Ensuring Ethical Procurement

government buyer fact sheet

## Overview of the Supplier Code of Conduct

The Victorian State Government (the State) is committed to ethical, sustainable and socially responsible procurement.

The Supplier Code of Conduct (the Code) was developed to support the 2014 State election commitment to ensure that contracted government services are provided by suppliers that meet a set of minimum ethical standards.

The Code was endorsed by the Policy, Strategy and Budget Committee (PSBC), a Cabinet sub-committee chaired by the Premier, and is applicable to all general government sector contracts, agreements and orders for the supply of goods and services, and construction works and services.

Non-general government entities and local councils that align their procurement practices to the Victorian Government Purchasing Board (VGPB) under the *Financial Management Act 1994,* or Ministerial Directions one and two under the *Project Development and Construction Management Act 1994* (PDCMA), should implement the Code. Any other non-general government entities and local councils, that have not yet aligned, are encouraged to implement the Code as a matter of good practice.

The State’s expectations do not supersede or alter the supplier’s regulatory and contractual obligations but rather work in conjunction with these obligations.

### Suppliers are required to commit to meeting the minimum ethical standards of:

#### A. Integrity, ethics and conduct

The State expects high standards of ethical conduct and compliance with all applicable laws. Suppliers are expected to be ethical in their business activities, including relationships, practices, sourcing and operations.

#### B. Conflict of interest; gifts, benefits and hospitality

The State believes that all business activities should be undertaken with impartiality and any conflict of interest should be raised and managed.

#### C. Corporate governance

Commitment to sound management administration, risk and corrective action systems, are key to a reliable supply chain for the State. Suppliers are expected to maintain sound administration processes.

#### D. Labour and human rights

The State believes that all workers in its supply chain deserve to be treated with dignity and respect. Suppliers are expected to provide a fair and ethical workplace, which upholds high standards of human rights and integrates appropriate labour and human rights policies and practices into its business.

#### E. Health and safety

Worker health, safety and well-being is important to the State. Suppliers are expected to provide a healthy and safe environment and integrate sound health and safety management practices into their business.

#### F. Environmental management

The State is committed to promoting environmental responsibility. Suppliers are expected to minimise the environmental impact of their operations and maintain environmentally responsible policies and practices.

### Benefits of the Code:

* clearly articulates the State’s values and expectations of suppliers, and seeks supplier support;
* provides guidance and advice to suppliers for reporting instances of misconduct, unethical behaviour or suspected corruption or if a State employee has breached the Victorian Public Sector Code;
* addresses recommendations from the Independent Broad-based Anti-corruption Commission (IBAC) report *Perceptions of Corruption – Survey of Victorian Government Suppliers*, June 2016, in response to suppliers’ concerns regarding public sector procurement; and
* requires minimal administrative changes by government buyers as it complements current procurement practice.

### Commencement of the Code

#### New suppliers

From 1 July 2017, all new contractual arrangements will require suppliers to acknowledge the Code by signing and returning the commitment letter included in the invitation to supply documentation.

#### Existing suppliers

By 1 July 2017, existing suppliers will receive a standard letter informing them of the State’s expectations under the Code. Some suppliers (not all) may be required to sign and return a commitment letter as part of the contract management review process (subject to a risk based approach, as determined by the contract manager).

#### Subcontractors

Suppliers are obligated to communicate the Code to related entities and subcontractors who support them in supplying goods and services to the State. This will ensure that subcontractors conduct their business in accordance with the Code.

### Implementing the Code

The Code applies to all new suppliers, contracts, agreements and purchase orders from 1 July 2017, and requires suppliers to acknowledge the minimum standards of behaviour when conducting business with, or on behalf of, the State.

Acknowledgement of the Code is through the supplier completing and returning the commitment letter acknowledging the State’s minimum expectations confirming they will aspire to meet those expectations.

The commitment letter will be incorporated into the invitation to supply documentation and will form a compulsory part of the supplier’s tender submission.

Low value, intermittent purchase order procurements will have the terms and conditions amended by the State to reflect the suppliers’ acknowledgement and commitment to the Code, eliminating the requirement for a separate commitment letter.

Existing contracted suppliers will be made aware of the States expectations under the Code, through provision of a standard letter.

#### Government buyers

Government buyers are required to modify their market approach process to incorporate the return of the signed commitment letter in the invitation to supply documentation.

Purchase order terms and conditions will need to be amended to reflect the suppliers acknowledgement and agreement to comply with the Code, see the schedule of changes.

Supplier issues raised in relation to the Code following receipt of the signed commitment letter will be managed through the contract management processes.

### Corrective action process

Suppliers are expected to self-assess their compliance with the Code and are encouraged to raise concerns or seek clarification on any elements of the Code with the relevant contract manager under their contract *(refer to the Code for guidance on additional reporting options)*.

If requested by the State, suppliers must provide evidence and confirmation of their compliance with the Code, including providing documents and records that support compliance.

### Construction works and services

The above requirements also apply to suppliers performing construction works and services for the State. Suppliers already on the Construction Supplier Register will have been informed of the Code, while new suppliers joining the register, will be required to sign a commitment letter prior to registration.

Subsequently, any work tendered to suppliers on the Construction Supplier Register will not require a separate commitment letter for each engagement. However, should the works or services being performed by such suppliers be of a high ethical risk, additional commitment and compliance requirements may be required. This should be assessed and addressed at the tender stage by the buyer developing the tender for the State.

### Help and Support

Buyers are encouraged to contact their department or entity Chief Procurement Officer or equivalent State manager for more information. Alternatively, contact the VGPB Secretariat on 03 9651 1699 or email at **vgpb@dtf.vic.gov.au****.**

The VGPB has enhanced applicable guides and standard form contracts for goods and services to help Government buyers implement the Code. The revised documents are available on the VGPB website at [**procurement.vic.gov.au/Buyers**](http://www.procurement.vic.gov.au/Buyers)**.**

### Using this factsheet

This fact sheet accompanies the Code and the frequently asked questions for government buyers.

For more information visit [procurement.vic.gov.au](http://www.procurement.vic.gov.au).