

Principles and
Practice of
**Socially
Responsible
Trading**



KESKO



KESKO'S VALUES

KESKO

IN BRIEF

Kesko is a provider of trading sector services and a listed company domiciled in Helsinki, Finland, where the main office is also located.

Kesko operates in the food, home and speciality goods, building and home improvement, and car and machinery trades.

Kesko manages retail chains and provides services for the chains' purchasing, logistics, network development and information management. Kesko's chain operations comprise some 2,000 stores in eight countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia, and Belarus.

Up-to-date information on Kesko's sales, their breakdown between different divisions, 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.





SOCIALLY **RESPONSIBLE** TRADING

Social quality

Socially responsible trading and social quality control of our suppliers are key areas of Kesko's corporate responsibility. By social quality we mean 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.

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. 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?

Guarantee of social quality

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.

The governments in the United Nations and the International Labour Organisation (ILO) have agreed on implementing these requirements in national legislation. However, in many countries, 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.

Independent auditing body in use

Kesko's buyers have close contacts with their suppliers, but monitoring working conditions in a credible way is out of their domain. 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 with other clients as well.

ABOUT THE **BSCI**

BSCI - what is it?

The major European retailers, industry and importing companies have tackled the challenge of various social audits with different requirements by taking into use the Business Social Compliance Initiative (BSCI), a common monitoring system that makes the requirements and individual monitoring procedures more simple and uniform.

Sustainably enhancing working conditions

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. Follow-up measures aim at supporting suppliers with improving their social performance.

Engaging stakeholders

Non-compliance to labour rights is often linked to political, economical 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.

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.

Avoid multiple audits

All BSCI participants - 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 participants. This saves time and money for all parties involved.



TEN STEPS OF THE BSCI CYCLE

3 The buyer has a risk assessment and action plan for Kesko's risk country suppliers.

4 Kesko's commitment is available in the BSCI database.

7 The factories follow up on Corrective Action Plan (CAP) and keep Kesko's buyer informed about the process.

8 Kesko's buyer invites the factories to advanced workshops.

1 Kesko's buyer communicates about the BSCI to the suppliers and factories.

2 Kesko's risk country suppliers are listed in the database and the buyer sends the BSCI Code of Conduct to the suppliers and factories.

5 Kesko's buyer asks the factories to complete the Self Assessment and invites them to an awareness raising workshop.

6 The factories proceed with the initial audit.

9 The factories proceed with the re-audit.

10 End of 3-year cycle: review and restart.



BSCI CODE OF CONDUCT

In accordance with the ILO Conventions, the United Nations' Universal Declaration of Human Rights, the UN's Conventions on children's rights and the elimination of all forms of discrimination against women, the UN Global Compact and the OECD Guidelines for Multinational Enterprises and other relevant internationally recognised agreements, the BSCI Code of Conduct aims to attain compliance with certain social and environmental standards. By signing the BSCI Code of Conduct companies are, within their scope of influence, committed to acknowledge the social and environmental standards laid down in this Code and to take appropriate measures within their company policy for their implementation and compliance. Supplier companies, in addition, 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 participants.

Within the scope of options for action and appropriate measures, these supplier companies have to aim at the implementation of the following criteria in a development approach:

1 Legal Compliance

Compliance with all applicable laws and regulations, industry minimum standards, ILO and UN Conventions, and any other relevant statutory requirements whichever requirements are more stringent. In the agricultural context, ILO Convention 110 shall be respected.

2 Freedom of Association and the Right to Collective Bargaining

All personnel shall have the right to form, join, and organise trade unions of their choice and to bargain collectively on their behalf with the company. The company shall respect this right, and shall effectively inform personnel that they are free to join an organisation of their choosing and that their doing so will not result in any negative consequences to them, or retaliation, from the company. The company shall not in any way interfere with the establishment, functioning, or administration of such workers' organisations or collective bargaining. In situations where the right to freedom of association and collective bargaining are restricted under law, the company shall allow workers to freely elect their own representatives. The company shall ensure that representatives of workers and any personnel engaged in organizing workers are not subjected to discrimination, harassment, intimidation, or retaliation for reason of their being members of a union or participating in trade union activities, and that such representatives have access to their members in the workplace.

- In accordance with ILO Conventions 11, 87, 98, 135 and 154.





3 Prohibition of Discrimination

9

No discrimination shall be tolerated in hiring, remuneration, access to training, promotion, termination or retirement based on gender, age, religion, race, caste, birth, social background, disability, ethnic and national origin, nationality, membership in workers' organisations including unions, political affiliation or opinions, sexual orientation, family responsibilities, marital status, or any other condition that could give rise to discrimination.

- In accordance with ILO Conventions 100, 111, 143, 158, 159, 169 and 183.

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, unless this is permitted by national law and a freely negotiated collective bargaining agreement is in force. 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.

All overtime shall be reimbursed at a premium rate as defined by national law. In countries where a premium rate for overtime is not regulated by law or a collective bargaining agreement, personnel shall be compensated for overtime at a premium rate or equal to prevailing industry standards, whichever is more favourable to workers' interests.

- In accordance with ILO Conventions 12, 26, 101, 102 and 131.

5 Working hours

The supplier company shall comply with applicable national laws and industry standards on working hours and public holidays. 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. In cases where overtime work is needed in order to meet short-term business demand and the company is party to a collective bargaining agreement freely negotiated with worker organisations (as defined above) representing a significant portion of its workforce, the company may require such overtime work in accordance with such agreements. Any such agreement must comply with the requirements above.

An employee is entitled to at least one free day following six consecutive days worked. Exceptions to this rule apply only where both of the following conditions exist:

- a) National law allows work time exceeding this limit.
- b) A freely negotiated collective bargaining agreement is in force that allows work time averaging, including adequate rest periods.

- In accordance with ILO Conventions 1 and 14 and ILO Recommendation 116.

6 Workplace Health and Safety

The company shall provide a safe and healthy workplace environment and shall take effective steps to prevent potential accidents and injury to workers' health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the workplace environment, and bearing in mind the prevailing knowledge of the industry and of any specific hazards.

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, access to clean toilet facilities, access to potable water and if appropriate, sanitary facilities for food storage shall be provided. The company shall ensure that any dormitory facilities provided for personnel are clean, safe, and meet the basic needs of the personnel.

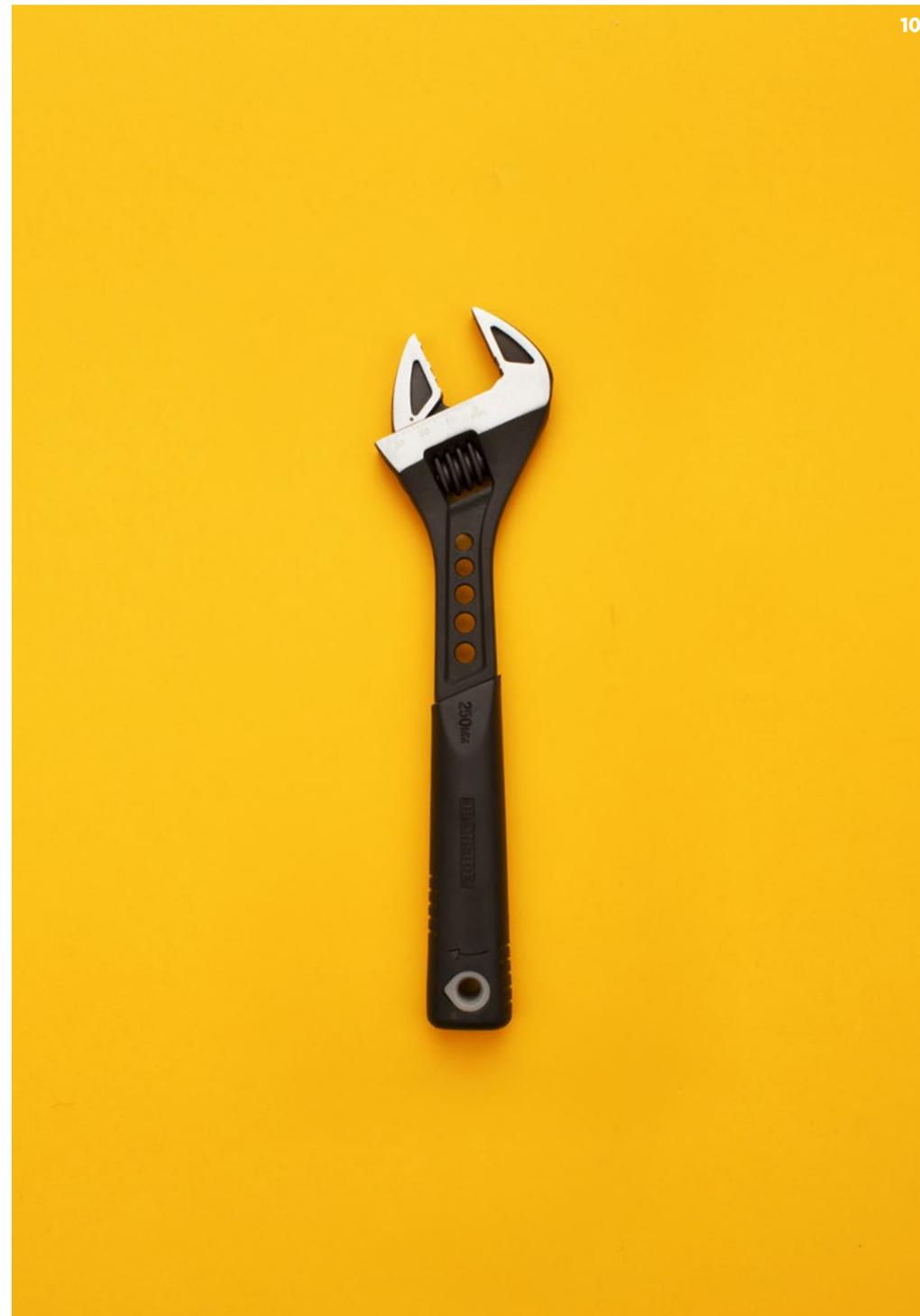
All personnel shall have the right to remove themselves from imminent serious danger without seeking permission from the company.

Workplace practice 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 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.

- In accordance with ILO Conventions 155, 184 and ILO Recommendations 164 and 190.





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 written 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 financial and other support to enable such children to attend and remain in school until no longer a child.

The company may employ young workers, but where such young workers are subject to compulsory education laws, they may work only outside of school hours. Under no circumstances shall any young worker's school, work, and transportation time exceed a combined total of 10 hours per day, and in no case shall young workers work more than 8 hours a day. Young workers may not work during night hours.

- In accordance with ILO Conventions 10, 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.

Neither the company nor any entity supplying labour to the company shall withhold any part of any personnel's salary, benefits, property, or documents in order to force such personnel to continue working for the company.

Personnel shall have the right to leave the

workplace premises after completing the standard workday, and be free to terminate their employment provided that they give reasonable notice to their employer.

Neither the company nor any entity supplying labour to the company shall engage in or support trafficking in human beings.

The company shall treat all personnel with dignity and respect. The company shall not engage in or tolerate the use of corporal punishment, mental or physical coercion and verbal abuse of personnel.

- In accordance with ILO Conventions 29 and 105.

9 Environment and Safety Issues 12

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.

The following annexes are integral part of this Code of Conduct:

- Declaration of the supplier company
- Terms of implementation
- Consequences of Non-Compliance

Brussels, November 2009

The list of BSCI risk countries can be read at:

<http://www.bsci-intl.org/bsci-list-risk-countries-o> .

The list shows the geographical scope where BSCI members commit to involve suppliers respectively producers in the BSCI auditing process.





FOR MORE **INFORMATION**

Corporate Responsibility at Kesko:
www.kesko.fi/responsibility

- Business Social Compliance Initiative website:
www.bsci-intl.org
- also: www.fta-intl.org
- How to proceed towards a BSCI audit:
Contact your buyer at Kesko

