

SVENSKA KOLINSTITUTET

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Guidelines for codes of conduct for coal-buying companies

Corporate Social Responsibility – CSR

Background

Coal is a natural resource that is distributed throughout the globe. Within the EU only Poland now exports coal, though these exports have fallen dramatically in recent years. Coal is far from being a standard product, with the quality varying from one deposit to another. Consumers of coal also have different requirements in terms of coal properties, depending on the purpose for which it is used. Swedish coal-buying companies are therefore essentially compelled to purchase coal from producers located in distant countries and with various cultural backgrounds.

According to Swedish law, any company has a substantial responsibility for the way in which its activities affect the external environment and also for the working environment and conditions of its employees. With production now being transferred to other countries and with input goods being brought from other countries, greater emphasis has been attached in recent years to the way in which companies in these countries take responsibility for environmental matters and conditions of employment. The aim is to try to exert an ever-greater influence on suppliers to live up to the values that prevail in the case of Swedish production. Very often the proper behaviour of remote suppliers is also a precondition for the good reputation and confidence enjoyed by a company on the Swedish market. The matter of how each link in a chain of producers behaves in terms of human rights and sustainable development has therefore increasingly become the subject of some attention. A company's social responsibility in a broad sense (Corporate Social Responsibility, CSR) has therefore become increasingly palpable for Swedish companies.

Coal mining entails many difficult questions with regard to impact on the external environment and employees' working conditions. Not all coal-exporting countries share views on matters concerning environmental impact and the working environment. Even if a company that uses coal does not mine or export coal itself, it may nevertheless be held morally responsible for the way in which these activities are carried out. It is therefore important for Swedish companies to attempt to exert as much influence as possible on these frequently geographically remote suppliers, to ensure that they behave with the same responsibility as is required in our own country.

For companies that are in any way involved in the chain of mining, transporting and using coal, these questions are particularly relevant. It is entirely natural that a company of this kind be required to accept a "code of conduct" for the way in which it acts. Such a code of conduct cannot be identical for all companies irrespective of the areas in which they operate. These

guidelines have been drawn up to support Swedish companies that use coal as a raw material in their own work of drawing up their own codes of conduct.

International agreements in the area of CSR

It is important to have international acceptance when working on CSR. Repeatedly gaining the support of international suppliers is a significant source of strength, and very likely a crucial prerequisite, for working wholeheartedly on such matters. The most robust and globally most accepted document is the United Nations' "Global Compact's Ten Principles", see appendix 1 and also www.unglobalcompact.com. In it the UN summarises its views of CSR in the fields of human rights, working conditions and corruption. These documents should therefore represent a fundamental element of the work by any company on a code of conduct. Support for this work can also be found in the EU Commission's definition of CSR, see appendix 2.

CSR is fundamentally a matter of taking our values out into the world and helping to create competition-neutrality in terms of working and environmental conditions for companies in various parts of the world. The principles that have been developed within the UN and the EU should also provide guidance for the work of Swedish companies.

A number of examples from our member companies

A number of companies that are members of Svenska Kolinstitutet [*the Swedish coal institute*] are already working actively on matters related to CSR as part of their coal procurement activities. Below are a number of examples that may also provide an interesting source of study for other companies.

Vattenfall's written code of conduct for suppliers contains the following:

Being active within the energy sector entails considerable responsibility – towards our owners, our customers, our employees, the environment, the world of commerce and the societies in which we operate. In order to ensure that we live up to our obligations, Vattenfall's activities are based on our corporate philosophy and our core values as presented in Vattenfall's Code of Conduct.

One way in which we can show our responsibility for the company's entire value chain, including our suppliers, is to support the UN "Global Compact" programme and to apply its fundamental principles in areas such as human rights, working conditions, the environment and anti-corruption measures. For this reason we ask all our suppliers to adhere to the ten principles of the UN Global Compact as clarified in Vattenfall's Code of Conduct for Suppliers. The intention of the Code of Conduct for Suppliers is:

- To provide a platform for ensuring the correct conduct for long, trusting and enduring business relations
- To create awareness amongst our suppliers of sustainability and social responsibility (CSR)

See also [Vattenfall's CSR policy](#)

Fortum uses the UN Global Compact as a guideline in its purchasing activities. In Fortum's code of conduct for suppliers it is regulated, among other things, that:

"All Fortum's suppliers shall respect the principles contained in the Code of Conduct for suppliers and comply with them in all of their activities.

Fortum's suppliers are expected to document compliance of the principles and that Fortum, or a firm of auditors accredited by us, is able to conduct on-site audits.

Fortum's code of conduct for suppliers is based on the ten principles of the United Nations Global Compact."

E.ON, which also has a large-scale operation in Sweden, writes as follows:

This Policy specifies the minimum standard of CSR performance we expect from our suppliers, and our business partners. We may visit production sites to check compliance and we are prepared to work with these third parties to achieve or improve compliance with the policy. We will include this Policy in our tender specifications and consider it whenever awarding business to suppliers. E.ON is prepared to take country or cultural differences and other relevant factors into consideration, but will not compromise on the fundamental requirements described in this Policy.

We aim to implement this Policy throughout our supply chain, within our sphere of influence.

Minimum standard of CSR performance expected from our suppliers

All business partners and suppliers to E.ON will as a minimum requirement comply both with the principles laid out in this Policy and the applicable laws in the countries in which they operate.

E.ON has identified three areas it believes to be key to securing a high level of CSR within the supply chain. These are:

1. Respect the Human Rights and secure appropriate working conditions of employees
2. Minimise environmental impact
3. Maintain high standards of ethics and business integrity

.....and the text is then developed into detailed provisions for the three points as stated above.

An international example: the United Kingdom

The British coal importers' organisation, the Association of UK Coal Importers, is also working on these issues and it has adopted a policy with guidelines for its CSR work, see Appendix 3.

It is not possible for all companies to have identical codes of conduct

A company can of course only directly bind its immediate contractual partners in its purchasing contracts. In the above examples, transactions take place directly between the producer and the end consumer. In these cases there may then be a direct link between these parties. In many cases however there is a marketing stage between the producer and the end consumer. A contract between an end consumer and a trading company could however regulate that the trading company, in its contract with the original producer, in turn requires the latter to comply with the Ten Principles contained in the UN Global Compact, and could also regulate for example who can conduct any inspection of the producer's operations.

Each company must therefore draw up its own code of conduct. It is during a process of this kind that the difficult questions are asked and the awareness is created which can subsequently provide the basis for introduction and follow-up. It is therefore by actually drawing up a code of conduct that a company lays the foundation for subsequent compliance with this code.

Guidelines for drawing up a company's own code of conduct for buying coal

In order to assist a company in the work of drawing up its own code of conduct, the following checklist has been produced, including examples of areas which may require attention:

Preparations

- Base the code of conduct on the Ten Principles of the UN Global Compact
- Also bring in the EU Commission's definition of CSR
- Give a written summary explaining why the company needs a code of conduct
- Look at what relevant suppliers/producers write about CSR on their websites
- Assume that there is always more than one producer that can supply coal of the required quality
- Look at what other coal-buying companies write about CSR on their websites
- Think about what questions are addressed by the code of conduct

Involve management

- Document the work by means of a formulated written code of conduct for purchasing coal that has been agreed on by the company's management

Purchase agreements/Contracts

- Think about what requirements can be made of the supplier and therefore what matters are to be addressed in the purchase agreements
- Examples of questions that could be addressed include how to eliminate the risk of cave-ins and methane pockets when mining underground for coal, and also plans for landscaping following open-cast mining
- Think about anything that might result in a contract being terminated or not extended/renewed
- Consider whether Swedish working environment regulations, see [AFS 2003:2](#), can also be applied to producers in remote locations
- An example may be useful. The overall wording of a coal contract could be as follows:
"The Parties confirm that they respect and act according to the 10 principles of the UN Global Compact. Furthermore the Parties confirm that they have policies, procedures and programmes to ensure compliance with the 10 principles from Global Compact and national legislation.
Each Party hereby agrees that the other Party may:
- conduct 2nd or 3rd part audit within their company,
- have an open dialogue with local and national authorities regarding their company's compliance with local and national legislation."
If necessary, more detailed regulations could then be included in the contract.

Audits

- Think about how audits could be carried out at the premises of the supplier/producer
- Draw up an audit plan for verifying that the seller is complying with the agreement that has been entered into
- Carry out on-site audits with personnel other than those who deal with the purchases
- Draw up routines for documenting the audits and how internal reporting is to be done
- Examples of what could be verified during an audit:
 - Have risk assessments been carried out?
 - Are the workers sufficiently aware of the risks?
 - Are there any systems in place, such as alarms in case of fire, rock-falls and the presence of hazardous gasses?
 - Are there at least two independent escape routes? If not, what measures are in place for providing rescue or evacuation?
 - Accident and near-accident statistics

Feedback

- Report overall results to corporate management

It would strengthen the coal industry if all companies drew up and introduced their own codes of conduct for buying coal. A further improvement would be if the fundamental values were common to all companies.

Svenska Kolinstitutet hopes that this brief memo may prove to be useful in this work!

APPENDIX 1

The Ten Principles

The UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

- [The Universal Declaration of Human Rights](#)
- [The International Labour Organization's Declaration on Fundamental Principles and Rights at Work](#)
- [The Rio Declaration on Environment and Development](#)
- [The United Nations Convention Against Corruption](#)

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption:

Human Rights

- [Principle 1](#): Businesses should support and respect the protection of internationally proclaimed human rights; and
- [Principle 2](#): make sure that they are not complicit in human rights abuses.

Labour Standards

- [Principle 3](#): Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- [Principle 4](#): the elimination of all forms of forced and compulsory labour;
- [Principle 5](#): the effective abolition of child labour; and
- [Principle 6](#): the elimination of discrimination in respect of employment and occupation.

Environment


- [Principle 7](#): Businesses should support a precautionary approach to environmental challenges;
- [Principle 8](#): undertake initiatives to promote greater environmental responsibility; and
- [Principle 9](#): encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- [Principle 10](#): Businesses should work against corruption in all its forms, including extortion and bribery.

APPENDIX 2

The EU Commission's definition of CSR

Corporate Social Responsibility	
	Welcome to the Corporate Social Responsibility (CSR) web-pages of the European Commission's Directorate-General for Enterprise and Industry. We hope that these pages will give you a good insight into what CSR is, why it is important, and what the European Commission is doing to promote it.
<h4>What is CSR?</h4>	
<p>Our definition of CSR is :</p> <p>"A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis"</p>	
<p>Amongst other things, this definition helps to emphasise that:</p>	
<ul style="list-style-type: none">• CSR covers social <i>and</i> environmental issues, in spite of the English term corporate <i>social</i> responsibility;• CSR is not or should not be separate from business strategy and operations: it is about integrating social and environmental concerns into business strategy and operations;• CSR is a voluntary concept;• an important aspect of CSR is how enterprises interact with their internal and external stakeholders (employees, customers, neighbours, non-governmental organisations, public authorities, etc.).	



Corporate Social Responsibility Policy Statement

The Association of UK Coal Importers represents the non-commercial interests of its members involved in importing coal to the UK which are:

- major end users;
- transporters, port operators and other infrastructure operators;
- other companies with a physical presence in the supply chain.

The Association of UK Coal Importers is committed to working with its members to achieve a high standard of corporate social responsibility (CSR). Our CSR Guidelines set out standards of performance expected from all those involved in the coal importation supply chain. We seek to exploit opportunities to contribute positively to raising CSR standards and to share best practice.

Corporate Social Responsibility Guidelines

The Law

We require suppliers to comply with all applicable laws in the countries in which they operate.

Human Rights

Suppliers must not be complicit in human rights abuses.

Labour

Suppliers must not employ underage workers (as defined by applicable local laws) or use forced labour.

Health and Safety

We expect our suppliers to provide a safe and healthy working environment for their employees and to provide appropriate training and personal protective equipment.

Environmental Stewardship

We expect suppliers to meet all relevant environmental regulations and to minimise the impact of their operations on the local environment.

Business Integrity

We expect our suppliers to uphold high standards of business ethics and not to engage in illegal activities such as corruption, bribery, fraud, extortion or money laundering.

Sea Freight

Our suppliers must comply with maritime law and relevant international maritime standards.

Continuous Improvement

We encourage our suppliers to seek accreditation to appropriate CSR related standards and to adopt a positive approach to continuous improvement.