

CORPORATE GOVERNANCE

The Danish *Recommendations on Corporate Governance* were revised and extended in 2010. With a very few exceptions, Novozymes complies with the new code. Internally, we updated and simplified our set of values and commitments during the year.

Novozyymes' management systems have been developed over many years and are constantly adjusted to reflect changes in legal requirements, new business developments, and stakeholder expectations. A cornerstone of these management systems is Novozymes' corporate governance setup.

Corporate governance is the name commonly given to the frameworks and guidelines for business management, including the overall structures and principles that regulate the interaction between a company's management bodies, shareholders, and other stakeholders. As every company is unique, there is no exact standard for "good corporate governance." However, a number of valid principles have been developed and stated in recommendations, guidelines, or law. Novozymes' goal is to have management systems in place that ensure openness and transparency at all times, providing stakeholders with relevant insight into the business - and, of course, effective management.

In accordance with Danish legislation, Novozymes has a two-tier management system comprising the Board of Directors and Executive Management, with no individual a member of both. The division of responsibility between the Board of Directors and Executive Management is clearly laid down and described in the Rules of Procedure for the Board of Directors and Guidelines for Executive Management, available at www.novozymes.com.

Charters and recommendations

In laying down the management principles for Novozymes, the Board of Directors has followed the *Recommendations on Corporate Governance* that form part of the disclosure requirements applicable to companies listed on NASDAQ OMX Copenhagen.

This code was revised in 2010, resulting in a total of 78 recommendations, many of which are new. The Board of Directors considers that Novozymes complies with the new code, with the following exceptions:

- Remuneration and nomination committees have not been set up. Instead, these responsibilities are laid down in the charter for the Chairmanship, which consists of the Chairman and Vice-Chairman of the Board

- Information on the remuneration of Executive Management is provided at an aggregate rather than an individual level. Novozymes considers this information to be private and confidential, and believes that information at an individual level is of limited value to shareholders. Information on the maximum level of individual remuneration is nevertheless provided, please refer to Note 4 to the financial statements
- The remuneration policy for Executive Management contains no specific clause on the repayment of variable remuneration components paid on the basis of misstated information as Novozymes considers the rules in Danish law to be sufficient in such cases
- The current Executive Management has the right to termination payments amounting to a maximum of three years' fixed base salary and pension contributions. This maximum does not currently exceed the recommended maximum of two years' total remuneration. Novozymes has decided not to change existing contracts, but future contracts will provide for a maximum of two years' fixed base salary
- Due to the limitations imposed by the articles of association of the Novo Nordisk Foundation and Novozymes' ownership structure, the Board of Directors reserves the right in certain circumstances to reject takeover bids without consulting shareholders

A detailed review of Novozymes' positions on all of the recommendations can be found under Corporate governance at www.novozymes.com.

Novozyymes also acts within the parameters of *Touch the World* - a document setting out our values and commitments. We have also committed ourselves to principles derived from the following international charters and standards:

- Novozymes subscribes to the International Chamber of Commerce's Charter for Sustainable Development
- Novozymes supports the United Nations Convention on Biological Diversity
- Novozymes supports the United Nations Declaration of Human Rights
- Novozymes subscribes to the United Nations Global Compact

Changes since last year

Michael Munksø, an employee representative elected to the Board of Directors, took up a position outside Novozymes in 2010. He was therefore replaced by alternate member Lars Bo Køppler as of December 1.

Self-assessment of the Board of Directors

The Board's main responsibilities are to:

- Ensure the best possible day-to-day management of the company and the right organizational structure
- Supervise financial and sustainability performance, and Executive Management's day-to-day running of the company
- Participate in the overall management and strategic development of the company

For an overview of the tasks performed to fulfill these responsibilities, see *A year with the Board of Directors*.

The Board of Directors held eight meetings in 2010. All were attended by all board members, except for one meeting where one member was absent.

In order to ensure that Novozymes has well-functioning management systems in place at all times, the Board of Directors and Executive Management assess annually whether their main responsibilities have been fulfilled. The performance of the Board of Directors and Executive Management and the quality of collaboration between these two bodies are also discussed and assessed. The assessment in 2010 was once again positive, with only minor areas for improvement identified. Overall, there was broad satisfaction with the planning, content, and

implementation of the meetings. The general impression was that presentations and discussions at the meetings are of high quality, and that Executive Management is very responsive to input from the Board. Emphasis was placed on the continued use of external input in strategy discussions.

One of the responsibilities of the Board of Directors is to assess each year whether the ownership structure with A and B common stock is optimal. The Board of Directors maintains that this is the best way to safeguard Novozymes' long-term development and thus to benefit the company's shareholders and other stakeholders.

In addition, the Audit Committee performs an annual assessment of its own performance, and the external auditors are asked to evaluate whether its performance fulfilled the requirements of the Audit Committee's charter. The 2010 assessment was positive and identified only minor areas for improvement.

Each year the Audit Committee evaluates the need for an internal audit function at Novozymes. Based on its positive assessment of the company's internal control environment, the Audit Committee has advised the Board of Directors that the establishment of an internal audit function is not necessary.

A YEAR WITH THE BOARD OF DIRECTORS

1. Ensure the best possible day-to-day management of the company.

Ensure the right organizational structure.

2. Supervise the financial and sustainability performance of the company.

Supervise Executive Management's day-to-day running of the company.

3. Participate in overall management of the company.

Participate in determining the strategy of the company.

