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## **INDEPENDENT THIRD PARTY COMMENTARY**

### **Background and scope of this commentary**

Kesko Oyj (“Kesko”) engaged KPMG Oy Ab (“KPMG”) to provide an independent commentary of its human rights report (“report”) published on Kesko’s webpages on 21 September 2016. The commentary is based on KPMG’s review of this report together with Kesko’s other internal and third-party research against the UN Guiding Principles on Business and Human Rights:

- Customer research survey by TNS Gallup Oy
- Responses to Kesko’s questionnaire to its chief shop stewards in Finland
- Research reports by the Trade Union Solidarity Centre of Finland (“SASK”) based on interviews with employees of Kesko’s selected suppliers in Bangladesh, China, India and the Philippines

KPMG was not involved in the preparation of Kesko’s human rights report or any of the other internal and third-party research listed above.

### **Business’ responsibility to respect human rights**

Five years since their unanimous endorsement by the UN Human Rights Council in June 2011, the UN Guiding Principles on Business and Human Rights (“UNGPs”) have emerged as the de-facto global framework on business and human rights. The UNGPs make it clear that companies should have in place:

- A statement of policy commitment to respect human rights
- A human rights due-diligence process in order to identify, prevent, mitigate and account for how impacts on human rights are being addressed
- A process enabling the remediation of adverse human rights impacts caused or contributed by them

### **Kesko’s human rights commitment, due-diligence process and access to remedy**

With this publication, Kesko joins a growing number of companies that publicly communicate their approach to respect human rights in line with the UNGPs. Through

its statement of commitment, Kesko has committed to respect all internationally recognized human rights. It is encouraging to see that this statement has been approved by Kesko's Group Management Board and reviewed by the company's Board of Directors.

In order to identify its salient human rights issues, Kesko has sought to gather views of its key stakeholder groups whose human rights are potentially affected. These include Kesko's customers, the company's personnel, and employees of selected suppliers in Bangladesh, China, India and the Philippines.

Kesko's third-party research on its customers' perceptions of Kesko's human rights impacts on them is good practice and sets an example that could be adopted by other consumer facing companies. The results from Kesko's employee survey and responses of the company's chief shop stewards to an anonymous questionnaire offer insights on its human rights impacts on employees. However, Kesko's severe human rights related challenges are in its supply chain. These include both actual adverse impacts identified through its third-party research as well as other potential negative impacts.

Many of the identified human rights impacts on employees of supplier factories in the assessed countries are severe and require prompt intervention by Kesko and mitigation actions by Kesko's suppliers. In particular, labour rights of workers, the rights of women and the rights of vulnerable groups such as children, young workers and migrant workers are especially impacted or at a high risk of being impacted. Although Kesko does not appear to "cause" these adverse impacts on the human and labour rights of employees of supplier factories, Kesko "contributes to" or is "linked to" these impacts based on its relationship with these suppliers.

Through this report, Kesko has attempted to identify its salient human rights issues, impact areas, affected stakeholders, actions, responsible functions / units for monitoring and relevant performance indicators. However, a review of responses by Kesko's chief shop stewards to its questionnaire and third-party research on customers and employees of suppliers indicates that the scope did not include all human and labour rights, all businesses and all its operating countries. Therefore, Kesko may not have identified its impacts on human and labour rights that were not within the scope.

Human rights due-diligence is an ongoing process rather than a one-off exercise and Kesko has publicly communicated its findings and actions so far. While Kesko's customers and employees have access to certain grievance channels provided by the

company, the company recognises that employees of its suppliers do not always have this possibility. Therefore, it has committed to jointly address this issue together with its suppliers, local trade unions, civil society organisations and government authorities.

### **Recommendations for Kesko**

1. Assess the severity of human rights impacts identified so far in order to be able to prioritise and systematically address Kesko's salient human rights issues.
2. Continue to engage with customers, employees, suppliers and other external stakeholders in order to identify and assess other human rights impacts outside the scope of this human rights report.
3. Plan and implement actions to prevent, mitigate and/or remediate identified actual and potential human rights impacts and embed human rights related risks within Kesko's Enterprise Risk Management.
4. Assess all suppliers in countries with elevated human rights concerns to identify which ones have the greatest risk of adverse human and labour rights impacts.
5. Continuously monitor and build capacity of suppliers to respect human rights by partnering together with credible external expert organisations.
6. Define how the integration of human rights actions throughout Kesko's operations and value chain will be monitored and tracked.
7. Provide periodic progress updates on progress of actions to prevent, mitigate and/or remediate adverse human rights impacts based on a structured reporting framework.
8. Evaluate whether Kesko's grievance channels fulfil the effectiveness criteria for grievance mechanisms according to the UNGPs and report on the nature of grievances and remediation actions taken, where legally permissible.
9. Ensure that Kesko's procurement practices encourage improved human and labour rights at suppliers.

12 September 2016

KPMG Oy Ab