

# Supplier Due Diligence Process

A practical guide to achieve supply chain sustainability in Coor Procurement



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# Supplier Due Diligence Process

The content in this document is a summary of the supplier due diligence process. It can be used to distribute internally or externally in the purpose to inform regarding our way of working with supply chain due diligence. The supplier due diligence is integrated in the overall procurement process. The supplier due diligence process describes how Coor works with suppliers in the purpose to develop a sustainable supply chain. The process is based on the OECD Due diligence guidance for responsible business conduct and UN's Guiding Principles on business and human rights.

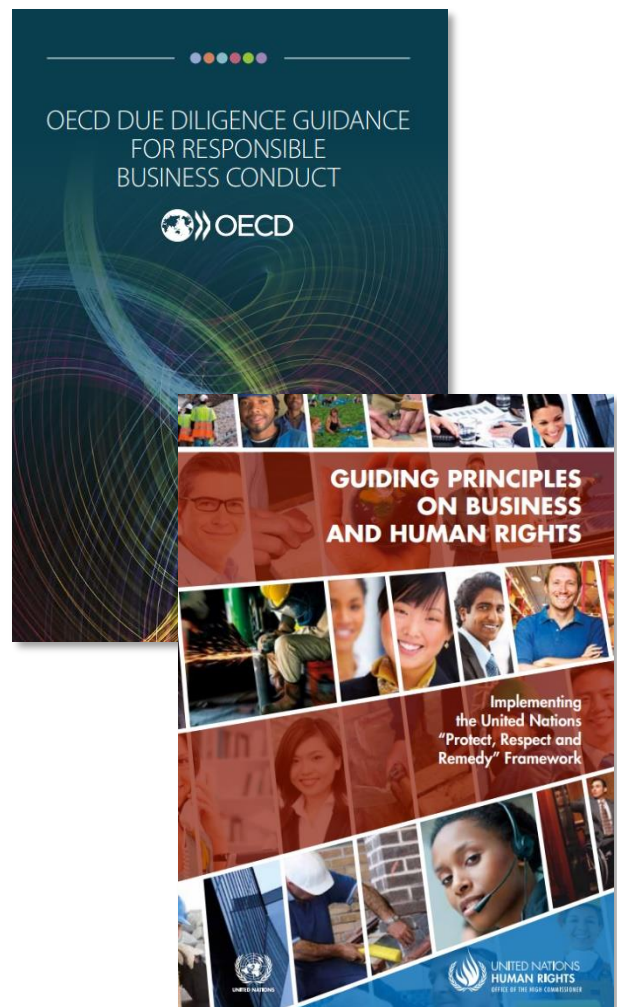
## Mission, vision & strategy

Coor's overall ambition is to develop sustainable relationships with our suppliers. Coor's vision and long-term ambition has a methodology based on the triple bottom line, i.e., business responsibility, social responsibility, and environmental responsibility. Coor's sustainability strategy is targeted and measured according to Triple bottom line and followed up on a Quarterly / Annually basis.

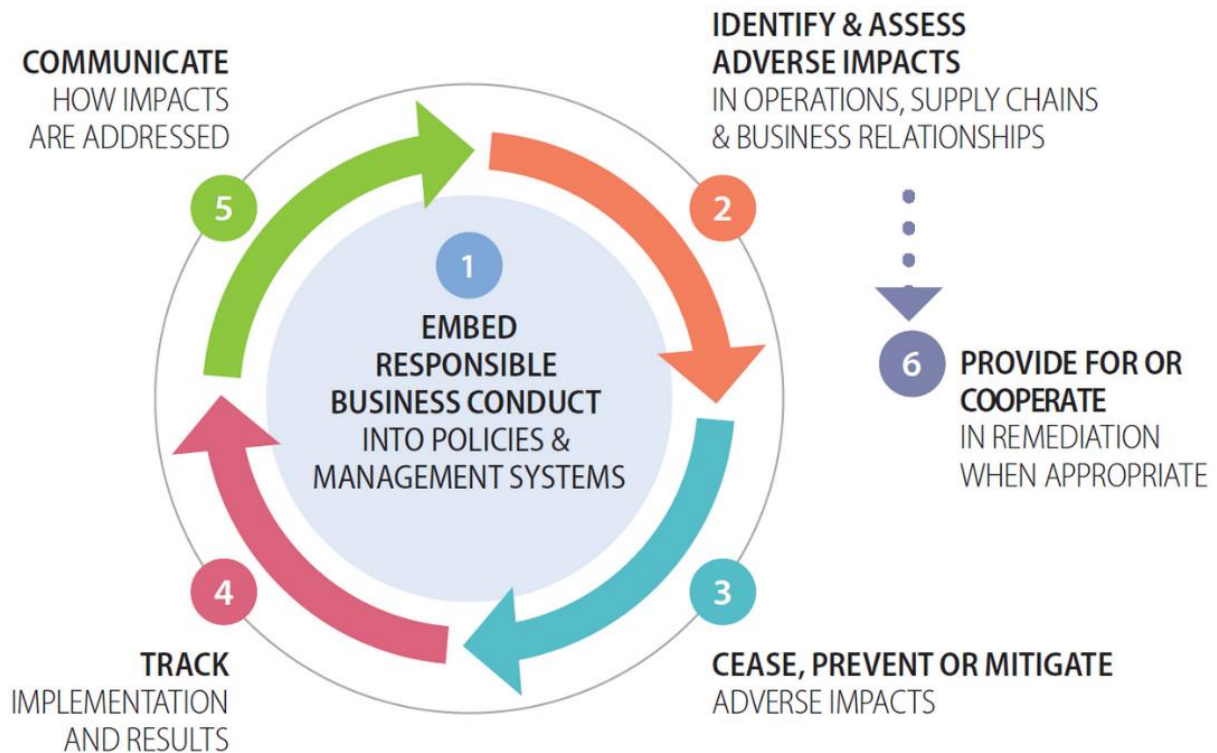
## Guidelines and processes regarding human rights, labour rights, environmental and anti-corruption

The process implemented at Coor is built upon the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises and it helps us to identify, prevent, mitigate and account for how we address these actual and potential adverse impacts in our operations, supply chain and other business relationships. The purpose of due diligence is first and foremost to avoid causing or contributing to adverse impacts on

people, the environment and society, and to seek to prevent adverse impacts directly linked to operations, products, or services through business relationships. When involvement in adverse impacts cannot be avoided, the due diligence process should enable us to mitigate them, prevent their recurrence and, where relevant, remediate them.



Below, our approach to each step is described how Coor manages due diligence in supply chain.



## 1. Embed responsible business conduct

### Governance

The Procurement organization is an integral part of our business operations by delivering value throughout our supply chain. Coor strives to develop our supply chain and work with sustainability throughout the procurement process. We work according to our sustainability policy and have integrated this in our procurement strategy as part of our daily business. In support of this, Coor has developed policies and governing documents: Sustainable Procurement policy, Code of conduct for suppliers, Sustainability requirements for suppliers, Information Security requirements for suppliers and General terms and conditions.

### Responsible Procurement process

Purchases should contribute to Coor's long-term profitability through a range of sustainable products and services in both the short and long term. Coor expects a high standard at all stages of the value chain and strives to ensure that it operates in accordance with sound business ethics in its relations with suppliers. Coor is a signatory to the UN Global Compact and contributes to the achievement of its goals by taking a clear position in its procurement policy and Responsible procurement process, which are inspired by the UN Global Compact Management Model and its six steps: commit, assess, define, implement, measure, communicate, as illustrated below:



**The model sets a good foundation for continuously working to improve our supply chain practices in accordance with UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises.**

## 2. Identify and assess adverse impacts

### Negative impact and salient risks in supply chain

Coor performs risk-based due diligence by regularly and systematically identifying and assessing risks and consequences linked to human rights, labour rights, the environment and business ethics in its value chain and uses this information to avoid, mitigate or remedy the effects to ensure that the company conducts its business in a responsible manner.

In the end of 2022 Coor performed our first formally comprehensive Human Rights Impact Assessment (HRIA) to set a process that creates a clear overview of our human rights related risks.

In the HRIA two procurement categories were prioritized and the following salient human rights impact in the supply chain of Food &

Beverage and Clothes & Footwear were assessed:

- Right to not be subject to child labour
- Right to not be subject to forced labour, including the right to freedom of movement
- Right to non-discrimination
- Right to freedom from harassment and sexual harassment
- Right to freedom of association and collective bargaining including non-discrimination of union members
- Indigenous peoples' rights to their lands, territories, and resources, as recognized in the UN Declaration on the Rights of Indigenous Peoples

Coor have a comprehensive risk register covering all purchased goods and services. Read more about the salient risks in the appendix.





## 3. Cease, prevent or mitigate

### Managing risks in supply chain

The most salient risks identified in the risk assessment are prioritized to actively manage and work with activities and other initiatives to mitigate the identified risk. Coor has established Supplier Due Diligence processes that cover the entire life cycle of procured goods and services.

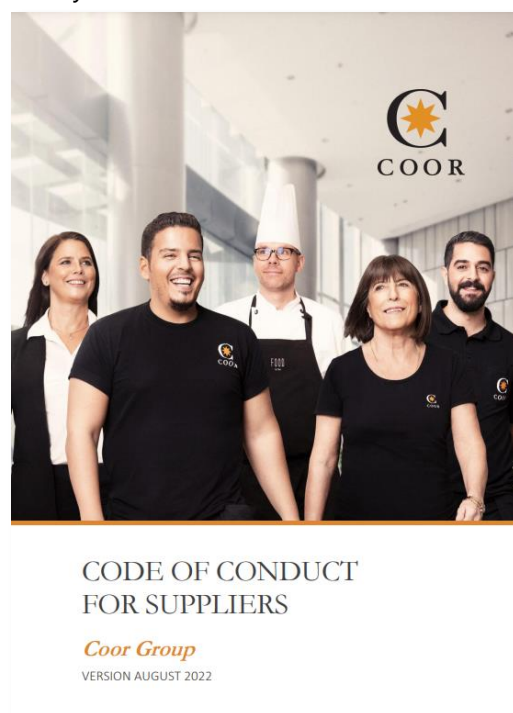
### Requirements to become a new supplier to Coor

To ensure a sustainable supply chain, Coor has developed contract templates that support Coor's long-term ambitions to become truly sustainable. This includes setting clear requirements for Coor's supply chain with regards to the Code of Conduct, the Supplier Code of Conduct, Sustainability requirements and information security requirements. To ensure that our requirements are met, Coor places a strong emphasis on compliance with our Code of Conduct and with contract terms. The supplier must be able to demonstrate sound sustainability practices for design, manufacture, and delivery. Negative social and environmental consequences throughout the life cycle must be reduced and factors such as energy consumption, material use and final disposal must be considered.

### Supplier Code of Conduct

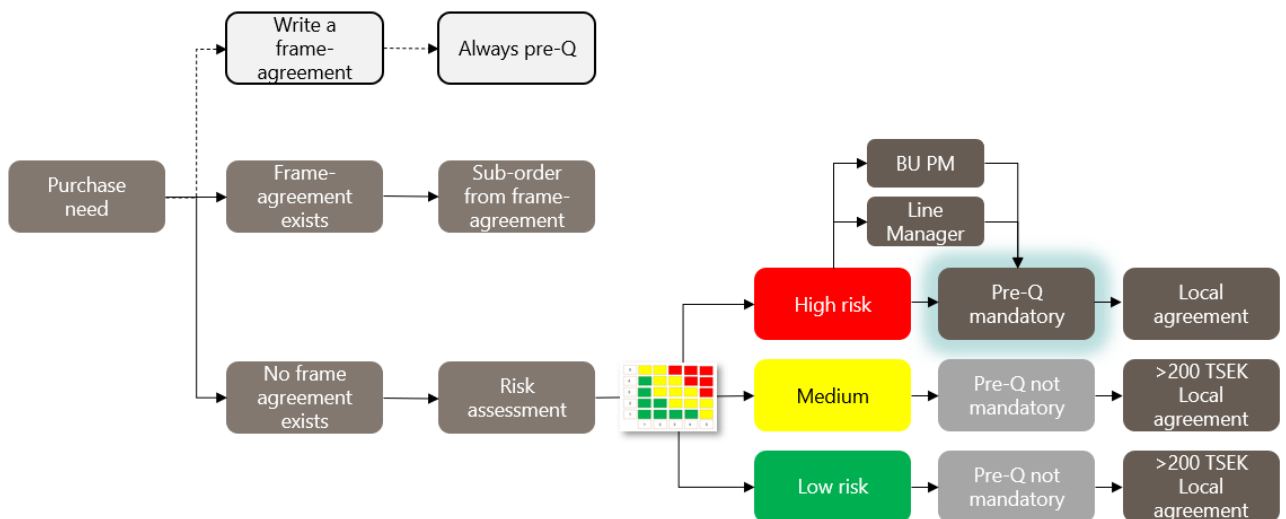
Coor's goal is to become a truly sustainable company. This means that Coor strives to act as a good corporate citizen that not only takes responsibility for its own development but also for its impact on all people, the environment and society. The basis for corporate responsibility, and for Coor's sustainability management, is determined by the UN through its "Protect, Respect and Remedy"

framework and the accompanying Guiding Principles on Business and Human Rights. Since 2014, Coor has been working actively on a Supplier Code of Conduct, which suppliers are required to accept before a contract is signed. A breach of the Code is treated as a breach of contract and can lead to the termination of Coor's relationship with the supplier. Among other requirements, the Code requires that all Coor's suppliers comply with the principles of the UN Global Compact, the UN international human rights framework, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Anti-Bribery Convention. In 2022, we updated our Supplier Code of Conduct and further clarified our requirements regarding the SDGs, human rights, working conditions, climate, modern slavery, and child labour.



## When to pre-qualify a new supplier

All central frame agreement suppliers are pre-qualified before they are approved, and an agreement is signed. For local agreements the requirement to become a supplier to Coor is based on the risk assessment. All suppliers within procurement categories that are classified as high risk should be pre-qualified before an agreement is signed. Within medium and low risk procurement categories it is not mandatory to perform a pre-qualification, but an agreement should always be signed when the purchase value exceeds 200 TSEK.



*Pre-Qualification process, Supplier Due Diligence process.*



## 4. Track

### Monitoring of supply chain risks

Coor actively monitors compliance with the company's Supplier Code of Conduct. Every year, a plan for supplier monitoring is formulated based on the risk assessment for our supply chain, this states which suppliers need to be evaluated and audited.

### Audit and Evaluation

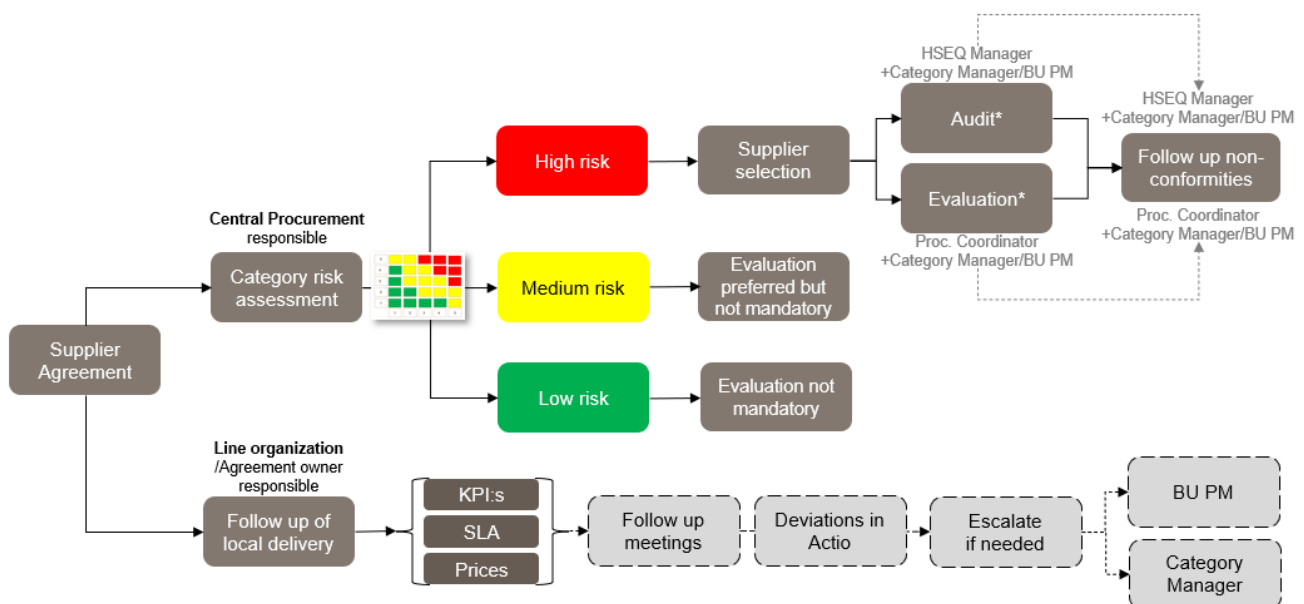
In our supplier follow-up process, we are conducting audits and evaluations. The level of follow-up is based on the risk assessment of the procurement categories. This is the minimum level of follow-up, and every country can apply a more stringent process. In a supplier evaluation, suppliers answer questions regarding compliance with Coor's Supplier Code of Conduct, quality, environment, working environment, and health and safety. The supplier audits are carried out either on site at the supplier's premises or online. The auditor monitors compliance by interviewing staff, reviewing documents and, where possible, inspecting the work environment. It is up to every country to decide if an external auditor is used or if the audit is performed with own staff from HSEQ department.

### Follow up non-conformities

All non-conformities are documented, and necessary actions are planned. A report is compiled after the supplier audit has been completed. All deviations are documented in Actio when audit is performed with own staff from HSEQ. The supplier normally has 90 days to respond to deviations in the audit report. If serious deviations are discovered that Coor considers to be a breach of the agreement, we may decide to terminate the contracts on this basis.

### Supplier Performance Evaluation

To continuously improve our service delivery to our customers it's important to work with performance measurement in our supply chain. On a yearly basis supplier performance is measured by line management in 5 categories: Criticality, Delivery, Cooperation, Finance and Safety. Coor Procurement monitors supplier performance and KPI's are followed up continuously to develop supplier relationship and the service delivery to our end customers.



# 5. Communicate

## Communicating transparently on progress in supply chain

Coor communicates transparently its supply chain activities with stakeholders by publishing relevant KPI's on website, in supplier dialogue and in yearly sustainability report.

## Climate targets

Coor's target for Scope 3 is for 75 per cent of emissions from purchased goods and services

as well as distribution and upstream transport to come from suppliers who have had their climate targets approved by the SBTi by 2026 at the latest.

## Supplier engagement

Coor Procurement have a continuous dialogue to create supplier engagement by hosting webinars, quarterly meetings, seminars, and trainings.

**“We have got so far in our efforts to promote sustainability that we will be turning down suppliers whose climate goals are not as ambitious as our own. To realise the transition that is necessary to create an environmentally sustainable service industry, all parties need to take responsibility for their part of the delivery. Only then will we be able to achieve the change required to fulfil the Paris Agreement,”**



# 6. Remediation

Where we identify that we have caused or contributed to adverse human rights impacts, we will provide for or cooperate in the remediation through legitimate purposes. Where we identify that we have not caused or contributed to the adverse human rights impact but are directly linked to the impact by our business relationships, we will seek to use our leverage to enable remediation. In the event of deviations, we have channels and resources to follow up and take measures to correct the relationship.

## Grievance mechanism & remedy in supply chain

We expect our suppliers and business partners to respect human and workers' rights and establish human rights policies which address the corporate responsibilities outlined in the

UN Guiding Principles for Business and Human Rights. If we discover that suppliers or business partners are involved in violations of human rights, we will communicate our concerns and demand that the supplier or business partner take appropriate action, e.g., through a remediation process. If corrective actions are not taken and the violations endure, an assessment shall be made of whether to end the business relationship.



## Appendix: Salient supply chain risks

Coor Procurement have worked according to a risk management model since 2018 and all procurement categories are risk assessed yearly according to a governance model. The risk register is divided per country and the ones with highest severity are described in tables below.

### Risk management model

#### Risk assessment of Procurement categories

Coor takes a systematic approach to risk management and applies a model for assessing risk in different purchasing categories. The categories are classified based

on a risk perspective in which the commercial risk is weighed up together with the risks identified in the Code of Conduct: human rights, labour standards, working conditions, environment, and anti-corruption. The higher the risk posed by a category, the more stringent the controls that are required before a contract is signed and during the contract term.

### Sweden

Procurement category	Identified risks	Severity
Moving	Labour intense industry risk for illegal workforce. Corruption, distorted competition. Work related injuries, heavy lifts. CO2 emissions from heavy vehicles.	High
Cleaning Suppliers	Work related injuries, chemical and water usage.	High
Waste handling	Work related injuries, CO2 emissions	High
Workclothes & shoes	Risk for violations in human rights, labour rights due to complexity in supply chain from raw material to end product. High in CO2 emission during product life cycle	High
Snow removal	Risk for violations in human rights and labour rights due to seasonal work. Risks in work environment and related injuries.	High
Vehicles	Risk for violations in human rights, labour rights due to complexity in supply chain from raw material to end product. High in CO2 emissions during life cycle.	High
Workplace Fruits	Risk for violations in human rights, labour rights due to complexity in supply chain from raw material to end product. High in CO2 emission during product life cycle	High
Coffee Machines	Risk for violations in human rights, labour rights due to complexity in supply chain from raw material to end product. High in CO2 emission during product life cycle	High
Food & Nutrition	Risk for violations in human rights, labour rights due to complexity in supply chain from raw material to end product. High in CO2 emission during product life cycle	High

## Denmark

Procurement category	Identified risks	Severity
Moving	Labour intense industry risk for illegal workforce. Corruption, distorted competition. Work related injuries, heavy lifts. CO2 emissions from heavy vehicles.	High
Cleaning Suppliers	Work related injuries, chemical and water usage.	High
Cleaning Products	Risk for violations in human rights, labour rights due to complexity in supply chain from raw material to end product. High in CO2 emission during product life cycle	High
Vehicles	Risk for violations in human rights, labour rights due to complexity in supply chain from raw material to end product. High in CO2 emissions during life cycle.	High
Work Clothes & shoes	Risk for violations in human rights, labour rights due to complexity in supply chain from raw material to end product. High in CO2 emission during product life cycle	High
Guarding	Risk for violations in human rights and labour rights due to working environment.	High
Waste handling	Work related injuries, CO2 emissions	High
Outdoor Maintenance	Risk for violations in human rights and labour rights due to seasonal work. Risks in work environment and related injuries.	High
Snow removal	Risk for violations in human rights and labour rights due to seasonal work. Risks in work environment and related injuries.	High

## Norway

Procurement category	Identified risks	Severity
Floor care	Risk for violations in human rights and labour rights due to working hours outside business hours. High usage of chemicals.	High
Cleaning Suppliers	Risk for violations in human rights and labour rights due to working hours, payments. Work related injuries, chemicals and water usage.	High
Moving	Labour intense industry risk for illegal workforce. Corruption, distorted competition. Work related injuries, heavy lifts. CO2 emissions from heavy vehicles.	High
Window cleaning	Risk for violations in human rights and labour rights due to seasonal work.	High

## Finland

Procurement category	Identified risks	Severity
Waste handling	Work related injuries, CO2 emissions, potential high risk in supplier operations and own supply chain.	High
Moving	Labour intense industry risk for illegal workforce. Corruption, distorted competition. Work related injuries, heavy lifts. CO2 emissions from heavy vehicles.	High
Window cleaning	Risk for violations in human rights and labour rights due to seasonal work. Work related injuries, chemicals, and water usage.	High
Floor care	Risk for violations in human rights and labour rights due to working hours outside business hours. High usage of chemicals and heavy machinery.	High
Snow removal	Risk for violations in human rights and labour rights due to seasonal work. Risks in work environment and related injuries. CO2 emissions from heavy machinery.	High

### Address salient risks in supply chain

Many of the identified risks in supply chain relates to physical injuries, exploitation of workers, freedom of collective bargains, environmental issues, and CO2 emissions. The risks areas have been identified as industry risks and all suppliers within that procurement

category are handled accordingly. The risk level decides mitigating activities as specified in chapter, 2, 3 and 4. Coor works with a risk based due diligence process, explained in further details in chapter 2.



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