

From words to deeds

Pilot project on social responsibility with Hansel Ltd and
KL-Kuntahankinnat Ltd



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1. Introduction

Questions related to social responsibility are still very rarely taken into account in public procurement in Finland. A Finnwatch report¹ published in 2013 examined the social responsibility criteria used in four different product categories in which the risk of human rights abuse during the production process could be considered high (food, electronics, textiles and natural stone). The report found that the criteria for social responsibility were nearly completely missing in tender documents.

The situation has subsequently improved little by little. The International Labour Organization's conventions have been attached to the terms and conditions of procurement contracts, and tenderers have been asked to provide reports on working conditions in the production of their products. However, this approach is still mechanistic: the criteria for social responsibility have often not been tailored to match the human rights risks related to the procured product and there are no credible mechanisms in use for the verification of tenderers' responsibility claims.

One problem observed in relation to advocating for socially responsible public procurements is the lack of good examples. Finland has lacked a state-owned or a municipal purchaser, who could have set out to ambitiously pilot the use of criteria for social responsibility in its own procurement in relation to product supply chains.

In order to create an example that could be replicated, Finnwatch decided together with the Trade Union Solidarity Centre of Finland SASK and Kepa to share its expertise on human rights with Finland's largest purchasers free of charge. During the launch of the pilot project Finnwatch was in contact with three actors: Hansel Ltd., Helsinki City

and KL-Kuntahankinnat Ltd. Of these three, two agreed to participate in the pilot project.

Finnwatch and Hansel Ltd entered into an agreement on cooperation related to responsible procurement in February 2017. The objective of the cooperation project was to carry out a tendering process, wherein the criteria for social responsibility would be taken into account in an ambitious manner and the progress of the tendering process and what had been learned from it would be documented in a separate publication. The project focused in particular on labour rights in the supply chain of products purchased with public funds. In June 2017, a similar cooperation project was also launched with KL-Kuntahankinnat Ltd.

This report describes the tendering processes centred on responsible procurement that have been carried out in these aforementioned cooperative pilot projects. The report describes the process for selecting the products to be purchased during the social responsibility-centred pilot, what type of dialogue was held with the tenderers and how the social criteria and contract conditions related to the products were drawn up. In addition, the report examines the lesson learned from this process. The objective is that the experiences gained and the practices that were found to be good during the pilot project will be utilised by other public procurers.

Chapters 2–6 focus on the tendering of computers with Hansel. Chapters 7–10 describe the tendering of furniture procurements with KL-Kuntahankinnat. Chapter 11 includes the report's summary and lists the lessons learned from the pilot procurements. Chapter 12 contains general recommendations for taking human rights into consideration in public procurement from high-risk countries.

¹ Finnwatch, 2013, Alkuperä tuntematon – Sosiaalinen kestävyys kuntien julkisissa hankinnoissa (in Finnish), available at: <https://www.finnwatch.org/images/kunta-hankinnatweb.pdf>

2. Hansel Ltd, the government's central purchasing body

Hansel Ltd is the government's central purchasing body. Hansel is completely state-owned, and it is a non-profit limited company under the administration of the Ministry of Finance. The company's operations are governed by the Hansel Act, which lays down provisions on its duties and customers. Hansel's operations are financed through service fees, paid by its suppliers based on the value of purchases made by customers. The services fee is on average 1 per cent of a procurement contract's value.

Hansel utilises, for example, framework agreements in tendering out products and services as well as offers its customers expertise in procurements. In 2017, Hansel had approximately 80 framework agreements in place for which more than 350 contract suppliers had been selected on the basis of tendering. These agreements were worth over 800 million euro in total.²

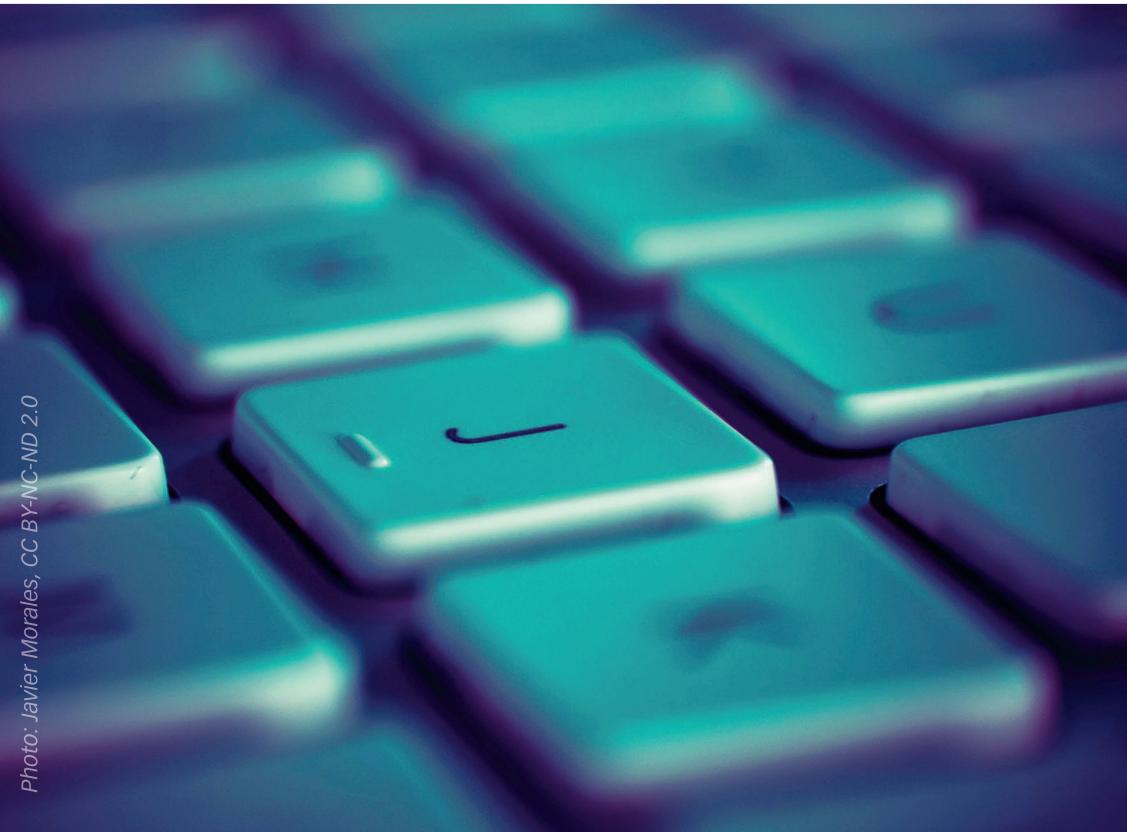
Hansel's objective is to be a pioneer in responsible procurement. In spite of its

broad-scoped objectives, Hansel's tendering processes have focused primarily on economic and environmental responsibility and have very rarely taken criteria for social responsibility into consideration. With regard to social responsibility, the terms for past framework agreements have referenced compliance with the International Labour Organization's core standards at a very general level.

The objective set for the pilot project with Finnwatch was to promote the implementation of socially responsible procurement and to pilot criteria concerning human rights in public procurements.³

² Hansel in brief, <https://www.hansel.fi/en/hansel/hansel-brief/facts-and-figures-2017/> (referenced on 31 January 2018)

³ Hansel, Vastuullisempaa eletroniikkaa valtioille – Finnwatch and Hansel aloittavat yhteistyön (in Finnish), <https://www.hansel.fi/uutiset/vastuullisempaa-eletroniikkaa-valtioille-finnwatch>



Hansel's framework agreements for computers are worth over 40 million euro per year.

3. Selecting products to be purchased in the pilot project

The pilot project partners wanted to select a product group for the pilot project in which the products or their components were produced in so-called high-risk countries. High-risk country refers to countries in which there is a higher risk of human rights abuse in the production process. Because the pilot project had to be completed in 2017, Hansel's pre-existing tendering calendar influenced the selection of the product group.

For the aforementioned reasons, the framework agreement for the tendering of government computers was selected for the pilot project. The products to be purchased included laptops, desktop computers, tablets as well as computer and tablet hybrids. These devices involve a large amount of labour rights related risks that have been documented in numerous research reports⁴.

When Finnwatch and Hansel Ltd entered into an agreement on cooperation, the tendering of computers was only just beginning and was in its preliminary evaluation phase. It was particularly convenient with regard to the success of the pilot project that the criteria for social responsibility could be planned at a sufficiently early stage and the criteria's effectiveness in practice could be reviewed using a market survey and by hearing prospective tenderers (see more information in Chapters 4.1 and 4.3).

Focusing on the entire computer value chain would have been impossible within the scope of the pilot project. The equipment consists of numerous parts and raw materials used in these which may be produced and processed in many different countries.

As there were hardly any previous examples of criteria for social responsibility being used in Finland, a decision was made to select the easiest and most established

production stage from the perspective of corporate responsibility monitoring as the focus of the pilot project. This was done to ensure that the procurement could be completed successfully. For this reason, a decision was made to focus on applying the criteria for social responsibility to the first tier of the production chain for computers meaning the final point of assembly. However, as the social responsibility criteria to be used in the procurement was being specified, criteria for some other parts of the value chain were also added (see Appendix 2).

Finnwatch and Hansel are aware that the human rights risks related to the manufacture of computers are not the most significant at the equipment's final point of assembly. The reduction of risks at the first tier of production has been the clear result of systematic efforts by NGOs and the media to highlight human rights issues, which has led to industry improving its operations through the implementation of various auditing and responsibility schemes. The risks have moved in great part down in the value chain, to the manufacture of components and the raw materials used in them.

The objective of the pilot project was a successful and documented procurement example, which would help in furthering the monitoring of value chains for products. For this reason, criteria were primarily limited to the equipment's point of assembly.

⁴ For example, the Business and Human Rights Resource Centre lists more than 700 articles related to the manufacture of electronics and human rights, see <https://www.business-humanrights.org/>.

4. Preparation of the procurement

When the items to be purchased and the scope of the criteria for social responsibility had been outlined, Finnwatch drew up a survey on the human rights risks in the electronic assembly industry. A matrix was drawn up on risks, in which the risks in the assembly industry in key production countries were compared to the existing criteria used by international corporate responsibility standards and audit schemes (RBA, BSCI, SA8000⁵). The following human rights risks were selected for the matrix concerning the assembly of electronics: forced labour (migrant workers as an at-risk group, the confiscation of passports and recruitment fees as special issues), the freedom of association and the right to collective bargaining (alternative negotiation channels in countries where association is prevented), a living wage (use of credible calculation methods) as well as reasonable working hours (48 regular working hours a week at most).

The risk matrix drawn up as background material was used in talks held with suppliers, when trying to pinpoint the most suitable requirements concerning social responsibility in procurement.

4.1. QUESTIONNAIRE SENT TO CONTRACT SUPPLIERS ON SOCIAL RESPONSIBILITY OF COMPUTERS

Before launching the actual procurement process, the survey and preparation of appropriate criteria was initiated by examining the human rights-related corporate responsibility processes used by potential tenderers and the current state of their corporate responsibility monitoring. The purpose of the survey was to collect information on the market

for the socially responsible manufacture of computers.

The survey process relied on the right to ask for additional information from contract suppliers listed as a term in three existing Hansel framework agreements. It made it possible to initiate the preparation of criteria for social responsibility before starting official dialogue with actual tenderers.

The corporate responsibility processes and monitoring of prospective tenderers were examined by sending out a questionnaire to suppliers of PC, iOS/OSx, and rugged computers that are designed to be more durable than normal computers. As a social responsibility audit conducted by an independent third party is the easiest way to verify the working conditions at production plants, an effort was made to ask current contract suppliers in particular about the social responsibility audits conducted at their production plants.

An effort was made to present the question to contract suppliers in as straightforward and accurate a manner as possible. Word for word the question was:

"Is the 1st tier manufacturing location/production facility within the scope of social responsibility audits? If yes, which scheme?"

By social responsibility audits' we mean that the social responsibility audits of the manufacturing location/production facility are based on public auditing or certification standards, which have been set in consultation with stakeholder groups, and that an accredited third-party, separate from the standard-setter, conducts the audits and determines whether the company/production facility is in compliance with the required criteria (or not)."

The question was sent to tenderers both in Finnish and in English as was a template of a table, where contract suppliers could fill in audit information for individual production plants.

⁵ These schemes were chosen because RBA is the most commonly used responsibility monitoring scheme in the electronics industry whereas Amfori BSCI and SA8000 are widely used social responsibility schemes in the manufacturing industries. For more information, see <http://www.responsiblebusiness.org>, www.amfori.org and www.sa-intl.org/sa8000.

In spite of the specific wording of the question, the answers received from contract suppliers were not satisfactory. Some contract suppliers only gave brief yes/no answers without the requested additional information or only referenced the corporate responsibility reports of their equipment manufacturer sidestepping the actual question. Only a few contract suppliers supplied information that could be utilised in planning the actual criteria.

On the basis of the questionnaire sent out during the preliminary stage it was noted that questions concerning the production conditions for equipment were new to the representatives of contract suppliers and they would have to seek out the information from the manufacturer's global organisation. The conclusion was drawn, that organisations operating in Finland at the time had little awareness of the production conditions of the equipment they sold or the auditing of production conditions from the perspective of human rights. The situation was further complicated in part by the fact that some contract suppliers were separate distributors with no direct contact with the brand that was responsible for the manufacture of the equipment.

4.2 DIALOGUE WITH OTHER STAKEHOLDERS

In preparation of the pilot procurement, an effort was made to identify good examples of successful IT equipment tendering processes in other countries which utilised criteria for social responsibility. In May 2017, Hansel and Finnwatch met with a Stockholm County Council procurement specialist, who provided additional information on responsible procurement of electronics in Sweden.

Criteria for social responsibility have been applied to the procurement of IT equipment in the Stockholm area in Sweden for several years. Stockholm's procurements are based on a Code of Conduct drawn up by the

cooperation body for Swedish counties and regions⁶.

The Code of Conduct is based on the Universal Declaration on Human Rights, International Labour Organization's core conventions, the UN Convention on the Rights of the Child, as well as the occupational health and safety legislation in force in the country of production. The contract suppliers that win tenders are required to have adequate "routines" or a due diligence process in place to identify and manage the human rights impacts of the company's operations, to have working conditions and measures that are in accordance with the county council's Code of Conduct and to facilitate monitoring by the county council also at supplier factories (e.g. transparency of the supply chain and helping the county council in conducting their own audits) as well as where necessary to implement corrective measures according to an agreed-upon timetable – also when the company's due diligence process concerning human rights is found to be inadequate. Stockholm invests in the monitoring of social responsibility especially during contract period.

A Code of Conduct for computer purchases was drawn up utilising the following: The Code of Conduct in use in Sweden, the Responsible Business Alliance (RBA) Code of Conduct, the international conventions listed in Annex C of the Finnish Act on Public Procurement and Concession Contracts as well as the OECD's guidelines on multinational corporations and conflict minerals. The Code of Conduct was supplemented with additional qualifiers such as a reference to the International Labour Organization's indicators for forced labour, which can be used to identify forced labour. Stricter conditions concerning the permitted maximum number of working hours were also introduced by adding restrictions based on the International Labour Organization's conventions and recommendations on working hours.

The Code of Conduct was drawn up in both Finnish and English, so that tenderers could

⁶ The Code of Conduct can be downloaded at <http://www.hallbarupphandling.se/steg-for-steg>

utilise it in their own supply chains. The finalised Code of Conduct used as a contract condition in the tendering process can be found in Appendix 1 at the end of this report.

4.3 DIALOGUE WITH PROSPECTIVE TENDERERS

During the market survey conducted prior to the procurement, Hansel met personally with prospective tenderers. Finnwatch was not given the possibility of taking part in these meetings due to their confidentiality. Instead, Finnwatch met with a corporate responsibility expert from one of the prospective tenderers at the request of the company in question. The meeting was not directly related to the pilot procurement and talks at the event centred around general corporate responsibility in the IT sector and the responsibility processes of the company in question.

In June 2017, prospective tenderers were sent the first drafts of the criteria for social responsibility via email for them to comment on. The companies were presented questions on whether they felt that the conditions and requirements in the draft could be met and what audit or certification schemes they could use to prove that they meet with the requirements both during the tendering process and the contract period. The document was drawn up directly in English to make it easier for global organisations to provide answers. The companies were given 12 days to respond.

Some of the answers received from the companies were more general in nature than what had been hoped for and they contained links to each company's Code of Conduct or social responsibility reports and other published additional material. On the basis of the answers and the supplied additional information, it was possible to assess that the companies could at least in part commit to the presented requirements. On the basis of feedback from the companies, the criteria were further specified during the summer and early autumn.

In addition to commenting on the criteria, the companies were sent a separate further question at the end of June on what social responsibility award criteria could in their opinion be used to highlight clear differences between tenderers. The answers to the survey did not provide any tangible proposals.

Before publishing the final invitation to tender, in September (in Finnish) and October (Finnish and English) 2017 the companies were sent the social responsibility appendices planned for the tendering process for comment.

The feedback for these included some requests for further information and some observations, on the basis of which the material was further specified.

5. Invitation to tender

5.1 CRITERIA USED IN INVITATION TO TENDER DOCUMENTATION

The invitation to tender for the computer procurement was published on 16 November 2017. The criteria for social responsibility included in the tendering documents were divided into three sections:

- 1) Code of Conduct: the document is used as a contract condition and determines the minimum level of social responsibility required for purchases.
- 2) responsibility appendix: an appendix that includes award criteria which list the requirements for social and environmental responsibility that are scored when comparing tenders.
- 3) purchase contract: includes all the basic terms and conditions related to the procurement. Determines what will happen if the supplier does not act in compliance with the requirements. This ties together the contract, the Code of Conduct and the responsibility appendix used as an award criteria.

The Code of Conduct, responsibility appendix on social responsibility and contract conditions related to responsibility are appended to this report.

5.2 ADDITIONAL QUESTIONS PRESENTED BY TENDERERS

Pursuant to the Finnish Act on Public Procurement and Concession Contracts, tenderers can submit questions on the invitation to tender. The questions and the responses to these are made public. After Hansel published the invitation for tender, tenderers submitted a total of six of these further questions on the criteria that apply to social responsibility.

Hansel responded to the questions independently and Finnwatch did not take part in this process. The questions centred on technical details and were related, for example, to the language to be used in reports and when providing additional information as well as the differences in the maximum number of working hours in the scored requirements and minimum requirements. In addition, a question was submitted on the scope of the right to audit. The questions and the responses given to these are listed in their entirety in Appendix 4.

6. Evaluation of tenders

The deadline for submitting tenders was 19 December 2017. Finnwatch and Hansel held a meeting at which they reviewed the tenderer's answers and the challenges related to their evaluation with regard to the criteria on social responsibility. Due to the confidential nature of the process, Finnwatch was unable to view the answers in advance and was never given access to the information for the organisation's own use. Hansel was responsible for the preliminary preparation of the decision concerning the points given for each of the award criteria. Finnwatch's role was for the most part to comment on the ready presentation at the meeting and Finnwatch was thus unable to further review the responses supplied by companies and their attachments.

The reports and documents submitted with some tenders did not demonstrate compliance with requirements in which case the tenders were given lower scores than tenderer likely expected to receive on the basis of their answers.

A point that proved to be a stumbling block was demonstrating an independent third-party audit that proved compliance with the requirements such as the actual number of working hours and the payment of a living wage. These parts of the tenders were not scored.

There were only small differences in the scores given to tenders on the basis of social responsibility criteria. These were in relation to the transparency of the tendering company's production and supply chains.

7. KL-Kuntahankinnat Ltd

Established in 2008, KL-Kuntahankinnat Ltd is a national purchaser for joint procurements owned by the Association of Finnish Local and Regional Authorities. KL-Kuntahankinnat tenders out framework agreements on behalf of its clients and is responsible for managing the resulting contracts.

KL-Kuntahankinnat has a total of 1,300 clients, around 72 framework agreements, and 190 contract suppliers. In 2017, the total value of purchases through framework agreements was approximately 457 million euro.

Product categories that KL-Kuntahankinnat tenders out include energy, ICT, social and healthcare services and other products and services, for example, large scale procurements related to food and administration.⁷

As was the case with Hansel's tendering, the promotion of socially responsible public procurements was set as the objective for the joint procurement pilot between KL-Kuntahankinnat and Finnwatch.⁸

⁷ KL-Kuntahankinnat, <https://kuntahankinnat.fi/fi/yritys> (referenced on 26 February 2018)

⁸ Finnwatch, press release 29 August 2017, *Yhteistyöhanke lisää vastuullisuutta kalustehankinnoissa* (in Finnish), <https://www.finnwatch.org/fi/uutiset/463-yhteistyohanke-lisaae-vastuullisuutta-kalustehankinnoissa>

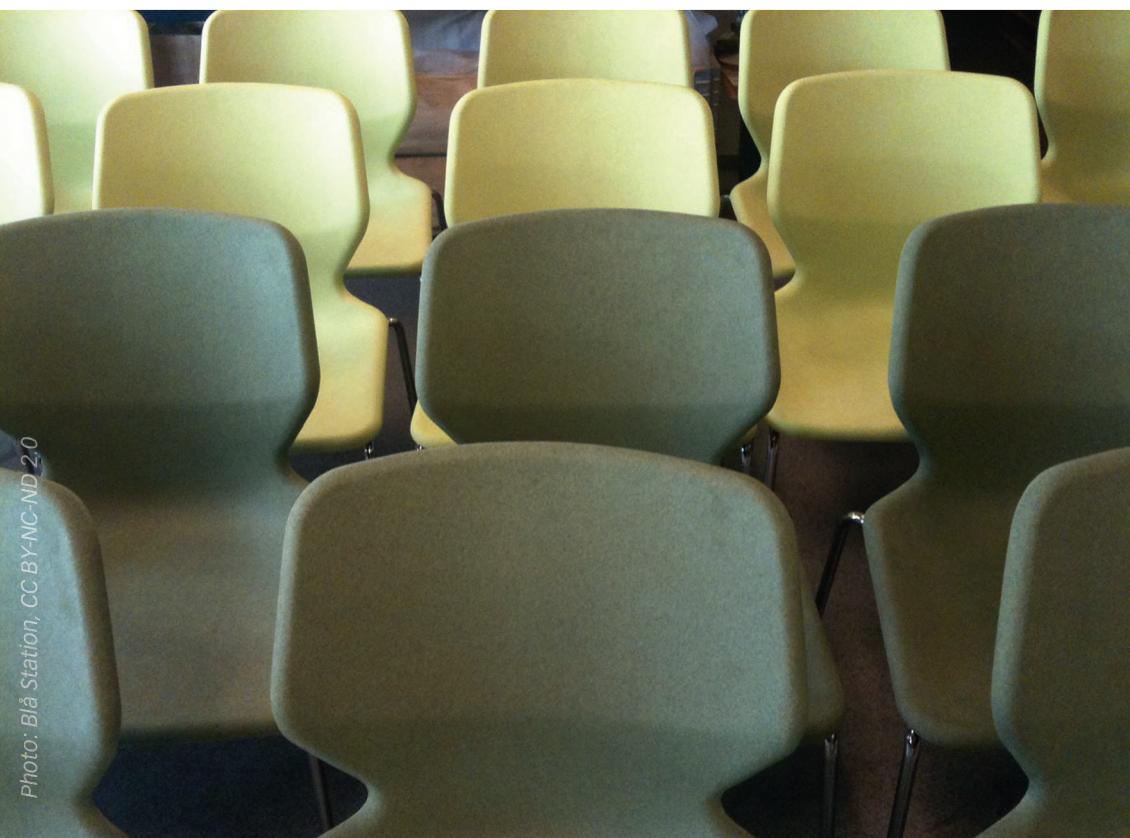
8. Selecting products to be purchased in the pilot project

The product groups for the procurement project were selected from the options already listed in KL-Kuntahankinnat's tendering calendar on the basis of the human rights risks involved. Preliminary evaluations were done on tendering of school textbooks⁹, but on the basis of information received from potential tenderers, nearly all the textbooks that would have been included in tenders are printed in Finland from paper bought from neighbouring countries. As the primary production country would have been a country of low risk with regard to compliance with labour rights, another product group was selected as the focus of the pilot project from the tendering calendar; furniture.

A brief human rights risk assessment was conducted for furniture. Because the assembly of most furniture takes place in Finland or

other European countries, the decision was made to evaluate the human rights risks of the different components of the furniture. The areas of focus were narrowed down to furniture upholstery fabrics and the natural fibres used in these, the assembly of motorised parts as well as the production of metal parts and metal raw materials.

⁹ Finnwatch had examined the book printing industry in China in 2014. In connection with this study, it was observed that there were human rights risks related to children's books and non-fiction books sold in Finland, such as wages that were below living wages and very long workdays. The Finnwatch report can be read here: <https://www.finnwatch.org/images/pdf/KustannusWeb-2.pdf>



KL-Kuntahankinnat's agreements for furniture are worth almost 15 million euro per year.

9. Preparation of the procurement

9.1 MARKET SURVEY ON SOCIALLY RESPONSIBLE FURNITURE

The procurement and its related dialogue were prepared by sending prospective tenderers questions on the social responsibility of their furniture range. On the basis of the brief risk assessment, questions focused on upholstery fabrics, the natural fibres used in upholstery fabrics, motorised parts and metal parts. Companies were asked to find out what countries the aforementioned furniture components and the raw materials used to make them came from and how the responsibility monitoring for their production is organised. In the area of furniture fabrics, companies were asked where the fabrics were woven and the origin of the natural fibres, while for metal parts questions focused on the locations where metal parts were produced and the origin of the metal. With regard to electric motors, companies were asked where the motors were assembled.

Only some companies responded to the questions in the given timetable and supplied concrete answers. At a very early point in the tendering process, there were indications that many tenderers did not have the necessary information or resources to answer questions regarding human rights in their supply chains.

9.2 DIALOGUE WITH PROSPECTIVE TENDERERS

KL-Kuntahankinnat held one-on-one meetings with all prospective tenderers at Kuntatalo in Helsinki. Finnwatch experts were able to take part in the first part of all these meetings, where the focus of the discussions was on the general introductions of the companies and a review of corporate responsibility.

Many of the prospective tenderers answered questions they had been sent prior to the meeting only at the meeting. Some companies did not answer these questions (see

Chapter 9.1) even at the meeting but asked for an extension period to submit their responses. Even after this extension period not all companies have responded to the presented questions. On the other hand, a few companies submitted very detailed information to Finnwatch on the working conditions at the factories where components for their furniture are produced in high-risk countries.

In addition to the meetings organised by KL-Kuntahankinnat, Finnwatch met with two companies separately at the request of the companies themselves. These meetings did not touch on tendering process or sustainability criteria itself but the companies' corporate responsibility process in general.

Apart from the few exceptions mentioned above, companies showed little interest in actively taking part in identifying the relevant criteria for social responsibility in furniture procurements. Many of the companies that operate in Sweden's market referenced in large part Sweden's furniture industry's labelling scheme Möbelfakta, which is aimed at public purchasers, but which does not in Finnwatch's opinion include comprehensive and independent third-party auditing of responsibility (see box on page 15). The dialogue produced only a few examples on the use and awareness of other social responsibility certification and auditing schemes.

However, enough information on the country of origin of components could be gathered so that Finnwatch and Kuntahankinnat Ltd were able to pinpoint the criteria for social responsibility to be selected for the tendering process (see Chapter 10.1).

9.3 COOPERATION BETWEEN PURCHASERS

It became apparent during the preparation of the tendering process that Hansel was also preparing the tendering of a furniture framework agreement for central government at the same time. Finnwatch, KL-Kuntahankinnat

Swedish furniture industry's Möbelfakta label

Möbelfakta is a label owned and administrated by the Swedish Furniture Industry Association. Originally the label emphasised safety and durability. Later, the system has been updated and today it also covers environmental and social responsibility. The criteria Möbelfakta uses to determine social responsibility are based on the principles of the UN Global Compact and cover the entire production chain for furniture.

In order for a piece of furniture to carry the Möbelfakta label,

- at least one employee from the furniture producer must attend a one-day long Möbelfakta training course,
- the chairman of the company's board must sign a responsibility declaration. With regard to social responsibility, the declaration states that the company has systematic processes in place for ensuring that the production conditions for the furniture in question and its components meets with the criteria set by Möbelfakta.

At a later stage, consultancy services company Trossa audits the internal processes used by the furniture companies to monitor the responsibility of their production chain. Trossa does not audit production facilities and Möbelfakta does not, in any case, require an independent (comprehensive) third party audit of social responsibility.

and Hansel decided to combine forces and continue developing social responsibility criteria together. At a separate meeting between the purchasers and Finnwatch in January 2018, talks focused on the experiences gained during cooperation between KL-Kuntahankinnat and Finnwatch and thoughts on potential criteria, contract conditions and a Code of Conduct for social responsibility were exchanged.

It was decided that the Code of Conduct drawn up for Hansel's electronics procurement would be applied with small amendments to the furniture tendering processes by both Hansel and KL-Kuntahankinnat. Finnwatch made adjustments to the Code of Conduct so that it could be applied to all industrial production. Draft of the KL-Kuntahankinnat's Code of Conduct is presented in the Appendix 5 of this report.

10. Draft of invitation to tender

10.1 CRITERIA USED IN THE DRAFT INVITATION TO TENDER

At the time this report was published, the preparation of the tendering process was still underway, but the criteria used in the draft versions of the invitation to tender are described below in this chapter. Companies that operate in the sector and the customers of KL-Kuntahankinnat had been given the opportunity to comment on the criteria as part of the preparation of the invitation to tender and the criteria are still subject to change.

It was observed during the dialogue held with prospective tenderers that furniture tendered for public procurements generally contained very little cotton or other natural fibres, as their resistance to wear and fire safety are poor. It was noted that companies purchased metal and metal parts, which had been identified as high-risk raw materials, predominantly from Finland and/or other non-high-risk countries. On the basis of these observations, it was decided that social responsibility criteria would be set for weaving mills where upholstery fabrics were made and assembly plants for electric motors. The criteria were further specified to only apply to the final production/assembly facility for the parts in question.

As some furniture fabrics were woven and some engines assembled in European countries not considered high-risk countries, a decision was made to try an approach based on high-risk countries. This meant that only those companies that used components from high-risk countries in their products were asked to provide additional information on production conditions. The high-risk country-based approach aimed to prevent causing an undue amount of administrative burden to companies: it would have been unproductive to require a Danish weaving mill to submit a social responsibility audit intended for producers in China or Malesia.

High-risk country refers to countries in which the risk of various human rights abuse related to production is high, for example, when a country's government has not ratified or implemented international human rights conventions in an adequate manner. Corruption and armed conflicts can also hinder the implementation of human rights agreements. The World Bank's Worldwide Governance Indicators¹⁰ are often used to determine high-risk countries. The indicators measure the performance of governments in six dimensions of governance.

However, it was decided that the pilot project between Finnwatch and KL-Kuntahankinnat would utilise a less refined high-risk country analysis based on what is provided in the Finnish Act on Public Procurement and Concession Contracts on the International Labour Organization's conventions. Only those countries that have not ratified one or more of the International Labour Organization's eight core conventions (Conventions 87, 98, 27, 105, 138, 182, 100 and 111) were classified as high-risk countries. The International Labour Organization maintains a database of country-specific ratifications that was used as reference¹¹. The objective was to limit requests for further information on social responsibility only on those tenderers whose products and their components were supplied from countries that have not ratified the core labour standards.

The further information required on the basis of high-risk countries was outlined as follows:

Management of the tenderer's supply chain

If the furniture fabric for the product basket product has been woven or the electric engine has been assembled in a country that has not ratified the ILO core standards

¹⁰ World Bank, Worldwide Governance Indicators, <http://info.worldbank.org/governance/wgi/index.aspx#home>

¹¹ ILO, Ratifications by country, <http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11001:0::NO::>

referred to in section 81, subsection 1, paragraph 5 of the Act on Public Procurement and Concession Contracts, the tenderer will be required to submit further information on compliance with requirements.

Tenderers have been asked to upload a list of countries in which product basket products' upholstery fabric is woven or electric motors assembled to verify compliance with requirements.

Tenderers are also required to provide an additional report on any production in high-risk countries:

"Acceptable additional information on the implementation of ILO core conventions in the weaving of upholstery fabrics and assembly of motors comprised a social responsibility audit (e.g. BSCI, EICC, SA8000 or similar) carried out by a third party and which the upholstery fabric weaving mill or electric motor assembly plant in a high-risk country (a country that has not ratified ILO conventions) has successfully passed. The tenderer uploads the documentation here, which proves that its production plants located in risk countries have successfully passed social responsibility audits conducted by an independent third party."

In addition to further information on facilities where furniture fabric is woven and plants where electric engines are assembled, all tenderers were expected to sign the KL-Kuntahankinnat Code of Conduct (see Chapter 9.3 and Appendix 5), to commit to compliance with the Code of Conduct and to approve the terms and conditions for framework agreements related to the Code of Conduct.

11. Summary of best practices and lessons learned

- In order for the tendering to be successful, dialogue with companies on responsibility requirements was essential prior to the publishing the invitation to tender. However, tenderers provided only a very small amount of ideas on how award criteria on social responsibility could be set so that they could indicate clear differences between tenderers.
- During dialogue, suppliers were encouraged to identify the global social responsibility units for the equipment manufacturers they represent before tendering, and to engage in talks with them. This potentially made it faster and easier for the suppliers to access information they needed for submitting answers to questions, social sustainability reports and information on audits required in the invitation to tender.
- In the procurement of computers, comparing tenders using social responsibility criteria proved difficult. Nearly all the tenderers use the same international Responsible Business Alliance (RBA) standard (previously EICC standard) that focus on minimum level labour rights. Not one of the suppliers had further developed their social responsibility practices by, for example, introducing requirements for a living wage or by limiting working hours to 48 hours per week. For this reason, the comparison failed to produce any notable differences between the tenderers. It was observed during furniture procurements that apart from a few exceptions, companies did not have processes in place for verifying the responsibility of their supply chains or their processes were ineffective. In the context of the market situation described above, it may be difficult to place emphasis on social responsibility award criteria and still achieve an acceptable balance with price.
- Typically, Finnish sales organisations allocate only little resources to responsibility, and they turned almost invariably to the equipment manufacturer's global social responsibility units for help. Key documents must be translated into English, which will ensure that they are understood in the same way at all the global social responsibility units for equipment manufacturers.
- If an effort is to be made to raise the minimum level of social responsibility in the computer industry to a higher standard than what is generally accepted (e.g. requiring a living wage or reasonable working hours), investments must be transferred to monitoring carried out during the contract period.

12. Recommendations

- In computer procurements, the best results will likely be achieved through monitoring of contract performance clauses during the contract period, indicators and requirements for the continuous improvement of operations, specified and required in the invitation to tender.
- It is also important to set ambitious criteria as this is one way of communicating the requirements of the market to companies. This will also ensure that companies that operate responsibly will gain a competitive edge.
- Special attention must be given to requirements and especially to how criteria are verified at the stage of awarding contracts. Reports and documents must be reliable and independent, and these must be able to demonstrate what has been asked for. The reports and information must be checked carefully before scores are given.
- Monitoring during the contract period will require that public procurement bodies are able to create appropriate indicators, have sufficient resources and have expertise in matters related to social responsibility. Only few public procurers in Finland have enough resources of their own to use for this purpose, and for this reason it is important to increase cooperation between them. Cooperation needs to be increased both within Finland and between the Nordic countries.
- A body must be established in Finland to promote socially responsible procurement and to pilot new social responsibility criteria. The body can either be independent and separate from other actors or it can be based within a joint purchasing unit. The body financed by the central government's and municipalities' purchasing units could be responsible not only for specialist functions during the tendering process, but also for dialogue held with the largest joint contract suppliers during the contract period. One option would be to expand the mandate of the Network of expertise for sustainable and innovative procurement (Kestävien ja innovatiivisten hankintojen osaamisverkosto) to also include social responsibility.
- The Code of Conduct introduced during Hansel's tendering process should be implemented widely in the procurement of electronic equipment in Finland and the Nordic countries. This would increase purchasing power, which would in turn increase pressure for stepping up socially responsible production. Effective contract terms and conditions are needed to support the Code of Conduct (see contract terms and conditions introduced by Hansel in Appendix 2), which require the tenderer to act in compliance with the Code of Conduct continuously improving their operations.
- It was observed during the tendering of computer procurements that the sector has practices in place that are in breach of human rights standards, which have nonetheless been approved in the sector's common responsibility standards. Problems were related in particular to unreasonably long permitted working hours as well as a wage that was below a living wage. These two problems are connected to one another. Nordic purchasers must engage in cooperation to tackle these issues. They must hold dialogue with contract suppliers as well as with the RBA scheme.

APPENDIX 1: Code of Conduct used for Hansel's computer procurement

Code of Conduct for Suppliers

Electronics

Introduction

Hansel Ltd is the state central purchasing body in Finland. Hansel and its customers support corporate social responsibility and sustainable development. In relation to this, we work to ensure that procured goods and services are manufactured under sustainable and socially responsible conditions.

According to the United Nations Guiding Principles on Business and Human Rights¹ and the OECD Guidelines for Multinational Enterprises², business enterprises should, within the framework of internationally recognised human rights, the international human rights obligations of the countries in which they operate as well as relevant domestic laws and regulations:

- respect human rights, which means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved; and
- within the context of their own activities, avoid causing or contributing to adverse human rights impacts and address such impacts when they occur; and
- seek ways to prevent or mitigate adverse human rights impacts that are directly linked to their business operations, products or services by a business relationship, even if they do not contribute to those impacts.

Our contractors (referred in this document as "Supplier") must commit to this Code of Conduct and ensure that all of the minimum requirements set forth in this document are met within their own operations and in their supply chain. The agreement between Hansel and the Supplier is referred as "Contract" or "Main Contract".

The requirements which are especially set to the supply chain are emphasized in this Code of Conduct by referring to the "Employer". "Employer" means also the Supplier, when it acts as an employer. The terms "worker" and "employee" are used as synonyms in this document.

All actions and co-operation with Hansel and its customers shall take place through dialogue, and they shall be open and transparent.

Requirements

Goods and services that are supplied to Hansel and its customers should be produced under conditions that are in accordance with:

- The United Nations Universal Declaration of Human Rights (1948)
- International Covenant on Civil and Political Rights (UN 1966)
- International Covenant on Economic, Social and Cultural Rights (ICESCR, UN 1966)
- The Eight Fundamental Conventions of the International Labour Organisation (ILO):
 - o no. 29: Forced Labour Convention (1930)
 - o no. 87: Freedom of Association and Protection of the Right to Organise Convention (1948)
 - o no. 98: Right to Organise and Collective Bargaining Convention (1949)
 - o no. 100: Equal Remuneration Convention (1951)
 - o no. 105: Abolition of Forced Labour Convention (1957)

1 http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

2 <http://mneguidelines.oecd.org/guidelines/>

- o no. 111: Discrimination (Employment and Occupation) Convention (1958)
- o no. 138: Minimum Age Convention (1973)
- o no. 182: Worst Forms of Child Labour Convention (1999)
- The United Nations Convention on the Rights of the Child, Article 32 (1989)
- The United Nations Convention against Corruption (2003)
- The labour protection, labour terms and working conditions legislation in force in the country of production of goods and services, including legislation on minimum wages, and the social welfare protection regulations
- Vienna Convention for the protection of the Ozone Layer and its Montreal Protocol on substances that deplete the Ozone Layer;
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel Convention);
- Stockholm Convention on Persistent Organic Pollutants (Stockholm POPs Convention);
- Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (UNEP/FAO) (The PIC Convention) Rotterdam, 10 September 1998, and its 3 regional Protocols.
- The environmental protection legislation that is in force in the country of production of the goods and services.

A. Obeying local legislation

The Supplier must comply with the local legislation that is in force in the country of production of the goods and services. Should the requirements in this document exceed the aforementioned obligations rising from the legislation of the production country, the Supplier shall comply with the requirements set forth in this document.

B. Respecting human rights

The conventions behind this section: the UN Universal Declaration of Human Rights, International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights. See also UN Guiding Principles.

The Supplier has a responsibility to respect and support human rights both within its own operations and in its supply chain.

The Supplier shall ensure that it does not participate, directly or indirectly, in infringing human rights. The Supplier does not allow causing adverse human rights impacts, or benefiting from it, even when it's done by a company belonging to the Supplier's supply chain.

The supplier shall have routines in place to perceive possible infringements of human rights through its operations, and to address and mitigate such infringements, also in the supply chain.

C. Obligations related to employment terms and working conditions

i. Child labour is prohibited

The conventions behind this section: ILO no. 138 and 182, UN Convention on the Rights of the Child, Article 32

Child labour is prohibited. For the purpose of this document, the term "child" shall apply to all persons who are

- under the age of 15, or younger than the minimum age of employment, if this age exceeds 15 years, and
- younger than the age of completion of compulsory schooling.

Children under the age of 18 may work only in tasks, which by their nature or the circumstances in which these tasks are carried out, are not likely to jeopardise the health, safety or morals of the child. Children under the age of 18 may not work night shifts or overtime.

If child labour is detected, the Supplier shall act based upon the best interests of the child and find suitable solutions in consultation with the Employer, the child and the family of the child, and with other necessary persons.

ii. Forced labour is prohibited

The conventions behind this section: ILO no. 29 and 105

Forced labour is prohibited. Forced labour refers to labour or services exacted under the menace of any penalty and for which the said person has not offered himself voluntarily. Forced labour can be identified by using forced labour indicators defined by ILO.³

Forced labour, including slave labour, bonded labour or involuntary prison labour shall not take place. All labour shall be voluntary, and the employee shall always have the right to terminate employment following a reasonable term of notice.

A written employment agreement shall be made with the employee, in a language that the employee understands.

Employers and recruitment agencies may not hold or otherwise destroy, conceal, confiscate or deny access by employees to their identity or immigration documents, such as government-issued identification, passports or work permits, unless such holdings are required by law. The documents shall be returned to the employees without any delay.

Workers shall not be required to pay employers' or agencies' fees or other related fees for their employment or recruitment. If any such fees are found to have been paid by workers, such fees shall be repaid to the worker.

iii. Discrimination and harassment is prohibited

The conventions behind this section: ILO no. 100 and 111

Discrimination on the basis of race, colour, sex, marital status, pregnancy, religion, social or ethnic origin, nationality, physical ability, age, political opinion, union membership or sexual orientation as well as all other discrimination may not take place.

Discrimination refers to any distinction, exclusion or preference, which is not based on the merits or qualities of a particular job, but involves differential treatment based upon biased grounds. The groups under systematic discrimination shall be supported with affirmative action.

Harassment of the employees is prohibited. Harassment refers to instances when employees are subject to harsh or inhuman treatment, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers; nor is there to be the threat of any such treatment.

The Supplier shall support diversity and equal opportunities in employment.

³ ILO, Indicators of Forced Labour, http://www.ilo.org/global/topics/forced-labour/publications/WCMS_203832/lang--en/index.htm

iv. Freedom of association and collective bargaining

The conventions behind this section: ILO no. 87 and 98

The Supplier respects the workers' rights to organize, to join organisations in which they themselves choose to participate, or refrain from such activities, as well as their right to collective bargaining.

The Employer respects, within the local legislation, the right and freedom of all workers to form and join trade unions and collective bargaining. Freedom of association and collective bargaining refers to formalised and/or non-formalised forms of cooperation in order to support and defend collectively employees' interests at the workplace and in the relationship between employers and employees. The Employer must inform the employees of this right. In countries where freedom of association is restricted, the Employer shall support actions aiming to enable instances where employees may meet management in order to discuss wage and labour conditions without the risk of negative sanctions.

v. Wages and hours of work

Wages shall be paid directly to the employee within the agreed upon timeframe and in full. Deductions from wages as a disciplinary measure shall not be permitted.

The Employer shall, under no circumstances, support the payment of less than the national or locally stipulated minimum wage in that industry sector, or the minimum wage stipulated in the respective collective agreement, whichever is higher. For each pay period, workers shall be

provided with a written wage statement that includes sufficient information to verify accurate compensation for work performed.

Overtime work shall be voluntary. The employees shall be paid overtime compensation in accordance with the local legislation, industry practice or respective collective agreement, whichever is higher. Overtime compensation shall be clearly specified in wage statements.

Workers shall be allowed at least one day off every seven days. Workweeks are not to exceed 60 hours per week nor the maximum set by local law, including overtime. The limit of total hours of work may be exceeded only in case of accident, actual or threatened, or in case of "force majeure", or in case of urgent maintenance or repair work, but only so far as may be necessary to avoid serious interference with the ordinary working of the Employer.

Leave, including vacation, holidays, sick leave and parental leave shall be compensated in accordance with national legislation.

vi. Safe and Hygienic Working Environment

The working environment shall be safe to the employees and hygienic. This means that the employee at the working place is guaranteed to be free from conditions which can constitute a hazard for his/her physical and/or psychological health, or, that the Employer ensures, that the employee is duly protected from these conditions. The Employer's responsibility is to protect the employees also from health risks arising from non-physical risks. These risks can include, for example, risks related to burnout or work-related stress.

The Employer prevents, monitors and reports on near-miss cases, the occurrence of work-related injury, health disadvantages and illnesses. The employees are encouraged to report near-miss cases, injuries, health disadvantages and illnesses as well as possible risk factors.

Risks to exposure to potential safety hazards and harmful conditions are identified and controlled, and preventive measures are taken. The Employer identifies possible emergency situations and prepares necessary emergency plans and guidance, that aim to minimize their impact to workers and production. After identifying a risk of exposure to harmful agents and hazards, the Employer shall, without delay, implement corrective actions. The tools and machines used for working must have appropriate physical guards, barriers and safety mechanisms. There must be fire alarms or a fire detection and warning system in the working area.

Emergency exits shall be clearly marked and may not be locked or blocked. Evacuation exercises and the testing of fire alarms shall be conducted on a regular basis.

Employees shall receive training and information on the correct working procedures, potential risks that the work can entail, including fire safety, hazardous operations and first aid, as well as training and information on how to prevent these risks. The employer shall provide the workers appropriate protective equipment.

The Employer shall provide the employees with relevant occupational health care. The Employer shall ensure that the workers are provided with ready access to appropriate toilet facilities and areas for spending their breaks, potable water and possibilities to food preparation and storage of personal items.

D. Environmental protection

In the supply and manufacturing of products and services, the procedures must comply with the conventions mentioned above in section "Requirements": the Vienna Convention and the Montreal Protocol, the Basel Convention, the Stockholm POPs Convention and the PIC Convention, as well as the local and national environmental legislation.

The Supplier shall ensure that the products and services that it sells, are produced in an environmentally responsible way. The Supplier shall monitor and measure its actions and the environmental impact of its supply chain, seeking to continually improve its environmental performance and minimise the use of resources and the production of waste. The supplier shall aim towards employing a life-cycle perspective concerning the assessment of environmental impact from products and services and shall place environmental requirements also on its supply chain.

E. Minerals from Conflict-Affected and High-Risk Areas

See *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*⁴

Conflict minerals are gold, tantalum, tin and tungsten, extracted in a conflict-affected and high-risk areas.

The Supplier has a policy for preventing harmful effects related to minerals from conflict-affected and high-risk areas. The policy complies with the OECD Guidance or equivalent. The Supplier demands and monitors the use of the policy in its supply chain. The Supplier seeks to minimise the use of conflict minerals.

The Supplier strives to that the enterprises in its supply chain, and the Supplier itself, will purchase the conflict minerals used in manufacturing the products covered by the Main Contract, only from responsible smelters. Responsible smelters can be identified by using lists provided

⁴ <http://www.oecd.org/corporate/mne/mining.htm>

by third parties, such as: <http://www.responsiblemineralsinitiative.org/conformant-smelter-refiner-lists/>.

F. UN Convention against Corruption

See UN Convention against corruption

The supplier shall not directly or indirectly offer undue payment or other forms of compensation to any person or organisation with the aim of obtaining or maintaining business operations, or achieving unjust benefit in its operations.

The supplier shall not directly or indirectly request or accept any form of undue payment or other forms of compensation from a third party, which can affect the objectivity of business decisions.

Other terms

Compliance

Transparency in the supply chain is required to guarantee compliance with this Code of Conduct. Supplier and/or its parent company will publish annually a sustainability report. In order to assess compliance, Hansel will monitor the compliance with this Code of Conduct during the Contract period. For this purpose, Hansel can request the Supplier to present documents and clarifications, take corrective actions and report on their implementation. Hansel can conduct reviews as well as on-site and off-site audits on the Supplier and/or its subcontractors in accordance with the Main Contract.

Suppliers shall take relevant contractual measures in order for the content of this Code of Conduct to be implemented in their own operations, as well as in the supply chain.

Reporting Violations

Violations of the Code of Conduct can be reported in one of the following ways:

E-mail:
compliance@hansel.fi

Post:
Chief Financial Officer
Hansel Ltd
P.O. Box 1386
FIN-00101 Helsinki
Finland, Europe

APPENDIX 2: Hansel's responsibility appendix, including award criteria on social responsibility

1 Social responsibility

These requirements concern the production conditions of the **comparison computers** in their final assembly locations and their component suppliers as specified below.

1.1 Production and sub-contracting

Contract award criterion: max 4 points

Please choose only one of the options below. No points will be granted if the Supplier chooses to not to give a response.

- The Supplier doesn't give any information of the assembly locations of the computers. The tender will receive zero (0) points from this criterion in the comparison of tenders.
- Option 1.** The tender will receive one (1) point in the comparison of tenders, if the Supplier has attached in its tender:
 - a list of final assembly locations, in which the final assembly of the comparison computers is made. The list shall include at least the name and the address of the final assembly location. Naming of the actual comparison product is not needed in this list.This list remains a trade secret. Hansel may use the list during the framework agreement period for contract surveillance, for example surveillance of fulfilment of the responsibility obligations in the Code of Conduct.
- Option 2.** The tender will receive two (2) points in the comparison of tenders, if the Supplier has attached in its tender both:
 - A list of final assembly locations, in which the final assembly of the comparison computers is made. The list shall include at least the name and the address of the final assembly location. Naming of the actual comparison product is not needed in this list.
 - A list of component suppliers of the comparison computers. The list shall include at least the name and the address of the component supplier. Naming of the actual comparison product is not needed in this list.These lists remain a trade secret. Hansel may use the list during the framework agreement period for contract surveillance, for example surveillance of fulfilment of the responsibility obligations in the Code of Conduct.
- Option 3.** The tender will receive three (3) points in the comparison of tenders, if the Supplier has attached in its tender both:
 - A list of final assembly locations, in which the final assembly of the comparison computers is made. The list shall include at least the name and the address of the final assembly location. Naming of the actual comparison product is not needed in this list.
 - A document proving that the trademark owner has openly published (for example, in Internet) a list of final assembly locations of the comparison computers. The document shall include the Internet address from which the published list can be found.Hansel may use these lists during the framework agreement period for contract surveillance, for example surveillance of fulfilment of the responsibility obligations in the Code of Conduct.
- Option 4.** The tender will receive four (4) points in the comparison of tenders, if the Supplier has attached in its tender both:
 - A list of final assembly locations, in which the final assembly of the comparison computers is made. The list shall include at least the name and the address of the final assembly location. Naming of the actual comparison product is not needed in this list.
 - A list of component suppliers of the comparison computers. The list shall include at least the name and the address of the component supplier. Naming of the actual comparison product is not needed in this list.

- A document proving that the trademark owner has openly published (for example, in Internet) a list of final assembly locations and of component suppliers of the comparison computers. The document shall include the Internet address from which the published list can be found.

Hansel may use the list during the framework agreement period for contract surveillance, for example surveillance of fulfilment of the responsibility obligations in the Code of Conduct.

1.2 Production and sub-contracting: living wage

Contract award criterion: max 3 points

The comparison computers, which the Supplier has selected from the list below, will be granted contract award points, if living wage is paid at their final assembly factories.

Definition: Living wage means the take-home pay received by a worker for a standard work week (excluding overtime) sufficient to secure the worker and the worker's family a basic, but decent, standard of living in the working location. A living wage must be sufficient to satisfy the family's basic needs (e.g. food, water, housing, education, healthcare, public transport, clothing and other essentials) and it must leave a share for unexpected events.

This requirement and the answer to it will bind the Supplier for the whole duration of the framework agreement, for the comparison product in question.

The tender that includes the most comparison computers fulfilling this criterion will receive the total of 3 points. Other tenders will receive points by using the following formula: *the number of comparison products, which fulfil the criteria, in the tender / the best number of comparison products, which fulfil the criteria, in tenders * 3.*

The Supplier assures, that living wage is paid at the final assembly locations of the following comparison products (please tick the selected products):

- VT1
- VT2
- VT3
- VT4
- VT5
- VT4b
- VT6
- VT7
- VT8
- VT7b

Verification:

The following verification, attached to the tender, is sufficient:

- The Supplier shall prove, concerning each of the comparison products selected above, that the requirement is fulfilled, by an independent third party audit, which includes auditing of the living wage criterion as defined above, such as auditing in accordance with SA8000 living wage module.

1.3 Production and sub-contracting: working hours

Contract award criteria: max 3 points

The comparison computers, which the Supplier has selected from the list below, will be granted contract award points, if they are produced in a final assembly location where actual total working hours (including overtime) are at the most 48 hours per week (on average).

This requirement and the answer to it will bind the Supplier for the whole duration of the framework agreement, for the comparison product in question.

The tender that includes the most comparison products fulfilling this criterion will receive the total of 3 points. Other tenders will receive points by using the following formula: *the number of comparison products, which fulfil the criteria, in the tender / the best number of comparison products, which fulfil the criteria, in tenders * 3.*

The Supplier assures, that working hours at the final assembly locations of the following comparison products are in accordance with the requirement (please tick the selected products):

- VT1
- VT2
- VT3
- VT4
- VT5
- VT4b
- VT6
- VT7
- VT8
- VT7b

Verification:

The following verification, attached to the tender, is sufficient:

- The Supplier shall prove, concerning each of the comparison products selected above, that the requirement is fulfilled, by an independent third party audit, such as auditing in accordance with SA8000 or EICC.

1.4 CSR reporting

The Supplier may choose to answer to this question.

Which final assembly facilities publish their own CRS reports, such as GRI or equivalent?

If you choose to answer, please attach to the tender a document including the names and addresses of the final assembly facilities and the Internet addresses from which the published CSR reports can be found.

APPENDIX 3: Contract conditions used in the Hansel computer procurement

Computers 2018-2020 (2022)

Framework agreement contract conditions that apply to responsibility

- 3.3 The Supplier is aware that the products and services covered by the agreement are intended for demanding professional use by different sectors of central government such as Government agencies, departments, unincorporated enterprises as well as teaching and research institutes. The products will be used to process both public and confidential information. The products and services must meet with the Customers' needs. They must be reliable, secure and have the correct proportions, be scalable, cost-effective, responsibly manufactured and environmentally-friendly and their production methods must be in accordance with the principles of sustainable development.

9 THE ENVIRONMENT AND RESPONSIBILITY

- 9.1 The Supplier will strive to improve the energy efficiency and eco-friendliness of all its products that are covered by the framework agreement. The Supplier will give special consideration to the fact that starting from 1 January 2017, a central government Customer is required by section 5 a of the Energy Efficiency Act to purchase energy-efficient products such as products that meet with the requirements of the European Commission's implementing act for product group-specific eco-design if the value of the procurement exceeds the EU threshold provided in the Act on Public Procurement and Concession Contracts.
- 9.2 The Supplier shall comply with the requirements provided in Appendix 4 Environmental and social responsibility including the requirements taken into account in the quality comparison, which the Supplier has committed to compliance with in their tender.
- 9.3 The Supplier and Hansel shall engage in cooperation during the contract period to advocate for the payment of a living wage to all workers employed by companies and especially assembly plants that are part of the Supplier's supply chain. A living wage is the take-home pay received by a worker for a standard work week (excluding overtime pay) that is enough to allow the worker and the worker's family to afford a basic, but decent, standard of living in a particular location. A basic but decent standard of living includes such things as food, water, housing, education, healthcare, public transport costs, clothing and other basic needs. The wage must be large enough to allow the worker to put money aside for unexpected events and needs.

Minimum requirements for responsibility (Code of Conduct)

- 9.4. The Supplier shall actively ensure that the products covered by this framework agreement are produced in conditions that are in accordance with the minimum requirements for responsibility (Code of Conduct) provided in Appendix 3 of the contract. It is the Supplier's responsibility to monitor their supply chain and to implement necessary measures to ensure compliance with the Code of Conduct in

its own operations and the supply chain for the framework agreement products and services it supplies.

Measures and policies

9.5 The Supplier shall at latest at the time the contract period begins or at a specific time later on agreed upon with Hansel perform the following measures; in the interests of clarity it is stated that the policies and measures referred to below can be drawn up in a language chosen by the Supplier (e.g. English):

- i. The Supplier shall draw up, approve and publish one or more policy approved by management, which includes a commitment to compliance with the Code of Conduct referred to above in section 9.4;
- ii. The Supplier shall provide information on the aforementioned policy to its own supply chain with which the Supplier has a contractual relationship;
- iii. The Supplier shall appoint a member of management to act as the person responsible for supervising compliance with the Code of Conduct referred to in section 9.4
- iv. The Supplier shall have a procedure in place for the performance of regular risk assessments, including the identification and prioritisation of existing or potential risks related to compliance with the Code of Conduct referred to in section 9.4.
- v. The Supplier shall have a procedure in place according to which the Supplier continuously monitors the compatibility of its operations with the Code of Conduct referred to in section 9.4.
- vi. The Supplier shall have a procedure in place with which it can prevent failure or deviation in compliance with the Code of Conduct referred to in section 9.4 and shall immediately reduce and eliminate their harmful impacts by, for example, correcting the failure or deviation.

The measures described above must be documented and compliance with these must be continuous. The measures and procedures must be performed both in the Suppliers own operations and throughout its entire supply chain.

The Supplier shall assist Hansel in the monitoring of the framework agreement by submitting reports and further information to Hansel on how the Supplier has fulfilled the requirements specified in sections 9.4 and 9.5. The report or further information must be submitted within six (6) weeks of Hansel's request.

Right to audit

9.6 The Supplier shall disclose a reasonable amount of all the appropriate information to Hansel and/or its representative and permit Hansel and/or its representative access to its facilities to assess the Supplier's operations in the scope necessary to determine that it complies with the requirements specified in sections 9.4 and 9.5. The right of audit, notices and deadlines related to audits, practices, confidentiality as the right to audit the operations of subcontractors are all provided on later on in chapter 25 (Right of access). If the products are manufactured by a company other than the subcontractor of the Supplier that is part of the supply chain, the Supplier shall do its best to make it possible for Hansel to inspect the plant of such a company in the supply chain.

9.7 The Supplier shall within a period of three (3) weeks of a request by Hansel be able to report to Hansel on the name and location of the plant which has supplied an individual comparison product or a piece of equipment specified in a Customer contract.

Consequences for violating the minimum requirements for responsibility and negligence to carry out measures

9.8 If the Supplier violates the Code of Conduct referred to above in section 9.4 or neglects to perform the measures specified in section 9.5, Hansel has the right to implement the following measures in response to the infringement:

- i. Corrective measures: Hansel shall have the right to ask the Supplier in writing within a period of four (4) weeks to present a plan and timetable to Hansel for approval according to which the Supplier will perform corrective measures so as to comply with the requirements provided in sections 9.4 and 9.5. The proposed measures and timetable must be proportionate to the infringement and the plan must clearly state the how the Supplier intends to correct the infringement in the proposed timetable.
- ii. Compensation payments: If the Supplier does not commit to the aforementioned approved plan and timetable, does not supply a plan or timetable or does not perform the measures outlined in the plan within the given timetable, Hansel shall have the right to demand that the Supplier pay Hansel a penalty for delay totalling one thousand (1,000) euros for every seven-day period that begins before the measures are completed, but at most 15,000 euros.
- iii. Limiting single customer contracts and orders: In addition to requiring corrective measures, Hansel can limit the Supplier's right to take part in mini-tendering for Customers and/or limit the Customer orders to the Supplier within the scope of this framework agreement until the Supplier has corrected the violation of the Code of Conduct referred to in section 9.4. or the it becomes obvious that the violation has ceased.
- iv. Terminating the agreement: Hansel shall have the right to terminate the framework agreement immediately completely or in part, if the Supplier does not perform the corrective measures referred to above and pay the maximum sum of compensation payments it has accumulated. The Customer shall have the right to terminate the single customer contract immediately completely or in part, if production if the equipment covered by the contract has violated the Code of Conduct referred to in section 9.4 and the Supplier has not performed the corrective measures referred to above.

30.2 Hansel shall have the right to disclose to the Customer and other joint procurement units in the EU area information on the results and measures of the responsibility inspections referred to in chapter 9, including a summary of the audit report. The purpose of disclosing this information is to reduce the number of overlapping audits and inspections as well as to increase understanding on responsibility.

APPENDIX 4: Questions presented by prospective tenderers in connection with Hansel's computer tendering process

Question: Appendix 5, Environmental and social responsibility; can the reports, documents and attachments requested in this appendix be submitted in English?

Answer: The reports and further information requested in sections 1.1-1.10 of Appendix 5 should only be submitted upon request, and they will be required of tenderers selected to tender for the framework agreement. At the time of the request for these documents, the parties can agree on the language they will be submitted in. The report required in section 1.11 must be submitted in Finnish. The policy or programme itself can be in another language, e.g. English.

The information required in sections 2.1 and 2.4 of Appendix 5 comprise a list of suppliers/final assembly plants. The list can be, for example, in English. The information required in sections 2.2 and 2.3 of Appendix 5 can be submitted in English as the information comprises an audit report that need not be translated into Finnish.

Question: Requirement: The tenderer has attached the following to their tender: The information submitted by the tenderer indicates that the owners of the computer and display brands have a policy/programme in place that complies with requirements. Can the report be written in English?

Answer: See answer to question 23.

Question: Upload a report or information that is in accordance with section 2.1 "Production and subcontracting" of Appendix 5 of the invitation to tender (Environmental and social responsibility). If the supplier publishes a list of their assembly plants and component suppliers

including names and addresses on their website, do the plants/suppliers need to also be listed in a separate attachment or is a link to the information in question enough.

Answer: A link alone is not enough, as the information used in the comparison must be explicitly stated in the tender by the deadline. A list published online may be attached, for example, in PDF format to the tender. Also supply the website address (link) to the published information in option 4 in Section 2.1 of Appendix 5. Also see the answer to question 23.

Question: Appendix 05, Environmental and social responsibility, section 2.3: Is there a mistake in the number of working hours per week here? Appendix 3 of the Code of Conduct specifies a maximum of 60 hours of work a week. The 48 hours required in this section is therefore in contradiction with the requirements listed in the Code of Conduct. The 60 hours mentioned here is in accordance with the EICC's and the IT sector's common global practice and maximum limit, and the maximum number of working hours that is generally complied with. 48 hours is less than the common practice, and therefore we ask that you amend the number to 60 hours here as well.

Answer: There is no error in this section. Section 2.3 of Appendix 5, which applies to the recommendation for a 48-hour work-week is a scored requirement. The 60-hour weekly working time mentioned in the Code of Conduct is a minimum requirement, which the supplier must commit to. If the supplier is able to demonstrate that the weekly working hours for certain compared products is at most 48 hours according to the scored requirement, the supplier will be given the notified quality score for this section in the tender comparison.

Question: 2 Social responsibility. To ensure that the answers provided by suppliers can be comparable with one another and they apply specifically to the suppliers of components and assembly plants that supply equipment to the Finnish market, we ask that you specify that these requirements apply to the production conditions at assembly plants for computers supplied to the Finnish market and for the suppliers of the components used in compared products according to what is specified below.

Answer: According to the introduction text in section I2 of Appendix 5, the requirements apply to the working conditions at Final Assembly of computers that will be supplied for comparison and working conditions of suppliers of components that are used in the comparison products. The requirement does not therefore apply to products supplied to the global market nor to products supplied to the general Finnish market.

Question: Framework agreement, section 9.6, Right to audit: Does the term subcontractor refer to all the companies in the supplier's supply chain or the subcontractors specified in the Framework agreement and subcontractors designated for the agreement? In this section the term "subcontractor" is spelled with a small first letter. We ask that you note that the global standardised supply chains have been agreed on separately and are in compliance with the currently valid practices used by the contract supplier and its subcontractors and suppliers. These do not always include agreements on the right to audit by the supplier's own customers. It would thus be advisable to specify that subcontractor refers to the Subcontractors specified in the framework agreement, the Supplier must, to the best of its ability, see to that Hansel can inspect the operations of a production plant that belongs to the company and is part of the supply chain. The comment also refers to section 25.7 of the Right of Access

and to the section of the Code of Conduct under the heading Compliance.

Answer: The subcontractor in section 2.1 of the framework agreement refers to all third parties that take part in fulfilling the contractual obligations provided in the framework agreement or the customer-specific agreement on behalf of the contractual party or Customer. According to section 7.2 of the framework agreement, the Supplier has the right to use the subcontractors designated in Appendix 9. When referred to in section 9.6 as well as the chapter 25 on the Right of Access and the section of the Code of Conduct under the heading Compliance, subcontractor refers to the designated subcontractors listed in Appendix 9. Section 9.6 includes on the Supplier's obligation to assist other companies in the supply chain, which was agreed on separately.

All the defined terms are written with small first letters in the framework agreement with the exception of Supplier and Customer.

APPENDIX 5: Draft of the KL Kuntahankinnat's Code of Conduct

Introduction

Established in 2008, KL-Kuntahankinnat Ltd (Kuntahankinnat) is a national purchaser, owned by the Association of Finnish Local and Regional Authorities, that handles joint procurements. The Kuntahankinnat strategy highlights the impact of environmental issues and social factors in tendering and contract management. We continuously develop the way that responsibility is taken into account in the tendering of framework agreements, and we publish a list of responsibility factors that have been taken into consideration in each agreement on our website.

According to the United Nations Guiding Principles on Business and Human Rights¹ and the OECD Guidelines for Multinational Enterprises², business enterprises should, within the framework of internationally recognised human rights, the international human rights obligations of the countries in which they operate as well as relevant domestic laws and regulations:

- respect human rights, which means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved; and
- within the context of their own activities, avoid causing or contributing to adverse human rights impacts and address such impacts when they occur; and
- seek ways to prevent or mitigate adverse human rights impacts that are directly linked to their business operations, products or services by a business relationship, even if they do not contribute to those impacts.

Our contractors (referred to in this document as "Supplier") must commit to this Code of Conduct and ensure that all of the minimum requirements set forth in this document are met within their own operations and in their supply chain. The agreement between Kuntahankinnat and the Supplier is referred to as "Contract" or "Framework agreement".

The requirements which are especially set to the supply chain are emphasized in this Code of Conduct by referring to the "Employer". "Employer" means also the Supplier when it acts as an employer. The terms "worker" and "employee" are used as synonyms in this document.

All actions and co-operation with Kuntahankinnat and its customers shall take place through dialogue, and they shall be open and transparent.

Requirements

Goods and services that are supplied to Kuntahankinnat and its customers should be produced under conditions that are in accordance with:

- The United Nations Universal Declaration of Human Rights (1948)
- International Covenant on Civil and Political Rights (UN 1966)
- International Covenant on Economic, Social and Cultural Rights (ICESCR, UN 1966)
- The Eight Fundamental Conventions of the International Labour Organisation (ILO):
 - no. 29: Forced Labour Convention (1930)
 - no. 87: Freedom of Association and Protection of the Right to Organise Convention (1948)

1 http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf 2 <http://mneguidelines.oecd.org/guidelines/>

2 <http://mneguidelines.oecd.org/guidelines/>

- no. 98: Right to Organise and Collective Bargaining Convention (1949)
- no. 100: Equal Remuneration Convention (1951)
- no. 105: Abolition of Forced Labour Convention (1957)
- no. 111: Discrimination (Employment and Occupation) Convention (1958)
- no. 138: Minimum Age Convention (1973)
- no. 182: Worst Forms of Child Labour Convention (1999)
- The United Nations Convention on the Rights of the Child, Article 32 (1989)
- The United Nations Convention against Corruption (2003)
- The labour protection, labour terms and working conditions legislation in force in the country of production of goods and services, including legislation on minimum wages, and the social welfare protection regulations
- Vienna Convention for the protection of the Ozone Layer and its Montreal Protocol on substances that deplete the Ozone Layer;
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel Convention);
- Stockholm Convention on Persistent Organic Pollutants (Stockholm POPs Convention)
- Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (UNEP/FAO) (The PIC Convention) Rotterdam, 10 September 1998, and its 3 regional Protocols.
- The environmental protection legislation that is in force in the country of production of the goods and services.

A. Obeying local legislation

The Supplier must comply with the local legislation that is in force in the country of production of the goods and services. Should the requirements in this document exceed the aforementioned obligations rising from the legislation of the production country, the Supplier shall comply with the requirements set forth in this document.

B. Respecting human rights

The conventions behind this section: the UN Universal Declaration of Human Rights, International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights. See also UN Guiding Principles.

The Supplier has a responsibility to respect and support human rights both within its own operations and in its supply chain.

The Supplier shall ensure that it does not participate, directly or indirectly, in infringing human rights. The Supplier does not allow causing adverse human rights impacts, or benefitting from it, even when it's done by a company belonging to the Supplier's supply chain.

The Supplier shall have routines in place to perceive possible infringements of human rights through its operations, and to address and mitigate such infringements, also in the supply chain.

C. Obligations related to employment terms and working conditions

i. Prohibition of Child labour

The conventions behind this section: ILO no. 138 and 182, UN Convention on the Rights of the Child, Article 32

Child labour is prohibited. Children should not be assigned work that interferes with their schooling, or harms their health or development.

Under no circumstances can children under the age of 15 be assigned full time work. Children under the age of 18 may work only in tasks, which by their nature or the circumstances in which these tasks are carried out, are not likely to jeopardise the health, safety or morals of the child. Children under the age of 18 may not work night shifts or overtime.

ii. Prohibition of Forced labour

The conventions behind this section: ILO no. 29 and 105

Forced labour is prohibited. Forced labour refers to labour or services exacted under the menace of any penalty and for which the said person has not offered himself voluntarily. Forced labour can be identified by using forced labour indicators defined by ILO.³

In addition to forced labour, involuntary prison labour is also prohibited. All labour shall be voluntary, and the employee shall always have the right to terminate employment following a reasonable term of notice.

A written employment agreement shall be made with the employee, in a language that the employee understands.

Employers and recruitment agencies may not hold or otherwise destroy, conceal, confiscate or deny access by employees to their identity or immigration documents, such as government-issued identification, passports or work permits, unless such holdings are required by law. The documents shall be returned to the employees without any delay.

Workers shall not be required to pay employers' or agencies' fees or other related fees for their employment or recruitment. If any such fees are found to have been paid by workers, such fees shall be repaid to the worker.

iii. Prohibition of Discrimination

The conventions behind this section: ILO no. 100 and 111

Discrimination on the basis of race, colour, sex, marital status, pregnancy, religion, social or ethnic origin, nationality, physical ability, age, political opinion, union membership or sexual orientation as well as all other discrimination may not take place.

Discrimination refers to any distinction, exclusion or preference, which is not based on the merits or qualities of a particular job, but involves differential treatment based upon biased grounds. The groups under systematic discrimination shall be supported with affirmative action.

Harassment of the employees is prohibited. Harassment refers to instances when employees are subject to harsh or inhuman treatment, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers; nor is there to be the threat of any such treatment.

The Supplier shall support diversity and equal opportunities in employment.

³ ILO, Indicators of Forced Labour, http://www.ilo.org/global/topics/forced-labour/publications/WCMS_203832/lang--en/index.htm

iv. Freedom of Association and Collective Bargaining

The conventions behind this section: ILO no. 87 and 98

The Supplier respects the workers' rights to organize, to join organisations in which they themselves choose to participate, or refrain from such activities, as well as their right to collective bargaining.

The Employer respects, within the local legislation, the right and freedom of all workers to form and join trade unions and collective bargaining. Freedom of association and collective bargaining refers to formalised and/or non-formalised forms of cooperation in order to support and defend collectively employees' interests at the workplace and in the relationship between employers and employees. The Employer must inform the employees of this right. In countries where freedom of association is restricted, the Employer shall support actions aiming to enable instances where employees may meet management in order to discuss wage and labour conditions without the risk of negative sanctions.

v. Wages and Hours of Work

Wages shall be paid directly to the employee within the agreed upon timeframe and in full. Deductions from wages as a disciplinary measure shall not be permitted.

The Employer shall, under no circumstances, support the payment of less than the national or locally stipulated minimum wage in that industry sector, or the minimum wage stipulated in the respective collective agreement, whichever is higher. For each pay period, workers shall be provided with a written wage statement that includes sufficient information to verify accurate compensation for work performed.

Overtime work shall be voluntary. The employees shall be paid overtime compensation in accordance with the local legislation, industry practice or respective collective agreement, whichever is higher. Overtime compensation shall be clearly specified in wage statements.

Workers shall be allowed at least one day off every seven days. Workweeks are not to exceed 60 hours per week nor the maximum set by local law, including overtime. The limit of total hours of work may be exceeded only in case of accident, actual or threatened, or in case of "force majeure", or in case of urgent maintenance or repair work, but only so far as may be necessary to avoid serious interference with the ordinary working of the Employer.

Leave, including vacation, holidays, sick leave and parental leave shall be compensated in accordance with national legislation.

vi. Safe and Hygienic Working Environment

The working environment shall be safe to the employees and hygienic. This means that the employee at the working place is guaranteed to be free from conditions which can constitute a hazard for his/her physical and/or psychological health, or, that the Employer ensures, that the employee is duly protected from these conditions. The Employer's responsibility is to protect the employees also from health risks arising from non-physical risks. These risks can include, for example, risks related to burnout or work-related stress.

The Employer prevents, monitors and reports on near-miss cases, the occurrence of work-related injury, health disadvantages and illnesses. The employees are encouraged to report near-miss cases, injuries, health disadvantages and illnesses as well as possible risk factors. Risks to exposure to potential safety hazards and harmful conditions are identified and controlled, and preventive measures are taken. The Employer identifies possible emergency situations and prepares necessary emergency plans and guidance, that aim to minimize their impact to workers and production. After identifying a risk of exposure to harmful agents and hazards, the Employer shall, without delay, implement corrective actions. The tools and machines used for working must have

appropriate physical guards, barriers and safety mechanisms. There must be fire alarms or a fire detection and warning system in the working area.

Emergency exits shall be clearly marked and may not be locked or blocked. Evacuation exercises and the testing of fire alarms shall be conducted on a regular basis.

Employees shall receive training and information on the correct working procedures, potential risks that the work can entail, including fire safety, hazardous operations and first aid, as well as training and information on how to prevent these risks. The employer shall provide the workers appropriate protective equipment.

The Employer shall provide the employees with relevant occupational health care. The Employer shall ensure that the workers are provided with ready access to appropriate toilet facilities and areas for spending their breaks, potable water and possibilities to food preparation and storage of personal items.

D. Environmental Protection

In the supply and manufacturing of products and services, the procedures must comply with the conventions mentioned above in section "Requirements": the Vienna Convention and the Montreal Protocol, the Basel Convention, the Stockholm POPs Convention and the PIC Convention, as well as the local and national environmental legislation.

The Supplier shall ensure that the products and services that it sells, are produced in an environmentally responsible way. The Supplier shall monitor and measure its actions and the environmental impact of its supply chain, seeking to continually improve its environmental performance and minimise the use of resources and the production of waste. The supplier shall aim towards employing a life-cycle perspective concerning the assessment of environmental impact from products and services and shall place environmental requirements also on its supply chain.

E. Minerals from Conflict-Affected and High-Risk Areas

See OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas⁴

Conflict minerals are gold, tantalum, tin and tungsten, extracted in a conflict-affected and high-risk areas.

The Supplier has a policy for preventing harmful effects related to minerals from conflict-affected and high-risk areas. The policy complies with the OECD Guidance or equivalent. The Supplier demands and monitors the use of the policy in its supply chain. The Supplier seeks to minimise the use of conflict minerals.

The Supplier strives to that the enterprises in its supply chain, and the Supplier itself, will purchase the conflict minerals used in manufacturing the products covered by the Framework agreement, only from responsible smelters. Responsible smelters can be identified by using lists provided by third parties, such as: <http://www.conflictfreesourcing.org/conflict-free-smelter-refiner-lists>.

F. Measures against Corruption

The conventions behind this section: UN Convention against corruption

The supplier shall not directly or indirectly offer undue payment or other forms of compensation to any person or organisation with the aim of obtaining or maintaining business operations, or achieving unjust benefit in its operations.

4 <http://www.oecd.org/corporate/mne/mining.htm>

The supplier shall not directly or indirectly request or accept any form of undue payment or other forms of compensation from a third party, which can affect the objectivity of business decisions.

Other terms

Compliance

Transparency in the supply chain is required to guarantee compliance with this Code of Conduct. Supplier and/or its parent company will publish annually a sustainability report. In order to assess compliance, Kuntahankinnat will monitor the compliance with this Code of Conduct during the Contract period. For this purpose, Kuntahankinnat can request the Supplier to present documents and clarifications, take corrective actions and report on their implementation. Kuntahankinnat can conduct reviews as well as on-site and off-site audits on the Supplier and/or its subcontractors

Suppliers shall take relevant contractual measures in order for the content of this Code of Conduct to be implemented in their own operations, as well as in the supply chain.

Reporting Violations

Violations of the Code of Conduct can be reported in one of the following ways:

E-mail: info@kuntahankinnat.fi



Finnwatch ry
Malminrinne 1B, 2.krs
00180 Helsinki
info@finnwatch.org
www.finnwatch.org
[@Finnwatch1](https://twitter.com/Finnwatch1)