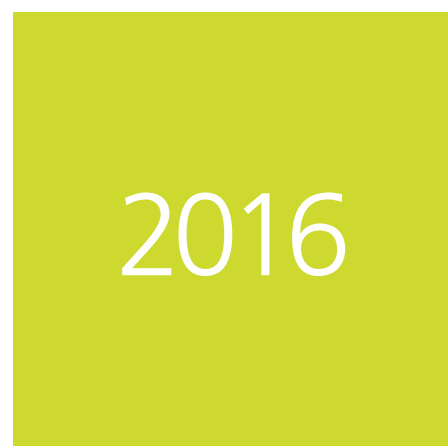


**FOSS**



# CSR

## Sustainability Report



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## A Word from our CEO

Our role is to develop and market analytical solutions that enable our customers to maximise efficiencies, improve quality and ensure the integrity of the food chain. In doing so many of the analytical solutions we develop have real sustainable benefits for our customers. For example, our products can help spot deliberate or accidental adulteration of the milk supply; fine-tune production resulting in reduced energy consumption and optimal use of raw materials; as well as detect early signs of disease in dairy cows.

At FOSS we realise that we have an important part to play in contributing to quality, safety and sustainability in the food value chain. Our global customers make up some of the largest players in the dairy, food and agricultural sectors. They share challenges in areas such as food safety, scarcity of raw materials, animal welfare, environmental degradation and overpopulation.

*Our mission is: We contribute to the sustainable use of our planet's natural resources and thus to the nutrition and health of the people of the world. We provide the Industry's best Dedicated Analytical Solutions, which add value to our customers by improving quality and optimising food and agricultural production.*

To achieve this we will continue to collaborate with key players in the food industry to improve the productivity and integrity of the supply chain.

In our work with sustainability we use the UN Global Compact, the world's largest corporate sustainability initiative with ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption. I, along with recently appointed CEO Kim Vejlby Hansen, would like to express our continued support and commitment to the initiative and its principles<sup>1</sup>. Our communication on progress against the ten principles can be found at the end of this report.



A blue ink signature of Torben Ladegaard, written in a cursive style.

Torben Ladegaard  
CEO



A blue ink signature of Kim Vejlby Hansen, written in a cursive style.

Kim Vejlby Hansen  
CEO (from 16.03.2016)\*

\* In March 2016 Kim Vejlby Hansen will be appointed Chief Executive Officer of the FOSS Group as Torben Ladegaard Jensen has decided to retire from this position.

## This Report

This is FOSS' fourth CSR/Sustainability report using the UN Global Compact's ten principles as our framework. The report covers the fiscal year from 1<sup>st</sup> January 2015 to 31 December 2015 and is intended to meet our UN Global Compact and Danish legislative requirements.

As recommended by the Danish government, we have taken a business-driven approach to CSR by addressing the areas of importance to our company and stakeholders, while at the same time improving social and environmental conditions in society.

### Our sustainability priority areas are:

- ▶ Health and Safety of employees
- ▶ Human and Labour rights particularly in regard to the supply chain
- ▶ Business ethics
- ▶ Promoting the sustainability benefits of FOSS products

### Key Facts and figures:

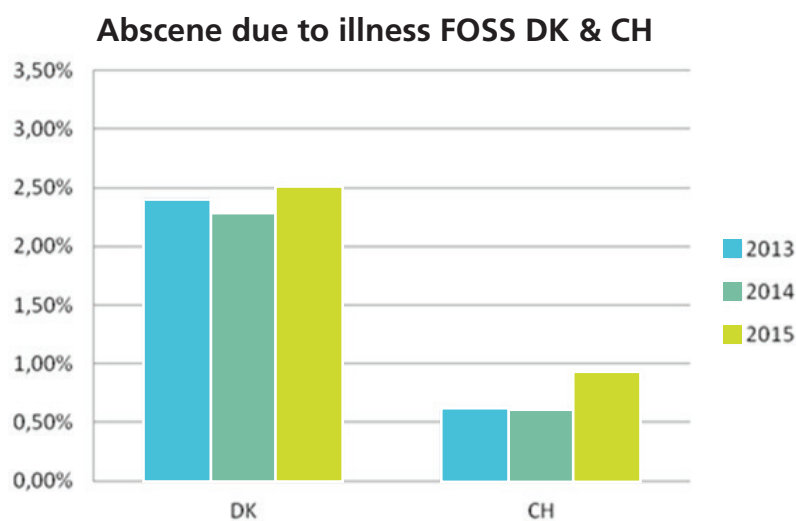
#### FOSS is the leading supplier of innovative analytical solutions with:

- Sales and service companies in 28 countries
- More than 75 dedicated distributors around the world
- Production and manufacturing in two facilities: Denmark and China
- More than 1300 dedicated staff world-wide with 600 employees in Denmark
- A Turnover of 2,010 million DKK in 2015
- 98 percent of FOSS' business is generated outside Denmark
- More than 100 patents
- More than 20 world first introductions

## Health and Safety

At FOSS we are committed to ensuring the health and wellbeing of all employees in the workplace. We communicate our health and safety policies through our CSR brochure, on our intranet portal, as well as during the induction process. A brochure has been developed for external contractors working at both our production facilities in Denmark and China, and we have dedicated EHS (Environment, health and safety) teams at both sites. In 2015 internal audits were conducted at these production facilities focusing mainly on health and safety procedures. During the audits visual inspections were conducted, documentation was reviewed and employee interviews took place. Subsequently, action plans were developed with delegated responsibilities to address any observations.

As most of our production entails assembling and testing instruments, rather than heavy production, we do not have the serious types of injuries seen in manufacturing companies where there tend to be more hazards. Nonetheless, all incidents are recorded for Denmark and China and included in our "absence due to illness" data. The diagram below shows the data from 2013 to 2015.



Although we did see a slight increase in sick leave in Denmark compared to 2014, we are still within our target of 3% or less. The slight increase is due to terminated employees' sick leave. The process to follow up on sick leave is individual rehabilitation meetings, and in 2016 a new process for follow up on high sick leave will be implemented. In China there was an increase in sick leave due to an employee on long-term sick leave; however the figure is still below our target of 1% or less, and without this incident the figure would have been 0.6 %.

## Measuring Employee Satisfaction

At FOSS, we regularly conduct employee engagement surveys and work actively with the results to ensure we have a motivated and satisfied workforce. The survey findings are based on compiled answers from managers and employees in our headquarters and subsidiaries.

In 2015 we conducted two employee engagement surveys (EES). The first was conducted in February – with a smaller, follow-up survey in September. In the first survey, the results showed a Satisfaction and Motivation index level of 71 – which was an increase of +2 since the annual 2014 survey. In the September survey we saw this figure increase 1 index point to an index level of 72.

Compared to the results from this year's European Employee Index (EEI), Satisfaction and Motivation levels are at a high level. We can also see that our strategy for 'lifting the lowest scores' has been successful. To ensure continuous improvement, managers develop action and follow-up plans, and our new HR Business partner structure ensures that every manager has the opportunity to receive assistance.



## Diversity in our workplace

At FOSS we believe that a diverse and inclusive workforce creates real value for our company. We operate in a global environment and a diverse staff provide us with a competitive advantage by providing new perspectives and insights in the geographical regions we operate in. In 2011 we developed our CSR policy which clearly states that all employees and candidates applying for jobs at FOSS must be treated equally in regards to recruitment, advancement, job training and salary. All employees shall also have the same opportunities regardless of gender, age, race, ethnicity, sex, religion, sexual orientation, etc.

In 2012, legislation was adopted in Denmark to increase the levels of underrepresented gender in management positions and company boards<sup>2</sup>. We have taken a number of initiatives to promote our company to potential female candidates. For example, we emphasise on our website that all applications for vacant positions are considered on the relative merits of the applicant against the role profile for the position, regardless of gender, ethnicity, race, religion, sexual orientation, age, etc. In recruiting employees we ensure that our career advertisements emphasise: our commitment to being an equal opportunity employer, the career possibilities in an international environment and prioritising a good work-life balance. Females are prominently displayed on the career section of our website making up roughly half of the employees pictured, and make up a similar percentage of the employees on the career section of our LinkedIn page.

All managers must follow our equal opportunity policy, which is part of our Global Recruitment Toolkit, when hiring new employees. Furthermore, HR team members are active in critical stages of the hiring process to ensure that our equal opportunity policy is followed. We always strive to have at least one female candidate in the final selection process if they have the required qualifications. When working with external search companies we also emphasise our wish to see qualified female candidates, which resulted in the hiring of a female General Manager for Northern Europe - one of our largest sales and service subsidiaries.

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 and energy

Unlike many traditional production companies, we do not carry out heavy manufacturing at our facilities in Denmark and China. The majority of the work undertaken at our sites consists of assembling, testing and inspecting instruments. Due to this fact, our manufacturing footprint is significantly less than many companies. Nonetheless, we strive to minimise our environmental impact, which in many cases results in cost benefits. We have identified key environmental areas; particularly electricity usage and heating, where cost savings and reductions can be made.

	2011	2012	2013	2014	2015
Electricity (kwh)	3,118,050	3,130,555	3,611,321	3,921,931	2,843,363
Heating (kwh)	2,182,209	2,376,878	2,680,640	1,933,220	1,264,000
Oil (liters)	20,800	26,971	19,984	35,487	26,238
Gas (Nm3)			65,556	34,249	40,964

<sup>2</sup> See annual report on underrepresented gender on our company board

From 2014 to 2015, there was a significant overall drop in heating and electricity usage - much of this can be attributed to the closure of our Swedish site. In that same period there was a 1% increase in electricity, a 16% increase in heating, a 6% increase in oil, and a 7% decrease in gas consumption in Denmark. The reduction in gas consumption can partly be attributed to the optimisation of the HVAC (Heating, Ventilation and Air Conditioning systems) at FOSS Innovation Centre. The increases in oil and heating consumption, although partly due to seasonal differences, could potentially be addressed through better optimisation processes, which will be investigated. In the latter part of 2015 an Energy Audit was conducted in Denmark and those recommendations will form the basis of our environmental work going forward.

Our production site in China is considerably smaller than the Danish site and only consumes electricity. In 2015 there was a reduction in electricity usage by 12% compared to 2014. The site has taken measures to reduce its usage, especially in regards to lighting. Before 2015, 20% of the site's lighting needs were from LED lighting; this was increased by 40% in 2015 with a goal to achieve 100% by 2017. The switch from florescent to LED lighting has resulted in savings of 60 -70%.

## Operating with integrity

Conducting our business ethically and with integrity is key to our values and the success of our company. The FOSS CSR policy, which has recently been updated, underpins our belief in acting responsibly. It addresses topics such as bribery, corruption, conflict of interest, entertainment and gift-giving. We also communicate our expectations in this area to our suppliers through our Supplier Code of Conduct.

Compliance with our CSR policy is required of all employees, and training takes place with key functions to ensure there is a clear understanding of what is considered appropriate and inappropriate behaviour.

Since the last report we have developed an Ethics E-learning program, which is being rolled out in our Sales, and Customer Sales & Service departments. The course provides knowledge on our overall CSR policy with a strong focus on business ethics. Participants are able to test their knowledge in the training module, as they are presented with a number of ethical dilemmas in business scenarios with various options. The module concludes with a short quiz to assess understanding of our policy and expectations.

## Responsible Sourcing

We encourage our suppliers to reduce their impacts and take a proactive approach to sustainability. Our Supplier Code of Conduct<sup>3</sup>, which is based on our own CSR policy, has recently been updated to communicate our expectations in the areas of human rights,

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<sup>3</sup> Available on the CSR section of our website <http://www.foss.dk/about-foss/csr>

labour issues, the environment and business ethics. The above-mentioned areas are also included in our contracts with suppliers.

Workshops were held in 2015 with our procurement teams to provide them with a deeper understanding of our CSR policy and supplier requirements. Training of our quality staff has also taken place to assist them in incorporating sustainability issues into our supplier audits. An important element of these audits will be to identify best practice and share this knowledge with other suppliers. Initially our audits will focus on health and safety, as well as labour rights, but our intention is to gradually incorporate other areas such as environmental issues.

Prior to supplier audits a sustainability self-assessment questionnaire is sent to the selected supplier. Both the self-assessment questionnaire and audit results are reviewed and action plans will be developed with the supplier if issues arise.

## Meeting customer requirements

FOSS is a member of SEDEX, the Supplier Ethical Data Exchange, a not for profit membership organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains. It is the world's largest collaborative platform for sharing ethical supply chain data with over 38,000 members in over 150 countries.



Through the SEDEX secure online database we are able to share information with key customers on our performance in a number of areas:

- Labour standards
- Health and Safety
- The Environment
- Business Ethics

In addition to completing a self-assessment questionnaire, we have been subjected to third party audits of our facilities in Denmark and China. The results of these audits assist us in our drive for continuous improvements in our operations.



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.

Human rights	
<b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights; and	Part of our CSR policy <sup>4</sup>
<b>Principle 2:</b> make sure that they are not complicit in human rights abuses.	Part of our CSR policy and included in our work in the Supply Chain (page 8)
Labour standards	
<b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Part of our CSR policy and Supplier Code of Conduct (page 7)
<b>Principle 4:</b> the elimination of all forms of forced and compulsory labour;	Part of our CSR policy and incorporated into our Supply Chain work (page 8)
<b>Principle 5:</b> the effective abolition of child labour; and	Part of our CSR policy and incorporated into our Supply Chain work (page 8)
<b>Principle 6:</b> the elimination of discrimination in respect of employment and occupation.	See our CSR policy, Diversity (page 5) and Supply Chain work (page 8)
Environment	
<b>Principle 7:</b> Businesses are asked to support a precautionary approach to environmental challenges;	See our CSR policy and Environment and Energy (page 7)
<b>Principle 8:</b> undertake initiatives to promote greater environmental responsibility; and	See our CSR policy, Environment and Energy (page 7)
<b>Principle 9:</b> encourage the development and diffusion of environmentally friendly technologies	See CEO statement and our website <sup>5</sup>
Anti-corruption	
<b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.	Part of our CSR policy and Operating with integrity (page 8)

<sup>4</sup> <http://www.foss.dk/about-foss/csr>

<sup>5</sup> <http://www.foss.dk>