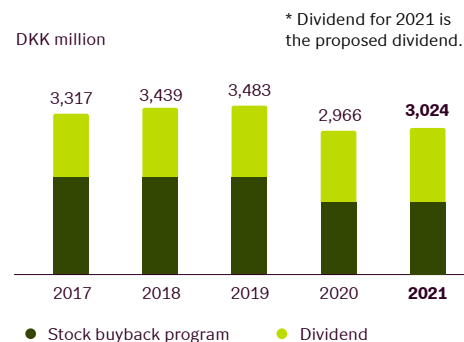
The Board of Directors proposes that the Annual Shareholders' Meeting approve a dividend of DKK 5.50 per share for the 2021 financial year, corresponding to an increase of 5% compared with 2020. This will result in an expected total dividend payment of approximately DKK 1,524 million, corresponding to a payout ratio of 48.5%.

Stock buyback program

In 2021, Novozymes bought back 3.4 million B shares at an aggregate transaction value of DKK 1,500 million under the stock buyback program initiated on February 8, 2021, and completed on August 30, 2021. The shares acquired under the program will be used to reduce the common stock and to meet obligations arising from employee stock-based incentive programs.

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

Shareholder return



Consolidated statement of equity

DKK million	Attributable to shareholders of Novozymes A/S						Non-controlling interests	Total equity
	Common stock	Currency translation adjustments	Cash flow hedges	Retained earnings	Total			
Equity at January 1, 2021	570	(727)	127	11,263	11,233	11	11,244	
Net profit for the year				3,146	3,146	(1)	3,145	
Other comprehensive income for the year		719	(159)		560	2	562	
Total comprehensive income for the year		719	(159)	3,146	3,706	1	3,707	
Purchase of treasury stock				(1,500)	(1,500)		(1,500)	
Sale of treasury stock				309	309		309	
Write-down of common stock	(6)			6	-		-	
Dividend				(1,465)	(1,465)	(1)	(1,466)	
Stock-based payment				75	75		75	
Non-controlling interests and share purchase liability				(717)	(717)	368	(349)	
Tax related to equity items				186	186		186	
Changes in equity	(6)	719	(159)	40	594	368	962	
Equity at December 31, 2021	564	(8)	(32)	11,303	11,827	379	12,206	
Equity at January 1, 2020	582	57	19	10,810	11,468	12	11,480	
Net profit for the year				2,825	2,825	1	2,826	
Other comprehensive income for the year		(784)	108		(676)	(1)	(677)	
Total comprehensive income for the year		(784)	108	2,825	2,149	-	2,149	
Purchase of treasury stock				(1,500)	(1,500)		(1,500)	
Sale of treasury stock				508	508		508	
Write-down of common stock	(12)			12	-		-	
Dividend				(1,482)	(1,482)	(1)	(1,483)	
Stock-based payment				53	53		53	
Tax related to equity items				37	37		37	
Changes in equity	(12)	(784)	108	453	(235)	(1)	(236)	
Equity at December 31, 2020	570	(727)	127	11,263	11,233	11	11,244	

The proposed dividend of approximately DKK 1,524 million for 2021 is included in Retained earnings.

Environmental performance

Operational ecoefficiency

In 2021, sales increased organically by 6% which led to increases in production, and in the consumption of energy and water compared to 2020.

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

Climate change

Novozymes' total CO₂ emissions were 288,000 tons in 2021, a 7% increase from 268,000 tons in 2020.

Energy

In 2021, Novozymes' energy consumption was 4,699,000 GJ, an increase of 5% compared with 2020.

Renewable sources accounted for 42% of the energy consumption in 2021 compared with 43% in 2020. Of the total electricity the renewable part accounted for 68% in 2021.

Water

Novozymes' water consumption increased by 7%, from 7,998,000 m³ in 2020 to 8,538,000 m³ in 2021.

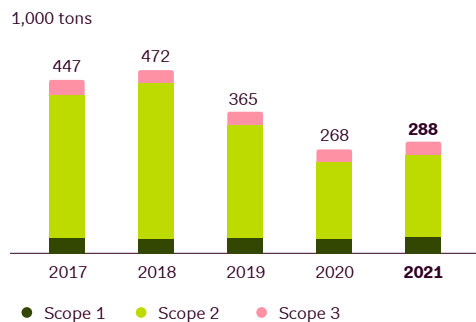
The total volume of wastewater generated in 2021 increased by 2%.

Waste

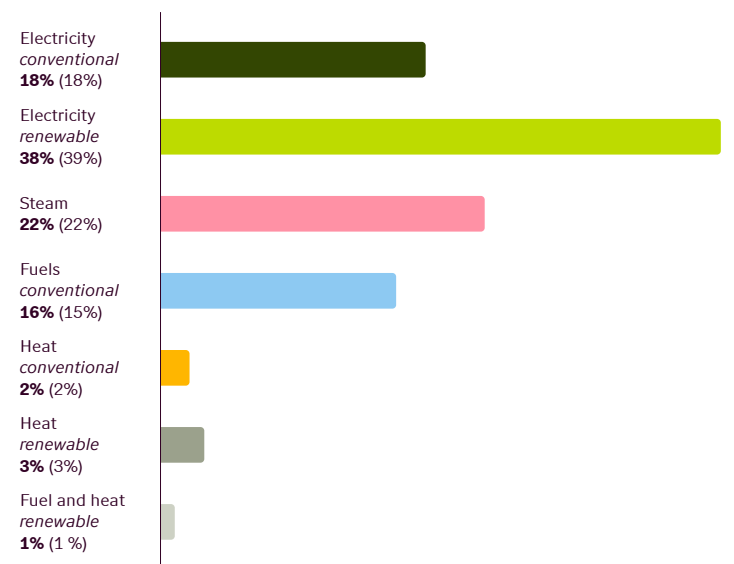
In 2021, 99% of our biomass was re-circulated as compost, fertilizer, feedstock for biogas or the like, compared to 97% in 2020.

For non-biomass waste, the rate of recycling across our global production sites increased to 62%, from 48% in 2020. The improved recycling rate was the result of a large number of improvements across sites identified in the zero waste initiative launched in 2020.

Five-year operational emissions (CO₂-eqv.)



Energy by source 2021 (2020)



Environmental compliance

The number of breaches of regulatory limits recorded worldwide in the Novozymes organization decreased to 13 in 2021 from 20 in 2020. Most of these breaches were related to wastewater treatment. Novozymes is addressing these incidents. In addition, we received seven neighbor complaints in 2021, compared with ten in 2020, mostly related to minor temporary odor and noise issues.

Increase in recycling of non-biomass waste (kg)

1,800,000

Consolidated environmental data

	Note		2021	2020
Climate change				
Greenhouse gas emissions	7.1	1,000 tonnes CO ₂ -eqv.	288	268
Energy				
Energy consumption	7.2	1,000 GJ	4,699	4,475
Renewable energy	7.2	%	42	43
Water				
Water consumption	7.3	1,000 m ³	8,538	7,998
Volume of wastewater	7.3	1,000 m ³	6,610	6,471
Waste				
Total waste	7.4	1,000 tonnes	481	480
Recycling rate for non-biomass waste	7.4	%	62	48
Biomass volume	7.4	1,000 tonnes	466	465
Biomass handled in circular set-up (recycled)	7.4	%	99	97
Environmental compliance, etc.				
Breaches of regulatory limits	7.5	No.	13	20
Neighbor complaints	7.5	No.	7	10
References to notes without data				
Bioethics & biodiversity	7.6		n.a.	n.a.
Product stewardship	7.7		n.a.	n.a.

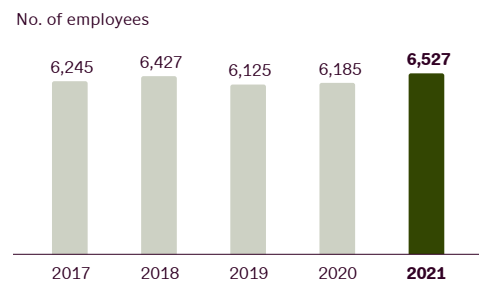
Social and governance performance

Labor practices & human rights

At December 31, 2021, the total number of employees was 6,527, compared with 6,185 in 2020. The increase was partly related to the acquisitions of Microbiome Labs and Synergia Life Sciences.

In 2021, the employee absence rate was 2.2% compared to 1.9% in 2020.

Number of employees

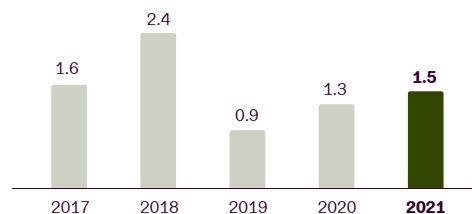


Novozymes promotes equal opportunities and strengthens diversity in the global workplace. At December 31, 2021, 34% of senior management (directors and higher) were women compared to 33% in 2020.

Occupational health & safety

The frequency of occupational injuries increased to 1.5 per million working hours in 2021, compared with 1.3 per million working hours in 2020.

Frequency of injuries (per million working hours)



Innovation

Novozymes is committed to delivering bioinnovation and launched 14 new products in 2021.

In 2021, Novozymes had 902 active patent families, which comprise the number of inventions that have active patent applications or active patents. The number of active patent families decreased from 963 in 2020 due to a high number of expired and abandoned patents.

Business ethics

In 2021, Novozymes reinforced our commitment to business integrity. During the year, 99% of Novozymes' employees in scope completed business integrity training, on par with 2020.

As in 2020, there were no breaches of competition law in 2021.

Customer engagement

Novozymes conducts an annual customer satisfaction survey and tracks progress on its Net Promoter Score (NPS), which is assessed on a scale from -100 to +100. In 2021, we received an NPS of +69, which confirms our solid relationships with our customers.



Business Ethics

During 2021, 99% of Novozymes' employees in scope completed business integrity training.

Consolidated social and governance data

	Note		2021	2020
Labor practices & human rights				
Employees, total	2.3	No.	6,527	6,185
Women	2.3	%	39.2	37.8
Rate of absence	8.1	%	2.2	1.9
Inclusion & Diversity				
Women in senior management	8.2	%	34	33
Employee safety and wellbeing				
Fatalities		No.	-	-
Frequency of occupational injuries with absence	8.3	Per million working hours	1.5	1.3
Frequency of occupational diseases	8.3	Per million working hours	0.2	0.4
Three-year rolling average of occupational injuries with absence	8.3	Per million working hours	1.2	1.5
Innovation				
New products	2.4	No.	14	12
Active patent families	2.4	No.	902	963
Business ethics				
Completion of business integrity training for employees in scope	8.4	%	99	99
Breaches of competition law	8.4	No.	-	-
Customer engagement				
Customer satisfaction, Net Promoter Score (NPS)	8.5	No.	69	50*
Reference to notes without data				
Community engagement	8.6		n.a.	n.a.
Responsible sourcing	8.7		n.a.	n.a.

* The NPS score is not comparable to the 2020 score, as the criteria for selection of customers has changed in 2021

Notes

1

Basis of reporting

- 1.1 Significant changes and events
- 1.2 Basis of reporting

2

Net operating profit after tax

- 2.1 Segment
- 2.2 Revenue
- 2.3 Employees
- 2.4 Research and development costs
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- 8.7 Responsible sourcing

1

Basis of reporting

1.1 Significant changes and events

1.2 Basis of reporting

Basis of reporting

1.1 Significant changes and events

In line with the refreshed strategy, Unlocking growth – powered by biotech, announced in 2021, the following significant events have impacted Accounts and performance in 2021.

Investing in Advanced Protein Solutions

Novozymes is committed to establishing a new state-of-the-art production line at our site in Blair, Nebraska, U.S. The investment follows an agreement by Novozymes to enter into a long-term contract with an anchor customer and key player in the plant-based industry. With this investment, Novozymes taps into the growing market need for alternative and healthier sources of protein.

The capital investment of roughly DKK 2 billion will span over the period 2021-2023, which started in the second half of 2021 and with expected completion by the end of 2023.

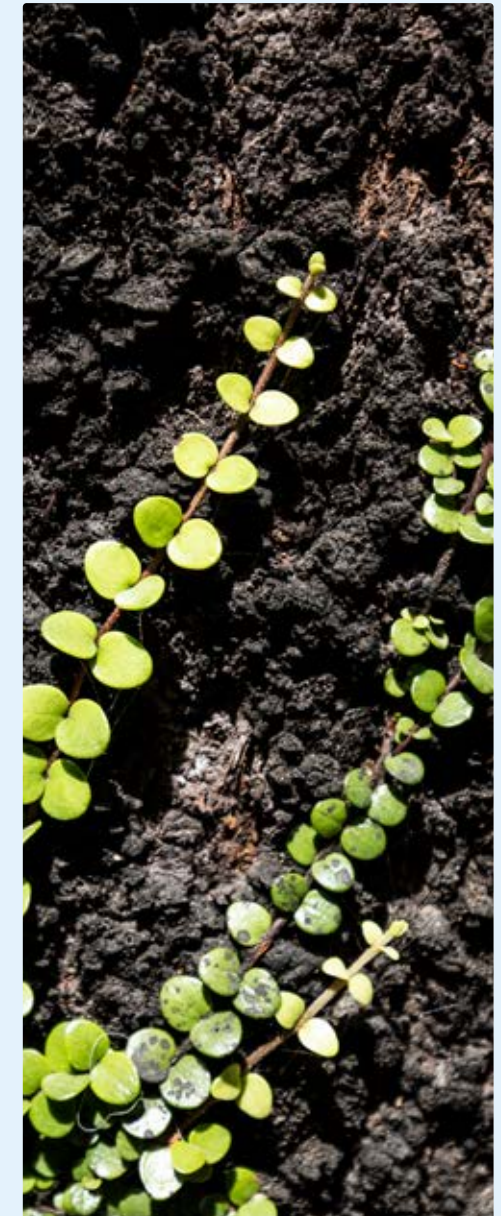
Reference is made to **Note 3.2**.

Strengthening and accelerating our BioHealth business

On January 7, 2021, Novozymes acquired Microbiome Labs, adding a broad range of proprietary microbiome solutions securing an attractive entry point into the North American probiotics market. On December 10, 2021, Novozymes acquired the majority stake in Synergia Life Sciences, a leading player in the field of spore probiotics and vitamin K2-7.

Both acquisitions are related to the BioHealth business, which also comprises the 2016 acquisition of Organobalance GmbH, the 2020 acquisition of PrecisionBiotics Group along with research and development activities based on Novozymes' existing technology. These acquisitions will leverage our strong scientific capabilities and ability to combine microbes – pre- and probiotics – with enzymes and other biological solutions to develop innovative, effective, and clinically-proven solutions that improve human health in a growing world.

Reference is made to Notes **3.5**, **3.6** and **6.5** for a description of the acquisitions and their impact on the consolidated financial statements.



[Basis of reporting](#)

1.2 Basis of reporting

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

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

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

ACCOUNTING POLICIES

Consolidation

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

items of a uniform nature and subsequently eliminating intercompany transactions, internal stockholdings and balances, and unrealized intercompany profits and losses.

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

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

Translation of foreign currencies

The consolidated financial statements are presented in Danish kroner (DKK).

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

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

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

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

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

iXBRL reporting

Novozymes is required to file its annual report in the European Single Electronic Format ('ESEF') and The Novozymes Report is therefore prepared in the XHTML format that can be displayed in a standard browser. The primary statements in the consolidated financial statements are tagged using inline eXtensible Business Reporting Language (iXBRL). The iXBRL tags comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. Where a financial statement line item is not defined in the ESEF taxonomy, an extension to the

taxonomy has been created. Extensions are anchored to elements in the ESEF taxonomy, except for extensions which are subtotals.

The Novozymes Report submitted to the Danish Financial Supervisory Authority consists of the XHTML document together with certain technical files, all included in a file named NOVOZYMES-2021-12-31.zip.

Non-IFRS financial measures

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

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

- Organic sales growth
- Operating costs
- Economic profit
- ROIC
- Free cash flow before acquisitions

Definitions of non-IFRS financial measures are provided in the Glossary.

Basis of reporting

1.2 Basis of reporting (continued)

ROIC

DKK million	Note	2021	2020
Operating profit (EBIT)		4,007	3,652
Exchange gains/(losses)		(4)	(35)
Tax on adjusted operating profit		(795)	(714)
Share of loss in associates		(4)	(4)
Adjusted operating profit (NOPAT)		3,204	2,899

DKK million	Note	2021	2020
Intangible assets	3.1	5,024	2,554
Property, plant and equipment	3.2	10,185	9,612
Investments in associates		29	33
Net working capital*		3,535	2,901
Financial assets, non-interest-bearing		75	119
Provisions	3.4	(174)	(205)
Contingent consideration	3.6	(543)	(146)
Derivatives		(113)	(33)
Tax, net		100	259
Invested capital		18,118	15,094
Average invested capital		16,606	15,301

ROIC **19.3%** **18.9%**

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

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

Critical accounting estimates and judgments

The preparation of the consolidated financial statements and the environmental, social and governance data requires Management to make estimates and assumptions that can have a significant effect on the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based

on historical experience and various other factors. Actual results may differ from these estimates.

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

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

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

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

substance of transactions that have a complicated structure or legal form.

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

1.2 Basis of reporting (continued)

Basis of reporting

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act. The fiscal year for the Group is January 1 – December 31.

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

The consolidated environmental, social and governance data have been prepared in accordance with principles that adhere to internationally recognized voluntary reporting standards and principles such as the UN Global Compact (UNGC). Novozymes is a signatory to the UNGC, a voluntary policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. We also take inspiration from the Task Force on Climate Related Financial Disclosures (TCFD) framework for climate-related disclosures.

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

The principles are unchanged from last year.

Defining materiality

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

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

As for environmental, social and governance (ESG) matters, we disclose information on issues that are identified by our materiality assessment. The disclosures in the notes include information on our management approach, targets, initiatives, and related progress.

Novozyymes' materiality assessment is a systematic and rigorous process that has been aligned with the principles of double materiality. It allows us both to evaluate whether Novozymes has an impact on environment and society and to

identify how ESG issues affect the creation of long-term value. The process integrates input from external stakeholders, trend analyses and internal engagement with relevant departments including Investor Relations, Risk Management & Controls, Quality, Sustainability and our commercial divisions. This process results in a materiality matrix of economic and ESG issues. The matrix reflects the importance of those issues to our key stakeholders versus their impact on Novozymes, and it is used to guide our strategy and reporting.

As a result of the materiality assessment performed in 2021, two new issues were added: Supply chain security and Diversity & Inclusion. Further information on diversity and inclusion are disclosed in a separate note for the first time in this report (see Note 8.2).

In the past couple of years, various global movements and the COVID-19 pandemic has led to an increased focus on how companies manage social issues, like diversity and inclusion and labor practices. As a responsible corporate citizen, Novozymes continuously strive to strengthen our governance and management of these material issues.

In the illustration on the following page, we highlight some of the material issues, for which, we have external targets/flagship initiatives. For more information, refer to www.novozymes.com/en/about-us/sustainability/materiality.

Limited reporting scope

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

In the reporting of environmental, social and governance data, companies acquired in 2021 are only included in number of employees, as appropriate procedures for recording data on other measures have not yet been established.

Basis of reporting

1.2 Basis of reporting (continued)

Material issues for Novozymes

 Innovation	 Compliance	 Partnerships & customer engagement
 Profitable growth	 Solid capital structure	 Supply chain security (new)
 Climate change & Energy	 Water	 Waste
 Labor practices and human rights	 Diversity & inclusion (new)	 Employee safety & wellbeing
 Corporate governance	 Business ethics	

Issue category

- All
- Economic
- Environmental
- Governance
- Social

Corporate focus area

- ★ Target/Flagship initiatives

Impact of new accounting standards

Novozymes has adopted the following new or amended standards and interpretations from January 1, 2021:

- Amendments to IFRS 16 – Leases regarding COVID-19 related rent concessions, providing a practical expedient to account for COVID-19-related rent concessions as if they were not lease modifications.
- Amendments to IFRS 9, IAS 39, and IFRS 7 – Interest Rate Benchmark Reform (IBOR) - phase 2, which enables entities to reflect the effects of transitioning from benchmark interest rates to alternative interest rates without giving rise to accounting impacts that would not provide useful information to users of the financial statements.

The adoption of the new and amended standards and interpretations has not had a significant impact on recognition, measurement or disclosures in the consolidated financial statements for 2021 and is not anticipated to have a significant impact on future periods.

New standards and interpretations not yet adopted

IASB has issued new or amended accounting standards and interpretations that have not yet become effective and have consequently not been implemented in the consolidated financial statements for 2021. Novozymes expects to adopt the accounting standards and interpretations as they become mandatory. None of the new or amended standards or interpretations are expected to have a significant impact on the consolidated financial statements.

2

Net operating profit after tax

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

Organic sales
growth in 2021

6%

Gross margin up from
56.0% in 2020 to

57.7%

EBIT margin up from
26.1% in 2020 to

26.8%

Net operating profit after tax

2.1 Segment

Segment reporting

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

Worldwide operations

The Group operates in four geographical regions: Europe, Middle East & Africa, North America, Asia Pacific and Latin America. From a revenue perspective, U.S. is the largest single country,

contributing ~29% of the Group's revenue (2020: ~29%).

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

Most of the Group's intangible assets and property, plant and equipment are located in Denmark, U.S., India and China at ~44%, ~25%, ~13% and ~10% respectively (2020: ~48%, ~27%, ~3% and ~13%).

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

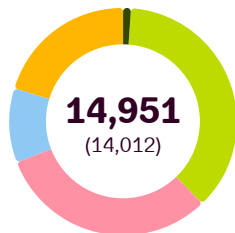
	2021	2020
Denmark	44%	48%
U.S.	25%	27%
India*	13%	3%
China	10%	13%

* The increase in intangible assets and property, plant and equipment in India is related to the acquisition of Synergia Life Sciences, see Note 3.5.

Revenue 2021 (2020)

DKK million

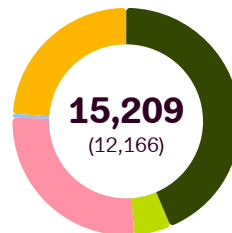
- Denmark **207** (175)
- Rest of Europe, Middle East & Africa **5,474** (5,361)
- North America **4,683** (4,441)
- Latin America **1,578** (1,280)
- Asia Pacific **3,009** (2,755)



Intangible assets and property, plant and equipment 2021 (2020)

DKK million

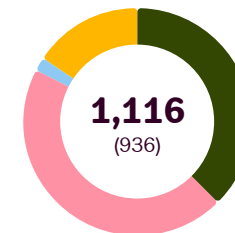
- Denmark **6,647** (5,790)
- Rest of Europe, Middle East & Africa **828** (833)
- North America **4,019** (3,498)
- Latin America **108** (101)
- Asia Pacific **3,607** (1,944)



Net investments 2021 (2020)

DKK million

- Denmark **431** (452)
- Rest of Europe, Middle East & Africa **-32** (6)
- North America **517** (312)
- Latin America **22** (12)
- Asia Pacific **178** (154)



Net operating profit after tax

2.2 Revenue

DKK million	2021	2020
Consumer Biosolutions		
Household Care	4,763	4,882
Food, Beverages & Human Health	3,464	2,767
Agriculture & Industrial Biosolutions		
Bioenergy	2,702	2,522
Grain & Tech Processing	2,236	2,007
Agriculture & Animal Health	1,786	1,834
Revenue	14,951	14,012
	I/S	
Emerging markets	5,448	4,711
Developed markets*	9,503	9,301
Revenue	14,951	14,012
	I/S	
Revenue to the five largest customers as a percentage of revenue	25%	27%

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

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

At January 1, 2021, contract liabilities amounted to DKK 129 million (2020: DKK 74 million), of which DKK 43 million was recognized as revenue in 2021 (2020: DKK 5 million).



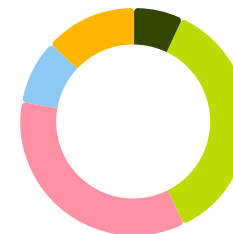
Critical accounting estimates and judgments

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

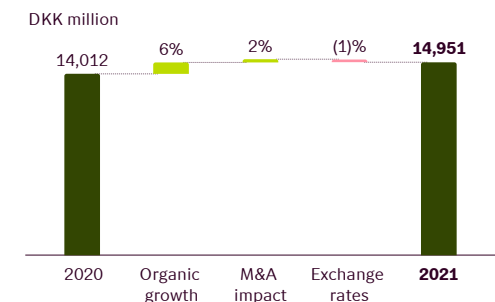
predetermined profit-sharing mechanisms. Recognition of revenue requires judgment and estimates by Management in connection with determining the appropriate revenue recognition as well as the timing of recognition.

Sales by currency 2021 (2020)

- DKK 7% (8%)
- EUR 36% (37%)
- USD 35% (35%)
- CNY 9% (8%)
- Other 13% (12%)



Sales growth 2021



Net operating profit after tax

2.2 Revenue (continued)



Accounting policies

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

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

Rebates

Enzymes, microorganisms and probiotics are sometimes sold at a rebate. A rebate agreement can be set up in various ways, but common to all agreements is that revenue is recognized based on the price specified in the contract, net of the estimated rebate. The rebates are estimated

based on experience, as well as information related to expected orders 3-12 months in advance. The estimated rebates are reassessed at the end of each reporting period.

Returns

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

Profit split

Novozymes has entered into partnerships where Novozymes manufactures and sells products to a partner, who undertakes the sales to end customers. The profit on products sold to end customers is shared between the partner and Novozymes based on predetermined profit-sharing mechanisms.

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

Commission

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

Other

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

Novozymes' obligation to provide a refund for products that are not of the agreed quality or according to agreed specifications under the

standard warranty terms is recognized as contract liabilities.

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

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

Net operating profit after tax

2.3 Employees

DKK million	2021	2020
Wages and salaries	3,312	3,047
Pensions – defined contribution plans	304	282
Other social security costs	274	234
Other employee costs	145	114
Stock-based payment	78	54
Employee costs	4,113	3,731
Recognized in the income statement under the following items:		
Cost of goods sold	1,440	1,469
Sales and distribution costs	992	792
Research and development costs	1,087	1,046
Administrative costs	543	458
	4,062	3,765
Change in employee costs recognized in Inventories	51	(34)
Employee costs	4,113	3,731

Employee costs in 2021 included severance costs related to the consolidation of research and development activities of DKK 41 million.

Employee costs in 2020 included severance costs of DKK 87 million related to organizational changes, of which DKK 65 million was related to changes to the Executive Leadership Team.

Number of employees end of year & employee costs 2021 (2020)

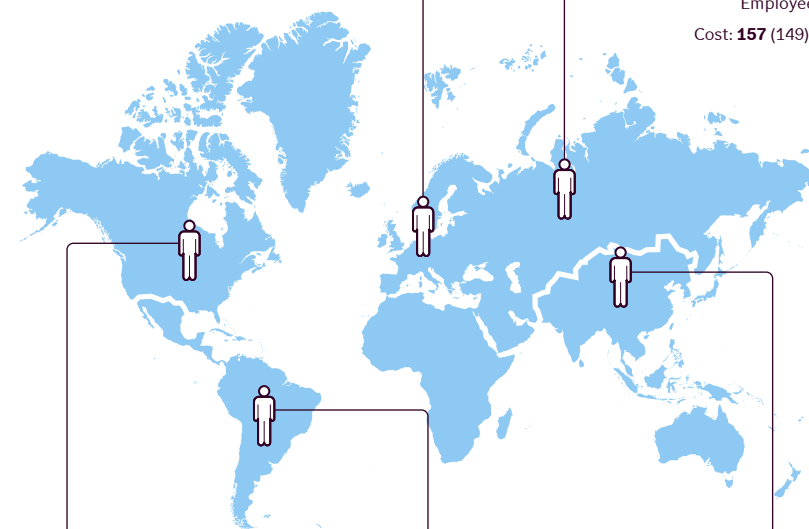
Number of employees	Total costs
6,527 (6,185)	4,113 (3,731)

Denmark

Employees: **2,787** (2,646)
Cost: **2,276** (2,058) DKK million

Rest of Europe, Middle East & Africa

Employees: **214** (203)
Cost: **157** (149) DKK million



North America

Employees: **1,238** (1,185)
Cost: **1,054** (964) DKK million

Latin America

Employees: **321** (318)
Cost: **93** (88) DKK million

Asia Pacific

Employees: **1,967** (1,833)
Cost: **533** (472) DKK million

Net operating profit after tax

2.3 Employees (continued)

No.	2021	2020
Average number of employees in the Group	6,240	6,099
Average number of employees who work with R&D	1,330	1,411
Number of employees outside Denmark as a percentage of total number of employees	57%	57%
Part-time employees	343	282
Full-time employees	6,184	5,903
Employees at December 31 ESG	6,527	6,185
Senior management	199	198
Management	1,326	1,210
Professional	1,753	1,724
Administrative	731	605
Skilled workers, laboratory technicians and other technicians	1,189	1,249
Process operators	1,329	1,199
Employees by category at December 31 ESG	6,527	6,185

Employee gender distribution 2021 (2020)

- Women **39%** (38%)
- Men **61%** (62%)



Senior management gender distribution 2021 (2020)

- Women **34%** (33%)
- Men **66%** (67%)



Accounting policies

The number of employees is derived from contractual obligations, but does not include employees on unpaid leave, temporary replacements, student interns, agency employees, consultants or PhD students. In the calculation of the number of full-time employees, employees

with a working time ratio of 95% or more are counted as full-time employees.

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

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

leaders. Process operators comprises operators and unskilled workers.

Net operating profit after tax

2.4 Research and development costs

DKK million		2021	2020
Internal and external research and development costs		575	576
Employee costs	2.3	1,087	1,046
Amortization and impairment losses, intangible assets	3.1	184	154
Depreciation and impairment losses, property, plant and equipment	3.2	163	161
Total research and development costs	I/S	2,009	1,937
As a percentage of revenue		13,4%	13,8%

Due to significant uncertainty associated with the development of new products, none of the development projects met the criteria for capitalization in 2021 and 2020.

In 2021, Novozymes launched 14 new products (2020: 12 new products). New products comprise

products with new or improved characteristics.

In 2021, Novozymes had 902 active patent families (2020: 963). Active patent families comprise the number of inventions for which Novozymes had one or more active patent applications or active patents at December 31.

Accounting policies

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

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

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

2.5 Other operating income, net

DKK million		2021	2020
Income and grants concerning research projects/ collaborations		13	9
Other secondary income, net		53	5
Net gain from divestment of a pharma-related royalty		62	42
Net gain from sale of buildings held for sale		60	-
Other operating income, net	I/S	188	56

In 2021, Other operating income was impacted by DKK 60 million due to a realized gain from the sale of an administration building and by DKK 62 million from the contingent consideration relating to the divestment of a pharma-related royalty. Contingent consideration has been recognized, where entitlement has been obtained due to completion of patent registrations.

In 2020, Other operating income was impacted by DKK 42 million from the contingent consideration relating to the divestment of a pharma-related royalty.

Accounting policies

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

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

Net operating profit after tax

2.6 Tax

Tax risks

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

Bilateral APAs

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

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

The methodology is applied for a certain period based on the fulfilment of certain terms and conditions (called critical assumptions). An APA can be unilateral or bilateral. Novozymes only enters into bilateral APAs, meaning that they are negotiated between the competent tax

authorities of the two countries involved in the transaction. An APA provides assurance with respect to the tax outcome of our international transactions, by determining in advance arm's length pricing and the pricing methodology to be applied to the international transactions.

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

Joint taxation

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

Tax in the income statement

Transfer of intellectual property from Switzerland to Denmark had a positive impact on the effective tax rate of 2.7% in 2021 (2020: 2.9%). This is recognized in Difference in foreign tax rates.

Tax in the income statement

DKK million	2021	2020
Tax payable on net profit	(941)	(817)
Change in deferred tax	139	144
Prior-year adjustments - current tax	(41)	98
Prior-year adjustments - deferred tax	64	(120)
Tax in the income statement	(779)	(695)
Calculation of effective tax rate:		
Corporate tax rate in Denmark	(22.0)%	(22.0)%
Non-taxable income less non-deductible expenses	0.5%	0.2%
Difference in foreign tax rates	2.1%	2.5%
Other adjustments	(0.5)%	(0.4)%
Effective tax rate	(19.9)%	(19.7)%



Critical accounting estimates and judgments

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

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

Net operating profit after tax

2.6 Tax (continued)

Deferred tax

DKK million	Deferred tax assets		Deferred tax liabilities	
	2021	2020	2021	2020
Intangible assets and property, plant and equipment	915	1,091	(1,507)	(1,479)
Inventories	438	357	(246)	(179)
Tax loss carry-forwards	53	41	-	-
Stock options	250	82	-	-
Other	442	284	(45)	(62)
	2,098	1,855	(1,798)	(1,720)
Offsetting items	(461)	(516)	461	516
Deferred tax at December 31 B/S	1,637	1,339	(1,337)	(1,204)

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

expire amounted to DKK 22 million (2020: DKK 25 million).

DKK million	2021	2020
Deferred tax at January 1	135	282
Currency translation adjustments	9	(35)
Effect of business acquisitions	(236)	(80)
Tax related to the income statement	204	24
Tax on equity items	188	(56)
Deferred tax at December 31	300	135
Deferred tax assets B/S	1,637	1,339
Deferred tax liabilities B/S	(1,337)	(1,204)
Deferred tax at December 31	300	135

Tax receivables and payables

DKK million	2021	2020
Tax payables, net, at January 1	124	(158)
Currency translation adjustments	18	(14)
Tax related to business acquisitions	(26)	-
Tax related to the income statement	(983)	(719)
Tax on equity items	40	64
Tax paid for the current year, net	627	951
Tax payables, net, at December 31	(200)	124
Tax receivables B/S	286	460
Tax payables B/S	(486)	(336)
Tax payables, net, at December 31	(200)	124
Of which due within 12 months	(40)	25
Of which due after more than 12 months	(160)	99
Tax payables, net, at December 31	(200)	124
Corporate income taxes paid are specified as follows:		
Income taxes paid in Denmark	460	593
Income taxes paid outside Denmark	167	358
Total income taxes paid	627	951

Net operating profit after tax

2.6 Tax (continued)



Accounting policies

Corporation tax, comprising the current tax liability, change in deferred tax for the year and possible adjustments relating to prior years, is recognized in the income statement, unless it relates to items recognized either in Other comprehensive income or directly in equity. Uncertain tax positions are assessed individually and recognized if it is probable that an amount will be paid or received. Deferred tax is measured using the balance sheet liability method and comprises all temporary differences between the carrying amount and the tax base of assets and liabilities. No deferred tax is recognized for goodwill, unless amortization of goodwill for tax

purposes is allowed. The tax value of tax loss carry-forwards is included in the calculation of deferred tax to the extent that the tax losses can be expected to be utilized in the future.

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

2.7 Earnings per share

DKK million

	2021	2020
Net profit for the year	3,145	2,826
Less net profit attributable to non-controlling interests	1	(1)
Net profit attributable to the shareholders of Novozymes A/S	3,146	2,825
Average number of shares		
Weighted average number of shares in circulation	277,919,162	280,427,908
Average dilutive effect of outstanding stock options and stock awards	2,308,943	1,595,499
Average number of diluted shares	280,228,105	282,023,407
Earnings per share, DKK	11.32	10.07
Earnings per share, diluted, DKK	11.23	10.02



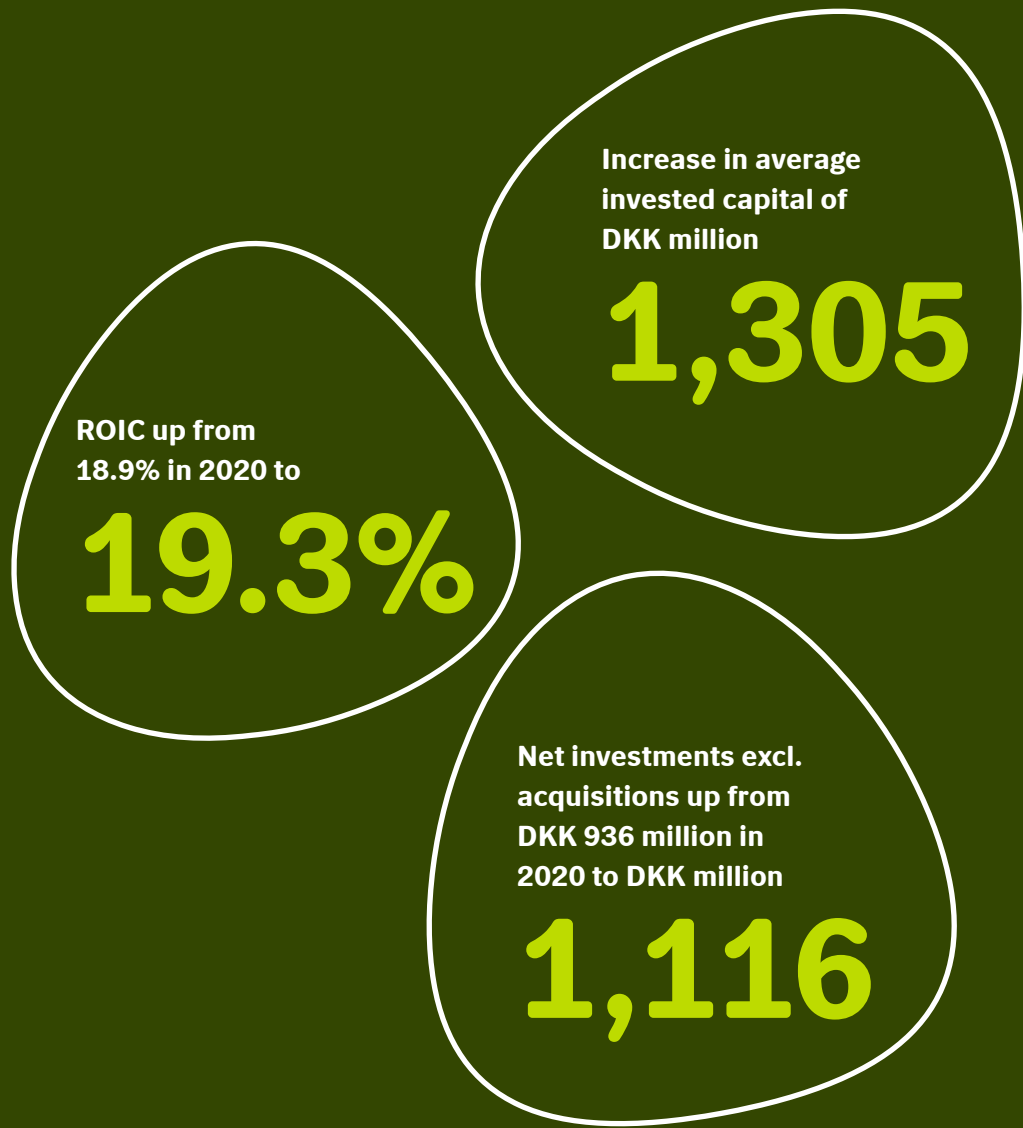
Accounting policies

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

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

3 Invested capital

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



Invested capital

3.1 Intangible assets and impairment test of goodwill

DKK million	Goodwill	Acquired patents, trademarks, licenses and know-how, etc.	Completed IT development projects	IT development projects in progress	Total
Cost at January 1, 2021	1,098	3,235	745	84	5,162
Currency translation adjustments	33	48	2	-	83
Additions from business acquisitions	889	1,709	-	-	2,598
Additions during the year	-	11	31	127	169
Disposals during the year	-	(1)	-	-	(1)
Transfers to/(from) other items	-	-	61	(61)	-
Cost at December 31, 2021	2,020	5,002	839	150	8,011
Amortization and impairment losses at January 1, 2021		(2,068)	(540)		(2,608)
Currency translation adjustments		(12)	(2)		(14)
Amortization during the year		(241)	(97)		(338)
Impairment losses		(27)	-		(27)
Amortization and impairment losses at December 31, 2021		(2,348)	(639)		(2,987)
Carrying amount at December 31, 2021	2,020	2,654	200	150	5,024



Critical accounting estimates and judgments

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

If there is any indication of impairment, value in use is estimated and compared with the carrying amount. The calculation of value in use is based on the discounted cash flow method using estimates of future cash flows from the continuing use. The key parameters are the expected revenue streams and the rate used to discount the cash flows.

Additions from business acquisitions

In 2021, Novozymes acquired DKK 2,554 million of intangible assets through business acquisitions (2020: DKK 797 million), of which DKK 1,709 million primarily relates to patents and know-how (technology), customer relationships and brands (2020: DKK 639 million).

Impairment

In 2021, an impairment loss of DKK 27 million on a know-how asset was recognized as the use of this know-how ceased in 2021. The impairment loss has been recognized in Research and development costs.

In 2020, an impairment loss of DKK 32 million on patents was recognized and included in Research and development cost. The impaired asset was

part of a project that was terminated, and the asset was fully written off.

Impairment test of goodwill

An impairment test of goodwill of Novozymes' cash-generating units (CGUs) is performed for the entire Group, as cost bases of the cash-generating units cannot be measured at CGU level.

As the market value of Novozymes is significantly higher than its equity, no further key assumptions are used to determine whether impairment of goodwill exists (2020: no impairment).

Invested capital

3.1 Intangible assets and impairment test of goodwill (continued)

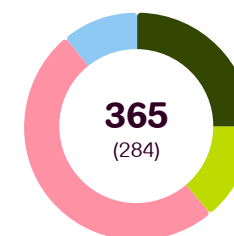
DKK million	Goodwill	Acquired patents, trademarks, licenses and know-how, etc.	Completed IT development projects	IT development projects in progress	Total
Cost at January 1, 2020	965	2,648	664	29	4,306
Currency translation adjustments	(25)	(26)	(1)	-	(52)
Additions from business acquisitions	158	639	-	-	797
Additions during the year	-	2	30	114	146
Disposals during the year	-	(28)	(7)	-	(35)
Transfers to/(from) other items	-	-	59	(59)	-
Cost at December 31, 2020	1,098	3,235	745	84	5,162
Amortization and impairment losses at January 1, 2020		(1,905)	(475)		(2,380)
Currency translation adjustments		20	1		21
Amortization during the year		(179)	(73)		(252)
Impairment losses		(32)	-		(32)
Disposals during the year		28	7		35
Amortization and impairment losses at December 31, 2020		(2,068)	(540)		(2,608)
Carrying amount at December 31, 2020	1,098	1,167	205	84	2,554

B/S

Recognition of amortization and impairment losses by function 2021 (2020)

DKK million

- Cost of goods sold **92** (82)
- Sales and distribution **50** (14)
- Research and development **184** (154)
- Administration **39** (34)



Invested capital

3.1 Intangible assets and impairment test of goodwill (continued)

Accounting policies

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

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

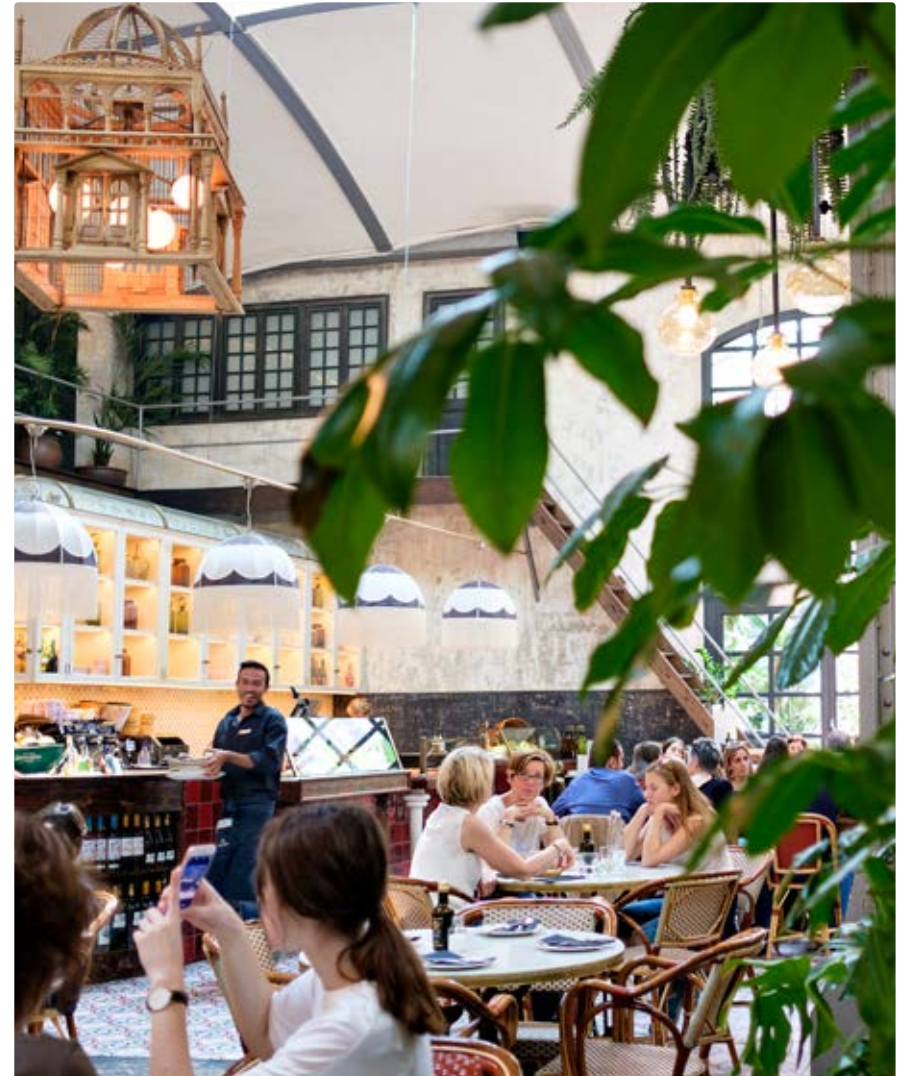
Amortization is based on the straight-line method over the expected useful lives of the finite-lived assets, as follows:

- Completed IT development projects are amortized over their useful lives. IT development assets are amortized over a period of 3-5 years
- Acquired patents, trademarks, licenses, know-how, customer relationships and brands are amortized over their useful lives. The useful lives of patents and trademarks are normally identical to the patent period. Licenses are amortized over the agreement period. Recognized patents, trademarks, licenses, know-how, customer relationships and brands are amortized over a period of 7-20 years.

Expected useful lives are reassessed regularly.

The Group regularly reviews the carrying amounts of its finite-lived intangible assets to determine whether there is an indication of an impairment loss. An impairment loss is recognized to the extent that the asset's carrying amount exceeds its estimated recoverable amount. Impairment losses are reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation.

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



Invested capital

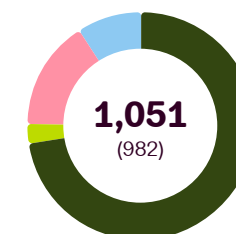
3.2 Property, plant and equipment

DKK million	Land and buildings	Plant and machinery	Other equipment	Assets under construction	Total
Cost at January 1, 2021	6,986	11,017	2,364	682	21,049
Currency translation adjustments	282	528	96	37	943
Additions from business acquisitions	43	41	2	4	90
Additions during the year	185	276	214	513	1,188
Disposals during the year	(43)	(50)	(96)	-	(189)
Transfers to/(from) other items	98	146	116	(360)	-
Cost at December 31, 2021	7,551	11,958	2,696	876	23,081
Depreciation and impairment losses at January 1, 2021	(3,133)	(6,881)	(1,423)		(11,437)
Currency translation adjustments	(141)	(320)	(62)		(523)
Depreciation for the year	(305)	(509)	(222)		(1,036)
Impairment losses	(15)	-	-		(15)
Disposals during the year	27	39	49		115
Transfers to/(from) other items	(4)	3	1		-
Depreciation and impairment losses at December 31, 2021	(3,571)	(7,668)	(1,657)		(12,896)
Carrying amount at December 31, 2021	3,980	4,290	1,039	876	10,185

Recognition of depreciation and impairment losses by function 2021 (2020)

DKK million

- Cost of goods sold **762** (712)
- Sales and distribution **32** (30)
- Research and development **163** (161)
- Administration **94** (79)



Capitalized interest and pledges

Interest of DKK 1 million (2020: DKK 1 million) was capitalized under Additions during the year and included as Investing activities in the statement of cash flows. Capitalization rate: 0.50% (2020: 0.53%).

Land and buildings with a carrying amount of DKK 1,453 million (2020: DKK 1,516 million) were pledged as security to credit institutions in respect of mortgage loans expiring in 2029 and 2039.

Impairment

In 2021, an impairment loss of DKK 15 million on a building was recognized and included in Cost of goods sold (2020: no impairment losses).

Contractual obligations

Contractual obligations to third parties relating to property, plant and equipment amount to DKK 1,328 million (2020: DKK 272 million).

Novozymes is committed to establishing the new production line at our site in Blair, Nebraska, U.S. The capital investment of roughly DKK 2 billion will span the period 2021-2023, which started in the second half of 2021 and with expected

completion by the end of 2023. Most of the investment activities are planned for 2022 and 2023. An amount of DKK 170 million was incurred in 2021.

The contractual obligations to third parties relating to property, plant and equipment related to the above production line amounted to DKK 1,156 million at December 31, 2021.

Invested capital

3.2 Property, plant and equipment (continued)

DKK million	Land and buildings	Plant and machinery	Other equipment	Assets under construction	Total
Cost at January 1, 2020	7,046	11,176	2,380	662	21,264
Currency translation adjustments	(279)	(447)	(98)	(29)	(853)
Additions from business acquisitions	-	-	1	-	1
Additions during the year	146	148	131	427	852
Disposals during the year	(32)	(55)	(128)	-	(215)
Transfers to/(from) other items	105	195	78	(378)	-
Cost at December 31, 2020	6,986	11,017	2,364	682	21,049
Depreciation and impairment losses at January 1, 2020	(2,990)	(6,675)	(1,387)		(11,052)
Currency translation adjustments	113	239	58		410
Depreciation for the year	(280)	(492)	(210)		(982)
Disposals during the year	24	46	117		187
Transfers to/(from) other items	-	1	(1)		-
Depreciation and impairment losses at December 31, 2020	(3,133)	(6,881)	(1,423)		(11,437)
Carrying amount at December 31, 2020	3,853	4,136	941	682	9,612

B/S



Accounting policies

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

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

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

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

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

Invested capital

3.3 Leases

DKK million	2021	2020
Land and buildings	290	332
Plant and machinery	93	98
Other equipment	113	114
Carrying amount of lease assets	496	544

Additions to the lease assets during 2021 amounted to DKK 102 million (2020: DKK 58 million).

DKK million	2021	2020
Lease liabilities		
Less than 1 year	121	142
Between 1 and 5 years	267	299
More than 5 years	142	180
Undiscounted lease liabilities at December 31	530	621

DKK million	2021	2020
Amounts recognized in the income statement		
Interest on lease liabilities	21	24
Depreciation of lease assets per asset class		
Land and buildings	59	67
Plant and machinery	6	5
Other equipment	45	53
Depreciation of lease assets	110	125
Amounts recognized in the statement of cash flows		
Total cash outflow for leases	124	135



Accounting policies

Lease assets

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

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

Lease assets are depreciated as follows:

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

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

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

Lease liabilities

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

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

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

Invested capital

3.4 Provisions

DKK million	2021			2020		
	Dismantling and restoration	Legal and other obligations	Total	Dismantling and restoration	Legal and other obligations	Total
Provisions at January 1	64	141	205	83	160	243
Currency translation adjustments	1	1	2	(4)	(8)	(12)
Additions from business acquisitions	-	50	50	-	-	-
Additions during the year	-	4	4	-	43	43
Reversals during the year	(9)	(69)	(78)	(15)	(48)	(63)
Utilization during the year	-	(9)	(9)	-	(6)	(6)
Provisions at December 31	56	118	174	64	141	205
Recognized in the balance sheet as follows:						
Non-current	B/S 51	102	153	37	78	115
Current	B/S 5	16	21	27	63	90
Provisions at December 31	56	118	174	64	141	205



Accounting policies

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

Dismantling and restoration

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

Legal and other obligations

Novozymes is involved in a number of ongoing legal disputes, and provisions are made for the estimated costs based on a current evaluation of

the outcomes. Current ongoing cases are expected to be finalized in 2022-2024. In Management’s opinion, the outcomes of these cases are not expected to give rise to any significant losses beyond the amounts provided for at December 31, 2021.

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

Additions from business acquisitions of DKK 50 million is related to the acquisition of Synergia Life Sciences.

In 2021, contingent consideration of DKK 62 million related to the divestment of a pharma-related royalty was recognized in Other operating income. The remaining consideration was reversed because certain patent registrations were not obtained in 2021.

Other long-term employee benefits account for only a minor amount, as most of Novozymes’ pension plans are defined contribution plans, covering approximately 99% of employees. These obligations are mainly expected to be incurred over a relatively long period of time.

Invested capital

3.5 Business acquisitions

Acquisitions in 2021

DKK million	Microbiome Labs ¹	Synergia Life Sciences ²
Assumed fair values of acquired assets and liabilities are as follows:		
Intangible assets excluding goodwill	718	991
Property, plant and equipment	6	84
Inventories	21	8
Trade and other receivables	30	44
Cash and cash equivalents	8	112
Deferred tax liabilities, net	-	(236)
Financial and other liabilities	(14)	(83)
Non-controlling interests	-	(368)
Acquired net assets	769	552
Purchase price:		
Cash payment	769	982
Contingent consideration	338	-
Deferred consideration	-	77
Total purchase price	1,107	1,059
Goodwill	338	507
Cash flow for acquisition:		
Cash payment	769	982
Less cash and cash equivalents in acquired business	(8)	(112)
Cash outflow for acquisition	761	870

1. There are only minor changes to the opening balance as presented in The Novozymes Report 2020.
 2. The fair value and allocation of acquired assets, liabilities and non-controlling interests are provisional, pending receipt of the final valuations.

Microbiome Labs

On January 7, 2021, Novozymes acquired all shares in Microbiome Labs. Microbiome Labs offers a comprehensive suite of proprietary probiotic and microbiome solutions targeting gastrointestinal, immune, metabolic and cognitive health. The solutions are marketed under both the company's own supplement brands and in private label products. The branded products are sold exclusively through the company's access to an extensive network of healthcare practitioners predominately consisting of medical doctors, nutritionists and naturopaths.

By acquiring Microbiome Labs, Novozymes added a broad range of proprietary microbiome solutions to its human health activities. The acquisition also created an attractive entry point into the North American probiotics market accessed through the company's network of healthcare practitioners. Goodwill of DKK 338 million is attributable to expected synergies with Novozymes' existing business operations and technologies within probiotics and enzymes for human health. The goodwill is tax deductible.

The following valuation techniques have been applied in the fair value assessment of significant assets acquired:

- Customer relationships; The Multi-period Excess Earnings Method (MEEM)
- Technology; The Relief from Royalty (RfR) method
- Brands; The Relief from Royalty (RfR) method

The purchase agreement includes a contingent consideration of up to DKK 825 million at the acquisition date. The consideration is contingent on the achievement of sales targets for 2022 and is recognized at the anticipated fair value of DKK 338 million at the acquisition date. Fair value is assessed by using the earn-out from the most probable sales estimates in 2022 discounted at a rate of 8%.

The contribution from Microbiome Labs would not be significantly different if the acquisition had been completed on January 1, 2021. For further details, please refer to Note 3.5 in The Novozymes Report 2020.

The transaction costs incurred in 2020 amounted to DKK 29 million and are included in Sales and distribution costs.



Critical accounting estimates and judgments

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

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

Invested capital

3.5 Business acquisitions (continued)

Synergia Life Sciences

On December 10, 2021, Novozymes acquired 60% of the shares in Synergia Life Sciences.

Synergia Life Sciences is a leading player within spore probiotics and vitamin K2-7. Synergia Life Sciences has a global footprint and adds strong developing and manufacturing capabilities in spore probiotics and vitamin K2-7 from three production sites in India. Synergia Life Sciences is the producer and supplier to Microbiome Labs, which was acquired by Novozymes early in 2021.

The vitamin K2-7 portfolio is a strong complementary enabler to support growth in Novozymes' BioHealth platform. The acquisition offers a scientifically proven spore strain portfolio that strengthens Novozymes' human health business and accelerates its functional food offerings.

Goodwill of DKK 507 million is attributable to expected synergies with Novozymes' existing business operations and technologies within spore probiotics for human health and is highly synergistic to the previous acquisition of Microbiome Labs within the human health business. The goodwill is not tax deductible.

The fair value and allocation of acquired assets, liabilities and non-controlling interests are provisional, pending receipt of the final valuations. The following valuation techniques have been applied in the fair value assessment of significant assets acquired:

- Technology; the Relief from Royalty (RfR) method
- Customer relationships; The Multi-period Excess Earnings Method (MEEM)
- Brands; The Relief from Royalty (RfR) method

The remaining 40% of the shares in Synergia Life Sciences are held by non-controlling interests.

The non-controlling interests are recognized at its proportionate share of the acquired net identifiable assets and amount to DKK 368 million. The remaining 40% is to be acquired in 2025. Reference is made to Note 6.5 to the Consolidated financial statements concerning Non-controlling interests.

The purchase price includes a deferred consideration of DKK 77 million, which is expected to be paid in 2022.

Net revenue and profit contributed from Synergia Life Sciences to the consolidated income statement are immaterial for the reporting period. On a pro forma basis, if the acquisition had been effective from January 1, 2021, Synergia Life Sciences would have contributed DKK ~130 million to revenue (adjusted for Novozymes related sales) and an EBIT margin above Novozymes' EBIT margin.

The transaction costs incurred in 2021 amounted to DKK 46 million and are included in Sales and distribution costs.

Acquisition in 2020

On June 25, 2020, Novozymes acquired all shares in PrecisionBiotics Group at a purchase price of DKK 798 million. PrecisionBiotics Group holds a leading position within probiotics for human gut health and is well positioned with several clinically-backed products already on the market. PrecisionBiotics Group has strong expertise within clinical development, upscaling and commercialization and is well situated in Cork, Ireland, home to a leading academic society within human gut health.

The purchase price allocation led to recognition of goodwill of DKK 158 million, intangible assets of DKK 639 million and deferred tax liabilities of DKK 80 million. Goodwill is attributable to expected synergies with Novozymes' existing business operations and technologies within probiotics and enzymes for human health. The goodwill is not tax deductible.

The purchase agreement includes a contingent consideration of up to DKK 298 million at the acquisition date. The consideration is contingent on the achievement of sales and EBITDA for 2023 and is recognized at the anticipated fair value of DKK 146 million at the acquisition date. Fair value is assessed by using the earn-out from the most probable sales and EBITDA estimates in 2023 discounted at a rate of 7%.

Adjustment to prior-year business acquisition

The most probable sales and EBITDA related to PrecisionBiotics Group have been reassessed in 2021, which led to an increase of the fair value at the acquisition date of DKK 44 million in contingent consideration and goodwill.



Accounting policies

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

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

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

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

Invested capital

3.6 Contingent consideration

DKK million	2021	2020
Contingent consideration at January 1	146	-
Additions from business acquisitions	382	146
Foreign exchange adjustments	27	-
Interest on contingent consideration	50	-
Fair value adjustment of contingent consideration	(62)	-
Contingent consideration at December 31	543	146
Recognized in the balance sheet as follows:		
Non-current B/S	543	146
Contingent consideration at December 31	543	146

PrecisionBiotics Group

The purchase agreement for PrecisionBiotics Group includes a contingent consideration of up to DKK 298 million.

The consideration is contingent on the achievement of sales and EBITDA targets for 2023 and recognized at the anticipated fair value of DKK 211 million (2020: DKK 146 million). Fair value is assessed by using the earn-out from the most probable sales and EBITDA in 2023 discounted at a rate of 7%.

The most probable sales and EBITDA have been reassessed in 2021 which led to an increase of the fair value at the acquisition date of DKK 44 million in contingent consideration and goodwill.

Interest of DKK 22 million has been recognized in Financial costs (2020: DKK 0 million). The contingent liability related to PrecisionBiotics Group is denominated in EUR.

Microbiome Labs

The purchase agreement of Microbiome Labs includes a contingent consideration of up to DKK 886 million.

The consideration is contingent on the achievement of sales targets for 2022 and is recognized at the anticipated fair value of DKK 332 million (DKK 338 million at the acquisition date). Fair value is assessed by using the earn-out from the most probable sales in 2022 discounted at a rate of 8%.

The sales target for 2022 has been reassessed after the acquisition date which led to a decrease of the contingent consideration of DKK 62 million. The fair value adjustment has been recognized in Financial income.

Interest of DKK 28 million has been recognized in Financial costs (2020: DKK 0 million).

The contingent liability related to Microbiome Labs is denominated in USD and increased by DKK 28 million due to foreign exchange adjustments.



Critical accounting estimates and judgments

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

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



Accounting policies

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

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

4

Net working capital

- 4.1 Inventories
- 4.2 Trade receivables and contract assets
- 4.3 Other receivables
- 4.4 Other liabilities
- 4.5 Assets held for sale

Average net working capital in DKK million in 2021

3,218

Net working capital as % of sales up from 21% in 2020 to

24%

Inventories increased from DKK 2,361 million in 2020 to DKK million

2,992

Net working capital

4.1 Inventories

DKK million	2021	2020
Raw materials and consumables	433	353
Work in progress	979	720
Finished goods	1,580	1,288
Inventories at December 31	2,992	2,361
	B/S	
Cost of materials, included under Cost of goods sold	3,411	3,248
Write-downs expensed during the year	79	109
Reversal of write-downs during the year*	57	48

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



Critical accounting estimates and judgments

Work in progress and Finished goods are measured at cost, including indirect production costs. Indirect production costs capitalized under inventories amounted to DKK 971 million at December 31, 2021 (2020: DKK 811 million). Indirect production costs are assessed on an ongoing basis to

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



Accounting policies

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

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

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

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

Net working capital

4.2 Trade receivables and contract assets

DKK million	2021	2020
Trade receivables, gross	3,099	2,712
Allowances	(151)	(163)
Trade receivables at December 31	2,948	2,549
Aging of trade receivables, gross:		
Up to 30 days	2,886	2,516
Between 30 and 90 days	30	42
More than 90 days	183	154
Trade receivables, gross, at December 31	3,099	2,712
Changes in allowances for trade receivables:		
At January 1	163	158
Allowances during the year	30	19
Write-offs during the year	(3)	(3)
Reversed allowances	(39)	(11)
Allowances at December 31	151	163

Trade receivables

Novozymes has collateral of DKK 3 million (2020: DKK 5 million) held as security for trade receivables in selected countries.

Contract assets

Contract assets amounted to DKK 40 million at December 31, 2021 (2020: DKK 6 million), and mainly related to goods delivered but not invoiced.

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

No allowance for expected credit losses had been made for contract assets at December 31, 2021 (2020: no allowance).



Critical accounting estimates and judgments

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

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



Accounting policies

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

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

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

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

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

Net working capital

4.3 Other receivables

DKK million	2021	2020
Deposits	32	29
Prepaid expenses	395	107
Other	131	116
Other receivables at December 31	558	252
Recognized in the balance sheet as follows:		
Non-current	B/S 39	40
Current	B/S 519	212
Other receivables at December 31	558	252

The increase in prepaid expenses mainly relates to establishing the new production line in Blair, Nebraska, U.S.

4.4 Other liabilities

DKK million	2021	2020
Employee costs payable	641	568
Stock-based payment settled in cash	44	15
Deferred consideration	77	-
Other payables	490	518
Other liabilities at December 31	1,252	1,101
Recognized in the balance sheet as follows:		
Current	B/S 1,252	1,101
Other liabilities at December 31	1,252	1,101

4.5 Assets held for sale

DKK million	2021	2020
Carrying amount of non-current assets held for sale:		
Land and buildings	-	23
Total	B/S -	23

Assets held for sale comprised buildings that are expected to be sold within the next 12 months.

Buildings held for sale were sold in 2021, resulting in a gain of DKK 82 million, of which DKK 60 million was recognized as Other operating income and DKK 22 million was recognized in Sales and distribution.



Accounting policies

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

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

5 Capital structure and financing

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

NIBD/EBITDA
increased from
0.8x in 2020 to

1.0x

Novozymes bought back
3.4 million B shares under
the stock buyback program
at a value of DKK million

1,500

Return on equity up
from 24.9% in 2020 to

27.3%

Capital structure and financing

5.1 Financial risk factors and risk management

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

Currency risk

Currency risk arises due to imbalances between income and costs in each individual currency and because Novozymes has more assets than liabilities in foreign currencies in connection with its global operations.

Hedging of currency risk is carried out in the currencies in which Novozymes has the largest exposure. Hedging is managed by entering into derivatives such as forward contracts, currency options and swaps. Loans and deposits in foreign currencies are also utilized for hedging purposes. Hedge effectiveness is assessed on a regular basis by comparing changes in the timing and value of the expected exposure in the relevant currencies with the timing and value changes for the designated cash flow hedging transaction.

Where deemed appropriate, currency risk related to net investments in foreign subsidiaries is

hedged by taking out loans and entering into swaps. Currently, there are no open transactions used to hedge equity investments.

Foreign exchange sensitivity – 2021

The sensitivity analysis shows the impact on net profit and other comprehensive income of a 5% change in DKK versus the key currencies to which Novozymes was exposed at December 31, 2021. For other comprehensive income, the analysis shows the impact on currency translation of net investments and does not include the impact of cash flow hedges, as these relate to future commercial transactions.

The sensitivity analysis reflects the transaction and translation risk, and assumes that exchange rates change on December 31, 2021, while all other variables remain constant. The table shows the effect of an increase in exchange rates. A decrease in the exchange rates would have the opposite effect.

Foreign exchange sensitivity – 2022 estimate

Operating profit (EBIT) is exposed to exchange rate developments, as the effect of hedges is included in financial income/costs. EBIT is mainly exposed to USD and EUR. A movement of 5% in the USD/DKK exchange rate would result in a change in the expected EBIT for 2022 of around DKK 130-160 million (2021: DKK 130-160 million). A 5% movement in the EUR/DKK exchange rate would result in a change in expected EBIT for 2022 of around DKK 200 million (2021: DKK 200 million).

Foreign exchange sensitivity analysis

DKK million	Increase in exchange rates	2021		2020	
		Change in net profit	Change in other comprehensive income	Change in net profit	Change in other comprehensive income
CHF	5.0%	-	48	-	49
CNY	5.0%	(1)	127	(3)	113
USD	5.0%	1	244	(2)	227
Other	5.0%	(2)	117	-	68
Total		(2)	536	(5)	457

Of the expected USD cash flows for 2022, 88% has been hedged by forward contracts at an average rate of DKK 6.26. As a result, the impact on net profit from changes in the USD/DKK exchange rate has been reduced significantly compared with the impact on EBIT.

Interest rate risk

Interest rate risk arises in relation to interest-bearing assets and liabilities. In accordance with Novozymes' Treasury Policy, a minimum of 30% of loans must be at fixed interest rates. Hedging of the interest rate risk is managed by entering into fixed-rate loans and interest rate swaps.

With the current hedging of interest rate risk, an increase of one percentage point in the average interest rate on Novozymes' net interest-bearing debt would have a negative effect on net profit of DKK 12 million (2020: negative effect of DKK 2

million). At December 31, 2021, 62% (2020: 69%) of the loan portfolio carried fixed interest rates.

No loans, credit facilities or other financial instruments held by Novozymes are impacted by the IBOR reform.

Credit risk

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

Capital structure and financing

5.1 Financial risk factors and risk management (continued)

Policy. Novozymes has entered into netting agreements (ISDA or similar) with all banks used for trading in financial instruments, which means that Novozymes' credit risk is limited to net assets. At December 31, 2021, the Group considered its maximum credit risk to be DKK 4,219 million (2020: DKK 4,021 million), which is the total of the Group's financial assets. At December 31, 2021, the maximum credit risk related to a single counterparty was DKK 330 million (2020: DKK 399 million).

Liquidity risk

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

At December 31, 2021, Novozymes' financial resources amounted to DKK 4,748 million (2020: DKK 6,522 million), consisting of net cash, cash equivalents, and undrawn committed credit facilities of DKK 3,785 million, which expire in 2022-2025.

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

Capital structure

Novozyymes favors a modestly leveraged balance sheet which is reflected by a target for net interest-bearing debt of around 1x EBITDA. At December 31, 2021, the ratio was 1.0 and thus the target is considered as met in 2021. The capital structure is mainly managed using two instruments: 1) Dividend payments where Novozymes aims for a payout ratio of around 50%. For 2021, the payout ratio is expected to be 48.5% which is in line with the communicated target. 2) Stock buybacks, a program for DKK 1,500 million was executed in 2021. A new program of up DKK 500 million is planned for 2022.

5.2 Financial income and Financial costs

DKK million	2021	2020
Interest income	18	10
Fair value adjustments of contingent consideration	62	-
Gains on cash flow hedges	31	15
Gains on fair value hedges	63	1
Financial income I/S	174	26
Interest costs	(31)	(39)
Interest on lease liabilities	(21)	(24)
Interest on contingent consideration	(50)	-
Other financial costs	(20)	(31)
Other foreign exchange losses, net	(98)	(51)
Fair value adjustments of cash-settled stock options	(33)	(8)
Financial costs I/S	(253)	(153)
Financial income/(costs), net	(79)	(127)



Accounting policies

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

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

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

Capital structure and financing

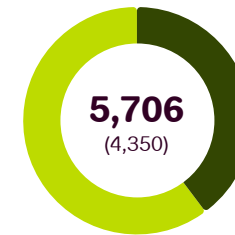
5.3 Other financial liabilities

DKK million	2021	2020
Credit institutions	5,706	4,350
Derivatives	113	33
Transitional holiday accrual (Denmark)	-	180
Other financial liabilities at December 31	5,819	4,563
Recognized in the balance sheet as follows:		
Non-current B/S	3,680	3,254
Current B/S	2,139	1,309
Other financial liabilities at December 31	5,819	4,563

Credit institutions - currency 2021 (2020)

DKK million

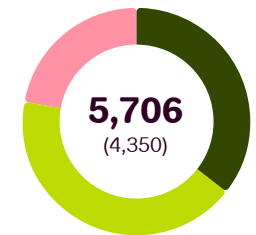
- EUR **2,273** (1,658)
- Other **3,433** (2,692)



Credit institutions - time to maturity 2021 (2020)

DKK million

- Less than 1 year **2,029** (1,106)
- Between 1 and 5 years **2,424** (1,912)
- More than 5 years **1,253** (1,332)



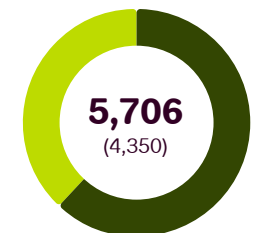
Liabilities arising from financing activities

DKK million	2021			2020		
	Credit institutions	Lease liabilities	Total	Credit institutions	Lease liabilities	Total
Liabilities from financing activities at January 1	4,350	522	4,872	4,086	616	4,702
Financing cash flows	1,174	(103)	1,071	272	(111)	161
Foreign exchange adjustments	2	18	20	(8)	(30)	(38)
Other changes*	180	45	225	-	47	47
Total liabilities from financing activities at December 31	5,706	482	6,188	4,350	522	4,872

Loan portfolio - fixed or floating interest rate 2021 (2020)

DKK million

- Fixed interest rate **3,540** (2,995)
- Between 1 and 5 years **2,166** (1,355)



* Other changes include changes in lease liabilities from new or terminated leases and accrued interest expenses which will be presented as operating cash flows in the statement of cash flows when paid. In 2021, Other changes included the change in category of the transitional holiday accrual (Denmark).

Capital structure and financing

5.4 Derivatives – hedge accounting

DKK million	2021		2020	
	Contract amount based on agreed rates*	Fair value at Dec. 31	Contract amount based on agreed rates*	Fair value at Dec. 31
Forward exchange contracts				
CNH	(516)	43	(75)	(1)
CHF	(1,032)	25	(1,071)	(9)
USD	66	-	(649)	(13)
INR	227	(9)	364	4
Other	169	1	15	(1)
Fair value hedges at Dec. 31	(1,086)	60	(1,416)	(20)

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

Fair value hedges

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

The fair value hedges were 100% effective, as the gain on forward exchange contracts was DKK 63 million (2020: gain of DKK 1 million), compared with a loss on hedged items of DKK 63 million (2020: loss of DKK 1 million).

The forward exchange contracts fall due in the period January 2022 to July 2022 (2020: January 2021 to July 2021).



Accounting policies

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

Derivatives used for fair value hedges are measured at fair value on the reporting date, and value adjustments are recognized as Financial income or Financial costs.

Derivatives used for cash flow hedges and hedges of net investments in subsidiaries are measured

at fair value at the reporting date, and value adjustments are recognized in Other comprehensive income.

Income and costs relating to cash flow hedges and hedges of net investments in subsidiaries are transferred from Other comprehensive income on realization of the hedged item and are recognized as Financial income or Financial costs.

Derivatives are recognized at the transaction date.

Capital structure and financing

5.4 Derivatives – hedge accounting (continued)

DKK million	2021		2020	
	Contract amount based on agreed rates*	Fair value at Dec. 31	Contract amount based on agreed rates*	Fair value at Dec. 31
Forward exchange contracts				
USD	2,103	(99)	2,020	114
	2,103	(99)	2,020	114
Interest rate swaps				
DKK/DKK – pays fixed rate of (0.1075%) / earns variable rate of (0.22%) (2020: (0.22%))	400	5	400	1
DKK/DKK – pays fixed rate of 0.595% / earns variable rate of (0.1867%) (2020: (0.13%))	313	(4)	382	(9)
	713	1	782	(8)
Cash flow hedges at December 31	2,816	(98)	2,802	106

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

Cash flow hedges

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

The forward exchange contracts fall due in the period January 2022 to December 2022 (2020: January 2021 to December 2021), and the swaps fall due in May 2026 and December 2026 (2020: May 2026 and December 2026).

At the end of 2021, the Group had hedged 88% of expected future cash flows in USD for 2022 at an average rate of DKK 6.26 (2020: 88% of expected future cash flows in USD for 2021 at an average rate of DKK 6.41).



Capital structure and financing

5.5 Common stock and treasury stock

	2021		2020	
	No.	Nominal value DKK million	No.	Nominal value DKK million
Common stock				
A common stock (shares of DKK 2)	53,743,600	107	53,743,600	107
B common stock (shares of DKK 2)	228,256,400	457	231,256,400	463
Common stock at December 31	282,000,000	564	285,000,000	570
	<small>B/S</small>			
Treasury stock - B stock				
Treasury stock at January 1	5,674,598	11	9,663,317	19
Additions during the year	3,401,975	7	4,278,090	9
Disposals during the year	(1,182,211)	(2)	(2,266,809)	(5)
Cancellation of common stock	(3,000,000)	(6)	(6,000,000)	(12)
Treasury stock at December 31	4,894,362	10	5,674,598	11

No.	2021	2020
Shares of common stock in circulation		
Shares of stock at January 1	279,325,402	281,336,683
Purchase of treasury stock	(3,401,975)	(4,278,090)
Sale of treasury stock	1,182,211	2,266,809
Shares of common stock in circulation at December 31	277,105,638	279,325,402

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

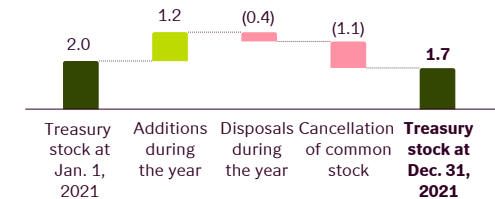
Each year, the Board of Directors assesses whether the ownership structure with A and B common

stock is optimal. The Board of Directors continues to believe that this is the best way to safeguard Novozymes' long-term development to the benefit of the company's shareholders and other stakeholders.

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

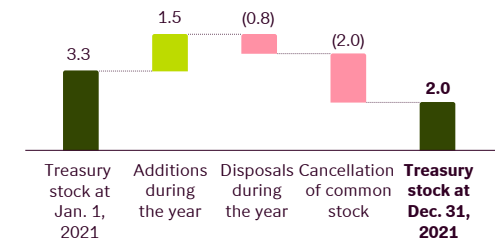
Treasury stock 2021

% of common stock



Treasury stock 2020

% of common stock



In 2021, Novozymes canceled 3 million treasury shares, reducing the common stock to 282 million shares.

Capital structure and financing

5.6 Financial assets and liabilities by category

DKK million	Note	2021	2020
Trade receivables	4.2	2,948	2,549
Contract assets	4.2	40	6
Other receivables, excl. prepaid expenses	4.3	163	145
Cash and cash equivalents		963	1,181
Financial assets at amortized cost		4,114	3,881
Other financial assets		30	21
Fair value through profit and loss		30	21
Derivatives		75	119
Fair value through other comprehensive income		75	119
Financial assets		4,219	4,021

Fair value hierarchy

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

For financial assets and financial liabilities measured at amortized cost (level 2 input), the carrying amount approximate fair value.

Derivatives are measured at fair value based on observable data (level 2 input). The derivatives are not traded in an active market based on quoted prices but on individual contracts. The fair value of these assets is determined using valuation techniques that utilize market-based data such as exchange rates, interest rates, credit risk and volatilities.

DKK million	Note	2021	2020
Lease liabilities	5.3	(482)	(522)
Credit institutions	5.3	(5,706)	(4,350)
Trade payables		(1,490)	(1,100)
Transitional holiday accrual	5.3	-	(180)
Other payables, incl. deferred consideration	4.4	(567)	(518)
Financial liabilities at amortized cost		(8,245)	(6,670)
Contingent consideration	3.6	(543)	(146)
Fair value through profit and loss		(543)	(146)
Derivatives	5.3	(113)	(33)
Fair value through other comprehensive income		(113)	(33)
Share purchase liability	6.5	(717)	-
Fair value through equity		(717)	-
Financial liabilities		(9,618)	(6,849)

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

6 Other financial notes

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

Realized Group audit fee
ratio during 2021

0.4

Grant date fair value of
options granted in 2021
in DKK million

85

No. of Danish and
foreign subsidiaries
in the Group

49

Other financial notes

6.1 Management remuneration

DKK million	2021				2020			
	Executive Leadership Team			Total	Executive Leadership Team			Total
	Board of Directors	Registered executives	Non-registered executives		Board of Directors	Registered executives	Non-registered executives	
Salaries and other short-term benefits	10	17	27	54	8	21	18	47
Defined contribution plans	-	2	3	5	-	2	2	4
Cash bonus	-	11	17	28	-	12	7	19
Expensed stock-based incentive programs	-	8	14	22	-	6	9	15
Remuneration	10	38	61	109	8	41	36	85
Compensation for lost incentives		6	3	9		5	-	5
Severance cost		-	-	-		37	28	65
Remuneration including additional payments	10	44	64	118		83	64	155
No. of members at December 31	11	2	6		10	3	4	

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

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

Executive Leadership Team

Members of the Executive Leadership Team receive a fixed remuneration comprising a base salary, pension, and benefits. Further, significant proportions of their remuneration packages are

based on performance-related pay through short and long-term incentives. Most of the variable remuneration is weighted towards the long-term, in line with Novozymes' strategic focus and mirroring the long-term nature of Novozymes' investments in the business.

The short and long-term incentive programs are designed to incentivize performance against selected financial, environmental, social and operational key performance indicators and individual objectives, which are directly linked to Novozymes' strategy, and to incentivize long-term value creation and alignment with the long-term interests of shareholders, customers and other stakeholders. The annual cash bonus cannot exceed 9.5 months' fixed base salary, of which

65% is expected to be payable at target performance. The stock-based incentive programs are described in Note 6.2.

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

Board of Directors

The remuneration of the Board of Directors comprises a fixed fee and is not based on incentives.

Changes to the Executive Leadership Team

In April 2021, Amy Byrick joined as EVP of Strategy & Business Transformation and Morten Enggaard Rasmussen joined as EVP of People, Sustainability & Brand. Former EVP and COO Thomas Videbæk, who had been acting as interim EVP for those areas, left Novozymes in April in accordance with an agreement made in 2020.

Other financial notes

6.2 Stock-based payment

Novozymes has established stock-based incentive programs for the Executive Leadership Team, vice presidents, directors, and other employees. The purpose of these programs is to ensure an alignment of interests of the Management, employees and shareholders. Allocation of programs has been, and remains, dependent on profit, value-creation and, in some cases, sustainability targets being achieved, and are made based on individual base salary. The exercise price and the share price of a stock option are identical at the date of grant. In order to exercise the options, the employee must still be employed at the exercise date. This does not apply to persons who have retired, taken voluntary early retirement or been given notice.

In 2020, Novozymes introduced annual long-term incentive-based program grants with overlapping three-year performance periods, and so in 2021 a new incentive program for the Executive Leadership Team was established, covering the performance period 2021-2023. The program is a combination of stock options and stock, with half of the incentive program allocated in stock options and half in stock. The total number of stock options and stock achievable is divided into two categories: 'target stock options and target stock' and 'extra stock options and extra stock'. The target stock options and target stock correspond to 65% of the maximum stock options and stock, and extra stock options and extra stock correspond to 35% of the maximum stock options

and stock. The following performance targets have been set for 2021-2023: Economic profit (weight 40%), organic sales growth (weight 40%) and sustainability targets (weight 20%). Sustainability covers measures in relation to Climate, Water & Circular, Workplace and Employees. Each of the sustainability targets carry a weight of 5%. The performance targets are as protocolled in the minutes of the board meeting approving the annual group financial statements for the year prior to the performance period.

- If Novozymes reaches the targets for 2021-2023 for sales growth and economic profit in line with business plans and long-term aspiration and on all four measures for the sustainability targets, then the target stock options and the target stock will be granted.
- If Novozymes manages to outperform the targets, then target stock options and target stock will be granted and some or all of the extra stock options and extra stock may be granted.
- If Novozymes does not meet the targets for 2021-2023 or if Novozymes performs significantly below the targets on one or more of the four sustainability targets, then none or only part of the target stock options and target stock will be granted.

The program contains a maximum-value clause, allowing the Board of Directors to choose to limit the total allocation of stock options and stock if

the intrinsic value of the program exceeds twice the full annual conditional grant.

The total target-level fair value of the program at the date of grant was approximately DKK 40 million. The value of the stock will be expensed over the three-year qualifying period (2021-2023) and will be released in 2024. The stock options have a vesting period of four years, followed by an exercise period of five years. The fair value of the stock options will be expensed over the four-year vesting period.

A new program was also established in 2021 for vice presidents and directors covering the performance period 2021-2023 (185 vice presidents and directors). The total target level fair value at grant date was DKK 55 million and based on the same requirements and targets as for the Executive Leadership Team. The program is a combination of stock options and stock, with half of the incentive program allocated in stock and half in stock options. The stock options have a four-year vesting period and an exercise period of five years. The stock will be released in 2024.

The program contains a maximum-value clause, allowing the Board of Directors to choose to limit the total allocation of stock and stock options if the intrinsic value of the program exceeds twice the full annual conditional grant.

Vice presidents, directors and employees covered by the 2021 programs

5,563

For other employees, a new stock option-based incentive program was also established in 2021 covering the performance period 2021-2023. The employee program follows the same requirements and targets as the program for the Executive Leadership Team and the program for vice presidents and directors.

The Executive Leadership Team, vice presidents and directors, who are already included in an existing incentive program, are excluded from the employee program. The awarded stock options have a vesting period of four years, after which there is an exercise period of five years. The target level value of the program is approximately DKK 40 million.

The 2020 programs covering the period 2020-2022 follow the same principles as those described for the 2021 programs, and the fair value at grant date of the programs was approximately the same.

Other financial notes

6.2 Stock-based payment (continued)

Stock options

The number of outstanding options (excl. stock awards) has developed as follows:

	Number of options				DKK		DKK million
	Executive Leadership Team	Vice presidents and directors	Other employees	Total	Avg. exercise price per option	Grant date fair value per option	Grant date fair value total
Outstanding at January 1, 2021	997,511	4,091,106	2,054,654	7,143,271	289		
Change in Management	(188,638)	188,638	-	-			
Granted ¹	266,279	371,321	617,963	1,255,563	385	68	85
Exercised ²	(175,857)	(811,215)	(242,860)	(1,229,932)	253		
Forfeited	-	(78,117)	(75,869)	(153,986)	335		
Expired	-	-	(4,588)	(4,588)	272		
Outstanding at December 31, 2021	899,295	3,761,733	2,349,300	7,010,328	312		
Outstanding at January 1, 2020	1,882,907	3,902,302	1,756,819	7,542,028	267		
Change in Management	(874,904)	874,904	-	-			
Granted ³	269,942	553,482	877,336	1,700,760	351	49	83
Exercised ²	(280,434)	(1,218,182)	(568,307)	(2,066,923)	260		
Forfeited	-	(21,400)	(1,948)	(23,348)	276		
Expired	-	-	(9,246)	(9,246)	279		
Outstanding at December 31, 2020	997,511	4,091,106	2,054,654	7,143,271	289		
Number of exercisable options at December 31, 2021				2,493,268	268		
Number of exercisable options at December 31, 2020				2,936,359	266		

1. The allocation of stock options for 2021-2023 will be adjusted in January 2024 based on the cumulative level of target achievement for the period.

2. The weighted average share price for stock options exercised during 2021 was DKK 448 (2020: DKK 369).

3. The allocation of stock options for 2020-2022 will be adjusted in January 2023 based on the cumulative level of target achievement for the period.

Other financial notes

6.2 Stock-based payment (continued)

For stock options outstanding at December 31, 2021, the range of exercise prices is DKK 178-486 per option (2020: DKK 178-351 per option), and the weighted average remaining term to maturity is five years (2020: five years).

During 2021, DKK 78 million arising from stock-based payment was recognized in the income statement (2020: DKK 54 million), DKK 75 million of which was from equity-settled programs (2020: DKK 53 million) and DKK 3 million was from cash-settled programs (2020: DKK 1 million).

Most programs are equity settled, and no liability is recognized for these. If allocations under the

programs are made in countries where ownership of foreign stock is not permitted, the value of stock options is settled in cash instead, and a liability of DKK 44 million was recognized for this in 2021 (2020: DKK 15 million). The intrinsic value of exercisable cash-settled programs in 2021 was DKK 61 million (2020: DKK 13 million).

The fair value of employee services received is measured with reference to the fair value of the equity instruments granted. Fair value at grant date is measured in accordance with the Black-Scholes model, using the average exercise price, the option term and the following significant assumptions:

Assumptions		2021	2020
Expected future dividends per share	DKK	38.1	39.6
Volatility	%	25.3	22.1
Annual risk-free interest rate	%	(0.5)	(0.6)
Weighted average share price at grant date	DKK	385	351

Furthermore, the options are assumed to be exercised two years after expiry of the vesting period, on average, or at the option's expiry date if within one year. Volatility is estimated using the historical volatility over the last three years. The risk-free interest rate is based on Danish government bonds with a maturity equivalent to the option's term to maturity.

Stock awards

The stock allocated under the programs is used for stock awards. In 2021, 106,381 stock awards with a fair value of DKK 41 million were granted (2020: DKK 38 million) which will be expensed over the three-year period (2021-2023).

The total number of outstanding stock awards at December 31, 2021 was 209,193 (2020: 108,242). The fair value of these at December 31, 2021 was DKK 112 million (2020: 38 million).



Accounting policies

The Group has established stock-based incentive programs comprising equity-settled and cash-settled programs.

The fair value of the employee services received in exchange for the grant of stock options and stock awards is measured with reference to the fair value of the stock options and stock awards granted. The fair value is measured using the Black-Scholes option-pricing model.

The fair value of stock-based payment at the grant date is recognized as an employee cost over the period in which the stock options vest. In measuring the fair value, account is taken of the

number of employees expected to gain entitlement to the options as well as the number of options the employees are expected to gain. This estimate is adjusted at the end of each reporting period such that only the number of options to which employees are entitled or expected to be entitled is recognized.

The value of equity-settled programs is recognized in equity. The value of cash-settled programs, which are recognized as Other liabilities, is adjusted to fair value at the end of each reporting period, and the subsequent adjustment is recognized in the income statement under Financial income or Financial costs.

Other financial notes

6.3 Commitments and contingencies

DKK million	2021	2020
Other guarantees		
Other guarantees and commitments to related companies	29	21
Other guarantees and commitments	332	293

Pending litigation and arbitration

Novozymes is engaged in certain legal cases. The Board of Directors and Management believe that settlement or continuation of these cases will not have a significant effect on the Group's financial position. A liability is recognized under Provisions where the risk of a loss on a legal case is considered more likely than not.

Contractual obligations

Contractual obligations to third parties relating to Property, plant and equipment are described in Note 3.2.

Contract conditions

Several of the partnership contracts to which Novozymes is a party may be terminated by the other party in the event of significant changes in ownership or control of Novozymes. Furthermore, a few contracts contain provisions that restrict Novozymes' licenses from using specific forms of technology in such situations.



Other financial notes

6.4 Related party transactions

Transactions

DKK million	2021	2020
Novo Holdings A/S		
Sale of services	1	1
Dividend payment to Novo Holdings A/S	382	390
The Novo Nordisk Group		
Sale of services	78	72
Sale of assets	6	-
Purchase of goods and materials	(80)	(79)
Purchase of services	(36)	(35)
The NNIT Group		
Purchase of services	(39)	(43)
The Chr. Hansen Group		
Sale of goods and materials	89	69
Purchase of goods and materials	(3)	-
Purchase of services	-	(3)
Microbiogen Pty. Ltd.*		
Purchase of services	(25)	(30)

* Associate of Novozymes A/S

Novozymes A/S is controlled by Novo Holdings A/S, domiciled in Hellerup, Denmark, which holds 72.6% of the votes in Novozymes A/S. The remaining stock is widely held. The ultimate parent of the Group is the Novo Nordisk Foundation (incorporated in Denmark).

Related parties are considered to be Novo Holdings A/S and the Novo Nordisk Foundation, and the Board of Directors and Executive Management of these entities together with their immediate families. Other related parties are considered to be the Novo Nordisk Foundation's subsidiaries and associates, such as the Novo Nordisk Group, the NNIT Group and the Chr. Hansen Group, associates

Outstanding balances

DKK million	2021	2020
The Novo Nordisk Group		
Receivables	10	8
Payables	(88)	(85)
The NNIT Group		
Payables	(9)	(14)
The Chr. Hansen Group		
Receivables	5	-
Microbiogen Pty. Ltd.*		
Purchase of services	(7)	(7)

* Associate of Novozymes A/S

of Novozymes A/S, as well as the Board of Directors and Executive Leadership Team of Novozymes A/S together with their immediate families. Related parties also include companies in which the above persons have control or joint control.

All agreements relating to these transactions are based on market price (arm's length). The majority of the agreements are renegotiated regularly.

In 2021, Novozymes purchased from Novo Holdings A/S 765,000 of its own B shares with

the approval of the Board of Directors, at a price of DKK 338 million (2020: 1,530,000 B shares at a price of DKK 537 million). The transactions were based on the market price.

There were no transactions with related parties other than the transactions described and normal remuneration of the Board of Directors and Executive Leadership Team, which is presented in Note 6.1.

Rental commitments to related parties at December 31, 2021 amounted to DKK 12 million, compared with DKK 13 million at December 31, 2020.

Other financial notes

6.5 Non-controlling interests

Transactions with non-controlling interests

On December 10, 2021, Novozymes acquired 60% of the shares in Synergia Life Sciences, located in India.

The remaining 40% of the shares in Synergia Life Sciences are held by non-controlling interests, and are recognized at the proportionate share of the acquired net identifiable assets to DKK 368 million. See details in Note 3.5.

Share purchase liability

The remaining 40% of the shares in Synergia Life Sciences is to be acquired in 2025 and a liability of DKK 717 million is recognized in 2021.

The redemption amount is contingent on the achievement of sales targets for Synergia Life Sciences for the period April 1, 2024 to March 31, 2025.

The consideration will be within the range of DKK 652 million to DKK 1,174 million and includes payment of the non-controlling interests' stake of the net working capital and cash balances at the acquisition date of Synergia Life Sciences.

Fair value of the Share purchase liability is assessed by using the most probable redemption amount, discounted at a rate of 11%. The share purchase liability is denominated in INR.



Critical accounting estimates and judgments

Fair value of the share purchase liability is based on non-observable data (level 3 input) that requires Management to make estimates and use assumptions.

Estimates are based on updated information since the initial recognition of the liability such as budgets, sales forecasts, discount rates etc. The fair value of the share purchase liability is calculated as the present value of the most probable redemption amount using the discounted cash flow method. The determined fair value is associated with uncertainty and may be subject to subsequent adjustments.



Accounting policies

Share purchase liability is Novozymes's obligation to purchase non-controlling interests in subsidiaries and is remeasured at fair value at each reporting date. The fair value of the most likely redemption amount is initially recognized within liabilities with a corresponding charge directly to Equity. Interest and fair value adjustments resulting from events after the initial recognition are recognized in Retained earnings within Equity.

6.6 Fees to statutory auditors

DKK million	2021	2020
Statutory audit	9	9
Other assurance engagements	-	-
Tax assurance services	3	6
Other services	1	3
Fees to statutory auditors	13	18
Group audit fee ratio	0.4	1.0

Audit fee policy

It is Novozymes' policy that the annual fee for nonaudit services provided by the statutory auditors should not exceed the annual fee for statutory audit services measured at Group level. The Group audit fee ratio may only exceed 1 with the approval of the Audit Committee.

No such approvals were given in 2021 or 2020.

Implementation of the EU audit reform has led to restrictions on the nonaudit services that the auditors elected at the Annual Shareholders' Meeting may perform, including a 70% CAP. The fee for nonaudit services performed for Novozymes by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab is DKK 1 million (2020: DKK 3 million) and does not exceed the 70% CAP. The services comprise tax advisory services concerning transfer pricing, M&A support and other general financial reporting and tax consultancy.

Other financial notes

6.7 Cash flow

DKK million	Note	2021	2020
Non-cash items			
Accrued interest income and interest costs		34	53
(Gain)/loss on financial assets, etc., net		3	9
Depreciation, amortization and impairment losses	3.1, 3.2	1,416	1,266
Realized loss and allowances for doubtful trade receivables		(14)	20
(Gain)/loss on sale and disposal of assets		(92)	-
Unrealized foreign exchange (gain)/loss		73	31
Tax	2.6	779	695
Stock-based payment	6.2	78	54
Change in provisions		(26)	8
Divestment of a pharma-related royalty		(57)	(42)
Transitional holiday accrual (Denmark)		-	122
Profit/loss in associates		4	4
Non-cash items		2,198	2,220

DKK million	Note	2021	2020
Business acquisitions, divestments and purchases of financial assets			
Acquisition of PrecisionBiotics Group	3.5	-	(588)
Acquisition of Microbiome Labs	3.5	(761)	-
Acquisition of Synergia Life Sciences	3.5	(870)	-
Cash flow from acquisitions, net		(1,631)	(588)
Additions of intangible assets	3.1	169	146
Purchase of intangible assets		169	146
Additions of property, plant and equipment	3.2	1,188	852
Non-cash additions of property, plant and equipment		(15)	-
Less additions to lease assets	3.3	(102)	(58)
Purchase of property, plant and equipment		1,071	794

Undrawn committed credit facilities were DKK 3,785 million at December 31, 2021 (2020: DKK 5,344 million), all of which expire in 2022-2025.



Accounting policies

The consolidated statement of cash flows, which is compiled using the indirect method, shows cash flows from operating, investing and financing activities, and the Group's cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities comprises net profit adjusted for non-cash items, paid financial items, corporate income tax paid and change in working capital.

Cash flow from investing activities comprises payments relating to the acquisition and sale of

companies and non-controlling interests, intangible assets, and property, plant and equipment.

Cash flow from financing activities comprises proceeds from borrowings, repayment of principal on interest-bearing debt, repayment of lease liabilities, payment of dividends, proceeds from

stock issues, and the sale of treasury stock and other securities.

Cash and cash equivalents comprises cash at bank and in hand less current bank loans due on demand.

Other financial notes

6.8 Events after the reporting date

No events of importance to the consolidated financial statements have occurred after the reporting date.

6.9 Group companies

- ISO 14001-certified sites. All major companies are ISO 9001 certified.
- Production
- Sales and marketing
- ◆ Research and development
- Holding companies, etc.

Parent Company	Activity	Percentage of shares owned
Novozymes A/S, Denmark	■ □ ● ◆	
Subsidiaries		
Novozymes BioAg S.A., Argentina	■ □ ● ◆	100
Novozymes Australia Pty. Ltd.*, Australia	●	100
Novozymes Belgium BV*, Belgium	●	100
Novozymes Latin America Ltda.*, Brazil	■ □ ● ◆	100
Novozymes BioAg Productos Para Agricultura Ltda., Brazil	□ ●	100
Novozymes BioAg Limited, Canada	■ □ ● ◆	100
Novozymes Canada Limited, Canada	■ □ ●	100
Novozymes (China) Biotechnology Co. Ltd., China	■ □ ●	100
Novozymes (China) Investment Co. Ltd., China	● ◆	100

6.9 Group companies (continued)

	Activity	Percentage of shares owned
Novozymes (Shenyang) Biologicals Co. Ltd., China	■ □ ●	100
Suzhou Hongda Enzyme Co. Ltd., China	■ □ ●	96
Novozymes Bioindustrial A/S*, Denmark	○	100
Novozymes Bioindustrial China A/S*, Denmark	○	100
Novozymes Biopharma DK A/S*, Denmark	○	100
Novozymes BioAg A/S*, Denmark	○	100
Novozymes Biotechnology ApS*, Denmark	○	100
Novozymes France S.A.S.*, France	●	100
Novozymes Deutschland GmbH*, Germany	●	100
Novozymes Berlin GmbH, Germany	● ◆	100
Novozymes Hong Kong Ltd., Hong Kong	○	100
Novozymes South Asia Pvt. Ltd., India	■ □ ● ◆	100
Riata Life Sciences Pvt. Ltd., India	□ ● ◆	100
Synergia Life Sciences Pvt. Ltd.*, India	□ ● ◆	60
PrecisionBiotics Group Ltd.*, Ireland	● ◆	100
Novozymes Italia S.r.l.*, Italy	●	100
Novozymes Japan Ltd.*, Japan	● ◆	100
Novozymes Kenya Ltd.*, Kenya	●	100
Novozymes Malaysia Sdn. Bhd.*, Malaysia	●	100
Novozymes Mexicana, S.A. de C.V.*, Mexico	●	100
Novozymes Mexico, S.A. de C.V., Mexico	●	100
Novozymes Nederland B.V.*, Netherlands	●	100
Novozymes RUS LLC*, Russia	●	100
Novozymes Singapore Pte. Ltd.*, Singapore	●	100
Novozymes South Africa (Pty) Ltd.*, South Africa	●	100
Novozymes Korea Limited*, South Korea	●	100
Novozymes Spain S.A.*, Spain	●	100
Novozymes Sweden AB*, Sweden	●	100
Novozymes Switzerland AG, Switzerland	●	100

Other financial notes

6.9 Group companies (continued)

	Activity	Percentage of shares owned
Novozymes Switzerland Holding AG*, Switzerland	○	100
Novozymes (Thailand) Ltd.*, Thailand	●	100
Novozymes Enzim Dis Ticaret Ltd. Sirketi*, Turkey	●	100
Novozymes UK Ltd.**, U.K.	● ◆	100
Novozymes BioAg, Inc., U.S.	■ □ ●	100
Novozymes Biologicals, Inc., U.S.	■ □ ●	100
Novozymes Blair, Inc., U.S.	■ □	100
Novozymes, Inc., U.S.	◆	100
Physicians Exclusive LLC (d.b.a) Microbiome Labs, U.S.	● ◆	100
Novozymes North America, Inc., U.S.	■ □ ● ◆	100
Novozymes US, Inc.*, U.S.	○	100
Joint operations/associates		
Grundejerforeningen Smørmosen*, Denmark		
Grundejerforeningen Hallas Park*, Denmark		
Microbiogen PTY Ltd.*, Australia		23.1
Tecnol s.r.l. in liquidazione (formerly Beta Renewables S.p.A.)*, Italy		9.95
MagnaBioAnalytics LLC, U.S.		19.35

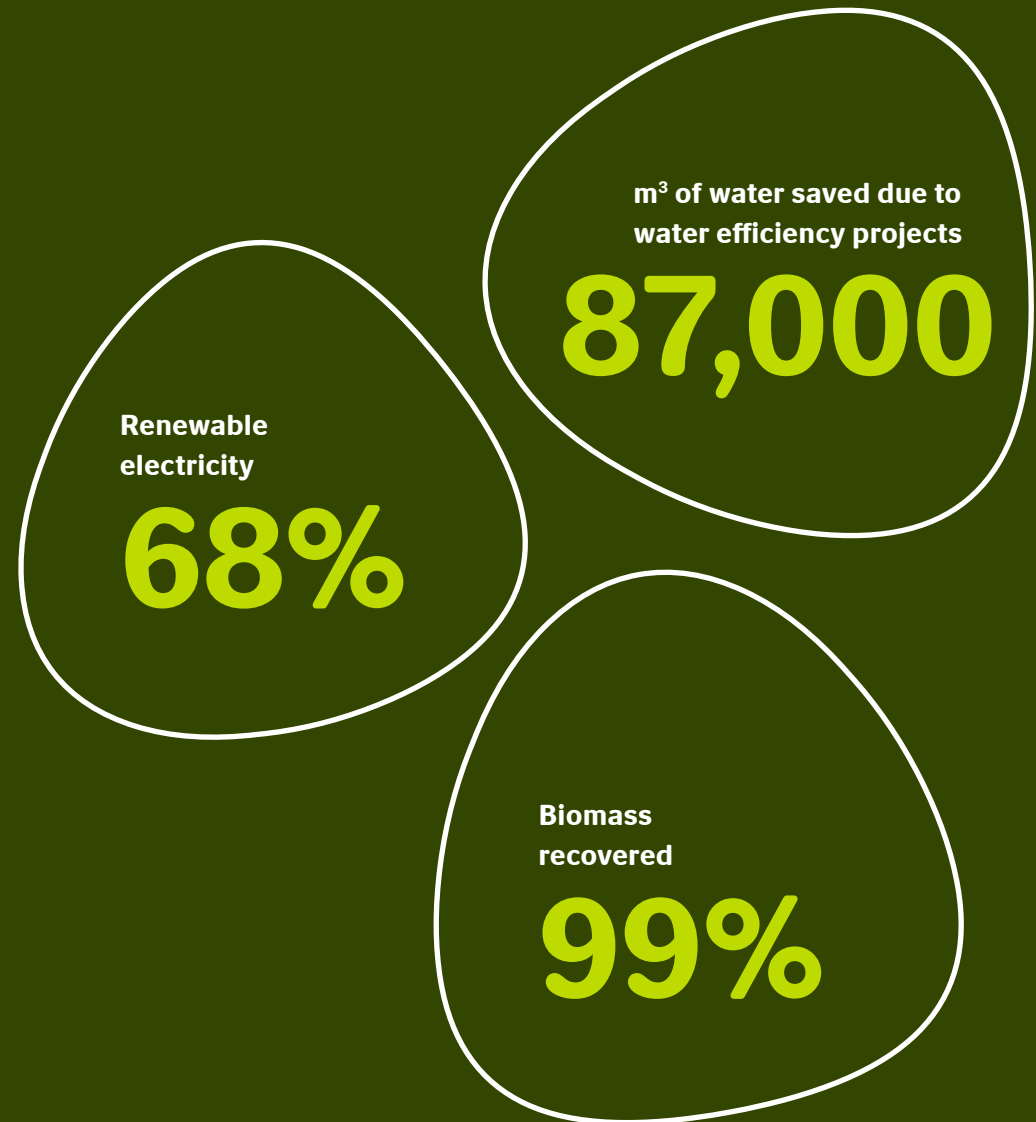
* Owned directly by Novozymes A/S.

** Novozymes A/S has guaranteed the liabilities of Novozymes UK Limited (company number: 1328873) in order that it qualify for the exemption from preparing individual financial statements under Section 479A of the Companies Act 2006 in respect of the year ended December 31, 2021.



7 Environmental data

- 7.1 Climate change
- 7.2 Energy
- 7.3 Water
- 7.4 Waste
- 7.5 Environmental compliance
- 7.6 Bioethics & biodiversity
- 7.7 Product stewardship



Environmental data

7.1 Climate change

Climate action is an integral part of our business strategy and we are committed to a net zero future. We take relevant measures to address climate impacts across our operations and value chain. Through the application of our solutions, we enable our customers and end users to reduce their CO₂ emissions.

Our approach

Our ambitious climate commitment, Accelerate towards a climate-neutral society, was launched under our refreshed strategy as part of our commitments to a healthy planet, and it guides our approach to addressing climate change issues.

Novozymes is committed to the Science-Based Targets Initiative and to our long-term goal of achieving net zero across operations and value chain by 2050, which was set in 2019. In light of recent scientific findings reported by the Intergovernmental Panel on Climate Change, we are now accelerating our net zero journey and significantly raising our ambition on climate change. We have committed to a 50% reduction in absolute CO₂ emissions from our operations (scope 1 + 2) and supply chain (scope 3) by 2030 compared to a 2018 baseline, and to source 100% renewable electricity by 2030. To guide implementation, we have set internal annual targets.

We are also implementing the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). For further information on our work on the TCFD, and on climate risks and opportunities please refer to the 'Governance' section of this report.

We conduct peer-reviewed cradle-to-grave life cycle assessment (LCA) studies to document the environmental impact of our solutions. These studies are used to keep our stakeholders informed and to demonstrate to our customers ways to reduce their CO₂ emissions and leverage the positive impact on climate change that Novozymes' solutions can enable. Our published LCAs are available at our website.

We disclose our climate change impacts through CDP every year, and in 2021, Novozymes was rated "A-" (recognized in the leadership band for our strong climate action efforts and transparent disclosures).

2021 highlights

In 2021, CO₂ emissions from our operations (scope 1 + 2) increased by 8% to 253,000 tonnes from 234,000 tonnes in 2020, mainly driven by higher sales, thus higher production activity. Despite this increase, we reduced our absolute emissions (scope 1+2) by 42% relative to our 2018 baseline, and we are on track to achieve our

2022 mid-term target of reducing absolute CO₂ emissions from our operations by 40% by 2022 (relative to 2018). This reduction is driven by our

continued focus on energy efficiency, changes to emission factors, and changes to our production processes.

CO ₂ -equivalent emissions 1,000 tonnes	2021	2020
Natural gas	38	33
Gas oil, light fuel oil and diesel oil	3	4
HFCs	2	-
Scope 1	43	37
District heat	1	2
Electricity	147	148
Steam	62	47
Scope 2 (market-based)	210	197
Scope 1 and 2, total	253	234
Ship	7	4
Truck	19	20
Air freight	9	10
Scope 3	35	34
Emissions, total	288	268
Market-based vs. location-based scope 2 emissions 1,000 tonnes	2021	2020
Scope 2 CO ₂ emissions (market-based)	210	197
Scope 2 CO ₂ emissions (location-based)	351*	445

* Location based figures are from 2021 based on CO₂ emission factors from IEA and thus a part of the decrease from 2020 to 2021 is due to this change. In 2020 local CO₂ emission factor was used, if those had been applied in 2021 the CO₂ emissions (location-based) would have been 455.

Environmental data

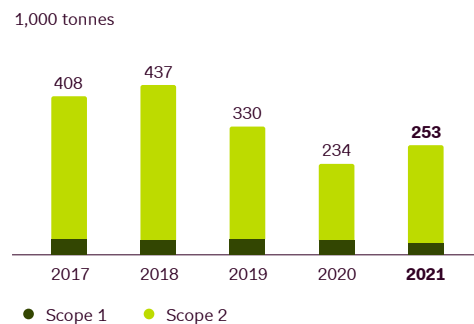
7.1 Climate change (continued)

Novozymes' bioenergy solutions helped the transport sector save 60 million tonnes of CO₂ in 2021 by enabling the production of low carbon fuels.

During 2021, we engaged with key suppliers to better understand our supply chain emissions and our suppliers' climate maturity, in support of our efforts to reduce emissions from our supply chain (Scope 3). We requested the suppliers to provide carbon footprint or best available data for the products they deliver to Novozymes. Some of them were able to deliver product-specific greenhouse gas emissions (GHG) data, and many had targets to save energy and/or reduce GHG emissions in the coming decade.

Going forward, we will define how to further drive supply chain emission reductions. We will continue to focus on executing our renewed climate commitment by exploring renewable energy opportunities for all our sites, by investing in energy efficiency and energy recovery opportunities, and by engaging with our suppliers.

Five-year operational emissions (CO₂-eqv.)



Accounting policies

Reported CO₂ emissions comprise scope 1, scope 2 and emissions from outbound transport of products.

CO₂ from internally generated energy (scope 1) is calculated based on the amount of fuel consumed using local emission factors.

CO₂ from externally generated energy (scope 2) is reported in accordance with both the market-based and the location-based methods, as defined by the Greenhouse Gas (GHG) Protocol. The market-based method assumes zero CO₂ emissions from the sourced renewable energy and uses CO₂ factors from International Energy Agency (IEA) for non-renewable energy. The location-based method uses CO₂ factors from IEA.

Transport-related CO₂ emissions (scope 3) are calculated based on principles described in the GHG Protocol. Reported quantities comprise CO₂ emissions related to transport from all primary enzyme production sites to customers where Novozymes pays for the freight. Transport between production sites is also included. Transport of raw materials to a production site is not included. CO₂ emissions generated at external warehouses are not included. Emissions data are calculated based on distance and emission factors from the GHG Protocol.

The environmental impact potentials for global warming and ozone layer depletion are calculated on the basis of data published by the U.S. Environmental Protection Agency (EPA) and the Montreal Protocol published by the United Nations Environment Programme (UNEP).

Environmental data

7.2 Energy

Novozymes' operations depend on fuel, steam and electricity. Many of our biosolutions enable downstream users to save energy in certain applications compared with conventional methods, such as in laundry and dishwashing detergents and textile applications.

Our approach

We manage energy in our operations through a two-pronged approach: increasing the sourcing of renewable energy and reducing energy use in production by implementing optimization or

energy-saving projects. Relevant targets drive our performance in these areas.

Novozymes' Operations, Supply and Quality function manages and monitors all energy efficiency and renewable energy-sourcing efforts. Through the RE100 initiative, we have committed to source 100% renewable electricity by 2030.

In addition to the internal energy savings, Novozymes pursues a strategy to recover energy that would otherwise go to waste and distribute it to local communities.

Energy consumption by primary source 1,000 GJ	2021	2020
Natural gas	717	644
Biogas	20	63
Gas oil, light fuel oil and diesel oil	29	39
Internally generated energy, total	766	746
Electricity – conventional	861	806
Electricity – renewable	1,800	1,758
District heat - conventional	77	89
District heat - renewable	141	112
Steam	1,054	964
Externally purchased energy, total	3,933	3,729
Energy consumption, total ESG	4,699	4,475
Energy production from waste	76	89

2021 highlights

Energy consumption increased by 224,000 GJ or 5% compared to 2020. This was driven by higher production volumes as sales grew organically by 6%.

In 2021, projects driving process optimization and energy efficiency undertaken at our sites throughout the year resulted in energy savings of 83,000 GJ. We had a new axial flow compressor installed at our Hongda site in China, which will produce energy savings of approximately 31,000 GJ per year. Another project implemented at our Kalundborg site, which required no CAPEX investments but only interventions in the way a compressor is run, resulted in energy savings of 14,000 GJ in 2021 (compared with the 2019 baseline year for this project).

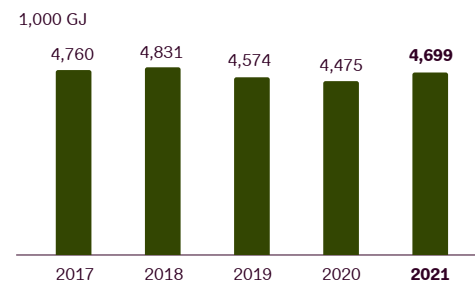
The share of renewables in our total energy consumption decreased to 42% from 43% in

2020, due to shifts in energy sources. Electricity is more than half of the total energy consumed, and 68% of the electricity came from renewable sources.

We have developed a new renewable electricity strategy with elevated focus on accelerating decarbonization of fossil-fuel-intensive grids. Through this, we are taking a further holistic approach towards the end-to-end sourcing process, ensuring high quality and impactful projects for our local communities. Moreover, new projects have been matured for several sites across Novozymes' global footprint, with a new agreement securing I-RECs to the Hongda manufacturing site, starting from 2022 onwards.

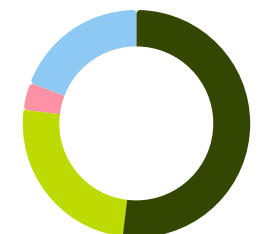
Going forward, in addition to further investing in renewable energy, we will continue to explore energy saving opportunities at all sites as well as energy efficiency and energy recovery initiatives.

Five-year energy consumption



Renewable energy sources 2021 (2020)

- Wind power **52%** (51%)
- Solar **25%** (26%)
- Hydro **4%** (4%)
- Biomass **19%** (19%)



Environmental data

7.2 Energy (continued)

 Accounting policies

Energy consumption includes quantities consumed both in the production process and in other areas.

Internally generated energy is measured as fuel consumption converted to energy based on the lower combustion value and weight by volume, except in the U.S., where legal requirements for reporting CO₂ state that the higher combustion value is to be applied. Fuel consumption comprises all types of fuel used to produce electricity, heat and steam on site and converted to energy using factors supplied by utility providers or local authorities. Fuel for transportation is not included.

Externally generated energy is the input to Novozymes of externally generated electricity, heat and steam.

Energy produced from waste or wastewater is renewable and corresponds to the total energy (heat, electricity or steam) produced by an internal or external utility provider. An example is energy produced from biomass waste or biogas.

Reported quantities are based on meter readings, with the exception of steam, which may be subject to calculation.

The renewable energy percentage is calculated by dividing renewable energy consumed by total energy consumption. Renewable energy used at Novozymes sites comprises energy generated from natural processes and continuously replenished. Sources include solar, wind and hydropower-based electricity and energy from biogas and biomass.

District heat - renewable is primarily generated from biomass.



Environmental data

7.3 Water

Water is an essential part of Novozymes' production and value chain. We rely on agriculture-based raw materials that require freshwater for production and processing. Our product quality and safety is directly dependent on the quality of the freshwater we receive at our facilities. Additionally, the production of our solutions results in generation of wastewater.

Our solutions enable our customers to reduce their water consumption, improve efficiency and wastewater quality by replacing chemicals. They also have the capabilities to provide improvements in the wastewater treatment industry by replacing hazardous chemicals.

Our approach

As part of our commitments to a healthy planet, our refreshed strategy re-emphasized our commitment to responsible water management and our ambitious target to manage water in balance with local conditions by 2030.

The table provides a breakdown of total water consumed.

Water by primary source 1,000 m ³	2021	2020
Drinking water	5,906	5,473
Industrial water	2,249	2,177
Steam	383	348
Water consumption, total	8,538	7,998

ESG

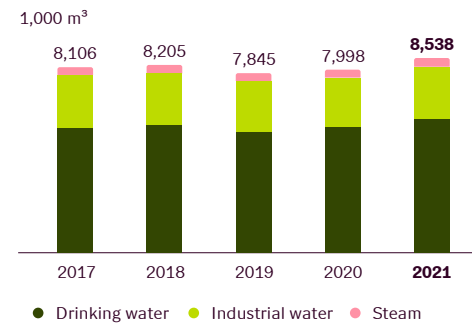
We are committed to ensure water is respected as a shared resource, while contributing to long-term water security. Therefore, we are developing contextual water management programs for all production sites by 2022 to help us further focus our efforts where we can make the maximum impact.

In our operations, we are focused on ensuring wastewater compliance and improving our operational efficiency to optimize water consumption, while addressing site-specific water-related challenges. Our wastewater is treated internally or externally in biological wastewater treatment systems before being discharged.

Externally, we collaborate with organizations and communities for collective action to address water challenges in our surrounding communities such as depleting water quality, WASH (water, sanitization and hygiene) and watershed restoration.

We disclose our water security impacts through CDP every year. This year, we scored B (continued to be recognized for our good water management practices).

Water consumption by primary source



Environmental data

7.3 Water (continued)

2021 Highlights

In 2021, our water consumption grew by 7% compared with 2020, mainly driven by the increased production.

Through our major projects in operations, we achieved water savings of 87,000 m³ for the year. This year, we operationalized a project at our Tianjin site in China which has led to re-use of 40,000 m³ of treated wastewater for cooling towers, irrigation and other internal processes. Additionally, the heat-pump project at our site in Denmark resulted in savings of 47,000 m³.

In 2021, we continued to leverage our internal and external engagements to drive results in alignment with our long-term water strategy. Amongst our external engagements, we initiated work with partners in TEDA and Hongda industrial parks in China to support the restoration of local wetland ecosystems. We continued our partnership with the World Wide Fund for Nature for developing our contextual water programs.

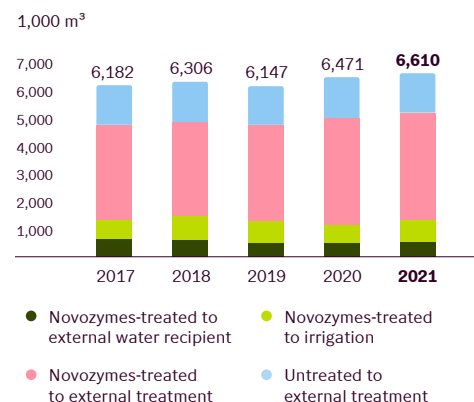
At the end of the year, 11 out of our 15 production sites had programs with actions to help us address local water challenges.

In 2021, we began to pilot the draft science-based target methodology for water, to help us better understand the methodology and move towards our long-term commitment anchored in science.

Going forward, we will focus on completing the development of contextual water management programs for our remaining production sites, optimize water use and further expand our efforts for collective action on water.

The table provides a breakdown of total wastewater generated in 2021.

Wastewater by treatment method



Wastewater discharged 1,000 m³

	2021	2020
Wastewater to irrigation	786	662
Wastewater to surface water or treatment	5,824	5,809
Wastewater discharged, total ESG	6,610	6,471



Accounting policies

Water consumption refers to the withdrawal of water. Water includes drinking water, industrial water and externally supplied steam.

Drinking water is water of drinking water quality. Industrial water is not of drinking water quality, but is suitable for certain industrial processes, for example for use in cooling towers. Industrial water may come from lakes or wells.

The reported quantities are stated based on the metered intake of water to Novozymes and include quantities consumed both in the production process and in other areas. The reported quantities of steam are converted to volumes of running water and are therefore subject to calculation.

Wastewater is measured as the volume discharged by Novozymes or calculated based on water withdrawal.

Environmental data

7.4 Waste

Novozymes is a firm supporter of closing the loop in favor of managing waste and resources in a responsible manner. Our biological solutions enable our customers to adopt more responsible use of resources. We are committed to minimizing waste from our operations, while utilizing precious resources in a circular manner.

Our approach

As part of our commitments to a healthy planet, our refreshed strategy re-emphasized our commitment to responsible waste management. By 2030, we aim to have zero waste from operations. To pave the way, by 2022 all production sites should have programs to reach zero waste by 2030.

Guided by our aim to achieve zero waste, we have adopted a site-specific management approach. The localized approach allows us to manage the complex issue in alignment with local regulations and external service providers.

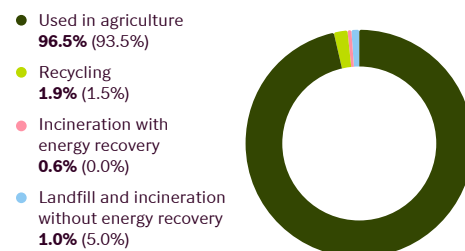
2021 Highlights

Despite increased business activities, the generated waste was on par with 2020.

The total recycling and composting rate of the waste was 98%, and only 2% was sent to landfill or incineration without energy recovery.

A breakdown of the total waste generated at our production sites is provided in the figure below.

Total waste by disposal method 2021 (2020)



Biomass

Most of the waste generated from the production of our solutions is biomass. The biomass generated from our operations has essential nutrients such as nitrogen and phosphorus, making it ideal for supporting agricultural activities. We have set a target of achieving 100% circular management of our biomass by 2022.

In 2021, 99% of our biomass was managed in a circular manner, with utilization as a raw material in fertilizer production for agriculture with or without prior biogas production. We work with

local farming communities to distribute biomass for utilization at farm level. In order to facilitate transportation and application, we adjust water content in biomass in accordance with local requirements. The biomass upon exit from our

facilities has a water content in the range of 5% to 85%. In 2021, the total dry matter content for biomass used in agriculture was 51 tonnes (2020: 47 tonnes), and for biomass sent to landfill it was 1 tonnes (2020: 10 tonnes).

Waste 1,000 tonnes	2021	2020
Biomass		
Used in agriculture	463.5	448.8
Landfill	2.4	16.2
Biomass, total	465.9	465.0
Nonhazardous waste		
Incineration	2.1	2.5
Landfill	2.2	4.5
Recycling (external)	6.5	4.2
Nonhazardous waste, total	10.8	11.2
Hazardous waste		
Incineration	1.1	0.8
Landfill	0.1	0.2
Recycling (external)	0.1	0.4
Recycling (internal)	2.5	2.7
Hazardous waste, total	3.8	4.1
Waste, total	480.5	480.3

ESG

Environmental data

7.4 Waste (continued)

Non-biomass Waste

Our non-biomass waste accounts for 3% of Novozymes' total waste and it is further classified into nonhazardous and hazardous. In 2021, the recycling rate of non-biomass waste was 62% compared with 48% in 2020. The remaining 38% of the waste (5,500 tonnes) was sent to landfill or incineration.

We are working actively with local experts and service providers to explore site-specific opportunities for better waste management. In 2021, 10 of our 15 production sites had developed plans to reach zero waste by 2030.

In 2021, we undertook initiatives that have led to a reduction of our waste as well as an increase in recycling. These initiatives include process improvements, optimal utilization of resources and process planning, waste sorting to allow more recycling, etc.

Circular packaging

We are committed to minimizing the impact of the waste generated by our packaging materials by making our packaging recyclable, reusable or compostable. Therefore by 2022, we aim to have circular plans developed for all our key packaging materials. We are progressing as planned for the development of circular plans and are on track to fulfill our target for 2022.



Accounting policies

Biomass is measured or calculated based on volume or weight produced. At each site, biomass is produced with different dry matter to water ratio. The quantity of dry biomass is calculated based on the water ratio in the biomass.

Non-biomass waste is the registered volume of waste broken down into hazardous and nonhazardous waste, and by disposal method. The amount recycled is the quantity recycled internally or sent to an external service provider for recycling.



[Environmental data](#)

7.5 Environmental compliance

Compliance with environmental norms and regulations is a high priority for Novozymes, so as to maintain business continuity and day-to-day running of operations. Novozymes is committed to complying with all environmental regulations and maintaining high standards of environmental management in various aspects, including pollution prevention, resource conservation and waste reduction.

Our approach

Our commitment to environmental compliance is outlined in our Sustainability Policy. All activities to ensure environmental compliance are anchored in the Quality, Environment & Safety function. Novozymes' production sites are certified to the ISO14001 Environmental Management Systems standard. Our Management System is based on this standard and applies to all our operations.



Accounting policies

Breaches of environmental regulatory limits are measured as the number of incidents in the reporting year considered not to be in conformity with environmental permits or requirements under environmental law.

Environmental incidents and neighbor complaints are recorded in CAPTURE, our global incident management system. This system enables us to implement suitable remedial actions to correct and prevent their occurrence in the future. We strive to minimize the number of non-compliances and neighbor complaints.

2021 highlights

In 2021, 13 environmental incidents were registered across our facilities, compared with 20 in 2020. Most of these were related to wastewater treatment. None of them have resulted in environmental fines. Plans for preventive action to avoid such incidents have been agreed with the relevant authorities.

Novozymes received seven neighbor complaints in 2021, compared to 10 received in 2020.

Breaches related to annual control measurements of spills reported in previous years are not included, as they are not indicative of performance during the reporting year.

Neighbor complaints refers to the number of registered environmental complaints, primarily odor and noise related.

7.6 Bioethics & biodiversity

Novozymes' products are based on technologies found in nature and our business is based on biotechnology. As a biotechnology leader developing solutions and applications for customers, we explore the available biodiversity of fungi, bacteria and enzymes and take samples from nature via a process called bioprospecting. The nature-based samples are assessed and optimized using biotechnological research and used to develop new biological solutions that help our customers improve their products and reduce their environmental footprint.

Our approach

Novozymes' position paper on Biodiversity and Gene Editing captures the method in which we interact with biodiversity and how we contribute towards sustainable development. We are committed to sharing our knowledge about the potential of biology and industrial biotechnology with the public and other stakeholders outside of Novozymes.

We support a science-based regulatory framework for products involving gene editing, operating in compliance with legislation and following any guidance and requirements from regulatory authorities on biotech innovation

classification. We are committed to using scientifically-sound tools in a way that is safe to humans, animals and the environment.

In line with our approach to taking biological samples in nature, we ensure that local laws are followed, and safeguard the globally recognized principles on the utilization of genetic resources. We continuously discover new microbes that are valuable solutions for more environmentally-friendly industrial processes. Novozymes' position paper on biodiversity articulates how we endorse, acknowledge and respect the principles of the United Nations Convention on Biological Diversity and the complementary Nagoya Protocol on Access and Benefits Sharing. We have established systems and processes that ensure we comply with the relevant regulations, guidelines and international protocols.

2021 Highlights

We continue to closely monitor the ongoing dialogue on nature and biodiversity loss. In 2021, we became a member of the Science Based Targets Network Corporate Engagement Program and are closely following the developments related to new methodologies for companies to manage their impacts and dependencies on nature.

Environmental data

7.7 Product stewardship

Novozymes is committed to ensuring product safety and stewardship in our operations and across our value chain. Many of our biological solutions serve as ingredients in consumer goods (e.g. in laundry detergents) or are used for manufacturing consumer products such as food, textiles, and livestock, and hence this is a material issue for us.

Novozymes' ambition is to continue making our products safer for humans, animals and the environment. We seek to substitute hazardous substances in our operations with safer alternatives wherever feasible and constantly strive to reduce the risk of enzyme allergies and the risk involved in handling microorganisms.

Our approach

Product stewardship is an integral part of Novozymes' Quality Management System, and our approach is outlined in our Quality and Product Safety Policy. Procedures ensuring product stewardship for customers and end-users are enforced globally and audited by an independent external body - Bureau Veritas. We collaborate with our customers, suppliers, and various trade associations to drive product safety and stewardship.

Novozymes has set internal targets on product stewardship that guide our progress. We measure performance particularly in the areas of product safety and hazardous substance management.

Through a rigorous and comprehensive cross-functional process, new and existing chemicals are screened annually for environmental, health and safety impacts, followed by risk and feasibility assessments to determine candidates for potential phase-out.

Novozymes has a clear position and a structured approach to related topics such as product information and labeling, traceability, industrial biotechnology, REACH (Registration, Evaluation, Authorization and Restriction of Chemicals), FIAP (Food Improvement Agents Package) and animal testing. Novozymes is a leading REACH registrant and remains firmly committed to maintaining high-quality dossiers that document product safety and provide transparency.

2021 highlights

REACH-like legislation has now been implemented in the U.K., Turkey, and Korea where registration dossiers must be submitted in collaboration with other registrants. In these countries, in 2021, Novozymes arranged a 'REACH Only Representative' service for our customers, which will ensure customer compliance with these regulations and a continued supply of products into these markets.

In 2021, within our annual process cycle to explore the potential phase-out and substitution of hazardous substances and materials, we identified three hazardous chemicals, one of

which was phased out and a new, safer formulation of the material was adopted. In this process, we also reinforced the relevance of our work towards reducing or even removing hazardous preservatives from our enzyme products. This work is not straightforward, as enzymes are readily biodegradable and hence often require preservatives. It also meets the society's concern and wish for "preservative free" products.

Novozymes North America was recognized as an outstanding Safer Choice Innovator by the U.S. Environmental Protection Agency (EPA) in 2021, recognizing our commitment to produce safe solution.

Novozymes is also accelerating the implementation of titanium dioxide-free enzyme products for laundry detergents and collaborating with our customers for further phase-out.

Going forward, we will continue to prioritize product stewardship practices at Novozymes. We will begin to implement a state-of-the-art Regulatory Information Management (RIM) system, which will provide a strong foundation for our product stewardship commitment. This flagship project will increase the capacity, efficiency, and quality of our core regulatory processes, such as dossier compilation and submissions.



8 Social and governance data

- 8.1 Labor practices & human rights
- 8.2 Inclusion & Diversity
- 8.3 Employee safety & wellbeing
- 8.4 Business ethics
- 8.5 Customer engagement
- 8.6 Community engagement
- 8.7 Responsible sourcing

Lost-Time Injury
frequency (per million
working hours)

1.5

Completion of business
integrity training for
employees

99%

Women in senior
management

34%

Social and governance data

8.1 Labor practices & human rights

Employees are vital for Novozymes' growth and the successful execution of our strategy. Novozymes is responsible for ensuring that human rights are respected both within the organization and throughout its value chain.

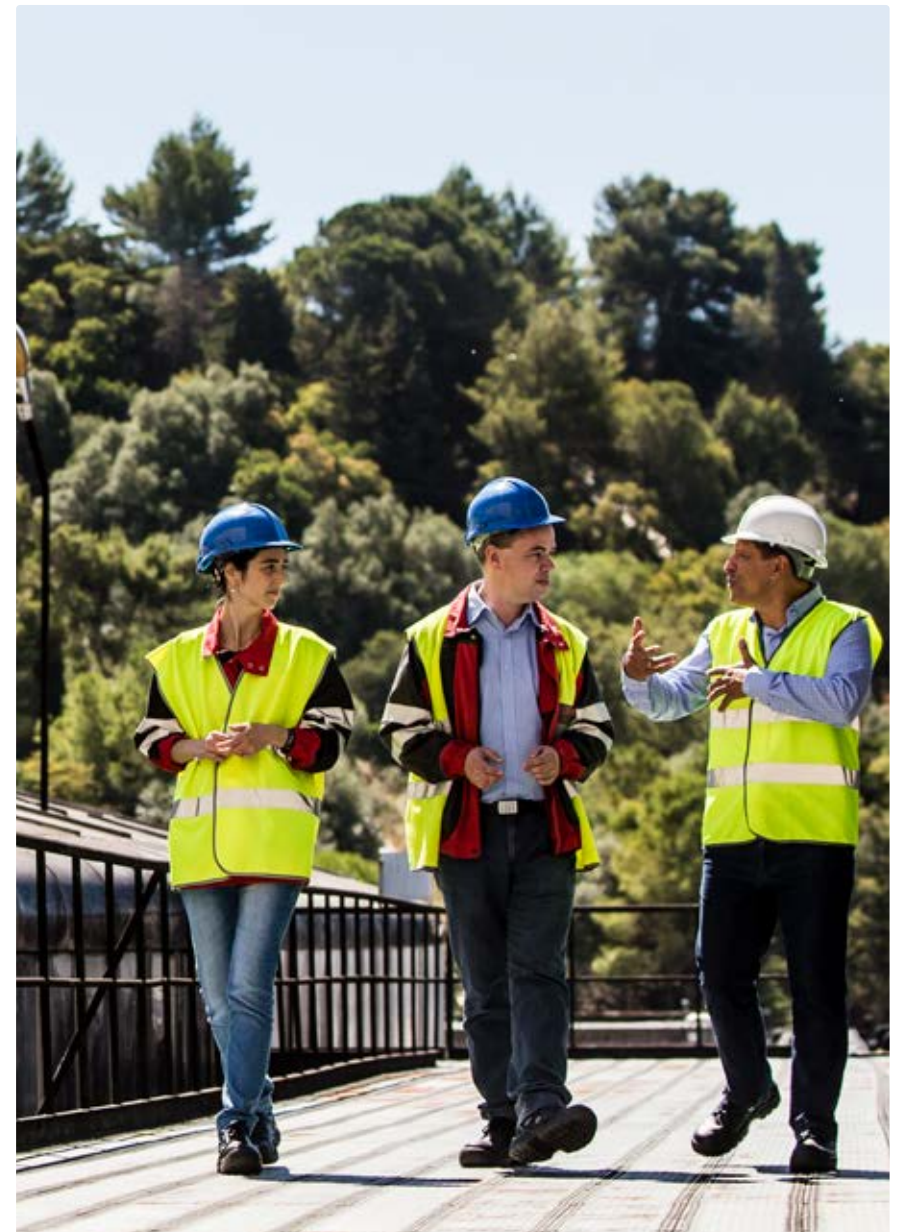
Our approach

We have adopted a common management approach and reporting structure for labor practices and human rights. Our People and Organization (P&O) function, together with leaders across Novozymes are responsible for ensuring equal rights for all employees. We are committed to ensuring equal opportunities and avoiding discrimination based on age, sex, gender identity, race, national origin, ethnicity, disability, education, sexual orientation and religious beliefs in our global organization.

Novozyymes is committed to providing a working environment where all individuals can work together comfortably and productively, free of any kind of harassment and discrimination. Novozymes recognizes and respects the right to form and join associations and to bargain collectively. Our P&O function works together with local leadership to facilitate the fulfillment of these fundamental rights in countries with limited labor legislation.

Novozyymes respects human rights as defined by the UN Guiding Principles on Business and Human Rights and has implemented them in our operational policies and procedures. We respect the International Bill of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, and, since 2001, we have been a signatory to the United Nations Global Compact. Novozymes is also a signatory to the Women's Empowerment Principles. We publish an annual statement under the UK Modern Slavery Act.

The employee survey is an important tool that enables us to track the organizational mood and have better and more relevant team talks focusing on how we work together at Novozymes. This is critical for ensuring our success as a business and for sustaining our reputation as a great place to work.



Social and governance data

8.1 Labor practices & human rights (continued)

2021 highlights

Labor practices

The rate of employee turnover increased to 11.8% from 8.7% in 2020. The increase was a consequence of the low turnover in 2020 due to the COVID-19 pandemic, and result of the economic recovery 2021.

We recorded a 2.2% rate of absence compared to 1.9% in 2020. The rate of absence has been

broken down into grouped job categories, based on whether the work carried out is primarily office-based.

Human rights

We conduct regionally focused human rights impact assessments to identify and assess human rights risks and impacts in our business and supplier base. As human rights risks vary from

region to region, this approach enables us to gain a more comprehensive understanding of human rights risks, our positioning, and the associated gaps within the respective regions. In 2021, we conducted the human rights impact assessment for China. In the past two years, we have completed assessments for the Americas, Europe, Middle East and Africa (EMEA) region and India. Through these assessments, we identified the most salient human right issues, and are taking

appropriate measures to mitigate the identified risks and gaps. In 2022, we will perform the assessment for the Asia Pacific region.

Novozymes believes that respectful, professional conduct furthers Novozymes' mission and is fundamental to a good workplace. In 2021, we conducted company-wide global training for all employees on non-discrimination and anti-harassment.

Employee statistics		2021	2020
Rate of employee turnover - retirement	%	0.9	1.2
Rate of employee turnover - dismissal	%	3.4	3.0
Rate of employee turnover - voluntary	%	7.5	4.5
Rate of employee turnover, total	%	11.8	8.7
Rate of absence			
Senior management, management, professional and administrative	%	1.2	1.2
Skilled workers, laboratory technicians, other technicians and process operators	%	3.6	3.0
All employees ESG	%	2.2	1.9
Other employee statistics			
Average age	years	42.0	42.0
Average seniority	years	9.7	10.0
Number of expatriates	No.	23	19



Accounting policies

Absence is defined as time lost due to an employee's illness, including leave, and occupational injuries and diseases. The rate of absence is calculated as the number of registered days of absence as a percentage of the total number of normal working days in one year, less vacation and public holidays.

The rate of employee turnover is calculated as employee turnover divided by the average number of permanent employees. Employee turnover is measured as the number of permanent employees leaving the Group during the preceding year (excluding employees at divested entities transferred to the acquiring company).

Average age and seniority are calculated as the sum of employees' total age/seniority in whole years at the reporting date, divided by the number of employees.

Expatriation refers to Novozymes employees temporarily reassigned within Novozymes from the country of original employment for periods of more than six months.

Social and governance data

8.2 Inclusion & Diversity

Across Novozymes, Zymers bring together diverse and complementary skills, a spirit of collaboration and shared values to form a vibrant culture. Nurturing an inclusive and diverse organization where Zymers thrive is the foundation from which we can continue to bring the power of biotech to the world.

Our approach

We are committed to nurture a culture of inclusion and belonging, where Zymers can be themselves. We recognize that focusing on diversity of representation alone is not enough. For diverse teams to succeed, people need to feel that they are valued and have a sense of shared purpose, and therefore we focus on inclusion.

At Novozymes, we have a policy for diversity and equal opportunities, which covers the entire workforce. To improve diversity, we monitor and implement measures across all layers of management. Our People and Organization function, together with leaders across Novozymes, is responsible for ensuring equal rights and for promoting Diversity & Inclusion (D&I).

In 2021, as part of our refreshed strategy update, we set ambitious targets to nurture a diverse, inclusive, engaging and thriving working environment. Specifically, we aim to achieve gender balance across all professionals and in senior leadership by 2030. This means that, as a minimum, we will have 45% women and 45% men across all professionals and in senior leadership. Novozymes A/S

Novozymes is taking a regional approach to developing and defining representation programs based on local demographics, to address diversity dimensions beyond gender. We have a target to achieve a score of 86 on our Nurture Diversity Index by 2022.

2021 highlights

In 2021, we made progress to ensure gender diversity. The number of women in senior management, management and professional levels increased compared to 2020. Furthermore, we achieved 85 on our Nurture Diversity Index, and we are on track to achieve our 2022 target.

In 2021, we engaged in various forums to learn about and promote D&I. On the International Women's Day, Novozymes' CEO, Ester Baiget, participated in the sixth UN Women Gender Diversity Roundtable on the theme of driving diversity and inclusion. During the United Nations' General Assembly Summit, Novozymes featured on a virtual panel discussing D&I that was hosted by Business Fights Poverty. This panel featured Novozymes' CEO and four Novozymes' regional employee representatives. They shared local insights on how sustainability-driven corporations can bring out the best in their workforce by applying D&I principles.

Furthermore, we engaged in different projects and initiatives to ensure a diverse workforce at Novozymes. We provided unconscious bias training material in recruitment to hiring managers with

information on how to strengthen diversity in recruitment with a focus on bias, and addressing screening, interviewing, and evaluating candidates.

This year, WorldPride was hosted in Copenhagen. To show our support for the cause and symbolize our commitment to human rights, equity, diversity, and inclusion, we raised the pride flag at our Danish sites and 17 Zymers volunteered at the events.

In North America, we created a Regional Touch Value "Choose to Include" and launched three Zymer Resource Groups (ZRG) to promote D&I:

LGBTQ+, African American Culture and Alliance Empowering Women. ZRG's are voluntary, employee-led and aim to encourage opportunities for professional and personal development. In India, we launched a Zym(H)ers club, a female ZRG, and we have entered in a partnership with JobsForHer, a portal that champions an alternate workforce for women who want to re-enter the workforce after a career break.

To monitor compliance to our diversity and equal opportunity policy, we continuously track the impact of our initiatives, e.g. gender diversity of new hires and internal transfers.

Gender diversity		2021	2020
Women in senior management	%	34	33
Women in management	%	39	37
Women at professional levels	%	44	41

Accounting policies

Women in senior management measures the percentage of women in director positions or higher (i.e. director, vice president or executive vice president).

Women in management measures the percentage of women in middle management and specialist positions.

Women in professional levels measures the percentage of women in positions typically requiring an academic background and team leaders.

Nurture Diversity index measures the ratio of women and international employees at both Senior management and Management level. If women and international employees were represented at the same ratio in all management layers as in the academic population ("professionals") in Novozymes as such, the index would be 100.

Social and governance data

8.3 Employee safety & wellbeing

Being a company where people thrive always has and always will be a core ambition for Novozymes. Our strong safety culture provides the foundation. We want all Zymers to have a good work/life balance, so they have the energy to bring out their best, at home with their loved ones as well as at work.

Our approach

We are committed to helping our employees thrive across various stages of their work life whether it is staying safe, healthy and stress free or learning new skills to advance in their careers.

In 2021, as part of our refreshed strategy, we reinforced our commitment to create a workplace where Zymers can stay safe, thrive, and grow. To support our safety and wellbeing culture, we have our global People Policy and global Health and Safety Policy, along with internal standards and procedures.

Our Health & Safety strategy aims to ensure that robust safety processes, equipment, standards, tools, and training form an integral part of the way we work, both at global and local level.

We monitor our performance and work to ensure continuous improvement through benchmarking of both internal and external key performance indicators. Novozymes' Quality, Environment and Safety function is responsible for supporting the organization in ensuring a safe and healthy working environment.

Injury prevention is key to our strategy. Our global incident handling system CAPTURE provides us insights to continuously work smarter, and implement targeted and theme-based safety initiatives. Our preventive program for enzyme safety continues to work effectively. Our learnings enable us to further improve the enzyme safety program Zero Enzyme Allergy and our biological safety program Zero Biological Reactions for the benefit of employees and customers.

We have global and regional cross-functional wellbeing groups to bring solutions that address local health and wellbeing challenges. It is the responsibility of each manager to focus on Zymers' continuous learning and development, supported by our People & Organization function.

Our employee survey is an important tool that enables us to track the organizational mood and have better and more relevant team talks focusing on how we work together at Novozymes. This is critical for ensuring our success as a business and for sustaining our reputation as a great place to work.

2021 highlights

The COVID-19 pandemic continued to pose challenges to Novozymes around the world. We are addressing the different local challenges to keep our employees safe and our production running. Teams have handled changes related to COVID-19 well, achieving a score of 91 out of 100 in our employee survey.

In 2021, in our employee survey, we achieved a score of 82 points on our Zymer spirit index (81 in 2020), on track to achieve our target of 81 by 2022.

Safety

In 2021, we launched a mandatory safety e-learning module for all employees, which focused on safety challenges across Novozymes. We implemented a medical application in CAPTURE which allows EU GDPR (General Data Protection Regulation) compliant management of all medical cases.

In 2021, the lost-time injury frequency was 1.5 while the three-year rolling average (2019-2021) of lost-time injury frequency rate was 1.2, which means we are on track to meet our target <1.5 in 2022.

Wellbeing

In 2021, we launched a Wellbeing portal, where employees can access a variety of materials, tools, training, and information addressing general wellbeing, including a stress prevention toolbox. With working from home on the increase, we have continued to focus on mental wellbeing activities such as BrainSpace, which aim to help and inspire our leaders and employees.

Consequences of occupational injuries No.	2021	2020
Return to original job	16	13
Return to a different job	-	-
Out of work or early retirement	-	-
Case pending	1	1
Occupational injuries with absence, total	17	14

Occupational injuries		2021	2020
Days of absence due to occupational injuries	No.	414	551
Frequency of occupational injuries	Per million working hours	1.5	1.3

Social and governance data

8.3 Employee safety & wellbeing (continued)

Growth

In 2021, to support our employees' learning and development, we launched an online learning platform called 'Degreed'. This platform is intended to help employees build skills and competencies needed for success in existing job roles and career growth by allowing discovering,

sharing, and tracking learning content from a wide range of internal and external sources like Grow and LinkedIn Learning.

The enrollment of leaders in our leadership development program 'Lead the Way' was 52%. We added a Diversity and Inclusion module and

upgraded the program-app to make the learning experience more dynamic and user-friendly.

In 2021, in our employee survey, we achieved a score of 79 points on Enable learning (78 in 2020), on track to achieve our target of 80 by 2022.

Moving forward, we will focus on implementing our refreshed strategy, aiming to improve safety in relation to our workplace and products and assure the continued wellbeing and development of all our employees.

Consequences of occupational diseases

No.	2021	2020
Return to original job	-	2
Return to a different job	2	-
Out of work or early retirement	-	-
Case pending	-	2
Occupational diseases, total	2	4

Occupational diseases

		2021	2020
Days of absence due to occupational diseases	No.	0	9
Frequency of occupational diseases	Per million working hours	0.2	0.4

Training costs

		2021	2020
Average training cost spent per employee	DKK	3,792	3,871
Percentage of total employee costs	%	0.6	0.7



Accounting policies

Occupational injuries are defined as the reported number of incidents that occur in the performance of job duties at or between Novozymes locations that prevents the individual from assuming working activities on the next day of their scheduled shift.

Occupational diseases are defined as the number of diseases contracted as a result of an exposure to risk factors arising from work activity and acknowledged as work related in accordance with national legislation.

The consequences of occupational injuries with absence and occupational diseases are measured by recording the work situation once the situation resulting from an incident has stabilized, for example whether the employees have returned to their original jobs, and the total number of calendar days of absence.

Frequencies of occupational injuries with absence and frequencies of occupational diseases are stated per million working hours.

The Zymer spirit, Enable learning and COVID-19 handling by teams are derived from specific questions in the annual employee questionnaire. The resulting score is a value between 0 and 100.

The 'Lead the Way' program indicates the number of leaders globally who have been registered for the leadership development program 'Lead the Way'. It is shown as a percentage of the total number of current leaders at Novozymes.

Training cost expresses the cost of external training courses and seminars, translated into Danish kroner at average exchange rates. Training spend is also shown as a percentage of total employee costs.

Social and governance data

8.4 Business ethics

Novozymes is committed to conducting business in a responsible, ethical, and transparent manner, and to meeting stakeholders' expectations of high business integrity standards across our operations.

Our approach

At Novozymes, we live and act as a responsible corporate citizen, and business ethics are integrated into everything we do or plan. We promote a strong compliance culture and take relevant measures to ensure compliance to the highest standards across all material environmental, social, governance and financial related issues.

We have a Corporate Business Integrity Committee responsible for the oversight of business integrity matters across Novozymes. Members of the committee include executive and senior management representatives from both business and compliance functions. They meet on a regular basis to make strategic decisions and prioritizations and to follow up on the state of business integrity compliance and relevant initiatives.

Novozymes works proactively to prevent, detect and respond to fraud, corruption and other violations of the business integrity principles. Novozymes has seven business integrity principles, which lay the ground rules for engaging with third parties and apply to all employees across the world. The business integrity principles underline Novozymes' zero tolerance approach to bribery and define clear rules for gifts and hospitality. They act as Novozymes' code of conduct in business integrity matters and form the basis of our efforts to eliminate all forms of corruption. All employees have access to relevant guidance on business integrity and are encouraged to raise any concerns through the relevant grievance channels.

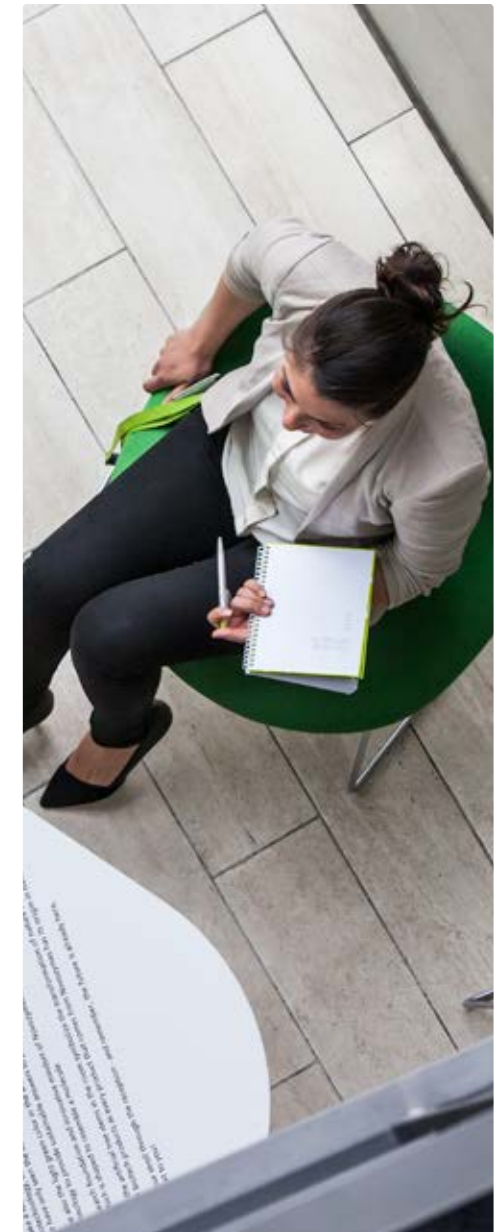
Novozymes provides annual compliance training in business integrity and competition law, which is mandatory for employees in scope. It is based on questions raised during the year and includes real-life studies to ensure relevance and applicability.

Novozymes has a global corporate whistleblower system which allows employees and external

partners to report any concerns on illegal or unethical misconduct or other violations of Novozymes' business integrity principles. The whistleblower system is supplemented by various internal reporting channels and screening activities. All allegations of fraud, corruption and other business integrity violations are thoroughly investigated. Substantiated violations lead to proportionate disciplinary sanctions for the parties involved.

Novozymes has an ethical and responsible approach to the data we handle. We respect data privacy rights and the integrity and confidentiality of personal data and ensure ethical management of data in the Novozymes Group as a supplement to our general commitment to integrity and compliance.

Novozymes' responsibility for ensuring ethical business practices also extends to our business partners. Our third-party due diligence processes seek to ensure that our commercial partners conduct business with integrity and share our values regarding legal compliance.



Social and governance data

8.4 Business ethics (continued)

2021 highlights

Again this year, our business integrity training was completed by 99% of our employees in scope. The training provided a general reminder of our business integrity principles which serve to mitigate the risk of bribery and corruption in and by Novozymes. The competition law compliance training in 2021 served as a general reminder of do's and don'ts and had a focus on competition law aspects associated with the application of specific contractual tools.

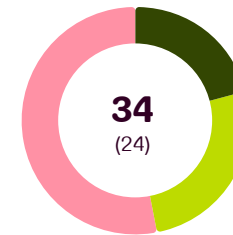
As in previous years, Novozymes had no violations of competition law in 2021. The number of potential fraud and corruption cases investigated increased in 2021 due to the continued development of digital tools for proactive identification of potential cases. The number of substantiated cases increased compared to 2020, due to an increased exposure to cyber crime. There was no material business or financial impact of the substantiated cases.

In 2021, Novozymes adopted a data ethics policy covering personal data and other categories of data, and implemented a governance supportive hereof, as a supplement to the policies and procedures already in place to ensure compliance with rules regarding data protection and privacy.

The number of reports in Novozymes' whistleblower system remains fairly low, reflecting inter alia that employees use other internal grievance channels. Promotional initiatives are planned for 2022 to ensure general awareness of the whistleblower system. Novozymes' Audit Committee reviews quarterly information on all whistleblower reportings and other tip-offs on potential fraud and corruption. The charts provide further details of the reporting channels and consequences for fraud and corruption cases.

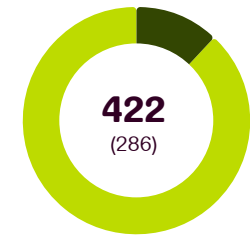
Consequences of substantiated fraud and corruption cases 2021 (2020)

- Dismissal **21%** (29%)
- Other disciplinary sanctions **26%** (25%)
- Unknown perpetrator **53%** (46%)



Reporting channels for potential fraud and corruption 2021 (2020)

- Whistleblower/tip-off **12%** (13%)
- Internal controls and proactive detection **88%** (87%)



Accounting policies

Completion of business integrity training refers to the percentage of employees in scope who have undergone business integrity training in the last training period. New entities are included within six months of acquisition. Business integrity training is conducted for employees who can potentially influence third-party interactions or decisions as part of their job role. This comprises employees in professional, managerial or administrative positions.

The reporting criteria for a competition law violation is whether it has been established by an authority, which is a member of the International Competition Network or by a competent court anywhere in the world that a company in the Novozymes Group has violated applicable anti-trust regulations.

Novozymes defines fraud and corruption as a deliberate misconduct with the intent to gain a direct or indirect personal advantage.

Social and governance data

8.5 Customer engagement

Together with customers, partners, and the global community, we improve industrial performance and consumer products while preserving the planet's resources and helping to build better lives. Therefore, customer engagement and partnerships is material for our business. We seek to continue being a trusted business partner that delivers reliable products and innovative solutions.

Our approach

Customer co-creation and commercial leadership are some of the main drivers behind our strategy Unlocking growth - powered by biotech. To meet increasing customer needs, Novozymes proactively engages with customers in different ways.

We co-create with our customers to find new solutions and applications to help improve their products and processes. Our Technical Service and Customer Co-creation teams have a deep understanding of our customers' needs. They optimize product use by making the necessary adjustments, tailored to the needs of individual customers. Lastly, we engage strategically with customers across various industries to jointly develop sustainable biological solutions.

We constantly seek new ways to connect with our customers. We aim to bring value in a more flexible manner through online services and tools designed to be easy to use, inspirational and available whenever our customers need them.

Throughout the year, we respond to several information requests from customers in areas such as governance, strategy, sourcing practices, safety, quality and sustainability. We provide information on products, services and corporate policies, commitments, targets, and initiatives in a transparent manner.

We believe that getting feedback from our customers is crucial in determining our performance. It assists us in gauging customer expectations and driving improvements to our products and service offerings.

2021 Highlights

We are on a journey to accelerate our digital offering to customers. This includes transparency on our product offerings and easy access to sample and buy products, and digital collaboration on technical services. In 2021, half of our sales opportunities were generated digitally, and we launched a new portal for technical collaboration to meet customer needs for trials collaboration, product documentation, and trouble shooting. We will expand the collaboration portal to the majority of customers in 2022.

In 2021, we also launched Front Sight®, a digital solution for our bioenergy customers which combines real-time data and analytics with state-of-the-art instrumentation and automation; reducing variability, maximizing conversion, and

resulting in more consistent liquefaction for every batch.

We continue to partner with our customers to jointly develop and deliver better biological solutions. As one example, in 2021, Novozymes expanded its partnership in homecare & industrial cleaning as well as the food & beverage markets (U.S, Canada and Latin America), with Univar Solutions Inc., a leading global specialty chemical and ingredient distributor. Together we will deliver biological solutions to address demand for eco-friendly products that minimize the use of resources while optimizing performance in homecare & industrial cleaning, and growing health consciousness and reducing chemical raw materials in food & beverages.

The Customer Satisfaction Survey resulted in a Net Promoter Score ("NPS") of 69 in 2021. The score shows that our customers value our long-term relationship, close collaboration, products, and strong technical services. It also demonstrates how Novozymes' teams responded incredibly well despite operating in a challenging environment following the COVID-19 pandemic.

As part of our refreshed strategy, Novozymes will make further investments to staff and operate new Customer Co-creation Centers in key markets, allowing for deeper engagement with customers to better understand their world and help create products that will delight consumers. Particular focus will be on the food and health space.



Accounting policy

The Net Promoter Score (NPS) is derived from an annual questionnaire measuring on a scale from 1-10 how likely the customer is to recommend Novozymes to others. The NPS is calculated as the share of promoters (rating us 9 or 10) less the share of detractors (rating us 1-6). The resulting score is a value between -100 and +100.

The criteria for selection of customers to include in the Customer Satisfaction survey has been changed in 2021. Therefore result is not comparable to the surveys performed in previous years.

Social and governance data

8.6 Community engagement

We believe that businesses have an obligation to engage with the communities in which they operate and to invest strategically in programs that create value to society. We inspire each other to make change happen in order to deliver on our promise of better lives in a growing world, both inside and outside the workplace.

Our approach

As part of our refreshed strategy, we set ambitious targets to nurture an inclusive and thriving working environment that ‘Inspire’ the world. As part of ‘Inspire’, Zymers are empowered to drive outreach initiatives they are passionate about, such as nature. All regions have ‘Inspire’ groups coordinating the local agenda in alignment with the regional leadership teams. ‘Inspire’ has three key areas: pledge 1% of our time to community outreach, help educate the next generation and enable employees to live more sustainably.

2021 highlights

Pledge 1% of our time to community outreach
We continued supporting our communities disrupted by the COVID-19 pandemic. We funded two community oxygen centers in India and we donated 500 oximeters to the Health Department of Paraná, Brazil, and masks and hand sanitizer to schools and hospitals in North America.

Our Zymers joined forces and helped raise funds to support UNICEF, through COVAX, to deliver COVID-19 vaccines to low- and middle-income

countries. The campaign was conducted together with the Novo group companies, including Novo Nordisk Foundation, Novo Holdings and Novo Nordisk. In total we raised DKK 23 million — enough to fully vaccinate 800,000 people.

Since 2020, the Novozymes Water Opulence (NOWO) project in India has been working towards strengthening the water supply and systems in villages situated around our Patalganga site. In 2021, the NOWO project received a Special Jury Mention in the WASH (Small) category of the 7th CSR Impact Award, organized by CSR Box and Dalmia Bharat Foundation and a Bronze award in the ‘Water Conservation and Management’ category of the CSR Times Award 2021.

In North America, our TrashWalking Campaign mobilized employees to clean up trash and beautify our local neighborhoods while also supporting charities. We cleaned the beach of Chongming Island in Shanghai and Makuhari Beach in Japan. Zymers in Turkey and Switzerland also organized activities supporting local biodiversity.

Help educate the next generation

All over the world, our employees continued to engage with local university students to share our knowledge on biotechnology and creating better lives via webinars, lectures and case competitions. For example, 81 people joined a webinar with Novozymes experts on industrial

enzymes, organized for students at Taylor’s University in Malaysia.

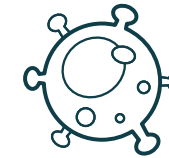
Our Zymers inspired the next generation of Sustainability Professionals by mentoring social innovators in different countries towards finding solutions to sustainable development challenges and create tangible impact to local communities via UNLEASH’s Hackathons and Sustania’s Arctic Opportunity Explorer 2.0.

In Denmark, for the 7th year in a row, we hosted ‘Girls’ Day in Science’ and invited 50 girls from the 8th and 9th grades to interact with our female scientists. In the United States, we hosted two public school teachers through the Kenan Fellow for three-week biomanufacturing internships; and we funded a mobile science Innovation Lab with Franklin County United Way for kids in Franklin County Schools.

Enable employees to live more sustainably

On Earth Overshoot Day, Zymers around the world made personal pledges to change some of their habits to reduce their environmental footprint, such as eating less meat.

In Brazil, employees got together monthly to learn about the implementation of SDGs at the professional and personal level. In APAC & MEA, as part of the ‘Waste Not, Want Not’ campaign, our employees participated in activities to address food waste at home, in the office, and in their communities.



COVID-19

Our Zymers joined forces and helped raise funds to support UNICEF, through COVAX, to deliver COVID-19 vaccines to low- and middle-income countries.

Social and governance data

8.7 Responsible sourcing

Novozymes' responsible sourcing practices are focused on environmental, social, and governance issues across our value chain. Agricultural raw materials are a major component of our production processes and a responsible and secure supply of them is crucial to Novozymes' production.

Our approach

Novozymes' sourcing department drives our supplier management and responsible sourcing program, anchored within Novozymes Operations, Supply and Quality function. Our approach to responsible sourcing is defined by our Responsible Purchasing Standards (RPS) and managed through our Supplier Performance Management (SPM) process and the Supplier Ethical Data Exchange (SEDEX) platform.

Through the SPM process, Novozymes screens suppliers and classifies their risk based on spend, country and category. In case a supplier does not meet our assessment criteria, either an action plan is established, or an alternate supplier is identified. Novozymes uses the SEDEX collaboration platform to engage with suppliers and manage sustainability risks in our supply chain.

Novozymes requires all contracted suppliers to comply with our RPS, as well as, when requested, to complete questionnaires and to accept visits and audits relevant for confirmation of

compliance with the standards. These standards cover various ESG criteria including respect for human and labor rights, business ethics, employee health and safety and environmental stewardship. All our suppliers of directly sourced agricultural raw materials are required to adhere to our deforestation requirements by not contributing to further deforestation and to have zero tolerance for land grabbing.

Responsible sourcing is a key driver of Novozymes' journey towards becoming carbon neutral, and we continue to focus on our commitment of securing 100% renewable electricity by 2030 as well as reducing our Scope 3 CO₂ emissions together with suppliers.

2021 highlights

Novozymes continued to expand the use of the SEDEX platform to enhance the transparency of our supply chain. In 2021, we continued to onboard both high-risk and high-spend suppliers, identified by the results of the hotspot analysis conducted the previous year, for all categories of direct sourcing of raw materials across different regions. This year, we conducted a similar hotspot analysis with a regional focus on all categories of indirect sourcing. The results will serve as input to future responsible sourcing strategies.

During 2021, to advance towards sourcing 100% renewable electricity by 2030, we focused on progressing on the existing renewable opportunities and on identifying further

long-term solutions. These initiatives require years of preparation. In 2021, 68% of the total electricity consumption came from renewable sources, and are well on track to meet our target for 2030.

During 2021, we also engaged with our key suppliers regarding supply chain emission reductions.

As a member of the Roundtable on Sustainable Palm Oil (RSPO), 100% of the palm oil we sourced in 2021 was RSPO-certified.

Specifically in Denmark, we have undertaken various responsible sourcing efforts that include having a centrally managed return process for all plastic bottles used for cleaning and using doormats made from recycled materials such as fish nets. In internal logistics, we have ensured that majority of the fleet used is green by replacing diesel vans with electric vans and bicycles.

Furthermore, we also completed a Human Rights & Impact assessment of our operations and supplier base in China. Read more about these assessments in Note 8.1 Labor Practices & Human Rights.

Statement of the Board of Directors and Executive Management

The Board of Directors and the Executive Management have today considered and approved the Annual Report of Novozymes A/S for the financial year January 1 – December 31, 2021.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the accounting policies used are appropriate, and the Group's internal controls relevant to preparation and presentation of the Annual Report are adequate. The Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at December 31, 2021 of the Group and the Parent Company and of the results of the Group and the Parent Company operations and consolidated cash flows for the financial year January 1 – December 31, 2021.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the

Group and the Parent Company, of the results for the year, and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

Novozymes' Consolidated environmental data and the Consolidated social and governance data and the related notes have been prepared in accordance with the reporting principles of materiality, inclusivity, responsiveness and the accounting policies. In our opinion, they give a true and fair view of the organisation's environmental, social and governance performance in accordance with these principles.

In our opinion, the Annual Report of Novozymes A/S for the financial year January 1 - December 31, 2021 identified as NOVOZYMES-2021-12-31. zip has in all material respects been prepared in compliance with the ESEF Regulation.

We recommend that the Annual Report be adopted at the Annual Shareholders' Meeting.

Bagsvaerd, February 1, 2022

Executive Management

Ester Baiget
President & CEO

Lars Green
CFO

Board of Directors

Jørgen Buhl Rasmussen
Chair

Cornelis (Cees) de Jong
Vice Chair

Anne Breum

Heine Dalsgaard

Sharon James

Anders Hentze Knudsen

Kasim Kutay

Preben Nielsen

Kim Stratton

Mathias Uhlén

Jens Øbro

Independent Auditor's Reports

To the shareholders of Novozymes A/S

Report on the audit of the Financial Statements

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at December 31, 2021 and of the results of the Group's operations and cash flows for the financial year January 1 to December 31, 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at December 31, 2021 and of the results of the Parent Company's operations for the financial year January 1 to December 31, 2021 in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated environmental data and the Consolidated social and governance data for the financial year January 1 to December 31, 2021 are prepared in accordance with the accounting policies for the Consolidated environmental data and the Consolidated social and governance data.

Our opinions are consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements of Novozymes A/S, pages 57-65 and 70-120 for the financial year 1 January to 31 December 2021 comprise the consolidated income statement and statement of comprehensive income, the consolidated balance sheet, the consolidated statement of equity, the consolidated cash flow statement and the notes, including significant accounting policies.

The Parent Company Financial Statements of Novozymes A/S, pages 148-161 for the financial year January 1 to December 31, 2021 comprise the income statement, the balance sheet, the statement of equity and the notes, including significant accounting policies.

Collectively referred to as the "Financial Statements".

The Consolidated environmental data and the Consolidated social and governance data of Novozymes A/S, pages 66-69 and 121-142, for

the financial year January 1 to December 31, 2021 comprise the environmental performance and consolidated data, the social and governance performance and consolidated data and the related notes, including significant accounting policies.

These are collectively referred to as the "Environmental, Social and Governance Data."

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements and the Environmental, Social and Governance Data section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for

Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were appointed auditors of Novozymes A/S for the first time after the initial public offering on 21 March 2001. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 21 years including the financial year 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for 2021. These matters were addressed in the context of

our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Revenue recognition

Novozymes has entered into various sales agreements that are subject to interpretation, which increases the inherent complexity of revenue recognition. Additionally, the volume of transactions and geographical spread of the Group's operations increase complexity, including in respect of occurrence and timing of revenue.

We focus on this area because of the significance to the Consolidated Financial Statements, as well as the inherent complexity in both application of revenue recognition and individual sales agreements.

Refer to Note 2.2 the Consolidated Financial Statements.

How our audit addressed the key audit matter

We considered the appropriateness of the Group's accounting policies for revenue recognition and assessed compliance with applicable accounting standards.

We assessed applicable information systems and tested relevant controls and monitoring controls implemented to ensure the occurrence and timing of revenue recognised.

We discussed the judgements related to the recognition and classification of revenue with Management.

We performed substantive procedures regarding returns, delivery terms and rebates in order to assess the principles applied for occurrence and timing of revenue.

We applied data analysis in our testing of revenue transactions in order to identify and test transactions outside the ordinary transaction flow.

Finally, we assessed the adequacy of disclosures relating to the revenue recognition.

Acquisitions and Purchase price allocation

In 2021, Novozymes entered into agreements to acquire Microbiome Labs and Synergia Life Sciences Pvt. Ltd. Acquisitions are non-standard and complex transactions, which are subject to significant estimates, including valuation of assets, liabilities, contingent consideration and share purchase liability.

We focus on this area because of the significant impact on the Consolidated Financial Statement including the fair value assessment of assets and liabilities in the purchase price allocation, which are subject to Management's judgment and assumptions.

Refer to Note 3.5 and 3.6 to the Consolidated Financial Statements.

Our audit procedures included assessing whether the acquisitions met the criteria of a business combination.

We assessed and challenged the purchase price in relation to the assumptions applied for the valuation, including the share purchase liability.

We verified the assets and liabilities recognised in the opening balance sheet by performing audit procedures in relation to the opening balance.

We tested the Purchase Price Allocation of the acquisitions prepared by Management.

We discussed the Purchase Price Allocation including identification of assets and liabilities with Management and challenged the key assumptions used to determine the fair value of the acquired assets and liabilities in the business combinations.

We involved our valuation specialists in assessing the valuation methodologies used by Management and the fair value of the acquired assets and liabilities.

Finally, we assessed the adequacy of disclosures relating to the business combination.

Statement on Management's Review

Management is responsible for Management's Review, pages 3-56 and 162.

Our opinion on the Financial Statements and on the Environmental, Social and Governance Data does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements, the Parent Company Financial Statements and the Environmental, Social and Governance Data and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements and the Environmental, Social and Governance Data

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Furthermore, Management is responsible for preparing the Environmental, Social and Governance Data in accordance with the accounting policies for the Environmental, Social and Governance Data, and for such internal control as Management determines is necessary to enable the preparation of Environmental, Social and Governance Data that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements and the Environmental, Social and Governance Data

Our objectives are to obtain reasonable assurance about whether the Financial Statements and the Environmental, Social and Governance Data as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements and the Environmental, Social and Governance Data.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements and the Environmental, Social and Governance Data, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information, environmental, social and governance of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements and the Environmental, Social and Governance Data. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report

unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Novozymes A/S for the financial year January 1 to December 31, 2021 with the filename NOVOZYMES-2021-12-31.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgment where necessary;

- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;

- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Novozymes A/S for the financial year January 1 to December 31, 2021 with the file name NOVOZYMES-2021-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, February 1, 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Lars Baugaard

State Authorized Public Accountant
mne23331

Michael Groth Hansen

State Authorized Public Accountant
mne33228

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Income statement, Novozymes A/S

Income statement

DKK million	Note	2021	2020
Revenue	2.1	9,178	8,519
Cost of goods sold		(3,965)	(3,847)
Gross profit		5,213	4,672
Sales and distribution costs		(1,818)	(1,325)
Research and development costs		(1,682)	(1,512)
Administrative costs		(584)	(543)
Other operating income, net	2.3	1,533	1,214
Operating profit / EBIT		2,662	2,506
Income from investments in subsidiaries	3.4	885	772
Share of result in associates	3.4	(4)	(4)
Financial income	4.1	165	157
Financial costs	4.1	(176)	(227)
Profit before tax		3,532	3,204
Tax		(580)	(592)
Net profit		2,952	2,612
Proposed appropriation of net profit			
Dividend to shareholders		1,551	1,496
Revaluation reserve according to the equity method		1,522	1,307
Retained earnings		(121)	(191)
	4.3	2,952	2,612
Proposed dividend per share, DKK		5.50	5.25

Balance sheet, Novozymes A/S

Assets				Liabilities and equity			
DKK million	Note	Dec. 31, 2021	Dec. 31, 2020	DKK million	Note	Dec. 31, 2021	Dec. 31, 2020
Intangible assets	3.1	4,758	3,547	Common stock		564	570
Property, plant and equipment	3.2	4,363	4,400	Treasury stock		(3,453)	(3,314)
Investments in subsidiaries	3.4	8,829	7,157	Revaluation reserve according to the equity method		1,448	441
Investments in associates	3.4	29	33	Reserve for development costs		238	219
Other long-term receivables	3.5	9	9	Cash flow hedges		(32)	127
Receivables from Group enterprises	3.4	311	295	Retained earnings		10,678	10,352
Financial fixed assets		9,178	7,494	Proposed dividend		1,551	1,496
Fixed assets		18,299	15,441	Total equity		10,994	9,891
Raw materials and consumables		185	146	Provisions for deferred tax	3.6	356	555
Work in progress		494	432	Other provisions	3.7	218	159
Finished goods		812	648	Provisions		574	714
Inventories		1,491	1,226	Lease liabilities		168	154
Trade receivables		1,223	1,103	Credit institutions		3,680	3,254
Receivables from Group enterprises		292	-	Payables for Group enterprises	3.8	332	-
Tax receivables		47	186	Non-current liabilities		4,180	3,408
Other receivables	3.5	209	204	Lease liabilities		46	63
Receivables		1,771	1,493	Credit institutions		2,138	1,126
Cash at bank and in hand		230	475	Transitional holiday accrual		-	180
Current assets		3,492	3,194	Trade payables		656	494
Assets		21,791	18,635	Payables for Group enterprises		2,564	2,228
				Other liabilities		639	531
				Current liabilities		6,043	4,622
				Liabilities		10,797	8,744
				Liabilities and equity		21,791	18,635

Statement of equity, Novozymes A/S

DKK million	Common stock	Treasury stock	Revaluation reserve according to the equity method	Reserve for development costs	Cash flow hedges	Retained earnings	Proposed dividend	Total
Equity at January 1, 2021	570	(3,314)	441	219	127	10,352	1,496	9,891
Net profit for the year			1,522			1,430		2,952
Capitalized development costs				19		(19)		-
Dividend received			(1,228)			1,228		-
Dividend paid							(1,465)	(1,465)
Dividend paid relating to treasury stock						31	(31)	-
Proposed dividend						(1,551)	1,551	-
Purchase of treasury stock		(1,500)						(1,500)
Sale of treasury stock		309						309
Write-down of common stock	(6)	1,052				(1,046)		-
Currency translation adjustments of investments in subsidiaries, etc.			706			-		706
Fair value adjustments					(159)			(159)
Other adjustments			7			263		260
Equity at December 31, 2021	564	(3,453)	1,448	238	(32)	10,678	1,551	10,994

Note section 1

1.1 Accounting policies

The financial statements of Novozymes A/S have been prepared in accordance with the Danish Financial Statements Act (accounting class D).

The accounting policies are unchanged from 2020.

The accounting policies are consistent with those applied for the consolidated financial statements except as described below. For a description of the Group's accounting policies, please refer to the consolidated financial statements.

No separate statement of cash flows has been prepared for Novozymes A/S; please refer to the consolidated statement of cash flows.

Recognition and measurement in general

Income is recognized in the income statement as earned.

All costs incurred in generating the year's revenue are also recognized in the income statement, including depreciation, amortization and impairment losses.

Value adjustments of financial assets and liabilities measured at fair value or amortized cost are also recognized in the income statement.

Assets are recognized in the balance sheet when it is considered probable that future economic benefits will flow to the company and the value of the asset can be measured reliably. Liabilities are recognized in the balance sheet when they are

considered probable and can be measured reliably. At initial recognition, assets and liabilities are measured at cost. Assets and liabilities are subsequently measured as described below for each item.

The recognition and measurement principles take due account of predictable losses and risks occurring prior to the presentation of financial statements that confirm or refute the conditions prevailing at the reporting date.

Intangible assets

The accounting policies for intangible fixed assets follow those of the Group with the exception of goodwill, which is amortized over a period of 10 years using the straight-line method.

An amount equal to the total capitalized development costs after tax is recognized under Equity in Reserve for development costs.

Financial assets

Investments in subsidiaries and investments in associates are recognized initially at cost and subsequently measured using the equity method. The company's share of the equity of subsidiaries, based on the fair value of the identifiable net assets at the acquisition date, less or plus unrealized intercompany profits or losses, with the addition of any residual value of goodwill, is recognized under Investments in subsidiaries and Investments in associates respectively in the balance sheet. If the equity of subsidiaries or

associates is negative and Novozymes A/S has a legal or constructive obligation to cover the company's negative equity, a provision is recognized.

Net revaluation of investments in subsidiaries and associates is recognized under Equity in the Revaluation reserve according to the equity method. The reserve is reduced by payments of dividends to the parent company and adjusted to reflect other changes in the equity of subsidiaries.

The proportionate share of the net profits of subsidiaries less goodwill amortization is recognized under Income from investments in subsidiaries in the income statement. Goodwill in subsidiaries is amortized over a period of 10 years using the straight-line method.

Share purchase liabilities are obligations to invest in subsidiaries and are disclosed as a contractual obligation. The derivative embedded in the share purchase obligation is measured at fair value through the income statement.

Dividend

The dividend proposed for the financial year is shown as a separate item under Equity.

Treasury stock

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



Note section 2

2.1 Revenue

DKK million	2021	2020
Geographical distribution:		
Denmark	204	173
Rest of Europe, Middle East & Africa	5,286	5,542
North America	1,289	1,038
Latin America	796	435
Asia Pacific	1,603	1,331
Revenue	9,178	8,519

Reference is made to Note 2.1 to the consolidated financial statements segment information.

2.2 Employee costs

DKK million	2021	2020
Wages and salaries	1,831	1,739
Pensions - defined contribution plans	187	180
Other social security costs	19	12
Other employee costs	160	135
Employee costs	2,197	2,066
Average number of employees in Novozymes A/S	2,721	2,607

2.2 Employee costs (continued)

Employee costs in 2020 included severance costs of DKK 80 million related to organizational changes, of which DKK 65 million was related to changes to the Executive Leadership Team.

Reference is made to Note 6.1 to the consolidated financial statements concerning remuneration of the Board of Directors and the Executive Leadership Team.

2.3 Other operating income, net

DKK million	2021	2020
Royalty income relating to subsidiaries	1,213	1,205
Sale of intellectual property license	240	-
Net gain from divestment of building held for sale	60	-
Other operating income	20	9
Other operating income	1,533	1,214

Note section 3

3.1 Intangible assets

DKK million	2021				2020	
	Goodwill	Acquired patents, licenses and know-how, etc.	Completed IT development projects	IT development projects in progress	Total	Total
Cost at January 1	3,354	2,102	730	82	6,268	5,186
Additions during the year	1,021	921	29	91	2,062	1,088
Disposals during the year	-	-	-	-	-	(6)
Transfers to/(from) other items	-	-	61	(61)	-	-
Cost at December 31	4,375	3,023	820	112	8,330	6,268
Amortization and impairment losses at January 1	(978)	(1,213)	(530)		(2,721)	(2,122)
Amortization for the year	(512)	(217)	(95)		(824)	(605)
Impairment losses	-	(27)	-		(27)	-
Disposals during the year	-	-	-		-	6
Amortization and impairment losses at December 31	(1,490)	(1,457)	(625)		(3,572)	(2,721)
Carrying amount at December 31	2,885	1,566	195	112	4,758	3,547

B/S

Impairment

In 2021, an impairment loss of DKK 27 million on a know-how asset was recognized as the use of this know-how ceased in 2021. The impairment loss has been recognized in Research and development costs.

Note section 3

3.2 Property, plant and equipment

DKK million	2021				2020	
	Land and buildings	Production equipment and machinery	Other equipment	Property, plant and equipment under construction	Total	Total
Cost at January 1	3,663	5,241	1,226	261	10,391	10,232
Additions during the year	32	58	142	221	453	372
Disposals during the year	(139)	(1)	(58)	-	(198)	(213)
Transfers to/(from) other items	44	71	83	(198)	-	-
Cost at December 31	3,600	5,369	1,393	284	10,646	10,391
Depreciation and impairment losses at January 1	(1,560)	(3,642)	(789)		(5,991)	(5,761)
Depreciation for the year	(128)	(187)	(108)		(423)	(391)
Impairment losses	(15)	-	-		(15)	-
Disposals during the year	127	1	18		146	161
Depreciation and impairment losses at December 31	(1,576)	(3,828)	(879)		(6,283)	(5,991)
Carrying amount at December 31	2,024	1,541	514	284	4,363	4,400

B/S

Capitalized interest

Interest of DKK 1 million was capitalized under Additions during the year (2020: no interest capitalized). Capitalization rate: 0.5%.

Land and buildings with an aggregate carrying amount of DKK 1,453 million (2020: DKK 1,516 million) had been pledged as security to credit institutions in respect of mortgage loans expiring in 2029 and 2039.

Contractual obligations

Contractual obligations to third parties relating to property, plant and equipment amounted to DKK 84 million (2020: DKK 129 million).

Impairment

In 2021, an impairment loss of DKK 15 million on a building was recognized and included in Cost of goods sold (2020: no impairment).

Note section 3

3.3 Leases

DKK million	2021	2020
Land and buildings	46	53
Plant and machinery	92	97
Other equipment	68	65
Carrying amount of lease assets	206	215

Additions to the lease assets during 2021 amounted to DKK 76 million (2020: DKK 9 million).

Maturity analysis of the lease liability

DKK million	2021	2020
Lease liability		
Less than 1 year	46	62
Between 1 and 5 years	92	70
More than 5 years	80	89
Undiscounted lease liability at December 31	218	221

DKK million	2021	2020
Amounts recognized in profit or loss		
Interest on lease liabilities	4	4
Depreciation of lease assets per asset class		
Land and buildings	10	15
Plant and machinery	6	5
Other equipment	27	31
Depreciation of lease assets	43	51
Total cash outflow for leases	46	54



Note section 3

3.4 Financial fixed assets

DKK million	Investments in subsidiaries	Investments in associates	Receivables from Group companies	Total
Cost at January 1, 2021	9,441	128	295	9,864
Additions during the year	1,302	-	21	1,323
Disposals during the year	-	-	(5)	(5)
Cost at December 31, 2021	10,743	128	311	11,182
Revaluation reserve at January 1, 2021	(2,284)	(95)		(2,379)
Share of net profit/(loss)	1,526	(4)		1,522
Elimination of profit on internal asset transfers	(641)	-		(641)
Dividends received	(1,228)	-		(1,228)
Currency translation adjustment	706	-		706
Other adjustments	7	-		7
Revaluation reserve at December 31, 2021	(1,914)	(99)		(2,013)
Carrying amount at December 31, 2021	8,829	29	311	9,169

At December 31, 2021, the revaluation reserve included an amount of DKK 3,461 million from the elimination of profit on internal asset transfers.

The carrying amount on investments in subsidiaries includes a positive difference of DKK 2,513 million on acquisition of subsidiaries.

Reference is made to Note 6.9 to the consolidated financial statements concerning investments in subsidiaries, joint operations and associates.

Novozymes A/S has a contingent liability to purchase the remaining 40% of the shares in Synergia Life Sciences in 2025. Reference is made to Note 6.5 to the consolidated financial statements concerning non-controlling interests.

3.5 Other receivables

DKK million	2021	2020
Prepaid expenses	115	50
Derivatives	75	119
Other receivables	28	44
Other receivables at December 31	218	213
Recognized in the balance sheet as follows:		
Non-current	9	9
Current	209	204
Other receivables at December 31	218	213

Note section 3

3.6 Deferred tax

DKK million	Deferred tax assets		Deferred tax liabilities	
	2021	2020	2021	2020
Intangible assets	-	-	(236)	(214)
Property, plant and equipment	-	-	(328)	(383)
Inventories	-	-	(1)	(1)
Stock options	188	61	-	-
Other	21	-	-	(18)
	209	61	(565)	(616)
Offsetting items	(209)	(61)	209	61
Deferred tax at December 31	-	-	(356)	(555)

DKK million	2021	2020
Deferred tax at January 1	(555)	(448)
Prior-year adjustments	35	(25)
Tax related to the income statement	(10)	(34)
Tax on equity items	174	(48)
Deferred tax at December 31	(356)	(555)

3.7 Other provisions

Other provisions include contingent consideration related to the acquisition of PrecisionBiotics Group.

Reference is made to Note 3.6 to the consolidated financial statements concerning

contingent consideration, as the figures and information related to PrecisionBiotics Group applying to Novozymes A/S are identical to the information provided there.

3.8 Payables for Group enterprises

Non-current payables for Group enterprises relates to an internal transfer of assets from Microbiome Labs.

The payable is due in 2023 and contingent on the final purchase price for Microbiome Labs. Fair value is assessed by using the earn-out from

the most probable sales in 2022 discounted at a rate of 8%. Fair value adjustment of DKK 62 million is recognized as Financial income.

Note section 4

4.1 Financial income and costs

DKK million	2021	2020
Interest income relating to subsidiaries	22	27
Fair value adjustment of payables relating to subsidiaries	62	-
Other financial income	81	130
Financial income I/S	165	157
Interest costs relating to subsidiaries	(18)	(14)
Other financial costs	(158)	(213)
Financial costs I/S	(176)	(227)

4.2 Credit institutions

DKK million	2021	2020
Long-term debt to credit institutions falling due after 5 years	1,253	1,332

4.3 Proposed appropriation of net profit

DKK million	2021	2020
Proposed appropriation of net profit		
Dividend to shareholders	1,551	1,496
Revaluation reserve according to the equity method	1,522	1,307
Retained earnings	(121)	(191)
Net profit	2,952	2,612

Note section 5

5.1 Contingent liabilities and pending litigation

DKK million	2021	2020
Other guarantees		
Other guarantees and commitments to related companies	344	315
Other guarantees and commitments	176	196

Pending litigation and arbitration

Reference is made to Note 6.3 to the consolidated financial statements concerning pending litigation and arbitration.

Contractual obligations

Contractual obligations to third parties relating to property, plant and equipment is described in Note 3.2.

Note section 5

5.2 Related party transactions

Transactions

DKK million	2021	2020
Novo Holdings A/S		
Sales	1	1
Dividend payment to Novo Holdings A/S	382	390
The Novo Nordisk Group		
Sales	84	72
Purchases	(115)	(113)
The NNIT Group		
Purchases	(39)	(43)
The Chr. Hansen Group		
Sales	80	60
Purchases	-	(3)
Microbiogen Pty. Ltd.		
Purchases	(25)	(30)

In 2021, Novozymes purchased from Novo Holdings A/S 765,000 of its own B shares with the approval of the Board of Directors, at a price of DKK 338 million (2020: 1,530,000 B shares at a price of DKK 537 million). The transactions were based on the market price.

There were no transactions with the related parties other than the transactions described and normal remuneration of the Board of Directors and Executive Leadership Team, which is presented in Note 6.1 in the consolidated financial statements.

Outstanding balances

DKK million	2021	2020
The Novo Nordisk Group		
Receivables	10	8
Payables	(88)	(85)
The NNIT Group		
Payables	(9)	(14)
The Chr. Hansen Group		
Receivables	5	-
Microbiogen Pty. Ltd.		
Payables	(7)	(7)

Reference is made to Note 6.4 to the consolidated financial statements concerning transactions with related parties.

Novozyymes A/S is included in the consolidated financial statements of Novo Nordisk Foundation.

Note section 5

5.3 Fees to statutory auditors

DKK million	2021	2020
Statutory audit	6	5
Other assurance engagements	-	-
Tax advisory services	2	3
Other services	-	1
Fees to statutory auditors	8	9

Reference is made to Note 6.6 to the consolidated financial statements concerning fees to statutory auditors.

5.4 Common stock and treasury stock

Reference is made to Note 5.5 to the consolidated financial statements concerning common stock and treasury stock.

5.5 Derivatives

Reference is made to Note 5.4 to the consolidated financial statements concerning derivatives, as the figures and information applying to Novozymes A/S are identical to the information provided there.

5.6 Events after the reporting date

Reference is made to Note 6.8 to the consolidated financial statements concerning events after the reporting date.

Glossary (Part of the Management Review)

Financial terms

Earnings per share (diluted)

Net profit (attributable to shareholders of Novozymes A/S) divided by the weighted average number of shares outstanding (diluted).

EBIT/Operating profit

Profit before interest and tax.

EBIT margin

Profit before interest and tax as a percentage of revenue.

EBITDA

Profit before interest, tax, depreciation and amortization.

EBITDA margin

Profit before interest, tax, depreciation and amortization as a percentage of revenue.

Economic profit

Economic profit is defined as adjusted operating profit (NOPAT) less (average invested capital * WACC).

Effective tax rate

Income tax expense as a percentage of profit before tax.

Equity ratio

Total equity as a percentage of total assets at year end.

Free cash flow before acquisitions

Cash flow from operating activities less cash flow from investing activities, changes in net working capital, business acquisitions, divestments and purchase of financial assets.

Invested capital

Total assets excluding interest-bearing assets and minority investments less interest-bearing liabilities.

iXBRL tags

iXBRL tags is hidden meta-information embedded in the source code of an XHTML document in accordance with the Inline XBRL specification, which enables the conversion of XHTML-formatted information into a machine-readable XBRL data record by appropriate software.

Net interest-bearing debt (NIBD)

The market value of interest-bearing liabilities (financial liabilities) less the market value of cash at bank and in hand and other readily convertible interest-bearing current assets.

Net interest-bearing debt-to-EBITDA (NIBD/EBITDA)

Net interest-bearing debt as a percentage of last 12 months' EBITDA.

Net working capital

Current assets less current liabilities used in, or necessary for, the company's operations. The main components are inventories, trade receivables and trade payables.

Adjusted operating profit after tax (NOPAT)

Operating profit adjusted for exchange gains/ losses, share of profit in associates less tax on adjusted operating profit using the effective tax rate.

Operating costs

Operating costs consist of Sales and distribution costs, Research and development costs and Administrative costs.

Organic sales growth

Sales growth from existing business, excluding divestments, measured in local currency. For acquisitions, pro forma sales for the prior year is included in the calculation.

Return on equity

Net profit attributable to shareholders' of Novozymes A/S as a percentage of average Equity attributable to shareholders' of Novozymes A/S.

Return on invested capital (ROIC)

Adjusted operating profit (NOPAT) after tax for the last 12 months as

a percentage of average invested capital

iXBRL Taxonomy

Taxonomy is an electronic dictionary of business reporting elements used to report business data. A taxonomy element is an element defined in a taxonomy that is used for the machine-readable labeling of information in an XBRL data record.

XHTML

XHTML (eXtensible HyperText Markup Language) is a text-based markup language used to structure and mark up content such as text, images, and hyperlinks in documents that are displayed as Web pages in an updated standard Web browser like Chrome and Internet Explorer.

Other terms

CO₂

The term "CO₂" is used to represent all greenhouse gasses (CO₂, CH₄, N₂O etc.) on an equivalency basis in this report.

Climate neutral and Net Zero Emissions

The International Panel on Climate Change (IPCC) defines climate neutrality as a state in which human

activities result in no net effect on the climate system. Net zero emissions are achieved when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period. For Novozymes, the state of net zero emissions covers both our operations and value chain.

Scope 3

The Greenhouse Gas Protocol defines Scope 3 emissions as all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. For Novozymes, our Scope 3 boundary is composed of Category 1 (Purchased goods and services), Category 3 (Fuel- and energy-related activities (not included in scope 1 or 2), Category 4 (Upstream transportation and distribution) and Category 6 (business travel).

Zero waste

Defined as (1) ≥ 99% (by weight) of the biomass is re-circulated as compost, fertilizer, feedstock for biogas or the like; and (2) ≥ 90% (by weight) of hazardous and nonhazardous waste is either composted, reused, recycled or incinerated with energy recovery.

About the report

Novozymes' reporting ambition is to provide a single integrated report connecting our business model, strategy, targets and performance through integrated financial and nonfinancial data

Editorial team

Neha Ganesh
nhg@novozymes.com
tel. +91 9513592173

Editor in chief

Ann Lauritzen Steel

Contact:

Ulla Matthiesen
umtt@novozymes.com
tel. +45 30771961

Finance

Jens Breitenstein
jlb@novozymes.com
tel. +45 3077 1087

Investor Relations

Ulrik Wu Svare
ulms@novozymes.com
tel. +45 3077 3187

Corporate Sustainability

Tais Pinheiro
tpn@novozymes.com
tel. +45 30772551

Text

The editorial team from Novozymes, headed by Global Communications & Brand

Photography

Lars Just, Thorbjørn Hansen,
Ty Stange and Mads Armgaard

Design & web

BystedFFW A/S

Editing & proofreading

Fokus Translations

Project management

Rethink Consultancy

Reporting and audits

The website contains links to a PDF version of The Novozymes Report 2021 as well as the XHTML version submitted to the Danish Financial Supervisory Authority.

PwC has not audited the Management's Review, including the sections of the report under the headings: The big picture, Our business and Governance.

The audit covers financial, environmental, social and governance data. See also the statement in the report.

The report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, further requirements in the Danish Financial Statements Act and additional requirements of Nasdaq Copenhagen A/S for the presentation of financial statements by listed companies. It is also inspired by the Task Force on Climate Related Financial Disclosures (TCFD) and GRI

Framework. See Basis of reporting in the report for more details.

Forward-looking statements

The Novozymes Report contains forward-looking statements, including statements about future events, future financial performance, plans, strategies and expectations. Forward-looking statements are associated with words such as, but not limited to, "believe," "anticipate," "expect," "estimate," "intend," "plan," "project," "could," "may," "might" and other words with a similar meaning

Forward-looking statements are by their very nature associated with risks and uncertainties that may cause actual results to differ materially from expectations, both positively and negatively. These risks and uncertainties may include unexpected developments in i) the ability to develop and market new products; ii) the demand for Novozymes' products, market-driven price decreases, industry consolidation, and launches of

competing products or disruptive technologies in Novozymes' core areas; iii) the ability to protect and enforce the company's intellectual property rights; iv) significant litigation or breaches of contract; v) the materialization of the company's growth platforms, notably the opportunity for marketing biomass conversion technologies or the development of microbial solutions for broad-acre crops; vi) political conditions, such as acceptance of enzymes produced by genetically modified organisms; vii) global economic and capital market conditions, including, but not limited to, currency exchange rates (USD/DKK and EUR/DKK in particular, but not exclusively), interest rates and inflation; and viii) significant price decreases for inputs and materials that compete with Novozymes' biological solutions. The company undertakes no duty to update any forward-looking statements as a result of future developments or new information.

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