



SYSTEM FRUGT A/S

**COMMUNICATION ON PROGRESS (COP)
2018**

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System Frugt A/S

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Content:

- Statement from our CEO
- CSR complexity; Natural products from all over the world
- Structure of our system
- Goals – practical actions for human rights, labor, environment and anti-corruption showing the results for 2018 (measurement of outcomes).

We Care & Share: Statement from our CEO



This is our first COP report as a member of UN Global Compact and we are happy to communicate our continued support for the Global Compact.

System Frugt A/S is highly engaged to comply with the Ten principles in our daily work.

This report is to further demonstrate the company's commitment to improving and maintaining the highest practical standards within our operational area with the aim of creating ways of working that promotes sustainability compliance within the four issue areas: human rights, labor, environment and anti-corruption.

CEO

Flemming Windfeld

We Care & Share: Natural products from all over the world



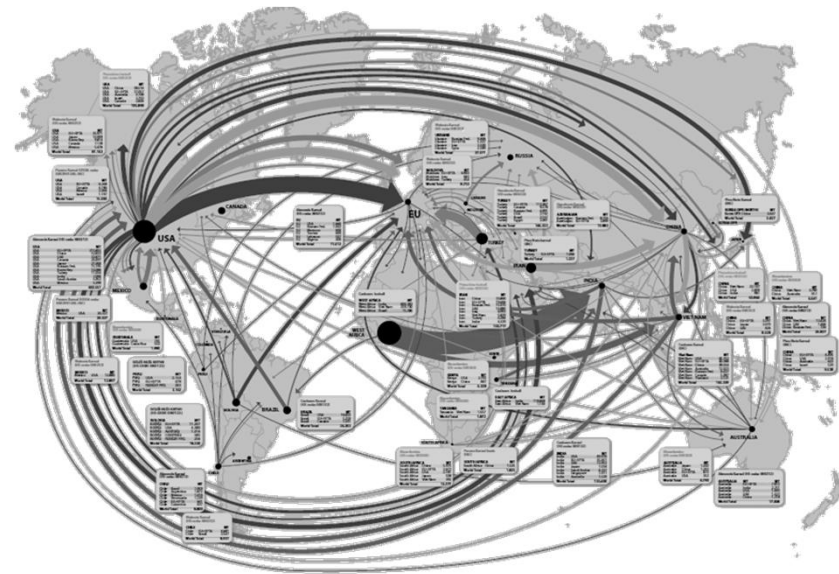
We aim to inspire a more natural lifestyle

Our vision is to inspire people to pursue a more natural and green way of life. We supply a wide range of natural products - from fresh fruit and vegetables to nuts, kernels, dried fruits and berries - and encourage consumers to make greener food choices in their everyday life. Not only because it tastes great, but also because a natural, green lifestyle is healthy for us, better for the environment, and reduces CO2 emissions.

Global sourcing is complex, but brings high quality products

Our wide range of natural products is sourced from all over the world in areas where the climate conditions and seasons ensure they are of the highest quality. Our products are grown by a variety of farms, from small family farms to bigger and more commercial operations. We work directly with farmers, local companies and local trusted traders of produce to ensure that we bring high quality products to our customers and consumers.

Global sourcing is an unavoidable term when it comes to nuts and dried fruits, as very few natural products in this category can be grown locally in Denmark. This gives a quite complex supply chain for us to handle, but we put a lot of effort into continuously improving how we work in order to become an even more responsible supplier day by day. The world map to the right illustrates how complex a supply chain can be when working with nuts and dried fruits from all over the world.



World nuts & dried fruits supply 2015 – FAO Statistics

WE CARE ABOUT...

- supplying natural products of high quality to meet consumers' demand for more natural green food
- nature and the environment that we are a part of. We source globally and are always focused on becoming more sustainable and responsible as a company
- sharing our passion for natural green food and encouraging consumers to ENJOY NATURALLY

We Care & Share: A common CSR standard



A common standard for CSR

We are a member of the **UN Global Compact** that sets a structured, high standard for worldwide CSR.

To promote the UN Global Compact, we have joined the **BSCI Code of Conduct** – a practical set of principles and values referring to the UN Global Compact conventions to improve working conditions in the supply chain. By joining BSCI, we have committed ourselves to promote the **11 principles of the Code of Conduct** in our supply chain.

We constantly guide and encourage our suppliers to improve themselves in order to become more responsible. For instance, we always ask suppliers to sign the BSCI Code of Conduct when we enter into a partnership with them. We dedicate resources in our Quality and Sourcing departments to visit our suppliers on a scheduled regular basis in order to monitor and test the quality of our products.

The 11 principles in the BSCI Code of Conduct

People



Environment

Ethical Business

1. The Rights of Freedom of Association and Collective Bargaining
2. No Discrimination
3. Fair Remuneration
4. Decent Working Hours
5. Occupational Health and Safety
6. No Child Labor
7. Special Protection for Young Workers
8. No Precarious Employment
9. No Bonded Labor
10. Protection of the Environment
11. Ethical Business

We Care & Share: Our CSR policy

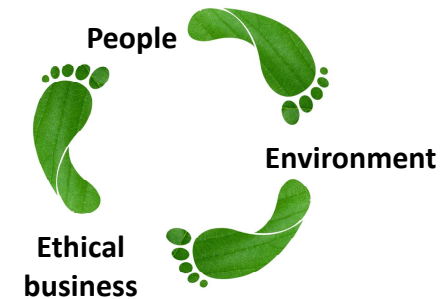


People

We employ people directly and indirectly in every link of our supply chain all over the world. Naturally, it can be challenging to ensure that employees have the same working conditions all over the world, but we encourage and guide our suppliers to look after their employees in accordance with the Global Compact and BSCI principles.

By sourcing our products locally at small farms, we bring an economic incentive to the local farming enterprises in many developing countries. A local farmer growing their business allows for economic and technical development, while improving living and working conditions for employees and suppliers as well.

At System Frugt in Denmark, we are proud of our highly dedicated employees, who come from a large variety of different backgrounds. We constantly work to improve the work environment in all of our departments. Among other things, we receive staff feedback *every day* to ensure a positive environment with focus on safety and well-being. We also have a dedicated internal "Safety Team" working proactively to prevent work accidents. In addition, we have a long-term partnership with the social enterprise [Borup Pakkeri](#) for special packaging tasks, and we take responsibility in integrating refugees into Danish society by offering language training courses, internships and education.



We Care & Share: Our CSR policy



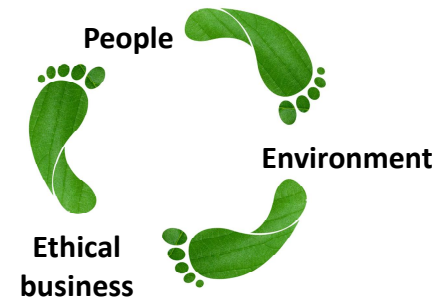
Environment

Nature is our most important supplier, and we should leave it in a better state than we found it. We are continuously taking steps to reduce our ecological footprint. Among other things, we work with environmentally friendly initiatives such as changing to energy-saving lighting and compressors, only using RSPO-certified palm oil, reducing transport of products as well as reducing packaging material.

We also encourage consumers to ENJOY NATURALLY by promoting a greener lifestyle with natural foods such as nuts, dried fruits and greens as their main source of nutrition. Green and vegetable-based food is more environmentally friendly as it creates far less CO2 emissions than other food sources such as meat or processed foods.

Ethical Business

Sourcing globally entails dealing with ethical business issues. It is challenging to ensure that all our conditions relating to labor rights, human rights, environment and anti-corruption are met by our suppliers, but we are definitely on the right track thanks to our work with the BSCI Code of Conduct.



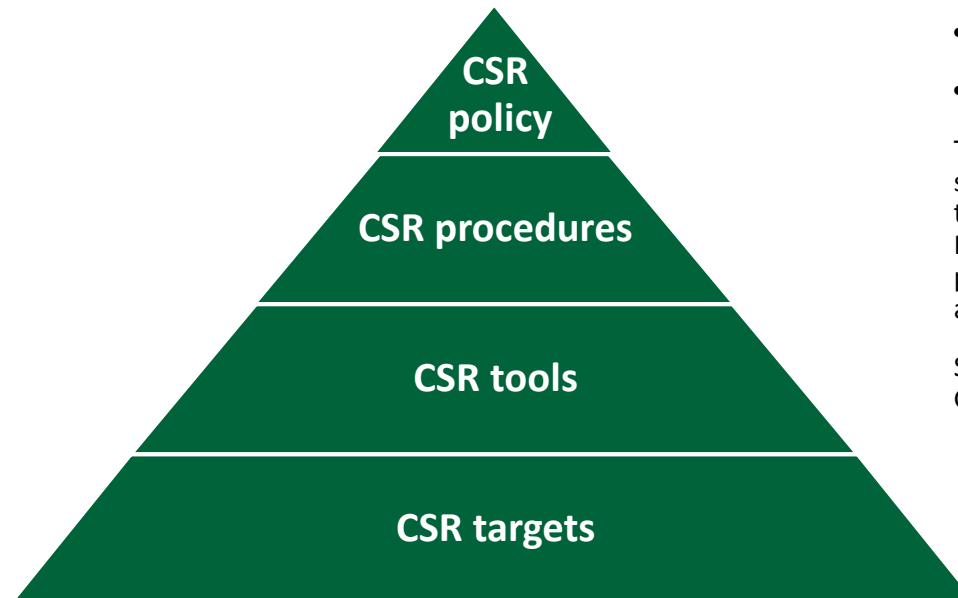
We Care & Share: CSR in System Frugt



CSR levels

From the management level to global operations, System Frugt is committed to working towards a more sustainable business. CSR in System Frugt is guided by:

- A cross-cutting **policy** that guides our sustainability approach across **business units, brands and global operations**
- **CSR procedures** that integrate sustainability practically in our global operations
- **CSR tools** that support implementation of procedures, for instance related to supplier assessment and management
- **CSR targets** that help us keep track of the improvements made as well as improvements to come



CSR structure

Each CSR level is structured around the pillars of the UN Global Compact:

- People
- Environment
- Ethical Business

The BSCI Code of Conduct and similar selected assessment tools are applied across System Frugt's internal affairs and products as well as external affairs and supply chain.

System Frugt is a member of UN Global Compact and BSCI

We Care & Share: People - Labor



INTERNAL

SYSTEM FRUGT AND OUR PRODUCTS

Procedures

- We apply the BSCI Code of Conduct
- We have standard procedures for employee recruitment, retention and termination

Tools

- We apply our employee handbook and the tools described herein (SL to develop)

Targets 2017/18

Results 2017/18

- Yearly employee development reviews for all employees
- **Result: Employee development talks have been held for 75 % of the employees.**
- Daily employee feedback on working environment
- **Result: Daily evaluation of the working environment is carried out by everyone in operational using a colored ballistic system – tool to be used for improving the working environment.**

EXTERNAL

SUPPLY CHAIN AND EXTERNAL RELATIONS

- We apply the BSCI Code of Conduct
- We have procedures for supplier acceptance, continued development and control
- If not BSCI, then a range of other similar schemes such as Sedex, SAI, ETI, Global G.A.P. and ICS

- We include the BSCI Code of Conduct in our supplier contracts
- Supplier acceptance and approval document
- Supplier database to monitor compliance status

- All suppliers must have signed our new Code of Conduct by the end of the budget year
- **Result: So far 46% of our suppliers has signed our new Code of Conduct.**
- At least 2 additional suppliers must have started a BSCI audit process by the end of budget year
- **Result: Two suppliers have started the BSCI process, one new supplier, who has BSCI already, has been approved.**

We Care & Share: Environment



INTERNAL

SYSTEM FRUGT AND OUR PRODUCTS

Procedures

- We have a working environment and safety organization
- We incorporate environmental considerations into NPD and investment decisions
- We have programs for material, energy and waste reduction

Tools

A range of programs:

- Reducing food waste in production and in the cafeteria
- Energy and transport-saving programs
- Packaging re-usability specification
- Reduction of packaging material

Targets 2017/18

Results 2017/18

- One meat-free day pr. Week **Result: Achieved.**
- At least 70% of our own ingredients in the cafeteria are sourced from our own products **Result: Achieved.**
- Food waste in production is donated to Randers Regnskov or used for biogas
- **Result: Randers Regnskov has received selected deliveries (< 1000 kg) and 136 tons is used for biogas.**
- Reduce electricity consumption through energy-saving LED-lighting and compressors
- **Result: Reduced our electricity consumption with 25%**
- Replacement of product containers with FSC-certified paper containers
- **Result: All product containers have been replaced with FSC.**

EXTERNAL

SUPPLY CHAIN AND EXTERNAL RELATIONS

- We bring WWF recommendations to our suppliers
- We promote a vegetarian and CO2-reducing lifestyle
- No products with Azo Dyes (harmful colorings)
- GMO free products

A range of programs for efficient supply chains with a minimal ecological footprint

- Optimizing freight emissions
- Only sustainable palm oil (RSPO)

- Optimize freight emissions with 10%
- Only sustainable palm oil (RSPO)
- **Result: We only use RSPO certified Palm oil.**
- We have entered into a partnership with WWF and donated more than DKK 1,000,000 to their work protecting the world's nature and wildlife.
- **Result: Campaign in Finland: SUPPORT THE RAINFOREST" - "Each time you buy a bag of Earth Control, you support the World Wildlife Fund WWF with 0,10€**
- **Result: We have adopted focus areas from WWF into our own audit checklist to bring this focus to our suppliers.**

We Care & Share: Ethical business – anti-corruption



INTERNAL

SYSTEM FRUGT AND OUR PRODUCTS

Procedures

- We have rules on the maximum value of gifts an employee can receive and give

Tools

- Levels for gifts specified in employee handbook
- All gifts exceeding max limit are used in annual employee bingo game

Targets 2017/18

- Zero-tolerance policy for receiving externally financed gifts or perks exceeding DKK 500
- **Result: Gifts exceeding DKK 500 were used for the annual employee bingo game.**

Results 2017/18

EXTERNAL

SUPPLY CHAIN AND EXTERNAL RELATIONS

- We perform a risk assessment

- Risks assessed through VACCP (Vulnerability) and TACCP (Threats)

To assess potential risks of adulteration or substitution, a assessment is carried out on all raw material groups. This assessment includes:

- Simplicity/complexity of adulteration/substitution, detection, historical evidence, origin of raw material and corruption risk, control systems for detection of fraud, internal control of raw material and internal personnel, ideologically motivated fraud

- Zero-tolerance policy for fraud and adulteration
- **Result: We work continuously with our suppliers and raw material control to avoid fraud and adulteration in our supply chain.**