

Socially responsible public procurement of ICT equipment in Sweden

Region Stockholm as a European leader in the implementation of social criteria



Image: Unsplash- Jonathan Brinkhorst

Contracts:

Eight procurements of ICT equipment, awarded in 2018-2019

Total value contracts: €62 million (650 million SEK)

Achivements:

Driving the market – in particular resellers – towards improving social conditions in global supply chains of ICT equipment

SUMMARY

- Region Stockholm`s strategy for socially responsible procurement
- Market engagement as a tool for sustainable procurement
- Social criteria used in tenders for ICT equipment
- Contract management and follow-up of social criteria
- Experiences and advices from the Manager of Sustainable Supply Chains

Background

Region Stockholm is responsible for providing public transport and health care to citizens in the entire Stockholm region as well as for regional planning. It centrally procures ICT for all of its operations.

All 22 regions in Sweden cooperate to manage their public procurement and implement sustainability goals. Together, the regions share the same code of conduct, have developed common contractual clauses and common contract management methods. They also work together to solve challenges and advance practices. For example, together, the regions have identified eight high risk categories in their procurements. Each region has been assigned one of these categories, and is responsible for producing a risk analysis which it shares with the other regions, as well as focuses on this category during contract management, and shares the results. Region Stockholm took on the responsibility for ICT, which was identified as a priority area due to the high risk of human rights, labour rights, and child labour violations, plus the environmental impact within the sector's supply chains. Sustainable ICT procurement also contributes to the region's energy efficiency and carbon reduction targets. In its role of responsibility among Swedish regions, Region Stockholm shares the results from its risk analysis, development and testing of tools, monitoring and follow-ups on the ICT suppliers with the other regions.

Early on, a strong political ambition within Region Stockholm translated into the goal to develop the region into one of the European leaders in sustainable public procurement. Region Stockholm has applied environmental requirements for ICT procurement since 2010, and implemented binding contract conditions addressing social criteria since 2014. Since 2015, most of the ICT contracts have been followed up through desktop or factory audits.

On a regulatory level, the [Swedish Public Procurement Act](#) of 2016 provides a strong support for these activities: "A contracting authority shall, if it is necessary, require that the supplier performs the contract according to stated requirements under the core conventions of the ILO, if the performance is made under such conditions that Swedish labour law is not applicable." This also applies for subcontractors that directly contribute to the performance of the contract. With the long experience of using advanced socially responsible public procurement (SRPP), Region Stockholm is a pioneering authority in Europe in this field, with a significant expertise regarding contract management.

Procurement Approach

In 2018 and 2019, a total of eight procurements of different types of ICT equipment were conducted. All of them included social criteria. The following categories were procured:

- Personal computers (PCs)
- Monitors
- Thin clients
- Medical Panel PCs
- Network and security products
- Servers and storage systems

- ICT desktop equipment (headsets, keyboards, mice)
- Small printers

Market engagement

In 2018, Region Stockholm organised extensive market engagement activities to understand the market's perspective on their planned use of social and environmental criteria in ICT tenders. An open meeting for all interested suppliers (both resellers and brand companies), followed by individual meetings were held. During the open meeting the region showcased its ambitions and plans for SRPP of ICT equipment. The one-to-one meetings allowed interested suppliers a deeper dialogue on the planned social criteria. Region Stockholm used the insights from both rounds during the preparation of its eight individual ICT tenders. In addition, the stakeholder dialogue allowed a long-term perspective by raising awareness and preparing the market for future tenders.

Engaging with the market allowed Region Stockholm to develop its tenders in a way that challenged the suppliers, while at the same time considering their ability to respond to social criteria sustainably. After around 18 months, once all nine procurements had been conducted, Region Stockholm invited suppliers to provide feedback on the procurement process and their experience with the criteria during a roundtable discussion.

A central point raised was on the importance of weighting award criteria in relation to the importance of the criteria for the procurer, and taking into account the amount of time and effort required to answer. If an award criterion requires a lot of resources to answer but does not have a strong impact on the scoring, the bidder has an incentive to not meet the criteria, because it simply is not worth their time. One of the criteria that was discussed was transparency in the supply chain. The suppliers underscored the dynamic nature of their supply chains, which means that any supplier list provided during tendering may not reflect the reality during the contract. Suppliers argued to make supply chain transparency requirements part of the contract clauses. As a result of the feedback, supply chain transparency can now be required as an award criterion and a contract performance clause.

Region Stockholm also hosted the internal Procura+ Interest Group on SRPP meeting in September 2019. Here, the latest approaches on social procurement of ICT equipment were discussed among the participants, including invited resellers. The results of these meetings helped to further develop the Make ICT Fair guidance "[How to procure fair ICT hardware](#)".

Criteria used in the procurement process

Contract performance clauses

As an Electronics Watch affiliate, Region Stockholm uses contract clauses equivalent to Electronics Watch's [contract clauses](#). Electronics Watch supports Region Stockholm by monitoring supply chains against the standards set in the contract clauses. This provides Region Stockholm with an important resource for verification and engagement with their supply chains during contract management. In

addition, Region Stockholm performs its own contract management activities and audits its suppliers, often resellers, to ensure that they fulfil the due diligence requirements that are part of the contract clauses.

Award criteria used by Region Stockholm

Region Stockholm is using a variety of recurrent award criteria in their tenders, selecting the tailored criteria in a specific tender based on the type of products and readiness of the market. In general, sustainability criteria make up around 30% of points available in IT procurement (15% environmental criteria and 15% social criteria). Social requirements are not included as a technical specification, due to the national authority's guidelines on using social criteria..

Transparency

Lack of transparency in the supply chain is a problem for public procurers, as it makes risk assessments and monitoring difficult. There are different approaches to increasing transparency. Contract conditions can include the requirement for the supplier to report the main manufacturing factories linked to the subject matter of the contract. This can include final assembly and main components manufacturers (see Electronics Watch contract clauses on transparency). Transparency can also be strengthened through award criteria by rewarding suppliers who have access to this information and are willing to share it with their buyer. If transparency is used as an award criterion, a strong approach is useful, including requesting details about prioritized risks for the factories and how these risks are being managed (see Risk Assessment and Monitoring below).

Risk Assessment

Risks assessments by the supplier focusing on the supply chain should be set as a contractual obligation. Additionally, an award criterion to reward tenderers with existent risk assessment can be set. For resellers an award criterion can reward offering products from brands with existent risk assessment procedures. Verification can be through a list of prioritized risks for the factories linked to the subject matter of the contract. Questions on methods or scales used to prioritise the risks are also appropriate.

Monitoring

Suppliers should be contractually obliged to monitor their supply chain, and especially follow-up on identified risks. Rewarding tenderers that have appropriate systems in place during tender stage or if they supply from such brands is appropriate. Verification should be through descriptions of the systematic procedures in place to identify and address non-compliances, which can be self-assessment questionnaires, dialogue processes or social audit reports.

Occupational health and safety risks linked to process chemicals

Award criteria should reward tenderers who source from brands that actively work to protect workers from harmful chemicals in the supply chain for the subject matter of the contract. One important verification is to require proof on how the activities in main factories ensure worker participation in the development, implementation, and verification of occupational health and safety

policies, goals, risk analyses and investigation of injuries and other harms. Workers and their representatives should receive training and information about process chemicals. This can be verified by ISO 45001 certificate, SA8000:2014 certificate, a RBA VAP, BSCI or other audit reports that show that this criterion is met.

Worker empowerment

Many electronic products are produced in countries with no, or limited freedom of association and collective bargaining. Award criteria can be used to reward brands that can document activities toward promoting workers' ability to influence issues related to their work environment and working conditions in the subject matter of the contract supply chain. Verification should be through documentation to prove the existence of worker committees or other structures in place, where workers appoint their representatives, where these representatives have ongoing and regular dialog with management on working environment and working conditions. Further documentation on the composition of such committees as well as on the election procedures can be requested. Such proof can be a third party's certified protocol or other documentation such as meeting protocols.

Anti-Corruption

The tenderer should have routines and procedures in place to prevent and address all forms of corruption. An award criterion can reward compliance with the International Chamber of Commerce rules on combatting corruption. This can be verified by ISO 37001 certification or other relevant documentation showing policy commitment, information about passing down requirements in the supply chain, risk assessment location within supply chains, routines and procedures for monitoring, and routines and procedures for addressing non-compliance.

Responsible Sourcing of Minerals

The risk linked to the minerals part of the electronics supply chain is high, as even minerals not deemed to be conflict minerals can still be high-risk minerals as they are linked to human rights violations such as child labour, forced labour and occupational health and safety risks.

Policy

When it comes to conflict and high-risk minerals, requiring a policy from the supplier and the brand is a good first step. The requirement should be mandatory for a relatively mature market, or otherwise, it should be an award criterion. The policy should be publicly available, adopted by senior management, and include a commitment to actively work to ensure no conflict minerals are in the subject matter of the contract as well as a commitment to require the same of suppliers and monitor the supply chain. A supplier whose policy claims that the products do not contain conflict minerals is not to be taken seriously as that level of traceability to the product level simply does not exist.

Due Diligence

Going beyond policy a mandatory requirement or an award criterion can push brands to apply a due diligence process that complies with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. This can be verified by a sustainability report,

a report to the U.S. Securities and Exchange Commission, or other documentation that details how the brand is taking action under each of the five steps of the OECD guidance.

Regional programs

An award criterion can require brands to be part of an established multi-stakeholder program. This can be verified by listing which program they are part of.

TCO-Certified Generation 8 requires all of the above. If Generation 8 products are on the market, it would be efficient to simply require certification.

Contract management

Region Stockholm manages its contracts and periodically audits its ICT suppliers' compliance with environmental and social requirements. Region Stockholm shares the results of these with other regions in Sweden, so that they do not need to do the same audits. This saves resources for both the procurers and the suppliers. Since 2015 most of the ICT suppliers have been followed-up through desktop audits. Additionally, two factory audits have been commissioned. At the moment, follow-up on social criteria is not part of regular contract management but is conducted by the Sustainability Department.. Region Stockholm has resources to follow-up with approximately 10-15% of suppliers from high risk categories per year. The affiliation with Electronics Watch provides Region Stockholm with additional capabilities for worker-driven monitoring and industry engagement.

Region Stockholm has included reporting requirements in some contracts. Suppliers have to report on their activities regarding social risks in relation to products delivered during the contract period. The report should be delivered within six months after the contract begins. The reports provide Region Stockholm with insights for contract management. Region Stockholm's manager for sustainable supply chains works on reporting requirements, contracting auditors, managing the audit process, dialogue with suppliers and corrective action procedures. The reports describe suppliers' activities on social conditions set in the contract. With this, the report goes beyond policies and tries to understand the companies' management routines focusing on working conditions. These reports and the audit reports can show non-compliance, which are communicated to the supplier and a request for a corrective action plan within 1 month is defined. The non-compliances have to be corrected within six months. This timeline can be adjusted in certain circumstances.

Some of the social selection and award criteria are verified at the time of submitting the bids. The information provided during the bids helps Region Stockholm prioritise follow-ups. The prioritisation is based on risk – including country of production, freedom of association, work time, gender inequalities – and contract size. As part of contract reporting, suppliers are asked to describe how the different brands work with fulfilling the contract clauses and managing risks and the improvement of labour conditions. This can also include current and planned activities in issues such as living wages.

Desktop audits by external consultants are used to check compliance with the social criteria set in the contract clauses with a strong focus on routines and also policies. These audits are conducted once for each supplier during the entire contract period. If one supplier is responsible for many contracts, only one desktop audit will be performed.

“The advantage of having requirements on due diligence, routines and procedures is that if they are well implemented, it will have an impact on the supplier’s entire business.” - *Kathleen McCaughey*.

Region Stockholm conducts audits at factories in their supply chain, to see how well the reported results are visible on the shop floor. As performing their own onsite audits is resource intensive, and the number of onsite visits is therefore limited, Region Stockholm decided to affiliate with Electronics Watch to access their support in local worker-driven monitoring. Electronics Watch provides “eyes and ears on the ground” which allows monitoring in factories. Region Stockholm is using Electronics Watch monitoring reports to follow-up with their suppliers.

Lessons learned

Based on her experience with socially responsible procurement Kathleen McCaughey, Regions Stockholm’s manager of sustainable supply chains, shares her best advice:

1. Binding contractual requirements regarding the respect for human rights, workers’ rights and anti-corruption throughout the supply chain are essential. These should include the right to audit suppliers and sanctions, e.g. contract termination, if the supplier fails to address non-compliances, or if serious breaches are discovered. The Swedish regions’ Code of Conduct for suppliers, plus the assessment template and guidance contract terms can be found [here](#).
2. Specific requirements can be included separately. Depending on their focus, verification is either carried out at the tender stage, on demand, or during contract management. Mandatory requirements should only be set after establishing that a significant part (around 50%) of the market has the capability to meet them. Assessing market maturity is important before deciding whether a requirement should be mandatory or an award criterion.
3. Risk assessment on human rights and worker rights violations and corruption and subsequent prioritisation help establish which mandatory requirements or award criteria to set.
4. Award criteria need to be weighed. In general, criteria most important for the procuring organisation should be weighed highest. Additionally, assessing resource intensity on the side of tenderers to gather the requested data for verification is critical and should inform the weighing of criteria.
5. A regular dialogue with the market (resellers and brands) on the criteria - both before and after procurements - will help to understand how far the market can be pushed in the next procurements. Region Stockholm learned through such dialogue that specific end goals have to have a step-by-step approach. One suggestion was to break down the award criteria on worker empowerment, that almost none of the suppliers could meet, into milestones that describe the way to full worker representation.
6. Definitions of terms strengthen clarity and transparency. Terms such as final assembly, supply chain, main components, significant manufacturers, conflict minerals and high-risk minerals can be shortly defined in the procurement documents.
7. Before setting criteria, defining expectations towards tenderers on verification of their compliance with your criteria is essential.

For example, if you want your suppliers to monitor their supply chain, how can they prove that they do? Is a description of a methodology enough or do you require them to participate in a trade organisation, or be members of a supply chain management system? What kind of monitoring is sufficient? Are you satisfied if they conduct factory visits? Do you require third party audits? According to a specific methodology?



8. Request for Information (RFI) to the market are a good tool to receive feedback and input on requirements.

CONTACT

Kathleen McCaughey

Manager Sustainable Supply Chains

Region Stockholm

www.sll.se

About Procura+

Initiated and co-ordinated by ICLEI, Procura+ is a network of European public authorities and regions that connect, exchange and act on sustainable and innovation procurement.

Connect.



We are a network of European public authorities that connect, exchange and act on sustainable and innovation procurement.

Exchange.



Our combined knowledge and experience allows us to provide advice, support and publicity to any public authority that wants to implement sustainable and innovation procurement.

Act.



The Procura+ Network joins forces to champion sustainable and innovation procurement at the European level.

www.procuraplus.org

procurement@iclei.org

About Electronics Watch

[Electronics Watch](#) is a not-for-profit non-governmental organization that brings together public sector buyers and civil society organisations in electronics production regions with experts in human rights and global supply chains. They guide public procurement demand for decent working conditions in electronics supply chains, and provide capacity for public buyers to follow up on contractual demands through worker-driven monitoring which helps workers to voice complaints and contribute to solutions. Electronics Watch is focusing on:

- Informing and organising public procurement demand for decent working conditions in electronics supply chains.
- Investigating and working to improve working conditions in public procurement electronics supply chains.

Electronics Watch has an affiliate network that allows public buyers to exchange ideas and learn from each other.

About the Make ICT Fair project

The Make ICT Fair - Reforming Manufacture & Minerals Supply Chains through Policy, Finance & Public Procurement is a three year project, which received three million euros funding from the European Commission. The partners are: The University of Edinburgh, Sudwind, People and Planet, SETEM Catalunya, ICLEI, CEE Bankwatch, Electronics Watch, Le Monde Diplomatique, Swedwatch and Towards Sustainability Action.

The overall objective of the project is to increase EU citizen knowledge of EU development cooperation within the context of the Sustainable Development Goals (SDGs); Raise awareness & understanding of EU citizens/decision makers about the interdependencies between the Global South and Europe, Mobilise EU citizens/decision makers & ICT purchasers/procurers working in the EU Public Sector to improve workers'/communities' rights and conditions in the ICT industry.



Disclaimer: This publication has been produced with the assistance of the European Union. The contents of this publication are the sole responsibility of the Make ICT Fair Project and can in no way be taken to reflect the views of the European Union. The European Commission is also not responsible for any use that may be made of the information contained herein. The project has received funding from the European Union's EuropeAid programme under grant agreement CSO-LA12017/388-226.