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Auckland Transport Supplier Code of Conduct

For decision: For noting:

Te tūtohunga / Recommendation

That the Auckland Transport Board (board):

- a) Approves the updated 2023 Supplier Code of Conduct (Attachment 1).

Te whakarāpopototanga matua / Executive summary

1. The Auckland Transport (AT) Supplier Code of Conduct (Supplier Code) sets out minimum expectations applicable to all suppliers and contractors providing goods and services to AT. It is the foundation document requiring commitment from our suppliers to best practice relating to social, environmental, ethical and financial responsibility. The scope of the Supplier Code includes suppliers' parents, affiliates, subsidiaries and subcontractors.
2. AT's first Supplier Code was approved by the board in 2019. Following review of the Supplier Code between February 2023 and July 2023, a number of updates have been identified and have been incorporated into a revised 2023 version. The updated Supplier Code was taken to the 8 August Finance and Assurance Committee (committee) and director feedback has been incorporated into Attachment 1.
3. Suppliers, whether directly or through their supply chain, are required to commit to the expectations under each of the seven principles detailed in this Supplier Code, as a condition of doing business with AT. AT reserves the right to verify compliance with all the principles in the Supplier Code and requires suppliers to cooperate and provide supporting evidence upon request. Where non-compliance is identified, suppliers are required to work with AT on a Corrective Action Plan and a Continuous Improvement Pathway. Major non-compliance will be treated as breach of agreement and may lead to contract termination.
4. AT has piloted an Ethical & Responsible Sourcing process to verify supplier compliance with the principles in the Supplier Code, and we aim to continuously review and improve our ethical sourcing framework and procurement due diligence processes.

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Ngā tuhinga ō mua / Previous deliberations

Date	Report Title	Key Outcomes
August 2023 (committee)	AT Supplier Code of Conduct	The committee endorsed the updated 2023 Supplier Code of Conduct (Attachment 1), on condition that two comments from the committee members were incorporated into the version for board approval: <ul style="list-style-type: none"> - Page 2, second paragraph – change ‘confirming commitment’ to ‘requiring commitment’. - Page 7 - add specific reference to disclosure requirements in the proposed New Zealand Modern Slavery and Worker exploitation legislation
September 2019 (board)	Supplier Code of Conduct	AT’s Supplier Code of Conduct was approved.
July 2021 (board)	Sustainable Procurement Action Plan	The Sustainable Procurement Action Plan was approved.

Te horopaki me te tīaroaro rautaki / Context and strategic alignment

5. In 2017, Auckland Council (AC) implemented a Group Sustainable Procurement Framework requiring all Council Controlled Organisations (CCOs) to update their tools and processes to embed sustainable procurement.
6. In June 2019, MBIE published the Government Rules of Procurement 4th Edition (the rules) and a Government Supplier Code of Conduct. These came 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)”.
7. On 3 September 2019, the board approved our first Supplier Code, which stipulates minimum expectations applicable to all suppliers and contractors providing goods and services to AT. The Supplier Code was based on the draft MBIE Supplier Code of Conduct and best practice from other NZ and International examples.

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8. Through acknowledgement of the Supplier Code, AT has been encouraging our suppliers, at a minimum, to:
 - Meet the expectations under the seven principles set out in this Supplier Code or have established a clear goal toward meeting the principles set forth in the Supplier Code.
 - Actively review, monitor and modify their management processes and business operations to ensure alignment with the principles in the Supplier Code.
9. There were three phases of the roll out of the Supplier Code:
 - The first phase involves the on-boarding of all our suppliers who are required to acknowledge the principles of the Supplier Code and advise if they are committed to these principles. At 30 June 2023, 77.6% of AT's previous 12 months spend was with suppliers that have acknowledged that they are committed to the principles in the Supplier Code. We expect to achieve 95% acknowledgement over the next few months, as we on-board the balance of bus operators via the PTOM bus contract renewal tender.
 - The second phase involves a supply chain risk assessment, to identify any specific market or country risks that may require additional controls.
 - The third stage then involves direct engagement with any high-risk supply chains through, for example, requesting suppliers' complete self-assessment questionnaires and supply chain auditing. We have entered into a partnership with Sedex, who are supporting us with practical tools and services as we work to manage risks and improve ethical practises in our global supply chains.
10. If suppliers fail to meet the minimum expectations of the Supplier Code, AT will work with the supplier to take reasonable steps to address, remedy and prevent repetition of any actions that are inconsistent with the Supplier Code.
11. Building on the minimum expectations set out in the Supplier Code, the board approved the Sustainable Procurement Action Plan on 29 July 2021. This plan identifies procurement as an important tool to deliver positive social and environmental outcomes for Auckland and sets out a vision for all AT's procurement activities to accelerate Auckland's transformation to a sustainable and regenerative economy. The Sustainable Procurement Action Plan identifies five social and environmental outcomes that AT procurement is committed to and could significantly influence through incorporating sustainable procurement commitments into our procurement practice, processes, culture and supplier engagements.
12. Attachment 2 illustrates how the Supplier Code and other key procurement documents link to AT's Procurement Operating Model and forms part of the governance of AT's procurement activities.

Ngā matapakinga me ngā tātaritanga / Discussion and analysis

13. The AT Supplier Code provides minimum expectations applicable to all suppliers and contractors providing goods and services to AT. It is the foundation document requiring commitment from our suppliers to best practice relating to social, environmental and financial responsibility. The scope of the Supplier Code includes suppliers' parents, affiliates, subsidiaries and subcontractors.

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14. AT reviews the Supplier Code annually to ensure that the Supplier Code accurately reflects best practice. Following review of the Supplier Code between February 2023 and July 2023, a number of required updates have been identified:

- Since publication of the existing Supplier Code in 2019, several internal plans and policies have been developed relating to Sustainability and Climate Change (including Hīkina Te Wero: AT's Environment Action Plan, the Sustainable Procurement Action Plan and Climate change policy). These plans and policies are now referenced and their goals integrated into the updated version of the Supplier Code.
- There are a number of requirements we need to ensure our suppliers are meeting as part of our membership of the Climate Leaders Coalition. These requirements are referenced in the updated version of the Supplier Code.
- On 28 July 2023, the New Zealand Government announced legislation to tackle modern slavery and worker exploitation in supply chains. Under the proposed law, organisations with NZ\$20 million or more in annual revenue will need to report on modern slavery risks in their operations and supply chains and the actions they are taking to prevent, mitigate and remediate those risks. The legislation will be drafted over the next six months and introduced to Parliament for debate in 2024. A digital disclosure register accessible to the public will be established, allowing everyone to see the information. Penalties will apply for non-compliance. The AT Supplier Code has been updated to include reference to the proposed legislative requirements around disclosure of information relating to modern slavery and worker exploitation risks. The updated Supplier Code requires a commitment from our suppliers not only to comply with the minimum legislation around disclosure and reporting requirements, but also to undertake appropriate levels of due diligence to identify and address modern slavery and worker exploitation risks in supply chains, in alignment with international best practice and the AT Ethical and Responsible Sourcing Framework that is being developed. Due diligence requirements will minimise any risk that AT is involved with companies using unethical labour practices.
- In 2022, AT launched its 2022-2027 Safety, Health and Wellbeing Strategy, which is supported by the Safety in Procurement Action Plan. The goals of the strategy and plan are reflected in the updated Supplier Code.
- Suppliers need to be made aware and required to respect certain internal AT policies, including the Conflict of Interest policy and Gifts and Hospitality policy. These policies are now referenced in the updated Supplier Code.

15. The draft 2023 Supplier Code has been circulated for consultation and feedback from the following stakeholder groups:

- Within AT (Legal Counsel, Māori Outcomes team, Sustainability team, Environment team, Safety team, Risk and Assurance team, Procurement Steerco, Sustainability & Climate Enterprise Programme Steering Group).
- The wider AC family (to ensure alignment to broader AC Group policies).
- Waka Kotahi New Zealand Transport Agency.
- The Sustainable Business Network (independent external peer review).

16. Where appropriate, the Supplier Code has been updated to incorporate feedback from stakeholders.

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Ngā tūraru matua / Key risks and mitigations

Key risk	Mitigation
Resistance to adoption of the Supplier Code by certain suppliers	Suppliers are required to comply with all relevant legislation and to commit to the seven principles detailed in the Supplier Code as a condition of doing business with AT. There is a process in place to ensure that the supplier has acknowledged the Supplier Code before any new contract is awarded. Achievement of the expectations under the principles set out in the Supplier Code is intended to be an ongoing and collaborative process with suppliers. AT will work with suppliers to take reasonable steps to address, remedy and prevent repetition of any actions that are inconsistent with the Supplier Code.
Some multinational suppliers may refuse to acknowledge AT's Supplier Code and insist on their own Code (where they have one) being recognised.	Whilst considered a rare occurrence, the mitigation includes review of a supplier's own Code of Conduct, their Supplier Code of Conduct and other documentation to check alignment against AT's Supplier Code, followed by formal approval. A governance process for this has been established.

Ngā ritenga-ā-pūtea me ngā rauemi / Financial and resource impacts

- The work involved in engaging with our suppliers around the updated Supplier Code and ensuring compliance will be undertaken by the Sustainable Procurement Team, with support from other members of the Procurement team and the relevant Business Partners.
- Following implementation of the AC Group eProcurement solution (OpenWindows) in the 2023/24 financial year, it is expected that ongoing annual requests to our suppliers to re-acknowledge the Supplier Code will become an automated process, replacing the current resource intensive manual process.

Ngā whaiwhakaaro ō te taiao me te panonitanga o te āhuarangi / Environment and climate change considerations

- The Supplier Code stipulates minimum expectations related to environment and climate change. It is the foundation document for requiring commitment from our suppliers to best practice standards relating to ethics and sustainability, including environment and climate change.
- The updated version of the Supplier Code requires a commitment from our suppliers not only to comply with the minimum environmental legislation, but also to follow what is considered to be best practice at a national and international level. It is, therefore, expected to have a positive impact on the environment and on climate change mitigation, adaptation and resilience.

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Ngā whakaaweawe me ngā whakaaro / Impacts and perspectives

Mana whenua

21. The Māori Outcomes team has reviewed the updated Supplier Code and have provided feedback, which has been incorporated.
22. The Supplier Code outlines AT's expectation that our suppliers share our commitment to Māori in Tāmaki Makaurau.
23. Principle 3 is specifically focussed on Te Whai Rawa: The prosperity and wellbeing of Māori in Tāmaki Makaurau. It outlines Auckland commitment to meeting its obligations under Te Tiriti o Waitangi and to contributing to strong Māori communities and better outcomes for Māori, and stipulates that suppliers support this principle by committing to the following: Contribute to AT's Māori Outcomes Plan to help build strong Māori communities.
 - Proactively look for opportunities to partner with Māori-owned businesses in the delivery and supply of goods and services.
 - Conduct business with Māori that takes a Te Tiriti o Waitangi based approach, working in partnership to improve economic and wellbeing outcomes for Māori. In order to work well in partnership, awareness and understanding of Te Ao Māori (Māori world view) is important, and the organisation should be taking reasonable steps to close the gap, if this knowledge is not currently held within the business.
 - Have in place strategies, policies and plans to attract and retain Māori employees, ensure that they are paid fairly for their work and that they are given opportunities to progress through the organisation.

Ngā mema pōti / Elected members

24. None.

Ngā rōpū kei raro i te Kaunihera / CCOs

25. Engagement with AC staff (Procurement, Risk, Legal and Māori Outcomes) to seek feedback and alignment.
26. AC currently do not have a Supplier Code of Conduct but are considering developing one in the near future. AC will align where possible.

Ngā kiritaki / Customers

27. Principle 1 is specifically focussed on customer and community. It sets out the expectation that suppliers share AT's commitment to support and positively contribute to the lives of the customers and communities that we serve and operate in a way that supports the social and economic wellbeing and resilience of Auckland now and into the future. This also supports the Sustainable Procurement Action Plan outcomes of 'Quality Employment' and 'Supplier Diversity'.

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28. It stipulates that suppliers support this principle by committing to the following:

- Understand, recognise and be responsive to customer needs and expectations. Support easy journeys for all customers and communities.
- Interact with customers and communities in a way that respects and values their diversity.
- Work collaboratively with suppliers, partners, customers and communities to deliver better outcomes for people and place.
- Proactively look for opportunities to work with local small-to-medium businesses, social enterprises or impact-led organisations, or businesses owned by women, Māori, Pasifika or people with disabilities.
- Where possible, provide employment opportunities for people from Auckland's under-served communities for whom there are barriers to employment or who experience significant inequities or higher levels of deprivation. Work to build employee skills, capability and qualifications and ensure they have opportunities for career progression and are paid fairly for their work.

Ngā whaiwhakaaro haumarū me ngā whaiwhakaaro hauora / Health, safety and wellbeing considerations

29. The Safety team has reviewed the updated Supplier Code and have provided feedback, which has been incorporated. The feedback is aligned to AT's Safety, Health and Wellbeing Strategy (2022-2027), and supports the Safety in Procurement Action Plan outcomes.
30. The Supplier Code outlines AT's expectation that our suppliers share our commitment to Health and Safety.
31. Principle 2 is specifically focussed on Health, Safety and Security. It stipulates that suppliers are expected to demonstrate a strong commitment to safety, health and security of their employees and contractors, and to AT's customers and communities within the context of the operations of AT.

Ā muri ake nei / Next steps




32. Subject to board approval, the updated Supplier Code will be presented at an Industry Briefing in the second quarter of 2023/24.
33. Suppliers will be required to acknowledge the principles of the updated Supplier Code and advise if they are committed to meeting the expectations under each of the principles.
34. Following implementation of the AC Group eProcurement solution (OpenWindows), it is expected that ongoing annual requests to our suppliers to re-acknowledge the Supplier Code will become an automated process.

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Ngā whakapiringa / Attachments

Attachment number	Description
1	Supplier Code of Conduct 2023
2	AT's Procurement Operating Model and Key Documents

Te pou whenua tuhinga / Document ownership

Submitted by	Rachael Randal Senior Procurement Specialist – Sustainability	
	Andy Richards Group Manager Procurement	
Recommended by	Mark Laing Executive General Manager Finance	
Approved for submission	Dean Kimpton Chief Executive	