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Supplier Code of Conduct

Recommendation

That the Board:

- i. Approve the Auckland Transport Supplier Code of Conduct

Executive Summary

1. The Auckland Transport Procurement Strategy was approved by the Board at the February 2019 meeting. One of the commitments made in the Procurement Strategy was to develop and implement a Supplier Code of Conduct. Included as Attachment 1.
2. The Finance Capital and Risk Committee reviewed the Supplier Code of Conduct on 30 July 2019. Following feedback from the Committee, amendments have been made to include new Principles focussed on Customer and Community and Māori Outcomes.
3. The Supplier Code of Conduct sets out minimum standards and expectations applicable to all suppliers, their parents, affiliates and subcontractors providing goods and services to AT, to share our commitment to our customers and communities, safety and Māori outcomes whilst maintaining a fair, responsible, resilient and sustainable approach to business.
4. Subject to Board approval, the Supplier Code of Conduct will be included in all new contracts from October 2019, followed by the incorporation into existing strategic supplier contracts, with a commitment to have 100% of our suppliers operating under the Code by 2022.
5. Subject to Board approval, the Supplier Code of Conduct will be officially launched at an Industry Briefing on 18 October 2019.

Previous Deliberations

6. The Board endorsed Auckland Transport's Procurement Strategy 2019-2022 in February 2019. The Procurement Strategy identified sustainability as an important value driver for the organisation.

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Strategic Context

7. In June 2019, the Ministry of Business Innovation and Employment (MBIE) published the Government Rules of Procurement 4th Edition (the rules) and a Government Supplier Code of Conduct. These will come into force from 1 October 2019. The rules no longer focus on value for money but instead on public value. Public value means “*getting the best possible result from your procurement, using resources effectively, economically and without waste... Delivering public value through government procurement should include securing Broader Outcomes for New Zealand (economic, social, environmental and cultural)*”.
8. In 2017, Auckland Council implemented a Group Sustainable Procurement Framework requiring all Council Controlled Organisations to update their tools and processes to embed sustainable procurement. In June 2019, the Transport Agency prepared a draft Social Procurement Framework. The Draft Framework includes a requirement for Approved Organisations, including AT, to deliver sustainable procurement.
9. Auckland Transport’s Supplier Code of Conduct is one way that AT can ensure delivery on the Government’s broader outcomes, the Transport Agency’s Draft Social Procurement Framework and The AC Group Sustainable Procurement Framework.

Background

10. The Board approved AT’s Procurement Strategy 2019-2022 in February 2019. The Procurement Strategy identified procurement as an important tool to deliver sustainable outcomes. Sustainable procurement for AT has two components:
 - a. Ensuring our suppliers comply with minimum standards and expectations
 - b. Delivering positive social and environmental outcomes to Auckland through procurement
11. The Supplier Code of Conduct delivers on the first component of sustainable procurement by ensuring our suppliers comply with minimum standards and expectations. The Supplier Code of Conduct stipulates the minimum sustainable expectations of suppliers when engaging in business with AT and requires suppliers to share our commitment to our customers and communities, safety and Māori outcomes whilst maintaining a fair, responsible, resilient and sustainable approach to business. The Supplier Code of Conduct is based on the draft MBIE Supplier Code of Conduct and best practice from other NZ and International examples.
12. The second component will be addressed through incorporating sustainable procurement commitments into our procurement practice and processes.

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External Consultation/Engagement

13. The draft Supplier Code of Conduct has been circulated for consultation and feedback within AT, the wider Council family (to ensure alignment to broader Council Group policies), the Transport Agency and, a selection of suppliers representing all areas of AT spend for their review and feedback. Where appropriate, the Supplier Code of Conduct has been updated to incorporate feedback.

Issues and Options

14. Feedback received from the supplier test group was positive, with no impediments to adoption of the Supplier Code of Conduct by their business, or, adherence to the Supplier Code of Conduct.
15. Achievement of the principles set out in the Supplier Code of Conduct is expected to be an ongoing and collaborative process with suppliers. External organisations consulted have occasionally encountered resistance in adoption of their Code by certain suppliers, who either insist on their own Code (where they have one) being recognised, or, who refuse to acknowledge the Code on the grounds of being unable to accept the standards and expectations expressed. Whilst considered rare occurrences, the suggested treatment includes review of a supplier's own Code of Conduct to check alignment against AT's Supplier Code of Conduct followed by 'agreement' to recognise each other's versions, or, in such cases, a review to consider continuing business with a supplier who cannot meet minimum standards and expectations may be undertaken.
16. If suppliers fail to meet the minimum standards of the Supplier Code of Conduct, AT and the supplier will take reasonable steps to address, remedy and prevent repetition of any actions that are inconsistent with the Supplier Code of Conduct.

Next Steps

17. The Supplier Code of Conduct will be rolled out over the next three year period and AT will begin to incorporate it into new contracts starting in October 2019.
18. The Supplier Code of Conduct will also be incorporated into existing contracts with strategic and high risk suppliers. Strategic suppliers are the top 24 suppliers who amount to approximately 70% of Auckland Transport's addressable spend. High risk suppliers are those identified in AT's procurement guidelines. Progress will be tracked annually.
19. Subject to Board approval, the Supplier Code of Conduct will be officially launched at an Industry Briefing on 18 October 2019.

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Attachment

Attachment Number	Description
1	Supplier Code of Conduct

Document Ownership

Submitted by	Dave Colquhoun Procurement Manager, Infrastructure	
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Recommended by	Mark Laing Executive General Manager Finance	
Approved for submission	Shane Ellison Chief Executive	