

## **Due diligence for sustainable supply chains (Special contract term)**

*The contract term on due diligence for sustainable supply chains aims to ensure that procured suppliers have policies and processes in place to identify, prevent, mitigate and remedy adverse impacts on people, the environment and society in their own operations and in their supply chains.*

*These terms, including the concepts used, is based on the UN Global Compact, UN Guiding Principles on Business and Human Rights, the OECD Due Diligence Guidance for Responsible Business Conduct and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.*

### **Criterion text**

#### **1. Supplier's commitments in the Code of Conduct for suppliers**

Supplier shall fulfil the contract in accordance with the commitments in appendix [1] Code of conduct for suppliers concerning human rights, workers' rights, the environment and business ethics and take the measures specified in [this chapter/agreement section].

The commitments apply to all operations connected to what is purchased.

#### **2. Supplier's due diligence Process**

2.1 In order to ensure compliance with the commitments in the Code of Conduct for suppliers, Supplier shall have a due diligence process in accordance with clauses 2.2 - 2.8. The process shall be documented and applied from [the start of the contract/other time determined by the contracting organisation]. Through this process, Supplier shall identify, prevent, mitigate and remedy adverse impacts on people, the environment and society in its own operations and in its supply chains. This means that:

2.1.1 Supplier shall integrate the commitments in the Code of Conduct for suppliers into policies and allocate responsibility for policies and due diligence, by

- a) ensuring that relevant policies, established at the highest management level, are adopted or revised to comply with the commitments in the Code of Conduct for suppliers,
- b) publishing the policies and communicating them to rights-holders affected by its own operations,
- c) ensuring that the board of directors takes the policies into account when making decisions;
- d) appointing one or more persons in management positions as responsible for the due diligence process and
- e) assigning responsibility for the implementation of the policies to employees whose decisions are most likely to increase or decrease the risks of adverse impacts.

2.1.2 Supplier shall identify and assess actual and potential adverse impacts, by

- a) identifying risk suppliers,

- b) mapping the supply chains of risk suppliers,
- c) regularly examining the risks of adverse impacts in its own operations and in the supply chains of risk suppliers.
- d) consulting in a meaningful way with rights-holders or their representatives and retrieving information from credible and independent sources if consultations are not possible in the supply chains of risk suppliers,
- e) paying attention to adverse impact on individuals from groups and populations that are at heightened risk of vulnerability or marginalisation, including environmental and human rights defenders and
- f) prioritising the most significant risks based on likelihood and severity.

2.1.3 Supplier shall prevent and mitigate actual and potential adverse impacts that Supplier causes or contributes to, by

- a) ceasing activities that cause or contribute to adverse impact in its own operations or in the supply chains,
- b) establishing action plans in meaningful consultation with affected rights-holders or their representatives, with a particular focus on the most significant risks identified and
- c) promoting purchasing practices that do not make it more difficult for sub-suppliers to comply with the commitments in the Code of Conduct for suppliers.

2.1.4 Supplier shall use its leverage to prevent and mitigate actual and potential adverse impacts linked to Supplier's operations, by

- a) assessing risk suppliers based on the commitments in the Code of Conduct for suppliers and the due diligence process, with a particular focus on the most significant risks identified,
- b) establishing action plans for risk suppliers, with a particular focus on the most significant risks identified,
- c) forwarding the commitments in the Code of Conduct for suppliers (clause 1) and the due diligence process (clause 2) in writing to risk suppliers,
- d) requiring risk suppliers to account for their supply chains in accordance with the supply chain transparency requirement (clause 4.3) and
- e) ensure the ability to temporarily stop deliveries from a subcontractor while preventive and limiting measures are taken and, in the event of severe deviations that are not remedied, the ability to terminate the contract with the subcontractor concerned.

2.1.5 Supplier shall regularly monitor the measures to prevent and mitigate actual and potential adverse impacts, by

- a) following-up established action plans for its own operations and for risk suppliers, with a particular focus on the most significant risks identified,
- b) consulting in a meaningful way with rights-holders affected by its own operations, or their representatives, and to the extent possible in the supply chains of risk suppliers and
- c) addressing deviations.

2.1.6 Supplier shall enable stakeholders such as rights-holders, their representatives and environmental and human rights defenders to submit grievances to Supplier if they have concerns about actual or potential adverse impacts in Supplier's operations or in its supply chains. Supplier shall address the submitted grievances.

2.1.7 Supplier shall, if Supplier has caused or contributed to actual adverse impact, provide for remediation by

- a) in so far it is possible, restoring affected rights-holders to the situation they would be in had the adverse impact not occurred and enabling remediation that is proportionate to the significance and scale of the adverse impact,
- b) consulting in a meaningful way with affected rights-holders or their representatives on appropriate forms of remedy and
- c) assessing whether affected rights-holders are satisfied with the process and its outcome.

### **3. Supplier's reporting obligation**

3.1 If Supplier has reasonable grounds to assume that there is or has been a severe deviation in its own operations or in its supply chains, Supplier shall within [two (2)] weeks report the actual circumstances and the implemented and planned measures in accordance with clauses 2.2 - 2.8, to the [contracting organisation].

3.2 Severe deviations refer to forced labour, child labour, working conditions that pose a danger to life, serious environmental harm, grand corruption and attacks on environmental and human rights defenders. The severe deviations are defined in annex 1: Code of Conduct for suppliers.

### **4. Monitoring of the special contract term**

4.1 Supplier shall participate in and cooperate with [the contracting organisation] in the monitoring of the commitments in the Code of Conduct for Suppliers (clause 1) and the due diligence process (clause 2). Monitoring may be carried out through various methods such as dialogue, self-assessment, supply chain transparency and audits.

#### 4.2 Dialogue

Supplier shall, within [two (2)] weeks from [the contracting organisation's] request, engage in dialogue on how Supplier complies to its commitments and the due diligence process.

#### 4.3 Self-assessment

Supplier shall, within [four (4)] weeks from [the contracting organisation's] request, in writing account for how it ensures compliance with the commitments and the due diligence process, in accordance with [annex 2: self-assessment questionnaire/[the contracting organisation's] instructions].

#### 4.4 Supply chain transparency

Supplier shall, within [four (4)] weeks from [the contracting organisation's] request, in writing account for which sub-suppliers Supplier uses to fulfil the contract. This includes the legal names and physical addresses of:

- final manufacturing facilities for [product/products/assortment]
- [manufacturing facilities one (1) tier beyond] final manufacturing of [the product/products/assortment]
- [manufacturing facilities for [component/components] in [product/products/assortment]
- [smelters/refineries for the tin, tungsten, tantalum and gold (3TG), cobalt and mica] used in [product/products/assortment]

- [the origin of [raw material] used in [product/products/assortment]
- [extraction plants for [raw material] used in [the product/products/assortment]

#### 4.5 Audit

4.5.1 Supplier shall, within [four (4)] weeks from [the contracting organisation's] request, enable [the contracting organisation] to, on its own or through a representative, carry out audits in Supplier's operations. Supplier shall also enable [the contracting organisation] to, on its own or through a representative, carry out audits of any sub-suppliers' operations. Supplier and any sub-suppliers shall, in connection with audits, provide the information that [the contracting organisation] requests.

4.5.2 Supplier shall bear the cost of any re-audits required to verify that Supplier has corrected deviations

#### 4.6 Right to share results

[The contracting organisation] has the right to share results of completed follow-up with other regions within the regions' national cooperation for sustainable procurement (National Office for Sustainable Procurement) in cases where the receiving region already has an agreement with the supplier, which contains corresponding conditions for sustainable supply chains.

### **5. Management of deviations from the contract term**

5.1 Supplier shall address deviations from the commitments in the Code of Conduct for suppliers (clause 1) and the due diligence process (clause 2). Focus shall be on improvements in Supplier's operations and in its supply chains.

#### 5.2 Action plan

In the event of a deviation from the commitments in the Code of Conduct for suppliers (clause 1) or the due diligence process (clause 2), Supplier shall establish a timed action plan to be approved by [the contracting organisation]. Supplier shall establish the action plan no later than [two (2)] weeks from [the contracting organisation's] notification of the deviation. The action plan shall be proportionate to the severity of the deviations and shall describe how the deviations are to be corrected within the time frame.

#### 5.3 Fine

If Supplier does not report in accordance with clause 3, does not participate in monitoring in accordance with clause 4, fails to take measures according to points 5.1 – 5.2 or does not address deviations in accordance with the established action plan, [the contracting organisation] is entitled to impose a fine on Supplier. Fines are paid at [\_\_\_ SEK, excluding VAT] per commenced week the circumstances remain. The fine can be issued for a maximum of [\_\_\_ weeks].

#### 5.4 Exemption from call-offs (in case of a framework agreement)

If Supplier does not report in accordance with clause 3, does not participate in monitoring in accordance with clause 4, fails to take measures according to points 5.1 – 5.2 or does not address deviations in accordance with the established action plan, [the contracting organisation] has the right to exempt Supplier from call-offs as long as the circumstances remain. The same applies during the time [the contracting organisation] investigates a potential ground for a call-off exemption. During the time the call-off exemption lasts, [the contracting organisation] has the right to call-off from another

framework agreement supplier or, if such does not exist, procure the framework agreement object from another supplier.

#### 5.5 Termination of contract

If Supplier does not report in accordance with clause 3, does not participate in monitoring in accordance with clause 4, fails to take measures according to points 5.1 – 5.2 or does not address deviations in accordance with the established action plan, [the contracting organization] has the right to terminate [the contract / framework agreement] with reasonable notice.

If [the contracting organization] is entitled to a maximum fine [or if the call-off exemption has been in place for \_\_\_ months], [the contracting organization] has the right to terminate [the contract / framework agreement] with immediate effect.

Notwithstanding any other provision of the [contract/framework agreement], [the contracting organization] has the right to terminate the [contract/framework agreement] with immediate effect if [the contracting organization] has made it plausible that a severe deviation occurs in Supplier's operations or in the supply chains, and the entity causing the severe deviation does not take immediate action to prevent and mitigate it.

---