

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (hereafter referred to as the MoU) has been agreed between Alko Inc. (a duly incorporated Finnish company with Business Identity Code 1505551-4 (Alko) and the International Union of Food, Agricultural, Restaurant Catering, Tobacco and Allied Workers Association (IUF).

Alko is a state-owned company holding a monopoly on the retail sale of alcoholic beverages above 5,5 percent in Finland.

The IUF is the global trade union federation representing workers throughout the food chain.

This MoU has been agreed between Alko and the IUF in response to shared concerns about working conditions in the global alcohol beverages industry and its supply chain for agricultural raw materials. Alko recognizes the IUF as the representative international trade federation in the food and agricultural sector including the alcohol beverage industry and its supply chain.

Alko and the IUF have a common interest in improving working conditions in the alcohol industry and its supply chain for agricultural raw materials for alcoholic beverages, including through workers exercising their rights to be in a trade union and to negotiate collectively as stated in the Alko's "Listing procedure and retail sale of alcoholic beverages".

Alko's "Listing procedure and retail sale of alcoholic beverages"-document requires that all suppliers of alcoholic beverages to Alko produce the supplied beverages in accordance with the amfori BSCI Code of Conduct 2015. The amfori BSCI Code is based upon relevant, external international standards, notably the OECD Guidelines for Multinational Enterprises and the core ILO Conventions.

The parties therefore agree:

- to have regular meetings between the senior management of Alko and representatives from IUF including Service Union United PAM. To exchange information on working conditions in production of raw materials for alcoholic beverages, specifically potential and actual breaches of national law and international standards. Reported incidents will be investigated by Alko and the actions taken by Alko will be reported back to the working group.
- to *meet* four times a year (usually two physical meetings in an agreed venue and two virtual meetings) and an agenda will be agreed 2 weeks before the meeting. The meetings shall take place together with Systembolaget. Topics in



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relation to Nordic Alcohol Monopolies co-operation in social issues shall be shared openly with all participants. Confidential topics shall be discussed separately without Systembolaget.

- *that* the parties individually shall bear the cost of participating in these meetings and nothing in this MoU shall be constructed, interpreted or understood as obliging a party to remunerate the other party for any obligation or cost arising out of this MoU.
- between these meetings, ongoing communications will be maintained through identified contact persons.

Either party has the right to terminate this Memorandum of Understanding at any time and without any notice period. Such termination will be in written form.

Helsinki 10. December 2019



Leena Laitinen
President and CEO, Alko



Maritta Iso-Aho
Executive Vice President,
Communication, Alko

Reykjavik 17.1.2020

Helsinki 16.1.2020



Sue Longley
General Secretary for IUF



Annika Rönni-Sällinen
President, Service Union United PAM

Appendix 1

Alko, IUF and Service Union United PAM process for incident reporting under the Memorandum of Understanding (MoU)

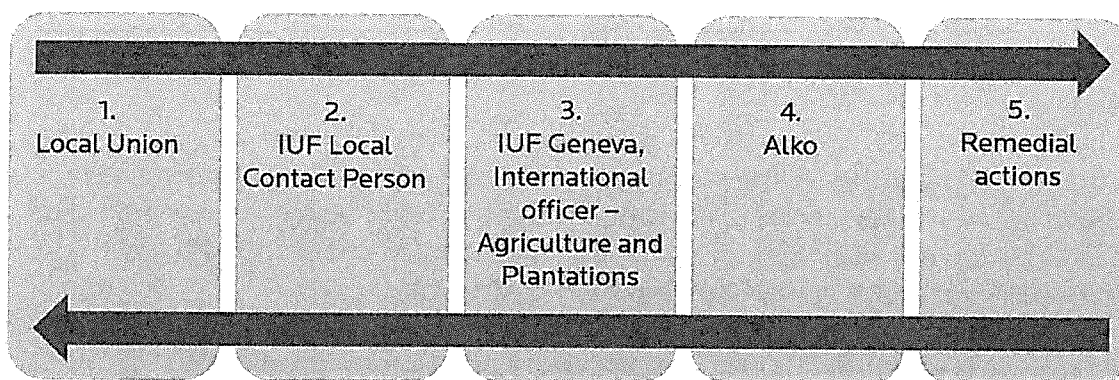
Alko, Service Union United PAM and the IUF have on December 10th, 2019 entered into a MoU. The MoU was witnessed by Service Union United PAM.

This document is to give effect to the / clarify the process for incident reports within the MoU.

THE PROCESS

The process under the MoU shall be as follows;

The chain between the linked actors and the continuous flow of information between them shall be as illustrated below.



1. Local Union

The aim of this step in this process is to ensure the involvement as well as to clarify the responsibility of local unions in the process.

The process is initiated by the local IUF-affiliated union. A complaint is raised through local elected union representatives to the regional or national level of the union, which ensures that all available actions through negotiation, local government agencies and judicial actions have been taken. A report of the potential breach is written by the Local Union and sent to the IUF Local Contact Person.

2. IUF Local Contact Person (LCP)

The aim of this step in the process is to ensure that sufficient information is gathered from the involved workers to substantiate a complaint that can be investigated under the MoU. The information must be gathered in a way that protects the involved workers. The LCP should not substitute the local process between union and

producer but rather ensure that the local process between union and producer is respected.

- When receiving an incident report from an affiliated member the LCP ensures that the report contains all required information.

It should cover:

- o Description of the incident/potential breach of national law and international standards
- o At what farm/producer the breach occurred
- o Time for the potential breach
- o Evidence to support the breach eg photos, documents, witnesses to the incident

In addition, the LCP should indicate:

- Has the management at the farm/producer been notified of the report?
- Have your members been informed about the compiling of this report?

If the report is missing any of the above, the LCP will ask the member for additional information.

Once the report is complete, the LCP anonymizes the report if needed to ensure protection of the workers, prior to sending the report to the next step in the process. In the case of IUF not having a LCP in the specific country one of the affiliated members designated by the IUF can function as the LCP.

3. IUF Geneva, International officer – Agriculture and Plantations (IO-AP)

The aim of this step in the process is to ensure transparency in the MoU between IUF, Service Union United PAM and Alko.

When receiving the finalized report from the LCP the IO-AP sends the report to Service Union United PAM, for their acknowledgment and in order to receive any potential feedback.

If no feedback is given from Service Union United PAM within five working days the IO-AP sends the report to the responsible Sustainability Manager at Alko as well as to responsible.purchasing@alko.fi.

4. Alko, Sustainability Manager (SM)

The aim of this step in the process is to inform all involved parties in the supply chain (importers, producers/farms) of the incident and start the investigation and make proposals for remedial actions.

When receiving the report from the IUF, Alko will follow their normal incident procedure. If the reported producer/farm is connected to Alko's supply chain the report will be shared with the Finnish importer. The Finnish importer is then responsible for contacting all actors in the supply chain including producer and

farms. Depending on the severity of the reported incident and/or in the case of repetitive incidents the importer is given either 48 hours to attend a meeting with Alko to discuss the case further or seven calendar days to provide Alko with an initial written statement on the producer's perspective on the report.

Based upon the information provided by the Finnish importer to Alko, Alko will either;

- initiate a third-party follow-up on the specific issues
- or consider the information provided sufficient for not taking further actions. For example if the producer can provide a remediation plan with supporting documentation that shows improvement regarding the breach, and/or can present an audit report from other certification and/or producer visit by Alko.

5. Remedial actions

Any remedy process - stipulated in a remediation plan - shall provide transparent, accessible and effective remedy and therefore it is crucial that feedback on an ongoing case is shared and escalated between the four links in the chain. The feedback includes but is not exclusive to;

- IUF IO-AP confirms receipt of report to reporting union
- Alko confirms receipt of report to IUF IO-AP and LCP
- Alko provides feedback to IUF IO-AP and LCP on first response from Finnish importer
- Alko provides feedback to IUF IO-AP and LCP on next steps/actions to be taken.
- IUF IO-AP and LCP provides feedback from the reporting union on the implementation on the steps/actions taken to Alko

This stage of the process could involve the need of feedback between the IUF LCP and Alko's SM. Any email communication in between the two parties should involve the other Parties of the MoU as well, to ensure transparency. The expected response time should not exceed three working days.

Alko shall – regardless of the nature of Alko's decision - provide formal feedback for each reported incident during the next meeting between IUF, Service Union United PAM and Alko. This in order to ensure progress and remedy on the reported breach.

In accordance with Alko's General Purchasing Terms and Conditions, Alko has the right to take legal action towards articles connected to producers who do not show continuous improvement on reported and confirmed breaches.

Any information provided within the process of the MoU shall be kept confidential by all involved parties and shall not be disclosed to any third party without first obtaining written consent to such disclosure.

