

ETHICAL PROCUREMENT FOR HEALTH: WORKBOOK

The Ethical Procurement for Health Workbook (EPH) has been developed in partnership between:



<http://www.sduhealth.org.uk/>

Sustainable Development Unit for the Health and Social Care Sector (SDU): The SDU is a national unit based in Cambridge working on behalf of the health and social care system in England. The SDU supports the NHS, public health and social care to embed and promote the three elements of sustainable development: environmental, social, and financial sustainability. The SDU is jointly funded and accountable to NHS England and Public Health England.



<http://www.bma.org.uk/fairmedtrade>

British Medical Association (BMA): The BMA is the UK's independent trade union and voluntary professional association representing doctors from all branches of medicine. The Medical Fair & Ethical Trade Group was established at the BMA in 2007 to investigate, promote and facilitate fair and ethical trade in the production and supply of commodities to the healthcare industry. It includes stakeholders from UK Government, NHS Supply Chain, the Association of British Healthcare Industries, NGOs and academics.



<http://www.ethicaltrade.org/>

Ethical Trading Initiative (ETI): ETI is a leading alliance of companies, trade unions and NGOs that promotes respect for worker's rights around the globe. Its members work in partnership to improve the working lives of poor and vulnerable people in supply chains – anything from sewing uniforms and assembling equipment, to providing cleaning and catering services.



Department
of Health

<https://www.gov.uk/government/organisations/department-of-health>

Department of Health (DH): The Department of Health is a ministerial department that helps people to live better, for longer. DH leads, shapes and funds health and social care in England, making sure people have the support, care and treatment they need; with the compassion, respect and dignity they deserve.

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Introduction

Context

The moral case for ethical procurement in the health and social care sector is outlined and contextualised in the complementary document [Ethical Procurement for Health: Overview](#). It is recommended that readers familiarise themselves with this before using the workbook.

In summary:

- Attention to labour standards and human rights in supply chains, including those serving the health and social care sector, has increased over the last decade. Independent research has identified frequent non-compliance with even the most fundamental labour standards set out by the International Labour Organisation (ILO).
- With annual spend on goods and services in excess of £9bn per year, the NHS is significantly exposed to legal, reputational and supply risks relating to labour standards in supply chains.

Inaction on ethical procurement presents clear legal, supply and reputational risks to NHS organisations. Conversely, many organisations that invest in improving labour standards commonly realise increased worker retention, motivation, productivity, and product quality. All of this can help to deliver better value for buyers, users and taxpayers. Ethical procurement is not only the right thing to do, but makes good business sense as well.

The [UK Modern Slavery Act 2015](#), and the clarification around the inclusion of social awarding criteria in the recent [UK Public Contract Regulations 2015](#), reflect an increased awareness of the risks that exist within global supply chains and an increased public expectation for socially responsible business.

Aims, audience and scope

The EPH Workbook aims to:

1. Provide practical guidance for organisations in the health and social care sector to embed labour standards considerations into procurement and supplier management activities
2. Demonstrate that ethical trade is compatible with public contracting policy and regulation.
3. Encourage a culture of due diligence, continuous improvement and supplier partnership that adequately prioritises and resources ethical procurement.
4. Address the misperception that ethical trade is incompatible with public procurement law and/or value for money requirements.

This workbook provides a framework for implementing ethical procurement in any organisation that procures goods, services and works for health and social care services. The EPH Workbook focusses on promoting labour standards through procurement and contract management process. Organisations may benefit from dovetailing their ethical procurement pro-gramme with other sustainability efforts in the environmental, social and economic spheres.

Effective ethical procurement is characterised by considering labour standards from the outset of a procurement process, as well as embedding ethical considerations within ongoing market and supplier engagement. Organisations should apply a systematic approach to obtain, verify and evaluate evidence; and work flexibly with suppliers to raise standards where issues are identified.

The EPH Flexible Framework has been developed for use by organisations of varying size and scope. It provides a structured approach covering aspects of policy, people development and progress monitoring as well as practical approaches for addressing labour standards through procurement and contracting. The framework allows organisations to set their own pace and objectives, as appropriate to its nature, scale and resources. The main principle is that an organisation commits to embedding ethical procurement in some manner. The EPH Workbook does not provide guidance on assessing and addressing labour standards

across entire markets in a 'top-down' manner (e.g. comparing standards across entire sectors and geographical areas). It is envisaged that these 'macro' tasks are better suited to organisations with collective resources at regional and national level. It is expected that efforts at the 'micro' level will collectively have a gradual impact on industrial sectors and geographical areas.

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Revisions in the EPH Workbook 2.0

Alongside general updates of content, key revisions in the EPH Workbook 2.0 include:

- **An update of the EPH Flexible Framework;** simplified and streamlined to a 4x4 model. Major changes include:
 - The original 'Procurement Process' and 'Engaging Suppliers' themes have largely been consolidated into a single 'Procurement & Supplier Management' theme to reflect the way in which these functions are interlinked within organisations.
 - The original Levels 3, 4 & 5 have largely been consolidated into Levels 3 & 4, with a clearer progression between 'expected practice' (Level 3) and 'best practice' (Level 4).
 - There are further changes to the structure and content of the workbook's body text.
- **Consideration of the [UK Public Contract Regulations 2015](#);** which now explicitly permit the inclusion of qualitative, environmental and/or social criteria at evaluation stage and within the specification and conditions of contract.

Guidance on the publication of slavery and human trafficking statements has been produced by the Government, which in turn could help guide any disclosure on this issue by NHS organisations.

- **Consideration of the [UK Public Contract Regulations 2015](#),** which now explicitly permit the inclusion of qualitative, environmental and/or social awarding criteria. This gives public sector bodies, such as NHS Trusts, the legal means to exclude organisations that do not meet certain ethical criteria. Due consideration must be given to excluding suppliers, but for mature markets this may be a suitable approach. Award criteria could include requiring certifications (e.g. Fairtrade), or required labour standards and assurances can be set out in contract schedules.
- **Reference to the [Labour Standards Assurance System \(LSAS\)](#);** this is a management system standard developed by the Department of Health in conjunction with NHS Supply Chain for the systematic assurance of labour standards within supply chains. The LSAS standard sets out clear systems requirements in a manner which can be assessed and verified by internal or external assessors. The LSAS uses a progressive matrix approach to implementation, to allow organisations to demonstrate progress through the process of system establishment and implementation. This allows for interim objectives to be set by users and for assessments to recognise continual improvement. **The LSAS has been made a contractual requirement in national agreements in the following product categories:**
 - Surgical instruments
 - Textiles
 - Examination & sterile surgical gloves
 - Ophthalmic equipment & consumables
 - Urology, bowel & faecal management
 - Hospital/surgical procedure packs
 - Single-use theatre protective clothing
 - Suction consumables
 - Polymer products
 - General wound care
 - Updating of case studies; inclusion of new case studies.

Using the EPH Workbook 2.0

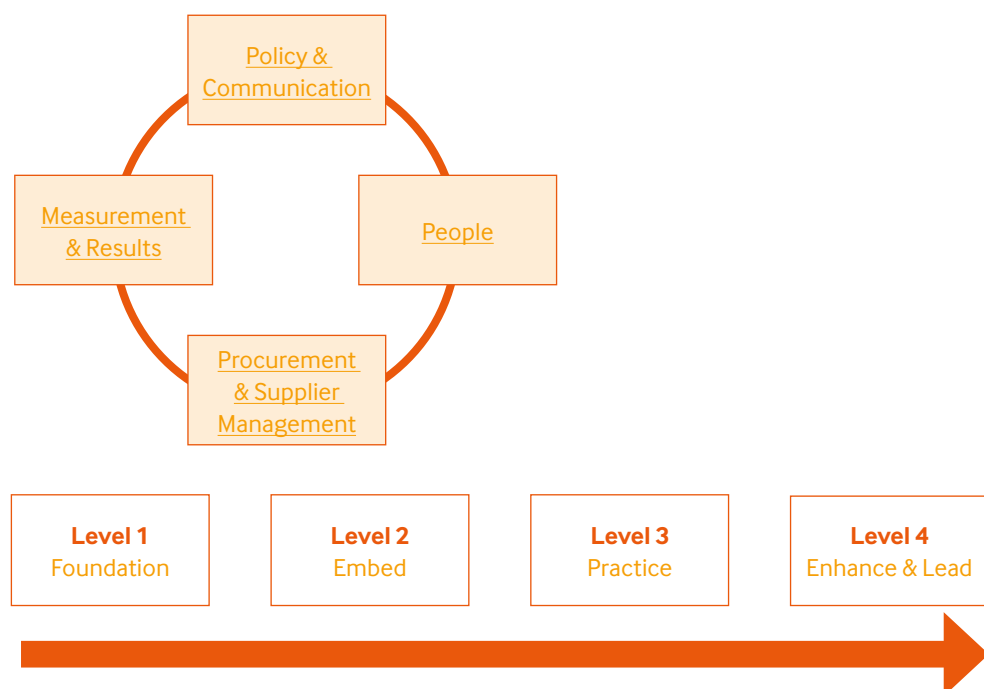
The EPH Workbook builds upon concepts and strategies developed by the Ethical Trading Initiative over almost twenty years working with public and private organisations. The workbook also takes into account the unique context of the health and social care sector, and is informed by experiences since the release of the first EPH Workbook in 2011.

The workbook provides a flexible framework for progressively implementing and maintaining ethical procurement in a health and social care organisation, or those serving this sector. The workbook includes guidance and templates to help organisations create plans and objectives to improve their approach to procurement. There are also case studies provided to illustrate the practical application of ethical procurement in public sector and/or healthcare contexts.

All organisations are different, and no single approach will be right for all. Organisations should identify elements that are important to them, and interpret the framework pragmatically with consideration to their circumstances. The workbook is intended to be a resource that users can return to as they progress, rather than reading in its entirety prior to starting work.

Themes and levels

The EPH Flexible Framework sets out four 'themes' for action, and four maturity levels for each:



Summary of themes:

POLICY & COMMUNICATIONS – focusses on making the case for ethical procurement in your organisation, clearly setting out the standards expected from organisations in the supply chain and the effective communication of this to the people with a role in upholding these principles.

PEOPLE – addresses the setting of roles and responsibilities of staff implementing the ethical procurement policy, supported by internal stakeholder engagement, awareness-raising and training.

PROCUREMENT & SUPPLIER MANAGEMENT – addresses the incorporation of ethical considerations within the procurement process, to ensure an informed and systematic approach is taken as standard.

MEASUREMENT & RESULTS – addresses the measurement of activity and outcomes to demonstrate that the organisation and its suppliers are effectively implementing its policy. These measurements inform planning in the organisation and throughout its supply chain.

The framework describes, for each theme, the practices that characterise an organisation at each level. Each component is supported in the workbook by detailed information on why each is important, how they can be addressed, and links to supporting materials or further information.

Progressing along the framework

To bear in mind when progressing along the EPH Flexible Framework:

- The framework is a progressive model, where each level assumes that preceding levels in the same theme have been implemented. For example, to satisfy '**Policy & Communications, Level 3**', an organisation should have a business case (see '**Policy & Communications, Level 1**') and policy ('**Policy & Communications, Level 2**') signed off, embedded and communicated.
- Elements of the framework across different themes or at different levels will cross-over and inform one another. It may be suitable to implement elements of the framework simultaneously, or to return to and update earlier work as later elements are completed.
- It may be appropriate to progress along two levels within one theme simultaneously. For example, an organisation might seek to combine training sessions for procurement staff (see '**People, Level 2**') and awareness-raising with clinical leaders (see '**People, Level 3**').
- The workbook tries to maintain consistency with levels across themes, in terms of impact and complexity. Although the rate of progress will vary, it is recommended that an organisation should try to make progress with all four themes at a similar rate, rather than against individual themes, one at a time.
- It is expected that organisations should aim to achieve at least Level 3 in all themes to ensure an effective system exists. Level 3 could be achieved within 12 months, however, the structure of the model allow for progress to be recognised at levels 1-2 as part of a more incremental approach.

Getting started

It is important that organisations implement the EPH workbook with due consideration to their own priorities and resources. The 'first steps' list below is designed as rough guide to help you get started.

First steps:

- Build an understanding of the labour standards risks presented to your organisation through its supply chain relationships.
- Use the EPH model to identify gaps in your organisation's current management of labour standard risks in supply chains.
- Develop the case for ethical procurement, showing why your organisation needs to put processes and practices in place to reduce the risk of labour standards abuses occurring within your supply chains.
- Use the 'business case' to secure senior level support for the initiative and to support awareness raising for staff and suppliers.
- Develop an implementation plan with responsibilities, timescales and resource requirements identified.

Acknowledgements

We would like to thank all of the organisations who have shared resources and experiences cited throughout this workbook.

EPH Flexible Framework

	Level 1: Foundation →	Level 2: Embed →	Level 3: Practice →	Level 4: Enhance & Lead →
Policy & Communications	<p>The business case for addressing labour standards through procurement.</p> <p>Business case signed off by senior management.</p>	<p>Ethical procurement policy in place that clearly states the commitment of the organisation to consider labour standards through procurement.</p> <p>Policy communicated both internally and to suppliers.</p>	<p>Guidance and/or Supplier Code of Conduct exist to clarify labour standards expectations for suppliers.</p> <p>All policy and guidance is made publicly available.</p> <p>Process in place for responding to enquiries and challenges from external interested parties.</p>	<p>Reporting publicly on activity and performance in ethical procurement, is routinely undertaken.</p> <p>Leadership is shown through collaboration and by actively sharing experience, lessons learned and good practice.</p>
People	<p>Lead individual identified, responsible for implementing ethical procurement across the organisation.</p> <p>Senior-level champion identified, responsible for advocating for ethical procurement across the organisation.</p> <p>Governance established for implementing ethical procurement.</p>	<p>Awareness raising activity undertaken with all procurement staff, including consultation on implementation.</p> <p>Activity may include other key internal stakeholders.</p> <p>Responsibilities defined for procurement staff.</p>	<p>Appropriate training on managing labour standards undertaken by procurement staff, as part of their personal development plan.</p> <p>Clinical teams engaged to raise awareness of labour standards issues and improve understanding of wider expectations.</p>	<p>Role profiles of key procurement staff reflect ethical procurement responsibilities.</p>
Procurement & Supplier Management	<p>Priority categories of spend that require specific attention to labour standards risks, have been identified</p>	<p>Guidance provided for procurement teams on ethical considerations in the procurement and supplier management process.</p> <p>Labour standards considerations embedded in category strategies and supplier engagement process.</p>	<p>Labour standards requirements are included within procurement process and conditions of contract.</p> <p>Remedial action procedures in place.</p> <p>Supplier self-assessments required through Contract management.</p>	<p>Independent third-party labour standards audits or investigations are regularly completed for high-risk suppliers, over the duration of a contract.</p>
Measurement & Results	<p>Progress against EPH framework is routinely reviewed.</p> <p>Action plan for implementing ethical procurement in your organisation exists and is maintained.</p>	<p>Progress reported internally, on a routine basis</p> <p>Measures of learning and development activity adopted</p>	<p>Measures of contract/supplier coverage and activity adopted</p>	<p>Evidence of supplier development and improvement resulting from ethical procurement activities, exists.</p> <p>Case studies developed to capture lessons learned and good practice.</p>

POLICY & COMMUNICATIONS



Policy & Communications Level 1: Foundation

Key Components

1. **Develop a concise business case for addressing labour standards through the organisation's procurement function.**
2. **Get sign off on the business case by senior management.**

Developing the business case

Developing a clear business case for action is a fundamental first step in embedding ethical procurement within your organisation. While the case may be generally understood, it is worth formally documenting this to support consistent communication and to provide a point of reference for staff now and in the future.

Broadly, the business case should:

1. Outline the risks associated with labour standards abuses in your supply chains.
2. Explain the benefits for your organisation of proactively addressing labour standards issues.
3. Describe the role of procurement, contract management and supplier relationships in addressing labour standards.
4. Identify the resource required to implement changes in processes and practices.

LINK: [Ethical procurement – what are the issues? \(BMA\)](#)

LINK: [Modern Slavery Act \(2015\) http://www.legislation.gov.uk/ukpga/2015/30/contents/enacted](http://www.legislation.gov.uk/ukpga/2015/30/contents/enacted)

The business case should reference key concerns for the organisation:

- **Compliance.** Ethical procurement helps organisations and suppliers to comply with relevant international and local laws. The UK, Modern Slavery Act (2015), is of particular relevance.

INFO: [International Labour Standards](#)

- **Values and aims.** Purchasing practices should align to the values and aims of the organisation and its key stakeholders. For instance, ethical procurement can be seen as an extension of the Hippocratic principle that physicians must 'do no harm'.
- **Reputation.** An organisation's reputation is at risk if goods, services or works are found to be produced unethically (e.g. with forced labour), and if the organisation is found to be failing in its due diligence of labour standards.
- **Supply continuity.** Supply may have to be halted unexpectedly if suppliers are found to be in breach of the law, or if poor labour standards result in strike action.
- **Quality.** Where labour standards are poor, the quality of products and service delivery will often be adversely affected.
- **Costs.** In healthcare, the maintenance of good labour standards is rarely reflected in higher prices. Where workers are exploited, any cost advantage is rarely passed through to the consumer.
- **Supply chain visibility.** Ethical procurement practices can lead to a better understanding of supply chains, which in turn may present opportunities to drive wider improvements and efficiencies.

- **Doing the right thing.** Ethical procurement drives improvements in employment standards, worker welfare and health outcomes across the globe.

INFO: [The Case for Ethical Procurement](#)

Senior management sign-off

The business case should be understood and signed-off by senior management. This will help in gaining buy-in at operational level.

The case should set out management and governance arrangements for the initiative, so you should use the sign off stage as an opportunity to identify a senior-level champion and project lead (see '[People, Level 1](#)'). These can be finalised at a later point.

Policy & Communications, Level 2: Embed

Key Components

1. Ethical procurement policy in place that clearly states the commitment of the organisation to consider labour standards through procurement.
2. Policy communicated both internally and with suppliers.

Developing and putting in place an ethical procurement policy

With the business case for ethical procurement agreed and signed off, the next step is to ensure that labour standards in supply chains is addressed by the organisation's procurement policy. This provides an official and consistent point of reference on the organisation's commitment to ethical procurement, which can be accessed by staff, suppliers, and other stakeholders.

The ethical procurement policy should:

- Reflect the overarching business case (see '[Policy and Communications, Level 1](#)')
- State the required labour standards in the provision of goods, services & works.

INFO: [International Labour Standards](#)

- Set out specific commitments and methods to implement ethical procurement.

INFO: [Developing a policy for ethical procurement](#)

- Be consistent with current public sector procurement rules

LINK: [Public Procurement Policy \(GOV.UK\)](#)

There are additional resources and examples available online, which include wider ethical considerations such as fair business practice and anti-corruption, which are worth including in an ethical procurement policy:

LINK: [Ethical Purchasing Practices \(CIPS Knowledge\)](#)

LINK: [Sustainable Procurement Policy \(NHS Scotland\)](#)

LINK: [Ethical Trade \(Helse Sør-Øst\)](#)

An ethical procurement policy may be a stand-alone document, or embedded within relevant policy document that already exists (e.g. the 'procurement policy' or 'sustainability policy'). Ethical procurement policy must be approved in line with the organisation's governance procedures, and made available to all key stakeholders.

The policy should be reflected in guidance and requirements for procurement staff (see '[Procurement & Supplier Management, Level 2](#)').

Communicating the policy to key internal staff and suppliers

The ethical procurement policy should be clearly communicated to all relevant internal staff as part of an awareness raising activity (see '[People, Level 2](#)' and '[People, Level 3](#)'). This will include those who implement the policy, develop procurement specifications, interact directly with suppliers, or are involved in communications/public relations.

The policy should be communicated to suppliers, particularly those deemed critical to the organisation and/or whose supply chains operate in sectors with high-risk to labour standards (see '[Procurement & Supplier Management, Level 1](#)'). Utilise any established communication routes to suppliers. Formal written communication is recommended to avoid any doubt in the future.

Policy & Communications, Level 3: Practice

Key Components

1. **Provide supplier guidance and/or code of conduct to clarify labour standards expectations for suppliers.**
2. **Make publicly available and periodically update policy and guidance.**
3. **Establish a process for responding to enquiries and challenges from external interested parties.**

Developing supplier guidance

Policy commitments will often be stated at a high level. In view of this it is good practice to support the policy with guidance or a 'code of conduct' to clarify expectations, particularly for suppliers. This will assist with consistent interpretation of policy, and support the effective management of labour standards in supply chains.

Supplier guidance should bring together those elements of policy (see '[Policy & Communications, Level 2](#)') and process (see '[Procurement & Supplier Management, Level 2](#)') that are most relevant to suppliers.

Guidance can explain:

- Ethical trade, and the case for action;
- Underpinning principles and standards;
- Terms of reference and explicit requirements;
- How ethical considerations are integrated into the procurement process (e.g. risk assessments, contract terms, awarding criteria, contract management)
- Rights reserved to request meetings, audits or certifications, and other forms of disclosure;
- How identified breaches of ethical practice will be addressed and remedied.

LINK: [Ethical Trade \(Helse Sør-Øst\)](#)

This guidance should be made available to procurement staff, suppliers and other key stakeholders.

Establishing a 'Code of Conduct' for suppliers

A 'Supplier Code of Conduct' (whether separate or part of any guidance document), will normally form part of the conditions of contract for suppliers. This could be applied to all contracted suppliers or just those that are assessed as presenting a high level of risk. As with the ethical procurement policy, the organisation may wish to include wider ethical considerations such as fair business-to-business practices and anti-corruption. Examples of recognised industry codes of conduct include:

LINK: [Supplier Code of Conduct \(NHS Supply Chain\)](#)

LINK: [ETI Base Code](#)

LINK: [BSCI Code of Conduct](#)

LINK: [SA8000 Standard](#)

LINK: [UN Global Compact](#)

LINK: [Guiding Principles on Business and Human Rights \(UN\)](#)

LINK: [MNE Declaration \(ILO\)](#)

LINK: [Corporate Code of Ethics \(CIPS\)](#)

CASE STUDY: [Healing the medical instrument supply chain \(Guys & St. Thomas NHS Foundation Trust\)](#)

Suppliers may require flexibility in agreeing to any code. For instance, they may wish to audit their business or improve their processes beforehand, or before bidding for contracts that require compliance with this code. Suppliers should be made aware that an agreement indicates they will endeavour to meet expectations. It is not a guarantee, in any legal sense, that the business and supply chain are entirely free of labour standards issues. Suppliers are expected to carry out due diligence, show progressive improvement, increase transparency of their business and supply chain, and address issues when identified. Where labour standards issues are identified, the emphasis should be on remediating the issues and making improvements that can be sustained in the longer term. However, where abuses are significant, systemic or where there is a clear lack of commitment or openness, more severe sanctions may need to be applied by the contracting organisation.

Compliance with the 'Supplier Code of Conduct' can be a required part of a contract's schedules (see '[Procurement & Supplier Management, Level 3](#)'). This is generally only recommended for more mature markets where most suppliers already meet these requirements. In markets less familiar with labour standards considerations, such criteria may inadvertently exclude a considerable number of suppliers so as to hamper competition. In these cases, you can set a timescale from contract award by which all awarded suppliers would be expected to agree to the 'Code of Conduct'. This will then only apply to awarded suppliers and give them sufficient time to make any necessary changes within their own systems and supply chains.

Making publically available and periodically updating policy and guidance.

Any policy, supplier guidance and code of conduct publically available. This will explain to external stakeholders how ethical considerations are being addressed. It will also promote trust in the organisation, by making a transparent commitment to safeguarding and promoting ethical standards. Publishing this information makes clear what can be expected of the organisation and its suppliers.

Policies and guidance should be placed on the organisation's website in a relevant area, with clear labelling and signposting. The organisation may also inform stakeholders of the availability of this information through the website's home page, newsletters, social media,

and websites of associated organisations.

All policy, guidance and process should be periodically reviewed and updated to reflect changing contexts, priorities, lessons learned and best practice. This would be set out in the ethical procurement policy (see '[Policy & Communications, Level 2](#)') and planning (see '[Measurement & Results, Level 1](#)')

Putting in place a process for responding to enquiries & challenges

Although information made publically available will answer many queries, a number of external stakeholders such as patient, campaigning or media groups may seek to clarify or challenge the organisation's ethical procurement practice. A consistent and responsive approach should be adopted, working through normal enquiry handling processes.

Typically, enquiry procedures should:

1. Identify the person(s) responsible for co-ordinating responses, and ensure that they are fully briefed on relevant policy, guidance, implementation, and reporting.
2. Provide reference position statements relating to possible queries and sensitive issues. These should summarise the organisation's policies, set out steps to be taken to address the issue in question, and detail any progress already made.
3. Identify trigger points at which enquiries should be escalated.

INFO: [Guidance on Dealing with Sensitive Issues](#)

Policy & Communications, Level 4: Enhance & Lead

Key Components

1. Report publically on activity and performance in ethical procurement, and seek feedback.
2. Leadership is shown through collaboration and by actively sharing experience, lessons learned and good practice.

Reporting externally on ethical procurement, and seeking feedback

Reporting to external stakeholders on activities and performance can be a powerful tool for strengthening dialogue, engendering trust and demonstrating leadership. An organisation may choose to publish a stand-alone ethical procurement report, or include this within a wider 'sustainability' or annual report.

The method must take into account the organisation's reporting policy, the nature and scope of other external reports, and accessibility for the target audience. Integrating ethical procurement into another report may prove to be the most practical from a publication perspective, however, it may not be the best way of reaching key stakeholder groups such as suppliers.

It is advised to report in a simple and concise manner, selecting topics and indicators relevant to the organisation's context and its audience's interests. The report should provide sufficient information to allow the reader to get a true sense of the work being undertaken and wherever possible the results of this effort.

An ethical procurement report might cover:

- Policy and codes of conduct;
- Scope of ethical procurement activity;
- How ethical procurement is managed;
- Acknowledgement of difficulties, issues and risks in implementing policies;
- Performance indicators
- Narrative on initiatives, activities and case studies.

There are a number of recognised standards and frameworks for sustainability reporting that might inform structure and content:

LINK: [Global Reporting Initiative](#)

LINK: [Basic Guide to Communication on Progress \(UN Global Compact\)](#)

LINK: [UN Guiding Principles Reporting](#)

LINK: [ETI Due Diligence Framework](#)

LINK: [AA1000 Assurance Standard](#)

Requirements under the UK Modern Slavery Act 2015 to publish slavery and human trafficking statements may not apply to your organisation, however, there may be value in using these principles to inform voluntarily reporting and demonstrate leadership with suppliers that are obligated:

LINK: [UK Modern Slavery Act 2015](#)

LINK: [Transparency in Supply Chains etc. A practical guide \(Home Office\)](#)

LINK: [Modern Slavery Act 2015 \(CIPS\)](#)

LINK: [How much should be disclosed in a Modern Slavery statement \(ETI\)](#)

LINK: [EU Non-Financial Reporting Directive 2014/95/EU](#)

LINK: [EU non-financial reporting directive factsheet \(FEE\)](#)

The organisation can signpost to the report through their website's home page, newsletters, social media, and channels of associated organisations. This will maximise the reach and impact of reporting.

Organisations should also seek feedback from key external stakeholders on their policy, practice, performance and reporting, – such as any additional information desired, or which aspects are not valued. Feedback can be sought before, during or after development of a report as part of an ongoing stakeholder engagement process.

Feedback will enable the organisation to:

- verify that policy and practice are meeting stakeholder expectations;
- build dialogue and trust with external stakeholders;
- develop ideas for improving policy, practice and future reports;
- identify how stakeholders can assist the organisation and add value to initiatives.

Decisions on when, how and from whom to seek feedback should be taken by responsible persons in line with established procedures for external communications.

Showing leadership

Showing leadership in ethical procurement will enhance the organisation's reputation and help it to engage more effectively with peers, supplies and other stakeholders.

Organisations can show leadership by:

- External reporting on performance, practice, lessons learned and case studies.
- Establishing or participating in practical initiatives, programmes and forums.

LINK: [Fair Medical Trade \(BMA\)](#)

TWITTER: [@fairmedtrade](#)

LINK: [Ethical Trading Initiative](#)

FACEBOOK [Ethical Trading Initiative](#)

- Publicising the organisation's activities and successes in ethical procurement.
- Actively supporting peers to address labour standards risks in their supply chain.
- Sharing good practice.

Sharing good practice with peers enables an organisation to develop its understanding of ethical procurement, contribute to the development of other organisations, and widen the practice of ethical procurement, – bolstering its impact on markets and ultimately further improving labour standards around the world.

Organisations should seek to use existing networks and channels to disseminate advice, methods, tools & templates, lessons learned and good practice to peers and stakeholders. Consideration should also be given to communication with specialist forums or networks with a specific interest in ethical procurement or labour standards issues.

Where ethical procurement forums and collaborative programmes do not yet exist, an organisation may seek to establish these with peers, whether regionally or nationally.

Whilst knowledge sharing can take place at any stage of an organisation's journey, for the purpose of fulfilling the expectations/requirements of Level 4, an organisation should have met the requirements of preceding levels and themes of the EPH framework.

PEOPLE



People, Level 1: Foundation

Key Components

1. **Lead individual identified, responsible for implementing and maintaining ethical procurement across the organisation.**
2. **Senior-level champion identified, responsible for advocating for ethical procurement across the organisation, particularly at senior level.**
3. **Governance established for implementing and maintaining ethical procurement across the organisation.**

Identifying the lead individual

Successful implementation of ethical procurement will require a person to take specific responsibility for planning and leading the delivery of ethical procurement policy and objectives. Although activities may involve multiple staff, it is important that there is clear accountability for implementing and maintaining ethical procurement across the organisation.

The lead individual may be:

- the original instigator of the ethical procurement programme;
- identified before development of a business case (see '**Policy & Communications, Level 1**');
- identified simultaneously to, or after, the business case being signed off.

It is recommended that a lead individual is identified and involved prior to commencing any significant work on 'Level 2' activities.

The lead individual would ideally have the following characteristics:

- **Sufficiently senior** to influence relevant decision-makers
- **Interested** in ethical procurement and labour standards
- **A good project manager** able to implement a series of concurrent projects
- **A relationship builder** able to establish and build on relationships with key stakeholders including senior management, procurers, suppliers and external stakeholders
- **Able to sufficiently contribute** time, attention and expertise to the role.

Some or all of these characteristics may also be expected in those supporting the lead individual, if a team is established.

Clear responsibilities and objectives should be agreed for the lead individual. These may form part of the individual's personal objectives and appraisal/review. Ethical procurement may form part of the individual's job title, or be part of a wider remit (e.g. 'head of procurement' or 'sustainable procurement').

Identifying the senior champion

Any programme to implement ethical procurement will benefit greatly from having an identified champion within senior management, ideally at board level.

The support of a senior champion will greatly assist the initiation of action and progression against the Ethical Procurement for Health framework.

The role of the champion is to:

- **Advocate** ethical procurement across the organisation, particularly raising awareness and buy-in at senior management and board levels (see '**People, Level 2**' and '**People, Level 3**');
- **Lead in reporting** to senior management and board level (see '**Measurement & Results, Level 2**');
- **Guide implementation** of the ethical procurement programme. They might have a hand in or provide a second opinion to the development of:
 - the business case, policy, supplier guidance, and external communications & reporting (see '**Policy & Communications**');
 - awareness raising, training and embedding ethical procurement in role profiles (see '**People, Level 3**' and '**People, Level 4**');
 - procurer guidance, contract terms, and supplier engagement & management (see '**Procurement & Supplier Management**');
 - measures and reporting (see '**Measurement & Results**').
- **Ensure adequate support and resource** is provided to the person(s) leading on implementing and maintaining ethical procurement policy to operate effectively.

If not a board member, it is important that the champion is suitably placed and senior enough to communicate with any members of the organisations senior management.

The senior champion is a separate role from the individual leading delivery, so as to provide very senior level advocacy and a channel for reporting to the highest levels.

Establishing governance for the ethical procurement programme

It is recommended that ethical procurement is governed by an appropriate board. This may be a board specifically created for governing 'ethical procurement' or a wider 'sustainability' or 'procurement' agenda. Alternatively it may be part of a wider management board, so long as appropriate time and attention can be given to ethical procurement.

Once the governance structure to be used is identified, the organisation should clearly set out lines of accountability, reporting requirements and escalation protocols.

People, Level 2: Embed

Key Components

1. Awareness raising activity undertaken with all procurement staff, including consultation on implementation. Activity may include other key internal stakeholders.
2. Responsibilities defined for procurement staff.

Raising awareness and consulting procurement staff

To implement ethical procurement, all procurement staff (i.e. those who spend more than 50% of work time on procurement related activities) will need to be aware of:

- **The key issues** surrounding labour standards in the health sector's supply chain, and how these relate to the organisation;

LINK: [Ethical procurement – what are the issues? \(BMA\)](#)

- **The role of procurement** in promoting ethical labour standards;
- **Steps already taken** to establish ethical procurement in the organisation;
- **Examples of ethical procurement** in practice

Awareness raising activity should be rolled out for all procurement staff.

This can be undertaken in a number of ways:

- Bulletins
- Message boards (physical and online)
- Briefing documents and fact sheets
- Briefing sessions, 'surgeies' and discussion groups
- Formal training sessions

Any approach should allow for dialogue and feedback on implementation and potential obstacles.

The organisation will need to judge the most appropriate time at which to launch this activity. If launched too early, activity will need to be repeated as more steps are completed. However, too late, and the opportunity may be missed to secure early buy-in and gather input on implementation.

Specific detail should be provided to key procurement staff such as departmental heads, category managers, sourcing directors, and senior procurement managers. **Senior leads should have a full understanding of:**

- the business case for ethical procurement (see '[Policy & Communications, Level 1](#)');
- the organisation's policy commitments (see '[Policy & Communications, Level 2](#)');
- guidance, process and strategies in place (see '[Policy & Communications, Level 3](#)' & '[Procurement & Supplier Management](#)');
- measurement and reporting requirements
- The awareness raising activity should be repeated periodically to refresh staff, up-date on new developments, and inform new joiners.

The awareness raising activity should be repeated periodically to refresh staff, update on new developments, and inform new joiners.

The organisation may also consider including other key internal stakeholders.

Below are some examples to choose from or adapt.

Defining ethical procurement responsibilities for procurement staff

To inform procurement staff of what is specifically required of them, it is recommended that ethical procurement responsibilities are clearly defined. These may be generic across roles or grades, or tailored to specific individuals and roles within departments or categories. Staff can be notified of these responsibilities as part of the awareness raising activity.

Example responsibilities for those implementing ethical procurement include:

- Lead the development and implementation of the organisation’s ethical procurement strategy and action plans;
- Develop and deliver awareness-raising briefings and training presentations for procurement managers;
- Consult with internal and external stakeholders on the organisation’s ethical procurement activities;
- Use risk assessment methodology to identify labour standards risks by category of goods and services;
- Develop the minimum standards that the organisation requires of suppliers in ensuring that labour standards are maintained in their supply chains;
- Communicate expectations on labour standards to suppliers and be able to answer any questions they may have;
- Collate and review supplier self-assessments/third party audits;
- Engage with suppliers as part of on-going market engagement strategy;
- Develop and lead remediation programmes to create sustainable change;
- Report progress to senior management;
- Periodically review and revise the organisation’s policy, guidance and strategy for ethical procurement in light of research, supplier relationships, stakeholder engagement, experiences and learning etc.;

Example responsibilities for procurement managers include:

- Support the person(s) responsible for implementing ethical procurement strategy;
- Inform the development of ethical procurement policy and take responsibility for adoption across the organisation;
- Work to deliver the organisation’s labour standards commitments;
- Work with the procurement team to set objectives for procurement officers;
- Ensure that labour standard risks are incorporated into procurement strategy;
- Apply guidance and implement standards that the organisation requires of suppliers in ensuring that labour standards are maintained in their supply chains;
- Communicate labour standards expectations to suppliers and answer questions;
- Differentiate between high risk and low risk situations.

Example responsibilities for procurement officers include:

- Identify labour risks in their category;
- Communicate expectations on labour standards to suppliers;
- Seek evidence from suppliers that labour standards are being met;
- Work with suppliers and supply chains to deliver the organisation’s labour standards commitments;
- Apply ethical procurement escalation procedures as appropriate.

People, Level 3: Practice

Key Components

1. **Appropriate training on managing labour standards undertaken by key procurement staff, as a part of their personal development plan.**
2. **Clinical teams are engaged to raise awareness of labour standards issues and improve understanding of wider expectations.**

Training procurement staff to manage labour standards

To ensure that staff are confident and capable of meeting ethical procurement responsibilities, there will probably be a need to provide some training and development.

It may be appropriate to set personal objectives for staff relating to the organisation's ethical procurement strategy (especially for those with defined ethical procurement responsibilities). Objective setting raises the personal importance of ethical procurement, and provides an opportunity to recognise staff effort and achievement. Objectives should be SMART (specific, measurable, accountable, realistic, time-bound) and clearly related to organisational initiatives, aims, or outcomes.

Additional development activity, such as training, should be determined on a personal needs basis, and included in the structured personal development plan for key staff.

A range of awareness raising and on-line learning materials already exist which can be helpful in the first instance.

LINK: ['Ethical procurement for Health – E learning modules:](#)

Module 1: Introduction to Labour Standards

Module 2: Getting Started with Ethical Procurement

Module 3: Ethical Procurement and Supplier Engagement

LINK: ['Essentials of Ethical Trade' Training \(ETI\)](#)

LINK: ['Ethical Public Procurement' Training \(ETI\)](#)

LINK: ['Ethical procurement for Health – E learning modules \(modules 1-3\)](#)

Engaging clinical teams to raise awareness of labour standards

Clinical staff have considerable influence over the products used, but often they will not have an understanding of where or how products are made.

From consultation with clinicians, it is clear that there is a widely held view that the products and services used to deliver healthcare in the UK should not be obtained at the expense of the health and wellbeing of workers in the supply chain.

In view of this clinicians have an important role to play in terms of product and service selection and also as advocates for ethical procurement, within your organisation and also in their dealings with suppliers.

Organisations should engage proactively with key clinical stakeholders to:

- Understand the levels of awareness, expectations and interest in ethical procurement;
- Help build dialogue and trust between clinicians and procurement teams;
- Raise awareness of labour standards issues and risks in supply chains serving the health sector;
- Inform policy and procurement practices;
- Report ethical procurement activity and outcomes;
- Gain support for ethical procurement initiatives internally and in dealings with suppliers

LINK: [Take Action – Healthcare Professionals \(BMA\)](#)

When and how to engage clinical teams should be determined by the level of labour standards risk in each clinical area (see '[Procurement & Supplier Management, Level 1](#)').

People, Level 4: Enhance & Lead

Key Components

1. **Role profiles of key procurement staff reflect ethical procurement responsibilities.**

Integrating ethical procurement responsibilities into role profiles

Leaders in ethical procurement should ensure that ethical procurement activities are sufficiently established so that they remain in place irrespective of changes in personnel, or the nature or amount of procurement activity.

The organisation should integrate ethical procurement into the role profiles (and job descriptions) of key procurement staff, and define the necessary experience and competencies for successful implementation of ethical procurement. This formalises responsibilities (see '[People, Level 2](#)') and objectives (see '[People, Level 3](#)') by making ethical procurement central to the role, rather than specific only to the individual currently in post.

The organisation should ensure that these role profiles (experience requirements and competencies) are used in recruitment, development, management and reward of procurement staff.

Required skills/expertise might include:

- Understanding of labour standards issues in supply chains, and core references (e.g. ILO conventions);
- Understanding of how to integrate labour standards considerations into procurement practice;
- Understanding of the principles of engaging suppliers on labour standards and driving improvement.

LINK: [Win-win Sustainable Procurement](#)

LINK: [CIPS Sustainable and Ethical Procurement](#)

PROCUREMENT & SUPPLIER MANAGEMENT



Procurement & Supplier Management, Level 1: Foundation

Key Components

1. **Prioritise categories of spend that require specific attention to labour standards risks.**

Identifying labour standards risk in categories of spend

The extent to which labour standards abuses occur can vary from one industry to another. Within industries, the risk and nature of abuses can vary between organisations, countries or regions. It is important to recognise that labour standards risk may be present regardless of the countries involved: exploitation and abuses occur even in economically developed countries such as the UK. Where appropriate legislation exists, this alone does not guarantee that abuses do not take place.

It is not appropriate to apply a blanket, highly-detailed due diligence approach to all procurements equally. The level of assurance required should be proportionate to the labour standards risk associated with the products supply chains. Some supply chains will carry a very low risk due to the nature of work and sufficient enforcement. On the other hand, there will be some supply chains where the opportunity to exploit workers is high.

A simple desk-based labour standards risk assessment of each product category will indicate which are at high risk. Where time and resources are limited, the organisation may prioritise assessments to categories that are high spend, long-term, operationally critical or high profile (internally or externally). It should be noted that desk top risk assessments are a first step to prioritise categories – there may be a need to undertake further research into specific labour standards issues and or suppliers to refine these assessments.

The 'labour standards risk assessment tool' requires the organisation to consider each categories' supply chains as a whole (including components, raw materials and key services). Subsequent research may identify suppliers that have strong controls in place to mitigate risks identified in the general sector.

TOOL: [Initial desk-based labour standards risk assessment](#)

NHS Supply Chain routinely assess their procurement categories for labour standards risk. Below is the list of categories identified as presenting the greatest risk of labour standards abuse.

- Bowel and Urology
- General Wound Care
- Gloves
- Intra Ocular Lenses
- Procedure Packs
- Polymer
- Suction Consumables
- Surgical Instruments
- Textiles
- Theatre Clothing
- Uniforms

The risk profile of specific types of products within these categories may vary, but this category level assessment helps to focus initial action with suppliers.

The US Department of Labour has systematically identified risk in sectors and regions.

LINK: [Goods produced by child or forced labour \(US DoL\)](#)

GoodElectronics maintains a list of organisations reporting on labour standards issues:

LINK: [Goods produced by child or forced labour \(US DoL\)](#)

LINK: [Members \(GoodElectronics\)](#)

LINK: [Partners \(GoodElectronics\)](#)

Other sources not included on the above lists:

LINK: [Institute for Global Labour and Human Rights](#)

LINK: [Business & Human Rights Resource Centre](#)

LINK: [Global Witness](#)

An understanding of the range of categories in which the organisation is exposed to labour standards risk can also inform the business case (see '[Policy & Communications, Level 1](#)') and awareness-raising (see '[People, Level 2](#)').

The organisation should focus resources on those categories presenting the highest risk. Suppliers within these categories may require greater due diligence, starting with further research and potentially leading to more detailed contractual requirements and supplier management activity.

Procurement & Supplier Management, Level 2: Embed

Key Components

1. **Guidance provided for procurement teams on ethical considerations in the procurement and supplier management process.**
2. **Labour standards considerations embedded in category strategies and supplier engagement process.**

Developing guidance for procurement teams

To support a consistent and effective approach, the organisation should publish clear guidance for its procurement function. This can be embedded in existing guidance, or provided as a separate document.

Guidance should develop as the organisation's ethical procurement approach matures. In its first iteration, it may only refer to policy and other materials developed thus far, generic responsibilities for procurement, category risk assessments and strategies, and initial supplier engagement to develop understanding and raise awareness.

Later versions may refer to utilising contractual requirements, supplier self-assessments and third-party audit (see '[Procurement & Supplier Management, Level 3](#)' & '[Procurement & Supplier Management, Level 4](#)').

Guidance should reflect and/or signpost to:

- the business case, policy and supplier guidance or code of conduct (see ‘**Policy & Communications**’),
- awareness-raising materials and available training (see ‘**People**’);
- the use of category risk assessments, supplier self-assessments and audits (see ‘**Procurement & Supplier Management**’),
- measurement & reporting requirements (see ‘**Measurement & Results**’)

Ethical procurement guidance should be concise and accessible: assuming readers to be familiar with wider procurement guidance and regulations, and linking to external materials where relevant. It should also be specific to the organisation by detailing key contacts, sign-off procedures, risk criteria, follow-up actions, and where materials can be found.

The organisation should be aware that any information requests (and, at later levels, contractual requirements) within a formal procurement exercise must be:

1. Relevant to the contract’s subject matter;
2. Proportionate to the risk and preparedness of the market.

INFO: **Relevance and proportionality of labour standards considerations in public health sector procurement**

This particularly applies to requests in which a response is mandated as part of a supplier’s contractual obligations.

Guidance for procurement teams can be signposted in the organisation’s awareness-raising activity, training materials and induction process. It should also be easily accessible internally, such as available on the intranet.

Embedding labour standards considerations in category strategies and supplier engagement

Category risk assessments (see ‘**Procurement & Supplier Management, Level 1**’) should inform approaches to supplier engagement and procurement strategies.

Risk assessments highlight where issues may exist, but a key next step is to understand suppliers’ awareness, current practice and the maturity of the market in selected categories. Some suppliers, especially those in markets that have experienced adverse media exposure or have a high profile in terms of labour standards (e.g. textiles, food, ancillary services) could have good awareness of the issues, and policies and practices in place (e.g. regular third party audits) to mitigate the labour standards risks. Some suppliers may be able to provide details of audits or assessments conducted for other clients, or details of certifications held (e.g. SA8000).

Under the UK Modern Slavery Act (2015), larger suppliers are legally obligated to publish an annual ‘slavery and human trafficking’ statement. This may also provide some useful insight into the risks faced and the actions being taken to address these.

INFO: **UK Government: Slavery and human trafficking in supply chains: guidance for business-es**<https://www.gov.uk/government/publications/transparency-in-supply-chains-a-practical-guide>

The organisations should establish a dialogue (at first on a voluntary basis) with both existing and potential suppliers to:

- Make the case for assuring labour standards in supply chains
- Understand suppliers’ level of awareness and engagement with labour standards;
- Understand what the likely labour standards issues in the category are;
- Understand action taken by suppliers to mitigate risks and tackle issues;
- Understand barriers to improving labour standards and assurance systems;
- Communicate expectations and emphasise the importance of this issue for your organisation.

The organisation can use this engagement to try and gain an understanding of the labour standards risks that might be present in the supply chain (e.g. at production sites, sub-contractors, recruitment agencies).

The organisation can communicate with current and potential suppliers through market engagement prior to any invitation to tender. It is also important to communicate with current suppliers through contract management meetings and similar channels. Dialogue with current suppliers will reduce the likelihood that risks go unidentified and unaddressed before contract renewal. It will also improve the organisation's understanding of a market's preparedness and approach, and allow suppliers to prepare to meet requirements in the future.

Perpetrators of labour standards abuses are often aware that their practices are unethical, whether in relation to the cultural standards of societies in which they operate, or those set out in international law and expected by their customers. They may actively conceal their practices, while supply chain partners with honest intentions unwittingly support such practices if they do not have effective due diligence processes in place. It is important to ask probing questions and require firm evidence to verify claims.

The outcomes of supplier dialogue may lead to updates of category risk assessments (see '**Procurement & Supplier Management, Level 1**'). The organisation may alter its wider category strategy, such as which suppliers it procures from and how.

For example, an organisation may identify a lack of transparency in a categories complex supply chains, characterised by numerous sub-contractors and intermediaries. Poor labour standards may be a risk throughout these supply chains. The organisation could seek to mitigate this by simplifying supply chains to improve visibility, influence and information flow. In addition, this could improve understanding of costs and activity in the supply chain – presenting an opportunity to improve value for money. Such an approach is unlikely to be realised through a single procurement exercise, and would be part of a longer-term category strategy, but the sooner such moves are initiated the earlier the resulting benefits will be realised.

Procurement & Supplier Management, Level 3: Practice

Key Components

1. Labour standards requirements are included within procurement process and conditions of contract.
2. Remedial action procedures are in place.
3. Supplier self-assessments are required through contract management.

Setting out required labour standards and assurances in invitation to tender and subsequent contracts

Where the risks of labour standards abuses in supply chains remains high, these risks should be addressed through the procurement process, unless voluntary initiatives are proving effective.

Labour standards and assurance considerations can be reflected in:

- Pre-qualification
- Conditions of contract
- Contract schedules
- Award criteria

INFO: Embedding labour standards in tender documentation and contracts

There are a number of key public procurement principles to always bear in mind:

- **Non-discrimination on grounds of nationality or locality.** The organisation cannot exclude a supplier due to a country in its supply chain. The organisation can raise concern due to a country's lack of appropriate legislation or enforcement, but any exclusion or penalty must be on the grounds of the supplier themselves being involved in or knowingly turning a blind eye to labour standards abuses.
- **Transparency of award procedures and related decisions.** The organisation must ensure that suppliers are given advanced notice of the organisation's expectations and requirements in relation to labour standards. Ethical procurement policy and supplier guidance or codes of conduct can support this, but it is likely that some re-quirements will need to be clearly specified in tendering documentation and con-tracts. Suppliers should only be evaluated against specific requirements in specifica-tions, conditions of contract or award cri-teria.
- **Equal treatment of those wishing to be awarded a contract.** The ethical procurement process must be applied consistently and objectives to all suppliers.
- **Proportionality.** The organisation must consider labour standards risk, the preparedness of the market, and strategic risk for the organisation when selecting its approach to each procurement exercise. The extent and stringency of requirements must not be disproportionate to the risk and reasonable expectations for the market. The organisation can suggest a suitable approach within each category strategy, but may need to adjust this for each procurement exercise.

INFO: Relevance and proportionality of labour standards in procurement

Putting in place remedial action procedures

When evaluating tender submissions, any in-formation provided by suppliers should only be used if it is clearly identified as part of the tender process and the basis for evaluation are set out.

In such cases, it may not always be desirable or proportionate to terminate the contract or relationship with the supplier concerned.

This may be due to:

- The non-compliance is minor or an isolated incident,
- Remedial action is underway or complete;
- The supplier being genuinely unaware of the non-compliance;
- The supplier is performing well in other aspects of the contract;
- The supplier is providing a critical function in the supply chain which will be hard to replace;
- Ending the commercial relationship may cause even greater hardship for workers and their dependents.

In situations where the contract is continued, the supplier will need to acknowledge the is-sues and demonstrate commitment to rectify identified non-compliances at the earliest op-portunity. Where a remediation process is entered into, it is recommended that the sup-plier is asked to provide independent verifca-tion that remedial actions have been under-taken, effectively address the issues identi-fied, and will prevent reoccurrence.

The template below sets out a procedure for dealing with risks and issues as and when they are discovered, for the organisation to adapt.

TEMPLATE: Remedial action on identified labour standards issues

Remedial action procedures should clearly set out the steps that need to be taken with suppliers, and ideally indicate varying levels of response dependent upon the severity of the breach. Guidance may be provided on timescales for remedial action, and certain procedures may require the incorporation of clauses within conditions of contract. Probationary clauses may

also apply, whereby contract volumes are stepped down while action is being taken, or where increased scrutiny is required.

As with any procedure, procurement staff should be made aware of their responsibilities and how to apply the procedure.

Supplier self-assessments and contract management

To be able to influence labour standards in supply chains, it is important to gain a fuller understanding of how suppliers in high risk sectors identify, manage and mitigate these risks.

Information should be obtained from 'high risk' suppliers on the systems and approaches they use to assure that labour standards are maintained within their supply chains.

It is useful to base any request for information around a set of standard criteria or questions. In the first instance it will be most practical to require suppliers to provide a self-assessment. This may be on a voluntary basis, required as a condition of contract, or incorporated as part of a tender process.

The request for self-assessment should ideally be preceded by engagement and communication on labour standards issues (see '[Procurement & Supplier Management, Level 2](#)').

This engagement will inform the timescales and approach used in requesting the self assessment, as well as providing prior notice of intention to the suppliers, which should help to improve the quality of responses.

TEMPLATE: [Supplier self-assessment questionnaire](#)

It is important to make it clear to the suppliers how the self-assessment responses will be used.

In general, the self-assessment process will be more effective if the information supplied can be used as the basis for continual improvement, as opposed to grounds for exclusion, penalty or criticism.

Information provided should only be used to inform contract award decisions if it is clearly identified as part of the tender process and the basis for evaluation are set out.

Information received through self-assessments should be reviewed and used to refine category risk assessments. By comparing self-assessments across a sector, the organisation will have a clearer picture of both labour risks and market preparedness. Results should also inform category strategy, procurement approach, and future supplier engagements.

They will also highlight areas for further discussion, and ultimately improvement planning through the contract management process.

Where specific labour standards requirements have been incorporated into schedules and conditions of contract, the organisation should monitor and manage the performance of the supplier throughout the term of the contract. The extent of focus on labour standards in contract management will primarily depend on the demonstrated compliance with contractual requirements. However, the assessed level of labour standards risks, strategic importance, and general maturity of the supplier's approach should also be considered.

Contract management might involve:

- Reviewing supplier's supply chains, and labour standards risk assessments and assurance measures;
- Review of self-assessments submissions to increase understanding and identify areas for improvement.
- Prioritising actions, drawing up objectives, improvement plans, and reviewing progress;
- Encouraging suppliers to join a programme or work toward a recognised certification or accreditation (e.g. LSAS – Labour Standards Assurance System).

- Drawing up new agreements and charters for the remainder of the contract to reflect any significant developments;
- Verification that labour standards, assurance systems or certifications are in place. This may include independent third-party audit.

Where the supplier holds multiple contracts with the organisation, managing labour standards and assurance systems may be part of supplier engagement rather than specific contract management.

INFO: [Ethical management and product standards](#)

Procurement & Supplier Management, Level 4: Practice

Key Components

1. **Independent third-party labour standards audits or investigations are regularly completed for high-risk suppliers, over the duration of a contract.**

Collecting evidence of independent labour standards audit for high-risk suppliers in the supply chain

In the main, self-assessment and ongoing engagement with suppliers will provide sufficient assurance that labour standards are being maintained in line with expected standards.

However, in some instance it may be valuable to increase the level of scrutiny of suppliers' arrangements, and utilise an independent third party to assess a supplier's activity and performance in more detail.

This might apply to suppliers that are operating in particularly high risk sectors or regions, in order to positively demonstrate good practice. Alternatively it may be necessary in the event that specific evidence of issues comes to light, or the commitment of a supplier to contractual or voluntary agreements falls below expectations.

In the first instance, it is worth considering assessments that might already have been undertaken as part of established ethical certifications or accreditations (e.g. SA8000, or LSAS) to avoid unnecessary duplication of effort and cost.

INFO: [Ethical management and product standards](#)

Independent third party audits can be applied to the operations of your contracted suppliers, or for their key partners, suppliers, sub-contractors and other organisations involved in the supply chain. Such an audit will not provide any guarantees, but should provide verification of suppliers' self-assessments and a higher level of assurance within any due diligence process.

The organisation should only audit where relevant to the goods, services or works procured. This can extend to peripheral services (e.g. cleaners at offices where the services are carried out), or down the supply chain to the extraction of raw materials, if there is risk.

Audits may look at labour standards themselves, for instance identifying risks and issues in manufacturing facilities. Audits can also assess a supplier's labour standards assurance system; e.g. how it monitors, safeguards and promotes labour standards in its supply chain.

An independent third-party labour standards audit, investigations by experts or NGOs, may be commissioned by the procuring organisation, the contracted supplier, a specific supplier or subcontractor in the supply chain, or another third party (e.g. a trade association). It is prudent to consider how this is commissioned however, to minimise conflicts of interest.

If the cost of audit or investigation is to be borne by a supplier, or other third party, then this should be agreed upfront before it is commissioned.

In some cases it may be appropriate to require suppliers achieve certification or accreditation, or participate in a sector based programme, particularly if use of the initiative in question is widespread in a certain region or market.

As well as through management systems and product certifications, sources of third-party audit services include:

- **International providers** of audit services are commonly engaged to run large-scale audit programmes globally, usually alongside technical audit services. These companies can deliver a variety of audit types, so it is important to check the scope of any audits provided as evidence.
- **Specialist providers of audit services.** Smaller providers tend to specialise in providing more detailed, targeted, labour standards assessments as opposed to wider audit programmes. They commonly specialise in particular countries, regions or sectors. Their specialisation may provide a more accurate assessment of the situation. However, this approach needs to be targeted, as it is unlikely to be practical for large scale audit programmes.
- **Local NGOs (aid agencies, charities, campaign groups)** will have a presence in the community from which the organisation is sourcing, and may be able to provide insights not provided by other auditors. They can also support remediation work after issues have been identified.
- **Trade unions**, where present, trade unions can be a useful resource for identifying problems for workers, and are a valuable asset in the remediation of such problems.

Audit fraud, where records are falsified or auditors are bribed or coerced by managers around the issues of pay and hours, is wide-spread. In view of this, the quality of social audits conducted can vary considerably. It is important to ensure that audit agencies are selected based on their impartiality, systems, approach, reputation and experience.

It is recommended that, where possible, the organisation uses an auditor accredited by the Social Accountability Accreditation Services (SAAS) agency, which will have qualified them to perform SA8000 standard audits:

LINK: [Social Accountability Accreditation Services](#)

In choosing an auditor, the following competencies may be considered:

- **Formal audit training and skills**
 - Formal training in social audit, and whether this was accredited;
 - Competence at reviewing factory documents and interviewing workers;
 - Ability to elicit information on social rather than technical issues.
- **Local knowledge and cultural fluency**
 - Knowledge of local culture, law, employment, poverty, development and social issues;
 - Understanding of business sector in countries concerned;
 - Appropriate language skills (particularly important if dealing with issues relating to migration labour);
- **Legal and ethical trading knowledge**
 - Understanding of ILO conventions, ETI Base Code, UN Global Compact etc.
 - Understanding of relevant national and local legislation and standards;
 - Understanding key labour and social issues of the country;
 - Understanding the implications of the industry's labour requirements on social and welfare system issues.

- **Business knowledge and skills**
 - Manufacturing or operational experience (i.e. factory/delivery level);
 - Industry knowledge;
 - Understanding of organisation’s policies and procedures;
 - An appreciation of the business relationships involved;
 - Technical competence on health and safety standards and procedures.

- **Personal qualities and skills**
 - Able to relate to employees on site;
 - Communication skills with a range of stakeholders;
 - Interpersonal skills and knowledge of participatory approaches;
 - Interview techniques;
 - Assertiveness;
 - Diplomacy;
 - Attention to detail.

If requesting or commissioning audits, it is essential to set the out the scope and any standards against which it is to be undertaken. In addition, some prescription of the audit methodology can be provided (e.g. interviews with operational employees and sub-contractors to form at least one-third of the evidence gathering process). When evaluating evidence, it is important to understand the scope and standards involved, and to seek evidence.

LINK: [Sedex Members Ethical Audit](#)

CASE STUDY: [WHS Uniform Contract](#)

MEASUREMENT & RESULTS



Measurement & Results, Level 1: Foundation

Key Components

1. Progress against EPH framework is routinely reviewed.
2. Developing an action plan for implementing ethical procurement in your organisation.

Regularly reviewing progress against the EPH framework

The ethical procurement for health framework has been developed to support the staged development and implementation of an effective system for addressing labour standards through procurement.

As a result, it provides a benchmark against which progress can easily be assessed and tracked by the organisation. It also provides a clear point of reference when setting objectives or key milestones for the programme.

It is recommended that organisations self-assess themselves against the EPH framework routinely throughout the implementation process to check progress and to make sure key milestones and objectives are being met.

The 'EPH Implementation Progress Tracker' is an Excel based self-assessment tool that will assist this.

TOOL: [EPH Implementation Progress Tracker](#)

This tool can be used to assess progress, and record notes in the form of comments. The tracker also allows the organisation to record the dates on which elements are due to be reviewed or updated. A system should be in place to ensure that the progress tracker is regularly updated. Outputs from this tool can inform both internal and external reporting.

Undertaking a review of current status against the EPH framework ahead of starting work on any theme or level, can provide a useful 'gap' analysis, to identify what needs doing to advance to the next level.

The organisation may wish to establish regular meetings between lead individuals, relevant procurement staff, and/or other key stakeholders to monitor progress and identify next steps. Progress reviews should be coordinated by the lead individual(s) responsible for implementing ethical procurement.

Developing an action plan to implement ethical procurement

The organisation's Business Case will need to identify some of the key steps, actions, resources and timescales for implementing ethical procurement. However, it is likely that a more detailed operational implementation plan will need to be developed, once the project gets the go ahead. The operational action plan may only need to identify the near-term actions and objectives in the first instance.

This action plan should be informed by an initial assessment (gap analysis) against the EPH framework, as well as the objectives and timescales set out in the business case.

The organisation should always seek to assign responsibility for specific actions to named individuals, with clear timescales.

Measurement & Results, Level 2: Embed

Key Components

1. Progress reported internally, including to governance, on a routine basis.
2. Measures of awareness, learning and development activity adopted.

Routinely reporting progress internally and to governance

Performance against actions, objectives and longer-term goals should be reviewed and reported internally on a routine basis, to reinforce commitment and ownership. It is important that the Senior Level champion (see 'People, Level 1') receives a regular report from the lead individual on progress and issues relating to implementation. This should make reference to formal plans, policy, and the business case where appropriate. This will help to ensure that time, effort, and resources are targeted appropriately. The senior champion should communicate key points of this report into other senior management reporting processes and forum, as appropriate.

Procurement staff and other interested internal stakeholders (e.g. clinical staff, contractors) will also benefit from receiving reports on progress.

The nature and timing of internal reporting will depend upon the governance structure, the stakeholders being reported to, established internal communication procedures, the availability of data, and the resources available to compile reports. Reports could be published on a message board, email newsletter, or the organisation's intranet.

In any context, reports should:

- be concise and easy to read;
- highlight successes and key challenges;
- report against key commitments, targets, actions and programmes;
- maintain consistency of format between reports as far as possible;
- be up to date when issued;
- be scheduled to coincide with significant dates (e.g. financial year end, board meetings, annual reports);
- have a manageable schedule, to avoid spending too much resource on reporting.

Adopting measures of awareness, learning and development

At the early stages of a project, it is useful to measure management activity to capture the effort being committed to the project. While many actions will not lend themselves to measurement, there is value in tracking some of the quantifiable aspects of learning and development activity.

Example indicators of awareness raising, learning and development include:

- number or percentage of 'target audience' that have had the organisation's ethical procurement policy communicated to them;
 - Target audience could include, procurement staff, suppliers, senior management, clinical leads;
- number or percentage of key suppliers who are engaged with ethical procurement through the supplier engagement process;
- number or percentage of procurement staff who have received awareness-raising activity or materials;
- number or percentage of procurement staff who have attended training;

Indicators should be removed, added to retain relevance as the organisation progresses and develops its ethical procurement systems.

Measurement & Results, Level 3: Practice

Key Components

1. Measures of contract/supplier coverage and activity adopted.

Adopting measures of contract or supplier coverage and activity

As the organisation begins to implement labour standards considerations into the formal procurement and contract management process, it should adopt measures of contract or supplier coverage and activity.

Example indicators of contract or supplier coverage and activity include:

- percentage of products or categories, assessed for labour standards risk;
- value of procurement exercises undertaken that incorporate requirements on labour standards;
- percentage of targeted suppliers that have signed up to the supplier code of conduct;
- number of suppliers actively engaged on labour standards issues;
- percentage of targeted suppliers returning self-assessments;
- number of suppliers actively working to implement a Labour Standards Assurance System
- number of third party Labour Standards Assurance System assessments (of suppliers) received/ conducted;
- value of purchases where suppliers are required to have labour standards assurance systems in place (direct purchases or through framework agreements).

The organisation may also adopt measures relating to the business case (e.g. supply disruptions, failures or complaints relating to quality, reputational risk rating based on procurement policy and activity).

Measurement & Results, Level 4: Enhance & Lead

Key Components

1. Evidence of supplier development and improvement resulting from ethical procurement activities, exists..
2. Case studies developed to capture lessons learned and good practice.

Collecting evidence of supplier development and improvement

Measuring the outcomes of ethical procurement activity is often complex. Procurers do not have direct control over labour standards in their supply chains, and many factors influence outcomes. However, measuring some indicator of outcomes is important to evidence the value of ethical procurement.

The organisation may ask that its high-risk suppliers report against measures such as:

- percentage of nominated suppliers, subcontractors and other entities in the supply chain returning self-assessments;
- percentage of nominated suppliers, subcontractors and other entities in the supply chain sufficiently complying with standards and assurance expectations;
- percentage of nominated suppliers, subcontractors or sites audited;
- number of work related injuries;
- average wages for specific roles;
- average hours per shift;
- number of incidences of child labour identified in audits;
- number of complaints;
- results from staff satisfaction surveys;

- staff turnover rate.

There are a number of internationally recognised reporting standards that may be helpful:

LINK: [UN Guiding Principles Reporting Framework](#)

LINK: [Global Reporting Initiative](#)

In addition, there may be measures and indicators tailored to risks and issues identified for each supplier, sector or region.

Measures can be also embedded in contracts through conditions of contract or KPIs (see '[Procurement & Supplier Management, Level 3](#)'). For instance, setting a threshold or requiring a supplier to show progressive improvement over a set time period.

It may be possible to aggregate data drawn from these measures into organisation-wide indicators of positive outcomes, for both internal and external reporting (see '[Measurement & Results, Level 2](#)' & '[Policy & Communication, Level 4](#)').

Collecting case studies to capture lessons learned and good practice

Identifying good practice allows suppliers and the organisation to learn from the experiences of others, and builds the expertise of the entire supply base. Organisations should capture good practice in their own organisation and from suppliers who are improving their labour standards and assurance systems, or working to remediate issues.

In order to capture good practice, procurement managers should document:

- Context
- project actions and steps
- successes, difficulties and learning
- project outcomes
- next steps and legacy

Case studies and examples of the positive impact that ethical procurement can have on individuals and organisations, often provide the most compelling case for change.

RESOURCES



Resources

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Info Sheet: International Labour Standards

'Labour standards' are rooted in the conventions of the International Labour Organisation.

What is the ILO?

The ILO is the United Nations agency responsible for promoting workers' rights and welfare. This includes setting internationally agreed labour standards in the form of conventions. Governments, employers and trade unions are all represented in decision-making.

The ILO has adopted a number of standards ranging from the collection of statistics through to child labour. Specific standards, however, are considered to be universal and relevant to any country and workplace. These are called the 'Fundamental Conventions'.

What are the Fundamental Conventions?

In 1998, the ILO adopted the Declaration on Fundamental Principles and Rights at Work.

The 'Fundamental Conventions' are, in summary:

1. Freedom of association and the right to collective bargaining
2. Elimination of forced labour (including debt bondage, trafficking and slavery).
3. Abolition of child labour
4. Elimination of discrimination in recruitment, remuneration and employment.

LINK: [ILO Fundamental Conventions](#)

Most ILO members have ratified most of the Fundamental Conventions, and have legislation to enshrine these. All ILO member states are committed to respect, promote and realise the principles of the Declaration, regardless of ratification status.

LINK: [Ratification status by country](#)

How does this relate to the UK public sector?

UK government is a member of the ILO, and has ratified all fundamental conventions (along with 79 other ILO conventions). As such, it is required to not only respect but also promote these conventions. UK government takes action by supporting efforts such as the Ethical Trading Initiative (ETI), and embedding ethical procurement practices throughout the UK public sector and its supply chains.

LINK: [ETI website](#)

Are there additional labour standards to consider?

There are further labour rights which, although not Fundamental Conventions, are particularly important and widely recognised:

- Safe working conditions
- Living wages
- Working hours
- Regular employment
- Harsh or inhumane treatment

These have achieved international recognition, and are considerations in other ILO conventions, international standards (SA8000), national legislation, industry codes of conduct, and most collective agreements.

How do these apply in practice?

Labour standards are the basis for codes of conduct adopted by organisations setting out expectations for themselves and their associates. Recognised examples for reference when developing policy and guidance include:

LINK: [ETI Base Code](#)

LINK: [UN Global Compact](#)

Info Sheet: Making the Case for Ethical Procurement

This document sets out general arguments in favour of implementing ethical procurement practices in a health and social care organisation, to support the development of a business case for senior buy-in and investment (see '[Policy & Communications, Level 1](#)').

This business case should be tailored to the needs and aspirations of the organisation and its stakeholders, with explicit references to these (e.g. the organisation's value statements, code of conduct) where possible. It should explicitly refer to the risk associated with supply chains in the health sector. The BMA Fair Medical Trade provides relevant detail:

LINK: [Ethical procurement – what are the issues? \(BMA\)](#)

Experience across multiple sectors indicates that poor labour standards in supply chains present a number of risks to procuring organisations. A business case should identify both overarching risks, the more specific and direct risks that these engender.

Some of the most significant risks include:

Risk of adverse publicity and reputational damage

Labour standards abuses in the supply chain may result in serious harm to the organisation's reputation when publicised.

- **The organisation may be seen to be:**
- Complicit in illegal activity;
- Complicit in unethical behaviour;
- Contradicting its expressed values ("do no harm", codes of conduct etc.);
- Failing to meet and respect the expectations of its stakeholders (communities, patients, staff, volunteers, donors etc.)

Alongside traditional media considerations, the advent of social media allows information (and misinformation) to travel rapidly and freely, with limited opportunity for organisations to control this.

Adverse publicity engenders direct risks:

- **Disruption to business** in dealing with enquiries, public relations and protests.
- **Loss of income**, as a result of:
 - patients choosing to be treated at other facilities (in line with patient choice and payment-by-results);
 - the organisation's reduced competitiveness in commissioning exercises;
 - lost charitable donations.
- **Loss of resources and service provision** as a result of reduced volunteer support.
- **Adverse impact on recruitment and retention.** Most health and social care staff are employed in direct caring roles, and are more likely to be sensitive to health and welfare issues. Many staff in this sector will have high expectations of their employers and associated organisations.
- **Loss of confidence and trust**, as the organisation is seen to have contradicted its values and aims, and ignored the principles and expectations of its stakeholders. While many factors contribute to wider public perceptions, maintaining trust in the community is particularly important.

Risk to continuity of supply

Suppliers failing to maintain labour standards and human rights may face legal enforcement action if they are in breach of local, national or international laws. Poor labour standards and abuses may also result in unexpected accidents, strike action and malicious damage to infrastructure or IT systems. Such actions could damage the supplier's business continuity and ability to maintain supply.

Supply disruptions have direct adverse impacts on the procuring organisation:

- **Disruption to service provision** due to lack of critical goods or services, and attempts at managing around this.
- **Identifying alternative supply at short notice** carries time and resource costs.
- **Increased prices** from alternative suppliers aware of the urgent need.
- **Severing and retendering contracts** carries time and resource costs.

Risk to quality of goods and services delivered

Across industries and sectors, there is evidence that poor labour standards can have a negative impact on quality of goods or services delivered throughout supply chains. This can be due to the use of child labour, or poor conditions and treatment impacting workers' ability and motivation to maintain quality standards. For service provision, there is particular risk where contracted staff and the recipient of services have direct contact, as this allows little scope for quality controls.

Poor quality goods and services are associated with a number of adverse impacts:

- **Higher prices** due to the unnecessarily high number of goods or staff unable to pass quality control and wasted.
- **Disruption to service provision** due to poor quality goods or services.
- **Time and resource costs** in correcting quality issues, pursuing reparations, and severing/retendering contracts.
- **Loss of confidence** in the procurement function's ability to secure quality.

Benefits of improved supply chain management

Proactive safeguarding and promotion of labour standards can bring a number of secondary benefits due to **increased awareness and influence throughout the organisation's supply chain:**

- **Improved ability to monitor** and query suppliers on their supply chain activity.
- **Identification of opportunities** to improve efficiency of the supply chain.
- **Improved ability to negotiate**, through a better knowledge of the supply process and where value is added.

Legal and ethical duties

As a member of the International Labour Organisation (ILO), the UK Government is obliged to safeguard and promote labour standards and worker's rights, having transposed many of the ILO's conventions into law and regulation. There is a legal basis, therefore, in expecting public sector organisations to ensure that decent labour standards are maintained within the organisation and throughout its supply chain.

INFO: [International Labour Standards](#)

Addressing labour standards in supply chains through procurement will also help organisations uphold the principles of the Modern Slavery Act (2015) and in particular the provisions around transparency in supply chains.

Ethical procurement safeguards and improves labour standards and workers' rights; which in turn benefits the health and welfare outcomes of workers and communities across the globe.

Info Sheet: Developing a Policy for Ethical Procurement

It is important for the organisation to set out its commitments and expectations for ethical procurement in a standalone policy, or as part of an existing policy (see '[Policy & Communications, Level 1](#)'). This will ensure that all stakeholders have an official and consistent point of reference.

Ethical procurement policy should set out:

- **Aims** of the policy.
- **Scope** of the policy. Who and what does the policy apply to (e.g. 'all procurement across the organisation')?
- **Relationships** to policies and regulations. The ethical procurement policy must be consistent with other commitments.
- **Board-level and senior responsibility** for implementation (see '[People, Level 1](#)').
- **Commitment to adequately resource** implementation of the policy.
- **How the organisation will promote labour standards** through procurement.
Commitments may include:
 - Encouraging adherence throughout the supply chain to a defined set of required labour standards.

INFO: [International Labour Standards](#)

- Assessing suppliers' labour standards management systems, for themselves and subcontractors/suppliers.
- A commitment to engage with suppliers in assessing risks and identifying opportunities for improvement.
- A commitment to work with suppliers in addressing risks and issues.

LINK: [Ethical Purchasing Practices \(CIPS Knowledge\)](#)

- **Assurance and verification procedures** as part of the procurement process (see '[Procurement & Supplier Management, Levels 3-4](#)'). They may include:
 - self-certification
 - meetings, and visits to premises
 - independent audits
 - third-party certification
- **Communication approach** to inform staff, suppliers and stakeholders of ethical procurement policy (see '[Policy & Communications Level 2](#)', '[People, Levels 2-3](#)').
- **Training, guidance and staff requirements** to support ethical procurement policy (see '[Procurement & Supplier Management, Level 2](#)' & '[People, Level 3](#)').
- **Planning, monitoring, reporting and review protocols** to support implementation and continuation of ethical procurement policy. These may include:
 - Action plans for implementation (see '[Measurement & Results, Level 1](#)')
 - Internal reporting and monitoring (see '[Measurement & Results, Level 2](#)' & '[Measurement & Results, Level 3](#)')
 - Set requirements for periodic review of policy, guidance and process (see '[Measurement & Results, Level 2](#)')
 - Policies made publically available (see '[Policy & Communications, Level 3](#)')
 - Reporting and disclosure to external stakeholders (see '[Policy & Communications, Level 4](#)')
 - Monitoring of supplier development and improvement (see '[Measurement & Results, Level 4](#)')
- **Contact details** for enquiries.

Info Sheet: Guidance on Dealing with Sensitive Issues

Enquiries into the organisations approach to sensitive issues may be posed by both internal and external stakeholders. Sensitive issues should not be avoided, but nor should the organisation make commitments that are difficult to implement or may worsen outcomes.

Labour standards issues can rarely be solved overnight, and improving conditions can be challenging. Emphasis should be placed on making considered decisions based on evidence and dialogue. Emphasise that the organisation will work with suppliers to gain commitments to labour standards; investigate issues thoroughly and objectively; and plan improvements over agreed timescales. It is also worth setting out the remediation that can be taken if an issue is identified.

Child Labour

Child labour is a particularly sensitive issue. The International Labour Organisation (ILO) estimates that there are 168 million child workers, with more than half involved in hazardous work. This is an issue when children are exploited, or denied an education and childhood. Children are also far more susceptible to occupational health risks, which can lead to negative impacts over a lifetime. ILO Convention 182 sets out the worst forms of child labour, while Convention 138 states a minimum age for child workers, depending on a country's development and the nature of the work. Both are Fundamental Conventions, and therefore 'minimum' expectations.

LINK: [ILO Conventions and Recommendations on Child Labour](#)

The organisation should be clear in its definition of child labour, and wary of committing to banning child labour immediately when found as this may force children into more harmful forms of employment. Child labour should be phased out in a responsible manner that safeguards children's best interests, such as their rights to health and education.

Excessive Working Hours

Excessive working hours are not only detrimental to worker welfare, but also productivity and quality. National laws will often set out permitted maximum working hours, and overtime, that can be worked in a day or over a period of days. Requirements on Breaks and time off may also be stipulated. ILO Convention 001 states that working hours should not exceed 8 per day and 48 per week. Many ILO members have not ratified this convention; and employers may not comply in those that have. Extended compulsory working hours may be set by employers, or insufficient wages may necessitate workers to work considerable amounts of overtime, in order to meet basic living expenses and company deductions. To make progress in tackling excessive working hours, the organisation must work with suppliers to gradually reduce hours, without a corresponding reduction in worker's pay. In addition, overtime should not be compulsory.

Migrant workers can often be most vulnerable to exploitation over excessive working hours. In extreme cases the inequitable conditions applied for migrant workers effectively bonds them to employers, equating to 'modern slavery'.

LINK: [Dhaka principles for migrant workers](#)

Poverty Wages

Workers paid insufficient wages will struggle to provide suitable food, clothing and housing for themselves and their families. The problem can be exacerbated by periods of rapid inflation or spikes in basic commodity prices.

ILO Convention 131 states a minimum wage should be enforced under law, while standards such as the ETI Base Code champion 'living wages' that meet basic needs and provide some discretionary income.

Contracts should require compliance with the legal minimum wage, and preferably payment of a living wage. Organisations must ensure that in negotiating value for money, they do not push suppliers to undercut a living wage.

Tool: Initial desk-based labour standards risk assessment

Address the list of questions on labour standards risk indicators, applying to a specific category of spend or type of product (e.g. textiles).

The following scoring approach can be used to quantify a risk rating to assist in prioritising:

0 = Not relevant, 1 = Some risk, 2 = High risk.

Ref	Labour Standards Risk Criteria Question	Risk Rating (0-2)
1	Are substantial levels of manual labour used within the supply chain?	
2	Are substantial levels of low skilled labour used within the supply chain?	
3	Are substantial levels of seasonal or casual labour used within the supply chain?	
4	Are payment cultures based on piece work, cash payment or in-kind payment common place within the supply chain?	
5	Are substantial amounts of activity in the supply chain undertaken where little or no effective labour standards legislation exists?*	
6	Are substantial amounts of activity in the supply chain undertaken where the enforcement of labour standards legislation is weak or non-existent?	
7	Are substantial amounts of activity in the supply chain undertaken where there are high levels of poverty and deprivation?	
8	Are substantial amounts of activity in the supply chain undertaken where there is high unemployment?	
9	Are substantial amounts of activity in the supply chain undertaken where little or no employee representation (e.g. trades unions) exists?	
10	Are substantial levels of labour within the supply chain drawn from more vulnerable groups (e.g. migrants, ethnic minorities, poorly educated, women, convicted)?	
Total		

* One indicator is a country's failure to ratify key [ILO Conventions](#). See also the [NATLEX](#) database on countries' legislation.

An overall rating can be identified from the sum total of each questions risk rating:

0-4 = Low risk,
5-10 = Moderate risk,
11-14 = High risk,
15-20 = Very high risk

The significance of ratings can reflect organisational priorities, or be relative between categories.

Factoring in Strategic Risk

In addition to assessing the labour standards risk, it may be appropriate to assess the strategic risk of the procurement or category to inform the overall risk rating. The questions are designed to be rated using a binary Yes = 1 / No = 0 system.

Ref	Strategy Risk Criteria Question	Risk Rating (0-1)
1	Is projected value of procurement above the OJEU threshold (or comparable standing financial instruction limits)??	
2	Does the contracting authority have a strong level of influence over the market?	
3	Does the procurement have a high profile (by nature of its value, subject or parties involved) that has potential to impact the reputation of the contracting authority?	
4	Is the category seen as strategically critical to the contracting authority, either in terms of securing critical needs or due to the insecure nature of its supply chain?	
	Total	

The overall risk rating can then be identified on an 'overall risk rating matrix'. Plot the 'strategic score' (0-4) on the horizontal axis, and the 'labour standards risk' score (0-10) on the vertical axis. The area of the below chart where the plotted results converge identifies the level of risk:

Labour Standards Risk	19-20					
	17-18					
	15-16				Very High	
	13-14					
	11-12			High		
	9-10					
	7-8		Moderate			
	5-6					
	3-4	Low				
	0-2					
			0	1	2	3
Strategic Risk						

Info Sheet: Relevance and proportionality of labour standards considerations in public health sector procurement

Public procurement law requires that the detail and obligations in any procurement are proportionate and relevant to the subject of a contract. This avoids unnecessary cost and effort for procurers and suppliers, and makes contracts accessible to as wide a range of suppliers as possible. The organisation should avoid a blanket approach, and consider relevance and proportionality in each exercise.

A case-by-case approach will ensure that:

- requests for information are relevant, appropriate and proportionate;
- specifications and standards used are relevant and appropriate;
- the approach is flexible enough to recognise initiatives that suppliers are already involved in (e.g. NHS Supply Chain LSAS, ETI, BSCI, Fairtrade, SA8000, GSCP, GeSI);
- information gathered from suppliers is used meaningfully to inform risk assessments, action plans or award decisions;
- time and resource allocated to managing risk and issues is proportionate to the realisable benefits;
- the pace and nature of engagement is appropriate to the preparedness of the market and their supply chain, as well as the significance of risks.

Addressing significant labour standards risk is important, but the pace and direction of change must ultimately support positive, sustainable impacts for workers. Inappropriate requirements may cause suppliers to withdraw, become uncompetitive, or drive practices underground – without addressing the root causes of issues. The organisation should work with suppliers and stakeholders to understand the nature of the problem, a range of perspectives on it, and possible solutions.

Relevance

The organisation must be able to explain and demonstrate the relevance of labour standards considerations in its procurement and supplier management activities. Reasons are outlined in the following info sheet:

INFO: [The Case for Ethical Procurement](#)

Labour standards risk is ultimately a risk to a supplier's ability to satisfy a contract's schedules, terms and conditions. Reasons of particular note involve the threat to the organisation's reputation, security of supply, and the quality of goods and services.

The organisation should be aware that demonstrating relevance on the basis of quality may be problematic where suppliers have in place quality controls that effectively screen out sub-standard goods. In such cases, consideration must be given as to whether labour standards will directly affect the quality of goods supplied. If not, this may weaken the relevance on quality grounds. However, where goods are directly sourced from supply chains with few, if any, independent and objective quality controls, then the likelihood of labour standards having a direct bearing on the quality of goods is increased; which in turn increases the relevance of labour standards and assurance requirements.

Once relevance has been established, the organisation must consider its own policy commitments and terms of application, to ensure its approach is consistent with this policy. For instance, the organisation's policy may need to explicitly state whether labour standards assurances will be 'encouraged' or 'required', and in what instances.

Proportionality

The extent and stringency of labour standards and assurance requirement in each procurement exercise should be proportionate to:

- The market’s labour standards risk
- The strategic importance/risk of the procurement for the organisation and its stakeholders.
- The preparedness of the market in terms of engagement with labour standards, and maturity of assurance systems.

The first two considerations are discussed in the below risk assessment tool:

TOOL: [Initial desk-based labour standards risk assessment](#)

If labour standards risk is pertinent to the market and deemed relevant to the subject of the contract, the organisation should consider how and to what extent it will be addressed. The below ‘labour standards risk/prepared-ness matrix’ provides a simple model to inform the organisation’s approach.

‘Preparedness of the Market’ considers:

- **Supplier’s engagement with labour standards concerns.** The primary indicator will be whether the majority of suppliers in the market have some kind of labour standards assurance system in place.
- **The maturity of labour standards assurance systems across the market.** This considers the reliability of assurances provided, and the real impact on labour standards (i.e. are they improving?)

The underlying principle is that higher preparedness allows for more extensive and strict labour standards and assurance requirements. The organisation can set these requirements with confidence that a sufficient number of suppliers can meet these. When preparedness is low, a more gradual approach is recommended that provides time for suppliers to put in place effective assurance systems.

Overall Risk Rating ('Labour Standards Risk' x 'Strategic Risk')	High	Place requirements in conditions of contract for supplier(s) to provide labour standards assurances periodically and/or on request. Set requisite labour standards and assurances in pre-qualification, contract schedules, or conditions. Assurance systems may form part of award criteria where relevant.	Communicate concerns and aspirations as part of market engagement, or as early in the process as possible. Place requirements in conditions of contract for supplier(s) to improve labour standards and assurance systems within stated timescales.
	Low	If labour standards are to be addressed at all then scrutiny of assurance systems should be restricted to key elements (e.g. policy, risk assessments, supply chain dialogue). Labour standards expectations can be outlined early on in procurement.	If labour standards are to be addressed at all then scrutiny of assurance systems should be restricted to key elements (e.g. policy, risk assessments, supply chain dialogue).
		High	Low
Preparedness of the Market (Engagement with labour standards concerns + maturity of assurance systems)			

Info Sheet: Embedding labour standards in tender documentation and contracts

As well as market and supplier engagement before or when initiating a formal procurement process (see '**Procurement & Supplier Management, Level 2**'), the organisation can embed labour standards and assurance requirements in the legal documentation of the tendering process and subsequent contract.

Considering Market Preparedness

- **For the least prepared markets**, it is recommended that:
 - conditions of contract require progressive improvement of labour standards and assurance systems, to set levels within stated timescales.
- **For less prepared markets**, it is recommended that:
 - conditions of contract require progressive improvement of labour standards and assurance systems, to set levels within stated timescales.
 - conditions of contract require labour standards assurance evidence to be provided periodically or on request.
- **For more prepared markets**, it is recommended that:
 - conditions of contract require labour standards assurances to be provided periodically and/or on request.
 - requisite labour standards and assurances are set out in pre-qualification, contract schedules, or conditions of contract.
- **For the most prepared markets**, it is recommended that:
 - conditions of contract require detailed labour standards assurance evidence to be provided periodically and/or on request.
 - stringent labour standards and assurances are set out in pre-qualification or contract schedules. These should be achievable for a sufficient number of suppliers.
 - where labour standards clearly relate to quality (and therefore value for money), labour standards assurance systems can form part of the award criteria, advantaging those with more extensive and mature systems.

Considering Labour Standards Risk

- **For high risk markets**, labour standards considerations should be integrated into tendering documentation and contracts as fully as possible. Labour standards assurance should be a central aspect of supplier management. Suppliers should provide labour standards self-assessments and evidence of independent third-party audit where suitable.
- **For moderate risk markets**, labour standards considerations should be integrated into documentation and contracts in a proportionate manner. Suppliers should provide labour standards self-assessments. Where requirements will draw on considerable resource (such as third-party audit), these should be prioritised for high risk markets in the first instance.
- **For low risk markets**, labour standards considerations are less relevant, and therefore should not form part of the procurement process beyond supplier engagement and standard terms & conditions (e.g. compliance with the law). Any scrutiny of assurance systems should be restricted to key elements such as policy, risk assessments and supplier dialogue.

Prior Information Notices (PIN)

In any procurement with moderate-to-high labour standards risk, a Prior Information Notice (PIN) should explain the requirement for bidders to provide information on their labour standards and assurance systems, for both their own organisation and their relevant supply chains. The PIN should reiterate messages from the preceding market engagements, in the interest of equality for bidders not previously involved.

Pre-qualification

Pre-qualification is used as an initial screening stage for supplier selection. A contracting authority may not include a pre-qualification stage in any procurement with a value below the EU procurement thresholds for goods, services and works.

LINK: [EU Procurement Thresholds](#)

For procurements below the EU threshold, requisite labour standards and assurances can be set out in schedules or conditions of contract. For procurements above the EU threshold, the European Single Procurement Document (ESPD) should be used in pre-qualification.

LINK: [European Single Procurement Document \(ESPD\)](#)

Exclusion criteria relating to labour standards can be included in the ESPD:

- Exclusion on grounds of a conviction of child labour or other forms of human trafficking, rendered at most five years ago or in which an exclusion period set out in the conviction continues to be applicable
- Exclusion on grounds of breaching obligations in the fields of social and labour law, as referred to in:
 - the PIN or procurement documents,
 - EU law,
 - national law,
 - collective agreements,
 - international provisions listed in Annex X of EU Directive 2014/24/EU
- Exclusion on grounds of grave professional misconduct (as referred to in the PIN, procurement documents, or national law).
- Exclusion on grounds of early termination, damage or other comparable sanctions relating to a prior contract.

LINK: [EU Directive 2014/24/EU](#)

Selection criteria relating to labour standards can be included in the ESPD:

- Requiring suppliers to apply specific supply chain management systems.
- Requiring suppliers to be able to produce certificates (from independent bodies) attesting that they comply with set quality assurance standards. Where relevant to the subject of a contract, and if the market is prepared, specific labour standards certification 'or equivalent' can be required (e.g. SA8000, Fairtrade).

Contract schedules

Labour standards and assurance requirements can be set out in contract schedules where they are directly relevant to the quality of goods, service or works procured. For example, with care services the organisation may require standards and assurances on working hours and patterns, to support staff in maintaining standards of care and services.

Where relevant to the subject, and if the market is prepared, the organisation can require the supplier meet, or be certified to, a specific standard or scheme (e.g. SA8000, Fairtrade), as long as evidence of equivalent systems is also recognised and accepted as evidence of compliance.

Key Performance Indicators can also be used to measure performance, such as rating progressive improvement or maturity of assurance system.

Conditions of Contract

Any provisions that a supplier is expected to make should be set out in the conditions of contract. In the context of labour standards, the nature of conditions will be influenced by the preparedness and risk of the market.

- **For less prepared markets**, the contracting authority may specify:
 - that suppliers are required to provide a labour standards self-assessment soon after contract award, on negotiated frequency, and/or on request;
 - that suppliers will be required to provide evidence of labour standards self-assessments for all first tier supply chain entities within 6-12 months of contract award (depending on resources, number, and preparedness);
 - that suppliers will be required to provide evidence of labour standards self-assessments for suppliers and subcontractors down the supply chain within an agreed timescale;
 - That the supplier shows progressive improvement in its labour standards and assurance systems, set out in agreed 'SMART' improvement plans. The contracting authority reserves the right to input into these plans, monitor progress, and request evidence.

- **For more prepared markets**, the contracting authority may specify:
 - that suppliers are required to comply with a specified code of conduct or set of labour standards;
 - that suppliers are required to maintain an effective labour standard assurance management system, covering the supplier itself and its supply chains relevant to the contract. The organisation can specify high-level elements that must be included;
 - that suppliers will provide information and evidence on elements of their labour standards assurance system to the contracting authority on request;
 - That the supplier shows progressive improvement in its labour standards and assurance systems, set out in agreed 'SMART' improvement plans. The contracting authority reserves the right to input into these plans, monitor progress, and request evidence.

- **For higher risk markets**, the contracting authority may specify:
 - that suppliers will be required to provide evidence of independent third-party audit for their labour standards and/or assurance system periodically or on request. For the most prepared markets, unannounced audits are acceptable if indicated in conditions;
 - that suppliers will be required to provide evidence of an independent-third-party audit on the labour standards and/or assurance systems of high risk entities in their supply chain periodically, or on request;
 - that the contracting organisation reserves the right to commission a third-party audit of the suppliers labour standards and/or assurance systems;

The organisation should highlight these conditions of contract as early in the procurement process as possible, throughout engagement and documentation. This should provide sufficient opportunity to account for these conditions in their decisions to bid and submissions.

Bidders should be required to acknowledge conditions of contract, and to comply with them in delivering the contract. Conditions should ensure that there is a continued focus on labour standards and assurance systems maintained throughout the contract term.

Award Criteria

Where labour standards are directly relevant to the quality of the goods, services or works procured, labour standards assurance systems may form part of the award criteria. Where prequalification, schedules and conditions of contract set pass/fail requirements; award criteria will provide an opportunity to advantage suppliers with more mature labour standards assurance systems, and drive competition in the market to improve systems.

Public contracts must be awarded to the most economically advantageous tender by calculating the 'best price-quality ratio'. Regulation 67 of the Public Contracts Regulations 2015 explains that 'quality' can include:

- consideration of the entire life-cycle;
- social characteristics, trading and/or conditions;
- the organisation of staff;
- the specific process of production, provision or trading.

Labour standards and assurance systems may relate to any of these four quality elements.

LINK: [Public Contracts Regulations 2015: R.67, contract award criteria](#)

Award criteria are required to be relevant, and therefore should only be used where there is noticeable labour standards risk. Award criteria must also ensure the possibility of effective competition, and therefore should only be used where the market is well prepared in labour standards assurance systems.

The organisation must provide a transparent explanation of how the award criteria will be assessed. By placing a bid, the supplier is agreeing that it will meet the labour standards and assurance system requirements set out in the schedules or conditions of contract. Award criteria will therefore score the contracting authorities 'confidence' that the supplier and its relevant supply chains will be compliant with requirements throughout the life of the contract, based on the maturity of its assurance system and the detail provided.

Maturity of labour assurance system can be scored on 0-5 scale:

- 0:** insufficient assurance system,
- 1:** sufficient assurance system,
- 2:** good assurance,
- 3:** very good system in place,
- 4:** full system in place.

The level of detail provided can be scored on a 0-2 scale:

- 0:** insufficient detail provided;
- 1:** minimal or vague detail provided,
- 2:** acceptable or good detail provided,

Multiplying these together will provide a 'labour standards assurance score' of 0-10.

The supplier self-assessment questionnaire gives an indication of what a mature system looks like: including policy and responsible individuals in place, risk assessments, verification and enforcement of compliance, and clear detail and schedules indicating a systematic approach..

TEMPLATE: [Supplier self-assessment questionnaire](#)

The organisation must provide a transparent explanation of how the award criteria will be weighted. It is suggested that labour standards are given a relatively low weighting of between 5% and 20% of total criteria. This is because prequalification, schedules or conditions of contract should secure the 'minimum' required labour standards assurance. Any additional award criteria will assesses where bidders provide additional assurance and reduced risk. While of value, this is unlikely to be as important as price or other quality considerations in the award decision.

Template: Supplier Self-Assessment Questionnaire

This self-assessment questionnaire can be used to assess suppliers' labour standards policies and practices. As a template, this can be added to or edited to be more relevant to the organisation's approach and needs.

All requests for information should be relevant, appropriate and proportionate. The following questionnaire is based on the LSAS guidance for audit. It provides considerable detail suitable for suppliers in high risk categories either involved in numerous procurements with high strategic risk/importance. It may be proportionate to reduce the number of questions to a more concise number for suppliers in lower risk categories, or where procurements have lower strategic risk/importance. The organisation can seek further detail in follow-up correspondence or meetings.

The questionnaire can be sent as paper copy, emailed as a 'Word document', or uploaded to an online survey platform (e.g. [SurveyMonkey](#)). For paper copies, be sure to delete <ANSWER HERE> prompts and enlarge answer boxes if necessary.

<BRACKET BLUE> text should be replaced with relevant black text, or deleted.

TEMPLATE START

<INSERT PROCURING ORGANISATION HEADER AND LOGO>

The supplier labour standards self-assessment

<INSERT INTRODUCTORY TEXT:

- **Introduce the procuring organisation's policy on working with its supply chain to promote labour standards and effective assurance systems.**
 - **This might include a brief overview of the risks to the organisation and its suppliers, and the benefits of labour standards and assurances.**
 - **Link to any publicly available policy, supplier guidance, code of conduct or similar documents on the organisation's approach and expectations in ethical procurement.**
 - **Reference any elements of tender documentation or contracts that refer to labour standards and assurance systems, whether specific requirements or a condition that suppliers cooperate with the organisation to progressively improve.**
 - **Confirm whether answering the entire self-assessment questionnaire is mandatory under conditions of contract, or voluntary.>**
-

How answers and information are used

Answers and information provided by <SUPPLIER ORGANISATION NAME> will support dialogue and planning to improve labour standards and assurance systems throughout the relevant supply chain.

<PROCURING ORGANISATION NAME> recognises that <SUPPLIER ORGANISATION NAME>, its suppliers, subcontractors and other supply chain partners may require time and support to identify risks and issues, and progressively improve standards and systems. It is not expected that an organisation will have a fully mature and effective labour standards assurance system when answering this self-assessment. The intention of this questionnaire is to begin a journey to improve supply chain visibility, labour standards and assurance systems. The intention is not to 'catch out' <SUPPLIER ORGANISATION NAME> and other organisations in the supply chain, nor treat them punitively.

<PROCURING ORGANISATION NAME> values transparency and honesty in its suppliers and relationships. Detail and clarity in answers and information provided by suppliers will enable more effective dialogue and collaboration between <PROCURING ORGANISATION NAME> and <SUPPLIER ORGANISATION NAME>.

Answers and information provided by suppliers, including where it is recorded or reference in other documents, will remain confidential between <PROCURING ORGANISATION NAME> and <SUPPLIER ORGANISATION NAME>. It will be shared internally only where relevant and appropriate. It will be classified as 'commercially sensitive', and 'provided in confidence'. It will therefore not be included in any Freedom of Information (FoI) response, under exemptions outlined in Sections (2)41 and 2(43) of the Freedom of Information Act 2000.

Answers and information provided by suppliers will not be shared with any other organisations, including public health bodies, without <SUPPLIER ORGANISATION NAME>'s permission.

Answers and information provided by suppliers may be anonymised and aggregated for reporting purposes (e.g. 50% of suppliers have a labour standards policy in place). Anonymised and aggregated measures may be shared in FoI responses or with other organisations.

Answers and information provided by suppliers will not prejudice future awarding decisions. The exception to this is if a clear, major and knowing breach of contract is uncovered which results in grounds for exclusion (e.g. termination of contract, conviction, gross misconduct).

'Completing the questionnaire'

The questionnaire should be completed by an individual employed by <SUPPLIER ORGANISATION NAME>, in a relevant and suitable role to provide useful, detailed and honest answers.

<STATE DEADLINE FOR SUPPLIER SELF-ASSESSMENT TO BE RETURNED>

<STATE HOW THE SUPPLIER SELF-ASSESSMENT CAN BE RETURNED>

<STATE CONTACT DETAILS IN CASE OF QUERIES>

Questionnaire

Generic company questions	
Company Name	
Your Name	
Your Role	
Phone Number	
Email Address	

Ref	Policy
Q1	<p>Is your organisation a member of any association(s) that actively seek to improve labour standards and/or assurance systems?</p> <p>If so, how long has your organisation been a member?</p> <p>Are the requirements of the association embodied in your organisation's policies?</p> <p><ANSWER Q1 HERE></p>
Q2	<p>Does your organisation have clearly defined policy statement(s) or document(s) committing to some or all of the following?</p> <ul style="list-style-type: none"> – Compliance with the ILO Fundamental Conventions (C029, C087, C098, C100, C105, C111, C138 and C182); – Compliance with all national and local laws; – Compliance with collective agreements; – A defined set of labour standards. <i>Whether your own, or adopted (e.g. customer's code, industry or association code, ETI Base Code, BSCI Code, UN Global Compact)</i> <p>If so, has this policy been made available to the public and/or customers?</p> <p>Please provide an estimate as to how long such a policy commitment has been in place.</p> <p><i>Please also provide detail, links or reference to attachments that clarify what is included in this policy commitment; as well as explanation if they has been an active decision not to make certain policy commitments.</i></p> <p>If your organisation has no relevant policy commitment(s), please skip to Q5.</p> <p><ANSWER Q2 HERE></p>

Q3 Are the above policy commitments also expected of your organisation's partners, suppliers, subcontractors and other entities within the supply chain? Is this formally agreed?

If so, to what extent? (e.g. only direct suppliers; down to tier 2 suppliers; all in the supply chain including partners, subcontractors, peripheral services and raw materials)

<ANSWER Q3 HERE>

Q4 Are labour standards policy commitment(s) agreed and signed off by senior management?

<ANSWER Q4 HERE>

Ref **Responsible Individuals**

Q5 Has your organisation identified lead individuals as responsible for labour standards or assurance systems in the organisation and/or throughout the supply chain?

If so, please provide an estimate as to how long these roles have been in place?

Please identify the names and roles of these individuals, and provide contact details if possible (e.g. sustainable procurement manager, senior champion, chair of governance board).

Please also detail whether their labour standards-related roles are their exclusive responsibility, or whether these individuals have other significant roles in the organisation.

If your organisation has no responsible individual(s) for labour standards and assurance systems, please skip to Q9.

<ANSWER Q5 HERE>

Q6 Are these lead individual(s) able to report concerns to the top level of management?

If so, have they ever done this? Please provide a brief of the situation, action and result.

<ANSWER Q6 HERE>

Q7 Do any of these lead individual(s) have the authority to enforce corrective action on an organisation in the supply chain posing a labour standards risk, or to insist that your organisation cease trading with this entity?

If so, have they ever done this? Please provide a brief of the situation, action and result.

<ANSWER Q7 HERE>

Q8 Do lead individual(s) have any formally set targets or objectives relating to labour standards and assurance systems?

If so, how are these monitored? Are they periodically reviewed?

<ANSWER Q8 HERE>

Ref **Internal Reporting**

Q9 Does your organisation have a system in place to communicate labour standards findings and issues to senior management?

<ANSWER Q9 HERE>

Q10 Are issues relating to labour standards, within the organisation or its supply chains, discussed and reviewed at Management and Board Meetings?

<ANSWER Q10 HERE>

Q11 Does the organisation have a system in place to receive and respond to allegations, complaints or other alerts about labour standards issues?

If so, does this include a whistle-blowing helpline? Are whistle-blowers clearly protected?

<ANSWER Q11 HERE>

Q12 Does the organisation have a documented set of objectives relating to labour standards with clear requirements and timelines?

If so, have they been agreed by top management?

Do these also relate to the supply chain as well as the organisation itself? To what extent?

How often is progress against these objectives reviewed and re-assessed?

<ANSWER Q12 HERE>

Ref **Labour Standards Status**

Q13 Has your organisation conducted an assessment to identify the general labour standards risk in its sector? This includes key sectors it is supplied by or involved in.

If so, is this periodically reviewed and updated?

Please provide detail, links or cite attachments explaining the scope and conclusions of this risk assessment.

<ANSWER Q13 HERE>

Q14 **Has your organisation undertaken a labour standards assessment of its own business?**

If so, is this as self-assessment, or carried out by an independent third-party?

Is this periodically reviewed and updated?

Please provide an estimate as to how long these assessments have been taking place. Please also provide detail, links or cite attachments explaining the scope and conclusions of this audit or assessment. Please also explain the action implemented in response to any risks and issues found, and results.

<ANSWER Q14 HERE>

Q15 **Has your organisation mapped its supply chain?**

If so, to what extent? (e.g. only direct suppliers; down to tier 2 suppliers; all in the supply chain including partners, subcontractors, peripheral services and raw materials)

<ANSWER Q15 HERE>

Q16 **Does your organisation have a documented procedure in place for the identification and management of labour standards risks and issues in its own business or its supply chain?**

If so, does this procedure set out clear direction or guidance for dealing with risks and issues when identified?

Does this procedure differentiate 'emergency'/'critical' risks and issues and how these should be dealt with?

Does this procedure require your organisation to communicate some or all risks and issues to its customers?

Is there a documented record of risks and issues identified?

Please provide detail, links or cite attachments giving an overview of the procedures scope. Please also provide an estimate as to how long this procedure has been in place.

<ANSWER Q16 HERE>

Q17 Has your organisation undertaken a labour standards assessment of any partners, suppliers, subcontractors or other organisations within its supply chain?

If so, to what extent? (e.g. only direct suppliers; down to tier 2 suppliers; all in the supply chain including partners, subcontractors, peripheral services and raw materials)

Were these self-assessments, or carried out by an independent third-party?

Did these involve unannounced audits of sites for production or provision?

Are these periodically reviewed and updated? If so, is this a set frequency, or depending on the risk and issues identified?

Please provide detail, links or cite attachments explaining the scope and overall conclusions of these audits (e.g. no issues identified; health and safety issues identified with a supplier; working hours issues identified with around 80% of subcontractors; etc.). Please also explain the action implemented in response to any risks and issues found, and results.

<ANSWER Q17 HERE>

Ref **Competence & Awareness**

Q18 Has your organisation provided appropriate awareness raising or training on labour standards risk for its staff, where relevant?

If so, is this periodically repeated?

Please provide detail, links or cite attachments explaining what this involves and who it is provided to.

<ANSWER Q18 HERE>

Q19 Has your organisation provided awareness raising or initial training on labour standards risk for any partners, suppliers, subcontractors or other entities within its supply chain?

If so, to what extent? (e.g. only direct suppliers; down to tier 2 suppliers; all in the supply chain including partners, subcontractors, peripheral services and raw materials)

Is this periodically repeated?

Please provide detail, links or cite attachments explaining what this involves.

<ANSWER Q19 HERE>

Info Sheet: Ethical management and product standards

Credible standards and certification schemes can be effective tools to bring about significant improvements to societies and communities. It is important that procurement managers are aware of these schemes, and can evaluate their robustness and relevance if required to consider them as evidence in a procurement or contract management process.

Management system standards

Management system standards involve organisations adopting minimum standards of business, and working to improve their systems and approach to meet these. Standards can be sector-specific, or apply more generally.

Widely recognised labour standards management system standards include:

LINK: [NHS Supply Chain 'Labour Standards Assurance System' \(LSAS\)](#)

LINK: [SA8000 Standard](#)

LINK: [BSCI '2.0' Implementation](#)

LINK: [Global e-Sustainability Initiative \(GeSI\)](#)

LINK: [Worldwide Responsible Accredited Production \(WRAP\)](#)

LINK: [International Council of Toy Manufacturers \(ICTI\) CARE Program](#)

The organisation may encourage its suppliers to join a programme, or work toward a certification, to improve labour standards and assurance systems. Consideration should be given toward the norms of the market and supplier preference, to maximise engagement and impact. For instance, the SA8000 standard is widespread in some sectors, while industry-specific standards are used in others.

The organisation can also encourage or require its suppliers to implement the NHS Supply Chain LSAS, which can be used by any procuring organisation. If the supplier is on the NHS SC catalogue, the organisation might request that NHS SC manage the supplier part of their own labour standards commitments.

Product standards

Product standards often take the form of ethical product labelling schemes. These tend to communicate standards in one particular area. For example, the Fairtrade mark is focused on poverty alleviation and sustainable development. Products are audited against the specific standards of the certification scheme.

Labour standard certifications include:

LINK: [Fairtrade](#)

LINK: [Forest Stewardship Council](#)

Assessing Credibility

When considering evidence of participation in a management system or product standard scheme, the organisation should assess the credibility and robustness of the scheme.

Key considerations include:

- **Independence of the schemes governance.** Organisations and persons responsible for overseeing the scheme should be sufficiently independent and objectivity.
- **Coverage of minimum standards applied.** Labour standards commitments should be equivalent to the organisation's.
- **Robustness of auditing.** Auditing should be independent, regular and carried out by a reliable and reputable organisation.

Case Study: Engaging the Surgical Instrument Supply Chain to improve Labour Standards

Summary

Guy's and St Thomas' NHS Foundation Trust has implemented an ethical procurement programme to improve labour standards in its supply chain. This includes publishing a Supplier Code of Conduct, based on the ETI Base Code, and appointing a Sustainability Manager to work with suppliers in improving standards throughout the supply chain.

Guy's and St Thomas' NHS Foundation Trust is responsible for three hospitals, and various community centres and services, in the Lambeth and Southwark area. One of the largest Trusts in the UK by revenue, it spends circa £600m on goods and services each year.

What was being addressed?

Some surgical instruments have been traced to unsafe and unethical manufacturing environments. Workers in these environments are at risk of injury and labour rights violations, such as sexual harassment, poor conditions and unfair wages.

What action was taken?

After learning about the issues in 2014, Guy's and St Thomas' embarked on a programme of activities, working with key suppliers to ensure they understand the impact they have and to establish clear operating standards.

Using the Ethical Trade Initiative's (ETI) Base Code as a foundation, the Trust developed a supplier Code of Conduct, which incorporates ethical as well as environmental standards. This code establishes more accountability between suppliers and the Trust:

Guy's and St Thomas' NHS Foundation Trust wishes to work with suppliers that promote and uphold the following values:

1. Employment is freely chosen.
2. Freedom of association and the right to collective bargaining are respected.
3. Working conditions are safe & hygienic.
4. Child labour is not used.
5. Living wages are paid.
6. Working hours are not excessive.
7. No discrimination is practiced.
8. Regular employment is provided.
9. No harsh or inhumane treatment is tolerated.
10. Business continuity is considered to avoid disruption to supply from events, such as natural disasters.
11. Improper payments/bribes are avoided.
12. High environmental standards are practiced, and demonstrable commitment to minimise environmental impact is shown.

A dedicated Sustainability Manager has been appointed by the Trust to manage this process and work directly with suppliers to improve working conditions further down the supply chain. Guy's and St Thomas' aims to work with its tier one, tier two and tier three suppliers to understand and improve their entire supply chain.

The approach is supported by the Sustainability Governance Committee, chaired by Trust Chairman Sir Hugh Taylor, and comprising the Medical Director and Chief Procurement Officer, as well as other organisational leaders.

What was the impact or result?

The Trust now has greater visibility of its supply chain and is confident that it has robust mechanisms in place to tackle potential abuses. Through collaborative working with key suppliers, it has engaged with several medical instrument suppliers to improve transparency, safety and human rights within supply chains. In addition, the Code of Conduct has been ratified by the directors of procurement for the Shelford Group of NHS Trusts, which represents the 10 largest teaching hospitals across the UK, and over 10% of the UK healthcare market.

Guy's and St Thomas' will lead an assurance review to ensure that the code is being used and enforced, and will also report on the progress made in working with key suppliers in the medical instrument and supplies market.

Lessons learnt and success factors

Tackling issues in the supply chain can be a challenging task. The key lesson is the importance of collaboration and working with the first tier suppliers to find a productive and non-confrontational way forward. There is a high risk that poor practices will be revealed through a review such as this, and it's important to work with existing networks and suppliers to ensure that standards are raised, rather than suppliers boycotted; as this can have severe unintended consequences for those the review is trying to help.

Collaboration with other healthcare customers is crucial, as increasing demand for labour standards sends a powerful signal to the market that this is an issue to taken seriously.

Case Study: Ethically Sourced Surgical Gloves

Summary

NHS Supply Chain (NHS SC) provides end-to-end supply chain solutions to over 1000 NHS and other healthcare organisations in England and Wales. NHS SC aims to source and supply healthcare products and food sustainably, whilst achieving the procurement efficiency targets highlighted in Lord Carter's report.

What was being addressed?

The NHS SC Framework Agreement for Examination and Surgeons' Gloves was coming up for renewal. The existing framework contract covered approximately 1000 glove products, used in a range of procedures by the NHS.

Examination and Surgical Gloves supply chains have known and documented labour standards risks. In line with the Ethical Procurement for Health commitments, NHS SC set out to put a framework in place that met customers' needs and efficiency targets, whilst adding value and integrity to the supply chain.

LINK: [In Good Hands: Tackling labour rights concerns in the manufacture of medical gloves \(BMA\).](#)

What action was taken?

NHS SC requires all suppliers to sign up to its Supplier Code of Conduct which includes provisions for the protection of labour rights.

LINK: [Supplier Code of Conduct \(NHS Supply Chain\)](#)

In response to increasing scrutiny and interest in labour rights issues in healthcare supply chains, NHS SC (working closely with DH) developed a bespoke approach that effectively manages ethical and labour risks in supply chains, whilst keeping in line with public procurement requirements.

The Labour Standards Assurance System (LSAS) is a risk management tool that relies on early engagement and communication with the supply base. Similar to a maturity matrix, it comprises four levels of organisational performance in relation to labour standards assurance. Suppliers are made aware that ethical issues are important to the procuring organisation and will become part of contract management. This is done early on, when the Prior Information Notice (PIN) is issued.

Pre-tender webinars are held to explain the requirements of LSAS to interested suppliers. Ethical and labour issues do not feature in the selection of suppliers or tender evaluation (ethical policies are neither requested nor evaluated by the procurement team); instead they are amongst the tender schedules which clearly explain that labour standards management is a post contract condition. Further awareness webinars are provided once the contract has launched.

As part of contract performance, the successful suppliers have to demonstrate that they have achieved certain requirements at each stage of contract management. For example, 6 months into the contract, all suppliers have to provide independent audits to demonstrate that they meet the requirements of Level 1 of LSAS. NHS SC contract managers ensure that help is at hand when needed; webinars are held to support suppliers.

When the Gloves framework launched in December 2015, NHS SC applied the LSAS. Labour requirements were articulated in the PIN and webinars were held before and after the contract was awarded. Suppliers now have to demonstrate that they meet each milestone of this 4 year contract.

What was the impact or result?

The webinar sessions have proved extremely useful in raising awareness of the issues, gauging market readiness, sharing useful materials, preparing suppliers for contractual requirements as well as providing a forum for discussion with the market on topical issues such as the recent requirements under the UK Modern Slavery Act 2015.

Despite the strong ethical element of this contract, it does not mean price has been compromised. In fact, £782k (or 1.4%) of savings have already been achieved whilst NHS SC's procurement team anticipate further price reductions in the future. This is because ethical and labour issues were not 'bolted on' but rather they were considered from the outset, as an integral part of the products required and as an expectation of responsible suppliers. In addition to up-front price reductions, further savings are expected throughout the lifetime of this contract through initiatives such as price ranking, developing a core list of products, trust collaboration deals and product innovation.

Lessons learnt and success factors

The LSAS is proving an effective tool for labour standards management: setting out clear expectations and practical milestones that suppliers can use to plan actions and track progress. In a product area with known labour rights issues in supply chains, this contract is providing both due diligence and price reductions. Before the introduction of LSAS, sector-wide awareness of labour rights issues in the manufacture of medical gloves was poor. Supporting suppliers to develop continuous improvement plans, over time, has successfully introduced a culture of responsibility and due diligence. Key to this has been effective engagement and gradual implementation.

Ensuring supplier buy-in can be a challenge, especially in complex contracts with multiple suppliers. Early engagement, a transparent process and support from trade associations have all helped to bring everyone on board. This has enabled NHS SC to manage risk across OEMs, wholesalers, SMEs or multi-nationals.

The LSAS is a tried and tested approach supported by the DH that can be used by any organisation. Whilst the process is readily available, organisations do have to commit some contract management resource that will ensure that the LSAS commitments are delivered throughout the contract duration.

Useful Links

Ethical Trading Initiative (ETI)

ETI is a leading alliance of companies, trade unions and NGOs that promotes respect for worker's rights around the globe. Its website provides relevant resources, and relevant training courses.

Sustainable Development Unit for the Health and Social Care Sector (SDU)

The SDU supports the NHS, public health and social care to embed and promote the three elements of sustainable development: environmental, social, and financial sustainability.

British Medical Association (BMA) Medical Fair and Ethical Trade Group

BMA Medical Fair and Ethical Trade Group was established at the BMA in 2007 to investigate, promote and facilitate fair and ethical trade in the production and supply of commodities to the healthcare industry. There is range of awareness raisings material available on their website, including documentaries and case studies.

The UN Global Compact

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Business & Human Rights Resource Centre

An independent resource with a website updated hourly with news and reports about companies' human rights impacts worldwide, both positive and negative. See link above.

Rules of the Game: a brief introduction to International Labour Standards

'Rules of the Game' is published by the International Labour Organisation (ILO) to promote better understanding of the essence of the ILO Conventions and Recommendations, the application and supervision of international labour standards, and their importance in the global economy.

NATLEX

The ILO maintains a database of national labour legislation called NATLEX which allows users to search by country, providing legislation information and other reports.

Other links generally relating to ethical trade include:

- [International Labour Organisation](#)
- [UN Guiding Principles on Business and Human Rights](#)
- [UN Guiding Principles Reporting Framework](#)
- [Global Reporting Initiative](#)
- [The LANDMARK project](#)
- [Sedex](#)
- [Business for Social Responsibility](#)
- [Business Social Compliance Initiative](#)
- [Global Social Compliance Programme](#)
- [ISO 26000](#)
- [Fair Labor Association](#)
- [Clean Clothes Campaign](#)

There are a range of guides for implementing ethical procurement and labour standards assurance systems (similar to the EPH Workbook), which can provide useful tools or advice:

- [ETI Human Right Due Diligence Framework](#)
- [Tackling Modern Slavery in Supply Chains: A Guide 1.0](#)
- [ETI Integrating Ethical Trade into Business Practice](#)
- [CIPS Ethical and Sustainable Procurement](#)
- [LANDMARK Project Guidance & Tools](#)

