



CHR HANSEN

Improving food & health

SUSTAINABILITY REPORT

2015/16

COMMUNICATION ON PROGRESS

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SUSTAINABILITY REPORT 2015/16

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IN BRIEF

LETTER TO STAKEHOLDERS

LAUNCH OF NEW SUSTAINABILITY STRATEGY

Every day, Chr. Hansen's ingredients are consumed by more than 1 billion people worldwide. This serves as a testament to the unique opportunities we have to address a number of the world's biggest challenges through our technologies, core competencies and strategic activities. This is the focus of Chr. Hansen's sustainability strategy, launched in July 2016, as an extension of the corporate strategy, Nature's No. 1.

The sustainability strategy focuses on three key areas where Chr. Hansen can make a big difference:

- Help feed the growing population by promoting **sustainable agriculture** with our natural plant protection, silage inoculants and natural growth promoters for livestock
- Help customers **reduce food waste** through our bioprotective solutions and get more out of less with our active cultures
- **Improve global health** through probiotics and healthier food ingredients

The strategy is aligned with the UN Sustainable Development Goals (SDGs) and sets out how Chr. Hansen, through our products and natural solutions, can have a positive impact on three of the global goals. The SDGs provide a unique platform for joint action on a global scale and set the direction for how to address the world's biggest challenges over the next 15 years. The 17 goals were adopted by all UN member states in 2015.

A first step in documenting Chr. Hansen's impact on the SDGs was taken in 2015/16, when we assessed and documented how bioprotection can help reduce the amount of yogurt waste throughout the value chain.

STRENGTHENING OUR OPERATIONAL FOUNDATION

In the Sustainability Strategy 2020, Chr. Hansen reaffirmed its commitment to conducting business with high social, environmental and ethical standards, and the Group also reaffirmed its commitment to the UN Global Compact.

In 2015/16, Chr. Hansen strengthened the organizational anchoring of the sustainability area by establishing a Sustainability Board and developing a new Sustainability Position. The Board is chaired by the CEO and has senior management members from all relevant business areas and support functions. The Board is responsible for driving the sustainability agenda, following up on targets, ensuring implementation and aligning the agenda with the corporate strategy.

Chr. Hansen also revised its operational targets for social and environmental performance and made new targets for safety, energy, CO₂, water and waste recycling. With these new targets, we are striving to reduce the environmental footprint of our own operations, while promoting safe, responsible and environmentally sound practices throughout our organization.

LOOKING AHEAD

We have defined a clear ambition for how to contribute to sustainable development and where to focus our resources. During 2016/17, we will act on the strategic commitments, initially focusing on food waste reduction.

We invite partners to join us in addressing global challenges and look forward to helping pave the way for a more sustainable future.

Cees de Jong
President & CEO

IN BRIEF

LONG-TERM COMMERCIAL GOALS

The table below illustrates the organizational anchoring, targets and progress for the long-term commercial goals of Chr. Hansen's Sustainability Strategy 2020. The commercial goals are defined with reference to the UN Sustainable Development Goals.

	Better farming	Less waste	Good health
Sustainable Development Goals (SDGs)	Zero hunger and sustainable agriculture (SDG 2)	Responsible production, consumption and reduction of food waste (SDG 12)	Good health and well-being (SDG 3)
Long-term targets	Chr. Hansen's natural solutions applied across 25m hectares of farmland by 2025. Equivalent to two times the farmland of Italy ¹	Reduce global yogurt waste by 2% (700,000 tons) by 2020. Equivalent to total yogurt waste in the UK for 12 years ²	Launch five new products with a documented health effect by 2020. Covers probiotics as well as food ingredients to reduce the content of salt, sugar and fat
Progress on targets, 2015/16	2.2m hectares treated with natural plant solutions	100,000 ton reduction in yogurt waste	One product launched
Strategic highlights, 2015/16	Capture™ VGR™, a natural solution for plant health and yield enhancement was launched through an alliance with FMC Continued positive results from applying Nemix® C to sugarcane in Brazil	Impact study conducted to measure Chr. Hansen's yogurt waste reduction potential in Europe	Launch of NOLA™ Fit to avoid lactose and reduce added sugar in fermented milk products
Business areas	Plant Health and Natural Colors	Food Cultures & Enzymes	Human Health and Food Cultures & Enzymes

¹ Eurostat 2010 http://ec.europa.eu/eurostat/statistics-explained/index.php/Agricultural_census_in_Italy

² Wrap, 2014 http://www.wrap.org.uk/sites/files/wrap/Product-focused%20report%20v5_3.pdf

IN BRIEF

LONG-TERM OPERATIONAL GOALS

The table below illustrates the governance, targets and progress for Chr. Hansen's long-term operational goals.

	Climate and environmental sustainability	Workplace responsibility	Business and product integrity	Responsible sourcing
UN Global Compact	Principles 7-9	Principles 1-6	Principle 10	Cross-cutting (all principles)
Long-term targets, 2020	20% energy and water efficiency improvement* 25% CO ₂ efficiency improvement* 40% of waste recycled*	Lost-Time Incident Frequency (LTIF) of 2.0 80% diverse corporate management teams	Extension of business integrity processes and procedures for third parties on anticorruption	Full implementation of responsible sourcing methodology
Progress on targets, 2015/16	Energy efficiency: 8% improvement* Water efficiency: 5% improvement* CO ₂ efficiency: 16% improvement* Waste: 23% recycled*	LTIF: 4.0 Diverse corporate management teams: 69%	Approx. 1,200, out of 2,852 employees invited to participate in e-learning training on anticorruption	85% of direct suppliers approved under Chr. Hansen's vendor approval guidelines
Strategic highlights, 2015/16	Launch of new 2020 environmental targets Reporting extended to include GHG Scope 3 emissions from downstream transportation	Launch of new long-term target for LTIF Launch of new annual employee engagement survey	26 third party audits of quality and food safety	Chr. Hansen ranked as "advanced" in EcoVadis Sustainability Assessment
Policies and positions	Business Integrity Policy Sustainability Position	People, Knowledge and Organization Policy Diversity & Inclusion Objectives Health & Safety Position Sustainability Position	Business Integrity Policy Anticorruption Position	Sustainability Position Supplier Guiding Principles

* From base year 2013/14

COMMERCIAL GOALS

SUSTAINABLE PRODUCTS

ADDRESSING GLOBAL CHALLENGES

Chr. Hansen's new sustainability strategy focuses on how the Group can make a difference to global challenges and support the SDGs.

Based on an extensive stakeholder engagement process and detailed analysis of Chr. Hansen's current and future impact, the strategy focuses on three areas where Chr. Hansen can help advance the global goals through its core competencies.

BETTER FARMING (SDG 2)

Chr. Hansen helps farmers to increase productivity by using bacterial solutions that help reduce use of chemical pesticides on crops and increase yield.

In 2015/16, the natural solution Capture™ VGR™ was launched. This is a natural solution to increase corn yield and plant robustness and, ultimately, help reduce the use of chemicals. The product is the result of a strategic alliance between Chr. Hansen and FMC.

Nemix® C continued to show good results in replacing chemical pesticides with no loss of yield in Brazil's sugarcane industry.

LESS WASTE (SDG 12)

Chr. Hansen's bioprotective cultures inhibit the growth of yeast and mold contamination in food and can therefore also help extend shelf life and reduce waste.

To fully understand the impact of bioprotection on food waste reduction, Chr. Hansen conducted an impact study on the benefits of bioprotection in the yogurt value chain in Europe. The study found that dairy manufacturers, retailers and consumers can reduce yogurt waste substantially and cost effectively, by using bioprotection.

GOOD HEALTH (SDG 3)

Chr. Hansen helps improve global health through healthier, safer and more nutritious products within the food and pharmaceutical sectors.

A new product, NOLA™ Fit, was launched in 2015/16, enabling manufacturers to naturally convert milk sugar to sweeter tasting sugars. This creates a sweeter product without increasing the content of calories.

Another milestone was the partnership with Caelus Health to develop the next generation of probiotics, with a documented health effect, using bacteria from the human microbiome.

OUTLOOK

In 2016/17 Chr. Hansen will continue to activate and deliver on the three pillars of the strategy, seeking partnerships and opportunities for collaboration, initially in the area of food waste.



2.2M HECTARES OF FARMLAND TREATED WITH NATURAL PLANT SOLUTIONS

100,000 TONS LESS YOGURT WASTE

1 PRODUCT WITH A DOCUMENTED HEALTH EFFECT LAUNCHED

OPERATIONAL GOALS

CLIMATE AND ENVIRONMENTAL SUSTAINABILITY

NEW ENVIRONMENTAL TARGETS

As part of the new sustainability strategy, Chr. Hansen launched four new environmental targets for 2020. From the base year 2013/14, Chr. Hansen is aiming for:

- 20% energy and water efficiency improvement
- 25% CO₂ efficiency improvement
- 40% of solid waste recycled

To support the new targets, the environmental organization was strengthened and a fully global approach to environmental management adopted. Among other initiatives, this includes new minimum global standards and systematic implementation of best practices.

ENERGY, CO₂, WATER AND WASTE

Chr. Hansen strives to reduce the environmental footprint of its operations and activities, and works systematically throughout its value chain to promote responsible practices with respect to climate and the environment.

In 2015/16, Chr. Hansen improved its energy efficiency by 2%. Since the base year 2013/14, the Group's energy efficiency has improved by 8%.

CO₂ efficiency improved by 5% during the year. The improvement is primarily a result of reduced greenhouse gas emissions from cooling systems and an increased focus on preventive maintenance of equipment.

Performance against the long-term target is well on track, as Chr. Hansen has improved its CO₂ performance by 16% since the base year.

During 2015/16, Chr. Hansen extended its reporting to cover greenhouse gas emissions from downstream transportation under Scope 3 of the Greenhouse Gas Protocol. A project was launched to increase focus on the environmental footprint of our transportation.

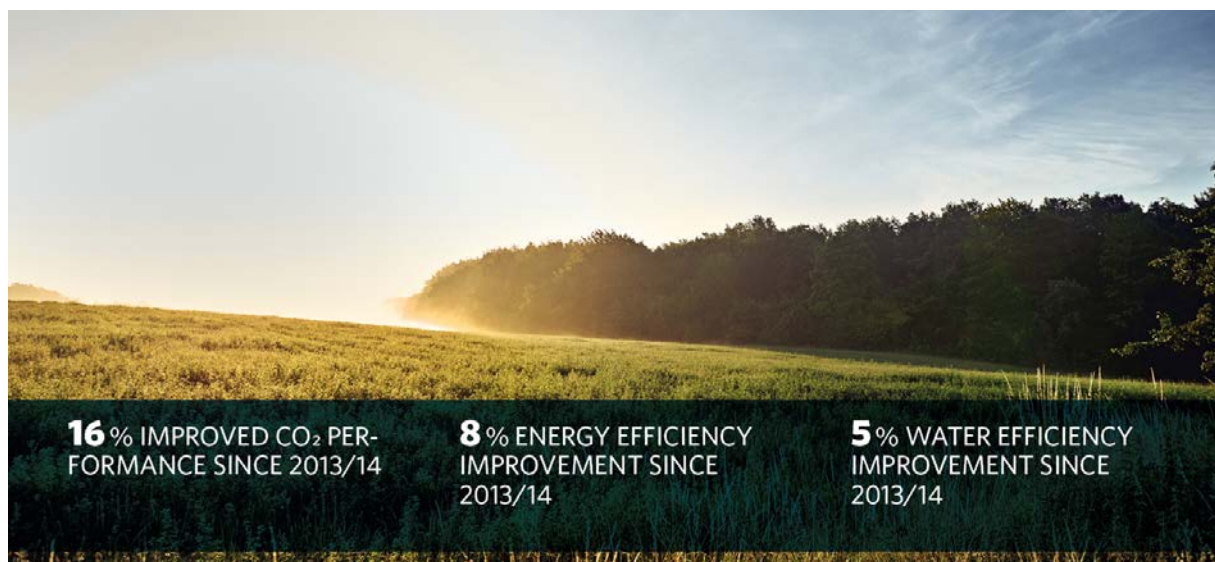
Water efficiency is stable since last year with a 5% improvement compared to the base year 2013/14.

The percentage of solid waste recycled stayed just above 20, similar to last year's performance.

OUTLOOK

In 2016/17, Chr. Hansen will focus on developing a global environmental standard and governance structure, and revise the reporting requirements for environmental, health and safety data.

Waste handling at production sites will be a focus area for the Group in order to reach the 2020 target for recycling of solid waste.



OPERATIONAL GOALS

WORKPLACE RESPONSIBILITY

INCREASED FOCUS ON HEALTH AND SAFETY

Chr. Hansen sharpened its focus on health and safety in 2015/16. A new global Health and Safety Organization was established to build a safety mindset across the Group and share best practices to prevent incidents from happening.

A new Lost Time Incident Frequency (LTIF) target of "Two in Twenty" was set, signaling that Chr. Hansen aims to reduce Lost Time Incidents to 2.0 per million working hours by 2020, while continuing to establish a zero-accident mindset.

In 2015/16, the LTIF increased from 3.3 to 4.0. The main reason for the increase is improved global awareness of when and how to report incidents and injuries. Although the LTIF increased, there was a positive development in the severity of the incidents, as the average number of days away after the incidents decreased from 25 to 10 since 2014/15.

ENGAGEMENT MATTERS

In 2015/16, Chr. Hansen transitioned from the biennial employee *satisfaction* survey to an annual employee *engagement* survey by Gallup. Employee engagement is a better measurement of employees' desire to perform, be productive and have an emotional connection to their workplace. The rate of participation in the survey was high at 94%, compared to the Gallup average of 87%. The average score was 3.8 out of 5.0, showing clear strengths to build on as well as areas for improvement.

DIVERSITY AND INCLUSION

Openness, inclusion and diversity are instrumental to realizing Chr. Hansen's full potential in tomorrow's business environment. In 2015/16, the Group extended its definition of diversity from a focus on gender and nationality to a broader focus on developing an engaged, diverse and open-minded culture, where each employee's unique differences are welcomed and valued.

In 2015/16, Chr. Hansen made progress toward gender equality in different layers of management. The percentage of women in management positions increased from 36 to 39, and in key positions the percentage of women increased from 18 to 22. At the same time, however, there was an 8 percentage point decline in diverse management teams due to an organizational change.

On Chr. Hansen's Board of Directors, two of the seven shareholder-elected members are women and four are non-locals.

OUTLOOK

In 2016/17, the sharpened focus on health and safety will continue, with new initiatives within behavior-based safety, safety assessments and global projects.

Chr. Hansen will develop a new global leadership program that will further enhance diversity and drive engagement. The Board of Directors aims to have at least three female members by the end of 2020.



OPERATIONAL GOALS

BUSINESS AND PRODUCT INTEGRITY

ANTICORRUPTION IS A PRIORITY

As a global ingredients supplier and bioscience company, Chr. Hansen complies with the highest business integrity standards.

All employees in relevant functions are required to complete the anticorruption e-learning program. The program was relaunched in August 2016, and is open for completion until the end of the calendar year, where participation rate is expected to be above 90%. After the initial two months, 73% of invited employees have completed the training.

In-person training covering anticorruption, the whistleblower platform and business integrity was carried out in ASEAN and Turkey during 2015/16.

REPORTING CONCERNS

Chr. Hansen encourages employees and external stakeholders, such as suppliers and customers, to raise concerns regarding business integrity. In 2015/16, two issues were raised directly with senior management, and one was reported through the whistleblower platform. All three incidents were investigated, and appropriate actions were taken. Chr. Hansen will continue communicating on the whistleblower system to ensure that all employees and relevant stakeholders are aware of and familiar with it.

SAFE PRODUCTS

All production sites are certified according to the food safety standard FSSC 22000, and central product development functions are certified according to ISO 22000.

During 2015/16, three product retrievals were carried out, which is one fewer than last year. All the retrievals were of a precautionary nature in light of potential quality risks and not the result of an actual confirmed safety or health-related risk.

OUTLOOK

In 2016/17, Chr. Hansen will focus its efforts on raising awareness of business integrity with third parties by launching a third-party code of conduct.

Chr. Hansen will continue to encourage internal and external stakeholders to raise concerns regarding business integrity, either through the standard line of business or through the whistleblower system.



OPERATIONAL GOALS

RESPONSIBLE SOURCING

SCREENING SUPPLIERS

In 2015/16, a new Sustainability Position was developed, outlining the social and environmental standards that everyone is expected to follow. The position is applicable to all employees and relevant stakeholders of Chr. Hansen, including suppliers. The position was updated with a new section on adequate management systems and strengthened support to the UN Guiding Principles on Business and Human Rights.

Chr. Hansen approves new direct suppliers based on social responsibility, quality and sourcing criteria. By the end of 2015/16, 85% of Chr. Hansen's direct suppliers have been approved. The remaining suppliers are in the process of being approved.

STRATEGIC SUPPLIER PARTNERSHIPS

Chr. Hansen works closely with local agricultural producers to help them improve their competitiveness and efficiency.

In 2015/16, Chr. Hansen established new strategic partnerships with local producers in South Asia, South America and Africa. The partnerships focus on how to improve sustainable production, quality and yield.

A TRANSPARENT SUPPLIER

Chr. Hansen is a transparent supplier and devotes significant resources to disclosing information on its performance and management of social, environmental, ethical and governance matters. In addition to the annual sustainability report, Chr. Hansen documents its performance via global reporting platforms such as SEDEX, EcoVadis, Sustainalytics and the Carbon Disclosure Project.

In 2015/16, Chr. Hansen was ranked as "advanced" by EcoVadis based on a sustainability assessment covering 21 indicators relating to environment performance, social issues, business ethics and supply chain management.

OUTLOOK

In 2016/17, Chr. Hansen will continue to assess the social and environmental performance of direct suppliers, including plans to expand its strategic partnerships with color suppliers.

Chr. Hansen will further integrate the UN Guiding Principles on Business and Human Rights, by strengthening and expanding the existing due diligence processes.



KEY FIGURES

PERFORMANCE AND PROGRESS

1. BETTER FARMING

ACCOUNTING POLICIES

The target for better farming is to expand the reach of our natural plant protection solutions to 25 million hectares of farmland by 2025. The solutions that support the target and are included in the calculation are naturally derived plant protection and silage inoculants. Plant protection is applied

directly to the crop on the farmland, whereas silage inoculants are applied after harvesting. The target is based on sales numbers and current application rates of plant protection and silage inoculants. For plant protection, an estimated delay of six months from sale to application in the field is assumed.

PERFORMANCE

Natural solutions applied across 25m hectares of farmland by 2025, ha.

2015/16	2014/15	2013/14	2012/13	2011/12
2.2m				

PROGRESS

Chr. Hansen's plant protection is currently applied across 2.2 million hectares of farmland, including silage inoculants that are not applied directly to the farmland but to the harvested crop.

calculation. During the year, challenging market conditions affected the sale of silage inoculants, leading to the annual result being slightly below expectations.

The estimated delay in application for plant protection implies that only sales from Q1 and Q2 2015/16 are included in the

The launch of new products and the expansion to new markets are expected to increase the application of Chr. Hansen's natural solutions by 2025.

2. LESS WASTE

ACCOUNTING POLICIES

The target to reduce global yogurt waste by 2% (700,000 tons) by 2020 builds on the waste reduction potential of the natural microbial product FreshQ® in fermented milk applications and other similar products that may be launched in the future.

thereby also help reduce spoilage and extend shelf life. For the purpose of this accounting policy, it is assumed that FreshQ® can extend shelf life by seven days. This is a conservative average estimate for a fermented milk product produced by an average European dairy and sold under average European cold chain conditions. The average waste from yogurt is estimated to be 15% (FAO, 2011). FreshQ® spoilage inhibition and shelf life extension can reduce this to 6.8%. The base year for the target is 2015/16.

One of the primary shelf-life limiting factors of fermented milk products, such as yogurt, is natural spoilage with yeast and mold. The protective cultures of FreshQ® inhibit the growth of yeast and mold contamination in dairy products and can

PERFORMANCE

Reduce global yogurt waste by 2% (700,000 tons) by 2020

2015/16	2014/15	2013/14	2012/13	2011/12
100,000				

PROGRESS

During 2015/16, Chr. Hansen contributed to reducing yogurt waste by 100,000 tons. We are therefore well on track to meet the target by 2020. As an initiative to support and expand the use of bioprotection to reduce global yogurt waste, Chr. Hansen conducted a large-scale impact study on the use

and potential of bioprotection in Europe. The findings and results will be launched in 2016/17 and actively used to engage in dialogue and partnerships with key stakeholders in the dairy industry, to expand awareness of bioprotection as a natural solution for combating food waste.

KEY FIGURES

3. GOOD HEALTH

ACCOUNTING POLICIES

Chr. Hansen is committed to launching five new products with a documented health effect by 2020. The products included in the target are within human health, including probiotics or new food solutions that have a beneficial health effect, such as

reduced sugar or salt content. The effects are to be documented internally at Chr. Hansen's laboratories or through customer field trials.

PERFORMANCE

Launch five new products with a documented health effect by 2020, no.

2015/16	2014/15	2013/14	2012/13	2011/12
1				

PROGRESS

In 2015/16, Chr. Hansen launched NOLA™ Fit, a new product with a documented health effect.

NOLA™ Fit is a pioneering microbial, providing advantages and enabling novel applications with advanced quality and improved flavor.

NOLA™ Fit enables manufacturers to naturally convert milk sugar to sweeter tasting sugars. This creates a sweeter product without adding to total caloric content.

With one product launched, and a number in the pipeline, Chr. Hansen is well on track to achieve the target by 2020.

4. ENERGY FOOTPRINT

ACCOUNTING POLICIES

All energy used is registered based on direct meter readings or invoices, and reported in MWh. Fuel for on-site forklift trucks or other vehicles is not included.

The organizational scope covers all manufacturing facilities and when located adjacent to these includes offices, warehouses and other activities.

PERFORMANCE*

Total energy consumption, MWh

2015/16	2014/15	2013/14	2012/13	2011/12
170,853	166,713	165,615	156,902	153,846

Energy efficiency, relative to base year 2013/14, %

8

PROGRESS

Chr. Hansen's main sources of energy are natural gas, electricity and district heating. Chr. Hansen has improved its energy efficiency by 8% compared to the base year of the energy target (2013/14). 2 percentage points of this figure can

be attributed to the current reporting year. This continuous improvement is largely due to better utilization of the previously expanded production capacity at our largest manufacturing facility in Copenhagen.

* The numbers for previous years have been restated due to an adjustment to the organizational scope

KEY FIGURES

5. WATER FOOTPRINT

ACCOUNTING POLICIES

For the purpose of this definition, water comprises all sources and utilizations: products, noncontact cooling water, steam and domestic water. The source of the water may be the municipal water supply, a 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, noncontact cooling water is either reinjected into the groundwater reservoir or released into surface water. As the

noncontact water is not contaminated with either products or chemicals, and is therefore not net consumption, this source is excluded from the calculation of water consumption.

The organizational scope covers all manufacturing facilities and when located adjacent to these includes offices, warehouses and other activities.

PERFORMANCE*	2015/16	2014/15	2013/14	2012/13	2011/12
Total water consumption, m ³	1,146,891	1,095,907	1,077,150	1,062,610	1,093,741
Water efficiency, relative to base year 2013/14, %	5				

PROGRESS

Chr. Hansen's water efficiency is stable since last year with a 5% improvement compared to the base year 2013/14, keeping

us on track to meet the water efficiency target of 20% improvement by 2020.

6. CO₂ FOOTPRINT

ACCOUNTING POLICIES

Emissions of greenhouse gases are accounted for in accordance with the Greenhouse Gas (GHG) Protocol Corporate Standard. Under the GHG Protocol, emissions are reported according to three scopes (see table on page 14).

Scope 1 includes emissions from energy consumption and from cooling systems. No transportation is included in Scope 1.

Scope 2 emissions are calculated in accordance with the location-based method, mainly due to the availability of more reliable emission factors compared to the market-based method.

Scope 3 emissions only include indirect transportation paid for by Chr. Hansen. This mainly covers the transportation of final products to Chr. Hansen's customers as well as internal transportation between production sites. This is expected to be the greatest single source of Scope 3 emissions. Scope 3 emissions are rough estimates based on distances and emission factors from the GHG Protocol. Activities are planned in the coming year to further improve the reliability of reported Scope 3 emissions.

The organizational scope covers all manufacturing facilities and when located adjacent to these includes offices, warehouses and other activities

* The numbers for previous years have been restated due to an adjustment to the organizational scope,

KEY FIGURES

PERFORMANCE*	2015/16	2014/15	2013/14	2012/13	2011/12
Total Scope 1 CO ₂ e emitted, tons	21,024	22,039	24,029	23,470	23,352
Total Scope 2 CO ₂ e emitted, tons	24,830	24,336	24,665	24,325	25,067
Total Scope 3 CO ₂ e emitted, tons	63,255	62,225	54,526	57,150	46,501
Total CO ₂ e emitted, tons	109,109	108,600	103,220	104,945	94,920
CO ₂ efficiency, relative to base year 2013/14 (Scopes 1 + 2), %	16				

PROGRESS

Chr. Hansen has improved its CO₂e efficiency by 16% (Scopes 1 + 2) compared to the base year of the target (2013/14). In 2015/16, this improvement was 5%, keeping the Group well ahead of the target. The improvement is largely a result of the integration of preventive maintenance on cooling units, the installation of a real-time monitoring program and the replacement of a number of older units over the past few years. These precautionary initiatives allow the organization to capture and respond faster to any potential issues.

Chr. Hansen increased its focus on modes of transportation and areas of improvement in terms of shifting to less CO₂ intensive options such as road and sea freight, rather than air freight. The shift must, however, match the needs of the business and customers. The total CO₂ emissions from transport increased slightly during the year, mainly due to increased sales volume and customer locations.

7. WASTE AND BY-PRODUCTS

ACCOUNTING POLICIES

Waste and by-products comprise wastewater, recycled biomass and solid waste. Wastewater discharge comprises wastewater from production and other activities, such as domestic wastewater. Water recycled on site is excluded.

Wastewater is measured after any on-site wastewater treatment processes. Recycled biomass, a by-product of production, is utilized as liquid fertilizer, liquid feed or fuel for energy production.

PERFORMANCE**	2015/16	2014/15	2013/14	2012/13	2011/12
Recycled biomass, tons	82,680	76,474	67,402	60,300	50,351
Solid waste, tons	3,176	3,103	3,170	3,576	3,035
Solid waste recycled, %	23	20	23	20	17
Hazardous waste, % of solid waste	1.0	0.9	0.6	0.3	1.7
Wastewater, tons	839,117	832,664	875,588	881,085	906,336

PROGRESS

Solid waste recycled maintained a stable level of just above 20% and is on a par with the base year 2013/14. This area will have an increased focus in the coming years, in order to achieve the target of 40%.

Of the remaining solid waste, 44% went to landfill, 32% was incinerated and 1% was disposed of as hazardous waste.

The amount of recycled biomass from Chr. Hansen's global production increased by 8% in 2015/16. A large share of this is due to increased production at Chr. Hansen's largest fermentation plant in Copenhagen, where the entire biological waste stream is recycled as fertilizer and renewable energy.

* Total direct CO₂e emissions and efficiency improvements in past years are not comparable to figures reported in previous sustainability reports due to adjusted scope, emission factors and calculation methodology. The adjustments are mainly based on the need to better align with the GHG Protocol and best practice for GHG emissions accounting.

**The percentage of solid waste recycled has been adjusted due to a reporting error in 2014/15. The numbers for previous years have been restated due to an adjustment to the organizational scope.

KEY FIGURES

8. ENVIRONMENTAL VIOLATIONS

ACCOUNTING POLICIES

Breaches of regulatory terms and conditions as specified in environmental permits, for example accidental spills or excess emissions, are reported only where separate notification to the

authorities is required or where a notice of violation is received from the authorities.

PERFORMANCE	2015/16	2014/15	2013/14	2012/13	2011/12
Environmental violations, no.	3	4	7	n/a	n/a

PROGRESS

Two of the three violations reported in 2015/16 were related to wastewater and can be characterized as minor. The most recent violation occurred at our French manufacturing facility as a result of spilled biological material from a storage tank that was damaged by intruders.

The spill was stopped upon detection, and the surrounding environment was unharmed. Security measures were put in place to avoid intruders entering the facilities.

9. CONSUMER PROTECTION

ACCOUNTING POLICIES

The effectiveness of Chr. Hansen's procedures and systems to ensure adequate attention to the safety and protection of consumers is monitored through product safety retrievals and product safety audit findings.

Product safety audit findings are defined as nonconformities raised by Bureau Veritas Certification (BVC) during ISO 9001, ISO 22000 or FSSC 22000 audits indicating a serious breach in the Group's food safety management systems. If the final BVC audit report has not been received at the time of reporting, the number (and type) of nonconformities mentioned at the audit exit meeting is used.

Product safety retrievals are defined as incidents where Chr. Hansen's products are retrieved from customers due to poor quality, legal or regulatory noncompliance, or potential or actual food safety risks. Product retrievals are recorded on the day the retrieval decision is made.

PERFORMANCE	2015/16	2014/15	2013/14	2012/13	2011/12
Product safety retrievals, no.	3	4	4	6	3
Product safety audit findings, no.	9	10	17	32	30

PROGRESS

Three products were retrieved during 2015/16. All of the retrievals were precautionary and the result of an identified potential risk. As such, no actual confirmed safety risks were related to the products.

During the year, 26 third-party audits were performed, covering quality and food safety across 17 sites. In total, nine product safety findings were identified during these audits, which is at a level similar to last year's figure of 10.

KEY FIGURES

10. ETHICS

ACCOUNTING POLICIES

Chr. Hansen's Legal Affairs department records the number of employees trained in anticorruption policies and procedures. The KPI reflects the participation rate of employees who have completed Chr. Hansen's online anticorruption training during

the year, as a percentage of all relevant employees. Relevant employees are defined as employees with area or management responsibility as well as employees with external contact in sales or sourcing for example.

PERFORMANCE	2015/16	2014/15	2013/14	2012/13	2011/12
Participation rate in anticorruption training, %	73*	94	92	90	89

PROGRESS

The anticorruption e-learning program was relaunched in August 2016, and sent out to approximately 1,200 employees. By the end of the FY 2015/16, 73% of the invited employees have completed the training, and by the end of the calendar year, the participation rate is expected to be as high as in previous years. The training is repeated at regular intervals. For selected countries, in-person training was conducted in anticorruption, the whistleblower platform and competition law to ensure that common business standards are practiced regardless of the local risk level.

During the year, one issue was reported through the whistleblower platform and two were raised directly with senior management. All three incidents were investigated and appropriate action was taken. Chr. Hansen will continue communicating on the whistleblower system to ensure that all employees and relevant stakeholders are aware of and familiar with it.

11. PEOPLE STATISTICS

ACCOUNTING POLICIES

The number of employees is the total number at year-end. All employees paid directly by the Group are included in the headcount. The number of employees is also expressed as full-time equivalents (FTEs) based on a yearly average.

the Group in each month compared to the total number of employees per month. Temporary employees are not included in this number. The rate of absence is the number of days employees have been absent due to their own illness compared to the number of possible annual working days (240). Absence due to illness of children or relatives and maternity/paternity leave is not included.

Employee turnover is calculated as an accumulated percentage at the end of the financial year. The calculation is based on the number of employees who were dismissed or voluntarily left

PERFORMANCE	2015/16	2014/15	2013/14	2012/13	2011/12
Total number of employees	2,852	2,651	2,605	2,525	2,472
Average number of employees (FTEs)	2,708	2,573	2,510	2,510	2,425
Employee turnover, %	10	12	11	12	10
Rate of absence, %	2	2	2	2	2

PROGRESS

Employee turnover improved during FY2015/16 and is now at 10%, which is considered to be an acceptable level. Of the employees who left the Group, 7% left voluntarily and 3%

involuntarily. The rate of absence remains stable at 2%, which has been the level since 2011/12. Overall, the number of employees increased slightly during the year.

* The 2015/16 result is not comparable to previous financial years, as the training periods run in the calendar year, and is therefore not finalized at the time of reporting.

KEY FIGURES

12. DIVERSITY AND INCLUSION

ACCOUNTING POLICIES

Data are calculated as the percentage of employees within each category (e.g. gender and nationality) at the end of the financial year. Key positions are defined as director level and above. Diverse teams are corporate management teams reporting to vice president level and above that include at least

one woman and one non-local. The percentage of diverse teams is calculated at the end of the financial year. The composition of the Board of Directors is calculated at the end of the financial year.

PERFORMANCE	2015/16	2014/15	2013/14	2012/13	2011/12
Gender - all employees (male/female), %	58/42	58/42	58/42	59/41	60/40
Gender - managers (male/female), %	61/39	64/36	65/35	66/34	68/32
Gender - key positions (male/female), %	78/22	82/18	81/19	82/18	83/17
Nationality - key positions (Dane/non-Dane), %	59/41	63/37	59/41	60/40	60/40
Diverse teams, %	69	77	69	63	46
Board of Directors - (male/female/non-local), %	71/29/57	71/29/57	83/17/50	100/0/50	83/17/67

PROGRESS

During 2015/16, Chr. Hansen made progress toward gender equality in management and key positions. The percentage of women in key positions increased from 18 to 22 during the year, and for the fifth consecutive year we moved closer to achieving the goal of having the same gender distribution in management functions as in the overall workforce. In 2015/16, the share of women in the overall workforce is 42%. For management positions the figure is 39%. On the other hand, there was a decline in diverse management teams due to organizational changes where the number of corporate management teams increased while the number of diverse

teams remained the same. The number of diverse management teams decreased by 8 percentage points. Increasing this number will therefore be a focus area in the year ahead. The proportion of non-Danes in key positions was 41% for the year. The gender division on the Board of Directors remained the same throughout the year. Although the current number of women (two out of seven) is perceived as an acceptable gender distribution according to the Danish legal requirement, Chr. Hansen maintains its target of having three women in the Board of Directors by 2020.

13. EMPLOYEE ENGAGEMENT

ACCOUNTING POLICIES

Employee engagement is measured in an annual survey. All employees, including temporary employees who are not on leave of absence, are invited to participate in the survey. The engagement score is the average of Chr. Hansen's scores across the 12 model questions defining engagement, including recognition, development, teamwork and ability to perform to

the best of your ability. Each question is rated on a scale of 1-5 (with 5 being the highest).

The average number of training days per employee per year is recorded locally in individual training records.

PERFORMANCE	2015/16	2014/15	2013/14	2012/13	2011/12
Training days per employee	3.4	3.4	3.1	3.0	3.1
Engagement, score	3.8	n/a	n/a	n/a	n/a

KEY FIGURES

PROGRESS

2015/16 is the first year of the annual employee engagement survey. The results showed a high participation rate (94%) compared to the Gallup average (87%). The average engagement score for the year is 3.8 out of 5.0, which is a

satisfactory result albeit with some areas for improvement.

The number of training days per year remained stable compared to previous years.

14. OCCUPATIONAL HEALTH & SAFETY

ACCOUNTING POLICIES

The number of Lost Time Incidents (LTIs) is defined as accidents resulting in more than one day's absence from work. The LTI frequency is calculated as incidents resulting in more than one day's absence per million working hours, excluding sickness, maternity/paternity leave and holidays. A decrease

in the frequency is an improvement. The severity of incidents is measured as the number of days away from work per incident and/or the expected number of days away. Only days away recorded within the year in which the incident occurred are included in the severity KPI.

PERFORMANCE	2015/16	2014/15	2013/14	2012/13	2011/12
Lost Time Incidents (LTIs)	19	15	17	34	39
Frequency of LTIs per million working hours (LTIF)	4.0	3.3	4.0	8.1	9.9
Severity (days away per LTI)	10	25	20	15	9

PROGRESS

The focus on health and safety was intensified in 2015/16, with a global Health and Safety Organization being established and a new target being set. The increased focus and attention on building a safety mindset across the entire organization have improved awareness of and information on when and how to report incidents and injuries. As a result, the LTIF increased

slightly from 3.3 to 4.0 during the year. This only reinforces the ongoing work to continuously improve Chr. Hansen's safety performance. At the same time as the LTIF increased, days away per LTI decreased from 25 to 10 days, implying a lower severity level for the incidents reported.

15. RESPONSIBLE SOURCING

ACCOUNTING POLICIES

Chr. Hansen differentiates between direct and indirect vendors when onboarding suppliers. Direct suppliers are those that supply Chr. Hansen with raw materials, traded goods or food-contact materials, or perform part of our production on our behalf (toll manufacturers). As a result, direct suppliers are subjected to a more stringent approval process, as detailed in

Chr. Hansen's Supplier Guiding Principles. Responsible sourcing progress is measured as the percentage of direct suppliers that have been approved in relation to sourcing, quality and corporate social responsibility.

PERFORMANCE	2015/16	2014/15	2013/14	2012/13	2011/12
Direct suppliers approved, %	85	87	84	n/a	n/a

PROGRESS

The percentage of approved suppliers has decreased slightly since last year from 87 to 85. This is primarily due to a systematic review process where suppliers that had not been approved in the system, were entered, while others were

terminated. The process of approving suppliers is continuous and the slight decrease in percentage is a result of the Group's continuous focus to improve systems and processes.