8.3 Business ethics

Business ethics are essential to Novozymes’ business operations, as acting ethically helps attract and retain investors, employees and customers. Novozymes seeks appropriate measures to work against all forms of corruption, including extortion and bribery. Novozymes has adopted six integrity principles to support the commitment to doing business in a responsible way – protecting the integrity of our business. These principles form the ground rules for engaging with third parties and apply to all employees anywhere in the world. Please see our Position on Business integrity at Novozymes.com.

Novozymes’ management approach to advancing anti-corruption and business integrity aspects is embedded in its corporate values and policies. Furthermore, a dedicated committee on business integrity follows up on employee training, handles reporting of business integrity-related matters and offers guidance requested by employees. 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 grievance channels at Novozymes.com. Questions related to business integrity are included in our annual People’s Opinion survey, as they help us to identify issues and areas that require further guidance and support.

Novozymes is not only responsible for its own operations globally but also has a responsibility for ensuring that the business partners that represent us are equally committed to preventing corruption and bribery. Our stakeholders expect that of us, and legislators increasingly expect it too. And for Novozymes, engaging with the right business partners is a central part of sustainable business. In 2016, third-party due diligence and compliance processes were upgraded to obtain increased assurance that Novozymes’ partners in the sales channel conduct business with integrity and that they share its values and requirements for legal compliance. In 2017, efforts will be made to further increase the span and robustness of these processes.

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 giving false documentation or by suppressing the truth in order to obtain a personal gain.
**Social and governance data**

#### 8.3 Business ethics (continued)

**Completion of business integrity training for employees**

Novozymes conducts annual training in business integrity to ensure that employees are well equipped to uphold our 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’ Legal Compliance Officer under the supervision of Novozymes’ Business Integrity Committee. The training includes a reinforcement of employees’ commitment to business integrity as well as case studies mimicking real cases in Novozymes or from the media noted during the year. In 2016, we achieved a completion rate of 99%, compared with 98% in 2015. The 2015 result has been recalculated in accordance with updated accounting policies. In 2016, part of the training program focused on conflicts of interest as a corruption risk to help employees prepare for situations where such conflicts might occur.

**Breaches of competition law**

There were no violations of competition law in 2016.

**Anti-trust**

In 2016, relevant employee groups participated in the recurring anti-trust e-learning, launched in 2014. The compliance training has global reach and provides general guidance on compliance with anti-trust law. In 2016, the training focused on how to interact with competitors in a proper manner (anti-cartel guidance), one of the fundamental rules of anti-trust law.

**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.

The increase in investigated fraud cases is primarily due to an increase in external fraud attempts by unknown perpetrators (such as CxO fraud and fraudulent invoices) and an increased organizational awareness, which has led to increased reports by employees.

The investigated fraud cases in 2016 did not have a material financial impact on Novozymes.

**Reporting channel**

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

**Disciplinary sanctions**

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 2016, eight cases were reported to the police.

**Investigated fraud cases**

<table>
<thead>
<tr>
<th>No. of cases</th>
<th>Substantiated</th>
<th>Unsubstantiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td></td>
<td></td>
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<tr>
<td>44</td>
<td></td>
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</tbody>
</table>

**Fraud cases 2016 (2015)**

- **Dismissing:** 28% (42%)
- **Unknown perpetrator:** 4% (25%)
- **Other disciplinary sanctions:** 88% (33%)

**Consequences of substantiated fraud cases 2016 (2015)**

- **Dismissal:** 16% (20%)
- **Internal controls:** 30% (40%)
- **Proactive detection:** 2% (4%)
- **Other:** 43% (36%)