



SYSTEM FRUGT A/S

**COMMUNICATION ON PROGRESS (COP)
2019**

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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 and goals for human rights, labor, environment and anti-corruption showing the results for 2019 (measurements of outcomes).

We Care & Share: Statement from our CEO



We are happy to communicate our continued support to the Global Compact.

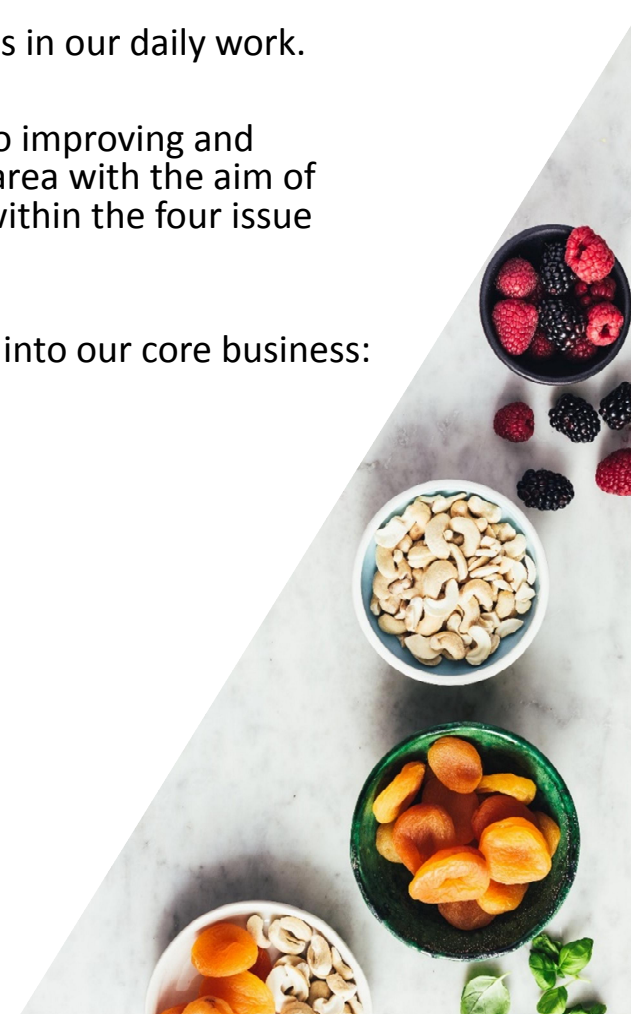
System Frugt A/S is highly engaged to comply with the Ten principles in our daily work.

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.

As a prioritized action we have chosen to embed the following SDG into our core business:

- Goal 1: No poverty
- Goal 3: Good health and well-being
- Goal 4: Quality Education
- Goal 8: Decent work and economic growth
- Goal 12: Responsible consumption and production
- Goal 13: Climate action
- Goal 16: Peace, justice and strong institutions.

CEO
Flemming Windfeld



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



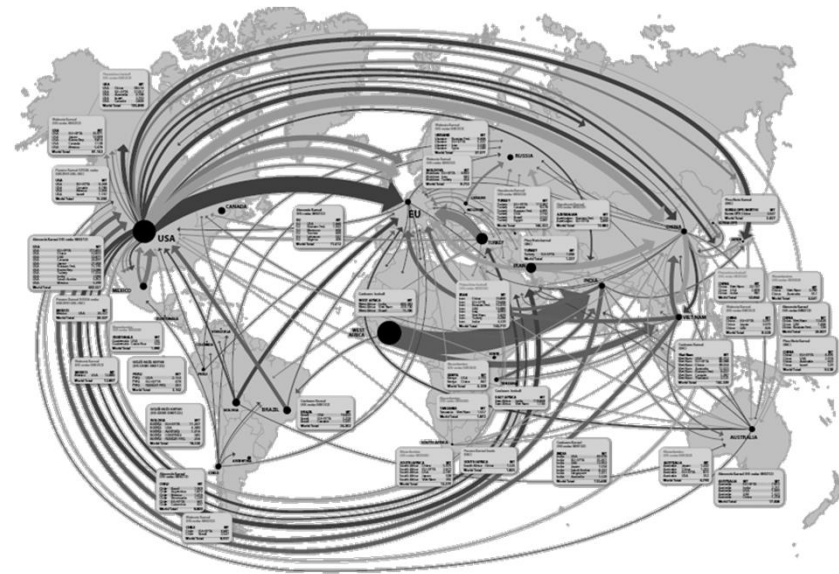
We aim to inspire a more natural lifestyle

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.

As a tool to help us promote and support the UN Global Compact, we are a member of the **BSCI – Business Social Compliance Initiative**, a practical set of principles and rules supporting the UN Global Compact conventions to improve working conditions in the supply chain. By encouraging our suppliers to implement BSCI, we have a tool to help us promoting 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 and encourage them to start the BSCI audit process or a similar CSR system, 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 and to gather information regarding the social conditions.

The 11 principles in the BSCI Code of Conduct

Human Rights Labor



Environment

Ethical Business Anti- corruption.



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

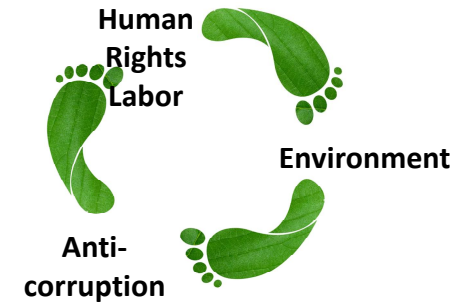


Human Rights / Labor

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.



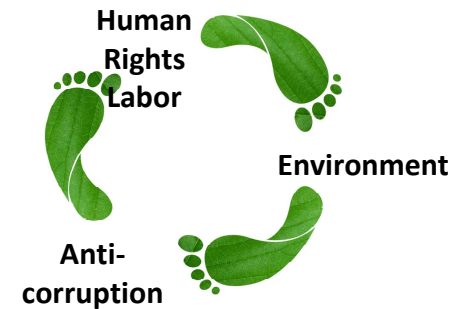
We Care & Share: Our CSR policy



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.



Anti-corruption and 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.



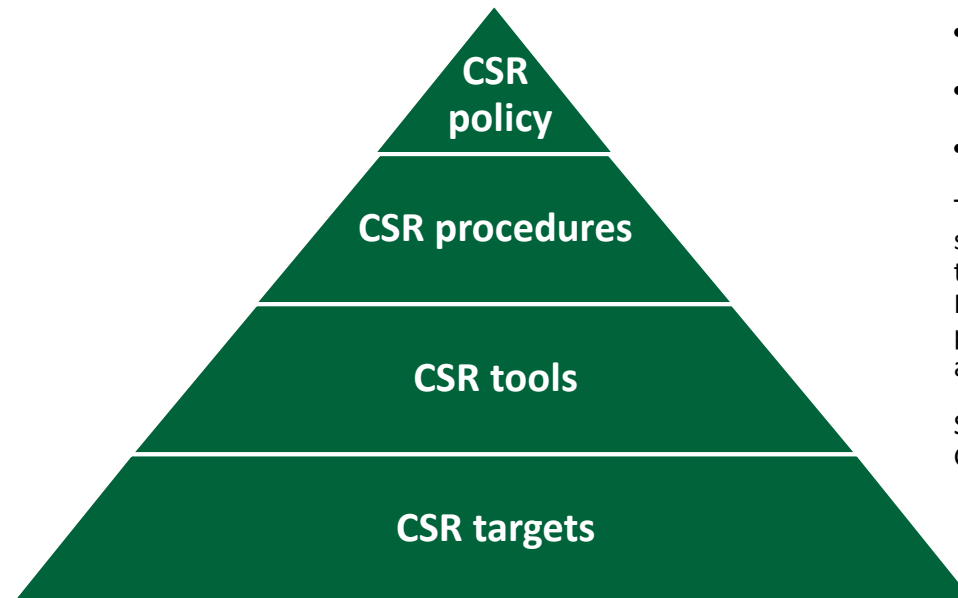
We Care & Share: CSR in System Frugt



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:

- Human Rights
- Labor
- Environment
- Anti-corruption

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: Human Rights – Labor.



	INTERNAL	EXTERNAL	SDG
	SYSTEM FRUGT AND OUR PRODUCTS	SUPPLY CHAIN AND EXTERNAL RELATIONS	
Procedures	<ul style="list-style-type: none"> We apply the BSCI Code of Conduct We have standard procedures for employee recruitment, retention and termination 	<ul style="list-style-type: none"> 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/SMETA, SA8000, ETI, GRASP and ICS 	
Tools	<ul style="list-style-type: none"> We apply our employee handbook and the tools described herein. 	<ul style="list-style-type: none"> We include the BSCI Code of Conduct in our supplier contracts Supplier acceptance and approval document Supplier database to monitor compliance status 	

We Care & Share: Human Rights – Labor.



INTERNAL

SYSTEM FRUGT AND OUR PRODUCTS

Targets 2019

Results 2019

- 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 in operational – measuring job satisfaction. **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.**
- A coffee machine with good, quality coffee will be set up in the reception area to create an environment which supports socialisation and well-being. **Result: A working environment has been created with informal meetings and knowledge sharing**
- information screens will be set up at the reception and in the canteen for the purpose of improving the information flow internally. **Result: In March 2 info-screens were installed – in the canteen and in the reception. They are used to keep all employees informed about our products placings and in-store activities across the Nordic countries. And also give information on activities, guests in-house etc. The screens have been successful in establishing a common understanding of our products, our positions and the geographical spread of our sales.**
- We employ people with physical and mental related problems in flex jobs. **Result: We have 3 employees at flex job**
- System Frugt support Dansk Folkehjælp; Social Support in DK.
Result: In 2019 we support Danish Christmas-help by Dansk Folkehjælp.

EXTERNAL

SUPPLY CHAIN AND EXTERNAL RELATIONS

- All suppliers in risk countries must have signed our Code of Conduct in 2019. **Result: All suppliers from risk countries have signed our Code of Conduct.**
- For 2019 we will continue our work to improve our Earth Control (EC) products. The goal will be to ensure that the raw materials from risk countries going in to our main EC concept should all be coming from supplier working with BSCI, SMETA/Sedex, ETI, SA8000 or similar. This means specifically the following products Cashew Nuts, Conventionally Pine Kernels, Giant R/S Maize corn and dates. **Result: We only miss one raw material supplier to guarantee they are working with one of the following CSR standards BSCI, SMETA/Sedex, ETI, SA8000 or similar.**
- System Frugt support Planbørnefonden, supporting a boy in Africa. **Result: We still support our boy in Africa, his name is Inoussa Ilboudo.**

SDG



We Care & Share: Environment



SDG

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
 - We encourage consumers to eat less meat
 - Energy saving programs

Targets 2019

- Reducing our meat consumption by preparing a meat-free meal once a week in the cafeteria. **Result: Achieved.**
- At least 70% of our own ingredients should be sourced from our own products when used in the cafeteria. **Result: Achieved.**
- Food waste in production is donated to Randers Regnskov, Fødevarerbanken or used for biogas. **Result: 95 tons were shipped for Biogas. Randers Regnskov and Fødevarerbanken has received selected deliveries (<1000kg)**

Results 2019

- Reduce electricity consumption by energy saving compressor; expected saving 125.000 KW/year. **Result: 121787kWh. We see this as a minor deviation**
- Reduce the consumption of fossil fuel by using 100% renewable energy from 1. January 2019. **Result: Achieved.**
- Better use of the energy in the hot water. Target a temp. difference of 30°C for the incoming and outgoing water. **Result: Preparatory logging has been made so that we are ready for changes in 2020**

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

- We encourage consumers to eat less meat
- Only sustainable palm oil (RSPO)

- We have entered into a partnership with WWF and are planning a campaign in Finland. **Result: We had a campaign in Finland in May-June 2019 and a campaign in Norway in September 2019**



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:
- Packaging re-usability specification
 - Reduction of packaging material.

Targets 2019

Results 2019

- Implementation of Raf re-cycling 1. of June 2019. We use approximately 13 000 kg yearly and expect to re-cycle 6500 kg the first year (2019). **Result: Because of late implementation (Ultimo October) it only were approx. 2200 kg in 2019**
- "Best before" will be supplemented with "Often good after" (Ofte god efter) on relevant System Frugt brands with the purpose of reducing food waste. Will be introduced on an ongoing basis from 1. of June 2019. **Result: This is postponed to 2020**
- Box rationalization project, going from 25 different cartons to 13. Expected reduction in cardboard 30 % since project start. **Result: Reduction in cardboard is 31% since project start.**

EXTERNAL

SUPPLY CHAIN AND EXTERNAL RELATIONS

- We bring WWF recommendations to our suppliers

- A range of programs for efficient supply chains with a minimal ecological footprint
- We encourage consumers to eat less meat

- We have entered into a partnership with WWF and are planning a campaign in Finland. **Result: We had a campaign in Finland in May-June 2019 and a campaign in Norway in September 2019**

SDG



We Care & Share: Ethical business – anti-corruption



	INTERNAL	EXTERNAL	SDG
	SYSTEM FRUGT AND OUR PRODUCTS	SUPPLY CHAIN AND EXTERNAL RELATIONS	
Procedures	<p>We have rules on the maximum value of gifts an employee can receive and give.</p> <p>Procedure for Whistle blowing system</p>	<p>We perform a risk assessment</p>	
Tools	<ul style="list-style-type: none"> Rules for gifts specified in employee handbook All gifts exceeding max limit are used in annual employee bingo game. System to hand in confidential information to increase level of Integrity. 	<ul style="list-style-type: none"> Risks assessed through VACCP (Vulnerability) and TACCP (Threats) <p>To assess potential risks of adulteration or substitution, a assessment is carried out on all raw material groups. This assessment includes:</p> <ul style="list-style-type: none"> 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. 	
Targets 2019	<ul style="list-style-type: none"> Zero-tolerance policy for receiving externally financed gifts: <ul style="list-style-type: none"> Gifts with a value exceeding DKK 500 kr., may only be accepted in agreement with our CEO. All gifts must be handed over to the staff committee for shared distribution; annual bingo or similar. Result: Achieved. A whistle blower system is to be implemented. Result: Achieved, there have been no incoming issues. 	<ul style="list-style-type: none"> Zero-tolerance policy for fraud and adulteration <p>Result: We work continuously with our suppliers and raw material control to avoid fraud and adulteration in our supply chain</p>	