

# Embedding Sustainable Procurement

Anna Cantwell



The Regional Delivery Partnership (RDP) initiative is providing targeted training and sustainability knowledge to the RDP supply chains across England; working closely with several Delivery Integration Partners (DIPs).

It is actively supported by the following Delivery Integration Partners (DIPs): Balfour Beatty, BAM Nuttall, Costain, Galliford Try, Graham, Kier, Osborne, Skanska, VINCI and Volkerfitzpatrick.

This workshop is part of a programme of workshops and supplier webinars for the RDP supply chain that cover a full range of sustainability issues.

This is a workshop  
which will require  
your participation

# 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



- Share your feedback at the end



- Slides will be shared

# AGENDA



Introduction



Sustainability Today



Sustainable  
Procurement



Fundamentals



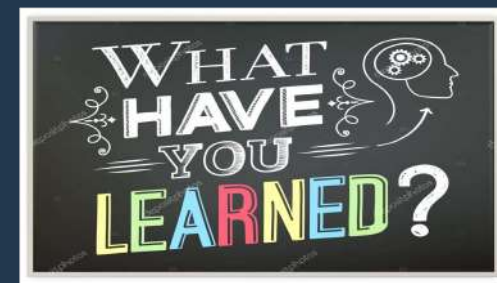
Policy & Strategy



Enablers



Procurement Process



Awake?



SECTION ONE

# Introductions

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[supplychainschool.co.uk/topics/sustainability/sustainable-procurement/](https://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



# WARM UP



Go to  
[www.menti.com](https://www.menti.com)

Enter the code  
**5269 2301**

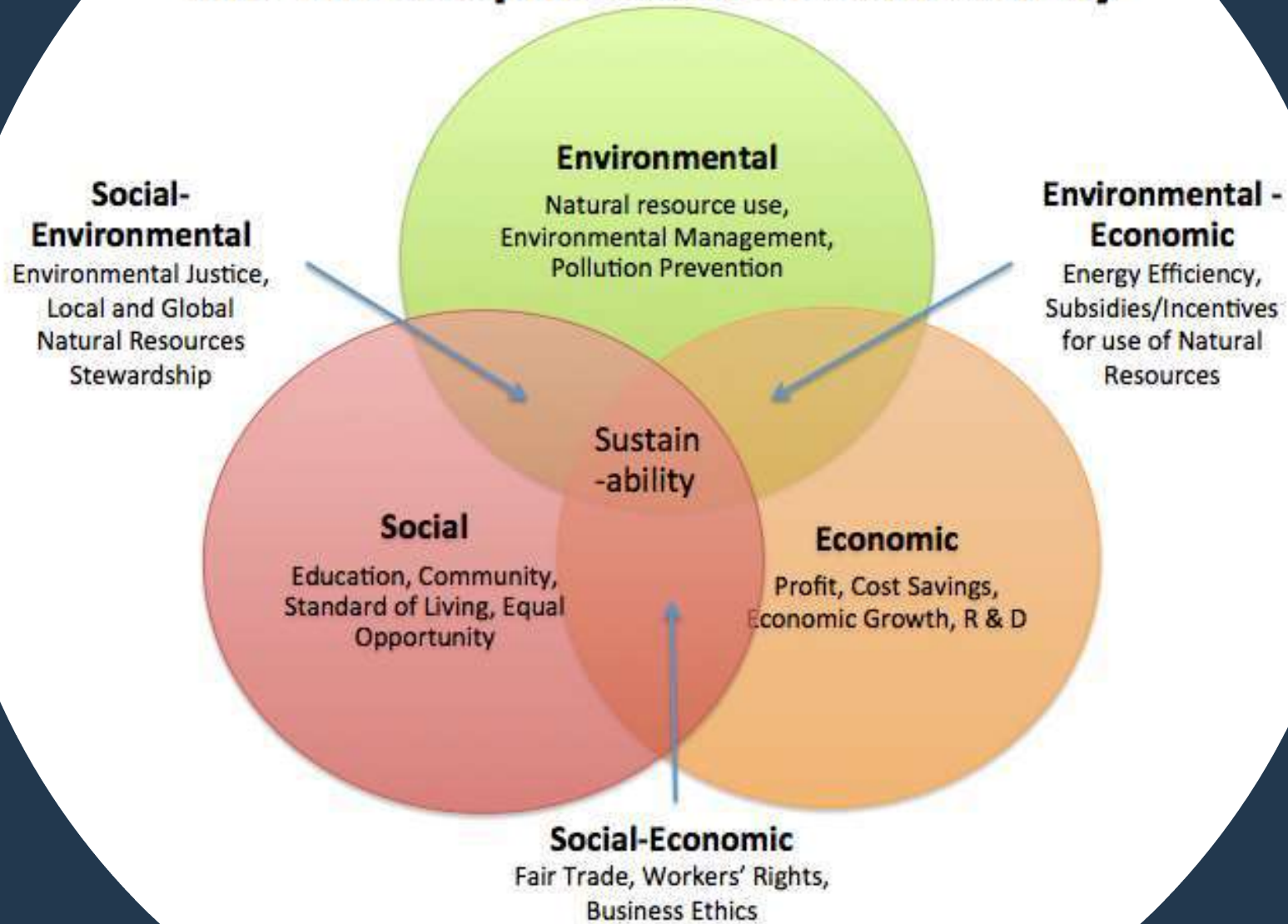


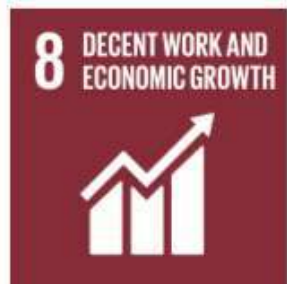
Or use QR code



What is sustainability?

# The Three Spheres of Sustainability





SECTION THREE

# Sustainable Procurement



HOW DO YOU  
DEFINE  
SUSTAINABLE  
PROCUREMENT?  
(MENTI + DISCUSSION)

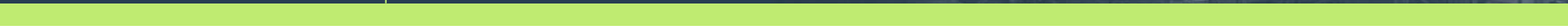
 **Mentimeter**





# ISO 20400

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

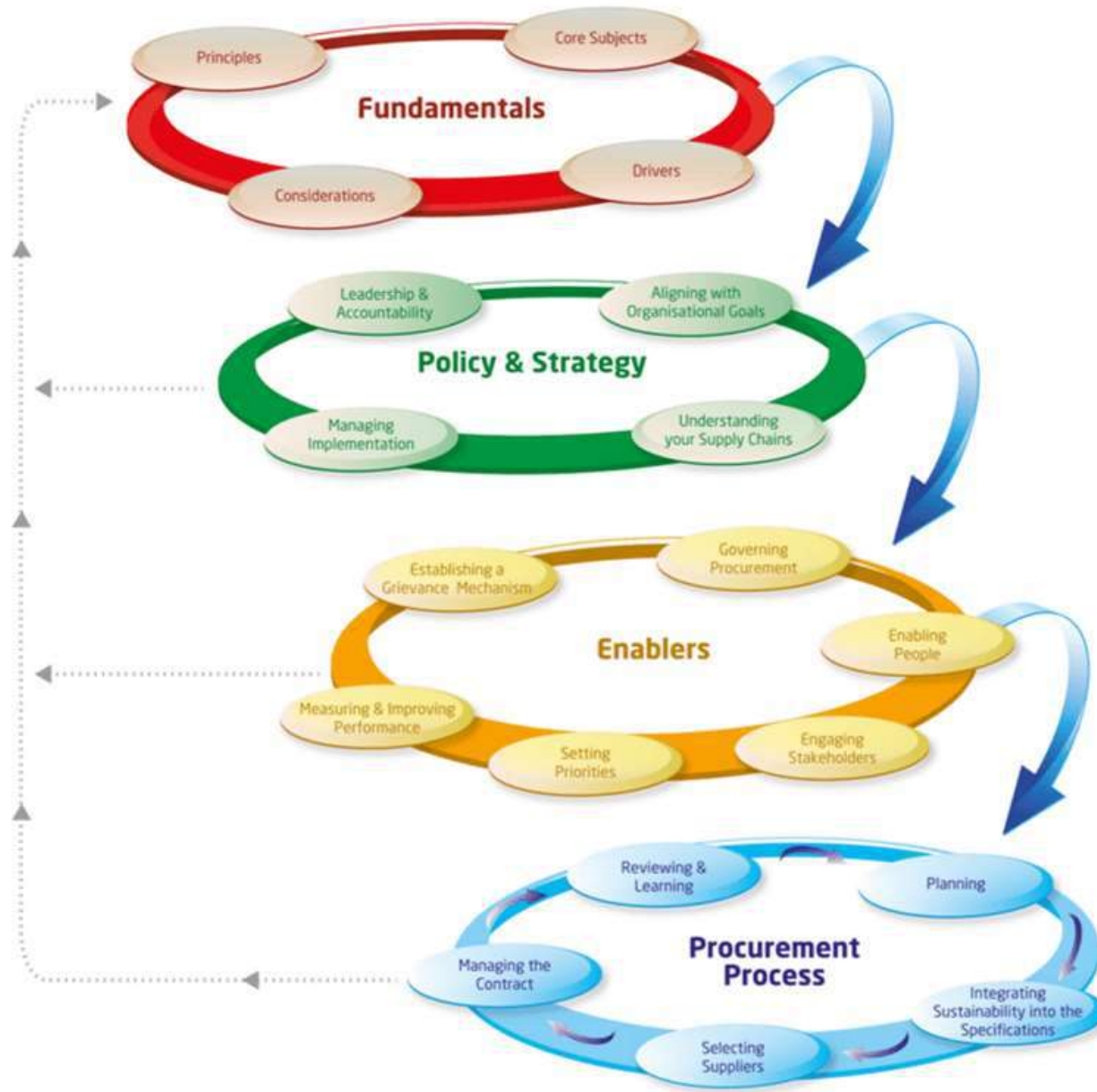


# Sustainable Procurement - What is ISO 20400?



- ✓ 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, organisation, process; and
  - ✓ how to implement sustainable procurement practically.
- ✓ Applies to:
  - ✓ any organisation, 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.

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



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?  
(MENTI + DISCUSSION)

 **Mentimeter**



# 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

-STRATEGY-

The background of the slide features a compass rose with a gold arrow pointing towards the top right. The word 'STRATEGY' is written in a large, bold, sans-serif font, with a horizontal line through it, and is positioned above the compass. The entire scene is set against a light gray background with a subtle grid pattern.

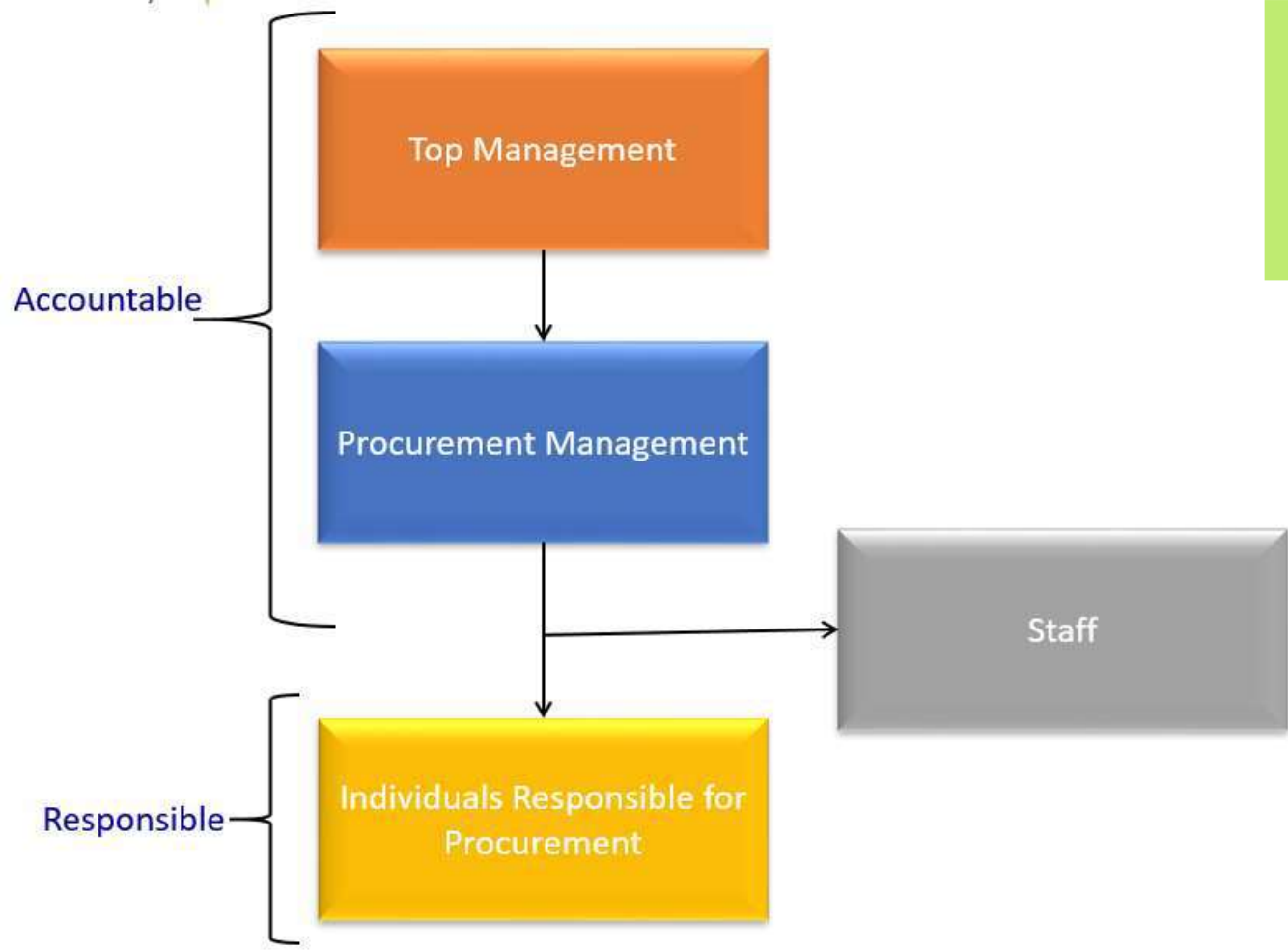
WHAT  
SUSTAINABILITY  
POLICIES ARE YOU  
AWARE OF AND  
HOW DO THEY  
INFLUENCE YOUR  
JOB?  
(MENTI + DISCUSSION)

 **Mentimeter**





# 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 8<sup>th</sup> March 2018]



‘Contractor Willmott Dixon has been named Sustainable Company of the Year for its commitment to sustainability’

[pbctoday 19<sup>th</sup> 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 1<sup>st</sup> June 2017]



‘AkzoNobel reclaims top ranking on Dow Jones Sustainability Index’

[Press Release 7<sup>th</sup> September 2018]



‘Interface goes carbon neutral for entire product range’

[edie 26<sup>th</sup> October 2018]



‘Northumbrian Water was named overall winner at the CIPS SM Awards 2018, thanks to its responsible procurement strategy’

[Supply Management 12<sup>th</sup> October 2018]



‘Marshalls commits to the Science Based Target Initiative as part of its sustainability strategy’

[News Release 3<sup>rd</sup> 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

## Skanska sustainable procurement

Incorporating procurement policies for the supply chain:

- Health, safety and wellbeing
- Responsible sourcing
- Equality, diversity and inclusion
- Environmental management & Carbon
- Best value
- Quality management
- Digital and industrialisation

January 2021

## Sustainable Procurement Policy **Balfour Beatty**

At Balfour Beatty we create infrastructure, support communities and enable growth.

For us Sustainable Procurement is about using procurement and working with our supply chain to address social, economic and environmental considerations over the entire life cycle in ways that offer real long-term benefits to the economy to communities and to the environment.

This policy describes Balfour Beatty UK & Ireland's commitment to deliver sustainability outcomes through our supply chain and procurement activity and is supported by our sustainability strategy, 'Building New Futures Sustainably'.

By 2040 it is our ambition to move beyond zero net carbon, generate zero waste and positively impact more than one million people globally. To help us realise our 2040 ambitions, we have set interim 2030 targets:

- Achieve our science-based carbon reduction target
- Reduce the amount of waste we generate by 40% per £1m of revenue
- Generate £2bn of Social Value globally

Our supply chain is key to delivering on our ambitions and targets and so sustainability is considered in every purchasing decision we make and we actively manage supply chain sustainability performance on an ongoing basis.

We ensure that all members of our procurement team receive training on sustainable procurement and sustainability. As a Partner of the [Supply Chain Sustainability School](#) extensive learning opportunities are available to all employees and supply chain.

**Our strategic priorities include:**

**Modern Slavery** Act to identify and manage the risks of modern slavery within our supply chain

**Supply Chain Carbon Emission:** Working with our supply chain partners to report and reduce embodied carbon in materials they supply to us

**Social Value** Working with our supply chain partners to maximise the additional social value we can deliver to local communities

**Circular Economy & Resource Efficiency** Minimise waste and use of materials and give preference to materials, products and services with greatest circular-economy benefits

**Prompt Payment** We are committed to paying our supply chain partners on time to mutually agreed terms.

**Supply Chain Selection**

When selecting suppliers and subcontractors we seek evidence of their ability to meet our sustainability requirements, as relevant and proportionate to their work with Balfour Beatty, in 13 key areas:

**Environment:** Environmental management; Energy & carbon; Water; Biodiversity and Air quality

**Materials:** Ethical sourcing and Circular economy & resource efficiency

**Communities:** Supplier & workforce diversity; Developing skills and talent; Modern slavery; Community engagement; Prompt payment and Supply chain development

"All Suppliers and Subcontractors are required to provide a copy of their Modern Slavery Statement or other document detailing the steps being taken to reduce the likelihood of modern slavery and labour exploitation occurring in their own business or supply chain.


Detailed requirements can be found in our [Sustainable Procurement Policy Requirements - Supplier](#) and [Modern Slavery Guidance and Requirements for Suppliers](#).

We expect our suppliers and subcontractors to comply with all applicable requirements or as otherwise confirmed by Balfour Beatty. Suppliers and subcontractors must ensure their supply chain also comply with these requirements.

We require our suppliers and subcontractors to notify Balfour Beatty if they are going to use subcontractors or third-party organisations to support a Balfour Beatty contract.

The implementation of this policy is the collective responsibility of all employees, agents, consultants, suppliers and subcontractors.

**AUTHORISATION**

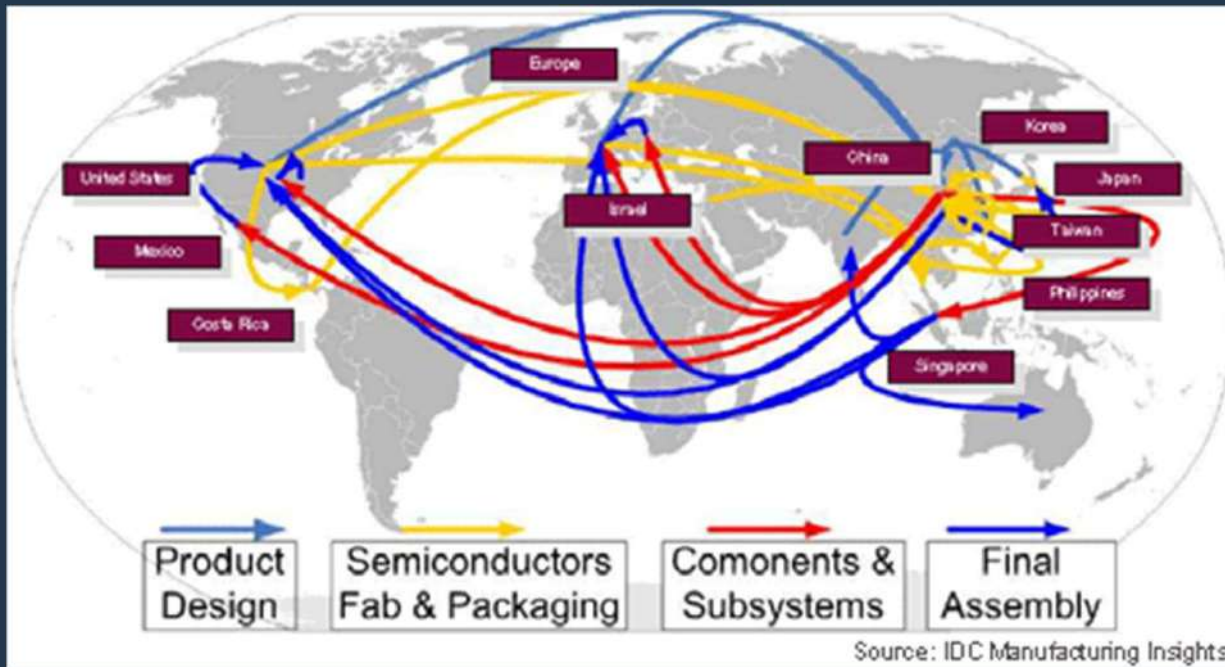
  
Leo Quinn, Group Chief Executive,  
December 2020

## Delivering Sustainable Procurement



**COSTAIN**

# Understanding your Supply Chain



7.2.2 Assessing sustainability risks (including opportunities)

7.2.3 Analysing the costs

7.2.4 Analysing organisational needs

7.2.5 Analysing the market

7.2.6. Completing the sourcing strategy

# Managing implementation

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

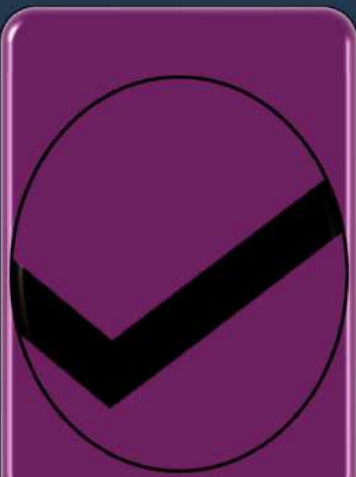






SECTION SIX

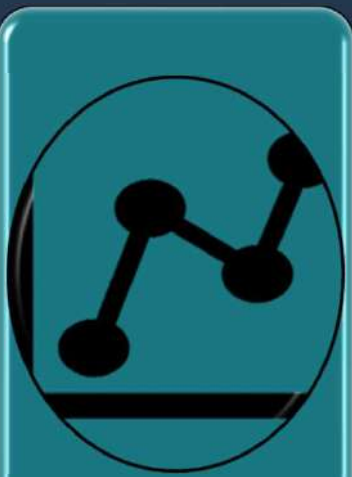
Enablers



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





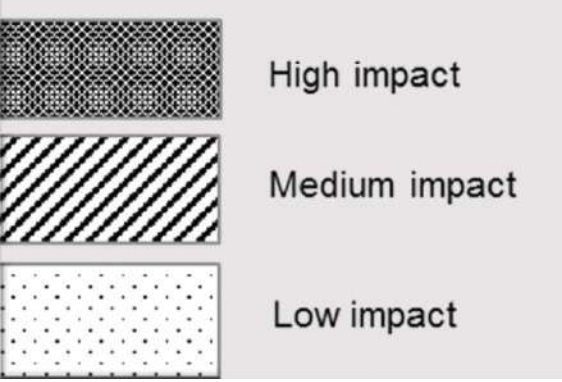
# Engaging Stakeholders

- ✓ 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'	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

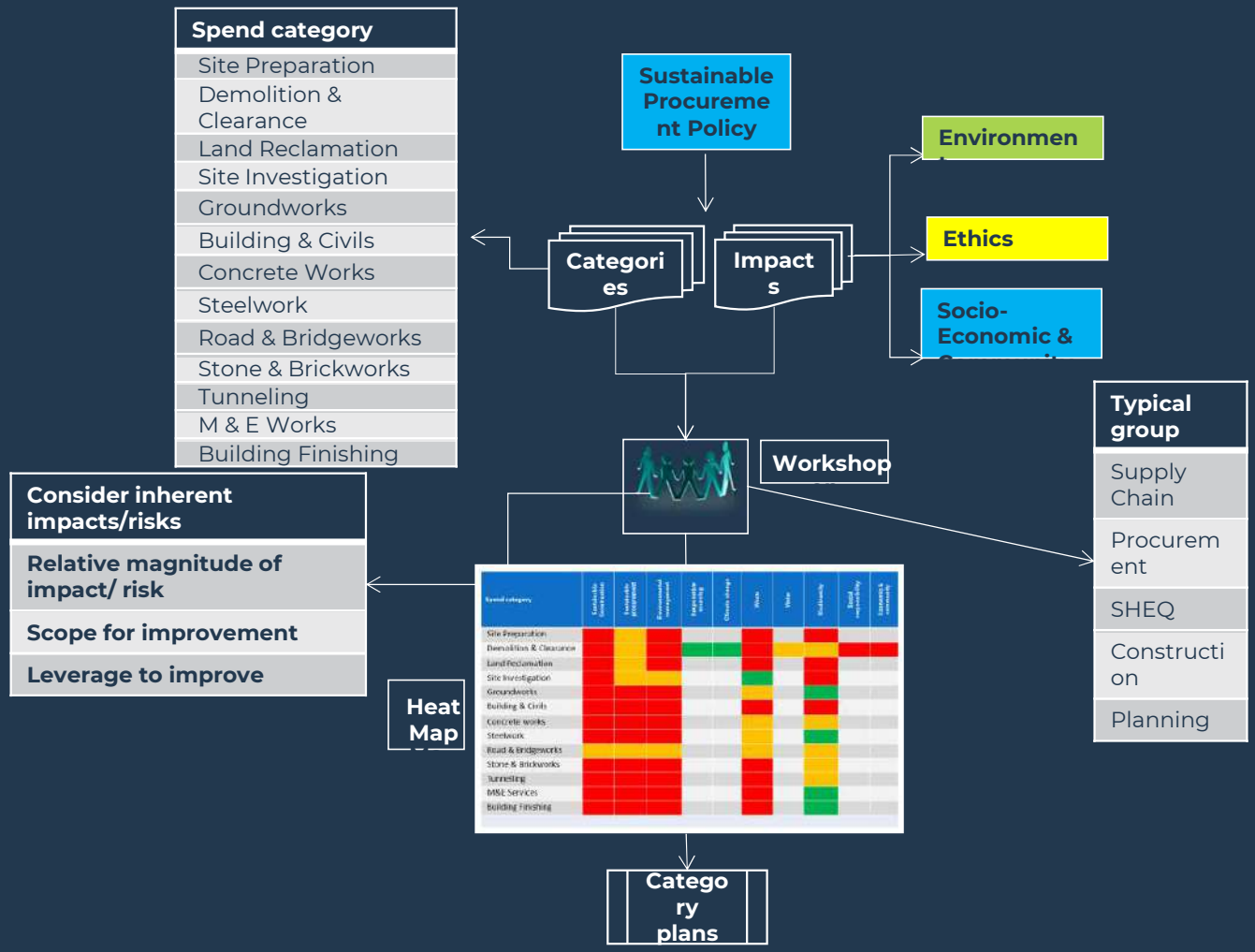
Sustainability issues	Issue 1 (e.g. climate change)	Issue 2 (e.g. health and safety)	Issue 3 (e.g. local employment)
Category 1 (e.g. cleaning services)	Low impact	High impact	Low impact
Category 2 (e.g. building construction)	Medium impact	High impact	Low impact
Category 3 (e.g. packages)	Medium impact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



# Heatmapping

Purchase category	Focus Areas					
	Energy	Air emissions	Natural resources	Biodiversity	Water	Other
<b>SMALL PACK MATERIALS</b>						
Category 1	High	High	Low	Low	Low	Low
Category 2	Low	Low	Low	Low	High	Low
Category 3	Low	Low	Low	Low	High	Low
Category n	Low	Low	Low	Low	Low	Low
<b>DISPENSE</b>						
Category 1	Low	Low	Low	Low	Low	Low
Category 2	Low	High	Low	Low	Low	High
Category 3	Low	Low	Low	Low	Low	Low
Category n	Low	Low	Low	Low	Low	Low
<b>RAW MATERIALS</b>						
Category 1	Low	Low	Low	Low	Low	Low
Category 2	Low	High	Low	Low	Low	Low
Category 3	Low	High	Low	Low	Low	Low
Category n	Low	Low	Low	Low	Low	Low

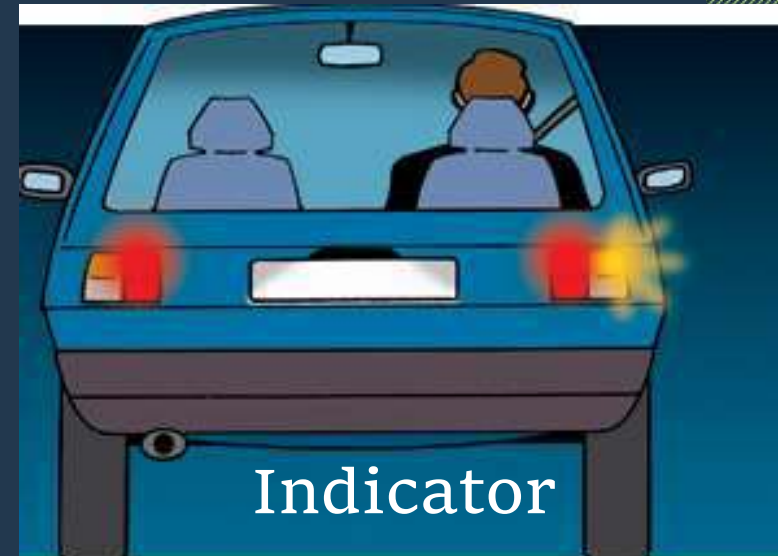
# Developing and applying heatmaps



# 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

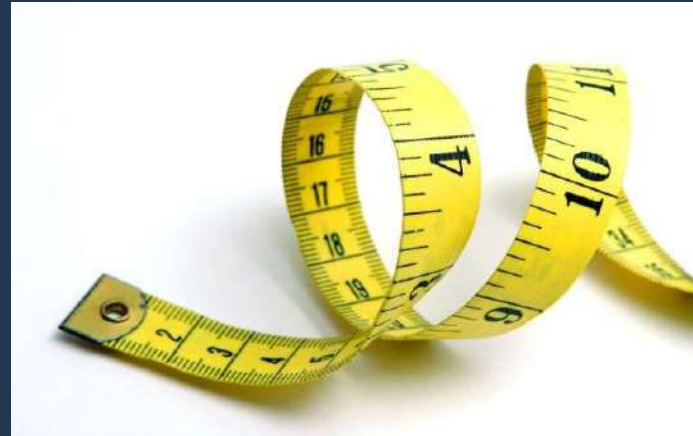
90% waste diverted from landfill

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?  
(JAM BOARD DISCUSSION)





SECTION SEVEN

# Procurement

# Process



# 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
<b>SMALL PACK MATERIALS</b>								
BOTTLES	Red	Red	Green	Green	Orange	Orange	Green	Green
LABELS	Green	Green	Orange	Green	Orange	Orange	Green	Green
CORRUGATED	Orange	Green	Orange	Green	Red	Green	Green	Green
CROWNS	Green	Green	Green	Green	Green	Orange	Green	Green
GLUE	Orange	Green	Green	Green	Orange	Orange	Orange	Green
CANS & CAN ENDS	Red	Orange	Orange	Green	Green	Green	Green	Green
CARTON BOARD	Orange	Green	Orange	Green	Red	Green	Green	Green
HICONE	Orange	Green	Orange	Green	Green	Orange	Green	Green
SHRINKWRAP	Orange	Green	Orange	Green	Green	Orange	Green	Green
<b>DISPENSE</b>								
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
<b>RAW MATERIALS</b>								
BARLEY	Green	Orange	Green	Orange	Green	Green	Green	Green
MALTS	Orange	Red	Green	Orange	Orange	Orange	Orange	Green
HOPS	Green	Green	Green	Orange	Green	Green	Orange	Green
SUGARS/SYRUPS	Orange	Red	Green	Orange	Orange	Orange	Orange	Green
ADJUNCTS	Green	Green	Green	Orange	Green	Green	Orange	Green

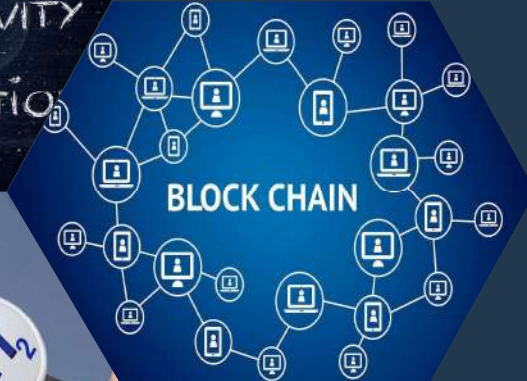
- ✓ How can risk be managed or mitigated?
- ✓ How can opportunity be maximised?
- ✓ How many tiers of supply chain need to / can be influenced to do so?
- ✓ What [end] client requirements must be passed through the supply chain?
- ✓ What other stakeholder expectations must be addressed?
- ✓ How much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



## Planning your Procurement

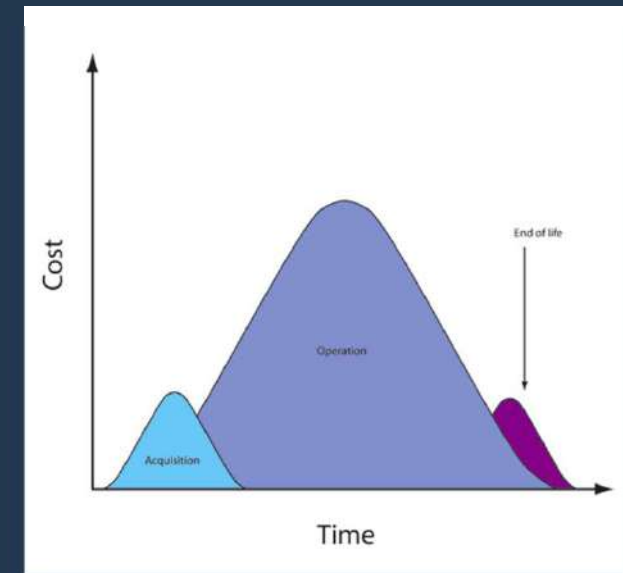
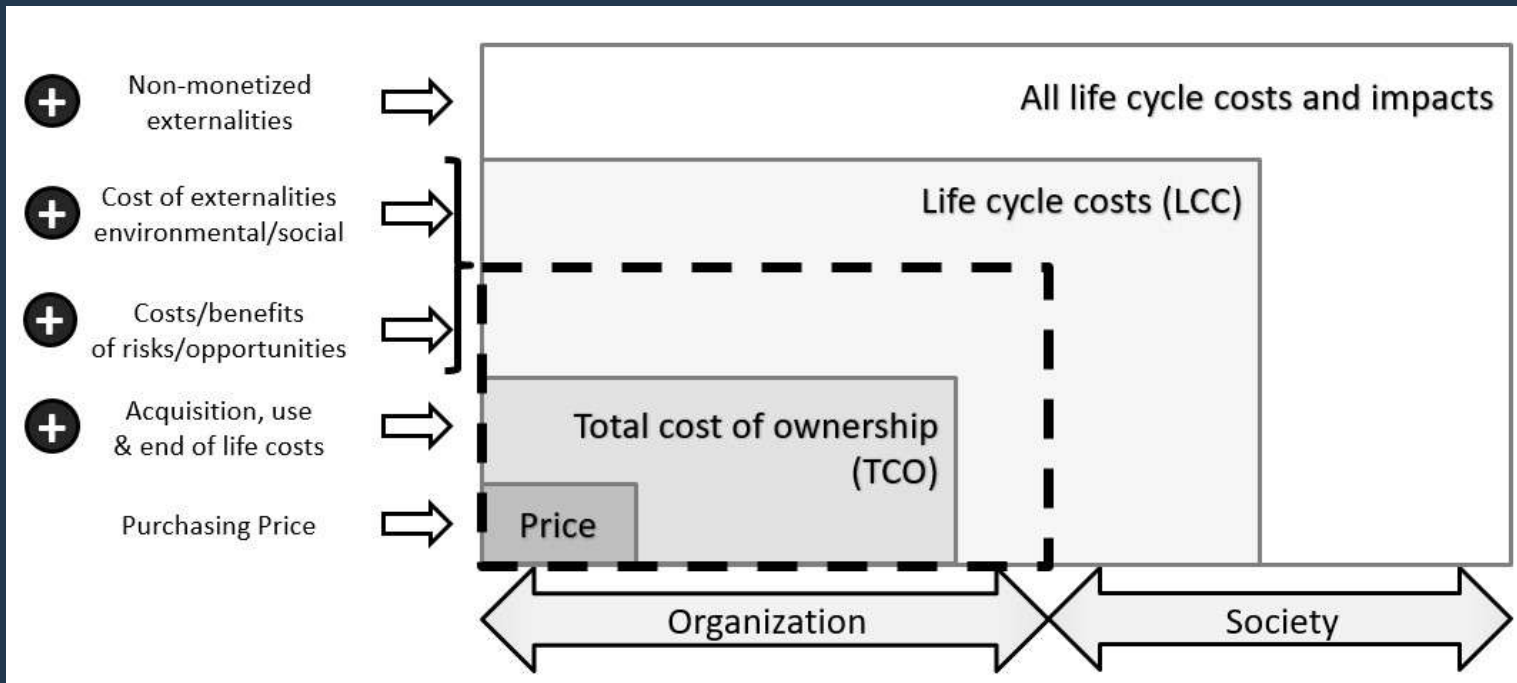
- ✓ Consider total cost of ownership
- ✓ Probe need – can procuring authority do with less or not at all?
- ✓ Consider social, economic and environmental impacts etc
- ✓ Use early market engagement
- ✓ Engage with stakeholders – to understand demand past & future, open up ideas
- ✓ Understand how the 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

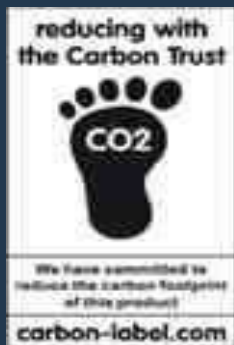


## State social, economic and environmental requirements that:

- ✓ 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

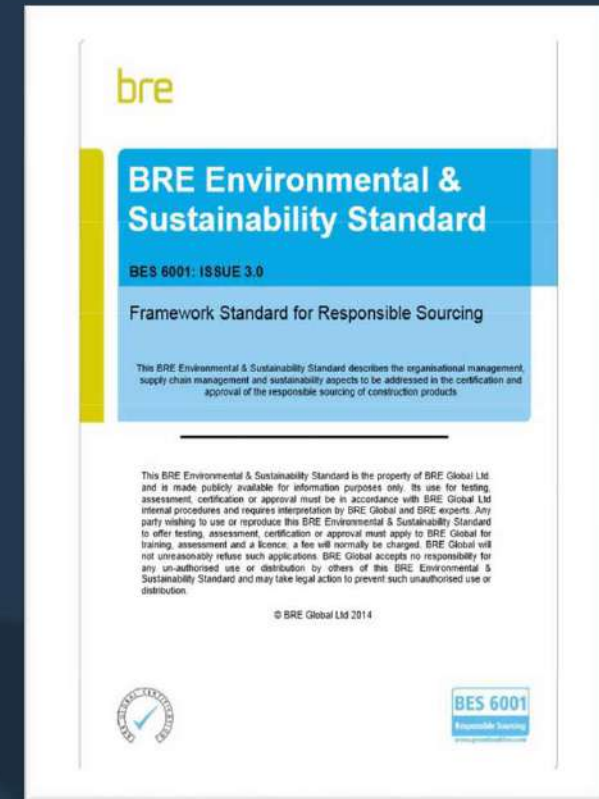




# Responsible Sourcing – Use of Standards

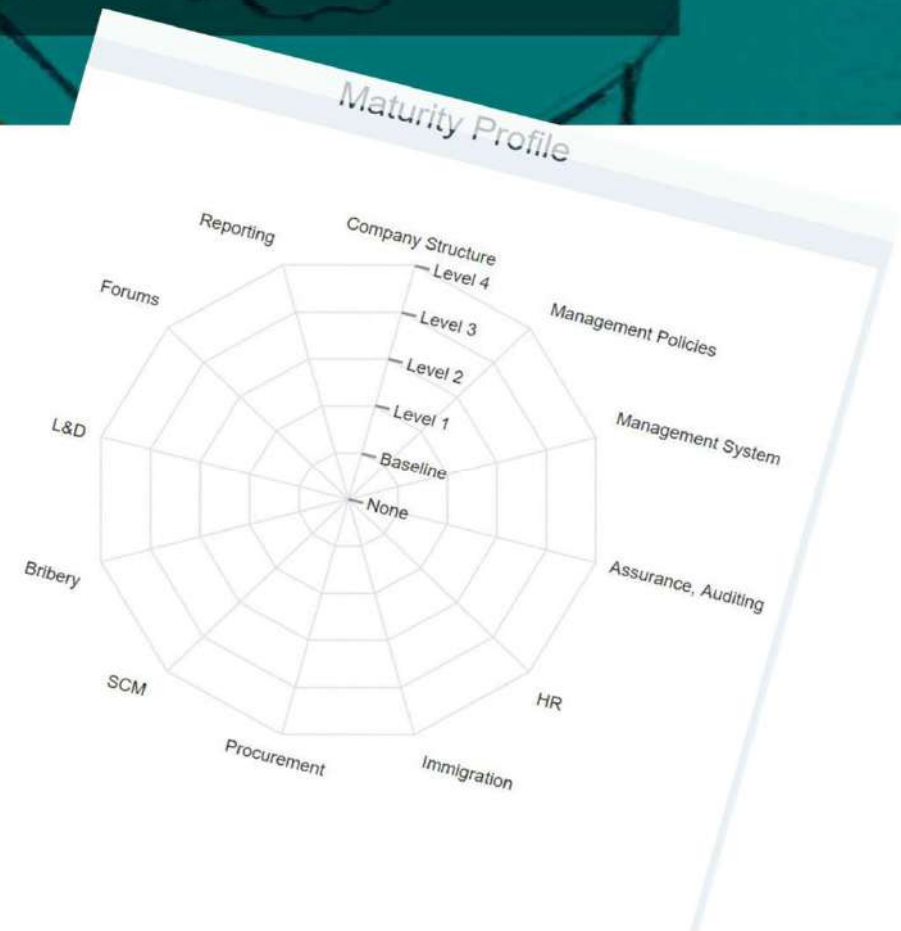
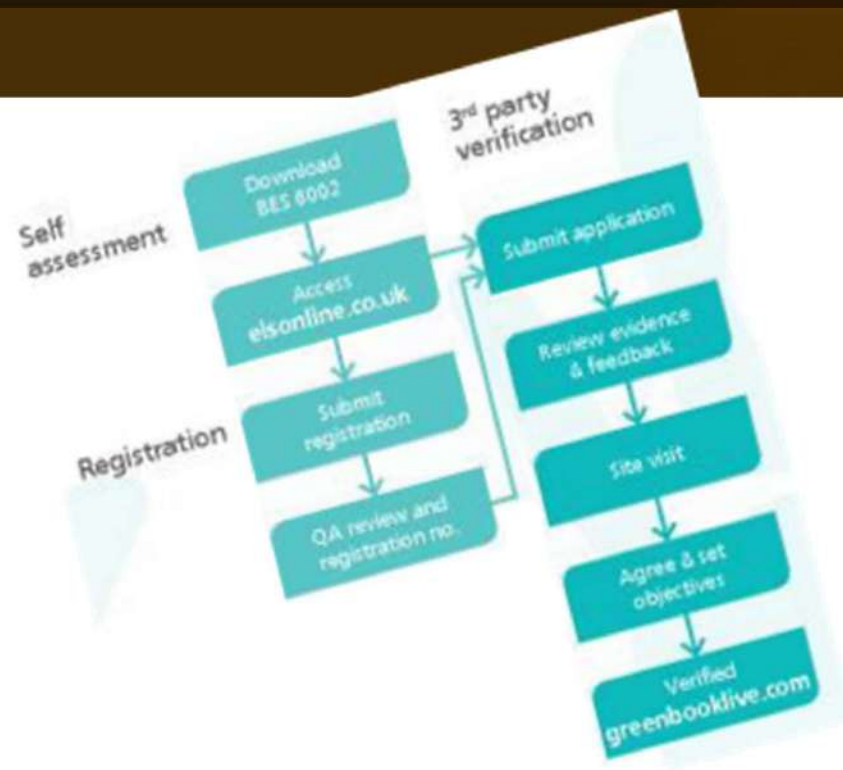
## Framework Standard: BES 6001

- ✓ 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)



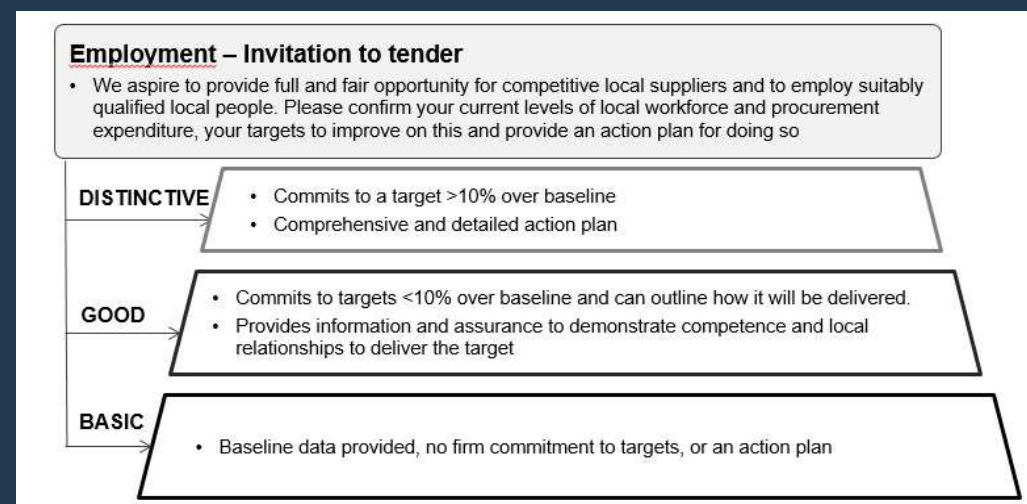
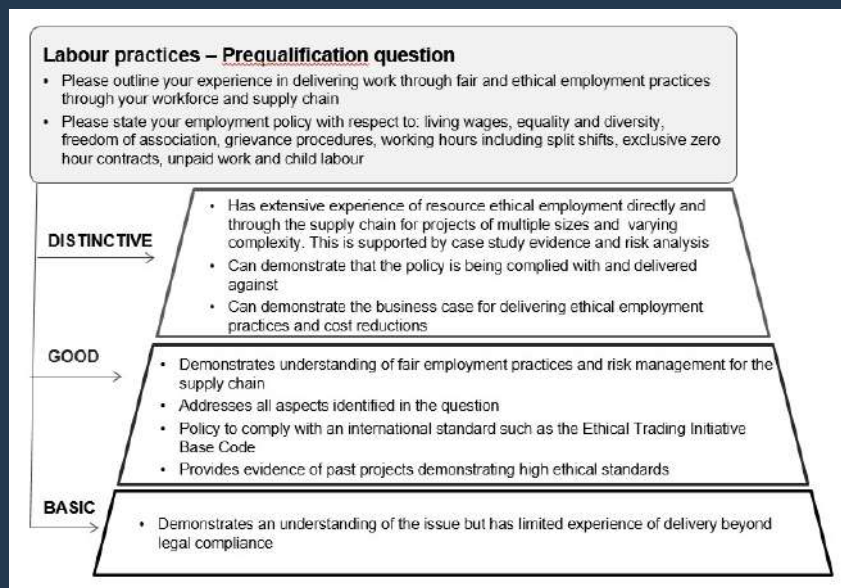
# Test against requirements, score and include within balanced scorecard approach to shortlisting and contract award

## Pre-qualification (1<sup>st</sup> stage)

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

## Invitation to tender / negotiate (2<sup>nd</sup> stage)

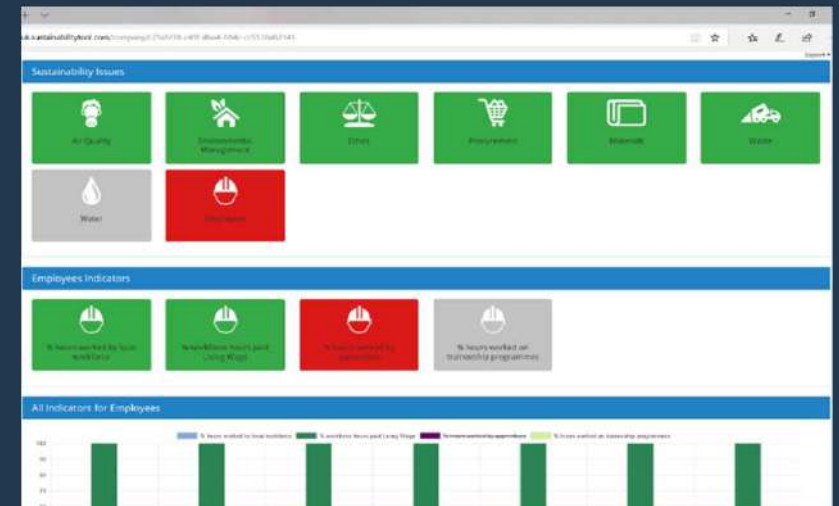
- ✓ Test appropriateness and feasibility of approach to delivering requirements e.g. by requesting [contractually binding] action plans
- ✓ Request [contractually binding] proposed targets – from scratch or against baselines
- ✓ Probe further in any interviews or site visits



# 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



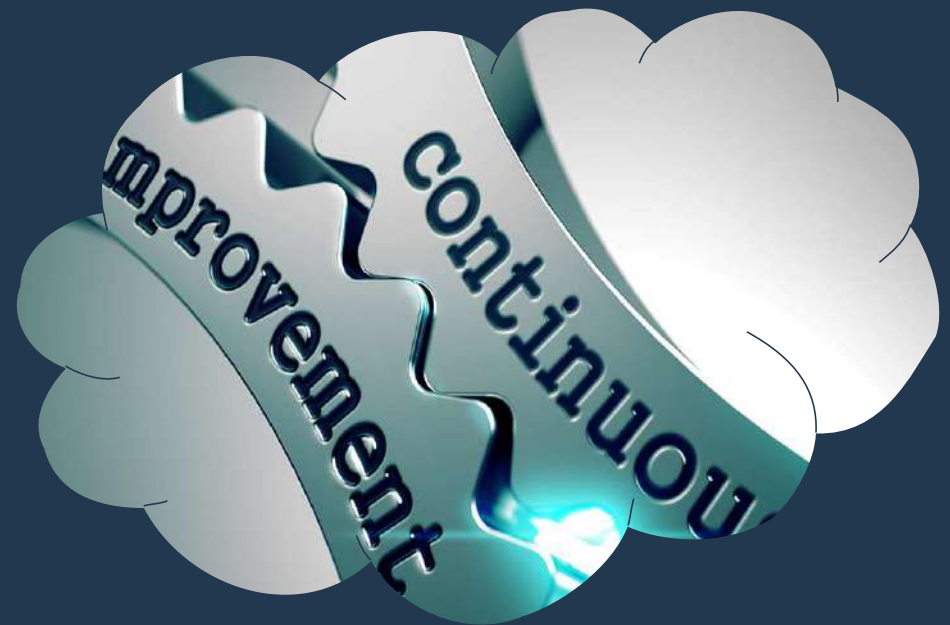
HOW COULD YOU  
INTEGRATE  
SUSTAINABILITY  
PERFORMANCE INTO  
CURRENT CONTRACT  
MANAGEMENT  
PROCESSES?  
(OPEN DISCUSSION)



# Reviewing and Learning

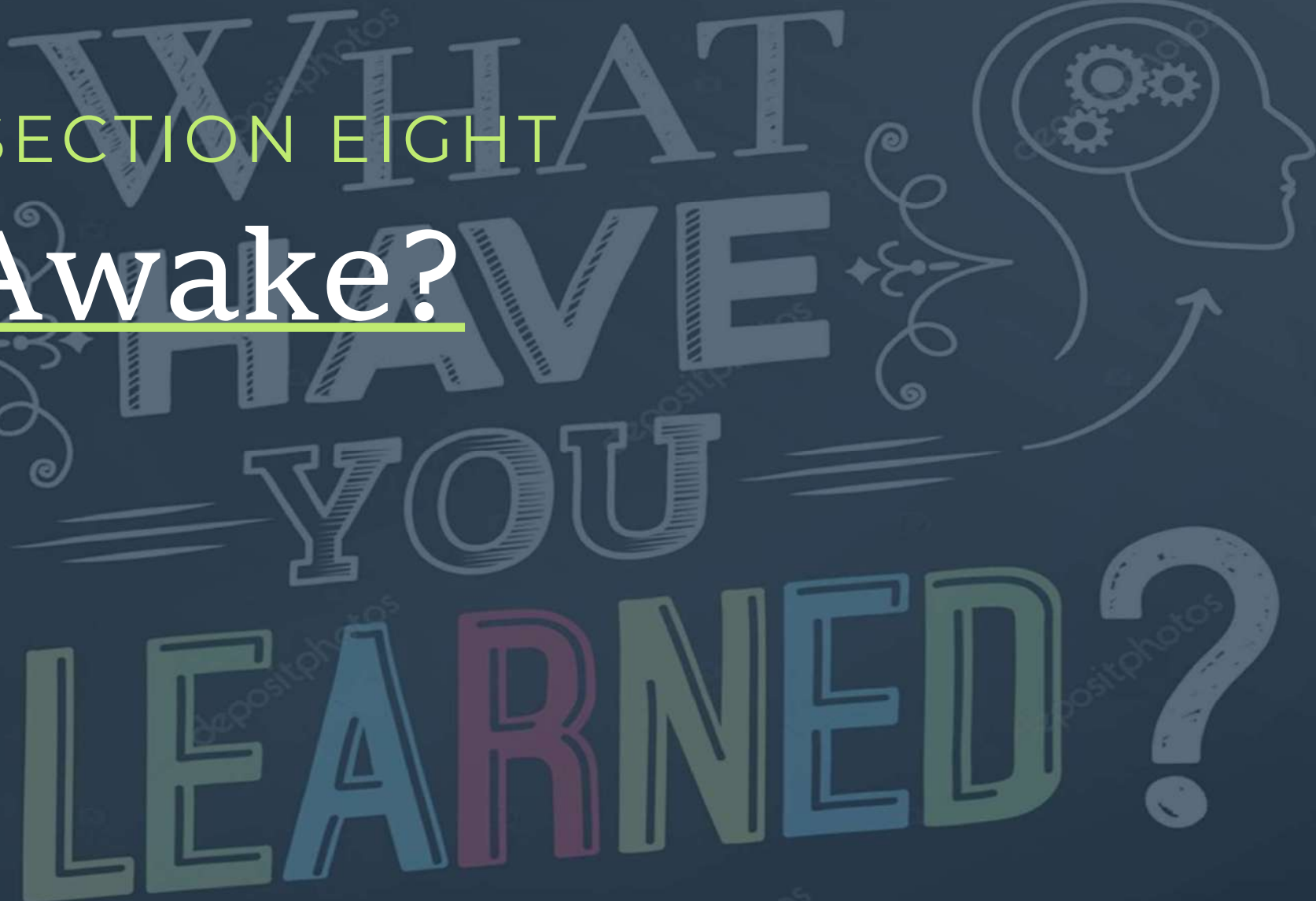
- ✓ Seek out perceptions of all stakeholders – particularly supply chain
- ✓ Document
  - ✓ What worked well?
  - ✓ What worked less well?
  - ✓ Benchmark levels of performance achieved?
  - ✓ Case studies?
  - ✓ What could be done differently next time?
- ✓ Share
  - ✓ Within organisation
  - ✓ Externally 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?





# TEST YOUR KNOWLEDGE



Go to  
[www.menti.com](https://www.menti.com)

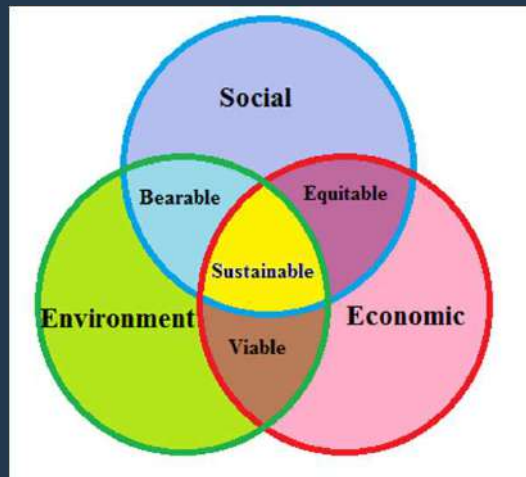
Enter the code  
**5269 2301**



Or use QR code

# 3 hours in less than 3 minutes

Sustainability



Sustainable procurement

Golden Thread



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

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



Please share your  
feedback



[LINK](#)



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