

## **Minutes of the Annual General Meeting held on Wednesday, November 27, 2019**

On Wednesday, November 27, 2019, at 4.00 p.m. CET, the Annual General Meeting was held in Chr. Hansen Holding A/S, CVR no. 28 31 86 77, at the Company's premises, Bøge Allé 10-12, 2970 Hørsholm, Denmark.

The agenda of the Annual General Meeting included the following items:

1. Report on the Company's activities
2. Approval of the 2018/19 Annual Report
3. Resolution on the appropriation of profit
4. Resolution on remuneration of members of the Board of Directors
5. Proposals from the Board of Directors:
  - 5a. Approval of the revised Remuneration Policy
6. Election of members to the Board of Directors
  - 6a. Election of a chair of the Board of Directors
  - 6b. Election of other members to the Board of Directors
7. Election of a Company auditor
  - 7a. Re-election of PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
8. Authorization of the Chairman of the Annual General Meeting

The Chair of the Board of Directors, Dominique Reiniche, welcomed the shareholders and announced that, in accordance with Article 6.11 of the Articles of Association, the Board of Directors had appointed Niels Heering, attorney-at-law, as Chairman of the Annual General Meeting.

The Chairman of the meeting thanked the Board of Directors for the appointment and ascertained that the Annual General Meeting had been legally convened and was able to transact business on the agenda.

The Chairman of the meeting proceeded to the agenda and informed the Annual General Meeting that all proposals on the agenda could be adopted by a simple majority of votes. In addition, it was noted that the Annual General Meeting would be transmitted live via webcast on the Company's website.

At the Annual General Meeting, a total nominal value of DKK 862,995,080 shares were represented, corresponding to 65.5% of the Company's voting share capital.

As done in previous years, the Chairman of the meeting recommended that items 1–3 on the agenda be treated as one item. As there were no comments on this proposal, the Chairman of the meeting gave the floor to Dominique Reiniche, Chair of the Board of Directors, for presentation of the Board of Directors' report, the 2018/19 Annual Report and the proposal for dividend, and subsequently to Mauricio Graber, the Company's CEO.

### **Re items 1-3 on the agenda**

The Chair of the Board of Directors, Dominique Reiniche, presented the Board of Directors' report as well as the Annual Report for the financial year 2018/19. It had overall been a solid year for Chr. Hansen although not in line with the set expectations and long-term ambitions set in the beginning of the year, with lower than expected growth in Dairy Probiotics, Animal Health and Natural Colors ("NCD"), and overall tougher trading conditions combined with a weaker growth in emerging markets than expected.

The Chair expressed that the lowering of the full-year guidance from 9-11% to 7-8% in June had been a disappointment to the Company and stressed that steps to improve the execution had already been taken.

The Chair proceeded to outline the organic growth, where the Company in overall terms had reported a revenue of EUR 1.16 billion – delivering 7% organic growth for the full year, with a strong profitability, which the Chair expressed as a solid result. Although the organic growth is not where the Company wanted it to be, the Chair informed the Annual General Meeting that Chr. Hansen is still outperforming its peers and is growing faster than the underlying markets.

The Chair reported that the EBIT before special items for the year was EUR 343 million, where Group margins had improved by 0.4%-point to 29.6%, driven by Health & Nutrition ("H&N") and NCD, while Food Cultures & Enzymes ("FC&E") was on par with last year. The Chair informed the Annual General Meeting that the free cash flow before acquisitions and special items was EUR 229 million, compared to EUR 196 million in 2017/18, which corresponded to a growth of 17%.

The Chair also reviewed the Company's divisional performance. In FC&E the Company had delivered a solid result of 8% organic growth, driven by solid growth in fermented milk and cheese, strong growth in enzymes and meat cultures, whereas probiotics declined. The business of the Company's first lighthouse Bioprotection grew by around 10%, which was not as much as the Company had expected, but still the EBIT margin for the area was 34.3%, which was at a satisfactory level. The Chair informed the Annual General Meeting that the Company had been able to invest these gains back in the business due to the significant expansion of the gross margin.

The Chair explained that the Company had launched two new products - CHY-MAX<sup>®</sup> Supreme and SWEETY<sup>®</sup> - that are believed to be able to drive growth in the coming years. The Company also saw important wins in fermented plant-based alternatives, which is an exciting new area for many food companies and consumers.

The Chair went on to discuss H&N, which delivered a solid result of 9% organic growth. The Chair noted that Human Health had delivered solid growth while Animal Health had delivered good growth. Plant Health, which is the Company's second lighthouse, had a very strong year in Latin America, and the Company is expecting another very strong performance this year. The EBIT margin was 31.5%, which is up 0.5% point, even though the Company is also ramping up investments in several initiatives. The Chair outlined that one of the key initiatives in the strategy in Animal Health is to strengthen the Company's route-to-market, particularly outside North America. The Chair expressed that the Company has made significant progress in this area, particularly in the second half of the financial year 2018/19.

Finally, the Chair mentioned that the business area NCD has had a more difficult year. Although seeing convincing results from North America, the Company had experienced strong headwinds from declining raw material prices, which resulted in lower selling prices in carmine and annatto that affected the growth negatively. The Chair informed the Annual General Meeting that the result for the year was considered disappointing with a 3% organic growth. The EBIT margin was 12.7% - up by 0.7% points – helped by the lower raw material prices as well as efficiency gains. The Chair stressed that the Company has already taken steps to strengthen the organization in Europe.

The Chair addressed the proposal to distribute an ordinary dividend for 2018/19 of EUR 0.95 (DKK 7.07) per share, or a total of EUR 125 million, corresponding to 50% of the profit for the year. The Chair went on to discuss the total shareholder return, where the Chr. Hansen share closed the financial year on August 30, 2019 at DKK 570, representing a decrease of DKK 82 per share or -13%. The Chair explained that in the same period, the Nasdaq OMX C25 index returned -3%, while the predefined peer group returned 9% including dividends. When put into a five-year perspective, the Company has delivered a total shareholder return of 235%.

The Chair turned towards the outlook for the coming year, where challenging trading conditions in the emerging markets are expected, with a Q1 flat to low-single-digit organic growth. The Chair highlighted that an acceleration of growth in the core areas of FC&E and H&N is expected, so the guidance for the group on topline is 4-8%, based on the adjustments that have been taken in parts of the organization to improve execution. Moreover, there is a positive view of the commercial pipeline in FC&E, in Human Health as several new products have been launched, and continued improvements are being seen in Animal Health along with strong growth expected in Plant Health.

The Chair went on to introduce the film 'Power of Good Bacteria' and highlighted the three sustainability focuses in line with the UN's Sustainable Development Goals from Chr. Hansen on food

waste, antibiotic resistance and the need for more sustainable farming practices with less chemistry. The film was presented and is also available for streaming on <https://www.chr-hansen.com/en/media/goodbacteria>. In this regard, the Chair noted that Chr. Hansen had earned the title as the World's most sustainable company awarded by Corporate Knight's during the World Economic Forum in Davos.

In addition to this, the Chair discussed the Company's three overall sustainability focuses, which consist of better farming, less waste and good health – all with targets on track. The Chair stressed the Company's constant focus on reducing the environmental footprint of its own operation and outlined the first step of Chr. Hansen pledging to go green on electricity, why the Company will be replacing fossil fuels with renewable sources and has entered into a partnership with Better Energy.

The Chair then turned to address the workplace performance of the Company, where the frequency of accidents per million working hours had been reduced to 1.32. The diversity in the corporate teams had been increased, and the Chair expressed that the Company will continue to work towards a positive development. In terms of the environmental performance, the Chair informed the Annual General Meeting that the goal of improving energy efficiency by 20% by 2022 is on track, where improvements of 10.8% have been realized, while the goal to improve water efficiency by 20% in 2022 is behind plan with only a minor improvement from last year. The Chair reported that the target of improving CO2 efficiencies by 25% before 2022 has already been reached with 26.5% realized, along with the goal to recycle solid waste of 40% by 2022, which has already been exceeded with 45.5%.

Following this, the Chair highlighted some of the key activities and programs to support Chr. Hansen's sustainable growth agenda. The Chair explained that as the market dynamics and opportunities are ever-changing, the CEO Mauricio Graber has, together with his Corporate Leadership Team, initiated the biennial strategy review process to define the strategy for the coming years. In addition to this, defining the business strategy, enterprise risk management and digitalization are also important parts of this process. The strategy review will be concluded in the spring of 2020 with approval from the Board of Directors and will be presented at the Capital Markets Day in April.

The Chair highlighted the importance for the Company to focus on engagement with the employees as it has been scientifically proven to benefit both employees' commitment and job satisfaction – and a company's profitability. The Chair explained that for the 3rd year, the Company had maintained a very high level of engagement with a grand mean score of 4.28 on a scale from 1-5. Moreover, employees reported a healthy balance between engagement and job satisfaction. The Chair expressed that there is still room for improvement on the questions related to employees receiving weekly recognition and feedback and feeling that they have a best friend at work.

The Chair went on to discuss the work towards a strong leadership team and noted that the Corporate Leadership Team had just completed Chr. Hansen's Connect Leadership Program, which is an important part of Chr. Hansen's investment in developing a strong culture. Last year, a new culture model was introduced with a view to create mutual understanding across older and newer employees, geographies and functions. The culture compass has four cultural drivers that guides ambitions, actions and behavior. The Chair explained that the model allows all employees to speak as a united front and move forward to the future, while staying true to the values that got Chr. Hansen to where it is today.

The Chair informed the Annual General Meeting that the Nomination Committee had just approved a new policy on Diversity and Inclusion, which confirms the commitment to develop a diverse workforce with an engaged, innovative and open-minded culture. Inclusion and diversity are prerequisites in order for Chr. Hansen to realize its full potential. As of today, Chr. Hansen has 70 different nationalities employed. The Chair explained that it is very positive to see the continued progress on increasing the number of women in leadership roles and a representation of non-locals in 83% of our leadership teams.

The Company's CEO, Mauricio Graber, proceeded with a status on last year's key innovations and the progress made in the three strategic lighthouses and noted that all three of them when established had two characteristics – they had the potential to realize a revenue of EUR 100 million, and they were all based on good bacteria. The CEO highlighted the 50/50 joint venture with the Swiss pharma contract manufacturer, Lonza, which will be important in order to position the Company to successfully pioneer the live biotherapeutic industry and enable customers to bring life-changing treatments to patients and also reduces investment and executional risks while also allowing Chr. Hansen not to become a fully-fledged pharma player.

The CEO went on to discuss the key innovations for the coming year, the CHY-MAX<sup>®</sup> Supreme, the SWEETY<sup>®</sup> Y-1, the Fermented plant-based alternatives and Hansen Sweet Potato<sup>™</sup>, all of which are an expression of how Chr. Hansen continues to advance science and bring innovation to market.

Lastly, the Chair of the Board of Directors, Dominique Reiniche, pointed out that the Board of Directors maintains a target of having at least three women elected by the shareholders by 2022 and noted that the Board of Directors had made an evaluation of the Board, which gave the picture of a high performing Board and a strong collaboration between the Board and the Executive Board. The Chair then went on to explain the remuneration of the Board of Directors and the Executive Board.

The Chairman of the meeting enquired whether there were any comments on the proposals made under items 1-3 of the agenda.

Claus Berner Møller, ATP, noted that the last financial year had been atypical for Chr. Hansen, resulting in the fact that the share price value had been reduced by 30%. Mr. Berner Møller wished

to seek clarification on whether the results for the financial year 2018/19 is an expression of a single incident or whether 2018/19 will be the first year in a row of years to come with poor results. In terms of the proposed Remuneration Policy, Mr. Berner Møller expressed his overall support, but had the following two proposals in regard to the short and long-term incentive programs. Mr. Berner Møller noted that (i) the EBIT target is weighted just as high as the goal for organic growth in revenue, which Mr. Berner Møller believed should be weighted higher than EBIT and proposed (ii) that fixed travel allowance to board and committee members in connection with travel to board and committee related meetings outside country of residence is changed to fixed travel allowance based on time of transport. Lastly, Mr. Berner Møller suggested that both the Chair and the Vice Chair shall be elected by the general meeting at the next Annual General Meeting.

The Chairman of the meeting gave the floor to the Chair of the Board of Directors, Dominique Reiniche to reply to the questions raised by Claus Berner Møller, ATP. The Chair expressed that the Company acknowledged the financial year 2018/19 in its activities and that the Company has taken many actions to improve the results for the coming years. The Chair explained that the financial year 2018/19 was a result of a mix of external and internal factors. Externally, the Company has been faced with headwinds and macroeconomic environment which were not as favourable as expected. China had in particular been a challenge for Chr. Hansen, as it is used to trading in the primary segment of yoghurt and probiotics, all of which the Chinese currently are down-trading due to high food inflation driven by African Swine Fever and US tariffs. In regard to remuneration, the Chair noted that the employees with direct responsibility for sales have a higher weight on organic growth in their incentive structures and that the Board on an ongoing basis reviews the optimal incentive structure for management. Further, the Chair explained that the purpose of the fixed travel allowance is to pay for downtime in travelling. Finally, the Chair commented on the proposal to elect the Vice Chair at the next Annual General Meeting and noted that it will be considered, but it is not very common and no commitment to any changes could be made.

Per Jørgensen, Investering & Tryghed, expressed that there is unnecessary doubt about the growth potential of the Company, but there is a worry about the speed of the decline. Mr. Jørgensen noted that Chr. Hansen has always been very precise and has had clear visibility about their business areas. Mr. Jørgensen asked about volatility in the different business areas, particularly in H&N and whether there is unmet potential in NCD. Mr. Jørgensen continued to ask if lower growth could be expected due to tough market conditions and asked about the status of the internal targets concerning execution. Lastly, Mr. Jørgensen recommended that the Company performed share buy-back programs rather than paying out extraordinary dividends.

The Chairman of the meeting gave the floor to Biørn Hansen, who asked how the Company will work towards growth in the different markets. Secondly, Mr. Hansen suggested that the Board of Directors and Executive Board should only be able to obtain a bonus when the Company makes a profit and asked if employees are able to buy shares. Lastly, Mr. Hansen asked about how the Company's debt had developed and if the Company had any unhedged swap loans.

The Chairman of the meeting noted that some of the questions asked by Mr. Hansen will be answered in writing and gave the floor to the CEO, Mauricio Graber to reply to the questions raised by Per Jørgensen. The CEO noted that active initiatives to improve results have been taken and that the business area H&N only represents a smaller part of the Company, why this area will have quarterly volatility, but noted that, on an annual basis, H&N has delivered a strong performance. The CEO stressed that it is a more challenging market place, where the Company sees economic conditions being tougher particularly in emerging markets, Asia and the Middle East, and also with high competitiveness in the market. With reference to the suggestion for the Company to perform share buy-backs rather than pay out extraordinary dividends, the CEO noted that this will be considered by the Audit Committee.

The Chairman of the meeting asked if there were any further questions and gave the floor to the Chair of the Board of Directors, Dominique Reiniche, who turned to the questions raised by Bjørn Hansen. In regard to the questions raised concerning growth potential, the Chair reaffirmed that there is good potential growth in all geographic areas and in almost all the markets in which the Company operates and noted that the Executive Board will always try to optimise resources for the best possible value creation for the Company's shareholders. Further, the Chair confirmed that all employees are allowed to trade shares in the Company as long as applicable laws and regulations are followed, including the laws on insider trading. In addition to this, the Chair explained the Remuneration Policy of the Company and how the bonus programs are set up. Lastly, the Chair informed the Annual General Meeting that Chr. Hansen uses a very limited number of interest rate swaps to fix the interest rate on floating-interest loans.

The Chairman of the meeting gave the floor to Niels Kildegaard, who congratulated on the 50/50 joint venture with Lonza and wished to seek clarification on which party in the joint venture is considered to have the power to make decisions. The CEO, Mauricio Graber, explained that the two parties have to agree fully, but if there are differences in the Board, the Chair will have the final vote, and the Chair position will rotate between the companies.

The Chairman of the meeting proceeded to the formal adoption of the proposals under items 1-3 of the agenda and concluded that the Board of Directors' report on the Company's activities had been noted, and that the Annual Report for 2018/19 and the resolution on appropriation of profit had been approved.

#### **Re item 4 on the agenda**

The Chairman of the meeting informed the Annual General Meeting that the Board of Directors had proposed the following remuneration of the members of the Board of Directors for the financial year 2019/20, which is unchanged compared to the remuneration level for 2018/19:

Members of the Board of Directors:

Base fee of DKK 400,000

|                                       |                                                      |
|---------------------------------------|------------------------------------------------------|
| Chair of the Board of Directors:      | DKK 1,200,000<br>(corresponding to 3 x the base fee) |
| Vice Chair of the Board of Directors: | DKK 800,000<br>(corresponding to 2 x the base fee)   |

The Board of Directors has set up an Audit Committee, a Nomination Committee, a Remuneration Committee and a Scientific Committee. Members of the Company's committees receive the following supplementary fees for the 2019/20 financial year, which is unchanged compared to the remuneration level for 2018/19:

|                                                        |                           |
|--------------------------------------------------------|---------------------------|
| Chair of the Audit Committee:                          | DKK 300,000               |
| Chair of the Remuneration and Scientific Committees:   | DKK 250,000 per committee |
| Chair of the Nomination Committee:                     | DKK 200,000               |
| Members of the Audit and Scientific Committees:        | DKK 150,000 per committee |
| Members of the Nomination and Remuneration Committees: | DKK 125,000 per committee |

In addition to the above fees, board members and committee members receive a fixed travel allowance of EUR 3,000 in connection with travel to Board and/or committee related meetings outside their country of residence.

There were no objections or comments on this proposal other than those raised previously. The Chairman of the meeting then concluded that the proposal for remuneration had been adopted.

**Re item 5 on the agenda**

**5a: Approval of the revised Remuneration Policy**

The Chairman of the meeting noted that the Board of Directors had proposed that the Annual General Meeting approves a revised Remuneration Policy adopted by the Board of Directors.

The Chairman of the meeting referred to Annex 1 to the convening notice for the full wording of the revised Remuneration Policy.

The Chairman of the meeting gave the floor to the Chair of the Board of Directors, Dominique Reiniche, who addressed the objectives behind the changes in the revised Remuneration Policy.



The Chairman of the meeting noted, that if the revised Remuneration Policy is approved, the reference to the current guidelines for incentive pay in Article 10.3 of the Company's Articles of Association would be deleted.

There were no objections or comments on this proposal other than those already given. The Chairman of the meeting then concluded that the revised Remuneration Policy had been adopted.

**Re item 6 on the agenda**

**6a: Election of a Chair of the Board of Directors**

The Chairman of the meeting noted, that the Board of Directors had proposed that Dominique Reiniche is re-elected as Chair of the Board of Directors.

The Chairman of the meeting referred to Annex 2 to the convening notice for further information on Dominique Reiniche's background and positions held.

The Chairman of the meeting noted that there were no objections or further comments on the proposal and concluded that the Annual General Meeting had re-elected Dominique Reiniche as Chair of the Board of Directors.

**6b: Election of other members of the Board of Directors**

The Chairman of the meeting informed the Annual General Meeting that the Board of Directors had proposed to re-elect the following board members for a one-year term: Jesper Brandgaard, Luis Cantarell, Heidi Kleinbach-Sauter, Niels Peder Nielsen, Kristian Villumsen and Mark Wilson.

The Chairman of the meeting referred to Annex 2 to the convening notice for further information on the background of and other managerial positions held by the candidates.

As there were no objections or comments on the proposal, the Chairman of the meeting concluded that Jesper Brandgaard, Luis Cantarell, Heidi Kleinbach-Sauter, Niels Peder Nielsen, Kristian Villumsen and Mark Wilson were re-elected.

**Re item 7 on the agenda**

The Chairman of the meeting noted that the Board of Directors had proposed to re-appoint PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab as the Company's auditor.

The Chairman of the meeting mentioned that the convening notice stated that the Audit Committee recommended the re-election of PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab.

The proposal was adopted.

**Re item 8 on the agenda**

The Chairman of the meeting informed the Annual General Meeting that the Board of Directors had proposed that the Chairman of the meeting be authorized (with a right of substitution) to notify the Danish Business Authority of the resolutions adopted and to make any such changes and additions to the documents submitted as would be required by the Danish Business Authority.

There were no objections or comments on this proposal, which was subsequently adopted.

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As there were no further comments or queries, the Chairman of the meeting gave the floor to the Chair, Dominique Reiniche.

The Chair of the Board of Directors, Dominique Reiniche, thanked the shareholders for their attendance and good dialogue.

The Annual General Meeting was adjourned at 6:15 p.m. CET.

As Chairman of the Annual General Meeting:

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Niels Heering