

# Social responsibility in procurement

Code of conduct for suppliers



# Sustainable procurement with joint strength

## Common code of conduct for suppliers

Since 2006, Stockholm County Council, Skåne Regional Council and Region Västra Götaland have been working together to promote social responsibility in procurement. The aim is to put pressure on our common suppliers to work actively on the environment and social responsibility in connection with the production of the articles they supply to us.

Our work has resulted in our three organisations now having a common code of conduct and follow-up model for suppliers.

Together we procure goods and services to a value of around SEK 65 billion per annum. On the basis of the common code of conduct, these purchases can contribute to more sustainable production and consumption via requirements for the environment and human rights. We are convinced that more sustainable procurement will also have a positive impact on our finances in the long term.

## Extended cooperation throughout Sweden

As from 2010, all county councils and regions in Sweden are welcome to join us in our work. As we share many of the same suppliers, we see great potential to work on procurement and purchasing in the same way throughout the country. The aim is for all county councils and regions to set social requirements in the same way and to share our follow-up results.

The county councils and regions in Sweden are primarily the principal authorities for health care, and also for public transport and sustainable growth in their respective regions. When all county councils and regions are involved in this work, it will involve procurement of goods and services to a value of SEK 120 billion.

What does the law say?

The Swedish Public Procurement Act states that

*“A procurement authority may set specific social, environmental and other conditions for how a contract is to be performed.”*

# Our purchases – tools for achieving sustainable development

## Economic, ecological and social development

Sustainable development, which has been defined by, among others, the Brundtland Report (1987), has three elements; economic, ecological and social development. The aim of sustainable development is to improve living standards for human beings, while using natural resources in such a way that we can leave our children and grandchildren a world that is in balance.

When we conduct our procurements and purchases of goods for our organisations, we now have working methods that contribute to achieving sustainable development. Contributing to *social development* via purchases means working to ensure that fundamental human rights and working conditions are met in the production of goods and services. *Ecological development* means working to limit impact on the climate and the spread of chemicals and for efficient use of resources. *Economic development* means doing good business that provides long-term growth with suppliers who have control over the chain of production.

By setting the requirements contained in our code of conduct and by setting specific environmental requirements in our procurements, we contribute to sustainable development via sustainable procurement.

## WHAT DO THE UN AND OTHER ORGANISATIONS SAY?

A number of international conventions and agreements deal with social responsibility, for example the UN Universal Declaration of Human Rights, the UN Global Compact, ILO conventions, OECD guidelines for multinational companies and Agenda 21. Read more on page 14.

The future ISO 26000 standard will provide guidance to organisations that want to work on social responsibility.



## SUSTAINABLE DEVELOPMENT VIA PURCHASES:

Sweden

### Economic development comprises

- Sustainable consumption and production patterns
- Influence by the county councils/regions and responsibility by the suppliers
- Long-term growth

### Ecological development comprises

- Limit impact on the climate
- Reduce use of chemicals
- Efficient use of energy and resources

Pakistan

India

Bangladesh

Thailand

China

Malaysia

### Social development comprises

- Human rights
- No child labour
- No forced labour
- No discrimination
- Pay and working hours
- Freedom of association and the right to organise
- Health and safety

# Five product categories are particularly important

## Difference between manufacturers and wholesalers

In respect of social and ethical conditions in production, our risk analysis highlights five product categories which it is particularly important to follow up. The products in these areas primarily come from companies with suppliers in southern and eastern Asia. See the table on page 7.

Our analysis shows that companies that manufacture their own products usually have better control and sometimes also their own codes of conduct. On the other hand, wholesale companies with many subcontractors have poor control down the chain. Nor do they have any explicit or documented routines for social responsibility. These companies need to work actively to ensure that the requirements in the code of conduct are met.

In 2010, the priority areas will be extended to include pharmaceuticals and IT. In-depth risk analyses will be performed in these areas during the year.



### Instruments and stainless medical products

Pakistan

48,000 pairs of scissors p.a.

### Operation products, disposable

Thailand, Malaysia

760,000 knives and knife blades p.a.

### Gloves

Thailand, Malaysia

140 million gloves p.a.

### Dressings

China

16 million dressings p.a.

### Textiles

India, Pakistan, Bangladesh

172,000 small and large towels

Every year, the health care services in Stockholm County Council, Skåne Regional Council and Region Västra Götaland use 16 million dressings, 140 million gloves, 24 million syringes and 48,000 pairs of scissors.

# Follow-up on the code of conduct – from paper to practice

## Effective follow-up model

Since 2009, we have been working with a follow-up model for our code of conduct. The model ensures that follow-up takes place in a professional, transparent and effective manner. Follow-up must take place at least once during the term of the contract for our priority procurement areas.

## Six steps to better procurement

When we sign a contract, the supplier also undertakes to comply with our code of conduct. The supplier is responsible for complying with the code and is expected to have good monitoring routines and actively follow up on compliance with the code. The role of the county council/region is primarily to check that suppliers have good monitoring routines. In some cases, audits on production are carried out as well.

### 1 *Dialogue with suppliers*

At least once a year, existing and potential suppliers are invited to meetings to receive information on the code of conduct and to have the opportunity to discuss it. This generates a dialogue on what is required to comply with the code and how the supplier's work can be improved.

The fundamental requirements are that suppliers should prepare and work in a structured manner on the following:

- Risk analysis: where in the chain of production are there risks of irregularities?
- Code of conduct: use your own or that of the county council/region
- Plan: how the chain of production and your own subcontractors are monitored and how staff are informed about the work on social responsibility
- Audit: how often are visits made, how do you check that suppliers are checking their subcontractors?
- Improvements: a plan for the improvements that are to be implemented

### 2 *Code of conduct*

In the priority procurements, the code of conduct must be observed. This means that the goods supplied must be made under conditions that are compatible with the requirements in the code of conduct. The supplier must be able to show, on demand, that these requirements are being met. If there is any reason to believe that the requirements are not being met, the supplier must conduct an investigation to show that the requirements are being met. If they are not being met, action must be taken. In serious cases, the contract may be terminated.



### 3 *Follow-up form*

To follow up on the code of conduct, a self-assessment form is sent out to all suppliers under the contract to be followed up. The responses are assessed with the primary focus on whether the supplier has performed a risk analysis, has its own code of conduct, how the requirements in the code are met, dialogue with subcontractors and whether the supplier has a structured plan for its continued work in this area.

### 4 *Detailed follow-up*

On the basis of the responses in the follow-up form, more detailed follow-up takes place. This may involve one or more parts; a request for remedial action, meetings with suppliers and a decision on an audit at the manufacturer.

### 5 *Audit at the manufacturer*

If the audit shows that there are irregularities in production, the supplier must change its working methods for social work via an action plan. In certain cases, a decision may be made to conduct spot checks in production.

### 6 *Feedback to suppliers*

All suppliers are invited to a seminar to go through the results of the audit and any action required.

# Our requirements have an impact!

## This is where our patient clothes are made

In 2009, representatives of Stockholm County Council, Skåne Regional Council and Region Västra Götaland visited Tirupur. Tirupur, in the southern part of India, is a city dominated by textile production. Most of the patient clothes we buy for hospitals are made here.

The visit allowed several conclusions to be drawn. It is completely obvious that the requirements we set in our procurements have a major impact on both people and the environment. This encourages us to continue.

### *Important experience for our continued work*

- It is important for follow-up to extend far down the chain of production. For patient clothes this means following production right down to the dye works.
- We must strive for living wages rather than minimum wages. In some countries it is not possible to live on the statutory minimum wage.
- Setting environmental requirements is also very important from a social point of view, particularly in low pay countries. How chemicals are handled and which chemicals are handled directly affects those who work in production.
- The better we plan our orders in advance, the better the conditions for the staff, for example reduced overtime.
- One challenge is to set the right requirements for those who conduct our production audits. It can be difficult to find the right balance between social requirements and what is accepted in different cultures.

As our experience from India shows that the worst problems are often further down the chain of production, we have carried out in-depth risk analyses for our other product categories: operation products, gloves, dressings and instruments and stainless medical products. Our suppliers are often Swedish companies with subcontractors abroad. Therefore, we have to take one or more steps backwards in the chain of production and check that our suppliers' subcontractors meet the requirements. How far we go varies in the different product categories but we do not only check our suppliers in any category.



*Factory visit, Tirupur, India, 2009*



*Factory visit, Tirupur, India, 2009*

**Tirupur is one of India's textile cities. Many well-known brands of clothes are made here, plus patient clothes for hospitals in Stockholm, Skåne and Västra Götaland.**



*Factory visit, Tirupur, India, 2009*

### HOW SHOULD WE PROCEED?

In 2010, we enter phase 3 of the code of conduct for suppliers project. The project creates the basis for all county councils and regions in Sweden to work on social responsibility via a common code of conduct.



*Water purification plant in Tirupur, India, 2009*

# Code of conduct for suppliers to Stockholm County Council, Skåne Regional Council and Region Västra Götaland

Our suppliers (contract partners) shall respect the fundamental social demands in their business. Products delivered to the county council/region must be manufactured in conditions in accordance with:

- ILO eight fundamental conventions – numbers 29, 87, 98, 100, 105, 111, 138 and 182
- UN Convention on the Rights of the Child, article 32
- All work-related health and safety legislation in the manufacturing country
- The labour law, including legislation on minimum wage and the relevant social security insurance, in the manufacturing country

## Human rights

The supplier shall respect human rights as defined by the United Nations.

## Principles and rights at work

### *National legislation*

The legislation for the country in which the supplier is active shall always be followed and defines the minimum requirements for labour conditions. If the national legislation places higher demands than those of the ILO conventions, or the UN Universal Declaration of Human Rights, then the national legislation must be followed.

### *The abolition of child labour (ILO 138 and 182)*

Child labour, as defined by the ILO convention, is not permitted. If child labour does exist then the supplier company is responsible for the development of socially and economically sustainable alternatives to child labour (for example education).

### *The elimination of forced labour (ILO 29 and 105)*

The use of forced or compulsory labour is not accepted.

### *The elimination of discrimination (ILO 100 and 111)*

Discrimination based on ethnicity, sex, religion, social background, handicap, political opinion or sexual orientation must not occur.

### *Decent wages and working hours*

Wages shall be paid directly to the employee on time and in full. Lowest acceptable salary level is the minimum wage according to national legislation. Weekly working hours must not exceed the legal limit, and overtime work shall always be paid.

### *Freedom of association and collective bargaining (ILO 87 and 98)*

In countries where the freedom of association is limited or in development, the supplier will ensure that employees can meet with the company management to discuss salaries and working conditions without negative consequences.

## Environment

The supplier shall strive to reduce energy and resource consumption as well as waste and emissions to the atmosphere, ground and water. Chemicals shall be handled in a way that is safe for humans and environment.

## Health and safety

The supplier shall provide a safe working environment, which complies with international standards. Employees shall be informed of any health risks that are associated with their work. All employees shall have access to and use the appropriate safety equipment.

## Inspection

By signing this document the CEO/authorized signatory assures that the supplier, and any subcontractor used, comply with the content of this document. The signature gives us the authority to, through inspections or equivalent, verify the obedience of the items covered in this document.



Preschool at a textile factory, India



Silk production in India

## International conventions and agreements

The definition of ethical and social responsibility involves feeling and exercising responsibility, care, respect, tolerance, openness and cooperation at the workplace. These values are formulated in several international conventions and agreements:

### The UN Universal Declaration of Human Rights

This covers:

- Child labour
- Discrimination
- Employees' right to freedom of association and right to organise
- Reasonable pay
- Basic health and safety at the workplace

### UN Global Compact

A code of conduct with principles on:

- Human rights
- Rights at work
- Environmental responsibility
- Fighting corruption

### OECD guidelines for multinational companies

The Organisation for Economic Cooperation and Development, OECD, is an international cooperation organisation with nations as its members:

- Recommendations from affiliated governments to multinational companies
- Requirements for sustainable development in the countries in which companies operate
- Harmonises with the UN Universal Declaration of Human Rights
- Transparency in accounting

### Agenda 21

Agenda 21 is an action plan for sustainable development adopted at a UN conference in 1992:

- Wipe out poverty
- Main focus on environmental threats

### ILO conventions

The UN body ILO, the International Labour Organization, works primarily to promote acceptable working environments. The ILO has eight core conventions:

- Child labour (138 and 182)
- Forced labour and compulsory labour (29 and 105)
- Discrimination and equal pay (100 and 111)
- Freedom of association and right to organise (87 and 98)

Which of the core ILO conventions have some of the most common supplier countries ratified (approved)?

COUNTRY	Freedom of association and right to organise		Forced labour and compulsory labour		Discrimination and equal pay		Child labour	
	CONVENTION		CONVENTION		CONVENTION		CONVENTION	
	87	98	29	105	100	111	138	182
China	-	-	-	-	✓	✓	✓	✓
India	-	-	✓	✓	✓	✓	-	-
Malaysia	-	✓	✓	✓	✓	-	✓	✓
Pakistan	✓	✓	✓	✓	✓	✓	✓	✓
Thailand	-	-	✓	✓	✓	-	✓	✓
Vietnam	-	-	✓	-	✓	✓	✓	✓



## Sustainable procurement for sustainable development

Since 2006, Stockholm County Council, Skåne Regional Council and Region Västra Götaland have been working together to promote social responsibility in procurement.

This brochure can be ordered via email: [informationsmaterial.lsf@sll.se](mailto:informationsmaterial.lsf@sll.se) or fax: +46 (0)8-737 49 59.



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