

Sustainable and Ethical Procurement Policy Standard CAG/STAN/AZ2

Issue Date:

1st June 2006

Authority:

Chief Executive, Serco Group

Applicability:

Suppliers to Serco Group covering all business divisions, operating companies and business units throughout the world and within their own supply chain.

Executive Summary

Serco expects its staff and suppliers to have a natural respect for our sustainability and ethical standards in the context of their own particular culture. The relationships with our suppliers are based on the principle of sustainability and fair and honest dealings at all times and in all ways. Serco specifically expects its suppliers to extend the same principles to all others with whom they do business, including employees, sub-contractors and communities.

This document sets out Serco's standards which we would urge our suppliers to adopt, and which we would encourage them to promote within their own supply chains.

I Introduction

At Serco we take social and environmental factors into consideration alongside financial factors in making decisions on the purchase of goods and the commissioning of services. Our purchasing decisions should where practicable consider whole life cost and the associated risks and implications for society and the environment. Procurement can make a significant contribution to our goals of sustainable economic development and resource minimisation by ensuring that the goods and services we buy consider optimum environmental performance. Procurement has an additional role to play in minimising any risk of social exploitation within the supply chain. We believe that this not only makes business sense, it also has the potential to improve the living and working standards of people around the world.

This policy standard sets out the detailed requirements and minimum expectations of our policy of sustainable and ethical procurement. Specifically, it addresses the expectation that our staff and suppliers have a natural respect for our ethical standards in the context of their own particular culture and that relationships with our suppliers are based on the principle of fair and honest dealings at all times. The same principle of fair and honest dealings must be extended to all others with whom our suppliers do business, including employees, sub-contractors and other third parties and their local communities.

Economic growth, social cohesion and environmental protection go hand in hand.

2 Objectives

Sustainable Procurement

Our sustainability objective is to ensure a continuous improvement in procurement decisions measured against delivering sustainable and ethical trading. More specifically, Serco seeks to avoid adverse social and environmental impact in the supply-chain, the reduction of environmental impact from service operations and the purchase of products that meet recognised environmental standards.

Ethical Procurement

Our ethical objective is to ensure that people in the supply-chain are treated with respect and have rights with regard to employment including the rights to freely choose employment, freedom of association, payment of a living wage, working hours that comply with national laws, equal opportunities, recognised employment relationship, freedom from intimidation and to a safe and healthy working environment.

3 Our Commitment

3.1 Sustainable Procurement Standard

3.1.1 Working in partnership

- We will seek out organisations that share our commitment to sound environmental performance and improvement. Where applicable, we will offer assistance to our suppliers in raising their environmental awareness. We will develop partnerships with our

suppliers and contractors and work together to minimise the environmental and social impacts of our supply chain.

- Sustainability requirements will be considered and where appropriate will be specified in initial tender documentation for both suppliers and contractors, to ensure suppliers and contractors are aware of our environmental and social criteria at an early stage in the tender process.
- Small firms, voluntary and community organisations, social enterprises and ethnic minority businesses are considered members of Serco's supply chain as they play an important role in the local economy and contribute to social cohesion.

3.1.2 Environmental impact

- Where practicable, we will purchase goods that have a minimal impact upon the environment, both local and global. Factors taken into consideration will include sustainability of resource production, transportation, full life energy/raw material consumption and waste production and percentage recycled content.
- Wherever possible we will consume and purchase less by identifying and eradicating, wasteful practices within our own operation and those operations where we have influence.
- Serco will re-cycle goods at the end of their life, where this is possible and where it is not possible ensure disposal in the most environmentally sound manner.
- We will purchase products and services that meet minimum environmental standards.
- To promote and embed the adoption of sustainable services, Serco will develop and support through appropriate awareness programmes, new methodologies for identifying needs; appraising options; agreeing design and specification; supplier selection; tender evaluation; contract management and supplier development.

3.1.3 Procurement process

- Company buyers should use their purchasing power, where practicable, to influence and encourage suppliers in order to create a more reliable market for environmentally and ethically produced products and services.
- Environmental and social factors shall be considered in the purchasing process. Specifically this includes considering what the product is made from, the product durability, where it is made and by whom, the efficiency of the product during use and the processes involved in its production and distribution, what the disposal requirements are and if it can be reused or recycled.
- We will add sustainability into the procurement cycle: identifying needs; appraising options; design and specification; supplier selection; tender evaluation; contract management and supplier development.
- Sustainable development concepts will be embedded into purchasing functions through training programmes.

3.1.4 Monitoring and measuring

- We will seek to establish key performance indicators for sustainable procurement where appropriate and monitor and measure the performance of our supply chain against them.
- Where applicable, environmental law is given effect through procurement decisions including international obligations on climate change and sustainable development. We will support national policy and legislation to reduce CO₂ emissions, ban ozone-depleting substances and protect biodiversity.
- We will ensure the security of supply of vital goods and services through the early identification of environmental pressures that pose threats to existing supplies, for example, from the elimination of certain substances (such as hazardous chemicals) through regulation.

3.2 Ethical Procurement Standard

Serco expects its suppliers to comply with legal requirements and to adopt the following moral principles:

3.2.1 Regulatory compliance

- Suppliers shall comply with all national and other applicable law and regulations. Where the national law and this Standard are in conflict, the highest standards consistent with national law should be applied.
- Where the provisions of law and this Standard are not in conflict but address the same subject, the provision, which affords the greatest protection to people and the environment, should be applied.

3.2.2 Employment

- There is no forced, bonded or involuntary prison labour.
- Workers are not required to lodge 'deposits' or their identity papers with their employer and are free to leave their employer after reasonable notice.
- Workers, without distinction, have the right to join or form trade unions of their own choosing and, where a significant proportion of the workforce agree, to bargain collectively. Where the right to freedom of association and collective bargaining is restricted under law, the employer should consider facilitating, and not hindering, the development of legal parallel means for independent and free association and bargaining.
- Workers' representatives are not discriminated against and have access to carry out their representative functions in the workplace.

3.2.3 Elimination of child labour

- The long-term elimination of child labour should take place in a manner consistent with the best interests of the children concerned.

- Suppliers should develop or participate in and contribute to policies and programmes that provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child.
- Children and young persons under 18 shall not be employed at night or in hazardous conditions.
- In any event, the course of action taken shall be in the best interests of the child, conform to the provisions of the International Labour Organisation (ILO) Convention 138 and be consistent with the United Nations Convention on the Rights of the Child.

3.2.4 Right to a living wage

- Wages paid for a standard working week meet or exceed national (or, where applicable, local) legal standards.
- In any event, wages should not be paid in kind and should be enough to meet basic needs.
- All workers should be provided with written and comprehensible information about their employment conditions in respect to wages before they enter employment and the particulars of their wages for the pay period concerned each time that they are paid.
- Deductions from wages as a disciplinary measure should not be permitted. Deductions from wages not provided for by national law should only be permitted with the expressed permission (without duress) of the worker concerned. All disciplinary measures should be recorded.

3.2.5 Avoidance of excessive working hours

- Standard working hours must comply with national laws and national benchmark industry standards; whichever affords greater protection to the employee.
- Workers should not on a regular basis be required to work in excess of 48 hours per week and should be provided with at least one day off for every 7-day period on average. Overtime requested by the employer must be voluntary and must not be requested on a regular basis.
- As provided for by ILO Convention 1, these provisions are intended to cover non-supervisory and non-management functions.

3.2.6 No discrimination

- A policy of equality for all should be in place and there should be no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, religious beliefs, union membership or political affiliation.

3.2.7 Provision of regular employment

- To every extent possible work performed must be on the basis of recognised employment relationship established through national law and practice.

- Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship should not be avoided.
- Examples include the abuse of labour-only contracting, sub-contracting, or home-working arrangements, through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, or the excessive use of fixed-term contracts of employment.

3.2.8 No harsh or inhumane treatment

- Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.

3.3 Safe and Healthy Working Conditions

Serco expects its suppliers:

- To provide a safe and healthy working environment bearing in mind international standards, the prevailing knowledge of the industry and of any specific hazards.
- To take adequate steps to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working practice and environment.
- Provide workers with suitable and sufficient health and safety training, in order that they fully understand the hazards associated with the work activity and environment and the correct practices required to minimise the risks.
- Provide suitable and adequate welfare facilities including toilet facilities, drinking water and food storage where required. Accommodation, where provided, shall be clean, safe and meet the basic needs of the workers.
- To assign responsibility for health and safety to a senior management representative.

3.4 Environment

Serco expects its suppliers:

- To have an effective environmental policy, to implement the policy at all levels throughout the company and to include a commitment to continual improvement in environmental performance and prevention of pollution.
- To comply with all environmental legislation, regulations and all local laws which relate to the organisations environmental aspects to facilitate the protection of the environment.
- To have a process that ensures conformity to local regulations, including those relating to the reduction, reuse and recycling of waste and the elimination and safe disposal of dangerous materials.
- To identify a person within its business who has responsibility for environmental compliance issues and to be able to demonstrate that responsible personnel are adequately trained in environmental matters.
- To routinely identify risks of adverse environmental impact associated with their operations and where operations with identified risks are planned to ensure they are

carried out under controlled conditions with the objective of minimising potential adverse impact upon the environment.

4 Principles

We will use the following best practice principles to guide the implementation of our policy:

4.1 Principle 1: Working together

We will:

- work collaboratively with suppliers in pursuit of this standard;
- guide relationships by the principle of continual improvement;
- welcome rather than penalise suppliers identifying activities that fall below this standard (undertaken by themselves or sub-contractors) and who agree to pursue their aspirations;
- consider a similar ethical trading standard as a reasonable alternative where suppliers are already working towards sustainability.

4.2 Principle 2: Making a difference

We will, and we expect our suppliers to:

- use an environmental and social risk-based approach to the implementation of this standard;
- focus attention on those parts of the supply chain where the risk of not meeting this standard is highest and where the maximum difference can be made with resources available.

Serco's suppliers should:

- be prepared to demonstrate the basis of their approach with regard to the above.

4.3 Principle 3: Awareness raising and training

We will, and we expect our suppliers to:

- ensure that all relevant people are provided with appropriate training and guidelines to implement the requirements of this standard.

4.4 Principle 4: Monitoring and independent verification

We will:

- recognise that implementation of this standard may be assessed through monitoring and independent verification, and that these methods will be developed as our understanding grows.

We will expect our suppliers to:

- provide Serco or its representatives with reasonable access to all relevant information, premises, and workers (through interviews) and co-operate in any assessment against this standard – using reasonable endeavours to ensure that sub-contractors do the same.
- use reasonable endeavours to provide workers covered by this standard with a confidential means to report to the supplier failure to observe its requirements.

4.5 Principle 5: Continuous improvement

We will, and we expect our suppliers to:

- apply a continual improvement approach in agreeing schedules for improvement plans with suppliers not meeting this standard;
- base improvement plans on individual case circumstances;
- not use this guideline to prevent suppliers from exceeding this standard.

Ultimately, Serco will not do business with a supplier where serious breaches of this standard are identified and where the supplier consistently fails to take corrective action within an agreed timescale.

5 Responsibility and Authority

This policy standard is issued under the authority of the Chief Executive, Serco Group plc. Responsibility for implementation of this policy standard is set out below.

- Responsibility for the achievement of this policy standard rests with the Executive Team.
- Divisional Chief Executives are responsible for implementing the policy standard, monitoring its implementation in the everyday activities of their division and report to their divisional board.
- Managers are responsible for implementing the policy standard, monitoring its implementation in the everyday activities of their operations and report to their contract board.
- The Corporate Assurance Group is responsible for reviewing the policy standard and ensuring that it is kept up to date with changes in legislation. It is also responsible for the development of guidance and training on the implementation of the policy standard and for providing appropriate reports to the Serco Group board.

6 Evidence of Compliance

The Corporate Assurance Group will carry out regular monitoring of the implementation of sustainable procurement commitments and ethical standards by business units to enable us to identify trends and ensure that environmental and social factors are being considered in procurement decisions.

To demonstrate compliance with this policy standard, each division is required to provide access to documentation and records for audit purposes:

- Serco Group plc
 - Sustainable and Ethical Procurement Policy Standard (this document)
 - related policy statements and procedures
 - internal audit reports
- Divisions
 - Procedures
 - training material
 - audit/review records
- Business units/operating contracts

- o audit/review records

7 Guidance

Additional guidance and details of relevant legislation is available from the following sources:

UK websites	
www.sustainable-development.gov.uk	DEFRA Guidance on procurement and estate management can be found on the framework for sustainable development on the government estate.
www.ogc.gov.uk	OFFICE OF GOVERNMENT COMMERCE Guidance on EC public procurement rules and best practice including OGC/Defra note on environmental issues in purchasing.
www.idea.gov.uk	IMPROVEMENT AND DEVELOPMENT AGENCY Guidance for public sector and helpdesk advice on sustainable procurement for local government. (Ihelp@Idea.Gov.Uk)
www.cips.org	CHARTERED INSTITUTE OF PURCHASING AND SUPPLY (CIPS) The professional body for purchasing and supply chain management.
www.environment-agency.gov.uk	ENVIRONMENT AGENCY Legislation and good practice approach.
INTERNATIONAL INFORMATION	
www.epa.gov	ENVIRONMENTAL PROTECTION AGENCY (US) Environmentally preferable purchasing. Includes purchasing guides from the US EPA covering food service-ware, copiers, cleaners, carpets, electronics and meetings.
www.iclei.org	INTERNATIONAL COUNCIL FOR LOCAL ENVIRONMENTAL INITIATIVES (ICLEI) Information on ICLEI's international procurement initiative and a green repurchasing good practice guide.