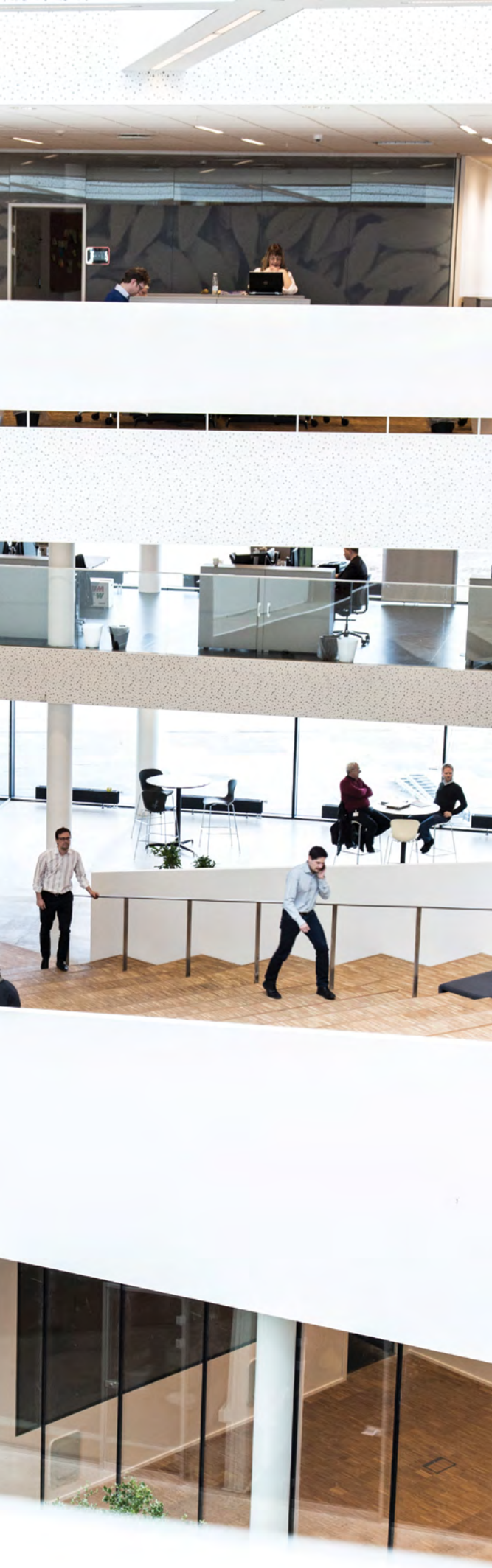


**FOSS**



# SUSTAINABILITY REPORT 2018

**ANALYTICS BEYOND MEASURE**



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## CEO Statement

At FOSS, our mission is to contribute to the sustainable use of the world's agricultural resources and thus to the nutrition and health of the people of the world. As the leading provider of analytics, we are in a unique position to achieve this.

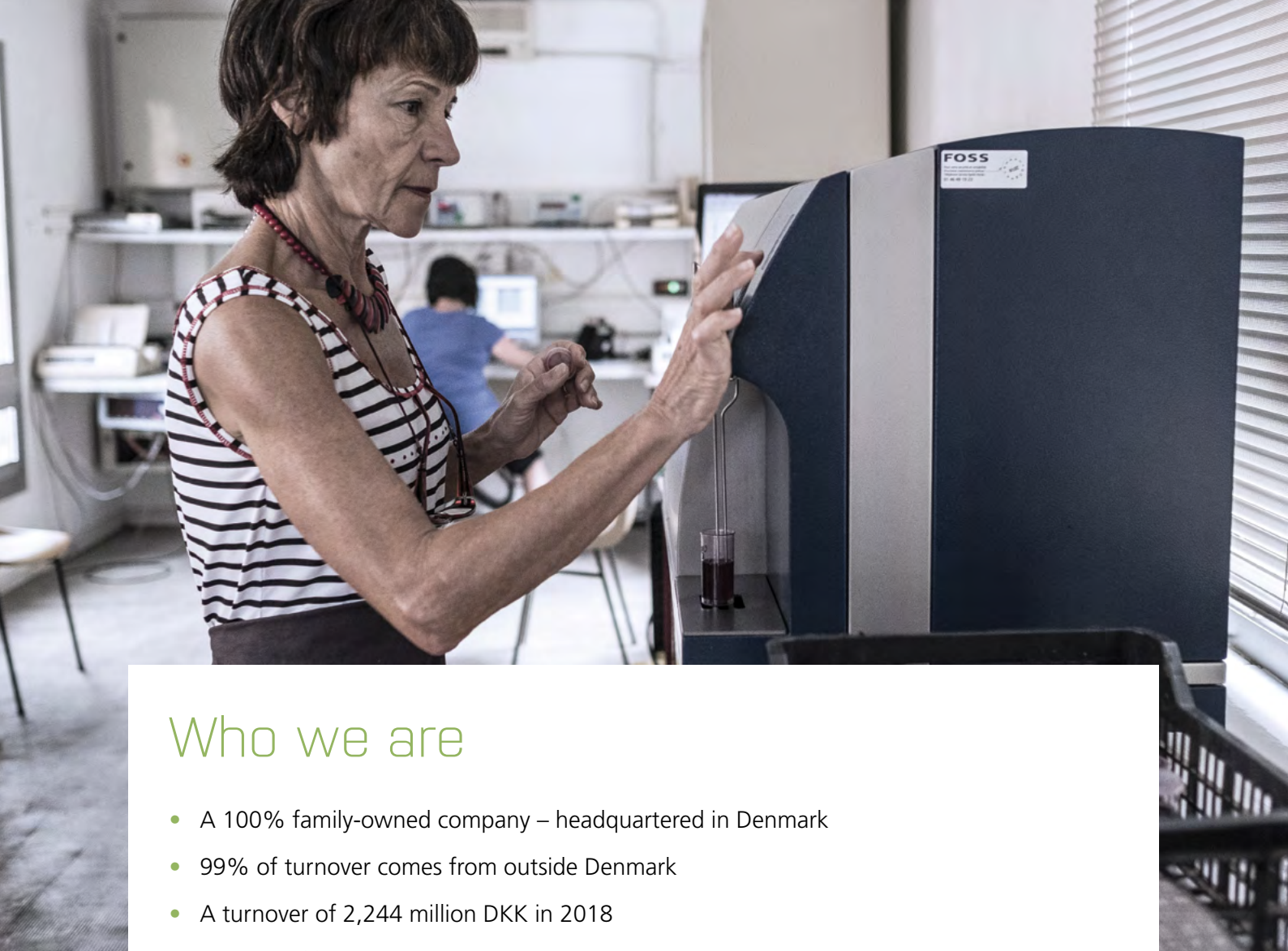
Our technology enables customers to be more sustainable by securing quality and optimising food and agricultural production. About 85% of milk and 80% of grain traded in the world market is analysed using FOSS solutions, so on a global scale we make a significant impact.

In addition to developing technological solutions that provide sustainable benefits, we also take action to integrate sustainability into our own operations. We are committed to supporting the UN Global Compact and embedding the ten principles in the areas of human rights, labour, the environment and business ethics into our business. At the end of this report is our Communication on Progress against the principles. This year's sustainability report also provides information on our new whistleblower system, business ethics e-learning tool and our Values project.



A handwritten signature in blue ink that reads "Kim Vejlby H".

Kim Vejlby Hansen, CEO



## Who we are

- A 100% family-owned company – headquartered in Denmark
- 99% of turnover comes from outside Denmark
- A turnover of 2,244 million DKK in 2018
- AAA-rated by D&B
- Approximately 1500 employees worldwide
- Manufacturing, research and development facilities in Denmark, Hungary and China
- FOSS sales and service companies in 32 countries and more than 75 distributors

## Our mission

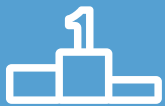


- ▶ We contribute to the sustainable use of our planet's agricultural resources and thus to the nutrition and health of the people of the world



- ▶ We provide analytics beyond measure to add value to our customers by improving quality and optimising food and agricultural production.





## FIRST

Because being first is motivating and rewarding



## CUSTOMER

Because the customer is the focus of everything we do



## PEOPLE & KNOWLEDGE

Because FOSS is a company based on knowledge and employees working in collaboration

## The FOSS values

Our three values are the compass we navigate by, and the principles behind them have lead FOSS since the company was founded in 1956. They provide value for our customers, meaning for employees, they guide our business. A central element is doing right for our planet, our customers and our employees, and we hold ourselves to consistently high ethical standards on all three accounts.

Value sessions are taking place in our teams around the globe, which serve as an opportunity to work more hands-on with our mission and values, and to shed light on topics such as 'What do the values mean to your team?' and 'How can we do a better job of living the values in all we do?'.





## Our Business model

Our company was founded in 1956 by the innovative engineer Nils Foss. His ambition was to offer automated and cost-efficient alternatives to time-consuming analyses in the food and agriculture industry. Although much has changed over the years, our approach to business and development of innovative analytical solutions has not.

FOSS creates end-to-end solutions that secure and improve food quality. From raw material to finished product. Our analysis instruments refine measurements into information management that enables businesses to run intelligent data-driven production with less waste and bigger yields. Controlling cost and quality across all sectors and value chains, we help food and agricultural producers limit the number of human errors, scale their business faster and reduce labour costs. We call this analytics beyond measure.

We cover these food and agricultural industries: Dairy, Feed and Forage, Grain, Flour Milling & Oilseed Processing, Laboratories, Meat, Raw Milk Testing and Wine.

## Our Sustainability programme

FOSS has been working with sustainability since the inception of the company. In addition to developing solutions that provide real sustainable benefits to our customers, we firmly believe in acting responsibly no matter where we do business. In 2012, we joined the UN Global Compact, the world's largest corporate sustainability initiative. As an active participant, we are committed to aligning our sustainability principles and strategies with universal principles on human rights, labour, the environment and anti-corruption, as well as taking action that advance societal goals.



Using the Global Compact's framework as our starting point, we have identified the following sustainability priority areas as being of importance to our business and stakeholders:

- Health and Safety of employees
- Human and Labour Rights particularly in the supply chain
- The Environment with a focus on our energy usage and enabling customers to minimise waste/optimize yields
- Business Ethics in the Sales and Service areas

We have policies addressing these key areas and report our progress against them in this report. Additional information on these policies, and our position against Modern Slavery can be found under downloads at:

<https://www.fossanalytics.com/en/about-foss/sustainability>

We refer to a number of sustainability initiatives when developing this report. These include the GRI Sustainability Reporting Standards and the SEDEX/SMETA Ethical Trade Audit criteria. We also support the UN Sustainable Development goals, the most relevant for our business are:

- ▶ SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- ▶ SDG 3: Ensure healthy lives and promote well-being for all ages
- ▶ SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- ▶ SDG 12: Ensure sustainable consumption and production patterns

This report fulfils our Danish legislative and UN Global Compact reporting requirements, and covers the 2018 financial year.

## Providing a healthy and safe workplace

Our most important asset is our staff and we are committed to safeguarding their welfare. Health, safety and employee welfare is a critical element of our Sustainability policy. Although our risks are limited, as we do not have heavy production taking place at our sites, we have dedicated teams that limit and monitor potential risks in our operations.



In our Innovation Centre in Denmark, which has the largest number of employees, we have designated working committees responsible for health and welfare in production, our labs and our offices. Overall responsibility for this area lies with the Senior Vice President of Human Resources, with the various committees leading and coordinating the work. They investigate any health and safety incidents and implement measures to prevent their reoccurrence.

In China, where we also have production facilities, we have an Environment, Health and Safety (EHS) team responsible for identifying and addressing risks in our operations. They produce bi-weekly finding reports and take preventive measures to address any potential risks.

Health and Safety audits are conducted at both facilities by our internal audit teams and audited as part of our participation in the SEDEX initiative.

In 2018, three minor injuries took place at our production facilities. Two of those resulted in less than one day's absence from work, and one resulted in more than one day's absence. One of those incidents required a hospital visit.

## Promoting equal opportunities and diversity

At FOSS, we value diversity and the benefits it brings to our business. As a company operating in an international, dynamic environment, a diverse staff from a variety of backgrounds provides us with different perspectives on addressing challenges, and valuable insights into the markets where we do business.

The starting point of our work in the equal opportunities area is the FOSS sustainability policy, which is based on the UN Global Compact. This document clearly states our commitment to treating all employees and potential candidates equally in regards to recruitment, advancement, job training and salary.



We have taken a number of measures to promote our company as a diverse and inclusive employer. For example, we ensure that females and non-ethnic Danes are featured prominently throughout our website, including the recruitment section. We stipulate in our job advertisements that all applications for vacant positions are based on the merits of the applicants against the role profile for the position regardless of nationality, ethnic origin, gender, sexual orientation, marital status, disability, family status, age, or religion. In the recruitment stage, an HR advisor is present throughout critical stages of the process to ensure our policy is adhered to. In those rare instances where we use recruitment partners, we also ensure that they understand our position on diversity. When filling vacant positions we do our utmost to ensure there is at least one female candidate among the final three, granted they have the necessary qualifications for the position. In 2018, approximately 18 % of those employees hired at FOSS had a non-ethnic Danish background and 33% were female, compared to roughly 12% and 41% respectively in the previous year.

We monitor compliance with our equal opportunities policy in a number of ways. Our new whistleblower system provides an opportunity for employees to raise concerns

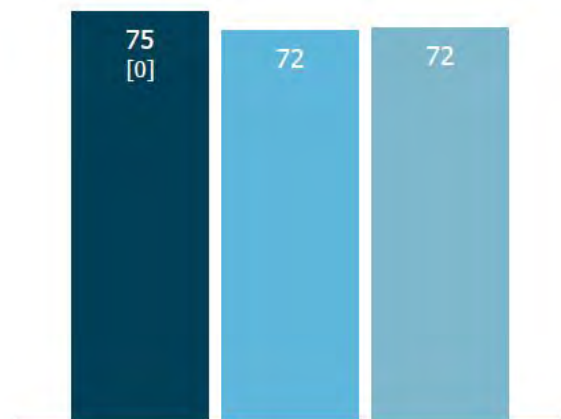


anonymously if they feel they are not able to do so through existing reporting channels. Exit interviews are also available to employees when they leave the organisation, which provides them with the possibility to raise any concerns they may have. There were no issues raised regarding our equal opportunities policy over the past year.

## Measuring Employee Satisfaction and Engagement

It is critical for the success of our company that our staff are engaged and motivated. That is why we regularly assess job satisfaction through employee surveys. The results provide us with an indication of how happy our staff are in their work, and how well managed FOSS is as a company. They also provide us with a basis for identifying areas where there is room for improvement, so we can develop action plans to lift performance across our organisation.

All global employees were invited to participate in the 2018 Employee Engagement survey, which had a 94% response rate. To ensure respondent confidentiality no individual responses were handed out at any time, nor were any reports prepared from which any responses could be deduced. As in previous years the Global Employee and Leadership Index model (GELx) was used and looked at the satisfaction, motivation and loyalty of employees, as well as the driving indicators which influence employees' overall assessment.

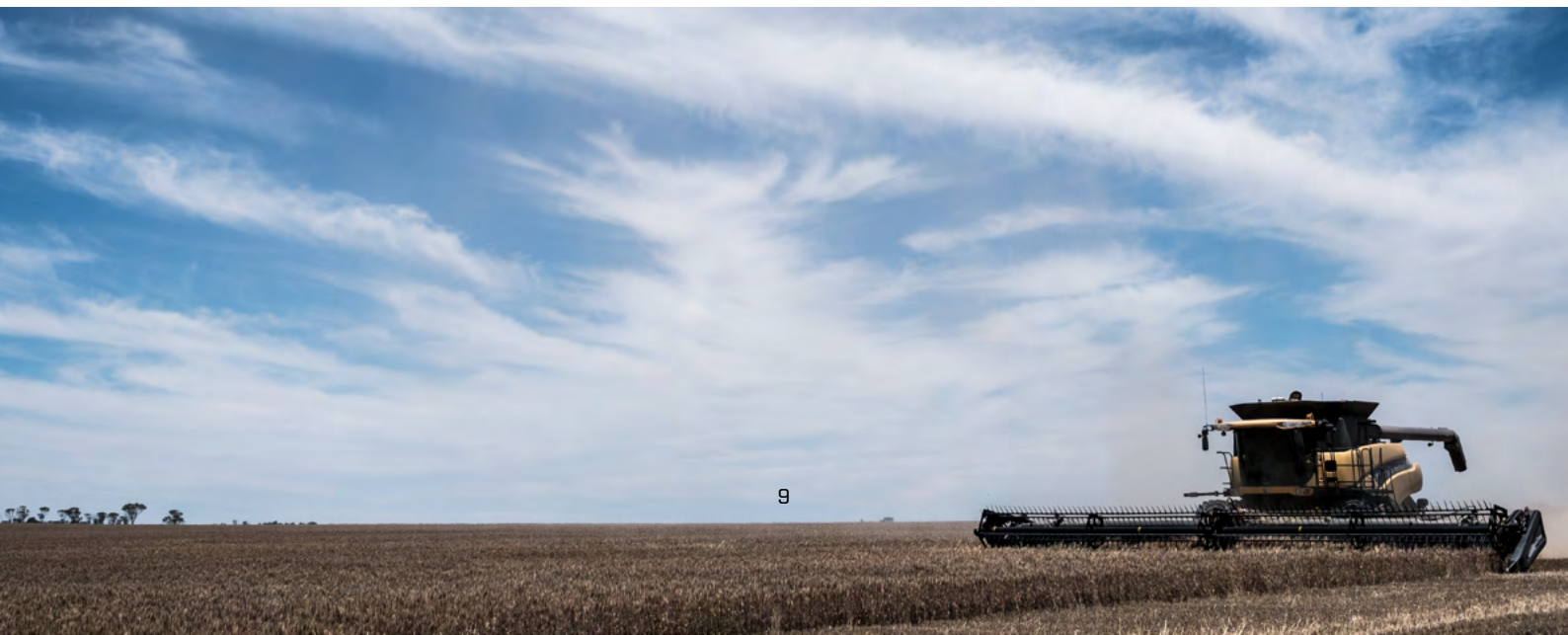


Satisfaction & Motivation

FOSS  
GELx Denmark 2018  
GELx Denmark - Manufacturing - Industrial Products & Services 2018

This years' satisfaction and motivation results were very positive with a higher score than both the national level in Denmark, as well as the comparable industry group.

Our Employee Engagement Survey assists us in our efforts to continuously improve our workplace. Department-specific reports are provided to all departments with a minimum of five employees – or four employees if all employees have given permission. Managers share the reports with employees and discuss the next steps and actions to improve performance. Our objective moving forward will be to continue to maintain high levels of satisfaction and motivation in our company.



## Focusing on energy efficiency

Our environmental impacts are significantly different from many traditional, heavy manufacturing companies, as our production mainly consists of assembling, monitoring and testing instruments. Nevertheless, we are committed to reducing our energy footprint as much as possible. It not only benefits the environment; it also enables us to reduce our operating costs.

Climate conditions have a significant impact on our energy consumption, as much of our usage is from our offices and buildings. We use more energy to heat our offices when we experience particularly cold winters, and more energy for cooling during hot summers. In 2017, we invested 1.6 million DKK in outdoor shading devices in our Danish headquarters, which reduce 80% of the sun's heat from penetrating buildings, and reduce cooling for our offices. Denmark experienced its hottest summer in 2018, and the investment not only had a positive effect on energy usage, but also the work environment for our employees. We are

currently investigating the possibilities around LED lighting, shading devices, ventilation systems and solar energy in our ongoing construction project at our innovation centre.

Since 2015, our production site in Suzhou has been focusing on reducing energy consumption through conversion from fluorescent to LED lighting. Transitioning to LED lighting typically results in energy savings of between 56-68%. At present, our site has achieved a level of 99% LED lighting and expects to reach 100% in 2019.

In 2018, Suzhou experienced an increase in electricity consumption. Some of this can be attributed to the increased use of air-conditioning of our offices during the warmer summer months. Electricity usage was virtually unchanged compared to the previous year in Denmark although we did see an increase in gas usage. Overall energy usage benchmarked against 2013 is showing a positive trend.

## Total energy consumption at our production sites

	2013	2014	2015	2016	2017	2018
<b>Electricity (kwh)</b>	3,611,321	3,921,931	2,843,363	3,157,277	3,112,946	3,181,097
Ratio <sup>1</sup>		11%	-31%	-28%	-32%	-31%
<b>Heating (kwh)</b>	2,680,640	1,933,220	1,108,000	1,401,160	1,403,170	1,379,440
Ratio		-26%	-64%	-57%	-59%	-60%
<b>Oil (liters)</b>	19984	35487	26238	20479	25272	19098
Ratio		81%	15%	-15%	-1%	-25%
<b>Gas (Nm3)</b>	65556	34249	40946	50452	45897	56485
Ratio		-47%	-45%	-36%	-45%	-33%
<b>Turnover<sup>2</sup></b>	1,756	1,722	2,010	2,122	2,222	2,244

<sup>1</sup>The ration calculation is based on energy source/turnover with a 2013 baseline. A positive figure indicates an increase compared to 2013, a negative figure indicates a decrease.

<sup>2</sup>In million DKK





## Managing human and labour rights in the Supply chain

Our work with human and labour rights focuses primarily on our global supply chain, which poses the largest risk. The FOSS Supplier Code of Conduct, which is available in both English and Mandarin, is based on our own Sustainability policy and addresses a number of labour and human rights areas including forced labour, health and safety, child labour, salaries, freedom of association, and working hours. All suppliers must sign-off that they comply with our Code of Conduct, or produce documentation that demonstrates they have comparable policies and procedures in place.

In 2018, we produced our first Anti-Slavery and Human trafficking statement, which includes information on the steps we are taking to prevent Modern Slavery and other forms of exploitation occurring in our supply chain. We also include human and labour rights in our due diligence of suppliers, which is undertaken by our sourcing and quality teams. Non-compliance with our Supplier Code of Conduct can result in termination of the business relationship.

In 2019 we will be reassessing our supplier audit process to ensure we are targeting those areas in our supplier chain that pose the most risk of non-compliance with our Supplier code of conduct.

## Responsible Business Practice

At FOSS, it is imperative that we act in a uniform manner that is consistent with our values and principles. This is especially relevant when it comes to the area of business ethics. Our staff must act responsibly and professionally no matter where in the world they operate.

All of our employees must follow our Sustainability policy, which prohibits engaging in bribery as well as corruption, and provides guidance on areas such as gift-giving, entertainment, conflict of interest, political and charitable donations.

In 2018, we updated the FOSS Sustainability policy clarifying our position against facilitation payments. These payments, commonly referred to as “grease money”, are small amounts of money requested by government officials to speed up the performance of routine, non-discretionary services or actions, such as issuing a license or permit. What distinguishes these payments from governmental fees, or taxes, is that the money goes directly into the pockets of unscrupulous officials. In line with our zero tolerance stance against bribery in all its forms, we do not permit these payments to be made.

Specialised training is provided to those parts of the organisation that have customer interface, which is primarily the global Sales and Service teams. In the second quarter of 2019, we will begin rolling out our updated ethics e-learning program for those two functions. The course provides a deeper understanding of our Sustainability policy with a particular focus on business ethics. It also presents users with real-life ethical scenarios and tests their comprehension of the presented material.

To reinforce the importance of acting ethically the course is introduced by Peter Foss, the chairman of our board of directors.

## Meeting Customers' Sustainability requirements

FOSS is a member of SEDEX (Supplier Ethical Data Exchange), the world's largest platform for sharing responsible sourcing data on supply chains, used by more than 50,000 members in over 150 countries. As a member we are audited once every 2-3 years by a 3rd party auditor against criteria in the areas of labour rights, health & safety, the environment and business ethics. The standard audit format enables us to share the results with multiple customers to meet their supplier sustainability requirements.

As the SEDEX audit format is updated on a regular basis to meet legislation changes and best practice, it provides us with a valuable tool to gauge and improve our sustainability performance.



## The FOSS whistleblower system

Acting responsibly with integrity is critical to who we are as a company, and how we engage with stakeholders.



We have also embedded systems that underpin this belief. In 2018, we established a whistleblower system, which enables employees to raise concerns if they feel it is not possible to use normal reporting channels. The system allows employees to raise concerns on suspected violations of our values, policies and legislation.

As we are a multinational with employees across the globe, the system has been tailored so it enables reporting in over fifteen different languages. All reports are treated confidentially, and concerns can be raised anonymously if requested. Initially the system was only available for our employees, but in the latter part of the year, it was extended to external stakeholders, who are now able to report on suspected violations via our website.

Having a whistleblower system in place not only enables us to reduce risks to our company, it also shows our commitment to creating a transparent, open and positive work environment.



## The UN Global Compact Communication on Progress

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, we are committed to advancing the Compact and reporting our progress against the ten principles.



Human rights	
<b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights; and	Included in our Sustainability policy which is available on our website, and our support of sustainability initiatives (pages 6-7)
<b>Principle 2:</b> make sure that they are not complicit in human rights abuses	See our work with suppliers (page 11)
Labour	
<b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Part of our Sustainability policy and our work with suppliers (page 11)
<b>Principle 4:</b> the elimination of all forms of forced and compulsory labour;	Part of our Sustainability policy and work with suppliers (page 11)
<b>Principle 5:</b> the effective abolition of child labour; and	Part of our Sustainability policy and work with suppliers (page 11)
<b>Principle 6:</b> the elimination of discrimination in respect of employment and occupation.	Part of our Sustainability policy and work to create an inclusive workplace (page 8). Also part of our work with suppliers (page 11)
Environment	
<b>Principle 7:</b> Businesses are asked to support a precautionary approach to environmental challenges;	Part of our Sustainability policy and work with the environment (page 10)
<b>Principle 8:</b> undertake initiatives to promote greater environmental responsibility; and	See page 10
<b>Principle 9:</b> encourage the development and diffusion of environmentally friendly technologies	See pages 6 and 10
Anti-corruption	
<b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery	Part of our Sustainability policy See page 12: Our Ethical E-learning programme