

Greening your supply chain 101



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Glossary

Heat map

A visual expression of risks, opportunities, or material issues. When greening supply chains, it often refers to a risk and opportunity assessment of procurement categories against environmental, social and economic issues.

Materiality assessment

Identifies the environmental, social and governance topics that matter most to an organisation's business model, operations and stakeholders. By identifying the most important or 'material' issues, you can form a deeper understanding of the topics and prioritise those issues for risk management, strategy development and reporting.

Material issue

One that's pertinent to an organisation. It can include economic, environmental and social issues.

Supplier development plan

Improves sustainability performance and outcomes. Supplier development plans are often used for strategic, high priority or high-potential suppliers.

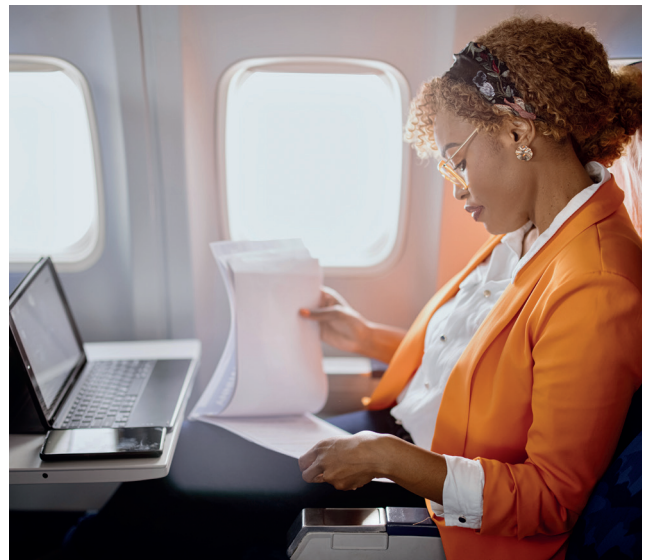
Supplier engagement plan

Documents the approach to communicating with suppliers - including procurement objectives, expectations and accountability.

Introduction

Every time you spend money you have an opportunity to maximise positive environmental and social outcomes. Embedding sustainability in your supply chain is a powerful way to create:

- **value for money:** In addition to purchase price, consider quality, availability, functionality, operational costs, maintenance costs, and end of product life and disposal costs.
- **positive environmental impacts:** Understand more about how your purchasing choices can influence responsible raw material extraction and manufacturing, product design, packaging, and reduce CO2 emissions, pollution, water, and energy use.
- **awareness and requirements for social issues:** Understand more about how your purchasing choices can influence diversity and inclusion, local employment, opportunities for vulnerable or disadvantaged people, fair work and labour conditions, human rights issues, fair trade, cultural heritage, and consumer protection.



Getting started

Decarbonisation

A great way to start greening your supply chain is to focus on decarbonisation and how to reduce scope 1, 2, and 3 emissions. Understanding the different scopes of carbon and taking carbon into account during the procurement decision making process is something all organisations can do. To learn the basics of scopes 1, 2, and 3, check out these resources. Table 1 outlines some procurement opportunities in relation to some common procurement spend categories.



Emissions scope	Procurement category(s)	Procurement opportunity
1	Vehicles (company fleet), fuel-based equipment on-site (generators), and refrigerants (white goods)	Transition to hybrid or electric vehicles.
2	Purchased electricity	Establish power purchase agreements with renewable energy providers.
3	Catering, corporate travel, IT hardware and software	<ul style="list-style-type: none"> – Introduce a sustainable procurement strategy. – Request emission calculations from suppliers and request low carbon materials. – Preference certifications or eco-labels that address key issues.

Table 1: Procurement categories and emissions

Factoring in broader Environmental Social and Governance (ESG) risks

While decarbonisation is often a key priority for organisations, all categories carry other ESG risks and opportunities. Table 2 includes some examples of sustainability risks for common office-based business procurement categories.



Category	Risks
Catering	Product: deforestation, high emissions in production, excess food and packaging waste
IT support	Service: off-shore service providers may have lower labour standards, increased risk of modern slavery
IT hardware	Product: off-shore production in countries with lower labour standards, increased risk of modern slavery in the production and manufacture of products, irresponsible disposal of e-waste
Cleaning services	Product: chemicals that can damage aquatic and land-based ecosystems, water use Service: labour intensive industry with risks of modern slavery in Australia
Delivery services	Product: high levels of excess packaging waste Service: high emissions from freight and transportation
Corporate travel	Product: high emissions from corporate travel, modern slavery
Merchandise and marketing	Product: waste, embodied carbon, modern slavery in the development of the marketing materials.

Table 2: Category sustainability risks

Mapping your supply chain

Sustainability issues can be numerous and complex in nature. Trying to address all of them is resource intensive and may not have the desired impact. It's important you determine what to include first and start prioritising issues to avoid feeling overwhelmed. When setting priorities, consider the following:

- **What is material:** If a materiality assessment has been undertaken, you can prioritise suppliers or spend categories that have the most impact on those material sustainability issues. For example, if you determine human rights issues are the most material for you, address categories with the highest risk of modern slavery.
- **Category-specific risks:** Through analysis of sustainability impacts and opportunities at a spend category level, you can determine the categories with a higher sustainability risk. For example, corporate travel is responsible for high emissions. Focus on this category before moving on to others with less of an impact.
- **Spend:** In general, the more you spend with a supplier, the more leverage you may have to influence their behaviour. By prioritising categories with the highest spend, you can have a stronger influence on your supply chain.

Once you understand your organisation's impact and you've prioritised suppliers and categories, you can embed sustainability requirements into your procurement process. For example, you can request specific information on environmental performance in request for quotations or tenders. See [Greening Your Supply Chain Procurement Support](#) for more information.

Leverage existing data

Supply chain mapping and prioritisation is complex. However, there's a good chance your organisation has already done some of the work. You can leverage resources such as:

- modern slavery risk mapping
- strategic spend categories
- supplier segmentation
- pre-defined spend thresholds

At the end of the day, you're not on your own. Many organisations use external support or tools to map and prioritise supply chains. Some examples have been included in [Tools to Green Your Supply Chain](#)



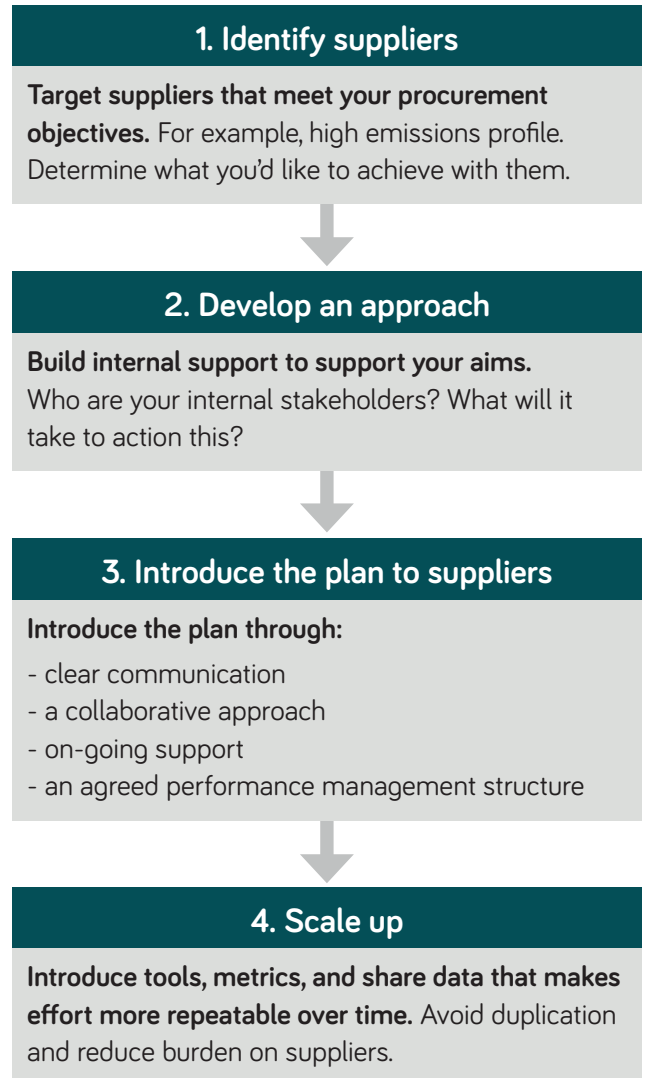
First steps to supply chain engagement

Communicating your organisation's sustainability objectives and expectations to suppliers is crucial. To achieve the best results, information provided should be complete, understandable, balanced, timely and accessible. Let your suppliers know:

- your environmental or social objectives
- policies relating to the environmental or social objectives
- environmental or social targets and goals
- sustainability and performance requirements.



Develop a supplier engagement plan



Major barriers and how to overcome them

Organisations often face major barriers when introducing sustainable procurement. There are several ways you can maximise inhouse opportunities to support procurement employees and suppliers on your journey.

Common barriers	Opportunities
<p>Decentralised procurement functions – limited oversight over the process and decision making</p>	<p>Risk and opportunity mapping: developing a heat map of risks and opportunities by sustainability or ESG focus area will establish a sustainable procurement baseline and provide clarity on where to prioritise efforts and identify the most salient issues, even if procurement is decentralised. This can be conducted at an organisational, category, project, or even product level.</p>
<p>Gaining consensus on the most salient issues to be addressed</p>	<p>ESG focus areas can include human rights and modern slavery, pollution, biodiversity, workplace health and safety, GHG emissions, circular economy, climate resilience, local sourcing, and diversity and inclusion.</p>
<p>Lack of expertise or knowledge inhouse, where procurement employees are not trained in sustainable procurement</p> <p>Lack of time to adequately plan, assess, and manage performance, or juggling competing priorities</p> <p>Lack of resources to support implementation (time, funding, policies, and organisational commitment)</p> <p>Risk-aversion of procurement practices</p> <p>Thinking administratively, rather than strategically</p>	<p>Organisational commitment is a powerful lever for ensuring your people are adequately resourced to introduce sustainable procurement. Internal mechanisms for supporting sustainable procurement can include:</p> <ul style="list-style-type: none"> • establishing a sustainable procurement framework – signals commitment to sustainable procurement and shows price and quality aren't the only concerns. • mapping out key stakeholders – who needs to be involved? For example, procurement staff, category managers, executives. • determining the ESG focus areas where procurement can support your organisation's sustainability – net zero emissions, waste, or packaging reduction. • mapping out a process for embedding sustainable procurement – gives those making purchasing or sourcing decisions a clear guide for when and how sustainability should be integrated. This can be tailored to accommodate different spend thresholds, risk, and strategic versus simple procurement. • supporting employees through internal training and establishing sustainability KPIs or objectives. • celebrate success stories – share lessons across teams to communicate what's worked well and processes to improve.
<p>Supplier base who can't perform to expectations</p>	<p>Sustainability requirements can be developed for different levels of ambition or complexity to allow suppliers of all maturity levels to respond to tenders or quotations. Alongside this, incentives and rewards can be tied to meeting or exceeding the requirements.</p> <p>If possible, remain open to flexible solutions as suppliers will often have a solution that meets requirements, but might differ from your expectations.</p> <p>Recognise and reward suppliers who consistently demonstrate strong ESG performance, fostering a competitive environment for responsible practices.</p>

Table 3: Barriers and opportunities

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