

Ethical and  
sustainable  
work practices

# A guide for Procurers

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This guide helps you as a procurer understand ethical and sustainable work practices from a labour and human rights perspective. Find out what those rights are and why they are important for you.

**EMPLOYMENT  
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# Understand ethical and sustainable work practices

Today's consumers, employees, procurers and investors expect certain ethical standards. They increasingly want businesses to treat workers fairly, ethically and sustainably – not just their own workers but also the workers in the organisations they engage with.

New Zealanders are becoming more aware of exploitation and mistreatment of workers, especially of migrants, and do not want to engage with businesses that exploit their workers. When deciding where to shop, consumers consider how businesses treat their workers.

A 2021 Colmar Brunton survey found New Zealanders want fairer businesses.

- › 59% of respondents wanted their future employer to be socially and environmentally responsible.
- › 73% would stop buying from a company that was irresponsible or unethical.

## What ethical and sustainable means

Having ethical work practices means treating your workers legally, fairly and with dignity. It includes providing safe working conditions and meeting or exceeding all minimum employment standards.

Sustainability means working in a way that meets the needs of your business or industry now and in the long term.

Exploitation, child labour, forced labour, human trafficking and slavery are the opposite of ethical and sustainable work practices.

### ➔ Ethical and sustainable work practices

or go to [www.employment.govt.nz](http://www.employment.govt.nz) and search for 'ethical and sustainable practices'



## Why good work practices matter

Behaving ethically and sustainably is the right thing to do.

Good work practices help create a level playing field where those who meet employment obligations cannot be undercut by those who cut corners using unfair work practices. Good work practices can have a positive impact on customer goodwill, loyalty and demand for your goods and services. They can also help to attract and retain good workers. On the other hand, employment practices that are not legal, ethical or sustainable can hurt your reputation and brand. This could reduce your company's revenue, profit, financial viability and market value.

Businesses that have been penalised for exploiting or mistreating their workers are identified in publicly available information. The law fines and penalises these businesses, and prevents them from supporting visa applications from overseas workers for a specific period.



# Understand who a procurer is

You are a procurer if you are employed to choose and buy goods or services for a company. Services can include high-risk areas like cleaning and security. You may also be called a buyer or purchaser.

A supply chain is more than just the organisations you sign contracts with. It includes all the parts needed to get a product or service to the customer, such as technology, people and information.

Procurers are closely involved with their organisation's supply chains. This could mean going to trade shows, negotiating the best deals or negotiating exclusive contracts. While most procurers will only need to deal with their immediate suppliers, they still need to know if any subcontractors or third parties involved in the supply chain are being treated well.



Claire is the new procurement manager for dairy products at a chain of supermarkets. She does more than sign and negotiate contracts. She attends trade shows to find out more about upcoming products and maintains relationships with suppliers in several countries. Claire needs a good feel for the dairy market. For example, she needs to consider if the dairy farmers who supply the milk and cream to their cheese manufacturers treat their employees ethically and sustainably.

## Why ethical and sustainable work practices are important for procurers

Making sure that workers in a business's supply chain are treated fairly is becoming essential. Illegal work practices by your suppliers can harm your procurement efforts, and your organisation's reputation and brand.

If you buy from suppliers who are financially sound and have good work practices, they are more likely to be able to deliver.

If a supplier breaches employment standards, such as by paying below the minimum wage or using forced labour, you may not be able to rely on them. They may have a bad reputation and brand, or be fined and penalised for exploiting or mistreating their workers. They may even be stopped from supporting migrant work visas. All this means they may not be able to deliver the goods and services you order.





# Manage risk if you are a procurer

As a procurer, you need to start managing risk before signing a contract and then keep monitoring risk after that.

## Focus on three things

1. How to set expectations for suppliers.
2. How to assess compliance in your supply chain.
3. How to manage and monitor compliance.

There is no one-size-fits-all rule. Take an approach that is right for the size of contract, the kinds of suppliers that might bid and your organisation's risk appetite.

## How to set expectations for suppliers

You can start explaining your expectations of ethical and sustainable work practices by considering what your vision, mission and values statements say about how your organisation values and treats workers. These statements set the scene for everything that happens in your organisation and supply chain, so it is important you make them explicit.

You can then make it clear from the beginning what you expect of your suppliers' employment practices. You can also explain that they need to do to make their own suppliers aware of what you expect too.

Creating a code of conduct for suppliers can help to explain what you expect. Ask new suppliers to sign up to your code in your tender process. Ask current suppliers to sign up when they renew contracts.



Up until now, Claire's company has taken a reactive approach to the supply chain's behaviour. She wants to be proactive. She creates a code of conduct that will apply to all the chain's suppliers, which are both in New Zealand and abroad.

The code is an easy way to set expectations. It means suppliers can be confident they are all being held to the same standards. Claire can also be confident she has done what she could to lay the foundations for treating workers fairly.

When applying your supplier code of conduct, remember to:

- ask the supplier's chief executive or a senior manager to sign the code and explain its importance to their workers, to show that the company's leaders are committed to it
- get all businesses in your domestic supply chain to comply with New Zealand's employment standards
- tell suppliers you expect their own supply chain to understand and follow the code
- make it clear you expect your suppliers, and their own suppliers, to act on any issues they know about, and to tell you if they find, investigate, or are investigated for labour rights issues.

Your suppliers may have already agreed to codes of conduct with other businesses. Try to match these codes wherever you can, to save suppliers from time-consuming administration.

## How to create your code of conduct

You might find it helpful to read New Zealand Government Procurement's example. Their code includes a definition of ethical behaviour, and explains how suppliers should meet labour and human rights expectations and provide a healthy, safe and secure workplace. New Zealand Government Procurement also has a set of questions and answers on the code.

### 🕒 [New Zealand Government Procurement's code of conduct](#)

or go to [www.procurement.govt.nz](http://www.procurement.govt.nz) and search for 'supplier code of conduct'





## Ethical and sustainable work practices

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You'll need to tailor the code to your industry. Each industry will face different risks. For example, horticulture workers tend to live in rural areas with limited job options. This can mean they're less likely to bring up issues, as it could be hard for them to find another job.

Suppliers can show they meet the code in several ways. These could include publishing their policies online, promoting them or providing them when asked to. You could also include questions about employment standards in tenders. For example, you could ask suppliers if they have written employment agreements for all their employees, keep up-to-date records and provide the required types of leave.

➔ **Assuring ethical and sustainable work practices through procurement**  
[PDF, 244KB]

or go to [www.procurement.govt.nz](http://www.procurement.govt.nz) and search for 'ethical and sustainable'

### How to assess behaviour in your supply chain



Next, you need to understand or map the risks in your supply chain, and then identify which ones are more of a threat to you. One way is to draw a diagram of suppliers and their suppliers, showing how products or services get to you.

Remember that there is no formula for identifying risks – you'll need to examine the overall situation. We've listed some general examples of greater and lesser risks below. However, depending on the industry you work in, these risks may impact your business differently.

### Examples of risks that could have a greater impact on your organisation

Risks that could have a greater impact on your business include:

- relying on a workforce with mostly migrant workers – they may not be aware of their rights, which could mean they don't voice concerns
- relying on a workforce with a high percentage of young, old, female or unskilled workers – these groups can have limited employment opportunities and may not be able to risk losing their job. This could mean they don't voice concerns
- supply chains with many layers of subcontractors – having oversight of all organisations involved is harder
- suppliers owned or managed by migrants, or that employ mainly migrants of the same ethnicity – the lack of diversity may mean the business lacks knowledge of New Zealand's employment rights and obligations.

### Examples of additional risks that could have an impact on your organisation

Risks that could have a lesser impact on your business include:

- a non-unionised workforce – they may not be able to raise concerns collectively
- businesses with a head office in another country – they may be used to different standards
- high set-up costs for workers – a high level of personal financial investment (such as having to buy tools) may make workers reluctant to complain
- businesses or workers in isolated locations – they may find it harder to know what to do when they have a problem.



Claire maps the risks in her company's supply chain. The most important one she identifies is that some products (like chocolates) are made overseas. This means that it could be hard to keep track of how all the subcontractors are treating their employees (for example, subcontractors like farmers who produce cocoa beans).

### How to reduce risks

You can take action to reduce your risks. For example, you could hire an independent company to audit your supply chain, to make sure they comply with the rules. You could also require suppliers to complete self-assessment questionnaires and supply supporting documents.





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### A guide for Procurers

### How to manage and monitor compliance

Ensuring compliance is not a one-time exercise – you need to monitor it regularly using tools such as annual audits and spot checks.

You might want to create new channels, such as grievance processes and ways to allow workers to speak up.



After identifying the number of subcontractors in the supply chain as a risk, Claire wants workers in the supply chain to feel that they can report issues confidentially. She agrees with her management team that they will require suppliers to ensure their subcontractors carry out employee surveys.

### What the government's procurement rule means if you are a government supplier

The procurement rule on 'Improving conditions for New Zealand workers' explains what the government expects from organisations.

The rule says government agencies must tell certain suppliers (and their New Zealand supply chains) to follow relevant employment standards and health and safety requirements. Suppliers must be able to prove they comply.

#### ➔ Improving conditions for New Zealand workers

or go to [www.procurement.govt.nz](http://www.procurement.govt.nz) and search for 'improving conditions for New Zealand workers'





# Learn more and use our free resources

## Resources on our website

If you are reading a printed version of this brochure, go to [www.employment.govt.nz](http://www.employment.govt.nz) and search for key words.

To learn about. . .	...search for	What you'll get
<a href="#">Procurer's approach to assuring ethical and sustainable work practices in supply chains</a>	Procurer work practices	A web page
<a href="#">Identifying and minimising labour rights issues in your supply chain</a>	Labour rights issues	PDF, 860KB
<a href="#">Assuring ethical and sustainable work practices through procurement</a>	Ethical and sustainable	PDF, 244KB
<a href="#">Risk factors for non-compliance</a>	Risk factors for procurers to manage	PDF, 533KB
<a href="#">Risk mitigations for non-compliance</a>	Mitigations to reduce risks	PDF, 439KB
<a href="#">Employment standards – a guide</a>	Employment standards guide	PDF, 833KB
<a href="#">Employment standards – a checklist</a>	Employment standards checklist	PDF, 581KB
<a href="#">Employees' minimum rights</a>	Minimum rights	A web page
<a href="#">Meanings of terms</a>	Glossary	A web page

## Resources on other websites

If you are reading a paper version of this brochure, go to the relevant website and search for key words.

To learn about. . .	...search for	What you'll get
<a href="#">Supplier Code of Conduct</a>	Code of conduct	PDF, 37KB
<a href="#">Supplier Code of Conduct – supporting questions and answers</a>	Code of conduct	PDF, 99KB

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