



Byggvarubedömningen's criteria for social responsibility

Version 1.0



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Information about Byggvarubedömningen

Byggvarubedömningen is a non-profit business association owned by Sweden's major property owners and building contractors. Byggvarubedömningen's mission is to:

- Develop and own a system for assessment of construction products
- Setting criteria for assessment of construction products
- Providing web-based information about assessed construction products
- Influence the product development of construction products

Byggvarubedömningen's ambition is to contribute to that building and construction projects only use evaluated products. This by providing clear criteria for construction products regarding chemical content and lifecycle aspects as well as social responsibility in combination with an easy-to-use online system to search for evaluated products.

Background and purpose

Issues related to social responsibility, human rights, working conditions, environment and anti-corruption are becoming increasingly central for today's companies, including the construction and real estate industry in Sweden. An important part of this work is to ensure that products used are produced without adversely affecting human rights, workers' rights, the environment or with the occurrence of corruption. In order to enable a structured work with these issues, Byggvarubedömningen was commissioned by its members to develop social assessment criteria for construction-related products. The purpose of these criteria is to:

- In collaboration and dialogue with suppliers, ensure that products are manufactured under sustainable and responsible conditions in order to contribute to an improved situation for the workers producing construction-related products around the world.
- Promote construction products that are currently produced under responsible conditions, with respect to internationally recognized human rights, working conditions, environment and have procedures for an active anti-corruption-work.
- Provide support and guidance to suppliers of construction-related products in the work on human rights, working conditions, environment and anti-corruption.
- Facilitate for actors in the construction and real estate industry to set social requirements in construction projects by contributing with information and transparency.

This document aims to clarify expectations on suppliers who have products registered in Byggvarubedömningen in terms of social responsibility in the supply chain. This document, which was originally developed by the Swedish National Agency for Public Procurement and the Swedish National Office for Sustainable Public Procurement, contains explanatory texts for the assessment criteria and clarifies the actions that suppliers are expected to take in order to fulfil them. The purpose of this guidance, including the criteria, is to help suppliers get started to work systematically with challenges and opportunities linked to human rights, environment and anti-corruption in their own operations and the product's supply chain based on the UN Guiding Principles. Byggvarubedömningen's expectation is that all products registered in Byggvarubedömningen will in the long run conduct a systematic work with these issues. The information in this document should be seen as support and guidance along the way.



More information is available on <https://byggvarubedomningen.se/in-english/downloads/#Chapter>. Here you can download the self-assessment and additional documents related to our social criteria.

UN Guiding Principles on Business and Human Rights

In June 2011, the UN Human Rights Council adopted the UN Guiding Principles on Business and Human Rights. The UN Guiding Principles are based on the state's obligation to protect human rights, the companies' responsibility to respect human rights and the opportunity for individuals to have their case tried in the event of violations. No matter the size, the industry or environment in which the business is conducted, all companies have a responsibility to respect human rights. This responsibility means that companies shall:

- a) Avoid causing or contributing to negative impact on human rights arising from its own operations and remedy such impact if it arises.
- b) Prevent or limit a negative impact on human rights that is directly linked to its business, products or services, even if they have not themselves contributed to this negative impact.

Suppliers that have products registered in Byggarubedömningen are therefore expected to carry out a systematic work in line with UN Guiding Principles on Business and Human Rights. In short, this means having routines and processes in place to identify, avoid and prevent, limit and account for how they address the impact on human rights that occurs in connection with the product's production.¹ These routines and processes aim to create an effective risk management and can be summarised in the steps below:

1. Policy obligation – have adopted one or more policies, which have been approved by the management and include a commitment to respect the fundamental terms (see next section),
2. Communicating the policy commitment – have adopted routines to convey their commitment to respect the fundamental terms in their own operation and in the supply chain,
3. Division of responsibility – have assigned the responsibility for compliance with the fundamental terms to a member/s of senior management,
4. Risk analysis – have adopted routines to regularly carry out risk analyses, i.e. to identify and prioritise current and potential risks of deviation from the fundamental terms, as well as mapping the supply chain with special regard to high risk operations,
5. Follow-up – have adopted routines for regular follow-up of compliance with the fundamental terms, and
6. Compliance management – have adopted routines to make immediate action to prevent and limit deviations from the fundamental terms, and to address identified deviations.

The actions that are implemented to fulfil the commitments for step 1-6 shall be documented, applied on an ongoing basis and apply for the own operations and the entire supply chain. Step 1-6 are described more in detail in the section "Guidance and Byggarubedömningen's criteria".

¹ Please note that the impact in connection with the production of the product also includes services, e.g. transport from the factory to the warehouse.

When working according to the UN Guiding Principles, it is important to be aware that it is the risks that determine the extent of liability and responsibility. The principles make it clear that it is not sufficient that companies only work with their direct suppliers. That is rarely where the greatest risks of adverse impact on human rights are to be found. For that reason, it is the responsibility of the companies to ascertain where in the supply chain the most severe risks for adverse impact can be found, and to prioritize their efforts accordingly. Based on their risk analysis, the supplier shall therefore be able to ascertain where in the supply chain severe risks can be found and reduce those risks by taking appropriate measures.

How companies fulfil their obligation may vary depending on factors such as industry, the environment in which the business is conducted, ownership or structure and depending on the severity of the company's negative impact on the fundamental terms. Small and medium-sized companies can have more informal processes and structures compared to a large corporation, but small and medium-sized companies can also have a severe adverse impact, which entails a responsibility to manage it. In accordance with the Guiding Principles, the supplier is always responsible for being aware of the risks in their supply chains and continuously working to address those risks.

The supplier shall be able to describe the risks concerning its products – from raw material, to manufacturing, to finished product including associated services – and to present activities and actions taken to address these risks. The relevant actions to be taken depend primarily on the severity of the risk but can also depend on the supplier's influence over stakeholders in the supply chain. A company's sphere of influence refers to the extent to which an organisation is able to influence the decisions or activities of other organisations. The supplier is liable for any impact that is a consequence of decisions and activities over which they have formal or de facto-control. De facto-control means that the supplier has an opportunity to influence the decisions and activities of a business, even if they have no legal or formal authority to do so. The supplier may also have an opportunity to influence the behaviour of other operations with which they have associations. In some situations, the supplier is liable for exercising such influence. If the supplier has no such influence, they shall take steps to increase it, for example by collaborating with other stakeholders. For more detailed information about UN Guiding Principles, see

https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf.

The fundamental terms

In the section above, reference is made to something called "the fundamental terms". Suppliers must actively work to ensure that the products registered in Byggvarubedömningen are responsibly produced and manufactured under conditions that are compatible with these. The fundamental terms include:

- the UN Universal Declaration of Human Rights,
- the UN Convention on the Rights of the Child, Article 32,
- the eight core conventions of the ILO regarding forced or compulsory labour, child labour, discrimination, as well as freedom of association and the right to collective bargaining, (no. 29, 87, 98, 100, 105, 111, 138, and 182),
- the labour law in force in the country where the work is performed, including regulations for salary, working hours, leisure time, and work environment,
- the environmental law in force in the country where the work is performed, and
- the UN Convention against Corruption.

The supplier's responsibility include that actions are taken in order to prevent and deal with any deviations throughout the supply chain related to the fundamental terms. Suppliers should be aware that national legislation, and its implementation in some countries do not always comply with international law or the ILO's core conventions. In cases where international regulations prescribe stronger protection for the individual than national laws or regulations, the supplier must strive to comply with the principles of the international regulations. In such situations, special efforts may be needed to ensure that rights are respected. Examples of such areas may be freedom of association, where there are several countries that have not ratified ILO's core conventions 87 and 98. If a company is located in a country where freedom of trade union is limited or under development, the supplier should work to arrange regular meetings between employees and company management where salary and working conditions are discussed, without negative consequences for the employee.

Follow-up of supplier's systematic work

To request and demand that suppliers have internal routines in place is one way of creating good conditions to collaborate for a sustainable development for products registered in Byggarubedömningen, and by extension used in our member's projects. In the work to set and demand requirements, follow-up is also an important parameter. Follow-up of suppliers' systematic work will partly be done by suppliers transparently reporting their work by answering Byggarubedömningen's self-assessment questionnaire, that the self-assessment being assessed and further follow-up of the self-assessment questionnaire.

Byggarubedömningen's self-assessment questionnaire

Suppliers are expected to transparently report their work with social responsibility in the supply chain by answering Byggarubedömningen's self-assessment questionnaire. The self-assessment questionnaire is based on the Swedish National Agency for Public Procurement, document "Formulär för egenrapportering hållbara leveranskedjor" (in English: Form for Self-reporting Sustainable Supply Chains) and is available in Word-format on Byggarubedömningen's webpage. The supplier answers the questions as far as one has come in their work regarding step 1-6 and can always supplement the information as the work progresses. The day the supplier feels ready to transparently communicate its work, the self-assessment questionnaire can be uploaded into Byggarubedömningen on the intended product/s. The supplier should be aware that the day the self-assessment questionnaire is uploaded in Byggarubedömningen, all information in that document including additional uploaded files, will be exposed to all users of Byggarubedömningen's database. Please note that it is not possible to classify information linked to social responsibility as confidential.

Assessment

Suppliers also have the opportunity to apply for assessment of their self-assessed answers² The answers in the self-assessment questionnaire are then intended to assess whether the supplier conducts a systematic work on social responsibility in its own operations and in the product's supply chain based on the assessment criteria for steps 1-6 in this document. It may be worth pointing out that different organizations may have different working methods or different terms for how this systematic work is conducted. Byggarubedömningen has no requirement that the working methods or designations must be exactly the same as in the assessment criteria, but the meaning must correspond to what is described in this document.

² See current price list on Byggarubedömningen's website for cost of an assessment.

At present it is voluntary to apply for an assessment on social responsibility but note that individual requirements may come from Byggvarubedömningen's members, which may then require that the supplier work systematically with all six steps. Therefore, all questions must be answered when applying for an assessment. Please note that if the supplier has identified incidents or risks in its own operations or in the product's supply chain, this in itself is not a reason for the supplier to get an inferior assessment. Rather, the most important part is how the supplier manages incidents/risks and develops preventive routines so that they do not occur again.

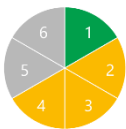
Regardless of whether the self-assessment questionnaire is used to only report ones work with the social criteria or to apply for an assessment, suppliers are encouraged to be transparent when answering the self-assessment about challenges that one may face. One challenge, for example, may be that you have limited influence to manage risks beyond the first stage of the supply chain. In that case, we ask you to explain why you have a limited influence and what your approach is to such situations. It is also your responsibility as a supplier to demonstrate that sufficiently comprehensive procedures have been established to be able to carry out credible risk analysis and take appropriate measures to manage the most serious risks.

As the work with the social criteria progresses, Byggvarubedömningen will, on behalf of our members, carry out both desktop as well as on-site audits based on suppliers' self-assessed answers. Prior to these audits, normally one or more products will be selected and be subjected to the follow-up ("sample-testing"). This is to check that the supplier works in accordance with the criteria and that these are applied on an ongoing basis to your products. The suppliers that will be subject to these audits will be decided in consultation with Byggvarubedömningen's members. Before and during an audit, suppliers may be asked to answer additional questions and exemplify one's answers with documents or through interviews that show your processes and procedures.

General assessment principles

For the suppliers applying for an assessment, the supplier's self-assessed answers will be assessed based on the assessment criteria for steps 1-6 in this document. Byggvarubedömningen has previously worked with three assessment levels regarding our assessments on chemical content and life-cycle aspects: Recommended (green), Accepted (yellow) and Avoid (red). Since the purpose with the social criteria is to develop suppliers in their systematic work with social responsibility, initially only the two upper levels, Recommended and Accepted, will be used.

In order to achieve Recommended on the various steps 1–6, all assessment criteria in each step need to be fulfilled. If the supplier does not meet all the assessment criteria of the various steps, the supplier will get the assessment level Accepted. In cases where the supplier is far from meeting the assessment criteria or has not started to work in accordance with the assessment criteria, the specific step will be coloured grey. Suppliers will not receive an overall assessment on their questionnaire, rather the result of the assessment will be visualized like the symbol on the left, i.e. one level/colour of assessment for each step, showing the supplier's level of maturity in regards to the social criteria.



When an assessment of the supplier's self-assessed answers has been carried out, a summary document is produced by Byggvarubedömningen that describe how far the supplier is considered to have come in its systematic work on the basis of the assessment criteria 1–6 in this document. The supplier will get the opportunity to take part, review and approve the document before it is uploaded

to the product's product-card in Byggvarubedömningen and then become available to all users of Byggvarubedömningen. A similar procedure will also occur in the event of a desk-top/onsite audit.

Guidance and Byggvarubedömningen's criteria

In this section follows a guide that in more detail describe the requirements and criteria for step 1-6. For each step the following is presented:

- Aim: what is to be achieved with the specific criteria?
- Assessment criteria: what should the routine contain for it to be considered sufficient?
Remember that the routines should be proportionate to the risks the supplier faces in its own operations and in the product's supply chain.
- Guidance: general guidance on the policy/routine including examples of how companies can work with the specific step.
- Find out more: suggestions on other guidelines that the supplier can use.

1. Policy obligation

The supplier shall have a publicly accessible policy, approved at the most senior level of the business enterprise including a commitment to respect the fundamental terms.	
Aim:	The aim of the policy obligation is to ensure that the supplier is aware of its responsibility, and that they act to respect the fundamental terms. The policy obligation shall also ensure that this responsibility is supported throughout the operations. It shall also be available to business partners and other stakeholders associated with the supplier's operations.
To comply with criteria concerning policy obligation, the supplier shall have adopted a policy that:	<ol style="list-style-type: none"> 1. at a minimum, encompasses the fundamental terms, 2. has been approved at the highest executive level in the company, 3. is publicly available, such as in the workplace or on the company website.

Guidelines

A policy obligation is a publicly available declaration of intent, describing what the supplier's obligations, responsibility and expectations are in relation to the fundamental terms. The obligation applies to the company's own operations, throughout the supply chain, as well as in other business relations. The supplier's obligation concerning the fundamental terms can be expressed in one single policy or in several separate policies. It can also be integrated into one of the supplier's governing documents, such as a Code of Conduct. For those suppliers who do not have their own Code of Conduct or policy, Byggvarubedömningen's Code of Conduct (available on our website), can then be used. However, there is no requirement to use Byggvarubedömningen's Code of Conduct if the supplier has its own Code of Conduct/policy with corresponding content, which must include at least the fundamental terms (see page 5).

The policy obligation shall focus on risks related to in-house operations and business relations. It should not only focus on charity projects or general sustainability obligations. For the policy obligation to achieve the correct status within the supplier's organisation, it must be adopted by the executive

management. The policy should be continuously updated with new information about risks in the supply chain.

Find out more

- The UN Guiding Principles on Business and Human Rights (principle 16)
- OECD Due Diligence guidance for Responsible Business Conduct
- Developing a Policy Commitment and Embedding Respect for Human Rights
- The UN Universal Declaration of Human Rights
- The ILO Declaration on Fundamental Principles and Rights at Work
- The Children’s Rights and Business Principles (UNICEF)
- The UN Convention against Corruption

2. Communicating the policy commitment

The supplier shall have adopted routines to convey their commitment to respect the fundamental terms in their own operation and in the supply chain.	
Aim:	The aim of requesting that the supplier informs their employees and subcontractors of their commitment is so that the obligation will be conveyed to all the relevant stakeholders. It concerns stakeholders that themselves are expected to introduce a corresponding obligation in their own operations (such as suppliers and sub-contractors), as well as stakeholders that are interested in its implementation (such as business relations, investors, consumers and NGOs). It also concerns individuals or groups that may be adversely impacted by the supplier’s operations.
To comply with criteria concerning communicating the policy commitment, the supplier shall:	<ol style="list-style-type: none"> 1. inform all employees in the company about the obligation, 2. communicate the obligation to respect the fundamental terms, in writing, to the suppliers with whom they have a contractual relation (1st tier), 3. describe how it ensures that the fundamental terms are communicated from suppliers with whom they have contractual relations (1st tier), and further along the supply chain.

Guidelines

Communicating the policy obligation aims to ensure that stakeholders, suppliers and subcontractors at different stages of the supply chain are made aware of the supplier’s obligation to respect the fundamental terms. In addition, they are encouraged to act in accordance with the obligation. Frequently, there are greater risks concerning human rights, working conditions, environmental conditions and corruption in sub-contracting tiers. It is therefore important that the supplier communicates the responsibility, and imposes requirements in these tiers as well. For that reason, a supplier may impose requirements on their direct suppliers, and draw up agreements in which they demand that they in turn communicate corresponding terms throughout their supply chains.

Operations with which the supplier has business relations shall be informed about the obligation. It is not sufficient that a policy is available to the sub-contractor, instead it should be appended and referred to in the agreements. When required, it shall also be translated into local languages. Other

stakeholders that should be informed are those that are directly linked to parts of the supplier's operations that are relevant to the agreement, as well as those at risk of being adversely impacted by non-compliance with the obligation. The policy obligation shall also be supported all the way from executive management to the employees concerned, who might otherwise act without being aware of the obligation or without considering it. The obligation may be communicated through relatively simple means, such as publishing it on the supplier's website or internet, introducing contractual terms linked to the obligation in agreements with suppliers, or by having a dialogue about the obligation internally and externally. In addition, the supplier can provide training and promote capacity building in the supply chain in order to raise awareness of the fundamental terms in different tiers of the supply chain.

Find out more

- The UN Guiding Principles on Business and Human Rights (principle 16)
- OECD Due Diligence Guidance for Responsible Business Conduct

3. Division of responsibility

The supplier shall have assigned the responsibility for compliance with the fundamental terms to a member of senior management.	
Aim:	The aim of requesting a clear division of responsibility is to ensure that the supplier has appointed people to be responsible of ensuring compliance with the fundamental terms/policy obligation at the executive level. It also provides Byggarubedömningen and its members with information about the position which is responsible for ensuring compliance with the fundamental terms within the supplier's own operations and throughout the supply chain.
To comply with criteria concerning division of responsibility, the supplier shall:	<ol style="list-style-type: none"> 1. have appointed one or more people at the executive level to be responsible for matters concerning the fundamental terms, 2. have made clear what that responsibility entails.

Guidelines

For a supplier policy obligation to be effective and complied with, an internal division of responsibility is required. Ultimately, the executive management is responsible for complying with the obligation and for that reason, the responsibility needs to be appointed to someone in the management team. It is also important that the supplier ensures that those responsible have relevant expertise within each area of responsibility. The division of responsibility can of course differ depending on the size and structure of the supplier, but one or more people in executive positions shall have the ultimate responsibility. The day-to-day responsibility can then be delegated within the organisation. In addition to securing support for the obligation in the executive management, the supplier can also work to secure support throughout the organisation itself. They can help employees to minimise risks in their day-to-day work by giving due attention to and supporting due diligence of the fundamental terms, allocating resources for due diligence, and ensuring that staff working on due diligence are given the time and training required for the task.

Find out more

- The UN Guiding Principles on Business and Human Rights (principle 19)
- OECD Due Diligence Guidance for Responsible Business Conduct

4. Risk analysis

The supplier shall have adopted routines to regularly carry out risk analyses, i.e. to identify and prioritise current and potential risks of deviation from the fundamental terms, as well as mapping the supply chain with special regard to high risk operations.	
Aim:	The aim of requesting that the supplier conducts risk analyses is to ensure that the supplier regularly identifies severe risks for non-compliance with the fundamental terms. Risk analyses contribute to increased transparency in the supply chain and may provide information to Byggarubedömningen and its members about how the supplier prioritises their risks.
To comply with the criteria concerning risk analysis the supplier shall:	<ol style="list-style-type: none"> 1. describe the identified risks in the product's supply chain, 2. map the supply chain, with particular consideration given to high risk operations, 3. describe how they identify current and potential risks in the supply chain concerning compliance with the fundamental terms, 4. describe how they prioritise their risks according to level of severity.

Guidelines

Risks in the meaning of social responsibility refers to risk of non-compliance with the fundamental terms. Conducting a risk analysis is a necessary step to identify problem areas, prioritize and provide support for effective measures. Further, risks are constantly changing in response to new business relations, production development, new laws etc., whereby risk analysis needs to be conducted on a regular basis. It cannot be a general risk analysis that processes general sustainability risks. It is important to stress that identifying a risk does not, in itself, entail non-compliance/deviation of the assessment criteria. It is Important to present the risks that exist and what is crucial is how these risks are then managed and that preventive routines are developed to address these risks.

Mapping the supply chain, with consideration given to high-risk operations

Knowing your supply chain is essential for identifying and managing relevant risks of non-compliance with the fundamental terms. The length and complexity of the supply chain also affects the risk of non-compliance. For that reason, it is important that both the supplier and Byggarubedömningen and our members are familiar with the supply chain in order to be able to determine the actions to take. It is also important to know the type of business in which the companies in the supply chain are operating, such as whether they are wholesalers or producers, as well as where they operate. How the supplier conducts the mapping of the supply chain may vary, depending on the information to which they have access. If the supplier has full access to where the production takes place, they can conduct a detailed survey with specified information. If the supplier has limited access to where the

production takes place, the investigation can be conducted partly with specified information, partly with publicly available information, as well as assumptions about where production may be taking place. If the supplier has very limited information about the supply chain, the mapping can be based entirely on publicly available information, as well as assumptions about where production is assumed to take place. If the supplier has limited access to the supply chain, they shall take the necessary steps to increase knowledge with the aim to continuously map the supply chain in order to confirm potential risks. A process for increasing traceability in the supply chain therefore constitutes a natural part of the risk analysis process.

Identifying risks

A risk analysis is based on the supplier's own insight about the operations and the supply chain, as well as on reports and analyses from established organisations and expert bodies. This may include reports from UN bodies and organisations such as Amnesty International, International Trade Union Confederation, Freedom House and Transparency International.³ Risks can also be identified based on:

- Sector/product: some risks are typical for a sector/product-group. This can for example be due to the reason that the activities in the supply chain are typically simpler and labour-intensive occupations, that they act on short lead times, or that the product contains hazardous substances for humans or the environment. It is important to take into account known risks at all stages in the supply chain.
- If the supplier is active in or purchases products/services from so-called high-risk countries or high-risk regions: production in high-risk countries or high-risk regions increases the likelihood that risks can occur. It is often factors such as governance, social conditions or, for example, crime, laws and corruption that contribute to increased risk. An example to illustrate this is if the prevalence of migrant workers is high in a country, the risk of low wages, child labour, slave labour and discrimination may increase.
- Business model: a company's business model can also increase the risks in the supply chain. For example, if a company has many different product groups and if they are frequently changed (e.g. seasons per year), this can have a negative impact on the supply chain. This is particularly relevant for wholesalers and retailers but may also be relevant for manufacturers.
- Purchasing model: the purchasing model can also contribute to a company's impact and its ability to identify and manage risks in the supply chain. For example, a company that has a very broad supplier base, often replaces suppliers, makes indirect purchases (i.e. purchases via agents), has short order times, or trades from many different countries is at higher risk of negative impact.

A stakeholder dialogue is also crucial for the risk analysis, and the process should be based on internal and independent external expertise, as well as including consultation on tangible risks with individuals, their representatives and groups that may be impacted. It is important to ensure that all types of risks are captured by the risk analysis, which requires dialogue with different types of stakeholders, as well as information gathering from different types of sources. A risk analysis of corruption risks will require different sources of information than, for example, a risk analysis of environmental risks. To identify risks of non-compliance with the fundamental terms, it is also important that the supplier is familiar with national legislation concerning the fundamental terms.

³ For additional suggestions on reports and sources to use for the risk analysis, see appendix 3 in <https://byggvarubedomningen.se/globalassets/engelska/information-about-selfassessment.pdf>

Prioritising risks

Companies should, as far as possible, work with all risks, but after a risk analysis has been carried out, the supplier may need to prioritize the risks that must be dealt with first since it is not always possible to manage all risks at the same time. Prioritisation shall be done according to the level of severity of the potential adverse impact. The more severe the adverse impact is on the fundamental terms, the higher the priority that the supplier should assign to the matter. In assessing what is a severe adverse impact, the supplier should consider the scale (how severe the impact is), the scope (the number of people impacted) and whether it is irrevocable in character (the possibility of rectifying the situation and compensating those affected). That is, an impact that is temporary, impacts few people, and which can easily be restored is not as severe as an impact that affects people permanently, affects more people or cannot be rectified, such as fatalities or permanent damage.

When prioritising, the supplier can also take into consideration particularly vulnerable groups such as children, women, ethnic minorities or indigenous people. In addition, the supplier should consider the impact throughout the entire supply chain, focusing on the most severe risks. This process should also be based on internal and/or independent external expertise and include meaningful consultations with groups and other relevant individuals that may be impacted.

Find out more

- The UN Guiding Principles on Business and Human Rights (principles 17, 18, 21 & 24)
- OECD Due Diligence Guidance for Responsible Business Conduct
- Assessing Human Rights Impacts
- Fighting Corruption in the Supply Chain Good Practice Guidelines on Conducting Third Party Due Diligence (Partnering Against Corruption Initiative)
- ICC Anti-Corruption – Third Party Due Diligence: A Guide for Small and Medium-sized Enterprises

5. Follow-up

The supplier shall have adopted routines for regular follow-up of compliance with the fundamental terms.	
Aim:	The aim of requesting that the supplier has follow-up procedures is to ensure that the supplier, as part of their risk management process, checks compliance with the fundamental terms in the supply chain. In addition, it provides Byggvarubedömningen and its members with insight into whether the steps taken by the supplier to prevent non-compliance have the desired effect.
To comply with the criteria regarding follow-up the supplier shall:	<ol style="list-style-type: none"> 1. describe the activities the company undertakes to manage identified risks in their own operations and in the product's supply chain, 2. describe how systematic follow-up of compliance with the fundamental terms in their own operations and in the supply chain is conducted, such as how suppliers and subcontractors are selected for follow-up in relation to the identified risks.

Guidelines

The follow-up requirement is necessary to ensure that the supplier manages the risks of non-compliance with the fundamental terms in an effective manner and takes steps towards continuous improvements. The follow-up should be based on the risk analysis, with particular focus on severe risks and risks that impact vulnerable groups or people who are under greater risk of being impacted.

It may in some instances (e.g. extraction of raw materials) be difficult for the supplier to assess sub-contractors in the supply chain, due to a lack of access and influence. However, this does not diminish the supplier's responsibility for managing risks throughout the supply chain. In these situations, the supplier shall take appropriate steps to monitor and manage the risks under the available circumstances. Collaboration with other organisations and joint industry initiatives is one way of achieving this and is increasingly common for managing common challenges in supply chains.

Follow-up method

The follow-up may be conducted in different ways, such as through self-assessment surveys, in-house or third-party audits, or complaints mechanisms. Measures to improve the subcontractors' capacity may also be part of the follow-up, through training for example. If parts of the supply chain have been reviewed within the scope of some existing social standard, such as SA8000 or Responsible Business Alliance (RBA), these may also form part of the follow-up. The follow-up method may vary depending on the risk, the supplier in question and the products or services. However, it is crucial that any action is directly linked to the identified risk, and not general steps to strengthen the supplier's sustainability profile. Actions may include a request for information from sub-contractors about how the risks have been managed, on-site audits to verify compliance, training at the subcontractors' premises to raise awareness, setting up complaints' mechanisms, renovating factory premises, purchasing protective gear, etc.

Audits

Auditing is a common follow-up method that may provide the supplier with results that are comparable over time or with country and industry averages. Audits may be conducted by the supplier themselves, or through a third-party. Depending on the step in the supply chain that is audited, audits may differ. When conducting an audit of a sub-contractor that is a wholesaler in a country with a low risk of non-compliance with the fundamental terms, it is more relevant to review the wholesaler's procedures and processes for communicating the requirements and checking compliance upstream. But if you are assessing compliance at a factory where the product is manufactured, a factory or on-site, audit is required. These types of audits generally consist of three steps:

- 1) document review
- 2) interviews with management and employees
- 3) inspection of the workplace and any housing arrangements

An audit report subsequently presents the results of these three steps, reports any non-compliance and presents proposed remedies.

A smaller supplier may have limited opportunities to conduct their own audits, but they may have a larger company as a subcontractor conducting audits in the supply chain. In such instances, the supplier can review those audit reports as part of their own risk management systems.

Complaints' mechanisms

In addition to follow-up in the form of self-assessment surveys and audits, complaints mechanisms are an important channel for gathering information about compliance with the fundamental terms. Well-

functioning complaints mechanisms may provide the supplier with continuous information about potential non-compliances that may be difficult to discover during an audit and also provides opportunity to report violations. One of the foundation stone of the UN Guiding Principles is that those believe that their rights have been violated should have the right to have this tested and rectified.

It is common that larger companies set up their own complaints' mechanisms where employees or other stakeholders are able to draw the company's attention to potential non-compliance with the fundamental terms. These do not always function very well as they frequently use phone numbers or email addresses that are located in countries that are at a considerable distance from the manufacturing country. A more effective solution is to set up such bodies in partnership with local organisations that have a direct channel to the employees and the local population. This is a field where it also may be appropriate to partner with other companies or stakeholders.

Find out more

- The UN Guiding Principles on Business and Human Rights (principles 20 & 21)
- OECD Due Diligence Guidance for Responsible Business Conduct
- ICC Anti-Corruption – Third Party Due Diligence: A Guide for Small and Medium-sized Enterprises

6. Compliance management

The supplier shall have adopted routines to take immediate action to prevent and limit deviations from the fundamental terms, and to address identified deviations.	
Aim:	The aim of requesting that the supplier has procedures for compliance management is to ensure that they have internal processes to immediately manage any non-compliance with the fundamental terms caused by their operations or to which their operations have contributed. The procedures shall also ensure that the supplier contribute to compensating those who were adversely impacted by the non-compliance, if appropriate.
To comply with the criteria regarding compliance management the supplier shall:	<ol style="list-style-type: none"> 1. report whether there has been any non-compliance with the fundamental terms during the past three years, and if so, describe how such non-compliance has been managed, 2. describe how systematic compliance management is set up in their own operations and in the supply chain, considering the nature and severity of the non-compliance.

Guidelines

If the production of products or its related services takes place in high-risk countries and high-risk industries, it is probable that the follow-up will lead to non-compliance being discovered. However, the fact that non-compliance is discovered also means it can be remedied. The supplier must be able to account for any actual steps taken in connection with the non-compliance that has been discovered, as well as remedial schedule. It is important to stress that in some countries, there may be non-compliance as a consequence of national legislation. In China, for example, the only permissible union All-China Federation of Trade Unions is controlled by the state, which means that the ILO core

conventions 87 and 98 are not respected there. It is not reasonable to demand that suppliers shall break national laws, such situations instead require special measures. In spite of the ban on independent unions in China, it is for example possible for employees at a factory to elect local worker representatives. It is also possible to have dialogue between employees and management. Such a situation requires the supplier to work actively with these matters in their supply chain, as part of compliance management.

Identifying the cause

To prevent non-compliance from recurring, it is important to conduct so-called root cause analyses. It involves finding the cause behind non-compliance in order to effectively remedy it. One example of this is illegal overtime. To remedy such non-compliance, it is not sufficient to conclude that employees are working overtime in excess of national or international regulations, and demanding that this ceases. It is also necessary to find the cause that is leading to employees working overtime. Are they being forced by management? Are they choosing to work overtime because of low wages? Or could there be other causes? This enables you to tackle the root of the problem in order to achieve a long-term solution. Otherwise, you risk identifying the same non-compliance year after year, with no real improvement.

Appropriate action

The UN Guiding Principles distinguish between the companies' ability to influence depending on whether the company is causing, contributing to or linked with the non-compliance. Determining the company's connection to a non-compliance can be difficult, but it is an important part of the supplier's work to determine expectations on actions to be performed. Most commonly, a company can be regarded as causing deviations in its own operations, and contributing to deviations that occur in the supply chain. The supplier is considered to cause a violation when it happens within its own operation. A company is considered to be contributing to a non-compliance in the supply chain if there is a clear connection between operation, the product or services, and the violation, i.e. the deviation has directly caused by the company's own operations. When a supplier's operations cause or may cause non-compliance with the fundamental terms, the supplier should immediately take steps and, if necessary, cease the activity in order to prevent non-compliance. When a supplier's operations contribute to or may contribute to non-compliance, they should take steps to cease the activity in order to prevent non-compliance and use their influence to limit any additional impact. When a supplier has not themselves caused or contributed to adverse impact but are still linked to operations where non-compliance has been discovered, the situation is more complex. The assessment to ascertain which measure is most appropriate is affected by two factors: the severity of the non-compliance and the supplier's influence over the operations in question. The supplier is still responsible for contributing to remedying the situation. Thus, the supplier has a responsibility for remedying and compensating those affected by any non-compliance, irrespective of whether they caused it, contributed to it or are linked to it. However, the appropriate steps to take may differ between the different scenarios.

Schedule for managing non-compliance

Remedial measures for non-compliance must have a schedule for when such measures must be taken and for when follow-up will be conducted to verify it. The degree of severity of the non-compliance is crucial for implementing the measures. For example, if it relates to life-threatening danger as a consequence of failing safety devices, remedial measures must be taken immediately before the equipment can be used again. If the non-compliance is more procedural in nature, such as if a sub-contractor lacks a policy for preventing child labour, the time frame may be longer. The precise time frame must be determined on a case-by-case basis. The measures and schedule must be clearly

documented and communicated to the relevant party. Supporting documentation includes audit reports specifying the non-compliance, a corrective action plan, time plan, as well as who in the organisation is responsible for making it happen.

Terminating agreements

When suppliers discover instances of non-compliance in the supply chain, they should firstly try to remedy them in collaboration with suppliers and sub-contractors. Terminating agreements with suppliers, or demanding that suppliers cancel agreements with sub-contractors, rarely benefit those who were impacted by the non-compliance, as influence is reduced outside a contractual relationship. Terminating a contract may still in some instances be necessary, for example when suppliers or sub-contractors do not act in accordance with the remedial plan and the agreed time frames.

Find out more

- The UN Guiding Principles on Business and Human Rights (principle 22)
- OECD Due Diligence Guidance for Responsible Business Conduct