

# SUSTAINABILITY ACCOUNTING PRINCIPLES

## 1. REVENUE CONTRIBUTION TO THE UN GLOBAL GOALS

### BACKGROUND

Chr. Hansen has developed a five-step approach (shown below) to map its entire product portfolio and estimate the percentage of its gross revenue that has a positive impact on the UN Global Goals. This was published in a report titled, "Let's grow our future. Naturally. How ingredients contribute to the UN Global Goals". This report can be found here - <https://www.chr-hansen.com/en/sustainability/our-contribution-to-the-un-global-goals>.

### CHR. HANSEN'S FIVE-STEP APPROACH



### REPORT ON PROGRESS

Chr. Hansen will communicate its contribution to the UN Global Goals on an annual basis. Each year, steps 3 – 5 from the five-step approach are repeated. We assess the entire product portfolio for each fiscal year to measure its contribution to the UN Global Goals. The documentation reports developed for each of the product categories will be updated with documentation on the impact of the new products. The documentation is based on scientific trials, reviewed impact studies/articles, customer feedback and R&D internal test results. The product categories included in the assessment are matched with sales data to estimate the percentage of the total gross revenue that contribute to the global goals. The applied methodology, process and documentation will be reviewed by an external assurance company. The result and assurance statement are presented in the annual sustainability report.

## 2. BETTER FARMING

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

The products that support the target included in the calculation are naturally derived plant health and silage inoculants. Plant health is applied directly to the crop on the farmland, whereas silage inoculants are applied after harvesting. The target is based on sales numbers and current application rates for plant health products and silage inoculants. For plant health solutions applied at planting for crops cultivated for more than one season, the area is multiplied with the average lifecycle of the crop.

### 3. GOOD HEALTH

Chr. Hansen is committed to launching six new products with a documented health effect by 2022. The products included in the target are within human health, including probiotics and new food solutions that have a beneficial health effect, such as reduced sugar or salt content. The effects are to be documented internally at Chr. Hansen's laboratories or through customer field trials.

### 4. LESS WASTE

The target to reduce global yogurt waste by 1.2 million tons by 2022 builds on the waste reduction potential of the natural microbial product 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

All energy used is recorded based on direct meter readings or invoices and reported in MWh. Fuel for on-site forklift trucks or other vehicles is not included. The organizational scope covers all manufacturing facilities and, when located adjacent to these, includes offices, warehouses and other activities.

### 6. 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.

### 7. CO<sub>2</sub> 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 1
- 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. This is expected to be the greatest single source of Scope 3 emissions. Scope 3 emissions are rough estimates based on distances and emission factors from the GHG Protocol.
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## 8. WASTE AND BY-PRODUCTS

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. Recycled biomass, a by-product of production, is utilized as liquid fertilizer, liquid feed or fuel for energy production.

## 9. 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.

## 10. CONSUMER PROTECTION

The effectiveness of Chr. Hansen's procedures and systems to ensure adequate attention to the safety and protection of consumers is monitored through product safety retrievals and product safety audit findings. Product safety retrievals are defined as incidents where Chr. Hansen's products are retrieved from customers due to poor quality, legal or regulatory noncompliance, or potential or actual food safety risks. Product retrievals are recorded on the day the retrieval decision is made. Product safety audit findings are defined as nonconformities raised by Bureau Veritas Certification (BVC) during ISO 22000 or FSSC 22000 audits, indicating a serious breach of the Group's food safety management systems. If the final BVC audit report has not been received at the time of reporting, the number (and type) of nonconformities mentioned at the audit exit meeting is used.

## 11. ETHICS

Chr. Hansen records the number of employees trained in anticorruption policies and procedures. This KPI reflects the participation rate for employees who have completed Chr. Hansen's online anticorruption training during the year, as a percentage of all relevant employees. Relevant employees are defined as employees with area or management responsibility as well as employees with external contacts, for example in sales or sourcing.

## 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. DIVERSITY AND INCLUSION

Data are calculated as the percentage of employees within each category (e.g. gender and nationality) at the end of the financial year. Key positions are defined as director level or higher. Diverse teams are corporate management teams reporting to vice president level or higher that include at least one woman and one non-local. The percentage of diverse teams is calculated at the end of the financial year. The composition of the Board of Directors is calculated at the end of the financial year.

## **14. 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.