Guide for Sustainable Procurement

- Sustainable Procurement and Key Roles
- Guide to Sustainable Procurement – Key Components
- Guide for Embedding Sustainability into Procurement
- Embedding Sustainability into Procurement – Case Studies
- Companies’ Guide for Sustainable Procurement
Sustainable Procurement and Key Roles

Procurement can be made sustainable by factoring in environmental, social and economical factors

- Sustainable procurement is a process that assimilates sustainability considerations throughout the procurement process, in order to achieve an optimal (long term) development objective; it is considered ‘smart’ procurement as it leverages the 3-dimensional life cycle approach as opposed to the traditional 1-dimensional approach (economics-focussed)
- It optimises strategic procurement practices with the objective to maximise net benefits for the company

Key Roles and Responsibilities of Sustainable Procurement Department

The sustainable procurement department has the following key roles and responsibilities:

- To encourage budget holders/internal clients to choose sustainable solutions
- To provide support for policy framework, knowledge and capacity
- To provide information monitoring support on sustainable procurement
- To inform public management on the risks associated with sustainable procurement
- To advise budget holders to create tangible benefits with sustainable procurement
- To evaluate long-term savings
- To keep procurement officers informed about SPP

Sustainable Procurement Hierarchy

- Rethink Need
  - Rethink purchase or procure custom services instead of product if possible
- Reduce
  - Minimise the material consumption
- Reuse
  - Conserve energy by reusing the products
- Recycle
  - Explore the possibilities to recycle the product
- Recover
  - Recover useful goods from waste/discard products

Source: ‘Guidance on Sustainable Procurement’, World Bank (April 2019); Improbio Database; Publicly available data
Supplier involvement in sustainable procurement process is a key success factor that contributes to effective and eco-friendly procurement

**Guide to Sustainable Procurement – Key Components**

1. **Align sustainable procurement with company’s vision**
   - Ensure that the procurement strategy is aligned with the company's mission and vision; it can help to generate greater value for a simple procurement

2. **Institute sustainable procurement policies**
   - Understand and implement sustainable procurement policies to foster innovative thinking for achieving effective procurement

3. **Create a sustainable supplier roadmap**
   - Categorise the suppliers on the basis of their level of influence on the company from both risks and opportunities perspectives; a supplier with a better influence will provide long term benefits

4. **Include suppliers in sustainable procurement process**
   - Include suppliers while setting up SPP; this will help both the parties in leveraging each other's network and knowledge and, provide further cost savings

5. **Document baseline performance**
   - Assess the current level of SPP followed by suppliers, in order to develop goals and strategies for improvement

6. **Training and capacity building**
   - Ensure adequate knowledge dissemination and training to suppliers on sustainable procurement; focus on the future benefits of implementing SPP

7. **Monitor and measure supplier performance**
   - Establish an ongoing measurement process with suppliers to track their sustainability results and maintain a scorecard to clearly set expectations

Source: Association for Supply Chain Management; Publicly available data
Identifying a sustainable alternative – reuse or recycle – during business need identification is key to sustainable procurement

Guide for Embedding Sustainability into Procurement

Sustainable Procurement at Each Stage of the Procurement Process

1. Identify the business need
   Determine if there is need for goods or services, and accordingly assess the environmental and social impact and associated risks; during procurement, identify sustainable alternatives for purchasing (reuse, recycle, etc.)

2. Conduct a risk assessment
   Assess risk based on the environmental and social impact of the procurement, identified in the first stage

3. Seek alternative solutions
   Consider alternative approaches that have lower environmental and social impact, such as reusing or refurbishing existing goods, hiring or developing emerging technologies; include sustainability clauses while finalising the contract

4. Evaluate alternative solutions
   Evaluate potential suppliers assess them against the sustainability aspects; it is also important to assess the overall cost (use, maintenance and disposal) of the product/service and compare with the expected future benefits

5. Award the contract
   Seek documentation that provides proof of focus on sustainability (associated with goods/services) before awarding the contract to the supplier; also ensure that environmental and social factors are stated in the contract

6. Ongoing management of contract
   Contract managers should keep track of progress on environmental and social performance, as well as benchmark suppliers against KPIs; they should encourage continuous improvement and innovation in sustainability

7. Disposal of goods
   Dispose of the product in the most environment-friendly manner using various ways, such as kerbside collection, recycle or product take-back scheme

Source: Department of Agriculture, Water and the Environment, Government of Australia; New Zealand Government Procurement and Property (NZGPP); Publicly available data
## Embedding Sustainability into Procurement – Case Studies

### Dell developed a computer with ‘certified closed-loop recycled plastics’, resulting in annual cost savings of $1.3 million

<table>
<thead>
<tr>
<th>Company</th>
<th>Background/Challenge</th>
<th>Modifications/Improvement Process</th>
<th>Benefits</th>
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</table>
| **Erasmus MC** *(Netherlands)* | • Medical centre (MC) cleans 70,000 beds each year, a process that used to be highly energy- and water-intensive  
  • The centre is targeting to reduce its carbon footprints by curtailing its energy use by 20% in 2020 | • It adopted the ‘forward commitment procurement’ method to deliver cost-effective environmental products and services; during the competitive dialogue phase, companies were informed of numerous ‘unmet needs’ (including substantial carbon footprint reduction)  
  • The procurement process of the washing system took 1.5 years; it took another 2.5 years to develop and install it | • The company procured 2 bed washing machines from IMS Medical, resulting in a 65% reduction in CO₂ emissions and 17x cleaner beds; the system uses ~80% less water |
| **Emirates National Oil Company (ENOC)** | • As a leading integrated global oil & gas player, the company wanted a cultural change in terms of sustainability  
  • It wanted to take a step towards providing more sustainable and cleaner fuel for customers | • It established a Group Sustainability Office (GSO) in 2016, and all issues related to sustainability performance were aligned with the GSO mandate  
  • It also set up a team for Green Procurement Practices to support Green Public Procurement (GPP); it was one of the first companies to have the position of ‘Green Procurement Officer’ to advise all the departments on green purchasing | • It introduced a new KPI in the scorecard (Group Sustainability Index) for all the corporate functions and business units  
  • A new Sustainability Leadership Committee (SLC), led by the Group CEO, was established to advise and assist the ENOC Board |
| **Dell Technologies** | • Dell aimed to reduce its carbon footprint and develop a more sustainable supply chain  
  • It wanted to move towards a circular economy for technology with real benefits for customers and the environment | • Old computers were collected through ‘Dell Reconnect Partnership’ and ‘Asset Resale-Recycling Services’ in the US; plastics were separated, melted and mixed with virgin plastics that are used to manufacture new computers  
  • Closed-loop plastics are used in parts for more than 90 different products, reducing the procurement volumes of virgin plastics for the company | • The closed-loop process delivered the same quality and a less expensive, energy-efficient product made from recycled content  
  • It yielded a benefit of 44% (worth $1.3 million annually) compared with procurement of virgin plastics |

Source: ENOC website; Dell Technologies website; HCWH Europe; Publicly available data
Companies promote SPP to achieve environmental and social benefits, as well as economic advantages for the firm

Guide for Sustainable Procurement by Various Companies

- **Deloitte**
  - Its sustainable procurement policy is focused on identifying and managing environmental, social and economic impacts within its supply chain
  - It prefers suppliers with a sustainable approach that will benefit the environment and society, and drive economic growth

- **Costain**
  - Costain adopts best practices to ensure sustainable procurement of products and materials
  - Its key objective pertains to sustainable practices, ethical management, local enterprise inclusion and environmental sustainability

- **Indaver**
  - Indaver’s sustainable procurement policy emphasises on promotion of local suppliers and continuous improvement in sustainable practices
  - The company is committed to follow a responsible supply chain management

- **Aegon**
  - The aim of the company’s sustainable procurement policy is to identify and manage the most material business conduct and assess social and environmental risks associated with procurement; it also strives to create a constructive relationship between the company, its suppliers and the society

- **Hewlett-Packard**
  - HP’s sustainable procurement guide intends to highlight opportunities to improvise SPP and make better purchasing decisions specific to IT procurement

Source: Company websites
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