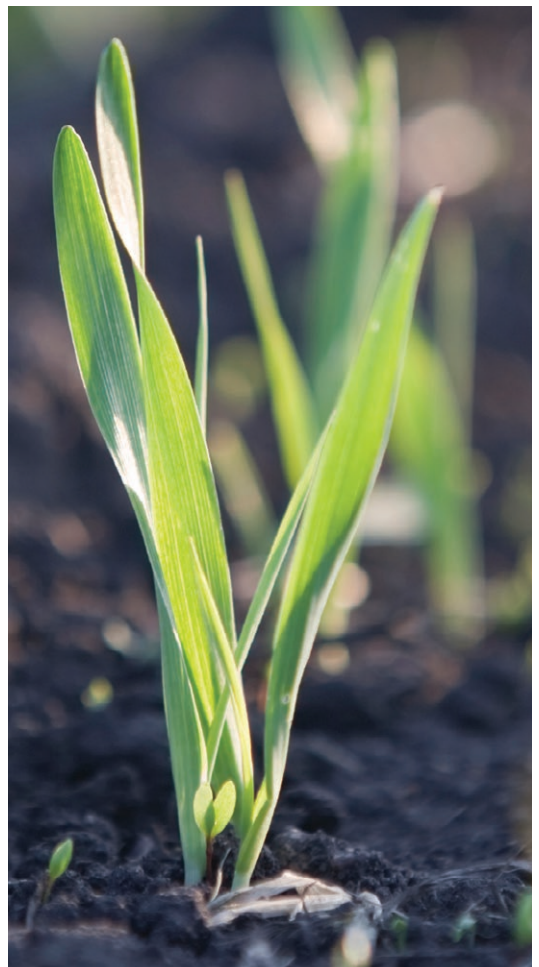
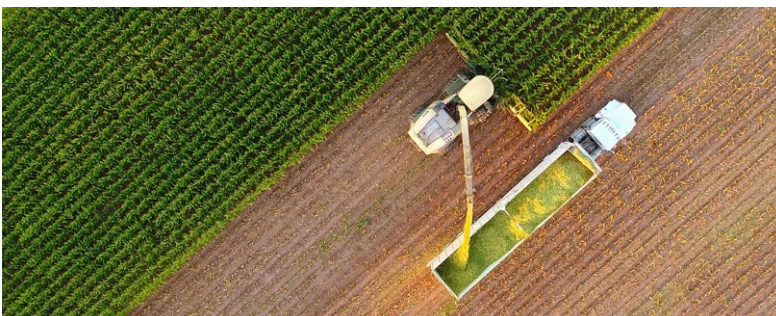


# Sustainability Report 2021







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## CEO Statement

Technology plays an increasingly important role in addressing challenges related to the environment and to sustainability. FOSS has been developing innovative solutions that enable customers to reduce environmental impacts and costs for years. We are a market leader in this area and see tremendous opportunity in how data, artificial intelligence and digital solutions can help our customers produce safer, more nutritious, and better-quality food, while using the world's resources in a more responsible way. Our innovative solutions have a global impact, and we are in a unique position to assist our customers in meeting both their sustainability objectives and their financial objectives. In short, FOSS makes sustainability a better business while improving food quality.

In addition to assisting our customers in meeting their sustainability goals, we understand that we have an obligation to act ethically and responsibly in our global operations. We are active members of the United Nations Global Compact, the world's largest sustainability initiative. I would like to state our commitment to this initiative and its ten principles in the areas of human and labour rights, the environment and business ethics. Our Communication OnProgress (COP) against the ten principles can be found at the end of this report.



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

Kim Vejlby Hansen, CEO





## Facts and Figures

- In 2021, the FOSS Group turnover was 2,297 million DKK and the N. Foss & Co. Group turnover was 2,584 million DKK
- Approximately 85% of milk and 80% of grain traded on the world market today is analysed using FOSS' solutions
- 10% of turnover is reinvested in research and innovation
- More than 100 patents and 20 world-first products
- AAA-rated by D&B
- 99% of FOSS' business is generated outside of Denmark

## Who we are

FOSS was established in 1956 by Nils Foss and remains a family-owned company. FOSS has grown significantly over the years and is now a leading global provider of analytics for the food and agricultural industries. We help producers maximize the value of their production while making the best possible use of valuable natural resources. Our analytics measure parameters such as the level of protein in dairy products, scan meat to determine fat contents and check for unwanted objects such as bone splinters. They measure sugar levels in grapes, moisture in grain, and help decide whether a cow gets the right feed, is healthy, and produces good and nutritious milk. FOSS is at the forefront of analytical technology development and provides a range of analytical solutions from laboratory to at-line and in-line solutions. FOSS helps optimize the use of food and agricultural resources around the world. We do so by enabling customers to run intelligent data-driven production, based on fast, easy-to-use and dedicated analytics. Our solutions provide a wealth of data and sophisticated data analysis algorithms, that we in total call "SmartAnalytics".

FOSS operates in several food and agricultural industries including: Dairy, Feed & forage, Grain & Oilseed processing, Laboratories, Meat, Raw Milk Testing and Wine & Beer. 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 has a staff of over 1650 employees around the world, many of whom have high-level technical and scientific backgrounds, including more than 60 PhDs in areas such as photonics, chemometrics, physical chemistry, analytical chemistry, fermentation and bioengineering, 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.



## FOSS' sustainability program

In addition to developing solutions that provide sustainable benefits for our customers, we also take action to address our own impacts. FOSS has been a member of the UN Global Compact, the world's largest sustainability initiative, since 2012. As a member we are committed to aligning our sustainability efforts with the Compact's ten principles in the areas of human rights, labour standards, the environment and business ethics. Using the Compact as a framework, we have identified the following focus areas for our company:

- Health and safety of employees
- Human and labour rights particularly in the supply chain
- The environment with a focus on our own footprint and enabling customers to minimise their environmental impacts
- Business ethics in the Sales and Service areas

As a member of the UN Global Compact, we are required to publish an annual Communication on Progress (COP) report against the ten principles, which can be found at the end of this report. It will also be uploaded to the Compact's website. 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.

For more information on our Sustainability policies, previous reports, our Supplier Code of Conduct, Modern Slavery statements, and our contribution to the Sustainable Development goals, please visit: <https://www.fossanalytics.com/en/about-foss/sustainability>

This report fulfils our Danish legislative and UN Global Compact reporting requirements and covers the 2021 financial year.



## A healthy and safe environment

At FOSS, we have a strong focus on ensuring a safe and healthy workplace for our employees. It is an important part of our Sustainability policy and what we stand for as a company. We have dedicated teams in our production facilities responsible for this area and ensure that training and protective equipment is provided to employees. All staff are required to follow company health and safety procedures, as well as appropriate national legislation, and ensure that contractors follow procedures on FOSS premises. We conduct internal health and safety audits at our three sites in Denmark, Hungary and China and have independent third party SEDEX audits conducted every 2-3 years. Any identified health and safety findings are incorporated into our corrective plans to assist us in continuously improving our performance.

FOSS' production mainly involves assembly, testing and configuration of instruments and is thus not subject to the same health and safety risks as many other companies. Our biggest risks are relatively minor, such as sprains, falls, cuts, improper lifting, etc. In 2021, we had a total of 12 accidents at our three sites, three of which required a visit to the hospital with one resulting in two days absence from work. Ultimately, our goal is to have zero accidents across our sites.

Much of FOSS' focus over the past year has been on reducing Covid-related risks to our employees. All subsidiaries follow the guidance provided by the health authorities in their respective countries such as social distancing, wearing masks, testing etc. In Denmark, a voluntary survey on the uptake of vaccinations was conducted for employees, which showed that out of the 70% of our employees who participated in the survey, 98% stated that they had



been vaccinated. Due to Covid-related risks, our wellness activities in Denmark, such as yoga, cross-training, etc. were put on hold, but were restarted in the second half of the year.

To ensure that we have an environment conducive to good mental health, we conduct regular employee engagement surveys (EES). In 2021 we reached index 76 in satisfaction and motivation which is above the weighted benchmark of 75.

## Minimising our environmental impacts

The implementation of environmental management systems provides a number of benefits to companies. For example, they assist businesses in managing waste, raw materials, resources, environmental risks, impacts and costs. They also enable companies to demonstrate their commitment to sustainability initiatives such as the UN Global Compact and the Sustainable Development goals, as well as meet customer expectations, and legislative requirements in the countries where they operate.

In 2020, we began the process of integrating ISO 14001 environmental systems into our production facilities. Our energy consumption and risks are different from many companies as our production entails assembling, monitoring, and testing instruments, rather than heavy manufacturing. A large percentage of our energy consumption and environmental risks come from the heating and electricity of our buildings, and climate conditions have a significant effect on our impacts. We use more energy in colder months for heating offices and buildings, and for cooling in the summer months.

To address and minimise these impacts and risks, we are in the process of implementing environmental management systems in our operations. In 2021, the ISO 14001 system was implemented in our Suzhou site in China and our focus areas there are: waste, hazardous waste, water consumption, electricity consumption and lab exhaust emissions. Our site in China only uses electricity and water as energy sources.

Our facilities in Hungary are mainly chemistry, microbiology, hardware, and software labs. The

premises have, until recently, been rented and energy has been included in the rental fee. We have recently constructed our own facilities, so in the future we will be reporting on energy usage and energy-saving initiatives for those premises.

FOSS' facilities in Denmark house 40% of total staff and accounts for the majority of our company's energy usage. As FOSS has expanded efforts have been made to ensure that new buildings are as energy efficient as possible. For example, we have installed 580 m<sup>2</sup> of solar cells on the roofs of our Innovation Centre, which generate 105 KW of electricity, as well as outdoor sun shading devices on the building facade to keep our buildings cool in the summer. Every three years, energy consultants conduct an audit of our facilities to meet the EU Energy directive requirements. The audit is an assessment of our energy usage and includes buildings, processes, and transportation. The results assist us in identifying areas in which there are opportunities to reduce energy costs and impacts. Our goal is to begin the process of ISO 14001 implementation in Denmark in 2022/2023, which will assist us in further reducing environmental risks and costs.

### Total Energy Consumption in 2021

|                          | 2013      | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <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 | 3,427,665 |
| Ratio                    |           | 11%       | -31%      | -28%      | -32%      | -31%      | -24%      | -26%      | -27%      |
| <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 | 1,344,740 |
| Ratio                    |           | -26%      | -64%      | -57%      | -59%      | -60%      | -60%      | -63%      | -64%      |
| <b>Oil (litres)</b>      | 19,984    | 35,487    | 26,238    | 20,479    | 25,272    | 19,098    | 21,965    | 19,997    | 25,482    |
| Ratio                    |           | 81%       | 15%       | -15%      | -1%       | -25%      | -10%      | -18%      | -3%       |
| <b>Gas (Nm3)</b>         | 65,556    | 34,249    | 40,946    | 50,452    | 45,897    | 56,485    | 80,890    | 73,790    | 91,961    |
| Ratio                    |           | -47%      | -45%      | -36%      | -45%      | -33%      | +0.01%    | -8%       | +0.07%    |
| <b>Turnover</b>          | 1,756     | 1,722     | 2,010     | 2,122     | 2,222     | 2,244     | 2,155     | 2,149     | 2,297     |

The ratio 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. Turnover is in million kroner.



## Improving our sustainability performance

FOSS strives to continuously improve efforts in the sustainability area by measuring our performance against best practice. FOSS is a member of the Sedex (Supplier Ethical Data Exchange) initiative which enables companies to share information in the areas of health & safety, labour rights, the environment and business ethics. More than 60,000 businesses in over 150 countries use Sedex to improve business practices and working conditions in global supply chains. FOSS has been a member since 2013 and every 2-3 years our production facilities are audited by a third party against the Sedex best practice criteria. As the criteria are updated on a regular basis, they enable us to continuously gauge performance against sustainability best practice.

FOSS' intention is to also join Ecovadis by the beginning of 2023. Ecovadis provides evidence-based sustainability ratings on how well companies have integrated sustainability into their operations. It evaluates areas such as the environment, labour & human rights, business ethics and sustainable procurement. It is the world's largest provider

of business sustainability ratings, with a global network of more than 75,000 rated companies. The evaluation of FOSS as a company will be used to measure how our systems and processes compare against the industry benchmark, and will be incorporated into our sustainability programme.

## Acting with integrity

Our reputation is critical to the success of our company and engaging in unethical behaviour could cause irreparable damage to our reputation and jeopardize relationships with a variety of stakeholders, including customers. Our business ethics policy clearly states our position on areas such as bribery, facilitation payments, entertainment, gift-giving, conflicts of interest, charitable and political donations. Our policy is available on our intranet, website, and communicated internally to our staff.

Our Sales and Service departments have been determined to hold potential risks, seeing as they have the most customer interaction. Employees in these areas are required to take the FOSS e-learning training on ethics. The course introduces participants





to real-life ethical business dilemmas with a checklist provided as guidance on which action should be taken. The course concludes with a quiz to assess the participants' comprehension and the course must be retaken at least once every three years. In addition to the ethics training, we have a whistleblowing system which enables employees and external stakeholders to report on any violations of our policies. No issues have been raised over the course of the past year regarding business ethics. Our intention is to update our ethics e-learning programme in the future.

## Labour risks in the supply chain

In past years, there's been an increasing demand on companies to take responsibility for exploitation

and poor working conditions within their supply chains. Due to this, several countries have introduced reporting requirements that affect global companies such as FOSS.

FOSS' supplier code of conduct is the starting point of our work to mitigate labour and human rights risks in our supply chain. The code of conduct is based on the ten principles of the UN Global Compact and covers areas such as health and safety, labour rights, working hours, freedom of association, remuneration, child labour and forced labour. All FOSS' suppliers must sign off on the code of conduct or provide evidence that they have comparable policies and systems in place. Our code also requires suppliers to take immediate action to rectify any potential breaches.

In 2020, a workshop was held with key procurement and sourcing personnel to discuss an approach to addressing risks in our supply chain. Most of FOSS' suppliers are based in Europe and the Americas where there is less risk than in other geographical areas. It was agreed that moving forward, we would assess and audit potential at-risk suppliers using best-practice tools such as the Sedex criteria and the Global Slavery index. This work has been delayed due to Covid-19, but our intention is to start this process when it is deemed safe to travel again.

## A diverse and inclusive workplace

At FOSS, we want to cultivate and maintain a truly diverse and global workplace, in which people feel welcome, valued, and respected. We believe that diversity provides real value for our company and gives us a competitive advantage by providing us with new perspectives and valuable insights into



the markets we operate in. Our sustainability policy clearly states that all employees, and candidates applying for jobs at FOSS, must be treated equally in regard 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.

FOSS is very much a global company and we have about 46 nationalities working together around the world. The composition of our staff in Denmark has changed over the years, and we now have about 25 nationalities represented in FOSS Innovation Centre. In 2021, women represented around 40% of new hires and we strive to have at least one female candidate in the final selection process for open positions. At present, 23% of people managers are women, and we expect that number to increase because of our leadership programs. FOSS' position on equal opportunities also extends to the board level. We select the best candidates

based on their experience, knowledge, and the skills they can bring to the position regardless of race, gender, age, ethnicity, sexual orientation, etc. The target is to have a board composition of 15% of the underrepresented gender, at present that figure is slightly above 16%.

## Cultivating leaders within our organisation

At FOSS, we want our employees to achieve their ambitions within the company. Our goal is to fill 50% of all leadership positions with internal candidates. Supporting as much internal growth as possible is an anchored part of our strategy. To achieve this, we have developed tailored leadership programs to provide opportunities for employees with leadership potential and aspirations.



## Leadership Aspire

Leadership Aspire is FOSS' talent development program for employees with people manager potential. All candidates are recommended by their managers, and Corporate Management makes the final selection. 'Aspire' is tailored to the candidates' specific development needs and the purpose is to gain insight into individual strengths, development areas and potential blind spots in terms of leadership. The course provides clarity on motivation for moving into leadership and develops participants skills to be prepared for their first people manager position. The program runs on a yearly basis.

## Leadership 'LEAP'

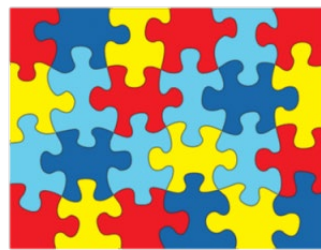
Leadership Leap is FOSS' talent development program for people managers with director or vice president potential. It's an individual, tailor-made program that assesses candidates' readiness for the next level of leadership, and trains participants in maximising their leadership strengths and developing the areas that need support in order to move forward. This program has a duration of approximately six months.

### DIVERSITY



Representation of various identities and differences

### INCLUSION



Effort to create environments to respect and value all people

### EQUALITY




Fair and equitable treatment, access, and opportunity

We're aware that diversity, equality, and inclusion can be defined differently from culture to culture, and we want to make sure that we're not overlooking aspects that might be of great importance to our colleagues around the world. Over the past year, presentations have been held and anonymous surveys sent out to our

employees to get their views and opinions on equality, inclusion and diversity. The information we receive will feed into our work to ensure that FOSS is a great place to work and to provide an understanding of what we are doing right and what we can improve.

## Our UN Global Compact Progress report



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.

| Human rights         |  |  |
|----------------------|--|--|
| <b>Principle 1:</b>  | Businesses should support and respect the protection of internationally proclaimed human rights; and                     | Part of our Sustainability policy and our work with suppliers. See pages 3,5 and 9     |
| <b>Principle 2:</b>  | Make sure that they are not complicit in human rights abuses.  | Part of our Sustainability policy and our work with suppliers. See pages 5 and 9       |
| Labour rights        |  |  |
| <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. See pages 3,5 and 9     |
| <b>Principle 4:</b>  | the elimination of all forms of forced and compulsory labour;  | Part of our Sustainability policy. See pages 3, 5 and 9                                |
| <b>Principle 5:</b>  | the effective abolition of child labour; and   | Part of our Sustainability policy. See pages 3, 5 and 9                                |
| <b>Principle 6:</b>  | the elimination of discrimination in respect of employment and occupation  | See pages 5,9 and 11   |
| Environment          |  |  |
| <b>Principle 7:</b>  | Businesses should support a precautionary approach to environmental challenges;  | Part of our Sustainability policy and our work with the environment. See pages 6 and 7 |
| <b>Principle 8:</b>  | Undertake initiatives to promote greater environmental responsibility; and   | See pages 6 and 7  |
| <b>Principle 9:</b>  | Encourage the development and diffusion of environmentally friendly technologies.  | Part of our policy. Also see pages 6 and 7   |
| Anti-corruption      |  |  |
| <b>Principle 10:</b> | Businesses should work against corruption in all its forms, including extortion and bribery.                             | See page 8   |