

Date: 26 June 2017

Item: Responsible Procurement

This paper will be considered in public

1 Summary

- 1.1 We are required to publish a new statement under the Modern Slavery Act 2015 for the Financial Year 2016/2017, outlining what steps we have taken to investigate and mitigate the risks of modern slavery in our business or supply chains. The Statement is required to be approved by the Board. The draft Statement to be noted by the Panel is included as Appendix 1.
- 1.2 The refreshed GLA Group Responsible Procurement Policy has been agreed by the Deputy Mayors, functional bodies, and the GLA Group Collaborative Procurement Board, and will be published following final approval from the Mayor. An update is provided on the Policy, and the draft is included as Appendix 2.
- 1.3 The Panel had previously asked for further information on the approach to evaluating Responsible Procurement requirements in the tender process. Further information is provided in this paper.

2 Recommendation

- 2.1 **The Panel is asked to note the paper.**

3 Modern Slavery Statement

- 3.1 We published our Modern Slavery Statement for the Financial Year 2015/16 on TfL's website on 30 September 2016. The statement, which was approved by the Board on 19 July 2016, is a requirement of the Modern Slavery Act 2015. We are required to produce a new statement for 2016/17 which needs to be published by 30 September 2017, following Board approval. All companies within the TfL Group will make the same statement. The 2015/16 statement will be removed from our webpage and archived internally.

2016/17 Activity

- 3.2 Our key categories of focus for 2016/17 have been electronics and uniforms.
- 3.3 Human rights and working condition issues are currently in sharp focus in the electronics supply chain where risks can include forced labour (students being forced to work), union busting (no collective bargaining agreements and mass sackings), hazardous working (those who complain or get re-instated are moved to hazardous areas), and low pay and long hours. In 2015 we joined the Electronics Watch (EW) programme. EW is working to raise awareness and join public sector customers together to apply combined leverage to drive behaviour change amongst electronics suppliers.
- 3.4 In our first year of membership, we have reviewed the monitoring reports produced by EW relevant to our supply chains. We have used these reports as a basis for engaging with our suppliers to understand what they are doing to investigate and address human rights and modern slavery risks. These reports include risk assessments or alerts in relation to specific suppliers or sites, and regional risk assessments considering country-wide issues.
- 3.5 We are also working closely with EW, other affiliates and some key suppliers to better understand how we can incorporate their best practice terms and conditions into our contracts.
- 3.6 TfL's contracts for its new, redesigned uniforms were let in 2015. There are two contracts – with Cooneen Defence Limited and Dimensions (part of Men's Warehouse UK Limited) – and items are sourced from factories in China, Bangladesh, Sri Lanka and Indonesia.
- 3.7 The contracts require third party independent social audits against the requirements of the ETI Base Code to be completed annually for all sites of supply. Time-bound corrective actions plans are produced and agreed for all non-compliances.
- 3.8 TfL was the first UK public sector body to source cotton under the Fairtrade Foundation's new Cotton Sourcing Programme. All cotton used in our uniforms is Fairtrade.

Proposed 2017/18 Activity

- 3.9 During 2017/18 we will review our current areas of focus in line with emerging risks and the development of our new approach to category management.
- 3.10 To support this future work, we are in the process of reviewing the compliance with the Modern Slavery Act 2015 of our key suppliers and assessing the quality of their own Statements.
- 3.11 In response to these findings we will be engaging with our suppliers through our Supplier Relationship Management approach to understand what measures they have in place to implement the requirements of the Modern Slavery Act 2015.

- 3.12 We will speak to key construction suppliers to discuss trialling the 'Stronger2gether Construction Toolkit'. This is a toolkit for tackling modern slavery in the construction sector, produced by the Chartered Institute of Building.
- 3.13 We will publish our 2016/17 Modern Slavery Statement on or before 30 September 2017. It details the activities undertaken during the year, as outlined above, and a draft is included as Appendix 1. This will be presented to the Board for approval prior to publication.

4 GLA Group Responsible Procurement Policy

- 4.1 The revised content of the refreshed GLA Group Responsible Procurement Policy has now been agreed by the Deputy Mayors, functional bodies and the GLA Group Collaborative Procurement Board (CPB). It will be published once final approval from the Mayor has been received.
- 4.2 Following publication, each of the GLA Group Functional Bodies will be required to produce an implementation plan detailing specific activities it will undertake to implement the commitments of the Policy. The need for a central Responsible Procurement team has been identified in order to ensure tangible outcomes and outputs are realised. The CPB is currently considering the most appropriate approach.

5 Responsible Procurement Evaluation Approach

- 5.1 The evaluation approach to Responsible Procurement requirements varies between the different themes of the Policy.
- 5.2 Strategic Labour Needs and Training, Equality and Supplier Diversity and Ethical Sourcing are commonly evaluated through a supported pass/fail approach. In this process, bidders' responses in these areas are considered by subject matter experts within TfL, and feedback provided. Preferred bidders may be asked to clarify any deficient areas ahead of contracts being signed.
- 5.3 This approach ensures that these responsible procurement requirements are a key element in the tender process, and that we contract with suppliers who have robust plans in place in these areas.
- 5.4 For Environmental Sustainability, both supported pass/fail and weighted evaluations are used. Evaluation is conducted by TfL's environmental managers. Environmental criteria are also included in project specifications, separate to the procurement process.
- 5.5 With regards to Fair Employment, the requirement to pay the London Living Wage is taken into account through the requirement for suppliers to accept contract terms requiring the payment of LLW where relevant.

List of appendices:

Appendix 1: Draft Modern Slavery Statement 2016/17

Appendix 2: Draft revised GLA Group Responsible Procurement Policy

List of Background Papers:

None

Contact Officer: Ian Nunn, Chief Finance Officer

Number: 020 3054 8941

Email: IanNunn@tfl.gov.uk

Draft Modern Slavery Statement 2017

This statement sets out the steps that we, Transport for London (TfL) and our subsidiary companies, have taken to address the risks of slavery and human trafficking in our supply chains pursuant to section 54 of the Modern Slavery Act 2015. It outlines the policies and processes we have in place, the areas we have identified as high risk, and the actions we have taken to mitigate such risks.

Our Organisation and Supply Chains

In 2016/2017, we spent circa £6bn on goods, works and services with over 6,000 tier one suppliers. Our global supply chains include businesses from all regions of the UK, Europe, Central and Northern America and Asia.

Our Policies

We adopted the Greater London Authority (GLA) Group Responsible Procurement Policy in 2006. This was updated in 2008, with a further update due to be published in 2017. The GLA Group Responsible Procurement Policy consists of seven themes including 'ethical sourcing practices'. This mandates a risk-based approach to identifying contracts and areas of spend where there may be a high risk of human rights abuses including forced and bonded labour.

As part of our commitment to ethical sourcing, we published an Ethical Sourcing Policy in 2008: <http://content.tfl.gov.uk/tfl-ethical-sourcing-policy.pdf>

Our Procedures

As part of our procurement process a procurement strategy is produced for all tenders above the OJEU threshold. Labour conditions and human rights risks are considered as part of this process, and ethical sourcing tender questions and contract requirements are included if deemed relevant. These provisions require suppliers to detail how they comply, or are working towards complying, with the Ethical Trading Initiative (ETI) Base Code, and to disclose full details of the factories or sites they are using, or intend to use, to provide the goods or services. All tenders are considered on a case-by-case basis, and additional ethical sourcing requirements are included where appropriate.

As part of our standard selection questionnaire in our tender process, prospective suppliers are asked to confirm their compliance with the Modern Slavery Act.

Due Diligence

In 2006 we became the first public sector organisation to join the ETI. In 2007 we became the first public body to join Sedex. We use these memberships to maintain awareness of best practice and current developments, benchmark with other organisations, and externally verify our approach.

As part of our continued membership of the ETI, we provide an annual reporting submission which monitors trends, assesses the overall impact of our ethical sourcing activity and identifies good practices.

In our previous Statement, electronics hardware was identified as a priority category in which to address risks of modern slavery. We became an affiliate member of Electronics Watch (EW) in December 2015. As part of EW's contractual requirements, suppliers' factories are monitored by qualified local civil societies best placed to prevent forced or coerced labour and, should this be identified, direct remediative actions on the behalf of the victims. This worker-driven approach is better placed to identify modern slavery than standard social audits, offering assurance of compliance by our suppliers, but also creating genuine sustainable change, empowering workers in the electronics hardware industry.

EW produces detailed reports assessing risks in relation to specific suppliers or sites, and regional risk assessments considering country-wide issues. We have reviewed the reports relevant to our supply chains and used them as a basis for engaging with our suppliers to understand what they are doing to investigate and address human rights and modern slavery risks. We are now working closely with EW, other affiliates, and key suppliers to better understand how we can incorporate their best practice terms and conditions into our contracts.

Monitoring

In contracts identified as having a high ethical sourcing risk, suppliers are required to conduct audits of their factories and sites using an independent, third party auditor, and make the audit reports and related corrective action plans available to us.

Our uniforms contracts are a key area of focus, given the historically poor labour practices in the global textile and cotton industries. Our suppliers are required to commission third party independent social audits for all sites of supply and ensure that corrective action plans are produced and enacted. Additionally, TfL is the first UK organisation to source cotton for its uniforms under the new Fairtrade Cotton Sourcing Programme, and all cotton used in our uniforms is Fairtrade.

As part of our approach to identifying risks we are assessing the compliance of our tier one suppliers to the Modern Slavery Act. We will be using this assessment to engage with our suppliers as part of the new Supplier Relationship Management approach we are developing. We will also investigate using the 'Stronger2gether Construction Toolkit' to address risks on infrastructure projects.

Hidden and exploitative labour has also been identified as a risk in cleaning contracts, primarily as a result of sub-contracting and agency labour practices. To address this we will require the supplier of our upcoming cleaning contract to directly employ 80 percent of the cleaning staff initially, moving up to 95 percent as the contract progresses.

This statement was approved by the board of Transport for London

Signed by

The GLA Group Responsible Procurement Policy

10 May 2017

THE GLA GROUP RESPONSIBLE PROCUREMENT POLICY

Draft

The Mayor's Vision and Statement of Intent

My vision for London is simple - I want all Londoners to have the same opportunities that our city gave me: a home they can afford, a job with fair pay and employment terms, an affordable and modern transport system and a safe, clean and healthy environment.

I'm passionate about the importance of fairness and social justice and will ensure that opportunity and prosperity are shared, and that vulnerable people are protected from exploitation. My mission is to advance London's competitiveness and status as a world-leading city for business, creativity, fairness and environmental sustainability. I want London to be a global beacon of tolerance, acceptance and respect.

How can Responsible Procurement help deliver my vision for London?

I want the GLA Group's extensive public procurement of products and services to deliver lasting positive change to make London a more equal, fair and sustainable city and so generate benefits for all London's communities now and in the future. This will be achieved by:

- Working to improve our communities in partnership with local people and organisations to address their specific needs through relevant contract requirements and performance measures.
- Driving fair employment practice with our suppliers to ensure that their employees receive fair employment terms and pay, including the London Living Wage to the extent permitted by law.
- Breaking down barriers that restrict SMEs, community sector organisations and under-represented groups from entering our supply chain to generate employment, skills and training opportunities.
- Encouraging innovative approaches that advance London's competitiveness as a world leading city for business, creativity and fairness.
- Leading by example in the procurement of clean technologies and using resources efficiently.
- Preserving and regenerating our natural environment and protected buildings/sites.
- Building on and sharing good practice within the GLA Group and externally.

Context

The principal purposes of the GLA are, for the Greater London area, the promotion of:

- Economic development and wealth creation;
- Social development; and
- Improvement of the environment¹.

For the GLA Group, responsible procurement means pioneering socially, environmentally and economically sustainable procurement to deliver improved quality of life and better value for money. It involves working in partnership across London to provide sustained employment opportunities and improve working conditions. It means opening up access to contract opportunities for London's diverse businesses, and voluntary and community sector organisations, encouraging improved practices with our suppliers and promoting greater environmental sustainability to make London a better place to live and work.

The GLA Group² spends around £11 billion on its procurement activities every year. The scale and diversity of our buying power presents considerable opportunities for effective partnership working, to achieve value for money and encourage innovative approaches. Responsible procurement led by the GLA Group and championed by the Mayor has the potential to create a massive ripple effect throughout all of London's suppliers that can fundamentally change the way that products and services are designed, provided and consumed.

¹ Section 30(2) Greater London Authority Act 1999

² The Greater London Authority, Transport for London, the London Fire and Emergency Planning Authority, Mayor's Office for Policing and Crime, London Legacy Development Corporation and Old Oak and Park Royal Development Corporation. This Policy is also supported by the Metropolitan Police Service who are accountable to the Mayor's Office for Policing and Crime. For the purposes of this policy the references to the GLA Group shall include the Metropolitan Police Service.

Review date:

Last amended date:

Through its consulting work, the GLA Group operates throughout the world in countries with a wide variety of cultural, political and economic systems. As a public-sector body representing London and the United Kingdom, we consider more than just the demand for our services and our economic requirements when assessing overseas opportunities. We believe that businesses should consider human rights, labour standards, the environment and anti-corruption when making business decisions. We therefore always consider the measures that we can put in place to ensure that our services will be delivered in a manner that reflects these values. In this way, the GLA remains committed to extending its heritage of ethical sourcing and employment to its activities abroad.

This document is a high level strategic policy setting out the GLA Group’s plans, ambitions and commitments for ensuring continuous improvement in London, delivered through all the Group’s procurement activities, which supports the delivery of the Mayor’s commitments and related strategies. It reflects best practice and demonstrates that our procurement activities meet all relevant legislative requirements, such as the Modern Slavery Act 2015, the Social Value Act 2012, the Equality Act 2010 and others.

This policy will be supported by action plans to demonstrate how each GLA Group Functional Body will implement the policy using a risk and opportunity based approach in a relevant and proportionate manner. This includes working with our first tier suppliers and their supply chain where possible to fully implement this policy. More information is set out in the ‘Implementation section’.

Our Commitment

We will ensure that decisions taken by members of the GLA Group on the procurement of goods, works or services are undertaken in line with our commitments set out in this document under the following themes:

- 1. Enhancing social value**
- 2. Encouraging equality and diversity**
- 3. Embedding fair employment practices**
- 4. Enabling skills, training and employment opportunities**
- 5. Promoting ethical sourcing practices**
- 6. Improving environmental sustainability**

These will be applied, where relevant and proportionate, in commercial arrangements with partnering and contracting organisations.

ENHANCING SOCIAL VALUE

We will consider how what is proposed to be procured can improve the economic, social and environmental well-being of our communities. We will work with communities and suppliers to identify any specific needs and how well-being can be improved through our procurement activities.

We will lead by example by routinely considering social value outcomes available from the procurement of goods, works and services and asset disposal in all contracts over £100,000, as well as at lower levels where specific opportunities exist.

We will consult and work with service users, communities and the supply market to improve the design and production of our works and services contracts that have an impact on the community so that outcomes are delivered in the most efficient manner, including through innovative solutions.

At all times, we will ensure that procurement requirements focusing on social value are relevant and proportionate, reflecting need and the nature of the supply market.

Wherever and whenever possible, we will quantify the economic, social and environmental benefits delivered to our communities through procurement. These benefits will be linked to the following themes:

ENCOURAGING EQUALITY AND DIVERSITY³

We will encourage equality and diversity by:

- Removing barriers in our procurement approaches and processes that inhibit Small to Medium Enterprises (SMEs), community sector organisations, diverse enterprises and under-represented groups from easily entering our supply chain. We will ensure our procurement processes are transparent, straightforward, and open to the whole of the supplier community.
- Paying our suppliers promptly and paying SME suppliers within 10 working days, in recognition of their specific challenge around cash flow, and encourage our supply chain to adopt supporting practices.
- Reviewing our requirements to ensure the goods and services we buy support diversity and inclusion within our own workforce.
- Identifying opportunities to encourage our suppliers to employ a workforce that is representative of the diversity of London's population and provide services that are inclusive. We will seek to work with organisations (and their supply chains) that have a good track record and can clearly demonstrate promoting equality and diversity within their own organisations.
- Maximising relevant opportunities to work with voluntary and community sector organisations including social enterprises in supply and service delivery.

EMBEDDING FAIR EMPLOYMENT PRACTICES

We will seek fair employment practices by:

- Establishing the Mayor's planned compact with employers as a key part of our dialogue with suppliers, encouraging them to join the scheme and requiring that all suppliers have fair terms of pay, including the London Living Wage, to the extent permitted by law.
- Working with our suppliers to understand (and regularly assess) the terms on which people working in our supply chain are employed and to ensure they are not improperly exploitative or unlawful. We will work with suppliers to ensure that our service requirements do not result in the inappropriate or exploitive use of 'zero hours' contracts for low paid, low skilled roles, or in any other employment practices that exploits people working in our supply chain.
- Supporting our suppliers to provide safe and healthy workplaces for employees and supporting them in improving working conditions.

ENABLING SKILLS, TRAINING AND EMPLOYMENT OPPORTUNITIES

We will seek skills, training and employment opportunities by:

- A relevant focus in contracts on training and employment opportunities, including apprenticeships, training leading to qualifications, placement positions and engagement with schools and colleges.
- Addressing skills shortages in key industry sectors through working with our suppliers to ensure that they create the skills and employment outcomes needed to maintain a high standard of delivery of our services to the community.
- Working with our supply chain to address under-representation of diverse groups, including women, disabled people, younger and older people, LGBT people and people from a Black, Asian and minority ethnic background.

³ The definitions required for the equality and diversity theme are below:

- The Department for Business, Innovation and Skills definition declares an SME to be a business with under 250 employees.
- The GLA Group defines a minority-led/diverse enterprise as a business which has a majority (51% or more) ownership, or a majority of their senior management team, comprising individuals from Black, Asian and minority ethnic groups, women, disabled people, lesbian, gay, bisexual, trans-person (LGBT) or faith groups.

- Requiring our suppliers to target relevant opportunities to people experiencing barriers to employment such as long-term worklessness, disability, mental health issues, being ex-offenders or ex-service personnel, and communicating those opportunities to local communities.

PROMOTING ETHICAL SOURCING PRACTICES

We will promote ethical sourcing by:

- Adopting the nine provisions of the Ethical Trading Initiative's Base Code, or equivalent, as the standard we expect of our suppliers to support working conditions that are legal, fair and safe.
- Adopting a risk and opportunity based approach to identify contracts and areas of spend where there may be a high risk of poor working conditions, human rights abuses or negative impacts on security and crime. We will seek to improve transparency within the supply chain, and work with suppliers to improve any poor performance identified as part of a process of continuous improvement, reflecting existing and emerging legislation and guidance.
- Operating to appropriate animal welfare standards in the management of our own animals and ensuring our suppliers and their sub-contractors operate to these standards.

IMPROVING ENVIRONMENTAL SUSTAINABILITY

We will work with suppliers to deliver a resource efficient and resilient city with high environmental quality, accelerating London's transition to a low carbon and circular economy⁴ by:

- Giving priority to circular procurement options and business models that maximise value from products and services for as long as possible, keep long term expenditure down, use sustainable materials, and reduce financial and asset disposal risks. We will encourage and trial materials innovation to keep materials in circulation for longer to reduce consumption of resources.
- Applying relevant environmental or sustainability standards to support delivery of target outcomes relating to climate change mitigation and energy, food, water, materials and waste, air quality, adaptation and biodiversity as a minimum. We will lead by example by working with suppliers to go beyond minimum requirements within Government Buying Standards (GBS) and EU Green Public Procurement criteria (GPP) where possible, for relevant product groups and services.
- Encouraging suppliers through selection processes to adopt processes and procedures to reduce their environmental impact. This includes certification to independent environmental accreditation schemes such as ISO14001, BES6001, others as relevant, including emerging standards, or their equivalent, where relevant and proportionate.
- Ensuring that the need to meet the Mayor's ambitious greenhouse gas and air pollution reduction targets are given appropriate priority in procurement decisions. We will identify opportunities for reducing emissions that contribute to climate change and poor air quality associated with purchases of products, works and services. This includes sourcing of low carbon energy wherever possible and phasing out the use of fossil fuels from our fleets, prioritising phase-out of diesel, and transitioning to zero or ultra-low emission vehicles.
- Applying whole life cost assessments of products and services in order to gain a better understanding of the full costs and benefits over the relevant lifetime.
- Encouraging the uptake of walking and cycling including by their employees, customers and suppliers, and working with suppliers to improve the safety of cyclists and walkers.

⁴ A circular economy is one that produces no waste or pollution by design or intention. It keeps products, parts and materials at their highest use and value at all times. It is a more efficient and environmentally sound alternative to the traditional linear economy in which we make, use and dispose of resources. More information about the circular economy business models and work led by the Mayor can be found at www.london.gov.uk.

Implementation

To ensure effective implementation of this policy we commit to:

- Developing a relevant and proportionate action plan for each GLA Group Functional Body, including relevant targets and KPIs that enable consistent monitoring and reporting of performance and good practice across the Group against this policy.
- Embedding relevant and proportionate responsible procurement requirements in our contracts.
- Communicating and reviewing this policy and its benefits across our Functional Bodies, our partners and through our supply chains, and working with national and international organisations and networks to share best practice and maintain the GLA Group's leadership role in responsible procurement within the UK and worldwide.
- Making appropriate financial and staff resources available, including a lead Mayoral Advisor /champion, and providing training and mentoring for our staff to continue to successfully implement responsible procurement.
- Engaging with our suppliers to identify opportunities for business and market development that can be realised from responsible procurement, and providing support and guidance to help them comply with our policy.

The GLA Group Responsible Procurement Forum is responsible for ensuring this policy is kept up to date, reflecting legislation, policy, intended outcomes and best practice lessons, and will review this policy every two years.

Greater London Authority
Transport for London
London Fire and Emergency Planning Authority
Mayor's Office for Policing and Crime
London Legacy Development Corporation
Old Oak and Park Royal Development Corporation
GLA Group Collaborative Procurement Board