

# THE WORLD IS AT THE DAWN OF A RESOURCE REVOLUTION

During economic periods with high growth, the supply of many critical resources will be at their limit, resulting in shortages and rising commodity prices. Water consumption is predicted to rise with rates of 40-60 percent in the coming 10-20 years. Food supply is critical. Millions of tons of paper, metals, glass and plastic are being disposed of yearly. The mining industry requires high input of critical resources such as energy and water for processing. With fast growing and emerging markets like the "BRIC" countries and their increasing demands for resources, there is an urgency to manage resources better. The 7 billion people inhabiting the planet consume more than the world can sustainably support. Today we would need 1.5 planets to continue to satisfy current demands. The world is at the dawn of a resource revolution.

TOMRA's portfolio of solutions enable our customers to better optimize their own and the world's resources – in the way they are obtained, as in the mining industry, in the way they are used, as in the food industry and in the way they are reused, as in the recycling industry.

## **GOOD MARKET MOMENTUM - A YEAR OF SOLID PROGRESS FOR TOMRA (PROGRESS INTO RESULT)**

2011 was a year with favorable market conditions and solid progress both operationally and strategically. Market conditions for sorting equipment for recycling were favorable resulting in a growth in order intake of over 20 percent. The market conditions for the collection technology business were also positive leading to solid top line growth driven by good momentum in both Europe and the USA. The strong market momentum resulted in growth in all business segments, increasing consolidated organic revenues by 13 percent in local currencies. As a result of cost saving activities and revenue growth, earnings improved, giving an EBITA margin of 18 percent.

In line with our plans, TOMRA continued on the road of strategic repositioning. To better reflect the current and future activities of the group, the Group's mission and vision statements were reengineered. The portfolio structures were amended by strengthening the position in the food processing sector, later, in the year non-core activities were disposed of.

## **A UNIFIED TOMRA POSITIONED FOR PRESENT & FUTURE DEMANDS (UNITY INTO GROWTH)**

The planning stage of the brand strategy and the strategic repositioning process, started in 2010, was concluded along with preparations for the global launch in 2012. The Group mission, "TOMRA creates sensor-based solutions for optimal resource productivity," describes the field in which TOMRA

**"TOMRA creates sensor-based solutions for optimal resource productivity,"**

focuses its activities and acts as a filter for critical decisions. The vision statement, "Leading the resource revolution," directs and visualizes a TOMRA that proactively supports the increasing need for sustainable resource management. With the new mission and vision statements, the TOMRA Group has for the first time in its history generated a common direction for all its activities. As a result we have updated our brand architecture and decided that the Group will report to two business areas, "TOMRA Collection Solutions" and "TOMRA Sorting Solutions." All Group companies are following a joint transformation process in which the TOMRA brand name will be utilized going forward.



TOMRA, with its ambition to be a leading company within cutting edge solutions for optimal resource productivity, in a fast growing sector, will require people that have the right set of competencies like expertise in sensor technologies, high speed data and image processing, supply chain processes, and strong experience within recycling, food processing and mining industries.



The above activities will enable TOMRA to better leverage Group synergies, support accelerated growth and generate greater value for our shareholders.

#### **TODAY INTO TOMORROW**

The acquisition of the food sorting company Odenberg strengthens TOMRA's position in the field of sensor-based sorting and has enabled leverage of synergies in after sales service, supply chain management, product development and R&D. The acquisition was completed in February 2011 and the integration process was concluded within six months.

Material handling in California was divested, as it was identified as non-core business; it lacked the potential for synergies and had limited opportunity for TOMRA to scale the business. On December 31, 2011 the activities were sold.

As preparation for TOMRA's growth in new and emerging markets, it was decided to establish operations in Sao Paolo, Brazil and Dubai, UAE. The operation in Brazil was launched in 2011.

#### **DOING BUSINESS RESPONSIBLY**

TOMRA joined the UN Global Compact at the end of 2009 and the 2011 Annual Report is our second Communication on Progress. During 2011 we focused on anti-corruption awareness and training and have started the process of assessing and improving our management of risks related to Human Rights. "Responsibility" is one of TOMRA's core values and we are working to ensure that TOMRA operates responsibly

on a global basis. The UN Global Compact's tools and resources provide valuable assistance to this work. TOMRA will continue to support and promote the principles of the Global Compact during 2012.

#### **A SUCCESSFUL STRATEGIC EXECUTION REQUIRES SKILLED AND MOTIVATED PEOPLE (IDEAS INTO ACTION)**

TOMRA, with its ambition to be a leading company within cutting edge solutions for optimal resource productivity, in a fast growing sector, will require people that have the right set of competencies like expertise in sensor technologies, high speed data and image processing, supply chain processes, and strong experience within recycling, food processing and mining industries. Our ambition is to foster a working environment that is dynamic, motivational and inspiring. Therefore the Group in 2009, embarked on a program called "Great Place to Work." This program provides direct feedback from the employees in regard to work satisfaction levels. The latest Group wide survey indicated that 82 percent of the employees find TOMRA to be a great place to work.

"TOMRA's purpose is to create sensor-based solutions for optimal resource productivity, making sustainability profitable - with increased relevance and meaning. In parallel, we aim to continuously foster a culture that inspires and motivates our people and customers." From purpose into profit and profits into progress, TOMRA is Transforming what it means to be resourceful.

**Stefan Ranstrand, TOMRA President & CEO**

# BUSINESS OVERVIEW

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TOMRA has experienced rapid growth throughout its 40-year history. Growth has been driven by a number of strategic shifts involving a combination of organic initiatives and acquisitions. The sum of all these developments has shaped a company that today is organized in two business areas.

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Reverse Vending: TOMRA  
Compaction: Orwak  
Material Recovery: TOMRA



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Recycling: TITECH  
Mining: CommodasUltrasort  
Food: Odenberg

# UNITY INTO GROWTH



## REVERSE VENDING AND MATERIAL RECOVERY

### ROLE IN THE RESOURCE REVOLUTION

- + Transforms consumer behavior by making it convenient and rewarding for consumers to return their empty containers.
- + Improves logistics and handling of used beverage containers in the recycling chain.
- + Clean and efficient, ensuring correct redemption of containers.
- + Increases retail traffic and adds to retailer's CSR image building.

30 billion used beverage containers are captured every year by our reverse vending machines.\*



\*The avoided greenhouse gas emission equals the annual emissions from 2 million cars—each driving 10,000 kilometers.

## COMPACTION

### ROLE IN THE RESOURCE REVOLUTION

- + Saves in storage of recyclable materials.
- + Lowers transportation costs. Daily savings of 20,000 transport movements, resulting in daily savings of 160,000 liters of fuel.
- + Overall lower waste handling costs of up to 50%, saving businesses money.

Our vertical balers enable daily savings of 20,000 transport movements, which saves 160,000 liters of fuel.\*



\*Saving 160,000 liters of fuel is equal to removing about 400 European cars from the road for one year.

 = 100

## RECYCLING

### ROLE IN THE RESOURCE REVOLUTION

- + Lowers operating and maintenance costs.
- + Reduces accidents and strain on staff.
- + Diminishes costs.
- + Provides greater efficiency.
- + Results in higher yields from products

450,000 tons of metal are recovered every year by our metal sorting technology.\*



\*450,000 tons of metal is equivalent to 2,771 Boeing 747s. Almost double the amount that have ever been built.

 = 1,000

## MINING

### ROLE IN THE RESOURCE REVOLUTION

- + More efficient recovery of materials.
- + Our sorters can reduce water consumption by 3–4 cubic meters per ton.
- + Better utilization of existing deposits.
- + Better carbon footprint.
- + Reduction of acid mine drainage.
- + Less pollution.
- + Greater yields.

The mining industry consumes 2%-3% of the world's energy just for crushing and milling – equal to that of global aviation traffic. Our sensor-based sorters can reduce the volume to be crushed by 15%-40% resulting in significant savings.

## FOOD

### ROLE IN THE RESOURCE REVOLUTION

- + Maximizes yield and recovery, while reducing waste.
- + Minimizes energy and chemical usage.
- + Increases productivity through highcapacity sorting.
- + Consistent, high quality food assurance.
- + Consumer food safety assurance.

We recover 5% - 10% of the produce through higher yields and better utilization, reducing pressure on the food chain.\*



1 truck = 1,000 trucks

\*That's approximately 25,000 trucks per year in potatoes alone. We also sort carrots, tomatoes, peaches...

# CORPORATE RESPONSIBILITY

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2011 was the first year of TOMRA's Corporate Responsibility Program and the focus was the integration of CR principles into the day-to-day activities of TOMRA Group through increased awareness and training. This is an important element of defining company culture and is also part of TOMRA's commitment to the UN Global Compact. In the first phase of the program, TOMRA has prioritized the head office in Norway and the major markets of Germany and USA.

In 2011 TOMRA acquired Odenberg Group, a leading provider of optical sorting and processing technology for the fresh and processed food industries. Odenberg's products maximize yield and recovery, while at the same time reducing waste and minimizing energy and chemical usage. This leads to better business and a better environment.

The addition of a new business area provided an opportunity for TOMRA to evaluate its vision, mission and core values. This resulted in the new vision: Leading the resource revolution. At the same time, TOMRA updated its Corporate

Responsibility Statement to reflect these changes and to also strengthen its commitment to the protection of human rights. The full statement is available on [tomra.com](http://tomra.com).



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact**.

We welcome feedback on its contents.

## PROGRESS REPORT

### 2012 TARGETS – PROPOSAL

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Continue to identify and implement actions to achieve 25% reduction in eco-intensity (CO<sub>2</sub> emissions) by 2015

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Continue implementation and follow-up of TOMRA's ethical and other Group policies

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Continued focus on being an attractive employer

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Reduce the number of accidents per full time employee

### REVIEW OF 2011 GOALS

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Start update of TOMRA's carbon footprint, including assessment of vehicle fleet

**Completed phase I**

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Promote TOMRA's ethical policies

**In progress**

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Improve TOMRA's employee satisfaction rating versus 2010

**Completed**

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Reduce the number of accidents per full time employee

**In progress**



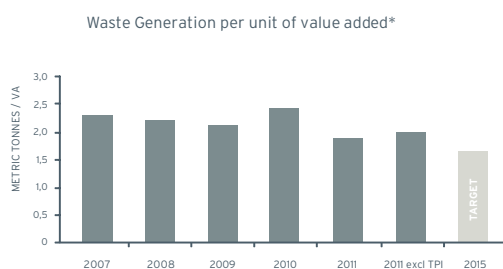
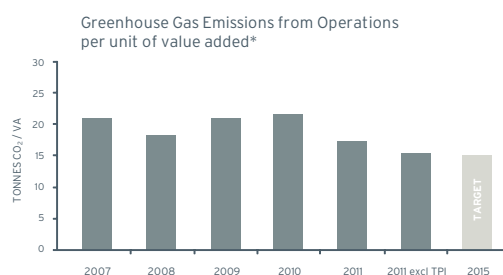
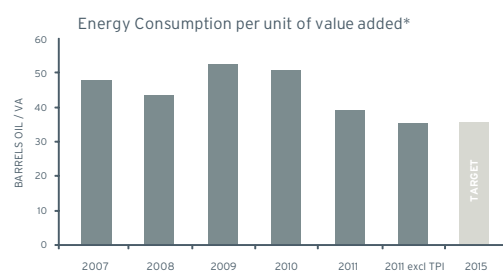
# ENVIRONMENTAL REVIEW

TOMRA was one of the first to recognize that a better environment is better for business and TOMRA has been a leader in creating solutions for resource productivity for four decades. TOMRA is still constantly striving to improve its internal practices and optimize its resources – led by the spirit of innovation.

TOMRA takes its environmental responsibilities seriously and its CR statement includes the requirement to minimize risk in its activities. An example of this approach in practice relates to bisphenol-A, a chemical commonly used in plastics and also on thermal paper used for printing receipts from reverse vending machines. In response to safety concerns, TOMRA now supplies bisphenol-free paper with all new reverse vending machines.

TOMRA's biggest source of direct carbon dioxide emissions is its vehicle fleet, with the US being the most significant market. In 2011 TOMRA North America established a CO<sub>2</sub> Reduction Team to look at ways of reducing total emissions. One project has targeted idling time on truck engines, which has reduced idling time by almost a third – reducing CO<sub>2</sub> emissions by almost 400 tonnes.

TOMRA's Environmental Report, which excludes TOMRA Pacific Inc (TPI), shows a general increase in all areas. This is due to the inclusion of Odenberg in the 2011 data. However, the eco-intensity graphs indicate that the sale of TPI, a relatively energy-intensive operation, will help TOMRA meet its reduction targets for internal operations by 2015. In line with the 5-year Environmental Program, TOMRA will now focus more on analyzing and improving its carbon footprint and product lifecycle.



\*Value added (MNOK) = Net profit + salaries, taxes, financial expenses.

# TOMRA ENVIRONMENTAL REPORT 2011

## CLIMATE CHANGE ACCOUNT

### CARBON DIOXIDE EMISSIONS FROM OPERATIONS

TONNES CARBON DIOXIDE	2011	2010
<b>Emission from stationary sources (Scope 1)</b>	<b>4,800</b>	<b>2,600</b>
Heating oil	2,000	1,500
Natural gas	1,400	1,000
Propane	1,400	100
<b>Emission from purchased grid electricity (Scope 2)</b>	<b>2,400</b>	<b>2,300</b>
Norway	0	0
Europe EU25	600	400
North America	1,800	1,900
Rest of World	0	0
Certified low-carbon or renewable	0	0
<b>Emission from transportation</b>	<b>18,200</b>	<b>17,100</b>
Petrol vehicles (Scope 1)	3,200	2,700
Diesel vehicles (Scope 1)	14,200	13,100
LPG vehicles (Scope 1)	100	300
Employee-owned vehicles (Scope 3)	100	200
Air travel (Scope 3)	600	800
<b>Total direct emissions (tonnes CO<sub>2</sub>)</b>	<b>25,400</b>	<b>22,000</b>
<b>Emission from products during use-phase (Scope 3)</b>	<b>127,200</b>	<b>117,700</b>
RVMs owned and operated by TOMRA and customers	57,800	55,100
Compactors owned by customers	66,400	61,200
Scanners owned by customers	3,000	1,400
<b>Total direct and indirect emissions</b>	<b>153,000</b>	<b>140,000</b>

### AVOIDED CARBON DIOXIDE EMISSIONS THROUGH PRODUCT USE

TONNES CARBON DIOXIDE	2011	2010
<b>Beverage container collection through RVMs and ARCs (1)</b>	<b>2,503,000</b>	<b>2,452,000</b>
Plastic bottles	684,000	670,000
Glass bottles	467,000	457,000
Aluminium cans	1,321,000	1,295,000
Steel cans	31,000	30,000
<b>Packaging material transport and handling (2)</b>	<b>759,000</b>	<b>1,100,000</b>
Glass bottles	55,000	47,000
Aluminium cans	577,000	852,000
Plastic bottles, PET	122,000	199,000
Plastic bottles, HDPE	0	0
Cardboard and fiber	5,000	2,000
<b>Packaging material sorted for recycling from mixed sources, Titech (3)</b>	<b>14,514,000</b>	<b>8,249,000</b>
Glass	0	0
Aluminium	2,722,000	1,513,000
PET	1,774,000	2,430,000
HDPE	377,000	610,000
Fiber	133,000	293,000
Non-ferrous metal	8,258,000	2,310,000
Other	1,250,000	1,093,000
<b>Reduction of transport due to material compaction, Orwak (4)</b>	<b>315,000</b>	<b>286,000</b>
<b>Total emission avoidance</b>	<b>18,090,000</b>	<b>12,090,000</b>
<b>Net carbon dioxide emission/(avoidance)</b>	<b>(17,900,000)</b>	<b>(12,000,000)</b>

## WASTE GENERATION

### WASTE GENERATION FROM MANUFACTURING, SALES, SERVICE AND OPERATIONS

TONNES WASTE	2011	2010
<b>Waste generation</b>	<b>3,320</b>	<b>3,130</b>
Paper	10	10
Cardboard	125	110
Plastics	940	1,280
Wood	110	100
Electric and electronic waste (incl. TOMRA products)	20	30
Expanded polystyrene	0	0
Metal scrap	425	465
Batteries	0	5
Hazardous waste	0	0
Unsorted	1,690	1,130

## ENERGY CONSUMPTION

### ENERGY CONSUMPTION IN MANUFACTURING, SALES, SERVICE AND OPERATIONAL PROCESSES

BARRELS OIL EQUIVALENT	2011	2010
<b>Energy consumption, stationary sources (Scope 1)</b>	<b>4,700</b>	<b>3,700</b>
Heating oil	4,700	3,600
Natural gas	0	0
Propane	0	100
<b>Energy consumption, purchased grid electricity (Scope 2)</b>	<b>9,500</b>	<b>8,600</b>
Norway	2,400	2,600
Europe EU25	1,900	1,800
North America	5,200	4,200
Rest of World	0	0
Certified low-carbon or renewable	0	0
<b>Energy consumption, transportation</b>	<b>44,100</b>	<b>41,800</b>
Petrol vehicles (Scope 1)	8,600	7,400
Diesel vehicles (Scope 1)	33,200	30,800
LPG vehicles (Scope 1)	500	1,300
Employee-owned vehicles (Scope 3)	300	400
Air travel (Scope 3)	1,500	1,900
<b>Total direct energy consumption</b>	<b>58,300</b>	<b>54,100</b>
<b>Energy consumption, products during use-phase (Scope 3)</b>	<b>152,400</b>	<b>141,000</b>
RVMs owned and operated by TOMRA and customers	69,300	66,000
Compactors owned by customers	79,500	73,300
Scanners owned by customers	3,600	1,700
<b>Total direct and indirect energy consumption</b>	<b>210,700</b>	<b>195,100</b>

Scope 1: All direct GHG emissions

Scope 2: Indirect GHG emissions from purchased electricity, heat or steam

Scope 3: Other indirect emissions from purchased goods or services

### NOTES

Emissions have been calculated using the GHGProtocol calculation tools (www.ghgprotocol.org), and 'Waste Management Options and Climate Change' (ec.europa.eu/environment/waste/studies/pdf/climate\_change.pdf). Some 2010 data has been amended to ensure consistency with 2011 reporting and TPI data has been excluded.

#### 1. Beverage container collection through RVMs and ARCs.

Carbon dioxide savings are calculated based on the total number of beverage containers collected through TOMRA's over 70,000 RVM and ARC installations; more than 35 billion units annually. All glass beverage containers are assumed to be non-refillable, which gives a significantly lower assumed weight. The split between packaging types is based on beverage consumption data and TOMRA estimates. The full benefit of collecting and recycling the beverage containers into new material, versus landfill, is included in the calculation.

#### 2. Packaging material transport and handling

The carbon dioxide saving is based on the tonnage of beverage container material transported and handled by TOMRA in USA. The full benefit of collecting and recycling beverage containers into new material, as opposed to landfill, is included in the calculation, meaning that some of the saving is also included under 'Beverage container collection through RVMs and ARCs'.

#### 3. Packaging material sorted for recycling from mixed sources, Titech

Estimated material throughput in Titech installations is used in the calculation of avoided carbon dioxide emission. The full benefit of sorting materials and recycling into new is included in the calculation.

#### 4. Reduction of transport due to material compaction, Orwak

It is estimated that the installed base of ORWAK Group products can compact around 10 million tonnes of material daily, reducing both transport kilometers and fuel usage each year. This is estimated to save over 20 000 transport movements each day. This calculation does not take into account the carbon dioxide benefit of material recycling.

The provision of information on carbon dioxide emission avoidance is illustrative only, and intended solely as an aid to illustrate the benefit to society generated by the TOMRA Group. The above information does not constitute a full Life Cycle Analysis. The methodology and assumptions used in calculating carbon dioxide avoidance are available upon request.

# SOCIAL AND ETHICAL REVIEW

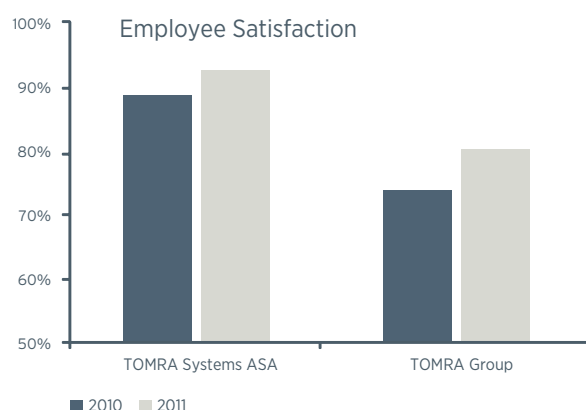
## RESPONSIBLE BUSINESS

TOMRA operates in a global market where familiar and unexpected risks and opportunities can occur in a variety of forms. TOMRA is committed to doing business ethically and operates with zero-tolerance for corruption. TOMRA respects internationally recognized human rights principles and in 2011 TOMRA reviewed its business processes to ensure that human rights are considered in key business decisions. This means performing legal and ethical due diligence in addition to financial due diligence when considering certain business opportunities.

TOMRA continued its anti-corruption program in 2011. In addition to the anti-bribery policy, TOMRA also implemented guidelines for gifts and entertainment to provide a clearer framework for its employees.

## EMPLOYEE SATISFACTION

TOMRA recognizes that attracting, retaining and developing the people in its organization are critical to the company's success. Therefore TOMRA views employee satisfaction as a key measure of its performance.



Overall the results of the 2011 employee satisfaction survey for TOMRA Group showed a significant improvement compared to 2010. The results indicated that the employees are proud to work for TOMRA. Eighty-one percent of the respondents stated that TOMRA was a great place to work, which is up from 74 percent the previous year. To become an even greater place to work, TOMRA will continuously involve its employees to further improve employee satisfaction.

## Impact on people within TOMRA Group

		2011	2010 excl TPI	2010	2009
Number of employees	(#)	1,786	1,419	2,027	1,952
Female employees	(%)	18	19	19	18
Female managers	(%)	18	19	19	21
Ethnic minority employees	(%)	12	13	32	32
Reportable injuries	(#)	109	92	137	138
- per 100 FTE	(#)	6.3	6.4	6.7	6.8

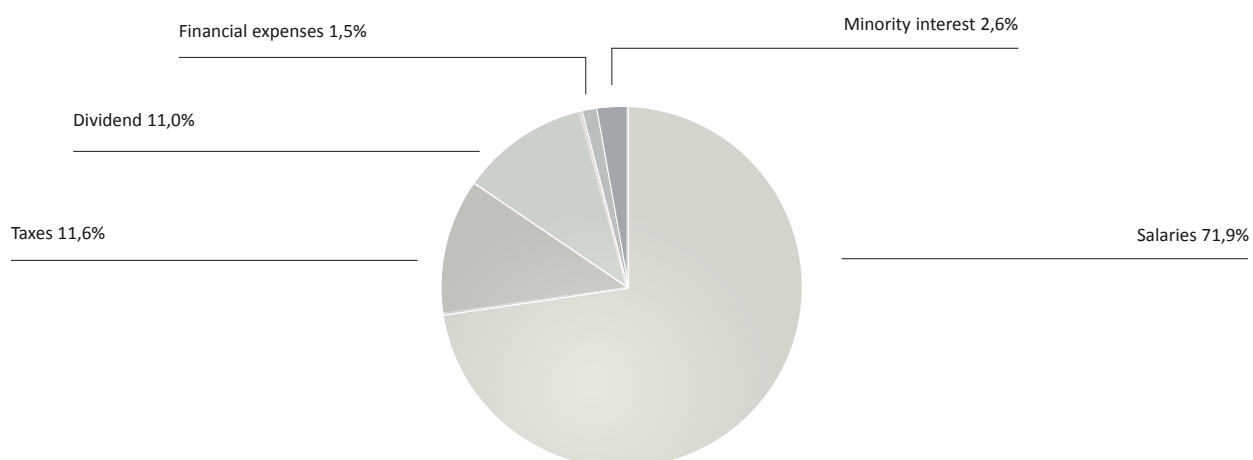


## ECONOMIC IMPACT

TOMRA reports the value distributed to different stakeholder, including employees, shareholders and society in general.

The value added created by TOMRA, excluding discontinued operations, was just over 1,600 MNOK in 2011 and the amount distributed to stakeholders is shown in the chart below.

### Value distributed 2011







# CORPORATE GOVERNANCE

At TOMRA, corporate governance is defined to include those processes and control features which have been established to protect the interests of TOMRA's share-holders and other stakeholders such as employees, suppliers and customers. TOMRA's Corporate Governance Policy has been approved by the Board of Directors and is available on TOMRA's corporate website ([www.tomra.com](http://www.tomra.com)).

## VALUES, CODE OF CONDUCT AND QUALITY SYSTEMS

Responsibility, Passion, Innovation. These three elements stand at the center of TOMRA's value structure, representing the core values of the corporation. We consider these principles to be of vital importance for the success of our organization and the basis for the way we conduct ourselves as we strive to achieve our business goals. TOMRA has also developed and implemented an internal code of conduct which sets out key principles for employee behavior when representing TOMRA.

TOMRA's quality and environmental management systems are based on the international ISO 9001 and ISO 14001 management systems standards. All units within the Technology division of Tomra Systems have been certified according to these standards. This ensures that our internal systems and procedures are aligned with international "best practice" and that responsibility and authority for all important tasks is appropriately allocated.

## CORPORATE GOVERNANCE POLICY

TOMRA has implemented a corporate governance program in accordance with the Norwegian recommendation for corporate governance, which is available on [www.nues.no](http://www.nues.no). On the right is a short summary with references to the chapters

TOMRA has established a code of conduct as well as an anti-bribery policy that outline the ethical guidelines for the corporation's management.

## BUSINESS DESCRIPTION

TOMRA's scope of business and strategy is established in the bylaws, and is described in further detail in the annual report and on the website.

## EQUITY AND DIVIDENDS

All material recommendations are fulfilled.

## EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

All material recommendations are fulfilled. No material transactions between the company and related parties that require a third party evaluation have taken place during 2011.

## FREELY TRADED SHARES

There are no trading restrictions on the company's shares.

## GENERAL MEETINGS

All material recommendations are fulfilled.

## NOMINATION COMMITTEE

All material recommendations are fulfilled.

## CORPORATE ASSEMBLY AND BOARD OF DIRECTORS

All material recommendations are fulfilled. Board members appointed by the shareholders are deemed to be independent.

## THE BOARD OF DIRECTORS' ACTIVITIES

The Board has established the following committees: audit, compensation, nomination and corporate responsibility.

## RISK MANAGEMENT AND INTERNAL CONTROL

All material recommendations are fulfilled.

## REMUNERATION OF THE BOARD OF DIRECTORS

All material recommendations are fulfilled.

## REMUNERATION OF THE EXECUTIVE MANAGEMENT

All material recommendations are fulfilled.

## INFORMATION AND COMMUNICATION

All material recommendations are fulfilled.

## TAKEOVERS

All material recommendations are fulfilled.

## AUDITOR

All material recommendations are fulfilled.



in the recommendation dated 21 October 2010 (with amendments dated 20 October 2011), focusing on any discrepancies between TOMRA's practices and those recommended.

## **BOARD OF DIRECTORS**

The TOMRA Board is composed of five independent directors and two employee representatives. Independent directors are proposed by the Nomination Committee based on a number of criteria, to ensure a broad range of capabilities and experience. Independent directors are ultimately selected by the shareholders.

The Board Committees consist of members of TOMRA's Board, chosen by the chair of the board to reflect a balance of capabilities and interests.

Instructions for the Board and charters for each of the Board committees have been prepared and duly approved by the relevant body.

## **PRINCIPLES FOR REMUNERATION OF SENIOR EXECUTIVES 2011-2012**

The term "senior executives" applies to the CEO and other members of Group management.

Salary and other employment terms for senior executives shall be competitive in order to ensure that TOMRA can attract and retain skilled leaders. Salary should include both fixed and variable elements. The fixed salary should reflect the individual's area of responsibility and performance over time. Principles for remuneration shall be allowed to vary in accordance with local conditions. The remuneration structure shall be based on such factors as position, expertise, experience, conduct and performance. The variable salary shall not exceed 50% of the fixed annual salary and is based on the achievement of specific performance targets by TOMRA Group and/or the respective manager's unit.

The Board has appointed a Compensation Committee that is headed by the Chairman of the Board and overlooks decisions on matters regarding remuneration and terms and conditions of senior executives. The performance goals for the CEO are determined by the Chairman of the Board. Goals for the other senior executives are determined by the CEO and reviewed by the Compensation Committee. The goals may be related to financial targets, such as profit from operating activities, return on capital employed and other performance-related objectives.

The CEO's remuneration package, and any adjustments thereof, are agreed between the CEO and the Chairman and approved by the Board. The remuneration packages for the other senior executives, including adjustments of these, are agreed between the CEO and the respective manager. The terms of these agreements are reviewed first by the Compensation Committee and finally by the Board of TOMRA.

In 2010, a Long Term Incentive Plan (LTIP) was established, tying potential earnings to the return rate that the company generates for its shareholders measured against an index of return rates from comparable companies (NASDAQ). Earnings shall only be applied to the LTIP if TOMRA exceeds the index. Earnings are capped at one times the fixed salary level per year, and half of this amount after taxes must be placed in TOMRA stock when realized.

In addition to fixed and variable salary, other benefits such as company car, health insurance, interest- and installment free loans, newspaper and telephone might be provided. The total value of these benefits should be modest and only account for a limited part of the total remuneration package.

Senior Executives participate in the same pension plans as other employees within the unit in which they are employed. No special pension plans are established for senior executives, except in the event a pension plan had been established in a company prior to being acquired by TOMRA, and the senior executive participated in the plan on the date of acquisition. The notification period for senior executives shall be three to six months, with the exception of members employed in the US, where fixed length contracts may be utilized.

The CEO is entitled to 12 months' severance pay due to termination by the company. No agreements shall be established which provide members of senior executives any automatic right to more than 24 months of severance pay. A detailed account of the remuneration of each member of senior executives, including the LTIP, is found in note 14 in the financial statements.

The principles and guidelines for management remuneration for 2012 have not changed materially from those approved in 2011, which were presented to the general assembly in April 2011. The policies concerning remuneration of senior executives and the setting of salaries have throughout 2011 been in line with the established guidelines.

## **INTERNAL CONTROL ENVIRONMENT AND RISK MANAGEMENT SYSTEMS**

The Board is ultimately responsible for TOMRA's systems of internal control and for reviewing their effectiveness. Responsibility for individual areas of control has been allocated through the CEO down to the respective member of Group Management. The system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives. The system can therefore only provide a reasonable, but never absolute, assurance against material errors, flaws or losses.

Processes exist for identifying, evaluating and managing material risks. Methods used by the Board and the Audit Committee to evaluate the quality of the corporation's internal control include:

- Review of the auditing plans for both the external and internal audit

- Review of reports from management as well as internal and external auditors on the systems of internal control and any weaknesses identified
- Discussions with management concerning the actions to be taken to address problem areas

The Audit Committee includes three board members and all Board members receive minutes from each Audit Committee meeting. The main features of the risk and control framework are outlined below:

#### **RISK MANAGEMENT**

The Board is responsible for approving the Group's strategy, its principal markets and the level of acceptable risk. It has established risk management processes to identify the key risks facing the business and ensure those risks are managed effectively.

#### **CONTROL ENVIRONMENT**

An organizational structure with defined levels of responsibility and delegation of authority to appropriately qualified management has been established. A chart of authority documents each level of authority throughout the organization. Matters reserved for the Board are clearly defined and appropriate authorization limits and reporting procedures have been implemented.

#### **FINANCIAL REPORTING**

TOMRA Group prepares and presents its financial statements in accordance with current IAS/IFRS rules. Each company prepares monthly accounts and the financial data is consolidated and checked at several levels before being presented for review by Group Management. Additional reporting is required for the preparation of quarterly and annual financial statements. Information and training on accounting issues and TOMRA's reporting process is provided through TOMRA's Finance seminar and local events.

#### **INFORMATION AND COMMUNICATION**

The corporation has established systems for planning and financial reporting. Actual results compared to budget and previous periods, including management's written comments on these results, are reviewed monthly by the Board. In addition, strategic business initiatives and investment spending plans require Board approval.

#### **CONTROL ACTIVITIES**

Internal control procedures have been tailored to the requirements of individual business activities.

Control of areas possessing particularly high inherent risk, include clear guidelines for delegation of authority, segregation of duties, and requirements for regular reporting and reviews.

The Audit Committee assists the Board in overseeing the process for identifying, evaluating and managing risks, considering internal and external audit reports, and reviewing the Group's financial statements.

#### **MONITORING SYSTEMS**

Line management is responsible for the operation of internal control routines and these routines are subject to independent review by internal audit and, where appropriate, by the corporation's external auditor and external regulators. The reports of all these bodies on internal control are reviewed by the Audit committee on behalf of the Board. The Audit Committee ensures that, where necessary, appropriate corrective action is taken.

Internal audits are performed by the Group Controller and the Group Accounting Manager. In their roles as internal auditors they report directly to the Audit Committee. The internal audit team carries out independent assessments of risk and the adequacy of related internal controls within the corporation. Findings and recommendations for strengthening the control framework are agreed with local management and the implementation of agreed changes is monitored by the internal audit team. The Audit Committee reviews the internal audit findings and proposals concerning improvements to material areas, coverage and performance and considers significant findings and recommendations. The internal audit team has unrestricted access to all records, personnel and property of the corporation to collect such information as is necessary for the performance of its work.

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the corporation's systems of internal control for 2011 and the period leading up to the presentation of the 2011 financial statements. As might be expected in a corporation of TOMRA's size and complexity, a small number of deviations were identified during the period under review. Actions to rectify identified inconsistencies have been taken.

