

CHR. HANSEN 2019/20

Corporate Governance Statement

Company reg. no. 28318677



Improving food & health

Annual Corporate Governance Statement 2019/20

This annual corporate governance statement for Chr. Hansen Holding A/S (hereinafter “Chr. Hansen” or the “Company”) has been prepared pursuant to Section 107b of the Danish Financial Statements Act¹ and covers the accounting period from September 1, 2019 to August 31, 2020. The statement forms part of the Management’s Review in the 2019/20 Annual Report but is not covered by the independent auditor’s report. As a Company incorporated in Denmark and listed on Nasdaq Copenhagen A/S (hereinafter “Nasdaq Copenhagen”), Chr. Hansen is subject to the Danish Recommendations on Corporate Governance² issued by the Danish Committee on Corporate Governance and most recently updated in November 2017, which are incorporated in the Nordic Main Market Rulebook for Issuers of Shares, Supplement A - Nasdaq Copenhagen. This annual corporate governance statement is available at the Company’s website <https://www.chr-hansen.com/en/investors/governance/corporate-governance>.

The statement includes:

- A description of the Company’s governance structure.
- A review of Chr. Hansen’s position on the Danish Recommendations on Corporate Governance (hereinafter the “Recommendations”).
- The main elements of the internal control and risk management systems in relation to financial reporting.

Chr. Hansen governance structure

The shareholders of Chr. Hansen Holding A/S exercise their rights at the general meeting, which is the supreme governing body of the Company and which elects the members of the Board of Directors.

Chr. Hansen Holding A/S has a two-tier management structure consisting of:

- the Board of Directors, and
- the Executive Board

Shareholders

The shareholders have ultimate authority over the Company and can exercise their rights by passing resolutions at general meetings. At each annual general meeting, the shareholders approve the annual report and any amendments to the Articles of Association, and elect the board members and the independent auditor. Resolutions can generally be passed by a simple majority. However, resolutions to amend the Articles of Association require the affirmative votes of two-thirds of the votes cast and capital represented, unless the Danish Companies Act imposes other adoption requirements.

¹ In Danish “Redegørelse for virksomhedsledelse, jf. årsregnskabslovens § 107 b”.

² The Danish Recommendations on Corporate Governance can be found on www.corporategovernance.dk.

Board of Directors

Roles and responsibilities, composition, independence, attendance, diversity and shareholding requirement

The Board of Directors is responsible for the overall management of the Company. In accordance with current practice in Denmark, responsibilities are distributed in a two-tiered structure between the Board of Directors and the Executive Board. The Executive Board oversees the day-to-day management, while the Board of Directors supervises the work of the Executive Board and is responsible for the overall management and strategic direction. The two bodies are separate with no overlapping members.

The Board of Directors has eleven members, seven of whom are elected by the shareholders and four by the employees in Denmark.

In November 2019, the shareholders elected the following members to the Board of Directors:

- **Dominique Reiniche** (Chair of the Board of Directors since 2018 (member since 2013 and Vice Chair from 2015-2018), chair of the Nomination Committee and the Remuneration Committee, and member of the Audit Committee).
- **Jesper Brandgaard** (Vice Chair of the Board of Directors since 2018 and member since 2017, member of the Nomination Committee and the Audit Committee).
- **Luis Cantarell** (member of the Board of Directors since 2016 and chair of the Scientific Committee).
- **Heidi Kleinbach-Sauter** (member of the Board of Directors since 2017 and member of the Nomination Committee and the Scientific Committee).
- **Niels Peder Nielsen** (member of the Board of Directors since 2018 and member of the Scientific Committee).
- **Kristian Villumsen** (member of the Board of Directors since 2014 and member of the Remuneration Committee).
- **Mark Wilson** (member of the Board of Directors since 2010, chair of the Audit Committee and member of the Remuneration Committee).

Currently, all seven board members elected by the shareholders are considered independent as defined in the Recommendations. All shareholder-elected members of the Board of Directors serve for terms of one year and are up for re-election at each annual general meeting.

In 2017, the employees in Denmark elected four board members, two men and two women, for a statutory four-year term:

- **Lisbeth Grubov** (member of the Board of Directors since 2017)
- **Charlotte Hemmingsen** (member of the Board of Directors since 2017)
- **Kim Ib Sørensen** (member of the Board of Directors since 2017)
- **Per Poulsen** (member of the Board of Directors since 2013)

The employee-elected board members are up for election again in 2021.

Employee-elected board members have the same rights, duties and responsibilities as shareholder-elected board members. Employee-elected board members are not considered independent as defined in the Recommendations.

The Board of Directors held twelve board meetings in 2019/20. For meeting attendance, please refer to p 52 of the 2019/20 Annual Report.

In 2019/20, the gender representation on the Board of Directors remained stable with two out of the seven shareholder-elected members being women. As in 2018/2019, the Board of Directors achieved equal gender representation under Danish law³. In 2019/20, the Board of Directors maintained the target of having at least three women elected by the shareholders by 2022, as well as a strong diversity of skills, experience and nationalities.

The shareholder-elected members of the Board of Directors have all committed to purchasing shares corresponding to at least one year's base fee for an ordinary board member within 12 months of their appointment, and to maintaining a shareholding corresponding to at least one year's base fee throughout the entire period of their board membership in accordance with an

³ See the Danish Business Authority's "Guidelines on target figures, policies and reporting on the gender composition of management" at www.erhvervsstyrelsen.dk.

internal process. See note 2.3 to the Consolidated Financial Statements for information on current board members' shareholdings.

Board committees

The Board of Directors may establish board committees in order to prepare decisions and recommendations for evaluation and approval by the Board of Directors. In accordance with the Recommendations, the Board of Directors has established the following four committees:

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Scientific Committee⁴

Reporting to the Board of Directors, the committees have individual charters and agreed annual schedules which define their key tasks and responsibilities.

Audit Committee

Roles and responsibilities, composition, independence and attendance

The Board of Directors has established an Audit Committee, which consists of at least three members appointed by the Board of Directors from among its members. One member is appointed as chair, who cannot be the Chair of the Board of Directors. The Audit Committee assists the Board of Directors in meeting its responsibilities in the financial reporting process, the system of internal controls, the audit process and the Company's process for monitoring compliance with laws, regulations, internal policies and positions, including considering the independence of the external auditor and reviewing the annual and quarterly financial reports. The Audit Committee meets at least four times a year in accordance with an agreed annual schedule with fixed agenda items, ensuring compliance with recommendations and adequate monitoring. The annual schedule reflects the key events of the annual financial reporting cycle and the aforementioned responsibilities.

In 2019/20, the Audit Committee organized an audit firm selection process in accordance with Article 16 of the EU Audit Regulation (Regulation (EU) No. 537/2014). In the selection process, the Audit Committee evaluated relevant audit firms with regards to electability, competences and global presence. Two audit firms were invited to tender resulting in the Audit Committee recommending to the Board of Directors to propose the appointment of PwC at the 2020 Annual General Meeting to be held on November 25, 2020. The Audit Committee's preference was based inter alia on PwC's significant knowledge of the food ingredients industry, its good knowledge of Chr. Hansen and

the competitive fee level. Furthermore, PwC has a global organization that provides valuable and professional support to Chr. Hansen's global business.

In November 2019, the Board of Directors appointed the following to serve on the Audit Committee:

- **Mark Wilson** (chair; independent; Financial Expert)
- **Jesper Brandgaard** (member; independent; Financial Expert)
- **Dominique Reiniche** (member; independent)

All members qualify as independent as defined in the Recommendations according to which a majority of the members of a board committee shall qualify as independent. Under Danish law, at least one of the members must have expertise and experience in accounting and auditing (hereinafter "Financial Expert(s)"), and the members of the committee must as a whole have competencies relevant for the industry in which the Company operates. Two members are financial experts and the members as a whole have competencies relevant to the industries in which Chr. Hansen operates, as required by the Danish Act on Approved Auditors and Audit Firms.

The Audit Committee held four meetings in 2019/20. For meeting attendance, please refer to p 52 of the 2019/20 Annual Report.

For the key matters handled by the Audit Committee in 2019/20, please refer to www.chr-hansen.com/en/about-us/management/board-committees.

Nomination Committee

Roles and responsibilities, composition, independence and attendance

The Board of Directors has established a Nomination Committee, which consists of at least three members appointed by the Board of Directors from among its members. The Chair of the Board of Directors serves as chair of the Nomination Committee. The Nomination Committee assists the Board of Directors in meeting its responsibilities with respect to the nomination and appointment of members of the Board of Directors and the Executive Board, ensuring that the Board of Directors and the Executive Board are at all times of an appropriate size and consisting of individuals with the professional qualifications and experience required, and conducting regular evaluations of the performance of the Board of Directors and the Executive Board. The Nomination Committee meets at least three times a year in accordance with an agreed annual schedule with fixed agenda items.

In November 2019, the Board of Directors appointed the following to serve on the Nomination Committee:

- **Dominique Reiniche** (chair; independent)
- **Jesper Brandgaard** (member; independent)
- **Heidi Kleinbach-Sauter** (member, independent)

All members qualify as independent as defined in the Recommendations according to which a majority of the members of a board committee shall qualify as independent.

The Nomination Committee held three meetings in 2019/20. For meeting attendance, please refer to p 52 of the 2019/20 Annual Report.

For the key matters handled by the Nomination Committee in 2019/20, please refer to www.chr-hansen.com/en/about-us/management/board-committees.

Remuneration Committee

Roles and responsibilities, composition, independence and attendance

The Board of Directors has established a Remuneration Committee, which consists of three members appointed by the Board of Directors from among its members. The Chair of the Board of Directors serves as chair of the Remuneration Committee. The Remuneration Committee assists the Board of Directors in meeting its responsibilities with respect to establishing, implementing and executing its remuneration policy for the members of the Board of Directors, its committees and the Executive Board and the principles hereof for the other members of the Corporate Leadership Team. Furthermore, the Remuneration Committee assists the Board of Directors in preparing a general remuneration policy for the Company and an annual separate Remuneration Report for the Board of Directors and Executive Board. The Remuneration Committee meets at least four times a year in accordance with an agreed annual schedule with fixed agenda items.

In November 2019, the Board of Directors appointed the following to serve on the Remuneration Committee:

- **Dominique Reiniche** (chair; independent)
- **Kristian Villumsen** (member; independent)
- **Mark Wilson** (member; independent)

All members qualify as independent as defined in the Recommendations according to which a majority of the members of a board committee shall qualify as independent.

The Remuneration Committee held four meetings in 2019/20. For meeting attendance, please refer to p 52 of the 2019/20 Annual Report.

For the key matters handled by the Remuneration Committee in 2019/20, please refer to www.chr-hansen.com/en/about-us/management/board-committees.

Scientific Committee

Roles and responsibilities, composition, independence and attendance

The Board of Directors has established a Scientific Committee, which consists of one to three members appointed by the Board of Directors from among its members. One member is appointed as chair. The Scientific Committee assists the Board of Directors in meeting its responsibilities with respect to the Company's research & development (R&D) activities and ensuring that the Board of Directors has an informed, independent view of the focus and direction of the R&D function's work and capabilities. Furthermore, the Scientific Committee provides reassurance to the Board of Directors that the R&D and technical resources of the Company are appropriately aligned with the agreed strategy. The Scientific Committee meets at least four times a year in accordance with an agreed annual schedule with fixed agenda items.

At the September 24, 2020 board meeting, it was decided to change the role of the committee to assist and advise the members of the Board of Directors in matters relating to the R&D strategy of the Company including the commercialization strategies to bring innovations from R&D to the relevant markets. The purpose is to provide reassurance to the Board that the R&D, technical resources and innovation plans of the Company are appropriately aligned with the agreed business and customer strategies. As a consequence the name of the Scientific Committee was changed to the Science & Innovation Committee.

In November 2019, the Board of Directors appointed the following to serve on the Scientific Committee:

- **Luis Cantarell** (chair; independent)
- **Heidi Kleinbach-Sauter** (member; independent)
- **Niels Peder Nielsen** (member; independent)

All members qualify as independent as defined in the Recommendations according to which a majority of the members of a board committee shall qualify as independent.

The Scientific Committee held five meetings in 2019/20. For meeting attendance please refer to p 52 of the 2019/20 Annual Report.

For the key matters handled by the Scientific Committee in 2019/20, please refer to www.chr-hansen.com/en/about-us/management/board-committees.

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 also submits and recommends to the Board of Directors proposals for the Company's overall strategy and objectives.

The Executive Board currently has three members and is chaired by the President and Chief Executive Officer (hereinafter the "CEO"). The Executive Board forms part of the Corporate Leadership Team, which currently has six additional members, and meets at least once a month, apart from in the month of July. The Board of Directors appoints members of the Executive Board and reviews their performance based on a recommendation from the Nomination Committee, and determines their remuneration based on a recommendation from the Remuneration Committee.

On October 31, 2020, Executive Vice President & Chief Financial Officer (hereinafter the "CFO") Søren Westh Lonning will step down from the Executive Board and be replaced as Executive Vice President & CFO by Lise Skaarup Mortensen. Lise Skaarup Mortensen comes from a position as CFO of Microsoft Germany.

More information on the members of the Executive Board and the other members of the Corporate Leadership Team is available on pp 58-60 of the 2019/20 Annual Report and at www.chr-hansen.com/en/about-us/management.

As of August 31, 2020, the members of the Executive Board were:




- **Mauricio Graber** (President & CEO)
- **Søren Westh Lonning** (Executive Vice President & CFO)
- **Thomas Schäfer** (Executive Vice President & Chief Scientific Officer (hereinafter the "CSO"))




Chr. Hansen's position on the Danish Recommendations on Corporate Governance




As a company incorporated in Denmark with its shares listed on Nasdaq Copenhagen A/S, Chr. Hansen must either comply with or explain any deviations from the Danish Recommendations on Corporate Governance. It is important that Chr. Hansen complies with good corporate governance practices, including statutory requirements and the Recommendations. Therefore, our Board of Directors regularly reviews its rules of procedure, charters, policies and practices. In 2019/20 Chr. Hansen complied with **all** of the Recommendations.

- Complies
- Not complying




RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
1. Communication and interaction by the company with its investors and other stakeholders		
1.1. Dialogue between company, shareholders and other stakeholders		
1.1.1. The Committee recommends that the board of directors ensure ongoing dialogue between the company and its shareholders, so that the shareholders gain relevant insight into the company and in order for the board of directors to be aware of the shareholders' views, interests and opinions in relation to the company.	●	<p>Chr. Hansen strives to provide a high and consistent level of information to the investor community and seeks to ensure that adequate information flows back from the investor community to the Executive Board and the Board of Directors.</p> <p>Chr. Hansen publishes annual and quarterly financial reports. These and other company announcements are published in English and can subsequently be accessed at www.chr-hansen.com/en/investors, where Danish translations also are made available.</p> <p>The primary dialogue with shareholders takes place at investor meetings and presentations and at annual general meetings. Investors may also maintain an ongoing dialogue by contacting the Investor Relations department to obtain additional non-price-sensitive information. Webcasts are held following the publication of the annual and quarterly financial reports to give participants the opportunity to direct questions to management. Webcasts, including transcripts are subsequently made available at www.chr-hansen.com/en/investors.</p> <p>Chr. Hansen held more than 400 meetings with institutional investors in the financial year 2019/20, including the virtual Capital Markets Day on August 24-25, 2020.</p>





RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
<p>1.1.2. The Committee recommends that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders, and that the board of directors ensure that the interests of the stakeholders are respected in accordance with company policies.</p>		<p>Chr. Hansen is committed to maintaining a transparent and constructive dialogue with shareholders and other stakeholders. Stakeholder dialogue and relationships are managed in accordance with the Company's Corporate Governance, Communications and Business Integrity Policies, as well as positions on Investor Relations and Sustainability.</p> <p>In 2019/20, the policies and positions were reviewed and approved by the Board of Directors at a board meeting in September 2019, and they are available at www.chr-hansen.com/en/investors/governance/policies-and-charters.</p>
<p>1.1.3. The Committee recommends that the company publish quarterly reports</p>		<p>The Company publishes quarterly financial reports in English and subsequently makes Danish translations available at www.chr-hansen.com/en/investors. Danish law no longer requires the publication of quarterly reports. However, to serve the best interests of shareholders and to maintain a high and consistent level of information to the investor community, the Board of Directors has resolved that the Company will continue to publish quarterly reports.</p>
<p>1.2 General meeting</p>		
<p>1.2.1 The Committee recommends that in organising the company's general meeting, the board of directors plans the meeting to support active ownership.</p>		<p>Chr. Hansen is committed to maintaining constructive dialogue and a high level of transparency when communicating with the Company's shareholders and other stakeholders.</p> <p>The Board of Directors and the Executive Board encourage investors to participate actively at general meetings. The date of each year's Annual General Meeting is published in the financial calendar and, as part of the ongoing dialogue, investors are actively encouraged to attend.</p> <p>All shareholders receive a notice convening general meetings electronically, if their e-mail address has been provided to Chr. Hansen.</p> <p>During the notice period for general meetings a proxy/postal voting form is made available at www.chr-hansen.com/en/investors/governance/annual-general-meeting and it is also possible for the shareholders to vote electronically by proxy or postal vote at www.chr-hansen.com/en/investors/governance/annual-general-meeting.</p> <p>The Annual General Meeting for the 2019/20 financial year was held at Chr. Hansen's headquarters in Hørsholm, Denmark, on November 27, 2019, with 66% of the share capital represented, a slight increase from 64% the previous year.</p>


RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
<p>1.2.2. The Committee recommends that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.</p>		<p>Pursuant to the Articles of Association, shareholders may cast their votes in writing (postal votes) to the Board of Directors prior to the annual general meeting. Furthermore, voting rights may be exercised by means of written and dated proxies in accordance with the applicable laws in force at any given time. Both postal and proxy votes must consider each individual item on the agenda. The form to be used for postal and proxy voting is available during the notice period for the general meeting at www.chr-hansen.com/en/investors/governance/annual-general-meeting.</p>
<p>1.3 Takeover bids</p>		
<p>1.3.1 The Committee recommends that the company set up contingency procedures in the event of takeover bids, from the time that the board of directors has reason to believe that a takeover bid will be made. The contingency procedures should establish that the board of directors should 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 themselves.</p>		<p>Chr. Hansen confirms that, should it become aware that a takeover bid will or is likely to be submitted, it will not make any decisions or initiate defensive measures without prior shareholder approval granted at a general meeting. Chr. Hansen has prepared a takeover procedure to ensure that shareholders are given the opportunity to decide whether they wish to dispose of their shares in Chr. Hansen under the terms offered.</p> <p>The Board of Directors is not aware of and did not receive any possible takeover bids during 2019/20.</p>
<p>2. Tasks and responsibilities of the board of directors</p>		
<p>2.1 Overall tasks and responsibilities</p>		
<p>2.1.1. The Committee recommends that at least once annually the board of directors consider the matters that should be included in the board's performance of its work.</p>		<p>At least once a year, the Board of Directors addresses the matters that should be included in the Board's performance of its work. The Board has identified its main tasks in relation to the financial and managerial supervision of the Company, including the way it intends to supervise the work of the Executive Board, in its Rules of Procedure and its annual wheel.</p> <p>In 2019/20, the Board of Directors identified its most important tasks for the year and reviewed and updated its Rules of Procedure at a board meeting in September 2019.</p>

RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
<p>2.1.2. The Committee recommends that at least once annually the board of directors consider the overall strategy of the company with a view to ensuring value creation in the company.</p>		<p>At least once a year, the Board of Directors reviews the strategy of Chr. Hansen based on proposals submitted by the Executive Board and approves the Company's general business policies and guidelines to ensure optimum value creation.</p> <p>The Board of Directors reviewed the "Nature's No.1 Sustainably" strategy at a two-day board meeting in March 2020. Due to the extraordinary uncertainty from COVID-19 in the short- and medium-term global macroeconomic environment, the Board of Directors together with the Executive Board, postponed the finalization and conclusions of the strategy review to board meetings in August 2020, The new 2025 strategy "Let's grow a better world. Naturally." was presented in-depth at the virtual Capital Markets Day on August 24-25, 2020.</p> <p>In addition, the Board regularly discusses strategic topics at board meetings.</p> <p>The general business policies and guidelines were reviewed and approved at a board meeting in September 2019.</p>
<p>2.1.3. The Committee recommends that the board of directors ensure that the company has a capital and share structure which supports that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors explain this in the management commentary and/or on the company's website.</p>		<p>The Board of Directors regularly assesses whether the share capital and the share structure are in the best interest of the Company and its shareholders. The findings are presented in the Annual Report. The Management's Review in the Annual Report contains the Board's assessment.</p> <p>At present, the Company has a single class of shares, and all shares rank pari passu. Each DKK 10 share carries one vote.</p> <p>To ensure a capital structure in the shareholders' best interests and to reflect the Company's cash flow generation, excess cash has historically been allocated to shareholders in the form of share buy-backs and extraordinary dividends.</p> <p>At the Annual General Meeting in November 2019, the shareholders approved the pay-out of an ordinary year-end dividend of EUR 125 million (EUR 0.95 per share). In line with the strategy and capital allocation principles, no extraordinary dividends were distributed nor were any share buy-back programs initiated in 2019/20.</p>
<p>2.1.4. The Committee recommends that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board's reporting to the board of directors.</p>		<p>The Board of Directors has issued Rules of Procedure for the Executive Board detailing the overall duties, obligations and liabilities of the Executive Board, including specific mandates under which the Executive Board may act. The Rules of Procedure and authorizations are subject to annual review, update and approval by the Board of Directors.</p> <p>In 2019/20, the Rules of Procedure were reviewed, updated and approved by the Board of Directors in September 2019.</p>

RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
2.1.5. The Committee recommends that at least once annually, the board of directors discuss the composition, developments, risks and succession plans of the executive board.	●	<p>The Board of Directors assesses the composition and performance of the Executive Board and other key management positions at least once a year, including a review of developments, risks and succession plans.</p> <p>In 2019/20, the assessment was conducted at a board meeting in April 2020.</p>
2.2 Corporate social responsibility		
2.2.1 The Committee recommends that the board of directors adopt policies on corporate social responsibility.	●	<p>The Board of Directors has adopted a Sustainability Position setting out the Company's commitments in this area. The Company reports annually on sustainability in the Annual Report and the Sustainability Data Sheet available at www.chr-hansen.com/en/sustainability/reporting-and-rankings/reporting-and-disclosure. The focus of the reporting is on Products, Planet and People as well as business integrity, human rights and responsible sourcing.</p> <p>In January 2020, Chr. Hansen was recognized as the world's second most sustainable company by the independent organization Corporate Knights. The award is recognition of the documented impact the company can have through its products, and it reflects how sustainability is an integral part of Chr. Hansen's business.</p> <p>The Company has been a signatory to the UN Global Compact since September 2009 and has worked strategically with the UN Sustainable Development Goals since 2016. For more information, go to https://www.chr-hansen.com/en/sustainability.</p>
2.3 Chairman and vice-chairman of the board of directors		
2.3.1 The Committee recommends appointing a vice chairman of the board of directors, who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.	●	<p>According to the Articles of Association, the Board shall appoint a Vice Chair from among its members, which is done at the constituent meeting immediately following each year's annual general meeting.</p> <p>The Vice Chair acts as a sounding board and sparring partner to the Chair of the Board of Directors and shall assume the responsibilities of the Chair in the Chair's absence. The role of the Vice Chair is described in the Rules of Procedure for the Board and the Charter for the Chair.</p>



RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
<p>2.3.2 The Committee recommends that, if the board of directors, in exceptional cases, asks the chairman of the board of directors or other board members to perform special activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect should be passed to ensure that the board of directors maintains its independent, general management and control function. Resolutions on the chairman's or other board members' participation in day-to-day management and the expected duration hereof should be publicly announced.</p>		<p>The Chair does not assume special tasks or participate in the day-to-day management of Chr. Hansen unless required to do so in exceptional circumstances. Such assignment or managerial involvement will always be limited to a fixed-term period and requires the prior approval of the Board of Directors.</p> <p>The Chair did not assume any special tasks or participate in the day-to-day management of Chr. Hansen during the 2019/20 financial year.</p>
<h3>3. Composition and organisation of the board of directors</h3>		
<h4>3.1 Composition</h4>		
<p>3.1.1. The Committee recommends that the board of directors annually evaluate and in the management commentary account for</p> <ul style="list-style-type: none"> ▪ the competencies that it must have to best perform its tasks, ▪ the composition of the board of directors, and ▪ the special competencies of each member. 		<p>Based on input from the Nomination Committee, the Board of Directors is responsible for identifying on an annual basis the appropriate qualifications, experience and skills required of the board candidates in order for the Board of Directors to best perform its tasks, considering Chr. Hansen's needs and the current composition of the Board of Directors. Nominations of candidates to be submitted to a general meeting must be prepared accordingly.</p> <p>The competences that should be represented on the Board of Directors are determined in the Competency Profile, which is made available at www.chr-hansen.com/en/investors/governance/policies-and-charters. The Competency Profile is reviewed annually by the Nomination Committee and presented to the Board of Directors for approval.</p> <p>A profile of each board member, including his or her special competences is set out in the Management's Review of the Annual Report, in the notice convening the Annual General Meeting and posted at www.chr-hansen.com/en/investors/governance/annual-general-meeting. The Annual Report also includes an account of the current composition of the Board of Directors, including its diversity.</p>
<p>3.1.2. The Committee recommends that the board of directors annually discuss the company's activities to ensure relevant diversity at management levels and prepare and adopt a policy on diversity. The policy should be published on the company's website.</p>		<p>Once a year, the Board of Directors discusses its objectives and the Company's activities to ensure relevant diversity at management levels and review the progress made by the Company.</p> <p>The diversity objectives for the Board of Directors and corporate management teams, as well as progress made on these during the year, are presented in the Annual Report for 2019/20.</p> <p>The Board has prepared and adopted a policy on diversity and inclusion, which is available at www.chr-hansen.com/en/investors/governance/policies-and-charters.</p>



RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
<p>3.1.3. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a careful and transparent process approved by the board of directors. When assessing its composition and nominating new candidates, the board of directors should, in addition to the need for competencies and qualifications, take into consideration the need for integration of new talent and diversity.</p>		<p>The Board of Directors has established a formal, thorough and transparent process for the selection and nomination of candidates to the Board of Directors, which is formalized in its Rules of Procedure and the Nomination Committee Charter.</p> <p>When evaluating its composition and nominating new board candidates, the Board takes into account the need for diversity and integration of new talent, in addition to the need for specific competences and qualifications. This to ensure a well-balanced and diverse Board in terms of age, international experience, nationality and gender. The Nomination Committee conducts the preparatory work for the Board, which also takes into account the results and feedback from the annual Board evaluation.</p>
<p>3.1.4. The Committee recommends that the notice convening a general meeting where the agenda includes the election of members to the board of directors, include (in addition to the statutory requirements) a description of the qualifications of nominated candidates, including information about the candidates'</p> <ul style="list-style-type: none"> ▪ other executive functions, including positions on executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises, and ▪ demanding organisational tasks. <p>Furthermore, it should be indicated if the candidates to the board of directors are considered independent.</p>		<p>A presentation of the qualifications of the nominated candidates, including information on their other executive and board functions, and whether a candidate is considered to be independent is provided in the notice convening the Annual General Meeting.</p>
<p>3.1.5. The Committee recommends that members of the company's executive board be not members of the board of directors and that a resigning chief executive officer be not directly elected as chairman or vice chairman for the same company.</p>		<p>There is no overlap between members of the Board of Directors and the Executive Board. In addition, the Chair and Vice Chair are not prior members of the Executive Board.</p>
<p>3.1.6. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</p>		<p>Pursuant to the Articles of Association, all shareholder-elected members of the Board of Directors serve for terms of one year and may stand for re-election at each year's annual general meeting.</p>




RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
3.2 Independence of the board of directors		
<p>3.2.1 The Committee recommends that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been a member of the executive board, or senior staff member in the company, a subsidiary or an associated company, • within the last five years, have received significant remuneration from the company/group, a subsidiary or an associated company in a different capacity than as member of the board of directors, • represent or be associated with a controlling shareholder, • within the past year, have had significant business relations (e.g. personally or indirectly as partner or employee, shareholder, customer, supplier or member of management in companies with corresponding connection) with the company, a subsidiary or an associated company. • be or within the past three years have been employed or been a partner in the same company as the auditor elected by the general meeting, • be part of the executive management in a company with cross-management representation in the company, • have been a member of the board of directors for more than 12 years, or • be a close relative with persons who are not considered independent. <p>Even if a member of the board of directors is not covered by the above criteria, certain conditions may exist that will lead the board of directors to decide that one or more members cannot be regarded as independent.</p>		<p>The Board of Directors currently comprises seven shareholder-elected board members, all of whom are deemed to be independent based on the criteria outlined in the recommendation.</p> <p>One of the shareholder-elected members is the deputy-CEO of the Novo Nordisk Foundation. The Novo Nordisk Foundation owns 100% of the shares in Novo Holdings A/S, which owns 21.98% of the shares in Chr. Hansen.</p>


RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
3.3 Members of the board of directors and the number of other management functions		
<p>3.3.1 The Committee recommends that each member of the board of directors assess the expected time commitment for each function so that the member does not take on more functions than he/she can complete at a satisfactory level for the company.</p>	●	<p>This recommendation forms part of the Rules of Procedure for the Board of Directors. Further, each board member is required to sign a board agreement with Chr. Hansen under which the members commits not to take on any more functions than will allow him/her to reasonably perform his/her duties to the Company.</p> <p>Further, at least once annually all board members formally assess their expected time commitment on directorships, executive positions and other offices held by them.</p>
<p>3.3.2 The Committee recommends that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> ▪ the position of the relevant person, ▪ the age and gender of the person in question, ▪ the person's competencies and qualifications that are relevant to the company ▪ whether the member is considered independent, ▪ the member's date of appointment to the board of directors, ▪ expiry of the current election term, ▪ the member's participation in the meetings on the board of directors and committee meetings, ▪ other management functions, including memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises and demanding organisational tasks, and ▪ the number of shares, options, warrants and similar owned by the member in the company and other group companies, as well as changes to the member's portfolio of the mentioned securities which have occurred during the financial year. 	●	<p>The Management's Review in the Annual Report and note 2.3 to the Consolidated Financial Statements contain the recommended information.</p>
<p>3.3.3 The Committee recommends that the annual evaluation procedure, cf. section 3.5, include an evaluation of what is regarded as a reasonable level for the number of other management functions, where the number, level and complexity of the other individual management functions are taken into account.</p>	●	<p>The annual board evaluation procedure includes an assessment of what the Board considers to be a reasonable level of other management functions for each member of the Board. This is also assessed by the Board when nominating board candidates.</p>





RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
3.4 Board committees		
<p>3.4.1 The Committee recommends that the company publish the following on the company's website:</p> <ul style="list-style-type: none"> ▪ the terms of reference of the board committees, ▪ the most 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 regarding which members are independent members and which members have special competencies. 	●	<p>The Board of Directors has established four board committees: an Audit Committee, a Nomination Committee, a Remuneration Committee and a Scientific Committee.</p> <p>For each committee, Chr. Hansen discloses the following at www.chr-hansen.com/en/about-us/management/board-committees: the charter, descriptions of key matters handled during the year, number of meetings held, participation as well as names, positions, independence and relevant qualifications.</p>
<p>3.4.2 The Committee recommends that a majority of the members of a board committee be independent.</p>	●	<p>All members of the Board committees are considered independent.</p>
<p>3.4.3 The Committee recommends that the members of the board of directors set up among its members an audit committee and that a chairman is appointed who is not the chairman of the board of directors.</p>	●	<p>An Audit Committee was established by the Board of Directors in 2010. The chair of the Board is not chair of the Audit Committee.</p>
<p>3.4.4. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the board of directors about:</p> <ul style="list-style-type: none"> ▪ significant accounting policies, ▪ significant accounting estimates, ▪ related party transactions, and ▪ uncertainties and risks, including in relation to the outlook for the current year. 	●	<p>Pursuant to the Charter for the Audit Committee and an established annual schedule, the Audit Committee, amongst other things, monitors and reports to the Board of Directors on significant accounting policies and estimates, related party transactions, the company's tax policy, and uncertainties and risks, including in relation to the outlook, prior to the approval of the Annual Report and other financial reports.</p> <p>The charter can be found at www.chr-hansen.com/en/about-us/management/board-committees.</p>

RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
<p>3.4.5 The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> ▪ annually assesses the need for an internal audit function and, in such a case, presents mandates and recommendations on selecting, appointing and removing the head of any internal audit function and on the budget of the internal audit function, ▪ ensure that if an internal audit has been established, a description of its functions and approved by the board of directors, ▪ ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work, and ▪ monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function. 		<p>Pursuant to the Charter for the Audit Committee, the Audit Committee assesses on an annual basis, whether there is a need for an internal audit function.</p> <p>In June 2020, the Audit Committee concluded that there is currently no need for an internal audit function, as the internal control function is effectively being performed by the finance organization and the Financial Compliance Officer. The conclusion was subsequently endorsed by the Board of Directors.</p>
<p>3.4.6 The Committee recommends that the board of directors establish a nomination committee, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> ▪ describing the qualifications required by the board of directors and the executive board and for a given position, indicating the time expected to be spent carrying out a specific position, as well as assessing the competencies, knowledge and experience found in the two governing bodies, ▪ annually assessing the structure, size, composition and results of the board of directors and the executive board and recommend any changes to the board of directors, ▪ annually assessing the competencies, knowledge, experience and succession of the individual members of management and report to the board of directors in this respect, ▪ recommending candidates for the board of directors and the executive board, and ▪ proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes. 		<p>A Nomination Committee was established by the Board of Directors in 2010. The Charter for the Nomination Committee and the tasks performed by the committee complies with the requirements set out in this recommendation.</p>

RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
<p>3.4.7 The Committee recommends that the board of directors establish a remuneration committee, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> ▪ recommending the remuneration policy (including the “General Guidelines for incentive-based Remuneration”) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting, ▪ making proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensuring that the remuneration is in compliance with the company’s remuneration policy and the assessment of the performance of the persons concerned. The committee should have information on the total remuneration that members of the board of directors and the executive board receive from other companies in the group, ▪ recommending a remuneration policy applicable for the company in general and ▪ assisting with the preparation of the annual remuneration report. 		<p>A Remuneration Committee was established by the Board of Directors in 2010. The Charter for the Nomination Committee and the tasks performed by the committee complies with the requirements set out in this recommendation.</p>
<p>3.4.8 The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>		<p>The Remuneration Committee may engage external advisors as it deems necessary to carry out its duties satisfactorily. In 2019/20, the Remuneration Committee did not consult with the same external advisors as the Executive Board.</p>

RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
3.5 Evaluation of the performance of the board of directors and the executive board		
<p>3.5.1. The Committee recommends that the board of directors establish an evaluation procedure for an annual evaluation of the board of directors and the individual members. External assistance should be obtained at least every third year. The evaluation should inter alia include:</p> <ul style="list-style-type: none"> ▪ contribution and results, ▪ cooperation with the executive board, ▪ the chairman's leadership of the board of directors, ▪ the composition of the board of directors (including competencies, diversity and the number of members), ▪ the work in the committees and the committee structure, and ▪ the organisation and quality of the material that is submitted to the board of directors. <p>The evaluation procedure and the general conclusions should be described in the management commentary and on the company's website. The chairman should account for the evaluation of the board of directors, including the process and general conclusions on the general meeting prior to the election of the board of directors.</p>		<p>The Chair of the Board of Directors is overall responsible for conducting an annual evaluation of the Board's performance. The evaluation includes all members of the Board, the Executive Board and the other members of the Corporate Leadership Team. The evaluation addresses the efficiency of the Board, the board composition and dynamics, the processes supporting its work, the value contributions of individual members, the Chair's performance and the collaboration with the Executive Board. Further, the process evaluates topics such as agendas and discussions, strategy development and implementation, risk awareness, monitoring and reporting, succession, and potential overboarding of board members. In addition, each member of the Board of Directors is provided with feedback from all other board members, members of the Executive Board and the other members of the Corporate Leadership Team on their individual performance. Finally, the Board committees annually conduct an informal self-evaluation, the outcome of which is presented to the Board of Directors.</p> <p>The evaluation is directed by the Chair and has in recent years been facilitated by an external consultant. In 2019/20, the Board decided to conduct an internal board evaluation. The outcome of the evaluation was discussed by the Board at its September meeting, and the process and outcome are described in the Annual Report at p. 50 and at www.chr-hansen.com/en/investors/governance/corporate-governance.</p> <p>Furthermore, the Chair presents the process and general conclusions at the Annual General Meeting prior to the election of members to the Board of Directors.</p>
<p>3.5.2. The Committee recommends that at least once annually, the board of directors evaluate the work and performance of the executive board in accordance with pre-defined criteria. Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board, in light of the company's strategy.</p>		<p>At least once a year, the work and performance of the Executive Board is evaluated by the Board of Directors in accordance with predefined key performance indicators, including financial and non-financial targets, as well as the need for changes to the structure and the composition of the Executive Board.</p>
<p>3.5.3 The Committee recommends that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer, and that the outcome of the evaluation be presented to the board of directors.</p>		<p>The cooperation between the Board of Directors and the Executive Board is evaluated, and the outcome presented to the Board of Directors, as part of the Board's annual evaluation procedure, as well as through a formal dialogue between the Chair of the Board of Directors and the CEO.</p>

RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
4. Remuneration of management		
4.1. Form and content of the remuneration policy		
<p>4.1.1. The Committee recommends that the board of directors prepare a remuneration policy for the board of directors and the executive board, which includes:</p> <ul style="list-style-type: none"> • a detailed description of the components of the remuneration for members of the board of directors and the executive board, • the reasons for choosing the individual components of the remuneration, • a description of the criteria that form the basis for the balance between the individual components of the remuneration, and • an explanation for the correlation between the remuneration policy and the company's long-term value creation and relevant related goals. <p>The remuneration policy should be approved by the general meeting at least every fourth year and upon any material amendments and it should be published on the company's website.</p>		<p>At its September 26, 2019 meeting, the Board of Directors adopted a revised Remuneration Policy applicable to the Board of Directors and the Executive Board, which integrated the formerly separate overall guidelines for incentive-based remuneration for the Executive Board, and the policy was updated to comply with the recommendations of sections 4.1.1 and 4.1.2 and section 139a of the Danish Companies Act.</p> <p>The policy was approved by the Annual General Meeting held on November 27, 2019 and is available at www.chr-hansen.com/en/investors/governance/policies-and-charters.</p>

RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
<p>4.1.2. The Committee recommends that if the remuneration policy includes variable components:</p> <ul style="list-style-type: none"> ▪ limits be set on the variable components of the total remuneration package, ▪ a reasonable and balanced composition be ensured between remuneration for members of management and the value creation for shareholders in the short and long term, ▪ clarity be established about performance criteria and measurability for the award of variable components, ▪ it is ensured that variable remuneration not only consists of short-term remuneration components, and that long-term remuneration components must have a vesting or maturity period of at least three years, and ▪ it be ensured that the company has the ability to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information, which subsequently are found to be incorrect. 		<p>Executives, but not board members, are partly remunerated with variable components.</p> <p>At its September 26, 2019 meeting, the Board of Directors adopted a revised Remuneration Policy applicable to the Board of Directors and the Executive Board, which integrated the formerly separate overall guidelines for incentive-based remuneration for the Executive Board, and the policy was updated to comply with the recommendations of sections 4.1.1 and 4.1.2 and section 139a of the Danish Companies Act.</p> <p>The policy was approved by the Annual General Meeting on November 27, 2019 and is available at www.chr-hansen.com/en/investors/governance/policies-and-charters.</p>
<p>4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options or warrants.</p>		<p>Reference is made to the revised Remuneration Policy, see section 4.1.1. above.</p> <p>The Board members receive fixed annual fees as approved at a general meeting and do not receive incentive-based remuneration.</p>
<p>4.1.4. The Committee recommends that if, in relation to long-term incentive programmes, a share-based remuneration is used, the programmes should have a vesting or maturity period of at least three years after being allocated and should be roll-over programmes, i.e. the options should be granted periodically.</p>		<p>Each year, the Board establishes a long-term incentive program (Matching Shares), which complies with this recommendation.</p> <p>Reference is made to the revised Remuneration Policy, see section 4.1.1. above.</p>
<p>4.1.5 The Committee recommends that the total value of the remuneration relating to the notice period, including severance pay, do not exceed two years of remuneration, including all components of the remuneration.</p>		<p>The Company's Remuneration Policy and the current service agreements with members of the Executive Board comply with this recommendation.</p> <p>Reference is made to the revised Remuneration Policy, see section 4.1.1. above.</p>

RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
4.2 Disclosure of remuneration		
<p>4.2.1. The Committee recommends that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.</p>	●	<p>The Chair's report at annual general meetings includes an explanation of and motivation for the Company's Remuneration Policy, as well as an update on compliance with the policy.</p>
<p>4.2.2. The Committee recommends that shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.</p>	●	<p>The remuneration of the Board of Directors is approved as a separate agenda item by the shareholders at each year's annual general meeting.</p> <p>The remuneration for 2019/20 was approved by the shareholders at the Annual General Meeting held on November 27, 2019.</p>
<p>4.2.3. The Committee recommends that the company prepares a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associated companies for the last three years, including information on the most important content of retention and resignation arrangements and that the correlation between the remuneration and company strategy and relevant related goals be explained.</p> <p>The remuneration report should be published on the company's website.</p>	●	<p>The remuneration granted to each member of the Board of Directors and the Executive Board is fully disclosed in the Remuneration Report and complies with this recommendation.</p> <p>The 2019/20 Remuneration Report can be found at www.chr-hansen.com/en/investors/governance/remuneration.</p>
5. Financial reporting, risk management and audits		
5.1 Identification of risks and transparency about other relevant information		
<p>5.1.1. The Committee recommends that the board of directors consider and in the management commentary account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.</p>	●	<p>The Annual Report includes a description of the Company's Enterprise Risk Management process and a description of the most important business and financial risks identified in this process.</p> <p>The key strategic, operational and financial risks as identified in Chr. Hansen's Enterprise Risk Management process are described in the Annual Report 2019/20, including an evaluation of whether the risk profile has changed. This annual corporate governance statement, which forms part of the Annual Report 2019/20, contains information on risks related to the financial reporting.</p>

RECOMMENDATION	The company complies/ does not comply	Explanation for complying /not complying with the recommendation
5.2 Whistleblower scheme		
5.2.1. The Committee recommends that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.	●	A whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing has been in place since October 2013.
5.3 Contact to auditor		
5.3.1. The Committee recommends that the board of directors ensure regular dialogue and exchange of information between the auditor elected by the general meeting and the board of directors, including that the board of directors and the audit committee meet with the auditor elected by the general meeting at least once annually without the executive board present. This also applies to the internal auditor, if any.	●	<p>The auditors attend all meetings of the Audit Committee, and the chair of the Audit Committee maintains regular dialogue and exchange of information with the auditors on behalf of the Board of Directors. The Audit Committee and the Board of Directors meet with the auditors at least once a year without the Executive Board being present.</p> <p>The auditors attended all Audit Committee meetings held in 2019/20 and also attended a private meeting with the Board of Directors in July 2020.</p>
5.3.2 The Committee recommends that the audit agreement and auditor's fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.	●	The audit agreement and auditors' fees are approved by the Board of Directors based on a recommendation from the Audit Committee.

Main elements of the group's internal control and risk management in connection with its financial reporting

The purpose of Chr. Hansen's internal control and risk management system 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 misstatements.

Chr. Hansen's internal control and risk management systems are designed to minimize the risk of material errors or inconsistencies in the financial statements. The internal control and risk management systems can only provide reasonable, but not absolute assurance that all material errors and inconsistencies have been discovered 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 appointed the Audit Committee to assist the Board of Directors in supervising the financial reporting process and the effectiveness of the Company's internal control and risk management system.

The Executive Board is responsible for maintaining effective controls and an effective risk management system. The Executive Board has implemented the controls necessary to mitigate 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 within the financial reporting process. Powers and responsibilities are defined in the Board of Directors' Rules of Procedure for the Executive Board.

The Board of Directors approves policies for Business Integrity, Quality & Product Safety, People, Knowledge & Organization, Diversity and Inclusion, Finance & IT and Communications, 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 on 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 guidelines, which is available to all employees.

Risk assessment

The Board of Directors and the Executive Board regularly assess the risks to which Chr. Hansen is exposed, 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's accounting competencies are reviewed on an ongoing basis in order to ensure an appropriate and satisfactory control environment.

Central functions are responsible for controlling financial reporting. Regional and divisional finance teams conduct reviews and tests to ensure correct financial reporting. All regional and divisional finance and IT functions report directly or indirectly to central functions.

Chr. Hansen has introduced standards for internal controls relating to financial reporting. These standards are intended to ensure an adequate level of internal controls, thus making the control environment effective.

The internal control standards are focused on segregation of duties and on detective and preventive controls. Regular audits across the organization, including at subsidiaries, are conducted to ensure an appropriate control environment.

The Audit Committee regularly assesses the need for an internal audit function. The Audit Committee deems there is no need for a dedicated internal audit function for the time being, as current internal control and risk management systems and processes are considered to be sufficient.

Information and communication

Chr. Hansen's financial reporting guidelines and other reporting instructions are updated on a regular basis. Updates are communicated to the global finance organization by means of newsletters, online meetings and finance conferences. All guidelines 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 financial reporting and ensures a high degree of uniformity and transparency in systems and figures.

Decisions and analyses are based on up-to-date and relevant data. The IT systems are secured with general IT controls, and the ERP systems contain automated application controls that are reviewed on an ongoing basis.

Monitoring

Financial reporting is controlled on an ongoing basis. Procedures have also been set up to ensure that any errors are communicated to and corrected by the reporting companies. Internal controls are subject to ongoing reviews in connection with regular compliance visits at subsidiaries to assess the procedures and compliance levels for internal controls. Conclusions from these reviews are submitted to the CEO, the CFO, the Audit Committee and the independent auditors.

Chr. Hansen's internal financial reporting ensures an effective process for monitoring the Company's financial results, making it possible to identify and correct the most critical errors or omissions. The monthly financial reporting from the group companies are analyzed and monitored by the Group Accounting function to identify any significant weaknesses in internal controls or failures to comply with procedures and the financial reporting manual, etc.

The Audit Committee follows up on a regular basis to ensure that any significant weaknesses in internal controls are eliminated, that any errors or omissions in the financial statements identified and reported by the auditors are corrected, and that controls or procedures are implemented to prevent such errors or omissions.

For a more detailed description of critical accounting estimates and judgments, please refer to note 1.2 to the Consolidated Financial Statements.

Delivering value for more than 145 years

Chr. Hansen has been fermenting lactic acid bacteria for more than a century, and working with clinically documented probiotics for more than 25 years.

We serve customers worldwide with expertise, new ideas, professional support and customized solutions – all aimed at ensuring superior product portfolios and business success in probiotics.

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