

A stylized world map in shades of blue, centered on the Atlantic Ocean, serving as the background for the report cover.

FOSS

FOSS CORPORATE SOCIAL RESPONSIBILITY REPORT

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Table of Contents

CEO statement	3
Our Company	4
Scope of this report	5
Our approach to CSR	5
Implementation of our CSR policy	6
Our Employees	7
The Environment	9
Promoting sustainable business practices in the Supply Chain	11
Business Ethics	11
Joining with other businesses and NGOs	12
The UN Global Compact	13
Our CSR policy	14

CEO statement

We are proud to present this, our first Corporate Social Responsibility (CSR) report, highlighting our performance in the areas we feel are of significance to our business and key stakeholders. Acting ethically and responsibly is not only important to our vision, values and philosophy - it makes good business sense. As a company which develops, produces and markets analytical instruments that provide real sustainable benefits to society and the environment: in the form of better use of scarce resources, protecting valuable raw materials, better food quality and safety as well as energy reductions and less waste, we feel it is important that we take a proactive role in this area. We also see CSR as a competitive advantage which supports our mission as well as identifies potential risks and cost reductions.

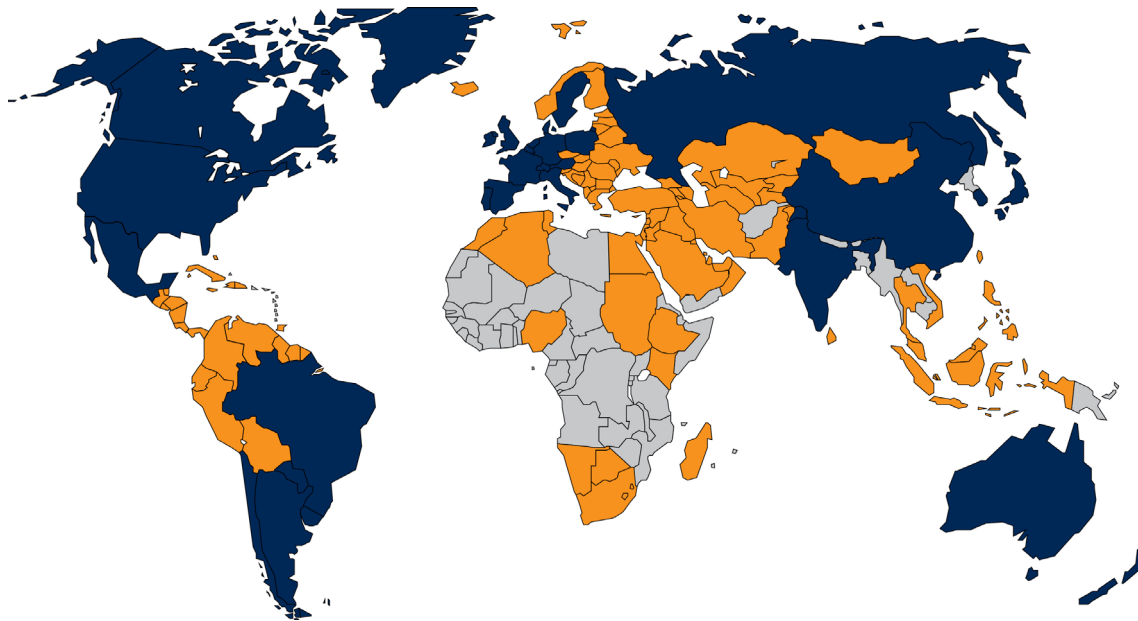
Although we have been working with social, environmental and ethical issues for more than 50 years we felt that a more systematic approach was the way forward. Thus in March 2012, FOSS became a signatory of the UN Global Compact, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour rights, the environment and anti-corruption. This report is our first Communication on Progress against the UN Global Compact, which we will continue promoting and supporting in our sphere of influence.

A responsible approach to the environment, employees and local communities is, today, quite simply an expectation that all companies must meet. So, it comes as no surprise to us that an increasing number of our stakeholders are showing an interest in our CSR performance. We believe that this report provides a comprehensive overview of our work and how issues critical to our business and stakeholders are being addressed.



Torben Ladegaard
CEO

Our Company



- FOSS Companies
- FOSS Distributors

FOSS in brief:

- World's leading provider of analytical instruments for the food, agricultural, chemical & pharmaceutical industries
- Helps to improve profitability in production, product quality and food safety
- Approximately 1200 global employees
- More than 40,000 customers worldwide including all the 'top 100' companies in food and agriculture
- Our solutions are used throughout the supply chain, from the farm to routine laboratory analysis and process control
- Annual revenues of about € 230 million in 2012 – approximately 98% generated outside of Denmark
- Privately held by the founding family and financially strong
- Headquarters in Denmark, research and development and manufacturing facilities in three countries and sales and service companies in 28 countries

Founded by Nils Foss in 1956, FOSS is the world's leading provider of analytical instruments for the food, agricultural, chemical and pharmaceutical industries. It is estimated that 80% of all wheat and barley traded on the international market and 80% of E.U. dairy production is tested on a FOSS instrument. The FOSS brand is known in laboratories, processing plants, farms and scientific institutions throughout the world for efficient analytical solutions that help to improve both product quality and profitability in production.



Where our analytical instruments add value

The development and production of our products takes place in Denmark, Sweden and China. They are marketed and sold through a global network of sales subsidiaries located in 28 countries and by more than 85 dedicated distributors spread over Europe, North, South and Central America, Africa, Asia and Australia. FOSS plays an important role in ensuring optimal use of valuable natural resources. A cornerstone of the FOSS vision is: 'To contribute to the rational use of our planet's natural resources and thus to the nutrition and health of the world.'

Scope of this report

The information in this report covers all companies in the FOSS group¹. The data in the report is for the 2012 calendar year, with the exception of the environmental data which is for the years 2009 - 2011². This is our first Communication on Progress (COP) against the UN Global Compact's ten principles in the areas of human and labour rights, the environment and anti-corruption. In developing this report we have referred to the Global Reporting Initiative (GRI) performance indicators relevant for UN Global Compact reporting.

Our approach to CSR

FOSS has taken a business-driven approach to working with CSR, that is, we work strategically on the issues that are of critical importance to the success of our business as well as our stakeholders. This approach is in line with the Danish Government's legislative requirements for reporting on corporate social responsibility, as well as the internationally recognised Global Reporting Initiative.

¹This includes all companies owned by FOSS. Revenue from Lattec is included in proportion with FOSS' 50% ownership in the joint venture

²Includes 100% of Lattec's data in regards to heating, electricity and oil

In 2011, a workshop was conducted with the FOSS management board to develop a strategy for working with CSR, using the UN Global Compact framework as a starting point. The outcome of the workshop was the establishment of a governance structure for working with CSR and the identification of a number of focus areas.

- Proper handling and disposal of chemicals
- Health & Safety of employees
- Human and Labour rights particularly in regards to the supply chain
- Business ethics
- Promoting the environmental benefits of FOSS products

Regional and functional management, with support from the CSR team, are responsible for ensuring that our CSR strategy is communicated and embedded within the organisation.

Implementation of our CSR policy

The launch of our program kicked-off with the publishing of a CSR policy brochure in both English and Chinese for employees. The brochure details FOSS' position on a number of issues in the areas of human and labour rights, the environment and business ethics. A number of activities took place to communicate our policy to employees. The CSR team and senior managers, from across the regions, gave presentations to employees and tools were uploaded on a dedicated CSR section on the FOSS portal to enhance understanding of our policy.

Our employee engagement survey indicated that about two-thirds of our employees were familiar with our policy six months after the launch, and more activities are planned in 2013 to improve this figure.



In addition to communicating our policies and strategy to employees, much work has been done in the identified focus areas. The CSR team has worked closely with the various functions in managing human and labour rights issues in the supply chain, business ethics in procurement and sales, the health and safety of FOSS employees and the proper handling of chemicals in our products.

Our Employees

FOSS VALUES

Our values are deeply rooted in everything we do and are the foundation for our business, the way we interact with each other and our customers, and are a strong asset in actually achieving our goals.

- **First**
- **Customer Satisfaction**
- **Knowledge**
- **People and Teams**

These Values reflect our focus on being first in development of instruments needed by our customers and on our position on the world market. Our Values are also reflected in the fact that our customers are the centre of our universe. That is why we focus on recruiting and retaining highly skilled employees, who are also our strongest asset.

To maintain our competitive edge we need to recruit and retain highly skilled employees. This means providing an environment which fosters knowledge-sharing and enables employees to meet personal as well as company goals. The development and production of our analytical solutions draws on expertise from employees around the globe. Our employees work within teams, across functions and with colleagues in different geographical locations. By working in teams we integrate knowledge, experience and competences to achieve great results. Our international presence provides employees with the opportunity to work in a dynamic and challenging environment with focus on sustained business growth.

Employee satisfaction

At FOSS, raising employee satisfaction is a strategic goal. We aim to:

- Build a relationship based on mutual trust and respect
- Offer all employees exciting and challenging positions with the opportunity to use their qualifications.
- Give our employees a meaningful job that involves interaction with competent leaders and good colleagues, and fair treatment in all respects.
- Develop employees individually by giving them appropriate opportunities both professionally and personally.

Each year we measure employee satisfaction and carry out a shorter follow-up bi-annually. The last Employee Engagement Survey was conducted in April 2012 with a response rate of 91%. The results showed an increase in job satisfaction of three index points (from 64 to 67) compared

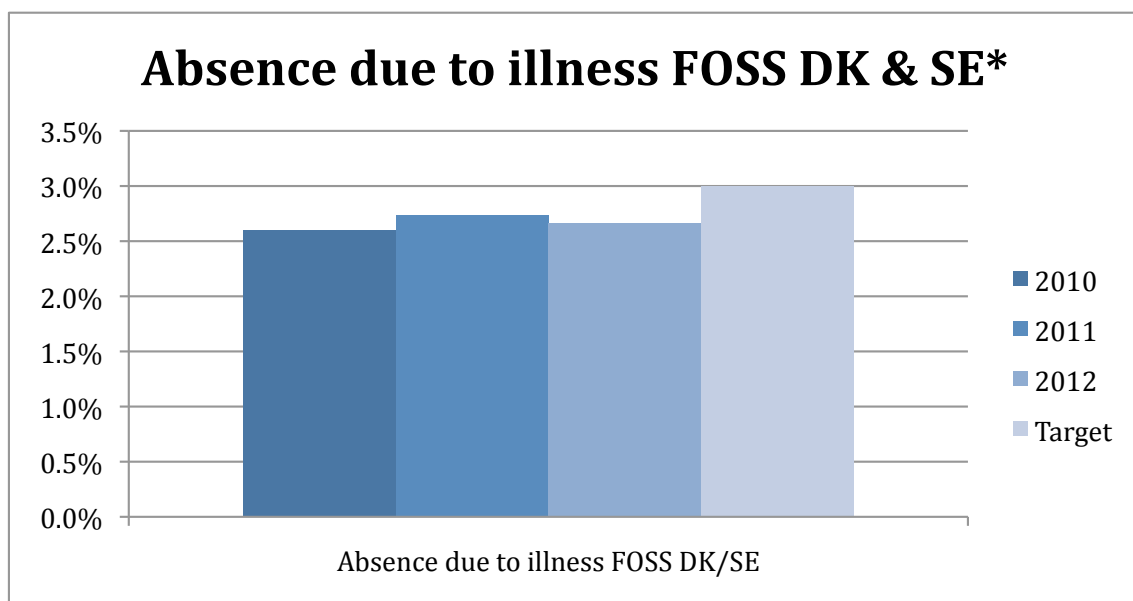
to our previous survey and our mid-term survey showed that we are maintaining this level. Our objective is to reach a satisfaction level of 75 index points by 2015.

Managers, with support from the Human Resource department, followed-up on the 2012 survey results locally. In addition, workshops were conducted by the Human Resources team on relevant cross-functional topics such as communication, how to conduct good meetings and performing appraisals. There is also a strong global focus on evaluating employee's performance through yearly reviews and quarterly/monthly Management by Objective (MBOs) meetings where strategic and operational objectives are set and assessed. Our global performance management system has just been implemented to strengthen our focus on achievements and appraisals.

Health and Safety

At FOSS the majority of our production work entails assembling instruments, thus we do not have many of the hazards common to heavy manufacturing sectors. Nonetheless, we do have a strong focus on health and safety in the workplace at our production facilities in Denmark, Sweden and China. We have Health and Safety committees, employee handbooks or brochures, provide information on our intranet and conduct workplace audits. All health and safety incidents are registered and included in our data collection of sick days.

Our target for sick leave in 2012 was 3%³ or less in both Denmark and Sweden⁴. Sick leave in Denmark has decreased and is below the target of 3% while sick leave in Sweden was below the target of 3% for all departments, except in Production and Global Sourcing. To address this, Human Resources and Production & Global Sourcing management have developed an action plan: individual rehabilitation meetings are to be held with employees that have long term sick leave, follow-up on short term sick leave will be conducted, and closer cooperation with the occupational health care provider and National Social Insurance Agency will take place.



* As a % of total working hours

³Sick days as a % of total work hours

⁴Due to the on-going implementation of a new ERP system, data for production in China is not yet available

The Environment

Our products provide a wide range of benefits to customers that also have a positive impact on society and the environment. For example, our technology can be used to:

- Improve crop yields and increase food production by indicating when the most optimal time would be for a farmer to harvest
- Determine the right amount of fertiliser to apply to fields thereby mitigating negative impacts to the environment
- Ensure the health and welfare of farm animals
- Help make the best possible use of valuable raw materials during the food production process by reducing wastage
- Optimise expensive and energy intensive production processes
- Ensure the quality of a wide variety of food products

FOSS solutions also make procedures simpler, safer and more automated, thereby keeping the use of hazardous chemicals and waste to a minimum. The need for chemicals has been further reduced by our innovative development work, such as in the field of near infrared analysis. Aligned with the accuracy of chemical analysis, FOSS indirect measurement methods provide rapid, clean and non-destructive testing of a variety of food and agricultural products.

Reducing our environmental impact

A number of initiatives have taken place to mitigate our environmental impact. For instance, several new plumbing installations have been implemented in our production in Denmark in order to reduce chemical emissions and the risk of contaminating the environment. Sinks for different chemical products, drainages, and large storage tanks have been installed limiting the amount of chemicals being disposed in the municipal sewer system. Our chemical products also comply with EU REACH regulations on chemicals and their safe use, established in 2007, to improve the protection of human health and the environment through the better and earlier identification of the intrinsic properties of chemical substances.

In 2010, the “Be Bright – Turn off the lights” initiative was launched in Denmark and several months later, an agreement was made with the Danish Energy Saving Trust. During the campaign, the IT and Property department arranged for automatic energy saving features to be installed on computers along with other electrical appliances and employees were continuously reminded to turn off the lights, heat and other electric appliances when leaving the offices. This resulted in a 10% decrease in energy consumption compared to the same period in the previous year. Many of our employees in Denmark will soon be relocating to a newly designed Innovation Centre. The building owned by FOSS, was constructed according to strict energy efficiency and insulation targets and employees will be able to take advantage of chargers for electric vehicles.

At Foss France the largest environmental impact is car travel by employees in the execution of their work. To reduce costs as well as environmental impacts, the subsidiary implemented a policy which ensures that employees can only be allocated company cars with a maximum CO2 allowance of

140 grams/km. Before the policy was implemented in 2011, the maximum CO2 allowance was 160 grams/km. As our French employees travel approximately 1.2 million kilometres per year, the initiative resulted in a CO2 reduction of 28 tonnes in 2011.

Energy and electricity usage

FOSS does not have a large environmental footprint compared to many other industry sectors, as the majority of our work is assembling instruments. Nonetheless, we do our utmost to reduce our impact on the environment. Our CSR policy addresses environmental issues such as waste, chemical waste, water, wastewater and energy usage. Our philosophy is to reduce, recycle and reuse wherever possible, this not only benefits the environment but also our bottom line. We are also in the process of including environmental issues in our supplier procedures and will encourage suppliers to do their part in reducing their environmental impact as well.

The majority of our energy and electricity usage is from the areas where we have production, innovation and administration, which is Denmark, Sweden and to a lesser degree China. This is also where over 50 % of our employees are situated, with the remaining employees located in sales and service offices. Recently our subsidiary in China moved to new offices and Denmark is in the process of relocating many employees to a new Innovation Centre. Thus, in this report, we will be providing information on our historic energy and electricity usage for Denmark, Sweden and China but will not establish a baseline for reduction targets, or goals for the company, until data has been collected in the new premises.

	2009	2010	2011
Electricity (Kwh)	3,262,488	3,240,535	3,118,050
Heating (Kwh)	2,027,697	2,841,726	2,182,209
Oil (liters)	23,178	30,257	20,800

There was a significant increase in heat and oil usage in 2010, which is primarily due to the fact that the winter was more severe in Scandinavia in that period than in 2009 and 2011. There was, however, a decrease in electricity usage in 2011 compared to 2009 and 2010.

In 2013 we will develop an environmental strategy focusing on the areas of relevance to our business and where we have the largest environmental impact. The strategy will be discussed with internal stakeholders and approved by senior management. We will also step up our efforts in communicating best practice and successful initiatives through a quarterly newsletter, which will supplement information on our intranet portal.

Promoting sustainable business practices in the supply chain

As a company with a global presence we are committed to promoting sustainable business practices not only in our own operations, but also in our supply chain. For example, we are incorporating the UN Global Compact's ten principles on the environment, human & labour rights and anti-corruption into our supplier risk assessment process as well as our contractual agreements. CSR checklists have also been developed to assist our procurement personnel when auditing selected suppliers.

In 2010 and 2011 workshops were held with our procurement teams in Denmark and China to discuss potential issues in the supply chain as well as the FOSS CSR policy. Dilemma training was used to guide participants in decision-making and to provide a deeper understanding of supplier risks.

In 2012, we published the FOSS Supplier Code of Conduct, which is in line with the UN Global Compact. The Code of Conduct requires that, amongst other things, suppliers uphold the law, mitigate their environmental impact and provide safe working conditions for employees. The brochure will be distributed to our suppliers and made available on our website.



Business Ethics

We believe in the importance of having a universal approach to business ethics wherever we operate. That is why business ethics is an essential part of our CSR policy, in which we reaffirm that doing the right thing is simply the way we conduct business across our organisation.

The focus of our efforts in addressing potential ethical risks has mainly been in the procurement and sales areas. A workshop addressing business ethics has been held with our procurement teams, and we are well under way in communicating our policy in our sales regions.

The heads of our two sales regions have the responsibility for communicating our CSR policy to the General Managers in our sales and service subsidiaries. In 2012, a presentation outlining our CSR policy was given by the Senior Vice President of the European and Asia Pacific regions at the yearly General Managers meeting. The presentation and subsequent discussion centred on what is considered acceptable and unacceptable behaviour at FOSS, and the responsibilities of our General Managers in ensuring that our policy is communicated and followed by employees.

Our International Business Managers are responsible for ensuring General Managers are communicating our CSR policy to employees. Furthermore, our policy is incorporated into our internal audit procedures conducted in our sales regions. In the coming year we will continue working to ensure our sales teams have a clear understanding of our position on business ethics.



Joining with other businesses and NGOs to further the Millennium Development Goals

In 2012, FOSS joined forces with the UN, Danida (Danish International Development Agency) and more than 80 aid organizations in the World's Best News campaign. The objective of the campaign was to communicate to the public that real progress is being made against the Millennium Development Goals.

As a business partner we supported the campaign by communicating success stories to the public and our employees through the intranet, website and other channels. Collaborating with partners and stakeholders is an integral part of our work with CSR and we were proud to be part of this positive initiative.

The UN Global Compact

FOSS is a signatory of the UN Global Compact, an initiative by which companies can join UN agencies, labour leaders and civil society in supporting 10 principles in the areas of human rights, labour, the environment and anti-corruption.

As a signatory, FOSS is committed to reporting on progress made in relation to the principles.



<p>HUMAN RIGHTS</p> <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p>	<p>Included in our CSR policy which is available on our website and being communicated to internal and external stakeholders</p> <p>Part of our policy and Supplier Code of Conduct. It is being incorporated into our supplier procedures (risk assessments of suppliers, contracts and supplier audits)</p>
<p>LABOUR STANDARDS</p> <p>Principle 3: Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labour;</p> <p>Principle 5: the effective abolition of child labour; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>	<p>FOSS recognises the legal right of freedom of association. It is included in our policy and Supplier Code of Conduct and is being incorporated into supplier procedures as well.</p> <p>We are against forced labour and address this in our policy and Supplier Code of Conduct. It is being incorporated into our supplier procedures as well.</p> <p>FOSS does not employ or endorse the use of child labour as defined by the International Labour Organization⁵. It is an element of our Policy and Supplier Code of Conduct, and being incorporated into our supplier procedures</p> <p>FOSS treats all employees equally in regards to recruitment, advancement, job training and salary. It is an element of our Policy and Supplier Code of Conduct, and is being incorporated into our supplier procedures.</p>
<p>ENVIRONMENT</p> <p>Principle 7: Businesses are asked to support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies</p>	<p>An element of our CSR policy (see page 14)</p> <p>See page 9+10</p> <p>See page 9+10</p>
<p>ANTI-CORRUPTION</p> <p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>This area is an element of our policy and Supplier Code of Conduct. Workshops have been held with our procurement teams and we are in the process of communicating and enhancing understanding of our ethics policy in our sales regions (see page 15)</p>

⁵<http://www.ilo.org/ipec/facts/lang--en/index.htm>

FOSS Corporate Social Responsibility (CSR) Policy

Acting responsibly is an integral part of our company values and the way we conduct business. The CSR Policy has been developed to provide a common reference point setting out the principles, which all employees must abide by.

HUMAN AND LABOUR RIGHTS

Health and Safety: All employees are required to follow company health and safety procedures, as well as appropriate national legislation, and ensure that contractors follow procedures on FOSS premises.

Working hours: FOSS complies with applicable laws, international conventions, and binding union agreements regarding working hours and overtime for employees.

Salary: FOSS believes that, at a minimum, salaries should comply with national salary legal requirements. We offer competitive salaries in the countries where we operate.

Elimination of child labour: FOSS does not employ children as defined by the International Labour Organization, and neither supports, encourages or endorses any form of child labour.

Freedom of association: We respect the legal right of employees to voluntarily join or form trade unions, as well as bargain collectively in negotiations with management.

Equal Opportunities: FOSS treats all employees equally in regards to recruitment, advancement, job training and salary. Personal privacy will be respected; discrimination and verbal or psychological harassment will not be tolerated.

ENVIRONMENTAL ISSUES

Waste: We strive to recycle and reuse materials/packaging whenever possible and manage waste in a responsible manner.

Chemicals and hazardous waste: FOSS complies with applicable legislation and regulations regarding the handling, storage and disposal of chemicals and hazardous waste in our production facilities. Where possible, we reduce and eliminate the use of chemicals in our products.

Water: FOSS endeavours to reduce water consumption by conserving and reusing water in our production and development facilities.

Wastewater: FOSS complies with the requirements of appropriate legislation regarding the discharge of wastewater from our production and development facilities. Where possible, we reduce the wastewater generated overall.

Energy: FOSS strives to minimise its carbon emissions by reducing energy consumption in buildings, when transporting products, in our production and development processes, in appliances and electronic equipment, and the provision of services.

BUSINESS ETHICS

Bribery: FOSS employees are not allowed to accept or offer bribes or engage in unethical, fraudulent or corrupt practices for personal or company gain in the conduct of our business.

Gifts and entertainment: FOSS employees may offer or accept gifts and entertainment, if the value is reasonable and in line with country norms, in compliance with legislation, not intended to influence a business decision and not in the form of cash.

Conflict of interest: FOSS employees must always be impartial and avoid conflicts of interest in activities on behalf of FOSS. Employees must consult with their manager if a conflict of interest arises.

Expectations of our Suppliers

Foss expects its suppliers to have appropriate measures in place to address Human and Labour rights, the Environment and Business Ethics. We will continuously evaluate our suppliers to ensure they meet our high standards.

For more information on work with CSR please visit:
<http://www.foss.dk/about-foss/csr>

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