BUILDING THE BUSINESS CASE FOR
SUSTAINABLE PROCUREMENT
IN AUSTRALIA – GUIDANCE

2019 EDITION

CONTENTS

INTRODUCTION

Sustainability is a relatively recent area of attention for many organisations and consequently some people in an organisation may not clearly understand the business imperative that sits behind adopting sustainable procurement principles.

The primary challenge for "sustainable procurement champions" (Chief Procurement Officers, Sustainability Managers, etc.) is to convince their organisations to embrace the ethical and commercial virtues of sustainable procurement. Their leadership ensures other employees understand that it supports organisational objectives such as enhancing competitive advantage, responding to stakeholder expectations, improving productivity or simply complying with environmental and social policies and regulations. However, there is little guidance on how to communicate this organisational alignment with stakeholders.

This document aims to help sustainable procurement champions be better at making the case for sustainable procurement within their organisations.

Section 1, *The business case for sustainable procurement*, provides a three-page business case covering key elements such as benefits, drivers, barriers and implementation principles. Ideal for individuals that are looking for the "helicopter view" of the topic.

Sections 2 to 8 provide a detailed business case for seven major sustainable procurement issues, in line with *AS-ISO 20400: 2017 – Sustainable Procurement – Guidance*:

- Organisational governance;
- The environment;
- Human rights;
- Labour practices;
- Community involvement and development;
- Fair operating practices; and
- Consumer issues.

For each of these issues, the section provides an overview of the topic globally and in Australia, examples of organisational threats and opportunities and a selection of impactful case studies. These are ideal for individuals that are looking to work on a specific sustainable procurement topic.

We hope that you will enjoy using this document as much as we enjoyed developing it.

— *The Australian ISO 20400 Committee*

THE BUSINESS CASE FOR
SUSTAINABLE
PROCUREMENT

THE BUSINESS CASE FOR SUSTAINABLE PROCUREMENT

WHAT IS SUSTAINABLE PROCUREMENT?

ISO 20400 defines sustainable procurement as "procurement that has the most positive environmental, social and economic impacts possible over the entire life cycle."

Sustainable procurement has been around for decades and is a natural part of any organisation that wants to manage its impacts on society, through its supply chains.

Given that most organisations spend between 40–80% of their financial resources across their supply chains, it is unsurprising that sustainable procurement is now a key element of many governments, businesses and not-for-profits' sustainability or corporate social responsibility strategies.

The case for sustainable procurement is unequivocal. Industry leaders, academics and governments have reached a broad consensus that social and environmental factors are inseparable from economic success. The close connection between financial goals and social and environmental goals, where they are internalised into the procurement process, is a prerequisite for success over the long term.

BENEFITS

Procurement can further the economic, social and environmental development of communities, countries and regions. Customers, suppliers and the broader community can all benefit from embedding sustainability principles in the supply chain.

CUSTOMER	SUPPLIER/MARKET	COMMUNITY
• Securing best value for money and efficient use of resources • Financial savings through greater efficiencies in energy, waste, water, raw materials, etc • Reputational boost through providing leadership and demonstrating corporate responsibility.	• Increasing the availability of cost-effective sustainable products • Expanding the market for sustainable products and services • Increasing opportunities for smaller, innovative suppliers with strong product differentiation.	• Reducing adverse environmental impacts e.g. waste, pollution, carbon emissions • Increasing employment and skills and developing local communities • Creating new business opportunities for a wide range of large and small businesses.

Detractors describe sustainable procurement as "too hard" and argue that it costs more. On the first point, sustainable procurement needs to be embedded as part of traditional procurement processes. It still operates under the principles of "fit for purpose" and "value for money" and when done properly will assist organisations ensuring they spend their money efficiently, effectively and ethically.

Secondly, sustainable procurement looks beyond up-front cost and looks at the entire life cycle of the product, taking into account costs, social and environmental risks and benefits. Numerous case studies demonstrate that a cheaper product is often more expensive when non-financial costs or benefits are considered.

In their *2017 Sustainable Procurement Barometer*, Ecovadis and HEC determined that sustainable procurement leaders:

- **90%** improve their brand reputation
- **70%** develop stronger, more reliable and longer-lasting supplier relationships
- **50%** have more innovative, sustainable products and services that result in increased sales
- **45%** improved ranking in "green" financial indices
- **30%** delivered cost savings.

Therefore, in summary, there is a range of benefits for organisations to implement sustainable procurement practices.

DRIVERS

Drivers for sustainable procurement depend on the motivations of the company. Broadly, drivers can be grouped into four key areas:

COST/INCOME	COMPLIANCE
• Increase efficiencies in supply chains • Encourage creation of new goods and services • Develop innovative new markets • Diversify product portfolio and "future proof" business.	• Comply with local, national and international regulations and norms of behaviours • Engage with government or other influential bodies • Support key public policies and maintain social licence to operate.
REPUTATION	**ORGANISATIONAL**
• Respond to customer, investor or civil society expectations • Promote investor confidence • Increase supplier commitment and confidence as a reputable customer.	• Boost competitive advantage • Attract talent and retain staff • Avoid disruption/enhance security of supply chains.

Whilst all the above drivers ultimately add to the value of an organisation, sustainable procurement plays a major role in mitigating business risk, be it financial, reputational, legal, operational or ethical.

In addition, a recent survey produced by DNV-GL found that 86% of companies experience pressure for a more sustainable supply chain; and the three top drivers for sustainable supply chains come primarily from customers (76%) and less from regulators (33%) or corporate leaders (32%).

BARRIERS

Not everyone may appreciate the opportunities provided by sustainable procurement. Anticipating barriers and having a plan in place to address them is essential. Well documented barriers include:

- Lack of senior executive and organisational support;
- Lack of coherent corporate procedures, systems and approaches;
- Lack of time resources, knowledge and capacity; and
- Costs, perceived costs and cashable savings.

IMPLEMENTATION

A coherent and detailed implementation plan that outlines changes to management systems and processes, timing and resource implications will help overcome these barriers. Incentives for managers and staff along with increased accountability will help smooth the roll out.

As described in ISO 20400, key implementation plan components include:

- A well-argued business case for action (the "why") and implementation strategy;
- Proposed new policy, standards, operations, activities, timelines and milestones;
- Immediate and medium-term resources implications;
- Changes to current procedures and likely implications of those changes;
- Key performance and success indicators;
- Reporting and feedback mechanisms to management;
- Capacity building for staff and suppliers (training, supplier forums, online education resources, etc); and
- Budget and resources to implement.

Once developed, all senior management and staff directly impacted by the program need to be engaged to get their buy in and on-going support. Engaging suppliers is equally critical as they need to understand the "why" and what opportunities sustainable procurement offers for them in terms of reputation, providing new goods and services and becoming a supplier of choice in the market.

ORGANISATIONAL GOVERNANCE

ORGANISATIONAL GOVERNANCE

BACKGROUND

Organisational governance is a "system by which an organization makes and implements decisions in pursuit of its objectives." (Source: ISO 26000)

Good governance must be:

- **Accountable**, including a fundamental obligation to report and answer for the consequences of decisions made;
- **Transparent**, to facilitate the understanding of decision-making processes;
- **Compliant** and follow rules and regulations, by making decisions consistent with relevant legislations;
- **Responsive**, through balanced disclosure in a timely and appropriate manner; and
- **Equitable**, inclusive, effective, efficient and participatory.

CURRENT STATE

GLOBAL OVERVIEW

Organisational governance has grown stronger through extensive principles, guidelines, and codes which have integrated sustainability practices as a result of globally increasing risks. A 2015 AICPA review found that over the latest decade there have been escalating demands for organisations to strengthen their enterprise-wide risk governance processes. 59% of over 1,000 AICPA members (in CFO and in board roles) believe that the volume and complexity of risks have changed "extensively" in the last five years. Hence the global need for good and more effective governance.

Despite this, a large proportion of the corporate community still ignores the effects governance carries in the health and stability of their business. An IFG CG Survey found that from 1,044 organisations (of which 922 are listed companies), only 68% cited that implementing organisational governance was important for their business.

AUSTRALIA

At the Australian Level, a CPA governance survey found that 60% of respondents believe the vast majority of Australian companies behave ethically, comply with laws and regulations and that listed companies are accountable and comply with the ASX Corporate Governance Principles and recommendations. However, opinions appear polarised regarding the extent to which financial reports are seen as trustworthy and provide users with the necessary information. Also refer to Fair Operating Practices section of these Guidelines.

An OECD report observed that "poor management practices, as well as lack of an appropriate corporate governance structure, also pose challenges to […] many SMEs." Therefore, given that "SMEs are essential for delivering more inclusive globalisation and growth," efforts to collaborate with SMEs have improved by using a suitable procurement process and standard contract templates.

ORGANISATIONAL THREATS & OPPORTUNITIES

Lack of organisational governance e.g. lack of transparency, a growing competitive board culture and decreased management performance, can represent a threat for the stability and durability of organisations, as shown in the examples below. Buying organisations that do not assess their strategic suppliers' organisational governance, including the management of their supply chains, run the risk of facing situations of supplier failure. Here are three examples:

THE IMPORTANCE OF CULTURE — <u>VOLKSWAGEN SCANDAL</u>

In 2015, Volkswagen AG admitted to connecting illegal software on up to 11 million cars worldwide, of which 91,000 were sold in Australia. The illegal software was intentionally designed to represent lower nitrogen oxide (NOx) emissions to comply with levels required by American testing agencies. However, under normal driving conditions, the vehicles produced emissions up to 40 times higher than permitted levels. Consequently, Volkswagen has been under investigation in the US, Germany and France. It is argued that this happened due to a lack of independence in Volkswagen's governance structure increasing the risk of "entrenchment" and power struggles between controlling shareholders and unions, discouraging open discussion and leading to the board's monitoring function being compromised. Volkswagen's corporate culture "fostered a climate of fear" among its employees and the company's autocratic style of leadership and centralised decision making among a small group of advisors discouraged a healthy board culture.

LACK OF TRANSPARENCY — <u>GUARDIAN YOUTH CARE CASE</u>

Guardian Youth Care, a children's care charity, collapsed in June 2017 after being deprived of government funding amid accusations that the charity misappropriated almost $20 million. The Australian Charities and Not-for-Profits Commission (ACNC) revoked its charity status "following an investigation into the organisation's activities and operations." There is speculation that this was caused by a lack of organisational oversight and transparency from top management.

THE ROLE OF MANAGEMENT — <u>THE TABCORP CASE</u>

Gaming giant, TABCORP, agreed to a $45 million civil penalty, the highest ever in corporate Australian history at the time, in the Federal Court of Australia. The Federal Court found that TABCORP had contravened the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act) on 108 distinct occasions between 2010 and 2015. In November 2017, judge Nye Perram said the breaches "came about because of insufficient resourcing together with insufficient processes for consistent management oversight, assurance and operational execution."

RELEVANT UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels:

1. Substantially reduce corruption and bribery in all their forms.
2. Develop effective, accountable and transparent institutions at all levels.
3. Ensure responsive, inclusive, participatory and representative decision-making at all levels.
4. Broaden and strengthen the participation of developing countries in the institutions of global governance.

USEFUL INFORMATION

📄 REPORTS

- The 2017 Sustainability Leaders: Celebrating 20 years of Leadership, GlobeScan, SustainAbility, SB (2017)

- Corporate Governance and Business Integrity: A stocktaking of Corporate Practices, OECD (2015)

- CPA Australia Asia-Pacific Governance Survey, CPA Australia (2014)

- From Companies to Markets – Global Developments in Corporate Governance, International Finance Corporation World Bank Group (2016)

- Good Governance Principles and Guidance for Not-for-Profit Organisations, Australian Institute of Company Directors (2015)

- Maintaining the social licence to operate, KPMG AICD Trust Survey (2018)

- The Road Ahead, KPMG Survey of Corporate Responsibility Reporting, (2017)

🔗 LINKS

- Australian Institute of Company Directors (AICD)

- Board Dramas in 2017, AICD

- Corporate Governance in Australia – A Snapshot, Herbert Smith Freehills

- Lack of Accountability, Corporate Research Project

- UN Sustainable Development Goals

ENVIRONMENT

ENVIRONMENT

BACKGROUND

The environment plays an important role in the health, quality of life and survival of the planet and the human beings that inhabit it. Environmental conditions can positively and negatively impact on businesses, communities, economic stability and growth. Mismanagement of the environment and natural resources can and has resulted in significant economic losses.

Environmental issues include:

- Climate change mitigation and adaptation
  - Reduction in greenhouse gas emissions (mitigation)
  - Addressing and managing the impacts of climate change (adaptation).
- Prevention of pollution
  - Complying with laws and regulations with respect to atmospheric, water and land pollution
  - Reducing impact through waste management.
- Sustainable resource use
  - Efficient use of materials and reduced toxicity.
- Protection of the environment
  - Ensuring that the environment is either improved or not worsened as a result of business practices.
- Biodiversity and restoration of natural habitats
  - Enabling and promoting biodiversity through improving natural habitats and/or avoiding the disturbance of natural habitats.

CURRENT STATE

GLOBAL OVERVIEW

In World Scientists' Warning to Humanity: A Second Notice (2017), 15,000 scientists in 184 countries warned society about negative global environmental trends. Among the negative 25-year global trends noted in this academic article, some include:

- A 26% reduction in the amount of fresh water available per capita.
- A drop in the harvest of wild-caught fish, despite an increase in fishing efforts.
- A 75% increase in the number of ocean dead zones.
- A loss of nearly 300 million acres of forestland, much of it converted for agricultural uses.
- Continuing significant increases in global carbon emissions and average temperatures.
- A 35% rise in human population.
- A collective 29% reduction in the numbers of mammals, reptiles, amphibians, birds and fish.

AUSTRALIA

Climate change has multiple threatening effects on Australia:

- Long-term trend of declining rainfall, particularly in the past 40 years with declining long-term rainfall observed across much of southern Australia. Winter season rainfall in the south-west of Western Australia has declined by about 15% since the mid-1970s.

- Average temperatures have increased by 1°C in the past 100 years. Some regions have had an average temperature increase by 2°C since 1960.
- In 2013, Australia had twice the average CO2 emission of OECD countries.
- In 2016, Australia's emissions decreased by 27% per person below 2005 levels.
- Current policies will not achieve significant reductions needed to mitigate profound climate change according to the Australian SOE.
- Australia's population of 24 million in 2016 is projected to grow to 39.7 million by 2055 adding more pressure on Australia's environment by the associated increase in other activity.

Moreover, the increased existence of invasive species is threatening Australia's biosecurity and therefore affecting its environment (e.g. weed invasion, increased fire risks). Finally, Australian carbon emissions in 2016 accounted for 398 millions of tonnes of CO2 (ranked as the 16th highest emitter out of 215 countries).

ORGANISATIONAL THREATS & OPPORTUNITIES

POLLUTION PREVENTION

Environmental laws and regulations are administered by governments to protect the environment from harmful actions. Breaches of these laws result in penalties. These penalties include fines and in some circumstances jail time for offenders. Pollution offences will most certainly have a negative commercial and reputational effect on business. Alternatively, good environmental performance will positively affect business reputation and income. Japanese data collected "statistically supports the hypothesis that an organisation's environmental performance has a positive impact on its financial performance and vice versa. The data, collected in order to test the hypothesis, also concluded that this is not restricted to only large organisations but is a trend that can be observed generally." Below is an illustrative example.

Issues around pollution — Firefighting foam

Firefighting foam used on Defence Force bases across Australia resulted in harmful chemicals leaching into the ground and waterways, contaminating drinking water for surrounding communities. This was a result of inadequate identification and management of the risks associated with using the foam. It is expected to cost the Australian Defence Force billions to solve the problem.

CLIMATE CHANGE

Each year, Australian corporations that meet certain thresholds must report their emissions and energy information under the National Greenhouse and Energy Reporting scheme. This data is made available to the Australian public and is used to inform government policy, according to the National Greenhouse and Energy Reporting. Under the carbon pricing mechanism, large emitters must pay for the carbon emissions they produce each year. Moreover, beyond compliance, measuring and reducing carbon footprints supports organisations to reduce costs and achieve efficiency targets. The example below illustrates this.

Infrastructure — Incentivising suppliers on low carbon

In the Netherlands, the Ministry of Infrastructure and the Environment successfully included carbon performance in the selection of bids for the reconstruction and 16-year maintenance plan of the A12 Motorway section Veenendal-Ede-Grijsoord through a wildlife reserve "the Veluwe" and next to a railway. This new initiative influenced suppliers to provide their most economically advantageous offer and in turn generated both economic (savings of 29.63 GWh over 50 years) and environmental (savings of 8,944 tonnes of CO2 over 50 years), thus providing long-term benefits for the community.

SUSTAINABLE RESOURCE USE

Depletion of resources leads to a decrease in the supply of raw materials globally available and therefore an increase in the price of those materials. Resource efficiency can provide significant environmental and economic benefits. It can be achieved through waste avoidance, recycling, better product design and managing end-of-life outcomes.

Research conducted by the University of Beijing and Macquarie University in Sydney found that, "once government subsidies and the revenue from selling recovered materials and components are considered, the total treatment costs for obtaining copper and gold from recycled cathode-ray tube (CRT) televisions was estimated to be 13 times less than from virgin mining." Research studying the costs and benefits of reducing food waste for 42 hotel sites across 15 countries found that over a three-year period, on average, hotels saved $7 in operating costs for every $1 they had invested in food waste reduction programs. Below is another example to support this.

Medical equipment — Shifting from single-use to reusables

The Hospital Corporation of America (HCA), which is composed of 163 hospitals and 109 freestanding surgery centres in the USA and UK, was successful in transitioning from single-use devices (generating a lot waste) back to cleaning and sterilising re-usable equipment. This effort was met with significant backlash, particularly from powerful manufacturers lobbying against the program and trying to convince physicians that reusable equipment is not as safe as single-use. This change resulted in overall cost savings of $17.6M in 2010, $21.7M in 2011, reduced waste management costs for the community and diverted waste of 296 tons in 2010 and 364 tons in 2011. It is evident that change management programs, supported by internal champions and innovative suppliers, can generate substantial reduction of hazardous waste and increase financial savings for the organisation and the wider community with no negative social externalities.

RELEVANT SDGS

Take urgent action to combat climate change and its impacts:

1. Integrate climate change measures into national policies, strategies and planning.
2. Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.
3. Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
4. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
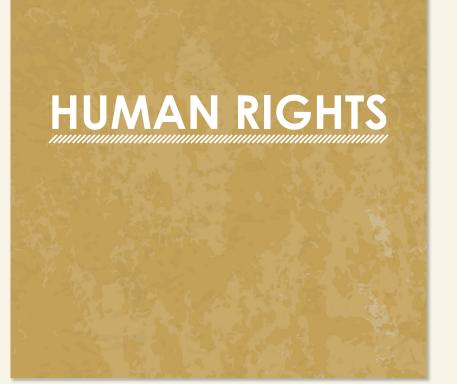
USEFUL INFORMATION

📄 REPORTS

- Assessing and managing climate change risks in supply chains, Environment Agency
- Buying green! A handbook on green public procurement (3rd Edition), European Commission
- Driving energy efficient innovation through procurement: A practical guide for public authorities, Smart SPP
- Greening Commodity Supply Chains in Emerging Markets: Challenges and Opportunities, World Economic Forum

🔗 LINKS

- The Global Carbon Project
- Global Climate Action Interactive Map
- The Recycling Partnership
- UN Sustainable Development Goals

HUMAN RIGHTS

HUMAN RIGHTS

BACKGROUND

Key issues relevant to business and human rights include:

- **Due diligence** to ensure human rights impacts are identified and addressed.
- **Human rights** risk situations where individuals' human rights may be compromised.
- **Avoidance of complicity** where businesses may knowingly or unknowingly contribute to abuses.
- **Resolving grievances** where mechanisms are in place to enable human rights issues impacting on workers or other people, to be properly resolved.
- **Discrimination and vulnerable groups** where human rights of groups are compromised based on ethnicity, gender, age, nationality, etc.
- **Categories of rights** including civil, political, economic, social and cultural.
- **Fundamental principles or rights at work** based on internationally recognised agreements and norms.

CURRENT STATE

GLOBAL OVERVIEW

An estimated 40.3 million people suffer in slavery-like conditions globally. Nearly 60% of people living in slavery are found in just five countries: India, China, Pakistan, Bangladesh and Uzbekistan. Several of these countries provide the low-cost labour that produces consumer goods for markets in Western Europe, Japan, North America and Australia.

Whilst governments have a primary role in protecting and promoting human rights, it is now widely accepted that businesses (which can include public and private sector organisations) can have a major impact, both positive and negative, on human rights at a global scale. While respecting human rights ("doing no harm") is the expected minimum standard for all entities, businesses play a key role in protecting and promoting human rights:

- Within their own organisations;
- Through their extended supply chains (that are now global); and
- Via business relationships or partnerships within their sector and beyond.

Businesses' influence on human rights goes far beyond direct impacts on workers or those in their supply chain, given that this extends into workers' extended families, communities, geographic regions and even entire nations.

Progress on the business and human rights global agenda is largely underpinned by two key United Nations programs:

1. The UN Human Rights Council *Guiding Principles on Business and Human Rights* adopted in 2011; and
2. The UN Global Compact's *Ten Principles* on human rights, labour, environment and anti-corruption and work they do with leading businesses and other organisations.

Numerous governments, NGOs and business-led programs and initiatives exist to protect and promote this issue globally.

AUSTRALIA

Australian businesses can be exposed to significant human rights risks either directly through sectors or commodities associated with slavery (e.g. building and construction, agriculture, food processing), or indirectly via supply chains that extend into at-risk regions such as South East Asia, Africa or countries such as China.

For instance, the *Global Slavery Index* estimates that at least 4,300 people (considered an underestimate) toil in slavery-like conditions in Australia. This figure is expected to rise with increased awareness following the introduction of the *Modern Slavery Act* in 2018.

Two pieces of legislation based on the *UK Modern Slavery Act 2015* have recently been introduced into Australia. Both the NSW and Commonwealth Acts require (amongst other things) businesses to prepare statements on action and due diligence measures they are taking to combat modern slavery in their supply chains. The legislation aims to improve transparency within organisations that are at risk of modern slavery or trafficking either directly through their supply chains or indirectly via business partnerships or other arrangements.

ORGANISATIONAL THREATS & OPPORTUNITIES

The business case for respecting and supporting human rights in Australia is well established. Examples of benefits include:
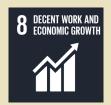
- Effective management of operational, legal and financial risks;
- Protection, enhancement of reputation and brand value;
- Maintaining social licence to operate and strengthen stakeholder relationships;
- Higher employee morale, retention, productivity and customer loyalty.

Key stakeholders driving the business and human rights agenda in Australia include the Australian Human Rights Commission, Commonwealth Attorney General, Department of Foreign Affairs, Office of Homeland Affairs and Trade and the Business and Human Rights Resource Centre in Australia. Businesses with operations in NSW will have to comply with requirements of the *NSW Modern Slavery Act 2018*.

Case studies of businesses incorporating human rights into their operations abound but here are some examples across several market sectors:

- Brewer and distiller **Diageo** mapped its global policies and processes against the UNGP's and developed a toolkit to identify and assess potential human rights impacts, including modern slavery risks, in all its markets.
- ICT company **Intel** requires key suppliers to assess risks and to develop action plans to mitigate significant risks for foreign workers in their factories.
- **Nike** has addressed poor working conditions revealed in the 1990s through supplier incentives to improve performance via their Manufacturing Index (MI) program and systems innovations intended to "design out" problems before they arise.
- **Unilever** published its entire palm oil supply chain including over 300 direct suppliers and more than oil mills. Palm oil production has been linked to forced labour and child labour in South East Asia. Similarly, **Nestlé** tackled child and forced labour in their cocoa supply chain in 2012 by partnering with NGOs such as the Fair Labour Association (FLA) to improve working conditions in their supply chains.
- UK supermarket chain **Tesco** regularly talks to NGOs, trade unions and other independent bodies to understand their perspective and support "worker voice" and remediation initiatives.

RELEVANT SDGS

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

The Sustainable Development Goals (SDG) framework covers issues related to all human rights, including economic, civil, cultural, political, social rights and the right to development.

Whilst human rights are a common theme through all the SDGs, key goals are:

1. Decent work and economic growth.
2. Reduced inequalities.
3. Responsible production and consumption.

USEFUL INFORMATION

📑 REPORTS

- Human Rights in Supply Chains: Promoting positive practice, Australian Human Rights Commission

🔗 LINKS

- Business & Human Rights Resource Centre
- Ethical Trading Initiative
- The Global Slavery Index
- Thomas Reuters Foundation
- UN Sustainable Development Goals

LABOUR PRACTICES

LABOUR PRACTICES

BACKGROUND

The context of labour practices, as defined by the ISO 20400 framework, encompasses issues around the relationship between an employer, an employee and the work they each produce, including:

- Employment and employment relationships;
- Conditions of work and social protection;
- Social dialogue;
- Health and safety at work; and
- Human development and training in the workplace.

CURRENT STATE

GLOBAL OVERVIEW

Current global working conditions are difficult to improve because global inequality continues to expand; fair labour practices are enforced in some contexts and remain highly unregulated in others. Up until 2017, in Europe, the highest-paid 10% received on average 25.5% of the total wages paid to all employees in their respective countries, which is almost as much as what the lowest-paid 50% earn (29.1%). In addition, child labour continues to surface in statistics. The International Labour Organisation recently stated that worldwide, 218 million children between 5 and 17 years are currently in employment. Among them, 152 million are victims of child labour; almost half of them, 73 million, work in hazardous child labour.

With regards to work health and safety, The International Labour Organisation stated that more than 2.78 million deaths per year occur as a result of occupational accidents or work-related diseases. In addition, there are some 374 million non-fatal work-related injuries and illnesses each year, many of these resulting in extended absences from work. The human cost of this daily adversity is vast, and the economic burden of poor occupational safety and health practices is estimated to be 3.94% of the global Gross Domestic Product each year.

AUSTRALIA

Australia's labour laws comprehensively address labour practices. Currently, Australia has three streams of law that cover labour practices (and overlap with ISO 20400). First are industrial laws that set levels of remuneration and other conditions of employment, only in Australia. At a federal level, the *Commonwealth Fair Work Act 2009* covers employees of constitutional corporations, an incorporated entity that can be defined as a "trading corporation." Each year around July, there is a National Minimum Wage Order, which sets the minimum wages for employees not covered by an enterprise agreement and who are covered by a modern award. In addition, all local employees are covered by the provisions of the laws relating to the National Employment Standards (NES).

Health & Safety Laws

The model work health and safety laws (the WHS Acts) contain a proactive and systematic primary duty of care for the person conducting the business or undertaking (PCBU), to provide work, a work environment and work systems that are as healthy and safe as far as reasonably practical, wherever the work is performed locally or overseas.

The OHS Acts in Victoria and Western Australia have the same health and safety requirements for employers. In addition, board members and senior executives have due diligence duties under the WHS Acts, to in effect ensure that the PCBU is using an effective health and safety management system, as part of the PCBU's primary duty of care.

Workers Compensation Legislation

As with Australia's industrial laws, these laws have no extraterritorial coverage, so if a supply chain worker is injured outside Australia, they will be covered under their local laws. If supply chain workers are working within Australia, wage replacement payments and medical costs will be covered. Wage replacement payments, or benefits, as they are called, step down over time; medical cost payments do not.

ORGANISATIONAL THREATS & OPPORTUNITIES

Labour practices can considerably affect the productivity, reputation and overall effectiveness of the management and sustainability of a business. For instance, good workforce management and communication is key as according to the 2018 Aim-Progress business toolkit, businesses with more effective communication are more than 50% more likely to have employee turnover levels below average. This can impact the business considerably given that employee turnover is estimated to cost the business between 30% and 150% of the worker's annual salary. Fair working conditions are essential for business productivity. Studies have shown that long working hours result in a sharp reduction in productivity after 50 hours per week and in 61% higher injury rate. Health and Safety conditions are indisputably essential for the protection of employees. However, organisations should always consider how it also affects business productivity and sustainability. Accordingly, 30.4 million working days are lost due to workplace injury or illness per year in the UK alone, and work-related illness and injury worldwide costs 45% of annual GDP or $2 trillion. Moreover, If managed correctly, Health and Safety improvements and interventions can result in a return on investment (ROI) of $9 saved for every $1 spent. The examples below illustrate some of these issues.

HEALTH AND SAFETY CONDITIONS – RANA PLAZA DISASTER

Despite a recent supplier audit, 1,135 people were killed in the collapse of the Rana Plaza complex in Bangladesh in 2013, which housed 5 garment factories, supplying to global brands. Another 2,500 people were rescued, some with traumatic injuries. 38 people including the owner, senior management and government officials were charged with murder in 2016 and could receive the death penalty if found guilty. In the meantime, the owner has been sentenced to 3 years in prison for corruption. The owner and 17 others have also been charged with breaching building codes while adding three further floors to the original six-storey building. Survivors of the collapse said they had been ordered to enter the factory to work despite complaining about the appearance of cracks in the walls.
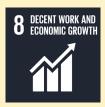
REPUTATIONAL ISSUES – SYDNEY AIRPORT WORKING CONDITIONS SCANDAL

Aviation workers were found sleeping on makeshift beds amid squalid conditions in the bowels of Sydney International Airport while they waited for their next shift. Footage obtained by the Transport Workers Union shows bed rolls and bedding, hidden behind a baggage carousel laid out on a grubby concrete floor in what was described as "third world conditions." Workers were employed by one of Australia's largest aviation services companies, Aerocare, which offers baggage handling, aircraft loading, towing and other aviation services for some of Australia's biggest airlines including Qantas and Jetstar, Virgin and Singapore Airlines. The Transport Workers Union says workers were spending more than 14 hours per day at the airport with only 6 hours between shifts, under a split-shift arrangement aimed at cutting costs.

LABOUR PRACTICES AND PRODUCTIVITY – <u>COSTCO</u>

US retailer Costco has decided it makes business sense to give good wages, benefits and training. In turn, the company has significantly higher retention and performance levels, which saves significant costs of employee turnover (recruitment and training). The company's more stable and productive workforce has been shown to more than offset the costs. Costco has an employee turnover of 17% overall (just 6% after one year's employment) compared to 44% at Walmart, close to the industry average. These figures challenge the common assumption that labour rates equal labour costs. Costco's approach shows that when it comes to wages and benefits, a cost-leadership strategy need not be a race to the bottom.

RELEVANT SDGS

8 DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all:

1. Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.

2. Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

3. By 2020, develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact of the International Labour Organization.

USEFUL INFORMATION

🔗 LINKS

- <u>Fair Work Commission</u>
- <u>Fair Work Ombudsman</u>
- <u>Safe Work Australia</u>
- <u>UN Sustainable Development Goals</u>

COMMUNITY INVOLVEMENT & DEVELOPMENT

COMMUNITY INVOLVEMENT & DEVELOPMENT

BACKGROUND

Community involvement and development is an umbrella category that focuses on the opportunities to engage the broader community and create a community legacy resulting from sustainable procurement practices. This concept has a strong emphasis on community engagement, job creation and responses to inequity.

Related sub-issues:

- Community involvement – participate, support and contribute to community involvement program.
- Education and culture – promote and support education at all levels.
- Employment creation and skills development – programs and approaches.
- Technology development and access – for businesses and individuals in community.
- Wealth and income creation, health, social investment – consider the opportunity for growing wealth in the community.
- Health – do no harm and create a legacy.

CURRENT STATE

GLOBAL OVERVIEW

Organisations have an important role to play in the communities where they operate yet most organisations undertake limited activity. Community involvement and development is rarely integrated into the functions of procurement teams across the world, and Australia is no exception.

Many of the issues that communities face can be exacerbated or tempered by key procurement actions in large organisations. Some of those significant global issues include:

- Findings from the 2016 Global Slavery Index which found that an estimated 45.8 million people are in some form of modern slavery in 167 countries.
- The share of the global population defined as "poor" – those making less than $2/day – has declined in recent years, but still represents approximately 1.5 billion.
- Global inequality continues to grow with the world's wealthiest individuals, those owning over $100,000 in assets, totalling only 8.6% of the global population yet owning 85.6% of global wealth.

AUSTRALIA

In developed countries like Australia, disadvantage is less obvious but still significant. Disadvantage exists in pockets relating to population cohort or geography. Some examples of these groups include:

- Aboriginal Australians – in September 2017, Aboriginal Australians represented 27% of the total full-time adult prisoner population, whilst accounting for approximately 2% of the total Australian population aged 18 years and over.
- People with disability – in 2012, nearly half (47.3%) of all working-age people with disability were not in the labour force, that is they were neither employed nor actively looking for work.

- Rural populations – Australians living outside of cities are likely to earn significantly less than those living in cities. In 2011-12, the median gross household income in the cities across Australia was 1.37 times higher than for the "balance of state." The city to country income differential was significantly larger in 2011-12 than fifteen years earlier.

ORGANISATIONAL THREATS & OPPORTUNITIES

The opportunity for sustainable procurement to deliver community involvement and development is significant, as demonstrated by the following case studies.

WEALTH AND INCOME CREATION – G21 GROW

Social Economic Indexes for Australia (SEIFA) data indicated that disadvantage in the two most disadvantaged postcodes in Geelong were getting worse, despite significant government investments. At the same time, the Ford production plant and the Alcoa production plant closed, and the entire region faced a risk of economic decline. For businesses in the Geelong region, it is quite likely that their activities would have suffered as a result of the decline facing the community.

After these incidents, a new approach was developed to tackle the imminent economic decline, centred around the creation of jobs for local people and socially disadvantaged people. A centrepiece of the approach was to grow procurement from local suppliers and/or high levels of local employment content in order to keep money in the Geelong region for longer. Over 50 companies including private businesses and government bodies with a combined procurement spend exceeding $5 billion per annum made a commitment to move 7% more of their procurement to local suppliers as well as increase their employment of local disadvantaged groups. It is expected that the Grow project will create over 2,500 jobs (in a region with 200,000 people) for residents over 10 years with over 20% of these going to the most disadvantaged people in the region. Instead of experiencing economic decline, the Geelong area is prospering because government and business have tailored their procurement and recruitment processes in response to a serious community issue. At little—if any—cost to their organisation, businesses are now recognised for their work, they have good-will in the community and they are creating sustainable community outcomes.

HEALTH – GRAMEEN DANONE

In Bangladesh, one out of two children suffers from malnutrition. In this situation, it's very hard for children to develop to the best of their physical and mental ability. Eating well enables kids to grow, develop a good memory and maximise their learning at school, which prepares them for a bright future – for themselves and for their country.

Global giant Danone saw malnutrition in Bangladesh as a market opportunity that could also address a significant community health issue. The Grameen Danone Foods team developed Shokti+, a yoghurt enriched in micro-nutrients (iron, zinc, vitamins) that gives kids the required nourishment at a price point that most families can afford. Grameen Danone Foods is also a source of income for the inhabitants of surrounding villages. The small farmers sell their milk to the company and women with little resources earn an income by selling the yogurts door-to-door. Grameen Danone is an example of a large organisation that has made a decision based on a market need for a healthy low-cost source of nutrition. By sourcing locally and delivering a sales team of low-income women, the impact of the product goes beyond its immediate health benefits and profits.

SOCIAL INVESTMENT – INVESTING IN SOCIAL ENTERPRISE

St Vincent's hospital based in Toowoomba decided to outsource their linen service. The easy solution was to send their linen to a supplier in Brisbane, but which would result in the loss of local jobs. Instead, St Vincent's made the decision to work with a local not-for-profit, the Toowoomba Clubhouse, to develop a social enterprise that would employ people with mental health issues. St Vincent's committed to the provision of a 9-year contract if Toowoomba Clubhouse could establish a fit for purpose facility. Toowoomba Clubhouse successfully attracted over $6 million dollars to build and operate the facility on the back of the St Vincent's contract commitment.

The laundry opened in November 2016 and employs over 60 disadvantaged people. By making a social investment through their contract commitment, St Vincent's Hospital was able to improve social outcomes in the community where they are based.

RELEVANT SDGS

1. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
2. End poverty in all its forms everywhere.
3. End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
4. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
5. Reduce inequality within and among countries.

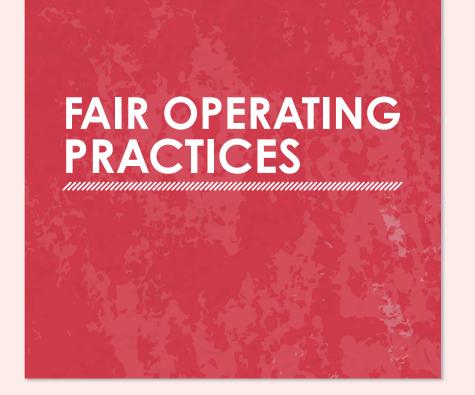## USEFUL INFORMATION

REPORTS

- Corporate NGO Partnerships Barometer 2017, C&E Advisory
- Corporate Social Procurement in Australia: Business Creating Social Value, Social Traders

LINKS

- Buyability
- Social Procurement Australasia
- Social Traders
- Supply Nation
- Telstra Supported Workforce (YouTube video)
- UN Sustainable Development Goals

FAIR OPERATING PRACTICES

FAIR OPERATING PRACTICES

BACKGROUND

An organisation should have in place operating practices that address ethical conduct internally, with other external organisations, as well as stakeholders with which it has relationships such as government agencies, partners, suppliers, sub-contractors and communities. These operating practices include:

- Anti-corruption
  - Identify any risk of corruption and implementing policies, processes, systems and reporting mechanisms to manage these.
- Responsible political involvement
  - Educate employees and be transparent about any political involvement.
- Fair competition
  - Comply with competition laws and regulations and do not take advantage of adverse conditions or positions.
- Promoting sustainability in the value chain
  - Integrate ethical, social and environmental criteria into procurement practices and supplier relationships.
- Respect for property rights
  - Promote respect for property rights and traditional knowledge.

CURRENT STATE

GLOBAL OVERVIEW

Organisations spend billions annually on the procurement of goods and services. With new changes to trade agreements, many of these are now available via global markets, resulting in an increase in imports and outsourcing to reduce costs. This in turn can expose organisations to unethical behaviours and abuse of fair operating practices if not managed properly. Organisations' employees and supply chains should respond to those operating practices as established by respective Codes of Conduct. Nonetheless, the Australian Institute reports that corruption costs 5% of GDP worldwide, impacting investment, and business costs and reinforcing economic inequality.

AUSTRALIA

Procurement policies and procedures regarding ethics and probity when dealing with suppliers and external stakeholders can significantly contribute to organisational behaviour and reputation, particularly within the Australian public sector. The Australian Institute reported in January 2018 that since 2012, corruption has potentially reduced Australia's GDP by $72.3 billion, or 4%. Further, the trust in the government is at a historic low in Australia, with Transparency International's Corruption Perception Index (CPI) reporting increasing levels of perceived corruption, with Australia sliding six positions to 13th on the CPI index since 2012.

The Australian Government has acknowledged that procurement officials play a critical role in helping the government achieve program outcomes while also ensuring it maintains a strong accountability and transparency framework. As such, stakeholders have identified key principles regarding ethics and probity in procurement.

These include:

- Acting ethically;
- Not making improper use of their position;
- Avoid placing themselves in a position where there is the potential for claims of bias;
- Not accepting hospitality, gifts or benefits from any potential suppliers;
- Not seeking to benefit from supplier practices that may be dishonest, unethical or unsafe;
- Treating all tenderers equitably;
- Managing conflicts of interest appropriately;
- Having probity requirements and risk management principles;
- Following a value for money outcome approach; and
- Treating confidential information appropriately.

For more details, please refer to the Australian Government's Ethics and Probity in Procurement. See also Organisational Governance section of these Guidelines.

Further, several independent "watchdog" organisations have also been established in Australia and have a focus on procurement practice, including:

- The Independent Commission Against Corruption – NSW (ICAC) and Crime and Corruption Commission – QLD (CCC)
  - Established to protect the public interest, investigate and expose corrupt conduct, prevent breaches of public trust and guide the conduct of public officials in the public sector.
- The Commonwealth Ombudsman
  - Considers and investigates complaints from people who believe they have been treated unfairly or unreasonably by an Australian Government department/agency or prescribed private sector organisation.
- The NSW Ombudsman and Victorian Ombudsman
  - Watch over most public sector and some private sector agencies. Role is to make sure these agencies and their staff do their jobs properly and meet their responsibilities to the community. See also Consumer Issues section of these Guidelines.

ORGANISATIONAL THREATS & OPPORTUNITIES

CORRUPTION RISKS

All organisations are exposed to corruption risks at all levels. If not managed, these can lead to:

- Loss of reputation
- Financial loss
- Wasted resources
- Criminal charges.

The Independent Commission Against Corruption (ICAC) reports that the undertaking of a risk assessment of an organisation's procurement function is likely to identify some or all of the following corruption risks:

- An employee providing confidential information to a tenderer resulting in an unfair advantage.
- A procurement officer having a private company that produces goods/services relevant to their agency's operations and submitting tenders to the agency without declaring this interest.
- A member of a procurement panel/procurement officer not declaring an existing relationship or secondary employment with a tenderer for that contract.

- Two tenderers colluding with one submitting a "dummy" bid and one a genuine bid.
- An employee colluding with a contractor to falsify or inflate invoices.

Corruption in traffic management services – the ICAC

An ICAC investigation found that a public official and a private business owner, who had been friends for several years, acted corruptly in the procurement of traffic management services to two government agencies. Neither of these persons disclosed their friendship.

The public official worked for the Roads and Traffic Authority (RTA) and was responsible for liaising with Railcorp about the provision of traffic management services during rail shutdowns. He told Railcorp that the RTA had engaged the business owner to provide these services and arranged for the business owner to invoice Railcorp directly for this work. In fact, the business owner performed no tasks at all in regard to rail shutdowns – these tasks were performed by public officials, paid for by the agency, and concealed by charging the payments to the wrong cost codes. The official was able to postpone preparing new tenders for additional traffic management services several months after the original contracts had finished, with no follow-up from senior employees.

The ICAC found that the business owner submitted fraudulent invoices for more than $300,000 for services he did not perform and for goods he did not supply. The official was able to approve these fraudulent invoices for payment. Between them, the two men were found to have obtained more than $257,000 from the government organisation, taking the total of their corrupt gains to in excess of $500,000. The ICAC made recommendations directed at improving the capacity of the systems and individuals responsible for supervising and monitoring the performance of the contracted services.

ETHICAL PRACTICES

The Chartered Institute of Procurement and Supply (CIPS) defines and promotes key principles that organisations should adopt in support of an ethical procurement and supply policy. These principles include:
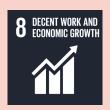
- Enhance and protect the standing of the profession;
- Maintain the highest standard of integrity in all business relationships;
- Promote the eradication of unethical business practices; and
- Ensure full compliance with laws and regulations.

For more details refer to the CIPS Code of Conduct and Ethical and Sustainable Procurement.

Company Values — British Telecom

A number of programs have been recently initiated within British Telecom's (BT) Purchasing and Supply Management department. The aim of the program is to demonstrate company values, promote BT business principles with its suppliers, protect and enhance BT's brand reputation, and asses and manage ethical and environmental risks and encourage diversity in BT's more than £5bn supply chain.

RELEVANT SDGS

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

1. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
2. Reduce inequality within and among countries.
3. Promote peaceful and inclusive societies fir sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

USEFUL INFORMATION

📄 REPORTS

Anti-Corruption

- Corruption Risks in NSW Government – The Management Challenge, ICAC
- Corruption Risks in NSW Government – Recommendations to Government, ICAC
- Preventing Corruption in Public Procurement, OECD
- Procurement & Contract Management, Crime & Corruption Commission Queensland

Fair Competition

- Cartels: Deterrence and Detection, Australian Competition & Consumer Commission

Respect for Property Rights

- Property Rights Are Human Rights, Institute of Public Affairs

Responsible Political Involvement

- Citizens' engagement in policymaking and the design of public services, Parliament of Australia

🔗 LINKS

Fair Competition

- Anti-Competitive Conduct
- Australian Competition Law Overview

Respect for Property Rights

- Australian Intellectual Property Laws
- Intellectual Property Legislation

Sustainable Development

- UN Sustainable Development Goals

CONSUMER ISSUES

CONSUMER ISSUES

BACKGROUND

In the context of sustainable procurement, consumer issues include:

- Fair marketing, factual and unbiased information, fair contractual practices;
- Protecting consumers' health and safety;
- Sustainable consumption;
- Consumer service and support, and complaint and dispute resolution;
- Consumer data protection and privacy; and
- Access to essential services, education and awareness.

Consumers choose what products and services they buy based on a range of criteria, including those listed above. Ensuring customer satisfaction for each criterion contributes to successful sales; attention to one single issue alone cannot guarantee long term consumer support. Once consumer confidence is lost it is very difficult to rebuild trust; negative publicity has greater impact than positive publicity.

Most developed countries with free-market style economies offer consumer protection in the shape of laws and regulations designed to give consumers' rights, provide fair trade (to help producers in developing countries), ensure competition is fair and that information in the marketplace is accurate. The laws are intended to prevent businesses from engaging in fraud and unfair practices to gain a market advantage over competitors and to protect consumers, such as by protecting consumer safety and health. Consumer activism, including NGOs and individuals, can help with processes and material that protects and educates consumers and businesses, and increases awareness of rights and responsibilities including complaint and dispute resolution.

CURRENT STATE

GLOBAL OVERVIEW

Sustainable consumption as a global intergenerational system should be considered in economic, environmental and social terms.

The issue of "sustainable consumption" has been on the international radar for decades:

- Rio de Janeiro United Nations Conference on Environment and Development, 1992.
- Oslo Symposium on Sustainable Consumption, 1994.
- Johannesburg World Summit on Sustainable Development (WSSD), 2002.
- The UN Marrakech Process on Sustainable Consumption and Production, 2003.

More recently, a 2017 Hartman Group survey of 1,500 people found that 69% of consumers want more transparency about company sustainability practices.

Sustainable consumption policies increasingly take into account the social and ethical dimensions of products – on how they are produced as well as their ecological impacts. Consumers International is the global peak body working on consumer issues occurring in multiple countries and across national borders on a scale that cannot be achieved at a national level alone, to ensure consumers are treated safely, fairly and honestly.

AUSTRALIA

Australia has consumer laws at the federal and state level and has developed several mechanisms that serve to support the rights of consumers, ensure competition is fair and that information about goods and services is accurate. The Australian Consumer Law sets out consumer rights (or guarantees) including rights to repair, replacement or refund as well as compensation for damages and loss and being able to cancel a faulty service. Australian consumers are aware of their rights and actively exercise them as an ACL 2016 survey found that 90% of consumers are aware that consumer protection laws exist, and 82% took action to resolve their problem (compared to 75% in 2011). For example, in NSW there is information to help consumers through a complaint register.

The Australian Competition and Consumer Commission (ACCC) promotes competition and fair trade in markets to benefit consumers, businesses and the community. Its primary responsibility is to ensure that individuals and businesses comply with Australian competition, fair trading, and consumer protection laws – in particular the *Competition and Consumer Act 2010*. It also regulates national infrastructure services.

At the state level there are offices to ensure that government departments fulfil their functions and obligations. For example, the NSW Ombudsman is an independent and impartial watchdog that ensures state agencies do their jobs correctly and improve service delivery to the public, including complaint handling and information provision. See also Fair Operating Practices section of these Guidelines.

Consumers are represented at the national level by the peak body Consumers Federation of Australia to back its members (e.g. Choice) in their work to support consumers, and to develop policy, including providing representatives to industry and government processes, such as the development of standards.

ORGANISATIONAL THREATS & OPPORTUNITIES

DISPUTE RESOLUTION

The process to resolve disputes between parties may be enacted by lawsuits, arbitration, mediation, collaborative law, conciliation, facilitation and negotiation. However, not all disputes are resolved. Inadequate attention to dispute resolution may have multiple impacts. Sales and long-term survival in the marketplace can be affected by factors including ease of navigating the process and providing satisfactory outcomes. Additionally, workplace disputes can be costly to resolve, cause productivity losses and reputational damage.

The Australian Government's Attorney General department provides a guide to dispute resolution.

PROTECTING CONSUMERS' HEALTH AND SAFETY

This is fundamental to a fair and just society. Australia has developed robust mechanisms to protect consumers from unsafe food, but this does not always apply to imported food. Constant vigilance is imperative. The following example illustrates this issue.

Cross-contamination — Frozen berries

A classic example occurred in 2015. Frozen berries packaged in China became a source of Hepatitis A. The affected products were removed from the market and a recall was put in place at great cost, including to reputation and future sales. This incident highlights the risks of an increasingly globalised food production chain. While overseas grown berries had been previously repackaged in Australia, the importers began to accept berries grown in Chile and China but washed and repackaged in China where water/faecal contamination led to the presence of the virus in these imported products. Adequate product labelling (an issue covered in the Standard) is essential to give surety of safety.

Knowing where food is grown is one aspect, but knowing where it is packed and handled, is an essential part of disclosure. Unfortunately, this issue resurfaced in April 2018 with the same companies selling frozen pomegranate. This would indicate that unless swift action is taken, market reputation may suffer severely, and long-term viability could be at risk. Using sustainable procurement measures would ensure problems such as these are fully addressed.

DATA PROTECTION (OR INFORMATION/DATA PRIVACY)

Data privacy involves the relationship between the public's expectation of privacy, the collection and dissemination of data, and the surrounding legal/political context. The collection of sensitive information, whether digital or otherwise, its storage, use and whether it is destroyed or deleted gives rise to privacy issues. Potential sources include: healthcare records; criminal justice investigations and proceedings; financial institutions and transactions; biological records, (including genetic material); land and property information and geographic records; privacy breaches; location-based services and geo-location; web surfing behaviour and preferences; and academic research.

Australian privacy laws are contained in a variety of Commonwealth, State and Territory Acts. The "Privacy Acts" are data protection laws which regulate the collection, use and disclosure of personal information about individuals. The Australian Information Commissioner heads an Office, which is an independent Australian Government agency established under a federal law, acting as the national data protection authority. The OAIC primarily has three functions – privacy (*The Privacy Act, 1988*); oversight of freedom of information; and government information policy functions.

Civil society organisations such as Electronic Frontiers Australia, a not-for-profit, exist to promote and protect digital rights. For example, copyright issues (including fair use reform), copyright infringement and enforcement (piracy) and International Trade Agreements are policy areas that are pursued. Copyright law, for example, exists to provide a limited monopoly to secure rights and a fair return to material creators, and should be balanced against the fair use of material such as for educational purposes.

Potential Hacking — Data streaming services

One example that illustrates this theme is using foreign companies to set up data streaming services in Australia, which may be compromised. For example, in the event of war the potential for data to be hacked and altered is considerable. Additional costs to business can apply to those who use such a company and to those who decide not to. For example, those who choose not to use a potentially damaging service may incur higher set up costs, affecting competitiveness. However, those who do use the cheaper service, which is then subject to future risk such as government bans, may incur damage to reputation and high future costs to change providers.

RELEVANT SDGS

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns:

1. Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.
2. Promote public procurement practices that are sustainable, in accordance with national policies and priorities.

USEFUL INFORMATION

🔗 LINKS

- Australian Competition & Consumer Commission
- Consumers International
- International Consumer Protection and Enforcement Network
- International Consumer Rights
- NSW Fair Trading
- UN Sustainable Development Goals