

# **Musti Group Nordic Oy**

## **United Nations Global Compact Communication on Progress 2016**



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

## Statement of continued support

To our stakeholders

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

In this 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 Group Nordic Oy

## Contents

<b>1. Musti Group.....</b>	<b>3</b>
1.1. Corporate responsibility at Musti Group .....	4
1.2. Policies and principles.....	6
<b>2. Human Rights Principles .....</b>	<b>7</b>
2.1. Assessment, policy and goals.....	7
2.2. Implementation .....	9
2.3. Measurement of outcomes .....	10
<b>3. Labour Principles .....</b>	<b>11</b>
3.1. Assessment, policy and goals.....	12
3.2. Implementation .....	15
3.3. Measurement of outcomes .....	18
<b>4. Environmental Principles .....</b>	<b>19</b>
4.1. Assessment, policy and goals.....	19
4.2. Implementation .....	21
4.3. Measurement of outcomes .....	22
<b>5. Anti-Corruption Principles .....</b>	<b>23</b>
5.1. Assessment, policy and goals.....	23
5.2. Implementation .....	24
5.3. Measurement of outcomes .....	25



## 1. Musti Group

Musti Group Nordic Oy ("Musti Group" or the "Company") is the leading pet specialty retailer in the Nordic countries. Musti 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 Group was established in Finland in 1988. Today the Company has in total 234 stores; 117 in Finland, 111 in Sweden and 6 in Norway. In total 73 of the stores are run by franchising partners; 19 in Finland, 54 in Sweden and none in Norway.

In Finland Musti Group's stores are called Musti ja Mirri. Musti Group entered the Swedish market in 2012 through an acquisition of Grizzly Zoo. In 2015, Musti Group acquired Zoo Support, the franchisor of Arken Zoo and DjurMagazinet pet stores in Sweden. The acquisition also included Trimmis grooming salons and Vettris veterinary clinics. The first Musti stores in Norway were opened in October 2016.

Musti Group has approximately 1300 employees (May 2017). 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 Group head office is located in Helsinki, Finland. Group revenue in 2016 was EUR 145.4 million and EBITDAR EUR 13.2 million.

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

Musti 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.

### **1.1. Corporate responsibility at Musti Group**

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

Musti 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. With all development activities, Musti Group aims to integrate corporate responsibility firmly into the business strategy of the Company. Musti 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. The Head of Legal of Musti Group is the Head of Corporate Responsibility in the Company.

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

Each and every member of Musti Group management and personnel is responsible for communicating on corporate responsibility and for sharing information when meeting customers and business partners. Musti Group communicates on corporate responsibility mainly on its website [mustijamirri.fi](http://mustijamirri.fi), [arkenzoose.com](http://arkenzoose.com) and in its stores. Musti Group is aiming to develop more active communication on corporate responsibility on the websites and also to develop new ways of communicating about corporate responsibility to customers.

Internal communication on corporate responsibility aspects is an important part of implementation alongside training (e.g. training sessions, e-learning, manuals) as a tool to build a strong culture of corporate responsibility. Musti Group has a biweekly newsletter for everyone in the Company in which corporate responsibility is always included. An e-learning course on the Musti Group Ethical Principles (code of conduct) was launched in Finland and Norway in 2016. The training will be launched in Sweden in 2017. Every employee of Musti Group has to complete the e-learning course. The e-learning course is carried out through the Musti Group's learning management system Campus.

Musti 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. Musti Group is planning to develop e-learning course on crisis management in order to train personnel on the agreed instructions and ensuring everyone is aware of the procedures in case of an unfortunate crisis occurs.

Musti 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 Group's corporate responsibility work.

In the beginning of 2015, building on the Company's culture of environmental and social responsibility, Musti 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 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 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 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. The management of the material aspects is divided into five focus areas: Supply chain, Sourcing responsibly, Environmental footprint in Musti Group's premises, Animal welfare and People.

## 1.2. Policies and principles

The corporate responsibility work at Musti 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 Animal Welfare and Pet Parenting Support Principles, the Crisis Management Policy and Information Security Policy. An owner is 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 Group are as follows:

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

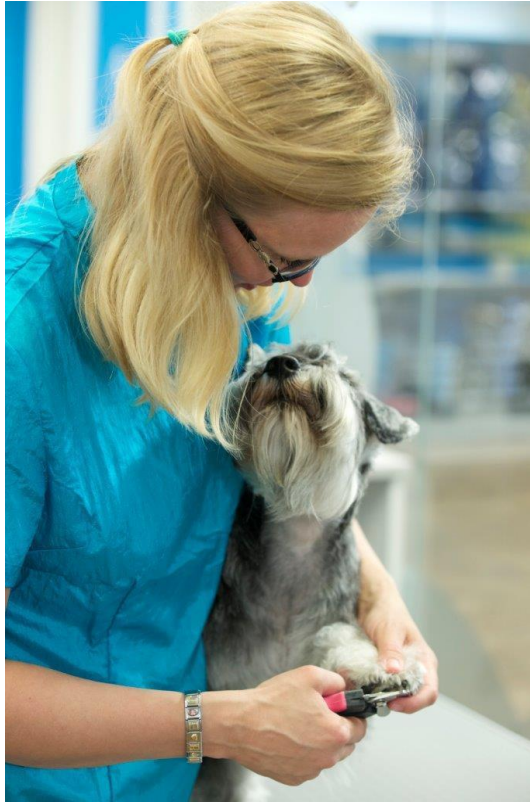
Musti Group is continuously developing its business processes, products and services to make them more efficient and to reduce its environmental footprint. The environmental work includes Musti Group's supply chain operations, partners and other actors in the supply chain. The work is guided by Musti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

Musti 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 warehouses across all Musti Group operating countries. Musti Group's People Principles set out the way Musti Group cares for, trains and develops its employees.

Musti Group is always adding value to the customer. Musti Group's personnel is always proud to serve the customers in the best possible way and offering reliable and topical advice. Musti Group's main goal and purpose is to support the wellbeing of pets and their owners according to the guidelines set out in Musti Group's Principles on Animal Welfare and Pet Parenting Support.

Musti Group is offering the customers the choice of responsible and high quality brands, products, services and advice. Musti Group's products are always safe to use for pets and their owners. Musti 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 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 Group are presented in Musti Group's Product Safety and Quality Principles.

Musti 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 Group's Supplier Code of Conduct. According to the Supplier Code of Conduct, Musti Group e.g. monitors and audits its suppliers on their environmental, social and ethical performance.



## 2. 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.*

### 2.1. 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*

Musti Group operates in Finland, Sweden and 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 Group's main operating countries can be seen as reasonably low.

Musti Group, however, has an indirect impact on human rights through its supply chain, especially through sourcing. Some of the countries Musti Group is sourcing from, even if in very limited amounts, 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 Group's supply chain.

### **Own activities**

The Ethical Principles guide the work of all Musti Group employees in all business areas and countries of Musti Group's operation. It is the responsibility of each Musti 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 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 Group does not accept child labour, forced or compulsory labour, including modern form of slavery such as human trafficking. Musti Group respects employees' freedom of association and rights to collective bargaining.

Musti 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 Group management. The Musti 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 and in second place in 2017, 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 Group's suppliers must comply with all national laws and regulations. In addition to meeting national legislation, all suppliers must meet the provisions of the Musti Group's Suppliers' Code of Conduct. According to Musti 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 Group's suppliers have signed the Musti 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 commit to operating according to the UN Global Compact principles. 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 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 Group immediately.

Musti 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 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 Group seeks to continuously improve together with its suppliers and help them achieve compliance with the provisions of the Suppliers' Code of Conduct. Musti 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 Group may choose to terminate the business relationship and / or suspend future contracts with a non-compliant supplier.

## **2.2. Implementation**

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

### **Own activities**

All employees of Musti Group are required to complete an e-learning course on the Musti Group Ethical Principles in order to ensure that all employees entering and working in the Company are aware of Musti Group's policies, principles and ways of working when it comes to corporate responsibility and ethics. The training strengthens the implementation of the UN Global Compact principles and other corporate responsibility related viewpoints. The training was launched in Finland and Norway in 2016, and will start in Sweden in 2017. Every employee of Musti Group has to complete the e-learning course. Matters related to corporate responsibility and ethics are also discussed in monthly meetings with employees.

### **Supply chain**

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

Musti 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 Group buys from high risk countries 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 Group monitors the quality of its products and package by working with its suppliers and organised factory visits and supplier audits. All main suppliers, which officially have been approved to Musti Group's suppliers and are providing continuous assortment, shall be audited. Currently the main suppliers are located in low risk countries. 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 Group aims at making responsibility viewpoints a material part of the normal audit and inspection agendas and checklists.

In December 2016 Musti Group joined Foreign Trade Association's Business Social Compliance Initiative (BSCI) in order to extend audits also to the high risk countries, which are included in the BSCI's classification of risk countries (countries identified to have high risk for problems with e.g. working conditions). The aim is to utilise the BSCI supply chain management system in increasing visibility of the supply chain and auditing suppliers located in the high risk countries.

Musti 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 the distribution chain. In case of a faulty product or product defect, Musti Group immediately initiates the recall procedures according to a pre-agreed process.

In the event that a safety issue arises with our products, Musti 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 or faulty product.

### **2.3. Measurement of outcomes**

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

At Musti Group human rights related performance is evaluated as part of the normal business practices. Musti 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 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 Group. Musti Group is developing its responsible sourcing as part of its corporate responsibility framework. By joining the Business Social Compliance Initiative (BSCI) in December 2016, Musti Group strengthened its work to ensure respect for human rights in its supply chains in high risk countries. Musti Group will initiate audits in high risk countries and improve visibility of the supply chain in order to better evaluate supplier performance against the BSCI Code of Conduct.

In 2016, in its own activities, Musti 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.



### **3. 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*

### 3.1. 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*

#### **Own activities**

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

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

Musti Group company culture is built on trust and sharing and Musti 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 Group operating countries.

#### **Equality and diversity**

Musti Group is committed to treating every employee in an equal manner and embraces diversity. Musti Group offers its employees an equal workplace with development opportunities for all own personnel. Musti Group encourages men and women equally to seek opportunities at all organizational levels. Musti 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 and in second place in 2017 in big companies category in Finland, the results implicate that employees also feel that they are equally treated.

The equality plan required by law was reviewed and updated in Finland and Sweden in 2016. An equality plan was created in Norway as the first stores there were opened in the same year.

#### **Health and safety**

Musti 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 Group co-operates with occupational health service providers to ensure immediate care in case of health issues. Musti 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 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 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 Group invests in being the most desirable and appealing employer in the retail business.

## Learning and development

Musti 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 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 Group respects the freedom of association and employees' rights to advocacy and collective bargaining.

## Supply chain

### Elimination of discrimination

According to Musti Group's Suppliers' Code of Conduct, Musti 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 of the use of child labour and forced labour

According to Musti 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 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 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, wages and contract

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.

### **3.2. Implementation**

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

#### **Occupational health and safety**

Musti Group offers occupational health services to personnel. The services are arranged by an external health services provider. Musti Group pays special attention to work safety and assures that e.g. safety

equipment is used. In 2016 health and safety communication was increased especially in Sweden.

The Musti Group the central warehouse in Sweden and the warehouse in Finland are regularly visited by the warehouse shelves supplier to inspect e.g. the safety of the shelves fittings. It is obligatory to use safety shoes when working at the Musti Group's warehouses. There has not been any serious work related accidents within Musti Group's own operations (office, stores, warehouse, logistics).

In general, according to the safety study made by Securitas, Musti Group manages its personnel related risk well and e.g. the accident frequency is on a low level; for example in 2014 there were 7.7 accidents that lead to absence per one million working hours.

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

Musti 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 Group's fast growth. To address this challenge, the Company organized a lot of trainings on leadership and management skills to managers because they can have a great impact on maintaining personnel's work life balance. In addition, Musti Group employees working in the Company offices can organize their working time flexibly, and can also work remotely.

### **Employee well-being**

Musti 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. In Musti ja Mirri's rankings in the Great Place to Work list, a few qualities have 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 Group more than just a job.

Musti Group cooperates and develops working practices together with its franchise entrepreneurs. Musti Group 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 Group and training opportunities are actively offered to its employees.

The Country Director is responsible for training and development regarding Musti Group's stores. He is assisted by human resources managers in Finland and Sweden, who 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.

The store employees are highly appreciated at Musti Group due to their unique knowledge on pet care and deep understanding of customer expectations. The store employees receive regular business training to complement their deep knowledge and good competences on pet care. Training is also regularly provided on the products sold in the Musti Group stores and on services such as dog grooming. The Musti Group store managers receive regular business and people leadership related training.

Musti Group opened a new central warehouse in Sweden in 2016. Employees working in the central warehouse were trained on the operational processes in the warehouse. Managers were also trained on planning employee work shifts. Employees working in the central warehouse in Sweden and the warehouse in Finland are supervised employees. In addition to the training needed in operationalizing the new central warehouse, they have been trained on other practical issues such as first aid. Job rotation at the warehouse in Finland 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 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 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 fourth group started in the autumn of 2016, and the store managers 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 Group's stores in Finland and Sweden. 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 Group is fair and treats all candidates in a respectful and equal manner.

The recruitment process for Musti 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 Group's human resources. The vacancies are always opened internally before being communicated externally.

Musti Group induction guidelines for store personnel 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 Group's learning management system Campus.

During 2016 Musti Group recruited several new people to different Group functions such as product management, marketing, finance, IT and sourcing to service our retail operations even better. Many store employees and managers were recruited for the first Musti Group stores in Norway, which opened

in October 2016. The recruitment process is done in-house in Finland and Norway, and partly in-house and partly by using an external recruitment service provider in Sweden. Many team members participate in the recruitment process, which has proven to be a good system for recruiting talented employees. Agile tools such as video interviews are used as part of the recruitment process.

### **3.3. Measurement of outcomes**

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

At Musti Group labour principles related performance is evaluated as part of the normal business practices. Musti 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 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 Group. Musti Group is developing its responsible sourcing as part of its corporate responsibility framework. By joining the Business Social Compliance Initiative (BSCI) in December 2016, Musti Group strengthened its work to ensure respect for labour rights in its supply chains in high risk countries. Musti Group will initiate audits in high risk countries, which will include assessment of suppliers' performance in labour rights.

In 2016, in its own activities, Musti 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.

Trust among employees is measured by using the results of the Great Place to Work's Trust Index survey in Finland and Sweden. The employees are informed about the results of the index. Musti Group actively crowdsources employee ideas on key initiatives and various other matters.



## 4. 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.*

### 4.1. 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 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 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 Group seeks ways to find innovative solutions to environmental challenges. As a minimum, Musti

Group complies with all relevant environmental legislation as well as other relevant environmental requirements and standards.

Musti Group has a precautionary approach to environmental challenges. Musti 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 its environmental work Musti Group focuses on energy use and water consumption in its facilities and the use of natural resources in its products. Musti Group will e.g. initiate to acquire only renewable energy in all its locations whenever the electricity contract is directly influenced by Musti Group. When it comes to re-use and recycling of raw materials, products and packaging, Musti Group will initiate e.g. to recycle food which is by its best before date. For this purpose Musti Group has opened an outlet store in Sweden, which sells products by or close to their best by date. If the products are not sold, they are donated to local animal shelters when possible.

Musti 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 Group 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 Group 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 Group is also planning to set objectives and targets for continuous improvement and will evaluate progress against these targets.

### **Supply chain**

Musti Group expects a positive attitude towards environmental responsibility from its business partners and suppliers. According to Musti Group's Suppliers' Code of Conduct, Musti 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 their 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 their 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 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.

## **4.2. Implementation**

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

### **Business travel**

Musti 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, Sweden and Norway making it easier to organise internal meetings between the 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 Group is planning to fit all new stores with energy efficient LED-lighting. Since 2013 standard spotlights have been replaced with LED-lighting in 40 stores and in all Dogroom facilities.

Musti Group has initiated a collection and recycling of empty pet food bags at some of its stores in Finland. 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 find ways to apply the initiative to all Musti Group stores. Another example of recycling at Musti Group is the reuse of packaging material at the warehouses.

The Musti Group head office in Finland obtained a Green Office certificate in 2016 as a result of developing the environmental management system of the office and efforts to raise the environmental awareness of personnel. Possibilities to boost the environmental work at the offices will be investigated further. Musti Group will e.g. initiate to acquire only renewable energy in all its locations whenever the electricity contract is directly influenced by Musti Group. When it comes to re-use and recycling of raw materials, products and packaging, Musti Group will initiate e.g. to recycle food which is by its best before date. For example, Musti Group has opened an outlet store in Sweden for this purpose.

### **Logistics and transport**

The environmental viewpoints are not systematically 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. Currently logistics suppliers are required to report their CO<sub>2</sub> emissions in total and per a kilometer to Musti Group. Musti Group is planning to use also other environmental criteria in the future.

Musti Group is continuously trying to make its transport and logistic as efficient as possible, e.g. by using the most direct lines from the warehouses to locations.

#### **4.3. Measurement of outcomes**

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

At Musti Group environmental performance is evaluated as part of the normal business practices. In case of any misconduct or non-compliance with the UN Global Compact principles, Musti Group management will take immediate action to deal with the situation and to assure future compliance with the UN Global Compact principles.

Musti Group is aiming to develop environmental criteria which will be used systematically in the procurement of products and services. Environmental work with suppliers is a continuous effort at Musti Group. Musti Group is developing its environmentally responsible sourcing as part of its corporate responsibility framework. The work concerning sourcing from high risk countries was strengthened when Musti Group joined the Business Social Compliance Initiative (BSCI) in December 2016. The aim is to utilise the BSCI supply chain management system in auditing suppliers' compliance with environmental principles.

Musti Group initiates activities to improve the environmental performance of its supply chain, including e.g. focusing on CO<sub>2</sub> emissions measurement and reduction. Musti Group discusses with suppliers e.g. about opportunities to reduce the environmental burden from packaging and in general but also about other aspects material for Musti Group's environmental goals and targets.

In 2016, in its own activities Musti 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 its own work, Musti Group communicates about environmental aspects internally in a biweekly newsletter, which is sent to everyone in the Company. Environmental aspects are included also in an e-learning course on the Musti Group Ethical Principles, which all employees have to complete..

Musti Group initiated a paper bag project in approximately ten Musti Group stores. Customers were given a paper bag instead of a plastic bag. Customers' experiences of the project were collected with an electronic survey.

Musti Group is planning to conduct environmental audits in its warehouses in Sweden and Finland. Follow-up and monitoring energy and water use at warehouses will be developed further and the efficiency of internal logistics will be investigated.

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



## 5. Anti-Corruption Principles

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

### 5.1. 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*

#### **Own activities**

In the Transparency International's Corruption Perceptions Index 201, Finland, Sweden and Norway rank extremely well; Finland 3<sup>rd</sup>, Sweden 4<sup>th</sup> and Norway 6<sup>th</sup> out of 176 countries. Therefore the immediate risk for corruption in Musti Group's main operating countries can be seen as reasonably low.

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

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

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

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

Musti 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 Musti Group's Suppliers' Code of Conduct, 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.

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

According to Musti 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.

## **5.2. Implementation**

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

Musti Group's e-learning course on the Musti Group Ethical Principles includes aspects on anti-corruption principles. Every employee of Musti Group has to complete the e-learning course.

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

### **5.3. Measurement of outcomes**

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

At Musti Group anti-corruption related performance is evaluated as part of the normal business practices. Musti 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 Group management will take immediate action to deal with the situation and to assure future compliance with the UN Global Compact principles.

In 2016, in its own activities, Musti 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 Group as part of Musti Group's corporate responsibility framework. Musti Group joined the Business Social Compliance Initiative (BSCI) in December 2016 with the aim of utilising the BSCI supply chain management system in auditing and measuring Musti Group's suppliers' performance related to anti-corruption principles, among other corporate responsibility aspects. The audits will focus on high risk countries, which are included in BSCI's list of risk countries.