

VESTERGAARD FRANDSEN

DISEASE CONTROL TEXTILES

2011 SOCIAL RESPONSIBILITY REPORT



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[From The Chief Executive Officer]

As we at Vestergaard Frandsen look back on 2011, we're happy to report our contributions and grateful for the opportunities we've had to become better corporate citizens. Ours is a small company—less than three hundred employees—but one with global reach, and we don't let our size limit our social contributions. With our broad sphere of influence comes the responsibility to protect human rights, maintain fair labour practices, defend the environment, and root out any corruption we may encounter.

Vestergaard Frandsen, as a proud member of the United Nations Global Compact since 2006, wholly supports cooperation between the international public sector and corporate players, both large and small. We firmly believe that companies must look beyond their legal obligations to proactively influence issues that affect people and the planet.

While we fully uphold the tenets of corporate social *responsibility*, we think of it as just one part of corporate social *ability*. The very nature of the work we do—creating technologies to address public health challenges in the developing world—speaks to our commitment to bettering the lot of humankind. Many years ago we elected to pursue only those opportunities that would save and enrich the lives of people whose basic health is threatened by the circumstances of poverty and crisis. Over time our business activities have led to major improvements in global health—the near eradication of Guinea worm disease, and the recently recorded drop in malaria deaths, to cite two examples. We are in total agreement with the objectives defined by the United Nations Millennium Development Goals, and each and every decision we make as a business is influenced by them.

We nonetheless recognize that it's not just the goal of our business, but also how we do business, that matters. Looking forward to 2012, we're very excited about several initiatives we're undertaking to become better corporate citizens. This report includes details about our new green efforts as well as the planned strengthening of our responsible supply chain unit. Anti-corruption measures remain firmly in place, and we hope to diversify our workforce even further as we go about hiring this year.

At Vestergaard Frandsen, the wellbeing of people is extremely important, and we look forward to achieving that in both our business objectives and our approach to reaching them.

Mikkel Vestergaard Frandsen
Chief Executive Officer

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Doing Well By Doing Good:

The LifeStraw Carbon For Water Programme

In April and May 2011, Vestergaard Frandsen gave away 880,000 of its LifeStraw® Family household water purifiers to households in Kenya's Western Province, reaching approximately 91 percent of the population of almost 5 million people. Most of these Kenyans previously had no cost-free way of treating their drinking water, and as a consequence waterborne illness has been a major cause of morbidity and mortality in the region, particularly among children under 5 years of age. In solidarity with the international community, Vestergaard Frandsen considers safe water a **human right**, and has brought into Kenyan homes technology that puts this right within the reach of millions.

The initial distribution of water filters cost Vestergaard Frandsen almost USD 30 million. Neither the recipients nor the Kenyan government were asked to pay for the purifiers, which filter essentially all harmful microbiological pathogens from contaminated water. The company has committed to maintain and replace the filters for ten years, and is financing the project with carbon credits. These credits are earned based on greenhouse gas emissions avoided by use of the filters, without which many households would boil water over wood fires as a means of treating it. Having a filter also means that those who have wanted to boil with wood, but couldn't afford to do so, won't ever have to resort to such an expensive and environmentally harmful option. In this way, Vestergaard Frandsen is exercising **environmental stewardship** in a region threatened by quickening deforestation and the effects of global warming.

The free distribution is anticipated to lessen the incidence of diarrheal diseases, and thereby improve health for all, especially children, expectant mothers, and those whose immune systems are compromised by HIV/AIDS. (Health data are being collected at the time of publication.) The filters also spare many women and girls the need to collect wood for boiling water, which frees up time to spend in school or earning a livelihood.

The LifeStraw Carbon For Water programme also contributes to **transparency** in development. The programme's financial and regulatory structure strengthens accountability through the multiparty monitoring, verification and audit functions. It reduces risk of corruption by streamlining financial transactions and reducing the number of institutions that manage the financing for the programme. The programme's design also ties investment to revenue and incentivizes Vestergaard Frandsen to be cost-efficient and effective in implementation.

The programme was designed with **fair labour practices** in mind, and pays Kenyans above-market wages. Carbon For Water employs dozens of local people full-time, and thousands on a temporary basis during the semi-annual education and monitoring campaigns. Training is provided, and community health workers are given ownership of the smart phones they use to collect data.

[Global Partnerships and Development Goals]

Helping developing countries to meet the Millennium Development Goals is Vestergaard Frandsen's top priority. The company is highly decentralized, with offices in Abuja, Accra, Delhi, Hanoi, Jakarta, Johannesburg, Lausanne, Nairobi, New York, and Washington. And in 2012, the company will open a São Paulo office, its first in Latin America. Vestergaard Frandsen is therefore well positioned to bolster global partnerships in multi-stakeholder forums and also "on the ground."

Global Policy

The company maintains close relationships with public health authorities ranging from district officers to cabinet-level officials, and is active in international dialogues concerning a wide range of diseases, development, and climate change challenges. Vestergaard Frandsen has led the private sector not just in product innovation, but also in fostering meaningful conversation about policy approaches, the role of industry vis-à-vis public sector partners, and scientific advances.

In the field of climate, Vestergaard Frandsen has been a contributor to policy debates on the issue of suppressed demand—the quantification of avoided emissions in countries where lack of development has limited carbon output. The company is active in the United Nations Framework Convention on Climate Change's Clean Development Mechanism working group on suppressed demand, and has also worked with UNDP on increasing developing countries' access to carbon markets. Vestergaard Frandsen management also advocated for these issues at the December World Climate Summit.

As part of its mission to expand the ability of people to purify water in their own homes, the company has served as a co-convenor on the Household Water Treatment and Safe Storage Network's Working Group on Implementation, Integration

and Scale-up. One of the objectives of the working group is to assist a number of identified countries to submit proposals to major donors for the scale-up of household water treatment through integrated approaches (such as through antenatal health clinics, basic care packages to people living with HIV/AIDS or others).

The company has supported the World Health Organization's Regional Office for South-East Asia in many respects in 2011, including its efforts to fight leishmaniasis through field trials. Vestergaard Frandsen staff have provided training to Indian experts in various vector control strategies. The company also contributed expertise at WHO's November meeting on neglected tropical diseases in Puducherry, India.

During the UN General Assembly ministerial week in September, Vestergaard Frandsen hosted a side event attended by high-level health officials from several African countries, as well as NGO leadership, senior UN management, and celebrity advocates. The event offered participants an opportunity to engage in dialogue about the role of safe drinking water as a pre-requisite for good health—and therefore the achievement of the health-related MDGs 4, 5, and 6.



In terms of anti-malaria efforts, Vestergaard Frandsen has represented the private sector on the Roll Back Malaria board for over three years. During this time the main focus of the private sector members has been on creating an accountability framework for Roll Back Malaria and its partners. This framework allows the partnership to measure progress and gaps in achieving the global malaria action plan, and accordingly formulates strategic priorities for the partnership. Vestergaard Frandsen has also chaired the finance and performance committee and

the task force on innovative financing for malaria. The former has worked on establishing financial management tools to improve financial oversight of the Roll Back Malaria secretariat.

In October 2011, Vestergaard Frandsen became a board member of the International Union Against Tuberculosis and Lung Disease. The company looks forward to providing support and bringing to this partnership the knowledge it has gained through its work in other health sectors.

Support to African Science

In addition to its leadership in international policy settings, Vestergaard Frandsen also works at the regional level to support scientific advances and build research capacity in the global South. In 2011, the company fully funded the creation of the Sennar Molecular Biology Laboratory in Sudan, enabling African experts to research the challenges of insecticide resistance on their own soil. Vestergaard Frandsen scientists—both European and African—trained their Sudanese counterparts on genetics, molecular entomology, vector control, and resistance, and led them through a practicum on the new equipment including bioassays, DNA extraction, polymerase chain reaction, electrophoresis, vector identification and observation of resistance mechanisms. The company will provide support to the lab on an ongoing basis.

Vestergaard Frandsen has also initiated support to the newly founded Nigerian Mosquito Control Association, in conjunction with the Nigerian Institute of Medical Research in Lagos. On behalf of the association, the company is designing a website that will link its members, thereby facilitating a community of practice and a repository for research data. Partners expect the site to launch in 2012.

In December, the company celebrated the opening of the Noguchi Memorial Institute of Medical Research at the University of Ghana (pictured above). Vestergaard Frandsen is a major funder of the facility, where African scientists will conduct research and share knowledge leading to infectious disease control solutions in West Africa and beyond. The two-storey research centre contains insectaries housing three mosquito colonies and one fly colony, and two large bioassay laboratories. A new molecular biology lab will assist in providing a wide range of tests from identifying mosquito species to characterizing insecticide resistance types. By studying the fly colonies, scientists will be able to develop next-generation tools to better protect crops and livestock, and thereby contribute to food security. The university's department of parasitology will share the facility to conduct its own malaria control research. The Ghanaian National Malaria Control Programme will use the new research centre to test the durability of bed nets, and to conduct research on the efficacy of novel pesticides for malaria control. The facility will also house a water research laboratory where technicians will test prototype water purification systems.

[Human Rights and Labour]

As a company that seeks to help some of the most resource-deprived people in the world, Vestergaard Frandsen is very much concerned with human rights issues. The company aims to protect human rights as defined in several international conventions—both for our employees and the beneficiaries of our products.

Supply Chain

2011 was a year of both great challenge and opportunity for Vestergaard Frandsen with respect to labour issues. In May the company was alerted by Human Rights Watch that one of its subcontractors in Vietnam acted in clear violation of its code of conduct: without the company's knowledge, the subcontractor outsourced some work in the manufacture of bed nets to other Vietnamese companies that used the work of detainees at government-run drug rehabilitation centres. These centres produced less than one-third of one percent of the company's overall annual output of bed nets, but Vestergaard Frandsen takes labour issues very seriously and does not in any way condone or tolerate what happened. One net produced under such conditions is too many.

When the matter was brought to its attention, Vestergaard Frandsen immediately moved to address the situation by launching its own investigation and hiring KPMG to conduct an external fact-finding mission. Those Vestergaard Frandsen employees in Vietnam most involved in sourcing and manufacturing received introductory responsible supply chain

training. The same training was deployed to 40 top executives and managers at Vestergaard Frandsen's largest contractor.

In addition to its already established code of conduct, which is based on the UN Global Compact, the company is presently implementing KPMG's recommendations, including the creation of a new supplier code of conduct, site visits with standardized checklists, and third-party auditing. Vestergaard Frandsen has also worked closely with Human Rights Watch and informed the watchdog group of its progress. In its report, Human Rights Watch wrote that it "believes that Vestergaard Frandsen responded to the allegations brought to its attention with appropriate seriousness and speed, and welcomes the company's commitment to prevent such incidents in the future."

In an update following the publication of the report, Human Rights Watch wrote that "Vestergaard Frandsen's own investigation confirmed our findings, and the company has since terminated all relationships with the

subcontractors that managed the abusive line of production. The company has also developed and implemented a tighter supply chain management system including a supplier code of conduct and regular site visits to ensure that labour abuses do not occur in its supply chain." In 2012 Vestergaard Frandsen will complete the establishment of its

new, more robust responsible supply chain unit, reporting directly to the new chief supply chain officer. A team of responsibility auditors will rotate over time through different suppliers and product lines, visiting sites and ensuring responsible supply in a transparent and ethical manner.

Diversity

Vestergaard Frandsen is working to increase the diversity in its workforce, and is pleased to report that more than 69 percent of Vestergaard Frandsen jobs are held by citizens of developing countries. In

all, 26 countries are represented in the company. More than 41 percent of Vestergaard Frandsen employees are women.

[Anti-Corruption]

Vestergaard Frandsen does not tolerate any bribery, kickbacks, or influence peddling in any of its operations, and in 2010 redrafted its contracts with agents to yield maximum transparency. The company maintains a strict set of business conduct principles that address corruption issues, and these principles were revised in late 2011 to strengthen their prohibition of political contributions. An internal compliance council meets as needed, and at least semi-annually, to adjudicate any suspected violations of the business conduct principles.

Vestergaard Frandsen's approach to corruption is one of zero tolerance. In 2011, the company's agent in a large market was suspected to be in breach of the business conduct principles. When queried, the agent would not disclose relevant information to Vestergaard Frandsen, and so the relationship was immediately terminated.

[Environment]

A Greener Company

At the end of 2011, Vestergaard Frandsen's management approved a collection of eco-friendly measures intended to reduce the company's carbon footprint. The four planks of this plan, to be implemented over the course of 2012, are:

- **Green IT.** Vestergaard Frandsen's information technology department will progressively source more hardware with green credentials, when such hardware exists and meets the company's performance standards. All outsourced server hosting will be awarded to green data centres.
- **Green automobiles.** Every company-owned vehicle replacing another vehicle will consume at least 10 percent less fuel than the car replaced, or, if not a replacement, 10 percent less than the average consumption of the company's cars. "Consumption" shall always mean average fuel consumption expressed through EU, CAFE, or similar norms.
- **Green energy.** All company facilities will progressively increase the percentage of renewable energy (hydroelectricity included) consumed, where possible. The target, by the end of 2012, is 100 percent renewable energy for every company property in the world where a choice is possible. (The company's headquarters in Switzerland already obtains 100 percent of its energy from renewable sources.)

- **Green Vestergaard Frandsen.** The company will phase in offsets of its own operational direct carbon dioxide emissions, and emissions related to its energy consumption (also known as scope 1 and 2 emissions), via carbon credits.

The company also rolled out videoconferencing equipment to all of its offices in 2011. It is anticipated that this will reduce the need for international travel and thereby lesson the company's carbon footprint.



A Greener Lab

In 2011 Vestergaard Frandsen's research facility in Vietnam took a major step in reducing water use in the testing process for the company's water filters. Scientists at the lab developed an accelerated aging procedure which gives results equivalent to the conventional aging procedure. The validity of this faster process, which reduces the amount of water needed to test a filter by 95 percent—from 18,000 litres to 900 litres—was confirmed by faculty of the University of Arizona in a presentation at the 2011 Water and Health Conference. Using this process, Vestergaard Frandsen saved 5.2 million litres of water in the testing of 300 filters in its laboratories in 2011.

Vestergaard Frandsen scientists have also developed a reuse strategy for the solvents employed in the lab's high performance liquid chromatography assessments. These compounds are expensive and require energy-intensive incineration after use, but the lab's innovation has enabled the solvents to be reused several times without compromising quality. (Vestergaard Frandsen contractors also use these solvents to assess efficacy in the manufacturing process, and the lab has shared the reuse concept with them as well.)

The water lab also replaced all its disposable plastic testing materials with reusable glass equipment.

A Greener Factory

Vestergaard Frandsen's largest contractor in Vietnam has instituted a waste reduction programme through which defective polypropylene from the manufacture of LifeStraw® Family is taken to a local recycler. The plastic is turned into pellets and chips that are then used in the production of other items such as water piping.

The company has also been working with a key supplier to improve its practices to meet ISO 14001 environmental standards—a goal the supplier aims to reach in 2012. Vestergaard Frandsen believes that abiding by local laws is necessary but not sufficient, and seeks to implement global best practices in terms of environmental impact.



[A Greener Bed Net]

Vestergaard Frandsen, seeking to reduce environmental impact, has recently taken steps to decrease the amount of oil used in its bed net manufacturing. PermaNet® 2.0 and much of PermaNet® 3.0 are made from polyester texturized multifilament yarn, which yields durability and softness in the nets and serves as a substrate for the deltamethrin coating layer and chemical binders. Vestergaard Frandsen has been working with the suppliers of yarn and the binders to “green” the process of treating the nets.

Polyester texturized multifilament yarn typically contains at least 1.5 to 2 percent oil, which aids in several production stages, including spinning, warping, and knitting. Most of this oil is removed from the fabric at a later stage of processing, burdening waste water treatment plants. A simple calculation: If one million nets are made of about 600 tons of yarn, and assuming 2 percent-oil yarn is used, that means that 12 tons of oil (specifically, a mixture of mineral and silicon-based oils) are

discharged. Of course, heat energy and water are required to wash these oils off in the process.

In April 2010, Vestergaard Frandsen lab specialists visited one of the company’s biggest yarn suppliers with the objective of collaborating to reduce oil content without compromising quality and productivity. This meant coming up with a modified yarn with less oil that could still make it smoothly through all manufacturing processes.

Eventually the company was able to sustainably source a lower-oil yarn from the supplier, and to overcome the production problems these drier yarns had created. The manufacturing units were pleased with the reduction of oil in waste water and the overall reduction in water consumed. Vestergaard Frandsen subsequently made low-oil yarns a requirement for all PermaNet® production. By September 2011, all of the Vestergaard Frandsen’s yarn suppliers were operating within the new, more environmentally friendly parameters.

[Philanthropy]

Vestergaard Frandsen routinely donates both funding and product to worthy causes around the globe. From bed nets for orphanages to sponsorship of scientific prizes, our 2011 giving aimed to address immediate needs and also pave the way for future progress in the fight against disease and poverty in developing countries.

In 2011, Vestergaard Frandsen provided hundreds of thousands of dollars in financial support to a variety of non-profit organisations, including the Against Malaria Foundation, Malaria No More (US), Malaria No More (UK), World Vision India, and Music For Life (Belgium). The company also contributed funds for:

- The opening of a research facility in Ghana (see page 5)
- The operation of the Emusanda Health Clinic in Lurambi, Kenya. (Vestergaard Frandsen has paid salaries, recurrent expenses, and supplemental drug costs for the clinic since 2009.)
- Sponsorship of World Water Day in Nigeria
- A national bed net distribution in Togo
- Sponsorship of Mozambican scientists to attend a CDC insecticide resistance training course in Tanzania

In addition to support in the form of funding, Vestergaard Frandsen made in-kind donations of more than 1.4 million units of its products, including those shown on the map pages 14-15, and:



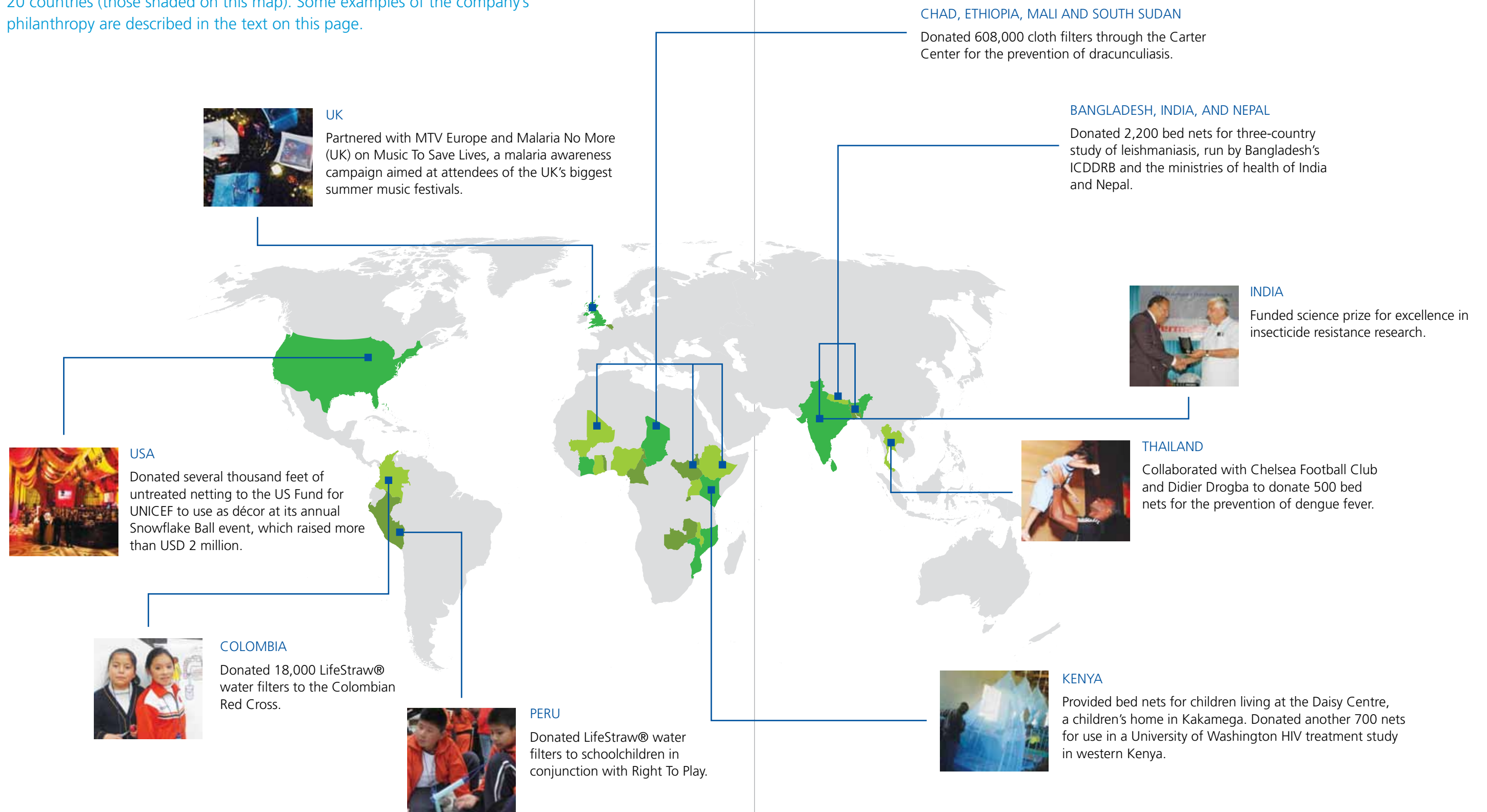
In 2011 Vestergaard Frandsen donated thousands of LifeStraw® water filters, like the one shown here, to people in need.

- CarePack® multi-tool disease prevention kits, distributed with Miss Universe 2010 Jimena Navarete, in Delhi, India
- LifeStraw® Family water filters to the Government of Thailand, in the wake of floods
- LifeStraw® Family water filters for use in a World Vision-WHO-UNICEF water and sanitation study in Tamil Nadu, India
- ZeroVector® Durable Lining to a Government of India-WHO study on leishmaniasis in Bihar state
- PermaNet® bed nets to the Ogada Orphanage Home in Kisumu, Kenya
- Insecticidal curtains to 15,000 households in Western Province, Kenya
- Insecticidal curtains to the national malaria control programme in Uganda for use in government hospitals and schools
- Insecticidal curtains to the national malaria control programme in Zambia for distribution to schools
- CarePack® to Malawi's National Association for People Living with HIV/AIDS
- CarePack® for distribution on World AIDS Day through the AIDS Commission Programme in Uganda
- PermaNet® bed nets to the Kenya Network of Women With AIDS PermaNet® bed nets for distribution to 1,400 families through Kenya's national maternal health programme
- PermaNet® bed nets for distribution by Nothing But Nets through Cameroon's national programme
- Pipe filters for prevention of dracunculiasis in Chad, Mali, and South Sudan
- PermaNet® bed nets for distribution by the Nigerian Ministry of Health
- PermaNet® bed nets and LifeStraw® Family water filters for distribution throughout Africa by Kingsley Holgate's Great African Rift Valley Expedition
- PermaNet® bed nets through the US-based Women's Microfinance Initiative to the Buyobo Women's Association in eastern Uganda
- PermaNet® bed nets to villages in Nigeria's Ondo state, through the CDC
- Children's bed nets to 1,400 members of the Kenya Network of Women Living with AIDS

For additional highlights of Vestergaard Frandsen's philanthropy, see the next page.

[Where We've Given]

Vestergaard Frandsen provided financial and in-kind support in more than 20 countries (those shaded on this map). Some examples of the company's philanthropy are described in the text on this page.





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