

Social and governance data

We measure our social performance using a number of indicators in the areas of labor practices & human rights, occupational health & safety, business ethics, customer engagement and community engagement. These indicators enable us to track our progress and respond to risks and opportunities related to both talent attraction and retention, and business development.



Women in senior management

26%

Accidents per million working hours

1.6

Completion of business integrity training for employees

99%

8.1 Labor practices & human rights

Employee skills are essential for Novozymes' growth and are important to the successful execution of its strategies. It is therefore important for Novozymes to focus on employee development and diversity in all its operations. Novozymes is responsible for ensuring that human rights are respected throughout its value chain.

We follow a common management and reporting structure for labor practices and human rights. Read our position paper on human rights on Novozymes.com to find out more about the mechanisms that are implemented to ensure a respectful and motivating working environment.

Labor practices

Our People and Organization (P&O) function is responsible for ensuring equal rights for all employees and promoting diversity. Novozymes is committed to the principles of equal employment opportunities, ensuring fair and equitable treatment for everyone. Novozymes does not discriminate in its practices or employment opportunities based on an individual's race, religion, sex or age.

Novozymes' commitment to ensuring equal opportunities and avoiding discrimination in the workplace extends to all global operations.

In the coming years, we want to increase the number of women in senior management; we have a target to ensure that women hold at least 30% of director positions or higher by 2020. At the end of 2017, 26% of senior management were women, meaning that we met our target for the year of at least 25%. Read our position paper on diversity and equal opportunities for more details.

At Novozymes, we are committed to providing a work environment where all individuals can work together comfortably and productively, free of all forms of harassment and discrimination. Furthermore, Novozymes recognizes and respects the right to form and join associations and to bargain collectively. Our P&O function works to facilitate the fulfillment of these fundamental rights in countries with limited labor legislation.

The rate of employee turnover increased from 10.4% to 11.9%, mainly due to layoffs in January 2017. The rate of absence has been broken down into grouped job categories, based on whether the work carried out is primarily office based, and is therefore not stated for each job category. In 2017, we observed a 2.1% rate of absence, which is above our 2017 target of 2.0%.

Employee statistics

		2017	2016
Rate of employee turnover – retirement	%	0.8	0.8
Rate of employee turnover – dismissal	%	4.9	2.6
Rate of employee turnover – voluntary	%	6.2	7.0
Rate of employee turnover, total	%	11.9	10.4

Rate of absence

Senior management, management, professional and administrative	%	1.3	1.4
Skilled workers, laboratory technicians, other technicians and process operators	%	2.9	2.8
All employees	ESG %	2.1	2.0

Other employee statistics

Average age	Years	41.5	41.2
Average seniority	Years	9.6	9.4
Number of expatriates	No.	23	37
Average spent per employee	DKK	3,159	3,353
Costs as percentage of total employee costs	%	0.5	0.6

8.1 Labor practices & human rights (continued)

Employee development

In 2017, Science Magazine ranked Novozymes the second-best global employer for a third consecutive year. Our employees are motivated by our purpose of finding biological solutions to global challenges.

For many years, we conducted the People's Opinion survey to identify areas that need continuous attention and further improvements. However, in 2017, we found that it was important to evaluate the effectiveness of the surveys conducted in the past to understand the improvement areas and track the organizational mood at Novozymes. Therefore, we changed the methodology and conducted quarterly "Pulse" surveys instead. These covered a subset of questions from the People's Opinion survey and were distributed to different employee groups. The results were then shared with vice presidents and executive vice presidents to facilitate discussions about key areas.

In 2018, we plan to conduct a comprehensive survey with a wide range of questions on various themes related to work, such as satisfaction and motivation, work conditions and development opportunities.

Human rights

We have observed a noticeable rise in investor and customer scrutiny of how companies respect, protect and remedy human rights in their operations and supply chains. Novozymes revamped its human rights-monitoring approach in 2016 and plans to conduct human rights impact assessments once every two years. The next assessment is due in 2018.

In 2017, we updated our position paper on human and labor rights to provide clear guidance on our processes and procedures. Together with external experts, we also conducted workshops to train relevant stakeholders across the organization and improve their understanding of human rights.

§ ACCOUNTING POLICIES

Absence is stated as time lost due to the employee's illness, including pregnancy-related sick leave, and occupational accidents 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 who left the Group during the last four quarters (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 a period that extends beyond six months.

Training costs is the costs of external training courses and seminars, translated into Danish kroner at average exchange rates. Training costs is also shown as a percentage of total employee costs.

Women in senior management measures the percentage of women in director positions or higher (i.e. senior director, vice president or executive vice president).

8.2 Occupational health & safety

Novozymes drives and promotes a strong safety culture within the organization, and views health and safety of employees as a significant part of its business strategy. The aim of the strategy is to ensure that robust safety processes, hardware, standards, tools and training are fully integrated into our way of working. Furthermore, we ensure a focus on Occupational Health and Safety (OH&S) throughout the organization through initiatives driven locally, as part of a global framework.

In 2017, we experienced a decrease in the frequency of occupational accidents to 1.6 lost-time injuries per million working hours, which met our target of 2.0 or below for 2017. After analyzing our 2016 performance, we found that almost half of the accidents were caused by trips and falls. We therefore launched various awareness campaigns such as “Stop and Text,” “Stepping in and out of trucks” and “Mind your steps” to minimize slips, trips and falls.

We have implemented proactive health surveillance programs across the organization to identify and alleviate adverse health reactions from handling enzymes and/or microbes, before they potentially become serious. We also launched a new internal OH&S Key Performance Indicator (KPI) called “Health and Safety focus” in 2017 to provide ongoing measurement of our health and safety culture globally. Data on the health and well-being of employees were collected on a quarterly basis as part of the “Pulse” survey, and we saw promising results in 2017.

Consequences of occupational accidents

No.		2017	2016
Return to original job		17	23
Return to a different job in the same department		-	1
Out of work or early retirement		-	1
Case pending		1	-
Occupational accidents with absence, total	ESG	18	25
Total days of absence related to accidents registered in the same year		235	309
Injury severity rate		13	12

§ ACCOUNTING POLICIES

Occupational accidents is defined as the reported number of occurrences arising out of or in the course of work that result in fatal or nonfatal injury with at least one day's absence from work apart from the day of injury.

Occupational diseases is defined as the number of diseases contracted as a result of exposure to risk factors arising from work activity and notified as work related in accordance with local legislation.

The consequences of occupational accidents with absence and occupational diseases are measured by recording the work situation once the outcome of the incidents 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 accidents with absence and occupational diseases are stated per million working hours.

The injury severity rate is calculated by dividing total days of absence related to accidents registered in the same year by the number of occupational accidents.

8.2 Occupational health & safety (continued)

Consequences of occupational diseases

No.		2017	2016
Return to original job		2	2
Return to a different job in the same department		-	3
Transfer to a different job outside Novozymes		-	1
Out of work or early retirement		-	2
Occupational diseases, total	ESG	2	8
Total days of absence related to diseases registered in the same year		-	7

Types of occupational diseases

No.		2017	2016
Musculoskeletal disorder		-	1
Skin disease		2	4
Enzyme allergy		-	2
Respiratory disease		-	1
Occupational diseases, total	ESG	2	8

As a consequence, we implemented sweeping and comprehensive changes within Occupational Health and Safety in Denmark to ensure greater managerial focus and more extensive employee involvement. This resulted in even closer collaboration to create a safer working environment. We believe that this change will help employees internalize safety behavior.

Health initiatives are implemented across regions and are designed to fit local needs. The regions develop and conduct activities to promote health among employees.

At Novozymes, we believe in extending our OH&S responsibilities beyond Novozymes'

boundary. Therefore, we conduct safety training for contract workers to ensure that they understand their rights and responsibilities.

To meet our long-term target of an occupational accident frequency of 1.0 accident per million working hours or below, it is imperative to improve year on year. Our analysis shows that a significant share of occupational accidents are related to culture and behavior. To address these issues, we plan to focus on behavioral safety in 2018 along with our ongoing focus to reduce trips and falls. We also plan to roll out user-friendly tools globally to equip employees with relevant competencies in these areas.

8.3 Business ethics

Business ethics is a key issue for Novozymes. We are committed to conducting business in an ethical, responsible and transparent way. In addition to our own ambition, our investors, customers and employees also expect us to demonstrate a high standard of integrity in our business practices.

We are committed to working against all forms of corruption. Novozymes has adopted six business integrity principles, which include zero tolerance for bribery and facilitation payments, and rules on gifts and hospitality. The principles form the ground rules for engaging with third parties and apply to all employees anywhere in the world. See our position paper on business integrity on Novozymes.com for more details.

Novozymes' management approach to addressing anti-corruption and business integrity aspects is embedded in its corporate values and policies. A dedicated compliance function handles reporting of business integrity-related matters, develops employee training programs and offers guidance

requested by employees on a case-by-case basis. Questions related to business integrity were included in our quarterly "Pulse" survey, to help us identify areas for improvement.

All employees have access to guidance and may anonymously raise concerns about business ethics and corruption, including possible breaches of our integrity principles, through a variety of grievance channels. See more about our reporting channels on Novozymes.com.

For Novozymes, engaging with the right partners is a central aspect of being a sustainable business. We have a responsibility to ensure that the business partners and stakeholder associations that represent us are equally committed to engaging responsibly with policymakers and preventing corruption and bribery. In 2017, third-party due diligence and compliance processes to monitor Novozymes' commercial partners were expanded.

§ ACCOUNTING POLICIES

Completion of business integrity training refers to the percentage of selected employees 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 competition law violations are whether it has been established by an authority 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.

All allegations of fraud are investigated until it can be determined whether they can be substantiated. The number of fraud cases represents substantiated and unsubstantiated matters reported to the Audit Committee in the reporting year.

Novozymes defines fraud as an offence where an employee or third party either:

- takes or removes the company's property without its consent with the intent of depriving the company of it, or
- intentionally deceives the company by providing false documentation or by suppressing the truth in order to obtain a personal gain.

Social and governance data

8.3 Business ethics (continued)

Business integrity training for employees

Novozymes conducts annual training to ensure that employees are well equipped to uphold the six business integrity principles and to handle ethical dilemmas that they may encounter in their everyday work. The global e-learning program has been designed and rolled out by Novozymes' Chief Legal Compliance Officer based on input from regions, line of business and questions raised during the year to ensure relevance and applicability.

This annual training reinforces business integrity understanding and secures written acknowledgement from our employees that they will comply with the six principles. It also includes practical examples, mimicking real cases in Novozymes or from the media noted during the year. The training in 2017 focused on facilitation payments and helping employees identify corruption risks related to working with agents or third-party representatives.

In 2017, Novozymes achieved a completion rate of 99%, staying on par with 2016.

Competition law and anti-trust

There were no violations of competition law in 2017.

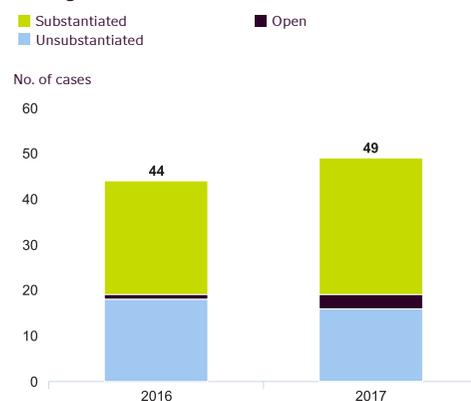
Since 2014, Novozymes' employees with commercial contact have participated in

recurring anti-trust e-learning. This training has a global reach and provides general guidance on anti-trust law. In 2017, the training again focused on anti-cartel guidance, specifically how to interact with competitors in a proper manner.

Fraud cases

Novozymes works proactively to prevent, detect and respond to fraud, and has continuously increased its internal awareness and proactive initiatives in relation to fraud.

Investigated fraud cases

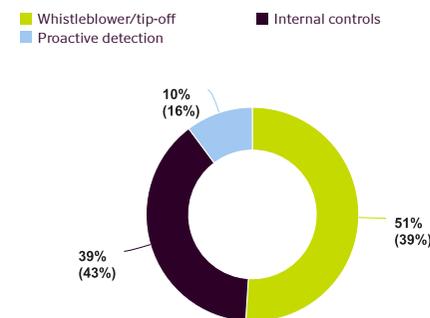


In 2017, the number of fraud cases investigated by Novozymes increased by five. We continue to see an increased threat from external fraud attempts by unknown perpetrators, such as business e-mails containing scams such as invoice fraud and

CxO fraud (i.e. e-mails from senders claiming to be senior executives attempting to convince employees to transfer company funds under the pretext of a legitimate business purpose). The investigated fraud cases in 2017 did not have a material financial impact on Novozymes.

Moving forward, we will continue to raise awareness of fraud and train employees on relevant policies and procedures.

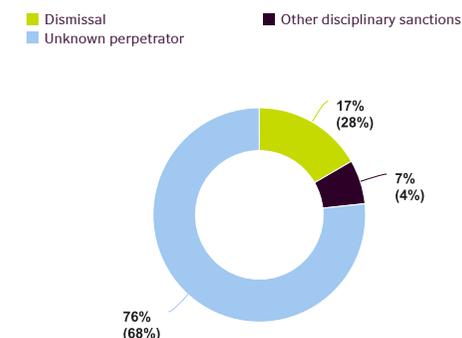
Reporting channels 2017 (2016)



As part of the internal control system, all identified fraud cases and concerns raised, either through Novozymes' Whistleblower System or other reporting channels, are reported to the Audit Committee on a quarterly basis.

All allegations of fraud are appropriately investigated and concluded in accordance with internal policies and procedures. Substantiated fraud will lead to proportionate disciplinary sanctions for the parties involved. Reporting to the police is assessed on a case-by-case basis. During 2017, 21 cases were reported to the police.

Consequences of substantiated fraud cases 2017 (2016)



8.4 Community engagement

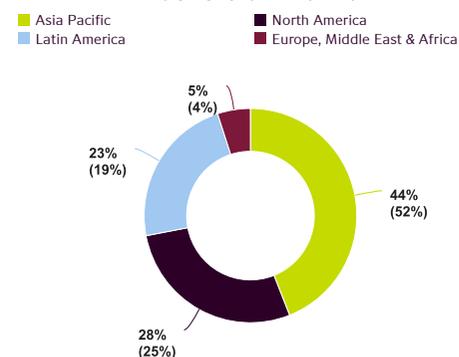
We believe that businesses have a responsibility to engage with the communities in which they operate and invest strategically in programs that create value for society. We focus our community engagement and social investment activities on education, specifically biology, sustainability and the environment. This is because education and an understanding of science are crucial for global sustainable development, and many Novozymes employees are experts in the fields of biology and sustainability.

Novozymes has implemented various educational programs across regions to meet its long-term target of educating 1 million people about the potential of biology.

In 2017, we engaged more than 188,000 learners, with the US and India being major contributors. Both these countries contributed more than 50,000 learners. In the US, each site determines its own outreach activities, while in India, the focus is on educating underprivileged students.

Read more about Educate in the Targets section and in the Sustainability section.

Learners reached by geography 2017 (2016)



CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Methodologies to count and consolidate learners reached have been defined and are applied, but the reported numbers are still subject to assumptions and estimates, for example when recording the number of participants at a conference, which means that the result of the calculation will be an approximation.



ACCOUNTING POLICIES

Learners reached comprises the total number of persons Novozymes reaches via its Educate activities. An Educate activity is an activity that engages the learner to a degree sufficient to confirm that awareness has been created.

8.5 Customer engagement

Partnerships and customer engagement are material topics for Novozymes. This is because our customers' opinions serve as powerful indicators of how our products and services are performing in the market.

To monitor customer satisfaction and collect feedback on a regular basis, Novozymes sets an annual target for Customer Satisfaction Measurement. See Outlook for 2018 for an overview of all targets.

Novozyymes' Commercial Development function ensures that customer satisfaction is measured annually and that the feedback is collected, analyzed and addressed in the relevant functional areas. Commercial Development also ensures that our account managers

get the necessary support to meet current customer demands as well as to engage with potential new customers.

Novozyymes conducts an annual survey that includes a measurement of the Net Promoter Score (NPS). The NPS is based on customers' answers to a single question: "How likely are you to recommend Novozymes to others?" and ranges from -100 to +100. The response rate of Novozymes' direct customers invited to participate in the survey was approximately 67%.

In 2017, Novozymes achieved an NPS of +39 and met its target to maintain the score above +35. Although this is a decrease from an NPS of +45 in 2016, it is still considered

high. The result shows that Novozymes' employees are well regarded and that our customers appreciate our commercial and technical services. Account managers play an important role in customer satisfaction. Our customers prefer account managers who are proactive and engaged, understand the clients' business and needs, and share critical information in a timely and effective manner. We will incorporate these findings into our engagement strategies for all customers.

Going forward, we will be adjusting our survey methodology so that all customer scores are weighed equally in the aggregated NPS. This ensures that we remain equally responsive to the needs of our smaller customers.



ACCOUNTING POLICIES

The Net Promoter Score (NPS) is derived from an annual questionnaire measuring how likely the customer is to recommend Novozymes to others. The NPS is calculated as the share of promoters (on a scale of 0-100) less the share of detractors (also on a scale of 0-100). The resulting score is a number between -100 and +100.

8.6 Responsible sourcing

A secure supply of raw materials is crucial to our production. Novozymes' supplier management and responsible sourcing approach are the responsibility of the Sourcing department. Read our position paper on responsible purchasing on Novozymes.com for more details.

Agricultural raw materials are a major constituent of our production processes, which is the reason for our continuous, sharp focus on environmental, social and governance (ESG) issues. All our suppliers of directly sourced agricultural raw materials are required to meet our deforestation requirements in terms of not contributing to further deforestation and zero tolerance for land grabbing.

Novozymes assesses all suppliers based on supplier risk profile, spend, type of product and country risk. High-risk suppliers are assessed by the Sourcing teams through the Supplier Performance Management (SPM) system. This consists of an integrated set of assessment criteria covering commercial, quality, environmental and social requirements. Based on these criteria, SPM helps to identify risks and opportunities in our supply chain by highlighting high-risk suppliers and suppliers with strong overall performance.

To sharpen the focus on ESG compliance, we have started monitoring our suppliers' adherence to our Responsible Purchasing standard on a monthly basis.

In 2017, we identified a need to increase our level of transparency across the supply chain. Furthermore, we also experienced increasing regulatory and customer requirements for raw material and supplier transparency throughout the supply chain. Therefore, we are investigating various tools available in the market to assess our supplier base on multiple supply risk levels.