



Principles
and Practice of

SOCIALLY RESPONSIBLE TRADING

KESKO





KESKO'S VALUES





KESKO IN BRIEF

Kesko is the leading Finnish listed trading sector company. It develops and manages retail store chains that are valued by customers, and efficiently produces services for retail store chains' purchasing, logistics, network development and data management.

Kesko's operations include the grocery trade, the home improvement and speciality goods trade, and the car and machinery trade. Kesko has about 2,000 stores engaged in chain operations in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus. In addition, Kesko Food's subsidiary Kespro has 13 wholesales in Finland.

One of Kesko's core values is 'We bear our corporate responsibility'. It means that Kesko follows ethically acceptable principles in all actions within our working community and in relation to our partners.

Kesko's net sales, principles, policies, and integrated annual reports are available at www.kesko.fi/en.

SOCIALLY RESPONSIBLE TRADING

Responsible purchasing

Responsible purchasing is a key area of Kesko's corporate responsibility. Kesko pays special attention to human rights issues and working conditions across its supply chain. Kesko sees social responsibility as part of the total quality of products and management practices. Kesko believes that high workplace standards are elements of a successful, professionally run business and contribute to its efficiency and productivity.

Long-term partnerships

Customers expect high-quality products with good prices. They also require product traceability and socially acceptable manufacturing practices. In order to succeed in competition, we need to offer our customers products that comply with these requirements.

The managing of social responsibility within today's complex global sourcing networks is a challenging task and the developing of working conditions requires time and resources. Kesko wants to cooperate with its suppliers in a systematic manner and build long-term partnerships, focusing on sustainable production.





WHAT ARE WE ASKING OUR SUPPLIERS TO DO?

Guarantee of social responsibility

Kesko wants to make sure that its suppliers comply with international minimum labour standards, applicable national laws and regulations and other statutory requirements, whichever provide the greatest protection for workers. These basic requirements are listed in the BSCI Code of Conduct at the end of this leaflet.

Many of these requirements are enforced by national legislation. However, in many countries, compliance with national laws is not effectively monitored. That is why international buyer companies use independent auditing to ensure that their purchasing criteria are met.

Independent auditing body in use

Kesko's buyers have close contacts with their suppliers, but monitoring working conditions in a credible way requires professional auditors. The most reliable and cost-efficient way for suppliers to prove their required compliance is by turning to an independent auditing body and requesting a social audit against a common, standardised auditing model. The audit report can then be used by the supplier as evidence of social compliance, not just with Kesko but with other clients as well.

Kesko requires its suppliers operating in high-risk countries (see www.bsci-intl.org) to be involved with the social auditing process. As a BSCI participant, Kesko promotes BSCI audits, but accepts also other systems with equivalent auditing criteria. Information on other accepted systems is available from Kesko's buyers.

BUSINESS SOCIAL COMPLIANCE INITIATIVE

BSCI

BSCI – what is it?

BSCI is a business-driven initiative for companies committed to improving working conditions in factories and farms worldwide. BSCI offers companies, from multinationals to SMEs, one common Code of Conduct and a holistic system towards social compliance in the supply chain applicable to all sectors and sourcing countries. The BSCI Code of Conduct is based on the labour standards of the International Labour Organization (ILO), the UN Universal Declaration of Human Rights, and other international conventions.

Avoid multiple audits

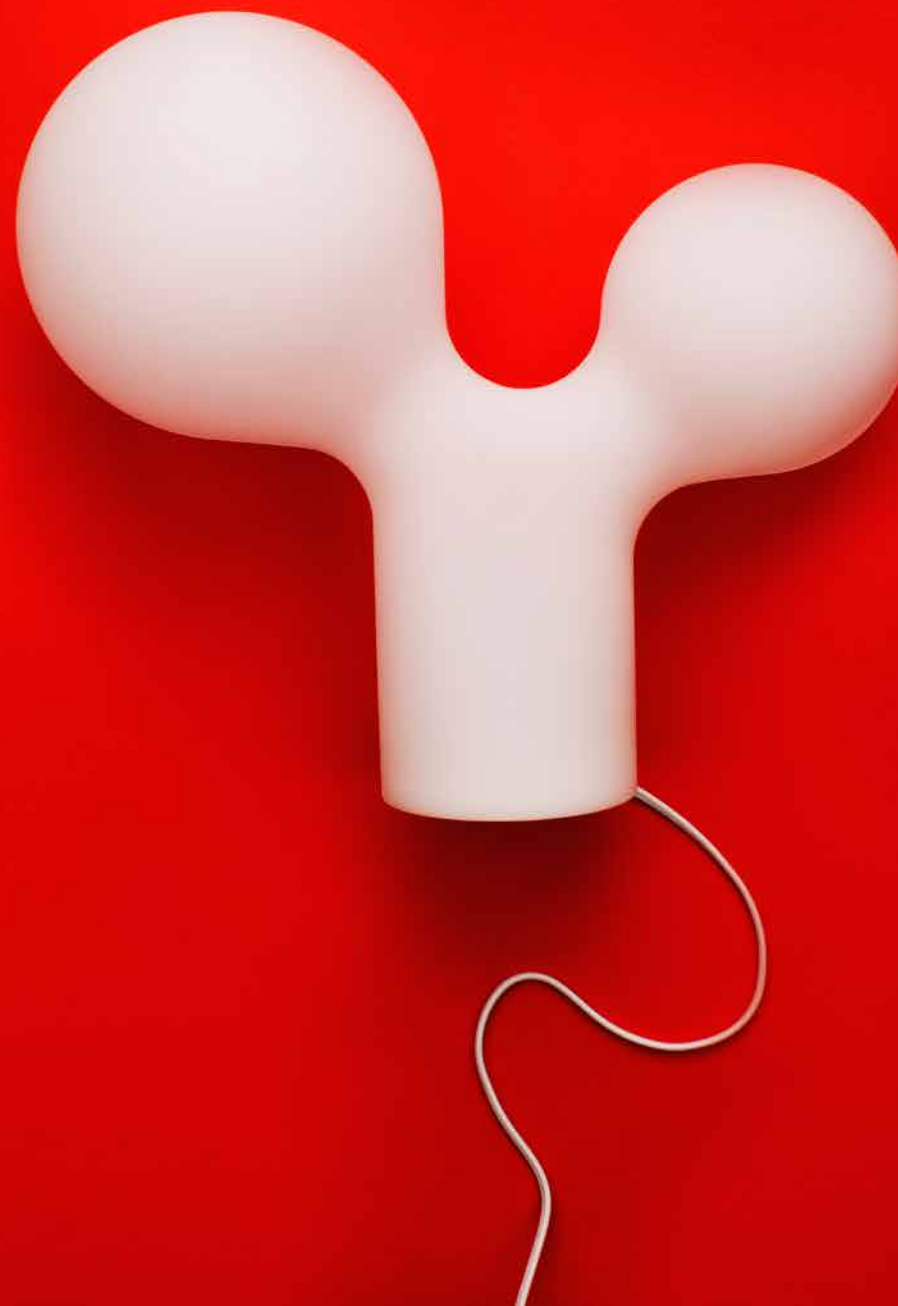
BSCI provides its participants with common auditing tools and guidelines to measure producers' compliance with BSCI's Code of Conduct and to evaluate improvements. All audit results are stored and shared among BSCI participants through a dedicated platform. This simultaneously reduces the number of audits at supplier level, which saves time and money for all parties involved.

Empowering through training

Alongside the monitoring process, BSCI provides capacity building activities to both participating companies and suppliers in Europe and in sourcing countries. These activities help build the knowledge, skills and ownership required to achieve sustainable improvements in social compliance.

Engaging stakeholders

Non-compliance to labour rights is often linked to political, economic or cultural issues that affect not only individual workplaces but also entire sectors and countries. To find sustainable solutions to those challenges, BSCI works closely with a wide range of stakeholders such as governments, trade unions, NGOs, business associations, buyers and suppliers.





THE BSCI AUDITING PROCESS

3 The buyer or the auditor creates a record in the BSCI Platform with the name of the supplier's factory or farm. The supplier receives an email with login details to its record.

4 The supplier collects the necessary information for the audit, conducts a self-assessment and starts to set up a systematic social management system.

7 The supplier develops a Remediation Plan based on the Findings Report and submits it to the BSCI platform. The supplier keeps Kesko's buyer informed about the improvement process.

8 The supplier schedules a Follow-up Audit within the timeframe defined in the Findings Report.

1 The buyer sends the BSCI Code of Conduct and related Terms of Implementation to suppliers for signing. The BSCI Code of Conduct may also be found as an annex in the supplier contract.

2 The supplier fixes the date for a Full Audit. The audit is ordered from the list of BSCI accredited auditing companies.

5 A Full Audit takes place. Auditors will schedule a date to visit the production site and inspect the facilities and records.

6 The auditor uploads the Findings Report to the BSCI Platform. The rating of the audit indicates the improvements that the supplier needs to make in each performance area.

- BSCI Full Audits are valid for two years for those suppliers that receive an overall rating of A or B. Other ratings trigger a Follow-up Audit.
- The Follow-up audits shall be conducted within a maximum of 12 months after the last audit.
- The period between two Full Audits never exceeds two years.

The BSCI auditing process is presented in detail in the BSCI System Manual, available at www.bsci-intl.org. Suppliers' main contact regarding the auditing process is the buyer who invited them to implement BSCI.

BSCI offers workshops for producers in sourcing countries to build their necessary capacities to integrate the long-lasting and continuous improvement defined by the monitoring process. The workshop schedule and registration are available at www.bsci-intl.org.

BSCI CODE OF CONDUCT

The BSCI Code of Conduct version 1/2014 aims at setting up the values and principles that the BSCI Participants strive to implement in their supply chains. It was approved by the Foreign Trade Association (FTA) Board on 28 November 2013 and overrules the BSCI Code of Conduct version 2009 in all its translations.

The BSCI Code of Conduct refers to international conventions such as the Universal Declaration of Human Rights, the Children's Rights and Business Principles, UN Guiding Principles for Business and Human Rights, OECD Guidelines, UN Global Compact and International Labour Organization (ILO) Conventions and Recommendations relevant to improve working conditions in the supply chain.

Obeying domestic laws is the first obligation of business enterprises. In countries where domestic laws and regulations are in conflict with, or set a different standard of protection than the BSCI Code of Conduct, business enterprises should seek ways to abide by the principles that provide the highest protection to the workers and environment.

BSCI Participants expect all their business partners to observe the BSCI Code of Conduct. Furthermore, any business partners that are monitored against the principles below are to show evidence that they take (a) all necessary measures to ensure their own observance of the BSCI Code of Conduct and (b) reasonable measures to ensure that all of their business partners involved in the production process(es) observe the BSCI Code of Conduct.

1 THE RIGHTS OF FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

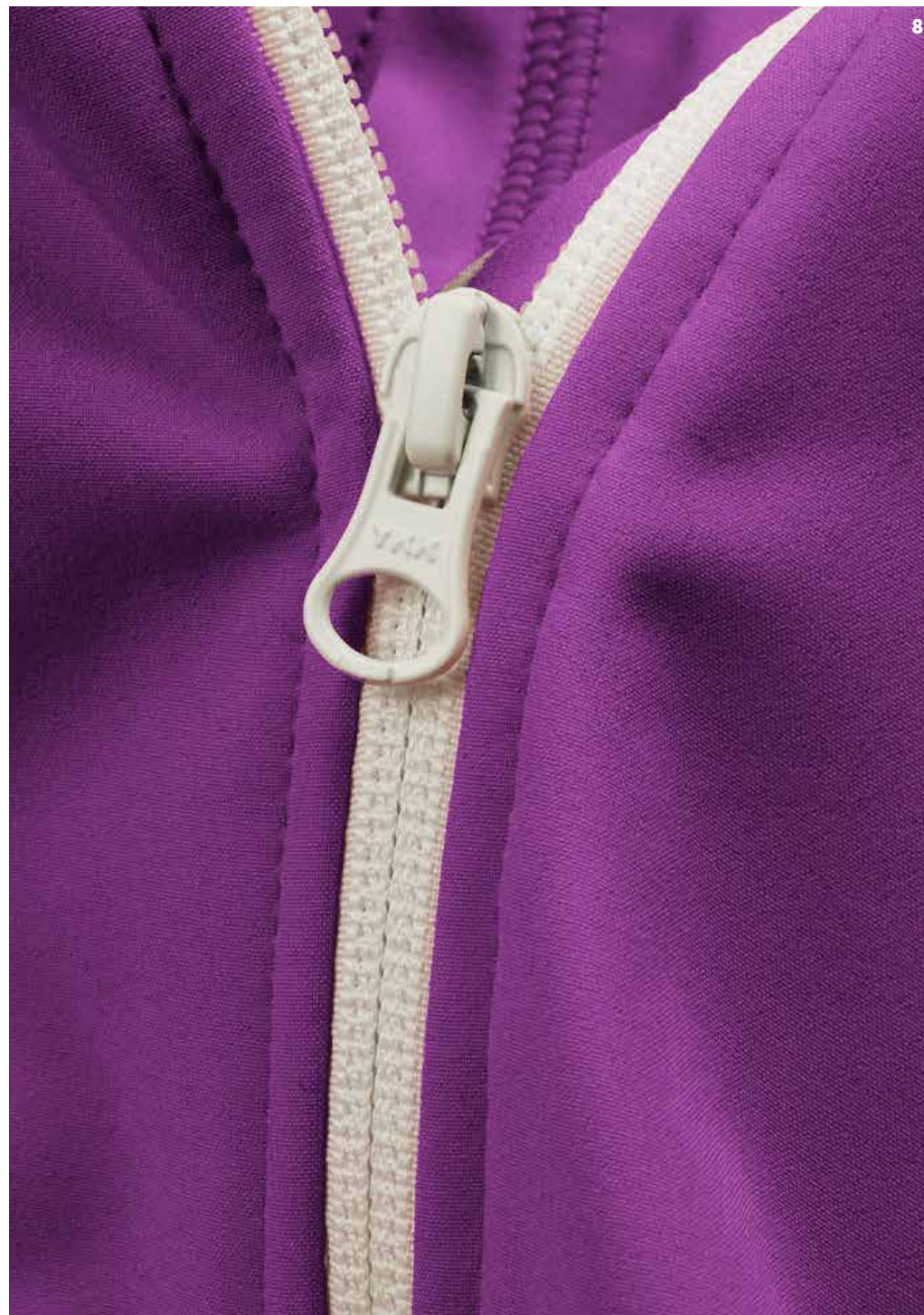
Business partners shall: (a) respect the right of workers to form unions in a free and democratic way; (b) not discriminate against workers because of trade union membership and (c) respect workers' right to bargain collectively.

Business partners shall not prevent workers' representatives from having access to workers in the workplace or from interacting with them.

When operating in countries where trade union activity is unlawful or where free and democratic trade union activity is not allowed, business partners shall respect this principle by allowing workers to freely elect their own representatives with whom the company can enter into dialogue about workplace issues.

2 NO DISCRIMINATION

Business partners shall not discriminate, exclude or have a certain preference for persons on the basis of gender, age, religion, race, caste, birth, social background, disability, ethnic and national origin, nationality, membership in unions or any other legitimated organisations, political affiliation or opinions, sexual orientation, family responsibilities, marital status, diseases or any other condition that could give rise to discrimination. In particular, workers shall not be harassed or disciplined on any of the grounds listed above.





3 FAIR REMUNERATION

Business partners observe this principle when they respect the right of the workers to receive fair remuneration that is sufficient to provide them with a decent living for themselves and their families, as well as the social benefits legally granted, without prejudice to the specific expectations set out hereunder.

Business partners shall comply, as a minimum, with wages mandated by governments' minimum wage legislation, or industry standards approved on the basis of collective bargaining, whichever is higher.

Wages are to be paid in a timely manner, regularly, and fully in legal tender. Partial payment in the form of allowance "in kind" is accepted in line with ILO specifications. The level of wages is to reflect the skills and education of workers and shall refer to regular working hours.

Deductions will be permitted only under the conditions and to the extent prescribed by law or fixed by collective agreement.

4 DECENT WORKING HOURS

Business partners observe this principle when they ensure that workers are not required to work more than 48 regular hours per week, without prejudice to the specific expectations set out hereunder. However, the BSCI recognizes the exceptions specified by the ILO.

Applicable national laws, industry benchmark standards or collective agreements are to be interpreted within the international framework set out by the ILO. In exceptional cases defined by the ILO, the limit of hours of work prescribed above may be exceeded, in which case overtime is permitted.

The use of overtime is meant to be exceptional, voluntary, paid at a premium rate of not less than one and one-quarter times the regular rate and shall not represent a significantly higher likelihood of occupational hazards. Furthermore, Business Partners shall grant their workers with

the right to resting breaks in every working day and the right to at least one day off in every seven days, unless exceptions defined by collective agreements apply.

5 OCCUPATIONAL HEALTH AND SAFETY

Business partners observe this principle when they respect the right to healthy working and living conditions of workers and local communities, without prejudice to the specific expectations set out hereunder. Vulnerable individuals such as - but not limited to - young workers, new and expecting mothers and persons with disabilities, shall receive special protection.

Business partners shall comply with occupational health and safety regulations, or with international standards where domestic legislation is weak or poorly enforced.

The active co-operation between management and workers, and/or their representatives is essential in order to develop and implement systems towards ensuring a safe and healthy work environment. This may be achieved through the establishment of Occupational Health and Safety Committees.

Business partners shall ensure that there are systems in place to detect, assess, avoid and respond to potential threats to the health and safety of workers. They shall take effective measures to prevent workers from having accidents, injuries or illnesses, arising from, associated with, or occurring during work. These measures should aim at minimizing so far as is reasonable the causes of hazards inherent within the workplace.

Business partners will seek to improve workers protection in case of accident, including through compulsory insurance schemes. Business partners shall take all appropriate measures within their sphere of influence to see to the stability and safety of the equipment and buildings they use, including residential facilities to workers when these are provided by the employer as well as to protect against any foreseeable emergency. Business partners shall re-

spect the workers' right to exit the premises from imminent danger without seeking permission.

Business partners shall ensure adequate occupational medical assistance and related facilities. Business partners shall ensure access to drinking water, safe and clean eating and resting areas as well as clean and safe cooking and food storage areas. Furthermore, business partners shall always provide effective Personal Protective Equipment (PPE) to all workers free of charge.

6 NO CHILD LABOUR

Business partners observe this principle when they do not employ, directly or indirectly, children below the minimum age of completion of compulsory schooling as defined by law, which shall not be less than 15 years, unless the exceptions recognised by the ILO apply.

Business partners must establish robust age-verification mechanisms as part of the recruitment process, which may not be in any way degrading or disrespectful to the worker. This principle aims to protect children from any form of exploitation. Special care is to be taken on the occasion of the dismissal of children, as they can move into more hazardous employment, such as prostitution or drug trafficking. In removing children from the workplace, business partners should identify in a proactive manner, measures to ensure the protection of affected children. When appropriate, they shall pursue the possibility to provide decent work for adult household members of the affected children's family.

7 SPECIAL PROTECTION FOR YOUNG WORKERS

Business partners observe this principle when they ensure that young persons do not work at night and that they are protected against conditions of work which are prejudicial to their health, safety, morals and development, without prejudice to the specific expectations set out in this principle.

Where young workers are employed, business





partners should ensure that (a) the kind of work is not likely to be harmful to their health or development; (b) their working hours do not prejudice their attendance at school, their participation in vocational orientation approved by the competent authority or their capacity to benefit from training or instruction programs.

Business partners shall set the necessary mechanisms to prevent, identify and mitigate harm to young workers; with special attention to the access young workers shall have to effective grievance mechanisms and to Occupational Health and Safety trainings schemes and programmes.

8 NO PRECARIOUS EMPLOYMENT

Business partners observe this principle when, without prejudice to the specific expectations set out in this chapter, (a) they ensure that their employment relationships do not cause insecurity and social or economic vulnerability for their workers; (b) work is performed on the basis of a recognised and documented employment relationship, established in compliance with national legislation, custom or practice and international labour standards, whichever provides greater protection.

Before entering into employment, business partners are to provide workers with understandable information about their rights, responsibilities and employment conditions, including working hours, remuneration and terms of payment.

Business partners should aim at providing decent working conditions that also support workers, both women and men, in their roles as parents or caregivers, especially with regard to migrant and seasonal workers whose children may be left in the migrants' home towns.

Business partners shall not use employment arrangements in a way that deliberately does not correspond to the genuine purpose of the law. This includes - but is not limited to - (a) ap-

prenticeship schemes where there is no intent to impart skills or provide regular employment, (b) seasonality or contingency work when used to undermine workers' protection, and (c) labour-only contracting. Furthermore, the use of sub-contracting may not serve to undermine the rights of workers.

9 NO BONDED LABOUR

Business partners shall not engage in any form of servitude, forced, bonded, indentured, trafficked or non-voluntary labour.

Business partners will risk allegations of complicity if they benefit from the use of such forms of labour by their business partners.

Business partners shall act with special diligence when engaging and recruiting migrant workers both directly and indirectly.

Business partners shall allow their workers the right to leave work and freely terminate their employment provided that workers give reasonable notice to the employer.

Business partners shall ensure that workers are not subject to inhumane or degrading treatment, corporal punishment, mental or physical coercion and/or verbal abuse.

All disciplinary procedures must be established in writing, and are to be explained verbally to workers in clear and understandable terms.

10 PROTECTION OF THE ENVIRONMENT

Business partners observe this principle when they take the necessary measures to avoid environmental degradation, without prejudice to the specific expectations set out in this chapter.

Business partners should assess significant environmental impact of operations, and establish effective policies and procedures that reflect their environmental responsibility. They will see to implement adequate measures to prevent or minimise adverse effects on the community, natural resources and the overall environment.

11 ETHICAL BUSINESS BEHAVIOUR

Business partners observe this principle when, and without prejudice to the goals and expectations set out in this chapter, they are not involved in any act of corruption, extortion or embezzlement, nor in any form of bribery - including but not limited to - the promising, offering, giving or accepting of any improper monetary or other incentive.

Business partners are expected to keep accurate information regarding their activities, structure and performance, and should disclose these in accordance with applicable regulations and industry benchmark practices.

Business partners should neither participate in falsifying such information, nor in any act of misrepresentation in the supply chain.

Furthermore, they should collect, use and otherwise process personal information (including that from workers, business partners, customers and consumers in their sphere of influence) with reasonable care. The collection, use and other processing of personal information is to comply with privacy and information security laws and regulatory requirements.

The following appendices form an integral part of the BSCI Code of Conduct:

1. Terms of Implementation
2. BSCI Reference: Compilation of International Standards relevant for the implementation of the Code such as ILO Conventions and Recommendations
3. BSCI Glossary

The above mentioned appendices are available at <http://www.bsci-intl.org/resources/code-of-conduct>.





FOR MORE INFORMATION

Corporate Responsibility at Kesko:
www.kesko.fi/en/company

Business Social Compliance Initiative:
www.bsci-intl.org

How to proceed towards a BSCI audit:
Contact your buyer at Kesko

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