



THIRD PARTY COMMENTARY

Background and scope of this commentary

Fiskars Oyj (“Fiskars”) engaged KPMG Oy Ab (“KPMG”) to provide a third party commentary of its Sustainable Supplier Management Process. This commentary is based on KPMG’s review of the following elements of Fiskars’ Sustainable Supplier Management Process for alignment with the SA8000 standard and Business Social Compliance Initiative (BSCI) supply chain management system.

1. Fiskars Supplier Code of Conduct (“Supplier Code of Conduct”)
2. Process for accepting new suppliers
3. Internal reporting of sustainability performance of suppliers
4. Tools and checklists used by Fiskars for sustainability audit of suppliers
5. Selected supplier sustainability audit reports, corrective action plans and follow-up
6. Contents of sustainability training for Fiskars’ suppliers and sourcing personnel
7. Fiskars’ performance indicators for its sourcing personnel

KPMG was not involved in defining Fiskars’ Sustainable Supplier Management Process or any of the items listed above.

Sustainability requirements for suppliers

Fiskars demands that suppliers commit to its legally binding Supplier Code of Conduct as a pre-condition for doing business with the company. The Supplier Code of Conduct sets requirements related to overall management systems for sustainable operations, human and labour rights, occupational health and safety, environment, business ethics, and intellectual property rights. Fiskars also assesses new suppliers against its Supplier Code of Conduct with a process that includes sustainability audits and risk scores before commercial orders are placed. New suppliers that fall outside acceptable sustainability risk scores are not accepted as Fiskars’ suppliers. Fiskars should continue to ensure that all its new and existing suppliers have committed to its Supplier Code of Conduct.

Sustainability risk assessment and monitoring of suppliers

Fiskars’ criteria to assess supplier sustainability risks include the suppliers’ country of operation, supplier spend and other pre-assessment of suppliers’ performance and management systems. It aims to perform sustainability audits on all its direct suppliers (Tier 1), especially those that are located in countries with a high risk rating according to its country risk classification. All these suppliers are subject to a sustainability audit at least once in every 1-3 years. However, Fiskars appears to have limited visibility beyond its direct suppliers (Tier 1) and rarely assesses sustainability risks or performs sustainability audits beyond its direct suppliers (Tier 1) barring a small number of indirect suppliers (Tier 2) who supply goods with Fiskars’ branding.



Fiskars has established a sustainability audit programme for suppliers which includes supplier sustainability audit checklists and reporting templates, sustainability risk scores, corrective action plans and follow-up audits. These audits, both announced and sometimes unannounced, are performed by Fiskars' sustainability auditors and when needed, by a recognised third party. The sustainability audit programme has been developed by Fiskars and has evolved over the past few years with additional questions and categorisation of adverse findings related to legally required permits and licenses, child labour, forced labour, excessive working hours, minimum wage and fire safety as "zero tolerance" findings. The focus of these audits is, to a large extent, on compliance with applicable local legislation and regulations. The findings from supplier sustainability audits are reported internally on a monthly basis with key performance indicators.

Fiskars' country risk classification, sustainability audit programme and methodology, and follow-up process could be further strengthened through engagement with peer companies and other external experts especially to address systemic sustainability challenges. In addition to legal compliance checks during supplier sustainability audits, Fiskars should continue to consider its commitments to international sustainability frameworks and expectations of external stakeholders. Further, Fiskars should identify and address sustainability risks beyond its direct suppliers (Tier 1).

Sustainability training and capacity building for suppliers

Recognizing that supplier sustainability audits alone are insufficient to identify sustainability risks, Fiskars offers yearly sustainability trainings for its suppliers in addition to possible need based trainings during contract negotiations, general supplier visits or sustainability audits. For suppliers identified as "strategic", Fiskars has recently commenced a Sustainable Development Programme which goes beyond audits and encourages suppliers to achieve measurable sustainability goals. This programme currently covers environmental, and occupational health and safety issues and is expected to also include human and labour rights in the future. This is an encouraging model that supports Fiskars transition from a focus on supplier audits alone to a supplier support approach laying the foundation for trusted engagement between Fiskars and its suppliers.

Sourcing practices at Fiskars

The extent of integration of sustainability considerations in sourcing practices is a key success factor for sustainable supply chains. Fiskars trains its sourcing personnel on its Sustainable Supplier Management Process periodically. Performance metrics of Fiskars' sourcing personnel also appear to take in to account the sustainability performance of suppliers. Collaboration between Fiskars' sourcing and sustainability personnel should continue to be improved to ensure sustainability in Fiskars' supply chain and wider sourcing network.

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