TOGETHER WE ARE MORE

Towards responsible procurement

Guideline for suppliers

S Group's expectations for ensuring social and environmental responsibility in the supply chain

S GROUP'S RESPONSIBLE SOURCING REQUIREMENTS

S Group's procurement agreement defines requirements for the social and environmental responsibility of the supply chain.

We require our suppliers to:

1. Commit to the amfori BSCI* Code of Conduct and amfori BEPI** principles (or equivalent).
2. Implement a self-assessment process:

   Assess your company's operating practices and the impact they have on the fulfilment of human rights and environmental requirements in your production and subcontracting chains.

   Assess how familiar your company is with the operators in your supply chain and how your company is working to prevent adverse human rights and environmental impacts (e.g. forced labor, inadequate occupational safety, working hours, living wage, and climate emissions).
3. Undergo a third-party social responsibility audit if the product is manufactured in a risk country and take corrective actions in situations where the amfori principles are not fulfilled.

1 COMMIT TO AMFORI BSCI CODE OF CONDUCT AND BEPI PRINCIPLES

S Group's procurement agreement requires suppliers to commit to the amfori BSCI Code of Conduct and amfori BEPI principles. The requirement extends to suppliers' downstream supply chain.

Downstream implementation:
Include committing to the Code of Conduct and BEPI principles as part of your suppliers' sourcing agreements or purchase order terms. For example, the files can be attached to the agreement template as such.

amfori BSCI principles:

- Rights of freedom of association and collective bargaining
- No discrimination
- Fair remuneration
- Decent working hours
- Occupational health and safety
- No use of child labor
- Special protection for young workers
- No precarious employment
- Protection of the environment
- Ethical business conduct

amfori BEPI principles for assessing risks and impacts in the following areas:

- Energy and climate
- Climate emissions
- Water and wastewater
- Waste
- Biodiversity
- Chemicals
- Other material environmental impacts

2 RECOGNIZE HUMAN RIGHTS AND ENVIRONMENTAL RISKS – SELF-ASSESSMENT

Risks are often related to:

- The country of production or the origin of raw materials
- Product category
- Insufficient social responsibility monitoring processes
- Insufficient traceability in production or subcontracting

Find out:

- Where and how are the products manufactured?
- Where are the raw materials sourced from, and what environmental impacts do the raw materials have?
- Is some part of the production chain located in a high-risk country?
- Have the production facilities been audited for social responsibility or environmental requirements?
- What is the product's supply chain like?
- Do traceability and agreements extend all the way to raw material production?
- Can employees and other stakeholders report possible violations and abuses in the supply chain?

Request audit reports and assess whether there are any development needs. If discrepancies are identified during an audit, the supplier relationship should not be terminated automatically on this basis; instead, the aim should be to support and monitor the supplier's corrective actions. Ensure that you have an anonymous channel for reporting work-related and human rights violations, abuses, corruption, and other serious concerns.

3 REQUIRE PRODUCTION FACILITY AUDITS

If the product is manufactured in a risk country***

There are several audit systems. S Group accepts the following systems for verifying social responsibility:

- amfori BSCI (Business Social Compliance Initiative) semi-announced or unannounced audit
- SA8000
- SMETA (Sedex Members Ethical Trade Audit) semi-announced audit, 4-pillar (2-pillar accepted as initial audit)
- FLA (Fair Labor Association)
- FWF (Fair Wear Foundation)
- ICTI (International Council of Toy Industries)
- WRAP (Worldwide Responsible Accredited Production)
- RBA (Responsible Business Alliance)
- SIZA (Sustainability Initiative of South Africa)
- GLOBALG.A.P. GRASP
- Rainforest Alliance
- Fairtrade

- Audits must always be conducted by a third party. The costs can vary, depending on, among other things, the size of the factory, the country, and the audit system. Typically, a factory audit costs approximately EUR 500–2,500.
- The duration of the audit, including employee interviews, depends on the size of the factory (1.5–5 days).
- The validity period of the audit depends on the audit result: for example, BSCI audit ratings of 'A' or 'B' are valid for two years, while ratings of 'C', 'D', or 'E' are valid for one year, during which a follow-up audit must be carried out.
- Assess any other possible audit needs, for example, environment or primary production audit, based on risk level.

*** Risk country classifications based on amfori BSCI classification

SUPPORT & TOOLS

Information about corporate due diligence

Ministry of Economic Affairs and Employment

Ready-made databases

Sedex: Your partner in Ethical and Sustainable Supply Chain Management

amfori | Manage risk. Build resilience

S Group's supplier pages

S-ryhmä - S Group (s-ryhma.fi)

Reports from relevant organizations

(e.g. ILO, Finnwatch, Human Rights Watch)

Production facility visits by suppliers