



Ethical Procurement for Health: *Workbook*

British Medical Association (BMA): The BMA is an independent trade union and voluntary professional association that represents doctors from all branches of medicine all over the UK. It has a total membership of over 144,000.

Ethical Trading Initiative (ETI): ETI is a ground-breaking alliance of companies, trade unions and voluntary organisations. Its members work in partnership to improve the working lives of poor and vulnerable people in supply chains who provide goods and services - anything from sewing staff uniforms and assembling workplace equipment to providing cleaning and catering services.

Department of Health (DH): The Department of Health exists to improve the health and wellbeing of people in England. Its work centres around three strategic objectives of better health and well-being for all, better care for all, and better value for all.

The Medical Fair & Ethical Trade Group (MFETG): The MFETG was instigated 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.

Introduction

The *Ethical procurement for health: workbook* (EPH) has been developed in partnership between the British Medical Association, the Ethical Trading Initiative (ETI) and the Department of Health (DH). It aims to:

- Assist procurers in the health and social care sector to include consideration of labour standards throughout the procurement and market engagement processes.
- Build awareness and understanding of labour standards in supply chains among procurers, so that labour standards concerns may be identified early and addressed proactively and constructively.

Context

The moral case for ethical procurement in the NHS is outlined and contextualised in the complementary document [Ethical Procurement for health: overview](#). We recommend readers familiarise themselves with this document before using the workbook. In summary:

- Concern over labour standards in some health and social care supply chains has increased over the past few years as independent research has identified cases where International Labour Organisation conventions are not being followed.
- With annual NHS spending on goods and services in excess of £30 billion across a wide range of goods and services, there is a significant risk for the NHS with regard to abuses of labour standards in supply chains

Inaction on ethical procurement presents a risk to the reputation and ethical standing of NHS organisations, but the benefits of ethical procurement extend beyond this. Many corporate members of ETI have found that after investing in helping their suppliers improve conditions for workers, suppliers report increased worker retention, motivation and productivity, and better product quality. Ethical procurement does not have to cost more, and makes good business sense.

EPH is aligned with several government strategies:

- The UK Government's [Health is Global](#) strategy (2008) supported an aspiration for the NHS to procure in an ethical manner
- The UK Government's [Health is Global outcomes framework](#) (March 2011) continues to prioritise the importance of trade for better health
- The [Good Corporate Citizenship](#) model (2006) asks NHS organisations to consider specifying environmental and social standards through the procurement process

EPH Workbook structure and content

The workbook structure mirrors and supports the [Flexible Framework for Sustainable Procurement](#) (2007), whose focus is on reducing environmental impact through procurement (and is promoted through Defra's [National Sustainable Public Procurement Programme](#), the Government's [Sustainable Procurement Action Plan](#) and the [Scottish Sustainable Procurement Action Plan](#)).

The workbook content is based upon concepts and strategies that have been successfully used by corporate members of ETI for many years. However, the content does take account of issues that may differ in procurement for the NHS. Some of these issues were identified through research undertaken by DH (through the NHS Purchasing and Supply Agency) in partnership with ETI in 2007/8. Consultation with a number of key stakeholder groups identified:

- limited practical knowledge or experience of managing ethical trading
- limited resources and competing pressures at the procurer level
- complex and fragmented procurement systems
- perception that ethical trading criteria may contravene EU procurement rules (see [Procurement Process, level 1](#))
- limited culture of audit or due diligence on labour standards
- no system for collectively storing ethical trading information from suppliers and limited knowledge about suppliers and supplier practices
- the perceived impact of ethical trade on costs and value for money.

In response this workbook:

- provides a flexible framework to enable a step-wise and progressive approach, with benchmarking and monitoring of ethical procurement activities
- includes guidelines, templates, and tools to help NHS organisations improve their processes
- is supported by access to ETI expertise and training, which can be tailored to NHS organisations.

In addition procurement organisations may wish to identify where a centralised approach may be appropriate, for example in the development of policies, tools and ongoing partnerships.

Who is the *EPH Workbook* for?

The EPH Workbook is intended for people working in any organisation that procures for the NHS. This may include NHS Trusts, General Practice surgeries or consortia, other healthcare providers, and collaborative procurement organisations.

The principles contained in the workbook may also be of use to organisations outside of the NHS, such as private sector organisations, charities that procure medical products or services, or healthcare providers outside of the UK.

How to use the *EPH Workbook*

All organisations differ and no single approach will be right for all. We therefore encourage organisations to use the workbook as a guide, identifying the elements that are important to them and interpreting the framework pragmatically, in accordance with their circumstances. This workbook has been developed to support the practical application of the EPH flexible framework. It is intended to be a resource that the user can dip in and out of, rather than needing to be read in its entirety prior to starting work.

Acknowledgements

We would like to thank all of the organisations who have shared information and experiences in support of the case studies included within this document.

The EPH Flexible Framework

The *EPH Workbook* identifies five key areas for action (themes).

- [Policy and Communications](#)
- [People](#)
- [Procurement Process](#)
- [Engaging Suppliers](#)
- [Measurement and Results.](#)

Each theme has five levels of maturity.

- Level 1 – Foundation
- Level 2 – Embed
- Level 3 – Practice
- Level 4 – Enhance
- Level 5 – Lead

The EPH Flexible Framework (see below) describes, for each theme, the practices that would characterise organisations at each of the five levels.

A progressive model

The EPH Flexible Framework is a progressive model where the descriptions provided in each box assume that practices identified at preceding levels within the same theme have also been addressed (i.e. to satisfy level 3 of [People](#) one should be able to demonstrate that practices identified at levels 1 and 2 of [People](#) have also been addressed).

Initial focus is on establishing effective policy and practices for the management of labour standards issues. As the organisation's policy and practices evolve, the emphasis shifts towards activities that address improvement against specific identified

labour standards issues. Monitoring and measurement of outcomes is important to ensure that practices that are adopted actually deliver the intended results.

Each box in the EPH flexible framework is supported by detailed information:

- key components
- why each component is important and how each can be tackled
- case studies or worked examples
- signposts to supporting materials and further information.

Case studies have been used to help illustrate key points at each stage. It should be noted that a number of the case studies refer to private sector organisations and while it is felt that the studies demonstrate practical approaches, it should be recognised that private sector organisations are not subject to public sector procurement regulations (see [Getting started](#)).

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	Foundation Level 1	Embed Level 2	Practice Level 3	Enhance Level 4	Lead Level 5
Policy and Communications	Clear business case for addressing labour standards signed off by senior management and communicated to procurers and other key staff.	Policy in place which makes reference to encouraging a minimum, stated, level of labour standards through procurement. This is communicated internally and to key suppliers.	Policy expanded (or supplemented by code of conduct) to detail expectations on labour standards. Communicated internally and to all suppliers. The policy (and code of conduct if applicable) is made publicly available.	Organisation reports internally on activity and performance and has established processes for responding to enquiries and challenges from external interested parties.	Organisation recognised as a leader by peers and other stakeholders. Actively shares good practice and reports externally on activity and performance. Feedback sought from external stakeholders on the organisation's policy, practice and performance.
People	Named senior level champion identified with responsibility for implementing ethical procurement within the organisation. Initial awareness raising activity undertaken with key procurement staff.	Initial awareness raising activity has been undertaken with all procurement staff.	Key procurement staff have undertaken detailed training on managing labour standards as part of a structured personal development plan. Responsibilities are defined and personal objectives set for procurement staff.	Procurement staff to engage with clinical and patient groups on labour standards issues, at an organisational level, to raise broad awareness and to improve understanding of needs and expectations for all.	Ethical procurement is a specific element of the 'role profile' for all key procurement staff, setting out relevant competencies. Organisation is meaningfully engaged with external stakeholders to identify and pursue improvement opportunities.
Procurement Process	Desk-based risk assessments are undertaken for all major procurement exercises.	Desk-based risk assessments are undertaken for all procurement exercises and proportionate consideration is built into the process.	Supplier self assessments required from high risk suppliers to refine risk assessment and inform procurement approaches. Clear guidance in place to advise procurers on when and how to address issues within a procurement process.	Evidence of independent third party labour standards audits of suppliers required from high risk suppliers. Procedures exist for taking remedial action. Labour standards form part of ongoing market engagement processes.	Procurement and market engagement processes are employed proactively to drive demonstrable improvements in labour standards within supply chains.
Engaging suppliers	Initial category risk assessment has been undertaken to identify priority areas for focus.	Priority categories selected and dialogue initiated to establish awareness levels, position and maturity of market. Labour standards, where significant, embedded in category strategy.	Regular and structured engagement with suppliers in priority categories that identify improvement objectives and action plans.	Working collaboratively with suppliers and third parties to deliver improvement programmes.	Schemes in place for the recognition of high performing suppliers or sectors (outside procurement process). Case studies are developed to capture good practice from collaborative projects.
Measurement and Results	Organisation regularly reviews its progress against this guidance (EPH).	Progress against this guidance (EPH) is routinely reported to senior management and further indicators of management performance are adopted (e.g. training, audits).	Indicators of positive impacts resulting from the organisation's activity are adopted and monitored.	Organisation actively monitors research findings and indicators of ethical conditions and trends by region, country or sector to inform risk assessment and future initiatives.	Measures of positive impacts that relate to the ethical procurement business case for the organisation are routinely applied as part of the benefits tracking processes for contracts.

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Getting started

1) **EPH self assessment**

Undertake a self assessment of your organisation against the EPH Flexible Framework using the EPH tool signposted in the guidance for level 1 of [Measurement and Results](#). This will help identify where you are and the details of the next level up will help you identify what specific actions you will need to take to progress.

2) **Achieving foundation level**

If you find that your organisation needs to work towards achieving foundation level then it is suggested that the initial focus should be on [Policy and Communications](#) and [People](#). This will facilitate development of the other three themes.

3) **Choosing levels**

While the levels for a specific theme have been designed to build one on another, there may be some situations where it is appropriate for you to cover more than one level at a time. For example, some organisations may choose to develop policy and business case as part of the same exercise. You need not complete all level 1 tasks before initiating work on level 2. However, it is generally advisable to complete all level 1 tasks before moving to level 3 of any particular theme.

4) **Keeping progress uniform**

It is likely that progress within different themes will vary and in the early stages this is likely to be more noticeable. However, it is recommended that the organisation should try to make progress across all five themes simultaneously rather than pushing a long way ahead in one before addressing others.

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5) Setting EPH objectives

It is recommended that organisations set objectives for achieving specified levels of the EPH flexible framework within certain time frames at an early stage as this will help maintain focus on actions and help stakeholders understand aspirations and progress.

6) Raising awareness of EPH

To support dialogue with key stakeholder groups both internally and externally, it is advisable to raise awareness of EPH and any associated objectives your organisation has set.

7) Public sector procurement rules

All public procurement is governed by the EC Treaty principles of openness, transparency and fair competition, the UK regulations which implement the EU procurement directives and government value for money policy. The EU rules clearly state that there is scope to incorporate environmental and social considerations within the procurement process where they are relevant to the subject matter of the contract. Therefore, when using this guidance and toolkit it will be necessary to judge the relevance of labour standards issues on a case by case basis.

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THEME - Policy and Communications

This theme covers the establishment of the business case and policy direction for the organisation on ethical procurement, and the communication of these to key stakeholders.

Establishing and communicating clear policy is fundamental for providing employees and suppliers with a clear reference point on what is, and what is not, important to the organisation. This in turn guides strategy, objective setting and action plans.

Leadership in this area is characterised by the organisation acting as an advocate for ethical procurement among peers and wider stakeholders.

In using this guidance your attention is drawn to the public sector procurement rules and the information provided in [Getting started](#).

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Level 1 – Policy and Communications [Foundation]

Key components

- **Business case** developed
- Senior management **sign off** of business case
- Communicate business case to **procurers**
- Communicate business case to **key staff**

Guidance

Overarching business case development

Developing a clear and robust overarching business case for the organisation that addresses the question ‘Why procure ethically?’ is a critical first step. Generic business case arguments are presented in [Info sheet: Making the business case for ethical procurement in your organisation](#) as a guide but it is important to ensure that the business case is relevant to the organisation. The business case should identify what is important to the organisation and may include the following aspects.

Values and aims

- Stress the need for purchasing to be in line with regulation, and the organisation’s values and aims, as well as those of key stakeholder groups such as staff and patients.

Outline the problem

- Recognise that labour standards abuses can exist in the supply chains of products and services procured for the health and social care sector.

Identify the risks to the organisation

- Reputational risks to the procuring organisation of contracting with suppliers producing products in an unethical manner (e.g. employing child labour).
- Risks to the continuity of supply if suppliers do not meet legal standards or the expectations of key stakeholder groups.
- Risk to product or service quality from the existence of poor labour standards.

Identify the benefits

- Increased understanding of the supply chain and opportunities to drive improvement.
- Improvements in employment standards, worker welfare and health at a local, national and global level.

While the broad case may be well understood, we advise you to formally document it to

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support consistent communication, and to provide a point of reference for management and staff, now and in the future. It may also be necessary to provide a documented business case to justify actions and decisions in the event of a challenge from interested parties.

Note: Development of an overarching business case for the organisation does not remove the requirement to assess relevance of labour standards in each procurement exercise.



Info sheet: [Making the Business Case for Ethical Procurement in your Organisation](#)



Info sheet: [International Labour Standards and Codes of Conduct](#)



ETI short films on the business case for ethical trade

The Ethical Trading Initiative (ETI) has produced two 15 minute films, for suppliers and retailers respectively, setting out the business case for ethical trade. They have been made specifically to help corporate ethical trade managers raise awareness and support for labour codes within their own organisations and associated supply chains. The films should also be of use and interest to others involved in ethical trade and could be used to help raise awareness.

Copies of these films are available from ETI (each DVD contains both films on the same disk).



Link to [ETI short films on the business case for ethical trade](#)

Senior management sign off of business case

It is important to get the business case for ethical procurement agreed and signed off by senior management. This will assist in gaining the necessary buy-in at operational level in the organisation. For example the organisation might decide that senior management will include ethical procurement in their discussions (e.g. board meetings) and periodically review progress made against agreed plans and timelines.

Communicate business case to procurers

Once the business case has been signed off, it should be communicated to all procurement staff so that they are aware of the rationale for addressing ethical issues through their activities. It may be helpful to develop a short briefing document for them, outlining the key elements of the business case. Its communication could be combined with awareness raising activity and/or more detailed process training (see [People](#) and [Procurement Process](#)).

Communicate business case to key staff

It will be important to communicate the business case to other key people within the

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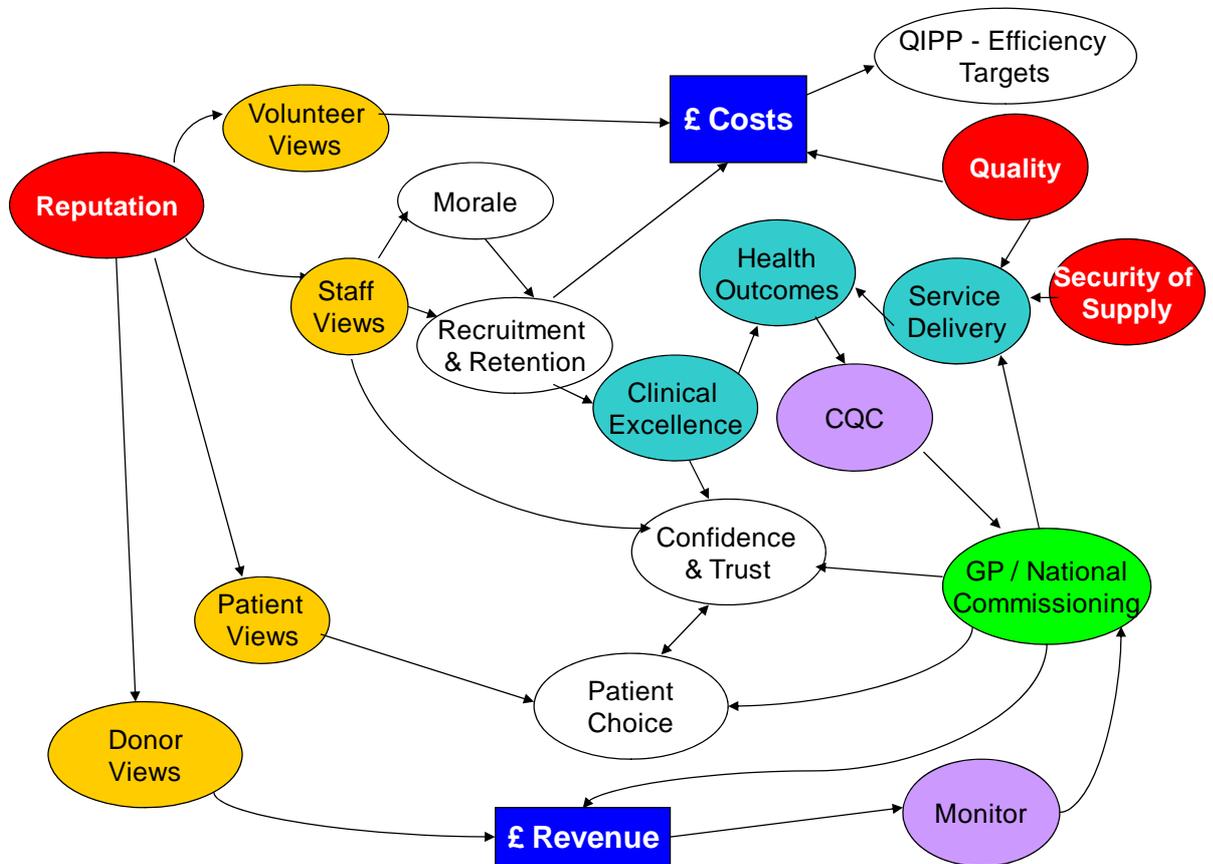
organisation. This may include departmental heads, clinical staff, patient liaison officers, project managers, facilities managers and key contractors (e.g. PFI operators) who may need to be involved in supporting ethical procurement activity and communications.

Communication materials should be accessible to all staff.



Case example: Mind map of a business case for an acute NHS trust

The example mind map presented below identifies how risks associated with labour standards might relate to key NHS objectives and subsequently affect operational costs or revenue streams. This sort of approach may help to illustrate and clarify the business case for key stakeholders.



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Level 2 – Policy and Communications [Embed]	
<p>Key components</p> <ul style="list-style-type: none"> • Policy reference to encouraging a minimum stated level of labour standards • Policy reference approved and issued as part of new or updated policy • Communicated internally • Communicated to key suppliers 	
Guidance	
<p>Development of policy reference</p> <p>Once the organisation’s business case has been established and agreed, it is important to ensure that the underlying principles are reflected in the organisation’s policy. This will ensure that all stakeholders have an official, and consistent, point of reference for the organisation’s position on ethical procurement. The organisation’s commitments on ethical procurement can be expressed through a stand-alone policy on ethical procurement or as part of an existing relevant policy (e.g. procurement policy).</p> <p>Policy commitments around ethical procurement should:</p> <ul style="list-style-type: none"> • reflect the overarching business case (see Policy and Communications, level 1). • encourage a minimum, stated, level of labour standards (through reference to <i>ILO core conventions</i> or <i>ETI Base Code</i>) in the production and delivery of procured products and services. • set out supporting commitments to facilitate implementation (some generic policy commitment examples can be found in <i>Info sheet: Guide to developing policy for ethical procurement</i>). • be in compliance with public sector procurement rules (see Procurement Process, level 1) 	
	Info sheet: Guide to developing policy for ethical procurement
	Link: ETI Base Code
	Info sheet: International labour standards and codes of conduct
Policy approved and issued as part of new or updated policy	

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The policy commitment, be this a new policy or a policy amendment, needs to be approved in line with the organisation's governance procedures and made accessible to key stakeholders.

Communicating the policy internally

The policy or policy reference(s) should be clearly communicated to all staff affected by it. This will include, as a minimum, all those who:

- are responsible for adhering to and implementing procurement policy (e.g. supplies department, estates and facilities management)
- are involved in the specification of products or services
- interact directly with suppliers or their staff
- are involved in communications or public relations.

This should be done through the standard channels for policy communication and can also be included in awareness raising and training activity (see [People, levels 1 and 2](#)).

Communicating the policy to key suppliers

The policy or policy reference should be communicated to key suppliers. That is, those suppliers that are viewed as being most important to the organisation and/or suppliers who operate in supply chains already identified as posing a high risk in relation to labour standards (see [Procurement Process, level 1](#), and [Engaging Suppliers, level 1](#)). This should be done using established communication routes with suppliers although formal communication in writing is recommended for the avoidance of any doubt in the future. The relevance of this policy to the individual procurement should be assessed and reflected as appropriate in the procurement process (see [Info sheet: Considering labour standards in the procurement process](#)).



Case study: NHS Supply Chain – Code of Conduct

NHS Supply Chain has implemented a code of conduct that sets out expectations in terms of suppliers' behaviour in relation to the standards set out in the [Global Compact](#). NHS Supply Chain includes the [Supplier Code of Conduct](#) within all tenders. In the food procurement area, NHS Supply Chain also refers to the *ETI Base Code*.



Case study: Swedish county councils joint project purchasing with social responsibility produces sustainable procurement

The Stockholm County Council, Region Västra Götaland and Skåne Regional Council represent the three largest regions in Sweden and serve as the principal authorities in their regions for healthcare provision. Working together, they conducted a pilot project in 2007 and 2008 '*Purchasing with social responsibility produces sustainable procurement*'. As part of this project, they initiated a dialogue with their common suppliers to convince them to actively support social and ethical standards in the production of goods supplied to these authorities.

The project helped the group to gain knowledge and develop a shared view of when and of whom they can make social demands and how these demands can be followed up. There was also increasing recognition that given the large value of goods and services procured, a significant contribution can be made by the authorities to more sustainable production and consumption. Furthermore, this may have a positive impact on the counties own finances in the longer term.

As a result of the project, a common code of conduct for social responsibility was developed and is applied as part of formal contracting. Part of this, was also the introduction of a follow-up process asking suppliers to conduct a self-assessment in relation to the code of conduct. Information sharing on the code is offered on a regular basis to existing and potential suppliers.

Since 2010, the use of the common code of conduct has been expanded to all other Swedish counties promising even greater impact. In addition, one day training courses on social and environmental demands as well as the code were arranged for all public purchasers. This provides an opportunity to discuss the possibilities that purchasers have to implement change in the supply chain.

So far, positive results for workers and the environment are noticeable for example in the production of instruments in Pakistan or patient clothes in

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	India.
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Level 3 – Policy and Communications [Practice]

Key components

- **Detailing the organisation’s expectations** on labour standards
- Communicated **internally**
- Communicated **to all suppliers**
- Making the policy **publicly available**

Guidance

Detailing the organisation’s expectations on labour standards

Experience shows that it can be useful to provide procurers and suppliers with more detail to assist consistent interpretation of policy. This may be a stand alone ethical procurement policy or a supporting document to reinforce the policy such as a code of conduct or terms of reference.

For example, an organisation’s procurement policy makes a commitment to encourage adherence to the Ethical Trading Initiative Base Code throughout its supply chains. The ETI Base Code and website are then referenced to provide more detail on the ETI principles of implementation.



Info sheet: [Guide to developing policy for ethical procurement](#)



Info: The Ethical Trading Initiative (ETI) Base Code

The Ethical Trading Initiative (ETI) is a ground-breaking alliance of companies, trade unions and voluntary organisations. Its members work in partnership to improve the working lives of poor and vulnerable people in supply chains who provide goods and services - anything from sewing staff uniforms and assembling workplace equipment to providing cleaning and catering services.

ETI has developed a code of labour practice, the ETI Base Code, reflecting the most relevant international standards with respect to labour practices which will be used as the basis of its work.

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	Link: ETI Base Code
Communicating the policy internally <p>The policy and supporting information should be clearly communicated to all staff. This should be done through the standard channels for policy communication and also included in awareness raising and training activity (see People, level 3).</p>	
Communicating the policy to all suppliers <p>The policy and supporting information should be communicated to suppliers using established communication routes, although it is recommended that it is formally communicated in writing for the avoidance of future doubt. The applicability of the policy, and supporting information, should also be referenced in any formal procurement documentation (e.g. tender specification, terms and conditions). It is, however, advisable to introduce such information to suppliers for the first time prior to engagement in a formal procurement exercise where possible.</p>	
	Case study: Marks and Spencer – Plan A <p>M&S launched its Plan A in January 2007. <i>Plan A</i> locates corporate responsibility at the heart of its business practices and aims to position M&S as the UK's leading responsible retailer. M&S aspires to '<i>improve the lives of hundreds of thousands of people in its worldwide supply chain</i>'. Ethical trading supports Marks and Spencer's core brand value of 'trust'. M&S states '<i>Our customers expect high standards and trust us to work ethically.</i>'</p> <p>M&S communicates its ethical trading policy and expectations within the company and externally with suppliers and wider stakeholders. M&S wants to be seen as a company which takes its responsibilities seriously and has high expectations of its suppliers.</p> <p>A summary of the M&S Global Sourcing Principles forms part of the contract between M&S and its suppliers. Each supplier must strive to comply with the <i>ETI Base Code</i> and with all relevant local and national laws and regulations, particularly with regard to:</p> <ul style="list-style-type: none">• minimum age of employment.• freely chosen employment

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<ul style="list-style-type: none">• health and safety• freedom of association and the right to collective bargaining• no discrimination• discipline• working hours• rates of pay• terms of employment <p>M&S expects its direct suppliers to adopt similar principles in their dealings with those who in turn supply them. M&S supports lower levels of the supply chain through the development of tools such as manuals, workbooks, supplier workshops and by developing best practice through pilot projects.</p> <p>Note: This case study relates to a private sector organisation. Private sector organisations are not subject to the public sector procurement regulations. For more information see Procurement Process and Info sheet: Considering labour standards in the procurement process.</p>

Level 4 Policy and Communications [Enhance]

Key components

- **Internal reporting** on activity and performance on labour standards.
- Processes for **responding to enquiries and challenges** from external parties.

Guidance

Reporting internally on activities and performance

Performance against aims, targets and plans should be regularly reviewed and reported on internally to help maintain commitment and reinforce ownership.

Internal reporting should provide senior management with an overview of how the organisation is upholding its policy commitments and addressing the business case. It should also provide procurement staff and other key internal stakeholder groups with information on progress, successes and challenges.

The nature and timing of internal reporting will depend upon governance structures put in place for ethical procurement, the key stakeholder groups with which you wish

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to communicate, established internal communication procedures, data availability and the resources available to compile the reports. Whatever the local situation, you should:

- keep reports short, simple and easy to read
- make highlights and key challenges prominent
- report on key commitments, targets, agreed actions and programmes
- maintain consistency of format between reports as far as possible
- ensure reports are up to date when issued
- set the reporting schedule to coincide with significant dates (e.g. financial year end)
- keep the reporting schedule manageable. Don't spend more time reporting than doing.

There is a strong relationship between internal reporting and activity identified in [Measurement and Results](#).



Template: [ETI Workbook chapter 2: Getting internal buy-in and resources](#)

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Developing processes for responding to external enquiries and challenges

The organisation should build on existing processes for responding to external enquiries. Enquiries and challenges on ethical procurement may be received from interested members of the public, campaign groups or the media, and it is important that a consistent and responsive approach to handling such communications is adopted.

Typically, such communication procedures should:

- identify the person(s) responsible for co-ordinating responses to external queries
- ensure that they are fully briefed on the ethical procurement policy (plus supporting documents where relevant), its implementation and reporting
- reference position statements relating to identified high risk or sensitive issues, such as child labour or assurance around temporary labour conditions. These should summarise the organisation's policy and set out the steps the organisation is taking to address the issue in question
- identify trigger points when enquiries should be escalated.



Info sheet: [Guidance on sensitive issues](#)

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Level 5 – Policy and Communications [Lead]	
<p>Key components</p> <ul style="list-style-type: none"> • Demonstrating leadership • Active sharing of best practice • Reporting externally on activity and performance on labour standards • Seeking feedback from external stakeholders 	
Guidance	
<p>Demonstrating leadership</p> <p>Taking the lead on ethical trading will help enhance the organisation’s reputation and help it to manage its risks. It will help to gain the trust and respect of stakeholders and facilitate more productive engagement.</p> <p>Organisations can show leadership by:</p> <ul style="list-style-type: none"> • leading and participating in discussion groups, think tanks and forums (e.g. the BMA Medical Fair and Ethical Trade Group) • establishing or engaging with practical initiatives and programmes (e.g. the Ethical Trading Initiative) • heralding good practice and encouraging others to act in addressing labour standards issues • publicly reporting on performance, practice and learning points • sharing tools, practices and experiences • achieving recognition through awards schemes. 	
	<p>Link to Ethical Trading Initiative</p>
	<p>Comms - BMA Medical Fair and Ethical Trade Group awareness raising resources</p> <p>The BMA has launched a new website, http://www.fairmedtrade.org.uk/ which provides a hub for information on the ethical procurement of medical supplies, and an information leaflet that challenges doctors to get involved by asking them to consider four simple actions.</p> <p>The BMA has also set up a facebook group which provides a forum for discussion of fair and ethical trade in medicine.</p>

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Sharing good practice

Sharing good practice with others enables an organisation to develop its own understanding of ethical procurement and to make a contribution to the development of other organisations.

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

Reporting externally on activities and performance

Accurate and honest reporting to an external audience on the organisation's activities and performance can be a powerful tool for strengthening dialogue, engendering trust and demonstrating leadership.

With the emergence of electronic reporting as the predominant medium for public reporting, it is possible to establish a specific ethical procurement report. However, due consideration needs to be given to the external reporting policy of the organisation, the nature and scope of other external reports produced and accessibility for the target audience. Integrating a report on ethical procurement into another report (e.g. sustainable development report or annual report) may prove to be the most practical approach.

Whatever the approach, the organisation should ensure that the report style and format are appropriate for the target audience and that it conveys a clear sense of how the organisation is doing against its key commitments, targets and action plans.

If the organisation is establishing a report from scratch it can be useful to look at the reports of other organisations (see link to ACCA reporting awards) or some of the reporting frameworks developed for sustainable development and environmental reporting such as the [Accountability - AA1000 assurance standard](#) or the [Global Reporting Initiative – Sustainable Reporting Guidelines](#). It is advisable to start in a simple and concise manner.

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An ethical procurement report might cover:

- policy and codes of conduct
- scope of ethical procurement activity
- how ethical procurement is managed
- acknowledgement of the issues and difficulties encountered in implementing policies
- indicators of performance in terms of management practice (e.g. training provided, contracts covered) and outcomes (e.g. reduced numbers of accidents, higher wage levels)
- narrative on initiatives, activities and case studies.



Template: [ETI Workbook chapter 11 Public Reporting](#)



Link to [AA1000 – Accountability](#)



Link to [Global Reporting Initiative](#)



Link to [ACCA awards](#)

Seek feedback from external stakeholders

Organisations should actively seek feedback from key stakeholders on their policy, practice and performance. The external reporting process provides a good opportunity for this as it gives stakeholders something tangible to assess and comment on. Seek feedback from the target audience on where they would like to see additional information and, importantly, which aspects of the report they did not value.

Feedback can be sought at other stages, prior to the development of a report or as part of an ongoing process of stakeholder engagement and dialogues.

Seeking feedback can 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 external stakeholders can assist the organisation and add value to

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initiatives.

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



Case study: Gap Inc. - stakeholder engagement

Gap Inc. works with a wide range of industry bodies, multi-stakeholder initiatives and forums to advance its social responsibility efforts including Ceres, Ethical Trading Initiative (ETI), International Labour Rights Fund (ILRF), Natural Resources Defense Council (NRDC), Maquila Solidarity Network (MSN), Social Accountability International (SAI) and others.

Gap Inc. states that 'These partnerships give us a platform to discuss our perspectives, advocate for industry-wide change, and ultimately, make a greater impact on working conditions and the lives of factory workers.'

Gap Inc. leverages its relationships with stakeholders to ensure that its public reporting on labour standards demonstrates its leadership in the field, consulting with investors, trade unions, NGOs and a group of socially responsible shareholders, for input and feedback.

This focus on engaging with a wide range of stakeholders and practicing transparency through proactive reporting has earned Gap Inc. the respect of many experts in the field and a reputation as a leader in addressing labour standards issues in its sector.

For more information, please consult:

GAP Inc (2010) [Embracing our Responsibility](#)

Note: This case study relates to a private sector organisation. Private sector organisations are not subject to the public sector procurement regulations. For more information see [Procurement Process](#) and [Info Sheet: Considering Labour Standards in the Procurement Process](#).

Ethical Procurement for Health (EPH)

THEME - People

This theme covers roles, responsibilities and expectations for staff who will implement the ethical procurement policy. This includes the senior level champion, the person(s) with responsibility for implementing ethical procurement, key procurement managers and senior managers / board members. People focused activities include awareness raising, training, personnel development, capacity building and consultation with stakeholders.

Ensuring that staff are adequately trained, aware of their roles and can support ethical procurement activities effectively is crucial to the development of the ethical procurement activities.

Leaders have staff that are well informed and understand the practicalities of ethical procurement and their role in supporting it. The organisation recognises the expectations of key stakeholder groups and takes action to address them.

In using this guidance, your attention is drawn to the public sector procurement rules and the information provided in the [Getting started](#) section of this document.

Ethical Procurement for Health (EPH)

Level 1 – People [Foundation]

Key Components

- **Identify senior level champion**
- **Identify individual with lead responsibility** for implementing ethical procurement
- Initial **awareness-raising** activities with **key** procurement staff

Guidance

Identify senior level champion

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

The role of the champion is to act as an advocate for ethical procurement in the organisation, provide a focus at senior management levels for the business case and policy, and to guide implementation through the person(s) tasked with implementing ethical procurement. The champion should also ensure that the person with lead responsibility has adequate support to operate effectively.

Identify individual with lead responsibility for implementation

Successful implementation of ethical procurement will require the identification of a person or persons with specific responsibility for this. This person(s) will need to plan and lead the organisation's approach to the development and delivery of its ethical procurement policy and objectives.

The person(s) identified should be:

- experienced in the procurement function
- of a sufficient level of seniority to influence decision-makers
- interested in ethical procurement and labour standards
- a good project manager – the role will require the person to initiate and implement a series of concurrent projects
- a relationship builder – the role will require the person to establish and build on relationships with a wide range of stakeholders including senior management, procurers, suppliers and external stakeholders
- able to contribute sufficient time to the role.

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Ideally, clear responsibilities and objectives should be agreed with the responsible person. These may form part of the individual's personal review and objectives.

It will also be important to identify lines of accountability, reporting and escalation protocols.

Initial awareness-raising with key procurement staff

This will help to build and embed the business case for ethical procurement within the organisation.

Key procurement staff may include:

- department heads
- heads of category
- sourcing directors
- senior procurement managers.

Awareness-raising should focus on:

- the key issues and how these relate to the organisation's procurement activity
- the business case for ethical procurement (see [Policy and Communications, level 1](#))
- the organisation's policy commitments (see [Policy and Communications, levels 2 and 3](#))
- roles and responsibilities
- approaches for embedding ethical procurement in the procurement process (see [Procurement Process](#))
- strategies for engaging suppliers (see [Engaging Suppliers](#)).

Awareness raising can be undertaken in a number of ways (e.g. briefing sessions, bulletins, fact sheets, intranet message boards, discussion groups or through more formal training sessions), but the approach taken should allow for dialogue and feedback.

We recommend that the initial awareness-raising is refreshed periodically to ensure that

Ethical Procurement for Health (EPH)

all key procurement staff are covered on an ongoing basis.



Case Study: Nottingham University Hospitals

In 2003, the Nottingham University Hospitals (NUH) took initiative to change the way food is produced and supplied by specifying new ethical and sustainable standards for their suppliers.

NUH is the fourth biggest Trusts in the country, and its Catering Manager realised the impact its purchasing power can have on more ethical procurement. Despite experiencing initial challenges and setbacks, the Catering Manager continued to believe that this was the right thing to do. Eight years later, Nottingham University Hospitals has managed to implement ethical trade at the core of its catering operations. At the same time, cost savings could be achieved and it also fits in well with wider EU regulations. The Catering Manager urges to put aside preconceptions regarding ethical procurement and says: *“If we can do it, everyone can do it”*.

From the start, he received support from across the organisation. The board took on a leadership role and acted on their vision of integrating sustainability throughout the entire organisation. The Trust developed the Good Corporate Citizenship initiative, including ethical food procurement. The NUH also appointed a Sustainability Development Manager and all projects get signed off by the board.

Today, NUH is recognized as an innovative Trust and has received several awards for their ethical and sustainable practices.



Case study: Calderside Medical Practice

Calderside Medical Practice in Blantyre Health Centre in Lanarkshire, Scotland, has adopted a fair and ethical procurement policy which has been taken forward by their practice manager and GP partners. This item is discussed a few times a year in meetings. They began by ensuring that a selection of tea and coffee purchased for the practice is fairly traded. This is communicated in the health centre where also other practices are located. Calderside Medical Practice aims to make contact with other practices in the

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	<p>health centre to encourage further uptake of ethical trade issues when procuring and to share good practice.</p> <p>The health centre is also open to procurement of other ethically produced items as they become available, for example, surgical gloves and cotton based products (e.g. staff uniforms). The Calderside Medical Practice is now in the process of updating its website to adjust the practice ethos accordingly.</p>
	<p>Info sheet: Making the business case for ethical procurement in your organisation</p>
	<p>Training E-Learning NHS Sustainable Procurement Module 2.3 – Social Issues in Procurement</p> <p>Please email sustainable.procurement@dh.gsi.gov.uk for further information and log in details</p>

Ethical Procurement for Health (EPH)

Level 2 – People [Embed]	
Key components	
<ul style="list-style-type: none"> • Initial awareness raising undertaken with all procurement staff • Consultation with key procurement staff on implementation and potential obstacles 	
Guidance	
Initial awareness raising with all procurement staff	
<p>Procurement staff will need to be aware of the issues and realise the risks to the organisation if they are to implement the policy and action plans.</p> <p>To ensure that all procurement staff are aware of labour standards issues and the organisation’s business case, policy and approach, the initial awareness raising (see People, level 1) should be rolled out. It will also be important to raise the awareness of others who may be involved in procurement, e.g. business partners, interim and non-permanent staff.</p> <p>Awareness raising materials should be made available to any staff, on request, either through paper copies of documents, or by publishing information on an intranet site.</p> <p>For recommended content of awareness raising see People, level 1.</p> <p>Note: For the purposes of self assessment, it is suggested that procurement staff are classed as staff who spend more than 50% of their time on procurement activity.</p>	
	<p>Training – E-Learning NHS Sustainable Procurement Module 2.3 – Social Issues in Procurement</p> <p>Please email sustainable.procurement@dh.gsi.gov.uk for further information and log in details</p>
	<p>Case study: Healthcare Purchasing Consortium - awareness raising</p> <p>HPC is a major provider of procurement, healthcare contracting and commercial services to the NHS across the West Midlands. HPC has run awareness raising programmes to ensure that procurement staff understand the issues related to ethical procurement.</p> <p>The awareness raising programme includes showing a short video, <i>The Dark</i></p>

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	<p><i>Side of Healthcare</i>, about labour standards in the surgical instruments industry in Pakistan and textiles industry in India.</p> <p><u>The Dark Side of Healthcare</u> was produced by <u>Swedwatch</u>, a Swedish non-governmental organisation, and focuses on suppliers to the Swedish medical service.</p>
	<p>Case Study: NHS Supply Chain – training programmes</p> <p>NHS Supply Chain has run a number of training programmes to raise awareness on ethical issues to all procurement staff. Specific training sessions are also provided for key buyers, including:</p> <ul style="list-style-type: none">• To date 2 'lunch and learn' sessions were conducted for NHS Supply Chain procurement staff where the “<i>Dark side of Healthcare</i>” video was shown and key points of the NHS Supply Chain code of conduct were reiterated. 'Lunch and learn' is an innovative method of hosting learning modules during lunch time so that it has limited impact on business commitments.• Presentation at NHS Supply Chain’s strategic workshop on surgical instruments to raise awareness on ethical issues as well as generating discussion on ways to improve the organisation’s ethical stand in this area.• Provision of bespoke training to key procurement staff and in some instances, the DVD on the business case for ethical trade from Ethical Trade Initiatives (ETI) was shown.• Attendance at the ETI conference on public procurement by some of NHS Supply Chain key buyers.• The Sustainable Procurement Manager completed module 1 and 2 of the ETI training programme. <p>In addition to this, all new employees undertake a formal induction programme which includes a section on ethical trade. Awareness is also raised outside procurement by posting articles on NHS Supply Chain’s Sustainability E-zone and in the internal employee engagement magazine.</p>

Ethical Procurement for Health (EPH)

Level 3 – People [Practice]

Key Components

- **Defined responsibilities** for all procurement staff
- **Defined personal objectives** for all procurement staff
- **Detailed training** on managing labour standards is included in **structured personal development plan** for key procurement staff

Guidance

Defined responsibilities for all procurement staff

To help procurement staff understand what they need to do to implement the ethical procurement policy, it is recommended that ethical procurement responsibilities be defined. Responsibilities may be generic for procurement roles or grades or may be identified for specific individuals, or roles within the department or categories. They could be built into job descriptions, role profiles, or introduced as part of a personal review process.

To ensure that staff have the confidence and capacity to fulfil their responsibilities, staff and their managers should review competencies and development needs.

Defined personal objectives

Defining personal objectives around ethical procurement may be appropriate (especially for those with defined responsibilities in this area) in order to raise the importance of considering labour standards through procurement activity. This also provides an opportunity to recognise staff effort and achievement.



Info sheet: [Establishing responsibilities and personal objectives](#)

Detailed training on managing labour standards is included in structured personal development plan

[People, level 1](#) identified the importance of undertaking basic awareness raising activity with key procurers. However, it is recognised that for some key procurers it may be necessary to supplement this initial activity with more structured and strategic development around the subject.

Additional development activity should be determined on a personal needs basis and

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be included in the structured personal development plan for key procurement staff.

Organisations may draw on existing training materials to develop their own course, or may choose to work with specialists to develop tailored materials. ETI provides the following specialist one day workshops on ethical trade, which may fit the needs of key procurement staff.

Workshop 1: The essentials of ethical trade.

- Defining the scope of ethical trade and the advantages of trading ethically.
- Unpicking the ETI Base Code, and what it means in practice.
- Mapping supply chains and understanding their role in implementing codes of practice.

Workshop 2: Managing an ethical trade programme - tools and mechanisms for implementation.

- Risk-based approaches to identifying and managing ethical trade activities in the supply chain.
- Audit processes and how to get the best from them.
- Partnership working and its role in implementing ethical trade programmes.

Workshop 3: Improving working conditions - a partnership approach to managing change in the supply chain.

- Identifying root causes of workplace issues.
- Developing SMART improvement plans.
- Prioritising resources.

Workshop 4: Making change sustainable - taking a leadership approach to ethical trade.

- Integrating ethical trade into core business practices.
- Building better social dialogue with key partners, such as trade unions, NGOs and local networks.
- Involving workers in bringing about workplace improvements.
- Reaching all levels of the supply chain, including invisible and marginal workers.



Training [ETI Training courses](#)



Case study: Tesco training

Tesco has rolled out a course for buyers to raise their awareness of ethical

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issues and the effects that purchasing practices can have on labour standards. The training also aims to develop practical skills and experience in discussing these issues with suppliers through creative brainstorming exercises with a variety of products, discussions of different buying scenarios, and group exercises tackling real examples of ethical issues in different countries and industries.

Attending an ethical buying course is now compulsory for all Tesco buyers around the world. Category directors attend training and emphasise that buyers are responsible for ensuring that their behaviour does not prompt suppliers to cut ethical corners. According to Tesco, the course has had an impact on buying practices. Changes in buyers' behaviour include:

- buyers now discuss ethical issues in greater detail with suppliers and have been following up on specific ethical actions as part of buying visits
- buyers will not engage or continue to work with suppliers who will not commit to improve.

When buyers spot ethical issues during a visit they will address these issues directly with the suppliers and discuss them with their technical managers and/or ethical trading manager when they get back to the office.

Note: This case study relates to a private sector organisation. Private sector organisations are not subject to the public sector procurement regulations. For more information see [Procurement Process](#) and [Info sheet: Considering labour standards in the procurement process](#).

Ethical Procurement for Health (EPH)

Level 4 – People [Enhance]

Key components

- Procurement staff **engage with clinical and patient groups on labour standards** issues
- **Feedback** on clinical and patient groups' views is **included in any review** of ethical procurement policy / policy reference.

Guidance

Engage with clinical and patient groups

There is a substantial level of public interest in labour standards and ethical procurement and it is reasonable to expect that some of the organisation's stakeholders will have an interest in its ethical procurement practice and performance. Organisations should engage proactively with key stakeholder groups in order to understand their level of awareness, their expectations and the strength of feeling.

An organisation should follow its established procedures to engage with users (e.g. clinical staff) and recipients or beneficiary groups (e.g. patients) on ethical procurement issues. Decisions on when and from whom to seek feedback should be taken by relevant person(s) in line with the risk assessment (see [Procurement Process, level 2](#)) and established procedures for communicating with internal and external stakeholders.

Engaging these groups will:

- establish whether policy and practice are addressing stakeholder expectations
- help to build dialogue and trust
- inform enhancements of policy, practice and future reports.

Procurement staff should ensure that when they consult with internal stakeholders they set out what the organisation is already doing.

Include clinical and patient groups' feedback in review of ethical procurement policy / policy reference

Findings of stakeholder engagement should be included in reviews of ethical procurement policy. This should help to ensure that the organisation's policy and

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commitments on ethical procurement reflect the views and expectations of user, recipient and beneficiary groups (patients, clinical staff, non-clinical staff and the wider public).



Case study: BMA Medical Fair and Ethical Trade Group

The Medical Fair and Ethical Trade Group was instigated in 2007 by the British Medical Association 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.

In January 2010, the group launched an information campaign telling doctors about dangerous working conditions and child labour in the production of NHS medical supplies.

The information campaign was launched in response to a BMA survey of 383 doctors which found that whilst eight out of ten doctors surveyed are supportive of the NHS purchasing goods that are ethically sourced - only one in ten doctors is aware of fair and ethically made medical supplies.

The BMA's Medical Fair and Ethical Trade Group is calling on doctors to:

- ask their chief executive to adopt ethical procurement into their institution's policy
- ask healthcare suppliers where, and under what conditions, they produce their goods
- form an 'ethical trade interest group' in their institution
- tell others.



Comms - BMA Medical Fair and Ethical Trade Group awareness raising resources

The BMA has launched a new website, www.fairmedtrade.org.uk, which provides a hub for information on the ethical procurement of medical supplies, and an information leaflet that challenges doctors to get involved by asking them to consider four simple actions.

The BMA has also set up a [facebook group](#) which provides a forum for discussion of fair and ethical trade in medicine.

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Level 5 – People [Lead]

Key components

- Ethical procurement is a specific element of the **role profile** for key procurement staff, **setting out relevant competencies**
- **Engagement** with external stakeholders to identify and pursue improvement opportunities

Guidance

Integrate ethical procurement into the role profile of key procurement staff

Leaders in ethical procurement should ensure that the ethical procurement activities are sufficiently established so that they would 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 for key procurement staff and set out relevant experiences and competencies that would be expected of individuals filling these roles. This effectively formalises the ethical procurement responsibilities and objectives established at level 3 by making it a requirement for the role rather than it remaining specific only to the individual currently filling that role.

The organisation should:

- define the necessary experience and competencies for successful implementation of ethical procurement
- include competencies and experience in role profiles
- ensure that these role profiles (experience requirements and competencies) are used in recruitment, development, management and reward of procurement staff.

Core competencies might include:

- understanding of labour standards issues 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 in making improvements.

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Engagement with external stakeholders to identify and pursue improvement opportunities

Some external stakeholders will have experiences, views and skills in labour standards which will provide valuable learning opportunities for the organisation. Engagement through established, long-term relationships can deepen the organisation's understanding and build capacity in labour standards and ethical procurement.

The organisation should encourage key procurement staff and person(s) with lead responsibility for ethical procurement to engage actively with external stakeholders such as:

- suppliers
- trade associations
- patient groups
- professional bodies
- multi-stakeholder initiatives
- non-governmental organisations
- trades unions
- government
- other labour specialists (See [Policy and Communications, level 5](#)).

This engagement could focus on:

- sharing best practice in implementing labour standards and reporting
- seeking constructive feedback on the organisation's approach
- seeking advice on difficult issues (e.g. child labour remediation, excessive overtime)
- working with suppliers and other stakeholders on improving practices in specific sectors
- working with stakeholders on programmes aimed at identifying good practice
- contributing to the formation of public policy on ethical procurement
- negotiating framework agreements with trades unions.



Link [ETI Membership and Reporting](#)



Case study: Co-operative 'role profiles' for buyers

The Co-operative takes pride in how its values and principles make a

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	<p>difference to the way it conducts its business. The Co-operative states that <i>'Our values and principles drive the way we do business. Together with our members, they give us our co-operative approach and vision, our different outlook.'</i> The Co-operative values indicate that <i>'Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.'</i></p> <p>The Co-operative has been working to integrate ethical buying into their Human Resources policies. Ethical objectives are integrated in the activities of the senior commercial team to ensure ethical standards are maintained. As part of buyer training, the Co-operative details the actions buyers should take to implement the top-line statement. Buyers should:</p> <ul style="list-style-type: none">• raise the awareness of new suppliers of the Co-operative's expectations on Sound Sourcing• integrate brief conversation on sound sourcing performance with suppliers at regular meetings• assess and select suppliers based on their willingness to work toward sound sourcing principles. <p>Note: This case study relates to a private sector organisation. Private sector organisations are not subject to the public sector procurement regulations. For more information see Procurement Process and <i>Info sheet: Considering labour standards in the procurement process.</i></p>
	<p>Case Study: Novo Nordisk's Ethics Decision Making Tool</p> <p>Raising awareness for ethical issues is one key part of Novo Nordisk's responsible sourcing programme. In 2010, Novo Nordisk developed in partnership with the University of Copenhagen, UNESCO, LRN and Responsible Business Solutions two ethical E-learning tools, the "Ethics Decision Making Tool" and "Ethics Dilemma".</p> <p>The new tools aim at providing a better understanding of basic ethics and practical guidance on how to make sound decisions. The strength is that the tools combine academic knowledge with hands on experience from</p>

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business and other practitioners. The tools are generic and applicable within business training, academic teaching, and inter-governmental organisations. The tools are part of Novo Nordisk's ethical training programme for all Novo Nordisk's employees who are interacting with suppliers.

The *Ethics Decision-Making Tool* consists of an introduction to an innovative checklist that helps the user analyse the ethical dilemma and weigh the pros and cons by posing 9 questions under the headlines: Is it compliant? Is it responsible? Is it generally acceptable? The second part of the tool is a business example of how a chain of decisions in a grey zone results in unintended consequences. This sets the scene for the third part, a board game where the users can play a game and use the checklist before making decisions in a series of 'grey zone' dilemmas.

Ethics Dilemma is an interactive learning tool presenting five ethical standpoints. Through a simple questionnaire, the user gets a better understanding of his or her own ethical standpoint by answering questions such as what you would do if a busy clerk in a large store mistakenly gives you a 20 Euro note in return instead of a 10 Euro note? After exploring your personal standpoint, the tool moves on to help you experience how different ethical standpoints can influence decisions.

Currently, Novo Nordisk is also developing an internal E-learning tool. This tool will be part of Novo Nordisk's training for all employees who are interacting with suppliers. In this E-learning model 3 animated and interactive case studies about possible ethical dilemmas in the pharmaceutical industry are presented with the purpose of raising awareness.

The e-learning tools can be found at: www.ethics-e-learning.com

Note: This case study relates to a private sector organisation. Private sector organisations are not subject to the public sector procurement regulations. For more information see [Procurement Process](#) and *Info Sheet: [Considering Labour Standards in the Procurement Process](#)*.

Ethical Procurement for Health (EPH)

Theme - Procurement Process

The Procurement process theme covers the incorporation of ethical considerations within established procurement processes to ensure that an informed and systematic approach is taken as standard.

Establishing a robust process is fundamental to any long-term ethical procurement commitment. It provides direction for procurers on the practicalities of gaining assurance on labour standards in a consistent and objective manner.

Leadership in this area is characterised by organisations that consider ethical issues at the outset of the procurement process and during ongoing market engagement. Leaders will apply systematic approaches to obtain, verify and evaluate evidence. Leaders recognise supply chains that exceed basic minimum standards and are flexible enough to work with suppliers to raise standards when problems are identified.

In using this guidance your attention is drawn to the public sector procurement rules and the information provided in the [Getting started](#) section of this document. The detailed information sheet '*Considering labour standards in the procurement process*', signposted below, should be read in conjunction with the guidance provided on this theme.

Ethical Procurement for Health (EPH)

Level 1 – Procurement Process [Foundation]

Key components

- **Desk-based risk assessments** undertaken for all major procurement exercises

Guidance

Desk-based risk assessments

The extent to which abuses of labour standards occur varies greatly from one industry sector to another. Within this context, variations exist by type of organisation, country or region and the nature of the abuses.

It is important to recognise that the supply chains of some products and services procured by the organisation will carry a very low risk of labour standards abuses due to the nature of work, the type of organisations operating in the supply chain and the level of monitoring and enforcement of standards that exists. On the other hand, there will be some supply chains where the opportunity to exploit workers and for abuses to go undetected is high. It is in these areas that the procurer will need to seek a higher level of assurance and evidence.

It is not practicable, or indeed appropriate, to apply a generic detailed due diligence approach through the procurement process in every case, regardless of the products or services in question.

All public procurement is governed by the EC Treaty principles of openness, transparency and fair competition, the UK regulations which implement the EU procurement directives, and government value for money policy. The EU rules clearly state that there is scope to incorporate environmental and social considerations within the procurement process where they are relevant to the subject matter of the contract, or relate to the performance of the contract. Therefore, when using this guidance and toolkit it will be necessary to judge the relevance of labour standards issues on a case by case basis. Blanket approaches that apply the same methodology for each and every product and service area are strongly discouraged (see [Info sheet: Considering labour standards in the procurement process](#))

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An initial desk-based labour standards risk assessment should be applied for specific procurements where relevant.

Initial desk-based risk assessment

Undertaking a simple initial desk-based risk assessment will help the organisation to identify those categories of goods and services that, in general, present the highest risk of labour standards abuses.

These high risk cases will require greater due diligence as part of the procurement process, starting with further research and information gathering and potentially leading to more detailed requests for information on a supplier-by-supplier basis. This may include on-site assessments undertaken by a specialist independent third party assessor.

It should be noted that the initial desk-based risk assessment is only a first step to screen out lower risk supply chains. Subsequent research may require the organisation to revise its risk assessments.

Where time and resources to undertake risk assessments are limited, the organisation may initially choose to prioritise assessment of procurements that are high spend, operationally critical or have a high profile (internally or externally).

Market risk as distinct from specific organisation risk

The initial risk assessment tool provided prompts the organisation to consider the supply chain as a whole, as opposed to specific organisations within the supply chain. It should be recognised that subsequent research may identify organisations within the supply chain which have strong controls in place to mitigate the more general risks identified for a sector.

Where relevant to the successful delivery of the contract, public sector procurement regulations permit consideration of the technical capabilities of a contractor's supply chain (see **Info sheet: [Considering labour standards in the procurement process](#)**)

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	Tools: Initial desk-based risk assessment tool
	Info sheet: Considering labour standards in the procurement process
	<p>Case study: Boots Supplier Verification Programme</p> <p>In 2002, Boots started its Supplier Verification Programme, which is supported and signed off by the board of executives. This long term strategy outlines that all Boots brand or exclusive product suppliers, regardless of size and volume, are required to undergo an ethical assessment. Through a robust process based on the principles of continuous improvement, the Supplier Verification Programme assesses supplier compliance with the Boots Group Code of Conduct for Ethical Trading.</p> <p>Since 2002, 1,100 suppliers in more than 40 countries have been assessed against Boots' Code of Conduct. The programme was rolled out over the years from 1st tier suppliers to 2nd, 3rd and even 4th tier suppliers. Boots dedicated ethical team emphasizes that implementing an ethical programme is a learning process, they are always looking for better ways of working.</p> <p>For most part, these ethical assessments are being carried out by Boots' team of social accountability assessors and an approved 3rd party auditing body, who are supported by interpreters and extensive research into the supplier's country cultural context, laws and regulations.</p> <p>Boots social accountability assessors work with suppliers to identify areas for improvement and try to let the factory see that its people are their greatest assets, in the same way Boots sees its own employees. The findings of the assessments are communicated to all key stakeholders, for example employees at the suppliers and internal buying teams. This information is then used to influence future purchasing decisions. Further communication and surveillance ensures that remediation actions raised from assessments are closed off within agreed timescales and that suppliers continue to comply with the Code.</p>

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Existing suppliers are subjected to periodic, ongoing assessments to ensure that standards are being maintained. In addition, Boots suppliers are expected to push through Boots Ethical trade philosophy to their own supply base, right to the end of the chain.

In July 2005, Boots received a national Award for Excellence from Business in the Community for their social accountability programme, and in June 2006 the ongoing robustness of Boots' process was rewarded by Business in the Community with a reaccredited 'Big Tick' award.

Note: This case study relates to a private sector organisation. Private sector organisations are not subject to the public sector procurement regulations. For more information see [Procurement Process](#) and *Info Sheet: [Considering Labour Standards in the Procurement Process](#)*.

Ethical Procurement for Health (EPH)

Level 2 – Procurement Process [Embed]

Key components

- Requirement for **risk assessment on all procurement exercises**
- **Proportionate consideration** in procurement process

Guidance

Requirement for risk assessment on all procurement exercises

At level 1 the concept of considering factors such as spend, criticality of supply and profile as part of the risk-based approach was introduced. While such approaches provide a logical basis to help focus limited resources initially, the use of such screening factors can be somewhat arbitrary in the context of identifying and managing the risk of labour standards abuses in supply chains.

For this reason, it is recommended that the scope of risk assessment activity is extended to include all substantial procurements. It is recognised that most organisations will make some very small procurements, and it may be pragmatic to exclude these from formal risk assessment requirements, although some consideration of ethical issues should be encouraged among all procurers in all procurements.

It is recommended that risk assessments are undertaken not only for new procurement exercises but also for existing contracts, as this will help identify areas where voluntary dialogue should be initiated, either with incumbent suppliers or as part of wider market engagement strategies.

Where a case for procurement or gateway review process is required, the results of the risk assessment should be included, along with suggested further research or due diligence action to be taken within the procurement process.



Tools: [Initial desk-based risk assessment tool](#)

Proportionate consideration in procurement process

Undertaking the risk assessment in itself only highlights where labour standards concerns may exist. It is important that where risks are identified as being significant, steps are taken to address these risks either as part of incumbent supplier

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management, procurement process, or wider market engagement.

The initial desk-based risk assessment tool provides a basis for establishing whether the risk is significant or not, but the organisation will need to interpret the assessment results in the context of other factors (e.g. spend, profile, stakeholder views, further research findings) to identify which procurements represent a significant risk.

There may be a need to undertake some further research or canvass wider opinions, refine the risk assessment, and develop a greater understanding of the nature and extent of the issues.

In the first instance, information should be sought from suppliers or tenderers on the ethical assurance management approaches they apply (i.e. the steps they take and the evidence they seek to assure themselves that labour standards are maintained in their supply chains). For dialogue with incumbent suppliers and wider market engagement activity, this information may be sought on a voluntary basis.

Within the procurement process, however, greater caution needs to be exercised, firstly to ensure that the information requested is relevant (see [Procurement Process, level 1](#)) to the subject matter of the contract, and secondly that requirements are proportionate to the level of risk and preparedness of the market to respond (see signposted guidance for more information).



Info sheet: [Considering labour standards in the procurement process](#)



Link to OGC guide [Buy and make a difference – how to address social issues in public procurement](#)



Link to [NHS 'SID4Health' – Collect Pre-qualification Data](#)

In the majority of cases the perpetrators of labour standards abuses are fully aware that their employment practices are unethical - be this in relation to the social and cultural standards of the society within which they operate or those set out in international law and expected by their customers. For this reason, they will actively seek to conceal such activities and practices. Unfortunately, other supply chain partners with honest intentions may be unwittingly supporting such practices if they have no due diligence

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process or the processes in place are ineffective.

It is important to ask probing questions and require firm evidence to verify claims.



Case study: The Greater London Authority (GLA) Group

The Greater London Authority (GLA) Group's Responsible Procurement Policy addresses ethical sourcing as one of its seven themes, with a key focus on upholding fundamental human rights and protecting workers in its supply chains across the world.

The GLA group addresses ethical sourcing issues on a contract-by-contract basis, conducting risk assessments for specific categories, products or services. Requirements on suppliers are proportional to the identified level of risk

The GLA group was the first public sector organisation to join Sedex (Supplier Ethical Data Exchange), which it uses to map supply chains and engage with suppliers in monitoring labour conditions.

Level 3 – Procurement Process [Practice]

Key components

- **Supplier self-assessments** are required from high risk suppliers
- Risk assessments are **refined**
- Results are used to **inform procurement approach**
- **Clear guidance is in place** for procurers on when and how to address issues within a procurement process

Guidance

Supplier self-assessments are required from high risk suppliers

A supplier self-assessment is a means of obtaining further information from suppliers on their ethical assurance management approaches against a set of standard criteria. Often supplier self-assessments will be against a questionnaire, although a framework such as the [Ethical Procurement Flexible Framework](#) could also be used.

It is important to clearly explain to suppliers how the responses to the self assessment will be used. Self-assessment would normally be used as a voluntary information gathering exercise to improve understanding of risks or market preparedness. However, in some cases, where the information relates to the performance of the contract, the requirement to provide self-assessment information could form a condition of contract.

A supplier self-assessment will provide information which will enable the organisation to refine the initial risk assessment, assess the preparedness of the market, highlight areas for further dialogue and ultimately better inform the actions taken.

Organisations should recognise that a self-assessment will present the supplier's own assessment of their management approaches and performance. Evidence should be sought in support of self-assessments and ultimately independent verification may be required (see [Procurement process, level 4](#)).

It is suggested that some form of supplier self-assessment is required from suppliers that operate in high risk categories.

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	<p>Templates: ETI Workbook Resource 4 for example supplier self-assessment questionnaire</p>
<p>Risk assessments are refined</p> <p>The results of supplier self-assessments should be reviewed and used to refine any risk assessments undertaken for supply categories. Caution should be exercised if individual supplier risk ratings are developed outside of a formal procurement or supplier management process, as these may unfairly prejudice future procurement decisions.</p>	
<p>Results are used to inform procurement approach</p> <p>The results of supplier self-assessments should also be used to inform future procurement, supplier and market engagement approaches.</p> <p>Information received should give procurers a feel for the preparedness of the market to address issues relating to labour standards.</p> <p>Where suppliers in a market place demonstrate a good level of preparedness, this may indicate that a higher basic standard can be specified or applied at pre-qualification (supplier selection) stages.</p> <p>Conversely, if the market preparedness is generally low, then it may be more appropriate to apply a sliding scale when scoring responses at the supplier selection stage or seeking commitment to specific, time bound, improvements as a requirement under the conditions of contract. Alternatively, it may be appropriate to seek commitment to improvement as part of a voluntary charter.</p> <p>Where self-assessment is first applied as part of a procurement exercise, the information received should help identify any specific issues that need to be addressed through ongoing supplier management processes.</p>	
<p>Clear guidance is in place for procurers on when and how to address issues within a procurement process</p> <p>In support of the adoption of a consistent, objective and equitable approach to considering labour standards in the procurement process, it is suggested that the</p>	

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organisation make available clear guidance and procedures for its procurement staff. This should also be reflected and supported by training, development and induction activity (see [People](#)).

Whilst generic guidance can provide a sound basis for development, there will be practical aspects that are specific to the organisation. For example, review and sign off procedures, criteria for determining significant risk or high risk, and the precise follow up action required.



Training – [E-Learning NHS Sustainable Procurement Module 2.3 – Social Issues in Procurement](#)

Please email sustainable.procurement@dh.gsi.gov.uk for further information and log in details



Info sheet: [Considering labour standards in the procurement process](#)



Link to OGC guide [Buy and make a difference – how to address social issues in public procurement](#)



Case study: Royal Mail Group (RMG)

The Royal Mail Group (RMG) has committed to evaluate the performance of its supply chain to ensure it works with responsible suppliers that comply with its ethical standards. In particular, RMG has committed to:

- ensure that suppliers are aware of the policy
- encourage suppliers to set targets to improve their practice and performance on social, ethical and environmental (SEE) issues
- use evidence of suppliers' compliance with its standards, including active engagement in controlling and reducing SEE risks and improving their performance, as a significant part of the supplier selection and contract award process, and during ongoing supplier management.

RMG is a member of Sedex and requires all of its suppliers to fill in a self-assessment questionnaire (available through Sedex), which measures labour standards risks at sites of production. Evidence from the self-assessment questionnaire is used to evaluate the risks in RMG's supply chain.

Level 4 – Procurement Process [Enhance]

Key components

- Evidence of **independent third party labour standards audits** of high risk suppliers is required
- **Procedures exist for taking remedial action** when issues are identified
- Labour standards form part of **ongoing market engagement**

Guidance

Evidence of independent third party audits into labour standards for high risk suppliers is required

At level 3, it was suggested that some form of supplier self-assessment is required from suppliers in relevant categories that are identified as posing a high risk in terms of labour standards.

At this level, it is suggested that for relevant supply categories (see [Procurement Process, level 1](#)) that continue to be rated as high risk, evidence of independent third party audits into labour standards is sought for specific parts of the supply chain.

Within the sphere of independent third party audits, it is important also to consider audits and assessments that are undertaken as part of established social and ethical standards or product labelling schemes. Examples include FAIRTRADE Mark, GESI, ICTI, Rainforest Alliance and SA8000. If certification against an established standard or product labelling scheme is to be stated as a specific requirement within a procurement exercise, or made a condition of contract, then the wording should include the term 'or equivalent', indicating that the authority would also accept certification to schemes or standards that are of an equivalent or higher standard. This avoids potential for discrimination against tenderers from outside the UK who may follow different national standards or be precluded from a scheme due to their geographical location. For example, a condition of contract might specify that *'the supplier will achieve certification to SA8000, or equivalent, within 12 months of contract award'*.

An independent third party audit will not provide any guarantees, but should provide for some verification of suppliers' self-assessments and should provide a higher level of

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assurance within any due diligence process.

Independent third party audits may be commissioned by the procuring organisation, the contracted supplier, a specific supplier in the supply chain or another third party (e.g. trade association). In general, it is not very important who commissions the audit, although in some situations it may be prudent to minimise conflicts of interest.

There is a wide range of organisations who can provide third party independent labour standards audits. Some points to consider include the auditor's experience of the sector, country, or region, and any reliance on sub-contractors and intermediaries.

When evaluating evidence of independent third party audits, it is important to understand the scope of the audit and the standards against which the organisation has been audited. Good audit reports should cite specific evidence against observations and assessments.

When commissioning audits, it is essential to set out the scope and the standards against which the audit is to be undertaken. In addition, some prescription of the audit methodology is recommended (e.g. interviews with operational employees and sub-contractors to form at least one third of evidence gathering processes).

In requiring evidence of independent third party labour standards audits, consideration should be given to sharing audit information from, and with, other organisations. Schemes exist to facilitate sharing of such information.



Info sheet: [Social and ethical standards and product labelling schemes](#)



Template: [ETI workbook – guidance on third party audits](#)



Info sheet: [sources of information on audit bodies](#)

Procedures exist for taking remedial action when issues are identified

In collating information on labour standards in supply chains, whether through research, self-assessment, or third party audit, it is likely that at some stage there will be

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situations which do not comply with the organisation's policy, codes of conduct or expectations.

In such cases, it may not always be desirable to end the relationship with the organisation concerned. This may be due to the fact that the organisation's performance in other aspects of the contract is very good, that the supplier provides a very specialised function in the supply chain which will be hard to replace, that significant time and resources have been invested in establishing the relationship, or that ending the commercial relationship may cause the workers and their dependents even greater suffering and hardship.

In such situations it is generally recognised as good practice to seek to rectify the non-compliance, within reason, and the organisation should establish a procedure for dealing with this sort of situation as and when it arises.

Procedures of this nature 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 procedures may require the incorporation of clauses within conditions of contract. Probationary clauses may also apply, whereby contract volumes are stepped down while remedial 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.



Template: [procedure for taking remedial action on identified labour standards issues](#)

Labour standards form part of ongoing market engagement

It was identified at level 2 that engagement with markets and suppliers should not be left purely to formal procurement exercises.

A danger of this approach is that risks can go unidentified and unmanaged for significant periods of time until contract renewal. Moreover, it provides little time for

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procurers to gain an understanding of the risks and the market's capability, and therefore decisions over approaches to take in the procurement process may be poorly informed. The market may also be unprepared to respond effectively to demands and expectations, resulting in a sub-optimal solution or increased costs.

As for other aspects of procurement, market engagement and supplier management should be viewed as key elements of the wider procurement process and, and should incorporate consideration of labour standards where relevant.



Case study: Welsh Health Supplies – National Uniform Contract.

In May 2009, the *All Wales Nurses' and Midwives' Uniforms Procurement Project Board* was put together to provide leadership for a new contract tender for an estimated 150,000 uniforms. The management and co-ordination of the procurement contract was carried out by Welsh Health Supplies on behalf of NHS Wales.

Welsh Health Supplies recognises the important role it plays in supporting the Welsh Assembly and UK Government sustainability agendas. It has developed a CSR policy which outlines its responsibility in twelve areas, including ethical procurement. As a part of Welsh Health Supplies' approach to sustainable procurement, all contracts valued over £25k are required to include a sustainability risk assessment. As a result, a number of key issues were highlighted, including the labour issues associated with the supply chains. As a further step, Welsh Health Supplies mapped the supply chain for uniforms from fabric manufacture through the dyeing process and garment production. This mapping demonstrated that poor labour standards were a risk beyond the first tier, right down the supply chain.

The outcome of a competitive dialogue process was to include a requirement in the contract for the whole supply chain to be compliant with the Ethical Trading Initiative (ETI) *Base Code*. The contract also required a labour standards audit to have been conducted within the last 6 months at each supplier's site throughout the supply chain, including the textile

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manufacturer, the dye house, and the garment manufacturer, as well as any warehousing. In addition, details of the most recent corrective action report were required. If an audit was not available, the supplier was required to pay for an audit to be undertaken by WHS' approved partner.

Welsh Health Supplies worked with High Street Textiles Testing Services (HSTTS), a qualified audit body, to review the documentation provided by potential suppliers. HSTTS provided advice on non-compliances and close-out of issues identified in the audits.

The intention of this approach was to incorporate the requirement for ETI Base Code compliance in the conditions of contract. This allowed WHS to agree with the supplier reasonable timescales to achieve compliance and ensured that action would be taken throughout the supply chain.

In December 2009, a contractor was selected for the manufacture of the uniforms. WHS requested social audits from all sites, including Greige fabric manufacturing, production and dyeing. Sites without an audit were asked to commission one immediately. Whilst no major issues were raised, HSTTS is continuing to provide ongoing support on corrective actions and closing out issues identified by these audits.

Welsh Health Supplies believes that the inclusion of compliance with the ETI Base Code as a contractual obligation added minimal cost to the procurement process, as these costs were borne by the successful contractor. Whilst the entire procurement process was time consuming, with two people working full time for six months, the inclusion of the assessment of the bidders against the ETI Base Code added very little extra time to the process.

Welsh Health Supplies is keen to take a similar approach with other contracts, e.g. surgical dressings. They are eager to share their learning with others in the NHS through the BMA Medical Fair and Ethical Trade

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	Group and other forums.
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Level 5 – Procurement Process [Lead]	
Key components	
<ul style="list-style-type: none"> • Driving demonstrable improvements in labour standards within supply chains 	
Guidance	
Driving demonstrable improvements in labour standards within supply chains	
<p>In the main, this guidance has focused on identifying risks of labour standards abuses in supply chains and how to gain assurances that those risks are being managed within formal procurement and supplier management processes, and in market engagement approaches.</p> <p>Leadership, however, is typified by organisations that pro-actively identify opportunities for improvement and take the lead in driving positive changes, whether through advocacy, policy levers, facilitation or direct intervention.</p> <p>It is suggested that organisations utilise the information from risk assessments, research, self-assessments, audits and other dialogue to identify specific areas of strategic importance to them. This may relate to an issue of significant stakeholder interest and concern, or an operationally critical area of supply.</p> <p>The nature of the improvement required and the best means of achieving it will be specific to the organisation concerned. However, a review of case studies and dialogue with organisations that have faced similar challenges can prove valuable.</p>	
	<p>Link to Changing Overtime: Tackling supply chain labour issues through business practice</p>
	<p>Case study: Organic Medical Clothing Company – Ethically Sourced Medial Clothing</p> <p>In 2008, three business partners came up with the idea to produce ethically sourced medical clothing. Specific research into certified Fairtrade cotton clothing in the medical industry showed that no one else was doing it. They seized the opportunity to provide an ethical product and moved forward</p>

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structuring a business model around the concept. This involved reaching out to stakeholders including NHS Supply Chain and The Medical Fair & Ethical Trade Group to gain support for the business idea.

The concept resulted in building a business around the idea that, through ethical purchasing, “the NHS is helping people in developing countries as it helps people in Britain” – enabling consistency in an ethical approach.

As a “first mover” in the ethical product space, it is not always easy to overcome established purchasing habits of potential customers, especially around pricing. It also takes time to understand what works in the marketplace and to identify suitable manufacturers. The effort, however, pays off. OMCC is the first company in the world to produce and offer ethical medical clothing to the NHS. Furthermore, the company is now listed on the NHS supply chain catalogue, which has led to significantly more interest in sustainably sourced cotton based goods from different organizations. A popular misconception is that Fairtrade cotton garments are more expensive than their non certified counterparts. However, through the unique business model of OMCC this is not necessarily the case, where certified Fairtrade cotton garments can often be procured for less than their non certified Fairtrade equivalents.

It is the vision of the company to offer affordable and ethically produced goods, whilst at the same time playing a key role in deepening the positive impact that certified Fairtrade cotton has on small-scale farmers in developing countries. Fairtrade guarantees prices for cotton farmers that meet costs of production and provides them with a Fairtrade Premium to invest in community projects, such as access to safe water, school or healthcare facilities.

Note: This case study relates to a private sector organisation. Private sector organisations are not subject to the public sector procurement regulations. For more information see [Procurement Process](#) and [Info sheet: Considering labour standards in the procurement process](#).

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THEME – Engaging Suppliers

The Engaging Suppliers theme focuses on the development of constructive relationships with suppliers, and their supply chains, to drive improvements in labour standards, working conditions and employee welfare. This theme covers the identification of risk at a category level to inform the prioritisation of labour standards issues in category strategy.

Leadership in this area is characterised by organisations that work in partnership with suppliers, develop collaborative projects to tackle persistent issues, and evolve best practice through these activities. Leading organisations may also develop schemes to recognise suppliers who demonstrate good practice in upholding labour standards.

In using this guidance your attention is drawn to the public sector procurement rules and the information provided in the [Getting started](#) section of this document.

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Level 1 – Engaging Suppliers [Foundation]

Key components

- Initial **category risk assessment** to identify priority areas

Guidance

Initial category risk assessment

In [Procurement Process, level 1](#), we identified that the extent of labour standards abuses varies greatly between industry sectors. This level builds on the concept of risk assessment described in [Procurement Process](#) for specific procurement exercises, and applies it at a higher level to the assessment of procurement categories. This should enable the risk assessment findings to inform longer term market engagement and procurement strategies.

For example, an organisation may assess its ICT hardware procurement category and identify that there is little visibility due to the complexity of the supply chains, characterised by numerous sub-contracting arrangement and intermediaries. Its labour standards research may show evidence of poor labour standards in the sector, which may also exist within the organisation's ICT hardware supply chains. The organisation may decide that these risks can be managed more effectively by simplifying the supply chain which in turn will improve visibility, influence and flows of information. In addition, this approach will provide much better understanding of costs and value-adding activity within the supply chain, and present an opportunity to improve value for money.

Clearly, such an approach is unlikely to be realised through a single procurement exercise and needs to be part of a longer term category programme.

It is suggested that the organisation undertakes an initial desk-based risk assessment for all of its main procurement categories. This can be undertaken in parallel with specific procurement related risk assessments, and indeed the more detailed product and services assessments will undoubtedly help inform the broader category assessments.

To help understand the importance of the labour standards risk assessments in the

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context of broader category strategy it is recommended that the additional strategic risk criteria described in the initial desk-based risk assessment tool are also utilised.



Tools: [Initial desktop risk assessment tool](#)



Case study: London Underground – ETI Base Code

In December 2006, London Underground (LU) became the first public sector organisation to sign up to the Ethical Trading Initiative (ETI) on the basis of its supply chain for the provision of uniforms to its 12,000 staff.

The ETI Base Code has been incorporated in all uniform contracts placed subsequent to LU joining ETI, with suppliers required to demonstrate in their tender responses how they will meet or work towards meeting the requirements of the code.

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Level 2 – Engaging Suppliers [Embed]

Key components

- **Priority categories** selected
- **Initial dialogue with suppliers** to establish levels of awareness, position and market maturity
- **Embed labour standards where significant into category strategy**

Guidance

Priority categories selected

In level 1, the organisation will have undertaken category risk assessments (see [Engaging Suppliers, level 1](#)). In level 2, the organisation should identify priority categories in order to focus resources on those presenting the highest risk. The initial desk-based risk assessment tool provides a basis for establishing whether the risk is significant or not but the organisation will need to interpret assessment results in the context of other strategic factors relevant to the category.

Once priority categories are selected, the organisation can plan how it will use its resources to best engage the category suppliers.

The organisation should review category priorities periodically to take account of changes in markets, the impact of the organisation's actions and emerging issues.

Initial dialogue with suppliers

Undertaking the risk assessment in itself only highlights where labour standards issues may exist. A key next step is to understand suppliers' awareness, current practice and the maturity of the market in selected categories. Some suppliers, especially those that supply products and services that have experienced adverse media exposure or have a high profile in terms of labour standards (e.g. textiles, food, ancillary services), may have some awareness of the issues and may have policies and practices (e.g. regular third party audits) in place to mitigate the labour standards risks. It should be recognised that different categories may well exhibit different levels of awareness and practice and in turn there could well be significant variation between individual suppliers in any given category or market.

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Procurers should begin dialogue with suppliers to:

- map the supply chain and understand the involvement of agents, production sites and sub-contractors in the supply chain
- understand suppliers' level of awareness of labour standards
- understand their existing level of engagement with labour standards
- understand what the likely labour standards issues in the category are
- understand what attempts suppliers have made to tackle the issues
- communicate the organisation's expectations
- communicate why working towards improved labour standards is beneficial to the organisation, suppliers themselves and workers.



Info: ETI Factsheet for Small Businesses

The ETI has prepared a short factsheet on ethical trade and labour standards for small businesses. It is designed to raise awareness and answer the questions most frequently asked by small companies considering ethical trade and procurement for the first time. The briefing covers the following points.

- What is ethical trade?
- ETI Base Code
- Why should I bother?
- What should my ethical trade strategy look like?
- So what can I do to get information on my suppliers' labour practices?
- Where can I get a list of ethical manufacturers?
- Can I join ETI?

The factsheet is available from the ETI Secretariat.



Link to [ETI Fact Sheet for Small Businesses](#)

Embed labour standards, where significant, into category strategies

Where labour standards risks are significant the organisation should embed ethical procurement into category strategies. This will ensure that ethical procurement and labour standards are considered as a strategic part of category development. The organisation will need to consider how to embed these issues in the various stages of the procurement process, including market engagement (see [Info Sheet: Considering](#)

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[labour standards in procurement](#)). This may include requiring self-assessments or independent audits of supplier performance on ethical procurement and labour standards and / or imposing post-award conditions for ongoing management of labour standards risks (see [Procurement Process](#)).

The organisation should also consider how it can effect longer term and more fundamental change to eliminate, or significantly reduce, the risk. The organisation may:

- move towards direct sourcing and identify suppliers / partners with better labour standards
- work with NGOs to improve standards on the ground
- work to establish a fair trade mark or best practice mark
- work to build the capacity of suppliers to take ownership over labour standards, and / or develop a within-factory-wall policy.



Info sheet: Considering labour standards in the procurement process



Case Study: Royal Brompton Hospital

In 2007 the Royal Brompton Hospital implemented ethical and sustainable food procurement practices known as the “London Hospital Food Project”. Nowadays, 30% of the food budget is spent on organic and ethically sourced food from within a circle of 58 kilometre of London. A research from the University of London demonstrated that in this project, every £25 spent on local food generates £19 for the local community developing local business and jobs.

This change was based on trying to “do the right thing where there was a way to do it” and seeking out opportunity to positively change procurement process appropriate to the organization. The project was internally communicated via newsletters and the intranet.

The hospital started with introducing organic strawberries on the menu in the hospital’s restaurants. Patients very much valued this initiative. Since the implementation of the ethical and sustainable food procurement, patient’s satisfaction rating related to food has increased to 20% higher than national

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	<p>average. This showed clearly the reasons as to why this approach was taken and support for the ethical and sustainable procurement started to grow.</p> <p>Royal Brompton Hospital started by approaching existing contract suppliers and asked if they were able to start supplying according to ethical and sustainable standards. The focus was on consultation and collaboration - not challenge and conflict. They continued working with existing suppliers who were able to supply in accordance with these standards.</p> <p>The Royal Brompton Hospital also focuses on saving costs by increasing the efficiency of delivery of products, as well as demonstrating continuity and confidence in volume by seeking collaboration in procurement with other local organizations.</p>
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Level 3 – Engaging Suppliers [Practice]

Key components

- Regular and structured **engagement** with suppliers in priority categories identifying improvement **objectives and action plans**

Guidance

Regular and structured engagement with suppliers

Building on work at level 2, this level aims to ensure that suppliers are aware of category strategies. Procurement managers should engage with suppliers on the key issues in a regular and structured manner. This activity may take place outside procurement exercises either as market engagement or as part ongoing contract management.

- **Agree priority areas.** Based on dialogue with suppliers, the organisation should identify and agree priority areas for action.
- **Agree an action plan.** The organisation should agree actions with its suppliers which help to tackle agreed priority areas. These may be specific actions relating to issues raised by audits or self-assessments, or they may be more general actions that reflect a move towards good practice.
- **Review progress made.** The organisation should regularly review progress made by the supplier to ensure that issues are being resolved.

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	<p>ETI short films on the business case for ethical trade</p> <p>The Ethical Trading Initiative (ETI) has produced two 15 minute films, for suppliers and retailers respectively, setting out the business case for ethical trade. They have been made specifically to help corporate ethical trade managers raise awareness and support for labour codes within their own organisations and associated supply chains. The films should also be of use and interest to others involved in ethical trade and could be used to help raise awareness.</p> <p>Copies of these films are available from ETI (each DVD contains both films on the same disk).</p>
	<p>Link to ETI short films on the business case for ethical trade</p>
	<p>Case example: Regular structured engagement</p> <p>The case example is a presentation from an Ethical Trading Initiative (ETI) member company on their process for engaging suppliers and ensuring that improvement objectives and action plans are followed up.</p>
	<p>Case study: BBC Worldwide - Ethical Sourcing Programme</p> <p>BBC Worldwide seeks to conduct its business to the highest possible ethical standards. The business is working to ensure that its suppliers operate according to the principles set out in BBC Worldwide's Ethical Sourcing Policy. The company is a member of the Supplier Ethical Data Exchange (Sedex), which works collectively with major retailers to promote continuous improvement of ethical performance in their supply chains.</p> <p>Over the past year, BBCW's ethical programme has focused on magazine covermounts and licensed toys which are mainly sourced from China.</p> <p>The programme aims to ensure that BBC Worldwide products are produced in factories that meet, or exceed, internationally recognised standards relating to worker age, conditions of employment, pay and hours, and health and safety. To meet these aims, BBCW implements a comprehensive supplier training and factory inspection programme. Factories which are actively producing BBC Worldwide products are required to have been independently audited within the past 12 months. One of the group's key requirements is that any factory supplying products to BBC Worldwide must be honest and transparent about its working practices.</p> <p>BBCW recognises making improvements on ethical issues involves many</p>

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complex challenges. Therefore, when audits identify non-compliances, BBCW's ethical team works closely with its suppliers to develop effective action plans and monitor implementation over an agreed period of time.

BBCW also implements an ongoing programme of control audits in collaboration with some of the world's leading labour standards consultancy firms. These control audits help ensure the day-to-day programme is genuinely effective in raising standards and bringing about lasting improvements.

Note: This case study relates to a private sector organisation. Private sector organisations are not subject to the public sector procurement regulations. For more information see [Procurement Process](#) and *Info sheet: [Considering labour standards in the procurement process](#)*.

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Level 4 – Engaging Suppliers [Enhance]

Key components

- **Collaborative work with suppliers and third parties to deliver improvement programmes**

Guidance

Collaborative work with suppliers and third parties to deliver improvement programmes

When labour standards are integral to the category strategy or the organisation identifies persistent issues, it should consider working collaboratively with other purchasers, suppliers and other third parties to resolve the situation, develop new ways of working and deliver improvements. Working collaboratively draws together skills and resources which may not be available internally. It can also help to ensure that project outcomes are sustainable.

It may not be possible to improve labour standards conditions in all cases, especially if the issues that have been identified are deep-rooted, caused by factors such as government policy, social structures, and culture, or are apparent in large areas of a country, sector or supply chain (e.g. excessive overtime in China). However, organisations can:

- assess the scope for improvement
- develop and test a policy or way of working
- demonstrate a successful model in resolving issues when they are found.

Project design and partners will depend on the type of issues addressed. However, all collaborative projects should have:

- established and agreed aims and objectives
- participatory approach drawing on the skills of suppliers and third parties
- specified roles and responsibilities for all parties
- clear and achievable outcomes.

Collaborative remediation and improvement projects might include:

- **Child labour remediation.** The organisation might work with suppliers and local

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	<p>stakeholders (factory managers, parents, local NGOs, school teachers) to understand the causes of child labour and help get child workers back to school.</p> <ul style="list-style-type: none">• Worker welfare. The organisation may work with suppliers and partners (productivity experts, worker councils, trade unions) to improve workers' pay and conditions and ability to negotiate with management.
	<p>Case study: Working collaboratively with suppliers and third parties</p> <p>In November 2007, the Minister for Health and Social Services established a Task and Finish Group to make recommendations around a number of key areas that would ensure that sisters/charge nurses were empowered with the authority knowledge and skills to improve the environment of care and patient experience. Amongst the recommendations that were made under the <i>'Free to Lead, Free to Care'</i> initiative was the development and implementation of a new standard nursing uniform for NHS Wales.</p>
	<p>Case study: Collaborative Overtime Project</p> <p>A group of purchasing companies including Body Shop, Debenhams, H&M, IKEA, Kingfisher, Lambert Howarth, Marks and Spencer, New Look, Next, Pentland and Sainsburys recognised that excessive overtime was a big issue in China. They worked with a group of suppliers, specialist consultants and local NGO partners to develop an innovative approach to tackling the issue of excessive overtime.</p> <p>The purpose of the project was to demonstrate that by improving a factory's productivity, human resource management and internal communications, hours can be gradually reduced, while maintaining wage levels. The focus was on presenting a clear business case for factory managers and supporting continuous improvement.</p> <p>Each purchasing company chose one of their supplier factories in China to work with on the project, which involved providing consultancy and training for factories from a number of local organisations.</p> <p>Overall, all factories managed to reduce working hours, although most were still not able to achieve consistent compliance with strict Chinese labour</p>

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	<p>laws. Most factories saw increased productivity and quality and also increased wages.</p> <p>Note: This case study relates to a private sector organisations. Private sector organisations are not subject to the public sector procurement regulations. For more information see Procurement Process and <i>Info sheet: Considering labour standards in the procurement process.</i></p>
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Level 5 – Engaging Suppliers [Lead]

Key components

- **Development of schemes** for the recognition of high performing suppliers
- **Case studies** to capture good practice from collaborative projects

Guidance

Development of schemes for the recognition of high performing suppliers

The most progressive organisations in the field of ethical procurement encourage their suppliers to take ownership of labour standards as part of their business relationship. Adopting this approach moves the organisation from a role of policing suppliers to one which recognises suppliers for improving labour standards.

In order to encourage continuous improvement in labour standards, the organisation should actively recognise the achievements of suppliers who demonstrate good labour standards. In this context, good labour standards may include:

- compliance with organisation's ethical procurement policy
- establishment of own code of conduct which is communicated down the supply chain to 2nd and 3rd tier suppliers
- supplier membership of trade association or multi-stakeholder initiatives designed to highlight and share good practice (e.g. ETI, Fairtrade Foundation, GeSI, ICTI, and SA8000)
- signed framework agreements and access agreements with international trade union bodies.

Developing a scheme to recognise suppliers that demonstrate due diligence, constructive engagement and improvement on labour standards can be an effective way of encouraging suppliers to become more proactive. It also provides an opportunity for an organisation to identify suppliers who are doing good work in this area, either as potential partners in future initiatives or purely as models of what can be done to support wider learning and understanding. The organisation may want to create a local initiative to recognise suppliers' good labour standards. Care must be taken, however, to ensure that success under any such initiative does not confer any preferential status on suppliers in any contracting activity.

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	Link to Suppliers Delivering Sustainability Award
<p>Case studies to capture good practice</p> <p>Identifying good practice allows suppliers and procurers to learn from the experiences of others and builds the expertise of the entire supply base. Leading organisations should capture good practice from suppliers who are improving their labour standards or are working on collaborative projects (see Engaging Suppliers, level 4) and roll out the learning to other suppliers.</p> <p>In order to capture good practice, procurement managers should document:</p> <ul style="list-style-type: none">• context• project actions and steps• successes, difficulties and future learning points• project outcomes• project legacy – prognosis. <p>Documented case studies should be made available to suppliers, procurers and other stakeholders.</p>	
	<p>Case study: Suppliers Delivering Sustainability award</p> <p>As part of the Community Partnerships Awards 2010, the Department of Health (DH) sponsored the <i>Suppliers Delivering Sustainability award</i>.</p> <p>The award recognises that suppliers to the health and social care sector at all levels can play an important role in helping their clients to realise their sustainability objectives and aspirations.</p> <p>This award seeks to identify excellence in sustainable supply, whilst recognising those suppliers to the health and social care sector who are going the ‘extra mile’ and making a positive contribution to social, environmental and community objectives in the sector.</p> <p>One of the criteria against which entries were judged was <i>‘the extent to which suppliers have improved health and well-being of those within their supply</i></p>

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	<p><i>chain</i>'.</p> <p>The DH looks to develop case studies on the successful and short-listed suppliers and disseminate these across the NHS.</p>
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THEME – Measurement and Results

The Measurement and Results theme provides guidance on how to develop measurements of activity and outcomes that help to demonstrate that the organisation is effectively addressing its business case for ethical procurement by delivering the anticipated benefits.

The old business adage that *'if you can't measure it, you can't manage it'* is as relevant to ethical procurement as it is for any other area of activity and it is important that organisations start to develop measurement, monitoring, and key performance indicators as early in the process as possible.

Leaders in this area should be able to draw upon a variety of empirical data and qualitative evidence to demonstrate progress against their objectives, and delivery of benefits in line with their business case and broader strategies.

That said, it is recognised that the measurement of significant aspects of performance, in a sensitive manner, in the field of social sustainability is challenging, and there are few, if any, organisations that could claim to have all the answers. For this reason this guidance encourages the gradual development of measures alongside an understanding that measures are likely to be imperfect in some regard and that qualitative and anecdotal evidence also has a role to play.

In using this guidance your attention is drawn to the public sector procurement rules and the information provided in the [Getting started](#) section of this document.

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Level 1 – Measurement and Results [Foundation]

Key components

- Regular **reviews** of progress against the Ethical Procurement for Health (EPH) flexible framework

Guidance

Regular reviews against EPH flexible framework

Organisations should track their progress against the EPH flexible framework using the Excel-based self-assessment tool to:

- assess what level they have achieved in each area
- identify next steps and actions
- inform progress reporting.

The EPH flexible framework self-assessment tool can also be used to plan and schedule activities through a basic project planning function.

This process should be coordinated by the person(s) with responsibility for implementing ethical procurement in collaboration with key procurement managers. Outputs from review could be used to inform reporting to senior management.



Tools: [Excel-based self-assessment tool and graphic chart output to track actions and progress](#)



Case example:

The excel-based self-assessment tool can be used to establish an initial baseline and to monitor progress against the EPH flexible framework.

The table below shows progress by level and area of the EPH flexible framework.

Procurement Organisation					
Ethical Procurement for Health - flexible framework progress					
	Level 1 Foundation	Level 2 Embed	Level 3 Practice	Level 4 Enhance	Level 5 Lead
Policy and Communication	75%	0%	0%	0%	0%
People	67%	0%	0%	0%	0%
Procurement Process	100%	50%	0%	0%	0%
Engaging Suppliers	100%	22%	0%	0%	0%
Measurement and Results	33%	0%	0%	0%	0%

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Level 2 – Measurement and Results [Embed]

Key components

- Report **progress** to senior management
- Further **indicators of management performance**

Guidance

Report progress to senior management

As ethical procurement becomes established, the person(s) with lead responsibility for implementing ethical procurement should report progress against the EPH flexible framework to senior management on a regular basis.

Other key stakeholders, including the procurement team, will also need to be kept up to date with progress on ethical procurement.

Develop indicators of management performance

The effects of management activity on labour standards in the supply chain will take time to become clear. It is therefore useful to measure management activity itself to evaluate whether sufficient action is being taken to implement the policy. Management performance indicators (MPIs) can also support budgeting decisions on future activities and approaches.

Based on its aspirations for ethical procurement, the organisation should identify what management performance indicators it will track. These may include:

- number of procurement staff who have attended awareness raising training
- number of suppliers who are engaged in initial dialogue
- number of categories risk assessed to inform category strategy
- percentage of procurement processes taking labour standards into account
- percentage of nominated suppliers returning supplier self-assessments
- number of third party audits received / conducted
- percentage of identified corrective actions closed out in agreed timescale
- number of good practice case studies developed.

As the organisation develops its ethical procurement activities, indicators should be reviewed to ensure that they track the organisation's progress against the themes and

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levels of the EPH flexible framework.	
	<p>Case study: Management performance indicators</p> <p>Traidcraft and Impactt conducted a study on the effect of procurement practices on labour standards in the garment industry. The study identifies some sample Management Performance Indicators to measure management activity relating to labour standards.</p>
	<p>Case study: Tesco - Management performance indicators</p> <p>Tesco's supply chain provides jobs for an estimated 1.8 million people around the world. In 2008, Tesco strengthened its independent audit programme, improving oversight of conditions for workers throughout their supply chain, and enabling the organisation to improve conditions. In 2007, Tesco set itself targets to:</p> <ul style="list-style-type: none"> • undertake independent audits of high risk supplier sites every year and medium risk sites every two years • require 100% of low risk suppliers to complete an annual self-assessment. <p>Tesco reports annually on their progress against these targets. In 2008, Tesco:</p> <ul style="list-style-type: none"> • risk assessed 100% of sites • ensured 87% of high-risk sites were audited (up from 73% in 2007) • ensured 71% of medium-risk sites were audited within the 2007-2008. <p>Furthermore, Tesco reported that:</p> <ul style="list-style-type: none"> • a total of 1,819 independent audits were carried out on suppliers to their UK business in 2008 • 135 unannounced audits were conducted as a double-check in Bangladesh, China, India, Romania, Sri Lanka and Vietnam • Tesco employees received more than 2,400 hours of training on ethical trading during the year. <p>Source: Tesco <i>Corporate Responsibility Report 2009</i></p> <p>Note: This case study relates to a private sector organisation. Private sector organisations are not subject to the public sector procurement regulations. For more information see Procurement Process and <i>Info sheet: Considering labour standards in the procurement</i></p>

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	process.
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Level 3 – Measurement and Results [Practice]

Key components

- Indicators of **positive impacts** resulting from the organisation's activity

Guidance

Develop positive impact indicators

Measuring the real outcomes of ethical procurement activity is often complex and time consuming. It is recognised that procurers do not have direct control over labour standards in their supply chains and many factors other than their efforts are likely to influence outcomes. However, getting some measure or indicator of outcomes is important to evidence the value of ethical procurement.

The first step should be to examine the main benefits predicted in the business case, and develop measures to demonstrate whether these benefits are being realised as a result of actions taken. While the identification of generic measures or indicators of benefit delivery across all procurement activity would be ideal, the reality is that indicators will probably need to be developed around more specific procurement projects or initiatives in the first instance.

Positive impact indicators might focus on broad elements of the business case:

- quality of service delivery (e.g. number of complaints about service)
- reputational risk (e.g. level of overall risk rating for ethical procurement)
- security of supply (e.g. number of critical suppliers providing good evidence of exceeding ILO standards).

Alternatively, more specific and direct measures of labour standards might be developed in relation to:

- workplace health and safety (e.g. number of work related injuries)
- wages and remuneration (e.g. average wages as a percentage of regional or sector average)
- hours of work and leave entitlement (average hours per shift)
- child labour (e.g. number of incidences identified in third party audits).

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It may be appropriate to adopt proxy measures, such as results from staff satisfaction surveys and staff turnover rates, that may provide some insight into general levels of employee satisfaction.



Case study: Fairtrade Foundation

The Fairtrade Foundation works with businesses, community groups and individuals to improve the trading position of producer organisations in developing countries and to deliver sustainable livelihoods for farmers, workers and their communities.

The FAIRTRADE Mark offers an independent product certification against internationally agreed standards (see www.fairtrade.net) now available for a wide range of products used in the health sector – from hot beverages to fresh fruit, fruit juices to cotton. The Fairtrade Foundation's website (www.fairtrade.org.uk) contains case studies and impact reports.

The top five catering companies in the UK, many of whom serve the health sector, all offer Fairtrade products. Two companies, Aramark and Compass, now provide 100% Fairtrade sugar and bananas as standard. Three hospitals in Kent (Ashford, Margate, Canterbury) have already committed to sourcing Fairtrade goods through their supplier.

Polo shirts made from Fairtrade certified cotton for hospital utility workers are also available for sale from the NHS supply chain online catalogue in a move to introduce sustainability into the many garments sourced by the NHS.

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Level 4 – Measurement and Results [Enhance]

Key components

- Active monitoring of **ethical conditions** by region, country or sector.

Guidance

Active monitoring of ethical conditions by region, country or sector

Working conditions and labour standards are subject to change, large scale processes such as inflation or migration can have a huge effect on workers' living standards.

For example, the demand for workers in Shenzhen province of China in 2007-08 caused significant labour shortages, one of the largest internal migrations in human history, and has increased the incidence of child labour. Rates of food price inflation in Bangladesh have meant workers' wages sometimes fail to cover the cost of basic food items. In the UK, inflation rates and currency fluctuations against the Euro can significantly affect the number of migrant workers entering Britain to find work.

To ensure that the organisation's ethical procurement activities are responsive to changes on the ground in sourcing countries, the organisation should seek to monitor media and internet sources for up to date information and indicators of labour standard conditions in the regions, countries and sectors from which the organisation sources. In particular, the organisation should monitor:

- news reports
- web based discussion groups and blogs
- reports by international institutions (e.g. World Health Organisation, United Nations, World Bank)
- reports from third sector organisations such as charities, and campaign groups
- academic research.

The organisation may want to set up internet alert services for stories relating to labour standards in relevant categories or subscribe to free news feeds of breaking labour standards and ethical trade news. These may include:

- business and human rights updates
- ethical news feeds.

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<p>Information obtained on ethical conditions by region, country or sector should be used to inform a review of risk assessments and resulting action plans or strategies.</p>	
	<p>Link to Business and Human Rights</p>
	<p>Case study: Labour Shortages in the Pearl River Delta</p> <p>Factories in southern China started reporting that it was hard to find enough workers in August 2009 as orders picked up after the financial crisis. By February 2010, some estimates suggested that the shortfall was around two million workers in the Pearl River Delta manufacturing hub in southern China.</p> <p>The shortages were highlighted in Chinese media as the country got back to work after the week-long Spring Festival, or lunar new year holiday. Sources blame the failure of factories to meet workers' expectations of higher wages and better working conditions as the root cause of the shortage.</p>
	<p>Case study: Novo Nordisk Responsible Sourcing Programme</p> <p>As part of the responsible sourcing programme, Novo Nordisk applies a risk approach in order to reinforce and further develop responsible sourcing within product-related (raw material / medical products) and non-product related suppliers (stationary, coffee).</p> <p>Novo Nordisk's supply chain comprises both product and non-product related procurement. Purchasing is carried out across the organisation with varying requirements on price, quality and time alongside a set of requirements in terms of social, ethical and environmental responsibility. The nature and length of the relationship with suppliers also varies. Therefore, a tailored approach towards managing social, ethical and environmental risk has been developed and based on a common set of risk screening principles.</p> <p>The screening principles take into account critical factors such as country of operation, specific category-related risks, potential impacts on the</p>

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environment and human rights. These are mapped against the potential impact to the brand and operation of the business, and the leverage that Novo Nordisk has in the relationship with the supplier. To put it simply, high risk suppliers are identified based on a combination of risk likelihood and risk impact on Novo Nordisk.

Based on the assessed risk evaluation of a supplier, suppliers are placed in a risk grid and may be asked to sign Novo Nordisk's Responsible Sourcing contract clause; complete a self-assessment questionnaire; perform a responsible sourcing audit to evaluate compliance; or build closer partnerships to share Novo Nordisk's responsible sourcing values and demands.

Note: This case study relates to a private sector organisation. Private sector organisations are not subject to the public sector procurement regulations. For more information see [Procurement Process](#) and *Info Sheet: [Considering Labour Standards in the Procurement Process](#)*.

Level 5 – Measurement and Results [Lead]

Key components

- Measures are routinely **applied** as part of benefits tracking processes for contracts.

Guidance

Routine application of measures to benefits tracking processes for contracts

Building on work at level 3 to identify positive outcome indicators, this level focuses on building requirements for outcome data into contract benefits tracking processes.

The aim is to capture benefits realised relating to ethical procurement activity at a contract level and in a routine and systematic manner.

It may be possible to aggregate some of these data to support organisation-wide indicators of positive outcomes and demonstrate that the business case benefits are being delivered.



Case study: ETI impact assessment

In 2006 the ETI in collaboration with Institute for Development Studies published [The ETI code of labour practice: Do workers really benefit? Report on the ETI Impact Assessment 2006](#). The report was the outcome of a three year independent study on the impact of the ETI members' activities on the estimated 20,000 workers in 29 companies' supply chains.

The primary aim was *'to assess positive and negative impacts of implementation of the ETI Base Code on the working conditions and lives of workers within the supply chains of ETI member companies, and to identify how impacts can be improved'*. The study used a multi-method approach, including scoping exercises, in-depth worker interviews, country studies and case studies.

The research found that as an outcome of members activities there had been a significant improvement in workers' conditions, particularly in the areas of:

- health and safety (e.g. better fire safety, introduction of training on

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	<p>emergency procedures, and safer use of chemicals)</p> <ul style="list-style-type: none">• working hours (reduced regular and overtime hours)• wages (e.g. ensuring payment of the minimum wage and provision of state insurance and pensions)• child labour (less employment of children and young workers). <p>However, in some areas of the ETI Base Code there had been no or very little impact, notably in freedom of association, discrimination, regular employment and harsh treatment.</p>
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Glossary

AA1000: Developed by Accountability International, AA1000 is a system of principles-based standards for helping organisations become more accountable, responsible and sustainable. They are for use by any type of organisation from multinational businesses, to SMEs, governments and civil society organisations.

Assessor: A person who performs assessments or inspections. The term has no implications with respect to the qualifications of the individual or whether the individual is an employee of any particular kind of organisation.

Audit of labour standards: A systematic and independent external assessment administered by a trained social auditor against a specific standard (for example SA8000, ETI Base Code or ILO conventions) or set of criteria. The audit aims to determine whether an entity complies with the standard or criteria, and with established policies, operating procedures and national and local laws.

Audit compliance: Practice or performance which meets, or exceeds, the required standard or applicable criteria.

Audit non-compliance: Practice or performance does not meet the required standard or applicable criteria.

Audit observation: An issue which is not, in the view of the auditor, a non-compliance but an opportunity for improvement.

Casual worker: A worker employed when there is work available. For work arranged on a casual basis, the employment relationship is often such that there is no commitment on the part of the employer to offer work and no commitment on the employee to accept and perform work offered. Casual workers may have a short term contract directly with the management of the production site, a contract with a labour agency or broker or, in some cases, no contract at all.

Child labour: Any work undertaken by a child (q.v.) or young person (q.v.) which does not comply with the provisions of the relevant ILO standards, is likely to be hazardous or to interfere with the child's or young person's education, or to be harmful to the child's or young person's health or physical, mental, spiritual, moral or social development.

- **Child:** Any person less than 15 years of age, unless local minimum age law stipulates a higher age for work or mandatory schooling, in which case the higher age shall apply. If however, local minimum age law is set at 14 years of age in accordance with developing country exceptions under ILO Convention No. 138, the lower age will apply (q.v.)
- **Young person:** Any person under 18 years of age but over the age of a child (q.v.).

Contract / agency labour: Labour employed by an agent or broker and supplied to a labour user for a fee. These workers are generally at more risk of exploitation than permanently employed workers due to the temporary and casual nature of their employment.

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Desk-based risk assessment: An assessment of the labour standards risk posed by a supplier or sector on the basis of information provided by a supplier or in the public domain. Key information might include types of workers employed, country of manufacture/delivery of service, known labour standards performance of the sector etc.

Ethical trading or ethical sourcing: Ensuring that procuring organisations take responsibility for monitoring the labour standards in supply chains against local laws or international standards and supporting suppliers to improve their labour standards performance.

ETI: Ethical Trading Initiative is an alliance of companies, trade unions and voluntary organisations, which works in partnership to improve the working lives of people across the globe.

Fair trading / fairly traded: An approach to trading, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers. A range of schemes exists to promote the principles of fair trading and facilitate ethical product labelling.

Forced labour: Work or service exacted from any person under the menace of any penalty, and for which the said person has not offered himself / herself voluntarily.

Freedom of association: The right of workers and employers, without distinction to establish and to join organisations of their own choosing (including but not limited to trade unions) without previous authorisation.

GRI: Global Reporting Initiative is a network-based organisation that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide.

GSCP: Global Social Compliance Programme is a business-driven programme for companies whose vision is to harmonise their respective efforts in delivering a shared, global and sustainable approach for the continuous improvement of working and environmental conditions in the global supply chain.

Home workers: Workers who carry out work in their home.

ILO: International Labour Organization is a tripartite UN agency that brings together governments, employers and workers of its member states in common action to promote decent work throughout the world.

ILO conventions: One of the principal functions of the ILO is setting international labour standards through the adoption of conventions and recommendations. Conventions must be ratified by national governments to become labour law.

ILO core conventions: ILO core conventions are fundamental principles and rights at work, and concern freedom of association and collective bargaining,

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discrimination, forced labour, and child labour. ILO member states have an obligation to work towards fully respecting the principles embodied in these core ILO conventions.

Labour standards: Standards governing conditions of employment which outline the minimum rights and obligations of the employer and employee and are designed to eliminate unjust and inhumane labour practices. The primary international agency charged with developing such standards is the International Labour Organization (ILO).

Monitoring: The surveillance of labour practices against a standard by a person (or persons) with a continuous or frequent presence in the workplace and unobstructed access to management and staff.

MSI: Multi-stakeholder initiative is an organisation which brings together any set of different stakeholders to address specific issues jointly. Frequently it is used to mean initiatives combining at least private sector and civil society representation (for example trade unions and NGOs). MSIs in the ethical trading field include the Ethical Trading Initiative, the Fair Labor Association, and the Clean Clothes Campaign.

NGO: Non-governmental organisations are non-profit, voluntary citizens' group which is organised on a local, national or international level. Task-oriented and driven by people with a common interest, NGOs perform a variety of service and humanitarian functions. NGOs with an interest in labour standards include Oxfam, Save the Children, Christian Aid and ActionAid.

Permanent labour: A 'permanent' worker is a worker whose contract has no defined termination date (other than retirement).

Role profile: A summary of the responsibilities, competencies and expertise expected in relation to a particular job role.

SA8000: A global social accountability standard for decent working conditions, developed and overseen by the multi-stakeholder initiative Social Accountability International.

SEDEX: Supplier Ethical Data Exchange is a membership organisation for businesses committed to continuous improvement of the ethical performance of their supply chains. Sedex enables member companies to manage efficiently the ethical and responsible practices of their global supply chains, generating transparency through the provision of a secure, robust, and user-friendly data exchange.

Stakeholder: Any individual, community or organisation that affects or is affected by the operations of an organisation. Stakeholders may be internal (e.g. employees) or external (e.g. customers, suppliers, shareholders, government departments, the media, the community). The term applies to all of the organisations and individuals affected regardless of the extent to which they are affected or their relative importance.

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Temporary labour: Workers hired for a limited period of time. Temporary workers may be employed directly (through the employer) or through an agent. Temporary workers are more at risk of exploitation since they have no guarantee of regular employment.

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Appendix: Resources and tools listed alphabetically by type

	
Case examples	Level / theme
Excel-based self-assessment tool	Level 1 – Measurement and results
Mind map of a business case for an acute NHS trust	Level 1 – Policy and communications
Management performance indicators	Level 2 – Measurement and results
Regular structured engagement	Level 3 – Engaging suppliers
Working collaboratively with suppliers and 3 rd parties	Level 4 – Engaging suppliers

	
Case studies	Level /theme
BBC Worldwide Ethical Sourcing Programme	Level 3 – Engaging suppliers
BMA Medical Fair and Ethical Trade Group	Level 4 – People
Boots Supplier Verification Programme	Level 1 – Procurement Process
Calderside Medical Practice	Level 1 – People
Co-operative ‘role profiles’ for buyers	Level 5 – People
Collaborative overtime project	Level 4 – Engaging suppliers
ETI impact assessment	Level 5 – Measurement and results
Fairtrade Foundation	Level 3 – Measurement and results
Gap Inc - stakeholder engagement	Level 5 – Policy and communications
Healthcare Purchasing Consortium awareness raising	Level 2 – People
Labour shortages in the Pearl River delta	Level 4 – Measurement and results
London Underground – ETI Base Code	Level 1 – Engaging suppliers
Marks and Spencer – Plan A	Level 3 – Policy and communications
NHS Supply Chain – Code of Conduct	Level 2 – Policy and communications
NHS Supply Chain – training programmes	Level 2 – People
Nottingham University Hospitals	Level 1 – People
Novo Nordisk’s Ethics Decision Making Tool	Level 5 – People
Novo Nordisk Responsible Sourcing Programme	Level 4 – Measurement and Results
Organic Medical Clothing Company – Ethically Sourced Medial Clothing	Level 5 – Procurement Process
Royal Brompton Hospital	Level 2 – Engaging Suppliers
Royal Mail Group (RMG)	Level 3 – Procurement process
Suppliers Delivering Sustainability Award	Level 5 – Engaging suppliers
Swedish country councils joint project purchasing with social responsibility produces sustainable procurement	Level 2 – Policy and communications

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Tesco - management performance indicators	Level 2 – Measurement and results
Tesco Training	Level 3 – People
The Greater London Authority (GLA) Group	Level 2 – Procurement process
Welsh Health Supplies – National Uniform Contract	Level 4 – Procurement process

	
Comms:	Level / theme
BMA Medical Fair and Ethical Trade Group awareness raising resources	Level 5 – Policy and communications , Level 4 – People
ETI short films on the business case for ethical trade	Level 1 – Policy and communications Level 3 – Engaging suppliers

	
Info Sheets:	Level / theme
Considering Labour Standards in the Procurement Process	Level 1 – Procurement process , Level 2 – Procurement process , Level 3 – Procurement process , Level 2 – Engaging suppliers
Establishing responsibilities and personal objectives	Level 3 – People
ETI Factsheet for Small Businesses	Level 2 – Engaging suppliers
Guidance on sensitive issues	Level 4 – Policy and communications
Guide to developing policy for ethical procurement	Level 2 – Policy and communications , Level 3 – Policy and communications
International labour standards and codes of conduct	Level 1 – Policy and communications , Level 2 – Policy and communications
Making the Business Case for Ethical Procurement in your Organisation	Level 1 – Policy and communications , Level 1 – People
Sources of information on audit bodies	Level 4 – Procurement process
Social and Ethical standards and product labelling schemes	Level 4 – Procurement process

	
Links:	Level/Theme
Links to AA1000 – Accountability , Global Reporting Initiative & ACCA Awards :	Level 5 – Policy and communications

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Link to: Changing Overtime Report: Changing Overtime: Tackling supply chain labour issues through business practice	Level 5 – Procurement process
Link to: Ethical Trading Initiative	Level 5 – Policy and communications
Link to: ETI Base Code	Level 2 – Policy and communications , Level 3 – Policy and communications
Link to: ETI short films on the business case for ethical trade	Level 3 – Engaging suppliers
Link to: ETI Membership and Reporting	Level 5 – People
Link to: NHS ‘SID4Health’ – Collect Pre Qualification Data	Level 2 – Procurement process
Link to OGC guide: buy and make a difference – how to address social issues in public procurement	Level 2 – Procurement process , Level 3 – Procurement process
Link to: Suppliers Delivering Sustainability Award	Level 5 – Engaging suppliers
Links to: Business and Human Rights and Impactt newsfeed: Business and Human Rights Impactt newsfeed	Level 4 – Measurement and results ,

	
Template:	Level/Theme
ETI Workbook Chapter 2: Getting internal buy-in and resources	Level 4 – Policy and communications
ETI Workbook Chapter 11: Public Reporting	Level 5 – Policy and communications
ETI Workbook Resource 4 for example supplier self assessment questionnaire	Level 3 – Procurement process
ETI Workbook – guidance on third party audits	Level 4 – Procurement process
Procedure for taking remedial action on identified labour standards issues	Level 4 – Procurement process

	
Tools:	Level/Theme
Excel-based self assessment tool and graphic chart output to track actions and progress	Level 1 – Measurement and results
Initial desk-based risk assessment tool	Level 1 – Engaging suppliers , Level 1 – Procurement process , Level 2 – Procurement process
OGC Guide: Buy and make a difference – how to address social issues in public	Level 2 – Procurement process

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procurement	
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Training:	Level/Theme
E-Learning NHS Sustainable Procurement Module 2.3	Level 1 – People , Level 2 – People , Level 3 – Procurement process
Presentation: NHS Sustainable Procurement Module 2.3 – Social Issues in Procurement	Level 1 – People , Level 2 – People , Level 3 – Procurement process
ETI Training Courses	Level 3 – People