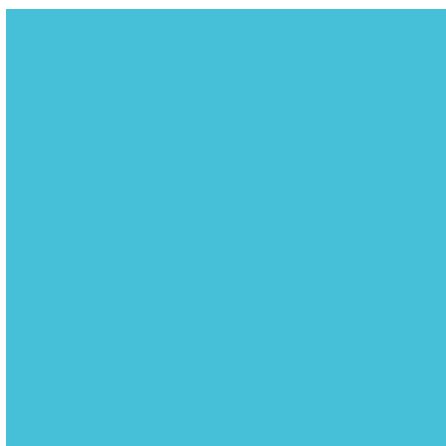
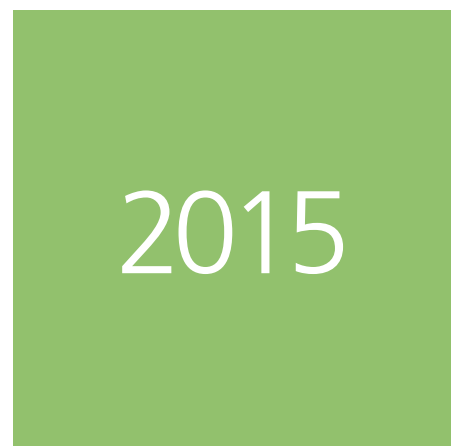


**FOSS**



# CSR

## Sustainability Report



## CEO Statement

We are operating in a world with significant population growth, global food supply chains, scarce resources, concerns about the environment, and food safety scandals. As the leading producer of analytical solutions to the world's largest food companies, we have a very important role to play in addressing these global challenges.

At FOSS, sustainability is a fundamental part of our business model. For us, it means not only reducing our own impacts but using advanced analytical technology to tackle the issues our customers' face. We help our customers in many ways, such as selecting and making optimal use of precious raw materials; monitoring the health and productivity of farm animals; improving production processes and decreasing energy usage; and assuring high nutritional and safety standards of food products. In 2014, we introduced the Good Product™ initiative which is based on a long term R&D project in partnership with key players in the food industry to improve the safety and integrity of the supply chain. We believe that the best way to address today's and tomorrow's challenges is through a collaborative process.

Ensuring our employees are motivated and satisfied is an important focus area at FOSS and critical to our success. Our annual Employee Engagement Survey, which obtains employees' assessments of their level of job satisfaction at FOSS, has shown increases for the third year in a row. The results of the survey contribute to ensuring happy employees and good management at FOSS. We are pleased with the progress being made and feel we are heading in the right direction. In parallel with the employment satisfaction surveys we, at regular intervals, monitor our customers' satisfaction to ensure that we keep the customer in the center of everything we do.

In our work with sustainability we use the UN Global Compact framework's ten principles in the areas of human rights, labor, the environment and anti-corruption as our starting point. I would like to express our continued support and commitment to the initiative and its principles. Our annual Communication of Progress against the principles can be found at the end of this report.

This is FOSS' third CSR & Sustainability report produced to provide a clear overview of how we address the key issues of importance to our business and stakeholders.



Torben Ladegaard  
CEO

## This Report

This report is intended to meet Danish legislative and UN Global Compact<sup>1</sup> requirements and covers the fiscal year 1st January 2014 to 31st December 2014.

At FOSS we have taken a strategic business-driven approach to sustainability, which is recommended by the Danish government. We focus on the issues that are of critical importance to our business and key stakeholders.

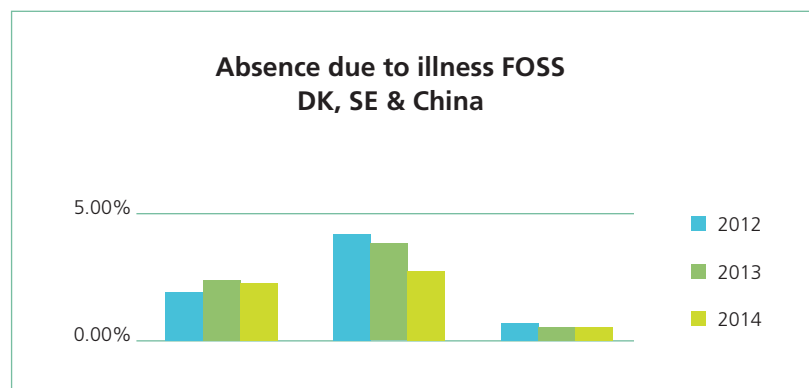
### Our sustainability priority areas are:

- **Health and Safety of employees**
- **Human and Labor rights particularly in regard to the supply chain**
- **Business ethics**
- **Promoting the environmental benefits of FOSS products**

## Health and Safety

Our workplace is not particularly dangerous due to the nature of our production; nonetheless we do have a strong focus on health and safety. All workplace incidents at our production sites in Denmark, Sweden<sup>2</sup> and China are recorded in our "absence due to illness" data. Guidelines are made available to employees on safety procedures such as first aid, waste handling, emergency plans, work environment and material safety. Safety awareness and accident prevention campaigns take place and performance is monitored by health and safety committees.

The target for sick leave in Denmark and Sweden in 2014 was 3% or less, and all departments were at or below that target. The processes to follow up on sick leave are individual rehabilitation meetings and quarterly follow up with managers. The decrease of illness absence in Sweden was due to the closure of the Höganäs site. The key performance target at our site in China for the past two years has been 1% and absence due to illness has been between 0.4 -0.7 %.

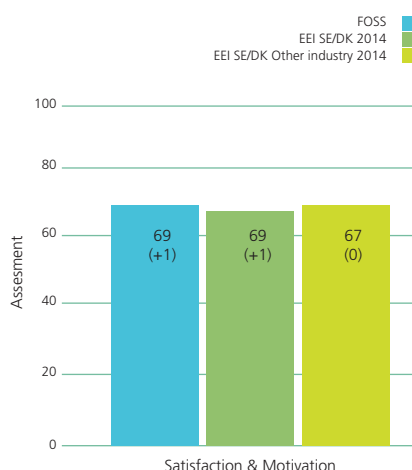


<sup>1</sup> <https://www.unglobalcompact.org/>

<sup>2</sup> The Höganäs site in Sweden has ceased operation

## Engaging with our Employees

Our annual Employment Engagement Survey (EES) enables us to engage with our employees and gauge key aspects of employee opinion across the organization. The survey findings are based on compiled answers gathered from managers on all levels and employees in both headquarters and subsidiaries around the world. For the third year in a row, The Employee Engagement Survey (EES) shows that Satisfaction & Motivation among employees in FOSS has increased, reaching an index level of 69. This corresponds to an increase of 1 index point in the employees' Satisfaction & Motivation since the 2013 survey. Compared to the results from this year's European Employee Index (EEI), the Satisfaction & Motivation at FOSS is at a higher level than the level for Satisfaction & Motivation in Denmark/Sweden, which is currently at 68, and it is 2 index points above the comparable industry of 67 index points. A number of activities are taking place to help us achieve even higher levels of performance.



## Employee diversity

In 2012, legislation was adopted in Denmark to increase the levels of underrepresented gender in management positions and on company boards. In recruiting employees we ensure that our career advertisements emphasize our commitment to being an equal opportunity employer, as well as prioritizing a good work-life balance. On the career section of our website we also ensure that females are prominently displayed, making up between 33 - 40% of the total employees.

All applications for vacant positions at FOSS are considered on the relative merits of the applicant against the role profile for the position. However, we do endeavor to have at least one female candidate in the final selection process, if they have the required qualifications. Adherence to our equal opportunity policy is clearly stipulated in our Global Recruitment Toolkit used by managers in the hiring process, and HR team members are

active in critical stages of the recruitment process to ensure that our policy of equal opportunities is adhered to. Diversity training on gender issues has recently been included in internal workshops for global HR teams, which six global HR colleagues have participated in so far. Exit interviews are also conducted to determine why male and female employees are leaving the company. No issues relating to our equal opportunities policy have been identified from these interviews.

## The Environment

Production in our company is mainly a process of assembling, testing, and inspecting instruments. Hence impacts to the environment, as well as health and safety risks are less than companies in other sectors. We have seen a significant increase of electricity consumption in 2013 and 2014 compared to previous years. Some of this increase has come from Denmark, where we had two buildings in operation during the construction and relocation of employees to the new FOSS Innovation Center. In addition, there has been an increase in production resulting in higher electricity consumption at our sites in Denmark and China. A relatively warm winter in Denmark in 2013-2014, and the use of additional machinery and equipment emitting heat, has resulted in a decrease in heating and natural gas<sup>4</sup>. Due to our recording process, much of the increase in 2014 oil consumption can be attributed to 2013. Thus, we expect to see lower consumption figures in 2015.

|                   | 2011      | 2012      | 2013      |
|-------------------|-----------|-----------|-----------|
| Electricity (Kwh) | 3,118,050 | 3,130,555 | 3,611,321 |
| Heating (Kwh)     | 2,182,209 | 2,376,878 | 2,680,640 |
| Oil (liters)      | 30,257    | 26,971    | 19,984    |
| Gas (Nm3)         |           |           | 65,556    |

A campaign is being run in Denmark to encourage employees to do their part in conserving energy by shutting off lights, as well as electrical appliances when not in use, whilst our facility in Suzhou, China will be focusing on maintaining a constant room temperature to reduce electricity consumption. Our environmental strategy moving forward will be to identify areas where energy reductions can be made, with a strong focus on electricity, in all our physical premises.

<sup>4</sup> [www.dmi.dk/vejir/arkiver/maanedsaesonaar/201401/vejret-i-danmark-vinteren-2013-2014/](http://www.dmi.dk/vejir/arkiver/maanedsaesonaar/201401/vejret-i-danmark-vinteren-2013-2014/)



## GoodProduct

In 2014, FOSS introduced the Good Product™ initiative with the goal of bringing together key players in the food industry to improve the productivity and integrity of the supply chain. As the food supply chain is becoming increasingly global and complex, there are growing concerns about product safety and quality. A proactive approach to addressing issues such as product deviations, adulteration of raw materials and traceability is necessary. This requires the cooperation of all players in the value chain, as well as a common understanding of analytical technology and its application in the food industry. Our Good Product™ initiative builds upon the positive work that is already being done, for example in the areas of milk screening and raw material testing. The initiative focuses on three key areas: deliberate adulteration of raw materials, accidental adulteration and adulteration from naturally occurring impurities; process deviations and mishaps; and deviations from end-product quality.

## Sustainability in the Supply Chain

We have an obligation to engage with our suppliers and to promote sustainable practices in the supply chain. Over the past few years a number of actions have taken place. We developed a Supplier Code of Conduct detailing our position on human and labor rights, the environment, business ethics as well as our supplier expectations. These have also been incorporated into contractual agreements. Internal training of procurement personnel and external training of suppliers has also taken place to provide a deeper understanding of our CSR policy. At present, we are developing a more systematic approach to supplier auditing on sustainability issues. We expect this process to be completed in 2015.

## Business ethics

In 2012, FOSS developed a CSR policy covering a range of topics including business ethics. In that document we clearly state our position and expectations of all employees on bribery, conflicts of interest, gifts and entertainment. Although our policy covers all employees, our primary focus has been on the sales area and our sales and service subsidiaries. The general managers in our subsidiaries are responsible for ensuring compliance with our policy, including business ethics. Each year we monitor familiarity with our CSR policy in the company through our Employee Engagement Survey. Although awareness of our policy has steadily increased, especially in the sales and service subsidiaries, there is still room for improvement. A number of activities have already taken place such as training of general managers and presentations to employees at the local level. In 2015 our intention is to include business ethics in our training of global sales personnel.



COMMUNICATION ON  
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

|  |  |
|--|--|
| <p><b>Human rights</b></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>Part of our CSR policy<sup>5</sup></p> <p>Part of our CSR policy. Included in work in the Supply Chain (page 5)</p>   |
| <p><b>Labor standards</b></p> <p>Principle 3: Businesses should uphold the 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 labor;</p> <p>Principle 5: the effective abolition of child labor; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p> | <p>Part of our CSR policy and Supplier Code of Conduct (page 5)</p> <p>Part of our CSR policy and incorporated into our Supply Chain work (page 5)</p> <p>Part of our CSR policy and incorporated into our Supply Chain work (page 5)</p> <p>Part of our CSR policy and Supply Chain work (page 5)</p> |
| <p><b>Environment</b></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>Part of our CSR policy</p> <p>See pages 4 and 5</p> <p>See CEO statement and page 4</p>   |
| <p><b>Anti-corruption</b></p> <p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>  | <p>See page 5</p>  |

<sup>5</sup> The FOSS CSR policy and Supplier Code of Conduct can be found on the CSR/Section of our website <http://www.foss.dk/about-foss/csr/>