

CHIEF EXECUTIVE OFFICER'S REVIEW

We delivered strong results in 2010 in all three of our primary business areas - Collection Technology, Material Handling and Industrial Processing Technology. Overall we increased revenues by more than 10% and raised our profit margin from 7% to 15%.

equipment installations from 92 to 97% in 2010. This quality parameter will continue to be a strong focus area going forward, and I am confident we will further improve these results in 2011.

We were also able to reduce COGS by 7.5%, resulting primarily from increased production productivity, supplier negotiations and transfer of production to low cost production in Poland without compromising quality and time to market. Delivery precision was close to 100% in meeting agreed schedules, and flexibility in meeting volume requirements was also very good. Implementation of a new ERP system for TOMRA Technology was started, and is scheduled to be rolled out in April 2011. We look forward to making significant gains in productivity with this new system.

TOMRA – FOR A BETTER BUSINESS AND A BETTER ENVIRONMENT

Collection Technology continued its focused drive in R&D to bring new technologies to the market. We renewed our RVM portfolio, which included the release of our new top-end model T-820. The many relevant and valuable benefits facilitated by this new platform have been well received in the market, and sales of this machine exceeded our expectations for the year. The backroom portfolio was also enhanced with new innovations and functional design.

Another major highlight within Collection Technology was the agreement signed with a European retailer for the delivery of reverse vending systems worth approximately 70 million euro over the period 2011-12. We view this major order as a solid indication from the market that our technology and services are meeting expectations in terms of high reliability and performance.

The Operations unit within Collection Technology also contributed well to the year's successes. Due to the significant efforts this unit has put into improving production and testing processes, we increased the number of 100% satisfactory new

TOMRA China was established for sourcing and sales purposes for the TOMRA Group. All necessary licenses were completed, a country manager was hired, and the organization was established with offices in Xiamen, Fujian Province. A build up of the supplier network in China is ongoing, and the delivery of parts from this operation to TOMRA Production in Lier has begun.

In the Material Handling segment, our team in California managed to turn the large negative result in 2009 over to a 10% profit for 2010. This result was helped considerably by increased commodity prices compared to 2009, the reinstatement of the State handling fee, and lower costs due to restructuring efforts. Material Handling activities in the Eastern US and Canada also did well in 2010, and overall the segment turned in a 16% revenue increase for the year.

The Industrial Processing Technology (IPT) business rebounded strongly in 2010, with an increase in revenues of 46% over 2009. This success can be attributed in large part to the improved market conditions enabled by higher commodity prices,

A photograph of Stefan Ranstrand, President & CEO, walking outdoors. He is wearing a dark suit, a light blue shirt, and a dark tie. He is smiling and looking towards the camera. The background is a lush green forest with trees and foliage.

Stefan Ranstrand
President & CEO

which in turn tend to promote investments in technology. Good progress was achieved in all IPT sectors, and we were able to make particular advances within the mining and metals recycling sectors.

Toward the end of the year we made several acquisitions in line with our overall strategy to expand within sensor-based sorting and further develop market opportunities within Collection Technology and Material Handling. The largest of these was the acquisition of Odenberg, a world leader in food sorting and processing solutions headquartered in Ireland. Organized within the Industrial Processing Technology segment, Odenberg adds a highly developed platform on which to expand our reach within sensor-based sorting applications.

initiative through participation in the Nordic network and found that the Global Compact provides a useful framework for guiding our corporate responsibility activities. TOMRA will continue to support and promote the principles of the Global Compact during 2011.

We view efforts such as the Global Compact as essential to addressing the critical challenges the world is facing in terms of sustainability. World resources are under unprecedented pressure, and it is clear that resource productivity must be improved substantially to achieve sustainable development. This is where we can and are making a difference - transforming how companies manage the world's resources by providing smart solutions for optimal resource productivity. We have always

Our brand team globally is developing the TOMRA story and strengthening our collaborative connections to businesses and consumers. TOMRA's brand efforts will focus on building meaningful stories that resonate and increase our relevance - stories around innovation and solutions that matter. To ensure that new acquisitions are understood globally and synergies are utilized, the brand team will support the business development group as we merge the new brands and brand these mergers.

With the acquisitions we have made so far we have taken the first steps in positioning TOMRA as a leader in sensor-based sorting applications within the industrial processing segment, an area the market and TOMRA believe will have significant growth.

This allows TOMRA to support the world's emerging needs in terms of resource productivity and efficiency. With our investments and collaborations TOMRA is well positioned to have a meaningful impact at or near the center of future developments, where we can play a vital role in providing resource solutions that minimize harm to the environment. Better business and better environment is at the core of our business, and we are excited about the positive impact we will continue to have on improving business processes, optimizing resource productivity and contributing to a better environment.

Stefan Ranstrand
President & CEO

PROVIDING SMART SOLUTIONS FOR OPTIMAL RE SOURCE PRODUCTIVITY

We also acquired two companies in the United States, Can and Bottle Systems Inc. (CBSI) and Returnable Services, Inc. (RSI). CBSI is a RVM manufacturer based in Portland, Oregon, and RSI is a material pick-up and processing provider based in Augusta, Maine. The products and services provided by these two companies will complement and extend TOMRA's capabilities and help solidify our position as a complete solution provider for recycling beverage containers in North America.

TOMRA joined the UN Global Compact at the end of 2009 and this Annual Report serves as our first Communication on Progress as a part of our membership in the Compact. Since joining, we have assessed our existing policies and procedures and rated our performance against the ten principles of the Global Compact to identify what actions need to be taken. We have also learned more about the

thought this way at TOMRA - from equipping the world to more efficiently handle used beverage containers, to providing the world's most innovative sensor-based sorting solutions today.

I am very pleased with what we achieved in 2010, and am confident we will be able to continue to reduce production costs and increase profitability in 2011. To help us realize our goals for growth, we are increasing our investment in design, innovation and technology development. We are also applying greater effort toward the development of our people through a rigorous annual review of employee satisfaction and benchmarking against peer companies as part of the international Great Place to Work program. In addition we have also strengthened our business development and sales resources to support our geographic expansion and to develop new market opportunities.

“World resources are under unprecedented pressure, and it is clear that resource productivity must be improved substantially to achieve sustainable development. This is where we can and are making a difference - transforming how companies manage the world's resources by providing smart solutions for optimal resource productivity.”



Corporate Responsibility
- Communication on Progress

This report serves as TOMRA's first Communication on Progress, a central requirement as part of TOMRA's participation in the UN Global Compact.

TOMRA joined the UN Global Compact at the end of 2009 as it provided a recognized framework for incorporating key principles into operations and strategies. This provided a platform for assessing existing policies and procedures and rating TOMRA's performance against the ten principles of the Global Compact to identify what further actions should be taken.

The final CR Program and targets have been reviewed and approved by the Board of Directors of Tomra Systems ASA. The method used to develop the CR program has involved representatives from all areas within TOMRA and has been an important step towards further integrating corporate responsibility principles into TOMRA's strategy and operations.



WE SUPPORT

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

We welcome feedback on its contents.

USING THE POWER OF BUSINESS
TO DO GOOD

The initial assessment showed that TOMRA's existing policies already covered the majority of the ten principles - particularly the ones that were most relevant for its business activities. However, it also highlighted inadequacies in the systems for implementation and follow-up.

As TOMRA already had an Environmental Program in place (approved October 2009), it was decided to expand it to include the other corporate responsibility elements. In May, TOMRA launched a process in the company to develop a first set of priorities for the Corporate Responsibility (CR) program. This involved identifying the most significant corporate responsibility risks and/ or opportunities for TOMRA and, through a process in Group Management, ensuring that the areas chosen as priorities were linked to the overall strategies and ambitions of the TOMRA Group.



TOPICS INCLUDED IN CR PROGRAM

- 25% reduction in eco-intensity by 2015
- Anti-bribery program for the TOMRA Group
- Employment opportunities and working conditions
- Managing risks in TOMRA's operations
- Meeting stakeholders' expectations

UN GLOBAL COMPACT AREAS

- Environment
- Anti-corruption
- Human Rights, Labor
- Labor, Anti-corruption
- All

PROGRESS REPORT

2011 CORPORATE RESPONSIBILITY GOALS

- > Start update of TOMRA's carbon footprint
- > Complete assessment of vehicle fleet
- > Promote TOMRA's ethical policies through:
 - Internal workshops
 - Audit of key suppliers
- > Improve TOMRA's employee satisfaction rating versus 2010
- > Reduce the number of accidents per full time equivalent (FTE) employee

REVIEW OF 2010 GOALS

- > Revise waste management guidelines for the Group
 - Completed
- > Assess available options for vehicle fleet development and associated costs, including energy and climate impacts
 - In progress: target 1H 2011
- > Assess compliance with REACH Directive for chemical usage in manufacturing
 - Completed
- > Establish energy awareness program for RVM sales and service technicians
 - Deferred to 2012
- > Implement and communicate Anti-Bribery Policy throughout the Group
 - Phase 1 completed
- > Develop 5-year CSR program
 - Completed

Environmental program, 2010-15

TOMRA's environmental program runs until 2015 and the main objective is the achievement of a 25% reduction in eco-intensity versus 2009.

TOMRA's direct emissions and energy consumption are primarily driven by the Material Handling operations, which utilizes a significant vehicle fleet to perform its day-to-day activities. A number of actions have been implemented to improve the efficiency and effectiveness of these operations. Some of these actions have targeted the distance travelled by each vehicle, while others have increased the use of cleaner vehicles and fuels.

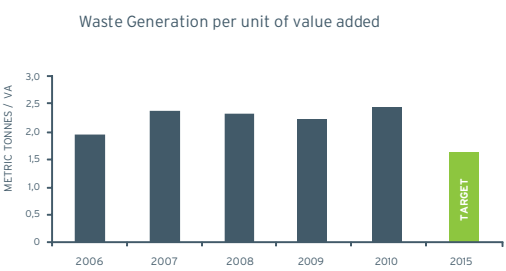
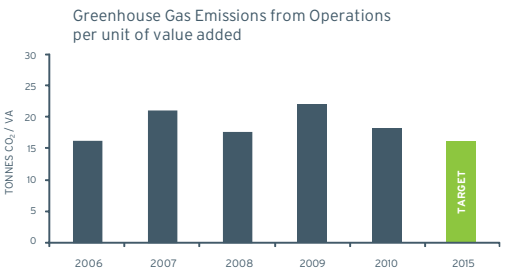
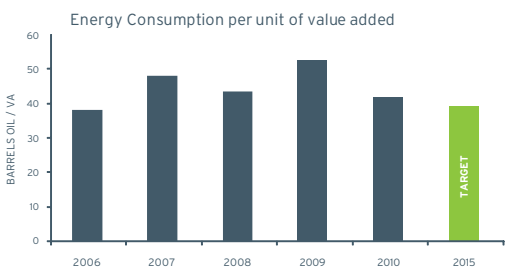
During 2010 TOMRA also gathered information relating to the vehicle fleet. This data will be analysed during 2011 to identify where further actions can be taken to reduce emissions and energy consumption.

GRAPHS - ECO-INTENSITY PERFORMANCE VERSUS TARGET

In 2010, TOMRA reduced its eco-intensity for energy and CO₂ emissions. The reduction in overall emissions was primarily driven by actions in North America, including the introduction of cleaner fuels on selected vehicles and the closure of selected facilities.

GLOBAL IMPACT

TOMRA recognizes its duty to minimize the environmental impact of its products and services throughout their lifetime. As part of this effort TOMRA would like to work closer with its customers to improve its understanding of how they utilize TOMRA's products. This would provide a broader platform for developing actions to reduce operating energy consumption, which will ultimately benefit TOMRA's customers and the environment. During 2011 TOMRA will start this process for its reverse vending machines.



TOMRA Environmental Report 2010

CLIMATE CHANGE ACCOUNT

CARBON DIOXIDE EMISSIONS FROM OPERATIONS			
TONNES CARBON DIOXIDE		2010	2009
Emission from stationary sources (Scope 1)			
		1,100	2,900
Heating oil		0	1,300
Natural gas		1,000	900
Propane		100	700
Emission from purchased grid electricity (Scope 2)			
		2,800	3,000
Norway		0	0
Europe EU25		400	400
North America		2,400	2,600
Rest of World		0	0
Certified low-carbon or renewable		0	0
Emission from transportation			
		19,400	24,300
Petrol vehicles (Scope 1)		3,000	4,300
Diesel vehicles (Scope 1)		14,900	18,500
LPG vehicles (Scope 1)		300	300
Employee-owned vehicles (Scope 3)		400	600
Air travel (Scope 3)		800	600
Total direct emissions (tonnes CO₂)		23,300	30,200
Emission from products during use-phase (Scope 3)			
		96 900	91 900
RVMs owned and operated by TOMRA and customers		55,100	49,500
Orwak products owned by customers		41,800	41,400
Titech scanners owned by customers		1,000	1,000
Total direct and indirect emissions		120 000	122 000

AVOIDED CARBON DIOXIDE EMISSIONS THROUGH PRODUCT USE

TONNES CARBON DIOXIDE		2010	2009
Beverage container collection through RVMs (1)			
		2,476,000	2,399,000
Plastic bottles		505,000	399,000
Glass bottles		734,000	779,000
Aluminium cans		1,220,000	1 204,000
Steel cans		17,000	17,000
Packaging material transport and handling (2)			
		1,365,000	847,000
Glass bottles		64,000	55,000
Aluminium cans		1,047,000	673,000
Plastic bottles, PET		250,000	115,000
Plastic bottles, HDPE		2,000	2,000
Cardboard and fiber		2,000	2,000
Packaging material sorted for recycling from mixed sources, Titech (3)			
		6,321,000	5,689,000
Glass		0	0
Aluminium		1,513,000	1,316,000
PET		2,430,000	2,113,000
HDPE		610,000	530,000
Fiber		293,000	255,000
RDF (reused as energy)		1,050,000	1,050,000
Other		425,000	425,000
Reduction of transport due to material compaction, Orwak (4)		392,000	611,000
Total emission avoidance		10,550,000	9,550,000
Net carbon dioxide emission/(avoidance)		(10,400,000)	(9,500,000)

WASTE GENERATION

WASTE GENERATION FROM MANUFACTURING, SALES, SERVICE AND OPERATIONS			
TONNES WASTE		2010	2009
Waste generation			
		3 135	3 100
Paper		15	40
Cardboard		115	100
Plastics		1 275	1 300
Wood		100	100
Electric and electronic waste (incl. TOMRA products)		30	45
Expanded polystyrene		0	0
Metal scrap		465	390
Batteries		5	5
Hazardous waste		0	0
Unsorted		1 130	1 120

ENERGY CONSUMPTION

ENERGY CONSUMPTION IN MANUFACTURING, SALES, SERVICE AND OPERATIONAL PROCESSES			
BARRELS OIL EQUIVALENT		2010	2009
Energy consumption, stationary sources (Scope 1)			
		100	5,100
Heating oil		0	3,200
Natural gas		0	0
Propane		100	1,900
Energy consumption, purchased grid electricity (Scope 2)			
		9,900	10,400
Norway		2,600	2,300
Europe EU25		2,100	2,600
North America		5,200	5,500
Rest of World		0	0
Certified low-carbon or renewable		0	0
Energy consumption, transportation (Scope 3)			
		46,800	59,400
Petrol vehicles (Scope 1)		8,100	11,600
Diesel vehicles (Scope 1)		35,000	43,400
LPG vehicles (Scope 1)		1,500	1,500
Employee-owned vehicles (Scope 3)		1,200	1,500
Air travel (Scope 3)		1,000	1,400
Total direct energy consumption		56,800	74,900
Energy consumption, products during use-phase (Scope 3)			
		116,100	110,100
RVMs owned by TOMRA and customers		66,000	59,300
Orwak products owned by customers		50,100	49,600
Titech scanners owned by customers		1,200	1,200
Total direct and indirect energy consumption		172,900	185,000

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 GHG Protocol calculation tools (www.ghgprotocol.org), and 'Waste Management Options and Climate Change' (ec.europa.eu/environment/waste/studies/pdf/climate_change.pdf). Some 2009 data has been amended to ensure consistency with 2010 reporting.

- 1. Beverage container collection through RVMs.**
Carbon dioxide savings are calculated based on the total number of beverage containers collected through TOMRA's over 70,000 RVM 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.'

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 85 million tonnes of material daily, reducing both transport kilometers and fuel usage each year. This is estimated to save over 60,000 transport movements each day. This calculation does not take into account the carbon dioxide benefit of material recycling. Note the change in annual savings following the sale of Presona during 2010.

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.

Developing our people

EMPLOYEE SATISFACTION

TOMRA believes that a high level of employee satisfaction is critical to the company's success, and therefore recognizes the importance of meeting employee expectations and being an attractive employer.

In order to first identify those expectations, TOMRA has introduced a new employee satisfaction survey throughout the organization. The survey was first undertaken in Norway in 2009 and provides comparable and measurable results - both internally and with similar companies.

In 2010, partly as a result of the initial survey, TOMRA focused on people development and ensuring that its workplaces were safe and attractive. TOMRA Group's internal HR network has worked hard to ensure a consistent approach, based on TOMRA's core values of innovation, passion and responsibility. The network has also shared experiences to develop best practice for common use in areas such as recruitment and reward systems.

In Norway, where the survey was first launched, TOMRA has concentrated on involving and developing its people - a key resource. Specific actions included improving internal communication, training sessions for future leaders, and revising the new employee introduction program. The positive impact of these actions was reflected in the latest survey results.



Impact on people within TOMRA Group

		2010	2009	2008
Number of employees	(#)	2,027	1,952	2,110
Female employees	(%)	19	18	19
Female managers	(%)	19	21	22
Ethnic minority employees	(%)	32	32	29
Reportable injuries	(#)	137	138	153
- per 100 FTE	(#)	6.7	6.8	7.3

TOMRA is committed to providing equal employment opportunities and eliminating workplace discrimination. TOMRA also aims to have a balanced workforce that reflects the global society in which it operates. As a result, the Code of Conduct was amended in 2010 to prioritize attracting women and ethnic minorities when recruiting.

BUSINESS CONDUCT

TOMRA operates in a global market where familiar and unexpected risks and opportunities can occur in a variety of forms. TOMRA strives to be prepared for the opportunities while also implementing procedures and controls to mitigate the risks.

During 2010 TOMRA focused on addressing the risk of corruption affecting operations and has held a number of workshops with key personnel to ensure that TOMRA's policies and procedures are fully understood. The workshops also covered possible dilemmas that employees could encounter in the course of their activities and how to deal with such situations.

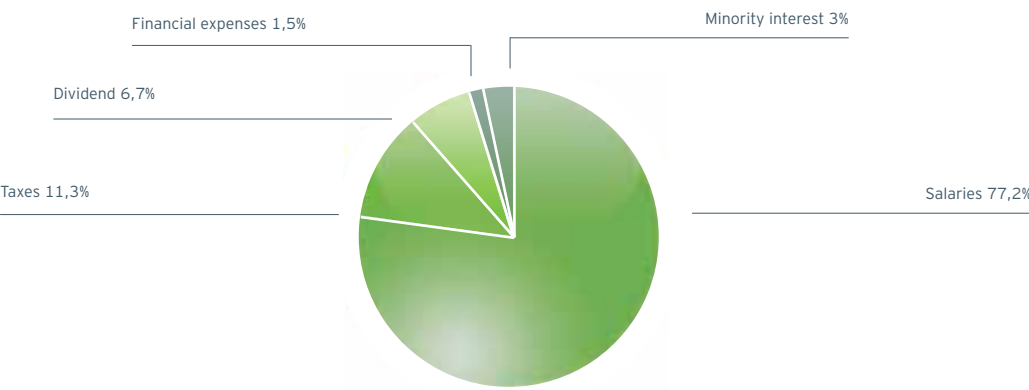
This was part of TOMRA's anti-corruption program which will continue into 2011 and future years. The management team at TOMRA are working to promote a culture of "zero tolerance" for bribery and other forms of corruption.

TOMRA'S ECONOMIC IMPACT

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

The value added generated by TOMRA was just over 1,300 MNOK in 2010. This was lower than recent years largely as a result of the EU fine, which TOMRA has appealed (further details on page 15 and notes 5 and 24). This value was distributed to stakeholders as shown in the graph.

Value distributed 2010



CORPORATE GOVERNANCE COMPLIANCE

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 2010.

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.

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).

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. TOMRA considers these principles to be of vital importance for the success of the organization and the basis for the way it conducts itself as it strives to achieve its 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 TOMRA's internal systems and procedures are aligned with international "best practice" and that responsibility and authority for all important tasks is appropriately allocated.

Corporate governance compliance

TOMRA has implemented a corporate governance program in accordance with the Norwegian recommendation for corporate governance. On the left is a short summary with references to the chapters in the recommendation dated 21 October 2010, focusing on any discrepancies between TOMRA's practices and those recommended.

Principles for remuneration of senior executives 2010-2011

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 reviews decisions 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 or 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 have been established for senior executives, except where 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 those 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 of the financial statements.

The principles and guidelines for management remuneration for 2011 have not changed materially from those approved in 2010, which were presented to the general assembly in April 2010. The policies concerning remuneration of senior executives and the setting of salaries have been in line with the established guidelines throughout 2010.

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 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 the Chairman of the Board receives minutes from each Audit Committee meeting. The main features of the risk and control framework are outlined in the following sections.

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.

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. Controls for areas with 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 by 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 2010 and the period leading up to the presentation of the 2010 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. One specific case, identified in January 2011, involved kick-backs from three suppliers to a manager within the Group. As a result, the manager was dismissed, business relations with the suppliers were terminated and the case has been handed over to the police.