

Sustainable Procurement Toolkit

Why we need Sustainable Procurement (SP)



Based on a figure in "A Sustainable IT Purchasing Guide," HP, January 2020.

- The **urgent sustainability issues are in supply chains.**
- Businesses are now not only being held accountable for how they are addressing social and environmental issues in their own operations, but also they are being held **mutually accountable** for addressing those issues in their supply chains.
- **The buying power of companies and governments using Sustainable Procurement is a market force that incentivizes suppliers to help address these threatening sustainability issues.**
- Sustainable Procurement **rewards suppliers** who transform their business models to reduce the harm they cause, directly or indirectly, and who have positive impacts on people and the planet.
- **Sustainable Procurement makes supplier and product sustainability attributes matter.**

Definition of Sustainable Procurement (SP)

Sustainable Procurement ensures that buyers...
 ...obtain the *best value for money* when purchasing...
 ...the *most sustainable goods and services*...
 ...from the *most sustainable suppliers*...
 ...in support of the buyer's organizational *purpose and strategic goals*.

Sustainable Procurement (SP) Toolkit

These add-ons expedite the integration of core sustainable procurement elements into any current procurement system.

1. **SP Bid Appraisal Template**
Makes sustainability matter by heavily weighting the supplier score on core sustainability issues and the product score on sustainability-related specs.
2. **SP Supplier Assessment Tool**
 Scores suppliers' impacts on people and planet.
3. **SP Product Specifications Checklist**
 Specifications used to score sustainability features of the product.
4. **SP Sample Ts & Cs**
 Ensure winning suppliers' stated sustainability targets are met.

The Toolkit also includes a **Total Cost of Ownership (TCO)** calculator for use, if appropriate.

The Sustainable Procurement Toolkit is freely available from sustainabilityadvantage.com/sp/toolkit/



1. **SP Bid Appraisal Template:** Heavily weights (i.e., 10%-30% of the points) ...
 1) *suppliers'* scores on sustainability performance
 2) *products'* scores on sustainability-related specs

The weightings in the appraisal makes product sustainability-related specs and supplier sustainability performance **matter**. *This is the signature feature of a sustainable procurement system.*

% Weight (% of Points)	SP Bid Appraisal Criteria	Score (0-100%)	Weighted Score
10-30%	Supplier score on core sustainability issues	Score	Weighted score
10-30%	Product score on sustainability-related specs	Score	Weighted score
X%	Score on other product quality and performance specs	Score	Weighted score
Y%	Score on other supplier-related attributes e.g., location, size, social enterprise, ownership diversity, track record	Score	Weighted score
Z%	Price / Total Cost of Ownership (TCO)	Score	Weighted score
100%	Best value for money is the supplier's bid with the highest total weighted score		Total

The template is in the Sustainable Procurement Toolkit: sustainabilityadvantage.com/sp/toolkit/

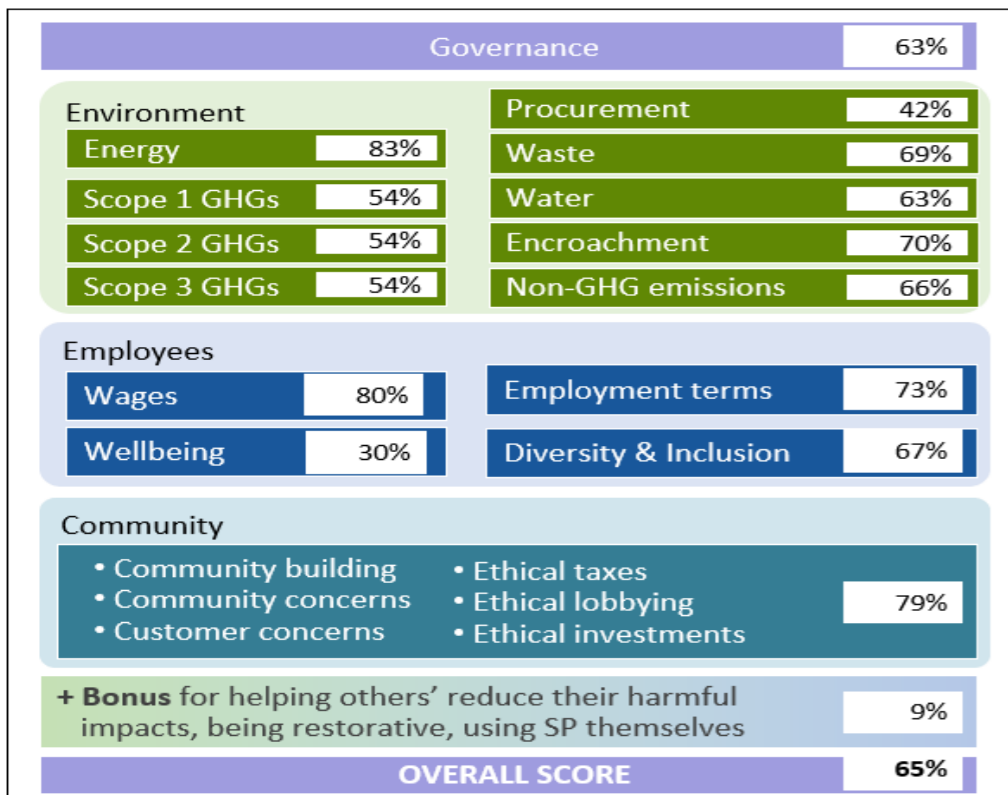
Benefits to Buyers of Sustainable Procurement

- Ensures **best value** for money ... *weights what matters most.*
- **Enabler of corporate purpose** ... uses **buying power as a market force.** for a circular, just and decarbonized economy
- **Reduces reputational risk** ... mitigates supply chain **hot-spots.**
- **Increases reputation** and **employee engagement**, if publicly disclose.
- Creates **partnership opportunities for innovation** with suppliers.
- Improves readiness for sustainable procurement **regulations.**
- **Non-disruptive integration** ... builds on current procurement systems.
- If the buyer is a government, it is acting as a **customer** vs. a regulator.

2. SP Supplier Assessment Tool: Scores suppliers' performance on core sustainability issues.

In an SP system, **all** suppliers – regardless of sector or size – **voluntarily disclose** their performance on sustainability issues. They use a consistent, reasonable, short questionnaire to self-assess their impacts on people (employees and communities) and planet, and their governance support for these efforts. e.g., the free, open-source **Basic Sustainability Assessment Tool (BSAT)**

Sample Supplier Sustainability Scores



BSAT is freely available at sustainabilityadvantage.com/assessments/bsat/

If suppliers choose not to disclose, they simply score zero and will not earn any of the points allotted to supplier sustainability (see the SP Bid Appraisal template on panel 3). **The scores become part of the supplier's profile** and can be updated at any time. New suppliers complete the assessment as part of their bids.

3. SP Product Specifications Checklist: Ensures goods and services are sustainable..

“The most sustainable products are the ones you don't buy.”

Before purchasing new goods, ask these questions:

- Is the product function still required?
- Is the current product repairable / upgradable?
- Could other in-house assets satisfy the desired function?

Sample SP product specifications

Specifications / Criteria / Eco-labels	Score
Product-as-a-Service (PaaS) or lease options	--%--
Supplier-refurbished product option	--%--
Take-back / trade-in / extended warranty options	--%--
Designed for repair, upgrades, refurbishment	--%--
Designed for disassembly and reuse of parts	--%--
% recycled, renewable, biodegradable materials	--%--
Traceability / chain of custody certifications	--%--
Harmful / toxic materials & chemicals	--%--
% recycled, biodegradable materials in packaging	--%--
% reuse & takeback of packaging	--%--
Carbon footprint of the product	--%--
GHGs from shipping / delivery	--%--
GHGs emitted during use, repair, EOL disposition	--%--
Energy efficiency ecolabel	--%--
Design for accessibility, data security, privacy	--%--
(Other ...)	--%--
Average score	--%--

4. SP Sample Ts & Cs: Contract terms and conditions that help ensure winning suppliers will mitigate their harmful impacts on people and planet.

Contracts with winning suppliers stipulate an appropriate combination of **incentives, penalties and conditions** that reinforce supplier commitment to net-zero targets.

Sample Contractual Terms and Conditions

- *Financial penalties / bonuses* re completion of the supplier's short-term harm-reduction and restorative action plans.
- *Preferential payment terms or financing rates* based on supplier and / or product sustainability scores.
- *Verification* of supplier score on the sustainability questionnaire by qualified third party. Contract termination if verified score is >10% lower.
- Suppliers must *publicly communicate* their sustainability scores and their plans to improve them.
- Requirement that suppliers require their *CEO's compensation* be linked to meeting their sustainability-related targets.
- *Contract termination* if specified sustainability targets are not met.

Based on “Reaching Net-Zero: Incentives for Supply Chain Decarbonization,” World Business Council for Sustainable Development (WBCSD) and PwC, November 2021, and The Chancery Lane Project, SME's Net-Zero Objectives clauses.

Benefits to Suppliers of Sustainable Procurement

- **Competitive advantage** ... significant points for sustainability efforts.
- **Creates a market** for their sustainable products.
- **Increases reputation** and **employee engagement**.
- Improves readiness for sustainable procurement **regulations**.
- Creates **partnership opportunities for innovation** with buyers.
- Yields a **sustainability assessment** usable with other stakeholders
- Validates that a sustainability-related **purpose drives profits**.
- Can **use SP with their suppliers**, to ensure best value for money.