



# Sustainability

## Investor presentation 2021/22

January 2022

CHR HANSEN

*Improving food & health*

# Safe harbor statement

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# Grow a better world. Naturally.



Ranked as a leader  
in sustainability by  
Corporate Knights

**>1 billion**

People consume  
a product with a Chr. Hansen  
ingredient every day

**82%**

Of our revenue contributing  
positively to the United Nation's  
Sustainable Development Goals



# Handprint

Enabling sustainability  
for our customers



# Footprint

Managing our own emissions  
throughout the value chain

# We address global challenges with the Power of Good Bacteria™



Food production accounts for nearly 1/3 of global greenhouse gas emissions



70% agricultural efficiency increase is needed to feed the future population



1/3 of all food is wasted equal to 8% of global greenhouse gas emissions



Global health: Aging population, rise in non-communicable diseases and antibiotic resistance

# Our microbial solutions enable a more sustainable food system – from farm to fork – and support the global health agenda



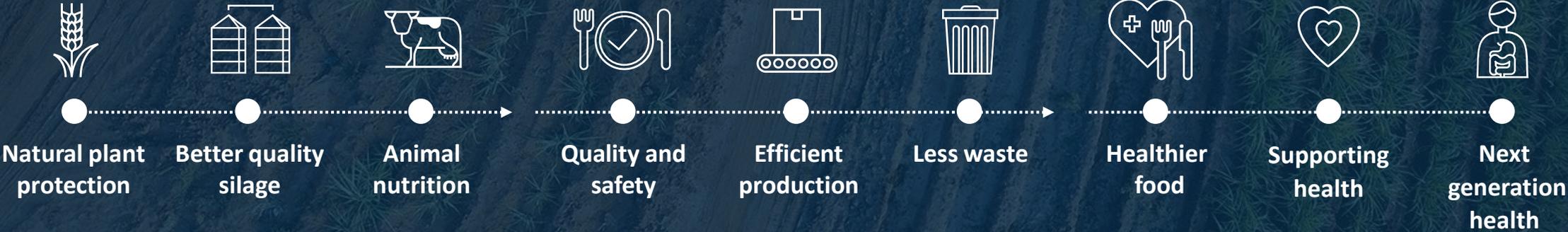
## SUSTAINABLE AGRICULTURE



## BETTER FOOD PRODUCTION



## IMPROVED HEALTH



# We Think Climate. Naturally.



We are committed to taking climate action and decarbonizing our footprint in alignment with the Paris agreement.

**2030 SCIENCE BASED TARGETS**  
(from 2019/20 baseline)

**-42%**

across own operations  
(scope 1+2)

**-20%**

across supply chain  
(scope 3)

# 2020/21 sustainability highlights

At a glance



## PRODUCTS

82% of revenue supports UN SDGs

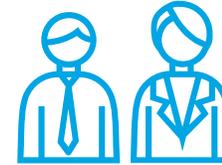
Carbon emission saving calculators in pilot phase



## PLANET

Science Based Targets and Think Climate. Naturally. program launched

Adoption of TCFD



## PEOPLE

First report on gender pay gap published (6.2%)<sup>1</sup>

32% women in Director+ positions (above target)



## GOVERNANCE

ESG oversight on Board of Directors and committee level from 2022

Country-by-country tax reporting from FY22

<sup>1</sup> Represents the difference in average earnings between the female and male workforce in countries with more than 250 employees (80% of total workforce).

# Chr. Hansen is a microbial and fermentation technology leader

across different end-markets in food, health and agriculture



## FOOD CULTURES & ENZYMES

66% of revenue YTD 2021/22

Dairy  
Food & Beverages



## Microbial Platform

Shared R&D and  
production backbone



## HEALTH & NUTRITION

34% of revenue YTD 2021/22

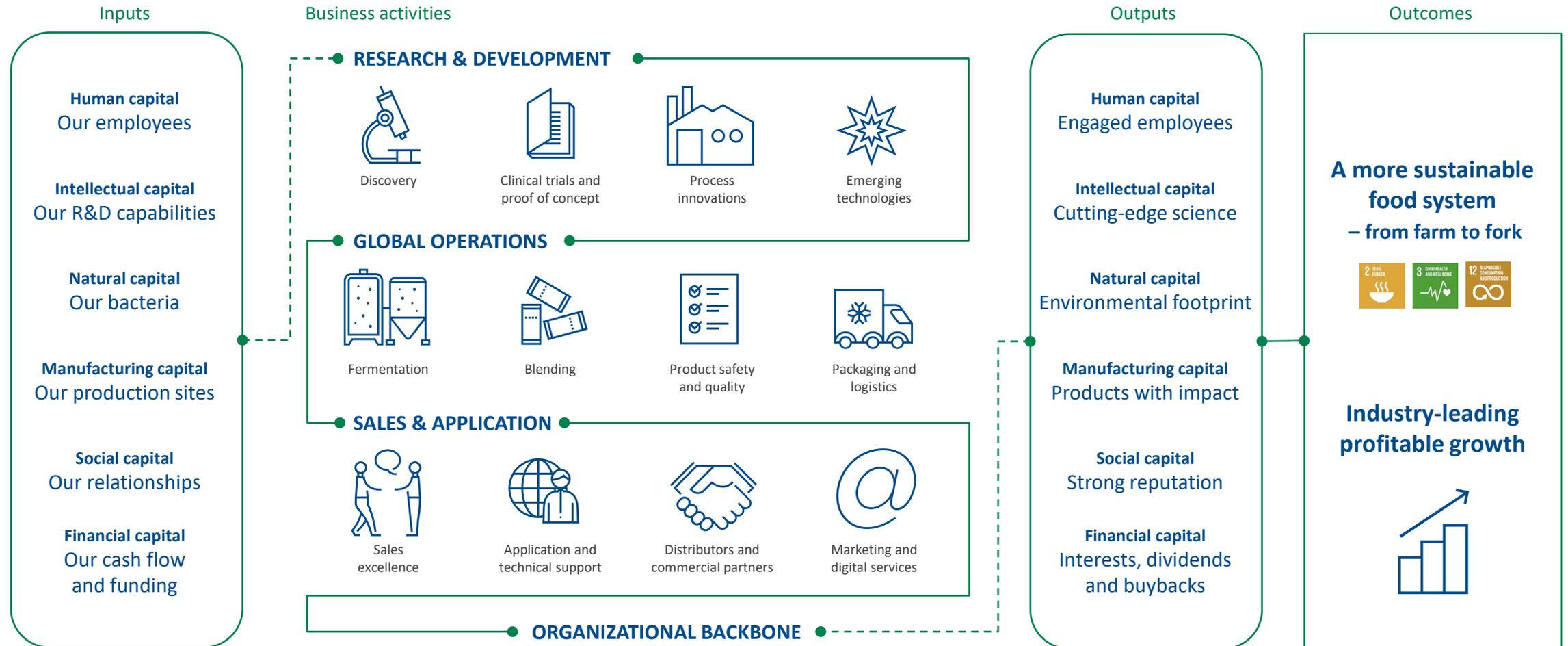
Human Health & HMO  
Animal Health & Plant Health

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# We pioneer microbial science to improve food, health and productivity

How we create value



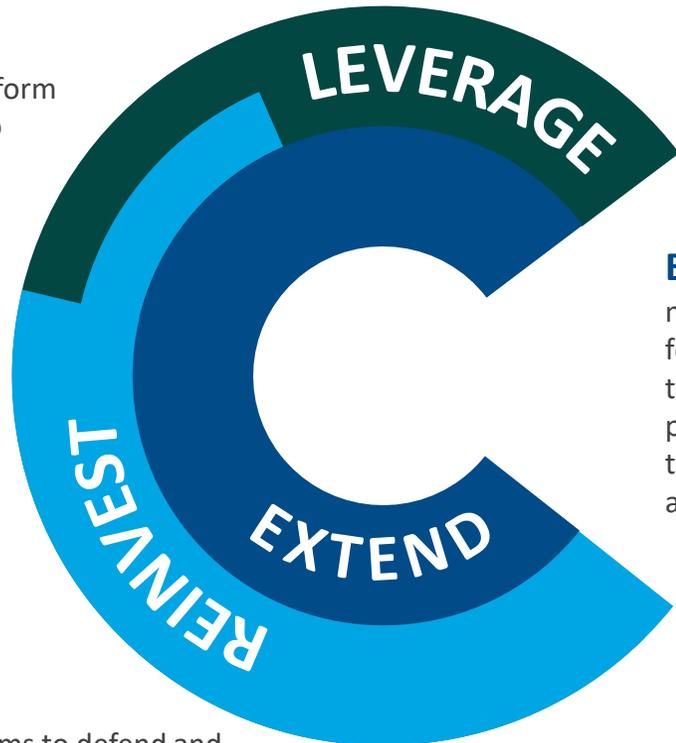
# Our 2025 Strategy embeds our commitment to sustainability across all pillars

Strategic ambition until 2024/25

## Where to play

### LEVERAGE

Microbial Platform to expand into new areas



### EXTEND

microbial and fermentation technology platforms through M&A and partnerships

### REINVEST

in core platforms to defend and further strengthen market position

## How to win

- 1 CUSTOMERS** Further expand customer base and global reach and excel in customer centricity
- 2 INNOVATION** Accelerate new product development and commercialization
- 3 OPERATIONS** Realize scalability benefits and operational efficiencies
- 4 PEOPLE** Safeguard culture and invest in talent management
- 5 PURPOSE** Grow a better world. Naturally.

CHR HANSEN

Improving food & health

# We commit to industry-leading profitable growth for a more sustainable future

Long-term ambitions 2020/21 - 2024/25



## FINANCIALS<sup>1</sup>

### Industry-leading growth

- Mid- to high single-digit organic growth, averaged over the period

### Improving profitability

- Increase in EBIT margin b.s.i. over the period to >30% with efficiency gains, scalability benefits and acquisition synergies to be partly reinvested into the business

### Strong cash flow

- Average growth in free cash flow b.s.i.<sup>2</sup> to exceed average growth in EBIT b.s.i.

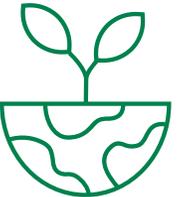
## PRODUCTS

- More than 80% of revenue from sustainable products
- 25m hectares covered with natural solutions
- 200m people consuming our probiotics
- 2m tons of yogurt waste reduced



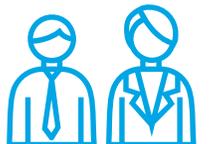
## PLANET

- 100% use of renewable electricity
- 100% circular management of biowaste
- 100% key packaging materials recyclable
- 42% reduction of scope 1+2 emissions and 20% of scope 3 emissions (until 2029/30)



## PEOPLE

- 1:1 ratio of female employees and women in management
- Top 25 score in engagement matters survey
- < 1.5 Lost-Time Incident Frequency
- 100% of new employees onboarded to culture model



<sup>1</sup>The financial ambitions are based on constant currencies and do not take future acquisitions or divestments into account. The financial ambitions are also based on the current political and economic environment and projections, and any deterioration may impact the ambitions negatively.

<sup>2</sup>2020/21 free cash flow baseline adjusted for acquisition-related impact on taxes paid of approx. EUR 45m.

# Our microbial solutions leave a positive 'handprint' in society and on our planet



## WE FOCUS ON THE SDGS WHERE WE HAVE THE STRONGEST IMPACT



## OUR PRODUCT MAPPING IS BASED ON EIGHT IMPACT CATEGORIES

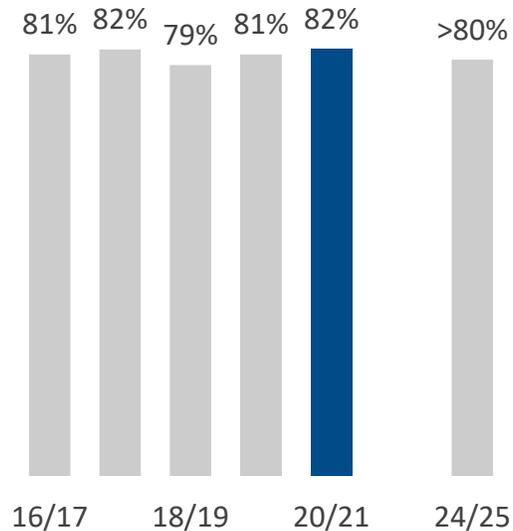
	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
<b>Improving food and environment</b>			
Increase productivity and yield	✓		✓
Reduce waste	✓		✓
Substitute artificial ingredients		✓	✓
Increase food safety		✓	✓
<b>Improving animal and human health</b>			
Enhance animal welfare	✓		
Promote health and well-being		✓	
Reduce salt, sugar, fat and lactose		✓	
Ensure access to nutrition	✓		✓

# 82% of our revenue contribute to the Sustainable Development Goals

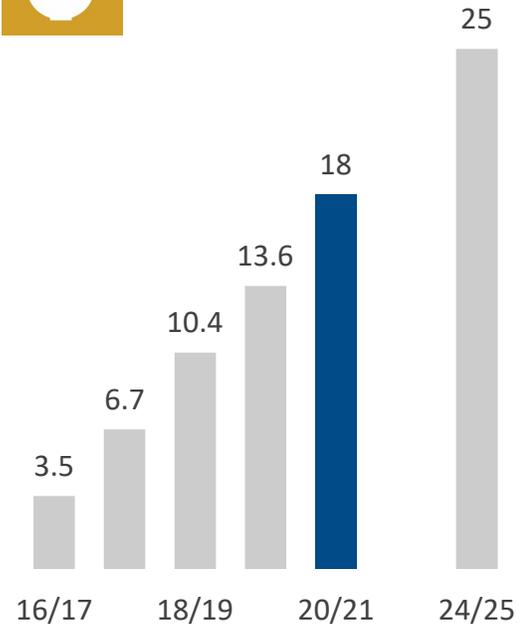
as per our annual product mapping which is assured by PwC



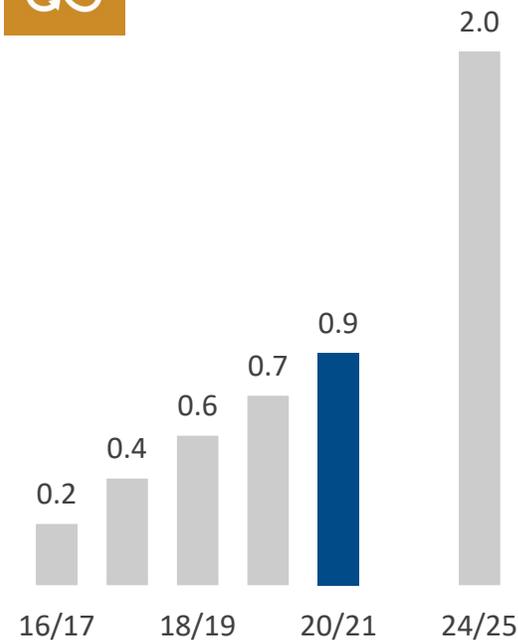
## CONTRIBUTION TO UN GLOBAL GOALS in % of gross revenue<sup>1</sup>



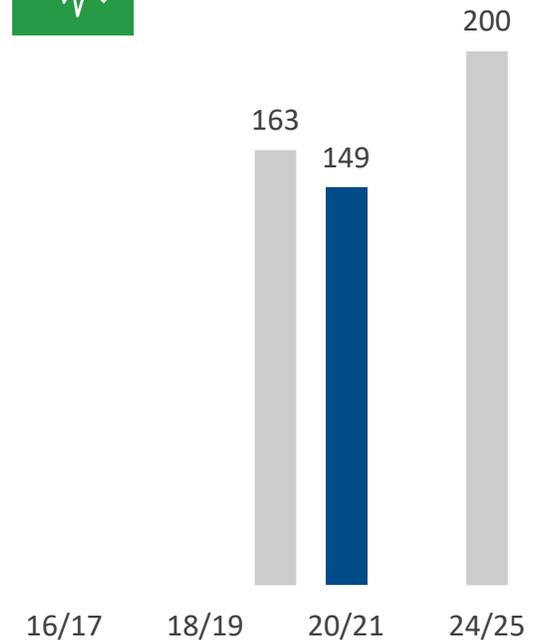
## FARMLAND TREATED WITH NATURAL SOLUTIONS<sup>2</sup> in m ha



## YOGURT WASTE SAVED<sup>3</sup> in m tons



## PROBIOTICS CONSUMED in m people<sup>4</sup>



<sup>1</sup> Financial years 2016/17 and 2017/18 include Natural Colors business that was divested in 2021 and are therefore not fully comparable.

<sup>2</sup> Includes Plant Health and Animal Health silage inoculants.

<sup>3</sup> Figures have been recalculated in FY21 based on a minor adjustment of the methodology.

<sup>4</sup> New KPI was introduced in FY21.

# We help the dairy and ag industry to become more efficient

with solutions that improve productivity and make more out of less

PRODUCTS



## FOOD CULTURES & ENZYMES



### CHY-MAX® S / YIELDMAX®

- Helps cheese makers achieve higher yield of up to 1%
- Enables faster and more precise production

### YOFLEX® PREMIUM

- Allows protein savings of 3-4% by reducing unnecessary ingredients such as skim milk powder

## ANIMAL & PLANT HEALTH



### QUARTZO® / PRESENCE®

- Protect crops from nematodes
- 5-20% yield increases depending on crop and region<sup>1</sup>
- Improve water use efficiency

### ANIMAL PROBIOTICS

- BOVAMINE® can increase milk yields
- BIOPLUS® can decrease feed used per kg of weight gain in swine
- GALLIPRO® delivers feed cost savings in poultry

<sup>1</sup> Based on field trial results conducted between 2013-2018 in Brazil for sugarcane and soy.

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# Our food cultures with bioprotective effect

can contribute to less food waste and enhanced food safety

PRODUCTS



APPLICATION		 FERMENTED MILK	 CHEESE	 FERMENTED MEATS	 OTHER MEATS & FISH	 DAIRY & MEAT ALTERNATIVES	 FRUITS & VEGETABLES
<b>Value proposition</b>	Extend shelf life & reduce food waste	✓	✓	✓		✓	
	Food safety		✓	✓	✓	✓	✓
<b>Capabilities</b>	Product offering						
	Commercial/ market access						
<b>Opportunity</b>	Penetration today	~10%	<5%	~10%		<1%	

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# We contribute to the global health agenda

with our unparalleled offering of scientifically documented probiotics for all life stages

INDUSTRY-LEADING PRODUCT OFFERING FOR A WIDE RANGE OF INDICATION AREAS, LIFE STAGES AND CUSTOMER TYPES

Gut health



Immune health



Women's health



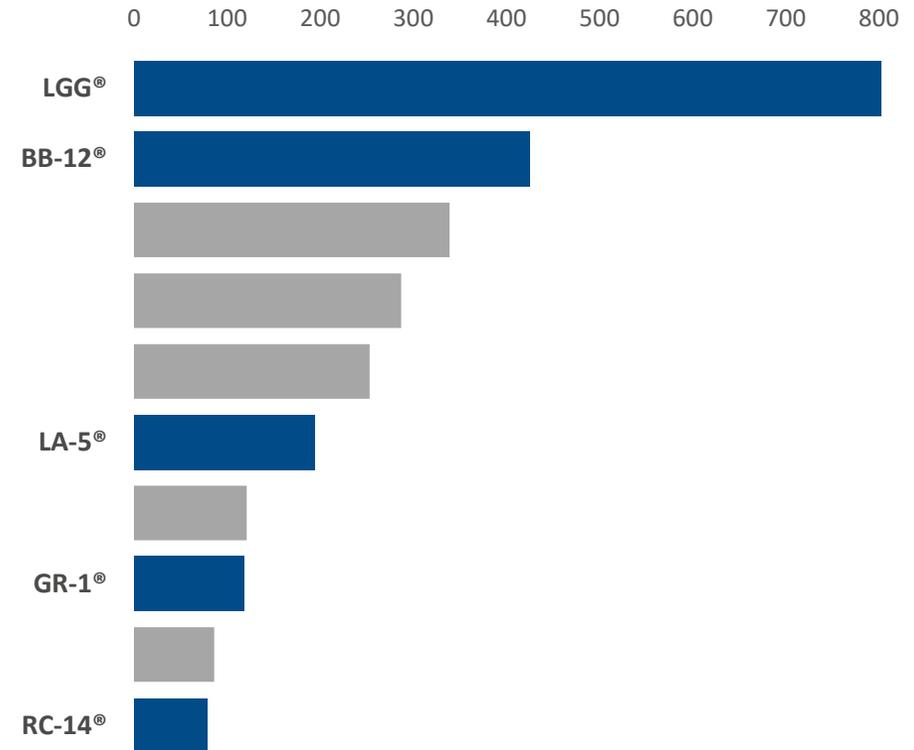
Infant & young children



Novel indication areas



OUR STRAINS ARE THE BEST DOCUMENTED IN THE WORLD AND WE CONTINUE TO INVEST IN SCIENCE AND DOCUMENTATION<sup>1</sup>

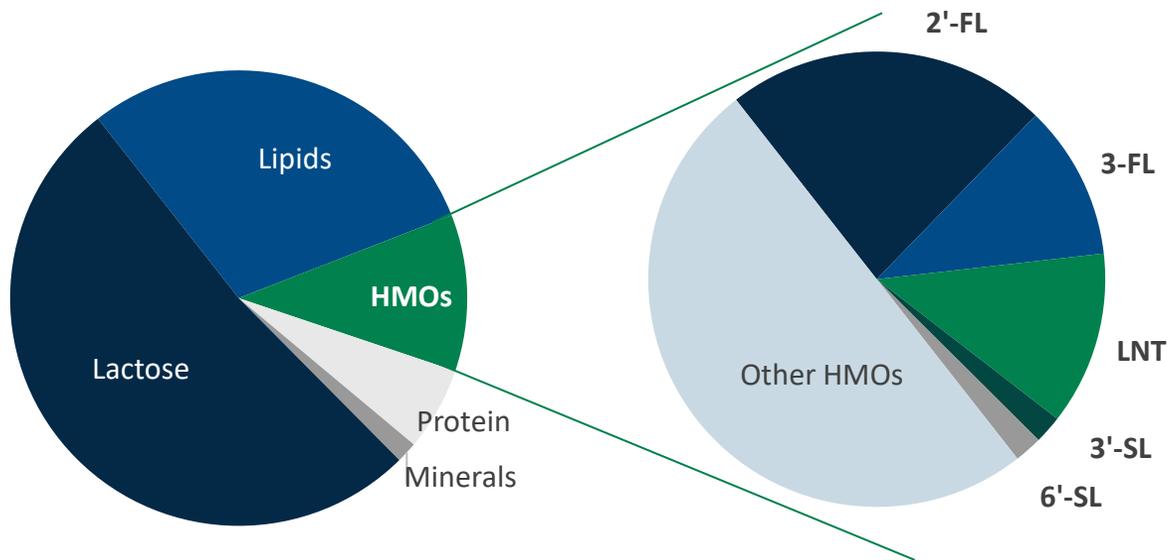


<sup>1</sup> Number of hits by strain name in PubMed.



# Expansion into HMOs offers opportunities in infant formula and beyond

**HMOs ARE THE THIRD LARGEST COMPONENT IN BREAST MILK...**  
Nutrient composition in human milk



**...AND ARE ASSOCIATED WITH VARIOUS HEALTH BENEFITS**



Support the development of the **gut microbiome** by acting as "food for good bacteria"<sup>1</sup>



Help **limit growth of harmful bacteria** by mimicking receptors that potentially harmful bacteria attach to<sup>2</sup>



Have the potential to support the **immune system** by modulating immune response directly and indirectly<sup>3</sup>



May support **intestinal barrier** functions<sup>4</sup>



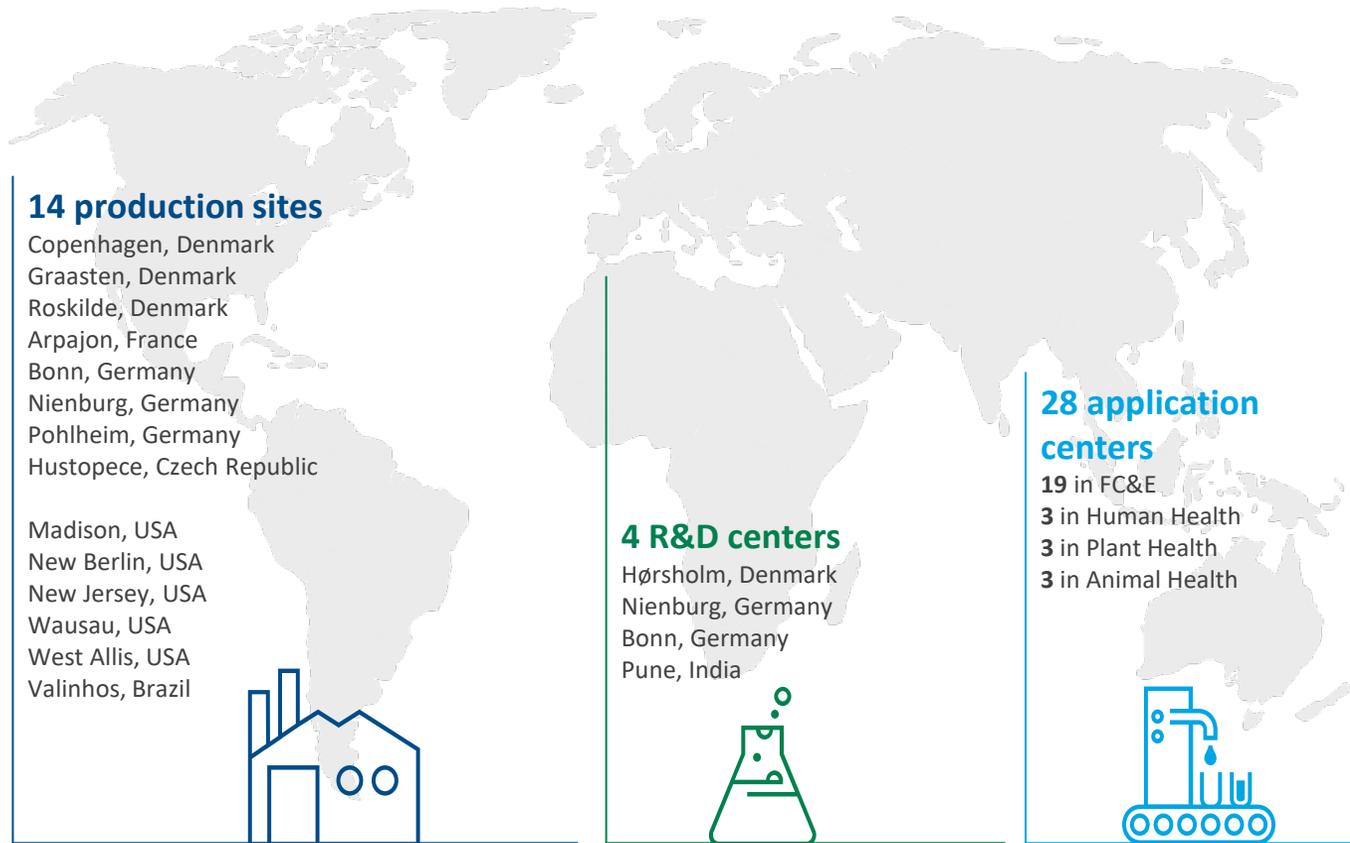
May support synaptic connectivity, memory function and **brain development**<sup>5</sup>

<sup>1</sup> Gotho et al., 2018, Walsh et al. J Funct Foods, 2020, <sup>2</sup> Asadpoor et al., 2020, <sup>3</sup> Ayechu-Muruzabal et al., 2018, <sup>4</sup> Oliveros et al., 2021, <sup>5</sup> Oliveros et al., 2018, Goehring et al., 2016,

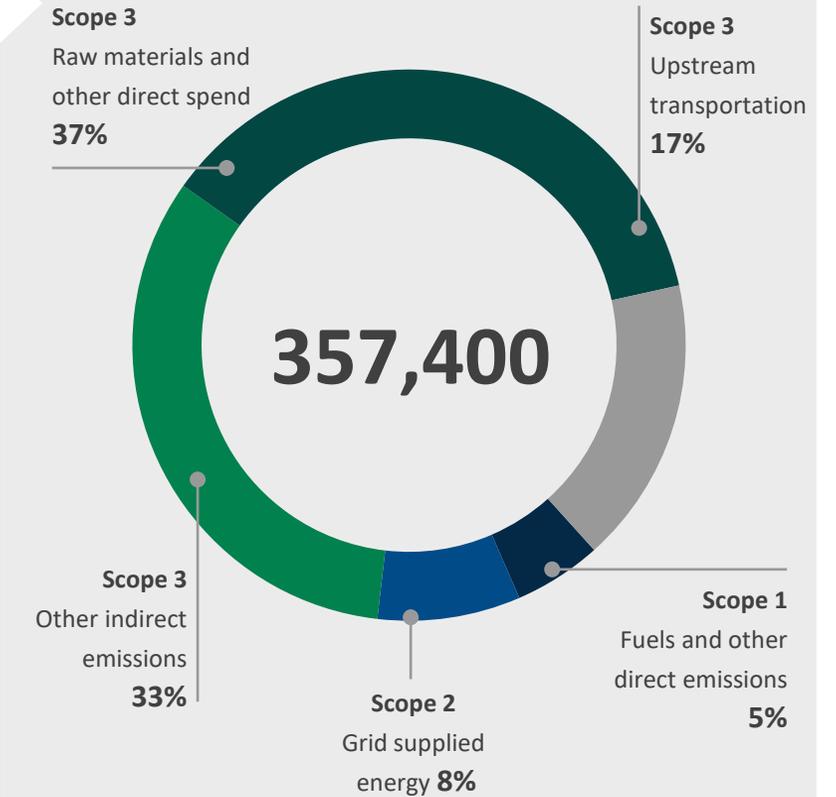
# As a global firm we operate across 14 production sites and 28 application centers



## OUR GLOBAL FOOTPRINT



## TOTAL ANNUAL CARBON EMISSIONS In CO<sub>2</sub> ton equivalents<sup>1</sup> (base year 2019/20)



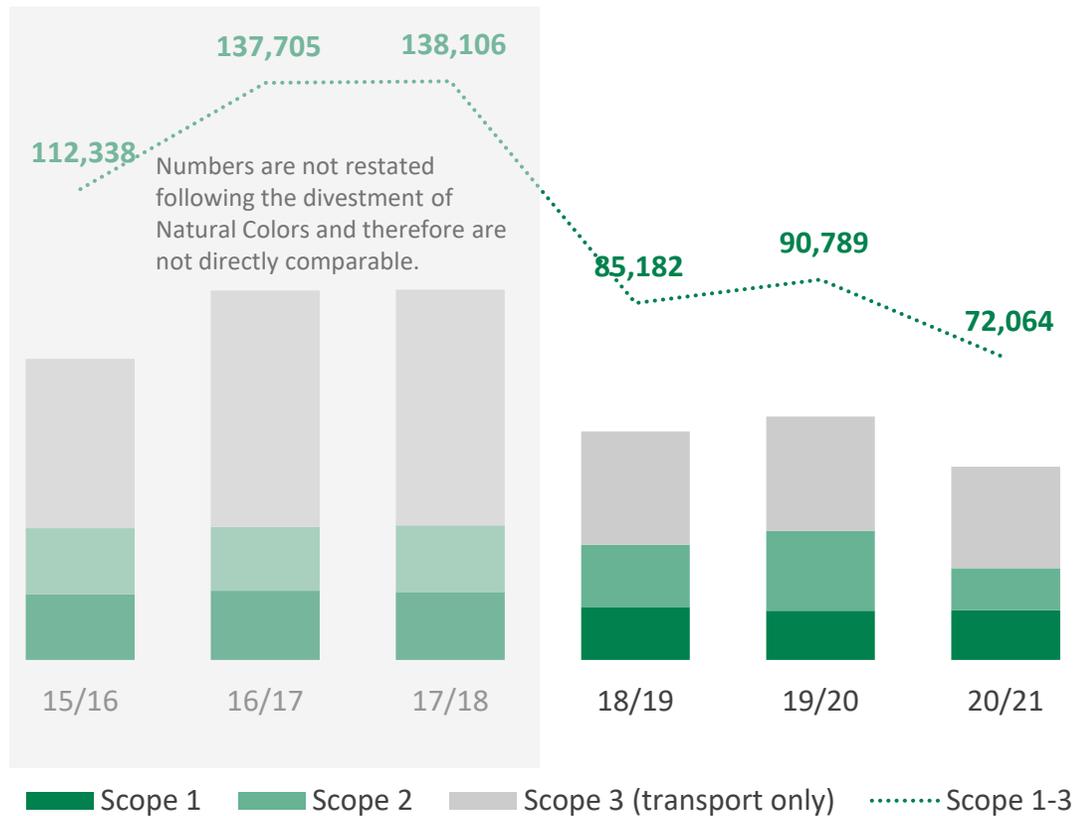
<sup>1</sup> CO<sub>2</sub> equivalents is the unit of measuring various greenhouse gases in the same unit such as methane and carbon dioxide. The unit follows the Greenhouse Gas Protocol and UN IPCC. Includes all relevant scope 3 categories as per the Green House Gas Protocol.

# We are committed to reducing our carbon footprint

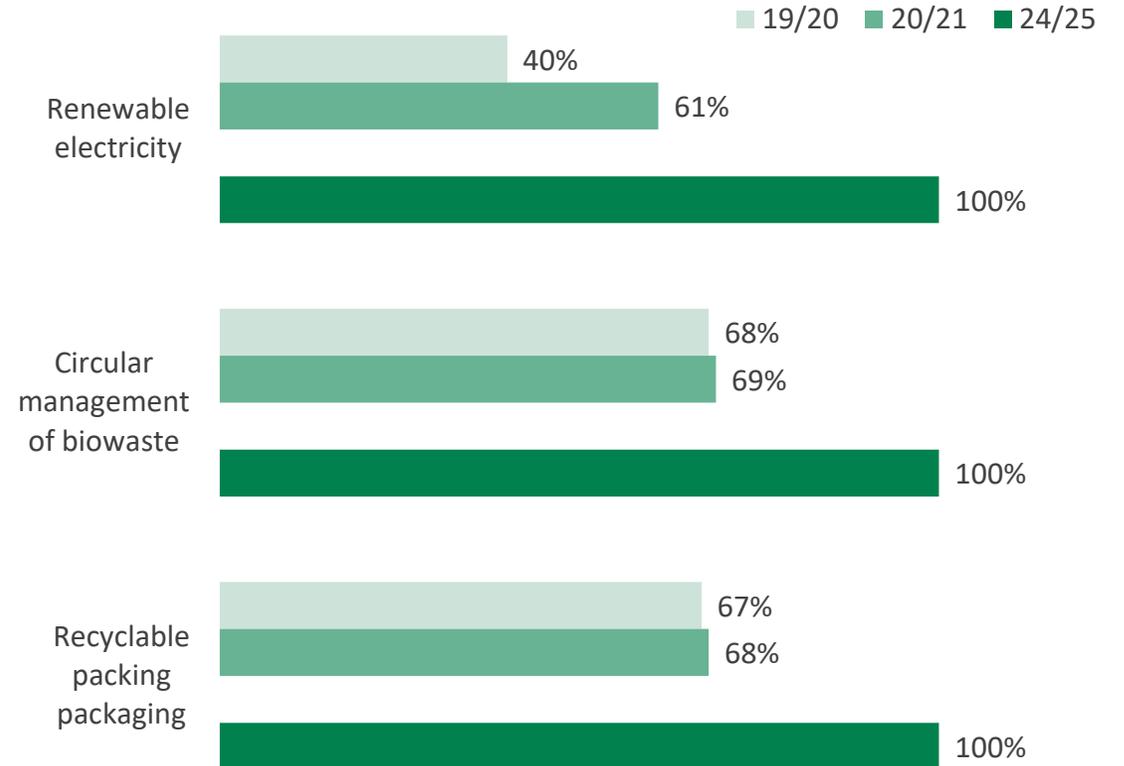
through targeted initiatives in the areas of renewables, circular management of waste and recycling



## CO<sub>2</sub> EQUIVALENTS EMITTED in tons (scope 1-3)<sup>1</sup>



## PROGRESS ON PLANET TARGETS



<sup>1</sup> For scope 3 Chr. Hansen's scope of reporting has historically covered "upstream transportation and distribution" only. From 2021/22 onwards, Chr. Hansen will report on all relevant scope 3 categories.

# Think Climate. Naturally.

Our decarbonization roadmap towards 2030

PLANET



## 2030 SCIENCE BASED TARGETS



42%

reduction target for scope 1+2



20%

reduction target for scope 3

## THINK CLIMATE. NATURALLY. INITIATIVES



### OPERATIONS

- Convert all sites to 100% renewable electricity
- Work smarter with heat supply
- Sustainable refrigerants
- Recyclable packaging
- Optimize waste management



### SOURCING

- Approach selected suppliers for low-carbon practices incl. conversion to renewable energy
- Optimize use of raw materials via process innovations



### LOGISTICS

- Optimize transition from air to sea or road freight
- Explore low-carbon fuels in dialogue with freight forwarders



### ENGAGEMENT

- Promote climate literacy amongst employees
- Crowdsource climate smart ideas

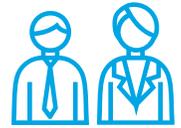
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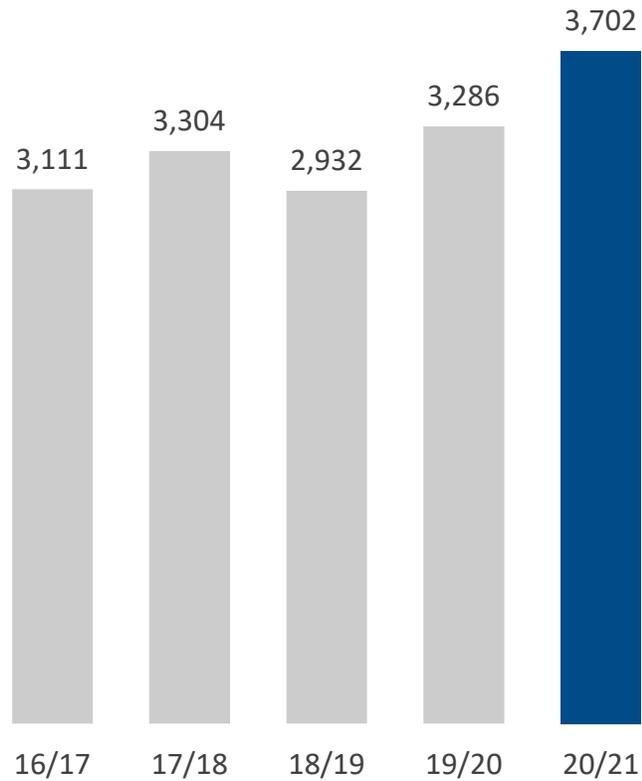
# A diverse workforce is key to our continued success

People at a glance

PEOPLE

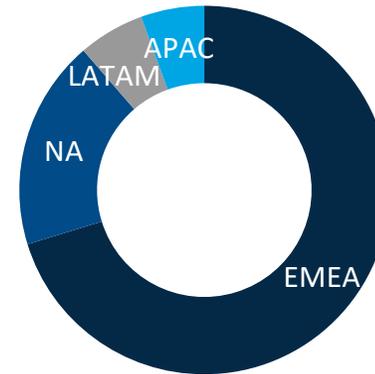


## TOTAL NUMBER OF EMPLOYEES

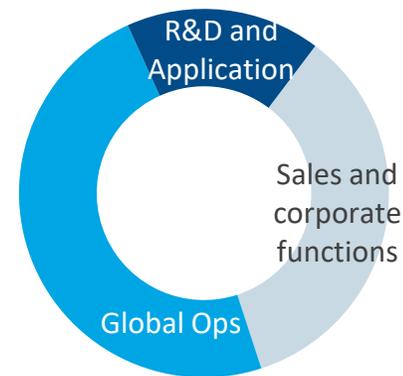


## DIVERSITY STATISTICS 2020/21

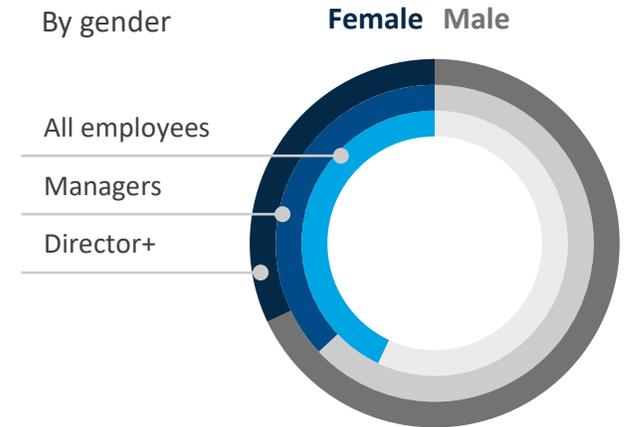
By region



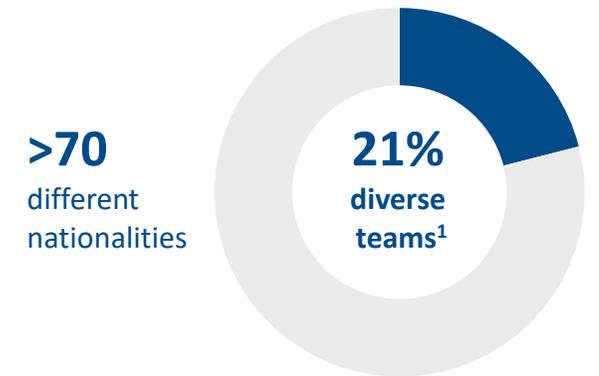
By function



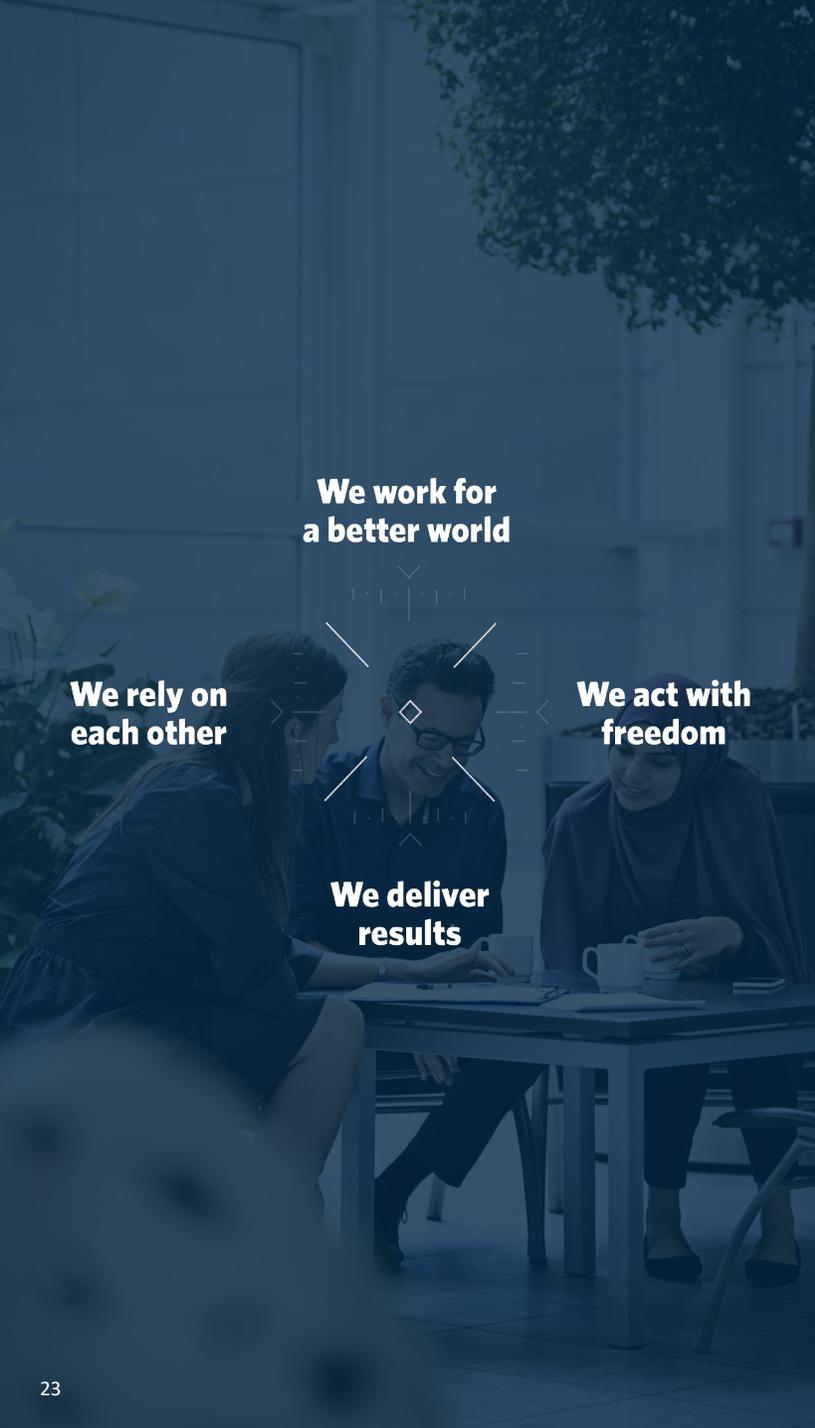
By gender



By background



<sup>1</sup> Min. 30% of each gender and 30% non-local.



We work for a better world

We rely on each other

We act with freedom

We deliver results

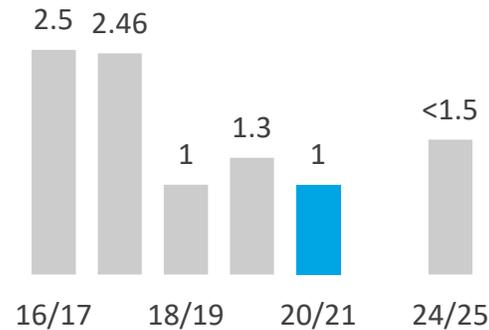
# Employee engagement remained high during the pandemic but increase in turnover

PEOPLE



## WORK SAFETY

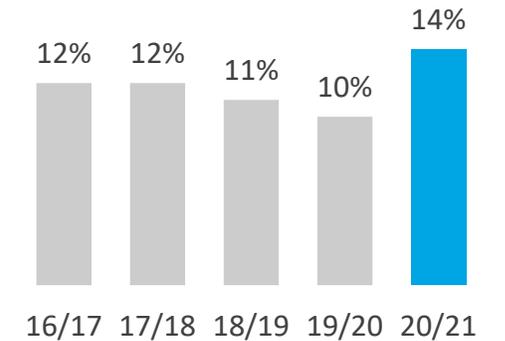
LTIF, million working hours



## EMPLOYEE ENGAGEMENT

**Top 10%**  
in Engagement Matters ranking in 2020/21  
(up from top 34%)

## TURNOVER



## INITIATIVES DURING PANDEMIC

- Hansen Health program to support employees' physical health and mental health during the pandemic with inspirational talks, fitness app and free probiotics
- Introduction of flexible workplace policy
- More frequent employee surveys to do regular pulse checks
- New digital tool to facilitate team dialogues on culture model

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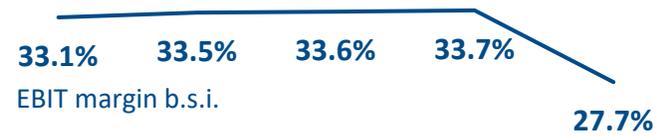
Improving food & health

# We remain focused on delivering industry-leading profitable growth

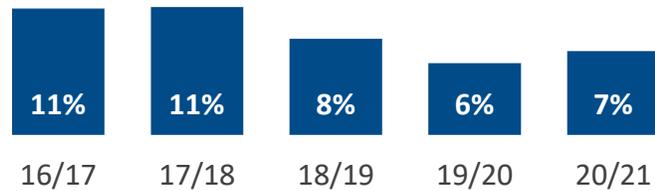


Organic growth and EBIT margin b.s.i. by Group and segments

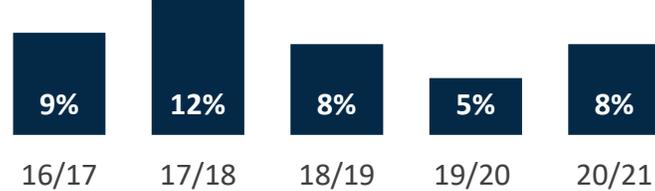
## GROUP



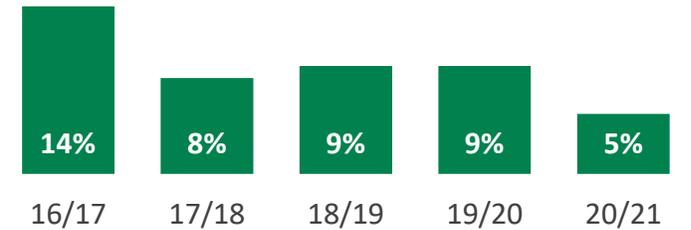
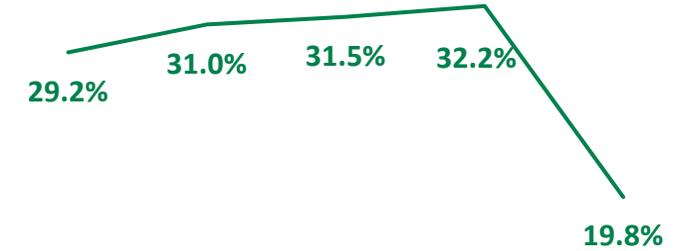
### Organic growth



## FOOD CULTURES & ENZYMES



## HEALTH & NUTRITION



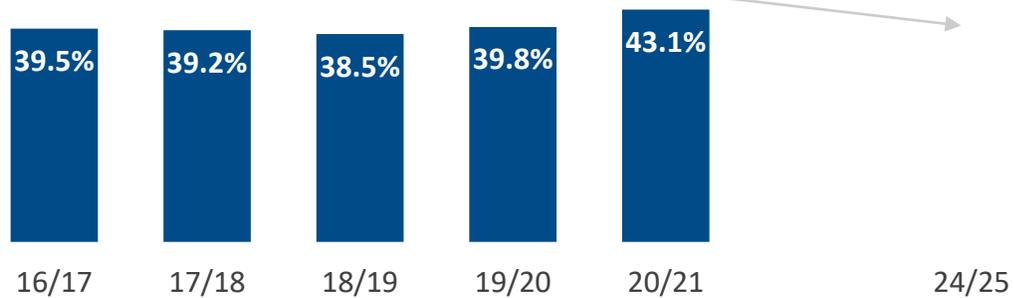
# We'll continue to unlock fuel for growth through scale & efficiencies

EBIT margin b.s.i. drivers

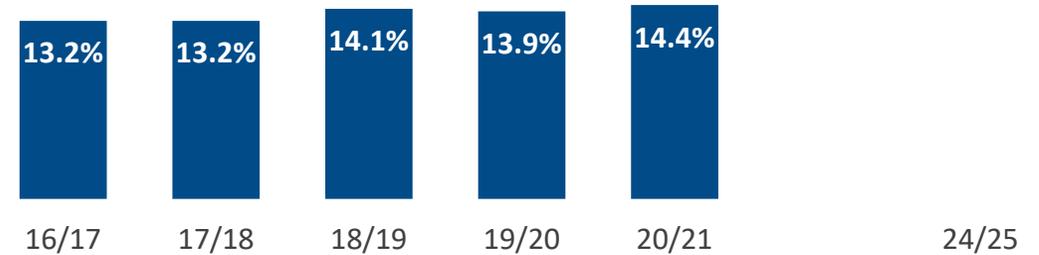
FINANCIALS



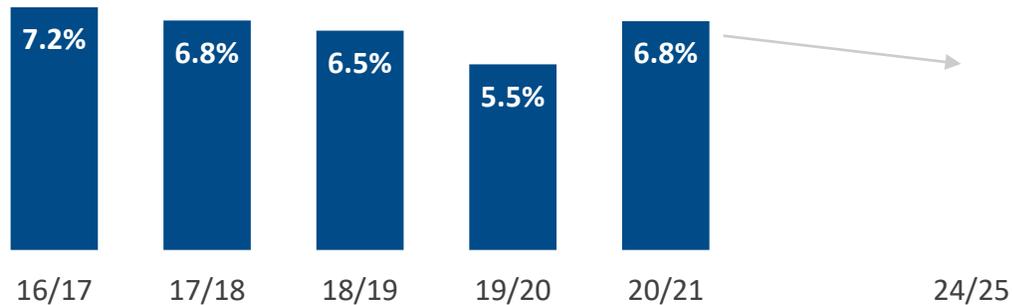
**COST OF SALES** % of revenue



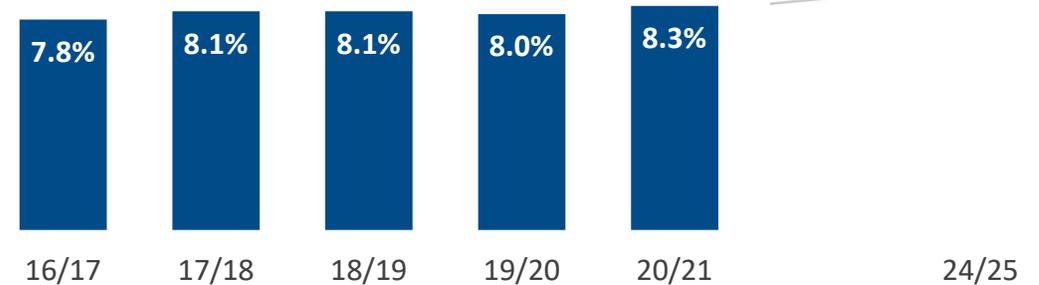
**SALES & MARKETING EXPENSES** % of revenue



**ADMINISTRATIVE EXPENSES** % of revenue



**R&D EXPENSES INCL. CAPITALIZATIONS** % of revenue



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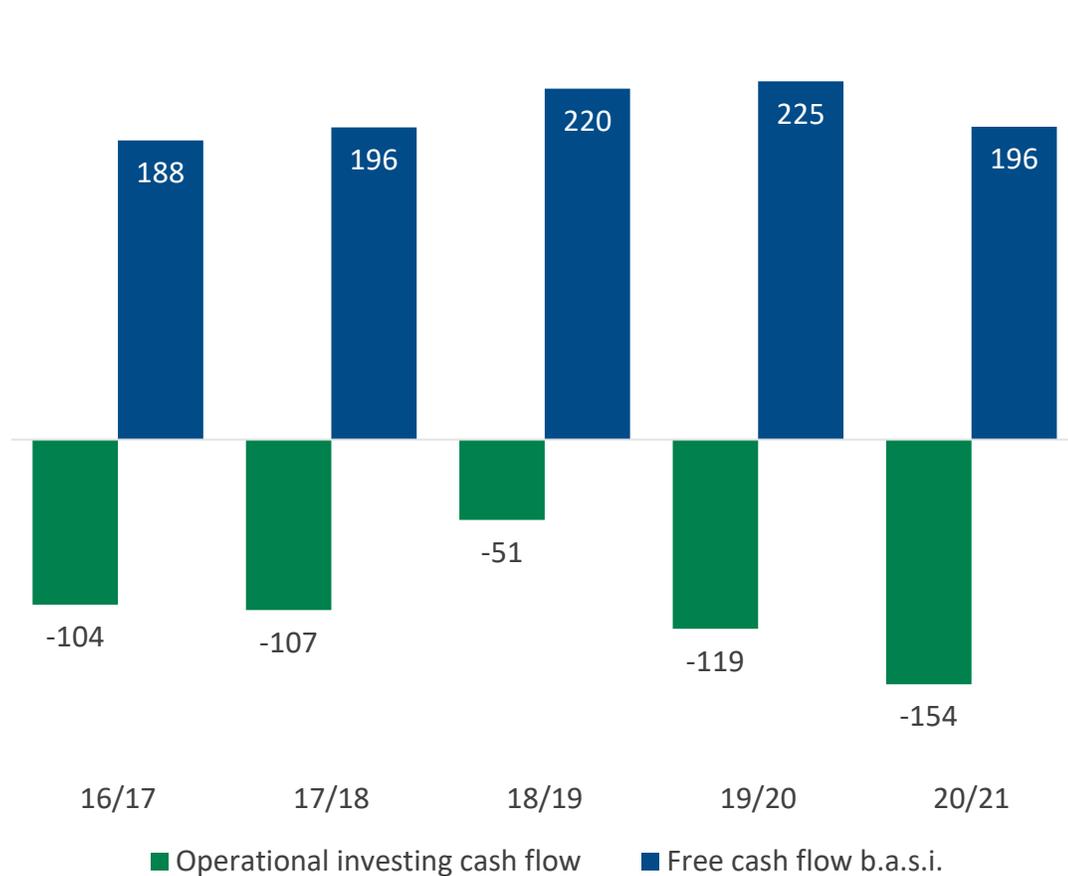
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# Average growth in free cash flow b.s.i. to exceed average growth in EBIT b.s.i.

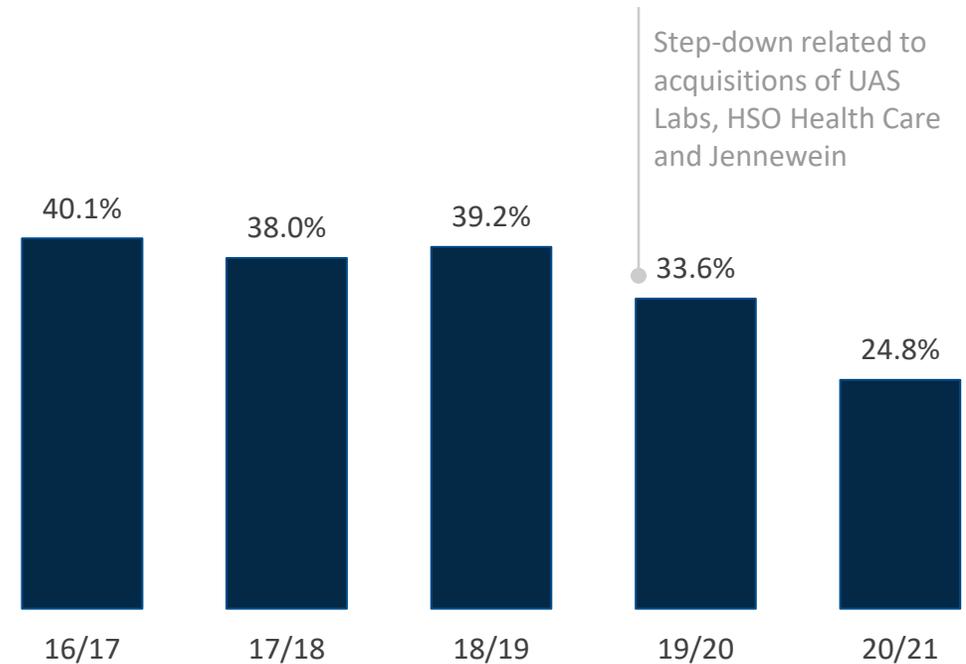
Cash flow and ROIC



CASH FLOW in EUR m<sup>1</sup>



ROIC excl. goodwill in %



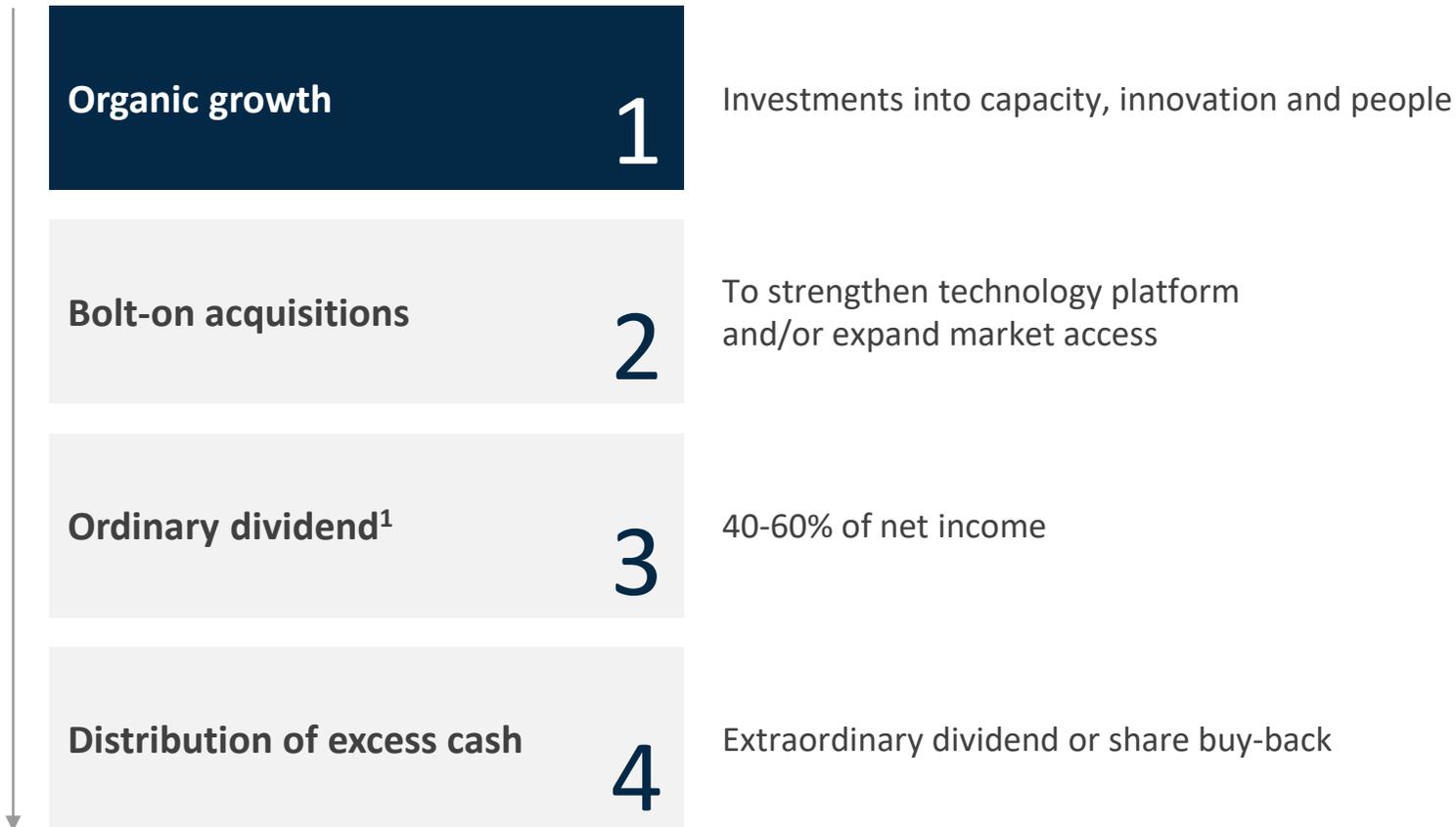
<sup>1</sup> 2017/18 and 2016/17 figures have not been restated following the divestment of Natural Colors and therefore are not directly comparable.

# Creating shareholder value

with very clear capital allocation priorities



## CAPITAL ALLOCATION PRIORITIES



## WHAT WE WILL NOT DO

- X** Pursue acquisitions in unrelated areas
- X** Expand outside microbial and fermentation platform
- X** Expand enzyme business outside food enzymes
- X** Become an integrated solutions provider
- X** Become a full value-chain pharma company

<sup>1</sup> The dividend proposed will depend on the Board of Directors' assessment of factors such as business development, growth strategy, current leverage and financing needs, and there is no guarantee that an ordinary dividend will be proposed or declared in any given year.

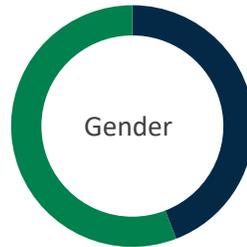
# Strong governance

supported by dual management system; enhanced ESG oversight on BoD level from 2022



## DIVERSITY OF BOARD OF DIRECTORS (shareholder electives)

57%  
Female



43%  
Male

43%  
Danish



57%  
Non-Danish

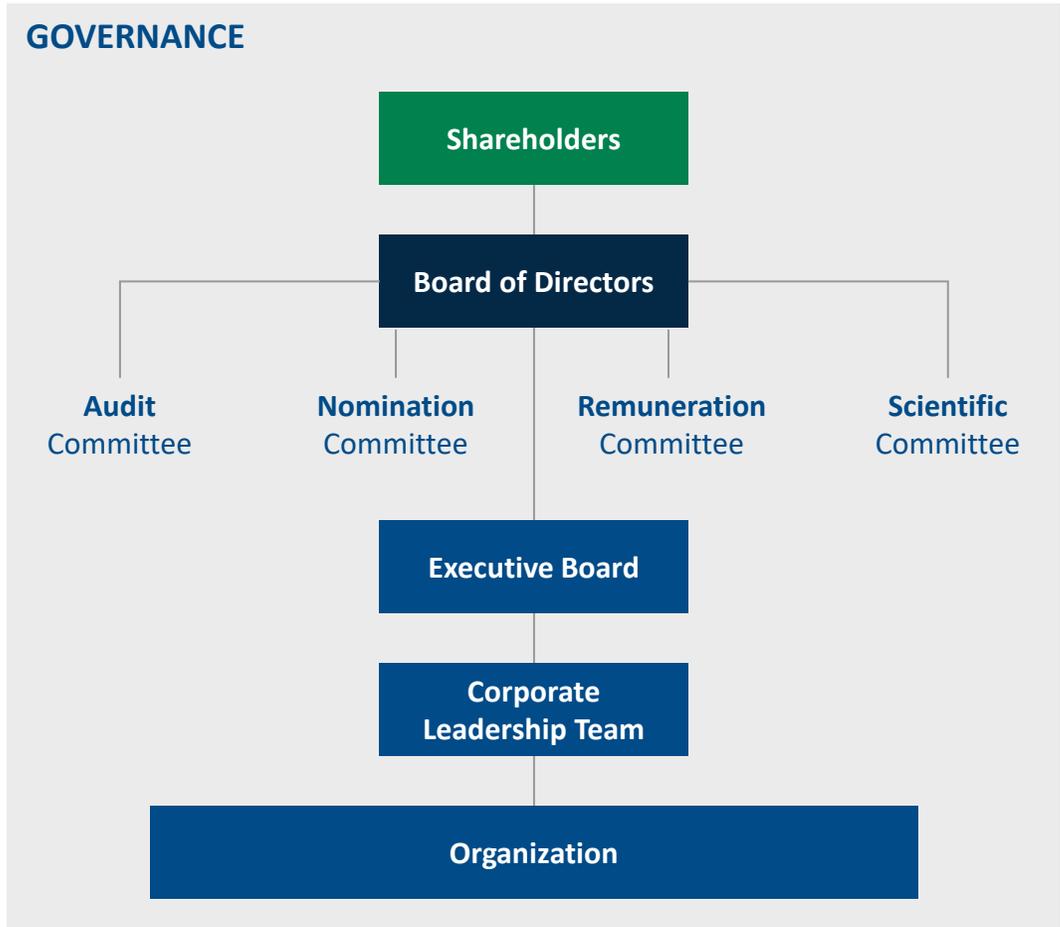
86%  
Independent



14%  
Not independent<sup>1</sup>

<sup>1</sup> Lillie Li Valeur is not independent as she is affiliated with Novo Holdings A/S.

## GOVERNANCE



# Executive compensation linked to sustainability

and closely aligned with shareholder interests; strong incentive component



## SHORT TERM: ANNUAL INCENTIVE PROGRAM FOR CEO AND CFO

- Based on group financial and non-financial targets
  - Non-financial KPIs related to customer service, quality, diversity, safety and environment
- Bonus is paid as a minimum 1/3 in Restricted Stock Units and 2/3 in cash; normally accounts for 25-30% of total remuneration package

## LONG TERM: PROGRESSIVE THREE-YEAR INCENTIVE PROGRAM

- Requires personal investment in Chr. Hansen shares to participate
- Grant value estimated (based on Black-Scholes) at 20-25% of the remuneration package
- Vest in full after three years



Target matching shares per investment of one share

In % of fixed pay <sup>1</sup>	Target	Max
CEO	70%	100%
CFO/EVP	50%	70%

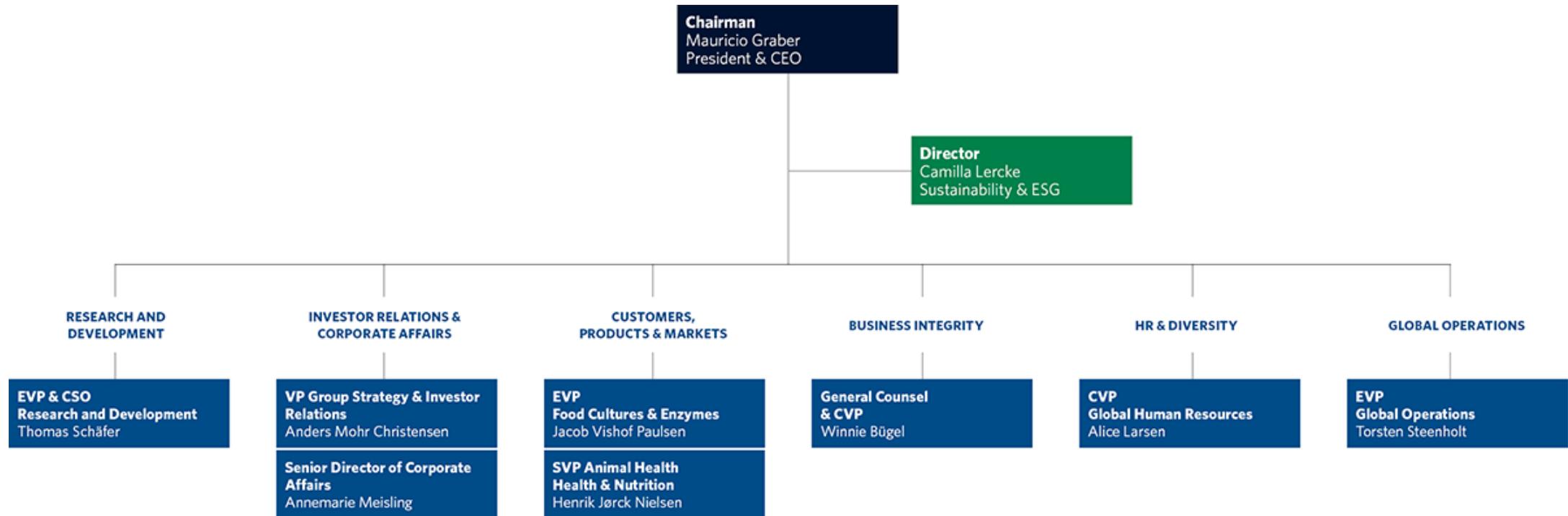
In % of fixed pay <sup>1</sup>	Target	Max
CEO	80%	120%
CFO/EVP	60%	90%

<sup>1</sup> Base plus pension.

# Sustainability Board

is responsible for ensuring ownership, involvement and commitment from the entire business in defining, prioritizing and executing Chr. Hansen's sustainability objectives and activities

GOVERNANCE



**CHR HANSEN**

*Improving food & health*

## Financial calendar

**April 6, 2022**

Interim Report Q2 2021/22

**July 7, 2022**

Interim Report Q3 2021/22

**October 12, 2022**

Annual Report 2021/22

**November 23, 2022**

Annual General Meeting 2022

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