

HUMAN RIGHTS

# setting a standard

Skanska has used the SA8000 workplace guidelines as a basis for addressing human rights problems in South America, where it has extensive operations. Although they are not a panacea, they have helped the construction company to reinforce its code of business conduct

For most businesses, implementing a robust ethics policy in Northern Europe is one thing, but applying the same rigour to other regions is quite another.

Swedish construction company Skanska knows that reality all too well. With extensive business operations in South America, a region historically beset with human rights challenges, it has found that maintaining world class ethical standards on the continent is often demanding. But it decided long ago that doing so was worth the effort, not only because it is good for the region, but because it benefits the business too.

Skanska began operating in South America in 1999, when it bought the Argentinian company Sade. Since then it has developed its business in other countries in the region, and the Skanska Latin America Business Unit is particularly active as a subcontractor for the oil and gas sector. Construction projects include the Cerro Verde mine in Peru, a nitrogen plant in Mexico, the Gaby mine project in Chile, a hydropower plant at Ponte de Pedra in Brazil, and the Camisea Gas plant in Peru.

With such an array of operations, Skanska has needed to adopt a policy of regional social responsibility that is

geographically consistent and fits in with its global code of conduct. Individual companies have been improving human rights and working conditions in South America, but racketeering, black-market economies, discrimination and unlawful employment practices remain widespread in some areas, particularly in the construction industry.

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Skanska, however, believes it has found a way to provide a region-wide approach to human rights: by using the SA8000 workplace standard. Drawn up a decade ago by the US-based Social Accountability International organization with the aim of developing standards and systems to address human rights in the workplace, SA8000 is particularly useful for companies such as Skanska that operate in countries where overall governance is poor. Supported by auditing and a verification system, SA8000 sets out standards for supplier factories on discrimination, health and safety, freedom of association, child labour, collective bargaining and working hours. In countries where there is little law on such matters and even less enforcement of that law, Skanska believes SA8000 is not only a natural extension of the company's own code of

## the company

Skanska is a Stockholm-based multinational construction firm with 60,000 staff and annual turnover of SEK139 billion (\$23bn, £11.75bn, €14.9bn). It:

- came top of its sector in a 2007 human rights assessment carried out by Swedish investor Folksam
- joined the World Business Council for Sustainable Development back in 1995 and published its first environmental report in 1997
- set up a Business Ethics Network in 2006 to share good practice across the company. It consists of six 'high potential' line managers from six business units plus members of the Skanska Sweden Ethics Committee and other staff members
- was involved in developing the first set of construction industry principles for combating bribery and corruption for the World Economic Forum

conduct, but a valuable tool for setting standards in an area where it has at least some influence.

'We'd been looking for a standard that would help everyone who works in the industry to meet the basic principles of decent working conditions and workers' rights', says Noel Morrin, senior vice president of sustainability at Skanska. 'We had our own internal policies, but felt that a recognized international standard would help differentiate between companies that comply with guidelines and those that don't.'

Differentiation is just one reason why Skanska became accredited to the standard; Morrin says SA8000 has also become a benchmark for improving standards, and not solely among Skanska's own employees, subcontractors and suppliers. Other companies use SA8000, so it is relatively easy to judge how Skanska is doing in comparison to them. And because Skanska will sometimes share suppliers with other multinationals, it can exchange information on them and implement joint action with contractors.

'It would be exaggerating to speak about actually changing a country's human rights conditions as a result of our actions', explains Alfredo Andrade, regional manager for quality, health, safety and environment at Skanska's Latin America Business Unit. 'But we feel proud that we've instigated some positive changes in subcontractors' work practices. Suppliers implement improvements because they feel an incentive to do so when working on Skanska projects.' Andrade firmly believes that encouraging subcontractors to adopt best practice 'is like planting a seed in each place that Skanska builds and operates projects in the region'.



■ 120 Venezuelan children are entertained by a troupe of clowns in a Skanska-sponsored play dealing with environmental issues – part of a community event designed to improve the relationship between families and the company

Application of SA8000 in South America varies tremendously from country to country, with 91 facilities certified in Brazil compared with only five in Bolivia. However, Skanska believes that the standard is ‘highly effective’ as a focus for improving social justice and living conditions in its operations. Using the one standard means that Skanska can work in eight Latin American countries and operate to the same principles throughout.

Skanska’s use of SA8000 has helped workers and their families to get a better deal, but it also benefits the company. The standard’s emphasis on health and safety, says Andrade, has made the company a popular choice with national and global clients. Occupational health and safety at work is a significant qualifying factor for construction companies and service contractors wishing to work with large corporations, he believes. ‘We have never been excluded from a bid because of lack of credentials in this matter. Those who select us know that they can rely on Skanska’s expertise.’

While SA8000 is therefore a pivotal part of Skanska’s human rights efforts, Andrade explains that the company also seeks to improve human rights in three other ways. ‘Firstly, there are our own actions, which involve negotiations with employees and making sure our dealings with subcontractors and suppliers are fair, open and unrestricted,’ he says. ‘Secondly, the company can help to improve the living standards of our workers’ families, for example through the provision of equipment for schools, which we have done in various places, including in Neuquen, Comodoro Rivadavia, Santa Cruz and Mendoza. And thirdly, we can have a wider positive impact on communities in areas around construction projects that we are involved in. That means helping NGOs to improve the welfare not simply of our own workforce but of everyone else.’

A number of projects undertaken recently by Skanska have had this goal to the fore. As part of its work on the Camisea project in the Cusco region of Peru, for example, Skanska has donated beds, kitchen equipment and even complete sanitation plants to the local population.

Elsewhere, in Ecuador, the company has provided sewing machines and training to local women, who have been able to earn extra money by working for companies operating in the area.

Through these community involvement efforts, and with SA8000 operating as the backbone of its South American human rights programmes, Andrade believes that Skanska is now getting to grips with a thorny issue that has proved so problematic for other companies. It

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### comment SKANSKA



Skanska has pinpointed a difficult problem experienced by many multinational companies, especially in the mining and construction industries: how to implement a robust business ethics policy in cultures that are different from that of the parent company. By using the SA8000 standard in Latin America it has been able to maintain a consistent policy on human rights, and has encouraged its suppliers to adopt similar standards in places where human rights are low on the agenda.

#### Features that impress include:

- insisting on high human rights standards has attracted new business
- the policy has been extended to improve welfare in communities around Skanska’s construction projects
- Skanska has set up a business ethics network of line managers to share good practice within its operations

SIMON WEBLEY, INSTITUTE OF BUSINESS ETHICS