

Statutory report on corporate governance according to the Danish Financial Statements Act, §107b

The report below is part of the Management's review for the Annual Report 2009. For information on compliance with codes of corporate governance please see the section on *Corporate governance* in the Novozymes Report.

Novozymes' risk management and internal controls relating to financial reporting are organized with a view to

- 1) Presentation of management accounts that allow the Group's performance to be measured and monitored, and
- 2) Presentation of financial statements that comply with International Financial Reporting Standards, as adopted by the EU, and other additional Danish disclosure requirements for the annual reports of listed companies, and provide a true and fair view without material misstatement.

The Group's internal controls and risk management systems are updated on an ongoing basis and have been designed with a view to discovering and eliminating errors and defects in the financial statements, but as there is always a risk of misuse of assets, unexpected losses, etc., the internal controls and risk management systems can only provide reasonable and not absolute security that all material errors and defects are discovered and rectified.

The internal controls and risk management systems also cover the environmental and social data reproduced in The Novozymes Report.

Overall control environment

The Board of Directors and Executive Management of Novozymes are composed so as to provide relevant expertise in risk management and assessment of internal controls in relation to financial reporting.

Novozymes' Executive Management has defined a number of policies, standards, and procedures, including

- Financial and legal policy
- Treasury policy
- IT security policy
- Business integrity policy

The relevant policies are reviewed by the Audit Committee and, if necessary within particular areas, approved by the Board of Directors.

A description of the Group's overall policies and the Group's positions and values can be found at Novozymes.com.

The responsibility for maintaining effective internal controls and a risk management system in connection with the financial reporting rests with Executive Management. Executive Management has designed and implemented controls considered necessary and effective in terms of countering the identified risks relating to financial reporting.

Novozymes' Board of Directors has appointed an Audit Committee that monitors the adequacy of the Group's internal controls on an ongoing basis and assesses material risks in connection with the financial reporting process. The Audit Committee further

evaluates annually if there is a need for an internal audit function. For now this has not been deemed necessary. The Board of Directors and Executive Management receive minutes of meetings of the Audit Committee.

A clear organizational structure has been established, with the regional finance and IT functions reporting directly to the Chief Financial Officer. A rotation system is in place for managers in key positions in the global finance function.

An annual review is carried out of the organization of the global finance function to ensure that adequate expertise is in place in all key positions in the Group.

Risk assessment

The Board of Directors and Executive Management continuously carry out an annual assessment of the risks to which the Group is exposed, including those that impact on the financial reporting process.

At least once a year Executive Management and the Audit Committee consider whether new internal controls should be implemented to mitigate identified risks.

In addition, at least once a year the Audit Committee reviews particularly high-risk areas, including:

- Impairment testing of significant assets/business units
- Opening balance sheets for significant new acquisitions
- Significant changes to accounting policies

Control activities

A comprehensive quality management system has been established for the global finance function to ensure compliance with the above. This includes a description of the controls that must be carried out to ensure reliable financial reporting. As part of this, control activities have been established with the purpose of discovering and eliminating any errors and defects in the data used in preparation of financial statements.

An introduction to the quality management system is given to new employees to ensure that they understand their role within internal control in the Group. Updates to the system are communicated on an ongoing basis.

Procedures have been established to ensure that Novozymes complies with the relevant legislation and other regulations in connection with the financial reporting. The Audit Committee is informed on an ongoing basis of significant changes to the legislation.

IT systems

Novozymes has a common global IT set-up that contains key data in relation to the financial reporting and ensures a high degree of uniformity and transparency in systems and figures. Decisions and analyses are carried out on the basis of up-to-date and relevant data. The IT systems are secured with general IT controls, and the ERP systems furthermore contain automated application controls that are reviewed on an ongoing basis.

Monitoring

The consolidation of data reported by subsidiaries is performed by a central function, and procedures have been established to ensure that any errors and defects in reported data

are communicated to and corrected by the subsidiaries. Controlling of the monthly financial reporting is performed both locally and also globally by a central function.

In connection with preparation of the annual financial statements, additional analyses and control activities are carried out to ensure that the financial reporting takes place in accordance with the IFRS rules described under *Accounting policies* in the consolidated financial statements.

A review of the internal controls is carried out each year, based on a number of internal and external assessments. This review is submitted to the Audit Committee.

Checks on compliance with the quality management system in the individual companies are carried out on an ongoing basis and reports submitted to Executive Management. In addition a special independent function in Novozymes, which is not linked to the individual function areas, carries out organizational audits and facilitations, among other things, to assess compliance with the Group's values and overall policies.

The Audit Committee follows up on measures taken to rectify weaknesses in internal controls identified and reported by the auditor elected by the Annual Shareholders' Meeting, as well as errors and defects in the financial statements, and ensures that controls and procedures are implemented to counter these errors and defects.