

ARDO MEDICAL LTD

LABOUR STANDARDS ASSURANCE SYSTEM POLICY

Ardo medical Ltd (Ardo) supplies a range of medical devices in the UK including:

- Breastpumps
- Breastmilk collection sets
- Surgical suction pumps
- Neonatal products
- Obstetric consumables

Resulting from its business operations, the Company acknowledges its obligations towards its customers, employees and the communities in which it works, and has decided to document its policy in relation to labour standards and for this document to be approved by senior management, specifically by the Managing Director.

Ardo's Management define this policy as relevant to the organisation itself, its contractors, sub-contractors, suppliers and other parties engaged through the supply chain.

Scope of Policy

In the first instance, Ardo is applying this policy to the products it supplies into the NHS via the following Framework Agreement:

Urology, Bowel and Faecal Management Products
Reference No: FAG000016140

Specifically, these products are:-

Baby Urine Collection bags

Nature and Scale

The Company seeks to implement a policy which is appropriate in nature and scale to the Company and in line with its status, as defined by EU law, as an SME.

Aims

The aim of this policy is to promote understanding and awareness of employment laws and ethical standards. By detailing our labour standards to all parts of our supply chain we hope to develop better ethical standards by motivating our suppliers to adhere to it

Freek Vierling
Managing Director
January 2016

Policy Statement

The Company has identified the following compelling reasons to establish a comprehensive system of Minimum Labour Standards to guide it in its business operations.

1. **ETHICAL RESPONSIBILITIES** - the Company acknowledges its obligations towards its customers, employees and the communities in which it works arising from its business operations and wishes to work and trade in an ethical fashion.
2. **THREAT TO SECURITY OF SUPPLY** – the Company has identified that labour standards abuses in supply chains can pose a risk to the security of supply. Any supply chain partners perpetrating abuses face legal enforcement action which may damage business and interfere with their ability to continue to supply.
3. **ADVERSE PUBLICITY AND DAMAGE TO THE COMPANY’S REPUTATION** – adverse publicity from the discovery of labour standards abuses in the Company’s supply chain presents reputational and structural risks as follows – (a) income – customers may choose to purchase supplies and services from other providers (b) staff recruitment and retention – staff may choose not to work for a Company associated with any labour standards abuses and this may lead to poor morale in the work place and difficulty in recruitment (c) loss of trust – both with customers and suppliers and also within the wider community.
4. **REDUCED QUALITY OF GOODS AND SERVICES** – the Company recognises that there is commonly a link between poor labour standards and poor quality of goods and services. To this end, it is in the interest of the Company to ensure its suppliers reach minimum labour standards targets at all times.

To help it identify a defined set of minimum labour standards, the Company has particularly referred to the following resources:-

Social Accountability International’s SA8000 document and the UN’s Universal Declaration of Human Rights

These minimum labour standards are:

1. **Child Labour** – the Company does not engage in or support the use of child labour. If the company engages any young workers (e.g.: on work experience), it will ensure that a suitable risk assessment is carried out and that young persons are not exposed to any hazardous conditions, or in any case work more than 8 hours per day.
2. **Forced & Compulsory Labour** – the Company shall not engage in or support the use of forced or compulsory labour, or bonded or involuntary prison labour. Employees are free to leave upon reasonable notice.
3. **Health & Safety** – the Company shall provide a safe and healthy workplace environment and shall take effective steps to prevent potential accidents and injury to employees’ health by minimizing, so far as is reasonably practicable, and in co-operation with its employees, the causes of hazards inherent in the workplace. All employees will receive safety and job specific instructions during the course of their employment with the company. Employees shall have access to clean sanitary facilities and drinking water. Responsibility for implementing the Health & Safety element of this policy is assigned to the Managing Director.
4. **Freedom of Association** – the freedom of association is respected and the Company will comply with UK labour relations legislation in this regard.
5. **Discrimination** – the Company shall not engage in or support any discriminatory practices in hiring, remuneration, access to training, promotion, termination or retirement based on race, national or social origin, caste, religion, gender, sexual orientation, political affiliations, age or other conditions that could give rise to discrimination. The Company has an Equal Opportunities and Diversity Policy which is shown to all new employees at induction.
6. **Disciplinary Practices** – the Company shall treat all employees with dignity and respect. The Company shall not engage in or tolerate the use of corporal punishment, mental or physical coercion or verbal abuse of personnel. No harsh or inhumane treatment is allowed.

7. Working Hours – the Company shall comply with applicable laws and industry standards on working hours and holiday entitlements. The Company's normal working hours do not exceed 48 hours per week, and overtime hours do not exceed 12 hours per week. The Company ensures all employees have the legal right to be employed in the UK.
8. Remuneration - the Company shall comply with national laws and regulations with regard to wages and benefits. All work related activities are carried out on the basis of a recognised employment relationship established according to national law and practice.

The Company also commits to:-

- Compliance with relevant legal and other requirements to which it subscribes
- Ensure that all its key contractors, sub-contractors and suppliers are aware of this policy
- Make available sufficient resources for the implementation of this policy.

Management Representative

The management representative assigned the responsibility of implementing an effective Labour Standards Assurance System (LSAS) is Janet Lamb. The responsibilities of the Management Representative are as follows:

- To develop procedures to meet policy requirements
- To communicate labour standards issues to senior management
- To liaise with companies in the supply chain to undertake labour standard status reviews
- To set objectives and targets for labour standards assurance with plans for training, auditing and required action
- To liaise with companies in the supply chain to implement a plan of action to meet objectives
- To regularly review and improve the Labour Standards policy

To implement training for staff involved with the LSAS

Roles and Responsibilities

Given the size of the company and the number of companies in the supply chain, it is adequate for the Management Accountant to undertake the main responsibility of the LSAS. The Management Representative shall liaise with the Managing Director to develop the LSAS and present any developments at regular intervals to senior management. Members of staff involved with the LSAS shall be identified using the training records system and skills matrix.

Resources relating to the LSAS will be available to all involved staff through the shared 'S' drive.

Labour Standards Status Review

Ardo commit to undertaking a Labour Standards Status Review when contracting a new supplier and at regular routine visits to suppliers, to ensure that labour standards throughout our supply chain are satisfactory and continually improving. We recognize that if any contractor or sub-contractor were found to be using unethical or illegal labour programs, this would have a profound impact on the reputation and integrity of the company.

Legal Requirements

Ardo commit to remain up to date with changes to relevant employment legislation through the use of an external HR company.

Objectives and Targets

Ardo commit to implementing Corrective Action based on the outcomes of the Labour Standards Status Review.

The management of Ardo have identified that beside the main Tier 1 supplier based in Switzerland, there is a Tier 2 supplier who manufactures some of its products in a factory based in China. As indicated in the LSSR, Ardo UK will now engage directly with the supplier by means of a questionnaire to establish their labour practices.

Competence, Training and Awareness

Ardo commit to the training of relevant staff in order to be competent with handling the labour standards programme. Relevant staff for Ardo are those involved in procurement and new product development.

Persons involved with the LSAS should:

- Have a good understanding of how Ardo operates with knowledge of the supply chain
- Be in a position to contact suppliers and build a relationship with them
- Be trained in the LSAS requirements

Documentation and Records

Documentation and records in relation to the LSAS shall be kept using standard document and record keeping procedures in line with other Quality Documents.

Supply Chain Management

Ardo commit to monitoring and maintaining the labour standards in the company's supply chain through the distribution and communication of the company's labour standards policies along with the on-going assessment of whether these standards are being met.

New suppliers must meet Ardo's initial approval that outlines the standards to which the supplier is expected to maintain as part of their contract. These standards comply fully with those required by the LSAS.

Emergency Response

Ardo have identified aspects of the ETI Base Code that are of particular importance for meeting minimum levels of labour standards. Sections 1.1, 1.2, 4.1 and 9.1 are regarded by Senior Management of Ardo as statements that justify emergency response. Emergency Response comprises a request for a written Corrective Action Plan within 14 days that is approved by all parties involved. Should this Corrective Action plan be deemed unacceptable then resourcing of production from within Ardo's existing supplier base shall be implemented within 30 days of the initial breach of the above minimum labour standards.

Performance Monitoring and Measurement

Ardo commit to monitoring the performance of the LSAS as part of resource management, assessing the progress of the programme against the latest CAP where appropriate and setting relevant targets.

Corrective Action

The current Quality Management system will be used to document improvements from labour standards audits.

Management Review

Senior management will formally perform an annual review of the labour standards programme.

The Company will make this policy publicly available and the policy will also be communicated to Ardo's employees in the first instance, and also to all contractors, sub-contractors and suppliers.

Freek Vierling
Managing Director
January 2016

Ardo undertake to an annual review of the LSAS policy. The next review date is:

Review Date	Name	Position	Signature
February 2017			
February 2018			
February 2019			
February 2020			
February 2021			

Labour Standards Review

Review March 2016

In line with the requirements of the LSAS policy, and the Action Points defined for the Level 1 – Foundation as shown in the LSAS Matrix Review, Ardo have identified the following suppliers and their associated risks.

Current supplier Status

Ardo medical UK is a wholly owned subsidiary of Ardo medical AG, which is based in Unteraegeri in Switzerland. The Neonatal products that Ardo UK distributes in the UK are all procured from Ardo AG in Switzerland i.e. Ardo UK only have One supplier for their product range.

This Tier 1 supplier - Ardo AG - is based in Switzerland, which is a low risk country according to the NHS Country Risk Profiles. Regular reviews take place between Ardo UK and Ardo AG (next intercompany meeting is scheduled for 29/03/2016) during which staff from subsidiaries is invited to the company's headquarters; during these visits, staff are shown around the Swiss manufacturing and assembly areas so can for themselves observe the products being made.

Ardo UK has made Ardo AG aware of the importance of the LSAS policy that Ardo UK has in place. The Ardo UK policy has been forwarded to Samuel Krahenbuhl, CEO of Ardo AG, who in turn has copied the policy on to Daniel Ortner who is responsible for Compliance issues.

As part of our Review, we have also taken note that a very small number of product codes are procured by Ardo AG from the US based company MedEvolution Inc. These products include:

- Urine specimen collectors (often referred to as Baby U-bags)
- Umbilical cord clamps
- Amniotic Membrane Perforators

These products are manufactured in an FDA approved factory in China and therefore MedEvolution is classed as a Tier 2 supplier. As China is classed as a Higher Risk country in the NHS Country Risk Profiles, Ardo UK will now engage directly with the supplier by means of a questionnaire to establish their labour practices. Reviews will be carried out annually and if found necessary, Corrective Action Plans will be put in place.

Freek Vierling
Managing Director
11/03/2016