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## **Labour Standards Assurance Systems (LSAS) : Basic Principles**

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June 2021

- The Labour Standards Assurance System (LSAS) is a system that provides a mandate for labour standards in the medical supply industry.
- It was created for the NHS to ensure that suppliers into the NHS had fair labour standards for the work force, both in the immediate supply chain (Tier1) and the Supplier's supply chain "(Tier 2, 3 and 4 etc)
- The LSAS program is based predominantly around the Ethical Trade Initiative Base Code (ETI Base Code) but works to further this international standard to better protect the supply chain workforce
- LSAS is made up of 15 categories of requirements. Each category has 4 possible levels of compliance. . .

## ■ Level 1

- Level 1 comprises of basic requirements for labour standards. This is mainly focused on the direct supplier only and is considered a foundation knowledge of Ethical practices.

## ■ Level 2

- Level 2 is when an organisation first begins to implement ethical practice further in the supply chain. This may be sending copies of the organisation's ethical policy out for suppliers to sign and agree to. Or could be the start of asking ethical based questions in the SAQ's

## ■ Level 3

- Level 3 is effective implementation with at least the organisation's direct suppliers. Such as site audits, and risk assessment on suppliers which are based on their ethical compliance.

- **The Level 4** approach is a progressive one. In level 4 the organisation has mapped it's supply chain beyond it's direct suppliers (sometimes as far as the source)

They may be conducting audits on their further supply chain

Audits may be random and unannounced

Supplier audit scores are published publicly and the organisation is open to working with other organisations to achieve LSAS

Obtaining a level 4 standard is rare, but it doesn't need to be difficult!

## 1) Policy

A good ethical policy should be based on the work conducted by the organisation. It should recognise external standards, such as LSAS, the ETI Base Code and local legislation.

An ethical policy should be regularly reviewed and updated as necessary and should place value on continuous improvements within the supply chain.

The policy should be signed by a member of the senior management.

The policy should be made available to all stakeholder in the business, for example it can be made publicly available on the company website, or placed on notice boards.

## 2) Management Representative

The organisation should appoint a person who is responsible for labour assurances. This role should be documented such as a job description or working contract.

In the Vernacare Group the appointed person is the Global Purchasing and Supply Chain Manager, but is very ably supported by the Quality Manager as they have greater experience in auditing and investigation, as well as being skilled in managing policies and procedures.

Other acceptable roles would be the Purchasing Managers for the 4 sites, who will use their position to assess suppliers ethically before buying goods.

A member of the Human Resource team would also be a good candidate as they are more familiar with employment laws

Vernacare has created a cross site, cross departmental dedicated team for the continued progress of the Policy.

## 3) Labour Standards Status Review

Identify how labour standards relate to your business

What ethical risks exist? Ask questions regarding your supply chain such as:

Do my suppliers know about the ETI Base Code?

Do I purchase from countries where Fair Trade is built into national law, or do I purchase from third world countries where Fair Trade and Ethical Principles are still new and developing?

Do I purchase from countries where cultural differences may pose an ethical risk?

What is the minimum working age in the country of my supplier? Is it lower than the minimum age in my country? If so, would this be classed as child labour?

## 4) Legal and other requirements

Organisations need to keep up to date with changes in local legislation and ethical trade issues. This can be done through different means:

Sign up for news letters from ETI and ILO

Search for regular updates to ethical changes in your supply chain

Add links to websites on what the national wage and working hours are to your audit template so the most up to date information is always available

<https://wageindicator.org/salary/minimum-wage>

There are even mobile phone apps which help keep labour laws at your fingertips!

## 5) Objectives Targets and Programmes

As any type of management system it's good to set targets.

Consider the targets you want to set for ethical compliance and how you will monitor those targets

Such as:

“Conduct an ethical based audit on all your direct suppliers within the next three years” – conduct audits on your biggest suppliers first, or the suppliers in high risk countries

Or

“Seek that the Organisation achieves a Level 4 status by a set, but realistic date”.

## 6) Roles and Responsibilities

The organisation shall ensure they make the resources available for ethical standards to be:

- Documented
- Implemented
- Maintained
- Continually improved

Individuals within the ethical system should be given goals or tasks to complete, such as creating ethical training slides, or improving the site induction so that all personnel are aware of the ETI base code

## 7) Competence, Training and Awareness

Organisations should ensure that the people with ethical responsibility are suitably qualified.

This can be through training (externally, or internally), experience or education.

At Vernacare we require our ethical auditors to have the following:

Document	Source
Internal Auditor Certificate	Provided by external trainers
Supplier Auditor Certificate	Provided by external trainers
Ethical Training	By external trainers
Internal Training Certificate for Supplier Audit	Provided by an Internal Trainer holding 2 or more of the above.

## 8) Communications

Once you have your policy and your ethical targets and objectives, these need to be communicated to the relevant stake holders of the business.

At Vernacare we have placed our policy and targets on the company website for employees or members of the public to view

In higher levels the company needs to consider how external sources might want to communicate with them. This can be especially true for employees who wish to report anonymously on bad ethical practices (called “Whistle blowing”)

The Whistle Blowing Policy at Vernacare is sent to all of our suppliers via the Supplier assessment questionnaire. Whistle Blowing reports are investigated with the supplier, without the identity of the source being provided.

## 9) Documentation and Records

These are the company “how to” guides, the written procedures and forms which evidence the ethical practices.

These are things such as audit reports, Whistle Blowing investigation sheets and supplier risk assessments

At level 4 it is recommended that the ethical standards be integrated into other management systems.

All companies and suppliers operate some form of QUALITY management system. ISO 9001, BRC etc. And so are used to the concept of quality audits. Vernacare began their ethical compliance journey by adding ethical questions into their quality audits. Over time these questions grew until a separate audit questionnaire could be created. These are still carried out at the same time as quality audits, so a singular audit system exists. One audit day for the supplier, two sets of results for Vernacare.

## 10) Operational Controls

These are the process and procedures used within the ethical system.  
How do you assess a supplier?

How do you identify what the risks are in your business?

How do you know where to look for the right information?

On the last point the NHS has actually provided some information. In the LSAS standard there is a tab called the “Support Toolkit”

The tool kit contains useful information such as webinar notes and documented profiles on several countries where the labour risks have been identified for you. This includes bribery risk, minimum working age restrictions and migrant worker populations (who are at higher risk of being taken advantage of)

## 11) Supply chain management

This is how the organisation will actually gather data on the supply chain

This might be through site visits or supplier assessment questionnaires

A plan should be in place to verify the data that has been provided. The easiest option for this is to audit. Say what you see.

If you can't conduct an audit yourself, then you can request an external ethical audit to a recognised standard. Be sure to choose an auditing body which has good anti-bribery policies, or is held to a higher ethical institution (such as members of ETI)

## 12) Emergency/Critical issue response

This is how the company would react if an ethical complaint was received.

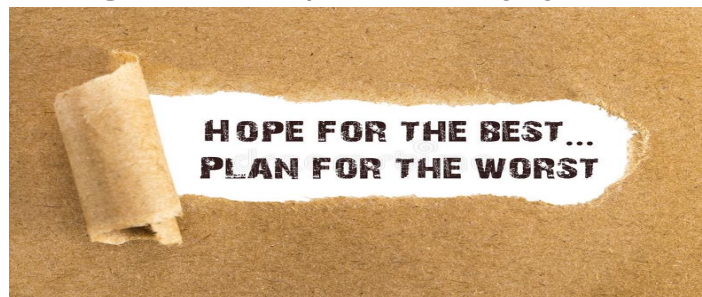
How would you investigate?

How would you document your investigation?

Do you know how to escalate the investigation to legal entities if required?

If you have these systems then you need to test them on a defined basis.

When new personnel join the LSAS team, or a responsible person is replaced it's good to test the system so that the new person is aware on how to respond to emergencies (hopefully you never need them!)



## 13) Performance monitoring and measurement

This is how you actually conduct your reviews against your targets

If you aim to be the highest score in your NHS tender bracket, then how do you get this information? How do you keep score?

The NHS used to provide scores on their instrument vendors for LSAS.

LSAS Levels: Surgical Instruments Suppliers			
Level 1	Level 2	Level 3	Level 4
Sarsen Trading	Surgical Holdings	Swann Morton	
	Bailey Instruments	Robinson Healthcare	
	Williams Medical Supplies		
	Deere		
	Healey Surgical		
	Global Unkx		
	Newco		
	Disposable Medical Instruments		
	B Braun		
	Rodale		
	RB Medical		
	Lyell Willis		
	Phoenix Surgical		
	Meditech		
	Judd		
	Timesco		
	Bolton Surgical		
	Unisurge		
	Oranton Medical		
	Dental Directory		
	Parla		
	Surgins		
	Single Use Surgical		
	Platts & Nibbel		
	Medical Equipment Supplies		

**We're actually here**

## 14) Corrective Action

Corrective action is how you change your supply chain to correct any ethical non-conformances. (remember your response to whistle blowing?)

This can be through training your suppliers

Introducing them to the ETI Base Code

Conducting follow up audits for effectiveness

Above all remember to find out the root cause of your non-conformance in the same way that you would for any other kind of NC.

## 15) Management Review

In-line with your Performance Monitoring and Measurement section you want to demonstrate that adverse trends, and ethical success are logged, monitored and reviewed

The Management Review section however isn't just an internal review with the ethical or purchasing team, it's a review for the senior management to have their say (that is assuming the senior management do not hold direct responsibility for the LSAS programme in the first place)

Typically a management review is conducted once a year as a minimum, in the same way a Quality Management Review is conducted.

# Any Questions???

Feel free to get in touch using our “Contact Us” Page on the website or

## **Reporting an incident or concern**

Suppliers must work and direct employees in accordance with the Vernacare Whistleblowing Policy (Available on website).

Vernacare can be contacted confidentially either by:

Calling the LSAS Hotline: **+44 (0) 1204 555976**

Or By E-Mailing: [Vernacare.LSAS@vernagroup.com](mailto:Vernacare.LSAS@vernagroup.com)

All instances of unethical behaviour will be investigated.