



CHR HANSEN

*Improving food & health*

# ANNUAL CORPORATE GOVERNANCE STATEMENT 2011/12

CF. SECTION 107B OF THE DANISH FINANCIAL STATEMENTS ACT

# Annual corporate governance statement

## Statutory annual corporate governance statement, cf. Section 107b of the Danish Financial Statements Act

This annual corporate governance statement for Chr. Hansen Holding A/S is part of the Directors' report in the 2011/12 Annual Report and covers the accounting period 1 September 2011 to 31 August 2012. The statement includes a description of the Company's management structure, a review of how the Company considers the "Recommendations on Corporate Governance" implemented by NASDAQ OMX Copenhagen in the Rules for issuers of shares ("Regler for udstedere af aktier") as well as a description of the main elements of the Chr. Hansen's Group's internal control and risk management systems in connection with the Group's financial reporting.

### MANAGEMENT STRUCTURE

#### Board of Directors

Our Board of Directors is responsible for the overall management of the Company. In accordance with current practice in Denmark, responsibilities are distributed between the Board of Directors and the Executive Board and the two bodies are independent. The Executive Board is in charge of day-to-day management, while the Board of Directors supervises the work of the Executive Board and is responsible for general strategic management.

The Board of Directors has nine members of whom six members are elected by the shareholders and three are employee-elected members. Currently, two of the elected members of the Board of Directors are affiliated with PAI partners, which manage and advise the funds that own our former major shareholder, Financière Star 1 S.A. (Financière Star 1 S.A. disposed off their remaining shareholding on 9 July 2012), while the four other Board members elected by the shareholders, including the Chairman, are independent. All shareholder-elected members of the Board of Directors stand for election each year. All employee-elected members stand for election every fourth year according to current legislation with the current term ending in 2014. The age limit is 70. The Board of Directors meets six to eight times a year and on an ad-hoc basis if necessary. The Chairman evaluates the work of the Board of Directors on an ongoing basis. In 2011/12 the Board of Directors met on eight occasions.

The members of Chr. Hansen's Board of Directors, except for members elected by the employees, have undertaken to, no later than 12 months after their appointment, purchase shares corresponding to an amount of at least one year of the fee to an ordinary Board member and to maintain ownership of these shares during the entire period of the Board membership.

Refer to note 5 of the consolidated financial statements for information on the board members' current shareholdings.

#### Board Committees

The Board of Directors may establish Board Committees with the purpose of preparing decisions and recommendations for evaluation and approval by the Board of Directors. In Chr. Hansen, in compliance with the recommendations of the Committee for Corporate Governance, the Board of Directors has established three committees, an Audit Committee, a Remuneration Committee and a Nomination Committee. Reporting to the Board of Directors, the committees have individual charters defining their main tasks and responsibilities. All Board committees have a majority of independent members.

#### Audit Committee

The Board of Directors has established an Audit Committee, which consists of at least three members of the Board of Directors. The Committee's role is to assist the Board of Directors in fulfilling its responsibilities for the financial reporting process, the system of internal control, the audit process, and the Company's process for monitoring compliance with laws and regulations and the internal policies and positions, including considering the independence of the external auditor and review of the quarterly Company Announcement.

The Board of Directors appoints committee members and the committee chair. The current members of the Audit Committee are Henrik Poulsen (Chairman, independent and financial expert), Ole Andersen (independent and financial expert) and Gaëlle d'Engremont (financial expert). The Committee meets at least four times a year.

In 2011/12 the Audit Committee met on four occasions. The meetings were conducted in accordance with an agreed Annual Audit Plan ensuring compliance with recommendations

and sufficient monitoring. It follows key events of the annual financial reporting cycle and deals with the above-mentioned responsibilities.

### **Remuneration Committee**

The Board of Directors has established a Remuneration Committee, which consists of at least three members of the Board of Directors elected by the Board of Directors. The Committee's role is to assist the Board of Directors in fulfilling its responsibilities in regard to establishing, implementing and executing its remuneration position for the members of the Board of Directors and the Executive Board (Management Bodies). The Current members of the Remuneration Committee are Ole Andersen (Chairman and independent), Mark Wilson (independent) and Frédéric Stévenin. The Committee meets at least twice a year. In 2011/12 the Remuneration Committee met on two occasions. Our latest remuneration policy supplemented by Chr. Hansen's general guidelines for incentive-based remuneration can be found on <http://investor.chr-hansen.com/documents.cfm>

### **Nomination Committee**

The Board of Directors has established a Nomination Committee consisting of at least three members of the Board of Directors. The Committee's role is to assist the Board of Directors in fulfilling its responsibilities in regard to (i) nomination and appointments to the Board of Directors and the Executive Board, (ii) ensuring that the Board of Directors and the Executive Board have, at any time, the appropriate size and are composed of individuals having the professional qualifications and experience required and (iii) conducting regular evaluations of the performance of the Board of Directors and the Executive Board. The current members of the Nomination Committee are Ole Andersen (Chairman and independent), Mark Wilson (independent) and Frédéric Stévenin. The Committee meets at least twice a year. In 2011/12 the Nomination Committee met on two occasions.

### **Board Evaluation**

The Chairman of the Board of Directors is responsible for conducting an annual review of the Board of Director's performance addressing the effectiveness of the Board, the processes supporting the Board work, Board performance, individual Board members' contribution and Chairman performance.

In 2011/12 the Chairman of the Board of Directors led the Board evaluation by appointing an external consulting company to facilitate the assessment process. It is the intention that the Board evaluation will be externally facilitated every second year.

The process included a questionnaire which was completed by all members of the Board of Directors and the Executive Board. Based on the findings of the questionnaire, individual interviews with all members of the Board of Directors and the Executive Board were conducted by the external consultant.

The results of the assessment process were presented to the Board of Directors in October 2012. The report describes a number of areas in which the Board of Directors is both effective and very well-functioning and gives an overall picture of a high performing Board of Directors. It also identifies some areas in which improvements can be considered including securing increased focus on strategic topics at Board meetings and securing R&D competencies and diversity in the Board of Directors. Actions to secure improvement in these areas were agreed to by the Board of Directors. As an example the newly appointed Head of Business Development is participating in Board meetings to facilitate strategic discussions. The assessments have been followed up by face to face meetings between the Chairman and each individual Board member.

Similar evaluations of their effectiveness have been undertaken by the Audit Committee, the Nomination Committee and the Remuneration Committee.

### **Executive Board**

The Board of Directors appoints an Executive Board responsible for the day-to-day management and compliance with the guidelines and recommendations issued by the Board of Directors. The Executive Board shall also present and recommend proposals on the overall strategy and objectives to the Board of Directors. The Executive Board has seven members and is chaired by the Chief Executive Officer.

## **RECOMMENDATIONS FOR CORPORATE GOVERNANCE IN DENMARK**

The Company is subject to the Recommendations on Corporate Governance, which are available on the Committee on Corporate Governance's website [www.corporategovernance.dk](http://www.corporategovernance.dk).

The schedule contains the Committee on Corporate Governance's recommendations of 16 August 2011 as

implemented by NASDAQ OMX Copenhagen A/S in the Rules for Issuers of Shares with effect as of 1 October 2011. Chr. Hansen has complied with the recommendations of 16 August 2011 in all respects in 2011/12.

Recommendation	The Company complies	The Company does not comply	The Company complies/does not comply with the recommendation due to the following reason:
<b>1. The role of the shareholders and their interaction with the management of the company</b>			
1.1. Dialogue between the company and its shareholders			
1.1.1. The Committee recommends that the central governing body, for example through investor relations activities, ensure an ongoing dialogue between the company and its shareholders in order that the central governing body knows the shareholders' attitude, interests and views in relation to the company and that investor relations material be made available to all investors on the company's website.	YES		The dialogue between the Company and its shareholders takes the form of investor meetings, and telephone conferences are held following the publication of each quarterly statement to provide participants with the opportunity to ask questions to the management. Webcasts thereof are subsequently available on the Company's website at <a href="http://www.chr-hansen.com">www.chr-hansen.com</a> . The website also includes Company Announcements, Presentations and the Financial Calendar etc. In the financial year 2011/12 more than 250 meetings have taken place with institutional investors. Investors may also contact our investor relations department to obtain additional information and in order to maintain an ongoing dialogue.
1.2. Capital and share structure			
1.2.1. The Committee recommends that the central governing body every year evaluate whether the company's capital and share structures continue to be in the interests of the shareholders and the company and account for this evaluation in the management commentary in the annual report and/or on the company's website.	YES		The Board of Directors will annually assess whether the share capital and the share structure is in accordance with the Company's and the shareholders' best interests. The findings will be reported in the Annual Report. At present we have one single class of shares, and all shares rank pari passu. Each share of DKK 10 carries one vote.
1.3. General Meeting			
1.3.1. The Committee recommends that the supreme governing body and the executive board promote active ownership, including shareholders' attendance at general meetings.	YES		The Company is committed to maintain a constructive dialogue with its shareholders and other stakeholders and a high level of transparency when communicating with its shareholders. Attendance at Annual General Meetings: The Board of Directors and the Executive Board encourage investors to participate actively in the Annual General Meeting The meeting date for the Annual General Meeting is published in the Financial Calendar of the Company. At present the Annual Meeting is held as a physical meeting, in the future, however, pursuant to the Articles of Association electronic Annual General Meetings may take place in line with the technological development.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
1.3.2. The Committee recommends that the central governing body resolve or submit to the general meeting the question whether the general meeting shall be conducted by physical attendance or as a partly or entirely electronic general meeting.	YES		The Board of Directors has resolved that the Annual General Meeting for the financial year 2011/12 shall be conducted by physical attendance and will be webcasted on <a href="http://www.chr-hansen.com">www.chr-hansen.com</a> .
1.3.3 The Committee recommends that proxies given to the supreme governing body allow shareholders to consider each individual item on the agenda.	YES		Pursuant to the Articles of Association shareholders may cast their votes in writing to the Board of Directors prior to the Annual Meeting (postal votes). Further voting rights may be exercised by written and dated proxies in accordance with applicable laws in force from time to time. Both postal votes and proxy votes shall consider each individual item on the agenda. The forms to be used in connection with postal and proxy voting are available on the Company's website.
1.3.4 The Committee recommends that all members of the supreme governing body and the executive board be present at the general meeting.	YES		All members of the Board of Directors and the Executive Board are present at the Annual General Meeting.
1.4. Takeover bids			
1.4.1 The Committee recommends that the central governing body, from the moment it obtains knowledge that a takeover bid will be submitted, do not, without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid.	YES		The Company confirms that in case it obtains knowledge that a takeover bid will be submitted or is likely to be submitted it will not make decisions or initiate defense measures without the prior approval of the Annual General Meeting.
1.4.2. The Committee recommends that the central governing body give the shareholders the opportunity to decide whether or not they wish to dispose of their shares in the company under the terms offered.	YES		The Company confirms that the central governing body will provide the shareholders the opportunity to decide whether or not they wish to dispose of their shares in the Company under the terms offered.

Recommendation	The Company complies	The Company does not comply	The Company complies/does not comply with the recommendation due to the following reason:
<b>2. The role of stakeholders and their importance to the company and the company's corporate social responsibility</b>			
2.1. The Company's policy in relation to its stakeholders			
2.1.1. The Committee recommends that the central governing body identify the company's key stakeholders and their main interests in relation to the company.	YES		<p>The Company is committed to maintain a constructive dialogue with its shareholders and other stakeholders, and it takes its Corporate Social Responsibility very seriously.</p> <p>For years, environmental concerns, product safety and employee relations have been high on the agenda with special focus on our immediate stakeholders representing shareholders, customers, employees, suppliers and authorities. Within the framework of the United Nations Guiding principles on business and human rights the Company aims to further develop assessments both of internal operations and suppliers. A human rights policy is already integrated in the Company's position on CSR.</p>
2.1.2. The Committee recommends that the central governing body adopt a policy on the company's relationship with its stakeholders, including the investors, and ensure that the interests of the stakeholders are respected in accordance with the company's policy on such issues.	YES		<p>The Company has adopted a policy on Corporate Social Responsibility as well as on Investor Relations, and the Board of Directors ensures that stakeholders' interests and roles are respected in accordance with these policies, e.g. by means of the Company's annual reporting on CSR.</p>
2.2. Corporate social responsibility			
2.2.1. The Committee recommends that the central governing body adopt a policy on corporate social responsibility.	YES		<p>The Board of Directors has adopted the Company's policy on Corporate Social Responsibility according to which the Company's commitments are described.</p> <p>Since 2003/04, Chr. Hansen has reported non-financial data with primary focus on environment, health and safety. Within the recent four years we have reported on CSR work and performance (People and Planet). A four-year strategy for CSR has been developed describing the vision and the key objectives as well as concrete ambitions and goals relating to environmental impact, product safety, employee relations, sustainable sourcing and social involvement. Since September 2009 the Company has been a member of the UN Global Compact.</p>

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<b>3. Openness and transparency</b>			
3.1. Disclosure of information to the market			
3.1.1. The Committee recommends that the central governing body adopt a communication strategy.	YES		<p>The Board of Directors has adopted the Company's Communication policy as well as the Communication strategy. According to this policy the Company complies with the statutory regulations concerning the publication of material information relevant to shareholders' and the financial markets' evaluation of our activities, business objectives, strategies and results. In addition to a communication and investor relation strategy, our Board of Directors has approved a set of internal rules aimed to ensure that the disclosure of such information complies with the applicable stock exchange regulations. All Company Announcements are published via Nasdaq OMX's news distribution source "GlobalNewsWire", sent to Nasdaq OMX, and can subsequently be assessed from the company's website at <a href="http://www.chr-hansen.com">www.chr-hansen.com</a>.</p> <p>The Company publishes quarterly, half-year and annual reports.</p>
3.1.2. The Committee recommends that information from the company to the market be published in both Danish and English.	YES		<p>All Company announcements are published in Danish and in English.</p>
3.1.3. The Committee recommends that the company publish quarterly reports.	YES		<p>The Company publishes interim quarterly reports. The reports are available on the Company's website <a href="http://www.chr-hansen.com">www.chr-hansen.com</a>.</p>



Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<b>4. The tasks and responsibilities of the supreme and the central governing bodies</b>			
<b>4.1. Overall tasks and responsibilities</b>			
4.1.1. The Committee recommends that the central governing body determine the company's overall strategy at least once every year with a view to sustaining value creation in the company.	YES		At least once a year, the Board of Directors lays down the strategic objectives of the Company on the basis of proposals submitted by the Executive Board and approves the Company's general business policies and guidelines.
4.1.2. The Committee recommends that the supreme governing body at least once every year discuss and ensure that the necessary qualifications and financial resources are in place in order for the company to achieve its strategic goals.	YES		At least once a year the Board of Directors discusses whether the Company is in possession of or has access to the competencies and financial resources necessary with a view to ensuring that the Company can reach its strategic objectives.
4.1.3. The Committee recommends that the supreme governing body at least once every year define its most important tasks related to the financial and managerial control of the company, including how to supervise the work of the executive board.	YES		The Board of Directors determines once a year its most important tasks in relation to the financial and managerial supervision including the way in which it intends to supervise the work of the Executive Board.
4.1.4. The Committee recommends that the supreme governing body annually discuss the company's activities to ensure diversity at management levels, including equal opportunities for both sexes, and that the supreme governing body set measurable objective and in the management commentary in the annual report and/or on the company's website give an account of both the objectives and the progress made in achieving the objective.	YES		The Board of Directors has discussed the Company's activities to ensure diversity at Management levels and has this year set measurable objectives regarding diversity in the Management teams in Chr. Hansen. Figures establishing the actual level of diversity are presented in Chr. Hansen's annual CSR report, available on <a href="http://annualreport1112.chr-hansen.com">http://annualreport1112.chr-hansen.com</a>
<b>4.2. Procedures</b>			
4.2.1. The Committee recommends that the supreme governing body review its rules of procedure annually to ensure that they are adequate and always match the activities and needs of the company.	YES		The Rules of Procedure and any other relevant set of rules, including the insider rules, are reviewed at least once a year for the purpose of ensuring that the Rules of Procedure are up-to-date and adjusted to the Company's activities.
4.2.2. The Committee recommends that the supreme governing body annually review and approve procedures for the executive board, including establish requirements for the executive board's timely, accurate and adequate reporting to the supreme governing body and for any other communication between the two governing bodies.	YES		The Board of Directors has issued Rules of Procedure for the Executive Board applicable to the overall duties, obligations and liabilities of the Executive Board including specific authorizations within which the Executive Board may transact business. The Rules of Procedure and authorizations are subject to annual evaluation, update and approval by the Board of Directors. The Rules of Procedure for the Executive Board are attached to the Rules of Procedure of the Board of Directors.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
4.3. The chairman and deputy chairman of the supreme governing body			
4.3.1. The Committee recommends that a deputy chairman of the supreme governing body be appointed, who must be able to act in the chairman's absence and also act as an effective sounding board for the chairman.	YES		As soon as possible after the Annual General Meeting in any year, a Board meeting is held for the purpose of electing a Vice Chairman. The role of the Vice Chairman is in accordance with the recommendations.
4.3.2. The Committee recommends the preparation of a scope of work and task list specifying the tasks, duties and responsibilities of the chairman and deputy chairman.	YES		The Chairmanship has prepared a description of the tasks, obligations and responsibilities of the Chairman and the Vice Chairman, which has been approved by the Board of Directors.
4.3.3. The Committee recommends that the chairman of the supreme governing body organize, convene and chair meetings to ensure efficiency in the body's work and to create the best possible working conditions for the members, individually and collectively.	YES		The Chairman of the Board of Directors organizes, convenes and chairs the Board meetings in order to ensure efficiency in the work of the Board of Directors and to create the best possible working conditions for the members, individually and collectively.
4.3.4. The Committee recommends that, if the board of directors in exceptional cases asks its chairman to perform special tasks for the company, including briefly participate in the day-to-day management, a board resolution to that effect should be passed and precautions taken to ensure that the board of directors will maintain responsibility for the overall management and control function. A reasonable distribution of duties must be ensured between the chairman, the deputy chairman, the other members of the board of directors and the executive board. Information about agreements on the chairman's participation in the day-to-day management and the expected duration hereof must be disclosed in a company announcement.	YES		The Chairman of the Board of Directors does not assume special tasks for the Company or participate in the day-to-day management, unless and as an exception there is a special need therefore in which case such assignment or managerial involvement shall be subject to prior approval of the Board of Directors and be confined to a limited period of time.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<b>5. Composition and organization of the supreme governing body</b>			
<b>5.1. Composition</b>			
5.1.1. The Committee recommends that the supreme governing body annually specify the skills it must have to best perform its tasks and that the specification be posted on the website. Proposals for the nomination/replacement of members of the supreme governing body to be submitted to the general meeting should be prepared in the light hereof.	YES		The Board of Directors of Chr. Hansen Holding A/S, with input from the Nomination Committee, is responsible for annually determining the appropriate qualifications, experience and competencies required of Board candidates in order for the Board of Directors to best perform its tasks, taking into account the Company's needs and current composition of the Board of Directors. Nomination of candidates to be submitted to the Annual General Meeting are prepared in light hereof. The Board of Directors has adopted a specification of competencies to be applied when nominating candidates. The specification is available on the Company's website <a href="http://www.chr-hansen.com">www.chr-hansen.com</a> .
5.1.2. The Committee recommends that the supreme governing body ensure a formal, thorough and transparent process for selection and nomination of candidates to the supreme governing body. When assessing its composition and nominating new candidates, the supreme governing body must take into consideration the need for integration of new talent and the need for diversity in relation to international experience, gender and age, etc.	YES		Nomination of candidates to be submitted to the Annual General Meeting is prepared in light of the competencies specified. Each nomination will always be accompanied by detailed explanations and background information concerning the persons in question. In 2012 the Company has set objectives regarding diversity in the management teams in Chr. Hansen, This also includes the Board of Directors.
5.1.3. The Committee recommends that a description of the nominated candidates' qualifications, including information about other executive functions, e.g. memberships of executive boards, boards of directors and supervisory boards, including board committees, held by the candidates in both Danish and foreign companies as well as information on demanding organizational tasks should accompany the notice convening the general meeting when election of members to the supreme governing body is on the agenda.	YES		The Company ensures that a description of the nominated candidates' qualifications, including information about other Board functions, is sent out with any notice convening the Annual General Meeting when election of members to the Board is on the agenda. Members are elected for one year at a time.
5.1.4. The Committee recommends that every year, the annual report contain an account of the composition of the supreme governing body, including its diversity, and of any special skills possessed by the individual members.	YES		A description of the composition of the Board of Directors, including diversity and special skills necessary is included in the Annual Report.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<b>5.2. Training of members of the supreme governing body</b>			
5.2.1. The Committee recommends that new members joining the supreme governing body be given an introduction to the company.	YES		Pursuant to the Rules of Procedure for the Board of Directors an introduction to the Company for new Board members takes place immediately after election where it is also considered with the Chairman on any further training requirements. The Board's overall skills are further assessed in connection with the annual evaluation of the collaboration, cf. recommendation 5.11.1.
5.2.2. The Committee recommends that the supreme governing body annually assess whether the skills and expertise of its members need to be updated.	YES		The Board's overall need for updating its skills is assessed in connection with its annual evaluation of the collaboration, cf. recommendation 5.11.1.
<b>5.3. Number of members of the supreme governing body</b>			
5.3.1. The Committee recommends that the supreme governing body have only so many members as to allow a constructive debate and an effective decision-making process enabling all members to play an active role.	YES		Pursuant to the Articles of Association the Annual General Meeting shall elect at least three and no more than six members to the Board of Directors, including a Chairman. The Board of Directors currently consists of six members elected by the shareholders and three members elected by the employees. The outcome of the Board's annual evaluation of the collaboration further indicates that the debate is constructive and effective and the decision-making process enables the members to play an active role.
5.3.2. The Committee recommends that in connection with the preparation for each year's general meeting, the supreme governing body consider whether the number of members is appropriate in relation to the requirements of the company.	YES		The current number is considered to be adequate, however, in connection with the preparation of the Annual General Meeting the Board considers whether the number is appropriate in relation to the requirements of the Company.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
5.4. The independence of the supreme governing body			
5.4.1. In order for the members of the supreme governing body to act independently of special interests, the Committee recommends that at least half of the members elected by the general meeting be independent persons.	YES		Our Board of Directors currently consists of six members elected by the shareholders and three members elected by the employees. Of the six members elected by the shareholders, four are considered independent. All independent members comply with the requirements in this section. The independent Board member may not: be, or have been within the last five years, a member of the Executive Board/managerial staff of the Company or an associated company, have received significant additional remuneration from the Company/Group or an associated company apart from a fee for its services in the capacity as a member of the supreme governing body, represent the interests of a controlling shareholder, within the last year, have had a material business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body of companies with similar relations) with the Company or an associated company, be, or have been within the last three years, an employee or partner of the external audit firm, hold cross-memberships of governing bodies, have been a member of the supreme governing body for more than 12 years, or have close family ties with persons that are not regarded as independent persons.
5.4.2. The Committee recommends that at least once every year, the supreme governing body list the names of the members who are regarded as independent persons and also disclose whether new candidates for the supreme governing body are considered independent persons.	YES		The Annual Report of the Company lists the names of the members who are regarded as independent persons, and in connection with election of new candidates to the Board of Directors information is provided as to whether each candidate is considered independent.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
5.5. Members of the supreme governing body elected by the employees			
5.5.1. The Committee recommends that the individual company explain, in the company's annual report or on its website, the system of employee-elected board members and the company's use hereof in companies where the employees have chosen to apply the provisions of the Companies Act on employee representation.	YES		The Company webpage includes a short description of the Danish system of employee-elected Board members <a href="http://investor.chr-hansen.com/documents.cfm">http://investor.chr-hansen.com/documents.cfm</a> .
5.6. Meeting frequency			
5.6.1. The Committee recommends that the supreme governing body meet at regular intervals according to a predetermined meeting and work schedule or when meetings are deemed necessary or appropriate as required by the company and that the number of meetings held be disclosed in the annual report.	YES		The Board of Directors has decided on a rolling two-year meeting calendar. The number of meetings held is described in this annual corporate governance statement which is part of the 2011/12 Annual Report.
5.7. Expected time commitment and the number of other executive functions			
5.7.1. The Committee recommends that each member of the supreme governing body assess the expected time commitment for each function in order that the member does not take on more functions than he/she can manage in a satisfactory way for the company.	YES		The Company has signed a Board Member Agreement with each individual Board member according to which the member commits not to take on more functions than he/she can manage in a satisfactory way for the Company.
5.7.2. The Committee recommends that the annual report contain the following information about the members of the supreme governing body: - the member's occupation, - the member's other executive functions, e.g. memberships of executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign companies as well as demanding organizational tasks, and - the number of shares, options, warrants, etc. that the member holds in the company and its consolidated companies and any changes in such holdings during the financial year.	YES		The Company's Annual Report contains information on the Board member's occupation, the member's other executive functions, e.g. memberships of Executive Boards, Boards of Directors and Supervisory Boards, including Board Committees, in Danish and foreign companies as well as demanding organizational tasks, and the number of shares, options, warrants, etc. that the member holds in the Company and its consolidated companies and any changes in such holdings during the financial year.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<b>5.8. Retirement age</b>			
5.8.1. The Committee recommends that the company's articles of association fix a retirement age for members of the supreme governing body and that the annual report contain information on such retirement age as well as the age of each member of the board of directors.	YES		Pursuant to the Articles of Association members of the Board of Directors elected by the Annual General Meeting must retire from office at each Annual General Meeting, but will be eligible for reelection. Only persons who are 70 years of age or younger at the time of election can be elected to the Board of Directors.
<b>5.9. Election period</b>			
5.9.1. The Committee recommends that members of the supreme governing body elected by the general meeting be up for re-election every year at the annual general meeting.	YES		Pursuant to the Articles of Association members of the Board of Directors elected by the Annual General Meeting must retire from office at each Annual General Meeting, but will be eligible for re-election.
5.9.2. The Committee recommends that the annual report state when the individual member of the supreme governing body joined the body, whether the member was re-elected and when the current election period expires.	YES		The Annual Report describes when individual Board members joined the Board of Directors and any re-elections to the Board of Directors.
<b>5.10. Board committees</b>			
5.10.1. The Committee recommends that the company publish the following information in the management commentary in its annual report or on the company's website: - the terms of reference for the board committees, - important activities of the committees during the year and the number of meetings held by each committee, and - the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications.	YES		The Board of Directors has established three committees, i.e. an Audit Committee, a Nomination Committee and a Remuneration Committee. Charters for each committee are briefly described in this annual corporate governance statement which is part of the 2011/12 Annual Report.
5.10.2. The Committee recommends that a majority of the members of a board committee be independent members.	YES		The majority of the members in each committee are independent.
5.10.3. The Committee recommends that the supreme governing body establish an actual audit committee.	YES		The Board of Directors has established an Audit Committee. The Charter is briefly described in this annual corporate governance statement which is part of the 2011/12 Annual Report.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<p>5.10.4. The Committee recommends that the following be taken into account in composing the audit committee:</p> <ul style="list-style-type: none"> <li>- the chairman of the supreme governing body should not be chairman of the audit committee, and</li> <li>- between them, the members should possess such an amount of expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit conditions of companies whose shares are admitted to trading on a regulated market.</li> </ul>	YES		<p>The Committee consists of Henrik Poulsen as Chairman and independent member, Ole Andersen (Chairman of the Board of Directors) and independent member and Gaëlle d'Engremont (Board member). All Committee members have the required competencies.</p>
<p>5.10.5. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the supreme governing body about:</p> <ul style="list-style-type: none"> <li>- significant accounting policies</li> <li>- significant accounting estimates,</li> <li>- related party transactions, and</li> <li>- uncertainties and risks, including in relation to the outlook.</li> </ul>	YES		<p>Pursuant to the Charter for the Audit Committee and prior to the approval of the Annual Report and other financial reports the Audit Committee reports to the Board of Directors on:</p> <ul style="list-style-type: none"> <li>- significant accounting policies</li> <li>- significant accounting estimates,</li> <li>- related party transactions, and</li> <li>- uncertainties and risks, including in relation to the outlook.</li> </ul> <p>The meetings of the Audit Committee are scheduled in accordance with the annual audit meeting wheel.</p>
<p>5.10.6. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> <li>- annually consider whether there is a need for an internal audit function, and if so,</li> <li>- formulate recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and</li> <li>- monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>	YES		<p>Pursuant to the Charter for the Audit Committee the Committee annually assesses whether there is a need for an internal audit function, The Audit Committee has assessed that for the time being there is no need for an internal audit function, as the internal control environment is considered adequate.</p>



Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<p>5.10.7. The Committee recommends that the supreme governing body establish a nomination committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>- describe the qualifications required in the two governing bodies and for a given position, state the expected time commitment for a position and evaluate the balance of skills, knowledge and experience available in the two governing bodies.</li> <li>- annually evaluate the structure, size, composition and performance of the governing bodies and make recommendations to the supreme governing body with regard to any changes,</li> <li>- annually evaluate the skills, knowledge and experience of the individual members of the governing bodies and report such details to the supreme governing body,</li> <li>- consider proposals submitted by relevant persons, including shareholders and members of the governing bodies, for candidates for executive positions, and</li> <li>- identify and recommend to the supreme governing body candidates for the governing bodies.</li> </ul>	YES		<p>The Board of Directors has established a Nomination Committee. The Charter is briefly described in this annual corporate governance statement which is part of the 2011/12 Annual Report and complies with the recommendations in this section.</p>

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<p>5.10.8. The Committee recommends that the supreme governing body establish a remuneration committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>- make proposals, for the approval of the supreme governing body prior to approval at the general meeting, on the remuneration policy, including the overall principles of incentive pay schemes, for members of the supreme governing body and the executive board,</li> <li>- make proposals to the supreme governing body on remuneration for members of the supreme governing body and the executive board and ensure that the remuneration is consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the supreme governing body and the executive board receive from other companies in the group, and</li> <li>- oversee that the information in the annual report on the remuneration of the supreme governing body and the executive board is correct, true and sufficient.</li> </ul>	YES		<p>The Board of Directors has established a Remuneration Committee. The Charter is briefly described in this annual corporate governance statement which is part of the 2011/12 Annual Report and complies with the recommendations in this section.</p>
<p>5.10.9. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>	YES		<p>The Remuneration Committee ensures that it consults with other external advisors than the Executive Board of the Company.</p>
<p>5.11 Evaluation of the performance of the supreme governing body and the executive board</p>			
<p>5.11.1. The Committee recommends that the supreme governing body undertake an annual evaluation of the performance and achievements of the supreme governing body and of the individual members of the body.</p>	YES		<p>The Company undertakes an annual evaluation of the performance and achievements of the Board of Directors and its individual members.</p>
<p>5.11.2. The Committee recommends that the chairman be in charge of the evaluation of the supreme governing body, that the outcome be discussed in the supreme governing body and that the details of the procedure of self-evaluation and the outcome be disclosed in the annual report.</p>	YES		<p>The Chairman of the Board of Directors is in charge of the evaluation and the details of the procedure of the evaluation and the outcome is described in this annual corporate governance statement which is part of the 2011/12 Annual Report.</p>

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
5.11.3. The Committee recommends that the supreme governing body at least once every year evaluate the work and performance of the executive board in accordance with pre-defined criteria.	YES		At least once every year the work and performance of the Executive Board is evaluated by the Board of Directors in accordance with predefined key performance indicators.
5.11.4. The Committee recommends that the executive board and the supreme governing body establish a procedure according to which their cooperation is evaluated annually through a formalized dialogue between the chairman of the supreme governing body and the chief executive officer and that the outcome of the evaluation be presented to the supreme governing body.	YES		In connection with the Annual Board Evaluation as well as through a formalized dialogue between the Chairman of the Board of Directors and the Chief Executive Officer, the cooperation between the Board of Directors and the Executive Board is evaluated and the outcome of the evaluation is presented to the Board of Directors.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<b>6. Remuneration of members of the governing bodies</b>			
6.1. Content and form of the remuneration policy			
6.1.1. The Committee recommends that the supreme governing body adopt a remuneration policy applicable to the supreme governing body and the executive board.	YES		The Board of Directors has adopted a Remuneration policy applicable to the Board of Directors and the Executive Board. The latest update was made on 29 November 2011 and is available on the Company's website <a href="http://www.chr-hansen.com">www.chr-hansen.com</a> .
6.1.2. The Committee recommends that the remuneration policy and any changes to the policy be approved by the general meeting of the company.	YES		The current Remuneration policy was adopted at the Annual General Meeting of the company on 29 November 2011.
6.1.3. Committee recommends that the remuneration policy include a thorough description of the components of the remuneration for members of the supreme governing body and the executive board.	YES		The Company's Remuneration policy complies with the recommended criteria. The remuneration policy can be found at the Company's website <a href="http://investor.chr-hansen.com/documents.cfm">http://investor.chr-hansen.com/documents.cfm</a>
6.1.4. The Committee recommends that the remuneration policy include:	YES		The Company's Remuneration policy complies with the recommended criteria. The remuneration policy can be found at the Company's website <a href="http://investor.chr-hansen.com/documents.cfm">http://investor.chr-hansen.com/documents.cfm</a>
<ul style="list-style-type: none"> <li>- the reasons for choosing the individual components of the remuneration, and</li> <li>- a description of the criteria on which the balance between the individual components of the remuneration is based.</li> </ul>			
6.1.5. The Committee recommends that, if the remuneration policy includes variable components,	YES		The Company's Remuneration policy complies with the recommended criteria. The remuneration policy can be found at the Company's website <a href="http://investor.chr-hansen.com/documents.cfm">http://investor.chr-hansen.com/documents.cfm</a>
<ul style="list-style-type: none"> <li>- limits be set on the variable components of the total remuneration package,</li> <li>- a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long term,</li> <li>- there be clarity about performance criteria and measurability for award of variable components, and</li> <li>- there be criteria ensuring that vesting periods for variable components of remuneration agreements are longer than one calendar year.</li> </ul>			
6.1.6. The Committee recommends that remuneration of members of the supreme governing body do not include share or warrant programs.	YES		The Company's Remuneration policy does not include share or warrant programs for the members of the Board of Directors.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
6.1.7. The Committee recommends that if members of the executive board receive share-based remuneration, such programs be established as roll-over programs, i.e. the options are granted periodically and should not be exercisable earlier than three years from the date of grant. An explanation of the relation between the redemption price and the market price at the time of grant should be provided.	YES		The Board of Directors has adopted an overall guideline for incentive-based remuneration. The guideline describes that the Company has a short-term and a long-term incentive program. The program complies with the recommended criteria. The guideline can be found at the Company's website <a href="http://investor.chr-hansen.com/documents.cfm">http://investor.chr-hansen.com/documents.cfm</a>
6.1.8. The Committee recommends that, in exceptional cases, companies should be able to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be manifestly misstated.	YES		The Company's overall guidelines for incentive-based remuneration for Management fulfills the recommended criteria.
6.1.9. The Committee recommends that termination payments should not amount to more than two years' annual remuneration.	YES		The Company's overall guidelines for incentive-based remuneration for Management fulfills the recommended criteria.
6.2. Disclosure of the remuneration policy			
6.2.1. The Committee recommends that the remuneration policy be clear and easily understandable and that it be disclosed in the annual report and posted on the company's website.	YES		The Company's Remuneration policy fulfills the recommended criteria and is posted on the Company's website <a href="http://investor.chr-hansen.com/documents.cfm">http://investor.chr-hansen.com/documents.cfm</a> .
6.2.2. The Committee recommends that the company's remuneration policy and compliance with this policy be explained and justified in the chairman's statement at the company's general meeting.	YES		The Chairman's statement at the Company's Annual General Meeting includes the explanation and justification of the Company's remuneration policy as well as the compliance herewith.
6.2.3. The Committee recommends that the total remuneration granted to each member of the supreme governing body and the executive board by the company and other consolidated companies be disclosed in the (consolidated) financial statements and that the linkage with the remuneration policy be explained.	YES		Any remuneration grant to each member of Board of Directors and the Executive Board is disclosed in the Annual Report of the Company and fulfills the listed recommendation.
6.2.4. The Committee recommends that the details of any defined-benefit schemes offered to members of the supreme governing body or the executive board and the actuarial value of such schemes as well as changes during the year be included as part of the information on the total remuneration.	YES		The Company has not offered defined benefit schemes to any member of the Board of Directors or the Executive Board.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
6.2.5. The Committee recommends that the most important aspects of retention and severance programs be disclosed in the company's annual report.	YES		The Company discloses the most important aspects of retention and severance programs in the Company's Annual Report.
6.2.6. The Committee recommends that the proposal for remuneration of the supreme governing body for the current financial year be approved by the shareholders at the general meeting.	YES		The remuneration of the Board of Directors for the financial year 2011/12 was approved by the shareholders at the Annual Meeting on 29 November 2011.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<b>7. Financial reporting</b>			
7.1. Other relevant information			
7.1.1. The Committee recommends that the annual report and other financial reports be supplemented by additional financial and non-financial information, if deemed necessary or relevant in relation to the information needs of the recipients.	YES		The Company prepares its Annual Report and other financial reports, which are supplemented by additional non-financial information.
7.2. Going concern assumption			
7.2.1. The Committee recommends that, upon consideration and approval of the annual report, the supreme governing body decide whether the business is a going concern, including supporting assumptions or qualifications where necessary.	YES		The Board of Directors considers, by approval of the Annual Report, whether the business is a going concern, including supporting assumptions or qualifications where necessary.

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<b>8. Risk management and internal control</b>			
8.1. Identification of risks			
8.1.1. The Committee recommends that the central governing body at least once every year identify the most important business risks associated with the realization of the company's strategy and overall goals as well as the risks associated with financial reporting.	YES		In connection with the preparation of the Annual Report the most important business and financial risks are identified in connection with the realization of the Company's strategy and overall goals as well as the risks associated with financial reporting.
8.1.2. The Committee recommends that the executive board currently report to the supreme governing body on the development within the most important areas of risk and compliance with adopted policies, frameworks etc. in order to enable the supreme governing body to track the development and make the necessary decisions.	YES		The Executive Board reports to the Board of Directors on development within the most important areas of risk and compliance with adopted policies, frameworks etc. in order to enable the Board of Directors to track development and make the necessary decisions.
8.2. Whistleblowing			
8.2.1. The Committee recommends that the supreme governing body decide whether to establish a whistleblowing scheme for expedient and confidential notification of possible or suspected wrongdoing.	YES		Upon recommendation from the Audit Committee the Board of Directors has decided to establish a whistle-blowing scheme for expedient and confidential notification of possible or suspected wrongdoings. The decision was made at the meeting on 5 July 2011, and the scheme will be implemented as soon as final approval has been received from the Danish Data Protection Agency.
8.3. Openness about risk management			
8.3.1. The Committee recommends that the management commentary in the annual report include information about the company's management of business risks.	YES		The Company's Annual Report includes information about the Company's management of business risks.



Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation due to the following reason:
<b>9. Audit</b>			
9.1. Contact to auditor			
9.1.1. The Committee recommends that the supreme governing body maintain a regular dialogue and exchange of information with the auditor.	YES		The auditor of the Company is present at all meetings of the Audit Committee, and the Chairman of the Audit Committee, on behalf of the Board of Directors, maintains a regular dialogue and exchange of information with the auditor.
9.1.2. The Committee recommends that the auditor agreement and auditors' fee be agreed between the supreme governing body and the auditor on the basis of a recommendation from the audit committee.	YES		The auditor agreement and the auditor's fee are agreed between the Board of Directors and the auditors on the basis of a recommendation from the Audit Committee.
9.1.3. The Committee recommends that the supreme governing body and the audit committee meet with the auditor at least once every year without the executive board present. This also applies to the internal auditor, if any.	YES		The Audit Committee and the Board of Directors meet with the auditor at least once every year without the Executive Board being present.
9.2. Internal audit			
9.2.1. The Committee recommends that the supreme governing body, on the basis of a recommendation from the audit committee, once every year decide whether to establish an internal audit for support and control of the company's internal control and risk management systems and state the reasons for its decision in the annual report.	YES		Based on a recommendation from the Audit Committee the Board of Directors has decided that the control environment in the Company is adequate, and therefore there is no need to establish an internal audit for the time being.

## **MAIN ELEMENTS OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT IN CONNECTION WITH ITS FINANCIAL REPORTING**

The purpose of Chr. Hansen's internal controls and risk management systems in relation to the financial reporting process is to ensure that external financial statements are presented in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, and to ensure that the financial statements give a true and fair view free from material misstatement.

Our internal control and risk management system ensures that material errors or inconsistencies in the financial statements as far as possible are identified and corrected. The internal control and risk management systems comprise the following areas:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

### **CONTROL ENVIRONMENT**

The Board of Directors has set up an Audit Committee that will assist the Board of Directors in supervising the financial reporting process and the efficiency of the company's internal control and risk management systems.

The Executive Board is responsible for maintaining efficient controls and an efficient risk management system. The Executive Board has implemented the controls necessary to address the risks identified in relation to financial reporting. The composition of the Board of Directors, the Audit Committee and the Executive Board ensures the relevant competencies with respect to internal controls and risk management in relation to the financial reporting process.

Powers and responsibilities are defined in the Board of Directors' instructions to the Executive Board. The Board of Directors approves the policies for Business integrity, Quality & Product Safety, Knowledge, People & Organization, Finance & IT, Communication as well as Chr. Hansen's mission, vision and corporate values. The Executive Board approves all other policies and regularly briefs the Board of Directors of such policies. The relevant functions at Chr. Hansen issue guidelines and monitor the application of all policies and procedures. Chr. Hansen's

accounting policies are set out in the Chr. Hansen financial reporting manual, which is available to all employees.

### **RISK ASSESSMENT**

The Board of Directors and the Executive Board regularly assess risks that Chr. Hansen is exposed to, including risks related to financial reporting. The Audit Committee reviews certain high-risk areas at least once a year, including the following:

- Significant accounting estimates
- Material changes to the accounting policies
- Fraud risk assessment

At least once a year, the Executive Board and the Audit Committee consider whether the current internal control environment is effective in relation to the risks identified in the financial reporting process.

### **CONTROL ACTIVITIES**

The Group Accounting skills are reviewed on an ongoing basis in order to ensure an appropriate and satisfactory control environment. All regional finance and IT functions report directly or indirectly to central functions. Central controlling functions are responsible for controlling the financial reporting from the Parent Company and the subsidiaries.

Chr. Hansen has introduced standards for the internal controls relating to financial reporting. These standards are intended to ensure a certain minimum level of internal controls in Chr. Hansen companies, thus making the control environment more efficient. The internal control standards are focused on separating functions and on detective and preventive controls. Chr. Hansen companies are subject to ongoing controls by a central unit from Group Accounting in order to ensure an appropriate control environment.

The Audit Committee has assessed the need for an internal audit function and decided not to establish one at present, as the current internal control and risk management systems and processes are deemed sufficient.

### **INFORMATION AND COMMUNICATION**

Chr. Hansen's financial reporting manual and other reporting instructions, including accounting instructions as well as policies for credit-granting and capital expenditure, are updated on a regular basis. Updates are communicated to the global finance organization through monthly letters, seminars and webcasts. All manuals and instructions are also available at the Chr. Hansen

intranet, where they can be accessed by all employees.

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

#### MONITORING

Financial reporting is controlled on an on-going basis and procedures have been established to check and test such reporting. Procedures have also been set up to ensure that any errors are communicated to and corrected by the reporting companies. The internal controls are subject to on-going reviews in connection with the regular control inspections at subsidiaries. Conclusions from these reviews are submitted to the Executive Board, the Audit Committee and the external auditors. Chr. Hansen's internal financial reporting ensures an effective process to monitor the company's financial results, making it possible to identify and correct any errors or omissions.

The monthly financial reporting from the respective companies is analyzed and monitored by Group Accounting in order to identify any significant weaknesses in the internal controls, failures to comply with procedures and the financial reporting manual, etc. The Audit Committee follows up on a regular basis to see that any significant weaknesses in the internal controls are eliminated and that any errors or omissions in the financial statements identified and reported by the auditors are corrected, including that controls or procedures are implemented to prevent such errors or omissions. For a more detailed description of critical accounting estimates and judgements please refer to note 2 of the Consolidated Financial Statements.