



KESKO



Principles and Practice of Socially Responsible Trading

Kesko's values

We exceed our customers' expectations



We recognise our customers' needs and expectations. We strive to meet and exceed customer expectations at every visit to the store.

We are the best operator in the trading sector



We offer our customers the best products and services in the market at competitive prices.

We create a good working community



We operate in an open, interactive working community where people are respected and every individual can contribute to the full and use his or her initiative.

We bear our corporate responsibility



Our operations are responsible and we follow ethically acceptable principles in all actions within our working community and in relations with our partners.



The Kesko Group

Kesko is Finland's largest trading group, which operates in the Nordic countries, the Baltic countries, and Russia. There are around 45 million consumers in Kesko's market area.

Kesko's division parent companies are responsible for store sites, purchasing, logistics, store concepts, and chain cooperation with K-retailers, who are in most cases in charge of the retail operations. Kesko runs some of the Group's retail outlets in Finland, mainly those that require a lot of capital such as department stores, non-food sections of hypermarkets, as well as mega-size sporting goods and home electronics stores. In outlets abroad, Kesko runs operations without retailers as partners, with some exceptions.

Up-to-date information on Kesko's sales, their breakdown between different sectors, the number of stores and their sales can be found at Kesko's website www.kesko.fi.

One of Kesko's core values is 'We bear our corporate responsibility'. It means that we follow ethically acceptable principles in all actions within our working community and in relation to our partners. Our principles, policies, and annual corporate responsibility reports are available at www.kesko.fi (Responsibility).



Why do we promote socially responsible trading?

Socially responsible trading and social quality control of our suppliers are key areas of Kesko's corporate responsibility. By social quality we mean ensuring decent working conditions, including health and safety, and fair terms of employment.

Kesko sees social quality 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.

The 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.

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



What are we asking our suppliers to do?

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

These requirements have been agreed by the governments in the United Nations and the International Labour Organisation (ILO) to be implemented in national legislation. However, in many countries the compliance with national laws is not effectively monitored. In the long run, national legislation and local authorities should give sufficient guarantee of social quality to buyers, without any need for additional audits.

Kesko's buyers have close contacts with their suppliers, but monitoring working conditions in a credible way is out of their reach. For all parties, the most reliable and cost-efficient way to proceed is that each supplier proves their required compliance by turning to an independent auditing body and requesting a social audit against a common, standardised auditing model. Having passed this process, the supplier can then use the audit report as evidence of social compliance, not just with Kesko but other clients as well.



The BSCI – a common framework of European commerce

Social auditing has become increasingly frequent and time-consuming for suppliers in the last few years. Though the basic requirements of buyers are approximately the same, there are practical differences in carrying out social audits. The situation has been challenging both to suppliers and retailers.

The major European retailers, industry and importing companies have tackled this challenge by developing the Business Social Compliance Initiative (BSCI), a common monitoring system simplifying and standardizing the requirements and individual monitoring procedures. Today the BSCI, founded in 2003, is the broadest business-driven platform for the improvement of social compliance in all supplier countries and for all consumer goods. The BSCI is an initiative of Foreign Trade Association, based in Brussels, Belgium.

The BSCI is based on the labour standards of the International Labour Organization (ILO), the UN Universal Declaration of Human Rights, and other international regulations. The Initiative aims at continuously improving the social performance of suppliers, leading to Best Practice like SA8000 certification or equivalents and thus sustainably enhancing working conditions in factories worldwide.

The practical implementation is controlled through audits by independent auditing companies accredited by Social Accountability International (SAI) which created the SA8000 standard. Follow-up measures like implementation controls or comprehensive training measures aim at supporting suppliers with improving their social performance.

All BSCI members - Kesko among them - now require that in the near future all existing and potential suppliers shall have passed a neutral audit against the BSCI Code of Conduct. As all such audit results will be recorded in the BSCI database, there is no more need for multiple audits. Passing the audit once is enough, as the result is then valid for all BSCI members. This saves time and money for all parties involved.



Seven steps of the BSCI monitoring system

1. Kesko buyer presents the BSCI and sends all necessary documents to the supplier, who decides to start implementing the system. The supplier communicates his interest by signing and returning the BSCI Code of Conduct to the buyer.
2. The supplier starts to fill out the Self-Assessment Form. If deficiencies are observed, it is recommended that they are corrected before requesting an audit.
3. When the Self-Assessment Form has been completed, the supplier commissions a BSCI audit from one of the audit companies listed by the BSCI¹⁾, sends the Self-Assessment Form to the auditor and Kesko buyer and informs Kesko that the audit has been requested. Kesko buyer adds supplier to the BSCI audit database.
4. An auditor visits the supplier to carry out the Initial Audit including an interview with management, a document review, a site inspection and interviews with employees. An average audit lasts no longer than two days. If the supplier passes the audit, the auditor prepares a final audit report and sends it to the supplier, who will send it on to the relevant Kesko buyer. The supplier can also choose to pass it on to other BSCI members. The auditor will fill in the auditing status of the supplier in the BSCI database.
5. If correction needs are found during the audit, the auditor prepares a Corrective Action Plan. The timeframe for implementing the plan is decided together with the supplier.
6. When all corrections have been made, the supplier invites the auditor to make a Re-Audit, at the latest 12 months after the initial audit. This re-audit usually takes one day. If everything is found to be in order, the auditor makes the final report. If there are still deficiencies, the process continues until everything has been completed.
7. The audit process is repeated within three years of the initial audit.

¹⁾Kesko can advise in the choice of an auditor - BSCI has a global agreement with ten companies and their contact persons in each country. Kesko has long-term cooperation in social auditing with Bureau Veritas Quality International.





BSCI Code of Conduct

In accordance with the ILO Conventions, the United Nations' Universal Declaration of Human Rights, the UN Conventions on the Rights of the Child and the Elimination of All Forms of Discrimination against Women, the UN Global Compact and the OECD Guidelines for Multinational Enterprises, the BSCI Code of Conduct aims to attain compliance with certain social and environmental standards. Supplier companies must ensure that the Code of Conduct is also observed by subcontractors involved in production processes of final manufacturing stages carried out on behalf of BSCI members. The following requirements are of particular importance and are implemented in a developmental approach:

1. Legal Compliance

Compliance with all applicable national laws and regulations, industry minimum standards, ILO and UN Conventions, and any other relevant statutory requirements whichever requirements are more stringent.

2. Freedom of Association and the Right to Collective Bargaining

The right of all personnel to form and join trade unions of their choice and to bargain collectively shall be respected. In situations or countries in which the rights regarding freedom of association and collective bargaining are restricted by law, parallel means of independent and free organisation and bargaining shall be facilitated for all personnel. It shall be ensured that representatives of personnel have access to their members in the workplace.

- In accordance with ILO conventions 87, 98, 135 and 154.

3. Prohibition of Discrimination

No discrimination shall be tolerated in hiring, remuneration, access to training, promotion, termination or retirement based on gender, age, religion, race, caste, social background, disability, ethnic and national origin, nationality, membership in workers' organisations including unions, political affiliation, sexual orientation, or any other personal characteristics.

- In accordance with ILO conventions 100, 111, 143, 158 and 159.

4. Compensation

Wages paid for regular working hours, overtime hours and overtime differentials shall meet or exceed legal minimums and/or industry standards. Illegal, unauthorised or disciplinary deductions from wages shall not be made. In situations in which the legal minimum wage and/or industry standards do not cover living expenses and provide some additional disposable income, supplier companies are further encouraged to provide their employees with adequate compensation to meet these needs. Deductions from wages as a disciplinary measure are forbidden. Supplier companies shall ensure that wage and benefits composition are detailed clearly and regularly for workers; the supplier company shall also ensure that wages and benefits are rendered in full compliance with all applicable laws and that remuneration is rendered in a manner convenient to workers.

- In accordance with ILO conventions 26 and 131.

5. Working Hours

The supplier company shall comply with applicable national laws and industry standards on working hours. The maximum allowable working hours in a week are as defined by national law but shall not on a regular basis exceed 48 hours and the maximum allowable overtime hours in a week shall not exceed 12 hours. Overtime hours are to be worked solely on a voluntary basis and to be paid at a premium rate. An employee is entitled to at least one free day following six consecutive days worked.

- In accordance with ILO conventions 1 and 14.

6. Workplace Health and Safety

A clear set of regulations and procedures must be established and followed regarding occupational health and safety, especially the provision and use of personal protective equipment, clean bathrooms, access to potable water and if appropriate, sanitary facilities for food storage shall be provided. Workplace practice and conditions and conditions in dormitories which violate basic human rights are forbidden. In particular young workers shall not be exposed to hazardous, unsafe or unhealthy situations.

- In accordance with ILO Convention 155 and ILO Recommendations 164 and 190.

In particular, a management representative responsible for the health and safety of all personnel and accountable for the implementation of the Health and Safety elements of the BSCI shall be appointed. All personnel shall receive regular and recorded health and safety training, moreover, such training shall be repeated for new and reassigned personnel.

Systems to detect, avoid or respond to potential threats to health and safety of all personnel shall be established.

7. Prohibition of Child Labour

Child labour is forbidden as defined by ILO and United Nations Conventions and/or by national law. Of these various standards, the one that is the most stringent shall be followed. Any forms of exploitation of children are forbidden. Working conditions resembling slavery or harmful to children's health are forbidden. The rights of young workers must be protected. In the event that children are found to be working in situations which fit the definition of child labour above, policies and procedures for remediation of children found to be working shall be established and documented by the supplier company. Furthermore, the supplier company shall provide adequate support to enable such children to attend and remain in school until no longer a child.

- In accordance with ILO Conventions 79, 138, 142 and 182 and Recommendation 146.

8. Prohibition of Forced Labour and Disciplinary Measures

All forms of forced labour, such as lodging deposits or the retention of identity documents from personnel upon commencing employment, are forbidden as is prisoner labour that violates basic human rights. The use of corporal punishment, mental or physical coercion and verbal abuse is forbidden.

- In accordance with ILO Conventions 29 and 105.

9. Environment and Safety Issues

Procedures and standards for waste management, handling and disposal of chemicals and other dangerous materials, emissions and effluent treatment must meet or exceed minimum legal requirements.

10. Management Systems

The supplier company shall define and implement a policy for social accountability, a management system to ensure that the requirements of the BSCI Code of Conduct can be met as well as establish and follow an anti-bribery / anti-corruption policy in all of their business activities. Management is responsible for the correct implementation and continuous improvement by taking corrective measures and periodical review of the Code of Conduct, as well as the communication of the requirements of the Code of Conduct to all employees. It shall also address employees' concerns of non-compliance with this Code of Conduct.

For more information

- Corporate Responsibility in Kesko: www.kesko.fi (Responsibility)
- Business Social Compliance Initiative website (including an up-to-date list of BSCI member companies): www.bsci-eu.org
- How to proceed towards a BSCI audit: Contact the relevant buyer in Kesko



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