

SUSTAINABILITY ACCOUNTING PRINCIPLES

1. REVENUE CONTRIBUTION TO THE UN GLOBAL GOALS

SCOPE

The revenue contribution to the UN Global Goals is the result of an annual assessment of Chr. Hansen’s entire product portfolio. All products are assessed in terms of their contribution/impact on UN Global Goals no. 2, 3 or 12. The impact is assessed according to eight defined impact categories:

- Increase productivity and yield (UN Global Goals 2 or 12)
- Reduce waste (UN Global Goals 2 or 12)
- Substitute artificial ingredients (UN Global Goals 3 and 12)
- Increase food safety (UN Global Goals 3 and 12)
- Enhance animal welfare (UN Global Goals 2)
- Promote health and well-being (UN Global Goals 3)
- Reduce salt, sugar, fat and lactose (UN Global Goals 3)
- Ensure access to affordable and available nutrition (UN Global Goals 2 and 12)

Products and gross revenue related to mergers, acquisitions and divestments are included in the scope of the revenue contribution within 12 months, or no later than the following fiscal year reporting. In case of divestments, products and gross revenue are excluded from the revenue contribution from the day operational control is transferred.

METHODOLOGY

Each year, the product portfolio for the fiscal year is assessed in terms of its impact on the three prioritized UN Global Goals and the corresponding impact categories according to the following process:

	ACTION	RESPONSIBLE
1	Full product and sales lists are extracted from SAP BI	Finance
2	Data is sorted and a list is created for new material numbers (products) and ungrouped items	Finance
3	New material numbers are assessed according to the impact categories and the documentation available	Sustainability
4	Existing material numbers are quality checked for completeness and accuracy in terms of grouping and scope	Sustainability & Finance
5	Data collection phase: Additional documentation is collected from internal stakeholders	Sustainability & product category owners
6	Documentation reports are developed for each product category	Sustainability
7	Final product list and sales figures are updated and the revenue contribution percentage is extracted	Sustainability & Finance

For more information about the methodology and product mapping read www.chr-hansen.com/globalgoals.

DOCUMENTATION REQUIREMENTS

The documentation reports include one of the following types of documentation for each of the product categories:

- Results from scientific trials or clinical trials
- Reviewed impact studies or articles
- Customer trials and feedback
- R&D internal tests (should, to the extent possible, be supported by additional documentation and interviews with relevant internal stakeholders)

2. BETTER FARMING

The target is to expand the reach of our natural Plant Health solutions to an accumulated 25 million hectares of farmland, by 2025 to support sustainable agriculture, food and crop cultivation. It is an accumulated target as this captures the overall impact Chr. Hansen's products have over the course of the years since the base year.

Included in the scope of the target is our biological plant health solutions for natural crop protection, and silage inoculants for better preservation of forage. The target is based on sales numbers from SAP BI combined with the application rates for respectively plant health products and silage inoculants. For plant health solutions applied at the time of sowing for crops cultivated for more than one season, the area is multiplied with the average lifecycle of the respective crop due to the protective mechanism that is available in that period.

3. IMPROVED HEALTH

The target of reaching 200 million people with our probiotic strains is composed by our probiotic solutions for dietary supplements, fermented dairy and other food types. The calculation is based on volume and sales figures of probiotic blends, capsules, dairy cultures and solutions for other food types. To estimate the number of people consuming probiotic blends, cultures or other food types, the CFU count (colony forming units, which indicate the number of viable cells) is used. For capsules, it is assumed that people take one capsule a day.

4. LESS WASTE

The target to reduce global yogurt waste builds on the waste reduction potential of the food culture with better bioprotective effect, FreshQ® in fermented milk applications and other similar products that may be launched in the future. One of the primary shelf life-limiting factors for fermented milk products, such as yogurt, is natural spoilage with yeast and mold. The protective cultures of FreshQ® inhibit the growth of yeast and mold contamination in dairy products and can thereby reduce spoilage and help extend shelf life. For this accounting principle, it is presumed that FreshQ® can extend shelf life by seven days. This is a conservative average estimate for a fermented milk product produced by an average European dairy and sold under average European cold-chain conditions. The average waste from yogurt is estimated to be 15% (FAO, 2011). FreshQ® spoilage inhibition and shelf life extension can reduce this to 6.8%. The base year for the target is 2015/16.

5. ENERGY FOOTPRINT

Electricity consumption includes all on-site consumption of electricity for use in production, warehouses, R&D facilities and offices. All electricity reporting is based on meter readings or invoices. Renewable electricity is electricity produced from renewable sources. These can include biomass (including biogas), geothermal, solar, water, and/or wind – either sourced from the market or self-produced.

6. CO₂ FOOTPRINT

Emissions of greenhouse gases are accounted for in accordance with the Greenhouse Gas (GHG) Protocol Corporate Standard. Under the Protocol, emissions are reported according to three scopes. The organizational scope covers all manufacturing facilities and, when located adjacent to these, includes offices, warehouses and other activities.

- Scope 1 includes emissions from energy consumption and cooling systems. No transportation is included in Scope
- Scope 2 emissions are calculated in accordance with the location-based method, mainly due to the availability of more reliable emission factors compared to the market-based method.
- Scope 3 emissions include only indirect transportation paid for by Chr. Hansen. This mainly covers the transportation of final products to Chr. Hansen's customers as well as internal transportation between production sites. Scope 3 emissions are rough estimates based on distances and emission factors from the GHG Protocol.

7. WASTE AND BI-PRODUCTS

Biowaste is defined as a bi-product of production, a waste stream that is created as part of the product recipe (primarily eluate). Recycling of biowaste is defined as either reuse of waste as secondary raw materials, reprocessing of waste as new product, or using waste as fuel in energy and heat production.

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

Wastewater is measured after any on-site wastewater treatment processes.

8. PACKAGING

Key packaging solutions is defined as packaging solutions representing 10% or more of total global packaging solutions spend that are applied for the same or similar products across Chr. Hansen sites globally. Packaging is recyclable if it can technically be collected, sorted, reprocessed, and ultimately reused in manufacturing or making another item.

9. WATER FOOTPRINT

For this definition, water comprises all sources and uses: products, noncontact cooling water, steam and domestic water. The source of the water may be the municipal water supply, a private water supply, groundwater or surface water. Water volumes are reported in cubic meters based on metered intake or invoices. At some production sites, noncontact cooling water is either reinjected into the groundwater reservoir or released into surface water. As the noncontact water is not contaminated with either products or chemicals, and is therefore not net consumption, this source is excluded from the calculation of water consumption. The organizational scope covers all manufacturing facilities and, when located adjacent to these, includes offices, warehouses and other activities.

10. ENVIRONMENTAL VIOLATIONS

Breaches of regulatory terms and conditions as specified in environmental permits, for example accidental spills or excess emissions, are reported only where separate notification to the authorities is required, or where a notice of violation is received from the authorities.

11. ETHICS

Each year, training in business ethics (e.g. anticorruption, code of conduct, competitive law and antitrust) is conducted across Chr. Hansen. A clearly defined training cycle has been defined for the respective issues and as such the scope of the employees obliged to complete the training depends on the specific training of the respective year. The KPI reflects the percentage of the relevant employee group, who has completed Chr. Hansen's annual e-learning training during the year.

12. PEOPLE STATISTICS

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

Employee turnover is calculated as an accumulated percentage at the end of the financial year. The calculation is based on the number of employees who were dismissed or voluntarily left the Group in each month compared to the total number of employees per month. Temporary employees are not included in this number.

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

13. OCCUPATIONAL HEALTH & SAFETY

The number of Lost-Time Incidents (LTIs) is defined as accidents resulting in more than one day's absence from work. The LTI frequency is calculated as incidents resulting in more than one day's absence per million working hours, excluding sickness, maternity/paternity leave and holidays. A decrease in frequency reflects an improvement. The severity of incidents is measured as the number of days away from work per incident and/or the expected number of days away. Only days away recorded within the year in which the incident occurred are included in the severity KPI.