

SUPPLY CHAIN SUSTAINABILITY

SCHOOL

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A Procurement Guide to Embedding the Plant Charter and Minimum Standards into the Value Chain

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Contents

| | |
|------------------|---|
| 1. Context..... | 3 |
| 2. Purpose..... | 3 |
| 3. Planning..... | 5 |
| 4. Sourcing..... | 5 |
| 5. Managing..... | 7 |

1. Context

This Procurement Guide should be read in conjunction with the Plant Charter and the Minimum Standards, which details the vision and objectives for the industry in reducing air quality emissions. The Supply Chain Sustainability School (the School's) **Plant Leadership Group** developed the Plant Charter and the Minimum Standards.

The Procurement Guide, the Plant Charter and the Minimum Standards are **best practice for industry**, and are applicable to all Tier 1 contractors, clients, supply chain and organisations who supply Construction Plant and Equipment (CPE).

NOTE: this guide is also applicable to subcontractors who supply CPE as part of their scope.

2. Purpose

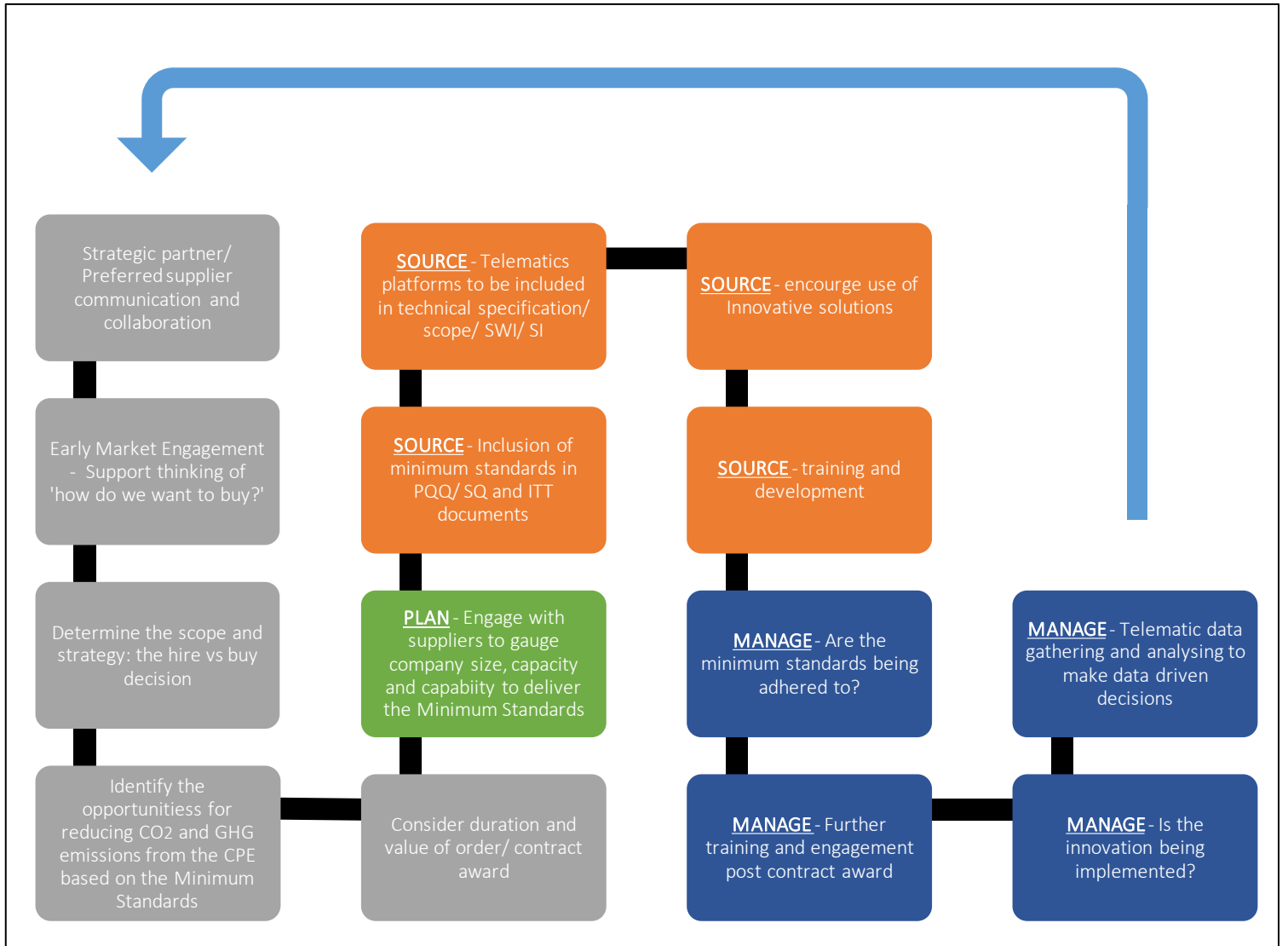
Procurement of Construction Plant and Equipment (CPE) by organisations, contractors and live project site environments is oft times reactive. This is based on a site's urgent requirements, with little or no time for strategic planning considerations that can consider low-emission construction plant and equipment. This does not allow for suitable sustainability requirements to be flowed down to the supply chain via a tendering process. On the other hand, the procurement of fleet and CPE by supply, plant hire companies will allow the time for this strategic sustainability criteria to be considered but, might be subject to investment decisions and collaborative early engagement from buying organisations.

This guide has been created to help embed the commitments of the Plant Charter across the procurement cycle to accelerate the inclusion of air quality and low carbon considerations across the value chain. This applies to new procurement (hire, purchase) of CPE as well as existing, awarded contracts where air quality and low carbon considerations can be embedded within the performance management stage of the procurement process.

The guidance in this toolkit describes where and how the Plant Charter commitments should be considered, embedded, and managed in planning, sourcing, managing, and contract review stages of the procurement cycle.

The following diagram shows the steps through the procurement cycle in which the various Plant Charters commitments can be embedded for better outcomes.

Process Flow for Plant Charter Commitments



3. Planning

To embed the Plant Charter commitments into specifications and scope for the procurement of CPE, the buying authority/organisation must ensure the Minimum Standards for air quality and carbon considerations are included in their relevant gateway processes to drive the delivery of reduced emissions in the CPE supply chain.

Gateway 1

The gateway at planning stage will be the procurement strategy and category strategy. In carrying out step 1, the strategy must identify risks, opportunities, and market intelligence on possible solutions for reducing emissions in CPE.

Step 1. Pre-market engagement considerations

The planning phase prior to a procurement is significantly important to embed the Minimum Standards into the specification of works. If opportunities are initially advertised to the open market and prior information notices, for example, this stage can be used to include 'feeler' questions, such as broad themes of the supplier's overall capacity, capability, and experience of delivering low emissions outcomes in the plant and equipment they supply.

These indicate your expectations of lower emissions CPE and introduction of the Minimum Standards to the market. Include discussion on whether the supplier has a carbon strategy and targets, an environmental management system that references air quality and carbon.

When engaging with the supply chain in any pre-market discussions, ask questions around their latest innovations and solutions to increase environmental sustainability, to lower emissions from CPE, the move away from diesel powered to hybrid/electric. This will help determine what can be included in the scope and specification document for the tender pack later in the sourcing stage.

4. Sourcing

Gateway 2

The gateway at sourcing stage is the tender pack. Steps 2 and 3 should contain requirements for innovative solutions, use of telematics platforms and firm up commitments to the Minimum Standards.

Step 2. Supplier Selection

For the process of Supplier Questionnaire (SQ)/Prequalification Questionnaire (PQQ), it is essential that suppliers can demonstrate that they possess or have access to and apply the principles of good governance around environmental risks and considerations.

In this stage, ask capacity and capability-based questions around: use of innovative solutions on previous projects, previous experience of having provided telematics data, awareness of the Minimum Standards, willingness to sign up to and implement the Minimum Standards. This should be complemented by asking questions around staff and supply chain training and development on lowering emissions via CPE, climate action and carbon mitigation measures. The buyer / procurement manager along with the environmental management team / carbon management specialist, will evaluate the SQ/PQQ responses, scoring them to select the supplier list for the Invitation to Tender.

Here below is useful text you can use when engaging with your supply chain:

Option 1: for new suppliers

[Organisation Name] has committed to lowering air quality emissions and greenhouse gas emissions from everything we procure and commission. So that we can achieve this as effectively as possible, we have gone through a process of identifying Minimum Standards requirements for air quality emissions and carbon reduction. Taking this approach of prioritisation across the range of CPE we buy enables you, as our potential supply chain partner, to provide your best and most appropriate solutions to support us. Should you be successful, we would expect you to sign our Plant Charter and implement the Minimum Standards as part of supporting us.

Option 2: for existing suppliers

[Organisation Name] has made a public commitment to lowering air quality emissions and greenhouse gas emissions from everything we procure and commission. As one of our valued supply chain partners we would like to get your continued support in helping achieve our goals, through the CPE we procure from you. As such we would like you to make a commitment by signing our Plant Charter, drawn up by the Supply Chain Sustainability School's Plant Group Partners and committing to implement the Minimum Standards.

Step 3. Tendering - ITT

The tender documents should contain COMMITMENT-BASED questions around:

- 1) Application of the Minimum Standards in the relevant tender/contract duration*
- 2) Application of innovative solutions in the tender/contract duration*
- 3) Training and development programme for the tender/contract duration*
- 4) Process of telematics data gathering, reporting and use of data results to better sustainability performance in the tender/contract duration*

Relevant weightings should be given to the questions on low air quality emissions

and carbon-related questions versus the weighting for cost, quality, programme, and other qualitative questions. The nature of these questions will be determined by order/contract value, type of CPE, order duration of the CPE being procured, as well as the size of the supplier organisations (relevance and proportionality).

5. Managing

Gateway 3

There are two gateways in the managing stage. The first is the contract. The targets and KPIs around the Minimum Standards and Plant Charter that were asked of the supply chain, and the commitments made in the tender responses must be written into the contract.

Step 4. Contract set-up

The scope and any conditions for delivery of lower air quality emissions solutions, carbon management and reduction, measurement against targets, and reporting, as determined by the nature of CPE being provided, should be written into the contract.

There should be a seamless flow, or 'golden thread' from the questions being asked about the Plant Charter and Minimum Standards, and the information required from the supplier in the SQ/PQQ and ITT stages through to how they demonstrate they are delivering on their proposal in the contract implementation phase.

Gateway 4

The second gateway in the managing stage is managing the supply chain performance in line with the Minimum Standards and Plant Charter. Contract management should allow for and capture supply chain performance, data, progress towards lowering air quality emissions and carbon reduction via the CPE procured.

Step 5. Manage performance to meet the Minimum Standards

The performance of the suppliers against the Plant Charter and Minimum Standards should be measured and monitored at regular intervals (quarterly being the advisable interval). As with any performance metrics, it should be appropriate to the nature of the contract and the KPIs set within the contract. It should be frequent enough to allow for performance data to be used in managing the contract's delivery. Importantly, as low air quality emissions and carbon reduction have been identified as the priority for the Plant Charter, it should be a standing agenda item in supplier performance review meetings. For contracts that have been previously awarded with little or no air quality considerations, the performance management stage is a good starting point to ask of the supply chain, gauge any innovative developments that can lend itself to the existing contract and if they can start to incorporate the goals as set out in the Plant Charter going forward.