

STRATEGIC PROCUREMENT POLICIES OF THE HUS GROUP

HUS^{*}

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SUMMARY

As the new wellbeing services counties start at the beginning of 2023, the largest administrative change in the health care operating environment and service structure in the history of Finland is taking place. The HUS Joint Municipal Authority's strategy was made for 2020–2024 but, with the HUS Joint Municipal Authority becoming HUS Group, the strategy has been updated. According to a working conditions survey in 2021, 93% of the respondents are familiar with the values of HUS, which remained unchanged in the updated strategy, along with the mission of HUS. The vision of the strategy for 2023–2027 became “Leading healthcare together”. Five strategic focal points with an objective for the strategy period were established:

1. Cooperation with wellbeing services counties

Systematic, goal-oriented, and effective cooperation for the benefit of our clients

2. Patient experience

The best patient experience in Finland

3. Employee experience

The most desirable employer

4. Continuous improvement and renewal

The best university hospital in the Nordics

5. Sustainable economy

High-quality, equal and cost-effective services

The strategic procurement policies of HUS have been updated. The most significant driving force is the establishment of wellbeing services counties and the changes in the procurement environment and financing model from the beginning of 2023 caused by this. The policies are also updated due to the preparation and publication of Finland's National Public Procurement Strategy in fall 2020. The goals and indicators of the National Public Procurement Strategy are applied in the policies, objectives and indicators of HUS. The third reason behind the update is the reform of HUS' Group strategy.

The reform of strategic procurement policies began with an analysis of the internal and external procurement operating environment and an investigation of the maturity of procurement. With regard to external changes in the operating environment, the current themes of the reform period included major international phenomena such as the pandemic, the invasion of Ukraine, challenges in logistics chains and, lastly, inflation and the shift in energy markets. Finland continues to struggle with the change in its demographic structure, labor shortage and public deficit as well as digitalization and technological developments that affect all parties and operations.

The key themes of HUS' previous procurement

CONCEPTS

strategy in 2015 included the introduction of strategic classification of procurements and the development of procurement management, category management and procurement expertise. Of these themes, procurement management, category management and procurement expertise are still relevant. New policy themes include knowledge-based management of procurements and the promotion of sustainability.

The areas of operations and processes related to the procurements of HUS on the development and the promotion of which it is important to focus in 2023–2027 have been identified in the policy and objective update. The new policies provide a common basis for the procurement activities of HUS and a direction for new procurements throughout their life cycle.

The most important mission of HUS' procurement services in 2023 is to introduce new information systems that support procurement management and integrate them as part of procurement, contract management and supplier cooperation processes.

Because of this, it is important to acknowledge that the implementation of the strategic procurement policies based on the operational program will be initiated in synchrony with and according to the timetables of the introduction of the information systems.

The strategic procurement policies are updated approximately every five years and whenever necessary due to changes in the organization or operations of HUS or the external operating environment.

Members of the HUS strategic procurement steering group have been closely involved in the preparation of the strategic procurement policies. The role of the strategic procurement steering group is, for instance, to prepare the HUS procurement strategy update for the decision-making process. In addition, the HUS procurement steering group and its members as well as the procurement staff of HUS have participated in the procurement strategy reform and the definition of the strategic objectives and indicators of procurements, according to their positions. •

Procurements

Procurements refer to the implementation of a public works contract, procurement of goods or performance of services in return for financial consideration as specified in the Act on Public Procurement and Concession Contracts (2016/1397).

Procurement activities

Procurement activities refer to all tasks related to the management and planning, preparation and implementation of procurements, contract management, supplier cooperation and guidelines, control and training related to procurements.

HUS procurement services

The HUS procurement services division refers to the procurement services unit (HUS Procurements) within HUS Group's profit area of Shared Group Services.

End user

In this document, end users are customers, patients and employees who use the machines, equipment or supplies to be procured and other parties such as treatment planners whose needs are taken into account as much as possible when defining the subject of procurement.

OPERATING ENVIRONMENT CHANGES

Establishment of wellbeing services counties and a new financing model

As of the beginning of 2023, the responsibility of organizing social services, health care and rescue services was transferred from municipalities and joint municipal authorities to the 21 new wellbeing services counties. As an exception, the City of Helsinki will continue to be responsible for organizing these services. In addition, HUS Group has a separately defined responsibility of organizing specialized health care in its area. However, the reform will affect the division of duties of HUS and its owners and, consequently, its service production, finances and procurements.

The wellbeing services counties will initially be largely funded by the Government. In the future, the financing will be based on need-adjusted criteria. The right of taxation of wellbeing services counties will be studied by the Parliament. When preparing the strategic procurement policies, the uncertain future of wellbeing services counties was considered to be a threat whilst also providing an opportunity for new forms of cooperation.

Globalization and digitalization

Globalization has already had a major impact on all types of industrial activity for years. Companies are

international and move production to wherever it is the most affordable. This also increases the length of supply chains for goods that are typically only produced once an order has been confirmed. It is increasingly rare for health care product manufacturers to hold their products in stock and, if they do, the products are typically located outside Finland.

Major advances in medicine and specialized health care are being made all the time. Technological shifts in health care shape the health care system whenever new types of health care equipment and medications become available. Treatment processes are digitalized and information technology is used in almost all types of health care services. The aim is to involve customers in the service design process when services are digitalized and remote appointments and real-time consultations increase in popularity. Digitalization is also changing how we look for and produce information.

Shifts around the world and in Finland

An unprecedented global shift is underway during the preparation of these procurement policies. The COVID-19 pandemic has caused sudden needs for changes in the priorities and resources of the health care system since spring 2020 and there is no certainty about when the pandemic will end. The pandemic

has highlighted societies' capability to respond to disruptions, the good and bad sides of globally integrated economies and the resilience of social groups.

The global security of supply turned out to be vulnerable when there was an acute shortage of important public health security products around the world. The production of components needed to manufacture products, including medications, has potentially focused on a small geographic area or a small group of manufacturers. New challenges related to supply chains and maritime transport have also emerged as a result of a shortage of containers.

The invasion of Ukraine in 2022 has changed the security situation in Europe and highlighted the need for contingency planning also in Finland. The war and the related sanctions have reduced the availability of certain raw materials and contributed to the change in logistics due to changed flight paths, for instance. The changes in the distribution and availability of energy have caused an unparalleled shift in the energy market. Fluctuations in energy prices and disruptions in supply may cause uncertainty and unforeseeable economic impacts in the future as well. In addition to the procurements related to the energy consumed by HUS, these changes may be reflected in the prices of supplies and equipment that require lots of energy to be produced.

Challenging economy and demographic changes

The shifts around the world have caused a steep rise in inflation. This has been countered with interest rate hikes which, in turn, have slowed down economic growth and impacted exchange rates in Europe and elsewhere. The euro-area economy is predicted to fall into recession at the end of 2022, due to the aforementioned reasons. As a result of accelerating inflation and supply failures, the prices of products will increase more than anticipated. In Finland, the rate of inflation is expected to be up to 10% by the end of 2022. This will cause challenges

related to finances, the procurement budget and the number of investments and, in part, the cooperation with suppliers.

Due to the pandemic, HUS has incurred significant additional costs related to the testing, analysis and treatment of patients as well as the procurement of equipment, supplies and medications needed for treatment. The cost of COVID-19 testing and analytics alone to the municipalities of HUS in 2021 was more than EUR 250 million. There have been cancellations of scheduled operations, which has increased the length of waiting lists. These lists need to be shortened in the coming years, partly by

means of outsourcing. Postponed treatment may also increase the need for emergency services and, consequently, increase the pressure related to the planning of operations, finances and procurements.

The Finnish population continues to age, which increases the need for health care services. At the same time, birth rates and the dependency ratio decrease as the number of employees of working age and taxpayers becomes lower. The government deficit has increased, which needs to be compensated for with new debt due to the reasons specified above. •

CURRENT HUS PROCUREMENT STATUS

The total value of procurements made by the profit areas of HUS in 2021 was approximately EUR 1.2 billion. They accounted for EUR 2.8 billion, approximately 43%, of the operating costs of HUS' profit areas. The volume of public contracts in Finland is approximately EUR 47 million, including procurements made between public administration organizations and in-house procurements. HUS is one of the largest procurement organizations in Finland and the largest contracting entity in health care.

In 2022, HUS made 676 decisions on procurements with a total annual value of EUR 283 million.








Figure 1 indicates the procurement decisions made in 2022 by procurement category, according to their annual value (EUR).

Procurements were divided into more specific groups indicated by **Figure 2**, according to purchase invoice data. With regard to 2021, the impact of the COVID-19 pandemic on the distribution of procurements should be taken into account. This is apparent in the proportion of social and health care services, which includes additional costs of EUR 252 million as a result of COVID-19 testing and analyses.

Figure 1
Annual values of procurement decisions made by the Procurement unit in 2022 by category.

Procurement category

Procurements made (EUR) per category.

	Social and health care services 56.7 million (20%)
	Primary health care 47.7 million (16.8%)
	Laboratory 46.6 million (16.5%)
	Service and ICT procurements 60.7 million (21.4%)
	Surgery, internal medicine and cardiology 28.1 million (9.9%)
	Anesthesia and intensive care 24.1 million (8.5%)
	Radiotherapy and imaging 19.2 million (6.79%)

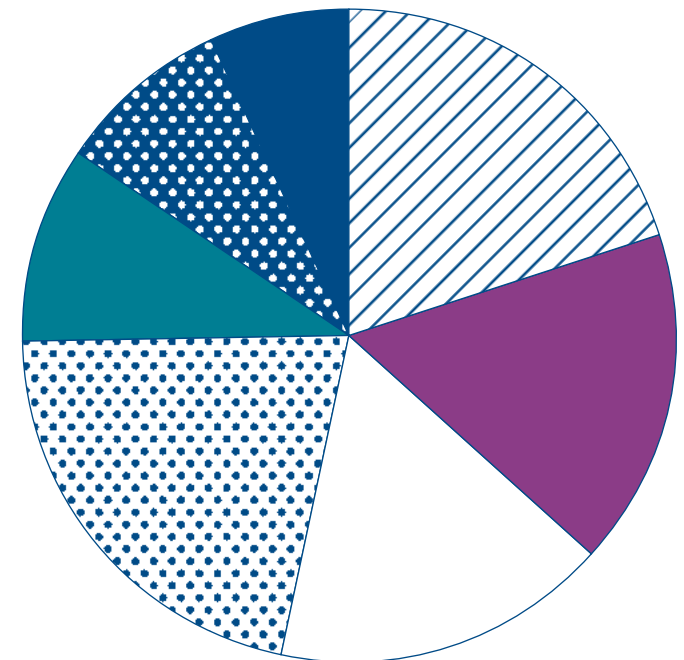
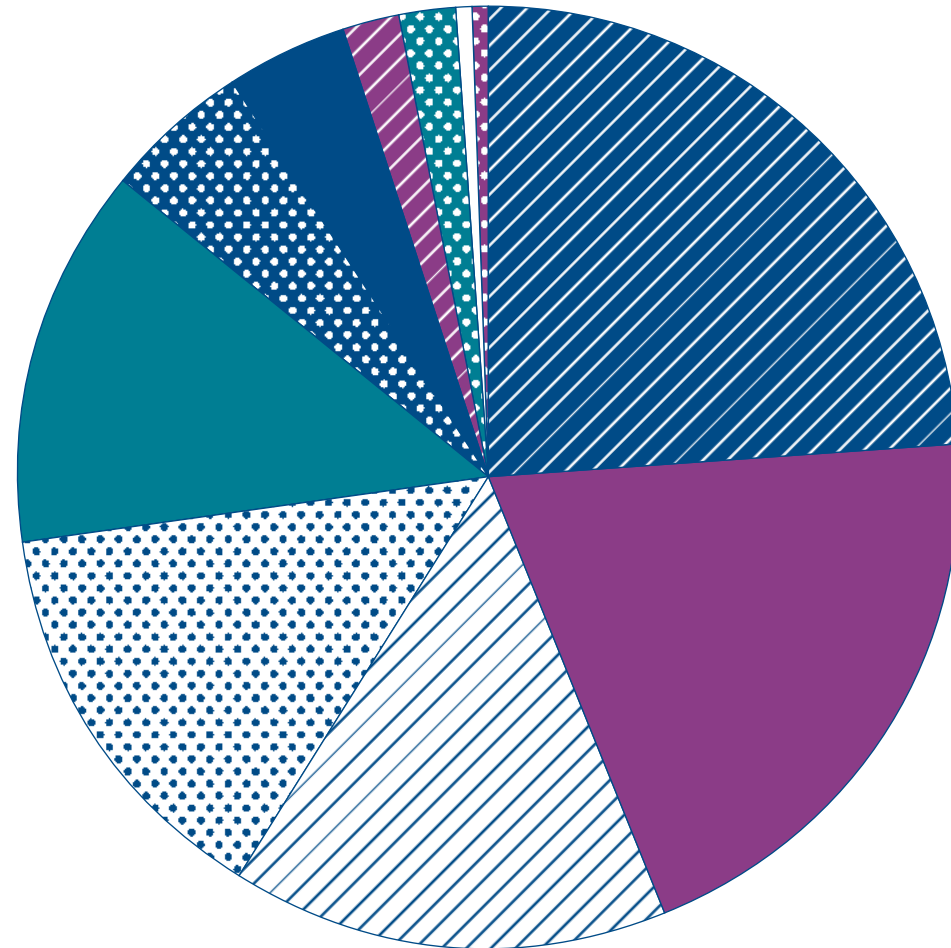
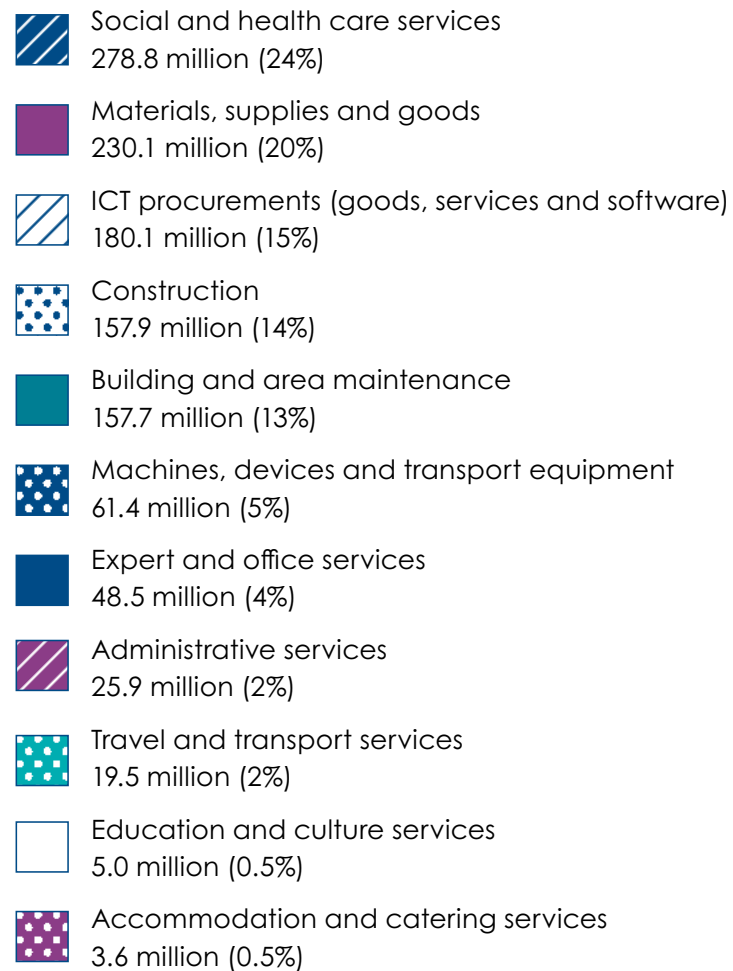


Figure 2

Breakdown of the procurements made by the profit areas of HUS into different product and service groups according to the itemization of accounts. The figures of social and health care services include additional costs of EUR 252 million as a result of COVID-19 testing and analyses.

2021 total: EUR 1.2 billion



The breakdown of procurements by profit area, according to purchase invoice data, is indicated by **Figure 3**.

The largest implied carbon dioxide emissions of the procurements comprised procurements related to materials, supplies and goods, the procurement of machines, devices, transport equipment and procurements concerning construction (excluding new construction). More detailed information about the carbon footprint of procurements is available in the HUS climate roadmap published in 2022. **Figure 4**

indicates the breakdown of HUS' emission sources in 2020.

The maturity of procurement activities and the actual procurements was analyzed when preparing the strategic procurement policies. According to the analysis, the strengths of HUS procurement activities are the management of procurements, supplier cooperation and analysis of procurements. The effectiveness and sustainability of procurements were given a slightly lower priority. In addition, a SWOT analysis of the strengths, weaknesses, opportuni-

ties and threats of HUS' procurements was made in cooperation with the parties involved in the preparation of the policies. The SWOT analysis specified several areas of development related to the market, processes and the management of procurements. Sustainability, innovation promotion or knowledge-based management were not highlighted in the SWOT analysis either, but the importance of these themes was recognized in the discussions held. The material was sent to 160 people in an online think-tank for comments in the preparation phase.

Figure 3

Breakdown of procurements by profit area. The additional COVID-19 testing and analysis costs of social and health care services are included in the figures of HUS Diagnostic Center, HUS Hospital District and HUS Regional Clinical Services profit areas.

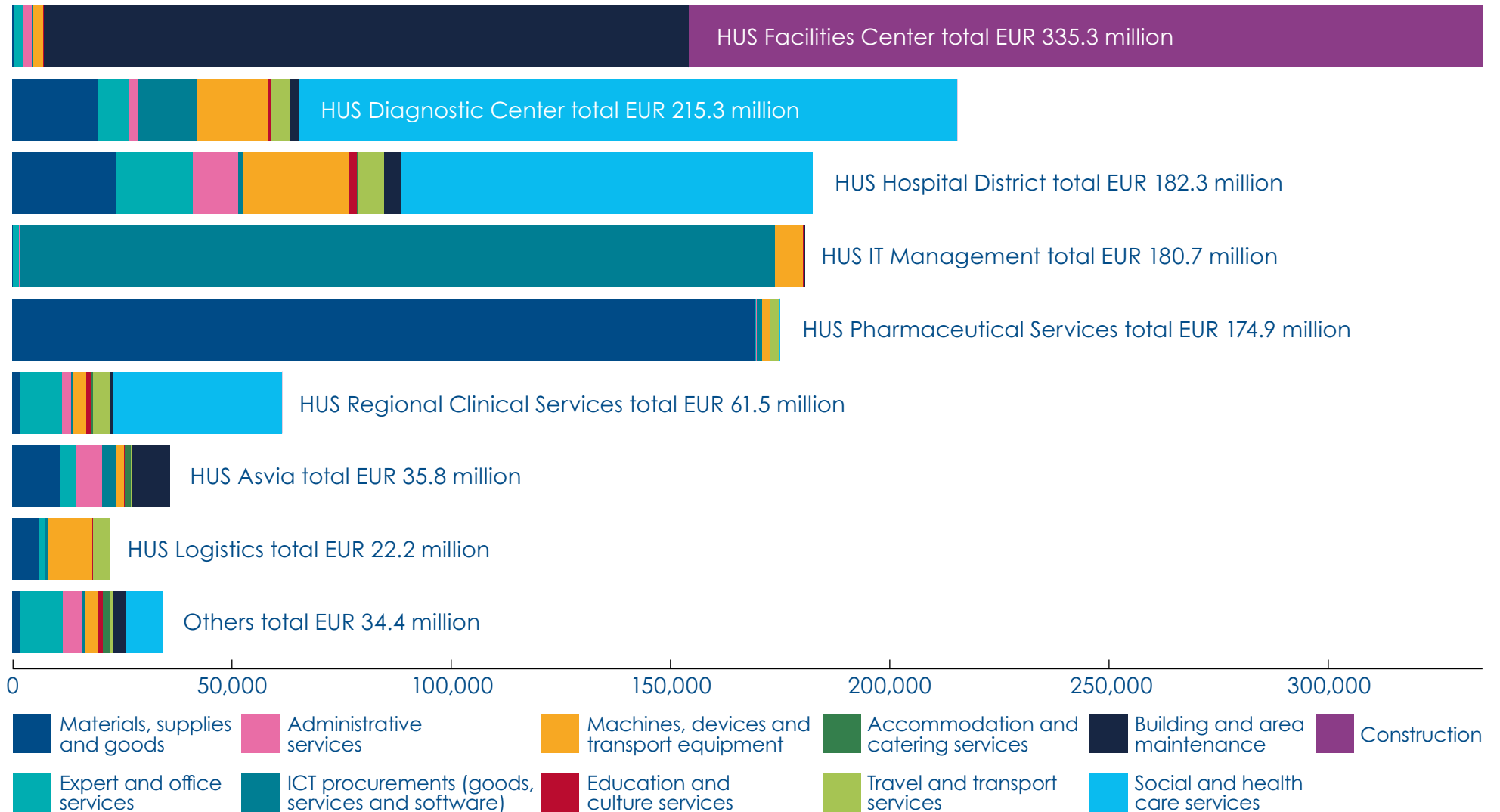
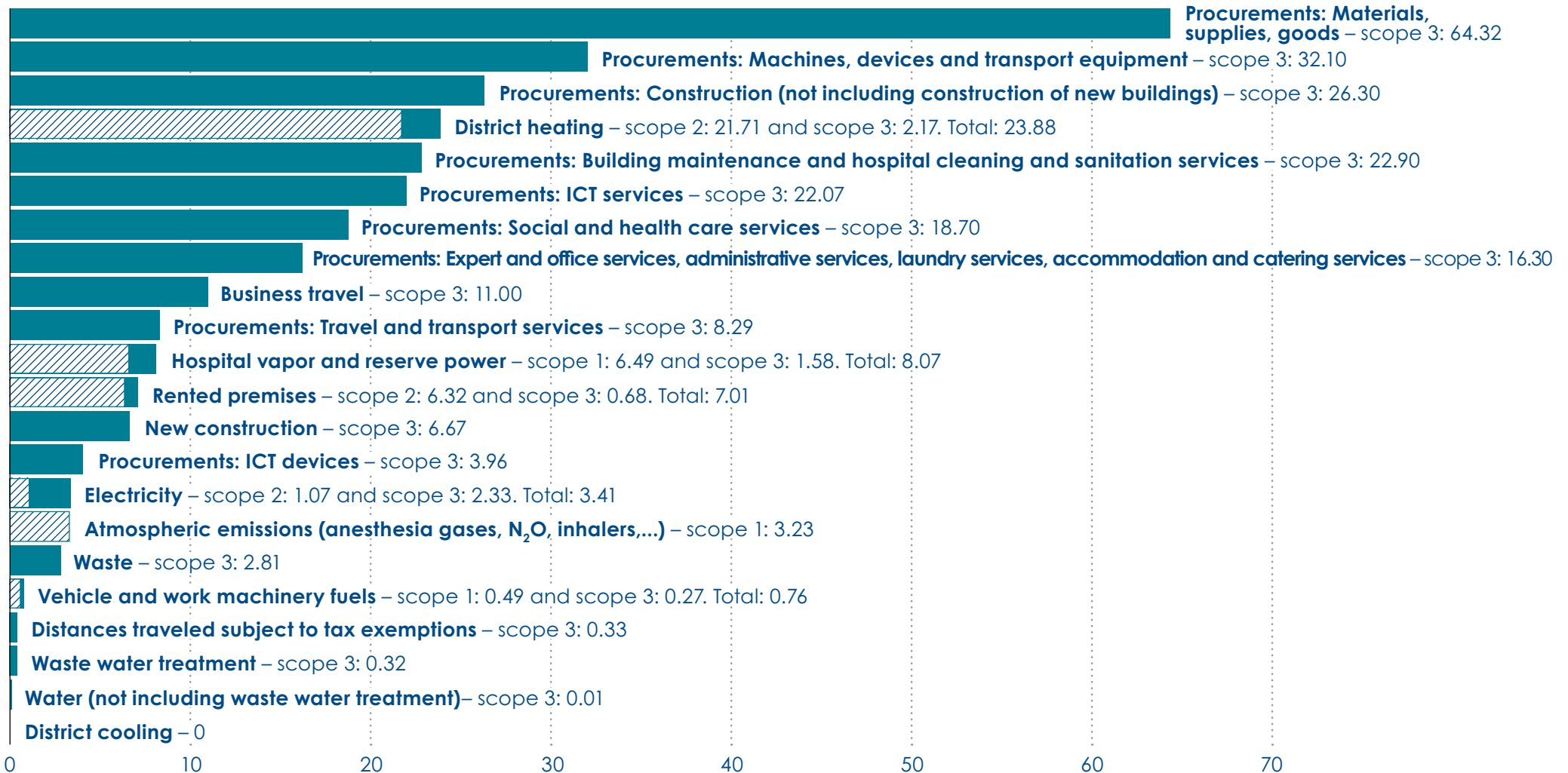


Figure 4

Carbon footprint in 2020 by source of emissions and breakdown of emissions into direct and delivered energy emissions (scopes 1 and 2) and other indirect emissions (scope 3).

 Scope 1 and 2
  Scope 3

HUS 2020, 1000 t CO₂eq



Organization of HUS' procurements

The operational implementation of HUS' procurements is primarily the responsibility of HUS Joint Authority Administration's Shared Group Services' Procurement unit. The unit acts as the central entity responsible for tendering processes related to supply, medical device and service procurements. The Procurement unit is responsible for carrying out the tendering of central and separate procurements in cooperation with the departments who need the subject of the procurement and the experts of these departments.

In addition to HUS' Procurements unit, the Pharmaceutical Services and IT Management units carry out procurements within the HUS Group. The Pharmaceutical Services unit is responsible for the procurement of products and substances regulated by legislation on medicinal products and similar procurements, while the IT Management unit is in charge of procurements concerning services related to information systems, IT devices and information management throughout their life cycles. The Procurements unit is responsible for announcing ICT procurements and providing support for ICT procurement tendering processes.

Other affiliated entities of HUS are responsible for their own procurements, but they are entitled to use the framework agreements tendered by the Procurements unit.

HUS Logistics is responsible for supply management administration in the order system as well as operations concerning purchasing and logistics.

Duties of the Procurement Unit

The Procurements unit of Shared Group Services is in charge of HUS' procurement services. The unit is responsible for the specifications, administration and supervision of the uniform HUS Group-level procurement process throughout the procurements' life cycles, the specifications, administration and supervision of other processes required by procurement operations and the procurement strategy (including complaints and supplier management), preparing the required documentation (including document templates) and guidelines to support the uniform procurement process, the ownership of the procurement information systems and the implementation of all procurements that exceed the national threshold throughout the procurements' life cycles, with the exception of procurements that are the responsibility of the IT Management or Pharmaceutical Services units. The Procurement unit is also responsible for managing the information system and making it available to other units with regard to procurements that do not exceed the national threshold and monitoring the procurements made in this system.

The most important duties of the Procurements unit is the management of the contracts it owns, providing other units with guidance and advice in matters related to procurements (including procurement planning, implementation, supplier cooperation, contract interpretation) and the provision of information related to these subjects.

Procurement steering groups

The strategic procurement steering group and procurement steering group support the control and monitoring of HUS Group's procurements. The purpose of the strategic procurement steering group is to control the implementation of HUS Group's procurement activities and strategic procurement policies.

The procurement steering group is tasked with ensuring that the strategic procurement policies are taken into account in the implementation of procurements and the development of procurement activities, supporting the operations of HUS' contracting entities and securing the implementation of other operating models related to supplier and contract management and procurements. In addition, the steering group supports and develops the cooperation between HUS' profit areas and contracting entities. •

STRATEGIC PROCUREMENT POLICIES AND OBJECTIVES

The strategic management of procurement at HUS means that we define the long-term guidelines that we comply with in the context of procurements, we agree on the development measures that we aim to take with consideration of the extent and the existing procurement market of products and services we need and specify how we will begin to implement the change. The strategic procurement policies are based on the priorities specified in the HUS Group strategy.

We implement the HUS Group strategy through the strategic procurement policies. The ambitions specified in the National Public Procurement Strategy, Hankinta-Suomi, are included in the strategic procurement policies.

There are eight strategic policies defined for the procurements of HUS (procurement policy):

1. We manage procurements throughout their life cycles based on knowledge and promote their financial and social impact
2. We prepare for changes concerning the operating environment in a proactive manner
3. We ensure the high quality and broad scope of our procurement expertise
4. We carry out procurements in cooperation and take various needs into account
5. We improve procurement and contract management processes and their digitalization
6. We promote the functionality of the market and the attractiveness of our procurements
7. We carry out procurements in a sustainable manner
8. We promote product development and innovations through procurements

Figure 5 indicates how the procurement policies support the implementation of the priorities of the HUS Group strategy.

Strategic procurement policies and objectives

Each strategic procurement policy has one or more objectives. Each measure in the operational program has an associated indicator. The indicators and their monitoring support the accomplishment of objectives, the practical implementation of procurement policies and, ultimately, the implementation of the priorities of the HUS Group strategy.

FIGURE 5
HUS Group's strategic focal points linked to strategic procurement policies

HUS Group's strategic focal points				
Cooperation with well-being services counties	Patient experience	Employee experience	Continuous improvement and renewal	Sustainable economy
<ul style="list-style-type: none"> • Systematic, goal-oriented, and effective cooperation for the benefit of our clients 	<ul style="list-style-type: none"> • The best patient experience in Finland 	<ul style="list-style-type: none"> • The most desirable employer 	<ul style="list-style-type: none"> • The best university hospital in the Nordics 	<ul style="list-style-type: none"> • High-quality, equal and cost-effective services

Strategic procurement policies				
Cooperation with well-being services counties	Patient experience	Employee experience	Continuous improvement and renewal	Sustainable economy
<ul style="list-style-type: none"> • We prepare for changes concerning the operating environment in a proactive manner 	<ul style="list-style-type: none"> • We carry out procurements in cooperation and take various needs into account 	<ul style="list-style-type: none"> • We ensure the high quality and broad scope of our procurement expertise 	<ul style="list-style-type: none"> • We manage procurements throughout their life cycles, based on knowledge, and promote their financial and social impact • We carry out procurements in a sustainable manner • We promote product development and innovations through procurements 	<ul style="list-style-type: none"> • We improve procurement and contract management processes and their digitalization • We promote the functionality of the market and the attractiveness of our procurements

HUS Group strategic focal point: Cooperation with wellbeing services counties
 Systematic, goal-oriented, and effective cooperation for the benefit of our clients

Procurement policies	Objectives
<p>We prepare for changes concerning the operating environment in a proactive manner</p>	<ul style="list-style-type: none"> • We monitor and anticipate rapid and slow trends in the operating environment and develop our procurement risk management process • We develop and maintain continuity plans and emergency plans concerning disruptions and procurements during exceptional circumstances

Proactive preparedness

Recent changes in our operating environment highlight the need to develop proactivity, the monitoring of changes in the operating environment and the associated procurement risk management processes as, due to the nature of HUS’ operations, securing the uninterrupted continuity of operations is vitally important to us. The pandemic, the Russian invasion of Ukraine in 2022, inflation and the energy

crisis have had a major impact on the availability, prices and delivery times of the products and services we need and it is difficult to estimate when these crises will end. This situation requires us to prepare new operating models with which we can better ensure that the products and services critical to HUS’ operations are available to us when they are needed.

The changes force us to more accurately identify

their impact on the adequacy of the planned budget from the perspective of risk management as the volumes of HUS’ procurements are large. Finding new suppliers is always challenging. Due to the aforementioned reasons, the maintenance of continuity plans and emergency plans concerning disruptions and exceptional circumstances and the practical drills related to these are a vital part of our procurement-related preparedness.

HUS Group strategic focal point: Patient experience

The best patient experience in Finland

Procurement policies	Objectives
We carry out procurements in cooperation and take various needs into account	<ul style="list-style-type: none">• We ensure that the customer, patient and end user needs are met in procurements• We strengthen the cooperation practices of procurements internally, nationally and internationally

Customer, patient and end user needs and cooperation practices

In order for a procurement to be successful, we need to identify and observe the needs that the end user of the subject of the procurement might have. The end user can be a customer, patient, treatment planner or an employee who uses machines, devices or supplies or another party. When planning and preparing the procurement, we identify the person using the subject of procurement and what needs they might have. We ensure that the end user's views are taken into consideration when specifying the subject of the procurement. After a procurement has been completed, we systematically collect informa-

tion and feedback on how we did from the end user. The data collection process ranging from the procurement planning phase to the operations during the contract period and responding to results help us to carry out even higher quality and effective procurements in a cost efficient manner.

We strengthen cooperation within HUS and between HUS' national and international partners. The cooperation related to procurements helps us to identify practical synergy benefits, adopt new operating models and find sources of innovation. In order to strengthen procurement-related cooperation, we need to define the models of cooperation. We identify the parties with which we should con-

tinue or seek cooperation related to procurements. We aim for regular cooperation between different parties that brings added value to HUS.

Joint procurements made with other contracting entities support procurement activities. Joint procurements reduce the costs and workload related to procurements and make it possible to take advantage of volume benefits. Whenever we update the category strategies, we identify the procurement product groups that are currently procured as joint procurements or where we participate in joint procurements coordinated by other parties. In addition, we study the possibility of new joint procurements.

HUS Group strategic focal point: Employee experience
The most desirable employer

Procurement policies	Objectives
We ensure the high quality and broad scope of our procurement expertise	<ul style="list-style-type: none">• We ensure the maintenance and development of expertise related to procurements in a systematic manner• We secure the sufficiency and retention of experts needed in procurements

Securing procurement expertise

The implementation of procurements, the related contract management and supplier cooperation and the definition of the objectives of the procurements require extensive, broad expertise from the personnel involved in procurement activities. In order to secure this expertise, we need to identify the skills required in different roles. The maintenance and development of procurement expertise requires systematic, continuous operations at HUS. Thus, we annually prepare a procurement expertise development plan, which is implemented in a systematic manner.

In addition to securing this expertise, it is important to ensure that there are adequate resources for carrying out the procurement duties and that the workload is distributed equally. When necessary, we also use external resources to balance the workload and manage the expertise shortage.

HUS Group strategic focal point: Continuous improvement and renewal

The best university hospital in the Nordics

Procurement policies	Objectives
We manage procurements throughout their life cycles, based on knowledge, and promote their financial and social impact	<ul style="list-style-type: none"> • We use analyzed, researched information in procurement management in an objective-directed and purposeful manner • We streamline procurement management and control throughout the life cycles of procurements. • We expand the use of category management and develop it.
We carry out procurements in a sustainable manner	<ul style="list-style-type: none"> • Through our procurements, we promote environmental, social and economic sustainability and support the accomplishment of the sustainability objectives of HUS' strategy, Environment Program and Climate Roadmap • We support the accomplishment of the sustainability objectives by including them in the category strategies along with the related measures
We promote product development and innovations through procurements	<ul style="list-style-type: none"> • We seek new, innovative solutions and more efficient operating models in cooperation with our customers and suppliers with an open mind

Procurement management

The structure of HUS' organization changed on January 1, 2023. From now on, the core of HUS' operations is formed by the six profit areas of core services and the Shared Group Services, which the Procurements unit is part of. The total annual volume of more than EUR 1.2 billion of HUS' profit

areas requires every person involved in procurements to know their role and duties throughout the life cycles of procurements. We will clarify the division of duties and check the responsibilities of those involved in procurements. The productive, cost-efficient implementation of procurements also requires us to systematically highlight the procurement

instructions and to communicate about information related to procurements in different channels to ensure that the instructions and information are available to everyone who need them.

Category management has already been introduced by some of the profit areas as part of the implementation of the previous procurement strategy. Our intention is to incrementally expand category management to cover all profit areas.

When there is a need to procure a service, it is important to analyze and select the correct method of organizing and producing the service. This analysis is increasingly important to us as a result of the social and health care reform. Correspondingly, it is important to define the objectives of the procurement already in the preparation phase of each procurement. In the future, these themes will be emphasized more in the update of category strategies.

New reporting tools made possible by digitalization introduce new methods of applying knowledge in procurement management. HUS' status as a pioneer of social and health care service procurements requires up-to-date data to support procurement management. Because of this, we are introducing new information systems that support procurement management in 2023. With regard to the introduction of these systems, we will define the information needed in procurement management and create the reporting tools with which the required information can be made available for procurement management purposes as close to real time as possible. These tools

will provide us with the opportunity to better manage the implementation of effective and cost efficient procurements.

Sustainability of procurements

Procurements are an important way of promoting environmental, social and economic sustainability at HUS. Sustainable procurements allow us to reduce harmful environmental effects and emissions and promote the positive effects, such as the sustainable use of natural resources throughout the procurement's life cycle. As specified in the HUS Environment Program for 2021–2024, looking after the environment at HUS is part of our responsibility over patients, the staff and the surrounding society and our duty to comply with the principles of sustainable development in all of our operations. Our most significant environmental effects are related to material flows and energy consumption in health care and its support services and the construction and maintenance of hospital infrastructure.

The key environmental responsibility goal of HUS is to become carbon neutral by 2030. The emission reduction measures that lead the way to carbon neutrality were compiled as the HUS Climate Roadmap in 2022. Promoting energy conservation and energy

efficiency and increasing the use of renewable sources of energy are an important part of our climate efforts and the objectives of procurements. HUS is also involved in building a resource-efficient and sustainable society based on circular economy. In the context of procurements, we aim to promote circular economy by reducing the amount of waste through material-efficient operating methods minimizing losses.

With regard to corporate social responsibility, the objective of our procurements is to promote both employment and fair working conditions and accessibility. Employment through procurements is particularly targeted at supporting the employment of those with a weaker labor market status. The promotion of fair working conditions is highlighted at HUS in construction and certain outsourced services, where the production of services may involve persons based abroad who are not necessarily aware of the rights related to their status as an employee. With regard to procurements of goods from abroad and, in particular, South East Asia, shortcomings concerning respect for human rights may pose a risk, which we aim to prevent with appropriate terms and conditions.

The prevention of gray economy and financial crime has been a key objective of all of our procure-

ments for a long time. We will continue these efforts in the future.

As part of category management, we will update the category strategies with regard to sustainability objectives and indicators.

Innovative solutions and operating models

We aim at extensive operational improvements throughout the HUS organization through new, innovative solutions and more efficient operating models. We intend to identify and introduce new solutions never seen before in our target market and even the whole industry. The benefits of new solutions may manifest as, for example, better treatment received by patients, HUS' more cost-efficient operations or innovations that provide Finnish companies with references and opportunities for import business. In the context of procurements, we identify product groups and categories that provide a particular opportunity for innovations. We seek and identify new solution models in cooperation within HUS and between HUS and its stakeholders, including research organizations and companies in the industry. Nordic and European cooperation offers opportunities and potential for adopting solutions and operating models developed elsewhere to benefit HUS.

HUS Group strategic focal point: Sustainable economy
High-quality, equal and cost-effective services

Procurement policies	Objectives
<p>We improve procurement and contract management processes and their digitalization</p>	<ul style="list-style-type: none"> • We invest in the planning and monitoring of procurements as part of the planning and monitoring of finances and operations • We develop the fluidity and impact of tendering processes • We ensure high-quality, effective end results through active contract management, supplier cooperation and the digitalization of these
<p>We promote the functionality of the market and the attractiveness of our procurements</p>	<ul style="list-style-type: none"> • We actively collect market data and utilize it in tender processes, contract management and supplier cooperation • We realize the strategic advantage of our status as a major buyer and create competition between bidders

Procurement planning and monitoring

We will link the overall planning of procurements more closely as part of the HUS operational and financial planning process. This will ensure the prerequisites for the financially effective, cost efficient and high-quality service production and balanced finances of HUS. We will prepare an operating model, according to which we will regularly review procurement plans and prepare for and combine future procurement needs in cooperation with categories and operational financial process represen-

tatives. Every year, we prioritize the most important procurements related to the accomplishment of HUS’ strategic objectives and ensure that there are adequate resources and a sufficient budget allocated to them. The purpose of procurement planning is to support internal budget planning and the allocation of funds to profit areas. With regard to investment procurements, we will establish a new operating model to be applied by the Procurements unit and HUS investment management. The operating model will guide us to develop and carry out investment

procurements in a systematic and proactive manner. We will also develop the monitoring of procurement grants. Our aim is to ensure that the overall planning of procurements is performed proactively and that we monitor the use of operating costs and investment expenses related to procurements in a systematic manner as part of operational and financial reporting processes.

Tendering process facilitation

We aim to make tendering processes more streamlined and quicker. Our intention is to shorten the timeframe from planning to submitting the order. By combining tenders, we create savings in the prices of procurements and implementation costs. We favor joint procurements, whenever possible. Instead of local, separate procurements, we aim to form purposeful packages of tenders.

Optimal procurement method selection supports successful procurements and streamlined tendering processes and allows for innovations. Because of this, we use actively different methods and operating models for carrying out tenders specified in the Act on Public Procurement and Concession Contracts, from service vouchers to life cycle and alliance models and other forms of cooperation. We aim to streamline tenders related to national and social and health care procurements.

We develop our procurement process according to our objectives. We set the objectives for procurements, based on category strategies, in the

preparation phase of each procurement to ensure the procurement of high-quality products and services in a cost efficient manner with the resources available. We monitor the accomplishment of the objectives set for procurements.

With regard to tenders, we aim to take into account life cycle costs in the price comparison if the calculation of life cycle costs is necessary for the procurement. We aim to include the calculation of life cycle costs as part of a regular process in applicable procurements.

Contract management and supplier cooperation

We recognize the importance of contract management and supplier cooperation to the success of procurement activities as a whole. Because of this, we study the current status of categories with regard to contract management and supplier cooperation first. We also study the essential HUS-wide cooperation structures. Based on these, we define the actions required to promote contract management and supplier cooperation in different categories.

Our intention is to facilitate practical contract management and supplier cooperation by introducing information systems that support procurement and contract management and supplier cooperation.

Streamlined contract management and functional supplier cooperation practices ensure that we are provided with the agreed on products and services and that the cooperation supports the continuous development of service production.

Market functionality and attractiveness of procurements

Up-to-date, comprehensive information about the market supports successful procurements. The market can offer us new solutions, technologies and service models to meet our procurement needs. Knowledge of the supplier market helps us to define the requirements of the procurement accurately and carry out the procurement in a way that ensures that the competitive conditions and the supply on the market are fully taken advantage of.

With regard to the categories, we monitor the supplier market continuously. In the preparation of tenders, we actively carry out market surveys and interact with the market. We establish the collection and utilization of market data as part of our regular procurement process and operating methods. We also inform the market of upcoming tenders by updating the tender calendar on our website every month.

We act as a pioneer due to our role as a major

contracting entity in health care. We aim to ensure that we are the first in Finland to be provided with new international solutions. We are aware that we are a major operator in several of our target markets. In our procurements, we aim to gain volume benefits while taking into account the creation of competition within the target market of each procurement. Because of this, we pay attention to planning procurements purposefully.

We also aim to optimize the range of products and services required in our operations in a systematic manner and to develop product coordination in order to promote competition. We encourage bidders to take practices and qualities related to sustainability, for example, as part of their offering.

Clear, uniform calls for tenders make our procurements and the work of bidders easier. Thus, we aim to increase the use of common call for tenders models and templates in our tenders. We announce our tenders proactively to the market through our open tender calendar and, if necessary, in a targeted manner with regard to individual tenders. We monitor the number of bids received, for example, with regard to a certain timeframe or specific categories. We take into account the possibility of small and medium-sized enterprise to participate in the procurements. •

OPERATIONAL PROGRAM

We have prepared an operational program to support the accomplishment and implementation of HUS' strategic focal points and strategic procurement policies. Various ideas for measures were identified in the program's planning phase. Key measures that can promote the accomplishment or implementation of each policy or objective are listed here.

Some of the measures continue the systematic work to develop HUS' procurements based on the previous procurement strategy, whereas some measures involve the ideas, development or implementation of new operating models or methods. In addition, there are some measures aimed at the accomplishment of objectives that are part of the regular procurement process or the duties specified in the category strategies. However, these are also included in the program to support the implementation and accomplishment of the strategic procurement policies and objectives. Measures of this type and that they are part of a regular process, i.e. their implementation is continuous, is specified in the indicator information of the measure.

The indicators allow us to monitor the implementation of the measures and promote HUS' procurement management. They also allow for monitoring the implementation of the National Public Procure-

ment Strategy 2020. Consequently, indicators of the National Public Procurement Strategy are included in the operational program. Some of the indicators of the National Public Procurement Strategy are related to the monitoring of sustainability. For the purposes of this monitoring process, each contract notice published at hankintailmoitukset.fi (HILMA) must include information about the objectives that the procurement aims to accomplish. In the future, indicator data are collected from HILMA, the procurement tendering system or the HUS procurement management systems.

Essential elements of the preparation of the operational program include the measures' order of implementation and schedule and appointing the persons in charge of each measure. The most important mission of HUS' procurements in 2023 is to introduce new information systems that support procurement management. They must be integrated

as part of procurement, contract management and supplier cooperation processes. Because of this, it has been agreed that the implementation of the strategic procurement policies will be initiated in synchrony with and according to the operational program and the timetables of the introduction of the information systems. However, the measures are presented in the operational program in the order the policies and objectives related to each measure are presented in this program as the detailed schedule and persons in charge of each measure are internal information of HUS.

HUS' strategic procurement steering group monitors the detailed planning of the measures and the implementation of the operational program.

The strategic procurement policies are updated approximately every five years and whenever necessary due to changes in the organization or operations of HUS or the external operating environment.

Procurement policy:

We prepare for changes concerning the operating environment in a proactive manner

Objective 1: We monitor and anticipate rapid and slow trends in the operating environment and develop our procurement risk management process.	
Measures	Indicators
Development and introduction of the HUS operating environment monitoring operating model (project)	The duties, roles and operating models of monitoring the operating environment have been defined and the model is in use (Y/N)
Anticipation of risks related to procurements and the identification of the related management methods as part of the category plan updates (continuous)	Category plan updates with regard to identified risks and their management methods are part of a regular process

Objective 2: We develop and maintain continuity plans and emergency plans concerning disruptions and procurements during exceptional circumstances.	
Measures	Indicators
Maintenance of the plans related changes and disruptions in the operating environment and exceptional circumstances (project/continuous)	Continuity and emergency plans are updated as agreed
Practical training related to the planned operating models (project/continuous)	The use of the operating models is practiced as agreed

Procurement policy:

We carry out procurements in cooperation and take various needs into account

Objective 1: We ensure that the customer, patient and end user needs are met in procurements	
Measures	Indicators
Active data collection from customers, patients and end users for the purpose of planning future procurements (continuous)	Data collection as part of a regular process HILMA monitoring ("Service user involvement in procurement" in social and health care service procurements specified in the Act on Public Procurement and Concession Contracts)
Procurement customer satisfaction monitoring (customers and end users) and taking action according to the results (continuous)	Customer satisfaction monitoring in procurements (sample, as agreed on) (Y/N)

Objective 2: We strengthen the cooperation practices of procurements internally, nationally and internationally	
Measures	Indicators
Definition and implementation of procurement cooperation models and activities between different stakeholders (project)	Procurement cooperation models and activities are defined (Y/N)
Coordination of joint procurements (continuous)	The product groups procured as joint procurements are checked as part of a process specified in the category plan

Procurement policy:

We ensure the high quality and broad scope of our procurement expertise

Objective 1: We ensure the maintenance and development of expertise related to procurements in a systematic manner.	
Measures	Indicators
Definition of the desired level of expertise (continuous)	The desired level of expertise from the persons involved in procurement has been defined (Y/N)
Procurement expertise development planning (continuous)	The procurement expertise development plan is updated annually
Ensuring a wide range of expertise, according to the development plan (continuous)	Development plan implementation rate % Annual monitoring of personnel involvement

Objective 2: We secure the sufficiency and retention of experts needed in procurements.	
Measures	Indicators
Promotion of an attractive employer brand (continuous)	Systematic communications about HUS' procurements
Supporting the occupational wellbeing and coping of experts involved in procurements and the development of the practices that promote these (continuous)	The resources of the persons involved in procurements have been studied (workload/task ratio) (Y/N) Development of practices that promote occupational wellbeing in cooperation with HR has started (Y/N)
Optimal use of external resources (continuous)	The use of external resources is planned according to a process specified in the category strategy

Procurement policy:

We promote the financial and social impact of procurements and manage procurements throughout their life cycle, based on knowledge, and promote their impact

Objective 1: We streamline procurement management and control throughout the life cycle of procurements.	
Measures	Indicators
Clarification of the division of duties with regard to customer cooperation in procurements (project)	A division of duties table for customer cooperation in procurements has been prepared and implemented as part of the procurement process (Y/N)
Procurement guideline management (continuous)	Procurement guidelines are updated as planned
Procurement communications in different channels for the whole personnel and stakeholders according to the communication plan (continuous)	Information about procurements is provided, according to the communication plan

Objective 2: We expand the use of category management and develop it.	
Measures	Indicators
Expanding the use of category management incrementally to the management of all HUS procurements (project/continuous)	Proportion of procurements where category management is applied
Investigation of the organization alternatives and production methods of services in the procurement need identification phase (project/continuous)	Service organization and production method analysis as part of the process specified in the category plan
Updating the strategic procurement policy objectives to category plans (project/continuous)	Strategic procurement policies and objectives are updated to category plans and reviewed annually (Y/N)

Objective 3:**We use analyzed, researched information in procurement management in an objective-directed and purposeful manner.**

Measures	Indicators
Definition of the information needed for procurement management in different information systems (project)	The information needed for procurement management has been defined in information systems (Y/N)
Provision of procurement and contract information to support procurement management through procurement information systems (project/continuous)	Information is available from agreed on reports/management view (Y/N)

Procurement policy:

We carry out procurements in a sustainable manner

Objective 1: Through our procurements, we promote environmental, social and economic sustainability and support the accomplishment of the sustainability objectives of HUS' strategy, Environment Program and Climate Roadmap.	
Measures	Indicators
The use of sustainability criteria to reduce environmental and social effects according to the category plan and to promote employment through procurements (continuous)	<p>With regard to environmental and social sustainability, the sustainability criteria used in HILMA monitoring are <i>"This procurement aims to promote"</i></p> <ol style="list-style-type: none"> 1. <i>"energy efficiency"</i>, 2. <i>"low carbon emissions"</i>, 3. <i>"circular economy"</i>, 4. <i>"biodiversity"</i> 5. <i>"sustainable food system"</i>, 6. <i>"fair working conditions"</i>. 7. <i>"the procurement includes a clause concerning a code of conduct" and</i> 8. <i>"This procurement promotes employment through procurements and includes a clause concerning employment or an apprenticeship"</i>
Active prevention of gray economy, financial crime and anticompetitive conduct and the promotion of responsible tax principles in all procurements (continuous)	The requirements and conditions for the prevention of gray economy and responsible tax principles are used in all procurements
Implementation of the measures specified in the HUS Environment Program and Climate Roadmap in procurements (continuous)	The measures specified in the HUS Environment Program and Climate Roadmap are implemented in procurements

**Objective 2:
We promote the sustainability objectives in procurements through category management.**

Measures	Indicators
Updating category plans with regard to sustainability objectives and measures (continuous)	Each category has specific objectives concerning sustainability and their accomplishment is promoted according to the category plan.

Procurement policy:

We promote product development and innovations through procurements

**Objective:
We seek new, innovative solutions and more efficient operating models in cooperation with our customers and suppliers with an open mind.**

Measures	Indicators
Supporting the cooperation between HUS, research organizations and companies to identify the procurements suitable for the promotion of product development and innovations (projects)	<p>Product groups suitable for the promotion of product development and innovations have been identified (Y/N) (project)</p> <p>Indicators for innovative procurements in accordance with the HILMA monitoring process (continuous)</p> <ol style="list-style-type: none"> 1. "The desired solution or a part thereof is new to us as the buyer" or 2. "The desired solution or a part thereof is new to the market or industry".

Procurement policy:

We improve procurement and contract management processes and their digitalization

Objective 1:

We invest in the overall planning and monitoring of procurements as part of sustainable planning and monitoring of finances and operations.

Measures	Indicators
Ensuring the compatibility of operational and financial planning and overall procurement planning processes (project)	An operating model for reviewing procurement plans in accordance with the operational and financial process has been prepared (for example, an annual procurement planning schedule) (Y/N)
Systematic and proactive development of investment procurements in cooperation with HUS investment management (project)	An investment procurement development operating model has been established (Y/N)
Ensuring the monitoring of the use of procurement expenses and investment costs (project/continuous)	The monitoring of the use of procurement expenses and investment costs has been integrated as part of a regular process (Y/N)
Monitoring the savings expected to be generated through procurements (continuous)	Monitoring the savings expected to be generated through procurements is part of a regular process

Objective 2: We develop the fluidity and impact of tendering processes.

Measures	Indicators
Facilitation of tendering processes through various means (continuous)	Tender turnaround time Number of procurement decisions
More extensive and innovative use of various tendering processes, especially with regard to national procurements and social and health care procurements specified in the Act on Public Procurement and Concession Contracts (project/continuous)	Procurement practices for national procurements and social and health care procurements have been developed (Y/N) and introduced
Definition of the objectives of procurements and their monitoring as part of procurement preparations (continuous)	The definition of the objectives of procurements and their monitoring according to the category plan is part of the regular procurement process
Use of life cycle cost calculations as part of the comparison in applicable procurements (continuous)	Calculation of life cycle costs is part of the regular process in applicable procurements

Objective 3: We ensure high-quality, effective end results through active contract management, supplier cooperation and the digitalization of these.

Measures	Indicators
Development and introduction of contract management and supplier cooperation operating models as part of the development of category management	The current status of categories with regard to supplier and contract management has been studied and the key measures have been identified (Y/N) (project) Essential HUS-wide cooperation structures and the necessary measures to promote contract management and supplier cooperation have been identified (Y/N) (project) Proportion of contractual and non-contractual purchases (%) of all purchases and their annual trend. (continuous)
Facilitating contract management and supplier cooperation by introducing information systems that support procurement management (continuous)	Procurement management information systems are used for the purpose of contract management and supplier cooperation (continuous)

Procurement policy:

We promote the functionality of the market and the attractiveness of our procurements

Objective 1: We actively collect market data and utilize it in tender processes, contract management and supplier cooperation	
Measures	Indicators
Market monitoring, surveys and dialogue (continuous)	<ul style="list-style-type: none"> • Collection and use of market data is part of a regular process (continuous) • Indicator of the HILMA monitoring process ("In the preparation of the procurement, the need/opportunities for new solutions or the development thereof have been studied.") (continuous)

Objective 2: We realize the strategic advantage of our status as a major buyer and create competition between bidders.	
Measures	Indicators
Planning purposeful procurement packages in order gain volume benefits (continuous)	<ul style="list-style-type: none"> • The planning of purposeful procurement packages is part of a regular process (continuous) • The tender calendar information is updated regularly. (continuous) • The number of bids received per tender (for example, a sample for a specific timeframe or category) • Indicator of the HILMA monitoring process ("This procurement takes into account the possibility of small and medium-sized enterprise to participate in the procurements.")
Promotion of supply management and product coordination (continuous)	The active product and service supply is optimized systematically and product coordination is promoted in order to increase the attractiveness of tenders as part of a process in accordance with the category plan
Promotion of the clarity and uniformity of calls for tenders (continuous)	The use of common call for tenders models is part of a regular process



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