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Sustainability is a subject that has been close to our hearts for many years. We may not have always used the word but the very nature of our business means we have always needed to consider the future. This is not a new idea for us - and we have always worked hard to ensure we are a responsible company, one that cares for its people, its customers, its community, society at large and the environment.

To demonstrate this commitment, we have drawn together all the work we have been doing right across our European operations, into a unified sustainability report.

This report acts as an overview of our company and then highlights our achievements and goals in three key areas:

1. The sustainable supply chain
2. Social responsibility
3. The environment

We have chosen these three areas because they reflect the nature of our business and our activities. These are the places where the issue of sustainability is most relevant to our operations.

About this report
It gives me great pleasure to introduce our second OSI Europe Sustainability Report. Sustainability continues to remain high on our agenda and this report charts our progress to date and focuses on our future commitments.

As a responsible company we understand that we need to continue to drive sustainable initiatives through all areas of our business and our supply chain. We will maintain a high level of sponsorship which has been vital to the success of past and current projects in this area. We will continue to make the necessary changes to further embed a culture of sustainability in OSI Food Solutions Europe.

This report highlights our progress and success to date and provides stretch targets for the future.

We will continue to act responsibly and:
- Develop more economically sustainable supply chains while continuing to focus on animal welfare
- Minimise our environmental impact
- Protect the health, safety and welfare of our employees now and in the future
- Engage positively in the communities in which we operate

Phil Marsden
Managing Director, OSI Food Solutions Europe
The company

OSI Food Solutions Europe (OSI)
OSI Food Solutions Europe provides quality meat products for the international food industry. The company’s first plant in Europe was founded in the South of Germany in 1978. Today, OSI Food Solutions Europe employs 1,200 people and produces beef, chicken, and pork products.

Our parent company
Our parent company is the OSI Group based in Chicago, USA. The OSI network spans the globe with over forty-five processing facilities and more than 16,000 employees dedicated to providing food solutions for some of the world’s leading companies.
Ensuring a sustainable supply chain
OSI’s goal is to establish standards of excellence in its supply chain. OSI can protect and enhance its own business and the brands of its customers by driving innovation and ensuring sustainability. OSI’s work in this area is founded on three core principles:

01 Traceability and transparency in the supply chain increase consumer confidence

02 Independent quality standards are essential to ensuring quality, food safety and sustainability

03 Animal welfare is one of its key issues. OSI sets industry standards and shares best practices with its suppliers for continuous improvements

In Germany, for example, there is a vertically integrated national quality assurance system, called “QS” where all steps of the production are independently controlled – starting from feedstuff, through agriculture to the production process.

OSI is continuing to develop and enhance these schemes. Our goal is to increase the amount of meat originating from these schemes by selective purchasing at our supply base to reach 100% compliance.

However, not every country has such a national farm assurance scheme. For these countries, OSI has developed a quality assurance scheme at farm level. This includes a checklist that is based on a handbook where all relevant issues are described. The monitoring on farms is either done by OSI’s meat-suppliers or by independent third-party auditing bodies.

OSI is continuously increasing the amount of meat originating from farms that take part in recognised quality assurance programs – such as QS in Germany.

As OSI is producing food, the company has to care about its product, where it comes from and how it is produced. OSI cares about how animals are treated. OSI cares about the traceability of raw materials, so that consumers know where products are from. Quality has to be maintained at every step in the food supply chain. At every stage, sustainability, food safety and quality must be thought about.

OSI ensures food safety and quality by a system of complete traceability, good farming practice, animal welfare and environmental protection. OSI has a leading role to play in many markets in promoting the issues of animal welfare and sustainability. OSI shares experience and know-how through membership of many different associations and advisory panels.

OSI’s customers set high standards in quality and sustainability, and OSI strives to meet and even exceed these expectations. In general, it is seen as OSI’s commitment to preserve resources such as soil, water and livestock and to treat them in a responsible manner.

OSI has built up a comprehensive quality assurance system. This covers all aspects such as traceability, animal welfare, environmental protection and sustainability.

Quality assurance for meat should start not at the slaughterhouse or the processing plant, but back on the farm, at the primary production stage.

The EU and national legislation set the legal framework for the requirements around food safety, quality and sustainability. The implementation in practice is carried out through measures of good agricultural farming practices.

Since the primary production stage impacts on the whole supply chain from the farm to fork, OSI wants to set up a system that monitors all of the following: Staff, origin, feed, veterinary medicine, animal welfare, buildings, environment, and sustainable agriculture.

There is a wide variety of existing agricultural assurance schemes across Europe designed to monitor these factors – for example GlobalGap, QS Beef Germany and Assured British Meat. These schemes all have different approaches, different standards, different ways of recording performance and assessing results.
Key welfare indicators – chicken, 2011

Animal health and welfare

OSI’s customers and suppliers are committed to continuous improvement in the area of animal welfare.

This includes ensuring that:

- Animals are treated with respect – based on good professional practices and farm management
- Suppliers meet or exceed relevant national and EU legislation
- The use of medicine has to be kept as low as possible but as high as necessary for effective treatment
- Animals are fed with species-specific feedstuff, which can be traced back
- There is the implementation of new technologies and best practices at slaughtering.

Initiative to avoid operative piglet castration

From January 2011, OSI Günzburg was able to produce pork patties using both the meat of young boars and female pigs in equal measure.

For many years pigs have been castrated to avoid the typical and complex boar odour associated with meat from entire males. Scientists have been actively seeking alternatives to operative castration for some time, principally for Animal Welfare reasons. Therefore, our challenge was to find a solution not only at our patty plant, but primarily for the whole pork supply chain. This started with the farms stopping operative castration combined with effective traceability and odour detection systems at our pork suppliers.

At our plant comprehensive sensory tests were carried out on a range of product mixes containing varying amounts of meat from young boar in the formulation. The objective was to achieve a product that did not show any deviations from standard product for all quality parameters. With the support of product development and operations, the batch formulation and grinding process was optimized to meet the required quality criteria. The Quality Control Team continued to monitor performance to ensure product consistency.

During 2011 we gained more experience in this process and the “new” product was successfully introduced with 100% customer satisfaction.

Animal welfare

Animal welfare is a key concern. OSI has enjoyed excellent co-operation from its suppliers in this area ever since the business began. Suppliers are kept informed about issues and requirements and we initiate technical meetings and provide training to help suppliers meet our high standards.

OSI has also introduced a close monitoring and audit system in the slaughterhouses. Both OSI and third party auditing bodies check the whole slaughter process on an annual basis. For example, in 2011 OSI Europe carried out 107 animal welfare audits in our approved cattle slaughter plants.

OSI’s minimum requirement is for compliance with all relevant legislation and guidelines at every stage of the food production process. Furthermore, OSI has developed additional systems and standards:

Animal welfare cattle audits

OSI has been using a protocol for carrying out animal welfare audits at the slaughter stage since 2003. The aim is to objectively assess and monitor important animal welfare criteria such as slipping and possible falling of cattle during unloading and driving to the slaughter area. This audit has allowed the slaughter plants to improve their animal handling, equipment use and construction & layout of their facilities. This has been achieved by promoting the sensitive issue of animal welfare to workers by sharing best practices and by initiating new research. OSI’s target is to have auditors certified as animal welfare officers. This helps to optimize the support and training of slaughtering operatives in animal welfare criteria.

Chicken key welfare indicators

OSI has defined some fundamental key welfare indicators to help assess farm management and catching practices. One example is the key welfare indicator “footpad lesions” (FPL), which gives information about litter quality, air quality and the health status of chickens.

Litter quality, in particular its moisture content, is a major factor in the incidence and severity of FPL. The most commonly used litter materials by OSI suppliers are chopped straw and wood-shavings. In a study, alternative litter materials were tested under the same conditions: SoftCell (combined product of lignocelluloses and active plant extracts), rice hulls and pelleted straw.

On average this lowered FPL by approximately 20 to 25 % at the end of the study cycle. These materials also have a high level of bio security as the products are heat treated during the production process.

During a supplier’s workshop conference in March 2011, the experience and results were shared with all European Suppliers. OSI will continue to look for suitable litter material alternatives, taking into consideration both quality and price.

“For the OSI chicken meat business “Quality Assurance Raw Material” audits the whole process. This means that three people are responsible for the 20 OSI-approved slaughter and deboning plants. Each plant has to be audited a minimum of once per year. This is not only the slaughter and deboning plants, but also the feed mills and farms (based on a monitoring programme) have to be audited on a frequent basis. Our aim is to continuously improve the quality of our products by monitoring the Key Performance Indicators to anticipate any declining performance and help the supplier to find solutions in the process, the final inspection, etc.”

Britt Hildebrandt, Quality Assurance Officer, OSI Europe
Abattoir audits

All suppliers are thoroughly checked

Any abattoir or food plant which delivers meat to OSI has to undergo at least two approval audits every year. One is carried out by OSI’s own team of experts, and another by independent audit companies. The auditors check:

Good manufacturing practices (GMP)

The plant’s manufacturing processes are thoroughly examined to ensure product safety of the highest level at every stage. This includes plant, process and personal hygiene and condition of the building.

Documentation

Based on HACCP (Hazard Analysis Critical Control Point) principles the plant must have implemented documented monitoring to ensure food safety aspects. Relevant parts are microbiological analysis for meat, equipment surfaces and water, cleaning schedules, pest control, foreign body control, temperature control (maintaining the cold chain), waste management and training of employees. The plant’s traceability system is also reviewed.

Animal welfare

This aspect is rigorously checked. For a site dealing with cattle, at least 25 animals will be examined as part of the audit. This covers the condition of the lairage area (any injury risk for the animals), the employee’s handling of the animals, especially when guiding the animals, use of driving aids, and the effectiveness of the stunning process.

For Chicken, 100 birds are checked during the audit regarding key welfare indicators, handling, stunning efficiency etc.

Audit evaluation

Auditors use a specific checklist to ensure all criteria are thoroughly examined. Plants are rated according to conformity with all the integrated criteria. Each point is rated as either: satisfactory, a minor, intermediate, major or a critical non-conformance. All deviations (based on defined factors) are summarised and the final result will lead to an overall plant rating (A, B, C or D). A and B rating: The plant fulfils the requirements at a high level. C rating: Several improvements are necessary along with a re-audit. D rating and/or any critical non-conformances: the plant fails the audit and must stop supplying OSI immediately. Any food already in the OSI system from that plant undergoes a risk assessment and if necessary, is rejected. If adequate corrective actions have been carried out, then the re-approval of the plant depends on the result of a re-audit. OSI’s audit teams are not there to act simply as rule enforcers. Their role is to help suppliers maintain the highest standards and also to develop by providing advice and guidance.

OSI also sends out circular letters to all its suppliers with information on changes to relevant EU and national legislation, as well as on customer requirements.
Young bull rearing in the UK – an update

OSI successfully introduced a scheme to help alleviate a particular animal welfare and sustainability issue in the UK.

In the last OSI Europe Sustainability Brochure we reported on an initiative in the UK whereby dairy bred young bulls that would normally have been slaughtered at birth due to their lower value were being reared by calf specialists and then finished and supplied to abattoirs, which provide beef for OSI UK.

We reported that after a total of 8,800 dairy bred young bulls entered the OSI UK supply chain through this initiative in 2009, we hoped to increase the number to 25,000 in 2010. We actually achieved 27,847 young bulls in that year! The initiative continued into 2011 and gathered a huge momentum, finishing the year with a total of 44,431 animals entering our system and providing us with beef that without this initiative may not have been there!

Cattle farm project in Poland

OSI Poland mainly uses cow meat as raw material and has successfully found a way to implement a quality assurance program at farm level. This programme is based on training auditors to the standard and system verifications that take place on a regular basis.

Background: The cattle farming structure in Poland is characterized by a large number of comparatively small farms. Currently there is no national quality assurance programme for cattle farming in place. Possibly due to the low national beef consumption, farmers associations, retail chains and consumers do not appear to require any additional quality assurance requirements.

With these preconditions, OSI Poland was facing a big challenge when a key customer required the implementation of a farm assurance scheme.

The first step in solving this problem was to create our own Supplier Farm Standard (SFS) based on the customer requirements and a related checklist. A checklist and farm standard were given to all Polish key beef suppliers in order to conduct inspections of all farms identified as regular suppliers of cattle livestock. Three years after the implementation of the system the number of inspected farms has reached nearly 4,000.

Additionally, OSI Poland was looking at the possibility of developing an independently checked system. By the end of 2009, a three-party contract was signed between OSI Poland (provider of Supplier Farm Standard), the Polish Federation of Cattle Breeders and Dairy Farmers (provider of auditing staff) and two independent inspection bodies for supervising the programme in accordance with ISO 45011. From the beginning of 2010, around 75 auditors all over Poland have worked locally to conduct inspections on farms that are delivering cows to the beef suppliers of OSI Poland.

By the end of 2011 the number of farms covered by an independent Supplier Farm Standard reached 6,000. Within the next three years OSI Poland is planning to increase this number significantly.

“We are proud that we managed to develop a farm assurance system starting with our key beef suppliers and ending up with the introduction of a 3rd Party Scheme – and this within only a few years. At the moment OSI has its own cattle slaughterhouse in Poland, so we see also a commercial value of our programme with benefit for the whole OSI Group – for example, by building up a vertical integration system of purchasing cattle from audited farms.”

Marcin Sokolowski, Quality Assurance Raw Material Manager, OSI Poland
Our carbon footprint strategy

Reducing the impact of our activities on climate change

Agriculture and food production contribute to global greenhouse gas emissions. OSI is committed to reducing its own emissions from its plants. OSI is reducing both power usage and waste. This work is described in the environment section of this brochure.

The CO2 issue is not confined to OSI’s own processes. The whole supply chain is involved, beginning with primary production. OSI actively supports all main stream types of beef production and recognises the opportunity to reduce greenhouse gas (GHG) emissions in all of them. OSI has taken significant steps towards improving the collection of data for analysis of greenhouse gas emissions in the supply chain. OSI is working on a project to build up a CO2 matrix in agreement with one of its main customers.

In the United Kingdom, a pilot project for cattle farming was set up to deliver data for the CO2 calculation at farm level. In 2011 this project was extended to a certain number of German dairy farms - located all over the country and randomly selected. The E-CO2-model, which is used for the calculation of the Carbon Footprint, uses guidance from “Carbon Trust” Certification to carry out a life cycle analysis. This means that the assessments are accredited to PAS 2050, the industry standard for carbon assessments. For Germany, certain adjustments had to be done to the model originally used in the UK - due to different preconditions in the farming and feeding system. OSI’s aim is to benchmark the data and to detect crucial points in the farming and feeding process that can further reduce greenhouse gas emissions.

Measuring our carbon footprint

OSI’s plants are developing a beef and chicken carbon footprint in partnership with its major customers. After analysing the data we are working on reduction plans based on several projects.

Environmental protection and biotechnology

Protecting vulnerable ecosystems

OSI’s main customer has developed detailed guidance for meat processing plants with regards to the use of genetically modified organisms in the production of food. OSI works to these principles, which include not using genetically modified foodstuffs or ingredients – according to the relevant European Community (EC) law.

OSI also controls its plants so they comply with all relevant legislation relating to environmental protection and the use of biotechnology.

OSI is aware that the production of food should not harm vulnerable ecosystems, this is managed by strict EC and national legislation in this area. For example, official bodies check farms and if they do not comply with legislation, this can affect their agricultural subsidies.

In addition, OSI ask all beef, pork and chicken suppliers to undergo an environmental self-assessment. This includes a series of questions which provide further information about how they work today and their ongoing activities related to environmental improvements.
Protecting the Amazon Biome in Brazil

The Amazon Biome is a cluster of various interlocking tropical ecosystems. It covers an area of 6.4 million km² (2.47 million square miles), of which 4 million (1.5 million square miles) are in Brazil.

OSI aims to help preserve this one-of-a-kind rainforest region, often referred to as the “green lung” of the planet, for ourselves and for future generations. OSI is well aware of its responsibility, especially with regard to feedstuff.

Soybean meal plays a major role as a protein source in the diet of chickens in the supply chain, with most of it coming from South America. All soya used in the OSI supply chain originates from farming regions outside of the Amazon Biome.

Each ship with soybeans and meal from Brazil, arriving in Europe, is accompanied with a certificate stating the growing areas. Transport and storage operations are also documented on delivery notes which are handed over to the feed mills. OSI suppliers only work to recognised standards. In 2011 mainly CERTID Non-GMO Standard and CERT ID Pro TerraStandard were used. The traceability provided by these certifications confirms the Non-Amazon and Non-GMO status of the consignments of soybean meal purchased and also verifies that it was produced under sustainable conditions. Finally the system of traceability is checked by OSI’s chicken suppliers and by OSI.

Traceability and transparency

Tracking food from the barn to the burger

OSI’s customers expect a consistently high quality of product. To ensure this, OSI aims to be able to trace all raw materials back to the farm of origin.

There are legal requirements surrounding food traceability and OSI complies with or exceeds all of these.

This is an example of our traceability system:

• When a consumer buys a hamburger and wants to know where the meat is from, OSI can trace back the patty to a particular plant and a particular production date – based on the information on the packaging.

• This information, when combined with the processing time, forms the batch number. This can be used to go back to the grinding area at OSI where documentation shows clearly which meat from which supplier was processed at this time.

• When meat is delivered to OSI, it comes with identification codes, so-called slaughter numbers. These contain information on the specific carcasses that were used.

• Using the internal traceability system of its meat-suppliers, OSI can trace back the patty to a limited pool of animals and farmers.

Traceability from field to fork

Legal requirements such as beef labelling laws are the basis for OSI’s traceability system and for labelling the country of origin for beef. For chicken, all pre-located production steps like parent stocks, hatcheries, broiler farms and feedmills are part of, or have a contract with, the slaughter plant. All the relevant data is linked to each other and assigned to each batch.

This is something which OSI regularly checks via traceability exercises as well as through external controls. OSI also use raw material from farms with a certified farm assurance scheme to increase transparency and the consumer’s confidence in the whole supply chain.

Transparency about all that we do

OSI can demonstrate the transparent traceability system in action, and do this for a wide variety of visitor groups, including associations and others in the supply chain. OSI regularly gives insight into production to various visitor groups. In this way, OSI provides transparency about its operations and its supply chain, by allowing consumers and customers to see its commitments in action.
Social responsibility
OSI’s goal is to provide a safe and diverse workplace for its employees, one in which they can thrive, develop and grow. This goal is founded on three core principles:

01 OSI is committed to employee development at all levels in its business. This reflects the strong belief in its people’s capabilities and belief in providing its employees with opportunities to progress to their fullest potential.

02 OSI is committed to providing better rewards for its employees - better than the legal requirements and better than its competitors and peers. OSI believes this is essential for continued strong performance.

03 OSI is committed to protecting and ensuring the health and safety of all employees, suppliers, colleagues and customers and anyone who comes into contact with its activities. This commitment is reflected in the many awards for Health & Safety OSI has received over the years.

**Compensation and benefits**

**Rewarding its people for their commitment**

OSI Food Solutions recognises the invaluable contributions made by its employees. This is why we commit to offering competitive salaries and a comprehensive benefits program.

To ensure these commitments are met, OSI annually benchmark locally, evaluating its competitiveness through comparisons with other similar industries. Salaries are reviewed on an annual basis, both with a local benchmark and the Federation of European Employees, PWC and Kienbaum. This allows us to remain competitive in the market and enable retention of employees.

OSI believe they are an employer of choice; this is reflected and can be supported by the annual statistics of our staff turnover which continues to be less than 3%.

OSI ensure benefits reflect the diverse needs of its employees and as such offer a wide range of local and European benefits from medical coverage, Death in Service cover, canteen facilities predominantly subsidised, through to attractive pension schemes.

**Working in partnership**

One of OSI’s core principles is partnership. OSI is committed to friendly, professional cooperation with its customers, employees and suppliers. This is the only way to achieve a long-term and mutual benefit for all. In this spirit, OSI has also committed to ensuring a safe, healthy work environment. This includes workplace safety, compliance with all statutory regulations, as well as fair and respectful treatment of employees.
Diversity training in action

OSI has a diverse workforce employing nationals from various Eastern European countries as well as from countries further afield such as the Philippines. Good practice has led OSI to recognise the need to develop managers and team leaders in “Understanding and Managing Diversity and Dignity Issues at Work”.

After much research and with the support of a specialist training provider, OSI developed a programme that includes subjects of diversity as broad as race, religion and disability to bullying in the workplace, current laws and dignity at work scenarios.

Following a successful pilot in the UK and in Germany, OSI has rolled out Diversity and Inclusion programmes to key plants across Europe. In 2012 and 2013 further workshops will be rolled out to build upon the themes that have already emerged.

Measuring success

OSI measures its success in diversity through KPIs focused on the percentage of employees by nationality, the percentage of women to men, the years of service of its employees and their ages.

Encouraging more women in senior positions

The percentage of women in senior executive positions is lower than the percentage of men and OSI have taken positive action to improve things. This action has included a sequence of initiatives to develop female leadership, such as:

• A European mentoring programme
• A specialized development programme over 18 months (called IDP)
• 360° appraisal
Rachel Smith
Logistics Manager

Rachel Smith has worked within the Food Industry for over 20 years and has been employed at OSI for the last five years in the role of Logistics Manager. Rachel is a highly experienced manager and understands that development is fundamental to success within her role and the business. Rachel’s comments on training and development at OSI are as follows:

As regards to training in general, OSI are quite forthcoming. I have attended numerous in-house training courses ranging from Health and Safety, Environmental to Diversity training, well as external courses.

OSI have also given me the 360° development feedback. This is something I relish. I gave the feedback forms to a wide range of people I deal with everyday including my staff, my Manager, IT and Purchasing. One was also given to an external customer who is responsible for organising our transport. That way, I see what they think I am like internally and externally when dealing with different situations. I was not surprised by their responses but it was good to show you can adapt to different circumstances. I have asked to repeat this annually.

Over the last year I have been actively involved in the roll out of the revised OSI Values programme as a developmental project. This has meant I have travelled to our other sites throughout Europe and assisted them with their own implementations. The greatest achievement from this has been the improved working relationship with my colleagues from other plants and sharing knowledge and understanding. We have brought back an idea from Poland and implemented it here with benefits both financially and environmentally.

Corinna Frankenburg
Accountant

Corinna Frankenburg, an Accountant based in Germany, was awarded the Student of the Year in 2010 within the Talent Pool training that she attended. Talent Pool is an external 12 month management development programme. These are her comments on the course:

My year in the Talent Pool started with a Personal Consultation and the Personal Development Plan (PDP). I found the PDP very useful and was able to accordingly set goals to achieve during the year.

The first workshop was called “Understanding me”. I found out I am a perfectionist and expect others to be so, too. I have learnt to accept my colleagues the way they are and not to expect them to always work according to my standards. The benefits are that I am now calmer and not as irritated as I used to be by what my colleagues do, how they do it or what they don’t do.

The next step was the physcometric test; this confirmed what I had already found out in the workshop (a perfectionist).

As far as the on-line courses concerned, I selected the following four modules:

- How to motivate others through change
- How to build rapport
- How to be assertive
- How to be more proactive
Taking social accountability to a new level

OSI is at the forefront of embracing new social accountability standards right across its European operations.

In addition to its annual self assessments and audits, OSI have also been piloting the Social Accountability 8000 (SA 8000) scheme at its plant in Spain and following evaluation, it may be rolled out across OSI.

The scheme was developed by Social Accountability International (SAI), based on internationally accepted principles of human rights.

The scheme is a voluntary, universal standard for companies interested in auditing and certifying both internal labour practices, and those of their suppliers and vendors. It is designed for independent third party certification.

It measures the performance of companies in eight key areas: child labour, forced labour, health and safety, free association and collective bargaining, discrimination, disciplinary practices, working hours and compensation.

SA8000 also provides for a social accountability management system to demonstrate ongoing conformance with the standard.

Taking our business forward

To further improve talent and succession planning, OSI has recently developed a further development programme aimed at production and shop floor staff. Our plans are to roll this out across Europe and invest time and effort in developing future supervisors. The programme is aimed at developing first line Managers skills early on through internal workshops and training days.

Talent and succession planning

Investing in the leaders of the future

OSI is committed to investing in its people, helping them to develop their talents, and ensuring the right people are in place to take OSI forward.

The future development of the business looks healthy and OSI has strong plans in place to grow its next generation of managers. In 2009 and in 2011, OSI rolled its first fast track intensive management programme (called IDP) to 6 and then 10 Managers respectively. The groups were picked from across all European locations.

The vision is to grow future leadership capability and equip managers with the right skills to be successful for the future. The next generation of managers and leaders are already on board and many have personalised development plans in place. We believe that this programme has given our Managers new perspectives and new skills to face an ever changing future.

OSI create succession and potential plans across Europe on an 18-month cycle for 140 of its managers. This provides OSI with the relevant data to ensure we have the right education, the right development and the right environment in place to make them successful in the future. It ensures we have a supply of highly skilled Managers that can take the next step when required.

Measures of success

The measure of success is the percentage of employees with a succession plan in place. Since 2010, an additional 3% of our positions have a successor in place. Currently 27% of all positions have a successor in place and OSI aim to increase this to 30% in the next two years.

OSI is at the forefront of embracing new social accountability standards right across its European operations.
Education initiatives

Training and Development at OSI is seen as a fundamental part of its achievements and continued success. We have a training strategy that we align across all our European sites to ensure that all employees are given the right level of training to acquire the relevant skills to perform effectively within their roles, be it at management level or directly on the shop floor.

As part of our strategy we endeavour to select our training courses and providers carefully to maximise the European requirements. This in turn allows OSI to train skills across all the sites to the same high standards and expectations strengthening our core beliefs and values to work together as a team. Training is high on the agenda for all our sites which is why we have included various articles from staff who have profited from training as a European team opposed to individual sites.

Individual Development Programme, March 2011 – April 2012

Lee Thompson is the Engineering Team Leader in the OSI UK plant in Scunthorpe. He has been employed by OSI for 21 years and has progressed through the levels within the engineering team to having the full day to day responsibility of managing the engineering function on site. Lee has attended many training courses and his thoughts on his recent IDP training course are as follows:

During previous years at OSI I have successfully completed several Management training courses. When I was nominated to go on the IDP 2 course late in 2010 my immediate reaction was “it’s just another course” but how wrong was I! Shortly after being informed of my nomination, I was able to recognise what a privilege this was for me, especially when I read the list of selected candidates that had been chosen from various OSI sites within Europe. These individuals were identified as being a select few, of which I was proud to be included.

This meant that the course was going to be high profile and indeed it is. The content has been structured in a similar way to the previous IDP 1 course but with the added benefit of insights from the previous course.

Lee Thompson
Engineering Team Leader

The training continues to be specific to both OSI’s development strategy, and the candidate’s needs. Personally I have found the past few sessions have changed the way I deal with issues – I have learned to be more controlled and effective. The change in my personal style is undeniably an improvement. It has been a huge support having the backing from both IDP 1 and Senior Management which has been extremely reassuring for each of us.

I believe that not only myself, and the team around me are benefitting from this training, but OSI Group are also growing and developing from the ideas and values that have been borne from the training. This in turn assists OSI to develop and drive their strategy forward to achieve and maintain the mission and goals set at Board level.

Abigail Bromley
ATCQ Team Leader

Abigail Bromley is our ATCQ Team Leader (Across the Counter Quality), her role is field based and here are some of her thoughts on her experience from the Individual Development Programme (IDP):

As with most things in life you get as much out as you put in. For me, I was determined to get as much as possible from IDP not only for my own personal development but to also benefit and to influence those round me in my working environment.

After attending the Personalities and Teams section of IDP, I arranged for the ATCQ team to participate in their own session. In-depth psychometric testing has enabled the team to better deal with day to day issues and different personalities and to spot potential personality clashes before they occur, which ultimately leads to satisfied customers. This will also raise the reputation of ATCQ through the McDonald’s system.

From a personal development note I have found IDP to be both inspirational and motivating. It has given me the confidence and support to face my development needs whilst confirming what I already do well. To ensure that what we had learnt we put into practice, case studies were completed after key sessions. These for me have also been key in my development, as they have enabled me to get to the stage where I am not thinking about trying to use certain skills, I am doing it automatically.
Investors in people

OSI Food Solutions UK, based in Scunthorpe, works closely in collaboration with McDonald’s to ensure world class production with targets for commercial, social, cultural and environmental standards. OSI Food Solutions UK became an Investor in People in 2007 and was reviewed against the Standard in November 2010. Since the last assessment the UK Managing Director has become European Managing Director. There has also been a significant investment in staff facilities at the plant.

OSI Food Solutions continues to operate in the spirit of Investors in People and as a result has gone from strength to strength. “People” forms one of the six “P’s” that drive the strategy forward, underpinned by the vision, mission and guiding principles which still remain at the heart of the culture of the organisation. The introduction of the sixth “P” – Planet has aligned the strategy with the social responsibility culture of OSI and has seen, for example, the introduction of the Environmental Committee to complement existing practices, policies and procedures aimed at ensuring OSI has a good reputation in the community and is perceived to be an employer of choice in the vicinity. OSI makes good use of key performance indicators to drive performance improvements and benchmarks themselves against other European plants in the OSI Group with excellent result.

Following assessment and rigorous audit process and in accordance with the guidance for Assessors by UKCES, OSI Food Solutions continues to meet the requirements of the Investors in people Standard and were recommended to the Yorkshire & Humberside Employer Representative Group, that recognition is increased to the next level of Bronze award. OSI UK will continue to strive for the IIP Silver Award to ensure that our people are recognised within the organisation as being integral to its success.

Community

TARGOBANK City Run

On the 8th September 2011, the 6th TARGOBANK City Run took place, the biggest company run (about 4000 participants) in the Ruhr area. The revenues out of this event (entry fees etc.) are always donated to a couple of social projects.

OSI Duisburg participated in this company run with 14 employees, the entry fees and the running shirts were paid for by OSI.

The charitable idea underlying this event brought us to the conclusion to use this opportunity for a good purpose. We asked our most important business partners for a donation to the “McDonald’s Kinderhilfe” (McDonald’s Children’s Aid). In return, we printed the company’s logo on our running shirts.

Our OSI apprentice Eduard Dause achieved third place in the category “Best Apprentice” and our donation campaign resulted in 3.150,00 EUR for “McDonald’s Kinderhilfe”.

Community

The “OSI Funky Chicken Team”
Health and safety

Keeping people safe, comfortable & protected

OSI is committed to providing a safe working environment for its people, coupled with safe procedures.

OSI is constantly improving its in-house health and safety precautions. The goal is an accident-free, trouble-free work environment with healthy, energetic employees.

OSI has a comprehensive plan for ensuring health and safety across all of its plants for employees, customers and visitors.

This includes:

- Safety Committees in every location meet regularly to continually optimise existing occupational health & safety and fire prevention standards through risk analysis, accident reviews and improvement projects.

- Corporate Compliance Audits to confirm standards and monitor progress. OSI is regularly audited on health and safety and has been recognised through many awards for practicing high levels of health and safety.

“OSI introduced health cards for all its permanent staff, giving them access to basic and specialist health care. This can include diagnostic tests and annual inoculations. In Poland it can be hard to get to see specialists. Using this card it takes at most five days, so for us it is really useful.”

Anna Horbajczuk, Project & Human Resources Manager, OSI Poland

“Safety is an OSI priority, and is the starting point for all personnel training for and in operational tasks. Safety is not limited to personnel, safe storage and transport of our products, operational practices and safe working conditions enable us to protect our employees, customers, suppliers and the environment. OSI is committed to reducing our environmental impact and carbon footprint, ensuring the safety of our employees and neighbours, whilst maintaining an efficient and safe working environment.”

Gary Drane, General Manager, Scunthorpe Plant

Ensuring continued safety standards

OSI UK prides itself as a top performing business with safety forming a key strategy to protect the personnel and business. In order to maintain and improve workplace safety all OSI UK staff undertake a safety induction prior to commencing work, in addition to this safety forms a key part of the workplace training schedule. Currently 95% of all operational staff are qualified to The Chartered Institute of Environmental Health (CIEH) or British Safety Council (BSC) accreditation standard.

OSI have a hierarchy of responsibility which is a key component of the H&S management system and clearly describes the responsibilities of each layer of management for the effective control of hazards and risks to both personnel and business, from the Managing Director to the shop floor operatives, this top down approach ensures that safety remains a top priority at all times and is constantly reviewed.

European incident statistics 2011

Graph above demonstrates all European plant statistics for 2011.

KPIs

OSI’s record on health and safety is assessed through a range of KPIs around incidents and accident rates.

Graph above demonstrates all European plant statistics for 2011.
Sword of Honour

60 UK and international companies across a range of sectors including construction, manufacturing, oil and gas, food and drink and health services, have been announced as this year’s British Safety Council Sword and Globe of Honour winners. For the last 32 years, the Sword of Honour has been awarded to organisations that have proved themselves to be at the forefront of health and safety management. “I am delighted to see how many companies applied for and won the award,” says the British Safety Council chief executive Alex Botha. “This year’s entries reflect a strong commitment and dedication to properly manage health, safety and environmental pressures. I salute the winners on leading the way.”

OSI Food Solutions UK were presented with their 2nd Sword at a ceremony at the historic Goldsmiths’ Hall, London on Friday 25 November 2011, with a keynote speech by John Armit CBE, chairman of the Olympic Delivery Authority.

OSI Food Solutions UK was one of only 54 organisations worldwide presented with a Sword of Honour, which is widely recognised as the pinnacle of safety achievement. In order to compete for the Sword of Honour, organisations had to be able to demonstrate that the specific site had achieved the maximum rating in the British Safety Council’s five star health and safety management system audit. They also had to demonstrate to an independent adjudication panel a culture of best practice for health and safety throughout the business.

Gary Drane General Manager at OSI Food Solutions UK said “The Swords of Honour represent years of hard work within OSI Food Solutions UK in developing a healthy safety culture which is a priority across our business and I’m delighted for everyone within our plant to see our best practice recognised.”

Lynda Armstrong OBE, British Safety Council chair, said: “My warmest congratulations to this year’s winners. Winning the Sword of Honour is testimony to the organisation’s and its employees’ commitment to achieving and sustaining the highest standards of health, safety and environmental management. The tremendous knowledge and competence that is applied in managing key business risks is rewarded and recognised today. We will continue to work with these organisations to publicise the benefits that flow from the effective management of workplace health and safety and the environment.”

“I am delighted to send my congratulations to all of those organisations being presented with an award by the British Safety Council. These awards recognise the crucial success that these organisations and their employees have achieved in their pursuit of excellence in the management of health, safety and environmental matters at an international level at a time of global challenge.”

David Cameron, Prime Minister

▲ OSI Food Solutions Managing Director Phil Marsden collecting the prestigious ‘Sword Of Honour’
The environment
Minimisation of environmental impact

OSI understands the importance of identifying and evaluating the impacts of our business on the environment. Whilst we have a number of initiatives and schemes in place within our plants, we had to ensure we considered all aspects of our business.

As part of a pan-European project initiated by McDonald’s, OSI has developed a carbon footprint evaluation of its scope 1, 2 and 3 emissions in accordance with ISO14064 compliant methodology. This has been conducted in the form of a carbon footprint tool used to provide a comprehensive assessment of the site inputs and outputs. A report was then generated calculating details of the sites carbon emissions. As part of this project OSI worked with an external specialist to develop specific carbon footprint guidelines for the beef patty plants.

Carbon footprints were produced in 2009 for all key OSI beef patty and chicken plants in Europe. In 2010 this scope was widened to include every OSI Food Solutions plant in Europe. As a result of this, OSI has changed the baseline year from 2009 to 2010 for our Carbon Footprint reduction targets. This then provides an accurate year on year progress evaluation.

During 2012, OSI will also be working with a beef slaughterhouse to produce their carbon footprint. This will enable us to further understand the emissions attributed to our meat supply chain.

Setting our environmental goals

OSI strongly encourages its service providers and suppliers to share these values and set high standards for their own performance.

Environmental goals are set on an annual basis throughout all of our plants in Europe. Each site is responsible for monitoring their environmental performance on a monthly basis and to introduce challenging reduction targets each year.

OSI is constantly striving to implement improvements within our plants and identifying projects that will enable us to reduce our environmental impact.

OSI believes that our workforce is an integral part of the improvement process and endeavour to raise environmental awareness throughout the business. This could be through a number of initiatives, including encouraging our employees to raise their own ideas and suggestions.

The key direct and indirect impacts for OSI’s activities are listed below.

Direct impacts on the environment

These impacts come from OSI’s own activities and can be influenced directly. This includes:

- Recycling
- Emissions in waste water and air
- Resource consumption
- Energy use

Indirect impacts on the environment

OSI can influence improved environmental performance through interaction with customers and suppliers. This includes:

- Assessing the environmental scorecards
- Behaviour of contractors and suppliers

OSI aims to tie in main suppliers and service providers through a binding, written agreement promising clean, environmentally friendly and safe conduct, which enables maintained standards.

OSI also works closely with suppliers to reduce the impact of road transportation.
Measuring our success

OSI has achieved and successfully retained accredited environmental management systems at nearly all of our plants in Europe.

OSI has achieved ISO14001 status at 8 of our 10 plants, with Ukraine being the most recent addition. The plant in Bad Iburg, Germany is also expected to achieve ISO14001 by the end of 2013. This would only leave our smallest plant in Serbia without this accreditation, but this is not currently scheduled, due to the plant size. However, the plant is still expected to operate to the same level of standard as our accredited plants.

The plants in Germany (Duisburg and Guenzburg), Spain, UK and Austria are part of the Eco-Management and Audit Scheme (EMAS). EMAS is a voluntary initiative designed to improve companies’ environmental performance. Its aim is to recognise and reward those organisations that go beyond minimum legal compliance and continuously improve their environmental performance.

It is a requirement of the scheme that participating organisations regularly produce a public environmental statement that reports on their environmental performance.

OSI plans to achieve EMAS accreditation of an additional three European plants by the end of 2014, bringing the total to eight.

In addition to the above, OSI UK recently undertook the British Safety Council (BSC) Five Star Environmental Audit. This was a very successful audit with the plant being awarded the full five star rating.

If you would like to request a copy of any of our plant’s EMAS statements, please email: sustainabilityteam@osi-foodsolutions.de

Effective waste management

In 2010, OSI achieved a waste reduction of 4.84%, when compared to the year 2009 which was our benchmark year. In 2011, there was an increase of 13.71% when compared to 2010.

This increase is predominantly due to us making improvements within our OSI plant in Hungary. In 2011, the plant introduced a new production line and water treatment plant. This resulted in the site having to manage and dispose of solid waste sludges generated from the water treatment plant. This would have previously been discharged as wastewater to an off site water treatment facility. As a result of this improvement the immediate impact has been an increase in waste. The long term benefits of making these changes however, will allow us to see an overall improvement in production efficiency and effluent treatment.

In addition, the accuracy of waste data within some of our smaller plants has improved meaning that the figures in 2011 included much more data than in previous years. Whilst this shows negatively in the figures, it does allow us to have a much clearer understanding of our waste streams.

From a positive perspective, throughout all of the OSI plants in Europe, recycling schemes are well established. With increased legislative requirements across Europe, the challenge for OSI is not just to find the best possible disposal route but also to try and reduce or reuse our waste wherever possible. This continues to be one of our key objectives in 2012.

For 2020, we set ourselves the goal to reduce the waste per kg of product produced by 20%.

Reuse of Packaging

Through the employee suggestion scheme, it was identified that there was excess wastage on lay flat tubing resulting in increased disposal figures and lost product costs.

We use lay flat tubes to machine form the bags in boxes for our finished product. The tube comes on a cardboard roll but because of the settings on the machine it cannot completely empty the roll. The roll was therefore left with excess plastic liner (bags) and this meant it was then classed as mixed waste and had to be disposed as landfill waste. It was quickly identified that we could use the remainder of the roll for making bags by hand.

We then looked into the disposal route for the cardboard roll. The supplier confirmed that we could return the cardboard rolls and plastic end caps for reuse within their process. This has reduced waste being sent to landfill by approximately 4 tonnes a year. The rolls were also being fully utilised every time and this reduced our roll consumption by 4%. All of which, resulted in cost savings to the business in both disposal and packaging.

Total solid waste (kg)/Total production (kg)

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<tbody>
<tr>
<td>2011</td>
<td>0.07000</td>
<td>0.08000</td>
<td>0.09000</td>
</tr>
<tr>
<td>2010</td>
<td>0.06000</td>
<td>0.07000</td>
<td>0.08000</td>
</tr>
<tr>
<td>2009</td>
<td>0.05000</td>
<td>0.06000</td>
<td>0.07000</td>
</tr>
</tbody>
</table>

Hungary (2011) - -4.84%
Hungary (2010) - 13.71%
Total Solid Waste - 2020
Reducing water consumption

In 2010, OSI reduced its fresh water usage by 2.42%, when compared to the year 2009. In 2011, there was an increase of 4.92% when compared to 2010.

As previously explained for the increases in our waste, the increase in water can be attributed to improvements made within our plants. In the OSI plants in Ukraine and Guenzburg, mechanical freezing technology has been introduced over the last 18 months. This has had an impact on our water use due to an increased consumption demand for the cleaning of this equipment.

This has particularly increased at our plant in the Ukraine due to the hard water in the area. As a result additional measures have to be taken to improve the quality to ensure the water does not damage equipment. In 2012, the site plan to implement a water treatment plant which should reduce water consumption by approximately 3,500m³ once the installation has been completed.

The long term benefits of making these changes however, will allow us to see an overall improvement in production efficiency and to our overall carbon footprint.

Water reduction project

It is well known that a grave effect of climate change is the decline in the availability of fresh water in many parts of the world. Thus, water is becoming an increasingly precious resource and as a business we need to consume less and what we do consume needs to be used more efficiently. Therefore, to meet that need, OSI Poland decided to implement a water reduction project.

We started investigating the stages of our processes where it would be possible to use water saving solutions. First we found that the installation of a Central Cleaning System would enable us to save water. As a result, we went on to reduce our water consumption by 20%.

The next step was to review the water usage within our production area. We identified that the highest water loss was due to the cooling water used when the forming machines were operating. To address this issue, manual and electro valves have been installed:

- The manual valves are used for adjusting the constant flow of water
- The electro valves are used for cutting off the water flow when the forming machines stop working

This solution allowed us to make an additional reduction in our water consumption, taking our usage from 12 l/min to 4l/min for the two forming machines.

This project was also an opportunity to raise awareness to our employees about environmental protection and create an awareness of the high impact on water savings.

The total water usage (M³)/Total production (kg)

<table>
<thead>
<tr>
<th>Year</th>
<th>Usage (M³)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>0.00250</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>0.00200</td>
<td>-2.42%</td>
</tr>
<tr>
<td>2011</td>
<td>0.00150</td>
<td>4.92%</td>
</tr>
</tbody>
</table>

For 2020 we set ourselves the goal to reduce our fresh water usage per kg of product produced by 20%.
Reducing energy consumption

At OSI, the use of energy is one of our more significant emissions and therefore it is paramount to us to ensure we identify ways of reducing our consumption. All of our plants conduct regular energy monitoring and this information is monitored closely by both the site and European management teams. This includes reviewing new technologies available for our equipment, processes and renewable energy sources.

In the summer of 2011, we installed a free-standing solar panel at our premises in Duisburg, Germany.

Reducing CO₂ emissions

For 2020, we set ourselves the goal to reduce the CO₂ emissions per kg of product produced by 20%. The total CO₂ emissions data is based on our carbon footprint results for all OSI plants in Europe.

In 2010, OSI increased its CO₂ emissions by 16.39%, when compared to the year 2009, which was our benchmark year. This is due to us expanding our Carbon Footprint data to include our smaller plants in Ukraine, Serbia and Bad Isburg. As a result of these changes we have now amended our benchmark year to be 2010, as this incorporates data for all of our plants and is therefore reflective of our total result.

In 2011, where a like for like comparison could be made with our 2010 and 2011 data, a reduction of 14% was achieved.

During 2012, the Carbon Footprint models continue to be further developed to ensure we measure our carbon emissions as effectively as possible.

The photovoltaic technique represents an environment-friendly, future-oriented and clean energy system. The self-swiveling panel continuously follows the course of the sun. The area of 40 square meters produces an annual electric power amount of approximately 5000 kWh. This amount is equivalent to the yearly consumption of a 4 person household and corresponds to a driving performance of about 24,000 km per year for our electric vehicle.

We consciously drive this sustainable principle of ecological economies. Our openness towards renewable energies and resource savings directly impacts our employees. Finally, the high level of transparency and conspicuous environmental activities leads to success.
Converting to mechanical freezing

In 2011 the freezing process at our Ukraine plant was changed from liquid nitrogen to mechanical freezing. One of the key drivers for this project was the significant reduction it would make to our overall carbon footprint. The manufacturing of liquid nitrogen is an energy intensive process. In addition, the nitrogen supplier was located some distance from the OSI plant. Moving to mechanical freezing replaced the requirement for liquid nitrogen and also eliminated nitrogen deliveries – approximately 25 trucks a month covering nearly 1,200 km each trip.

Promoting environmental awareness

At OSI we are keen to demonstrate to our workers that we are committed to environmental protection and that it has a high priority within our business. We endeavour to find opportunities to promote environmental awareness throughout our plants.

In Germany the idea of environment-friendly driving is becoming more and more popular. We learned about a project of the power supplier RWE supported by the German Government and scientifically accompanied by the University of Aachen. This project is promoting electric cars operating entirely with green energy. It’s a vehicle without a combustion engine and no emissions, but with high efficiency and low noise.

As one of the very first companies in our region, OSI Duisburg decided to participate in this project by leasing an electric car for our vehicle fleet. The car is used for all trips with a distance up to 100 km, such as shopping tours by our caretaker, hotel trips, pick-up services from the airport, etc.
If you would like to know more about the work OSI is doing around sustainability, OSI would be delighted to hear from you.

OSI intend to keep this report regularly updated. If you would like to discuss anything you have read here so far, then please get in touch using these contact details:

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