



Knowledge for Sustainability

1.0 CEO's statement

Meeting the needs of the present without compromising the needs of the future expresses the essence of our approach to sustainability.

We want to be a responsible citizen and at the same time achieve our financial targets. We strive to achieve these goals by being a sound sustainable investment.

This year, we have intensified our efforts to engage our stakeholders and discuss our sustainability efforts.

Our stakeholders span all who have an interest in Danisco – whether the interest is professional or expressed by involved citizens in the communities in which Danisco operates. We will continue to strengthen our dialogue with consumers, non-governmental organisations, suppliers, customers, citizens, investors and analysts.

As a signatory of the UN Global Compact, we commit ourselves to promoting progress in the areas of labour standards, the environment and human rights. Danisco's policies on these and other areas are accessible on our internet and intranet sites in eight different languages. We also initiate discussions with other members of the value chain with particular attention to non-discrimination, freedom of association and the banning of child and forced labour.

While we await the implications of the new sugar market regulation, we are still busy implementing and updating sustainable best practices at all our sugar factories. We are convinced that even after 2006, we can still run a profitable business in which sugar is produced with regard to the environment, production methods and social responsibility.

The trend towards a lifestyle with more time for family and leisure activities continues throughout most parts of the industrialised world. This means that the demand for food which requires less preparation is still increasing. Our mission is to provide healthy, safe and tasty foods for the consumer, but we also want to address the public debate about food ingredients.

Our efforts within sustainability comprise the implementation of total traceability, continuous product safety and quality assurance. We have also launched a global branding campaign targeting our employees in order to solidify our five values: creating value, being innovative, building competencies, taking responsibility and believing in dialogue. Furthermore, we have produced a website (initially only available in Danish) where consumers can ask questions about our ingredients.

Danisco is included in many prominent sustainability indexes, e.g. Dow Jones and the Nordic Sustainability Index. We see the listings as an encouragement that we are on the right track with our sustainability activities.

We hope that this report will provide an insight into our work and why it is important to be a responsible citizen in the communities in which we operate.



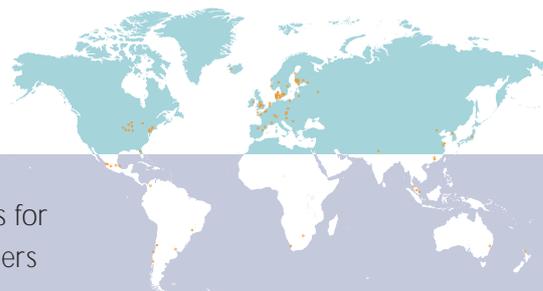
A handwritten signature in black ink, which appears to read 'Alf Duch-Pedersen'.

Alf Duch-Pedersen,
CEO

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2.0 Danisco in brief



Danisco ranks among the world's largest producers of ingredients for food and beverages. Danisco is also a leading supplier of sweeteners and one of Europe's most efficient sugar producers.

The bulk of our ingredient products are sold to food manufacturers, whereas our sugar products are sold to both consumers, under the trademark Dansukker, and food manufacturers. Danisco's vision is to be the leading supplier of ingredients to the global food industry, and we already rank number 1 or 2 in a large number of our product categories. Every day, hundreds of millions of people around the world consume foods containing ingredients from Danisco. Half of all ice cream around the world – and every fourth loaf of bread – contains ingredients from Danisco. Danisco is one of the world's top four producers of dairy cultures and our gelling agents are an essential part of marmalade. The raw materials for our products come from many different sources, for example, palm oil, lime fruit, seaweed, sugar beet, and certain hardwoods such as birch.

Our production is based on many years' experience in the food sector. This is reflected in our company slogan: "First you add knowledge..." which is the standard of Danisco's ongoing branding campaign.

The aim of the campaign is to ensure that:

- Danisco has enthusiastic employees who take pride in their place of work
- Danisco attracts and retains the best and most knowledgeable employees
- Danisco is an attractive company to investors
- Danisco creates more value for customers
- Danisco is perceived globally as the leading supplier of food ingredients

In 2002/03 Danisco reported net sales of DKK 16,551 million. In the period between 2000 and 2005, we aim to double net sales in the business areas of food ingredients and sweeteners by developing our existing companies through organic and acquisitive growth. In the business area of sugar, the goal is to achieve increased profits on the basis of unchanged net sales. Danisco is listed on the Copenhagen Stock Exchange, and corporate headquarters are located in Copenhagen, Denmark. We have Research and Development (R&D) centres, production facilities and sales companies in more than 40 countries spread across five continents.

You can read much more about our company at
www.danisco.com

Structure

Danisco's activities are divided into eight divisions:



In addition to our eight divisions, Danisco has established a venture unit, Danisco Venture, which mainly invests in external business ideas and start-ups, in close collaboration with core businesses. It offers entrepreneurs and investors a unique opportunity to leverage Danisco's capabilities within the food and beverage industry.

Associated businesses

Danisco has a 43 per cent share in Genencor International Inc. (www.genencor.com), a leading developer and manufacturer of enzymes using modern biotechnological techniques. The company leverages its biotechnology

platform primarily by partnering with customers. Net sales in 2002 were USD 350 million (approx. DKK 2,400 million). Danisco is engaged in research projects with Genencor aimed at developing new bioingredients for the food industry.

In April 2001, Amcor (Australia), Danisco (Denmark) and A. Ahlstrom Corporation's AB Åkerlund & Rausing (Finland) established a new European flexible packaging company called **Amcor Flexibles Europe*** (www.af-europe.com). The joint-venture is the largest producer of flexible packaging in Europe with net sales in 2001/02 of EUR 1,124 million (approx. DKK 8,350 million).

Fig. 1



* In August Danisco sold its 21% share of Amcor Flexibles Europe to Amcor for a gross amount of DKK 595 million (EUR 80 million). The transfer is awaiting approval by the competition authorities.

Associated businesses:
Genencor International (43%),
Amcor Flexibles Europe (21%)



Specialities	Sweeteners	Animal Nutrition	Sugar (incl. Seed)
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Corporate governance

Danisco focuses strongly on shareholder relations while simultaneously seeking to exercise good corporate governance. Danisco's management is committed to long-term value creation and the swift release of all relevant information to shareholders and the stock market alike. The Board of Directors comprises eleven members, seven elected by the shareholders and four by the employees in Denmark. In its nomination of candidates for election at the annual general meeting, the Board emphasises:

The members of the Board of Directors are responsible for actively obtaining insight into, and staying updated on, matters relating to the company and the food industry. The Board of Directors supervises the company and monitors that the company is properly managed.

Each year, the Board of Directors usually holds seven and no less than four Board meetings where all matters concerning the company's overall development are considered, including:

- That the Board of Directors possess professional competencies matching the company's needs, have a balanced age distribution and broad business and international experience.
- That the board members are independent of the Executive Board and other members of day-to-day management.
- That there are no conflicts of interest between the members of the Board of Directors and the company.
- That no board member elected by the shareholders is employed by or dependent on the company.

- Strategies of individual business areas and the company.
- Overall financial targets and capital structure.
- Financial statements and reporting.
- Social, ethical and environmental issues.
- Prospective mergers, acquisitions and divestments of companies and activities as well as major development and investment projects.

3.0 Danisco and sustainability

Fig. II Corporate Sustainable Development Organisation Chart



Organisation

The Vice President for Corporate Sustainable Development, who reports directly to the CEO, heads a team of staff personnel, the SHEQ (Safety, Health, Environment and Quality) group, as well as the regulatory team in Denmark. The Senior Vice President of Human Resources is responsible for the management of social issues. However, Danisco's divisions and sites continue to have primary responsibility for complying with Corporate Sustainable Development's commitment to sustainability management and continuous improvement.

In the early spring of 2003, a Sustainable Advisory Board, with the CEO as chairman, was created. It includes representatives from Divisions, Sales Regions, Human Resources, Communications and Corporate Sustainable Development. The Advisory Board's role within sustainable development is to provide advice to the Corporate Sustainable Development Team, and to Danisco Management.

The Board of Directors also has an increased focus on sustainability: social, ethical and environmental issues are taken up at its meetings to discuss the company's overall development.

Scope of the report

This is Danisco's third sustainability report and it provides an overview of Danisco's progress in implementing its vision for sustainability, in wholly owned businesses, since the first report in 2001. The performance data in this report cover the 2002/2003 financial year (1 May 2002 –

30 April 2003), while the text may refer to later periods. For clarification purposes, the divisions will be divided into Ingredients (Emulsifiers, Functional Systems, Textural Ingredients, Flavours, Specialities and Animal Nutrition), Sweeteners and Sugar. It has been decided that the next report will cover the period 1 May 2003 – 31 December 2004 and be published in the summer 2005.

The external verifiers chosen by Danisco have used the AA1000 Assurance Standard as a framework for the assurance process. The AA1000 standard is an accountability standard designed to improve accountability and performance by learning through stakeholder* engagement. Transparency and open dialogue with our stakeholders is, and will continue to be, a vital part of our work. Being perceptive and engaging stakeholders enables us to take advantage of opportunities, and manage the risks involved in doing business in today's global environment.

A common international definition of sustainability is, "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs." At Danisco we have focused on our five core values and the areas that are most relevant to our business. These areas, which we call the four pillars are: SHEQ (Safety, Health, Environment, and Quality), Product Safety, Environmental Ethics, and Social Issues and Business Integrity.

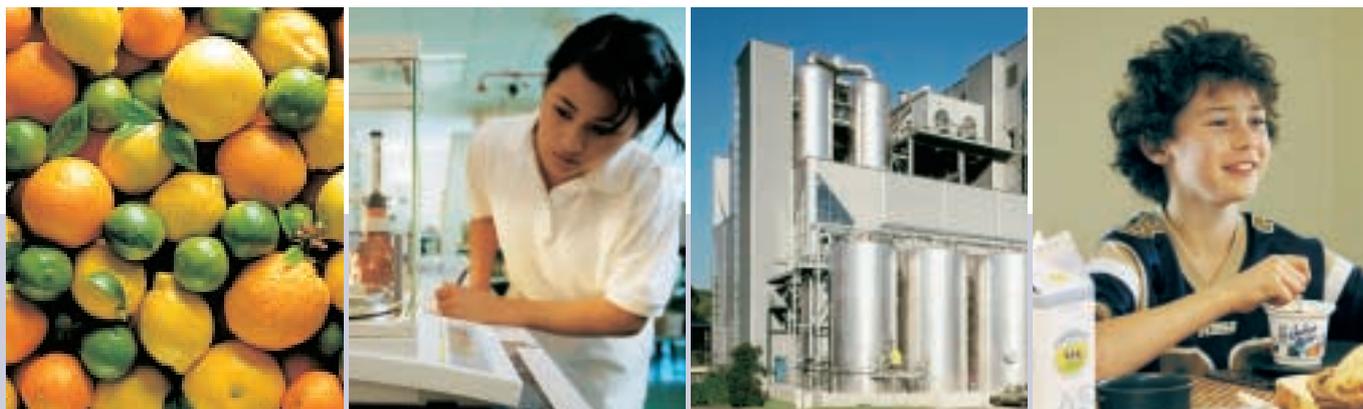
Danisco's four pillar approach to sustainability – see page 8.

* See Glossary of terms page 49

Vision and strategy

Danisco's vision is to be the leading supplier of ingredients to the global food industry, while at the same time strengthening our position as a European sugar producer. To attain this goal we must prove to

our stakeholders that we are a responsible company and incorporate sustainable development into our economic, environmental and social policies, and of course into our behaviour.



Our sustainable development agenda is based on Danisco's five core values:

- We create value
- We are innovative
- We build competencies
- We take responsibility
- We believe in dialogue

Guidelines

In producing this report we have attempted to follow international assurance standards and guidelines. In much of the report we have referred to the AA1000 and the Global Reporting Initiative (GRI).

In addition to this, we are signatories of the United Nations Global Compact and the ICC Business Charter for Sustainable Development. Danisco engaged the services of an external company, csnetwork, to provide assurance of its data and management systems, as well as identify areas that need improvement.

We are confident that their assurance programme will provide our stakeholders with a balanced picture of the performance of Danisco in the sustainability area. Their **verification statement*** appears on [page 45](#) of this report.

* See Glossary of terms page 49

This publication online

Experience Danisco's virtual world of sustainability in an interactive online version at www.danisco.com/sustainability

The full report can also be downloaded at this location in **pdf file format**.

Danisco's four pillar approach to sustainability

Fig. III

SHEQ	PRODUCT SAFETY	ENVIRONMENTAL ETHICS	SOCIAL ISSUES AND BUSINESS INTEGRITY
<p>ISSUES</p> <p>Safety, Health, Environment and Quality Management, Continuous improvement</p>	<p>ISSUES</p> <p>Food safety assessments, HACCP, Traceability, Value chain management</p>	<p>ISSUES</p> <p>Utilisation of modern biotechnology / GMO * traceability, Animal trials</p>	<p>ISSUES</p> <p>Employee rights, International society, Security, Compliance, Business partners</p>

* See Glossary of terms page 49

Objectives and progress

Table 1 outlines Danisco's objectives, as set out in last year's report, and the progress that has been made on these together with the objectives for the coming years.

Table 1

Sustainability objectives outlined in the 2002 report		Progress	Revised objectives from 2003 onwards
Vision and strategy	To continue to communicate and convey the importance of sustainability throughout the organisation.	Brochure to all employees (in 6 different languages) published. Sustainability presentation to management at more than 50% of production sites.	Guidelines, intranet, presentations, etc. to continue.
Sustainability Advisory Board	An advisory board will be established during the 2002/2003 financial year.	The advisory board was established in the spring of 2003. The advisory board has had its first meeting.	It will meet on a regular basis every 6 months.
Sustainability audits	An audit* procedure will be finalised during the 2002/2003 financial year, and an auditing programme to cover all major sites will be developed during the same timeframe. The target is to audit all major sites during the 3-year period starting from the 2002/2003 financial year.	An audit programme has been developed covering all sites. Thus the previously formulated goal has been expanded. The programme was introduced in 2002 and covers the entire sustainability area including site security.	Supporting material on Social Issues, Modern Biotechnology and Animal Trials will be developed in 2003/2004.
Sustainability in business processes	Supplier auditing procedures will be updated to cover all the SHEQ aspects of sustainability during the 2003/2004 financial year. Social issues will follow.	Supplier guidelines covering sustainability issues have been provided to all sites. Social issues covering the most important parameters have been included.	A common Danisco Ingredient database for sharing information on plans and reports for supplier audits will be developed with a deadline before the end of 2004. Danisco Sugar already has a similar concept.
	Establish procedures to evaluate and select suppliers based on social evaluation as well as other criteria.	Labour rights have been included in the evaluation of our major suppliers together with SHEQ issues.	Continuous evaluation of this process in the coming years.
New objective	Networking with customers on sustainability issues.		Key customers will be approached during 2003/2004.

* See Glossary of terms page 49

Table 1 continued

Sustainability objectives outlined in the 2002 report	Progress	Revised objectives from 2003 onwards
<p>SHEQ (Safety, Health, Environment and Quality)</p> <p>To continue the implementation of the documented management systems for food safety, environment, and quality systems at all sites before the end of 2005.</p>	<p>Three sites have adjusted their planned deadline from 2003 to 2004. The rest of the sites are following the original plan. Figure IV shows the status of implementation of management systems in Danisco.</p>	<p>The sites that were acquired in 2002 will implement management systems before the end of 2006.</p>
<p>A Corporate crisis management procedure will be finalised during the 2002/2003 financial year. All current divisional and site level procedures will be updated accordingly.</p>	<p>The Corporate Crisis Management Procedure has been introduced to all divisions.</p>	
<p>Set Group targets for reducing energy and water consumption for the next three-year period, beginning with the 2003/2004 financial year.</p>	<p>A survey of energy and water consumption at all production sites has been conducted.</p>	<p>Definition and implementation of targets will be decided in autumn 2003.</p>
<p>To improve the environmental database to better meet the needs of both the Group and business areas.</p>	<p>A tool for data assurance and reporting has been developed. All Ingredients and Sweetener sites are able to view each other's data and benchmark with other sites.</p>	<p>Online data collection will be gradually improved by drawing data directly at the source to avoid redundant data. Bi-annual meetings will be held with Directors of Operations to coordinate the use of data.</p>
<p>New objective</p>	<p>A corporate customer satisfaction measurement programme covering EUROW (Europe and the rest of the world) was conducted in June/July 2003.</p>	<p>Action plans to be issued in relevant parts of the organisation. The measurements to be continued in AMCAS (the Americas) in 2004 and ASPAC (Asia Pacific) in 2005.</p>
<p>New objective</p>	<p>A global project to implement quality assurance systems at all Ingredient sales sites has been started in 2003. Sugar sales have already implemented quality assurance.</p>	<p>The goal is to implement quality assurance systems at all sales sites before the end of 2005.</p>
<p>New objective</p>	<p>Plans on how to work with sustainability in the Innovation area are being set up at the moment; a GAP analysis has been conducted.</p>	<p>Action plans and goals to be set up during 2003 in order to plan global deadlines for the implementation of quality assurance systems, as well as environmental systems in the Innovation area.</p>

Sustainability objectives outlined in the 2002 report		Progress	Revised objectives from 2003 onwards
Product safety	Incorporate allergens [substances that can produce allergic reactions] into Hazard Analysis Critical Control Point (HACCP*) plans.	A corporate allergen concept has been introduced.	To be implemented globally before the end of 2003.
Environmental ethics	A system to gather verifiable animal trial data is to be developed during the 2002/2003 financial year.	A verifiable system is in place - quarterly data collection for animal and human trials has been established to ensure more accurate data. Corporate guidelines for animal and human trials developed and introduced to divisions.	Data will be reviewed at half year meetings. Audits at testing laboratories will be introduced.
	To continue to develop the GMO traceability programme for products.	European legislation does not base the GM labelling of consumer products on detectability of modified DNA but on traceability. Emphasis has therefore been placed on questionnaires, audits and internal traceability. The resulting supplier and finished product information on GM status is being introduced into the RMPS (the raw material product specification) part of the SAP control system, where this has been implemented.	To co-ordinate internal traceability worldwide as SAP is rolled out globally.
Social issues	To continue to introduce the Corporate Social Responsibility Policy throughout the organisation.	Corporate guidelines have been developed and introduced to Sales and Marketing, divisions and production sites. Social Policy Scorecard sent to all sites (Production, Sales and Marketing). Results published on page 29 .	Working to embed Social Policy throughout the organisation. The Business Ethics policy will be revised and updated and will be covered in the Social Policy scorecard.
	Key Performance Indicators will be defined before the end of the 2002/2003 financial year. Data gathering will start from the 2003/2004 financial year onwards.	Key Performance Indicators have been developed. Basic data have been collected for 2002/2003 and published on page 30 .	Will continue for the coming years.
Stakeholder engagement	To develop stakeholder engagement models at both corporate and local level. To continue to organise stakeholder workshops on an annual basis.	Participated in several stakeholder meetings during the year.	Models to be developed further.

* See Glossary of terms page 49

4.0 Safety, Health, Environment and Quality (SHEQ)

The SHEQ area is a vital part of day-to-day operations. It is important that we ensure that our staff work under safe conditions, that our products are safe, and that we control all important aspects having an impact on product quality, as well as the external environment. In order to ensure these things, we need to have management systems in place. Well-functioning SHEQ systems protect our brand name and reputation, as well as the brand names and reputations of our customers.

Implementation of management systems – status and progress

In 2000, Danisco decided to implement management systems at all production sites. The reasons for implementing management systems were numerous. Firstly, a management system is an excellent tool to manage our processes and activities, and also to ensure improvements. Furthermore, systems ensure compliance with regulations; improve environmental, health and safety aspects; minimise risk and liabilities; and achieve cost reductions as well.

Danisco is continuing to work towards fulfilling the objective of implementing environmental, health and safety systems at all sites before the end of 2005. The sites that were acquired in 2002 will implement management systems before the end of 2006.

Management systems are not only relevant at production sites, but in every area of our business, which is reflected in our objectives (see page 10).

How we actually implement systems depends on the business and division. Some divisions have more synergies and traditions for harmonisation than others. This is particularly true of Sugar, which has a very standardised production process, and already has common systems in place.

Danisco Policy on Safety, Health, the Environment and Quality

Our approach to Safety, Health, the Environment and Quality is based on the principles of sustainable development, is legally and ethically sound, and meets the expectations of our customers and other stakeholders. This is supported by Danisco's commitment to the principles contained in the International Chamber of Commerce's (ICC) Business Charter on Sustainable Development.

In line with these principles, Danisco strives to encourage continuous improvement, responsible use of raw materials and natural resources, and operations designed to prevent any of our activities having a harmful impact on the environment. This covers products and production processes, and extends from raw materials to packaging and product usage.

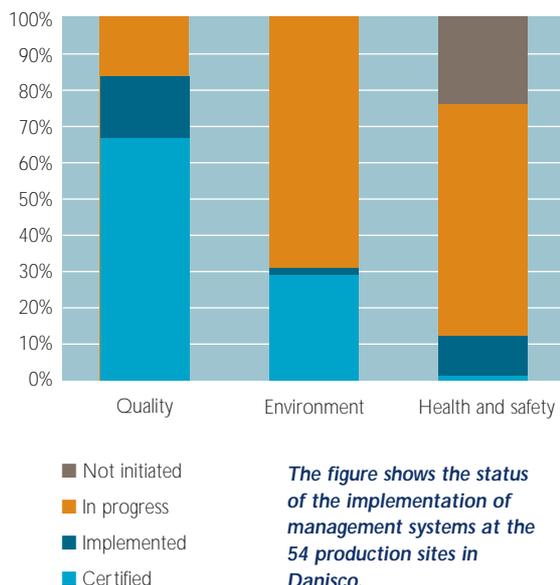
We see quality as one of our abilities to meet our customers' expectations, while also meeting those of other stakeholders. Our goal is to strengthen our competitiveness by anticipating and understanding the expectations of our customers and other stakeholders, and the value networks to which they belong.

Our personnel represent an important stakeholder group for Danisco. Ensuring the welfare of our people, their safety, and their job satisfaction is an integral part of all Danisco operations – worldwide. Our common goal is to maintain and promote a safe working environment, environmental protection and quality by improving our know-how and skills through training and open dialogue.

We are committed to maintaining open and transparent dialogue with our stakeholders by reporting regularly on our performance in the areas of Safety, Health, the Environment and Quality. Danisco complies with the applicable requirements, set out in the respective legislation and other regulations in matters related to Safety, Health, the Environment and Quality; and in cases when Danisco's standards exceed the legal requirements these standards will be followed.

Management is committed to supporting the development of, and compliance with, safety, health, environment and quality management systems and programmes based on the Group's common objectives and business success goals.

Fig. IV Management systems – status



Three sites have adjusted their planned deadline from 2003 to 2004. The rest of the sites are following the original plan.

Ingredients and Sweeteners sites

All major sites within the Ingredients area will have initiated the EHS (Environment, Health and Safety) management project by autumn 2003. Danisco has chosen to introduce the management systems in groups of facilities at a time. The implementation process is being coordinated by the corporate SHEQ team. They act as consultants for the sites, train them and ensure knowledge-transfer among the groups. The sites in Niebüll, Naantali and Kotka received their ISO* 14001 certificates in 1997, 1999 and 2000 respectively.

In October 2002, Malaysia received both ISO 14001/OHSAS*18001 certification, and in 2003 Austria and Thomson USA followed by receiving ISO 14001 certification.

Sugar sites

Danisco Sugar has implemented environmental management systems in Finland (ISO14001), Sweden (ISO14001) and Germany (EMAS*). In Denmark, the Danisco Sugar sites in Assens and Nakskov have been certified according to ISO 14001, and Nykøbing will be certified by the end of 2003. The Sugar head office is included in the certification.

The Danisco Sugar sites in Lithuania initiated a SHEQ management project in April 2002. The project includes a model for managing various aspects of Safety, Health, Environment and Quality. The model focuses on identification of the five most important aspects in each of the SHEQ areas – which vary from site to site – setting up targets and action plans for these aspects, as well as carrying out management reviews. The model will be expanded during the coming year.

Sustainability audits

Follow-up on procedures and targets, set up in accordance with the requirements in the management systems, is mandatory. Internal audits have been a natural part of the local sites' activities with regard to their management systems. In addition to these, corporate audits are now organised into one corporate audit plan. The plan incorporates all relevant issues including social issues, SHEQ, hygiene and security. All Danisco sites are subjected to a corporate audit at least once during a 3-year period. The corporate audits are seen as a supplement to local audits, and give sites the opportunity to discuss best practice with corporate staff and hear how other sites operate. Trends as well as special audit focus areas will be shared globally on an annual basis.

*See Glossary of terms page 49

Processes for exchange of best practice

As Danisco is a global company with a large number of sites, the exchange of best practice is an important factor in adding value in the SHEQ area. In addition to the exchange of best practice that takes place during sustainability audits and implementation of EHS management systems, a number of formal as well as informal processes are in place.

The SHEQ group issues a newsletter to Ingredients and Sweetener divisions with information about e.g. procedures, projects and new developments for sites. An internal global SHEQ conference was held in May 2003 for SHEQ personnel (see page 37). Sugar sites have formal meetings 3-4 times a year attended by different site and SHEQ personnel. A document management system handling both divisional SHEQ procedures as well as site management systems was introduced in the Sugar Division some years ago. A similar system was implemented in all other divisions in February 2003. Although the system is not yet as comprehensive as Danisco Sugar's, it does give sites the opportunity to view each other's procedures. We expect that in the future the document management system will become a more valuable tool for sharing knowledge and experience between sites.

In May 2002, a Global Complaint Management System was implemented. The system is used to **handle complaints in all divisions***. For each complaint, basic information is registered, as well as the results of investigations and the establishment of root causes. On the basis of statistics for e.g. types of complaints, root causes and handling times, projects for improvements will be implemented.

Key Performance Indicators (KPIs) are defined for **Quality, and Health & Safety for all divisions^o**. The sites report their data every month and a monthly report summarises trends and describes actions taken to improve performance. These KPIs will be further developed through discussions with Directors of Operations.

Exchange of best practice can also take the form of a survey of the practice at the sites, whereafter the results are shared with all sites. The security survey described on page 24 is one example.

EHS database

Environmental, Health and Safety (EHS) data are collected in an online database together with data on EHS investments and expenditures. The database supports the management systems in providing background data for the definition of targets. To aid site-based data assurance, as recommended by the verification team in the 2002 report, a tool has been developed for effective data checking and validation. The tool enables sites to view trends and also to benchmark with other sites. Training in the use of the tool was commenced in the spring of 2003. Online data collection will be gradually improved by drawing data directly at the source to avoid redundant data. This will improve both the efficiency and validity of data collection. In the Sugar division a project has facilitated the generation of EHS data in the Production Management System (PIMS). As a result, this year the Örtofta sugar factory could pick part of the EHS data directly from their PIMS. Next year more sugar factories will be able to do the same. This means less work with EHS data, less manual calculations and fewer errors. As the generation of data for the Sugar sites is standardised in this way, the quality of the data will improve.

Key areas of environmental performance

The ISO 14001 system calls for continuous improvement over time. On the basis of the data in the EHS-database, new targets are decided locally as well as on a corporate basis.

Consumption of energy and water

During The Johannesburg Summit in 2002, companies were called upon to reduce water and energy consumption. It was recognised that in large parts of the world, water is a scarce resource and the creation of wastewater presents potential pollution problems and is expensive to clean. Energy from fossil fuels generates CO₂, which is thought to lead to global

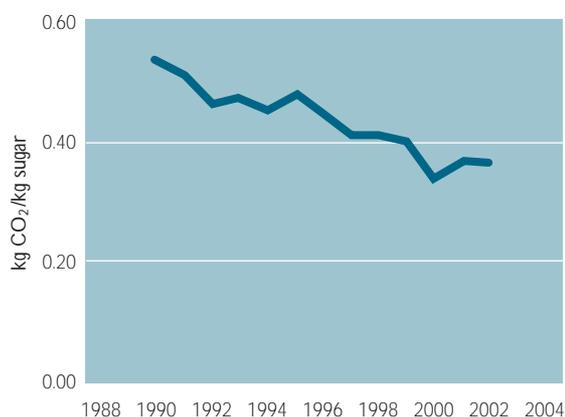
* Danisco Sugar already had a system in place for complaints.

^o Danisco Sugar already had defined objectives for Quality and Health & Safety.

warming. Danisco has been working actively on this issue for many years with the objectives of reducing costs, and minimising the consumption of natural resources and the creation of pollution.

produced. The CO₂ emission from the production of energy was produced at the factories' boilers. As shown in figure V, a 32% reduction was achieved in CO₂ emissions from 1990-2002; this is a result of increased energy efficiency and a reduction in the use of coal.

Fig.V CO₂ from energy production in relation to production of sugar



CO₂ emission from Danish Sugar factories

An example of continuous improvement is the reduction in CO₂ emissions from the Danish Sugar factories. Figure V shows the CO₂ emission from the fuels used for production of energy for sugar production, in relation to the amount of sugar

Danisco's targets for energy and water

Energy and water consumption have been chosen for the first specified target setting at Group level in Danisco. All divisions have analysed their past consumption and made plans for reductions in the financial years 2003/2004 to 2005/2006. Reduction plans will be initiated following recommendations by the Advisory Board.

Reduction of CO₂ emission

Seven sites utilise the energy in biogas produced during wastewater treatment. Danisco Seed uses waste from the polishing of seeds as fuel for heat production. These renewable resources account for 60 GWh or 1.3% of total energy consumption. By utilising renewable energy sources less fossil fuel is needed for energy production.

Fifteen major energy-consuming sites generate or buy heat/steam and electricity from combined power plants. This cogeneration accounts for 65% of total energy consumption, so less fuel is needed for producing energy.

Table 2 In 2002/2003 a number of sites made improvements in reducing energy consumption and thereby reducing air emissions.

Reductions in energy consumption	
Danisco Czech Republic	reduced consumption of steam by 7% and electricity by 13% per kg of raw product. The reductions were achieved by increasing performance and process optimisation.
Danisco Mexico at Tecomán	had defined a target of a 5% reduction and achieved 7%. The savings were achieved by increasing the efficiency of boilers and dryers.
Danisco Sugar in Anklam, Germany	reduced energy consumption per kg sugar produced by 6% by, among other things, making improvements to centrifuges and steam production.

Danisco targets for energy and water



In December 2002, a wind turbine was erected at the Danisco Sugar factory in Nakskov, costing roughly DKK 20 million. It is a prototype and when fully commissioned, it will be the largest in Denmark, producing about 7 million kWh of electricity a year. The energy produced will exceed the amount of electricity Nakskov Sugar Factory normally purchases from the national grid, and will reduce CO₂ emissions into the environment by approximately 6,600 tons. In this way, Danisco is working towards fulfilling the international Kyoto Protocol on the reduction of greenhouse gasses.





Fig.VI Contribution from different fuels to total CO₂ emissions

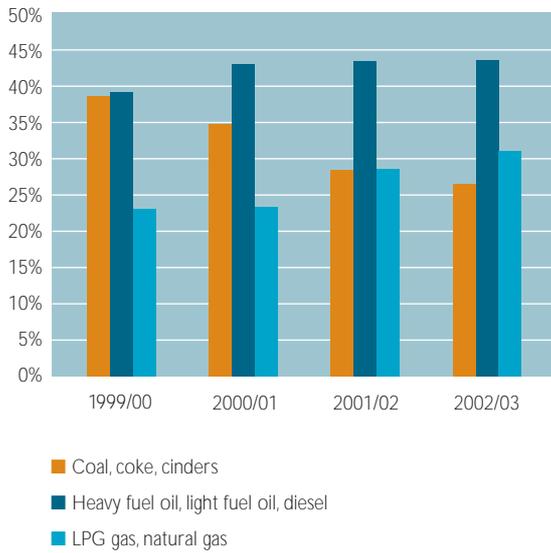
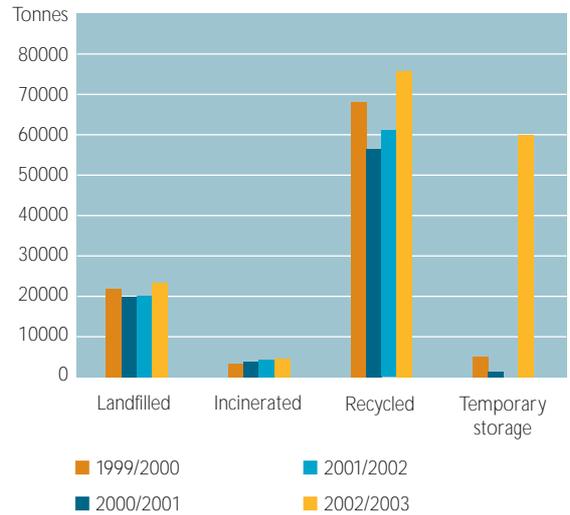


Fig.VII Waste disposal



Over the past four years a shift in fuels used for energy production has taken place. The shift has been from coal, coke and cinders, which emit relatively large amounts of CO₂ when burned, to fuels that emit less CO₂, particularly natural gas (see figure VI).

Waste management

Danisco has implemented a waste management hierarchy system as a company policy at all production sites within Ingredients and Sweeteners. Environmental minimum requirements have been established and sites have been instructed to follow the waste hierarchy shown below:

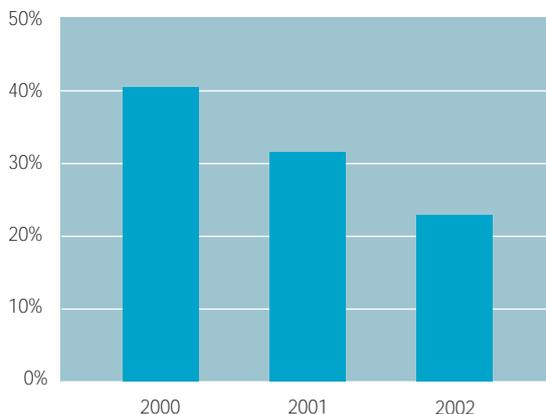
1. Prevent waste in the first place
2. Recycle/reuse
3. Incinerate with energy recovery
4. Disposal in landfill

The major part of the waste generated by Danisco is sent to recycling/recovering. The waste distribution is shown in figure VII. The major part of the temporary storage of waste at the sites is lime sludge stored at the three Lithuanian sites. As data for these sites are included for the first time in this report, the temporary storage cannot be compared with the previous years. Disregarding temporary storage, the three waste categories landfilled, incinerated and recycled have remained fairly stable over the past four years when calculated as a percentage of total waste. Data for beet soil and material of beet origin is included in the summary table on page 44.

Table 3 Examples of progress made to fulfil the waste hierarchy policy

Waste disposal	
New Zealand	The New Zealand site has reduced the proportion of waste to landfill by 20 % due to the introduction of recycling paper, cardboard, plastic and aluminium cans.
Denmark	The Grindsted site in Denmark has reduced the relative amount of waste to landfill by 26% (figure VIII). This has been achieved by delivering the fly ash from the boiler for reuse in cement production, and because of a reduction in waste in enzyme production.
Denmark	The Haderslev site in Denmark has reduced the amount of waste to landfill by 28 % by sending scrapped product to be used in biogas production.

Fig.VIII Grindsted - Waste sent to landfill as % of total



Wastewater

Approximately half of the production sites send their wastewater to an external wastewater treatment plant. The wastewater treatment at the sites that have their own wastewater treatment plants is fairly extensive. Although all sites fulfil legal requirements, Danisco is investing in further improvement of wastewater treatment (see table 4, page 20), and the first priority are the sites with limited wastewater treatment.

One site has had problems with a flow meter. As this site represents an important contribution to the total wastewater load no data are presented this year. Correcting the problem is a high priority for the site and the data will be presented next year.

Fig. IX Environmental expenses

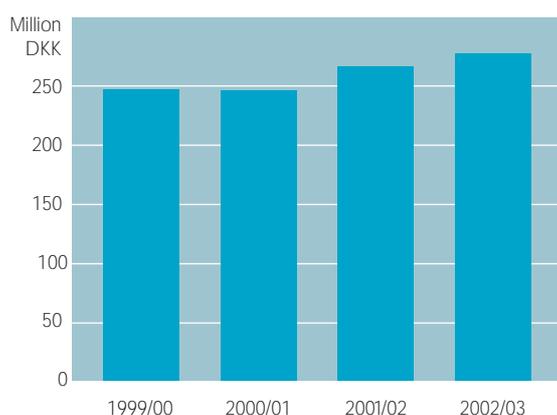
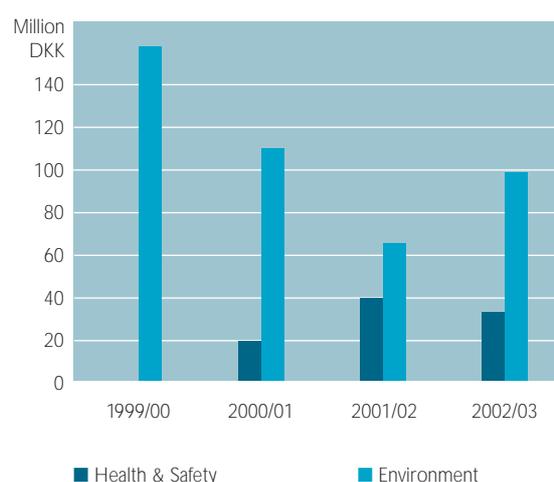


Fig. X Investments in the Environment and Health & Safety



Environmental expenses and investments

The Accounting Advisory Forum's (AAF) definitions for environmental expenditure have been used as the basis for reporting environmental expenses in the EHS database. The expenses include direct costs, proactivities, taxes and fines. No environmental fines were paid in 2002/2003. Relative to the amount of production, expenses topped in 2001/2002 and in 2002/2003 the

relative expenses were 6% higher than in 1999/2000. [Figure IX](#) illustrates environmental expenses from 1999-2003.

Environmental capital investments have been followed from the 1999/2000 financial year and Health and Safety investments have been followed from the 2000/2001 financial year ([see figure X](#)).

Table 4 Some major investments in the Environment and Health & Safety areas in 2002/2003

Energy	
Kotka, Finland	An investment of DKK 10 million was made in two new centrifuges. One third of the investment is considered environmental as the energy consumption is reduced by 334 MWh per year.
Safety	
Tecomán, Mexico	The water system for fire fighting was upgraded by investing DKK 2.6 million .
Wastewater	
Nakskov, Denmark	Anaerobic wastewater treatment was established with an investment of DKK 24.4 million .
Köpingebro, Sweden	The site invested DKK 5.5 million in four new ponds to be able to store more water and reduce odour.
Thomson, USA	The site contributed to the expansion of the municipal wastewater treatment plant by investing DKK 860,000 .

Table 5 Environmental due diligence studies

Divestments	Main findings/Corrective action
Danisco Flexible (Denmark, UK, Holland, France, Portugal, Spain, Switzerland) in June 2001	Environmental due diligence has been carried out at the sites of both the vendor and the purchaser. The Phase 2 investigation ^{°°} is still ongoing. Minor corrections will take place in 2003.
Danisco Foods (Czech Republic) in July 2002	Phase 2 investigations carried out earlier and corrective actions initiated. Funds have been allocated to finish remediation.
Acquisitions	
Perlarom (Belgium, France, Spain, Singapore) in June 2002	The environmental due diligence comprised of a Phase 1 [°] investigation. No corrective actions.

[°] A Phase 1 investigation comprises of investigating and evaluating all accessible company information and documents of relevance. It includes studies of relevant legislation, permits, and compliance issues. If possible, contacts to relevant authorities also take place.

^{°°} A Phase 2 investigation comprises of a more detailed investigation and follow-up including site visits, looking into site layouts, safety, social issues, the environmental situation and, if needed, soil and groundwater investigations. The results of the findings are used for bringing the sites into compliance in accordance with the legislation, and the contract between the vendor and the purchaser.

Due diligence studies

Danisco carries out environmental due diligence in connection with acquisitions and divestments in accordance with our environmental policy. Table 5 shows an overview of significant findings and actions relating to acquisitions and divestments of companies in the 2002/2003 financial year as well as follow-ups on previous divestments.

Quality assurance in Sales in Ingredients

Today quality assurance activities covering sales processes are handled by systems set up locally. These are integrated with systems at other sites to varying degrees. During 2003, a project was initiated to establish more streamlined processes in quality assurance for sales sites. The target is to harmonise quality assurance in sales to obtain more uniformity in our dealings with customers, in other words acting as one company globally, while at the same time maintaining the strong locally based day-to-day

business relationship with customers. The project started in the European region in 2003, and is expected to roll out in the American region in 2004, and the Asian region in 2005.

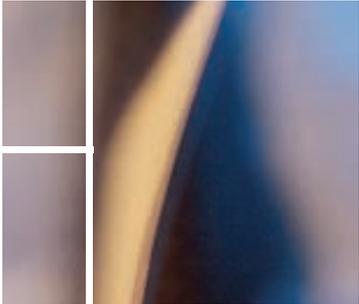
Environmental risks and liabilities

Danisco's primary objective is to be in compliance with all applicable laws and regulations and operate proactively concerning environmental issues. Nevertheless, a number of incidents took place during the 2002/2003 financial year. The most significant of these are listed in table 6 (see page 22). Costs and remedial work have been covered by operational costs and no material impact on the Group's financial position is to be expected. None of the incidents have led to any proposed legal action against Danisco.

Table 6 Most significant environmental incidents

Chile	During maintenance work welding sparks ignited flammable gas escaping from a leaking gas cylinder valve. Tighter rules for maintenance work were implemented after the incident.
Pirapozinho, Brazil	During maintenance service at a contracted wastewater treatment plant, the sewage line from the site was damaged. Before the transfer of wastewater could be stopped a limited amount of wastewater reached the river. The river was thoroughly inspected by site personnel and only small amounts of foam close to the wastewater treatment plant were found.
Niebüll, Germany	Due to a high groundwater level, water had frozen in a below ground concrete bund. The ice had damaged a pipe used for filling a tank with liquid nitrogen. When the pipe was used for filling, a bubble of nitrogen gas was formed that ruptured the ground surface. The placement of the filling pipe was redesigned to avoid recurrence.
Wellingborough, UK	50 litres of a lemon compound were disposed of to drain in error. There was no adverse effect to the environment. A number of improvement actions were identified and involved staff received briefings to prevent recurrence.
Malaysia	A small fire occurred when oil leaked and self-ignited in the insulation of a reactor. Leak tests will be performed as a part of preventive maintenance.
Thomson, USA	A small fire occurred after a high pressure valve was replaced on a lactitol hydrogenation unit. A small amount of catalyst and hydrogen leaked and spontaneous ignition occurred. Maintenance procedures were revised to ensure proper installation of high pressure valves. A small explosion occurred in a boiler causing extensive damage to it. The cause of the explosion was the failure of a small gas metering cam spring. A new type of metering cam was installed to reduce gas flow to the boiler in the event of spring failure.
Porkkala, Finland	On 29 July 2002, a massive fire and two dust explosions occurred at Danisco's sugar production plant in Kantvik, Finland. The fire spread to the warehouse and packing units. Two employees were slightly injured in the accident. The district work safety authority concluded that the incident was not a result of any negligence on the part of Danisco. To prevent a similar incident in the future, fire safety procedures have been improved.
Salo, Finland	In connection with repair work on a pneumatic transportation system, a small fire occurred in the roof structure of a warehouse for dried pulp. The warehouse was empty of products.
Nykøbing, Denmark	Due to the partial failure of a rampart, 10,000 m ³ of water were released to the surrounding land. The water was quickly pumped to another reservoir, which limited pollution of the area. The water contained decomposition products of sugar and plant parts (approx. 6500 mg COD/1*). All decisions on how to handle the incident were taken together with the authorities.

* See Glossary of terms page 49



5.0 Product safety

Food safety is a key issue at Danisco. HACCP* systems and GMP* are mandatory at our sites. Relatively new topics like allergens and site security are also seen as necessary areas on which to focus in order to support our policy of producing safe products.

Allergens

Globally, there has been an increased focus on allergens in food products. In 2002, Danisco decided to establish a global allergen concept in all parts of the company where allergens are present. Individual sites have had their own systems and routines for handling allergens, but by initiating this concept Danisco wants to create uniformity in the way we deal with this serious issue. The concept consists of: an allergen procedure, allergen recommendations and global training material. The concept covers the process from innovation to storage, prior to shipment. All relevant sites are required to include allergens in their food safety management systems, and to make the assessment of allergens a natural part of ongoing risk assessment.

HACCP

Globally, Danisco has defined targets regarding the implementation of HACCP, which are also referred to as food safety management systems. The systems also include GMP, which embraces personal hygiene rules, pest control, food safety training, and a number of other significant areas. HACCP has already been implemented in 70% of our factories, and the remaining 30% are in the process of implementing the system. Danisco Sugar and Animal Nutrition are implementing HACCP systems in feed ingredient production as well, in order to ensure safe feed products.

Security

Closely associated with food safety management systems is site security. Danisco is intensifying its focus on site security systems in order to minimise threats to the quality of food products. A global security guideline has been defined for Ingredients and Sweeteners, as well as requirements for tamper evident sealed products and raw materials. A security survey is updated regularly, and security upgrades are implemented throughout the divisions. Site security audits are also carried out in connection with the corporate global audit plan. As many Danisco sites export to the US, a special bioterrorism task force has been set up in order to prepare a smooth transition for adhering to the new US requirements coming at the end of 2003.

Danisco sees traceability and product recalls as important elements in ensuring food safety for the benefit of our customers and end-users.

Rapid Alert

On Friday 12 July 2002, a German producer of fruit wine contacted Danisco Sweden informing them that a delivered shipment of apple wine from 25 February 2000 might have been contaminated with the chemical, synthetic progesterone. The suspected shipment had originated from one of the German company's suppliers. This matter was then passed on to both the Swedish and German authorities.

After further investigation, Danisco ascertained that only one of its customers could have been affected by the suspected shipment. In accordance with the Danisco Crisis Management Plan, Danisco Sweden notified the customer and Danisco senior management. Customers related to the same product were also notified and informed that none of their shipments were contaminated. The Swedish National Food Administration was also kept abreast of Danisco's actions. On 31 July 2002 the case was concluded on a positive note, when the German authorities were able to determine that the shipments sent by the German company had not been contaminated.

By collaborating closely with the authorities and the German supplier, Danisco Sweden was able to provide its customers with reliable information. An effective Crisis Management Plan, along with open dialogue, enabled Danisco to exclude any threat of product contamination.

* See Glossary of terms page 49



6.0 Environmental ethics

Animal trials

In order to support the Danisco Position Paper on Animal Trials that was published in 2001, a working group was formed to prepare corporate guidelines. The Danish Toxicology Centre, an independent technological service institute, prepared a discussion paper based on Danisco policies and data that formed the starting point for preparation of the guidelines. Data gathering has been refined and will be further improved in the 2003/2004 financial year, based on the new corporate guidelines that were issued in May 2003. The guidelines help Danisco facilities choose the right types of trials and the right laboratories to perform the trials. Data are collected on a quarterly basis and the working group on animal trials meets twice a year to discuss results and progress, including our dialogue with contact persons at the laboratories, as well as our dialogue with authorities about reducing the amount of animals used in trials.

During the reporting period, approximately 550 animals were used by external laboratories for studies related to regulatory safety requirements for food and feed ingredients. Approximately 47,000 animals were used (96 % by external research institutions) in efficacy studies testing nutritional effects of feed ingredients. The animals used in efficacy studies were all released to food production after the study. Approximately 200 persons participated in clinical efficacy studies, also performed by external research institutions, with the purpose of looking for a glucose/insulin response to a sweetener.

Danisco's Position Paper commits us to research and development work on in-vitro alternative experimental techniques. By utilising the **Enteromix**[®] gut simulation system (the system substitutes the usage of research animals) developed by Danisco Innovation, the amount of animals used in trials has been significantly reduced. The technology is used for screening and applications development in the field of functional foods and feed ingredients, and supports our efforts to replace animal trials with in-vitro tests.

Danisco Position Paper on Animal Trials

Based on Danisco's values, our aim is to integrate sustainability into everything we do. Being a high-performance nutrition company, Danisco has an obligation to produce high-quality, safe, and efficacious products for its customers. To ensure its products are safe for people, animals, and the environment, Danisco conducts animal trials to meet regulatory requirements worldwide as a minimum requirement level. Danisco also carries out basic research trials using animals to further its understanding of basic physiological processes and discover new products.

All the animal safety trials Danisco conducts are carried out in approved animal trial facilities that comply with national regulations for animal trials and animal protection, and are committed to the proper handling of research animals. Trials follow internationally accepted guidelines, wherever available, and use the minimum number of animals commensurate with good science.

Basic research studies with animals are conducted only in approved facilities. As these studies vary in type and nature, the minimum requirement level for Danisco is to carefully plan studies using the smallest number of animals and with all necessary precautions taken to minimise any distress. National guidelines for animal welfare are strictly adhered to wherever these studies are carried out.

Whenever possible, Danisco uses alternatives to animal testing and works proactively to promote and validate such alternatives and replace animal tests with non-animal (in-vitro) tests. As the requirements for the use of animal studies are often based on government regulations, Danisco actively discusses ways with the authorities to keep animal testing to a minimum while respecting our responsibility to provide safe products to the market.

Danisco Position Paper on Modern Biotechnology

Danisco is committed to the principles of sustainable development. We see modern biotechnology as a source of sustainable technology alternatives to chemical processes that creates new opportunities offering both economic and environmental benefits. Danisco utilises modern biotechnology where appropriate and beneficial to support this commitment. Through the use of modern biotechnology, we seek more efficient and sustainable manufacturing processes and more effective products, while taking into account the environmental impact of Danisco's operations throughout the value chain. Danisco believes that modern biotechnology can offer advantages including:

Increasing innovation

- Enabling the development of novel products that are more specific and efficient, both in terms of the manufacturing process and their efficacy.

Environmental and economic benefits

- Reductions in energy consumption and waste through fermentation biotechnology, and the use of renewable biological resources and fewer raw materials.
- Reduced burden on the environment through plant biotechnology.
- Specific novel products help reduce the amount of waste generated from industrial and agricultural operations, cutting environmental pollution.

Danisco is committed to the responsible and safe use of modern biotechnology, and all products resulting from this technology adhere strictly to all required safety and regulatory requirements.

All decisions related to the use of modern biotechnology will be made in accordance with the principles contained in this statement. Danisco's divisions will be responsible for taking their own decisions as to their use of modern biotechnology, in line with the needs of their customers. Danisco undertakes to maintain an open and transparent dialogue with all its stakeholders on the subject of modern biotechnology.

Use of GMOs and GMMs within DANISCO

Genetically modified organisms (GMOs) and genetically modified micro-organisms (GMMs) can be described as organisms (and micro-organisms) in which the genetic material (DNA) has been altered in a way that does not occur naturally by mating or natural recombination. The technology is often called "modern biotechnology". Danisco sees exciting opportunities in the use of modern biotechnology particularly with respect to enzyme production.

GMMs are used in the production of Danisco food and feed enzymes, in the latter up to 90% of the micro-organisms used are genetically modified - though no producer organisms are present in either the food or feed enzyme finished products.

An impact assessment has been prepared as to where potentially GM raw materials are used within the company. Danisco uses derivatives of soya beans (soya oil, soya **lecithin*** and tocopherol), derivatives of maize (glucose syrups, dextrose, malto-dextrins, ethyl alcohol, caramels, lactic, ascorbic and citric acids), rapeseed oil and cottonseed oil. With the exception of residues in lecithin none of these materials contain modified DNA though all of them have the potential to be derived from approved genetically modified sources, whether they do or not will depend on their country of origin and the choice of supply made by each division.

Danisco recognises that some consumers have concerns regarding the use of modern biotechnology and that the concern varies between the regions of the world, as does the relevant legislation covering its use. In line with its Position Paper on Modern Biotechnology Danisco has a policy for each of its divisions to source raw materials, and judge the use of this technology, based on the requirements of its customers. This is why Danisco offers its customers the choice of non-GM products and is implementing internal traceability to ensure this choice.

Recently adopted legislation in Europe does not base the GM labelling of consumer products on detectability of modified DNA but on traceability. Emphasis has therefore been placed on questionnaires, audits and internal traceability. The resulting supplier information is now being introduced into the RMPS (the raw material product specification) part of the SAP control system, where this has been implemented – with the future objective being to co-ordinate traceability worldwide as SAP is rolled out globally.

* See Glossary of terms page 49

7.0 Social performance and business integrity

Danisco's Corporate Social Responsibility

Protection of human rights	We support and wish to comply with internationally acknowledged human rights.
Equal opportunities	We are against discrimination and harassment regardless of whether it is based on ethnic or national origin, religion, gender, sexual orientation, age or political affiliation.
Freedom of association	We respect the right of our employees to form and join trade unions and to negotiate collectively.
Abolition of forced labour	We are against forced or compulsory labour and we ensure that our employees enter into employment with our company of their own free will.
Elimination of child labour	We do not employ children and we do not support child labour.
Business ethics	We want to be recognised as a company of high ethical standing. We therefore expect our employees to live up to high standards in business ethics and we support national and international efforts to establish and enforce such standards.

Remuneration	Our remuneration rates meet or exceed legal or industry minimum standards and are sufficient to meet basic human needs.
Working hours	We comply with applicable laws and industry standards on working hours, including overtime.
Development	We want to develop our employees by bringing them new knowledge, new skills and new attitudes as it helps us improve our business. Continuous learning and development are natural parts of everyday life in our company.
Layoffs	In the event of major layoffs, we meet or exceed applicable laws and industry standards, and provide advice and guidance to our employees and actively support them in trying to find new jobs.
Suppliers	Our suppliers are selected on a professional business basis, which also includes consideration of their environmental and social responsibility.

As Danisco is a global company, present in 40 countries, there is a need for creating a uniform set of corporate rules and a general policy for social behaviour. In December 2001, as reported in both the 2001 and 2002 Sustainability Reports, Danisco established a **Corporate Social Policy**.

In last year's 2002 report we stated that, before the end of this financial year, one of our objectives was to prepare guidelines for the organisation regarding Corporate Social Policy, as well as to determine KPIs (Key Performance Indicators).

Guidelines: We have prepared a set of guidelines, which have been approved by the Executive Board

1. General Guidelines – which contain an overview of the main international requirements with reference to both the United Nations Global Compact, which Danisco supports, and ILO conventions and recommendations. The Guidelines and the Social Policy Scorecard cover the first 9 points in the policy. Business ethics and suppliers are covered by other initiatives. Business ethics will be revised and updated during 2003/04.

2. Specific Guidelines – a more comprehensive document which describes these matters in more detail.

3. A Social Policy Scorecard. The purpose of the Scorecard is to establish a platform for evaluating where each site is in relation to the policy. If a site does not comply, actions will be taken to bring the site in line with the policy within a reasonable time.

4. A Social Questionnaire with Danisco KPIs in the Human Resource area.

The results of this questionnaire, together with the results of the scorecard, will form a platform for new initiatives in 2003/04.

The above-mentioned documents were sent out to all division heads, sales and site managers in March 2003. They were instructed to go through the General Guidelines and determine how well the office or site complies with the requirements of the document, as well as the policy. The Specific Guidelines are to be used for clarification and guidance. The responses to the Social Policy Scorecard have been received and evaluated. The responses showed that the majority (75%) of our production sites, covering 80% of our employees, indicated that they live up to all the requirements in the Social Policy. At the same time it showed that there is a need for more general information and training of local key personnel regarding Social Policy. Production sites situated in the EU and USA, where legislation and traditions support high social standards, are more advanced than sites in other parts of the world.

The consolidated scorecards give us a good picture of how well Danisco as a group complies with the Social Policy; it also forms a platform for new initiatives and assists future reporting in this area for the Sustainability Report. Divisional staff and colleagues from larger sites will assist smaller production sites, and some sales offices, in incorporating the Social Policy within the coming year.

KPIs in Human Resource Area

Though listed as an objective for 2003/2004, it has been decided to start gathering data and reporting on these data, within the area of Corporate Social Responsibility, this year. As a starting point we have decided on the following KPIs, which should be beneficial for all Danisco sites/offices to report on. These are:

- Frequency of sick leave
- Number of employees by gender, age and years of service
- Staff turnover
- Minimum wage

We have focused on these areas because they are relevant in relation to running the business and the Corporate Social Policy at the same time. The figures we are now gathering will also enable site management to benchmark internally with other Danisco units. This year's data will be used as basic information and as a reference point for a broader report and an employee survey in the 2003/2004 financial year.

KPIs in the Human Resource Area

The results of this year's KPIs were:

Frequency of sick leave* for Danisco's production sites averaged 4.0%, although it differs from site to site and country to country. Six production sites had levels below 1% sick leave, and five of these sites were located outside Europe and the USA. Two sites had more than 10% sick leave. Danisco will ask sites with both low and high sick leave to investigate the reasons behind these figures.

The age distribution (see figure XI) showed that 80% of Danisco's employees are aged between 26 and 55 years, with half of these between 26 and 40 years, and the other half between 41 and 55 years. Approximately 350 employees are above 60 years of age. There are 8 employees between 15 and 17 years old who are taking a practical education. Danisco employs no one less than 15 years of age.

As a knowledge based company, Danisco wants to keep experienced people with the company, as well as bring newly-skilled people into the organisation. Around 68% of Danisco employees have more than 5 years of service with the company and 53% have more than 10 years of service(see figure XII), which we see as being an asset to the company.

In Danisco Sugar 44% of employees have over 20 years of service with the company; the Sugar division is traditionally a sector with low employee turnover.

Women comprise 31% of Danisco's workforce, which is less than the average according to OECD figures, where women still account for less than half of the workforce. Danisco statistics for female employees show 48% in the UK, which is slightly higher than the OECD UK figure of 45%. The more industrial (factory workers) positions in the Sugar division are filled by a high percentage of men, which influences the high percentage of males employed by Danisco.

The turnover of employees, meaning employees who resigned during 2002/2003, compared to the average number of employees was 9.8 %, which we would like to see lowered. A few sites heavily influence the turnover with figures for turnover above 20% due to changes in the organisational structure in Danisco Ingredients.

Danisco has investigated the hourly wages paid at all production sites and can confirm that all sites paid at least the minimum hourly wage to employees.

Fig. XI Age distribution – Danisco A/S

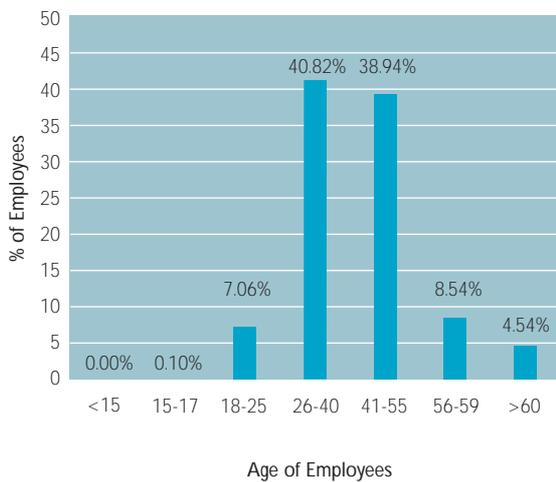
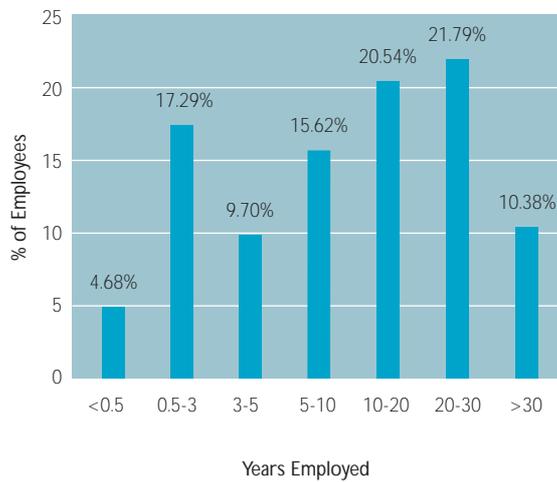


Fig. XII Years of Service – Danisco A/S



* Frequency of sick leave is calculated as the total number of full-time working days lost in the financial year due to sickness, divided by the total number of possible working days in the financial year minus weekends, national holidays and normal holidays.

Measuring health and safety performance

In 1998, a set of health and safety minimum requirements were defined in the Ingredients area. In 2002, these minimum requirements were also applied to Sweeteners. In addition to the basic requirement that all sites must follow national regulations, a number of areas have been identified as requiring special attention. The EU requirement of risk assessment of all workplaces has been extended to apply worldwide and guidelines on risk assessment were issued together with the minimum requirements. Each production site has been asked to report their status on the minimum requirements for the last three consecutive years.

The survey, covering 90% of the sites, showed significant improvements over the three-year period and all sites are now close to compliance. 18 minimum requirements have been formulated, and 8 of these have already been fully implemented. The main areas for improvement are material hazard information, ergonomics and risk assessment. The sites are audited against the minimum requirements, (see page 13). The implementation of health and safety management systems is described on pages 12-13.

Lost time injury statistics for the last four financial years are presented below. Both Danisco Ingredients and Danisco Sugar & Seed have achieved a substantial reduction in Lost Time Injury (LTI) frequency (see figure XIII). The systematic effort during the past 4-5 years is now having an effect. The three sites in Lithuania are included in the figures for Sugar & Seed for 2002/2003.

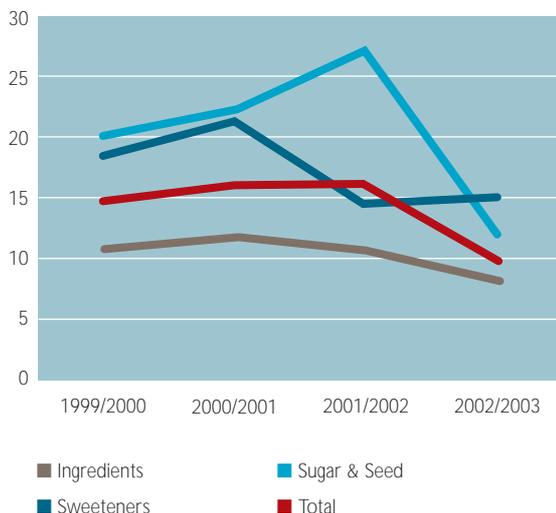
Excluding these three sites, the LTI frequency for Danisco Sugar & Seed is 17.67 and the absence frequency is 2.28.

The Lost Time Injury frequency is followed monthly at all sites except in the Sugar factories in Finland and Lithuania, where the follow up is less frequent. Near miss frequency is also followed monthly in Ingredients and Sweeteners. A "Near miss" is defined as an incident that could have resulted in injury under slightly different circumstances. Near misses are reported in addition to Lost Time Injuries, in order to strengthen the preventive effort by gaining as much experience from incidents as possible.

In January 2003, a fatality occurred at the Tecoman site in Mexico. A contractor, while repairing a chimney which had been damaged by an earthquake a few days earlier, fell when moving from one anchor point to another. While there was no negligence on the part of the site concerning the mishap, Danisco wants to do its utmost to avoid all accidents. Thus, the EHS database now includes the number of Lost Time Injuries and Fatalities for contractors. This has been done to create awareness of how important it is to investigate contractor incidents. These figures will be monitored along with the other elements in the EHS area.

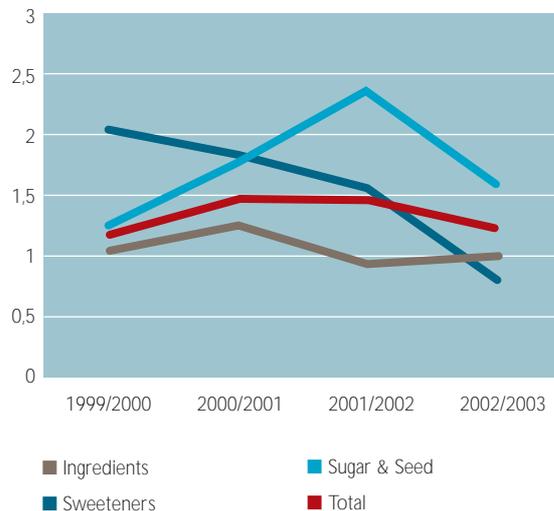
Grindsted, Denmark paid a fine of DKK 25,000 due to two accidents with hot water hoses. After the accidents, Grindsted carried out systematic risk analyses of all work situations where hoses with hot water or steam are handled. A number of preventive actions were taken to prevent scalding, and their experience was shared with other sites in the SHEQ Newsletter.

Fig. XIII Lost time injury frequency ¹⁾



1) **Lost Time Injury:** a work-related injury that results in absence for one day or more, not including the day of the injury. **Lost Time Injury frequency:** (Number of Lost Time Injuries x 1,000,000)/Total Man Hours.

Fig. XIV Absence frequency ²⁾



2) **Absence frequency:** (Number of Lost Work Hours x 1,000)/Total Man Hours.

E-Learning

An integral part of our Corporate Social Policy is the continuous training and development of employees. Local sites continue to be responsible for much of the training of employees, as it is more practical and effective. E-learning courses, which are developed at the corporate level, will be an integrated part of Danisco's competency activities in the coming years, giving more employees the opportunity to maintain and develop their professional and personal competencies – no matter where in the world they work. The objective is to offer an increasing number of custom-made, as well as standardised courses.

In February 2003, Danisco introduced the **Danisco Challenge** in Denmark, an e-learning programme designed for all employees to strengthen their basic knowledge about Danisco. The programme, which is available in 8 languages, has been rolled out globally to all employees, and the results should be received by the end of April 2004. The aim of the **Danisco Challenge** is to ensure that employees have a common perception of what binds the organisation together, and strengthen our common business culture. Within the next year we expect to launch a number of e-learning courses in the most commonly used desktop software.

One of the fundamental elements of our Corporate Social Policy is the area of "equal opportunities" and Danisco is firmly against any form of discrimination or harassment based on ethnic or national origin, religion, gender, sexual orientation, age or political affiliation.

Creating diversity in the workplace

One particular area Danisco Brabrand is focusing on in the Social Responsibility area is the employment of ethnic minorities and refugees. There are a number of barriers that have contributed to the high unemployment rate of these groups, and it is important for companies to play a role in solving the problem. As an international company, Danisco feels that a diverse workforce is an advantage, as it fosters new ways of looking at problems and opportunities. It is also instrumental in making refugees and immigrants feel part of the society they live in; creating job opportunities can, in the long term, facilitate the integration process. Out of the 450 employees in Brabrand, approximately 7% have a foreign background, which is roughly the same as the proportion of foreigners living in Denmark. This figure contains political refugees, immigrants, descendants of immigrants, as well as EU and non-EU citizens.

Danisco is involved with a number of organisations in helping different groups enter, or re-enter, the job market. One of the most successful partnerships is with Aarhus municipality's Labour Market Network. A number of Danisco employees were eventually hired through this network, which typically involves starting in a trial job.

In the future, Brabrand faces a unique challenge: informing ethnic minorities and immigrants that Danisco is interested in what they can offer. Says Lisbeth Jenshøj, HR Manager in Brabrand, "Unfortunately, we don't receive as many job applications from ethnic minorities compared to Danes. We fear that minorities feel that sending an application to us would be a waste of time, as they would just receive a rejection letter. Over the last few years we have tried to encourage immigrants and ethnic minorities to apply for positions at Danisco. Through our membership in 'The Organisation for the Integration of New Danes in the Labour Market', our work with Labour Market Network in Aarhus municipality, and various job fairs we try to convey the message that Danisco is an equal opportunity employer and is interested in attracting the best job applicants, no matter what their race or skin colour."





8.0 Stakeholder engagement

Danisco European Employees Committee - DEEC *

In 1996, Danisco established the Danisco European Employee Council (DEEC) as a forum for dialogue between employees in the EU and the Executive Board of Danisco. DEEC has 9 members representing employees in 12 countries in the EU and 2 members representing the Executive Board of Danisco. Furthermore, observers from the coming EU membership countries of Lithuania and Czech Republic participate in the Council meetings.

DEEC holds two meetings per year. At the meetings the Council deals with matters that are of a general and transnational nature and which are of vital importance to Danisco's employees, e. g. the organisational structure and financial situation of the Group, the job situation and its probable development, transfer across borders, mergers, acquisitions and divestments, cutbacks in or closure of companies as well as collective redundancies.

Since its establishment in 1996, the Council has actively contributed to the strengthening and developing of important dialogue across European frontiers between employees and the Executive Board of Danisco. Many important issues have been discussed and the Council has presented its points of view and made recommendations. Especially during the restructuring

of the Danisco Group in 1999 and 2000, when several business activities within the packaging sector were divested, the Council constituted an important forum of dialogue between management and employees. Current business activities are also regularly on the agenda – e.g. the financial situation of the Group. Recently the Council has discussed Danisco's branding activities and Danisco's Corporate Social Policy.

In 2002, the Council decided to focus on health & safety, environmental and social issues. A subcommittee with representation from the Council, Sustainable Development and Corporate HR was formed and at a number of meetings during 2002 the Committee investigated and discussed the policies and practices of Danisco within these areas. Through this important dialogue the understanding of current activities and mutual priorities and concerns increased significantly and as a consequence new issues have been included in the current reporting from all sites. Furthermore, it has been decided that in the future health & safety, environmental and social issues will be reported to and discussed by the Council once a year.

- Countries in the DEEC (12)
- Observer countries (2)
- Countries outside the DEEC

* The DEEC was established in accordance with the EU-Directive no. 94/45.





Being committed to dialogue is one of Danisco's five core values. Our policy is to engage, among others, our employees, shareholders, interest groups, suppliers and customers in dialogue to hear their points of view. It is our strategy to expand our dialogue with stakeholders in a more structured way, so that our future business decisions can be influenced by their opinions.



BEST IN CLASS
environmental and
social performance
STOREBRAND SRI



Danisco has performed exceptionally well in a number of sustainability indexes: the Dow Jones, FTSE4good, Storebrand and the Nordic Sustainability indexes, which are all used by various investor groups. In addition, Danisco has been included in a number of funds specialising in sustainability and ethical performance, including the BG Investment fund and Robur's ethical fund.*

Employees – Knowledge survey

Since the last report Danisco has run a branding campaign (**First you add knowledge...**) to communicate to our customers/ potential customers that Danisco is the knowledge leader within food ingredients by being a value creator, having leading competencies and adhering to high standards of sustainable behaviour. As part of our branding campaign, a study was conducted by Research International to poll our employees about issues related to Danisco. The study was conducted from June to July 2002. Questionnaires were sent, either by e-mail or regular post, to 916 Danisco employees from various blue-collar and white-collar positions. The number of people chosen from each country reflected the percentage of Danisco workers who are employed there. The questionnaires were written in the native languages of our employees and sent to 12 different countries. The issues included the areas of: competence, innovation, Danisco values, customer relations, training and education, social and ethical business behaviour, etc. (see figure XV, page 37).

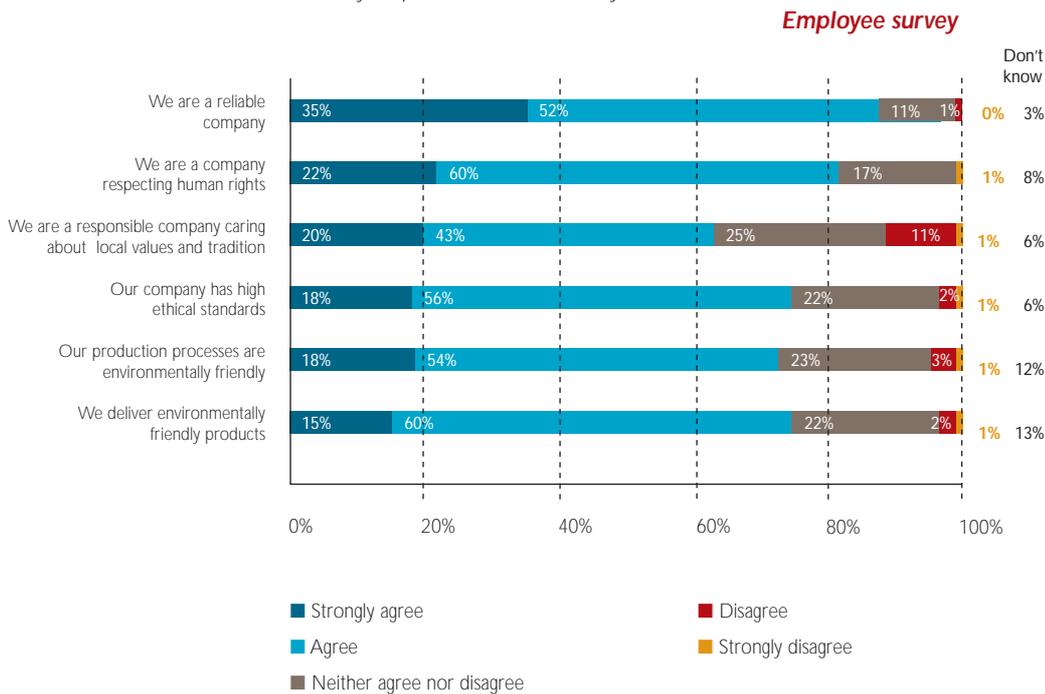
Generally, we find our employees' perception of Danisco's attitude towards sustainability as being positive. There are, however, a number of areas where there is room for improvement. Moreover, there are areas where employees either have no opinion, or are not sure of Danisco's policy in that specific area. In general, our employees seem to believe that we are a reliable company and that we respect human rights. They seem less sure, or have no opinion, of our policies concerning environmental and ethical issues. We realize that the poll is not flawless, on account of the many regional and cultural differences, and there is a need to perform more in-depth studies in this area in the future.

Since this poll, Danisco has stepped up its work in conveying the message of sustainability to employees. In May 2003, an employee brochure was sent out to all employees in six different languages explaining Danisco's policies on a number of different sustainability issues. The new intranet site, which all sites have access to, provides information and details about developments in the sustainability field. Furthermore, a conference for Danisco environmental employees was held in Denmark (The Internal SHEQ Conference – see page 37).

* See Glossary of terms page 49

Fig. XV

Danisco Brand Perception
Ethically responsible - Sustainability



Internal SHEQ conference

On 13-14 May 2003, the Corporate Sustainable Development department held the first global Danisco conference focusing on some of the issues affecting sustainability, and especially the SHEQ (Safety, Health, Environment and Quality) area. The 50 conference participants came from various Danisco sites located in Asia, the Americas and Europe. There were several reasons for holding the conference: for example, to build networks, to share best practice, as well as to discuss further developments within the sustainability area and within SHEQ. The interest in attending the conference was impressive - and it demonstrated the need for meeting colleagues and exchanging knowledge. The programme consisted of corporate presentations, group work and practical examples of successful projects and achievements from the sites.

Discussions at the conference indicated to us how important it is to improve communication between the sites and the Corporate level. As a result of suggestions at the conference we intend to further develop the intranet and the DMS (Document Management System), so local sites will have easier access to information. Also,

a contact list will be prepared of people with competencies in specific SHEQ areas.

Shareholders and investors

We have seen a growing interest from investors and analysts in many countries concerning our approach to sustainability. The specific issues of interest vary from country to country, and region to region. Some of the major issues concern the environment, the social area and environmental ethics. In the UK and the Nordic countries there is an intense debate especially on two issues: genetic modification (GMOs) in relation to food, and animals used for laboratory purposes. The use of genetic modification seems not to be an issue among analysts in the US, where corporate governance is the issue of primary interest. In France, layoffs and collaboration with unions seem to be the most important issues.

Presentations illustrating how Danisco includes sustainability in its business practices have been given for investor groups and analysts in Denmark, Sweden, Norway, UK, France and the US. Close to one hundred analysts attended these presentations, resulting in recommendations of Danisco shares to several investors.

Suppliers – dialogue and audits

In order to enhance our sustainability dialogue with suppliers, a Danisco working group has been focusing on the topic: supplier dialogue and audits. Together with a global ingredients concept for harmonised raw material specifications, the working group has issued a concept for how we will integrate sustainability into our day-to-day work with suppliers. This is divided into 3 main areas:

- 1) **General requirements for suppliers^o**, in which the main focus in the social area is currently on human rights and management systems, in addition to several non-sustainability issues.
- 2) Supplier guidelines stating all sustainability areas according to Danisco's definition of sustainability, and how we expect suppliers to work with these areas.
- 3) In addition, some general checklists will be provided for all sites to use whenever they plan to audit a supplier. We realise that suppliers are at many different levels of sustainability - and there might be different ways of motivating them in order to push them towards improving performance.

A "Sustainability Guidelines for Suppliers" brochure was published in June 2003. The brochure details our work in the sustainability area and also how we expect our suppliers to develop and implement social policies. In the brochure we particularly emphasise the following four parameters: Equal opportunities, Freedom of association, Abolition of forced labour and Elimination of child labour. In addition, the brochure states that all suppliers must be prepared to be audited by Danisco with regard to social policies. Future work will continue in the area of supplier assessments, as well as defining common audit criteria.

Customers – knowledge survey

A customer survey was also conducted during the Danisco branding campaign to gauge customer perceptions of Danisco. Research International conducted the telephone interviews with a sample of directors, managers, R&D personnel, as well as purchasing and marketing representatives. The interviews took place in the native languages of our customers, and included customers located in 14 different countries.

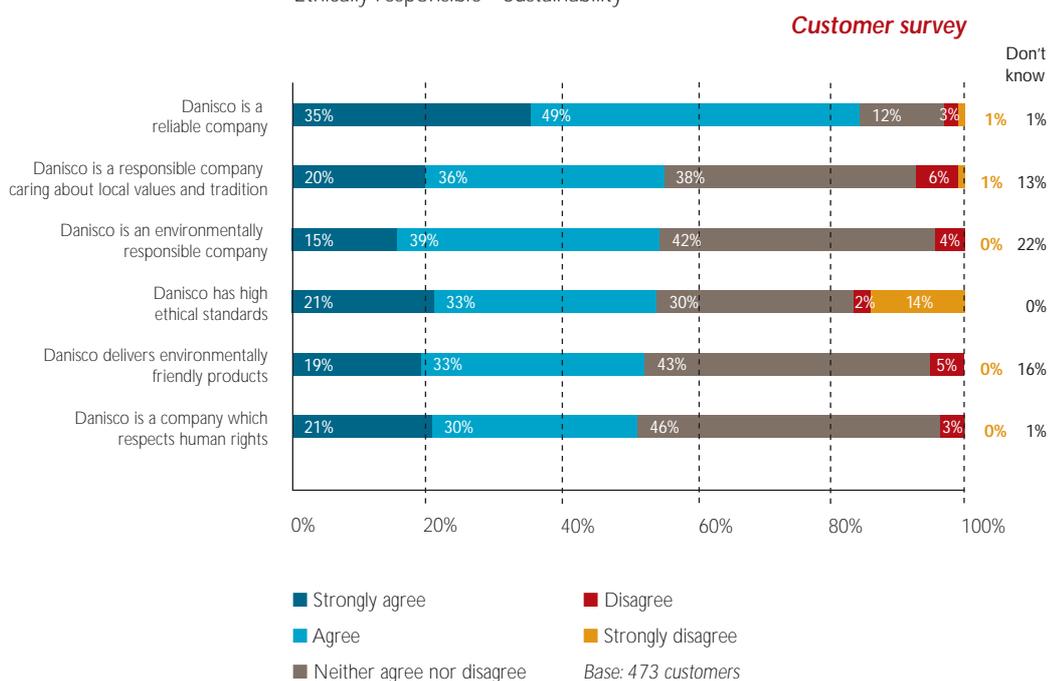
Although Danisco's work was well perceived in categories concerning competence, innovation, and reliability in the survey – it did not do well in the area of sustainability (see figure XVI, page 39). Generally, our customers either indicated that they did not have an opinion, or did not know how to rate our performance in certain sustainability categories. In response to the results of this survey, a new customer survey has been planned for 2003/2004 and will include a number of questions regarding sustainability (see page 39, [Customer Satisfaction](#)).

One of the challenges in the future for the sustainability team in Danisco is to convey the importance of our work – to all our stakeholders. Our approach concerning customers is twofold: we are educating our sales people about sustainability, as they generally deal with customers daily; we are also engaging our customers in partnerships and networks in the area of sustainable development. One specific area we are focusing on is the area of sustainable agriculture. As a substantial part of Danisco's raw materials come from the agricultural sector, we collaborate with our customers and other companies via The Sustainable Agriculture Initiative ([SAI](#) - see page 41).

^o For Danisco Sugar applies only to major suppliers.

Fig. XVI

Danisco Brand Perception
Ethically responsible - Sustainability



Customer satisfaction

In order to measure satisfaction with our performance as a supplier, Danisco is conducting a survey of a number of its largest European customers during 2003. The survey follows up on some of the questions from the branding survey carried out in 2002. Amongst many image related questions, customers will be asked to state whether they regard Danisco as being environmentally responsible, and whether Danisco gives high priority to food safety.

Customers will also be asked to rate the relative importance of the various elements that play a role in determining whether we live up to their expectations as a supplier, e.g. in relation to product, service, values etc. The data collected will be used as a basis for implementing a number of improvement projects throughout the organization. Danisco believes in the value of dialogue and hopes that the customer satisfaction survey will encourage and supplement this. The survey is expected to be repeated in a new region every year.

Consumers

In connection with our branding campaign, we set up a Danish study to gauge the views of consumers on the issue of ingredients and additives. The three focus groups consisted of different types of consumers: working women, chefs and nutrition experts. The groups represented people who are knowledgeable about food, and their opinions greatly influence other people. Although the nutrition experts were more informed than the other two groups, the groups did, to some extent, experience difficulties in differentiating between food ingredients, additives and toxins, and there was a general concern about using chemicals in food.

As a way to address these concerns, Danisco has launched a new Danish website (www.ingredienser.info) to demystify the world of ingredients. As consumers opt out of cooking to spend more time on work and leisure, more and more responsibility is placed on the shoulders of the food industry. Hence, there is an increasing need for information about the many ingredients in food products. On our new ingredients website a nutrition expert can answer questions from consumers, and information can be accessed about the ingredients we produce.

9.0 Other stakeholder concerns

Nutrition information

As a leading European sugar supplier, it is our policy to actively inform the world around us about the nutritional aspects of sugar. In line with this principle, we work to promote a balanced, knowledge-based debate on sugar and nutrition by providing up-to-date scientific information about the issue. The primary channels for our information effort are our pan-Scandinavian magazine, *Perspektiv*, and website (www.perspektiv.nu) – primarily targeted at health professionals – featuring articles by internationally acclaimed scientists on the latest sugar research. Information to consumers is provided on our consumer site www.dansukker.com. In addition, we support research projects in carbohydrates/sweeteners, nutrition and health, for instance through CEFS – the European organisation of sugar producers. It is part of our nutrition policy to recommend a daily sugar intake in line with the Nordic Nutrition Recommendations. When followed, we believe that scientific evidence shows that sugar can form a natural part of a balanced diet.

Danisco Sugar's nutrition policy is available at www.daniscosugar.com

The EU Sugar Regime

The European Sugar Regime covers the production and marketing of beet and cane sugar within EU Member States. The regime, which is founded on a combined quota, price and levy system, regulates the production, as well as the import and export of sugar within the EU. It provides EU sugar producers and consumers with a stable market for sugar and remains in force until July 2006.

There has been considerable debate concerning the sugar regime, and some people feel it creates barriers for countries wishing to export sugar to the EU. Many people do not realize that the regime does allow for the import of 1.7 million tons of cane sugar to the EU, and that the EU is the world's second largest importer of sugar.

Over the last year, Danisco has actively engaged in discussions with a group of NGOs (non-governmental organisations) that have been campaigning on aspects of

the sugar regime. A series of meetings have been held with IBIS, the Danish Association for International Co-operation (Mellemløst Samvirke), The Danish Ecological Council and the 1992 Gruppen, during which relevant issues and concerns were addressed.

A significant element of the NGOs concern relates to the impact of the sugar regime on farmers in developing countries, who – due to import restrictions – cannot currently compete with sugar produced in Europe. It should also be noted that quota systems – similar to the EU Sugar Regime – exist in many countries, and only 20% of the total global production of sugar is sold at world market prices.

Danisco believes that relaxation of quotas will not enable farmers in developing countries to participate in the European sugar market, instead it would favour sugar produced in countries like Australia and Brazil. We believe this would be the case because it would take some considerable time for developing countries to achieve the necessary "critical mass" to participate. These views are not fully accepted by the NGOs.

Danisco also believes that there are significant questions over the standards of social and environmental performance in developing countries that are not subject to the rigorous standards imposed in Europe. These factors should also be taken into account when assessing the sustainable development context for the sugar regime.

The dialogue that has started this year will continue and has led, from Danisco's perspective, to a deeper understanding of the position of this particular group of stakeholders.

Purchasing Raw Materials

Most of Danisco's raw materials come from the agricultural sector, e.g. sugar beet for sugar production, corn for sweetener production and citrus peel for the production of pectin. After extraction, most of the plant material is used for cattle feed. Other products are derived from seaweed, from which we produce alginate and carrageenan. Many of our flavourings come from natural products like fruits and trees, e.g. lemons and vanilla. From birch trees we extract the sweetener

xylitol, which inhibits oral bacterial growth and helps reduce the development of dental caries.

Danisco has a long tradition for working closely with the agricultural sector and sharing knowledge on how to avoid or reduce the impact on the environment. In Sweden all sugar beet farmers work in accordance with an agreed environmental management system. In Denmark, Germany and Sweden we have introduced an effective bonus scheme for sugar beet farmers, which has reduced the amount of soil tare delivered to Danisco's sugar factories.

Our emulsifiers are developed from animal fats, vegetable oils, soy and palm oil. Used in low-fat applications, emulsifiers enable the replacement of fat with water. We buy palm oil derivatives for our plants in the USA and Europe from refiners who import crude oils primarily from Malaysia, Indonesia and to a lesser degree from Africa. In the ASPAC (the Asia Pacific) region we buy from local refiners. Danisco has joined the WWF-initiated Round Table on palm oil, which is organised by ProForest. A meeting took place in August 2003 in Malaysia with the purpose of discussing best practice in the establishing and managing of oil palm plantations, with regard to both environmental and social aspects. Representatives from governments, plantations, refiners, industries and NGOs attended the Round Table Meeting. We feel that this initiative will ensure a more social and environmentally friendly raw material production in the future. We also practice a supplier approval and evaluation programme, a mechanism that allows us to engage our suppliers in a qualified dialogue regarding sustainability issues (suppliers – dialogue and audits, [see page 38](#)).

Partnerships

Our license to operate sites around the world depends on maintaining the respect and trust of our local stakeholders. Great efforts are made on a local basis to develop mutual interests among neighbours, authorities and employees. At the corporate level we are also involved in a number of networks and organisations:

The Nordic Partnership

<http://www.nordicpartnership.org/>

WWF in the Nordic countries and Huset Mandag Morgen initiated the creation of The Nordic Partnership in 2001, and Danisco is one of the founding members. As a member, we collaborate with WWF as a facilitator, and act as the secretariat for the Partnership. The Nordic Partnership gathers a network of Nordic corporate players, WWF and Mandag Morgen, to work together to exchange knowledge and develop new business models for sustainable development. Within the framework of The Nordic Partnership, projects concerning traceability and supplier audits have been introduced.

World Business Council for Sustainable Development (WBCSD)

<http://www.wbcd.ch/>

Danisco became a member of The World Business Council for Sustainable Development (WBCSD) in January 2002. Meetings during 2002 and 2003 gave opportunities to create networks, and to collaborate and form partnerships with other companies in the food sector. During the meetings at the World Economic Forum in Davos, the WBCSD signed a framework agreement with the WWF on Sustainable Forestry, showing that the creation of partnerships between NGOs and industry is possible and necessary to continue the ongoing process of improving sustainability performance.

Sustainable Agriculture Initiative (SAI)

<http://www.saiplatform.org/>

SAI is a platform created by the food industry to actively support the development and global communication of the concept of sustainable agriculture to the different stakeholders of the food chain. SAI has a broad, holistic vision of sustainable agriculture as both a long term-goal and a continuous learning process. Its goal is to support economically viable and responsible farming systems that enable local communities to maintain their livelihood, safeguard their environment and improve their well-being.

Stakeholder engagement at the local level

A significant amount of stakeholder engagement takes place at local sites with employees, suppliers, authorities, neighbours, community, trade unions and non-governmental organisations. This year, like last year, a questionnaire was sent to sites asking for details concerning their efforts in the sustainability area. Listed below are some of the results concerning stakeholder engagement:

- In Danisco India, immunisation of all factory personnel was carried out by the resident doctor. Regular safety meetings are held for employees, as well as training on handling chemicals.
- Danisco Chile conducts tours of the plant for school children, and arranges visits to other companies for its employees to increase knowledge-sharing.
- Since 1999, Danisco Brazil has dedicated one day per year to discussing improvements related to safety. This year's Safety Day for employees covered safety at work, food safety, and environmental aspects. As part of the social integration of Danisco into the local community, computers are donated to educational institutions, and lectures are given to schools concerning environmental issues.
- Danisco Sugar Naskov educates its employees in environmental matters, and twice a year invites its neighbours from the local community to discuss the factory's production and its environmental impact.

Malaysia Stakeholder Workshop – reviews and actions

In our 2002 Sustainability Report we mentioned the focus workshop which took place at our site in Penang, Malaysia. The stakeholder workshop focused on identifying and prioritising the following corporate responsibility areas:

- The workplace (HR development, health and safety at work)
- Product/Food safety
- Knowledge sharing
- Co-operation with authorities
- Environmental management

Danisco Malaysia has initiated and implemented a number of programmes in these areas, of which some were shared with SHEQ personnel at the SHEQ conference. Danisco is continuously discussing the development of internal and external workshops focusing on relevant issues for sites.

One of Danisco's five values concerns "taking responsibility", in keeping with this we have started a project in Armenia to help the local community, and at the same time have created a business opportunity.

Danisco's work in Armenia

In the spring of 2002, Dr. Lars Petersen from Danisco and Dr. Mickhail Chikindas from Rutgers University in the USA initiated contact with the University of Yerevan in Armenia. The reason for their contact was to explore the possibilities of collecting and analysing unique strains of dairy microorganisms that are used in the production of local dairy products in the rural mountain areas of Armenia. The aim was to determine whether these strains could be used in the fermentation of novel dairy products.

During their visit to the university, Dr. Petersen and Dr. Chikindas met with Professor Popov from the Department of Microbiology to discuss the possibilities of developing a project for collecting these strain samples. Eventually, a three-way collaboration was established between Danisco, the microbiology department at the State University in Yerevan and Rutgers University Food Science. A select group of students from Yerevan State University were then trained in collecting strains of lactic acid, cataloguing them, and finally recording their history and geographic location. After this process, the collected cultures are then shipped to Danisco's dairy culture innovation group in Niebüll, Germany to be further characterised and evaluated for potential commercialisation. Since the inception of the project 100 isolated cultures have been received.



Some of the benefits of the project to the local community are:

- the funding of the project enables the students to earn money and the university to purchase much-needed equipment.
- the students are exposed to modern methods of research that give them valuable experience they can use in their future work for the local food industry.
- our contact with local food industries and households brings them to a new level of understanding of international standards of food quality and safety. This should also enable local businesses to produce high quality and competitive products for the country and this region of the world.
- a close working relationship has been established between the university and local industry, making both parties aware of the advantages of synergy.

Danisco has also benefited from the project. Some of the collected strains have been scaled up and will likely end up in new cultures for fermented milk/cheese. Danisco has also received a request to help the largest dairy/ice cream producer improve its products.

Danisco hopes that this project will enable local dairy products to compete against the arrival of standardised fermented milks on the market. At the same time, we hope that this cooperation will make local businesses more competitive and aware of opportunities both at home and abroad.

A farmer's wife in northern Armenia giving a sample of Matsoni milk to a student from the University of Yerevan. The same bacterial culture has been used at the farm for more than 50 years.

10.0 Environmental performance summary table

Table 7 Environmental data not presented in the main report

	Energy Emissions to air 1)			Waste Beet soil and beet origin material 3)	Packaging Total packaging, (t)	Water	
	Total energy usage (TJ)*	CO ₂ Emissions, (1,000 t)2)	SO ₂ * Emissions, (t)			Fresh water 4) (1,000 m ³)	Cooling water 5), (1,000 m ³)
Ingredients							
1999/2000	3,338	156.9	1,718		6,571	4,833.2	1,304.4
2000/2001	3,316	172.1	1,905		6,494	5,046.4	1,145.6
2001/2002	3,489	172.5	1,914		6,393	4,999.2	1,220.5
2002/2003	3,513	172.4	1,892		6,177	6,006.0	1,313.0
Sugar & Seed							
1999/2000	10,495	680.3	1,361	649,087	8,559	1,311.0	11,229.9
2000/2001	9,792	611.2	1,218	644,192	8,760	1,197.3	10,814.4
2001/2002	9,554	550.1	1,095	713,285	7,720	1,161.2	11,787.2
2002/2003	11,033	690.6	1,182	808,230	9,514	7,240.9	10,641.0
Sweeteners							
1999/2000	1,623	23.8	0,1		873	1,103.8	2,685.9
2000/2001	1,503	17.4	0,1		1,000	1,003.3	3,597.9
2001/2002	1,452	16.6	0,1		1,252	814.4	2,092.8
2002/2003	1,606	22.1	0,1		1,302	3,155.0	2,310.9
Total							
1999/2000	15,456	860.9	3,079	649,087	16,003	7,248.0	15,220.2
2000/2001	14,611	800.7	3,123	644,192	16,254	7,247.0	15,558.0
2001/2002	14,495	739.2	3,009	713,285	15,365	6,974.7	15,100.4
2002/2003	16,152	885.1	3,074	808,230	16,993	16,401.9	14,264.9

Some data published in the Sustainability Report 2002 have been revised due to errors detected during this reporting period.

- | | |
|--|---|
| <p>1) Do not include CO₂ or SO₂ emissions for purchased electricity.</p> | <p>3) Beet origin material added to beet soil for 1999/2000 and 2000/2001.</p> |
| <p>2) In some cases, CO₂ emissions from burning biogas produced from wastewater treatment at the site have been included. In the 2001/2002 and 2002/2003 financial years, these emissions are not included as the biogas is a renewable energy source. The CO₂ from biogas accounted for approximately 3,000 tonnes in previous years.</p> | <p>4) In the 2002/2003 financial year the figure includes all fresh water. In the previous years only water of drinking quality was included.</p> |
| | <p>5) Cooling water is both fresh water and seawater.</p> |

* See Glossary of terms page 49

11.0 Independent assurance statement



Scope and objectives

Danisco commissioned csrnetwork to provide independent assurance on the corporate responsibility information and data within the Danisco 2003 Sustainability Report. Any financial performance information contained within the report is excluded from the scope of this assurance process. The objectives were to check claims and review the arrangements for the management of social and environmental issues and the systems for collection of data. We were also asked to comment on the report against the materiality, completeness and responsiveness of the reporting and on the company's social and environmental programme. The assurance process was conducted with reference to the AA1000 Assurance Standard.

Responsibilities of the directors of Danisco and the assurance providers

The directors of Danisco have sole responsibility for preparation of the report. This statement represents our independent opinion. We were not involved in the preparation of any part of the Report although we did provide information on emerging best practice in social and environmental reporting. We have no other contract with Danisco. This is the first year that we have acted as independent assurance providers for Danisco, although one of our team, Richard Hughes, has acted in this capacity for previous Danisco reports.

We adopted a balanced approach towards all Danisco stakeholders and provided our opinion to Danisco on the coverage of stakeholders' issues and emerging reporting best practice, as the report evolved. A Statement of Impartiality relating to our contract with Danisco will be made available on request. The opinion expressed in this assurance statement should not be relied upon as the basis for any financial or investment decisions. The independent assurance team for this contract with Danisco comprised Mark Line, Richard Hughes, Jon Woodhead and Adrian Henriques. Further information, including a statement of competencies relating to the team can be found at: www.csrnetwork.com.

Method

The independent assurance process was conducted through meetings at Danisco premises in Denmark in Copenhagen, and at sites in Sweden and Mexico. Meetings were conducted with managers at Corporate and Division level responsible for areas of management and stakeholder relationships covered by the report, and for collating the data and information on which the report text and data was based. During these meetings, claims were discussed and a review was undertaken of the systems and processes for data collection and analysis. Specific data were checked for consistency against these systems and processes. In addition, we contacted representatives from a range of Danisco's stakeholder groups to discuss issues of relevance to Danisco.

In Sweden, we visited sites at Arlöv and Norrköping, and in Mexico we visited a site at Tecomán, to discuss local management arrangements and to check specific performance data with local management representatives. The assurance process included interviews and document reviews to assess the company's reporting and management process against the principles of materiality, completeness and responsiveness as described in the AA1000 Assurance Standard.

Opinion



Accuracy

On the basis of the method and scope of work undertaken and the information provided to us by Danisco, we have found that the 2003 Sustainability Report presents an accurate description of the company's performance. Although we found that the data collection systems and underlying trends in reported data are generally robust, we also noted that some changes to historical data were necessary to achieve consistent application of internal reporting guidelines. Further improvements would be achieved through additional checking and peer review of data at site level prior to submission to the corporate EHS database.

Overall, the report is a significant step forward from last year, in particular through greater coverage of issues and commentary on performance data and trends. This achievement has been supported by further improvements to the SHEQ management and reporting arrangements. Further improvements now need to be made by addressing international stakeholder concerns more fully.

International operations pose particular challenges for embedding a systematic approach to environmental management, and even greater challenges in achieving a consistent approach to social issues. Danisco's SHEQ organisation is currently providing the framework necessary for developing the company's safety, health, environment and quality arrangements. We recommend that Danisco should review its approach and guidance on the company's social policy, to promote greater local understanding and adoption.

In addition, our observations against the AA1000 Assurance Standard principles are as follows:

Materiality

The 2003 Sustainability report has addressed many of the issues that have been raised by stakeholders. In order to meet stakeholder expectations, future reports should include coverage of Danisco's position and performance in relation to:

- *The social, environmental and economic impacts of specific raw materials, such as palm oil;*
- *Obesity and dietary induced diabetes;*
- *Differing national legislation on labelling requirements;*
- *The EU testing programme for additives;*
- *Subcontractor health and safety performance*

Completeness

Danisco is already undertaking dialogue with selected stakeholder groups to understand the information they require. However, the arrangements for identifying stakeholder issues are currently largely focused on those groups connected to Copenhagen. To reflect Danisco's international presence, we recommend that the company should extend the systematic management approach already created for SHEQ to its stakeholder engagement processes. Future reports could be more complete if they were supported by systems to provide more information on:

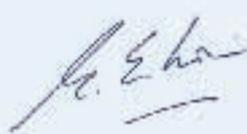
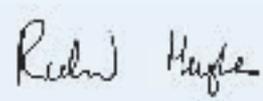
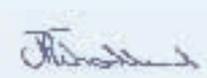
GMOs and GMMs	Systems to gather information and report on stakeholder concerns about the use of relevant materials
Animal testing	The circumstances in which mandatory testing is required by regulatory authorities
Suppliers and consumers	To (a) provide greater context for the steps Danisco is taking to promote social and environmental responsibility up and down the supply chain; and (b) to provide basic information on relationships with these groups as stakeholders
Labour relations	What systems are in place to address issues such as employee diversity and equal opportunities, and to report on the current profile, policies and objectives

Responsiveness

The report includes commentary and analysis of performance data and trends, and some normalised data. We recommend that Danisco should now consider how further performance data could be presented in a normalised form, for example by product output. Although there are inherent complexities in normalisation, use of normalised data would reflect reporting best practice and would add to the understanding of performance. Future reports should also make clear Danisco's position on reporting by joint ventures and subsidiaries.

Recent changes to the governance arrangements for social and environmental management should enable performance targets to be set. We recommend that these targets should be based on normalised performance, rather than process measures. We also recommend that future reports should demonstrate more clearly how the company responds to stakeholders' issues.

csr network ltd. U.K. October 2003

		
Mark Line, Director	Richard Hughes, Associate	Jon Woodhead, Director

csrnetwork is a business focused, corporate social responsibility consultancy organisation, bringing together specialists from the fields of environmental management, social accounting, and sustainable development.

Feedback/Contact information

Please let us know what you think about Danisco, our performance, or the issues we have covered in this report.

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We value your views!

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www.danisco.com or by e-mailing info@danisco.com

Experience our on-line virtual sustainability world at
www.danisco/sustainability. The sustainability report in pdf file format can also be downloaded from this location.

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Production of this Report

In 1997, Datagraf Auning AS* was certified according to Danish Standard Norm DS/ISO 14001, and the firm was already by 1998 licensed to produce Swan-labelled products. The Nordic Ecolabel is the Scandinavian eco-label used for printed matters, and it is the firm's guarantee that the printed matter has the least possible impact on the environment. The requirements for eco-labelled production comprise all products: paper; developer; printing inks; overprint varnish; damping solution additives;

washup solutions; and type of glue. All criteria must be met in order for the production to be approved of as a Nordic Ecolabel product. In 2001, Datagraf was moreover registered under the European organisation of Environmental Management and Environmental Surveillance: EMAS. EMAS is a voluntary scheme only consisting of firms in which environmental management is part of daily life and where an ongoing struggle to improve the environment prevails.

Glossary of terms

Auditing

A systematic and independent examination to determine whether quality and environmental activities and related results comply with planned arrangements. Audits are designed to ensure that arrangements are implemented effectively and are compatible with achieving objectives.

CO₂ **Carbon Dioxide**

A greenhouse gas thought to contribute to global warming.

COD **Chemical Oxygen Demand**

The amount of organic materials in wastewater. The amount of oxygen needed to fully break down all the organic matter contained in effluent.

EMAS **EU Council Regulation (no. 1836/93/EC of 29 June 1993)**

The environmental management and audit scheme covers industrial companies' voluntary participation in a common environmental management and audit scheme.

GMO **Genetically Modified Organism**

An organism that has been modified using genetic engineering, such as plants, microbes and animals.

GMP **Good Manufacturing Practice**

Regulations promulgated by the US Food and Drug Administration under the authority of the Federal Food, Drug and Cosmetic Act. The regulations address issues including record keeping, personnel qualifications, sanitations, cleanliness, equipment verification, process validation and complaint handling.

HACCP **Hazard Analysis Critical Control Points**

A self-evaluation system for identifying the most critical steps of a process with respect to food safety and their appropriate management. Within the EU the system is usually inspected and approved by local food authorities.

ISO **International Organization for Standardization**

The ISO standards on quality management (ISO 9000 series) and environmental management (ISO 14001) have been widely adopted.

Lecithin

A phospholipid based by-product of oil production with emulsifying properties.

OHSAS

The Occupational Health and Safety Assessment Series (OHSAS) – 18001 are the drivers for a systematic approach to occupational safety and health programmes, and the first internationally agreed standard for safety. The standard emphasises the use of proactive and preventive practices for identifying hazards and evaluating and managing work-related risks.

SO₂ **Sulphur Dioxide**

Causes regional air pollution and acidification.

Stakeholders

All individuals or groups who affect or are affected by the way we do business.

Sustainable development

An approach that focuses on using the earth's resources in a way that secures current needs and contributes to the beneficial development of mankind and does not compromise the needs of future generations. The concept originates from the 1987 Brundtland Report: "Our common future".

Sustainability indexes

Sustainability Indexes track the performance of companies that lead the field in terms of corporate sustainability. Companies are assessed according to the same corporate sustainability methodology and respective criteria.

TJ **Terajoule**

A metric unit of energy commonly used in the energy industry, equal to 277.78 megawatt hours.

Verification

A process of checking the report contents against objective evidence and stakeholder dialogue.



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