

## **Musti ja Mirri Group Oy**

Global Compact – Communication on Progress (COP) 2015

Statement of continued support

To our stakeholders

I am pleased to confirm that Musti ja Mirri Group Oy reaffirms its support of the 10 Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In our first annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,



Mika Sutinen

CEO, Musti ja Mirri Group Oy



## **Musti ja Mirri Group Oy ("Musti ja Mirri Group" or the "Company")**

### **Musti ja Mirri Group**

Musti ja Mirri Group is the leading pet specialty retailer in the Nordic countries. Musti ja Mirri Group's product assortment comprises a complete range of pet supplies and accessories related to the pets' well-being as well as pet food.

Musti ja Mirri Group was established in 1988 and today the Company has 230 stores, 114 in Finland and 116 in Sweden. Part of the stores are run by franchising partners. Musti ja Mirri Group entered the Swedish market in 2012 through an acquisition of Grizzly Zoo. In 2015, Musti ja Mirri Group acquired Zoo Support, owner of Arken Zoo and DjurMagazinet franchise chains in Sweden. The first Musti stores in Norway will be opened in the Autumn 2016.

Musti ja Mirri Group has ca. 900 employees and the franchised stores (20 in Finland and 66 in Sweden) have ca. 350 employees (June 2016). The retail concept is based on a wide assortment of pet food and accessories in combination with a culture of dedicated, knowledgeable and service minded employees. The Musti ja Mirri Group head office is located in Vantaa, Finland. Group revenue in 2015 was EUR 103 million and EBITDAR EUR 8.8 million.

EQT Mid Market acquired Musti ja Mirri Group in December 2014. The management team of Musti ja Mirri Group has co-invested and partnered with EQT Mid Market to continue to drive the growth and development of the Company.

Musti ja Mirri Group is aiming to accelerate growth through continued expansion of the store network across the Nordics, further development of the online and omni-channel platform and further development of adjacent pet related services.

The ongoing pet humanization trend is driving an increasing demand for high quality food and premium brands as well as a higher spend on accessories. Pet owners are increasingly viewing pets as family members and are becoming more focused on the pet's wellbeing and comfort, which increases the awareness of high quality food ingredients resulting in pet owners purchasing healthier, high protein foods from premium brands and manufacturers. These trends are also supporting the positive development of the pet specialty retail channel taking market share from other sales channels such as grocery stores and independent retailers.

### **Corporate responsibility at Musti ja Mirri Group**

Musti ja Mirri Group is committed to following all applicable laws and regulations and to making a positive contribution to the society and the environment. Musti ja Mirri Groups aims to always be the best choice for its customer and partners.

Musti ja Mirri Group is developing and implementing responsible business practices allowing it to deliver financial success while conducting its business strategy and operations in a responsible manner. Musti ja Mirri Group's top management carries the ultimate responsibility for ensuring effective implementation of corporate responsibility commitments. Corporate responsibility related topics and viewpoints are regularly discussed at management meetings and an annual strategic board discussion is held where also the material corporate responsibility related aspects are reviewed and agreed upon.

Musti ja Mirri Group's most important stakeholders are its owners and employees, customers, financiers, authorities, suppliers and media. Musti ja Mirri Group communicates actively, openly and transparently on its corporate responsibility related commitments, activities, goals and achievements. All Musti ja Mirri Group employees are expected to represent the company, its activities and operations in an accurate manner, in all stakeholder relationships. Musti ja Mirri Group cooperates and collaborates respectfully and responsibly with local communities and key stakeholders. Musti ja Mirri Group is open about its activities and its impact on local communities

Musti ja Mirri Group communicates on corporate responsibility mainly on its website [mustijamirri.fi](http://mustijamirri.fi), [arkenzoo.se](http://arkenzoo.se) and in its stores. Internal communication on corporate responsibility aspects is an important part of implementation alongside training (e.g. training sessions, Campus training, manuals, e-learning) as a tool to build a strong culture of corporate responsibility. Each and every member of Musti

ja Mirri Group management and personnel is responsible for communicating on corporate responsibility and for sharing information when meeting customers and business partners.

Musti ja Mirri Group has reviewed and updated its crisis communication plan and procedures in 2015. The plan defines the crisis teams and spokespersons, communication channels, notification procedures and detailed instructions for employees. The work continues during 2016 by educating personnel on the agreed instructions and ensuring everyone is aware of the procedures in case of unfortunate crisis occurs.

Musti ja Mirri Group is a member of the United Nations Global Compact, which means that it is committed to supporting 10 principles within the four important areas: human rights, labour rights, environment and anti-corruption. The UN Global Compact principles are embedded in the policies and principles guiding Musti ja Mirri Group's corporate responsibility work.

In the beginning of 2015, building on the Company's culture of environmental and social responsibility, Musti ja Mirri Group initiated a project to further strengthen the practical implementation of the 10 UN Global Compact principles through the creation of a formalized responsibility framework.

In the project Musti ja Mirri Group's corporate responsibility work was benchmarked against top companies, internal and external stakeholders were interviewed and a social media analysis was conducted. These tasks were performed to define the material corporate responsibility aspects for Musti ja Mirri Group. The material aspects were then discussed in the workshop for key people and finalised and decided upon in the management workshop.

As a result of the project, e.g. the following corporate responsibility aspects were considered as material for Musti ja Mirri Group: Employee wellbeing, Product safety and high quality, Traceability and transparency of supply chain, Sourcing with integrity and compliance with Code of Conduct, Environmental footprint and Transparency.

### **Policies and principles**

The corporate responsibility work at Musti ja Mirri Group is guided by the Corporate Responsibility Policy, the Ethical Principles, the Supplier Code of Conduct, the Environmental Principles, the People Principles, the Product Safety and Quality Principles, the Principles of Pet Parenting Support, the Crisis Management policy and Information security policy. All the above mentioned policies and principles were reviewed and updated in 2015 partly as a result of the corporate responsibility development project. Also an owner was defined for each of the policies and principles to ensure efficient implementation and follow-up.

The most important guiding principles of corporate responsibility at Musti ja Mirri Group are as follows:

Compliance with Ethical Principles is an essential element in Musti ja Mirri Group's business success and all its employees are responsible for following these principles in their daily work. The Ethical Principles

guide the work of all Musti ja Mirri Group employees in all business areas and countries of Musti ja Mirri Group's operation. The principles are based on e.g. the ten basic principles of the UN Global Compact. Musti ja Mirri Group is conducting its business in an ethically sound manner and its employees work according to the rules and standards set out in Musti ja Mirri Group's Ethical Principles. In no situation is unethical behaviour accepted or tolerated.

Musti ja Mirri Group is continuously developing its business processes, products and services to make them more efficient and to reduce its environmental footprint. The environmental work includes Musti ja Mirri Group's supply chain operations, partners and other actors in the supply chain. The work is guided by Musti ja Mirri Group's Environmental Principles.

Musti ja Mirri Group as an employer is committed to providing all its employees with modern and safe working conditions, investing in employees' health, occupational well-being and work satisfaction. This commitment applies to the personnel at the offices, stores and the people working on behalf of Musti ja Mirri Group elsewhere in the value chain. Musti ja Mirri Group's People Principles set out the way Musti ja Mirri Group cares for, trains and develops its employees.

Musti ja Mirri Group is always adding value to the customer. Musti ja Mirri Group's personnel is always proud to serve the customers in the best possible way and offering reliable and topical advice. Musti ja Mirri Group's main goal and purpose is to support the wellbeing of pets and their owners according to the guidelines set out in Musti ja Mirri Group's Principles on Pet Parenting Support. Musti ja Mirri Group is also preparing a vision and policy on grooming and veterinarian services.

Musti ja Mirri Group is offering the customers the choice of responsible and high quality brands, products, services and advice. Musti ja Mirri Group's products are always safe to use for pets and their owners. Musti ja Mirri Group monitors the quality of its products by working with its suppliers and organizing factory visits and supplier audits. In case of a faulty product defect, Musti ja Mirri Group immediately initiates the recall procedures according to a pre-agreed process. The process and other information regarding the product safety and quality at Musti ja Mirri Group are presented in Musti ja Mirri Group's Product Safety and Quality Principles.

Musti ja Mirri Group respects the human rights and labour rights of all the people in its sphere of influence and works with its suppliers in order to ensure that they are in compliance with Musti ja Mirri Group's Supplier Code of Conduct. According to the Supplier Code of Conduct, Musti ja Mirri Group e.g. monitors and audits its suppliers on their environmental, social and ethical performance.

### **The UN Global Compact<sup>1</sup>**

The UN Global Compact is a platform for business and non-business entities to proactively network and engage in areas of human rights, labour, environment, anti-corruption and contributing to UN goals in

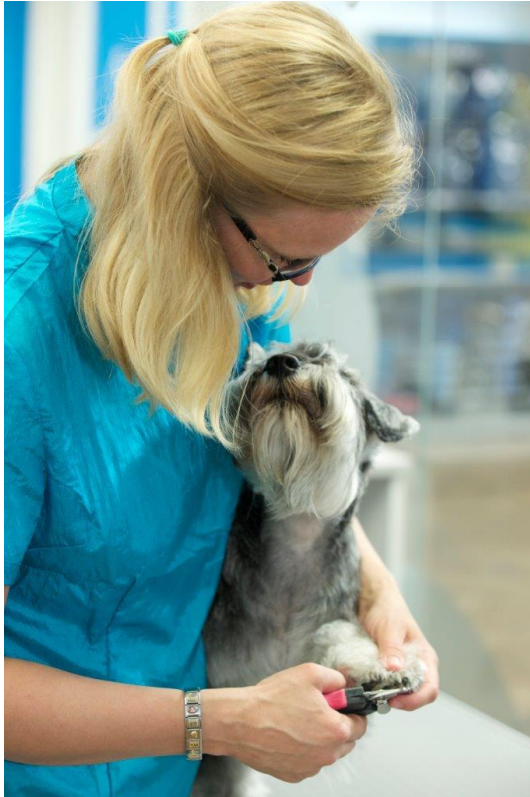
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<sup>1</sup> Source: Overview of the UN Global Compact (<https://www.unglobalcompact.org/aboutthegc/>)



order to achieve the common objectives of building a sustainable and inclusive global economy. With more than 13,000 participants spread across 170 countries, the UN Global Compact is constantly expanding its reach and enhancing opportunities for engagement.

The following four sections describe Musti ja Mirri Group's work towards embracing, supporting and enacting of the UN Global Compact's 10 principles within the Company's sphere of influence, according to the following format: Assessment, policy and goals; Implementation and Measurement of outcomes.



## **Human Rights Principles**

*Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and*

*Principle 2: make sure that they are not complicit in human rights abuses.*

### **Assessment, policy and goals**

*Description of the relevance of human rights for the company (i.e. human rights risk-assessment)*

*Description of policies, public commitments and company goals on human rights*

## **General**

Musti ja Mirri Group operates in Finland, in Sweden and from 2016 onwards also in Norway. All countries are among the low risk countries according to Maplecroft's Human Rights Risk Atlas 2015. Therefore the immediate risk for serious human rights offenses in Musti ja Mirri Group's main operating countries can be seen as reasonably low.

Musti ja Mirri Group, however, has an indirect impact on human rights through its supply chain, especially through sourcing. Some of the countries Musti ja Mirri Group is sourcing, even if in very limited amounts, from are e.g. on Business Social Compliance Initiative's ("BSCI") list of risk countries, especially China. Therefore there is an inherent risk for human rights abuses in Musti ja Mirri Group's supply chain.

## **Own activities**

The Ethical Principles guide the work of all Musti ja Mirri Group employees in all business areas and countries of Musti ja Mirri Group's operation and it is the responsibility of each Musti ja Mirri Group's employee to follow the Ethical Principles in their daily duties and to keep themselves informed on any detailed instructions and guidelines related to the principles.

According to its Ethical Principles Musti ja Mirri Group is strongly committed to respecting and protecting human rights wherever it operates and treats all employees in a fair and equal manner in accordance with internationally proclaimed human rights.

Musti ja Mirri Group does not accept child labour, forced or compulsory labour, including modern form of slavery such as human trafficking. Musti ja Mirri Group respects employees' freedom of association and rights to collective bargaining.

Musti ja Mirri Group respects the personal dignity, privacy and personal rights of individuals and does not accept any discrimination, intimidation, harassment or offense.

Employees can, at all times, report any misconduct to their supervisors or to Musti ja Mirri Group management. The Musti ja Mirri Group corporate culture emphasises trust between people and encourages employees to express and communicate their concerns openly to management. When Musti ja Mirri was ranked in first place in the list Great Place to Work 2016, big companies category, in Finland, the results implicate that Musti ja Mirri management is seen as very approachable and easy to talk to by the personnel.

## **Supply chain**

Musti ja Mirri Suppliers must comply with all national laws and regulations. In addition to meeting national legislation, all suppliers must meet the provisions of the Musti ja Mirri Group's Suppliers' Code of Conduct. According to Musti ja Mirri Group's Suppliers' Code of Conduct, suppliers are to at all times

to respect the fundamental human rights and the dignity of the individual, according to the United Nations Universal Declaration of Human Rights.

The majority of Musti ja Mirri Group's suppliers have signed the Musti ja Mirri Group's Suppliers' Code of Conduct. The Suppliers' Code of Conduct is in accordance with the 10 principles of the UN Global Compact. By signing the Suppliers' Code of Conduct suppliers are committed to operating according to the UN Global Compact principles.

By signing the Musti ja Mirri Group's Suppliers' Code of Conduct, suppliers also confirm that they will take action if they observe any failure to comply with the principles and standards in the Suppliers' Code of Conduct and its appendixes among its sub-contractors.

In addition, the supplier will notify Musti ja Mirri Group immediately if any breach or misconduct appears. Suppliers must be able to document their compliance, and if any conflicts are detected, suppliers must inform Musti ja Mirri Group immediately.

Musti ja Mirri Group is entitled to conduct (announced) audits at the suppliers' sites either by themselves or through third parties in order to verify compliance with the Suppliers' Code of Conduct. In the event of non-compliance, Musti ja Mirri Group requires its suppliers to be committed and engaged in remedying the non-compliance issues within the time schedule set out in the corrective action plan.

Musti ja Mirri Group seeks to continuously improve together with its suppliers and help them achieve compliance with the provisions of the Suppliers' Code of Conduct. Musti ja Mirri Group reserves the right to terminate any agreements should a supplier decide that compliance with the requirements of the Suppliers' Code of Conduct is impossible to obtain or the supplier shows repeated and / or serious disregard for the Suppliers' Code of Conduct.

If no solution can be agreed upon and implemented within a reasonable amount of time, Musti ja Mirri Group may choose to terminate the business relationship and / or suspend future contracts with a non-compliant supplier.

## **Implementation**

*Description of concrete actions to implement human rights policies, address human rights risks and respond to human rights violations.*

## **Own activities**

Corporate responsibility and ethics related training and detailed communication will be organised for employees during 2016. Induction material for new employees will also be prepared to ensure that all employees entering the company are aware of Musti ja Mirri Group's policies, principles and ways of working when it comes to corporate responsibility and ethics. These activities will further strengthen the



implementation of the UN Global Compact principles and other corporate responsibility related viewpoints.

### **Supply chain**

Musti ja Mirri Group aims at knowing its suppliers well. Musti ja Mirri Group's representatives visit the suppliers' factories and premises to see that the suppliers are in compliance with Musti ja Mirri Group's requirements, which include respecting internationally recognised human rights.

Musti ja Mirri Group monitors the quality of its products and package by working with its suppliers and organised factory visits and supplier audits. All suppliers, which officially have been approved to Musti ja Mirri Group's suppliers and are providing continuous assortment, shall be audited. All supplier audits are reported and saved according to the company policy. At the moment audits and inspections are not covering a large variety of responsibility viewpoints, but Musti ja Mirri Group aims at making responsibility viewpoints a material part of the normal audit and inspection agendas and checklists.

Musti ja Mirri Group categorizes its suppliers according to the risk level. Suppliers are divided to high risk country suppliers, low risk country suppliers, suppliers delivering from both high and low risk countries and also according to the type of purchase (directly from the manufacturer / from a wholesaler or brand owner). The volume Musti ja Mirri Group buys from high risk country is small, less than 5 % of total annual spend. Also when purchasing from a wholesaler or a brand owner, they are required to ensure that responsibility aspects are taken into account in their operations, including their own supply chain.

Musti ja Mirri Group has a documented recall procedure in place and the procedure is periodically tested to ensure that it is comprehensive and fit for purpose in its ability to remove an unsafe product from consumers and / or the distribution chain. In case of a faulty product / product defect, Musti ja Mirri Group immediately initiates the recall procedures according to a pre-agreed process.

In the event that a safety issue arises with our products Musti ja Mirri Group will protect its customers and their pets by facilitating the efficient, rapid identification and removal of unsafe product from the distribution chain and, by informing consumers (where necessary) of the presence in the market of a potentially unsafe / faulty product.

### **Measurement of outcomes**

#### *Description of how the company monitors and evaluates performance*

At Musti ja Mirri Group human rights related performance is evaluated as part of the normal business practices. Musti ja Mirri Group does not at the moment have systematic processes or metrics in place to evaluate human rights related performance.

In case of any misconduct or non-compliance with the UN Global Compact principles, Musti ja Mirri Group management will take immediate action to deal with the situation and to assure future compliance with the UN Global Compact principles.

The responsibility work with suppliers is a continuous effort at Musti ja Mirri Group. Musti ja Mirri Group is developing its responsible sourcing as part of its corporate responsibility framework, utilizing e.g. the BSCI list of risk countries (countries identified to have high risk for problems with e.g. working conditions).

In 2015, in its own activities, Musti ja Mirri Group has not detected any indication that it would, directly or indirectly through its partnerships or associates, be complicit in activities in breach of the UN Global Compact Human Rights Principles.

In the beginning of 2015 Musti ja Mirri Group initiated a project to further strengthen the practical implementation of all 10 UN Global Compact principles through the creation of a formalized responsibility framework.

As a result of the project, e.g. the following corporate responsibility aspects were considered as material for Musti ja Mirri Group: Employee wellbeing, Product safety and high quality, Traceability and transparency of supply chain, Sourcing with integrity and compliance with Code of Conduct, Environmental footprint and Transparency.

All corporate responsibility related policies and principles were also reviewed and updated in 2015 partly as a result of the corporate responsibility development project and an owner was defined for each of the policies and principles to ensure efficient implementation. Also an action and a follow-up plan were drafted related to issues included in policies and principles.

The plan includes actions for 2016 related to the development of Human Rights Principles work at Musti ja Mirri Group. According to the plan Musti ja Mirri Group will improve visibility of the supply chain in order to better evaluate supplier performance and also initiate audits in risk countries against the principle of Musti ja Mirri Group's Supplier Code of Conduct. Musti ja Mirri Group will, as mentioned earlier, consider joining the BSCI in order to boost its supplier related responsibility work.



## **Labour Principles**

*Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;*

*Principle 4: the elimination of all forms of forced and compulsory labour;*

*Principle 5: the effective abolition of child labour; and*

*Principle 6: the elimination of discrimination in respect of employment and occupation*

## **Assessment, policy and goals**

*Description of the relevance of labour rights for the company (i.e. labour rights-related risks and opportunities)*

*Description of written policies, public commitments and company goals on labour rights*

## **General**

Musti ja Mirri Group's role as an employer is significant in the areas of operation. Musti ja Mirri Group has ca. 900 employees and the franchised stores (20 in Finland and 66 in Sweden) have ca. 350 employees (June 2016).

## **Own activities**

The labour practices at Musti ja Mirri Group are guided by the Musti ja Mirri Group's Mission statement, general management principles and People Principles

According to the People Principles, Musti ja Mirri Group as an employer is committed to equal treatment of all its' employees without any discrimination. Musti ja Mirri Group as an employer provides all its employees with safe working conditions, investing in employees' well-being, occupational health and workability management.

Musti ja Mirri Group company culture is built on trust and sharing and Musti ja Mirri Group as an employer wants to invest in employee satisfaction. This commitment applies to people working at the stores, warehouses and offices across all Musti ja Mirri Group operating countries.

#### Equality and diversity

Musti ja Mirri Group is committed to treating every employee in an equal manner and embraces diversity. Musti ja Mirri Group offers its employees an equal workplace with development opportunities for all own personnel. Musti ja Mirri Group encourages men and women equally to seek opportunities at all organizational levels. Musti ja Mirri Group respects the privacy and personal characteristics of every individual and does not accept any discrimination, intimidation or harassment at work. When Musti ja Mirri was ranked in first place in the list Great Place to Work 2016 in big companies category in Finland, the results implicate that employees also feel that they are equally treated.

#### Health and safety

Musti ja Mirri Group is taking the necessary steps to prevent accidents by minimizing and eliminating hazards from working environment and by ensuring that all employees have been trained to work in a safe way. A strong safety culture is built in cooperation with all employees and business partners.

Musti ja Mirri Group co-operates with occupational health service providers to ensure immediate care in case of health issues. Musti ja Mirri Group is committed to actions preventing long-term sickness and absence from work by supporting job rotation and flexible work conditions.

#### Everyday work satisfaction

For Musti ja Mirri Group everyday work satisfaction means a rewarding job with a purpose in an environment built on trust and sharing. The components of everyday work satisfaction include a functioning basics of employment, quality leadership practices and possibilities for growth and development. The management has an important role in creating a workplace where all employees feel appreciated, but the individuals themselves must also contribute to a supportive and open company culture. Great Place to Work programme is used as one reference when developing well-being at work.

Musti ja Mirri Group involves its' personnel in planning and decision-making wherever possible and uses crowd-sourcing to collect employee views and feedback to further improve its ways of working. Musti ja Mirri Group invests in being the most desirable and appealing employer in the retail business.

## Learning and development

Musti ja Mirri Group offers employees opportunities for professional and personal development enabling them to serve customers even better and depending on their roles, also to lead their teams and the business better.

Musti ja Mirri Group has specific training programs and other development opportunities for different personnel groups, e.g. for customer service personnel, personnel working at the logistics centre and for managers. Trainings are complemented with on-the-job learning and sharing, job rotation and online solutions to boost different ways to develop knowledge and competencies.

## Freedom of association

Musti ja Mirri Group respects the freedom of association and employees' rights to advocacy and collective bargaining. Musti ja Mirri Group considers safety as a matter of primary importance and promotes safety together with all its stakeholders.

## Supply chain

### Equal and fair treatment

According to Musti ja Mirri Group's Suppliers' Code of Conduct, Musti ja Mirri Group's suppliers should not practice or condone any form of discrimination in the workplace in terms of hiring, remuneration, overtime, access to training, promotion, termination or retirement based on race, ethnicity, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, marital status, pregnancy status, physical appearance, HIV status, age, or any other applicable prohibited basis, such that all individuals who are "Fit for Work" are accorded equal opportunities and are not discriminated against on the basis of factors unrelated to their ability to perform their job.

Suppliers have to ensure that employees are not subjected to harsh or degrading treatment, sexual or physical harassment, mental, physical or verbal abuse, coercion or intimidation in any circumstances.

### Prevention the use of child labour and forced labour

According to Musti ja Mirri Group's Suppliers' Code of Conduct, the supplier must not engage in or benefit from the use of child labour. The minimum age for fulltime employment has to be not less than the age of completion of compulsory schooling and, in any case, shall not be less than 15 years (or 14 years where established by local laws in accordance with the International Labour Organization ("ILO") developing-country exception).

The supplier has to refrain from hiring workers under the age of 18 for positions that require hazardous work that could jeopardize their health, safety or morals. If any children are found to be in employment below the minimum age, suppliers will provide adequate support to enable them to attend and remain

in school until no longer a child. Child labour remediation processes will include steps for the continued welfare of the child and consider the financial situation of the child's family.

According to Musti ja Mirri Group's Suppliers' Code of Conduct, 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 supplier nor any entity supplying labour to the supplier should withhold any part of any personnel's salary, benefits, property, or documents in order to force such personnel to continue working for the supplier. 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.

#### Freedom of association

According to Musti ja Mirri Group's Suppliers' Code of Conduct, suppliers will not prevent employees from associating freely. Where laws prohibit these freedoms, suppliers will support parallel means for independent and free association and bargaining. Suppliers will not prevent collective bargaining and will adhere to collective bargaining agreements, where such agreements exist.

#### Working hours, wage and contract

The supplier must comply with applicable national laws 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. An employee is entitled to at least one free day following six consecutive days worked. Suppliers will provide employees with all legally mandated leave, including maternity and paternity, compassionate and paid annual leave.

Suppliers will pay all employees a wage based on the higher of either, the applicable legal minimum wage plus associated statutory benefits, or the prevailing industry standards. Suppliers will make payment to the employee on a regular and pre-determined basis and will accompany all payments by a wage slip which clearly details wage rates, benefits and deductions where applicable.

All workers must be provided with a written, understandable and legally binding labour contract. Provisions for non-permanent and seasonal workers should be no less favourable than for permanent workers. Suppliers will maintain appropriate employee records, including records of piece rate and wage payments as supplier as working hours, for all staff employed, whether on a full time, part time or seasonal basis.

#### Health and safety

Suppliers will provide safe and healthy working conditions for all employees in accordance with applicable law and other relevant industry standards, including, but not limited to, protection against fire, accidents and toxic substances.



The supplier should also formulate and maintain health and safety plans that clearly set out the measures to be taken to safeguard employees and others affected by its activities. The supplier should be expected to progressively identify and eliminate or control hazards that present a risk to employees and other persons present on its sites and to the environment.

The supplier must provide a suitable, clean and sanitary infrastructure, including access to toilets and potable water, which meets the needs of its employees and is adequate for its employee numbers. Accommodation, if provided by the supplier, must satisfy the same requirements, including the general provisions on health and safety listed above.

Suppliers will provide employees with the necessary health and safety training and / or education and will secure that adequate systems to detect and avoid potential threats and to help continuously improving health and safety are put in place.

Appropriate procedures must be in place to prevent accidents and injury to health arising from, or linked to, the course of work-related activities and operations at a facility. Suppliers will establish emergency procedures and evacuation plans for all reasonably foreseeable emergencies. Suppliers will ensure that the procedures and plans are accessible or clearly displayed throughout their facilities.

The supplier must provide its employees with the protective equipment and training necessary to perform their tasks safely. The supplier must develop and maintain effective systems for informing and consulting employees on relevant health and safety matters. Through these systems the supplier must keep accurate records of accidents, injuries and known exposure to health and safety risks at work according to local legislation.

## **Implementation**

*Description of concrete actions to implement labour policies, address labour risks and respond to labour violations*

### **Occupational health and safety**

Musti ja Mirri Group offers occupational health services to personnel. The services are arranged by an external health services provider. Musti ja Mirri Group pays special attention to work safety and assures that e.g. safety equipment is used. It is obligatory to use safety shoes when working at the Musti ja Mirri Group's warehouse. The Musti ja Mirri Group warehouse in Finland is regularly visited by the warehouse shelves supplier to inspect e.g. the safety of the shelves fittings. There has not been any serious work related accidents within Musti ja Mirri Group's own operations (office, stores, warehouse, logistics).

In general, according to the safety study made by Securitas, Musti ja Mirri Group manages its personnel related risk well and e.g. the accident frequency is on a low level, in 2014 7,7 accidents (leading to absence) per million working hours.

### **Working hours and work contracts**

Musti ja Mirri Group's employees are extremely committed. The challenge is to maintain work life balance since there is a heavy work load at the moment due to Musti ja Mirri Group's fast growth.

### **Employee well-being**

Musti ja Mirri Group aims at being a fair employer and is strongly in favour of employee well-being and discussion on what it means in practice to be a fair employer. Musti ja Mirri has been ranked in first place in the list Great Place to Work 2016, big companies category, in Finland. In the ranking, a few qualities stood out a little extra: Excellent camaraderie, friendly working environment and a clear shared goal that creates a special meaning for the staff and makes Musti ja Mirri more than just a job.

Musti ja Mirri Group cooperates and develops working practices together with its franchise entrepreneurs. Musti ja Mirri ensures that it treats its entrepreneurs in a fair manner. As one result, Musti ja Mirri was chosen as the best franchising chain of the year 2016 in Finland. The Finnish Franchising Association's jury appreciated e.g. Musti ja Mirri's strong growth and the entrepreneurs' attitude towards customer service and the development of the chain.

### **Training and learning at work**

Learning, training and development at work are highly appreciated at Musti ja Mirri Group and training opportunities are actively offered to its employees.

Country director is responsible for training and development regarding Musti ja Mirri Group's stores. The HRD Specialist also support the country director in organising the store personnel training. In Finland 70 % of the store managers are acting as managers / supervisors for the first time in their career so training plays an important role in their development.

Musti ja Mirri Group's store employees receive regular e.g. business training. The store employees usually have deep knowledge and good competences on pet care, however could often benefit from more training on business related skills. The Musti ja Mirri Group store managers also receive regular business and people leadership related training. The store employees are highly appreciated at Musti ja Mirri Group due to their unique knowledge on pet care and deep understanding of customer expectations.

The training for the supervised employees at the warehouse has been mainly concentrating on practical issues, such as first-aid training. In addition, job rotation at the warehouse offers supervised employees an opportunity to learn new skills and to advance in their careers. The employees are in general offered e.g. manager training.

At Musti ja Mirri Group it has always been important to put effort on employees' vocational education and systematic work has been done to promote education that aims for a diploma or a degree. Musti ja

Mirri Group also cooperates with vocational education institutions to ensure the supply of high quality work force in the future. The managers are studying to receive e.g. a degree in business administration (upper secondary education), the 4<sup>th</sup> group is starting in the autumn of 2016 and the store managers to receive either a KEAT diploma or a LEAT diploma.

### **Benefits and remuneration**

In addition to the basic monthly salary, a performance based incentive system has been launched at Musti ja Mirri stores in Finland. According to the rules of the program, the employees have the opportunity to a performance based bonus quarterly. At the moment, the incentive program applies to the store and warehouse employees.

### **Recruitment**

The recruitment process at Musti ja Mirri Group is fair and treats all candidates in a respectful and equal manner.

The recruitment process for Musti ja Mirri Group store personnel has been documented and there are instructions for hiring in the recruiting handbook. The store managers are responsible for recruiting and can seek support from Musti ja Mirri Group's human resources. The vacancies are always opened internally before being communicated externally.

Musti ja Mirri Group induction guidelines for store personnel already exist and the induction guidelines are in use in the stores and at the office. The managers / supervisors have the responsibility for using the guidelines. The basic training at the stores is conducted using Musti ja Mirri Group's learning management system Campus.

During 2015 Musti ja Mirri Group recruitment several new people to different Group functions such as product management, marketing, finance, IT and sourcing to service our retail operations even better. The recruitment process, previously outsourced to external recruitment service provider, was taken in-house in Finland. Teams are now more involved in the recruitment process than before and modern, agile tools were taken into use as part of recruitment process, such as video-interviews. There are similar plans for Sweden also during 2016 for in-housing and team member involvement.

### **Measurement of outcomes**

#### *Description of how the company monitors and evaluates performance*

At Musti ja Mirri Group labour principles related performance is evaluated as part of the normal business practices. Musti ja Mirri Group does not at the moment have systematic processes or metrics in place to evaluate labour principles related performance.

In case of any misconduct or non-compliance with the UN Global Compact principles, Musti ja Mirri Group management will take immediate action to deal with the situation and to assure future compliance with the UN Global Compact principles.

The responsibility work with suppliers is a continuous effort at Musti ja Mirri Group. Musti ja Mirri Group is planning to develop its responsible sourcing as part of its corporate responsibility framework, utilising e.g. the BSCI list of risk countries (countries identified to have high risk for problems with e.g. working conditions). Musti ja Mirri Group is also investigating different options, e.g. joining BSCI, to strengthen its supplier related work including supplier audits.

In 2015, in its own activities, Musti ja Mirri Group has not detected any indication that it would, directly or indirectly through its partnerships or associates, be complicit in activities in breach of the UN Global Compact Labour Principles.

In the beginning of 2015 Musti ja Mirri Group initiated a project to further strengthen the practical implementation of all 10 UN Global Compact principles through the creation of a formalized responsibility framework.

As a result of the project, e.g. the following corporate responsibility aspects were considered as material for Musti ja Mirri Group: Employee wellbeing, Product safety and high quality, Traceability and transparency of supply chain, Sourcing with integrity and compliance with Code of Conduct, Environmental footprint and Transparency.

All corporate responsibility related policies and principles were also reviewed and updated in 2015 partly as a result of the corporate responsibility development project and an owner was defined for each of the policies and principles to ensure efficient implementation. Also an action and a follow-up plan were drafted related to issues included in policies and principles. The plan includes actions for 2016 related to the development of Labour Principles work at Musti ja Mirri Group.

According to the plan the equality plan required by law in Finland will be reviewed and updated and a similar actions will be initiated in Sweden. Health and safety communication will be increased, the possibility to measure trust among employees will be investigated and leadership practices will be further developed. A commitment for Great Place to work exists in Finland until 2018 and the situation in Sweden will be investigated. There is also an initiative to involve and crowd-source employee ideas.



### **Environmental Principles**

*Principle 7: Businesses should support a precautionary approach to environmental challenges;*

*Principle 8: undertake initiatives to promote greater environmental responsibility; and*

*Principle 9: encourage the development and diffusion of environmentally friendly technologies.*

### **Assessment, policy and goals**

*Description of the relevance of environmental protection for the company (i.e. environmental risks and opportunities)*

*Description of policies, public commitments and company goals on environmental protection*

According to its Environmental principles Musti ja Mirri Group is committed to environmental and sustainable work in its own sphere of influence as well as in its whole supply chain and with other partners. Musti ja Mirri Group believes that by focusing on continuously developing its business processes, products and services, the company can support its main shareholders, customers, and suppliers in their environmental activities, principles and targets.

### **Own activities**

Musti ja Mirri Groups seeks ways to find innovative solutions to environmental challenges. As a minimum, Musti ja Mirri Group complies with all relevant environmental legislation as well as other relevant environmental requirements and standards.

Musti ja Mirri Group has a precautionary approach to environmental challenges. Musti ja Mirri Group seeks to continuously identify significant environmental impacts of its operations and services and strive to minimize use of energy, water and other natural resources as well as the amount of waste it produces. In the central warehouse all products by or close to their best by date are when possible donated to the local animal protection associations. A framework to enable donation also at stores is at a planning stage.

In its environmental work Musti ja Mirri Group focuses on energy use and water consumption in its facilities and the use of natural resources in its products. Musti ja Mirri Group will e.g. initiate to acquire only renewable energy in all its locations whenever the electricity contract is directly influenced by Musti ja Mirri Group. When it comes to re-use and recycling of raw-materials, products and packaging, Musti ja Mirri Group will initiate e.g. to recycle food which is by its best before date.

Musti ja Mirri Group will also include environmental criteria in the procurement of products and services and works together with its supply chain, partners and customers to lower the environmental burden of the whole value chain. Musti ja Mirri Groups ensures that internal logistics is run in an efficient way and that the environmental know-how of its employees is on a high level.

Musti ja Mirri will include the consideration of environmental impacts in decision making process, by presenting "Environmental point of view" in the material leading to the decision, Musti ja Mirri Group will also set objectives and targets for continuous improvement and will evaluate progress against these targets.

### **Supply chain**

Musti ja Mirri Group expects a positive attitude towards environmental responsibility from its business partners and suppliers. According to Musti ja Mirri Group's Suppliers' Code of Conduct, Musti ja Mirri Group's suppliers must comply with all relevant national environmental legislation. The suppliers must maintain awareness of current environmental legislative requirements relevant to the environmental impacts of its activities, products and services, and ensure legal compliance through training, awareness, operational control and monitoring.

Suppliers will, wherever appropriate, introduce management and operating systems to minimize the detrimental environmental impacts of its business practices.

Suppliers must not manufacture, trade, and / or use chemicals and hazardous substances subject to international bans due to their high toxicity to living organisms, environmental persistence, potential for bioaccumulation, or potential for depletion of the ozone layer.

According to Musti ja Mirri Group's Suppliers' Code of Conduct, suppliers must dispose of waste substances in compliance with applicable law. Where applicable law does not exist, prevailing international standards will be adopted. Suppliers must seek to decrease emissions to air, water and land relative to production output.



Suppliers must also seek to ensure the efficiency of their business operations in terms of consumption of natural resources including, but not limited to, water and energy.

## **Implementation**

*Description of concrete actions to implement environmental policies, reduce environmental risks and respond to environmental incidents*

### **Business travel**

Musti ja Mirri Group welcomes the possibilities of new technologies and applies e.g. video conference facilities to reduce the amount of business travel. There are video conference facilities in the offices in Finland and Sweden making it easier to organise internal meetings between the two countries.

There is also a guideline for store personnel regarding their business travel. The guideline encourages the personnel to use the public transport. In Finland there is a contract with the railway company VR to make using the train extremely easy, e.g. reduction for the tickets and a billing service for the tickets.

### **Energy, waste and recycling**

To reduce its electricity consumption Musti ja Mirri Group is planning to fit all new stores with energy efficient LED-lighting. Since 2013 standard spotlights have been replaced with LED-lighting in 38 stores and in all Dogroom facilities.

Musti ja Mirri Group has initiated a collection and recycling of empty pet food bags at some of its stores. Recycling is an important environmental theme at the stores and the aim is to increase the amount of empty bags collected and recycled and also to apply the initiative to all Musti ja Mirri Group stores. Another example of recycling at Musti ja Mirri Group is the reuse of packaging material at the warehouse.

### **Logistics and transport**

The environmental viewpoints are not taken into account at the moment when planning logistics. The aim is to discuss the opportunities to include environmental criteria into the evaluation and selection process of logistics suppliers. The criteria could include also e.g. the readiness of the supplier to report its own Green House Gas ("GHG") emissions footprint to Musti ja Mirri Group. The above mentioned issues are included in Musti ja Mirri Group's environmental action plan for 2016.

### **Measurement of outcomes**

*Description of how the company monitors and evaluates environmental performance*

At Musti ja Mirri Group environmental performance is evaluated as part of the normal business practices. Musti ja Mirri Group processes and metrics to evaluate environmental performance are included in the environmental action plan for 2016,

In case of any misconduct or non-compliance with the UN Global Compact principles, Musti ja Mirri Group management will take immediate action to deal with the situation and to assure future compliance with the UN Global Compact principles.

Also the environmental work with suppliers is a continuous effort at Musti ja Mirri Group. Musti ja Mirri Group is developing its environmentally responsible sourcing as part of its corporate responsibility framework.

In 2015, in its own activities Musti ja Mirri Group has not detected any indication that it would, directly or indirectly through its partnerships or associates, be complicit in activities in breach of the UN Global Compact Environmental Principles.

In the beginning of 2015 Musti ja Mirri Group initiated a project to further strengthen the practical implementation of all 10 UN Global Compact principles through the creation of a formalized responsibility framework.

As a result of the project, e.g. the following corporate responsibility aspects were considered as material for Musti ja Mirri Group: Employee wellbeing, Product safety and high quality, Traceability and transparency of supply chain, Sourcing with integrity and compliance with Code of Conduct, Environmental footprint and Transparency.

All corporate responsibility related policies and principles were also reviewed and updated in 2015 partly as a result of the corporate responsibility development project and an owner was defined for each of the policies and principles to ensure efficient implementation. Also an action and a follow-up plan were drafted related to issues included in policies and principles.

The plan includes actions for 2016 related to the development of Environmental Principles work at Musti ja Mirri Group. According to the plan Musti ja Mirri Group will include environmental criteria in the procurement of products and services and works together with its supply chain, partners and customers to lower the environmental burden of the whole value chain.

Musti ja Mirri Group initiates activities to improve the environmental performance of its supply chain, including e.g. focusing on CO2 emissions measurement and reduction. Musti ja Mirri will discuss with suppliers e.g. about opportunities to reduce the environmental burden from packaging and in general but also about other aspects material for Musti ja Mirri Group's environmental goals and targets.

In its own work, Musti ja Mirri Group will improve internal communication on environmental aspects and will also organise environmental training in order to ensure a high level of environmental know-how among employees. Communication with stakeholders on environmental issues will be initiated and

environmental audits will be performed in the stores and warehouses. Follow-up and monitoring energy and water use at warehouses will be developed further and the efficiency of internal logistics will be investigated.

Possibilities to boost the environmental work at the offices will also be investigated. Musti ja Mirri Group will e.g. initiate to acquire only renewable energy in all its locations whenever the electricity contract is directly influenced by Musti ja Mirri Group. When it comes to re-use and recycling of raw-materials, products and packaging, Musti ja Mirri Group will initiate e.g. to recycle food which is by its best before date.

Musti ja Mirri will include the consideration of environmental impacts in decision making process, by presenting "Environmental point of view" in the material leading to the decision, Musti ja Mirri Group will also set objectives and targets for continuous improvement and will evaluate progress against these targets.



### **Anti-Corruption Principles**

*Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.*

### **Assessment, policy and goals**

*Description of the relevance of anti-corruption for the company (i.e. anti-corruption risk-assessment)*

*Description of policies, public commitments and company goals on anti-corruption*

## **General**

In the Transparency International's Corruption Perceptions Index 2015, Finland and Sweden rank extremely well, Finland 2<sup>nd</sup> and Sweden 3<sup>rd</sup> and Norway 5<sup>th</sup> out of 175 countries. Therefore the immediate risk for corruption in Musti ja Mirri Group's main operating countries can be seen as reasonably low.

## **Own activities**

In 2013, Musti ja Mirri Group joined the UN Global Compact initiative which forms a basis for Musti ja Mirri Group's management practices.

According to Musti ja Mirri Group Ethical Principles its employees must avoid any activity that can lead to a conflict of interest. Musti ja Mirri Group employees do not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. Musti ja Mirri Group does not offer or give contributions to political parties.

Musti ja Mirri Group is committed to providing quality products and services which consistently offer value in terms of price and quality, and which are safe for their intended use. Products and services will be accurately and properly labelled, advertised and communicated.

Musti ja Mirri Group promotes fair business practices and does not engage in any illegal or restrictive trade practices. Musti ja Mirri Group conducts its operations in accordance with the principles of fair competition and all applicable regulations.

Musti ja Mirri Group treats its customers and consumers in a fair and equal manner. Musti ja Mirri Group sells and markets its products in an ethical and non-harassing manner.

Musti ja Mirri Group is committed to developing its product range and services to meet current and changing customer and consumer demands.

Musti ja Mirri Group recognises the importance of confidentiality and ensures that confidential information received is not disclosed to unauthorized persons or companies.

## **Supply chain**

According to the Suppliers' Code of Conduct, the suppliers are not to engage in any form of bribery, corruption, extortion or embezzlement in any business practices and transactions carried out by them or on their behalf by business partners. Suppliers are not allowed to offer, accept or countenance any payments, gifts in kind, hospitality, expenses or promises as such that may compromise the principles of fair competition or constitute an attempt to obtain or retain business from any person or to influence the course of the business or governmental decision-making process.

The supplier is also to refrain from offering funding, donations, lavish gifts and extravagant entertainment to any employee of Musti ja Mirri Group or any other counterparts in Musti ja Mirri Group in an attempt to influence business decisions.

According to Musti ja Mirri Group's Suppliers' Code of Conduct, suppliers must maintain financial accounts of all business transactions where required by applicable law and in accordance with national or international accounting standards.

### **Implementation**

*Description of concrete actions to implement anti-corruption policies, reduce anti-corruption risks and respond to incidents*

Musti ja Mirri Group's work contract for store managers categorically forbids accepting any gifts or benefits without the employer's (Musti ja Mirri Group's) written approval. The sourcing department also informs its employees to reject any gifts and other benefits offered by business partners.

### **Measurement of outcomes**

*Description of how the company monitors and evaluates anti-corruption performance*

At Musti ja Mirri Group anti-corruption related performance is evaluated as part of the normal business practices. Musti ja Mirri Group does not at the moment have systematic processes or metrics in place to evaluate anti-corruption related performance.

In case of any misconduct or non-compliance with the UN Global Compact principles, Musti ja Mirri Group management will take immediate action to deal with the situation and to assure future compliance with the UN Global Compact principles.

In 2015, in its own activities, Musti ja Mirri Group has not detected any indication that it would, directly or indirectly through its partnerships or associates, be complicit in activities in breach of the UN Global Compact Anti-Corruption Principles.

The responsibility work with suppliers is a continuous effort at Musti ja Mirri Group. Musti ja Mirri Group is planning to develop its responsible sourcing, including corruption prevention, as part of its corporate responsibility framework.

In the beginning of 2015 Musti ja Mirri Group initiated a project to further strengthen the practical implementation of all 10 UN Global Compact principles through the creation of a formalized responsibility framework.

As a result of the project, e.g. the following corporate responsibility aspects were considered as material for Musti ja Mirri Group: Employee wellbeing, Product safety and high quality, Traceability and

transparency of supply chain, Sourcing with integrity and compliance with Code of Conduct, Environmental footprint and Transparency.

All corporate responsibility related policies and principles were also reviewed and updated in 2015 partly as a result of the corporate responsibility development project and an owner was defined for each of the policies and principles to ensure efficient implementation. Also an action and a follow-up plan were drafted related to issues included in policies and principles.

The plan also includes actions for 2016 related to the development of Anti-Corruption Principles work at Musti ja Mirri Group. The actions include e.g. Ethical Principles training. The training will be carried out through the learning management system Campus.