

Greening your supply chain

procurement support



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A powerful tool

Procurement is a powerful tool for reducing an organisation's environmental footprint and improving social equity. With every purchasing or sourcing decision, you can potentially reduce environmental and social risk, and make a positive impact.

Many organisations across the globe are beginning to meet public sustainability commitments through sustainable procurement, also referred to as sustainable or responsible sourcing.

In short, sustainable procurement considers the total cost of a product or service. It moves beyond price, quality and purpose to include environmental and social impacts.

ISO 20400: 2017 – Sustainable Procurement Guidance

This is a great framework for integrating sustainable procurement into the procurement process.

- Guidance-based – can be used to evaluate and align your organisation to best practice
- Flexible - applies to any organisation, regardless of its sector, size and location
- Comprehensive – covers strategy, organisation and process and all sustainability issues
- Global - does not replace legislation, policy and ethical frameworks that regulate procurement activities
- Accessible - can be used by any stakeholder involved in or impacted by procurement decisions and processes

What's the hype? A survey conducted in early 2023 revealed that about 51% of global businesses have adopted sustainable procurement policies, and this number is steadily growing. More and more procurement managers are asking suppliers to demonstrate carbon neutrality. This includes IKEA, Patagonia, Nestle, Unilever and Woolworths.

Integrating sustainability into the procurement process

Sustainability can be embedded in all stages of the procurement process:

1. Prioritise

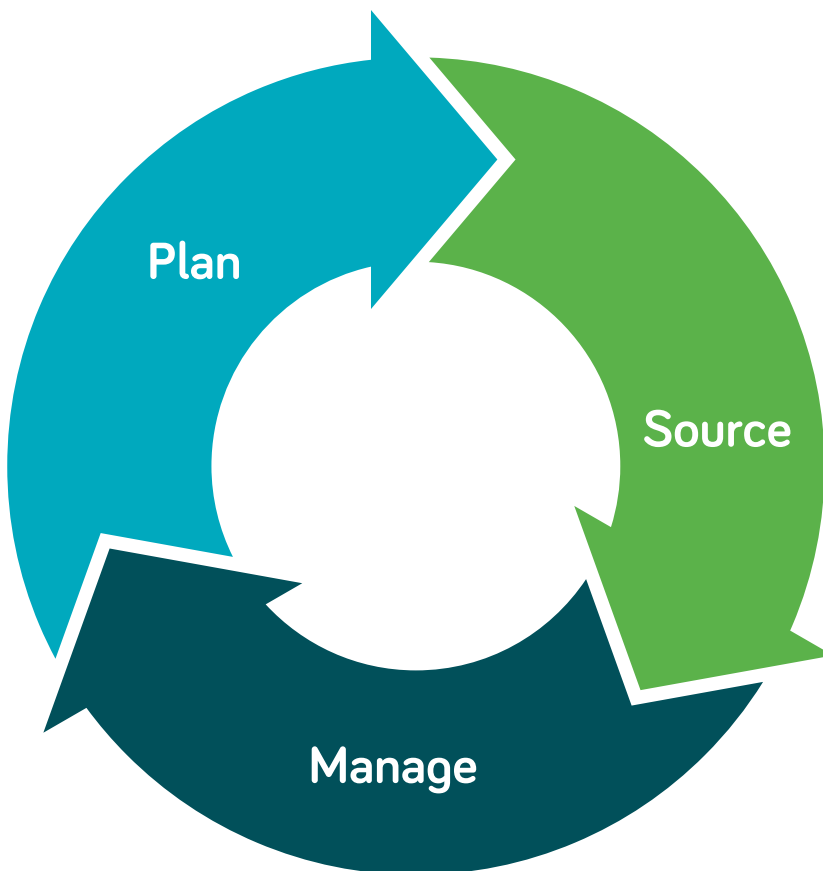
sustainability risks and opportunities.

2. Establish

clear environmental objectives to be achieved.

3. Communicate

minimum sustainability requirements, objectives, and metrics to suppliers.



4. **Embed** sustainability requirements into the supplier assessment process, tender or quotation documents and evaluation methodology.

5. **Evaluate** supplier responses and undertake due diligence to verify claims.

6. **Ensure** performance management is built into contracts with clear sustainability outcomes and reporting requirements.

7. **Document** lessons learned to inform future procurement activities.

Figure 1: Integrating sustainability into Plan Source Manage framework

Creating sustainability requirements

Sustainability requirements are a way for your organisation to communicate and progress your sustainability priorities, goals and targets.

These can be developed and evaluated at:

- **an organisational level** – evaluate the supplier based on the sustainability credentials of the organisation
- **a product or service level** – evaluate the sustainability credentials of a specific product or service supplied.



Organisational requirements are generally applicable to all categories and can help procurers meet broader procurement objectives. For example, preferencing suppliers that are calculating and reducing their emissions, supplier diversity (such as Indigenous-owned businesses), local sourcing, or standing against modern slavery.

Product or service level requirements can be tailored to reflect specific category procurement objectives. For example, a low carbon building material alternative or a product with sustainable packaging.

Requirements can be integrated into the procurement process – at the plan, source, and manage stages – through tools such as:

- supplier self-assessment questionnaires (SAQs)
- request for tenders (RFTs)
- requests for quotations (RFQs)
- evaluation methodology
- performance contract requirements.

They can be adapted to different supplier size and maturity levels.

Organisational sustainability requirements			
Example procurement goal	Example self-assessment question or tender requirement	Example means of evaluation	Example metrics for monitoring progress
Reduce our scope 3 emissions by selecting suppliers with lower carbon footprints and emissions reduction strategies	Basic: Does your organisation have a net zero target?	Public commitment to net zero, including Science Based Target and directors' guarantees.	Yes/no or pass/fail criteria
	Advanced: Describe your approach to reducing your scope 1, 2, and 3 emissions.	<ul style="list-style-type: none"> • Decarbonisation or emissions reduction strategy • Carbon footprint, scope 1 and 2 • Emissions reduction reporting, showing progress year on year 	<ul style="list-style-type: none"> • Energy generated from renewables. For example, solar power kWh or % • Organisational carbon footprint (CO2e)
Ensure our supply chain is aligned with our organisational values by preferencing suppliers who showcase sustainability performance	Basic: Has your organisation received client testimonials or awards relating to your sustainability performance in the past 2 years?	<ul style="list-style-type: none"> • Copies of references and awards • Organisational certifications, for example B Corp • Written evidence 	<ul style="list-style-type: none"> • Number of suppliers with sustainability credentials
	Advanced: Describe your organisation's approach to sustainability, including any innovative solutions.		

Table 1: Organisational sustainability requirements

By keeping the evaluation flexible, you offer suppliers the opportunity to provide unique solutions to help you achieve your goals. There are many tools available to support evaluation of supplier sustainability credentials and environmental, social, and governance (ESG) risk management.

Some examples of questions and requirements that can be included in an SAQ, or tender documents, are set out in tables 1 and 2.

Product or service sustainability requirements				
Category	Example procurement goal	Example self-assessment question or tender requirement	Example means of evaluation	Example metrics for monitoring progress
Office management	Reduce office waste by purchasing stationery products with more reduced or recyclable packaging	Basic: What percentage of this product or packaging is made from recycled content and what percentage of the product can be recycled after its useful life?	Product specifications	<ul style="list-style-type: none"> • % of recycled content • Recyclability potential • Take back schemes (Yes/no criteria)
		Advanced: Provide evidence of packaging waste saved through your innovative product design.	Written descriptions Product/packaging specifications	<ul style="list-style-type: none"> • Kilograms of packaging waste diverted from landfill • Kilograms of packaging waste avoided
Merchandise and marketing	Reduce our impact on supply chain deforestation and modern slavery by sourcing 100% certified paper and pulp products	Basic: Does your [x] product hold FSC or PEFC certification?	Copies of certifications	<ul style="list-style-type: none"> • % of certified products
		Advanced: Does your [x] product hold FSC CoC certification, and is it traceable to the source?	Copies of chain of custody certificate	<ul style="list-style-type: none"> • % of products traceable to origin and certified deforestation free
Catering	Reduce the carbon footprint and waste of our catered events by preferencing suppliers who provide reusable crockery	Basic: Does your organisation have a sustainability policy in the supply of catering services?	Written evidence	<ul style="list-style-type: none"> • Waste (kg) avoided • CO2e avoided
		Advanced: Demonstrate how your organisation reduces or eliminates single use products in the provision of catering services.		

Table 2: Product or service sustainability requirements

Case study – sustainable cleaning supplies

Celine oversees the procurement of cleaning services for her office in Sydney. She has recently conducted a sustainability risk and opportunity assessment for this category.

Greener procurement could help avoid harsh and polluting chemicals, reduce water and energy use and avoid virgin plastics. She sets these as procurement objectives.

When the current cleaning contract is up, Celine issues an RFT that includes several questions asking suppliers about their sustainability credentials.

Although many suppliers respond to the RFT, one supplier stands out. The supplier is a local business that demonstrates use of eco-friendly cleaning products in recycled plastic bottles, monitors water use, and provides regular training to employees about managing water and energy use.

Celine includes metrics for these in the contract to manage performance and identifies the new supplier was able to reduce water use from cleaning by around 20%. This had an added cost-saving benefit.

The supplier does not currently have an organisational commitment to reducing emissions. However, Celine recognises the benefits of working with this supplier. She agrees to renew the contract for another 2 years, with the stipulation the supplier makes a commitment to emissions reduction at that time.



Data collection and measurement

How to set up metrics and KPIs

Data collection and measurement are essential to successful procurement. They help you establish a baseline, improve performance, correct actions, capture and communicate results and benchmark against competitors. Your prioritised sustainability objectives should inform the supplier tender or quotative requirements. These are then adapted into contractual performance requirements which set the metrics and indicators used to measure achievement of the sustainability objectives.

Begin with simple metrics for data capture to establish a baseline. These can evolve over time. Metrics should make it easy to track progress and performance and they should be communicated to suppliers from the beginning of the procurement and outlined in contracts. Metrics and indicators will only succeed if they are clearly communicated. Tables 1 and 2 above provide some examples of simple and advanced metrics.

Checklist for effective data collection:

- Establish a baseline with the data you have.
- Prioritise sustainability targets and objects from the outset.
- Define corporate level indicators for procurement. For example, number of tenders that include environmental objectives.
- Define specific indicators or metrics that can be applied when evaluating supplier responses.
- Ensure contracts contain reporting requirements, outcomes, and performance metrics in relation to your sustainability objectives.
- Automate data collection to reduce manual handling (if possible) – some suggested tools are included in Tools to Green Your Supply Chain.

Thanks for caring about our environment, climate action and our community.
If you have any questions, get in touch with us by emailing info@cityswitch.net.au