

Embedding Sustainable Procurement

Shaun McCarthy OBE

This is a workshop
which will require
your participation

Most of all, we
want this session
to bring value to
you all

HOUSE RULES



- Be present in the room! Cameras and mics on please.



- Get involved in our poll questions



- ‘Raise your hand’ or use the chatbox for questions or tech support



- Please participate in our small group discussions and activities:
Yes, we will be breaking into groups to chat!



- Share your feedback at the end



- Slides will be shared

AGENDA



Introduction



Sustainability Today



Sustainable Procurement



Fundamentals



Policy & Strategy



Enablers



Procurement Process



Awake?



SECTION ONE

Introductions

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supplychainschool.co.uk/topics/sustainability/sustainable-procurement



**PLEASE
INTRODUCE
YOURSELF**

LEARNING OUTCOMES



Definitions

Outline what sustainability and sustainable procurement is and what it means to your organisation



Drivers

Appreciate the drivers for a sustainable procurement approach

ISO 20400

Outline the key elements of a good sustainable procurement framework and relate them to ISO20400



Tools

Understand at a high level some of the tools used to drive a sustainable procurement approach



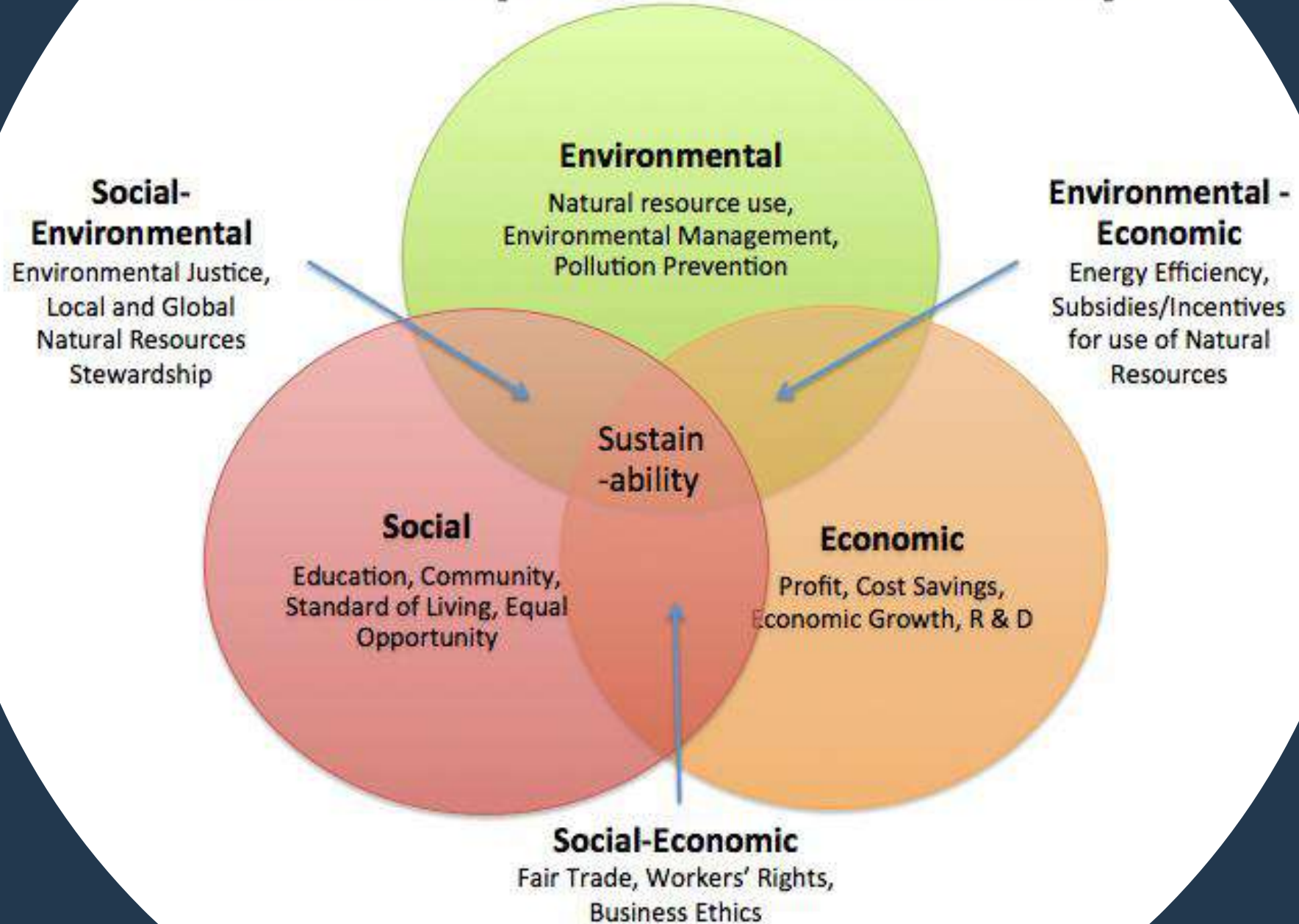
SECTION TWO

Sustainability Today





The Three Spheres of Sustainability



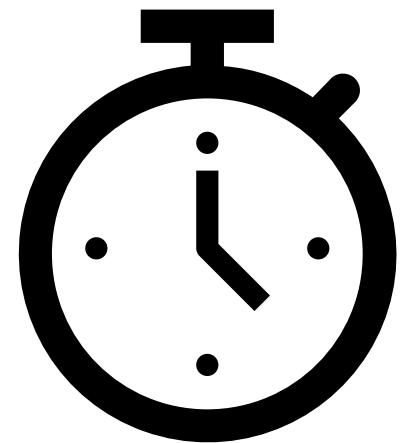
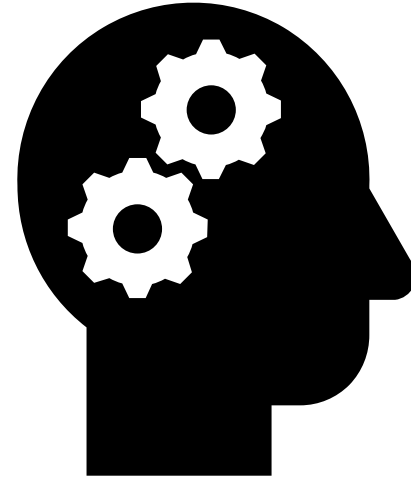


SECTION THREE

Sustainable Procurement



HOW DO YOU
DEFINE
SUSTAINABLE
PROCUREMENT?
(10 MINUTES)





ISO 20400

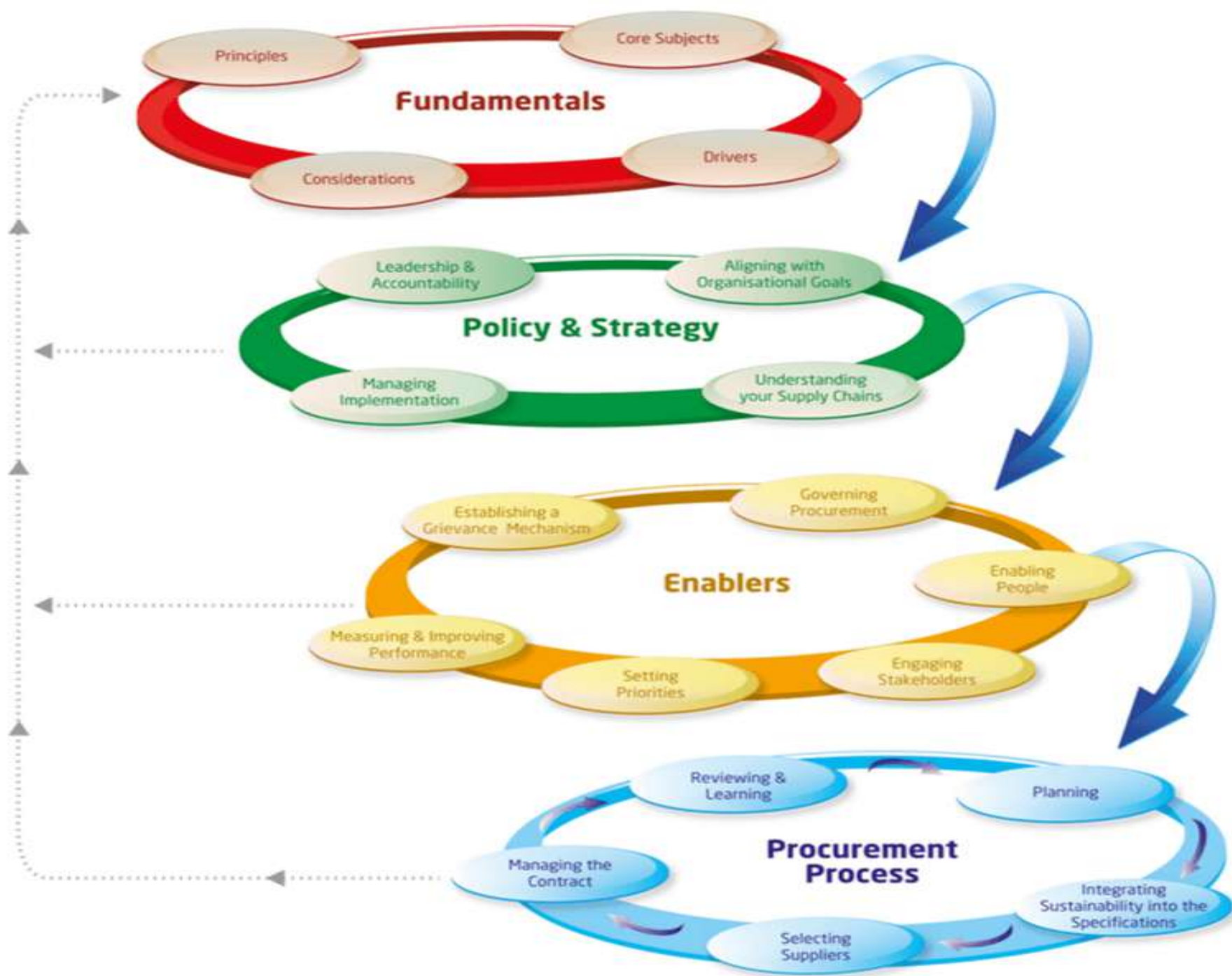
‘Procurement that has the most positive environmental, social & economic impacts on a whole life basis.’

Sustainable Procurement - What is ISO 20400?



- ✓ ISO guidance standard on sustainable procurement
- ✓ Provides an understanding of:
 - ✓ what sustainable procurement is;
 - ✓ what the sustainability impacts, and considerations are across the different aspects of the procurement activity: policy, strategy, organization, process; and
 - ✓ how to implement sustainable procurement practically.
- ✓ Applies to:
 - ✓ any organization, regardless of its sector, size and location.
 - ✓ any stakeholder involved in or impacted by procurement decisions and processes.
- ✓ Does not replace legislation, policy and ethical frameworks that regulate procurement activities.

Traditional focus	Business focus
Rules based	Business benefit driven
One size fits all	Prioritised approach
*Sustainable supplier	*Sustainable supply
Audits	Education
Questionnaires	Relationship management
Retrospective reporting	Real time performance management



SECTION FOUR

Fundamentals





Managing risks

Identify, prioritize and manage sustainability risks related to procurement



Due diligence

A way to address adverse sustainability impacts



Setting priorities

To focus efforts on managing risks



Avoiding complicity

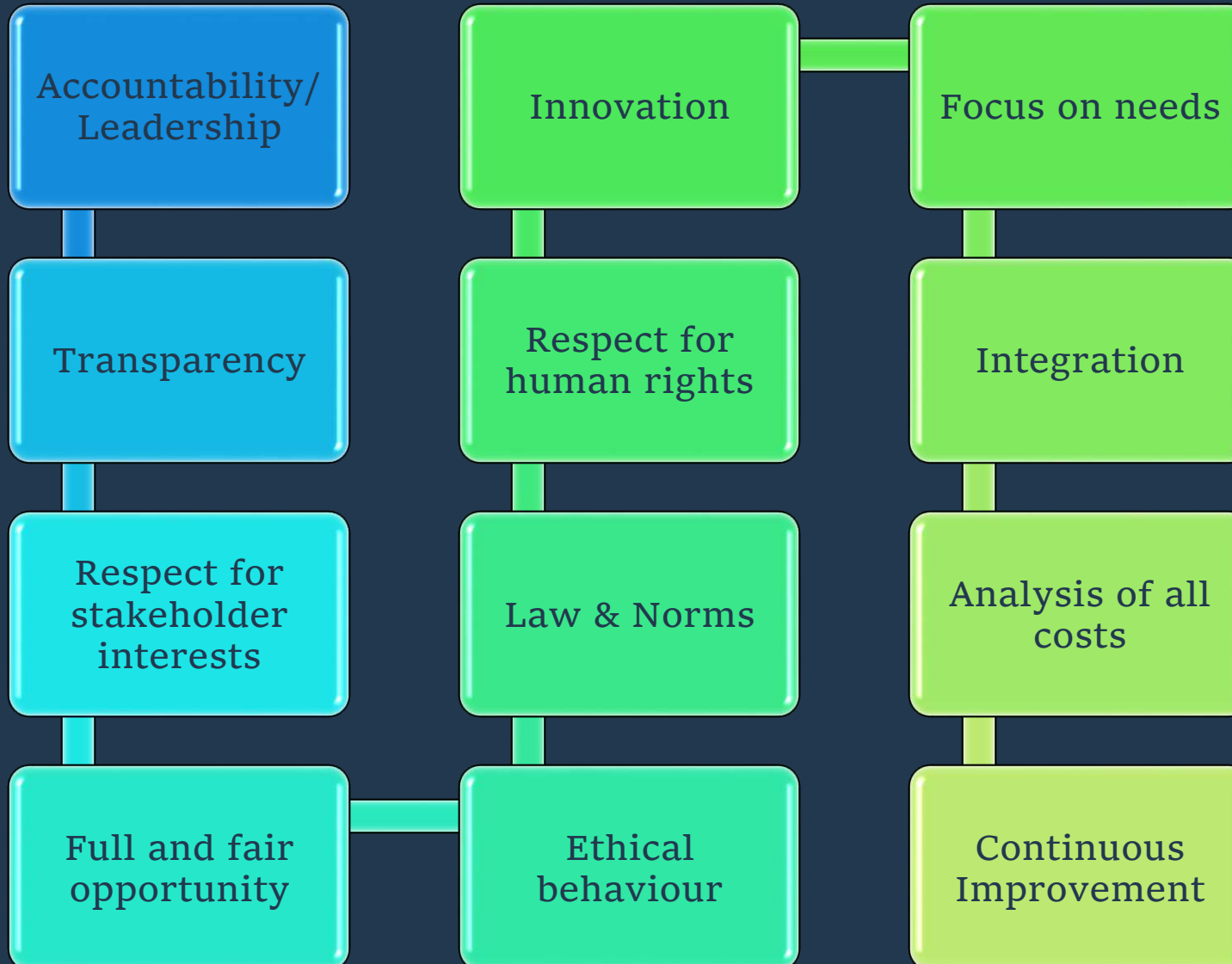
Avoid being complicit in wrongful acts



Exercising influence

Influence the behaviour of suppliers and other stakeholders

Principles of Operation



Drivers

Customer – responding to expectations

Competitive Advantage – a sustainable value proposition

Innovation – stimulate supply chain innovation

Stakeholder expectations – responding to expectations

Legislation – compliance throughout the supply chain

Public Policy – efficient management and use of public resources

Risk Management – brand value, reputation, financial loss

Security of Supply Chain – avoiding disruption

Investor Confidence – improved third party ratings and confidence, e.g., DJSI

Workers – attract and retain and motivate staff, improve productivity

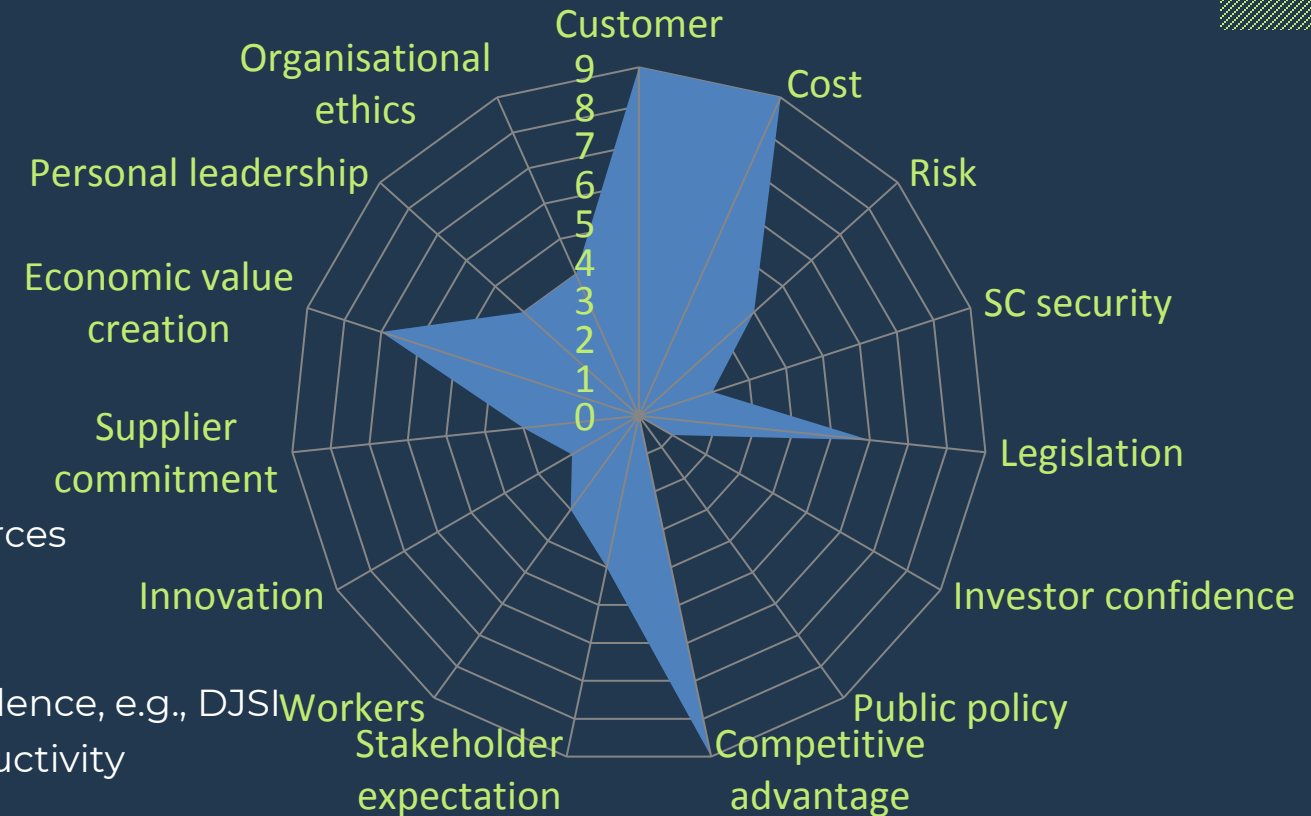
Supplier Commitment – improved supplier relationships

Cost Optimisation – optimising resource use, minimising waste, reducing impacts

Economic Value Creation – Life Cycle Cost/Whole Life Cost analysis

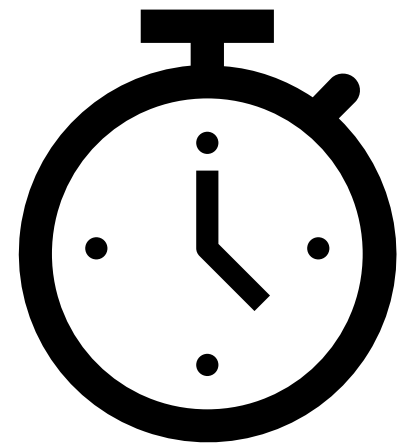
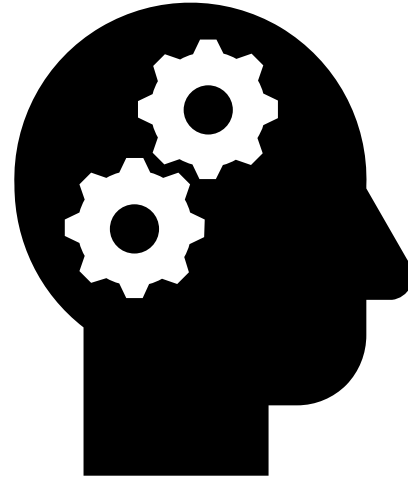
Personal Leadership – Committed leadership from management/board

Organisational Ethics – Ethical culture, avoidance of corporate mis-behaviour



WHICH 3 DRIVERS
RESONATE MOST TO
YOU IN THE
CONTEXT OF YOUR
WORK?

(OPEN DISCUSSION)



Sustainable Procurement Risks and Opportunities



Attracting customers,
competitive
advantage, innovation



Risk management,
supply chain security



Workers productivity,
supplier commitment,
Total Cost of
Ownership



Licence to operate:
stakeholders, regulation,
public policies



Investors confidence,
rating agencies



Personal leadership,
organisational ethics

SECTION FIVE

Policy and Strategy

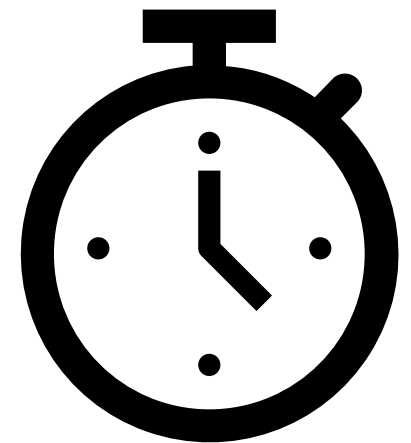
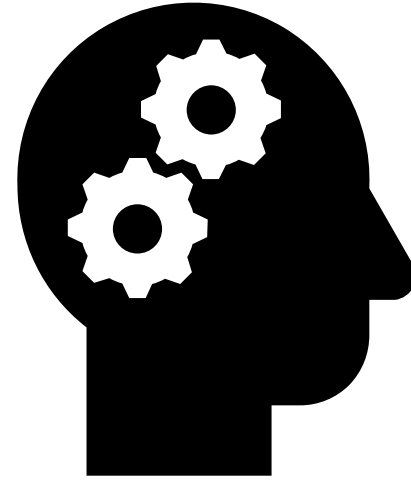




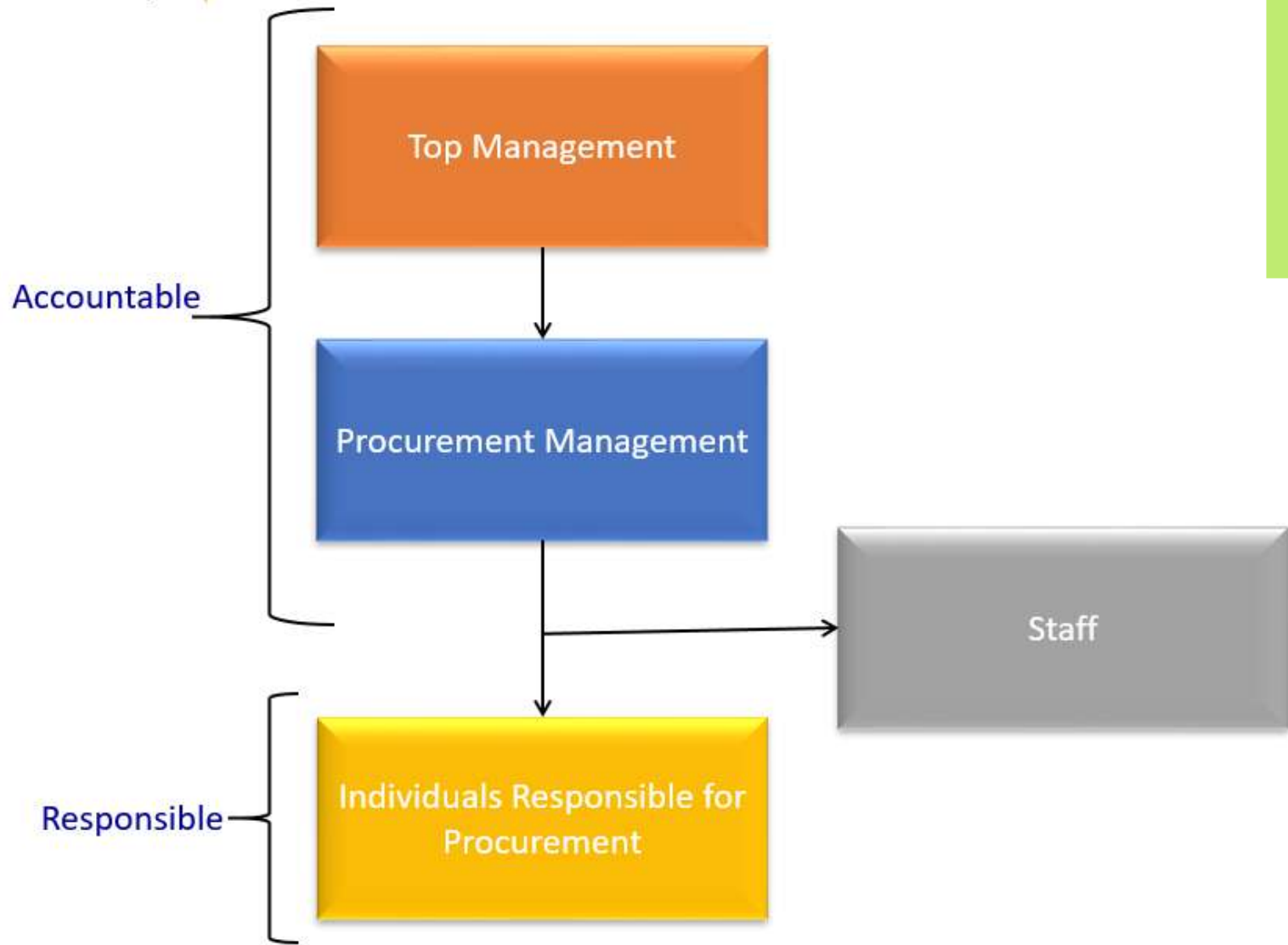
Sustainability
at your
organisation

WHAT
SUSTAINABILITY
POLICIES ARE YOU
AWARE OF AND
HOW DO THEY
INFLUENCE YOUR
JOB?

(OPEN DISCUSSION)



Leadership and Accountability



‘Management is doing things right; leadership is doing the right things.’

Peter F. Drucker

‘Leadership is the art of getting someone else to do something you want done because he wants to do it.’

Dwight Eisenhower



‘Apple moves towards greener supply chain with zero-waste and clean energy milestones’
[edie 8th March 2018]



‘Contractor Willmott Dixon has been named Sustainable Company of the Year for its commitment to sustainability’
[pbctoday 19th July 2016]



‘M&S leads the way for sustainability by launching a new ‘Plan A’ for 2025 which builds on the success of the first 10 years of Plan A’ [Fashion United 1st June 2017]



‘AkzoNobel reclaims top ranking on Dow Jones Sustainability Index’
[Press Release 7th September 2018]



‘Interface goes carbon neutral for entire product range’
[edie 26th October 2018]



‘Northumbrian Water was named overall winner at the CIPS SM Awards 2018, thanks to its responsible procurement strategy’
[Supply Management 12th October 2018]



‘Marshalls commits to the Science Based Target Initiative as part of its sustainability strategy’
[News Release 3rd January 2019]

GOLDEN THREAD

**Policy &
strategy**

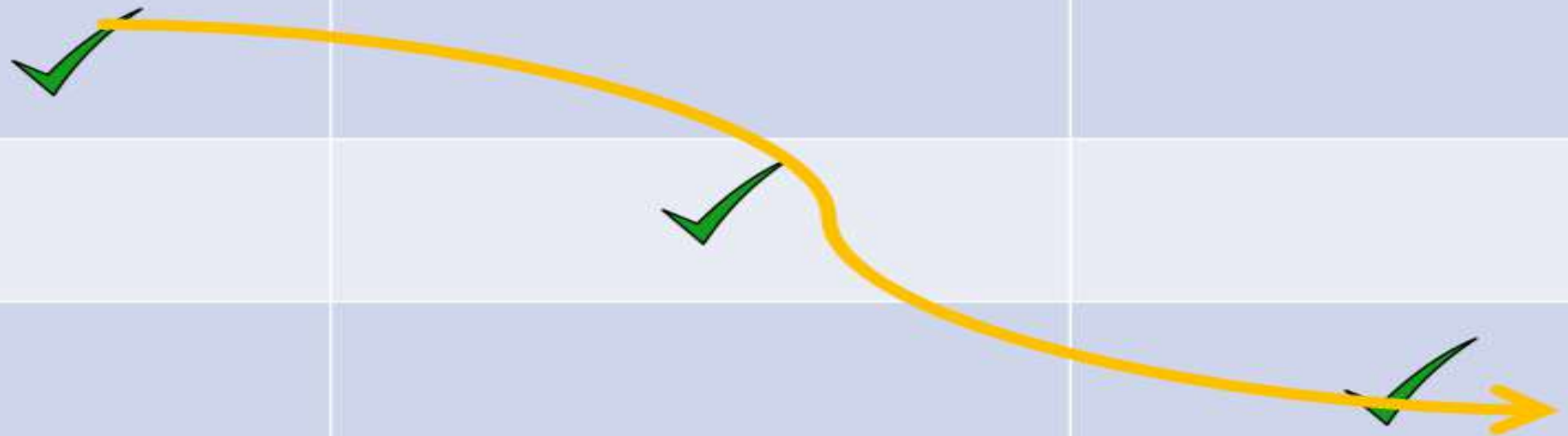
Organisational capacity

**Process, including
supply chain
requirements**

At the top

**Through the
business**

On the ground



Policy examples

SKANSKA

Sustainable procurement policy

- Incorporating policies for:
- Supply chain Health and Safety
 - Ethical sourcing
 - Supply chain equality, diversity and inclusion
 - Environmental and green sourcing
 - Best Value procurement

Sustainable Procurement Policy v1.6 19.05.09

MAYOR OF LONDON

THE GLA GROUP RESPONSIBLE PROCUREMENT POLICY



GOOD HEALTH AND WELL-BEING

SUSTAINABLE CITIES AND COMMUNITIES

SUSTAINABLE PROCUREMENT
Supply Chain Charter 2019

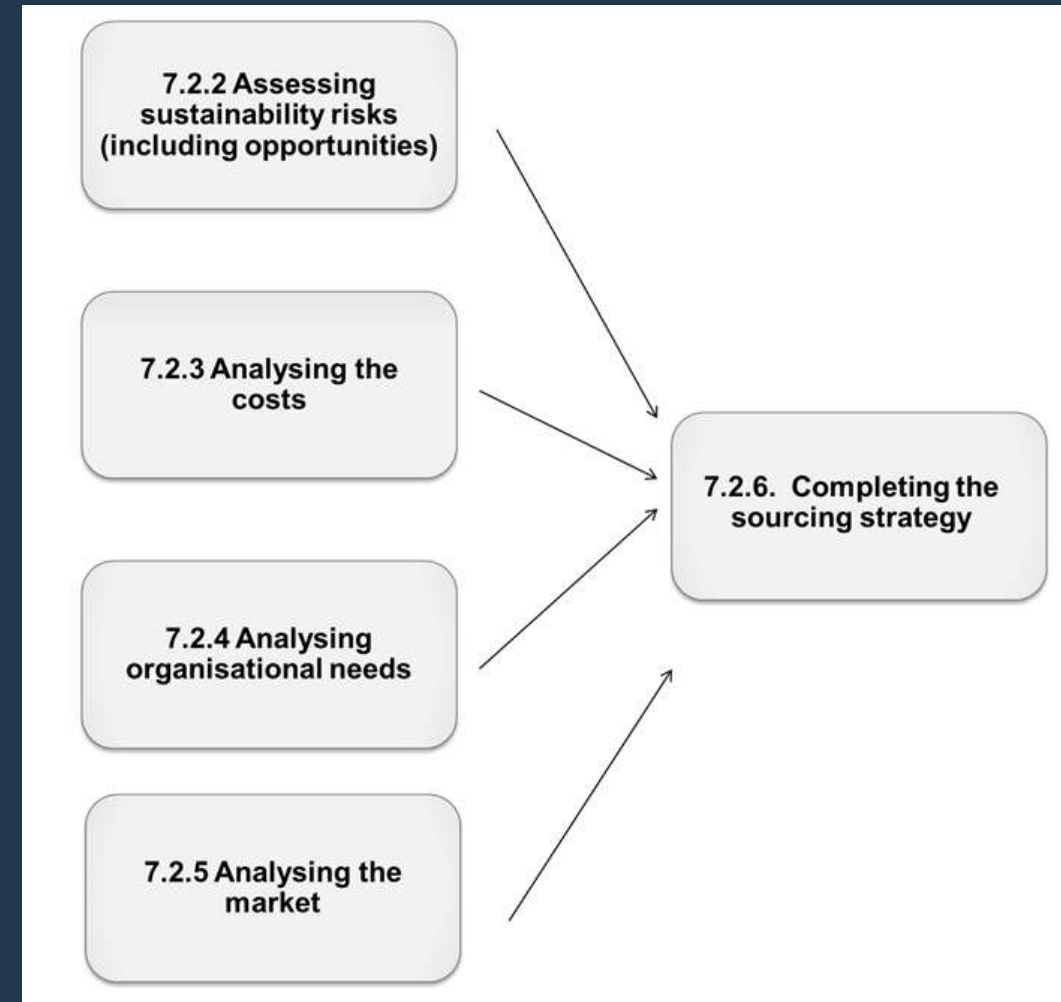
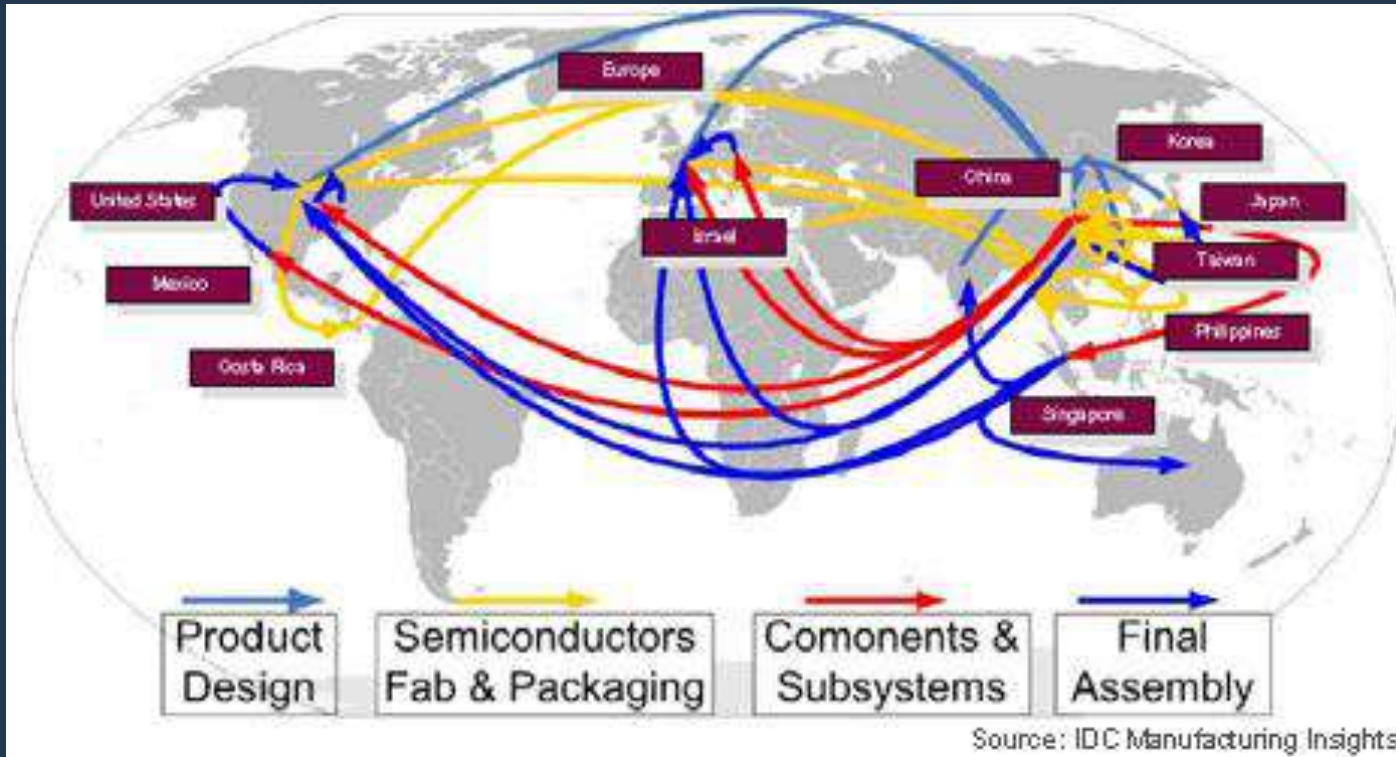
Go-Ahead

GENDER EQUALITY

CLIMATE ACTION

DECENT WORK AND ECONOMIC GROWTH

Understanding your Supply Chain



Managing implementation

- ✓ Validate objectives
- ✓ Establish SMART goals
- ✓ Communicate
- ✓ Endorse & sponsor
- ✓ Ensure clear roles & responsibilities
- ✓ Assess & monitor

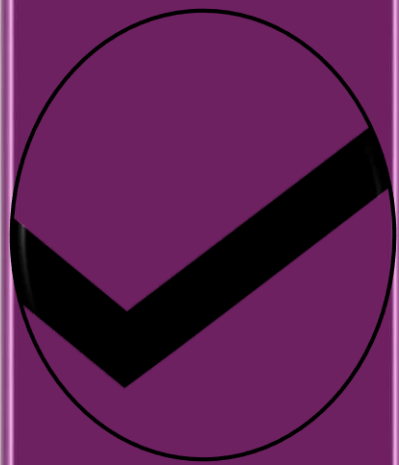






SECTION SIX

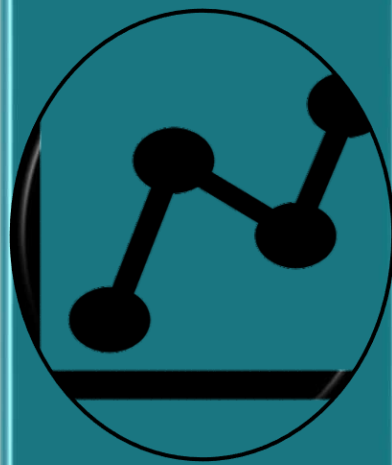
Enablers



Governance



People



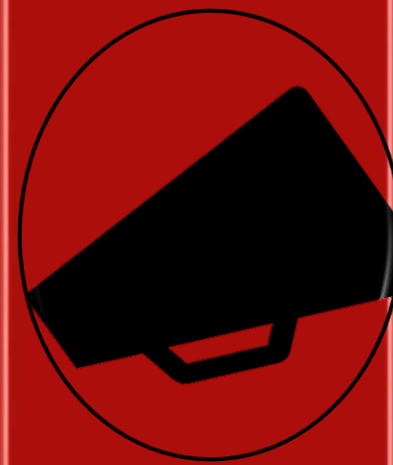
Measurement



Prioritise



Engagement



Grievance
mechanism



Governing Procurement



- ✓ Integrate sustainability into existing governance arrangements...
- ✓ There should be a clear connection between how procurement is governed and the sustainability issues and impacts.
- ✓ Involve those accountable in procurement planning
- ✓ Use systems, processes and controls to improve assurance
- ✓ Articulate sustainability intentions

People

Professional qualifications

Tailored training

Participation in industry initiatives

Press, newsletters, blogs

Shadowing

Job exchange

Networking

- ✓ Job descriptions
- ✓ Recruitment
- ✓ Personal objectives
- ✓ Reward and recognition
- ✓ Career progression
- ✓ Governance

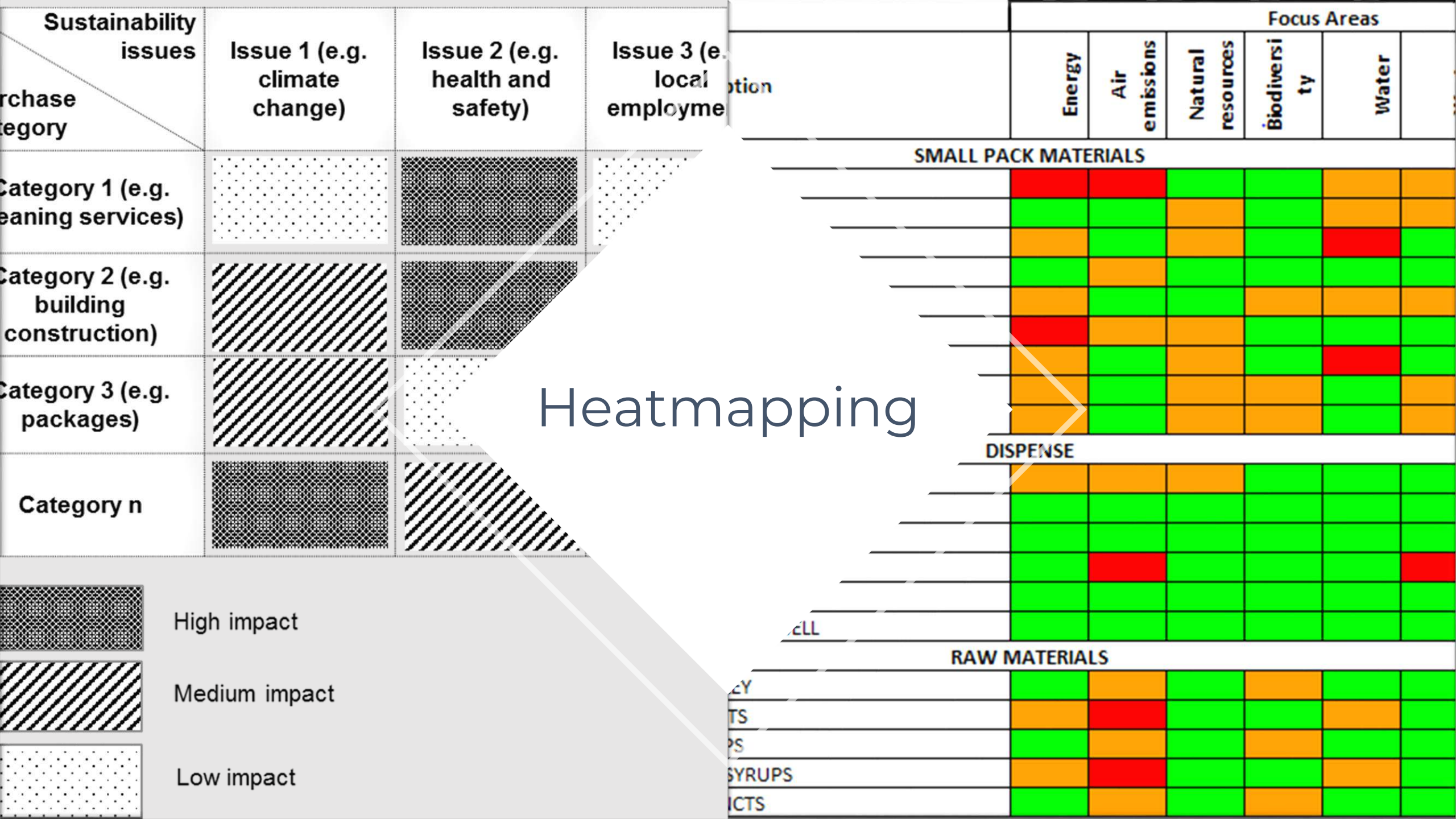


Engaging Stakeholders

- ✓ Identify stakeholders
- ✓ Understand their interests
- ✓ Engage as appropriate
- ✓ Positive relationships
- ✓ Fosters common sense of direction and purpose
- ✓ Validates and provides confidence in approach

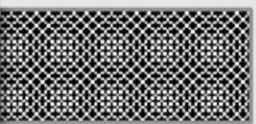

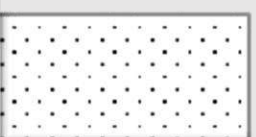
Example stakeholder materiality report

Types of stakeholder ¹	Examples of stakeholders (who?)	Examples of stakeholders interests (why?)
Internal functions	Top management / entrepreneurs	Protect image Improve brand reputation Gain competitive advantage Support innovation Increase investor confidence
	Procurement employees	Manage procurements risk (including opportunities) Reduce costs Comply with regulations Sustain innovation Motivate buyers
	Specifiers	Buy or use goods or services that are more sustainable Ensure goods and services are fit for purpose Ensure goods are authentic
	Production employees	Comply with production schedules Improve efficiency Check product quality
	Social responsibility / sustainability people	Improve sustainability performance Support innovation Create value through social responsibility
	Other internal people (Finance, Health and Safety, Human Resources, Operational managers, etc.)	Improve Health and Safety Monitor payment terms Return on investment
Supply chains	Suppliers (tier 1, 2 and beyond)	Receive prompt payment Receive a fair price Gain customer insights Obtain fair contracting conditions Create demand for goods or services that are more sustainable
	Subcontractors /workers	Receive fair contracting conditions Be provided healthy and safe working conditions
	Business partners, consultants	Improve collaboration Innovate Create mutual benefits
Other stakeholders	Customers, clients and users	Buy or use more sustainable goods or services
	Local community	Support local employment Promote wealth and income creation Enjoy healthy environment
	Governments, public sector, academic, international agencies	Protect human rights Promote access to essential services Protect the environment Foster collaborative research
	Non-Governmental Organizations (NGO)	Create awareness for a more sustainable society
	Trade unions / workers	Achieve better working conditions
	Investors, financial sector, rating agencies	Mitigate negative financial impacts Reduce uncertainty Support responsible return on investment
	Sector association peers	Motivate industry actors Promote good sustainability practices



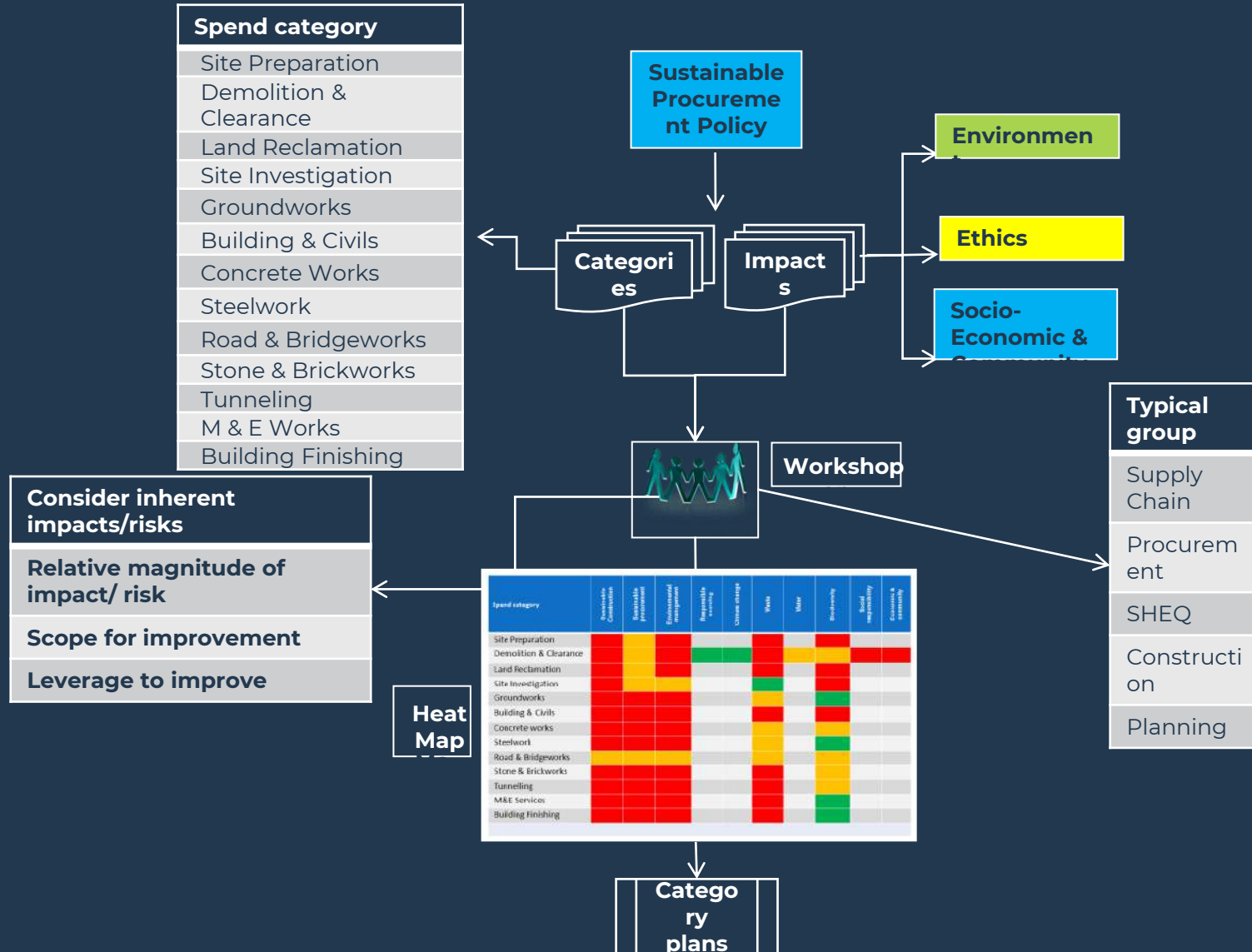
Heatmapping

Purchase category	Sustainability issues		
	Issue 1 (e.g. climate change)	Issue 2 (e.g. health and safety)	Issue 3 (e.g. local employment)
Category 1 (e.g. cleaning services)	Low impact	High impact	Low impact
Category 2 (e.g. building construction)	Medium impact	High impact	Medium impact
Category 3 (e.g. packages)	Medium impact	Low impact	Medium impact
Category n	High impact	Medium impact	Medium impact

-  High impact
-  Medium impact
-  Low impact

Material Type	Focus Areas				
	Energy	Air emissions	Natural resources	Biodiversity	Water
SMALL PACK MATERIALS					
Material 1	High	High	Low	Low	Medium
Material 2	Low	Low	Medium	Low	High
Material 3	Medium	Medium	Low	Medium	Medium
Material 4	High	Medium	Low	Low	High
Material 5	Medium	Low	Medium	Medium	Low
Material 6	Medium	Low	Medium	Medium	Medium
DISPENSE					
Material 7	Medium	Medium	Medium	Low	Low
Material 8	Low	Low	Low	Low	Low
Material 9	Low	High	Low	Low	High
Material 10	Low	Low	Low	Low	Low
Material 11	Low	Low	Low	Low	Low
RAW MATERIALS					
Material 12	Low	Medium	Low	Medium	Low
Material 13	Medium	High	Low	Medium	Medium
Material 14	Low	Medium	Low	Medium	Low
Material 15	Medium	High	Low	Medium	Medium
Material 16	Low	Medium	Low	Medium	Low

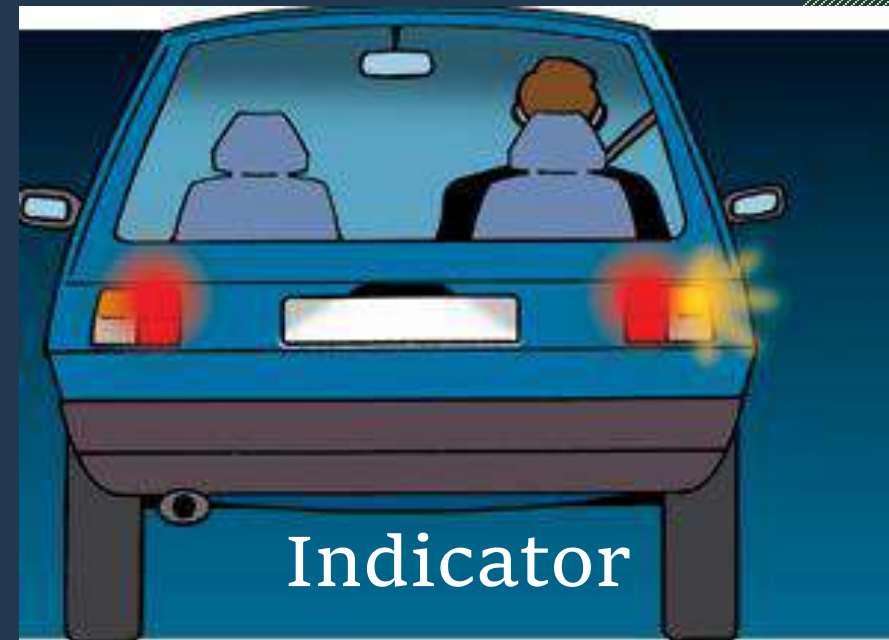
Developing and applying heatmaps



Why – Measuring Performance

'Reporting' v. 'Performance Management'



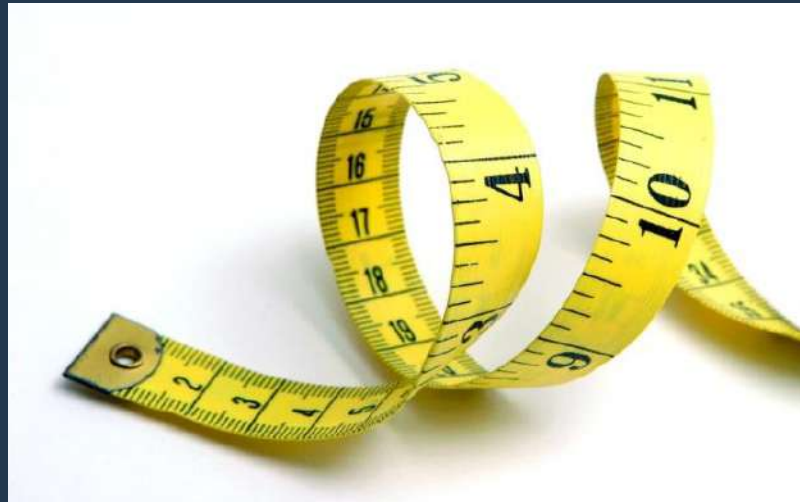


How?

- Language

Measuring Performance

Goal	Reduce the amount of waste being sent to landfill, resulting in environmental and cost benefits
Target	90% waste diverted from landfill
Indicator	% waste diverted from landfill
Metrics	Total waste generated (tonnes) Total waste diverted from landfill (tonnes)



Establishing a Grievance Mechanism

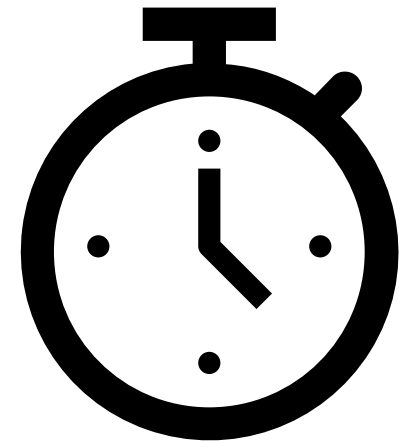
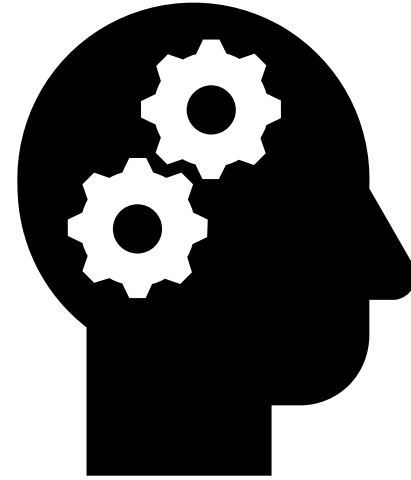


- ✓ Provides individuals and organisations with opportunities to report potentially unethical behaviour
- ✓ Mechanism should include processes to:
 - ✓ Report – including anonymously
 - ✓ Review
 - ✓ Investigate
 - ✓ Take action – e.g. provide compensation, support or restorative action where wrong-doing is discovered
 - ✓ Feed-back
- ✓ Can be integrated into a health & safety ‘close call’ reporting mechanism
- ✓ Particularly important to demonstrate compliance with Equality Act 2010, Modern Slavery Act 2015

THINK ABOUT YOUR ORGANISATION AND THE PROJECTS YOU ARE WORKING ON. DISCUSS WHICH ENABLERS YOU HAVE SEEN IN YOUR DAY TO DAY JOB.

CONSIDER: TRAINING, JOB DESCRIPTIONS, MEASURES AND RISK ASSESSMENT.

(OPEN DISCUSSION)



SECTION SEVEN

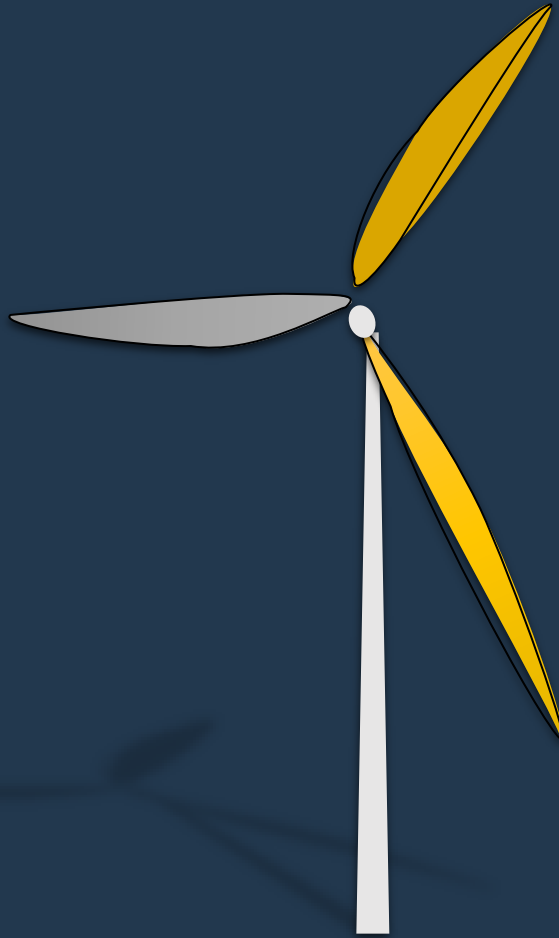
Procurement

Process

A hand holding a scale of justice. The right pan is labeled 'VALUE'. The scale is tilted, with the right pan being lower than the left pan. The background is a dark blue gradient with a faint image of a hand holding the scale.

VALUE

The Wind Mill Checklist



PLAN

- ✓ Needs
- ✓ Risks and Impacts
- ✓ Market
- ✓ Strategy



SOURCE

- ✓ Requirements
- ✓ Supplier Selection
- ✓ Award



MANAGE

- ✓ Transition
- ✓ Contract Management
- ✓ Contract Review

Consider needs, strategy, impacts, risk and market

Description	Focus Areas							
	Energy	Air emissions	Natural resources	Biodiversity	Water	Waste	Pollution	Labour & Ethics
SMALL PACK MATERIALS								
BOTTLES	Red	Red	Green	Green	Orange	Orange	Green	Green
LABELS	Green	Green	Orange	Green	Green	Green	Green	Green
CORRUGATED	Green	Green	Green	Green	Red	Green	Green	Green
CROWNS	Green	Green	Green	Green	Green	Green	Green	Green
GLUE	Orange	Green	Green	Green	Green	Green	Orange	Green
CANS & CAN ENDS	Red	Orange	Green	Green	Green	Green	Green	Green
CARTON BOARD	Orange	Green	Green	Green	Red	Green	Green	Green
HICONE	Orange	Green	Green	Green	Green	Orange	Green	Green
SHRINKWRAP	Orange	Green	Green	Green	Green	Orange	Green	Green
DISPENSE								
OEM EQUIPMENT	Orange	Orange	Orange	Green	Green	Green	Green	Red
REPAIR EQUIPMENT	Green	Green	Green	Green	Green	Green	Green	Green
SERVICE PROVIDERS	Green	Green	Green	Green	Green	Green	Green	Green
FRIDGES	Green	Red	Green	Green	Green	Red	Green	Red
MOBILE BARS	Green	Green	Green	Green	Green	Green	Green	Green
MUST BUY, MUST SELL	Green	Green	Green	Green	Green	Green	Green	Green
RAW MATERIALS								
BARLEY	Green	Orange	Green	Orange	Green	Green	Green	Green
MALTS	Orange	Red	Green	Orange	Orange	Green	Green	Green
HOPS	Green	Green	Green	Orange	Green	Green	Orange	Green
SUGARS/SYRUPS	Orange	Red	Green	Orange	Green	Green	Orange	Green
ADJUNCTS	Green	Orange	Green	Orange	Green	Green	Green	Green

- ✓ How can risk be managed or mitigated?
- ✓ How can opportunity be maximised?
- ✓ How many tiers of supply chain need to / can be influenced to do so?
- ✓ What [end] client requirements must be passed through the supply chain?
- ✓ What other stakeholder expectations must be addressed?
- ✓ How much leverage is available to influence?



Planning your Procurement

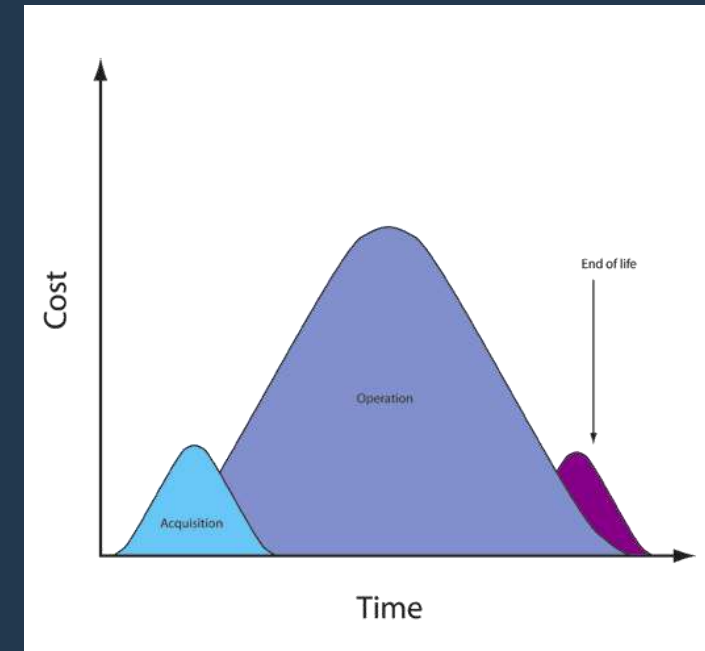
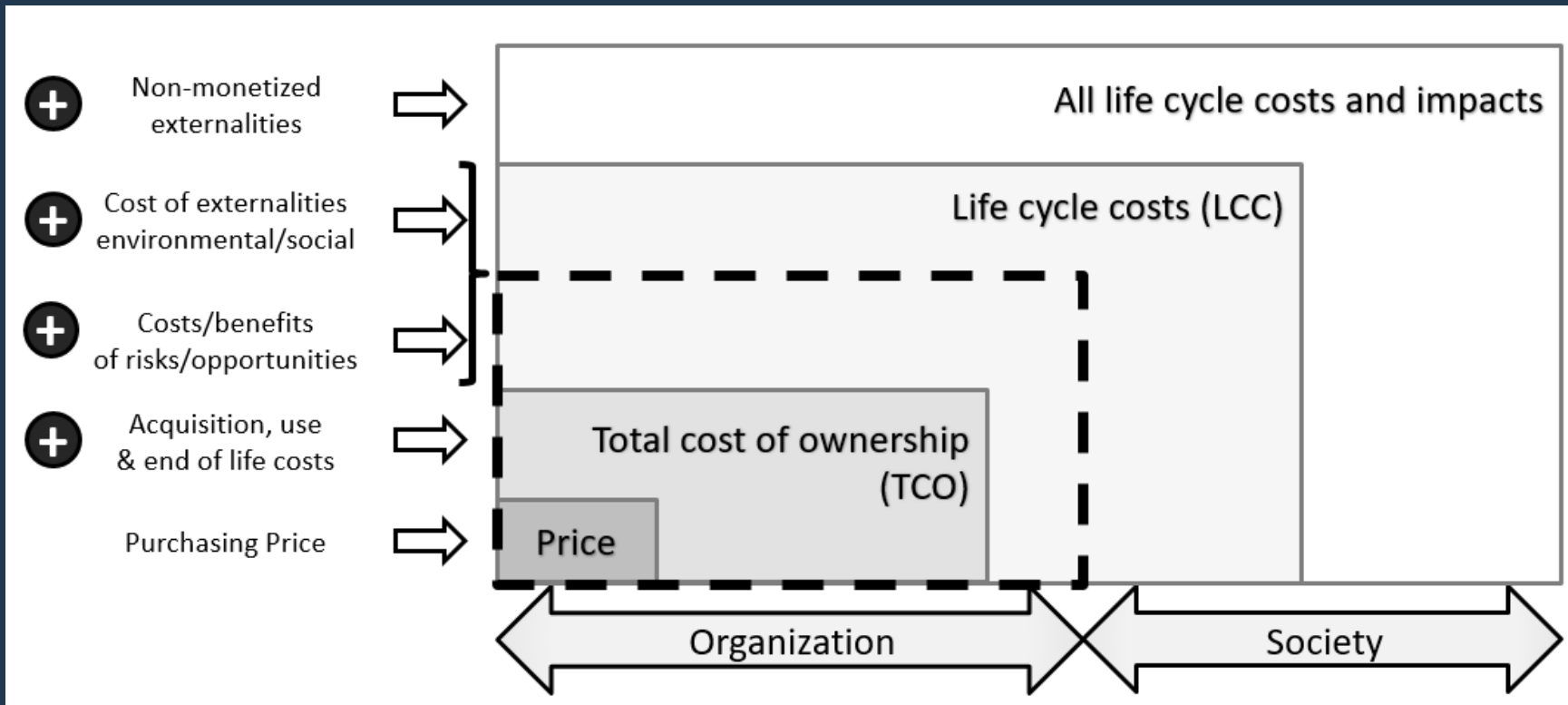
- ✓ Consider total cost of ownership
- ✓ Probe need – can procuring authority do with less or not at all?
- ✓ Consider social, economic and environmental impacts
- ✓ Use early market engagement
- ✓ Engage with stakeholders – to understand demand past & future, generate ideas
- ✓ Understand how the supply chain perceives you
- ✓ Horizon scanning
- ✓ Competition is amongst supply chains
- ✓ Is transparency required and possible?

Innovation



- ✓ Engage & Upskill
- ✓ Fosters new solutions
- ✓ Increases competition
- ✓ Supply chain resilience/adaptation
- ✓ Move to digital solutions
- ✓ Increase in the use of technology
- ✓ Requires internal and external investment (not necessarily financial)
- ✓ Requires collaboration

Whole life costing/ Total cost of ownership



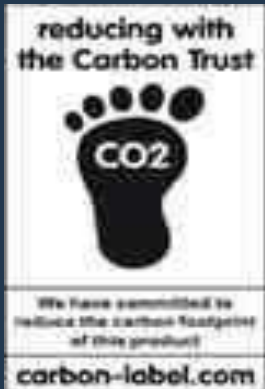
State social, economic and environmental requirements that:

- ✓ Connect to the 'golden thread' through from policy and strategy
- ✓ Can be delivered by any bidder (including SMEs) as part of core contract delivery
- ✓ Are appropriate to risk, opportunity and scope to leverage
- ✓ Bidders can cost in pricing schedules
- ✓ Can include responsible sourcing standards
- ✓ Can be measured and reported
- ✓ Pass on any stakeholder / client requirements, appropriately
- ✓ Are, for example, minimum levels of performance required



Product labels

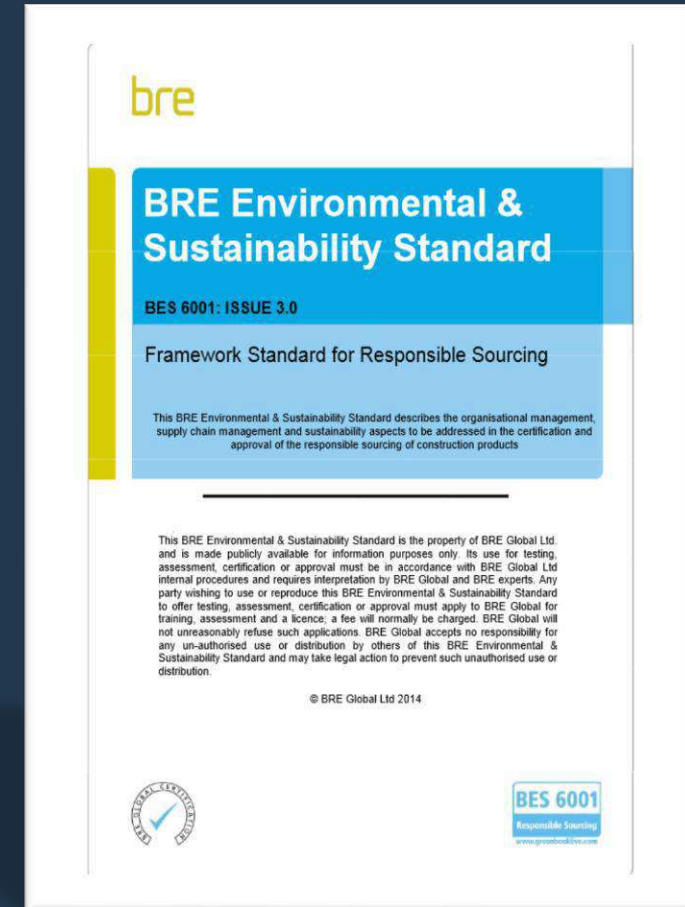
Form of sustainability measurement that targets the consumer



Responsible Sourcing – Use of Standards

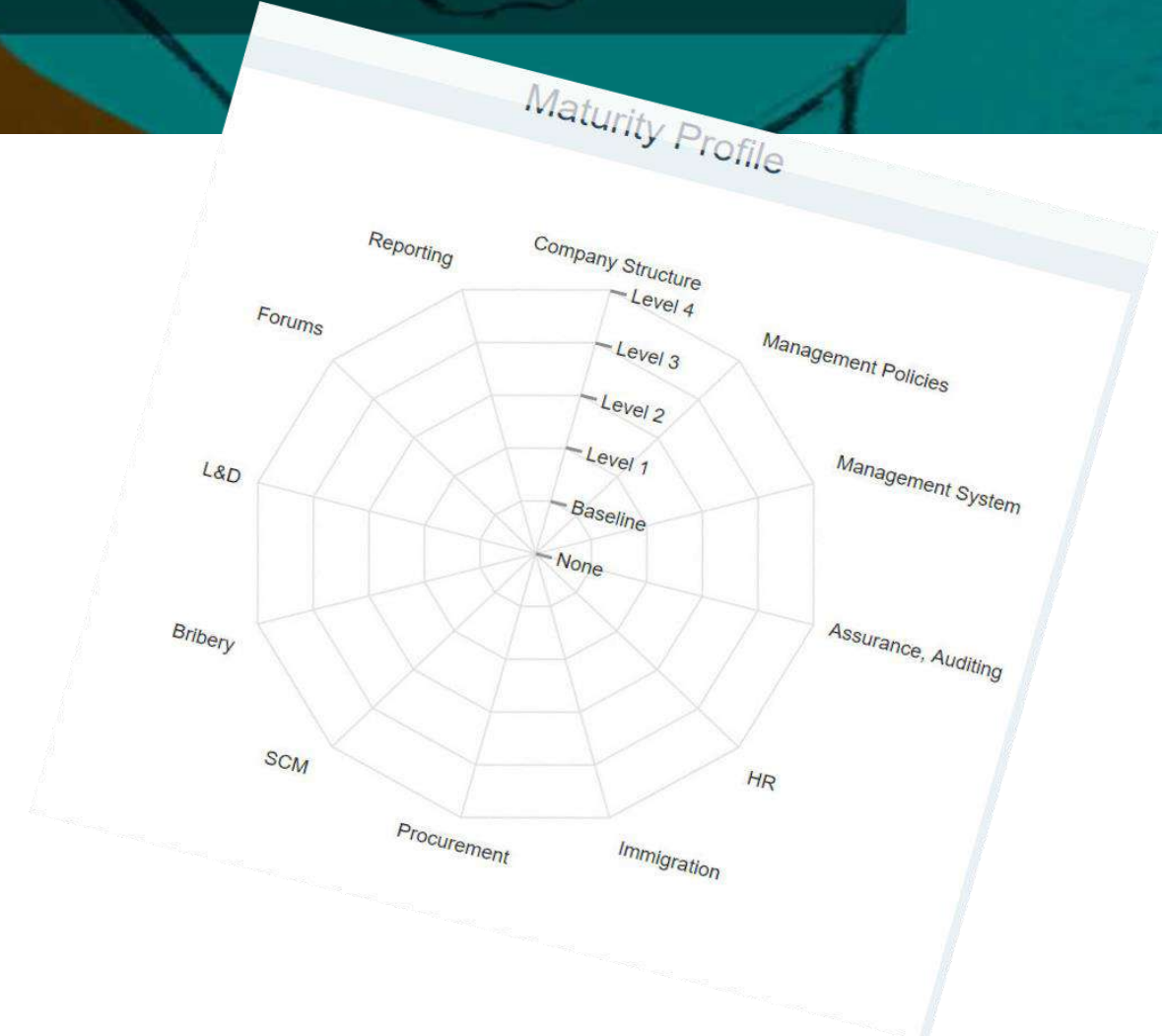
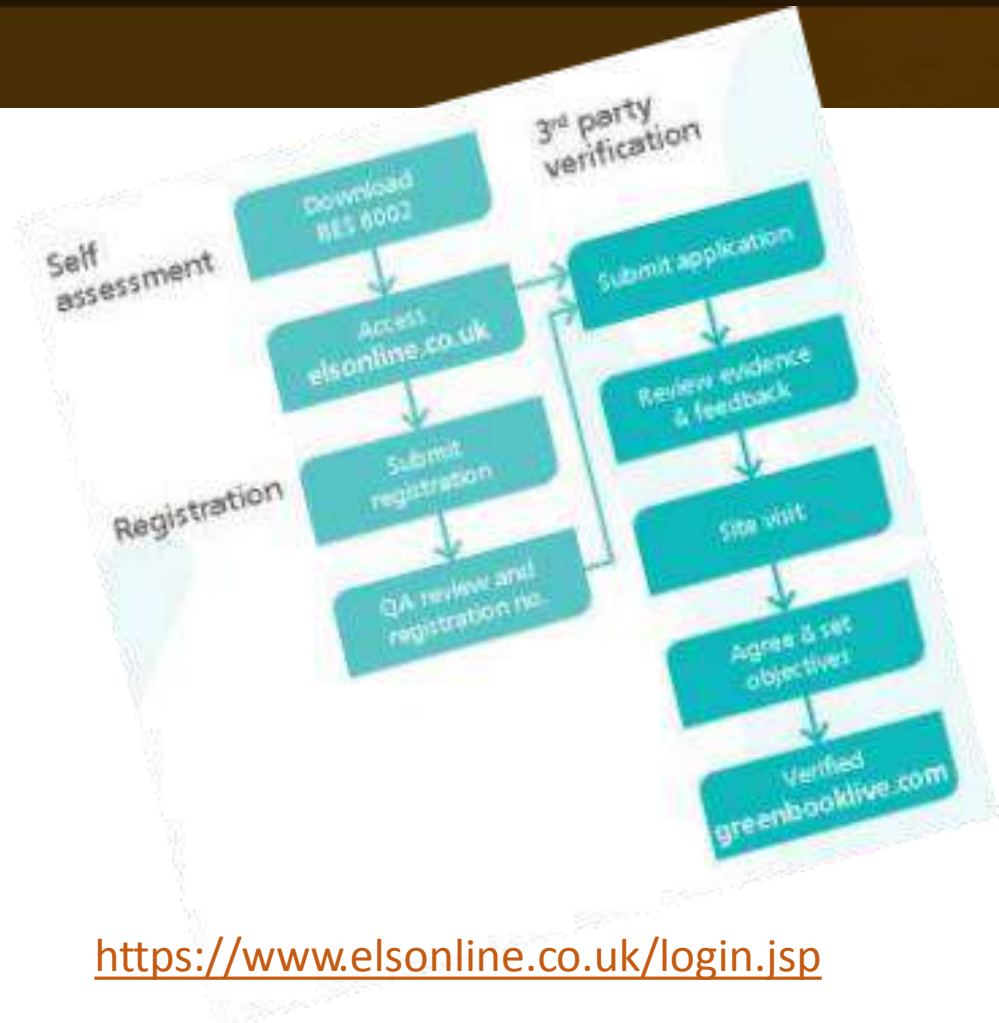
Framework Standard: BES 6001

- ✓ Promote responsible sourcing of construction products
- ✓ Clear guidance on sustainability aspects that should be addressed
- ✓ Provide confidence that materials and products are being responsibly sourced
- ✓ A route to obtaining credits in assessment schemes
- ✓ Three sections of the standard
 - ✓ Organisational management
 - ✓ Supply chain management
 - ✓ Social and Environmental issues



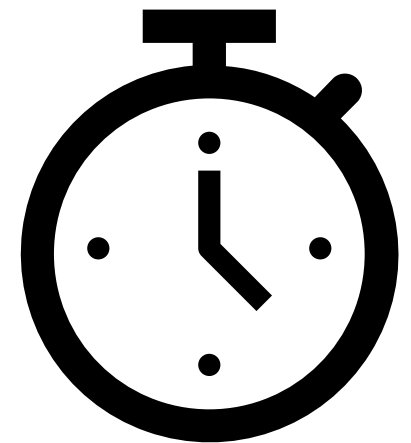
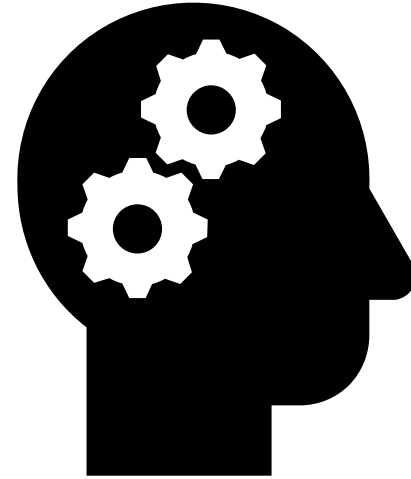
Ethical Labour Sourcing Standard (ELS)

Are the workers in your supply chain free from trafficking?



<https://www.elsonline.co.uk/login.jsp>

THINK ABOUT
CURRENT CONTRACTS
AND PROJECTS YOU
ARE WORKING ON.
WHAT
SUSTAINABILITY
REQUIREMENTS HAVE
BEEN ADDED TO
SPECIFICATIONS?
(OPEN DISCUSSION)



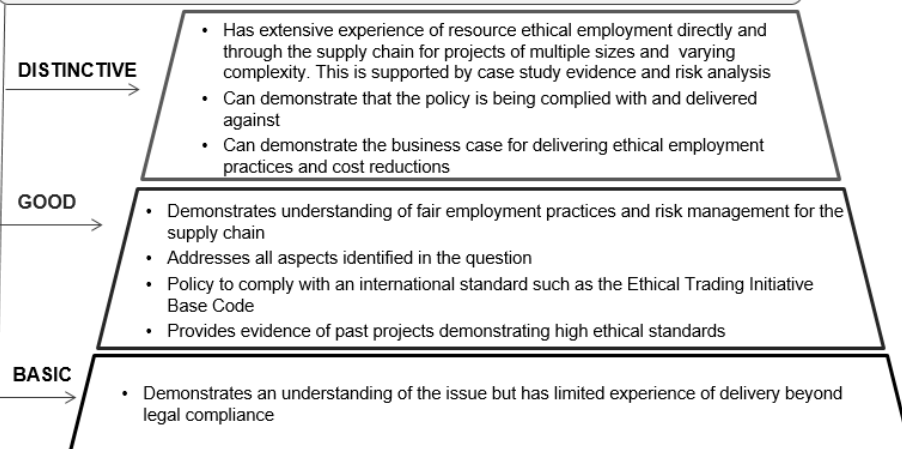
Test against requirements, score and include within balanced scorecard approach to shortlisting and contract award

Pre-qualification (1st stage)

- ✓ Test track record
- ✓ Identify any legal, regulatory or contractual non-compliance – disqualify if appropriate

Labour practices – Prequalification question

- Please outline your experience in delivering work through fair and ethical employment practices through your workforce and supply chain
- Please state your employment policy with respect to: living wages, equality and diversity, freedom of association, grievance procedures, working hours including split shifts, exclusive zero hour contracts, unpaid work and child labour

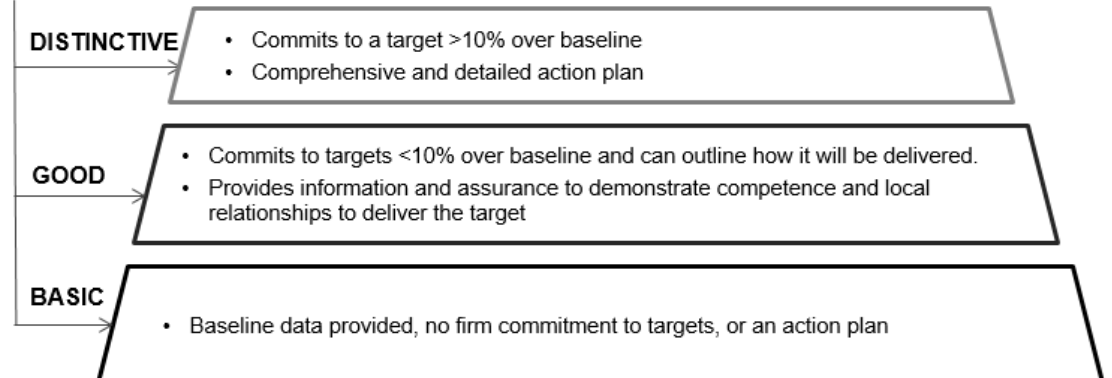


Invitation to tender / negotiate (2nd stage)

- ✓ Test appropriateness and feasibility of approach to delivering requirements e.g. by requesting [contractually binding] action plans
- ✓ Request [contractually binding] proposed targets – from scratch or against baselines
- ✓ Probe further in any interviews or site visits

Employment – Invitation to tender

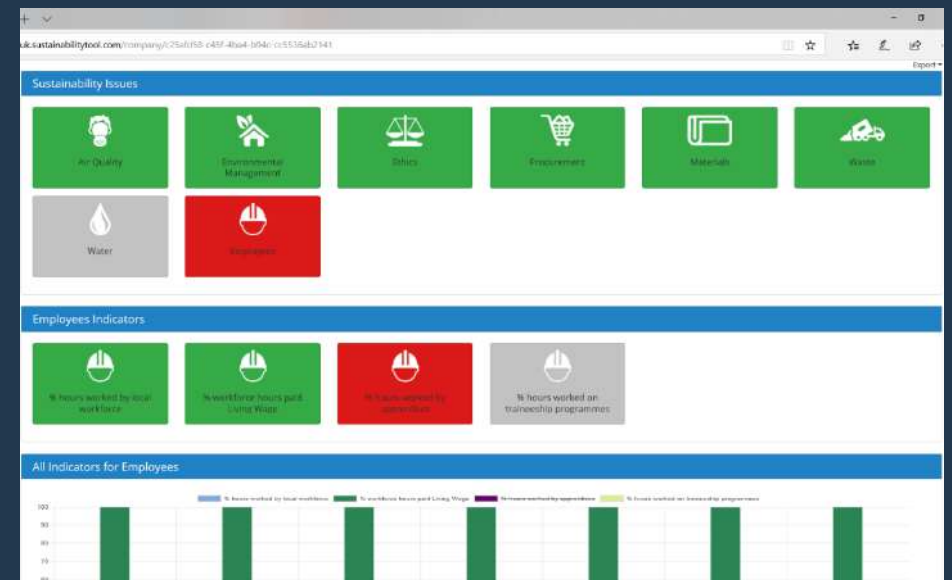
- We aspire to provide full and fair opportunity for competitive local suppliers and to employ suitably qualified local people. Please confirm your current levels of local workforce and procurement expenditure, your targets to improve on this and provide an action plan for doing so



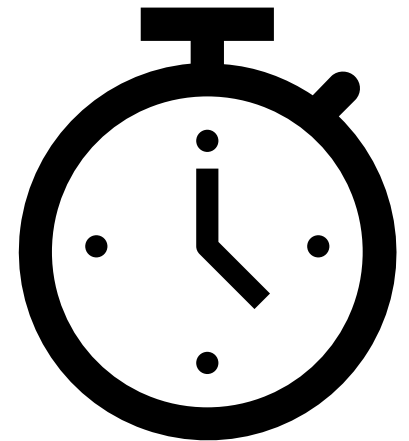
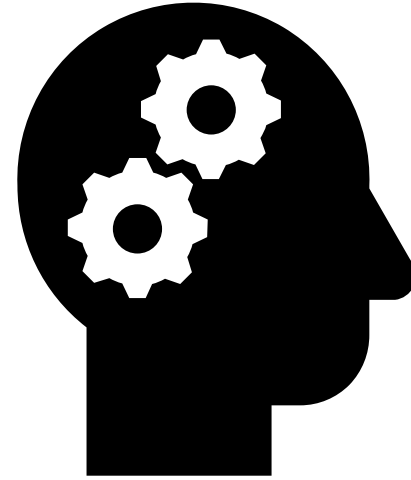
Managing the Contract

Don't expect supply chains to deliver sustainability commitments unprompted

- ✓ Hold successful bidders to commitments they made when tendering
- ✓ Collect and analyse data from the supply chain (including performance against minimum standards)
- ✓ Collect qualitative information from the supply chain
- ✓ Score performance – as individual and/or collated KPI(s)
- ✓ Integrate into a system of performance assessment e.g. via KPIs
- ✓ Attach penalties and incentivisation to sustainability KPIs (e.g. penalty for score of 0 or 1, no change to payments for 2, incentivisation payments for 3 or 4)
- ✓ Foster collaboration and strong, professional relationships



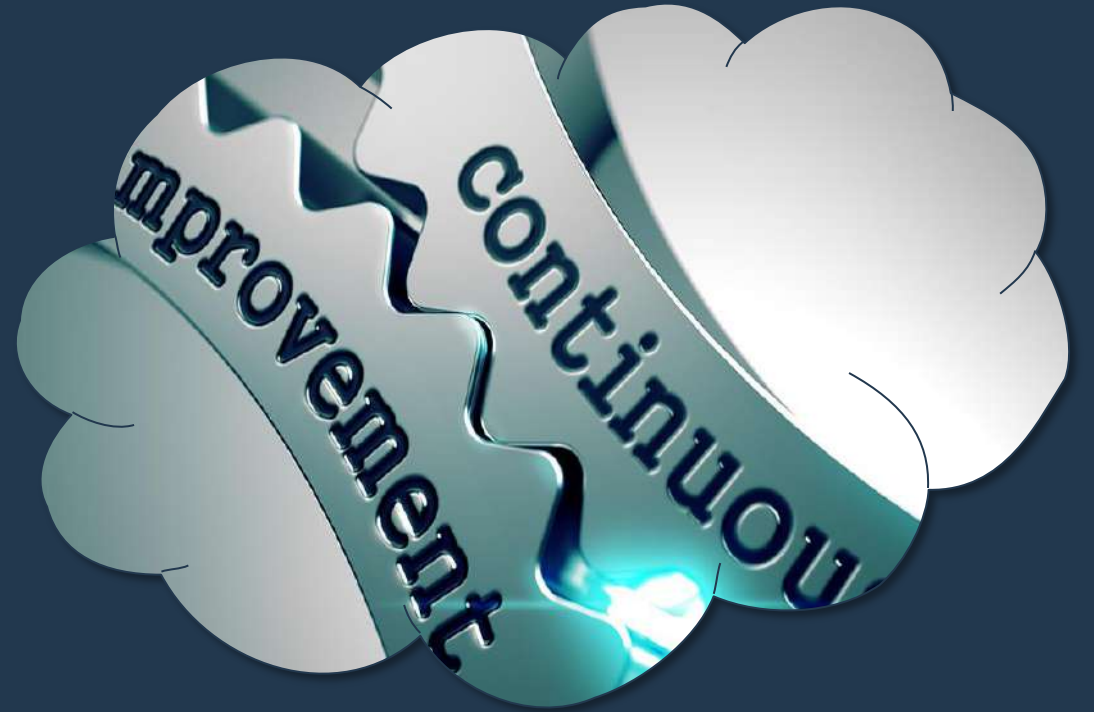
HOW COULD YOU
INTEGRATE
SUSTAINABILITY
PERFORMANCE INTO
CURRENT CONTRACT
MANAGEMENT
PROCESSES?
(OPEN DISCUSSION)



Reviewing and Learning

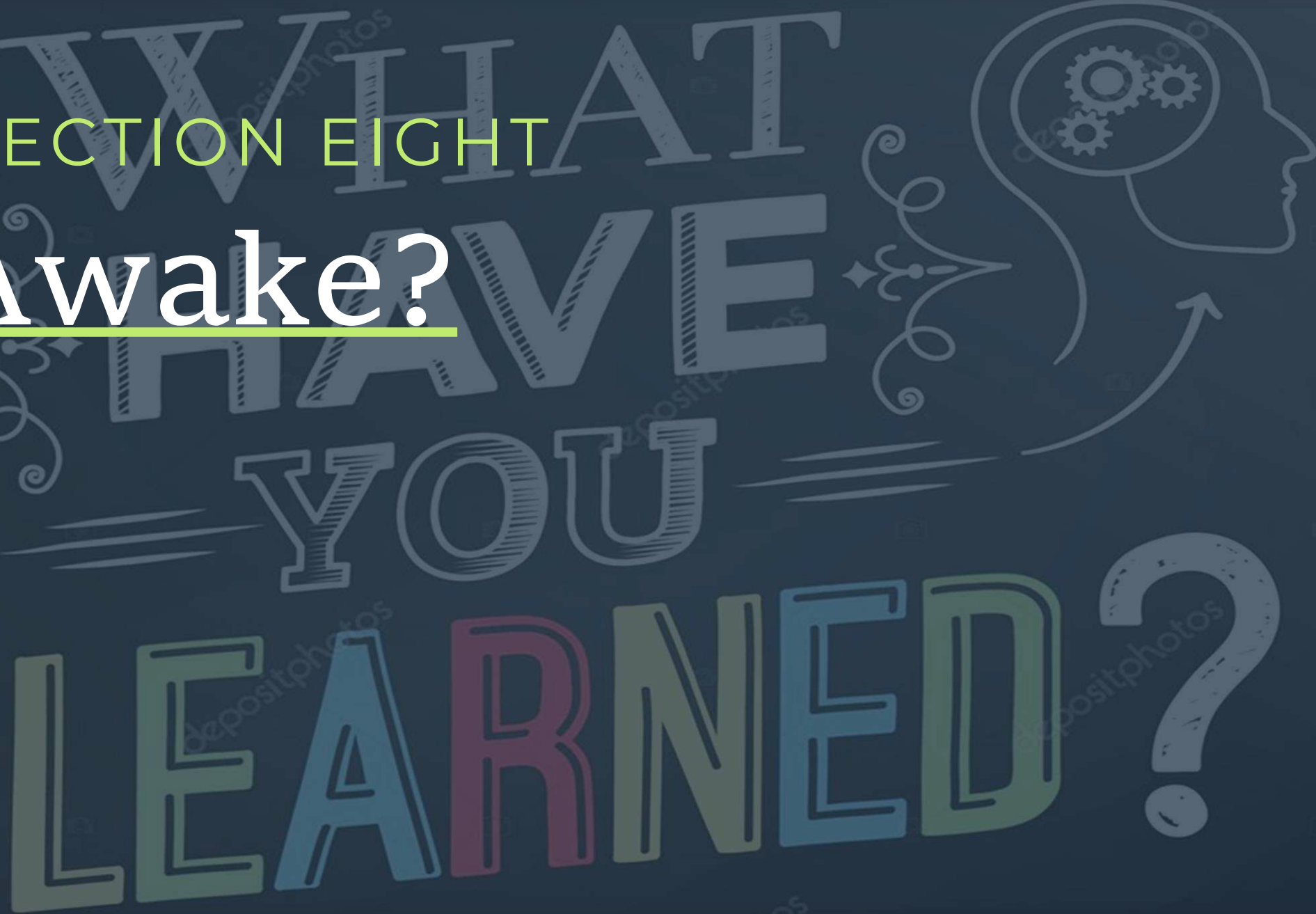
- ✓ Seek out perceptions of all stakeholders – particularly supply chain
- ✓ Document
 - ✓ What worked well?
 - ✓ What worked less well?
 - ✓ Benchmark levels of performance achieved?
 - ✓ Case studies?
 - ✓ What could be done differently next time?
- ✓ Share
 - ✓ Within organisation
 - ✓ Externally e.g. learning legacy webpage
 - ✓ Apply to other contracts

“... This is vital to ensuring that lessons learned during the life of the contract can be shared and continual improvements”



SECTION EIGHT

Awake?



Please share your
feedback and.....



[Feedback form](#)

TEST YOUR KNOWLEDGE

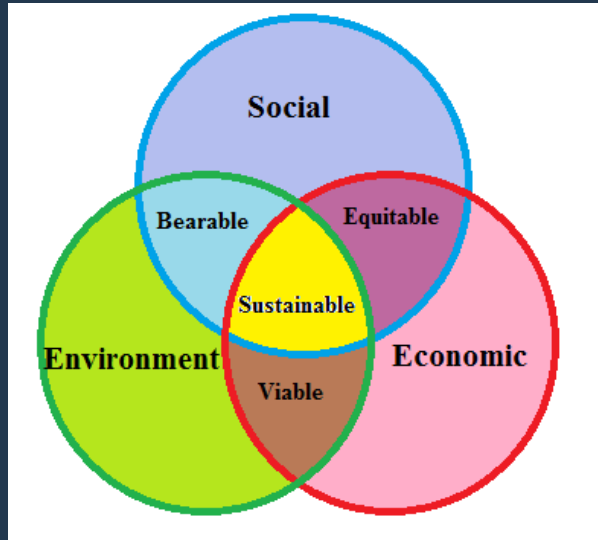


www.menti.com

Menti Code:

2 hours in less than 3 minutes

Sustainability



Sustainable procurement

“Procurement that has the most positive environmental, social & economic impacts possible over the entire life cycle”

Golden Thread



Business as Usual

SmartProcurement



Prioritised

	Insignificant	Low	Moderate	Significant	Major
Certain				1	1
Likely	2	3	5	2	2
Possible	3	3	4	3	2
Unlikely		11	5	5	1
Rare	2	3	2	1	

Questions





Relevant resources

https://learn.supplychainschool.co.uk/local/tlactionplans/resource_intro.php?id=581&modtype=scorm

https://learn.supplychainschool.co.uk/local/tlactionplans/resource_intro.php?id=891&modtype=scorm

https://learn.supplychainschool.co.uk/local/tlactionplans/resource_intro.php?id=1655&modtype=page



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