

Tax policy

As part of Novozymes' responsible approach to tax, Novozymes' Board of Directors has adopted this tax policy which applies to all entities in the Novozymes Group.

Background

We believe that sustainability entails adding economic, environmental and social value. This is the triple bottom-line approach Novozymes has always taken, and it is reflected in our purpose, strategy and targets. It is essential to the long-term sustainability of Novozymes to have a responsible approach to tax. Our tax policy sets the principles for the management of tax affairs in the Novozymes Group.

We continuously evaluate whether the tax policy needs to be adjusted or modified. The tax policy governs all taxes paid by Novozymes (direct taxes and indirect taxes).

Novozymes supports the United Nations Sustainable Development Goals (SDGs). The SDGs guide the development of our targets and purpose of finding biological answers for better lives in a growing world. We recognize the key role that tax plays in society and in the economic and social development of the countries where we operate. Our tax policy, and the tax payments we make, support the local governments in the implementation of the SDGs directly or indirectly.

Competitive tax level in a responsible way

We seek to obtain a competitive tax level in a responsible way and with full regard to national and international laws and regulation.

Being responsible entails doing business in a way that meets expectations of a good corporate citizen. This means paying taxes in the countries where we operate in accordance with international transfer pricing rules and not engaging in aggressive tax planning.

Tax compliance

We continuously work to fulfill our tax obligations in the countries where we operate. We comply with the tax legislation and pay the right amount of tax at the right time. We use the arm's length principle, pricing in-line with the guidelines issued by the OECD and apply this consistently across our businesses (contingent on local laws).

We act in accordance with applicable legislation on tax computation and tax reporting in the countries where we operate. We submit all tax filings required, meaning that we submit complete, accurate and timely disclosures to all relevant authorities.

Tax governance

Tax is a core part of corporate responsibility and governance. The Board of Directors approves the tax policy and is accountable for it. The CFO is responsible for tax risk management which is overseen by the Audit Committee. The day to day management of tax affairs in the Novozymes Group is handled by a centralized team of tax professionals in the corporate headquarter in collaboration with finance and tax professionals around the world.

The Novozymes Group employs tax professionals with proper qualifications and expert knowledge within the tax area. In order to assess potential tax consequences, the centralized tax team is involved in all material business development in the Group.

We have procedures in place to ensure awareness of and adherence to our tax policy. We report at least annually to the Audit Committee on tax matters.

Mitigation of tax risks

Novozymes has a low acceptance of tax risks. When implementing business transactions, we aim to understand the tax implications and risks. When reviewing the risks, we always bear in mind the requirements of this tax policy. We will only adopt a

tax position if it is defensible and we are able to explain it. We seek to enter an early dialogue with tax authorities, wherever possible, if there is significant uncertainty about how the tax rules apply to our business.

We proactively engage in bilateral tax agreements (APAs) negotiated at competent authority level to increase predictability and to mitigate transfer pricing risks. Most intercompany transactions within the Novozymes Group are covered by bilateral APAs. The bilateral APAs provide certainty that transactions are carried out on arm's length negotiated terms.

We monitor the tax risks in the countries where we operate. Also, Novozymes is monitoring changes in tax rules and tax practice that may influence Novozymes' tax position.

Tax authority approach

We seek good relationships and dialogue with tax authorities in the countries where we operate. Novozymes strives to avoid any controversy with tax authorities. If a tax authority takes a position which Novozymes finds technically and legally wrong, we will defend our position. The tax controversy risk for Novozymes is significantly reduced through use of bilateral APAs.

We aim for all dealings with the tax authorities to be conducted in a collaborative and timely manner based on mutual respect, transparency and trust.

We engage constructively in dialogue with governments, business groups and civil society to support the development of effective tax systems, legislation and administration and we support initiatives against aggressive tax planning.

Tax planning

We only engage in transactions that are driven by commercial considerations and supported by substance.

Our tax planning ensures that Novozymes pays the tax determined by tax laws and regulations and mitigates double taxation. We do not engage in aggressive tax planning, defined as exploitation of technicalities in a tax regime or as exploitation of inconsistencies between tax regimes in order to reduce a tax liability. Our tax planning is based on reasonable interpretations of applicable law and is aligned with the substance of our business.

We do not use so-called 'tax havens' in order to avoid taxes on activities which take place elsewhere.

We only make use of tax incentives that are specified by law and generally available. Where we claim tax incentives offered by government authorities, we seek to ensure that they are transparent and consistent with statutory or regulatory frameworks.

Transparency

We are committed to being open and transparent about our tax policy and tax affairs. We provide regular information to our stakeholders, including investors, policy makers, employees and the general public, about our approach to tax and taxes paid.

We support and comply with the transparency requirements on taxes and the international initiatives in this respect, including the OECD Country-by-Country tax initiative. In our annual report we provide information on the total tax contribution of the Novozymes Group, divided into taxes paid by Novozymes and taxes collected on behalf of employees and shareholders. Further, we are transparent about the entities owned around the world and the activity of each subsidiary.

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In accordance with paragraph 16(2) Schedule 19, of the 2016 U.K. Finance Act, Novozymes has a separate document describing the strategy and approach to conducting tax affairs in the United Kingdom. Please refer to the [following link with the Novozymes U.K. Tax Strategy](#).