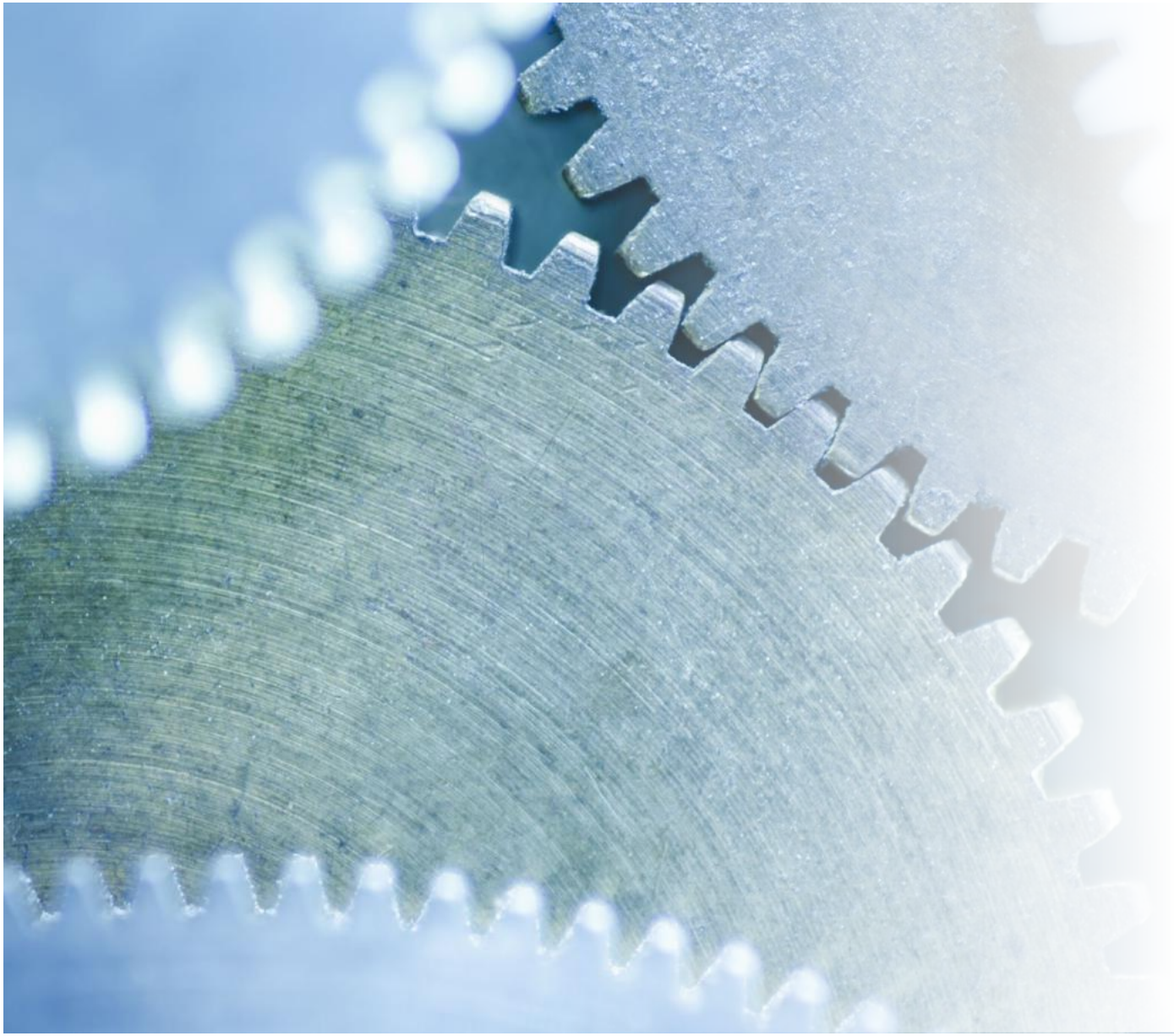

Sustainable Procurement: It’s not just about being Green

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Introduction

- What is Sustainable Procurement?
- Challenges of Sustainable Procurement
- Drivers and Benefits
- Top tips for Sustainable Procurement
- Q&A

What is Sustainable Procurement?

"*The **integration of Corporate Social Responsibility (CSR) principles** into your company's procurement processes and decisions while ensuring they still meet the requirements of your stakeholders*."

"*A **process** whereby organisations meet their needs for goods, services, works and utilities in a way that **achieves value for money** on a whole life basis in terms of **generating benefits** not only to the organisation, but also **to society and the local economy**, whilst **minimising damage to the environment***." Govt Commercial Function

What is Sustainable Procurement?

Sustainable procurement isn't just about buying 'green' products. It also includes:

- planning ahead to manage demand
- effective ongoing contract management
- dealing with supply chain risks and impacts
- thinking about whole life costs and social costs
- human rights & modern slavery

Sustainable Procurement & Sustainability

Sustainability in business generally addresses two main categories:

- The effect business has on the environment
- The effect business has on society

Sustainability Goals

Why does it matter?

Sustainable procurement supports the sustainability goals of the organisation and optimises the environmental, social, and economic impacts over the life cycle of the product or service.

Some of typical sustainable procurement practices include:

- Compliance with environmental laws and targets
- The removal of hazardous/forbidden materials and waste in the supply chain
- The thorough vetting of suppliers for fair labour practices.

Challenges of Sustainable Procurement

- Lack of Knowledge
- Few Internal Resources
- Little support or Pushback from Suppliers
- Lack of Government Funding or ‘cultural’ Support
- Perceived Higher Costs (Price)
- Difficulty accessing proper or the correct Technology
- Corporate Structure
- Supply Chain Awareness

Some Disadvantages too...

Sustainable procurement requires cooperation amongst everyone in the supply chain.

Organisations are quite resistant to change.

The initial costs of establishing sustainable procurement policies, practices and training can be very high.

Considerable resources are needed to follow legislative developments, changes, and train employees to the right standard.

Shifting to a more sustainable way requires a significant amount of preparation and education.

Drivers for Sustainable Procurement

Cost Reduction: Reductions in the total cost of ownership are linked to reduced energy costs, reduced over-specification, reduced consumption, as well as reduced social and environmental compliance costs.

Risk Reduction: Financial impact on brand value from bad supplier practices, such as child labor or local pollution and the economic costs of sustainable procurement disruptions, like non-compliance with environmental regulations.

Revenue Growth: Additional revenue through new eco-friendly products and services, price premiums, or income from recycling programs.

Benefits of
Sustainable
Procurement

Benefits of Sustainable Procurement

- Minimises risks in a company's business practices;
- Enables compliance with environmental and social legislations;
- Enhances consumer perception of the brand;
- Controls (and can decrease) costs by adopting a wider approach to whole life costing;
- Creates markets for new products and services;
- Reduces waste and improves resource efficiency;
- Provides a competitive advantage in world markets;
- Facilitates access to capital and increases valuation.

Give me some figures!

- **15-30% measurable brand value increase:** Sustainable procurement practices result in brand equity (source: World Economic Forum: Beyond Sustainable Procurement)
- **90% have lower cost of capital:** 90% of studies show that effective sustainability standards lower the cost of capital for companies (source: Oxford/Arabesque)
- **9-16% sustainable procurement cost reduction:** Sustainable procurement practices can reduce procurement costs by 9-16% (source: World Economic Forum: Beyond Sustainable Procurement)

It’s not just about us

Sustainable supply chains minimise business disruption from environmental, social, and economic impacts.

Supply chain sustainability is a solid basis from which to protect (and enhance) a company’s reputation and brand value.

Cost savings may be realised through sustainable procurement by focusing on whole life costing methods for sourcing goods and services.

More efficient and effective use of natural resources.

Encourages innovation amongst the supply chain to think of alternative ways to manage waste and add value.

Top Tips for
Sustainable
Procurement

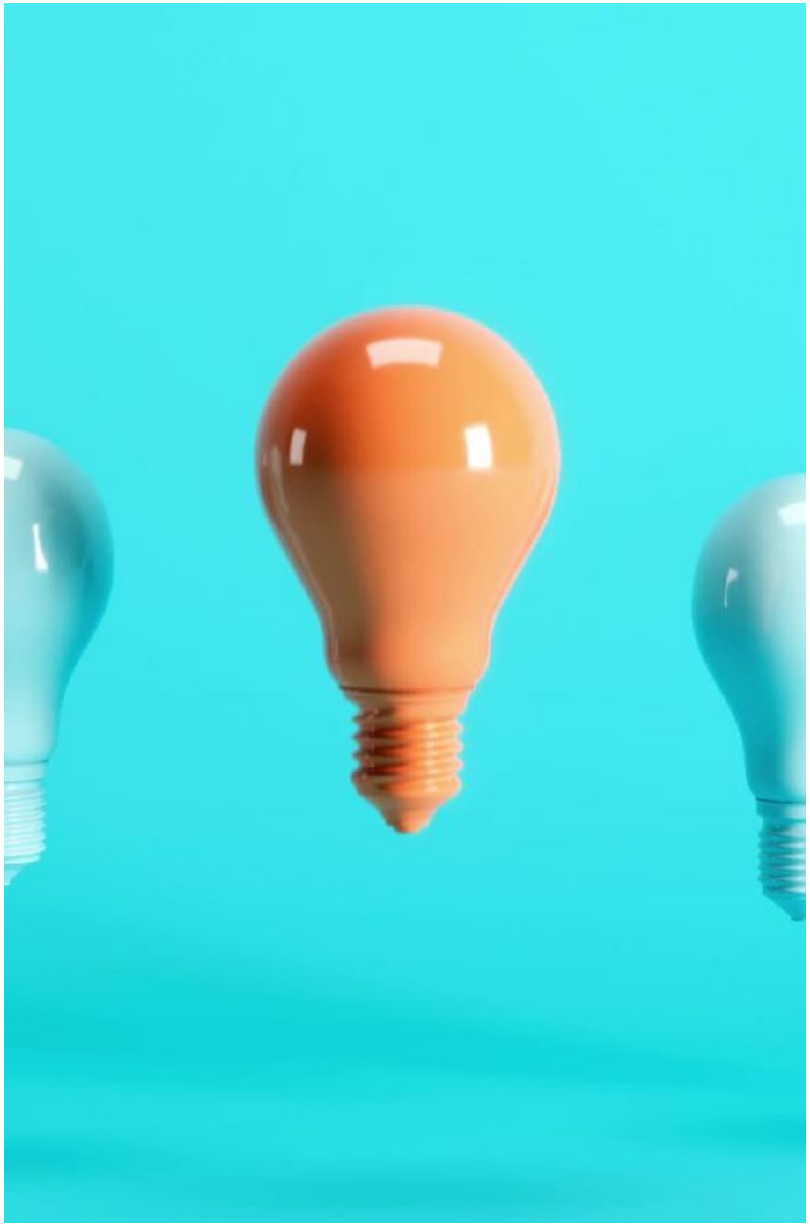
Implementing Sustainable Procurement

EVALUATE THE EXISTING SETUP

CREATE A POLICY FRAMEWORK

CREATE AWARENESS

OPTIMIZE COLLABORATION



More Top Tips.....

- Step 1 – Understand organisational objectives
- Step 2 – Engage sustainability leads
- Step 3 – Baseline your approach and capability
- Step 4 – Triage your spend categories

- Remember you cannot improve everything at once

Procurement Enablers

- Data & Transparency
- Targeted & Tailored
- Category-specific Approach
- Ask about Organisation & Product/Service data in the competitive process
- Do your suppliers have targets & reports?

Measuring Sustainability

Popular ways to measure the sustainability performance of a business:

- Process-based or initiative-based sustainability assessments;
- Carbon footprint-based sustainability assessments;
- Balanced Scorecard measuring the 3 R's (Recycle, Reuse and Reduce)

Sustainable Sourcing Strategies

Communicate, Co-operate.....

- Set supplier engagement targets
- Develop training on data collection
- Specify required data and share knowledge
- Communicate organisational targets
- Showcase ‘best practice’ examples
- Provide feedback

Sustainable Procurement with a BIG impact!

You’re now equipped with some awareness and understanding that can help you create a more sustainable business.

Don’t worry if results don’t come immediately; the road to 100 percent sustainability is long and may require testing a few different approaches.

Q&A

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