



## Sustainability Report 2020



# CONTENT

CEO Statement	3
The FOSS Company	4
Our Sustainability work	5
Health and Safety in the workplace	6
Our Covid-19 response	6
Diversity and equal opportunities	7
Managing our environmental impacts	9
Monitoring human and labour rights in our supply chain	11
Reinforcing good ethical behavior	11
Improving our Sustainability performance through SEDEX	12
Our UN Global Compact Progress report	13

## CEO Statement

The past year has been a year no one could have foreseen or imagined. The global pandemic upheaval has forced us to adapt in a constantly changing environment. Technology is also playing an increasingly important role in our everyday lives with many people confined to their homes and working remotely. I am extremely proud of the way our teams are working through these challenging times and continue to collaborate across borders, in spite of lockdowns and stay at home restrictions. On a positive note, even though we still face uncertainty in the foreseeable future, things are beginning to look a bit more positive.

FOSS has not stood still over the past year. We have introduced new, innovative solutions on the market, and continue to invest in innovation. We are still firmly committed to our mission to contribute to the sustainable use of our planet's agricultural resources, and thus to the nutrition and health of the people of the world.

In addition to developing solutions that provide sustainable benefits for our customers, we are also committed to acting ethically and responsibly in our global operations. We are an active participant in the UN Global Compact, the world's largest corporate sustainability initiative, and I would like to state my continued support of this initiative. As an active member, we will uphold the Compact's ten universal principles in the areas of human and labour rights, the environment and anti-corruption. Our Annual Communication on Progress against the ten principles can be found at the end of this report.



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

Kim Vejlbj Hansen, CEO



## The FOSS Company

FOSS was founded in 1956 by Nils Foss and continues to be a family-owned company. From our facilities in Denmark, we have grown steadily over the years and are now a global company operating in a number of food and agricultural industries: Dairy, Feed and Forage, Grain & Oilseeds, Laboratories, Meat, Raw Milk Testing and Wine & Beer. FOSS helps optimise the use of food and agricultural resources across a number of industries around the world. We do so by enabling customers to run an intelligent, data-driven production, based on fast, easy-to-use and dedicated analytics. Always at the forefront of analytical technology development, FOSS provides a range of analytical solutions from laboratory instruments to at-line and in-line solutions. We have manufacturing, research and development facilities in Denmark, China, and Hungary. Solutions are sold and supported through FOSS' sales and service subsidiaries in 32 countries and by more than 75 distributors around the globe.

### Our People

FOSS employs more than 1,500 dedicated staff worldwide and our solutions provide a wealth of

data and sophisticated data analysis algorithms. Many FOSS employees have top-level scientific or technical backgrounds, including more than 20 PhDs in areas such as photonics, chemometrics, physical chemistry, analytical chemistry, fermentation and bio-engineering, astrophysics, optical communication, physics, quality, nanotechnology, food science and adaptive radiotherapy. We also employ many factory-trained and certified support engineers stationed close to our customers around the world.

### Facts and Figures

- In 2020, FOSS' Group turnover was 2,149 million DKK.
- Approximately 85% of milk and 80% of grain traded on the world market today is analysed using FOSS' solutions
- 10% of FOSS' turnover is reinvested in research and innovation
- FOSS has more than 100 patents and 20 world-first products
- FOSS is AAA-rated by D&B



## Our Sustainability work

In line with our mission to ensure the sustainable use of the world's valuable food resources by working with our customers, we also focus on sustainability in our own organisation. In 2012, FOSS became a signatory of the United Nations Global Compact, the world's largest corporate sustainability initiative. We have developed policies based on the Compact's ten principles in the areas of human rights, labour standards, the environment and anti-corruption. As an active member, we are committed to aligning our efforts with these principles and using the Compact as the framework in our efforts. Our focus areas are:

- 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 their environmental impacts
- Business ethics in the Sales and Service areas

A mandatory requirement for participation in the initiative is to produce an annual Communication on Progress (COP) against the principles, which can

be found at the end of this report. Our sustainability reports, sustainability policies, Supplier Code of Conduct, and our annual Modern Slavery statements are available on our website: <https://www.fossanalytics.com/en/about-foss/sustainability>

We also support the UN Sustainable Development goals. The most relevant for our work 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 at 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 2020 financial year.



## Health and Safety

Our employees are our most important asset and we take their wellbeing seriously. We are firmly committed to maintaining a healthy and safe workplace in our operations. Health and safety is an integral part of FOSS' values and our sustainability policy, and is available on our intranet portal and on our website. We also have dedicated teams at our production facilities responsible for this area. In Denmark, where the majority of our employees are located, we have five groups of employees and managers who are tasked with looking after the working environment, and who are responsible for acting on issues that may arise. We conduct internal audits at our sites regularly and develop action plans based on any findings. As a member of the SEDEX initiative, we also have 3<sup>rd</sup> party audits conducted at our sites. A key element of these audits is health and safety and any findings or observations are included in our internal audit procedures to assist us in continuously improving performance. As our production mainly

involves assembling and monitoring instruments, we do not have the types of incidents that occur in many manufacturing companies. Our biggest risks are relatively minor, such as sprains, falls, cuts, improper lifting, etc. In 2020, we had 11 accidents at our three sites, six of which required a visit to the hospital. None of these resulted in more than three days off from work. Ultimately, our goal is to have zero accidents during the course of the year. To ensure that we have a good mental working environment, we conduct regular employee engagement surveys (EES).

In 2019, we launched a program promoting health and wellness for staff in Denmark. A healthy lifestyle has a number of advantages and provides short and long-term benefits for our staff and for our company. Evidence shows that exercise is good for both mental and physical health and improves motivation and creativeness. The pandemic has resulted in many of our courses being put on hold, but we intend to start up the most popular initiatives in the future. These include cross training, yoga, Zumba, running classes and access to a nutritionist.

## Our Covid-19 response

Over the past year, our most important health & safety priority has been managing Covid-19 and taking the measures necessary to keep our staff and customers safe. Global guidelines have been developed regarding hygiene and social distancing to minimise the risk of infection when attending work. In addition, business travel restrictions have been put in place as well as instructions around testing and quarantining when returning from travelling. We have explicitly communicated that employees should stay home if they have a fever or dry cough, and not to return to work until they are symptom-free and have obtained a negative result on a Covid-19 test. The pandemic



requires both a global and national response and our local management teams are responsible for following country requirements. Our efforts at both levels have been guided by FOSS' principles and values with employee safety as our first priority.

The pandemic has also resulted in many of our staff working from home, depending on the Covid-19 situation in their country. Not only has it been necessary to ensure that our employees have the technology to work effectively, but it has also been important to keep staff engaged and connected through virtual meetings and check-ins. During the period of 17-26 June 2020, we conducted a global survey of employees to gauge how effective they were during the pandemic and how satisfied they were with our response to Covid-19. Employees rated our response to the pandemic at 8.6 on a scale from 1-10, and over 80% stated they worked the same, more effectively, or much more effectively during the pandemic.

## Diversity and equal opportunities

At FOSS, we believe that all employees and applicants for open positions should be treated equally. Our sustainability policy guarantees equal rights for all employees regardless of ethnicity, gender, religion, and sexual orientation in regards to recruitment, advancement, job training and salary. Our policy clearly states that discrimination and harassment will not be tolerated - it goes against our values and what we stand for as a company. We feel it is important to have a workforce with different perspectives and competencies as well as insight into the markets we operate in. We believe that people should be judged on their merits and the profile for the position they are applying for. In the career section of our website, we ensure that female staff, and staff with different nationalities are featured prominently, and include information on our position on equal opportunities. Our aim is to select the best-qualified person for every



open position in our company. If employees feel they have been discriminated against, we encourage them to contact their manager. If that is not possible, then employees also have the option of using our whistleblower system.

FOSS is truly a global company and we attract staff from across the globe. We have 46 nationalities working together globally and 25 nationalities represented in Denmark. At FOSS, we want our staff to reflect the society we operate in. However, we do face challenges in regards to gender and advancement in Denmark, where 40% of our employees are located. Historically, men have dominated many of the fields and disciplines that are in demand in our sector. Hence, in regards to advancement, this has skewed the talent pool. Times are changing and more women are entering engineering and technical studies and this will result in more diversity in the candidate pool for managers. In 2019, women made up roughly 50% of new hires and a female filled every fourth people manager position over the past year. We also strive to have at least one female candidate

in the final selection process for open positions. Our ambition is that internal candidates fill 50% of all leadership positions at FOSS. We also have a number of initiatives taking place in leadership development such as mentoring and coaching. We intend to continue those in the future.

At FOSS, our ambition is to be a great workplace, attracting and retaining talented people. To live up to that ambition, we measure satisfaction, motivation and other drivers in our annual Employee Engagement Survey (EES). We use the survey to listen to feedback on how we can make FOSS an even better place to work on a continued basis. Our goal this year was to maintain the same high engagement score as last year, which we achieved. This indicates that we have very high motivation and satisfaction amongst employees across the organisation.



## Managing our environmental impacts

At FOSS, we use management systems to address risks, improve performance, and create an environment of continuous improvement in our company. It was therefore a natural step to initiate the process of implementing ISO 14001 environmental management systems in our company. We believe this will assist us in identifying environmental risks, anchor sustainability in our organisation, demonstrate our commitment to the Sustainable Development goals and reduce environmental impacts. In addition to strengthening our work in the sustainability area, it will also enable us to better meet stakeholder expectations and customer requirements, as well as comply with legislation in the countries where we operate. The goal is that our production facilities in Denmark and China become certified in 2021. Our Suzhou factory in China is well on the way with implementation, and their focus areas are waste,

hazardous waste, water consumption, electricity consumption, noise emissions, the environment and safety.

At FOSS, we have a strong focus on reducing our energy usage in our production facilities. Most of our usage is in Denmark where the majority of our employees are located. Unlike many companies, we do not have heavy manufacturing processes. A significant amount of our energy usage is from heating and electricity, for example, to cool and heat our facilities in the winter and summer months. We do take measures to reduce our energy consumption, and every third year we have an energy audit conducted of our facilities in Denmark to meet the EU energy directive. The audit assesses potential energy savings in our buildings, processes and transport.

In 2020, a number of initiatives were undertaken. During the renovation of our meeting rooms in our Slangerupgade building, we switched to LED lighting. We also switched to LED lighting in the reception area. This should result in annual cost savings of DKK 10,000 and a reduction of 2 tons of CO<sub>2</sub>.

### In 2021, our plans are to:

- Adjust the ventilation operating times in our production area. We estimate this will result in annual savings of DKK 25,000 / 8 tons of CO<sub>2</sub>
- Raise the temperature up to the allowable limit in our computer server rooms. We estimate this will result in annual cost savings of DKK 10,000 / 3 tons of CO<sub>2</sub>
- Review ventilation operating and down times in our main building. We have identified potential savings of DKK 10,000 / 3 ton CO<sub>2</sub> annually
- Clean the hot water tank and install energy-saving controls for existing spheres. Estimated annual savings are DKK 15,000 / 1 ton CO<sub>2</sub>

## Total energy consumption at our production sites<sup>1</sup>

	2013	2014	2015	2016	2017	2018	2019	2020
<b>Electricity (kWh)</b>	3,611,321	3,921,931	2,843,363	3,157,277	3,112,946	3,181,097	3,346,622	3,250,325
Ratio <sup>2</sup>		11%	-31%	-28%	-32%	-31%	-24%	-26%
<b>Heating (kWh)</b>	2,680,640	1,933,220	1,108,000	1,401,160	1,403,170	1,379,440	1,313,150	1,198,730
Ratio		-26%	-64%	-57%	-59%	-60%	-60%	-63%
<b>Oil (litres)</b>	19,984	35,487	26,238	20,479	25,272	19,098	21,965	19,997
Ratio		81%	15%	-15%	-1%	-25%	-10%	-18%
<b>Gas (Nm3)</b>	65,556	34,249	40,946	50,452	45,897	56,485	80,890	73,790
Ratio		-47%	-45%	-36%	-45%	-33%	+1%	-8%
<b>Turnover (MDKK)</b>	1,760	1,722	2,010	2,122	2,226	2,243	2,155	2,149

Like many companies, the Covid-19 pandemic has had an impact on our energy consumption. Although our production in Denmark was operational, some administrative staff in that area worked from home.

In our main office building, staffing varied from 20% to 100% over the year depending on the Covid-19 situation. This factor should be taken into consideration when reviewing the annual data.

## Reducing costs and scrap waste

We are reducing costs to our customers as well as scrap metal waste through our global exchange part policy. The primary objective of the policy is to reduce customers' total cost of ownership of FOSS solutions by offering exchange repairs of selected parts. The exchange offering consists of a reduced price for refurbished parts (exchange) and a buyback of faulty parts (return). The customers' net cost is the difference between the exchange and the return part. All FOSS warranty repairs must use an exchange part if possible. Our pricing policy has also been revised to increase the incentive to use the exchange offering and reduce scrap cost. Our goal is to have zero exchange on stock at the end-of-service agreements. If stocks of exchange are exhausted, then only new parts will be offered until the end of the service agreement. Through this program, we have been able to avoid sending 4,500 units to scrap over the past year.

<sup>1</sup>Energy costs for our Softflow operation, which employs 75 people, are not available as they are included in the rental agreement of the building. Data will be provided when Softflow relocates to new premises, which is expected to be at the end of 2021.

<sup>2</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.



## Monitoring human and labour rights in our supply chain

Our work in the human and labour rights space is primarily focused on our supply chain, which we have assessed to pose the biggest risk. The starting point of our work with our suppliers is our Supplier Code of Conduct, which is based on our own sustainability policy. It covers areas such as health & safety, labour rights, working hours, freedom of association, remuneration, child labour and forced labour. All FOSS suppliers must sign off on our Supplier Code of Conduct or provide evidence that they have comparable policies in place. Suppliers shall also take prompt action to rectify any breach of our Supplier Code of Conduct. If breaches are not rectified, we reserve the right to terminate the business relationship. In 2020, a meeting was held with key procurement and sourcing personnel to discuss geographical areas in the supply chain that pose potential human and labour rights risks. It was agreed that moving forward, we will be including criteria in our audit procedures of those suppliers where there may be human and labour

rights concerns. When conducting supplier audits, we will be using best practice based on international supply chain ethical initiatives and standards.

## Reinforcing good ethical behavior

As a company with long-term partnerships with customers, our reputation is critical to the success of our business. It is essential that our staff acts ethically in business dealings across the globe. To ensure that our employees understand our position on ethics, we have developed a business ethics policy, which is an integral part of our overall sustainability policy. The policy covers areas such as bribery, gift-giving, entertainment, conflicts of interest, political and charitable donations. The policy is available on our intranet portal and website, and is communicated in our Supplier Code of Conduct. We also have a whistleblower system, which enables employees and external stakeholders to report on any violations of our policies.

The area in our business that we have assessed could have potential risks in regard to business ethics, is staff with customer interface. To address those risks, we have developed an ethics e-learning program for our employees in the Sales and Service areas. Employees in those departments with customer interface are required to participate in FOSS' e-learning training on ethics. They are also required to retake the course after two years. Our first e-learning module was released in 2016.

Our second module was rolled out in 2019 and introduced by our board chairman, Peter Foss, who emphasised the importance of acting ethically. As in the earlier version, the module included information on our sustainability policy, customer requirements and our whistleblowing system. The course introduced participants to real-life ethical business dilemmas with a checklist provided as guidance on which action should be taken. The course concluded with a quiz to assess the participants' comprehension of the material. Our objective was to reach a global completion rate of 95% by the end of 2019. By the end of the year, we had surpassed that goal. Over the past year, we have been keeping abreast of new developments in the business ethics area as well as customer requirements. These will be incorporated into our new updated e-learning module, which will be rolled out in 2021.

## Improving our Sustainability performance through SEDEX

The SEDEX (Supplier Ethical Data Exchange) supply initiative is a collaborative platform that enables members to share data and information on sustainability performance in the areas of health and safety, labour rights, the environment and business ethics with key customers. With more than 60,000



members, the platform helps improve working conditions in global supply chains.

FOSS has been a supplier member since 2013, and every 2-3 years, our production facilities are audited by an independent 3<sup>rd</sup> party against the best-practice SEDEX criteria. The audit includes a visual inspection of our production, a documentation review and interviews with managers and workers. Since our first audits in 2013, we have seen a significant improvement in our performance. In 2020, our three production sites: Denmark, China, and Hungary were audited. Only two non-compliances were found, and they were quickly addressed and closed.

In addition to the 3<sup>rd</sup> party audits, we also use the standardised audit format in our own internal audits. As the measurement criteria is updated regularly, it also enables us to compare our results against best practice in the sustainability area.

## Our UN Global Compact Progress report



UN GLOBAL COMPACT

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.**

<b>Human rights</b>		
<b>Principle 1:</b>	Businesses should support and respect the protection of internationally proclaimed human rights; and	See our Sustainability policy on our website: <a href="https://www.fossanalytics.com/">https://www.fossanalytics.com/</a>
<b>Principle 2:</b>	Make sure that they are not complicit in human rights abuses.	See pages 5,6,7,8 and 11
<b>Labour</b>		
<b>Principle 3:</b>	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	See pages 5,6,7,8 and 11
<b>Principle 4:</b>	the elimination of all forms of forced and compulsory labour;	See our Sustainability policy, page 11, and Modern Slavery statement on our website.
<b>Principle 5:</b>	the effective abolition of child labour; and	See our Sustainability Policy and page 11
<b>Principle 6:</b>	the elimination of discrimination in respect of employment and occupation	See our Sustainability Policy and pages 7 and 8
<b>Environment</b>		
<b>Principle 7:</b>	Businesses should support a precautionary approach to environmental challenges;	See our Sustainability Policy and pages 9 and 10
<b>Principle 8:</b>	Undertake initiatives to promote greater environmental responsibility; and	See our Sustainability Policy and pages 9 and 10
<b>Principle 9:</b>	Encourage the development and diffusion of environmentally friendly technologies.	See our Sustainability Policy and pages 9 and 10
<b>Anti-corruption</b>		
<b>Principle 10:</b>	Businesses should work against corruption in all its forms, including extortion and bribery.	See our Sustainability Policy and pages 11 and 12