The tools build on recommendations by respected sustainable procurement experts / bodies on the need to add relevant, new, 21st century criteria to traditional procurement decision-making tools.

Note: In this overview, “Sustainable Procurement,” “21st Century Procurement,” “Responsible Procurement” and “Green Procurement” are treated as synonyms, as are “procurement” and “purchasing.”

The tools are a reworked version of the logic in the free, open-source Sustainability ROI Workbook and are freely downloadable from its webpage on the Sustainability Advantage website.
Sustainable procurement is a management process used to acquire goods and services ("products") in a way that:

1) gives preference to suppliers / vendors that generate positive social and environmental outcomes

and

2) integrates sustainability considerations into product selection so that impacts on society and the environment are minimized throughout the full life cycle of the product.

Responsible procurement is the integration of environmental, social, and economic criteria into procurement processes of goods and services, as a means of reducing impacts on the environment, increasing social benefits, and enhancing economic sustainability of organizations throughout the product life cycle.

Based on “Responsible procurement,” The Policy Space for Responsible Procurement Practices (ECPAR), ECPAR website.
PRIORITIES FOR ACTION

Unlocking sustainable procurement

- Standardized decision support tools for environmental & social product disclosure
- Open source tools, resources and templates
- Awards
- Annual monitoring
- Pilots to showcase leadership integration, provide case studies & recognition
- Ongoing opportunities for training & capacity building
- Action Learning Lab to create a council of leaders working together to unlock sustainable procurement
- Quantification of the monetary & non-monetary benefits of sustainable procurement

“Buying the future we want: Catalyzing the use of procurement as a sophisticated tool for advancing sustainability,” Shift & Build and HP for the Academy for Sustainable Innovation (ASI), August 2018.
RESPONSIBLE PROCUREMENT PRACTICES

1. Responsible procurement policy
2. Supplier code of conduct
3. Determination of environmental, social and economic issues according to product, service and production point categories (ideally based on the life cycle approach)
4. Calculation of total ownership costs
5. Integration of sustainable development criteria into calls for tenders and in other phases in the procurement process
6. Use of a preferential margin
7. Use of certifications
8. Supplier assessments
9. Production point audits
10. Support for SME suppliers
11. Support and training for suppliers

Based on “Responsible procurement,” The Policy Space for Responsible Procurement Practices (ECPAR), ECPAR website..
TOTAL COST OF OWNERSHIP (TCO)

Definition
Estimate of all direct and indirect costs and benefits associated with an asset or acquisition over its entire life cycle. *It helps determine whether paying more for a better (more sustainable) product is a smarter decision.*

Why do TCO
- Appraising and prioritizing capital acquisition / procurement proposals.
- Selecting vendors.
- Making lease vs. buy decisions.
- Identifying "hidden" costs of ownership.
- Finding potential cost problems before they become problems.
- Budgeting & financial planning.
- Managing assets – depreciable, economic and service lives.
- Determining service provisioning cost / chargeback to users.

1. **Alignment with company strategy**: If sustainability is embedded in the company mission, purpose and business strategies, sustainable procurement matters.

2. **Tools to engage and measure suppliers**: Use new tools to “richly” measure and score supplier sustainability performance, rather than a binary yes/no, to enable ranking suppliers on a broader spectrum and encourage a sustainability mindset in suppliers.

3. **Integration of sustainability in the procurement process**: Connect the dots between the supplier sustainability scoring system and the company’s procurement decision criteria and process.

4. **Supplier ownership of company sustainability goals**: Companies are mutually accountable for sustainability performance in their value chains; buyers and suppliers need to feel mutual ownership of the company sustainability goals.

5. **Collaboration to drive improvements and innovation**: Collaborate with suppliers and other public and private organizations to use procurement systems to create system value.

**FIVE PILLARS**

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“2016 Responsible Procurement Barometer,” The Policy Space for Responsible Procurement Practices (ECPAR) ECPAR website. Based on an assessment of 76 Canadian organizations’ responsible procurement, in business (46%), government (40%) and NGOs (6%). 18% were outside Quebec.
“2016 Responsible Procurement Barometer,” The Policy Space for Responsible Procurement Practices (ECPAR) ECPAR website. Based on an assessment of 76 Canadian organizations’ responsible procurement, in business (46%), government (40%) and NGOs (6%). 18% were outside Quebec.

OBSTACLES / INHIBITERS

- Contradictory objectives of lowest bid rule and sustainable development issues (68%)
- Cost of more responsible/sustainable products (54%)
- Lack of tools to support the approach (38%)
- Lack of information on responsible suppliers and products/services (34%)
- Legal context (i.e. lowest compliant bid rule) (32%)
- Lack of in-house expertise (30%)
- Unfavourable economic context (20%)
- Lack of support from senior executives (18%)
## RFP SPECIFICATIONS TEMPLATE

### 20th Century RFP Specifications

<table>
<thead>
<tr>
<th>Product Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product performance and quality</td>
</tr>
<tr>
<td>Product cost</td>
</tr>
<tr>
<td>Product delivery</td>
</tr>
<tr>
<td>Product warranty and after-sales support</td>
</tr>
<tr>
<td>Supplier governance and operations</td>
</tr>
<tr>
<td>Supplier track record and outlook</td>
</tr>
<tr>
<td>(Other ...?)</td>
</tr>
</tbody>
</table>

### 21st Century RFP Specifications

<table>
<thead>
<tr>
<th>Product Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product performance and quality</td>
</tr>
<tr>
<td>+ Product sustainability-related performance and content features(^1)</td>
</tr>
<tr>
<td>+ Product features alignment with company Purpose / Mission / Vision</td>
</tr>
<tr>
<td>Product cost</td>
</tr>
<tr>
<td>+ One-time cost reduction possibilities for sustainable products</td>
</tr>
<tr>
<td>+ <strong>Total cost of ownership (TCO)</strong>, including indirect benefits</td>
</tr>
<tr>
<td>Product delivery</td>
</tr>
<tr>
<td>+ Carbon footprint of delivery</td>
</tr>
<tr>
<td>Product warranty and after-sales support</td>
</tr>
<tr>
<td>Supplier governance and operations</td>
</tr>
<tr>
<td>+ Supplier sustainable governance and operations characteristics(^2)</td>
</tr>
<tr>
<td>Supplier track record and outlook</td>
</tr>
<tr>
<td>(Other...?)</td>
</tr>
</tbody>
</table>

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+ : Sustainability-related specifications added to traditional specs
\(^1\) : See Sample Product Sustainability Criteria
\(^2\) : See Sample Supplier Sustainability Criteria
SAMPLE PRODUCT SUSTAINABILITY CRITERIA

Product performance criteria

- *Energy* efficiency
- *Water* efficiency
- *Reusability* vs. single-use products
- *Waste / emissions* generated by usage
- *GHG* emissions generated by usage
- Impact on user / worker health and safety

Product content criteria

- *Toxic / harmful materials* content (e.g., Restriction of Hazardous Substances (RoHS) compliance, no materials or chemicals in the product / packaging are on the Red List, Electronic Product Environmental Assessment Tool (EPEAT) compliance
- *Waste reduction design* (e.g., designed for disassembly, upgradeability, product take-back option, leasing option, compliance with Waste from Electrical and Electronic Equipment (WEEE) or other waste-related regulations)
- *Renewable material / recycled content / remanufactured content / traceability of origin of raw materials and core supplies*
- *Imbedded energy, carbon and water*
- *Packaging* material and reuse
SAMPLE SUPPLIER SUSTAINABILITY SPECS

• Supplier environmental policies, goals, practices and impacts (e.g., renewable energy, water use and contamination, sourcing of natural resources, procurement practices, waste handling, net GHGs, other operational emissions, soil contamination, encroachment on habitats / biodiversity impacts)

• Supplier worker policies, goals, practices and impacts (e.g., health & wellbeing, safety, living wages, no discrimination, fair employment terms, opportunities for under-served, handling of employee concerns)

• Supplier social / community policies, goals, practices and impacts (e.g., impact on community health, handling of concerns; economic contribution through direct local purchasing, purchases from underserved and small-scale suppliers, local employment, taxes, donations and local customers)

• Supplier attention to sustainability performance in its supply chain

• Supplier responsible co-products (e.g., no weapons or armaments, tobacco products, violent video games, illicit drugs, payday lending, human trafficking gambling, patenting of life, interest rates significantly in excess of market peers)

• Supplier location (e.g., locally-based) and size (e.g., small-scale)

• Supplier ownership (e.g., cooperative, employee ownership or profit sharing, independently owned, woman owned)

• Supplier certifications (e.g., B Corp, fair trade, ISO 14000)

• Supplier social and environmental transparency, verifiability (e.g., allow on-site audits, third-party assessments, public reporting)
## BID EVALUATION TOOL

### 21st Century Evaluation Criteria

<table>
<thead>
<tr>
<th>% Weight</th>
<th>21st Century Evaluation Criteria</th>
<th>Score (1-5)</th>
<th>Weighted Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Product performance and quality</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Traditional product performance and quality factors</td>
<td>(Score)</td>
<td>Weighted score</td>
</tr>
<tr>
<td></td>
<td>+ Product sustainability-related performance and content features¹</td>
<td>(Score)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>+ Product features alignment with company Purpose / Mission / Vision</td>
<td>(Score)</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Product cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Traditional one-time product cost factors</td>
<td>(Score)</td>
<td>Weighted score</td>
</tr>
<tr>
<td></td>
<td>+ One-time cost reduction possibilities</td>
<td>(Score)</td>
<td></td>
</tr>
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<td></td>
<td>+ Total cost of ownership (TCO)</td>
<td>(Score)</td>
<td></td>
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<tr>
<td></td>
<td><strong>Product delivery</strong></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Traditional product delivery factors</td>
<td>(Score)</td>
<td>Weighted score</td>
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<td>+ Carbon footprint of delivery</td>
<td>(Score)</td>
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<td></td>
<td><strong>Supplier governance and operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Traditional supplier governance and operations characteristics</td>
<td>(Score)</td>
<td>Weighted score</td>
</tr>
<tr>
<td></td>
<td>+ Supplier sustainability governance and operations characteristics²</td>
<td>(Score)</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Supplier track record and outlook</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Traditional supplier track record and outlook factors</td>
<td>(Score)</td>
<td>Weighted score</td>
</tr>
</tbody>
</table>

100% “Best available” products, with the highest total weighted scores, are purchased

<table>
<thead>
<tr>
<th>% Weight</th>
<th>21st Century Evaluation Criteria</th>
<th>Score (1-5)</th>
<th>Weighted Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ : Sustainability-related criteria added to traditional criteria
² : See Sample Supplier Sustainability Criteria

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1 : See Sample Product Sustainability Criteria
POTENTIAL FIRST CANDIDATES

- **High Volume**: Purchased in significant quantities across the organization, or in high volume by one area. Length of contract.

- **Environmental risk/opportunity**: Possesses a significant environmental risk or can contribute significantly to a reduced environmental footprint in the supply chain. Area of concern aligns with company focus on material environmental issues and goals.

- **Social risk/opportunity**: Possesses a significant social risk (i.e. hazardous waste in third world countries) or can contribute significantly to improved social conditions in the supply chain (i.e. encouraging development in disadvantaged groups). Area of concern aligns with company focus on material social issues and goals.

- **Significant public profile**: High real or symbolic value with the public or other stakeholders

- **Mature market**: Proven quality and availability within the marketplace for an environmental product

- **Third-party certification**: Recognized independent certification exists for the product

TYPES OF SUPPLIERS

- Producers of Product Inputs
  - Tier 1 Suppliers
    - “Core Suppliers”
    - “Ancillary Suppliers”

- Providers of Outsourced Core Functions
  - Tier 1 Suppliers
    - “Core Suppliers”

- Producers of Manufactured Assets
  - Tier 1 Suppliers
    - “Core Suppliers”

- Producers of Ancillary Consumables
  - Tier 1 Suppliers
    - “Core Suppliers”

- Providers of Outsourced Ancillary Functions
  - Tier 1 Suppliers
    - “Core Suppliers”

- Providers of Occasional Services
  - Tier 1 Suppliers
    - “Core Suppliers”

Company Operations

Products
## Supplier Descriptions

<table>
<thead>
<tr>
<th>Type of Supplier</th>
<th>Goods and Services Procured from Suppliers</th>
</tr>
</thead>
</table>
| **Producers of Product Inputs**        | - Raw materials, subassemblies, and components that are used in core functions to produce final goods and services for the market (e.g. metals, plastics, dashboards for cars)  
- Goods used up in the core manufacturing functions but do not go into finished products (e.g. solvents, catalysts, lubricants) |
| **Providers of Outsourced Core Functions** | - Core functions that the company has outsourced / subcontracted (e.g. painting bay in a car plant, manufacturing, assembly, packaging)                                         |
| **Producers of Manufactured Assets**    | - Purchased or leased assets used by the company’s core and ancillary functions (e.g. buildings, facilities, furnishings, IT equipment, manufacturing and office equipment, company-owned vehicles) |
| **Producers of Ancillary Consumables**  | - Suppliers of goods consumed by the company in its ancillary functions (e.g. paper, office supplies, mailing supplies)                                                      |
| **Providers of Outsourced Ancillary Functions** | - Ancillary functions that the company has outsourced or subcontracted (e.g. call centers, datacenters, cafeteria services, landscaping, logistics and delivery services) |
| **Providers of Occasional Services**    | - Services that the company uses from time to time (e.g., consultants, airlines, hotels, taxis)                                                                          |