



# CODE OF CONDUCT

## April 2016

Our company is committed to sustainability. This includes respect for universally recognised principles on human rights including labour rights, the environment, and anti-corruption.

Therefore, we seek to ensure that our own company and our suppliers operate in accordance with the requirements of the enclosed supplier Code of Conduct.

Our company recognises that establishing the required processes outlined in the Code of Conduct requires both time and resources, especially in the initial phases, as we are also implementing similar processes in our operations. The Code of Conduct should therefore be understood as a tool for cooperation and dialogue with our supply chain partners about improving systems to manage adverse impacts on human rights including labour rights, the environment, and anti-corruption.

In case of non-compliance with requirements in our Code of Conduct, we will focus on suppliers' ability and willingness to demonstrate continuous improvements. We feel confident that cooperation and dialogue will result in a more efficient partnership, which both parties will benefit from.

Please refer to the enclosed Code of Conduct for more information about the specific requirements. If you have any questions regarding this letter, our Code of Conduct or our responsible supply chain management program in general, please do not hesitate to contact our offices.

Kind regards,

Sprout Europe Aps

## I. INTRODUCTION

### Purpose of the Code of Conduct

The purpose of this Code of Conduct (Code) is to ensure that our suppliers operate in accordance with internationally recognised minimum standards on human rights including labour rights, the environment, and anti-corruption. Sprout therefore expects suppliers to establish systems to avoid and address adverse impacts on these minimum standards.

Sprout adheres to the content of this Code and expects the same of its suppliers. Compliance with the requirements of this Code is therefore a condition of any agreement or contract between Sprout and its suppliers.

The aim of this Code is not to cease the business relationship between Sprout and suppliers if non-compliance were to be identified, but to help suppliers improve their management of adverse impacts continuously. Sprout is therefore willing to work with suppliers to achieve compliance with the provisions of this Code. However, Sprout will not conduct business with a supplier if compliance with the terms of this Code is deemed impossible and the supplier shows no willingness or ability to mitigate identified adverse impacts.

Sprout is aware that our company's actions and procurements practices can influence suppliers' ability to comply with the requirements in this Code. Therefore Sprout will routinely assess any adverse impacts it may cause or contribute to through its purchasing, compliance and other supply chain practices. This includes ensuring that the following purchasing practices do not negatively impact suppliers' ability to meet the requirements set forth in this Code: Lead time, order volume versus production capacity, product development process, pricing, order size fluctuation and consistency of orders. In addition Sprout shall periodically review the adequacy and continuing effectiveness of this Code.

### General Principles

This Code is not and should not be interpreted as a means to circumvent or undermine national laws or national labour inspectorates. Similarly, this Code is not and should not be interpreted as a substitute for free trade unions, nor should it be used as a substitute for collective bargaining.

This Code outlines necessary processes and minimum standards. Sprout will not accept any attempt to use the requirements as a means to lower existing standards. When implementing this Code, suppliers shall take all necessary measures to ensure that they do not unintentionally leave workers and other beneficiaries in a worse position than before this Code was introduced.

### International Principles and Legal Compliance

The provisions as set forth in this Code establish minimum requirements to suppliers. These minimum requirements are based on the ten general principles contained in the UN Global Compact as made operational with the UN Guiding Principles on Business and Human Rights. The minimum requirements are made in consideration of the International Bill of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention against Corruption. Furthermore, the Code rests on the OECD Guidelines for Multinational Enterprises, 2011 Edition.

In addition to meeting the minimum requirements of this Code and thereby act in consideration of relevant international agreements, principles, objectives, and standards, suppliers shall comply with all laws, regulations, administrative practices and other applicable standards (e.g. collective bargaining agreements or other Codes of Conduct) in the countries in which they operate.

Where there are differences between the terms of this Code and national laws or other applicable standards, suppliers shall adhere to the higher requirements. Conflicts between the provisions of this Code and national laws or other applicable standards shall be evaluated by Sprout in cooperation with its supplier and relevant stakeholders in order to establish the most appropriate course of action that will help to foster respect for the international principles outlined above. If any conflicts are detected, suppliers must inform Sprout immediately.

## II. PROCESS REQUIREMENTS

This section outlines the required processes in order for suppliers to manage adverse impacts on human rights including labour rights, environmental, and anti-corruption principles.

Sprout expects all suppliers to develop and implement the following: 1) policy statement, 2) due diligence<sup>1</sup> and 3) remediation.

### 1. Policy Statement:

Sprout expects suppliers to adopt a policy statement committed to the international principles that this Code is based on. The policy statement shall:

- Be approved by the most senior level of the supplier.
- Take into account relevant internal or external expertise on human rights including labour rights, environmental, and anti-corruption principles.
- Stipulate expectations on human rights including labour rights, environmental, and anti-corruption principles towards personnel, business partners and other parties directly linked to the suppliers' operations, products or services.
- Be publicly available and communicated both internally and externally.
- Be reflected in other operational policies and procedures necessary to embed the policy statement throughout the supplier operations.

### 2. Due Diligence:

Sprout expects suppliers to establish a process of continuous due diligence in relation to the supplier's adverse impacts on human rights including labour rights, environmental, and anti-corruption principles. The due diligence process should cover potential and actual adverse impacts that suppliers may cause or contribute to through their own activities as well as adverse impacts, which may be directly linked to suppliers' operations, products or services by their business relationships.

Conducting due diligence should, as a minimum, include the following elements for managing potential and actual adverse impacts:

- Identification: Firstly, an assessment of potential and actual adverse impacts on human rights including labour rights, environmental, and anti-corruption principles must be conducted on a regular basis.
- Prevention and mitigation: If potential or actual adverse impacts are identified, suppliers must effectively integrate their impact assessment findings across relevant internal functions and processes, and take appropriate action. This includes ensuring that such adverse impacts are prevented or appropriate action for their mitigation is taken.

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<sup>1</sup> In this context, due diligence is an ongoing management process designed to avoid and address adverse impacts on internationally recognized sustainability principles. Due diligence should be carried out in light of a company's circumstances (including sector, operating context, size and similar factors).

- Accounting: The process of addressing adverse impacts must be closely tracked. Suppliers are expected to account for how they address their potential and actual adverse impacts by communicating their findings and actions to relevant stakeholders including Sprout.

### 3. Remediation:

Sprout recognises the possibility of actual adverse impacts, even when the best policies and processes are in place.

If a supplier discovers or is informed that it causes or contributes to an actual adverse impact on human rights including labour rights, environmental, and anti-corruption principles the supplier shall enable access to remedy for those affected or inform the proper authorities.

If the supplier did not cause or contribute to such adverse impact, but is directly linked to it as it occurs in the supplier's value chain or in other relations, the supplier commits to use its leverage to make the causing or contributing entity prevent reoccurrence, mitigate the situation, and enable access to effective remedy for those affected or ensure that the proper authorities are informed.

Suppliers have an explicit responsibility to provide remedy to victims of actual adverse human rights impacts that they cause or contribute to. Therefore, if such actual adverse human rights impacts are identified, Sprout expects suppliers to provide for or cooperate in their remediation through legitimate processes.

To make it possible for adverse impacts on human rights including labour rights, environmental, and anti-corruption principles to be addressed early and remediated directly, suppliers must establish or participate in effective operational-level or sector-based grievance mechanisms accessible for other business enterprises, individuals and communities, who may be adversely impacted or otherwise have identified adverse impacts.

Grievance mechanisms should have the following characteristics:

- Legitimate: It should enable trust and be accountable for fair conduct;
- Accessible: It should be known to all intended users (such as employees and the local community) and provide adequate assistance for those who may face particular barriers to access;
- Predictable: It should provide a clear and known timeframe, clarity on the types of process and outcome available, as well as means of monitoring implementation;
- Equitable: It should provide reasonable access to sources of information, advice and expertise necessary to engage in the process on fair, informed and respectful terms;
- Transparent: It should keep parties informed about progress, and provide sufficient information about its performance to build confidence in its effectiveness and meet public interest at stake;
- Rights-compatible: It should ensure that outcomes and remedies are in line with internationally recognised human rights including labour rights, environmental, and anti-corruption principles;
- A source of continuous learning: It should draw on relevant measures to identify lessons for improving the mechanism and prevent future adverse impacts; and
- Based on engagement and dialogue: It should consult the persons for whose use it is intended on its design and performance, and focus on dialogue as the means to address and resolve adverse impacts.

### III. PRINCIPLES AND STANDARDS IN THE CODE OF CONDUCT

Suppliers' policy statement, due diligence and remediation processes should cover internationally agreed principles in relation 1) human rights including labour rights, 2) environmental principles and 3) anti-corruption principles.

The principles and standards that Sprout expects all suppliers to manage adverse impacts upon are described in the three sub-sections below.

#### 1. Human rights including labour rights

Suppliers are expected to manage adverse impacts on internationally recognised human rights including labour rights as stated in the International Bill of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. This also includes managing adverse impacts on consumers, as stated in the OECD Guidelines on Multinational Principles' chapter on Consumer Interests.

A list of human rights including labour rights can be found in the table below.

#### **Human rights including labour rights that suppliers must manage:**

1. Right to self-determination (indigenous peoples rights)
2. Right to non-discrimination
3. Right to work (training, contract and termination)
4. Right to enjoy just and favourable conditions of work (including equal pay for equal work, a living wage (minimum wage), safe and healthy working conditions, equal opportunity for everyone to be promoted and rest, leisure and paid holidays)
5. Right to form and join trade unions and the right to strike
6. Right to social security, including social insurance
7. Right to family life (including protection of mothers before and after childbirth and children's and young people's protection from exploitation (no child labour))
8. Right to adequate standard of living (including adequate food and its fair distribution, adequate clothing, adequate housing and water and sanitation)
9. Right to health
10. Right to education
11. Right to take part in cultural life, to benefit from scientific progress, to material gains from inventions and moral rights of authors (including protection of copyrights)
12. Right to life
13. Right not to be subjected to torture, cruel, inhuman and/or degrading treatment or punishment (including free consent to medical or scientific experimentation)
14. Right not to be subjected to slavery, servitude or forced labour
15. Right to liberty and security of person
16. Right of detained persons to human treatment
17. Right not to be subjected to imprisonment for an inability to fulfil a contract
18. Right to freedom of movement
19. Right of aliens to due process when facing expulsion (seeking asylum)
20. Right to a fair trial
21. Right to be free from retroactive criminal law

**Human rights including labour rights that suppliers must manage (continued):**

22. Right to recognition as a person before the law
23. Right to privacy
24. Right to freedom of thought, conscience and religion
25. Right to freedom of opinion and expression (including freedom of information)
26. Right to freedom from war propaganda, and freedom from incitement of racial, religious or national hatred
27. Right to freedom of peaceful assembly
28. Right to freedom of association
29. Right to protection of the family and the right to marry
30. Right to protection of the child and right to nationality
31. Right to participate in public affairs
32. Right to equality before the law, equal protection of the law and rights of non-discrimination
33. Rights of minorities (culture, religious practice and language)

**2. Environmental principles**

Suppliers are expected to establish adequate processes to manage all significant potential and actual impacts on the external environment and support the principles in the Rio Declaration on Environment and Development. These principles are further described in the UN action plan Agenda 21. This corresponds to the environmental principles described in the OECD Guidelines for multinational enterprises.

The environmental principles listed in the following table should as a minimum be managed.

**Environmental principles that suppliers must manage:**

1. Demonstrate continuous improvements of the overall environmental performance related to its operations
2. Have basic management tools in place, consolidated at top management level and have a designated person responsible for coordination of environmental management activities.
3. Legal compliance with all regulated environmental issues related to waste management, air pollution, wastewater, soil contamination, and biodiversity.
4. Maintain and update on a regular basis a list of the relevant environmental legislation to comply with.
5. Assure compliance with prohibited chemicals list (e.g. for agrichemicals from World Health Organization, WHO).
6. Assure compliance with international environmental conventions and protocols, e.g. the Montreal Protocol about ozone depleting substances or Protocol on Persistent Organic Pollutants (POP).
7. Keep record of all pollution incidents and report these to relevant authorities as required by applicable permits and legislation.
8. Provide necessary organization, training of employees, awareness raising, operational control and monitoring to assure and maintain legal compliance.
9. Support a precautionary approach to environmental challenges, which involves a systematic risk assessment (hazard identification, hazard characterization, appraisal of exposure and risk characterization), risk management and risk communication.
10. Support activities that involve waste reduction and resource optimization from suppliers'
11. Demonstrate continuous improvements of the overall environmental performance related to its operations
12. Have basic management tools in place, consolidated at top management level and have a designated person responsible for coordination of environmental management activities.

**Environmental principles that suppliers must manage (continued):**

13. Demonstrate continuous improvements of the overall environmental performance related to its operations
14. Have basic management tools in place, consolidated at top management level and have a designated person responsible for coordination of environmental management activities.
15. Legal compliance with all regulated environmental issues related to waste management, air pollution, wastewater, soil contamination, and biodiversity.
16. Maintain and update on a regular basis a list of the relevant environmental legislation to comply with.
17. Assure compliance with prohibited chemicals list (e.g. for agrichemicals from World Health Organization, WHO).
18. Assure compliance with international environmental conventions and protocols, e.g. the Montreal Protocol about ozone depleting substances or Protocol on Persistent Organic Pollutants (POP).
19. Keep record of all pollution incidents and report these to relevant authorities as required by applicable permits and legislation.
20. Provide necessary organization, training of employees, awareness raising, operational control and monitoring to assure and maintain legal compliance.
21. Support a precautionary approach to environmental challenges, which involves a systematic risk assessment (hazard identification, hazard characterization, appraisal of exposure and risk characterization), risk management and risk communication.
22. Support activities that involve waste reduction and resource optimization from suppliers' operations.
23. Support activities that promote green procurement of more eco-efficient products.
24. Protect the environment by using environmentally sound technologies that are less polluting, and use all resources in an efficient way.
25. Strive for integration of environmental attention into all elements of business planning and decision-making.
26. The approach to environmental responsibility should foster openness and dialogue with employees and the public.
27. Minimize the adverse impacts from activities, products and services through a proactive approach and responsible management of the environmental aspects (including but not limited to):
  - i. Use of scarce natural resources, energy and water
  - ii. Emissions to air and releases to water
  - iii. Noise, odour, and dust emission
  - iv. Potential and actual soil contamination
  - v. Waste management (hazardous and non-hazardous substances)
  - vi. Products issues (design, packaging, transport, use and recycling/disposal)
28. Establish and maintain emergency procedures.
29. Have a site emergency plan in place with detailed guidelines/training for major incident response, to effectively prevent and address all health emergencies and industrial accidents that can affect the surrounding community or have an adverse impact on the environment.
30. Emergency response plan communicated to local authorities, emergency services and potentially affected local communities, as required.
31. Maintain an inventory of hazardous substances used in the operation and stored, and assess substitution options toward more environmental friendly substances.
32. Ensure that access to relevant up-to-date Material Safety Data Sheets (MSDS) for chemical substances.
33. Assure safety procedures/controls in place for hazardous substances

### 3. Anti-corruption principles

Supplier should establish adequate processes to counter corrupt practices. Such processes should support and be in line with the United Nations Convention against Corruption.

The anti-corruption principles listed below should as a minimum be managed.

#### **Anti-corruption principles that suppliers must manage:**

1. Documenting, recording and keeping income and expenditure data available for periods determined by law, and if not regulated for a minimum of three years;
2. Not permitting corruption of public officials or private-to-private corruption, including both 'active' and 'passive' corruption (also referred to at times as 'extortion' or 'solicitation');
3. Not permitting payment of bribes or trading in influence in relation to business partners, government officials or employees; including through the use of intermediaries;
4. Not permitting use of facilitation payments, unless you are subject to threats or other coercion;
5. Not hiring government employees to do work that conflicts in any manner with the former official obligations of that employee;
6. Not permitting political contributions, charitable donations and sponsorships in expectation of undue advantages;
7. Not offering or accepting excessive gifts, hospitality, entertainment, customer travel and expenses (e.g. above the cumulative value of the equivalent of USD 200 per person/relationship in any twelve month period, if approved by a senior officer and explicitly recorded in the books of the business, naming the recipient or giver);
8. Abstaining from nepotism and cronyism;

## IV. IMPLEMENTATION OF CODE OF CONDUCT

### Records and Documentation

Suppliers shall maintain appropriate records to demonstrate compliance with the requirements of this Code. Records shall be available to Sprout upon request. Appropriate records include, but are not limited to:

- Policy Commitment(s);
- Documentation of due diligence processes, including impact assessments and records from the tracking process;
- Information on grievance mechanism(s);
- Records of any significant instances of non-compliance encountered in relation to this Code, including a summary of corrective actions taken.

### Definition of Roles and Responsibilities

Suppliers must assign responsibility within their organisation for the implementation of this Code. As a minimum, the following representatives shall be designated:

- One or more management representatives with the responsibility and authority to ensure compliance with the Code
- A qualified compliance officer responsible for planning, implementing and monitoring compliance with the Code

## Scope of Application

The requirements of this Code extend to all Sprout's suppliers and all of their workers, regardless of their status or relationship with suppliers. This Code therefore also applies to workers who are engaged informally, on short-term contracts, or on a part-time basis.

Suppliers are responsible for ensuring that their business relationships including their sub-suppliers also have adequate processes to manage their adverse impacts on human rights including labour rights, environmental, and anti-corruption principles in place. This includes sub-suppliers classified as home-based workers or small farmers. As part of this obligation, a supplier shall:

- Require sub-suppliers to inform the supplier about other business entities in the supply chain taking part in the production of each order
- Use its leverage to make sub-suppliers work towards meeting the requirements of this Code
- Undertake reasonable efforts to check that sub-suppliers operate in conformance with this Code.

## Continuous collaboration

Sprout may monitor the operations of suppliers with the purpose of gaining insight into how suppliers manage their impacts on human rights including labour rights, environmental, and anti-corruption principles.

Sprout expects all suppliers at any time to be able to declare in writing its stage of implementation in relation to the requirements contained in this Code. Suppliers are expected at any point to willingly cooperate in answering further questions, self-assessments and if deemed necessary cooperate with Sprout in improving systems to manage adverse impacts on human rights including labour rights, environmental, and anti-corruption principles.

Suppliers shall accommodate visits from Sprout. This includes providing physical access to any representative from Sprout or assigned by our company. Sprout reserves the right to let an independent third party of our choice make on-site inspections to verify compliance with the requirements of this Code.

Where instances of non-compliance are detected as a result of supplier visits, suppliers will be given a fixed period of time to self-correct the deficiency. In the event of failure to self-correct a problem, Sprout is willing to engage in a constructive dialogue with suppliers to develop and implement action plans, with appropriate time scales for implementation and improvements to be achieved. Agreement to abide by action plans allows for continuation of a business relationship, as long as Sprout finds that suppliers are implementing the plan in good faith. In the event of repeated and serious breaches of the requirements of this Code, Sprout reserves the right to cease business relationships with its suppliers and possibly cancel any production or delivery in progress.