

## ASSESSMENT TEMPLATE

Guidelines for assessment and comparison of responses to the questionnaire for following up the code of conduct

### CORE CONDITIONS

These questions concern the manufacturing process for the products supplied during the contract between the procuring authority and the supplier in the specific agreement the follow-up concerns. The agreement

is referred to in the questions below as "the Contract".

"Supplier" refers to the procuring authority's supplier's own production or the production stage that is closest to the supplier. This also applies to resellers.

### TOTAL APPRAISAL

These responses are compiled and assessed according to the ratio of green, yellow and red responses. The suppliers can then be compared with other suppliers in the sector or with other suppliers to a specific municipality.

The companies with the highest number of red responses should then be subject to closer scrutiny and direct dialogue. The companies that answer "no" to questions 2-5 always entail a high risk and should be subject to closer scrutiny and direct dialogue.

#### **Question 1: What type of company are you?**

Different types of companies have different conditions for working with corporate responsibility and will also choose different ways of meeting the demands of purchasers. This question is asked both to set the supplier's work into the proper context and to permit comparison of different types of companies.

"Producer" refers to a company that produces goods, either directly or through a sub-supplier.

"Brand owners" are the companies that own the rights to the brand used on the supplied product.

"Wholesaler" or "reseller" refers to a company that sells products on the Swedish market that are manufactured by someone else.

#### Assessment and instructions

→ This question does not form any basis for assessment in and of itself, but it can be worth bearing in mind that resellers or wholesalers generally have less control over manufacturing than a producer. The level of risk can therefore be considered higher if a company is not a direct producer.

**Question 2: Does the company have anyone at management level responsible for ensuring that the ethical and social requirements are complied with?**

Successful initiatives concerning social responsibility during the production stage are well-integrated in the company and a prioritized component of business activities. For this work to have the significance and impact in the organization that is necessary for good results, it is important to have clear responsibility delegated to a central position in the company.

This question is an indication of the significance a company's work with supplier responsibility is given within the company and to what extent the ethical requirements can be expected to be followed up on.

**Assessment and instructions**

- If the name, title and contact information are clearly reported, and if this information shows that the person is centrally located within the company, a **green mark** is given.
- If a name is given, but this person's position within the company is not made clear, a **yellow mark** is given.
- If no person is designated, a **red mark** is given.

**Question 3: Does the company have information concerning the manufacturing location(s) of the products supplied under the contract?**

Information about the supply chain is essential to a preventative approach to issues surrounding working environment and labour legislation. The risks of violating internationally recognized conventions and national legislation in the production phase vary according to country and region.

In many sectors, these risks increase the further down you move in the supply chain. This is why it is important that the company is able to provide as complete a report of the different production stages as possible.

The company is expected to indicate the country and location (city, village, etc.) of production. The primary response should be the location of the factory that supplies the products to the Swedish company. However, but if there are sub-suppliers (which there almost always are), these should also be reported. The more manufacturing steps that can be reported, the better. This question applies to the entire production chain, i.e. where all production of the products takes place (though not intermediate goods and materials, such as wood for furniture or sheet metal for refrigerators).

**Assessment and instructions**

- If the company can report countries and locations for all production, including locations for several stages of production, a **green mark** is given.

It can be difficult to determine whether or not the company has actually reported on the entire production chain if you are not familiar with that specific sector. However, if the company provides a detailed report for the entire production chain, including sub-suppliers in a couple of stages and locations for these, it is reasonable to assume that the company has good information on its supply chain.

- If the company provides limited information, a yellow mark is given. Examples of limited information may include reporting the country of production but not the specific location, or another instance in which the company's report in some other way seems incomplete.
- If the company cannot report where production takes place, a **red mark** is given.

If you are still unsure, you can contact a trade association or similar organization to obtain basic facts on that particular sector.

#### **Question 4: Have you detected places in your supply chain that may cause difficulty complying with the purchaser's ethical requirements, and assessed the risks associated with these?**

A risk analysis is a necessary step in identifying problematic areas, prioritizing and providing documentation for effective countermeasures. A risk factor may be the production country itself, but risks can also vary considerably within a country.

There are also other relevant aspects to consider in a risk assessment. Substances used in production that are hazardous to health or to the environment, for instance. Complex supply chains in many stages is another thing that should be considered, as in such cases, a purchaser will not always have information on, or control over, suppliers farther down in the chain. Deficiencies in follow-up and monitoring of the production country's legislation are common, and are an obvious risk factor.

The ethical requirements we set apply to the entire production process of the product purchased, with the exception of intermediate goods and materials. This question concerns the assessment of the company's knowledge of production and the risks associated with manufacturing in the various stages.

But it is also a plus if the company has analyzed risks for intermediate goods and materials in the products supplied in the relevant contract.

#### **Assessment and instructions**

- If the company responds "yes" and can provide a detailed description of the methods used, a **green mark** is given.

A serious risk assessment considers the different problems associated with different countries and sectors. If manufacturing takes place in a low-wage country, for example, attention will be given to minimum wages and deficiencies in the working environment. If manufacturing takes place in China, attention will have been given to the fact that China does not have any true unions and that this is in violation of ILO Convention 98. In textile and food manufacturing, the issue of child labour may be relevant.

The ability to report on actual risks suggests that the company operates in a serious manner.

If it can be inferred that the company is familiar with local legislation, this will support the conclusion that the company is dealing with these risks in a responsible manner.

- If the company answers "yes" but does not provide a detailed and complete report of the risks that may exist, a **yellow mark** is given.

Examples of incomplete risk analyses include conducting a general risk analysis for all production sites or not conducting assessments on the country or area.

Another example might be that the company does not seem to be familiar with local legislation.

- If the company answers "no", a **red mark** is given. The company should also receive a red mark if the response indicates a very poor risk analysis. If the company, for example, merely tries to maintain that production is problem-free, it can be safe to assume that the company has not yet conducted a serious risk analysis.

### Supporting documentation

The award of a green mark is substantiated by the enclosure of a good risk analysis (see above for what is meant by a "good risk analysis") conducted in the past two years.

If no documentation substantiating this information is provided, a yellow mark should be considered.

However, a detailed and complete response that seems credible can merit a green mark for the company in this question. If documentation is provided, but this information is incomplete and weak, a yellow mark is given. An example of this can be a poor risk analysis (see explanation above).

### **Question 5: Do you have social/ethical requirements for your suppliers regarding production?**

There must be a policy describing the company's requirements for its suppliers in place both internally and externally. Internally so that the employees know what applies and externally so that the company's business partners are made aware of what is expected of them regarding social conditions in production. Formulating a code of conduct is often the first step for an organization beginning to work with social responsibility. It is important that there are clear requirements that can be communicated to the supplier.

A code of conduct works best if it describes what the company wants (preferably in a manner that describes what the company's customers want), is so specific that it can be followed up on to determine whether or not it is being complied with, and comprises requirements that are relevant to the company's business activities.

It is also important that the code of conduct is integrated throughout the company, particularly in the purchasing department. Finally, the success of the code depends on a dialogue with the supplier factories concerning the contents of the code and their role in its fulfilment. The supplier factories must have the opportunity to provide constructive feedback in this dialogue.

Compliance with the eight ILO core conventions, Article 32 of the United Nations Convention on the Rights of the Child (UNCRC), the working environment and labour legislation of the country of production and national minimum wage regulations are the requirements we set. It is therefore relevant to know the extent to which the company uses these requirements in its organization.

## Assessment and instructions

- If the company sets social requirements and encloses a serious code of conduct or similar, a **green mark** is given. Characteristics of a serious code of conduct or similar include:
- References to the eight core ILO conventions, Article 32 in the UNCRC, working environment and labour legislation of the country of production.
  - The contents have been adopted by the Board of Directors and implemented by management.
  - The requirements relate to the specific product supplied by the company.
- If the company sets social requirements, but does not have an adequate code of conduct or similar requirements, a **yellow mark** is given.
- Examples of an inadequate code of conduct or similar can be that the policy does not refer to the eight core ILO conventions, Article 32 in the UNCRC, and the working environment and labour legislation of the country of production.
- There is no indication that the policy has been anchored and integrated among the management or board of directors or in business activities. The requirements are very general in nature and not related to the specific product supplied by the company.
- If the company cannot report that it places any social requirements on its suppliers, a **red mark** is given.

### **Question 6: Do these requirements include references to the requirements in the terms of contract?**

Compliance with the eight ILO core conventions, Article 32 of the UNCRC, the working environment and labour legislation of the country of production and national minimum wage regulations are the requirements we place on the companies.

Our requirements have been selected because they are fundamental and internationally recognized standards that are relatively well-regulated by legislation in most countries (the problem is that implementation is often very poor).

## Assessment and instructions

- If the company includes references to our requirements, a **green mark** is given.
- If these requirements are partially included, a **yellow mark** is given.
- If the requirements cannot be included, a **red mark** is given.

### **Question 7: Are your suppliers informed of the requirements listed above?**

One problem with codes of conduct and social requirements has been that they are not communicated effectively to those affected by the requirements of the code. In best case scenarios, the codes are communicated verbally to factory management for the nearest supplier stage, but often the codes are only presented in written form. The risk with this is that the code will only be a piece of paper, without practical application in production.

In question 7, we would like to know what actions have been taken to make the code of conduct and/or the purchaser's ethical requirements known to concerned parties further down in the supply chain.

### Assessment and instructions

→ If the company claims to have informed its suppliers and can account for this, a **green mark** is given.

One example of this could be that the company has translated the code of conduct to local languages. This demonstrates that the company has made an effort to inform the supplier and, if applicable, employees of the contents of the code of conduct in the supplier's own language. Another example could be that the company has provided training on the code for affected employees down the supply chain.

→ If the company claims to have informed the supplier of the requirements, but provides an insufficient or non-credible account of how this has been accomplished, a **yellow mark** is given.

An example of this could be that the company only reports that they have sent the code to the factory owner for a signature.

→ If the company does not claim to have informed the supplier of the code of conduct, a **red mark** is given.

### Supporting documentation

Documents substantiating the award of a green mark include:

- A report from a workshop or training programme where the requirements were discussed
- Code of conduct translated to local language
- Incomplete documents should result in the award of a yellow mark instead of a green mark.

### Question 8: Are the social/ethical requirements part of your contracts with suppliers?

To emphasize the importance of these requirements (on equal footing with price and quality requirements), it is important that the social/ethical requirements are stipulated in contracts with suppliers. A breach of these ethical requirements will thereby also be a breach of contract.

### Assessment and instructions

→ If the company includes these requirements in its contracts with suppliers, a **green mark** is given.

→ If the company has only partially included these requirements in contracts, a **yellow mark** is given.

→ If the company has not included these requirements in the contracts, a **red mark** is given.

**Question 9: Do you have procedures in place for assessing new and existing suppliers with regard to your social/ethical requirements for this contract?**

Assessing suppliers provides the opportunity to reward suppliers that have made investments and targeted social responsibility in production. If the company has production facilities in low-wage countries, it is very likely that there will be compliance shortcomings among existing suppliers. In these cases, there should be action plans in place with scheduled dates for the rectification of compliance issues (see question 12).

If the supplier has developed procedures for this, this must be guaranteed so that they are not forgotten or the assessment conducted in a careless manner.

This question aims to determine if the company conducts this assessment, both for existing contracted suppliers and when contracting new suppliers.

**Assessment and instructions**

- If the company answers "yes" and can provide a basic description of the procedures for evaluating and assessing how well suppliers can be expected to live up to the social/ethical requirements, a **green mark** is given.
- If the company answers "yes" but does not provide a detailed and complete account of these procedures, or if you do not understand how they are carried out, a **yellow mark** is given.
- If the company answers "no", a **red mark** is given.

**Question 10: Have you inspected your suppliers with regard to social responsibility?**

Inspections regarding social responsibility can take various forms, ranging from internal inspections conducted by purchasers, quality assurance coordinators, etc. to third party audits conducted by auditing firms. These can also include inspections conducted in accordance with an applicable standard, such as SA8000 (Social Accountability 8000), <http://sai.citysoft.biz/>, BSCI (The Business Social Compliance Initiative), <http://www.bsci-eu.com> or a similar standard.

If the company itself has conducted audits/inspections, or knows that these have been conducted by another party, they should report what percentage of the suppliers manufacturing under the applicable contract have been audited.

## Assessment and instructions

- If the company answers "yes" and encloses documentation that seems reliable, current, relevant, and reports a percentage over 50 percent of all suppliers manufacturing under the applicable contract, a **green mark** is given.

Green marks can also be given if the company reports that their most important suppliers (accounting for a majority of their sales volume) have been audited in the past two years. A reliable audit should, for example, account for all of the ethical requirements, include an explanation of methods and prove that the person conducting the audit physically visited the production facilities. Serious audits will also address the opinions of employees and/or views of local trade unions and organizations. Another characteristic of a solid and serious audit is that it includes detailed, easily understandable information on any anomalies and plans for rectification of these.

- If the company answers "yes" and reports a percentage under 50 percent of all suppliers manufacturing under the applicable contract, a yellow mark is given. **Yellow marks** are given regardless of percentage if the company does not enclose any documentation.
- If the company answers "no" or cannot provide any percentage, a **red mark** is given.

## Supporting documentation

Examples include audit reports, inspection reports, or similar. If there are very many suppliers who have been audited and are active in the applicable contract, it is sufficient to provide a couple of representative examples in the documentation.

## **Question 11: Are other activities conducted for or in conjunction with the suppliers to make it easier for them to comply with the social/ethical requirements?**

Companies that have worked for some time with supplier responsibility notice that codes of conduct and audits fulfil important functions, but that they don't always entirely meet their objectives. It can be difficult to achieve sweeping and long-term improvements with certain suppliers. There can be many reasons for this. The absence of trade unions or other arrangements to channel employee complaints may be one explanation.

Cultural differences can also come into play. Sometimes it is clear that the supplier has no understanding of why these ethical requirements are important for the purchaser. In this response, you should assess any attempts from the company to bring about lasting changes in the supplier in addition to work with codes of conduct and audits. This gives an indication of where the company is in its work with ethical and environmental issues.

## Assessment and instructions

- If the company answers "yes" and can describe at least one activity that is carried out in conjunction with one or more of its suppliers, as well as the purpose, contents and results of this activity, a **green mark** is given.
- If the company answers "yes" but does not report what the specified activities contain and/or result in, a **yellow mark** is given.
- If the company answers "no" or does not report in any way what activities have been conducted, a **red mark** is given.

## Supporting documentation

Examples of documentation may include a report from a training programme for the supplier's management in ethical and environmental issues or a report from an information campaign for employees.

### **Question 12: Have objectives and schedules been adopted to deal with any problems observed?**

Having knowledge on the supply chain, analyzing risks, setting requirements, communicating these requirements and monitoring compliance are all prerequisites for effective initiatives concerning social responsibility. But if these initiatives are to provide results where most needed - in production at the factories - the initiatives must of course be followed up.

This question focuses on this follow-up and aims to determine how the company is working to rectify the problems detected. The company must report the action plans and schedules that have been adopted to deal with the problems and challenges that have been identified. This gives an indication of whether or not the company has identified any problems and what improvement initiatives are being conducted.

## Assessment and instructions

- If the company answers "yes" and can report examples of identified challenges and clear objectives and scheduled dates for dealing with these, a **green mark** is given.
- If the company answers "yes" but cannot report any concrete challenges and/or plans for handling these, a yellow mark is given. Objectives without schedules and objectives that cannot be measured are also given a **yellow mark**.
- If the company answers "no" or cannot report any concrete objectives, a **red mark** is given.

### Supporting documentation

Examples of documentation include sustainability reports specifying planned rectification measures and action plans or similar reports to the board of directors, owners, employees or the public. Action plans with specific implementation dates, such as audit reports, can also be included as part of internal or external inspections. Documentation can also include an internal working document.

### **Question 13: Are trade unions represented in the factories that manufacture the products you deliver under the contract?**

Trade union rights are stipulated in the eight core ILO conventions (numbers 87 and 98). Respect for trade union rights and functioning communication channels between employees and employers can also facilitate a purchaser's work with ethical and environmental issues.

In best case scenarios, complaints and disputes are settled on an ongoing basis and in collective agreements. The chance of achieving long-term improvements is increased. This is made more difficult in countries where trade unions are banned or union discrimination is common. This is evident in countries such as China and in the export processing zones where union activities are prohibited or impeded. The LO-TCO Secretariat of International Trade Union Development Co-operation website is a good source for quickly determining the trade union situation in various countries.

The absence of trade unions can be a risk factor, while existing trade unions can confirm other information on whether or not the supplier respects the rights of its employee and provides good working conditions.

This question therefore aims to determine the extent of trade union activity during the manufacturing of the company's products. If follow-ups are conducted, the company should also be able to provide the name of the trade union or organizations that are represented.

### Assessment and instructions

- If the company answers "yes" and reports a percentage over 50 percent of all suppliers manufacturing under the applicable contract, a **green mark** is given.

Green marks can also be given if the company reports that its most important suppliers (accounting for a majority of their sales volume) have trade union representation in the factories.

- If the company answers "yes" and reports a percentage under 50 percent of all suppliers manufacturing under the applicable contract, a **yellow mark** is given.
- If the company answers "no" or cannot provide any percentage, a **red mark** is given.

### **Question 14: Does your company work in any way to counteract union discrimination in the supply chain?**

Union discrimination is common in many low-wage countries. Some employers avoid hiring active union members. Others dismiss or punish in some other way union members who try to voice their demands. This question aims to determine if the company has strengthened its efforts to counteract violations of ILO conventions 87 and 98.

#### Assessment and instructions

- If the company answers "yes" and can report the methods/approaches used to counteract union discrimination, a **green mark** is given.  
The company's suppliers may, for example, have invited local unions to the factory to introduce themselves to the employees and by doing so demonstrated that they are positive to the employees joining unions. Another example is that the suppliers can demonstrate how they train all of their managers in respecting union rights. Other examples are if the company itself has visited local unions and discussed the risks of union discrimination in the area with them.
- If the company answers "yes" but cannot clearly report how this work is conducted, a **yellow mark** is given.
- If the company answers "no" or cannot report implementation at all, a **red mark** is given.  
Make a check in the appropriate space to indicate your answer to the question. If the answer is "yes", report the methods used and/or activities conducted to counteract union discrimination in the supply chain.

#### Supporting documentation

Documentation may, for example, include a report of a clear communication to the supplier that union rights are something your company supports. Or a description of a systematic effort to reward suppliers that have functioning trade unions.

### **Question 15: Has your company adapted its activities to enable suppliers to meet these social/ethical requirements?**

Many suppliers express the view that it is difficult to live up to the purchaser's social and environmental requirements. In some cases, these changes cost money and suppliers in strained sectors may feel that they cannot afford the investments needed to meet the requirements.

This question aims to determine if the company has analyzed its role as purchaser. This may involve avoiding pushing prices to a level at which necessary investments in environmental issues and working conditions are not possible, or avoiding making late orders and late changes in orders that generate excessive or illegal overtime for the employees.

Another way to boost the incentive for the supplier to meet the requirements is to make it clear that the company is interested in a long-term business relationship and then stick with this ambition. If problems are discovered, the best solution is rarely to terminate the contract, but instead to analyze why the problem occurred, establish action plans for improvements and then verify that these are followed.

## Assessment and instructions

- If the company answers "yes" and can document one or more concrete activities conducted in the past two years, a **green mark** is given.
- If the company answers "yes" but provides an unclear (difficult to understand) description or documentation of activities, a **yellow mark** is given.
- If the company answers "no" or reports activities that completely lack description or documentation, a **red mark** is given.

## Supporting documentation

Examples of documentation may include a report of an internal project aimed at avoiding late orders or late changes in orders that generate excessive or illegal overtime for the employees in production. Documentation may also include a decision to avoid pushing prices to a level in which necessary investments in environmental issues and working conditions are not possible.