

FOSS

**SUSTAINABILITY
REPORT 2017-2018**

ANALYTICS BEYOND MEASURE

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CEO Statement

Our world is changing rapidly and technology will have a profound impact on our generation, as well as the generations to come. This technological revolution will present challenges and opportunities for a number of business sectors, including the food and agricultural industry.

Vast amounts of data are available to food and agricultural companies, and we help them understand how that data can assist them in making informed business decisions. Our analytical solutions enable measurements for information management that enable customers to run intelligent data-driven production with less waste, better quality, bigger yields, and more optimal use of raw materials. In short, we help our customers become more sustainable by using intelligent information management.

We also believe that it is important to act ethically and responsibly in our own global operations. We are proud to be part of the UN Global Compact, the world's largest sustainability initiative, which we joined in 2012. We will continue to support the initiative and embed the ten principles into our business. Our report on progress against the ten principles in the areas of human rights, labour, the environment and business ethics can be found at the end of this report.



A handwritten signature in blue ink that reads "Kim Vejlby H". The signature is stylized and written in a cursive-like font.

Kim Vejlby Hansen, CEO



Our Company at a glance

- A 100% family-owned company – Headquartered in Denmark
- 98% of turnover outside Denmark
- More than 1400 employees worldwide
- Manufacturing, research and development facilities in Denmark, Hungary and China
- FOSS sales and service companies in 28 countries and more than 75 distributors
- A turnover of 2,226 million DKK in 2017
- AAA-rated by D&B
- More than 10% of turnover invested in R&D
- More than 100 patents and 20 world first introductions

Analytics beyond measure

It is projected that by 2030 the world's population will grow to 9 billion people, the middle class with double in size, and there will be an increasing demand for food of consistent and safe quality. In this world of declining resources and increasing population, production needs to be more efficient and produce less food waste. Intelligent information management has a critical role to play in this environment.

We have been developing analytical solutions for the food and agricultural industry since FOSS was founded in 1956. We pioneered advanced analysis for the production environments in the 1960's, and we were the first to integrate chemical composition analysis in process lines. We are now in a leading position in the fields of chemometrics and real time analytics.

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 the Industry's best Analytics, which add value to our customers by improving quality and optimising food and agricultural production



Preparation of this report

FOSS is a signatory of the UN Global Compact and we use the framework as the foundation of our sustainability program. Using the UN Global Compact as a starting point, we have identified the following key areas, which are 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 energy usage
- Business Ethics in the Sales and Customer Sales & Support areas

We also refer to a number 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 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 2017 financial year.

Health and Safety at work

FOSS is committed to ensuring that employees have a safe working environment. It is an important element of our CSR/Sustainability policy and we have dedicated teams monitoring safety risks at both our production sites. New employees receive a workplace risk evaluation in the production area and the FOSS portal provides information on first aid, emergency plans, and the H&S organization.

In October 2017, FOSS quality personnel conducted a review of health and safety systems and procedures at both production sites. Action plans were developed post-audit with designated responsibilities to close any findings or observations.

In our hardware and software labs in Denmark, work tasks have changed in line with the development of new products. Due to these changes, we invested in a new process ventilation system. The twenty point system ensures that unhealthy substances such as dust, fumes, etc. in the labs are extracted as close to the source as possible.

As the tasks performed in our production facilities mainly involve assembling and testing instruments, we do not have the types of injuries or environmental impacts that occur in large, heavy manufacturing facilities. The incidents that occur at our facilities are minor injuries such as strains, slips, cuts, etc. There were only five injuries that required time off work in 2017. Only one incident required more than three days absence.

A diverse and inclusive work environment

As a multinational with roughly 1400 employees based around the world, it is important to have an international staff that reflect our business environment. Having a diverse workforce with cross-cultural knowledge, perspectives and competencies provides real benefits to our business.

At FOSS, we are committed to fostering an inclusive workplace where employees are judged solely on merit. Our CSR/Sustainability policy, which is based on the UN Global Compact, clearly states that discrimination and harassment will not be tolerated in our company. Our policy guarantees equal treatment in regards to recruitment, advancement, job training and salary. All FOSS employees shall have the same opportunities regardless of gender, age, race, ethnicity, sex, religion, and sexual orientation.

In our efforts to create a diverse and inclusive workplace, we are taking a number of steps to increase the composition of females and non-Danes at our headquarters. We ensure that both groups feature prominently in recruitment photos and videos, which are in English, and stress our commitment to equal opportunities in recruitment and advancement. In 2017, roughly 12% of new employees in Denmark had a non-Danish background and 41% were female.

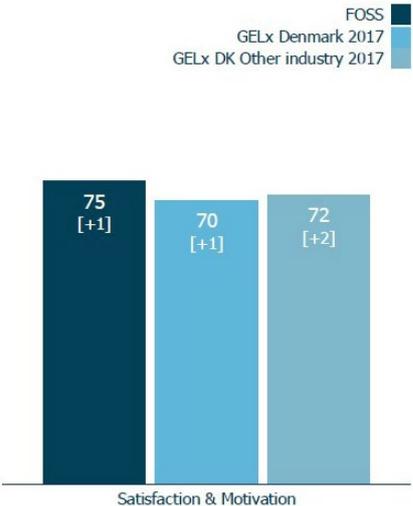
Our Human Resource personnel are involved in critical stages of the employment process to ensure our equal opportunities policy is adhered to, and our goal is to have at least one female candidate in the final selection process, if they have the necessary qualifications for the position. All employees leaving the company receive an exit interview questionnaire and

are provided with the opportunity to give honest and frank feedback on why they are leaving the company. No cases of discrimination were raised during this process over the past year.

Highly motivated and engaged staff

Having a highly motivated and satisfied workforce is critical to the success of our company. That is why we regularly conduct surveys to monitor employee satisfaction and motivation. The responses provide us with an indication as to how happy employees are in their working environment, as well as how well-managed FOSS is as a company. The results also assist us in identifying action areas in our drive for continuous improvements.

All FOSS employees were invited to participate in the 2017 Employment Engagement Survey (EES), which had a response rate of 93%. As in previous years the Satisfaction, Motivation and Loyalty of employees was measured and benchmarked against the Global Employee and Leadership Index (GELx). This model provides an overall description of how employees perceive their work and the driving factors that influence employees' assessments.



The overall 2017 results (shown in the diagram above) show an increase in Satisfaction and Motivation for the sixth consecutive year, with an increase of one index point overall compared to the 2016 EES survey. In comparison to the results in this year's GELx results, FOSS performed above the national level in Denmark as well as the comparable industry group.

We are very happy with the results, which place us in the "High Satisfaction & Motivation Category" and the fact that the majority of parameters that contribute to employee satisfaction and motivation have improved. Our goal moving forward will be to maintain this high level of performance.

The EES will continue to be an important tool in identifying challenges and positive trends on the corporate, departmental and team levels. The results are now being communicated and interpreted across the organisation. Our HR business partners will be providing input and support to various parts of the business in the development of action plans and lifting any lower scores.

Reducing Energy usage

Although we may not have a large environmental impact compared to other traditional production companies, we do have dedicated teams at both our production facilities responsible for identifying energy-saving initiatives, which result in both cost savings and environmental benefits.

The biggest environmental impact we have in our company is energy consumption, and much of this comes from maintaining a comfortable thermal temperature in our buildings. Weather conditions have a significant effect on our energy requirements, and we experience increased consumption when there are hot summers or cold winters.

Our site in Suzhou only uses electricity as an energy source, and the focus there has been on switching from fluorescent tubes to LED lighting. Transitioning from fluorescent to LED lighting can result in energy savings of between 56-67% depending on wattage. In 2014, 20% of lighting was from LEDs and our goal was to reach 100% by 2017. This goal has been extended to 2018 as we were slightly under our objective, with a 98% conversion rate in 2017.

In Denmark, we invested DKK 1.6 million in outdoor sun shading devices on three of the four building facades at our headquarters. These reduce roughly 80% of the sun's heat from penetrating the building, which would otherwise need to be removed by cooling and extraction. They create a much better-balanced indoor climate in the warmer, sunny months and result in a decrease in energy consumption, especially for cooling systems. Conversion to LED lighting has also been investigated, unfortunately, at present, it is not possible to find LED bulbs that have dimmers compatible to our existing lighting control system.

Total energy consumption at our production sites

	2013	2014	2015	2016	2017
Electricity (kwh)	3,611,321	3,921,931	2,843,363	3,157,277	3,112,946
Ratio ¹		11%	-31%	-28%	-32%
Heating (kwh)	2,680,640	1,933,220	1,108,000	1,401,160	1,403,170
Ratio		-26%	-64%	-57%	-59%
Oil (litres)	19,984	35,487	26,238	20,479	25,272
Ratio		81%	15%	-15%	0%
Gas (Nm3)	65,556	34,249	40,946	50,452 ²	45,897
Ratio		-47%	-45%	-36%	-45%
Turnover³	1,756	1,722	2,010	2,122	2,226

In 2017, we saw a slight decrease in overall electricity consumption in Suzhou compared to the previous year, with increases in consumption in the warmer summer months when air conditioning was used for cooling.

¹The ratio figure 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

²Minor adjustment made due to input error

³In million DKK



Electricity consumption in Denmark was virtually unchanged compared in 2016. We did see a decrease in one of our buildings due to better regulation of our ventilation system, and an increase in another building that was likely due to a rise in the number of staff. Although the data would indicate a rise in oil usage in 2017, this can be attributed to a delivery at the end of the year, rather than in the beginning of 2018. Usage of gas decreased compared to the previous year due to better regulating of the heating system and there was a slight increase in heating compared to 2016.

Human and labour rights in the supply chain

Our work with human and labour rights focuses primarily on our global supply chain. The FOSS Supplier Code of Conduct, which is available in both English and Mandarin, is available on our website and used in the pre-qualification of suppliers. Like our own CSR/Sustainability policy, it is based on the UN Global Compact's ten principles. Sustainability components, including human and labour rights, are also incorporated into our supplier approval process. This process includes a pre-evaluation questionnaire and a supplier approval visit/audit conducted by our sourcing and quality teams.

Training has also taken place to ensure procurement personnel are able to raise red flags in their work, and our quality teams are able to identify any potential non-compliances with our requirements. If findings arise during a supplier audit, they are included in an improvement plan in agreement with the supplier. Severe breaches of our supplier code of conduct or requirements can result in termination of the business relationship.

Doing business with integrity

FOSS is committed to acting with integrity and to high standards. We apply these standards when dealing with a variety of stakeholders including customers, suppliers and the public sector. Business ethics is a fundamental part of our CSR/Sustainability policy and addresses the types of issues employees might encounter in their work. Our policy clearly prohibits

employees from engaging in unethical behaviour such as bribery and corruption. It also states our position and provides guidance on issues that are not black and white - such as gifts, entertainment, and conflict of interest.

In 2016, we developed an e-learning module to reinforce the training and work that has taken place in embedding good ethical practice in FOSS. Our target groups are those employees in Sales and the Customer Sales & Support teams. The interactive module provides information on our policy, presents real-life ethical dilemmas, and tests participants' comprehension of the content. Employees in both departments who have customer interface are required to complete the training. We have plans to update the e-learning module in 2018.

Transparency on our sustainability performance

FOSS has been a member of the Supplier Ethical Data Exchange (SEDEX) since 2012. SEDEX is one of the largest collaborative platforms for sharing responsible sourcing data on supply chains, used by more than 47,000 members in over 150 countries. Participation in the initiative enables us to share information to customers on our performance in four pillars: labour rights, health & safety, business ethics and the environment.

As a SEDEX member, we are required to complete a self-assessment questionnaire and are audited against the pillars by an independent third party. The next audits are expected to take place in 2018 and will include a visual inspection of our production sites, a documentation review and staff interviews. The audits not only provide assurance to our customers, they also assist us in our efforts to continuously improve our sustainability performance.





The UN Global Compact

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	
Principle 1: 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 (page 5)
Principle 2: make sure that they are not complicit in human rights abuses	See our work with suppliers (page 9)
Labour	
Principle 3: 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 9)
Principle 4: the elimination of all forms of forced and compulsory labour;	Part of our Sustainability policy and work with suppliers (page 9)
Principle 5: the effective abolition of child labour; and	Part of our Sustainability policy and work with suppliers (page 9)
Principle 6: the elimination of discrimination in respect of employment and occupation.	Part of our Sustainability policy and work to create an inclusive workplace (page 6). Also part of our work with suppliers (page 9)
Environment	
Principle 7: Businesses are asked to support a precautionary approach to environmental challenges;	Part of our Sustainability policy and work with the environment
Principle 8: undertake initiatives to promote greater environmental responsibility; and	See pages 3,4,8 and 9
Principle 9: encourage the development and diffusion of environmentally friendly technologies	See pages 3,4,8 and 9
Anti-corruption	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	Part of our Sustainability policy See page 9: <i>Doing business with integrity</i>