



Enact[®]

Systembolaget
Human Rights Due Diligence
Review and Recommendations
Summary Findings
18 February 2021

Table of contents

- I. Executive Summary 3**
 - A. Scope..... 3
 - B. Summary findings on human rights due diligence 5
 - C. Summary recommendations 6
 - D. Lessons from the Pandemic 7
- II. Format and methodology 8**
 - A. Progress update 9
- III. Salient human rights risks 12**
- IV. Systembolaget response to the Covid-19 pandemic 15**
 - A. The Covid-19 pandemic impact on Systembolaget 15
 - B. Human rights impact in Systembolaget’s supply chain 16
 - C. Systembolaget response to the Covid-19 pandemic 16
 - D. Evaluating Systembolaget’s response from an HRDD perspective.....17
- V. Evaluation of human rights due diligence 24**
 - A. UN Guiding Principles on Business and Human Rights..... 24
 - B. Integration and taking action..... 26
 - C. Tracking and monitoring..... 27
 - D. Stakeholder engagement 28
- VI. Recommendations 35**
 - A. Risk identification and assessment 35
 - B. Integration and acting upon findings..... 35
 - C. Tracking and monitoring..... 36
 - D. Stakeholder engagement and communication..... 37



I. Executive Summary¹

A. Scope

Systembolaget has commissioned Enact to review the processes it employs to address the risk of adverse human rights impacts in its supply chain. While Systembolaget's mandate as a state-owned enterprise includes consideration of potential downstream demand chain impacts of alcohol consumption on public health and safety, our review was limited to the exercise of human rights due diligence (HRDD) in Systembolaget's upstream supply chain.

Out of scope has not been evaluating grievance mechanisms and approach to remediation - though important parts of the responsibility to respect human rights per the United Nations Guiding Principles (UNGPs).

Our efforts have focused on:

- a) assessing Systembolaget's progress in addressing observations made in Enact's initial January 25, 2019 report (hereafter called "2019 Report"),
- b) identifying additional concerns with regards to HRDD that have since 2019 arisen,
- c) reviewing Systembolaget's response to the Covid-19 pandemic from a HRDD perspective,
- d) providing remarks on the effectiveness of the new Sustainability Platform ("the Platform") and other internal developments at Systembolaget with regards to addressing human rights impacts in the supply chain, and
- e) based on above points, to provide recommendations / guidance for further action.

¹ Disclaimer

The findings of this report are based on any limitations contained in the reviewed materials. Enact wrote a draft report which was shared with Systembolaget and feedback on any incorrect facts from Systembolaget has since then been integrated. Furthermore, the scope of this project was fairly wide and the hours invested in the assessment were limited. The depth with which the assessment is being made is a consequence thereof.

This assessment presents observations made by the consultant, based on specified sources and interviews with external experts (whose input has been anonymized for confidentiality and security reasons). The consultant has herein not reported on, or taken into account, any risks relating to any regulation and/or legislation, whether local or international. The assessment shall not be relied upon for any regulatory or other compliance purpose. When conducting this review, the consultant has been provided with documents and information through written and oral communication. This assessment covers only these sources, and the review is consequently subject to, among other things, the limitation of said material e.g. the validity, accuracy or sufficiency of said material. To the extent that this assessment refers to opinions of any person, that person remains responsible for such opinions. The consultant's total liability with respect to this assessment is limited as determined by the contract between Systembolaget and the consultant, and the consultant is never liable for decisions, actions or similar that have been or will be taken by Systembolaget, or any other, based on this assessment.



The 2019 Report provided a snapshot in time of Systembolaget's approach to human rights risks in its supply chain as of late 2018. The report highlighted strengths in Systembolaget's existing approach to human rights, including heightened organizational awareness of Systembolaget's responsibility to respect human rights, a corporate culture receptive to change, and the involvement of individuals with sustainability expertise and human rights competencies. The 2019 Report also identified multiple areas for improvement by presenting high-level critiques of gaps in Systembolaget's internal business processes and supply chain risk management. The 2019 Report proposed a series of recommendations to improve assessment, integration and tracking but, due to the early stage of the review, did not sequence or prioritize actions.

In this report we seek to provide a progress update and supplement with a dynamic analysis of Systembolaget's HRDD function as it has been developed and implemented over the past two years. Our analysis takes into account changes in the human rights landscape confronting Systembolaget, including the human rights dimensions of previously known risks. We have also evaluated changes in Systembolaget's operating environment and internal business processes, including the development of a new sustainability framework and application of its risk analysis platform to actual and potential adverse human rights impacts. Based on those changes, we recommend a series of specific steps Systembolaget should take to improve its response to the human rights challenges it faces on an ongoing basis.

In developing practical and actionable guidance, our review has been guided by three objectives:

- Ensuring that Systembolaget's HRDD process encompasses salient, actual and potential human rights impacts that Systembolaget may cause, contribute to, or otherwise be directly linked to through its various business relationships in the supply chain;
- Evaluating the alignment of Systembolaget's HRDD process with requirements of the UNGPs; and
- Providing guidance on how Systembolaget can more effectively leverage its internal resources to improve its human rights performance and better manage the flow of data generated by the Platform risk analysis process.



B. Summary findings on human rights due diligence

Since early 2019, Systembolaget has advanced its HRDD by a series of proactive efforts. We note positively in this context; in-house expertise on selected human rights topics, high ambitions, formally adopting human rights in its strategic planning, purchasing terms and conditions and sustainability criteria, expanding consideration of human rights beyond labour rights in its sustainability strategy, digitally mapping its supplier, producer and grower supply chains, adopting a more inclusive risk assessment and analysis process in the Platform, and strengthening its collaborative ties with other Nordic state alcohol monopolies.

Despite those changes, Systembolaget still faces many areas for improvement:

- a) The country/commodity and certification benchmark screening tools incorporated into the Platform are not mapped to all relevant human rights standards, leaving them overly focusing and dependent on a labour rights impact and risk analysis.
- b) Although all supplier contracts are subject to the amfori Code of Conduct, neither the assortment selection nor tender process applies human rights criteria in selecting which products to sell or in preparing or reviewing tenders. As a result, HRDD is not a proactive process but at best, runs parallel to or lags behind Systembolaget's product assortment, purchasing and marketing decisions.
- c) Much effort is dedicated to human rights in the wine supply chain, but comparatively very little with regards to beer, cider and spirits.
- d) Systembolaget lacks human rights performance targets beyond self-reported supplier data and amfori audit results; neither is based on measurement of (all relevant) human rights outcomes. Results-oriented targets are needed both to determine how best to allocate limited resources and to drive continuous improvement throughout the organization.
- e) With regards to the wine supply chain, Systembolaget has begun to forge a stronger relationship with one international trade union federation and has retained a prominent civil society organization to conduct a human rights assessment on one part of its wine supply chain. However, it still lacks means to broaden its systematic engagement with affected stakeholders – notably agricultural field workers and their dependent families – that might better inform its human rights impact and risk assessment, improve communication and outreach, and support stronger remedial efforts in the future.

In short, Systembolaget can and should take additional steps to broaden its HRDD and fully align that process with international standards so that it keeps pace with its own stated strategic commitments and policy.

Our overarching conclusion is that, despite these remaining challenges, Systembolaget is both highly motivated and well-positioned to become a leader in the alcoholic beverage sector by



addressing the human rights risks and impacts in its extended supply chains. In doing so, Systembolaget could both serve as a better role model for sustainable business and bring measurable improvement to the health, safety, and welfare of the people who grow, make and live nearby the products it sells.

C. Summary recommendations

We outline below a set of recommendations that Systembolaget should follow to improve its HRDD efforts and realize its potential to be a sector leader in addressing human rights risks.

- a) Ensuring a proactive system that allows Systembolaget to be alerted to and acting on severe impacts where and when they arise. This entails formalizing internal controls to address actual and potential human rights impacts as they arise and evolve in response to the changing operational contexts of its extended supply chains. This requires defining explicit human rights performance criteria, protocols and accountabilities within the assortment, purchasing and contract management functions.
- b) Reviewing and supplementing the screening assessments based on the Maplecroft country/commodity indices and Intertek certification benchmark scoring system to ensure full coverage and complete alignment of all (in particular, salient) human rights risks in its supply chains.
- c) Developing internal performance targets based on measurable human rights outcomes (indicators) to promote continuous improvement. At the outset, these targets could be based on information that is already collected by or readily available to Systembolaget, e.g., percentage of tender requests including human rights criteria, incidence reporting through affiliates.
- d) Defining the specific remedial actions Systembolaget will take in the event of the failure by producers and growers to address urgent human rights risks.
- e) Expanding its network of partnerships with unions, civil society, and other monopolies, and exploring potential initiatives with the private sector, in order to improve access to and visibility of affected stakeholders and better leverage existing resources.



D. Lessons from the Covid-19 pandemic

As part of our work, we have also considered Systembolaget's response to the Covid-19 pandemic and reviewed the understanding of human rights impacts. Over the past ten months, the Covid-19 pandemic has led to multiple interruptions in the commercial and logistical capabilities of Systembolaget. Platform development proceeded during that time, but actual implementation of the Platform was significantly impeded. The Covid-19 pandemic not only threatened the viability of Systembolaget suppliers and created unprecedented challenges for its network of producers and growers, but it has also served as an unplanned "stress test" of Systembolaget's ability to deal with sudden and severe dislocations in its supply chain and their ripple effect on the human rights of external stakeholders. Our analysis of the human rights issues and challenges caused by the Covid-19 pandemic has been separately submitted and is incorporated by reference into this report below. The Covid-19 pandemic has provided lessons for more effective risk management that Systembolaget can learn and drawn from in responding to similar disruptions if, and when, they occur in the future.



II. Format and methodology

This updated report is intended to serve both as an overview of Systembolaget's HRDD process and as an outline for further action.

Our work in preparing this updated report consisted of three overlapping phases:

- Desk research to identify and update the specific human rights challenges facing Systembolaget across its different product categories and operating contexts;
- Review of internal documents relating to the Platform and, specifically, the human rights risk analysis process embedded in it, its supplier interfaces, materials relating specifically to its response to the Covid-19 pandemic, and other internal documents made available to us; and
- Interviews with Systembolaget assortment managers, buyers, sustainability team members, and, to a limited extent, representatives of external stakeholders in its extended value chains.

Throughout our work, we have placed emphasis on the primacy of the UNGPs. Since their adoption in 2011, the sustainability field has seen a drastic increase in regional and sectoral guidance materials on corporate responsibility for human rights, especially HRDD. While some of those materials and initiatives inform our analysis, several factors support continued use of the UNGPs as the operative framework for our analysis.

Of particular relevance is of course that the Swedish state has specifically directed state-owned enterprises to follow the UNGPs in managing their human and social sustainability risks.



A. Progress update

Over the past two years, Systembolaget has fundamentally reoriented its corporate approach to human rights consistent with the Swedish state ownership mandate to respect human rights in its operations and to lead in the development of responsible business practice.

Systembolaget's expanded human rights commitment extends to company strategy, policies, and internal business process.

From a strategic standpoint, both Systembolaget's three-year strategic plan for 2020-2023 and its sustainability strategy expressly affirm Systembolaget's intention to build more sustainable supply chains, including the eventual traceability of its entire supply chain and conducting HRDD, as part of a strategic shift to impress and inform its customers.

On the policy front, Systembolaget now explicitly recognizes human rights risk management as a core element of Systembolaget's sustainability policy. At the time of the 2019 Report, Systembolaget required all suppliers, through acceptance of its General Purchasing Conditions, to subscribe to the amfori BSCI Code of Conduct, which includes a Zero Tolerance Protocol for egregious human rights violations and ethical misconduct. Systembolaget has now also formally included human rights in the materiality analysis to determine where and how Systembolaget can exert the greatest influence in promoting supply chain sustainability. Systembolaget has instilled broad awareness of that policy shift across its assortment, purchasing, and sustainability departments.

From a process standpoint, Systembolaget has assigned functional accountability for managing human rights risks to the Sustainability team and has given it an internal mandate to take further action to implement HRDD as a business priority.

The Sustainability team has in turn implemented a new platform to identify, assess and respond to a broad range of sustainability risks ("the Platform") and has affirmed human rights as a core component of the Platform. Platform development has continued during the Covid-19 pandemic, even though rollout and implementation have been hampered by multiple logistical hurdles and interruptions. The Platform represents a substantial step forward in meeting the requirements of HRDD. To date, the Platform has been applied to suppliers within the fixed assortment, a selection of 2600+ products that accounts for 95% of net sales. Despite the challenges posed by the pandemic, Systembolaget plans to expand the Platform to both all new product launches and online sales in the coming year. The Platform is the central feature of Systembolaget's revamped human rights risk management and functions as a series of screening tools to focus follow-up intervention on urgent, unresolved sustainability risks:

- Where Systembolaget formerly relied on a predetermined list of "high risk" or "risk" countries identified by external risk management firms or other sources as historically problematic to guide its human rights, the Platform now requires all existing suppliers to map their complete value chain down to the grower or farm level for wine and to the producer level for beer and spirits.



- A composite risk index based on weighted country and commodity (or crop proxy) combinations, with some “bespoke” adjustment of weighting based the incidence of on reported violations, is then applied to the supply chain map to identify the exposure of each supplier’s products to a specific set of risks. The roster of rated risks is based on a bundle of 12 Maplecroft ESG risk indices and reflects an emphasis on labour, governance, and environmental factors. Risks rated most urgent are assigned a red or dark orange rating and are made the focus of the next stage of risk assessment.
- Producers or growers whose products warrant an urgent rating are then asked to submit any product certifications they have for screening by certification benchmark and scoring system developed by Intertek and shared with other Nordic monopolies. Intertek mapped a selected list of product certifications against a set of 22 indicators to determine the extent to which the certifications address specific human rights risks. If a certification scheme has been determined by Intertek to meet due diligence requirements for an urgent country/commodity risk identified by Maplecroft, then the risk is considered as having been addressed by the producer or grower and receives no further action.
- Any remaining risks are subject to a third step of risk analysis. In that step, the Sustainability team follows up directly with the producer or grower to inquire about the state of the risk(s) and to request that it provide proof of both a policy and plan of action to tackle the risk(s). If the producer or grower cannot furnish that proof, then it is targeted for an audit and, potentially, sanctions may take the form of a suspension or deletion from the approved supplier list.

The results of the Platform risk analysis have been digitally mapped for access and easier visualization by the Sustainability team. Because the Platform functions as a stand-alone risk management process, however, it is not used by or accessible to the assortment or purchasing functions. The reason given for keeping the Platform siloed within Sustainability is a desire to adhere to Systembolaget’s brand neutrality, product objectivity, and non-discrimination policy. Consequently, there is little or no formal application of the results of the human rights risk analysis during the development of assortment strategy, launch plans, or tender requests.

Systembolaget has made limited progress in engaging with affected stakeholders, communicating outcomes, and remediating harm. Two notable examples are the Memorandum of Understanding (MOU) with the Internal Food Workers federation (IUF) in South Africa and the forthcoming human rights impact assessment (HRIA) of Systembolaget’s Italian wine supply chain commissioned from Oxfam in 2019.

- The MOU with the IUF is relatively new and to date has only been invoked to report on and support a grievance proceeding, though more recently the Sustainability team has begun to act on IUF demands that certain producers



cease using workers recruited by labour brokers in South Africa. Systembolaget is also in the formative stage of discussions with national IUF affiliates in Italy and other source countries about expanding their field input.

- The Oxfam HRIA has been underway since September 2019 and is slated for completion during 2021. To date, we have only seen a draft of the preliminary report. The draft HRIA is based on a number of interviews that Oxfam conducted with workers who were either employed by an unnamed producer or who voluntarily reported to reception centres in Tuscany. It presents a broad, high-level overview of the systemic “root causes” of labour supply and demand forces that impact workers’ rights in that region, including forced labour, low wages, health and safety, and poor housing. The draft report’s impact analysis focuses primarily on the failure of Systembolaget to account for labour costs in developing its pricing strategy. In addition, the report states that the purchasing process in general could be improved to avoid increasing the risk of adverse human rights impacts. While the draft report has yet to develop during the writing of this report, specific recommendations for action, it identifies further dissemination of the Code of Conduct and modification of product pricing to include labour costs as key mitigation strategies.
- Systembolaget has collaborated with other Nordic state alcohol retail monopolies on several initiatives, including the Intertek certification benchmark scheme and a plan of action to address labour rights in the cultivation of sugar cane used in rum production.

The Sustainability team has continued to require suppliers to engage in human rights training and has conducted several issue-specific trainings for its own employees, e.g., water rights, use and quality.



III. Salient human rights risks

The UNGPs provide that a company's responsibility to respect human rights must account for all internationally recognized human rights, not just a predetermined list or subset of rights deemed "more relevant" to their industry or geographic region.

Under the UNGPs, the scope of the human rights impacts addressed by, here, Systembolaget must extend beyond material risks to own assets and business interests to include risks posed by the company's activities and relationships to the rights of affected individuals. In other words – focus on risks to human beings, and not company risks.

In practice, some rights will be typically at a heightened risk in certain industries or regions. For instance, agricultural sectors typically pose risks in relation to land, fair wages and fundamental labour rights.

Because no risks can be completely ruled out beforehand, however, Systembolaget's impact assessments should consider all risks to human rights and not be pre-determined based on operating context or country.

As part of our work, we have undertaken a comprehensive inventory of potential salient human rights risks across Systembolaget's supply chain. This review did not delimit the scope of risks based on Systembolaget's specific operations or business relationships but addressed the entire range of potential impacts that could arise in connection with the production of alcoholic beverages. It is our recommendation that this inventory, or one like it, should be used as a template to account for all actual and potential human rights impacts, and as a tool for mapping both the Maplecroft indices and Intertek certification benchmarks to ensure complete coverage.

Below, we have compiled a list of likely salient human risks in Systembolaget's supply chain per product category. For the reasons stated above, we caution that Systembolaget's human rights risk assessment should continue to screen suppliers, producers, and growers for all relevant human rights risks on an ongoing basis.

Wine:

- Decent working conditions are generally a risk in the wine production supply chain. Workers are at risk of labour exploitation and potential impacts include forced labour, discrimination (due to e.g. race, ethnicity, gender), long working hours, temporary or insecure job conditions and contracts, not receiving a living wage, wages not paid on time or not paid at all, adverse occupational safety and health impacts for example as a result of exposure to pesticides.
- Potential bonus payments in wine may lead to alcohol abuse, which in turn may increase violence and abuse, particularly against women and children.



- Right to an adequate standard of living may be at risk for many workers at vineyards in some regions; furthermore adequate housing, access to clean and sufficient water, sanitation, and access to basic services including medical and social services may be at risk. Security staff guarding housing premises may use force or violence when protecting housing facilities or land premises.
- Overuse or contamination of water may have an impact on local communities' health and livelihoods, especially in water scarce areas.
- Right to organize, freedom of association, right to join a union and the right to collective bargaining is a challenge for many workers. Freedom of expression, and the right to remedy may be at risk where vulnerable workers fear raising critical views or lodging grievances for fear of retaliation.
- When migrant, seasonal or informal workers lose their jobs, it may have dire implications for the livelihoods of their dependants, spouses, children and other family members, including family members living in other locations, and in some instances affect whole communities that depend on migrant workers remittances.
- Vulnerable groups may include migrant and seasonal workers, women and children. Women risk being discriminated against, suffer harassment or sexual violence as workers. Women are also vulnerable as spouses to migrant workers where they may be depending on money being sent home by the workers and affected by any job losses or wages not being paid, in turn also affecting the situation of children. Migrant workers may be vulnerable because of their legal status, and have the economic responsibility to provide for families including children in other locations. Seasonal or informal workers may be vulnerable due to job insecurity and inability to live off insecure job earnings.

Beer and Spirits:

- Decent working conditions are a concern in the growing and harvesting of agricultural commodities used in beer and spirits. Labour exploitation may include forced labour, child labour, discrimination, not earning a living wage, long working hour and temporary or insecure job conditions. Workers' right to an adequate standard of living and in particular housing standards may also be a concern.
- Freedom of expression, right to organize and collective bargaining.



- Occupational health and safety of workers may be at risk, including adverse health impacts from exposure to pesticides.
- In global grain and sugar cultivation and harvesting, adverse human rights impacts relating to land use, land acquisition and land grabbing may arise. Issues of concern may include forced evictions, tenure rights, indigenous peoples' rights, protection of human rights defenders, local communities' access to land and their livelihoods.
- Overuse of water in the production of beer and spirits may be an issue, especially in water scarce areas. Local community members' water quality and quantity may be adversely affected. Other environmental impacts may also affect humans, e.g. air emissions.
- Vulnerable groups may include seasonal and migrant workers and their families and dependants, children and women.



IV. Systembolaget response to the Covid-19 pandemic

The Covid-19 pandemic struck retailers across the globe suddenly, leaving them no roadmap and little time to adapt to its wide-ranging and uneven effects. Systembolaget faced the same challenges. Despite not knowing if or how long the Covid-19 pandemic would last, Systembolaget promptly responded to disruptions in both its supply and demand chain, including formation of an interdepartmental task force, revising contract submission and delivery protocols to ease pressure on suppliers, and issuing guidance on the health and safety impacts of the Covid-19 pandemic. The Covid-19 pandemic has however also exposed shortcomings in following a supplier-centric approach focused on commercial issues to address adverse human rights risks and impacts. Those limitations are derivative of many of the same problems that appear now to be the subject of our forthcoming analysis of Systembolaget's HRDD.

A. The Covid-19 pandemic impact on Systembolaget

The impacts of the Covid-19 pandemic on Systembolaget have been felt in at least three areas:

- Commercial disruptions that prevented suppliers and producers from exporting their products or meeting contract requirements, especially in the wine category.
- Delays and setbacks in producer and grower implementation of sustainability measures.
- Adverse impacts to people in the supply chain, including threats to the human rights of workers, their families, and other vulnerable stakeholders such as local communities nearby vineyards (for wine).

Commercial impacts were felt by suppliers and producers, upon whom the value chain depends:

- Export bans and changes in export and import restrictions created bottlenecks that delayed deliveries and hurt sales.
- Some suppliers face bankruptcy. Stock of some products initially ran low, while stores of some wines increased and led to a market glut and reports of price dumping, depending on availability and consumer demand.
- Increased costs resulting from lockdowns, quarantines, and safety measures.
- Inability of suppliers and producers to meet Systembolaget contract terms.
- Delayed launches and need to address risk of uncertainty in launch plans.

The Covid-19 pandemic also threatens Systembolaget's own internal sustainability objectives:



- Harm to Systembolaget's reputation and brand if sustainability not maintained.
- Inability to conduct standard audits or producer visits.
- Difficulties of transitioning to virtual vendor and supplier meetings.
- Lack of visibility into supply chain.
- Risk of suppliers and producers using Covid-19 pandemic as excuse to ignore sustainability commitments.
- Missed opportunities to lead on sustainability.

B. Human rights impact in Systembolaget's supply chain

From a human rights perspective, the actual and potential impacts of the Covid-19 pandemic on affected stakeholders have been especially troubling, because they are at once the most vulnerable and least visible component of extended supply chains.

The impacts are probable to include:

- Direct risk to workers' health from Covid-19 infection and transmission.
- Falling prices and rising costs heighten the risk of worker exploitation.
- Sudden layoffs, reduced hours, wage loss, job insecurity.
- Lack of housing or other safe shelter for vulnerable workers, notably migrant and seasonal workers, food shortage and challenges to access basic services including medical and social services.
- For those still working, increased risk of forced labour, exploitation, and degraded working conditions.
- Reduced trade union effectiveness.
- Health and safety risks to worker families may include domestic violence, alcohol abuse, access to physical and mental health resources.
- Loss of domestic and international freedom of movement of migrant and seasonal workers due to job loss and travel restrictions compounding their vulnerable situation.
- Precarious situation for migrant workers left without jobs, loss of remittances and repatriated income to families, spouses, children, dependants and communities in locations of origin, with far reaching impacts on lives and livelihoods.

C. Systembolaget response to the Covid-19 pandemic



Systembolaget's response to the Covid-19 pandemic has focused largely on the commercial threats to suppliers and producers and, to a lesser extent, on human rights impacts arising from the Covid-19 pandemic. The assumption has been that preservation of suppliers and producer's financial viability was the best way to protect workers. Efforts were made to encourage suppliers and producers to address the direct health and welfare threats to frontline workers.

Specific interventions by Systembolaget at supplier and producer level include:

- Assembling an interdepartmental task force to raise internal awareness, share information, and coordinate the efforts to respond.
- Survey of suppliers and FAQs on Covid-19 pandemic measures and changes in retail practices.
- Formal relaxation of various deadlines relating to product certification, product date, delivery (in relation to bottling and expiry dates), and sustainability platform requirements.
- Widespread but informal agreement not to exploit supply gluts to press suppliers and producers for lower prices.

Systembolaget has also indirectly attempted to address health and welfare threats to workers through its supplier and producer network, notably by disseminating guidance to suppliers on the need to maintain dialogue with unions and workers on social distancing, PPE, and sanitation. Furthermore, Systembolaget has put out guidance to suppliers to ensure timely payment of wages.

D. Evaluating Systembolaget's response from an HRDD perspective

The UNGPs provide the given framework for analysis of how Systembolaget's response to the Covid-19 pandemic meets international human rights expectations of businesses.

The second pillar of the UNGPs requires companies to meet their obligation to respect human rights by adopting appropriate policies and governance, exercising HRDD, and providing appropriate remedies.

HRDD requires of companies to: (1) identify and assess actual and potential adverse human rights impacts; (2) respond to the findings by integrating and acting upon those findings to prevent or mitigate harm; (3) track their performance by appropriate indicators; and (4) communicate with stakeholders, in particular affected stakeholders. For companies to decide how to prioritize action, they need to be able to differentiate their human rights risks based on a measure of severity that accounts for the scope, scale and irremediable nature of harm. The HRDD expected of companies should be ongoing but, notable in the context of the Covid-19



pandemic, the process must also be responsive to new circumstances that arise due to changes in their “operational context” (UNGP 17 and 18).

Our analysis of Systembolaget’s response to the Covid-19 pandemic, based on HRDD requirements, found both strengths and weaknesses.



<p style="text-align: center;">TABLE: Evaluation of Systembolaget’s response to Covid-19 pandemic related human rights impacts, from a UNGP-by-UNGP perspective</p>		
UNGP’s relevant principles on HRDD	Strengths	Weaknesses / Areas of Improvement
<p><i>UNGP 17 - General</i></p>		
<p><i>In order to identify, prevent, mitigate and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed.</i></p> <p><i>Human rights due diligence:</i> <i>(a) Should cover adverse human rights impacts that the business enterprise may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services by its business relationships;</i> <i>(b) Will vary in complexity with the size of the business enterprise, the risk of severe human rights impacts, and the nature and context of its operations;</i> <i>(c) Should be ongoing, recognizing that the human rights risks may change over time as the business enterprise’s operations and operating context evolve.</i></p>	<ul style="list-style-type: none"> • Systembolaget acted quickly to contribute to suppliers maintaining their commercial and economic survival, which is assumed to benefit workers. • Based on an ongoing internal HRDD process – for which the sustainability platform serves as the basis – Systembolaget took action based on the changing operational circumstances to identify some ongoing and potential impacts relating to human rights, mainly those relating to occupational health and job security. 	<ul style="list-style-type: none"> • The actions taken by Systembolaget to respond to the Covid-19 pandemic focused mainly on the commercial and financial viability of suppliers. • Systembolaget did focus on some human rights impacts of the Covid-19 pandemic, mainly health and job security impacts of workers. However, it didn’t assess or address broader human rights impacts that may have been implicated. For example, impacts on migrant worker families that depend on economic remittances sent by migrant workers. • Since no formal effort was conducted to identify and assess all potentially affected human rights impacts arising from the Covid-19 pandemic, it is not possible to evaluate whether Systembolaget actually through their efforts did address the most severe human rights impacts of the Covid-19 pandemic. • The efforts undertaken by Systembolaget to respond to human rights impacts during the Covid-19 pandemic were ad hoc and not fully based on the existing tools (e.g. sustainability platform) that could have allowed for a more systematic approach to a



		<p>human rights impact identification and response.</p> <ul style="list-style-type: none"> • Whilst many efforts are noted with regards to wine, limited efforts are noted with regards to beer and spirit.
<p><i>UNGP 18 - Identify and assess human rights impacts</i></p>		
<p><i>In order to gauge human rights risks, business enterprises should identify and assess any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships.</i></p> <p><i>This process should:</i></p> <p><i>(a) Draw on internal and/or independent external human rights expertise;</i></p> <p><i>(b) Involve meaningful consultation with potentially affected groups and other relevant stakeholders, as appropriate to the size of the business enterprise and the nature and context of the operation.</i></p>	<ul style="list-style-type: none"> • Appointed interdepartmental task force that met frequently to discuss the Covid-19 pandemic in supply chain and discussed impacts on workers and rights-holders, especially for wine, along with concerns over commercial impacts on suppliers. • There was continuous and active engagement of Systembolaget’s internal human rights expertise. • In-house human rights expertise staff consulted at various times during the Covid-19 pandemic with representatives of unions and sustainability organisations of which some focus on certain human rights. • Engagements with Oxfam and IUF offered some insight into working conditions and welfare. 	<ul style="list-style-type: none"> • Whilst many efforts are noted with regards to wine, limited efforts are noted with regards to beer and spirit. • Priority given to examining commercial supply chain impacts and less priority to examining human rights impacts. • Insufficient effort to identify and assess human rights impacts beyond labour rights, health and safety. • Although commendably various unions sustainability organisations were consulted, Systembolaget did not consult with additional independent external human rights expertise to assure itself that the most important issues were being identified and addressed. This would have been appropriate given the situation. • Unclear to which degree the sustainability platform that forms the basis for Systembolaget’s ongoing HRDD, updated information in light of Covid-19 pandemic specific human rights impacts. • Did not seek to gather information from, or facilitate investigation by suppliers or producers about adverse impacts on affected stakeholders.



		<ul style="list-style-type: none"> • Was not able to receive input from affected stakeholders because of lacking the network of partnerships and resources to reach out to affected stakeholders after lockdowns and travel restrictions were imposed. • Potentially missed opportunities to request more information from Oxfam on impacts relating to the Covid-19 pandemic.
<p><i>UNGP 19 - Respond to impacts and integrate findings</i></p>		
<p><i>In order to prevent and mitigate adverse human rights impacts, business enterprises should integrate the findings from their impact assessments across relevant internal functions and processes, and take appropriate action.</i></p> <p><i>(a) Effective integration requires that: (i) Responsibility for addressing such impacts is assigned to the appropriate level and function within the business enterprise;</i> <i>(ii) Internal decision-making, budget allocations and oversight processes enable effective responses to such impacts.</i></p> <p><i>(b) Appropriate action will vary according to: (i) Whether the business enterprise causes or contributes to an adverse impact, or whether it is involved solely because the impact is directly linked to its operations, products or services by a business relationship; (ii) The extent of</i></p>	<ul style="list-style-type: none"> • Task force had a formal mandate to support the suppliers during the Covid-19 pandemic. • Guidance was put out to suppliers on how to manage health concerns (e.g., social distancing, PPE, clean water sanitation) and inquire about worker job security and payment of wages. The guidance was largely drawn from recommendations by unions possessing industry specific labour rights expertise. • Efforts to facilitate and accommodate the needs of suppliers, such as relaxing requirements on deliveries in relation to bottling and expiry dates. The assumption for doing this was that this would support the suppliers to survive financially, and that this would have a positive knock-on effect on workers' situation. • Widespread but informal decision to not press prices or 	<ul style="list-style-type: none"> • Whilst many efforts are noted with regards to wine, limited efforts are noted with regards to beer or spirit. • Task force was not formally and explicitly mandated, resourced, or focused on enabling effective responses to the human rights impacts. • Seemingly disproportionate focus on addressing the financial and commercial impacts on suppliers, with less focus on enabling effective responses to human rights impacts. • No clear strategy on how to attempt to use leverage over business partners to respond to the most severe risks. Leverage could for example have been effectively increased and utilised by joining efforts with other Nordic state alcohol monopolies. • No financial or information resources targeted directly to affected stakeholders. • Did not formalize decision to not press prices and to not take



<p><i>its leverage in addressing the adverse impact.</i></p>	<p>take advantage of price squeeze opportunities because of the over-availability of wine.</p>	<p>advantage of price squeeze opportunities because of the availability of wine, as may have been appropriate to ensure consistent action across the organisation.</p>
<p>UNGP 20 - Track performance</p>		
<p><i>In order to verify whether adverse human rights impacts are being addressed, business enterprises should track the effectiveness of their response. Tracking should:</i> <i>(a) Be based on appropriate qualitative and quantitative indicators;</i> <i>(b) Draw on feedback from both internal and external sources, including affected stakeholders.</i></p>	<ul style="list-style-type: none"> • In-house human rights expertise staff consulted various times during the Covid-19 pandemic with representatives of unions and sustainability organisations of which some work with certain human rights. • Continued development and implementation of sustainability platform that encompasses follow up on labour risks, however it is unclear if this also addressed specific Covid-19-related impacts. 	<ul style="list-style-type: none"> • Although there was an ongoing dialogue with unions and sustainability organisations, there was no formal or informal tracking of performance of specific Covid-19-related human rights impacts. • The sustainability platform, while allowing for some tracking of human rights performance, was not modified or updated for specific use in tracking performance of specific or aggravated Covid-19-related impacts to people. • Didn't make efforts to (or was not capable of) examine whether the actions taken were actually also giving benefits to people or mitigating harm to people.
<p>UNGP 21 - Communicate</p>		
<p><i>In order to account for how they address their human rights impacts, business enterprises should be prepared to communicate this externally, particularly when concerns are raised by or on behalf of affected stakeholders. Business enterprises whose operations or operating contexts pose risks of severe human rights</i></p>	<ul style="list-style-type: none"> • In-house human rights expertise staff communicated and consulted various times during the Covid-19 pandemic with representatives of unions and sustainability organisations of which some work with certain human rights. • Commitment and plan to communicate in annual report on Covid-19 pandemic human 	<ul style="list-style-type: none"> • Limited external communication on how Systembolaget has addressed Covid-19 pandemic related human rights impacts in the supply chain. • Very limited ability to communicate with affected stakeholders directly.



<p><i>impacts should report formally on how they address them.</i></p> <p><i>In all instances, communications should:</i></p> <p><i>(a) Be of a form and frequency that reflect an enterprise's human rights impacts and that are accessible to its intended audiences;</i></p> <p><i>(b) Provide information that is sufficient to evaluate the adequacy of an enterprise's response to the particular human rights impact involved;</i></p> <p><i>(c) In turn not pose risks to affected stakeholders, personnel or to legitimate requirements of commercial confidentiality.</i></p>	<p>rights impacts on supply chain.</p> <ul style="list-style-type: none"> • Proactive communication with suppliers and business partners, e.g. providing guidance materials. 	<p><i>With regards to engagement of affected stakeholders in the HRDD process, see each previous HRDD-steps.</i></p>
---	---	--



V. Evaluation of human rights due diligence

A. UN Guiding Principles on Business and Human Rights

The second pillar of UNGPs – the corporate responsibility to respect human rights - requires Systembolaget to meet its obligation by adopting appropriate policies and governance, demonstrate respect by exercising an appropriate level of HRDD, and providing appropriate remedies.

A detailed listing of the UNGPs relevant principles to the corporate responsibility to respect human rights is set forth in Section 5.1 of 2019 Report and so is not repeated here.

The UNGPs outline three core elements of the responsibility to respect:

- Policy commitment & embedding into the organisation
- HRDD
- Remediation

Although a policy review is not within the scope of our current work, we have taken note of two areas where policy commitments could be clarified:

- a) Systembolaget continues to use the Code of Conduct (CoC) developed by the amfori Business Social Compliance Initiative (BSCI) as the basis for its own CoC, with which suppliers are required to agree and comply. The BSCI CoC leans heavily on a labour rights focus and still needs to be specially adapted for use to address all human rights issues relevant in the alcohol beverage industry. Systembolaget may wish to revisit and expand its CoC consistent with the other recommendations presented in this updated report to ensure it embeds a requirement to address all human rights in the supply chain.
- b) Some buyers interviewed for this report voiced confusion over the application of Systembolaget's brand neutrality and non-discrimination policy to human rights. Those buyers were unsure if they can or should apply human rights standards to all producers irrespective of their size, since larger producers are better equipped to address systemic problems (e.g., living conditions of seasonal workers or the use of labour brokers). Systembolaget should clarify that the expectation that all human rights will be respected applies to all producers and growers, even if the scope of their own responsibilities varies by size or available resources.

HRDD includes the following four steps:

- Identify and assess actual and potential impacts
- Integrate and act upon the findings



- Track and monitor company performance in addressing adverse human rights impacts
- Communicating how impacts are being addressed.

Engaging with stakeholders, in particular the ones adversely affected, is core to each of the HRDD steps. The HRDD envisioned by the UNGPs is not a static, momentary or rote exercise. By requiring that HRDD must account for changes in Systembolaget's "operational context," the UNGPs obligate it to revisit and update its HRDD process on an ongoing business and whenever necessary to adjust to new circumstances, whether due to internal changes in operations or to external events (such as the Covid-19 pandemic).

The UNGPs do not prescribe a predetermined or one-size-fits-all approach to conducting HRDD. The UNGPs anticipate that the due diligence required of companies will vary according to the organization's size, operational context, and the extent to which actual or potential adverse human rights impacts are caused by, contributed to, or directly linked to its business activities.

While the exact boundaries between business activities that "cause or contribute to" harm and those to which a firm is only "directly linked" by its relationships are not always clear, they are helpful in clarifying Systembolaget's human rights responsibilities. Knowing what linkage Systembolaget has to an impact, will assist in determining what action is expected. Systembolaget will merit in more carefully seeking to understand the typical types of associations it may have with different forms of salient impacts, and in which instances failure to act may amount to contribution to human rights harm in the supply chain. To begin this conversation, we offer some reflections on this in the following section.

The core of Systembolaget's HRDD is their new platform, the Platform, which debuted in the latter half of 2019.

To date, the Platform extends only to the fixed assortment, but Systembolaget plans to roll out it for both the online selection and special orders during 2021.

As noted above, after supply chain mapping and collection of baseline supplier data, the Platform applies a four-step risk analysis, beginning with a country/commodity risk screening developed in conjunction with Maplecroft.

While useful, however, the Maplecroft index used by Systembolaget may not comprehend all relevant human rights risks. First, the index is periodically updated, but not on an ongoing or real-time basis. For that reason, it may not account for sudden or emergent national or sector-specific shifts in human rights conditions. Second, the Maplecroft review used by Systembolaget remains largely based on a series of labour issues (e.g., forced labour, occupational health and safety, decent wages and working time) and environmental risks (e.g., water quality and stress) but is not always matched to internationally recognized human rights standards. Whilst the used indices do pick up various human rights impacts, there is a need to map the impact as compared to all universally recognized human rights.



Similarly, the Intertek certification benchmark scoring system is heavily dependent on a labour rights analysis. For example, the right of freedom of association and expression is limited to unionization; environmental factors used as indicators of clean water and healthy soils focus on technical standards for pesticide concentration and emissions, but for humans' water use or access. Again, the certification benchmark serves as a useful tool, but it does not account for a complete human rights perspective.

The third step in the risk analysis requires producers and growers whose products are at risk but lack certification to respond to a Supplier Assurance Questionnaire (SAQ) and submit proof of both a policy and a plan to address residual issues. The policy and plan are taken at face value; Systembolaget does not independently evaluate the “policy and plan” or check to see if it has been implemented or to what degree it is enforced.

At present, the risk assessment does not rely on input from purchasers or continuous, updated field data from civil society. Even if only anecdotal or unverified, real-time field data could supplement the Maplecroft index to assure that all current human rights risks and impacts are being considered.

B. Integration and taking action

The second step in a UNGP-compliant HRDD requires firms to integrate the findings of their risk assessment and take appropriate action.

The risk assessment process and follow-up by the Systembolaget Sustainability team on residual risks is a substantial step forward.

Systembolaget does not, however, have any established protocol to address intransigent producers or growers or scheme to sanction them in the event of ongoing failure to address risks. Such a needed protocol should be formalized, both as a means to incentivize conduct and to define internal accountability and controls over human rights risk management. It should also contain delisting, as a last resort. None of Systembolaget employees interviewed for this report could recall an instance where a producer or grower was sanctioned by delisting for its failure to address human rights concerns raised in the risk analysis (other than for a complete lack of response or interest). Having said this, delisting should be seen as a last resort. A more effective strategy could include interim milestones attached to performance targets to incentivize producers to change their behavior. For example, if a producer has a record of repeating a specific type of defaults, then it could be given a grace period to reform by demonstrating a reduced incidence by a certain date, with more intensive support and follow-up by Systembolaget. Noting in this context, also, that the level of severity of the impact will determine the urgency of those efforts.



As it stands now, the HRDD process is owned and conducted exclusively by the Sustainability team. As a result, neither the assortment process nor product tenders and launches explicitly consider or incorporate human rights standards.

Systembolaget lacks defined targets for inclusion of human rights in assortment or purchasing that could drive continuous improvement. For example, Systembolaget has not established targets for the percentage of supplier contracts that meet human rights relevant certifications or that fall below severity thresholds in its risk analysis.

With respect to pricing, the Oxfam draft report observes that the labour costs are not explicitly considered in setting tender prices. While true, direct intervention in pricing would currently and at least on a short-term basis be a formidable challenge e.g. given the limited time and competence of buyers in evaluating the fairness of wages, the difficulty of isolating price components during negotiations, and difficulties in independently enforcing fair wage commitments. Systembolaget may wish to set graduated targets for suppliers and producers to meet a broad range of procedural commitments to avoid labour violations, including, for example, meeting certification standards (where available), the number of union and civil society site visits permitted, verified union representation, step wise progress to providing a living wage to workers, etc. Systembolaget should consider other leading indicators of human rights performance and fair wage compliance, such as producer commitments to healthy food initiatives, or lagging indicators, such as mechanized harvesting.

Systembolaget's supplier interfaces continue to send conflicting messages about Systembolaget's human rights approach. While some webpages in the supplier portal continue to emphasize that Systembolaget focuses on high-risk countries, others indicate that all suppliers will be subject to human rights risk assessment irrespective of geography or product sector.

C. Tracking and monitoring

In the wine supply chain, monitoring actual human rights performance has yet to be formalized outside of the Platform. Systembolaget for obvious reasons does not have local representation nor local networks to effectively enable dialogue with affected stakeholders beyond producer site visits and periodic audits. As a result, the extent to which Systembolaget is able to monitor ongoing human rights performance at the farm or factory level remains extremely limited. Systembolaget's lack of visibility into those extended tiers of the supply chain became apparent during the Covid-19 pandemic when lockdowns and travel restrictions prevented buyers or auditors from visiting vineyards or meeting with producers.

In contrast to the tight vertical integration of the wine supply chain, where growers and producers are often known to each other and to Systembolaget buyers, the beer and spirits supply chains are more attenuated and have multiple commodity pooling and transformation points. For example, sugar cane and agave from many different farms are usually commingled after harvest, then are further refined and distilled into the constituents of beer or distilled



spirits. Within Systembolaget, the attitude prevails that Systembolaget lacks the means or ability to trace the provenance of products beyond those points. Consequently, no effort is made to track or monitor human rights performance of growers or producers at any earlier or intermediary stage.

D. Stakeholder (communication and) engagement

The fourth step required in HRDD is communication including with affected stakeholders. Stakeholder *engagement* (which, by definition, is broader than only communication) is both a proactive and reactive process. Engagement is both a crucial source of data on the human rights conditions experienced by adversely affected stakeholders and the means to build legitimacy by involving them in remedying any adverse impacts. In this section, we discuss stakeholder engagement – that runs throughout the entire HRDD process. We discuss stakeholder communication in more detail further down.

At Systembolaget, engagement with affected stakeholders in the supply chain, especially with migrant labour and other vulnerable groups, takes place on an incomplete, *ad hoc basis* through separate discrete channels.

The Platform itself does not contain or elaborate any process for engaging directly with stakeholders. Even where the risk analysis discloses failures to address urgent human rights risk, follow-up is focused on actions Systembolaget may take with respect to producers and growers.

Several buyers interviewed for our report showed a keen awareness of the possibilities for human rights infringements in the supply chains for their respective product categories, especially impacts relating to worker exploitation, poor housing, unpaid or substandard wages, and job insecurity. The extent of awareness, however, was largely dependent on the length of tenure; veteran buyers with more field experience and long-term relationships with producers and growers indicated they were better informed and able to address potential labour issues, while newer buyers did not.

Many of the buyers interviewed for this report also stated that they did not have the time or capacity to address labour rights or other actual or potential human rights impacts during producer visits. In most cases, those visits last half a day or less, leaving little or no time for discussion of working conditions or other human rights issues after contract management and quality assurance. At present, the buyers have limited capacity to conduct HRDD in addition to their quality assurance and contract management responsibilities. Systembolaget may wish to develop that capacity without supplanting the core responsibility of the sustainability team, but an alternative approach would rely on buyers to use their site access to permit outside organizations already having human rights expertise to conduct site visits and gather relevant field data.



Engagement with stakeholders do also take place through audits. Furthermore, Systembolaget internal human rights experts are in recurring dialogues with civil society representatives and unions.

A recent example demonstrates how Systembolaget might bolster its stakeholder engagement efforts within its existing budget and resource constraints. Systembolaget recently partnered with the South African representatives of the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF), a global federation of food and agricultural unions, to address human rights infringements affecting vineyard workers and seasonal labourers. The IUF should be able to alert Systembolaget to threats to union organizers and exploitation of seasonal and migrant workers by unscrupulous labour brokers and provide Systembolaget with opportunities to intervene directly with offending producers or growers. Systembolaget could aid IUFs (or other similar organisation) efforts to protect worker rights, for example, by insisting contractually that the IUF gain the same or similar access to producer facilities and vineyards that Systembolaget buyers enjoy. This is because aside from unionization, IUF and similar union organizers and researchers are trained to identify human rights violations in the national and industry context in which they work, and may therefore provide a valuable resource.



TABLE:
Evaluation of Systembolaget’s HRDD processes from a UNGP-by-UNGP perspective

UNGPs relevant principles on HRDD	Strengths	Weaknesses / Areas of Improvement
<i>UNGP 17 - General</i>		
<p><i>In order to identify, prevent, mitigate and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed.</i></p> <p><i>Human rights due diligence:</i> <i>(a) Should cover adverse human rights impacts that the business enterprise may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services by its business relationships;</i> <i>(b) Will vary in complexity with the size of the business enterprise, the risk of severe human rights impacts, and the nature and context of its operations;</i> <i>(c) Should be ongoing, recognizing that the human rights risks may change over time as</i></p>	<ul style="list-style-type: none"> • Has a HRDD process in place for fixed assortment. • The Platform requires suppliers in fixed assortment to map complete value chain. • Fixed assortment supply chains now digitally mapped. • The Platform calibrates risk based on impact severity. • Broad institutional awareness of the need for HRDD throughout the business functions, including assortment, purchasing and sustainability. • Risk analysis for wine supply chains extends to producer and grower level. • Broad inclusive consideration of labour rights. • Nascent partnerships to assess impacts and risk with Oxfam and IUF. • Cooperation with other Nordic alcohol monopolies on risk assessment. 	<ul style="list-style-type: none"> • Disproportionate focus on labour rights; HRDD risk analysis contains gaps due to incomplete consideration of other human rights concerns, beyond labour. • Country/commodity risk and certification indicators replicate those blind spots. • Potentially, the failure to include human rights criteria in assortment strategy and tenders could lead to contribution to adverse human rights impacts. • Risk analysis for beer and most spirits supply chains less in focus as compared to wine, and typically stops at transformation nodes. • Diminished awareness of need for HRDD for beer, cider and spirits product categories. • Due to competition laws, partnerships with Nordic alcohol monopolies do not include joint action or exercise leverage over suppliers or producers. • Interpretation by purchasing and contract management functions that brand neutrality

<p><i>the business enterprise's operations and operating context evolve.</i></p>	<ul style="list-style-type: none"> • Risk analysis is ongoing for regular assortment with periodic update of indicator sets. 	<p>and non-discrimination policy inhibits application of human rights standards.</p> <ul style="list-style-type: none"> • Covid-19 pandemic illustrates the inability of the HRDD to respond to changes in the operating context.
<p><i>UNGP 18 - Identify and assess human rights impacts</i></p>		
<p><i>In order to gauge human rights risks, business enterprises should identify and assess any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships. This process should:</i></p> <p><i>(a) Draw on internal and/or independent external human rights expertise;</i></p> <p><i>(b) Involve meaningful consultation with potentially affected groups and other relevant stakeholders, as appropriate to the size of the business enterprise and the nature and context of the operation.</i></p>	<ul style="list-style-type: none"> • Assessment encompasses both actual and potential adverse impacts within scope of covered human rights risks. • Continuous and active engagement of internal human rights expertise in HRDD. • Limited but growing consultation with external human rights expertise (Oxfam, IUF and Enact). • Seeking and receiving certain information on affected stakeholders' situation through indirect consultation with unions and civil society representatives, although no direct consultation with affected stakeholders. • Before the Covid-19 pandemic, they conducted regular producer visits and periodic audits. 	<ul style="list-style-type: none"> • Country/commodity risk scores and certification benchmark scoring system omit consideration of broader human rights dimensions of labour rights. • Impact assessment does not consider direct contribution to potential impacts through assortment strategy and purchasing decisions. • Risk assessment and analysis lacks targets to drive continuous improvement. • No formal or systematic process for including external human rights expertise to assess high risk or complex dilemmas, such as a regular stakeholder engagement panel or clear guidelines on when to seek outside support. • Lacking meaningful or sustained consultation with potentially affected groups and other relevant stakeholders. • Insufficient effort to identify and assess human rights impacts for beer and spirits, especially before transformation points. • Identification of impacts (mostly for wine) continues to focus on country risk, leading to

		<p>omission of potentially severe impacts in countries deemed to be at low risk.</p> <ul style="list-style-type: none"> • Oxfam HRIA limited by lack of access to or consultation with a broader range of affected stakeholders, and assessment appear to not have included consideration of all potential human rights impacts (noting that we reviewed the draft).
<p><i>UNGP 19 – Respond to impacts and integrate findings</i></p>		
<p><i>In order to prevent and mitigate adverse human rights impacts, business enterprises should integrate the findings from their impact assessments across relevant internal functions and processes, and take appropriate action.</i></p> <p><i>(a) Effective integration requires that:</i></p> <p><i>(i) Responsibility for addressing such impacts is assigned to the appropriate level and function within the business enterprise;</i></p> <p><i>(ii) Internal decision-making, budget allocations and oversight processes enable effective responses to such impacts.</i></p> <p><i>(b) Appropriate action will vary according to: (i) Whether the business enterprise causes or contributes to an adverse impact, or whether it is involved solely because the impact is directly linked to its operations, products or services by a business</i></p>	<ul style="list-style-type: none"> • Formal internal human rights mandate, assignment of responsibility and allocation of limited resources to address certain adverse human rights impacts. • Availability of potential sanctions against noncompliant producers and growers (e.g., delisting) though never used. • Willingness to develop an approach to take action to respond to identified risks and impacts. • General Purchasing Terms and Conditions incorporate amfori BSCI Code of Conduct to expand consideration of adverse impacts down to producer and grower level. 	<ul style="list-style-type: none"> • No integration of human rights into the assortment process or the tender process, no targets to drive continuous improvement. • Inconsistent messaging to suppliers about human rights relevance and importance. • Absence of defined protocol or accountability for taking action to respond to identified risks based on severity of impact. • No clear strategy on how to exercise leverage, either individually or jointly with Nordic monopoly partners, over suppliers, producers or growers to respond to at least the most severe risks. • No financial or information resources targeted directly to affected stakeholders. • Amfori BSCI focuses on pre-determined issues, including some human rights but not all.

<p><i>relationship; (ii) The extent of its leverage in addressing the adverse impact.</i></p>		
<p><i>UNGP 20 – Track performance</i></p>		
<p><i>In order to verify whether adverse human rights impacts are being addressed, business enterprises should track the effectiveness of their response. Tracking should:</i></p> <p><i>(a) Be based on appropriate qualitative and quantitative indicators;</i></p> <p><i>(b) Draw on feedback from both internal and external sources, including affected stakeholders.</i></p>	<ul style="list-style-type: none"> • Various efforts to follow up on sustainability commitments from suppliers, such as third-party audits based on Code of Conduct. • Conducts third party audits and producer visits in response to selected sustainability risks or incidents. • Risk analysis tool offers potential to track performance of human rights performance. • Country/commodity and certification scoring systems offer potential to track supplier, producer and grower performance over time. • Risk analysis results now digitally tabulated and mapped using World Favor, replacing Excel spreadsheets. 	<ul style="list-style-type: none"> • Whilst there are various efforts to follow up on producer and grower sustainability commitments, these appear to be siloed and not all of them connect with the platform. In practice, therefore the HRDD function hosted by the platform is not performing the function of monitoring performance over time for the purposes of tracking effectiveness of their response (such as audits or other information gained via interactions with producers or suppliers) to human rights impacts. • Risk scoring systems are not tracked or used as targets for continuous improvement.

UNGP 21 – Communicate with stakeholders²

In order to account for how they address their human rights impacts, business enterprises should be prepared to communicate this externally, particularly when concerns are raised by or on behalf of affected stakeholders. Business enterprises whose operations or operating contexts pose risks of severe human rights impacts should report formally on how they address them.

In all instances, communications should: (a) Be of a form and frequency that reflect an enterprise’s human rights impacts and that are accessible to its intended audiences; (b) Provide information that is sufficient to evaluate the adequacy of an enterprise’s response to the particular human rights impact involved; (c) In turn not pose risks to affected stakeholders, personnel or to legitimate requirements of commercial confidentiality.

- Extensive communication on human rights in annual report, including transparent communication about some impacts and risks.
- Oxfam and IUF partnerships have involved limited direct consultation with affected stakeholders.
- MOU with IUF to assist in whistleblower cases and grievance proceedings.

- No formal structure in place to engage directly with affected stakeholders.
- Follow up on severe human rights impacts focuses on producers and growers without necessarily involving stakeholder engagement.
- Systembolaget’s buyers are challenged to address human rights issues due to lack of capacity and time during site visits.
- Except for Oxfam and IUF, no partnerships with local human rights organizations or civil society to engage stakeholders.
- Missed opportunities to leverage producer and grower visits to facilitate union representative and civil society access to stakeholders.
- Limited or no efforts to communicate results or human rights risk analysis or remedial options to affected stakeholders.

With regards to more information on engagement of affected stakeholders in the HRDD process, see each previous HRDD-steps.

² Whilst UNGP 21 covers communication, engagement is required throughout the entire HRDD process. We remark here also on certain aspects relating to engagement. Further remarks on engagement can be found above, in commentaries to UNGP 17-20.

VI. Recommendations

Based on our evaluation, we have grouped our recommendations into the four core UNGPs requirements for effective HRDD. Various if not all of these recommended actions underscore the importance of embedding human rights into the organisation, and the recommendations also therefore suggest areas where embedding is crucial – to allow for a complete HRDD.

A. Risk identification and assessment

- Systembolaget should ensure that all human rights impacts, notably beyond labour rights are **continuously assessed** through the Platform and other tools, to avoid blind spots. This is particularly important in high-risk contexts and when purchasing from new countries, or including a new product in the assortment. To achieve this, in particular, Systembolaget should map the indicators used in both the Maplecroft country/commodity index and Intertek certification benchmark to internationally recognized human rights standards, both to ensure coverage of all relevant human rights and to highlight the broader human rights dimensions of labour, social, and environmental impacts. Any substantial gaps should be identified and addressed. Once mapping is complete, the Maplecroft and Intertek indicator sets should be brought into full alignment with each other.
- Given the primary use of the index and benchmarking screenings and how rapidly the human rights situation can change in certain operating environments, Systembolaget should augment its use of those tools with **additional data research and input** from other authoritative sources and stakeholder engagement efforts.
- Systembolaget should examine and assess actual and potential human rights impacts in its extended supply chains for **beer and spirits**, irrespective of commodity pooling and transformation nodes. (The challenges those supply chains pose for traceability and effective action are addressed below.)
- Systembolaget should build or **strengthen relationships** with unions and civil society to provide better insight and visibility into field conditions in the supply chain. This is particularly important in high-risk contexts and when purchasing from new countries, or including a new product in the assortment.

B. Integration and acting upon findings



- Both the assortment and purchasing functions should adopt and apply specific human rights **criteria** in determining assortment strategy, selecting specific products, and preparing launch plans and contract tenders.
- Systembolaget should formally define the role it expects its **buyers** to play in obtaining human rights assurances and in securing access for trade unions or other partners possessing specific human rights expertise to producer facilities, farms and vineyards.
- Systembolaget should **use its leverage** with producers and growers across all product categories to address human rights as possible, notably ensure access by union representatives and civil society organizations to production facilities, farms and vineyards.
- Systembolaget should develop a specific **protocol of graduated responses** and sanctions for producers or growers who fail to address urgent or severe human rights risks following the risk analysis and should share that protocol with suppliers for further dissemination to all producers and growers.
- Systembolaget should undertake a comprehensive revision of its various **supplier portals** to ensure consistent messaging on human rights. All supplier FAQ websites and supplier informational documents should emphasize to suppliers that all producers and growers are expected to account for human rights across all regions and product categories and will face sanctions for non-compliance.
- The **General Terms and Conditions** of all tenders and contracts should incorporate specific human rights commitments and targets for continued future inclusion in the product assortment.

C. Tracking and monitoring

- Systembolaget should develop graduated, numerical human rights **targets** / indicators to drive continuous improvement both internally (for assortment and contracting selection) and externally (e.g. for suppliers). Regarding the external ones, Systembolaget should adopt specific targets (qualitative and quantitative) for human rights performance and periodically grade suppliers, producers and growers on their progress in meeting those targets.
- The “policy plus plan” **SAQ** responses provided by producers and growers facing urgent residual human rights risks should be scrutinized and verified,



either through spot audits of document submissions and/or civil society partners and union affiliates following up.

- Systembolaget should explore the potential to adopt lot **traceability** in concert with for example other Nordic state alcohol retail monopolies and the private sector to establish a baseline for human rights in the beer and spirits categories and gauge future progress.

D. Stakeholder engagement and communication

- Systembolaget should partner with *inter alia* other Nordic country state monopolies to develop a broad, **unified platform** for outreach to affected stakeholders, such as migrant workers and their families.
- Systembolaget should replicate the success of its recent initiative with the IUF by reaching out to other regional trade union representatives, civil society organizations, and government watchdog groups to expand both field monitoring and participation in grievance proceedings relating to actual or potential human rights violations.

