

CHR HANSEN

*Improving food & health*

# ANNUAL REPORT CORPORATE SOCIAL RESPONSIBILITY 2011/12



# Management statement

Chr. Hansen aims to drive strategic Corporate Social Responsibility (CSR) with focus on supporting the general development of our business.

This year we focused largely on extending our partnerships with stakeholders such as customers, authorities and suppliers to include CSR more directly either as well-defined objectives in current projects or as new initiatives or as part of a contractual agreement. We are aiming at creating shared value and examples of collaboration are: Assessing the supply chain risks as well as carbon and water footprints, improving production yields, protective cultures to reduce spoilage and more.

Our CSR ambitions for 2020 published in 2009/10 are progressing nicely. In spite of increased production we maintain focus on resource consumption. In 2011/12 we identified diversity and inclusion as a new focus area and formulated concrete targets for the area. We are concentrating on gender, age and nationality at all our management levels including the Board of Directors. The baseline is now established. We are confident that a more formalized approach regarding diversity

and inclusion will help our employees as well as the business excel. Our latest employee satisfaction survey shows that we are already doing well in this area; employees feel valued for who they are and feel that they are treated with dignity and respect.

In 2011/12 we began to conduct CSR audits at our production sites. The results so far show that in general we have a high compliance level on a global scale. We will continue to focus on ensuring documentation of regulatory compliance and establishing systems to record and investigate non-conformities in relation to the environment, health and safety, and other labor conditions.

Our support and commitment to the UN Global Compact remain unchanged. This report reflects both how we integrate UN Global Compact guidelines into our business activities and how we comply with the specific requirements on reporting corporate social responsibility (including human rights and climate) in accordance with the Danish Financial Statements Act.

**Lars Frederiksen**  
CEO

# Managing CSR

Chr. Hansen's ambitions and operational goals set by the CSR Board are reflected in the table showing performance on ambitions for 2020.

The non-financial statements and notes 2011/12 further elaborate on results and activities supporting the goal achievement.

## Our policies and positions

	Topics	Content
Business integrity	Environment & Biodiversity + CSR + Anti-corruption + Competition + Intellectual property	<p>Chr. Hansen conducts business with due respect to the society in which we operate. We are committed to continuous improvement, preventive actions and efficient utilization of resources, and we respect and operate according to the UN Convention of Biodiversity.</p> <p>We support the UN principles on business and human rights i.e. respect of human rights and fair labor standards such as freedom of association, decent working time and remuneration.</p> <p>We do not accept or tolerate bribes in any form whether directly or indirectly, and we abide by the rules of fair dealing and fair competition. We also support international standardization and do our utmost to respect third parties' valid IP rights.</p>
Quality & Product Safety	Product safety + Allergens	<p>We want to meet or exceed our customers' expectations regarding product quality and services. This is why we apply risk identification and risk management and require 100% traceability on all our products. Product alerts are handled quickly to prevent or eliminate potential adverse impacts.</p> <p>Chr. Hansen provides useful, accurate and complete information about our products to ensure that consumers have sufficient information to avoid an accidental allergic reaction from consuming our products.</p>
People, Knowledge and Organization	Health & Safety + Competence development + Reward & Remuneration	<p>We are committed to continuously improving both our physical and psychological work environment to ensure our employees a safe working environment.</p> <p>It is our ambition to help people remain employable throughout their career, and we provide an attractive work environment with opportunities for development and creating results.</p> <p>We follow legal and industry standards for reward practices, and we provide terms and conditions of employment reflecting the effort and performance exercised by our employees and their value to the company.</p>
Sourcing and Finance	Sustainable Sourcing + Tax	<p>Through strategic sourcing and co-operation with our suppliers we conduct responsible supply chain management in relation to product safety and product security as well as sustainability and social responsibility. We approve and monitor our suppliers to ensure compliance with requirements.</p> <p>We recognize tax as a cost of doing business, and we ensure correct tax payment in accordance with the applicable local legislation at each Chr. Hansen entity.</p>
Communication	Stakeholder engagement	<p>Corporate communication is used in both strategic and operational ways to ensure strategically managed and organized stakeholder management, engagement and relationship building. We believe that successful communication depends on mutual understanding and cooperation.</p>

See CSR website for more information on policies, activities and management systems regarding CSR.

# Creating shared value

**Chr. Hansen's vision to improve food and health includes an obligation to consider the entire value chain when developing processes, products and services.**

Chr. Hansen wishes to collaborate with major stakeholders to fulfill shared ambitions and address global CSR challenges.

Chr. Hansen endorses the UN Global Compact and challenges itself to continuously broaden the perspective. The Company's policies, goals and actions match the ten principles within human rights, environment and anti-corruption as defined by the Global Compact:

1. Support and respect the protection of internationally proclaimed human rights
2. Make sure not to be complicit in human rights abuses
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining
4. Eliminate all forms of forced and compulsory labor
5. Abolish child labor
6. Eliminate discrimination in respect of employment and occupation
7. Support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies
10. Work against corruption in all its forms, including extortion and bribery

## **PARTNERSHIPS**

The keyword in Chr. Hansen's CSR work – like in the general business model – is partnerships.

Today, Chr. Hansen has well-established partnerships with customers and suppliers to the mutual benefit of all.

The partnerships involve many different aspects of CSR. Examples include: increasing yield and thereby improving the livelihood of suppliers/farmers; decreasing the consumption of resources such as energy and water; improving the nutritional value of the final product; optimizing the supply chain; meeting consumer expectations for safe, healthy and natural products that taste great yet are still low fat, etc.

Customer programs, and not least Chr. Hansen's vendor

management program, including self-assessment questionnaires submitted to all suppliers and audits, etc. , revolve around CSR.

In addition, the relationships Chr. Hansen fosters with the authorities, shareholders, peers, academia and various NGOs help the Company improve and expand its efforts.

## **IMPROVING PERFORMANCE**

### **PRODUCT SAFETY**

High product safety and, in turn, high consumer safety is unquestionably a cornerstone for Chr. Hansen as a supplier to the food, feed and pharma industries.

Compliance with regulations and the most stringent standards was the impetus for Chr. Hansen's previous ISO 22000 certification scheme. In 2010 the Company set about adding PAS 220 (a specification designed to reduce food safety risks) to the existing ISO 22000 certificates with the objective of obtaining full FSSC 22000 certification at all of the production sites. Twelve sites have so far been FSSC 22000 certified; Chr. Hansen aims to have completed this certification at all production sites by the end of calendar year 2013.

By the end of 2011/12 Chr. Hansen revised the goals regarding product safety, enhancing the balance between value creation and risk management. The Company now focuses on First Time Right and audit findings related to product safety and on removing reactive goals. Chr. Hansen aims to decrease the number of product safety audit findings by 10% each year, and also to decrease the completion time of customer complaints by 10% annually.

[See CSR case (pdf): "Complaints are a chance to give customers a better experience"]

### **ENVIRONMENT**

For the third year in a row, the environmental performance on energy consumption and CO<sub>2</sub> emissions improved. A 9% increase in resource utilization was achieved for energy consumption per produced unit in tandem with a 9% reduction in CO<sub>2</sub> emissions per produced unit.

The performance on water declined by 9% per produced unit compared to last year due to some one-off technical challenges in culture production which prevented the Company from recycling as much water as usual. On the positive side, the Natural Colors Division improved by more than 7% per produced unit. Chr. Hansen is committed to the goal of increasing water and energy consumption by only half of the growth in production volume.

Resource efficiency across the entire value chain will remain a key focus area.

Several products launched over the past year, e.g. a natural Ultra Stable Red™ color and protective cultures that inhibit mold and yeast in fresh dairy products, have the potential to reduce environmental impact caused by factors such as waste generation due to spoilage of foods at retailers or resource consumption at customers or lost production at farm level.

An increased focus on transporting more products by sea instead of by air is expected to reduce CO<sub>2</sub> emissions considerably, while a new packaging concept for cultures is expected to increase recycling.

Understanding carbon and water footprints over the entire product lifecycle is a prerequisite for the work we are doing to reduce impact in the right areas and to provide solid documentation. Therefore, the creation of environmental footprint models for the entire product range remained high on the agenda in 2011/12.

## EMPLOYEE RELATIONS

### People

In 2011/2012 Chr. Hansen recorded a 5% increase in the number of employees. At 10% employee turnover was slightly lower compared to 2010/11, attributable to the impact of the general

slowdown in the economy which has caused people to stay in their current jobs.

### People development

Unfolding leadership potential is one of the keys to Chr. Hansen's future success as a business. Excellent leadership is in itself a competitive edge, and a strong pool of talented people is crucial for the ability to execute.

In 2011/12 Chr. Hansen conducted an extensive global talent development program called "High Flying – unfolding leadership potential" targeted at highly competent employees with the potential of becoming the "leaders of tomorrow". Consisting of three intensive modules, the program focuses on real-life leadership and business challenges from everyday leadership practice. Seventeen talents from six countries have completed the first two modules.

[See video at CSR Fast Track: "Don't forget your toothbrush"]

The total number of training days per employee per year is now 3.1, representing an increase of 21% compared to 2010/11. The strong and persistent focus on training and development will be maintained in the coming years.

### Diversity and Inclusion

In 2011/12 the Board of Directors approved a new strategy for diversity and inclusion (D&I) with focus on gender, age and nationality. Chr. Hansen wants to take advantage of differences to create business results and believes that diversity makes the Company strong when it is followed by inclusion.

The implementation of the D&I strategy will not only allow Chr.

## ENERGY REDUCTION

9%



2010/11 2011/12

■ EPI Energy

## INJURIES

16%



2010/11 2011/12

■ Frequency

## CO<sub>2</sub> REDUCTION

9%



2010/11 2011/12

■ EPI CO<sub>2</sub>

Hansen to tap into the entire talent pool when hiring and promoting; it will also enable the Company to meet stakeholders' expectations and ensuring that employees have equal rights and are not subject to discrimination.

Chr. Hansen has established concrete goals for gender and nationality in management, management teams and key positions and is monitoring age distribution. See Performance on Ambitions.

Chr. Hansen also has established a data baseline for D&I. The baseline for diversity is presented in the Notes to the Non-Financial Statements.

The D&I principles are being taught at management training courses and will also be implemented in the Company's visual profile. Over the next couple of years Chr. Hansen will implement measures to further support D&I.

[See CSR case (pdf): "Getting ready to win the war for talent"]

**Employee Satisfaction**

An employee satisfaction survey (ESS) is conducted bi-annually. In 2011/12 the result remained at a high level, although minor decreases were recorded compared to the all-time high score

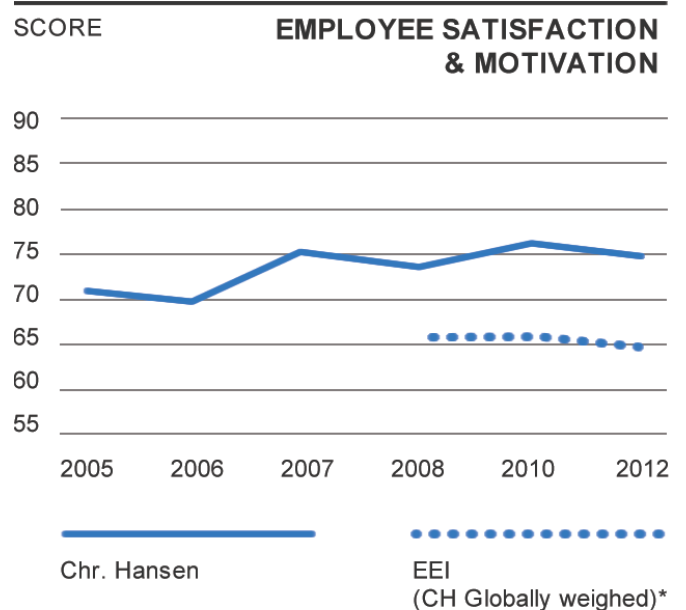
achieved in 2010. This was expected due to the lower workforce mobility in times of financial crisis.

Overall satisfaction and motivation decreased by 1.1 point to index 74.9. This rating is satisfactory as an index, as above 75 is generally considered very good and compared to the industry benchmark of 65 Chr. Hansen is performing very well. The results from the survey are used across the organization through local follow-up sessions and are an important element in the organizational audit system.

[See CSR case (pdf): "Employee Satisfaction Survey"]

**Health and Safety**

In 2011/12 Chr. Hansen broke the curve in the frequency of lost time incidents (LTI) from 12 LTIs per one million working hours in 2010/11 to 10 in 2011/12. None of the accidents were severe. The number is still too high, however. Therefore, building on the experience gained from a major production site in the US, Chr. Hansen is now rolling out an extensive behavior-based safety (BBS) program at three large global production sites. This program focuses on improving awareness, enhancing communication and assuming individual responsibility as an



\*Some questions in the Chr. Hansen survey vary compared to EEI (An International representative annual survey conducted by Ennova).

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important means of reducing the number of accidents.

[See video at CSR Fast Track: "Responsibility, Behavior, Attitude!"]

## SUSTAINABLE SOURCING

In 2011/12 Chr. Hansen was able to reach out to more suppliers with the self-assessment questionnaire and audits, and the performance evaluation for each item of goods received is in place.

However, with approximately 6,500 suppliers and more than 10,000 smallholders who Chr. Hansen often does not deal with directly, this remains a large and important challenge.

Chr. Hansen has established a steering committee anchored at the top management level to continuously monitor the progress of the vendor lifecycle management system. This includes allocating the necessary resources for audits to ensure that the goals are achieved, as well as continuing the efforts to identify opportunities and risks in the area of CSR.

## BUSINESS INTEGRITY

In recent years Chr. Hansen has seen an increased focus from legislators, authorities and large customers with regard to business ethics.

Chr. Hansen always has, and always will, value a high level of business integrity ensuring license to operate, and the Company believes that high ethical standards and playing by the rules bring commercial value to the business.

Stringent policies, procedures and controls are prerequisites for this. In 2011/12 Chr. Hansen introduced an additional training tool in the form of an e-learning platform. 870 employees have been trained in anti-trust/competition law and anti-corruption initiatives. All employees who have interaction with external parties such as competitors, customers, authorities and suppliers must complete the training, which ends with an exam requiring a result of at least 85% correct answers.

[See video at CSR Fast Track: "No to Corruption!"]

## OUTLOOK

Chr. Hansen has continued the momentum in rolling out the strategic plan for CSR. The goals are clear and the performance is improving.

In 2012/13 Chr. Hansen aims to further develop assessments both of internal operations and those of the suppliers within the

framework of the UN Guiding Principles on business and human rights. A human rights policy is already integrated into the Company's position on CSR.

Another important task is to apply the lessons learned from Chr. Hansen's CSR projects with annatto growers in Brazil and farmers in Peru to partners in the rest of the world. Developing more partnerships and ensuring that adequate systems are in place to track the goals, performance, risks and opportunities remains high on the agenda.

A climate strategy will be compiled based on the existing ambitions and activities in order to address climate-related issues such as water availability, carbon footprint, energy efficiency for products, processes and services as well as sustainable agriculture.



The "No to Corruption!" initiative will be extended to include a whistleblower system. The Company aims to further expand initiatives within the anti-corruption program with tailor-made workshops in high-risk areas and integrity checks on distributors and agents. Furthermore, contracts with third parties will be updated to explicitly state Chr. Hansen's zero tolerance policy towards corruption.






















Increasing the level of globalization and harmonization in how Chr. Hansen manages product safety is a key focus area. One enabler is state-of-the-art document management and document control systems, which will be implemented worldwide.

Chr. Hansen reports in detail on performance during the financial year in the Consolidated Non-Financial Statements.

# Performance on ambitions for 2019/20



## Ambitions 2019/20













Goal accomplished   
Goal not accomplished 

Area	Ambition	
Product safety and quality	Deliver the highest product safety standards - through the entire value chain	
	<b>Operational goals</b>	
	All production sites PAS 220/FSSC 22000 certified by 2012/13	
	0 recalls	
	Pass all audits	
	80% of customer complaints processed within 2 weeks by 2012/13	
	10% reduction in customer complaints measured against turnover and compensation per year	
People development and welfare	Be an attractive employer through employee and business development	
	<b>Operational goals</b>	
	Employee turnover between 10-15%	
	Rate of absence less than 2%	
	Maintain more than 2 days of training per year per employee	
	Employee satisfaction survey rating of managers: Sterling managers >50%	
	Result of employee satisfaction survey above benchmark	
	Accidents with absence more than 1 day less than 5 per one million working hours by 2012/13	
	0 serious accidents	
	<b>Ambition</b>	
	Promote diversity and inclusion to strengthen our business	
	<b>Operational goals</b>	
	Women in management to equal company distribution by 2019/20	
	25% women in key positions by 2019/20	
	55% non-danes in key positions by 2019/20	
	80% of corporate management teams diverse by 2019/20	
Sustainable sourcing	Assess, approve and monitor high risk vendors	
	<b>Operational goals</b>	
	All high risk vendors approved by 2012/13	



**Ambitions 2019/20**

Goal accomplished   
 Goal not accomplished 

<b>Area</b>	<b>Ambition</b>	
Community involvement	Contribute to sustainable development through social involvement	
	<b>Operational goals</b> Conduct at least 5 community projects per year	
Resource efficiency	Produce more with less	
	<b>Operational goals</b> Increase in water and energy consumption at maximum half of the production volume increase using 2008/09 as baseline	
Pollution prevention	Produce more with less	
	<b>Operational goals</b> Keeping the amount of waste at 2008/09 level	
	Recycle 50% of our waste	
Climate change mitigation and adaption	Reduce waste water discharge by 30% per produced unit using 2008/09 as baseline	
	<b>Ambition</b> Reduce our impact on climate change	
	<b>Operational goals</b> Reduce the amount of CO <sub>2</sub> by 30% per produced unit using 2008/09 as baseline Conduct full Life Cycle Assessments on 3 products Establish CO <sub>2</sub> and water footprint for major products, incl. packaging material and transportation	  

# Key Performance Indicators

	Note	2011/12	2010/11	2009/10*	2008/09*	2007/08
EPI water (%) (1)	2	(9)	14	(3)	-	-
EPI energy (%) (1)	2	9	11	11	-	-
Raw/chemicals and packaging material (ton)	3	97,727	97,707	90,461	78,736	108,383
Energy, total (MWh)	4	170,110	169,452	167,082	173,936	178,839
Water (m <sup>3</sup> )	5	1,268,630	1,112,729	1,148,072	1,112,855	1,126,149
Waste water (m <sup>3</sup> )	6	946,500	822,102	815,898	809,349	808,454
Biomass (ton)	7	50,351	49,806	52,951	42,829	33,347
Solid waste (ton)	8	3,554	3,408	3,352	3,401	3,857
Recycled waste (%) (2)	8	20	21	21	20	30
CO <sub>2</sub> (ton)	9	61,988	61,635	61,165	53,527	54,772
Environmental non-compliances (#) (3)	10	42	37	34	15	11
Rate of absence (%)	11	2	2	2	2	-
Employee turnover (%)	11	10	13	9	14	23
Diverse teams (%)	12	46	-	-	-	-
Training (days)	13	7,711	6,106	5,578	5,164	-
Employee satisfaction and motivation (score) (4)	14	75	-	76	-	74
Sterling managers (%) (4)	14	44	-	45	-	47
Incident frequency (5)	15	10	12	9	7	14
Trained in anti-corruption (%) (6)	16	35	19	19	10	-
Passed audits (%)	17	100	100	100	100	100
Product retrievals (7)	18	3	5	4	6	6

\* Data for 2008/09 and 2009/10 has been reviewed by PwC. Data from 2007/08, 2010/11 and 2011/12 has not been reviewed by PwC.

1) EPI (Environmental Performance Indicator). The base year of the EPIs has been changed to 2008/09 and the weighting of each division has been changed to reflect the actual consumption. EPI before 2009/10 is to be found in previous annual reports

2) Recycled waste is a percentage of total waste

3) Environmental non-compliances incl. accidental spills

4) No employee satisfaction survey was conducted in 2008/09 and 2010/11

5) Calculated as number of accidents with absence per 1,000,000 working hours

6) Accumulated percentage

7) Retrieval, i.e. withdrawals as no actual recall has been required, except in 2010/11 with one recall

# Note 1 - Accounting policies for consolidated non-financial statements

## DISCLOSING NON-FINANCIAL DATA

This is the fourth corporate social responsibility (CSR) report. Chr. Hansen has embarked on a process where strategies, goals and indicators are set that elucidate not only non-financial risks, impact and challenges but also business opportunities which are in correspondence with the Company's commitments and internationally recognized principles.

The data included in the CSR report reflect issues relevant for our license to operate, i.e. regulatory requirements and potential business risks in relation to the environment, labor standards, ethics, quality and product safety. They also reflect areas where the Company has a significant impact and where it is our responsibility to act. Furthermore, the information addresses various concerns and interests of major stakeholders, such as society, employees, shareholders, customers and other business partners.

## WHO SUBMITS DATA

The criteria for collection of data are identical to the Company's financial accounting principles, i.e. subsidiaries in which Chr. Hansen Holding A/S holds, directly or indirectly, 50% of the votes or any controlling interest are included.

## CHANGES FROM 2010/11

There were no major changes, such as acquisitions or divestments, in the operations that may have a significant impact on the performance.

## ENVIRONMENTAL DATA

The environmental data cover activities, mainly related to production that may have a significant impact on the business. Data is reported by production sites, major warehouses, innovation, pilot plants and administration, while sites considered as not having a significant environmental impact, such as pure sales offices, are excluded. Outsourced toll manufacturing activities are not included.

## ENVIRONMENTAL PERFORMANCE INDICATOR (EPI)

Chr. Hansen monitors environmental performance using an

environmental performance indicator (EPI). EPI is calculated on the basis of the production volume and/or product activity and the financial year 2008/09 marks index 100. An increase in EPI is an improvement.

## RAW MATERIALS, CHEMICALS AND PACKAGING MATERIALS

Raw materials, chemicals and packaging materials comprise materials for production, cleaning and packaging of products. They do not encompass water used in products. Consumption is calculated when the material first enters production. It is recorded by weight in tons. Chemicals and cleaning chemicals are registered based on the purchased amount by weight.

## ENERGY

All energy used is registered based on direct meter readings (if meter readings are not available, the information is invoice based) and reported in MWh. Fuel consumption does not include transportation.

## WATER

Water comprises all sources and utilizations: product, non-contact cooling water, steam and domestic water. The source of the water can be the municipal water supply, private water supply, groundwater or surface water. Water volumes are reported in cubic meters on the basis of metered intake or invoices.

At some production sites, non-contact cooling water is either re-injected to the groundwater reservoir or reemitted to surface water. As the non-contact cooling water is not contaminated with neither products nor chemicals, and there is no net use, this source is not included in the calculation of our water consumption.

## WASTE WATER

Waste water discharge comprises waste water from production and other activities such as domestic waste water. All waste

water is emitted to public waste water treatment plants. The water discharge is measured in cubic meters by flow meters at some sites, especially the large sites, and calculated at most sites, especially small sites, based on the incoming water volume (which is measured in cubic meters by metered intake).

Biological oxygen demand (BOD), nitrogen (N) and phosphorous (P) are measured as proportional flow, based on samples taken at the point of discharge at some of the facilities. For the remaining sites where it is not a regulatory requirement to measure, the content is estimated.

#### **BIOMASS**

Biomass, i.e. by-product from production, is measured as the weight produced and reported in tons. It is utilized as liquid fertilizer, liquid feed or fuel for energy production.

#### **WASTE**

Waste is the registered volume of solid waste broken down by fraction and disposal method. The fractions and disposal methods are defined by Chr. Hansen and include recycled waste (in a number of sub-fractions), hazardous waste, waste for incineration and waste for landfill. Waste is recorded by weight in tons based on weighing at the recipient or invoicing from the authorized handler.

#### **EMISSIONS OF GREENHOUSE GASES**

Emissions of CO<sub>2</sub> from Chr. Hansen's energy consumption are recorded and compiled. Emissions are calculated in tons. The conversion factors are based on the principles stipulated in the Greenhouse Gas Protocol combined with peer-reviewed lifecycle-based figures or nationally recognized key figures in the countries where our sites are located. Emissions from transportation are not included.

#### **INSTANCES OF ENVIRONMENTAL NON-COMPLIANCE**

Breaches of regulatory limits and accidental releases are measured as the number of breaches/accidental spills reported to the authorities or the received notices of violation. Environmental complaints are the number of complaints received (be it in person, by phone or in writing) from stakeholders (i.e. authorities, neighbors, employees, NGOs). Registration of all non-compliances takes place at the end of the business day.

#### **SOCIAL DATA**

Global data concerning people, people development and employee satisfaction are reported by all legal entities and sites. However, occupational health and safety (OHS) data are reported by production sites, major warehouses, innovation, pilot plants and administration, while sites considered as having no significant impact, such as pure sales offices, are excluded. The same reporting scope as for OHS data is in place for data regarding quality and product safety.

#### **EMPLOYEES**

##### **Number of employees**

All headcount data are the number of employees reported and consolidated in the Company's SAP system. The number of employees is the total number of employees at year end, excluding temporary employees.

##### **Employee turnover**

Employee turnover is calculated as an average percentage at the end of the financial year of the number of employees who were dismissed or voluntarily left the Company during the period compared to the average number of employees during the same period. Temporary employees are not included in this number.

##### **Rate of absence**

Rate of absence is calculated as an average percentage per region. The basis is the number of days employees have been absent due to own illness compared to the number of possible annual working days (240 working days). Absence due to illness of own children or relatives as well as maternity/paternity leave, is not included.

##### **Diversity and inclusion (demographics)**

Gender is calculated as the number of employees within each category at the end of the financial year. Gender in regards to managers is based on the employee satisfaction survey mailing list in combination with job types (April 2012). Gender and nationality in key positions is calculated at the end of the financial year. Diverse teams are calculated at the end of the financial year.

Inclusion is measured in the employee satisfaction survey at least bi-annually (see section on employee satisfaction).

### **Employee development**

The average hours of training per year per employee are recorded locally in individual training records. For some small sites or offices, for example in Eastern Europe, the number of training hours is estimated for data before 2009/10. Data concerning performance and career development interviews are available via the employee satisfaction surveys for 2005/06 to 2007/08, 2009/10 and 2011/12 for all sites. Data for 2008/09 and 2010/11, where no employee surveys were conducted, have been reported by the regional HR coordinators, and in Denmark by Stakeholder Relations.

### **Employee satisfaction**

The Employee Satisfaction Survey is conducted at least bi-annually. All employees that have a seniority of three months or more and who are not on leave of absence participate in the survey. Temporary employees are included if they have a contract of more than six months. Overall employee “satisfaction and motivation” and “loyalty” are measured, as is satisfaction on engagement drivers such as “professional and personal development”, “daily work” and “immediate manager”.

### **Occupational health and safety**

The number of accidents resulting in more than one day's absence from work and the incident type is recorded. Occupational illnesses are also recorded the first time they are registered.

Sites report the number of violations of health and safety regulatory requirements. Violations encompass the number of breaches reported to the authorities or notices of violation from the authorities. The number of complaints related to occupational health and safety is also recorded.

Performance for health and safety is measured by accident frequency. The accident frequency is calculated as accidents resulting in more than one day's absence per one million working hours, excluding sickness, maternity/paternity leave and holidays. A decrease in the frequency is an improvement.

The accident frequency for occupational illnesses is calculated as the first time the incident is recorded per one million working hours.

The severity of accidents is measured as the number of days away from work per accident.

### **ETHICS**

Chr. Hansen's Legal Affairs records the number of employees trained in the organization's anti-corruption and anti-trust policies and procedures for business functions that need to be especially aware of legal requirements and our commitments, such as sourcing, sales and finance.

### **QUALITY AND PRODUCT SAFETY**

#### **External audit**

Sites are subject to audits by authorities, customers and certifying agencies. All relevant audits are registered in a central database owned by Corporate Quality. If the final audit report is not received at the time of reporting, we consider the audit in question as approved. From 2007/08 to 2010/11 the number of audits by customers and authorities were recorded. Since 2011/12 the number of audits from customers and our certifying body, Bureau Veritas Certification (BVC), have been recorded. BVC audits related to ISO 9001, ISO 22000 and FSSC 22000 are recorded.

#### **Customer complaints**

Complaints are perceived as vital information about the performance of our products and services. The number of received (justified or unjustified) customer complaints is recorded in the global complaint system.

#### **Product retrievals**

An internal procedure is in place for managing incidents that can lead to withdrawal or recall of products. All products sold by Chr. Hansen are subject to this procedure. Retrievals are recorded on the day the decision was made to retrieve.

# Notes to Non-financial statements

## Note 2 - Environmental performance indicator

Overall environmental performance for fiscal year 2011/12 was satisfactory. The reduction target was more than met for energy, where a reduction of 32% was achieved versus 2008/09. For water, performance was at a level similar to the basis year 2008/09. Chr. Hansen is not satisfied with this development and have identified the main reason for this significant change: technical defects in the water supply, which forced an increased consumption for a period this year.

Natural Colors successfully continued to grow the business in a sustainable way. The Energy EPI for Natural Colors has now improved by more than 62% since 2008/09 and by more than 18% since 2010/11. Cultures & Enzymes delivered fine reductions on energy. The EPI development for Health & Nutrition is influenced by process upgrades and by refurbishment in general. Chr. Hansen is striving to improve performance in all divisions.

Besides less efficient water utilization, Chr. Hansen is satisfied with the result and is striving to continue the positive development and deliver new reductions in 2013 according to the 2020 environmental ambitions.

	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
EPI - water, Cultures & Enzymes	EPI	98.1	110.1	96.9	100	-
EPI - water, Health & Nutrition	EPI	70.2	77.1	77.7	100	-
EPI - water, Natural Colors	EPI	135.5	128.3	106.4	100	-
Total EPI - water	EPI	101.8	110.5	96.8	100	-
Average EPI - water (% improvement)	%	(9)	14	(3)	-	-
EPI - energy, Cultures & Enzymes	EPI	126.3	118.8	112.0	100	-
EPI - energy, Health & Nutrition	EPI	78.6	86.7	80.0	100	-
EPI - energy, Natural Colors	EPI	162.7	144.0	119.7	100	-
Total EPI - energy	EPI	131.6	122.4	111.2	100	-
Average EPI - energy (% improvement)	%	9	11	11	-	-

## Note 3 - Raw materials, chemicals and packaging

Raw materials consumption decreased compared to 2010/11. Adjusted for the divested Flavor business, a minor increase was observed. The 5% increase in chemicals/auxiliary materials was in line with expectations and fits with the general growth and efficiency of the business. The 3% decrease in consumption of packaging materials primary originated from a change in the product mix. Chr. Hansen will continue the efforts to reduce the consumption of materials per produced unit in 2012/13.

	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
Raw material	ton	36,508	38,802	38,150	38,562	66,476
Chemicals/auxilliary material	ton	50,355	47,750	42,053	30,850	32,180
Packaging material	ton	10,864	11,155	10,258	9,324	9,727

**Note 4 - Energy**

In 2011/12 Chr. Hansen saw only a minor increase in total energy consumption compared to 2010/11, which is insignificant compared to the increase in production volume.

The energy sources were unchanged and consumption was steady. Steam consumption increased by 11%, driven primarily by a change in the product mix which resulted in more steam consumed for sterilizing processes. Energy optimization and a focus on energy efficiency is an important part of the strategy toward 2020.

	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
Total energy consumption	MWh	170,110	169,452	167,082	173,936	178,839
Electricity	MWh	64,888	63,572	62,721	62,681	66,222
District heating	MWh	11,092	10,845	10,580	12,063	12,895
Steam (purchased)	MWh	8,840	7,978	8,705	8,309	7,843
Propane, butane, flask gas	MWh	249	173	172	185	4,728
Natural gas	MWh	81,357	83,123	81,161	86,553	82,893
Fuel and gas oil	MWh	3,684	3,762	3,743	4,146	4,257

**Note 5 - Water**

Total water consumption increased by 14%, slightly higher than the increase in production volume. The primary increase was in potable water. Two unforeseen technical issues in the Cultures & Enzymes Division have challenged the positive trend curve in water performance. Chr. Hansen is not satisfied with the result and are striving to reduce consumption during the next financial year. Reducing water consumption is a high priority target in the 2020 strategy.

	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
Total water consumption	m <sup>3</sup>	1,268,630	1,112,729	1,148,072	1,112,855	1,126,149
Potable water	m <sup>3</sup>	1,068,709	908,956	943,581	890,875	925,329
Groundwater	m <sup>3</sup>	199,921	203,773	204,491	221,980	200,820

**Note 6 - Waste water**

Waste water discharge increased by 15% compared to 2010/11. Waste water discharge is a function of the water consumed. Please see Note 5 for further information.

Nitrogen and Biological Oxygen Demand (Total N & BOD) were within acceptable ranges. Phosphorous (Total P) was reduced by 18%. The discharge is determined by the product mix and therefore also the now-divested Flavor business. Chr. Hansen is very satisfied that it has succeeded in lowering the impact on nutrient enrichment. The Company expects to keep the same level in 2012/13.

	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
Total waste water	m <sup>3</sup>	946,500	822,102	815,898	809,349	808,454
	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
BOD	ton	2,588	2,524	2,618	2,546	2,737
Total-N	ton	256	260	282	324	373
Total-P	ton	51	62	83	76	80

**Note 7 - Biomass**

The amount of recycled biomass remained at the same level as in 2010/11. The minor fluctuations relate to a change in the product mix. All biomass is utilized as liquid fertilizer, as liquid feed or for biogas production.

	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
Recycled Biomass	ton	50,351	49,806	52,951	42,829	33,347

**Note 8 - Waste**

The solid waste generated increased by 4% compared to 2010/11. The total recycled waste declined by 3%. The specific recycling categories fluctuate considerably. More sites have new recycling fractions (plastic and metal) and other sites performed clean-up activities such as the recycling of production equipment. The decrease in the recycled paper fraction was linked to the divested flavor business. The increase in the "Recycling Other" fraction originates from obsolete equipment. A waste fraction moved from incineration to landfill due to new regulatory limits for moisture content, causing the landfill volume to increase. Chr. Hansen is striving to improve performance in the coming years.

	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
Total recycled waste	ton	708	727	689	696	1,166
Recycling: Paper/cardboard	ton	265	346	393	428	481
Recycling: Plastic	ton	132	72	104	92	138
Recycling: Metals	ton	159	113	73	45	121
Recycling: Glass	ton	4.86	6.74	0.99	0.98	0.14
Recycling: Wood	ton	95	178	97	111	251
Recycling: Other	ton	52	10	21	18	175
Recycling	%	20	21	21	20	30
Incineration	ton	909	905	1,017	967	937
Landfill	ton	1,864	1,684	1,568	1,645	1,696
Hazardous waste	ton	73	93	79	93	59
Solid waste	ton	3,554	3,408	3,352	3,401	3,857

**Note 9 - Emissions of greenhouse gases**

CO<sub>2</sub> emissions in 2011/12 were at the same level as in the previous financial year. Energy consumption was kept low and the energy mix did not change. Chr. Hansen is satisfied with the ongoing positive development from previous years, which has seen us increase production while keeping CO<sub>2</sub> emissions at a steady level. The emissions are based on 2010/11 emissions factors.

	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
CO <sub>2</sub>	ton	61,988	61,635	61,165	53,527	54,772

**Note 10 - Instances of environmental non-compliance**

Chr. Hansen received nine notices of violations of regulatory requirements in 2011/12 from the authorities. Eight related to "wastewater discharge", one related to "emissions to air". All notices have been handled in cooperation with the authorities, and there are no outstanding claims.

Chr. Hansen recorded an additional 33 non-conformities, including "accidental releases" that have been reported to the authorities. Twenty-seven of these were nutrient concentrations above the waste water discharge permit limit (mainly BOD, N and P), including "accidental product releases"; three were related to the "handling of waste"; one was related to "spills to soil". In addition, there was one non-conformity relating to "dangerous goods/substances" (incorrect storage of flammable goods) and one in "emissions to air". No adverse effects from the non-compliances indicated above have been observed.

The increase in the number of violations is primarily a result of the increased focus on reporting incidents.

In 2011/12 the company received no environmental complaints from stakeholders.

	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
Violations of environmental regulatory requirements (including accidental releases)	Number	42	37	34	15	11
Complaints	Number	-	6	2	11	1



**Note 11 - People**

During 2011/12 the number of employees increased by 5% to 2,472 as of the end of the year, which equals 2,448 full-time-equivalents (FTEs). The average number of employees during 2011/12 was 2,425. In Europe, North America and South America, the number of employees increased as a result of additional activity. The greatest percentage increase was in South America (by 14%). In Asia-Pacific, Middle East & Africa, there was a slight decrease in the number of employees due to changes in the distribution setup for the products.

The employee turnover rate has decreased from 13% to 10% (voluntary 7.5%; involuntary 2.7%), which lies within the target of 10-15%. Attracting and retaining the right talents is a key objective for Chr. Hansen.

	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
Total number of employees	Number	2,472	2,360	2,303	2,178	2,130
Asia-Pacific, Middle East & Africa	Number	229	250	158	106	92
Europe	Number	1,639	1,547	1,584	1,521	1,492
North America	Number	343	335	327	308	318
South America	Number	261	228	234	243	228
Number of Fulltime equivalents (FTE)	Number	2,448	2,337	2,268	2,143	-
Employee turnover (average)	%	10	13	9	14	23
Rate of absence (weighted average)	%	2	2	2	2	-

**Note 12 - Diversity & Inclusion**

Chr. Hansen has been reporting the gender ratio for the entire company for several years. In 2011/12 the gender ratio changed to 60% men and 40% women, marking an increase for women. 2011/12 was the first year where the Company reported more detailed data on diversity and inclusion, focusing on gender, nationality and age. For the first two criteria, Chr. Hansen has established concrete targets, while for the latter the Company will continue to monitor so as to maintain an optimal distribution.

With regard to gender, the Company aims to achieve the same distribution at management level as within the company as a whole. The percentage is now 32% women in management compared to 40% at a company level; this requires an increase of 8% in 2020. In key positions, Chr. Hansen is aiming for at least 25% women by 2020, versus the current level of 17%.

In terms of nationality, Chr. Hansen is aiming to increase the number of non-Danes in key positions from 40% currently to 55% in 2020 in the effort to become a truly global company. Diverse management teams are another focus area, where the goal is to make 80% of management teams diverse by 2020, starting from 46% in 2011/12.

The strong points of a diverse organization will not fully evolve if Chr. Hansen does not embrace its role as an inclusive organization. Making sure the Company does not discriminate and promotes equal opportunities is an integrated part of this. Chr. Hansen measured inclusiveness for the first time in this year's Employee Satisfaction Survey (ESS) (see Note 13). Seven indicators are used to establish the inclusiveness index. Four indicators were already included in the survey, to which was added three new questions about discrimination and harassment, the Company's ability to value diversity, and managers' respect toward people. The index score was 80, where 75 is very good according to Ennova, the partner for ESS. The result indicates Chr. Hansen is on the right track regarding diversity and inclusion.

	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
<b>Gender - All employees</b>						
Female	%	40	39	39	39	-
Male	%	60	61	61	61	-
<b>Gender- Managers</b>						
Female	%	32	-	-	-	-
Male	%	68	-	-	-	-
<b>Gender - Key positions</b>						
Female	%	17	-	-	-	-
Male	%	83	-	-	-	-
<b>Nationality - Key positions</b>						
Dane	%	60	-	-	-	-
Non-dane	%	40	-	-	-	-
<b>Diverse teams</b>	%	46	-	-	-	-
<b>Inclusiveness</b>						
Chr. Hansen	Score	80	-	-	-	-

**Note 13 - Training and performance development interview**

In 2011/12 the number of training days globally increased by 26%, equaling an increase of 1,605 days. The actual number is likely to be higher, due in part to the fact that Danish data only include external training to a certain extent (open enrolment courses). The total number of training days per employee was approximately 3.1, equivalent to a 21% increase per employee compared with the prior fiscal year. The increase in training days was primarily driven by a large increase in South America. The strong and persistent focus on training and development since 2006 - as illustrated by the increase in the number of training days - will continue in the coming years. Training and development is a strategic focus area for Chr. Hansen globally.

<b>Training</b>	Unit	<b>2011/12</b>	2010/11	2009/10	2008/09	2007/08
Total number of Training Days	Days	7,711	6,106	5,578	5,164	-
Asia-Pacific, Middle East & Africa	Days	761	606	648	257	-
Europe	Days	3,897	4,041	2,892	3,203	2,848
North America	Days	996	777	1,318	599	-
South America	Days	2,057	682	720	1,105	-

The performance development interview (PDI) conducted globally remained at a very high level in 2011/12. Chr. Hansen did not conduct the Employee Satisfaction Survey in 2010/11. The reason behind the variation in the percentage between 2011/12 and 2010/11 is that employees who are employed from November onwards do not have an official PDI with their immediate manager. This also accounts for the variation between 2009/10 and 2008/09.

<b>Performance Development Interview</b>	Unit	<b>2011/12</b>	2010/11	2009/10	2008/09	2007/08
Total	%	88	94	88	90	85
Asia-Pacific, Middle East & Africa	%	92	100	88	100	93
Europe	%	87	91	88	86	88
North America	%	90	100	89	100	85
South America	%	91	99	88	91	78

**Note 14 - Employee satisfaction**

95% of Chr. Hansen employees globally responded to the Employee Satisfaction Survey in 2011/12, which indicates a very high level of support from the organization, i.e. voting rights are used. A score between 65 - 70 is fair, between 70 - 75 is satisfactory and above 75 is very good according to Ennova, our partner on the survey. Generally, the Company has seen a small decline in the scores, although they continue to be at a very high level. The survey indicates that loyalty as well as satisfaction and motivation is very high, in spite of the small decline from 2009/10 when the survey was last conducted. Compared to a benchmark (European Employee Index) prepared by Ennova, satisfaction is significantly higher at Chr. Hansen. The indicator for psychological work conditions ("daily work") saw a small decline but is still at a very high level, indicating that Chr. Hansen has succeeded in striking an appropriate work-life balance. The Company also saw a small decline for the indicator for development opportunities ("professional and personal development"), but the focus on performance development and training is still recognized by our employees. The rating of immediate managers is at the same high level as in 2009/10 (80.1), and according to the benchmark prepared by Ennova the share of sterling managers is higher at Chr. Hansen than the country average.

	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
Satisfaction & motivation	Score	74.9	-	76.0	-	74.1
Loyalty	Score	83.2	-	84.5	-	80.6
Daily work	Score	76.5	-	77.9	-	76.5
Professional and personal development	Score	68.8	-	69.2	-	66.8
<b>Managers</b>						
- Sterling manager	%	44	-	45	-	47
- Weak manager	%	9	-	8	-	7

**Note 15 - Occupational health and safety**

The number of lost time incidents decreased compared to 2010/11, resulting in a frequency decrease from 12 to ten accidents with absence per one million working hours. The lost time incidents fell consistently in the categories strains, contusions and heat injuries. However, it has been noted that the severity of accidents increased a little. Chr. Hansen has had no fatal accidents. There is focus on preventive measures, safe behavior initiatives and incentive drivers such as the implementation of health and safety performance in the bonus program. The aim for 2012/13 is maintained at reducing the frequency to five accidents with absence per one million working hours. The number of occupational illnesses increased from nine to eleven in 2011/12. Muscle-skeletal disorder is the main cause for illness. The incidents have not required transfer to other jobs, either internally within Chr. Hansen or to outside companies. We are, however, monitoring the situation closely and looking at ways to reduce manual handling.

Chr. Hansen did not receive any notices of violation from the authorities in 2011/12 related to health and safety, but the Company received one neighbor complaint regarding unsafe driving.

	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
No notice from the authorities and no complaints in 2011/2012 related to health and safety.	Number	39	46	34	27	56
Number of occupational illnesses	Number	11	9	8	7	7
Violations of occupational health & safety regulatory requirements	Number	0	1	0	0	1
Complaints	Number	1	0	1	0	0
Frequency of Accidents with absence more than one day per one million working hours		10	12	9	7	14
Frequency of occupational illnesses per one million working hours		3	2	2	2	2
Severity (number of days away per accident with absence)		9	9	12	9	9

**Note 16 - Ethics**

870 employees have now been trained in anti-trust/competition law and anti-corruption initiatives, including executive management. That accounts for 35% of all employees at Chr. Hansen. The targeted employees all have external relations. Approximately 50% of the employees fall into that category. In 2012/13 the training program will be extended to cover agents and distributors.

	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
Training in anti-corruption and anti-trust policies and procedures for sourcing, sales and finance organizations.	%	35	19	19	10	-

**Note 17 - Quality and product safety**

Chr. Hansen was not disapproved in any audit in 2011/12. The Company is benchmarking audit performance between the sites and measuring out the certifying body's (Bureau Veritas Certification - BVC) audit findings against a Product Safety KPI.

The number of customer complaints increased 2% in total numbers, but decreased 9% compared to total turnover. The operational target was a 10% decrease compared to total turnover. The historical complaint data have been cleansed after the sale of our Flavor business and inter-company complaints to make them historically comparable.

	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
Customer and authority audits	Number	65 *	77 **	95 **	67 **	73 **
External audits passed	%	100	100	100	100	100
Customer complaints	Number	2,505	2,447	1,997	1,992	2,637

\* Bureau Veritas Audits and customers

\*\* Measured on Customer and Authority Audits

**Note 18 - Product retrievals**

There are no specific trends in the number or types of product retrievals. All incidents that can lead to the withdrawal or recall of products are managed by specially trained teams to ensure 100% harmonization and coordination in all markets. We had a total of three withdrawals in 2011/12. One was related to a legal issue judged by an EFSA opinion and two were quality related. There were no recalls in 2011/12.

Food safety hazard	Reason for product retrieval in 2011/12
Product safety (recall)	None
Legal	1) EFSA negative opinion about use of culture
Quality*	2) Wrong color in color product 3) Wrong odor in processing aid

	Unit	2011/12	2010/11	2009/10	2008/09	2007/08
Product retrievals	Number	3	5**	4	6	6

\* Quality related recalls do not implicate risks for the consumers.

\*\* One recall in 2010/11