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Foreword

Publishing information

This British Standard is published by BSI and came into effect on 31 August 2010. It was prepared by Technical Committee SDS/1, *Sustainable Development Co-ordination Committee*. A list of organizations represented on this committee can be obtained on request to its secretary.

In particular, BSI would like to thank Defra for its support during the drafting process, which enabled the rapid development of this standard.

Relationship with other publications

This standard is in a series of "daughter" standards of BS 8900, *Guidance for managing sustainable development*.

As a derivative of BS 8900, this standard has been written in such a way as to reflect the spirit of BS 8900. Consequently the principles described in the standard are designed to be compatible with BS 8900.

Information about this document

As a guide, this British Standard takes the form of guidance and recommendations. It should not be quoted as if it were a specification or a code of practice and claims of compliance cannot be made to it.

Contractual and legal considerations

This publication does not purport to include all the necessary provisions of a contract. Users are responsible for its correct application.

Compliance with a British Standard cannot confer immunity from legal obligations.

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Section 1: General

0 Introduction

0.1 General

BS 8903 is a "daughter" standard of BS 8900, which defines sustainable development as:

an enduring, balanced approach to economic activity, environmental responsibility and social progress.

This British Standard is intended to help organizations and individuals consider and implement sustainable practices within their procurement processes, and ongoing management of their respective supply chains.

Sustainable procurement means only purchasing goods that are really needed, and buying items or services whose production, use and disposal both minimize negative impacts and encourage positive outcomes for the environment, economy and society.

This standard aims to provide guidance to a broad range of organizations, of differing sizes and with various levels of experience of sustainable procurement. Starting with smaller, quick win type initiatives can be a good way for organizations new to sustainable procurement to gain relevant experience and confidence.

0.2 Overview

This standard is divided into two areas.

a) What is sustainable procurement and why procure sustainably? Clause **3** defines sustainable procurement, identifies the overarching principles and makes the overall business case for sustainable procurement.

b) How to procure sustainably? This section forms the majority of the standard and Figure 1 provides a pictorial overview of the key elements which are classified as "fundamentals", "procurement process" and "enablers".

- Fundamentals.

  Clause **4** and Clause **5** outline the higher level organizational and procurement policies and strategy that provide the strategic context to support sustainable procurement practices.

- Procurement process.

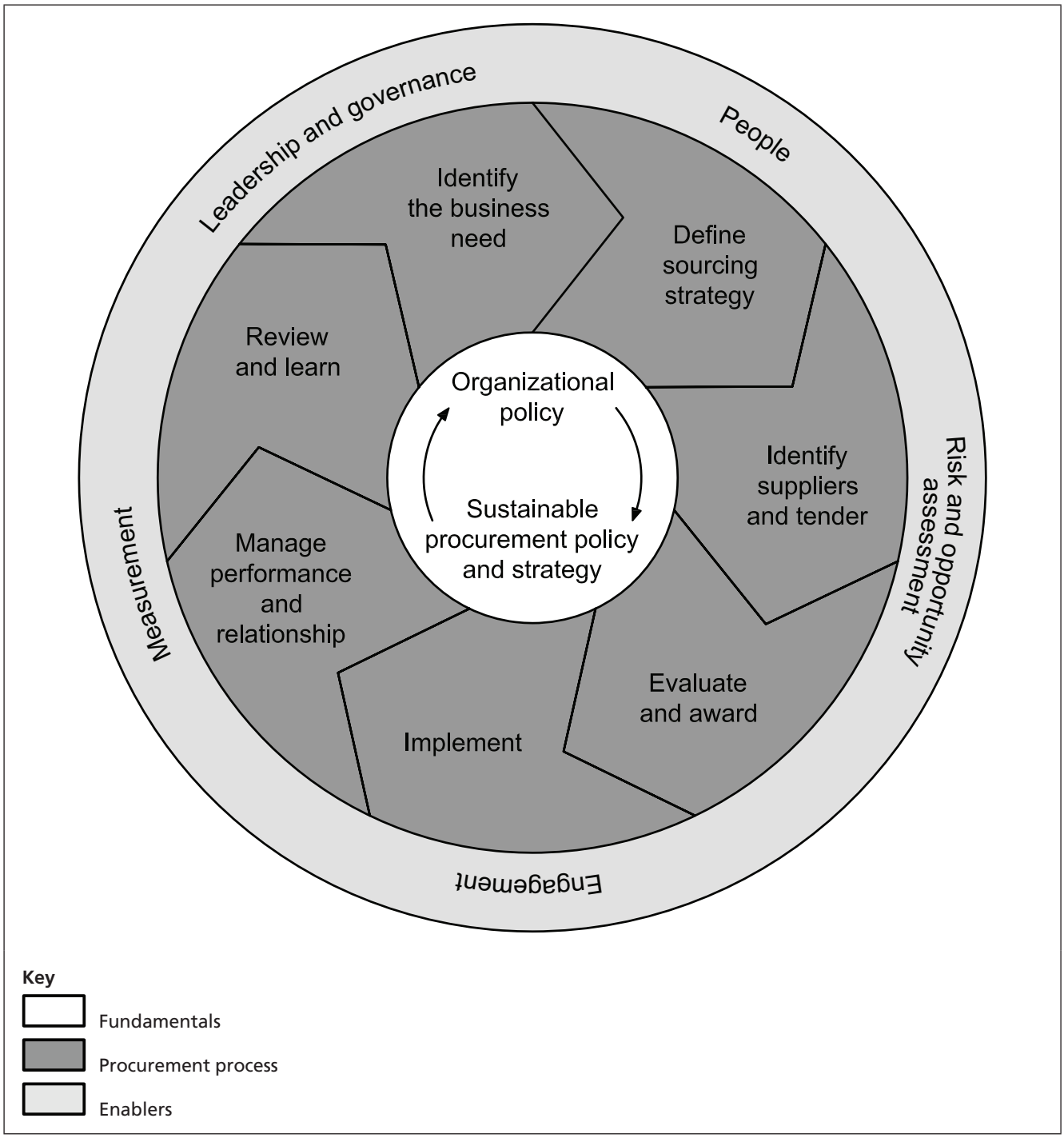
  Clause **6** provides an overview of a typical procurement process and identifies the sustainability considerations and activities that ought to be addressed across various points within this process. This process is generic and scaleable so it can be tailored and adopted for relatively straightforward purchases through to complex procurement projects. Case studies and generic examples have been incorporated throughout to support implementation and adoption of these considerations.

- Enablers.

  Clause **7** to Clause **11** describe sustainable procurement "enablers". These include ways of working, competencies, practices and techniques that ought to be in place and

used by buyers on an ongoing or periodic basis to support procurement activity. Many of these mirror the basics of good procurement, e.g. risk management and development activity, but in this standard they are solely being examined from a sustainable procurement perspective.

Figure 1 **Sustainable procurement process overview**



This standard is closely aligned to the five themes outlined within the Flexible Framework, which was developed by the Government's Sustainable Procurement Task Force in 2006. This tool is a maturity matrix which enables organizations to assess their sustainable procurement practices using five levels, from level 1, "Foundation", through to level 5, "Lead".

Table 1 shows how the clauses within this British Standard relate to the five themes of the Flexible Framework.

NOTE For more information on the Flexible Framework, see www.defra.gov.uk.

Table 1 **Relationship between BS 8903 and the UK Government's Flexible Framework**

Flexible Framework theme	**BS 8903**
People	Clause **8**, People
Policy, Strategy and Communications	Clause **4**, Organizational policy Clause **5**, Sustainable procurement policy and strategy Clause **7**, Leadership and governance
Procurement Process	Clause **6**, Sustainability considerations within the procurement process Clause **9**, Risk and opportunity assessment (for sustainability risk assessment and prioritization)
Engaging Suppliers	Clause **9**, Risk and opportunity assessment (for identification of high sustainability impact suppliers/risk assessment and prioritization) Clause **10**, Engagement
Measurement and Results	Clause **11**, Measurement **6.7**, Manage performance and relationship

Implementation of the guidance and tools outlined in this British Standard ought to be prioritized so that sustainability work is taken forward in a way that is both relevant and proportional to the procurement under consideration, based on the scope to provide a benefit. The extent to which the principles of sustainable procurement (see **3.2**) are applied also depends on an organization's strategic priorities and other external requirements. For example, public sector and utility sector buyers comply with EU Procurement Directives [1] [2] and the Regulations that implement them in the UK [3] [4] and are advised to check before following any recommendations in this British Standard.

NOTE See Annex A for further information on public procurement.

1 Scope

This British Standard gives recommendations and guidance on how to adopt and embed sustainable procurement principles and practices across an organization and its respective supply chains and provides practical information to support implementation. It includes guidance on measurement to help organizations assess the extent and effectiveness of their sustainable procurement activity.

The principles set out in this guide are applicable to both public and private sector organizations. However, public sector buyers comply with EU Procurement Directives [1][2] (and the Regulations that implement them in the UK [3] [4]). The EU has requirements with regard to public procurement and what can be considered throughout the qualification, tender and contracting process. It is advisable that proper legal advice always be sought. This guide provides information which is likely to be useful to public procurement but it ought to be read in conjunction with the latest Directives, Regulations and

government policy. The Office of Government Commerce (OGC) also provides guidance for public sector buyers.

NOTE See Annex A for further information and reference material.

This British Standard gives detailed guidance across all stages of the procurement process and is applicable:

- to individuals and small and large organizations responsible for commissioning or procuring any form of goods, works or services regardless of sector, for own use, resale or to support service provision;
- across the public sector, private sector and third sector;
- across the whole procurement cycle including one-time purchases to ongoing contracts with long-term supplier partners;
- to individuals and organizations with sole responsibility for their purchasing needs and third parties contracted to provide outsourced procurement solutions.

2 Terms and definitions

For the purposes of this British Standard, the following terms and definitions apply.

2.1 carbon footprint
measure of the total carbon dioxide equivalent emitted over a defined portion of the life cycle of a product or activity

NOTE 1 A stated carbon footprint has to be accompanied by a definition of the portion of the life cycle (i.e. which stages of manufacture, use and end-of-life) and the assumptions made in its calculation.

NOTE 2 Carbon dioxide equivalent is a measure used to compare the emissions from various greenhouse gases based upon their global warming potential.

[BS 8887-2:2009]

2.2 embedded impacts
environmental impacts arising from the sourcing, extraction, manufacture, marketing, supply and installation to the point of use of goods, works or services

NOTE For the purposes of this standard, this does not include social and economic impacts, but relates to impacts from any raw material extraction, to transport, manufacturing, assembly, installation and end-of-life management.

2.3 gateway review
stakeholder review point in a project or process to measure progress against plan, to ensure process integrity, to review risks and opportunities, and to ensure that targeted deliverables are on course to be met

NOTE Gateway reviews can help improve stakeholder buy-in. They are also known as "project reviews" or "phase reviews".

2.4 performance indicator
pre-agreed measurements (quantitative or qualitative) of performance against the objectives of an organization

[BS 8901:2009, modified]

2.5 management system
framework of processes and procedures used to ensure that an organization can fulfil all tasks required to achieve its objectives

2.6 maturity matrix
tool with which organizations can assess, plan and monitor progress against key themes when implementing sustainability into their procurement process

*NOTE In this British Standard, the Flexible Framework is referred to as a useful maturity matrix for sustainable procurement [see Clause **11**]. See BS 8900 for information on developing and maintaining a different maturity matrix which is unique to each organization, based on the sustainable development principles of inclusivity, integrity, stewardship and transparency.*

2.7 objective
intended outcome of a strategy

[BS 8901:2009]

2.8 organization
commercial, public sector or voluntary body or individual that takes responsibility for sustainable procurement

2.9 procure
process of acquiring goods, works and services from suppliers (internal or external)

NOTE The procurement process spans the whole cycle from identification of needs through to the end of a services contract or the end of the life of an asset, including disposal.

2.10 stakeholder
individual or group concerned with or affected by an organization's procurement and/or its sustainability

2.11 supplier
organization providing goods, works or services

2.12 supply chain
network of suppliers, including subcontractors

[BS 8901:2009]

2.13 sustainable development
enduring, balanced approach to economic activity, environmental responsibility and social progress

[BS 8900:2006]

2.14 sustainability
degree of sustainable development in the context of the organization

NOTE That is, the level of success in providing an enduring, balanced approach to economic activity, environmental responsibility and social progress.

[BS 8901:2009, modified]

3 What is sustainable procurement?

3.1 General

Procuring sustainably allows organizations to 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 organization, but also to society and the economy, whilst minimizing damage to the environment.

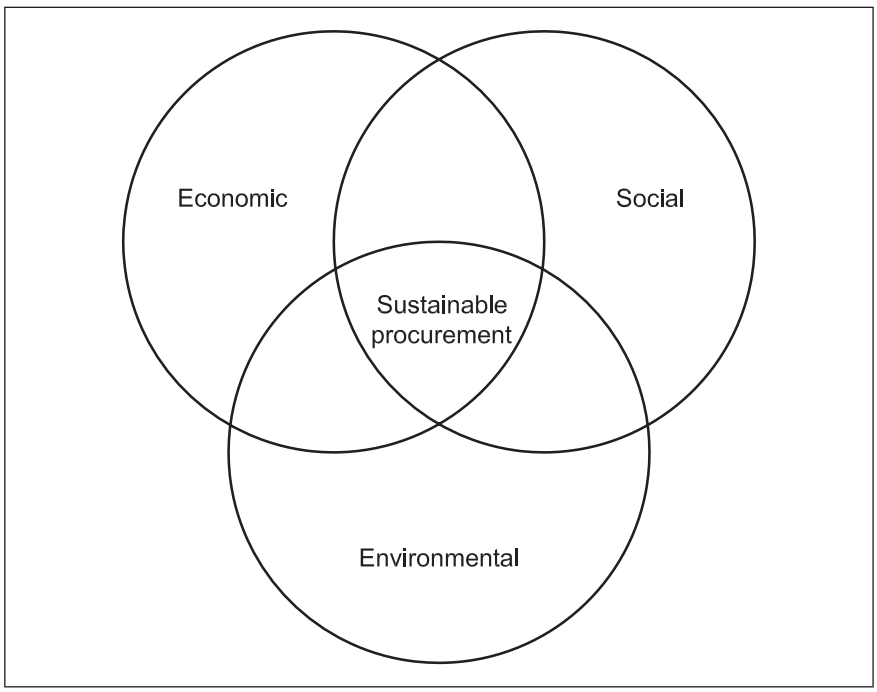
Sustainable procurement should consider the environmental, social and economic consequences of:

- design;
- non-renewable material use;
- manufacture and production methods;
- logistics;
- service delivery;
- use;
- operation;
- maintenance;
- reuse;
- recycling options;
- disposal;
- suppliers' capabilities to address these consequences throughout the supply chain.

NOTE 1 This list is taken from Procuring the Future [5].

Figure 2 shows how sustainable procurement attempts to find the best balance between these three elements (environmental, social and economic).

Figure 2 **Balancing sustainable procurement objectives**



Sustainable procurement is good procurement and should not be viewed as an abstract, idealistic goal but as a practical and achievable objective for all organizations, large and small.

The approach described in this guide requires a set of skills that have traditionally been common to good procurement practice, including negotiation, influencing, communication and analysis.

When integrating sustainability into the procurement process, four key aims should be addressed:

- minimizing demand for resources (e.g. by reducing purchases, using resource-efficient products, considering end of life, etc.);
- minimizing any negative impacts of goods, works or services across their life cycle and through the supply chain (e.g. impacts on health, air quality, etc.);
- ensuring that fair contract prices and terms are applied and respected and that minimum ethical, human rights and employment standards are met;
- providing opportunities for small and medium businesses, voluntary sector organizations and also supporting jobs, diversity, training and skills development.

Table 2 outlines some of the key sustainability issues that sustainable procurement practices try to address.

NOTE 2 This table is not an exhaustive list.

Table 2 **Examples of key sustainability issues**

Environmental issues	Social issues	Economic issues
Emissions to air (e.g. greenhouse gases, such as carbon dioxide, and other pollutants). Releases to water (e.g. chemical pollution of water courses). Releases to land (e.g. chemical fertilizers). Use of raw materials and natural resources (e.g. sustainable forestry, biodiversity). Use of energy (e.g. energy efficiency, renewables). Energy emitted (e.g. heat, radiation, vibration, noise). Waste and by-products (e.g. recycling and waste prevention).	Encouraging a diverse base of suppliers (e.g. minority or under-represented suppliers). Promoting fair employment practices (e.g. fair wages, workforce equality, diversity, avoidance of bonded labour). Promoting workforce welfare (e.g. health and safety, trade union membership). Enabling training opportunities and skills development (e.g. apprenticeships). Community benefits (e.g. supporting community groups, volunteering). Fair trade and ethical sourcing practices (e.g. fair pricing policies).	Job creation (e.g. green technologies, creating markets for recycled products, back to work schemes). Understanding whole life costs to achieve value for money. Supporting small and medium enterprises (SMEs) (e.g. facilitating opportunities for small businesses). Reducing entry barriers (e.g. facilitating open competition). Ensuring operating business remains a viable operation able to provide employment. Ensuring suppliers' agreements are at fair and viable margins. Ensuring business continuity (e.g. supply chain resilience).

Depending on the nature of the business and its associated drivers, organizations might not give equal weight to these three elements. This guidance is intended to help organizations prioritize their activity. Even the smallest companies have environmental and economic impacts and can offer some support to social issues such as supporting local community projects or offering apprenticeships.

3.2 Sustainable procurement principles

Sustainable procurement should be based on the following set of principles and values.

- A sound approach: sustainable procurement is good procurement, based on fairness, openness and transparency, non-discrimination and competition.
- An ethical approach: sustainable procurement should ensure integrity, encourage diversity and avoid corruption, for example by ensuring activities comply with International Labour Organization Standards for pay and working conditions across the supply chain. This means organizations have an obligation to act ethically and responsibly and look beyond pure economic gain.
- A holistic approach: sustainable procurement should consider the effects of procurement decisions on quality of life, the environment and society in general. This also means taking into account the impacts at local, national and international level and requires the whole organization to take responsibility for decision making and outcomes.
- A risk/opportunity based approach: sustainable procurement should adopt an ongoing process of continual improvement. This means using risk and opportunity assessment to identify and address impacts and solutions at all stages of the product life cycle. Actions should be prioritized in relation to the greatest risks and greatest opportunities.
- Leadership: senior level leadership is needed for success although this can come from all levels within an organization in the form of champions. Buyers should adopt leadership qualities to help build capacity and competence within supply chains and the market place.
- Delivery of organizational objectives: sustainable procurement can deliver against a wide range of objectives beyond financial and efficiency savings, from CO_2 emissions savings to innovation strategies.

3.3 Why procure sustainably?

Seeking sustainability throughout the supply chain should not be considered as an optional extra and should be embedded in all purchasing decision making. Beyond legislative requirements, there are many reasons for doing this but they can be summarized by five key business drivers.

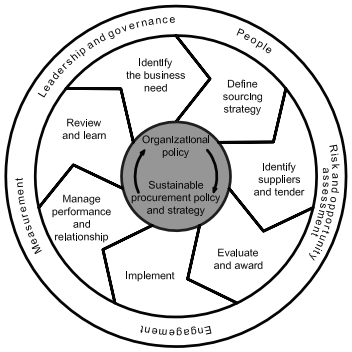
- *Financial drivers* include delivering operational cost savings through more efficient goods, works and services; challenging demand at source; reducing end-of-life disposal costs; driving efficiency in the supply chain; and developing market capacity, innovation and competitiveness. Some products that at first might appear more expensive are, on more detailed analysis, cheaper over the whole life of the product.
- *Risk*, which includes (amongst other types of risk) legal risks, financial liabilities, moral/ethical risks, security of supply risks, price volatility risks and risks to reputation and licence to operate (regulatory or social). All significant sustainability impacts should

be identified and addressed as part of any comprehensive risk management strategy. (See Clause **9** for guidance on risk management.)

- *Organizational policy commitments and targets* are an expression of the culture, values and business ethos by which an organization operates. This should be supported by procurement and reflected in procurement policy, strategy objectives, business practice and decision making. Examples of policy commitments might include carbon reduction, innovation, supply chain engagement, etc.
- *Stakeholder expectations and awareness* are increasing, which is putting greater pressure on organizations to consider the environmental and social aspects of business and to implement sustainable initiatives. Organizations should recognize the need to foster stakeholder goodwill and proactively and effectively address expectations and concerns.
- *Marketing* is a driver about procuring goods, works and services with enhanced environmental or social credentials to either:
  a) drive more sales, e.g. ethical/fairly traded goods, works and services which target niche markets that exist for certain products;
  b) derive positive image for the organization, help the organization differentiate itself, build competitive advantage and attract and retain the best talent.

Documenting this develops a clear organizational business case for sustainable procurement, which in turn supports effective and consistent communication to key internal and external stakeholders. It also helps to inform the development of policy, strategy, action plans and initiatives, as well as providing a reference point against which actual outcomes can be compared.

Section 2: Fundamentals



4 Organizational policy

NOTE The terms "policy" and "strategy" are used in various ways by different organizations. For the purposes of this guide, a policy contains the overarching principles and aims of an organization, while a strategy defines the objectives based on that policy. However, some organizations (particularly in the public sector) might use the terms in the opposite sense. For public sector buyers, the Cabinet Office offers guidance on strategy and policy in government (www.cabinetoffice.gov.uk).

A clear organizational policy and/or strategy should be in place that outlines at the highest level the sustainable business challenges relevant to the particular sector and organization. Policy is an expression of the culture, values and business ethos by which an organization operates. It forms the foundation of an organization's sustainable business practices and helps align primary purpose with related sustainable development activities and aspirations.

An organization's use of policy and/or strategy in this instance is flexible. However, in whatever form, it should be written and communicated across the organization and externally. It should provide clear guidance to all stakeholders and should be reflected in departmental level strategic objectives and/or sustainability policies. This helps ensure that sustainable development issues are fully aligned and incorporated throughout the organization at all levels.

Any good policy should be developed in close consultation with internal stakeholders and should not be limited to a top down approach. Organizational policy can be initiated and delivered through procurement. For example, signals from the supply chain or benchmarking peer organizations' sustainable procurement practices might result in an organization reassessing its own goals. However, to be successful, any policy requires senior level endorsement and buy-in throughout the organization.

5 Sustainable procurement policy and strategy

5.1 Procurement policy

The sustainable procurement policy should be clearly aligned to the wider organizational policy or strategy for sustainability development, which should provide the foundation within which the whole of the procurement activity operates. It does not have to be a standalone document; it can be part of a general procurement or organizational sustainability policy (or both). Often, the sustainable procurement policy merges into the procurement policy over time as sustainable development becomes recognized and embedded into the organization's ethos.

This policy should be aligned with the organizational drivers for sustainable procurement and an initial high level sustainable procurement risk and opportunity assessment should be undertaken to identify the core issues and opportunities (see Table 2 for examples

of key sustainability issues). These should inform the policy and enable associated strategy objectives to be identified and prioritized.

*NOTE 1 See Clause **9** for more detail on how to complete a risk and opportunity assessment.*

A good (sustainable) procurement policy statement should:

- reflect the organizational values, scope and business ethos and include a commitment to continual improvement;
- be informed by a comprehensive risk and opportunity assessment and be appropriate to the nature and scale of the sustainability impacts associated with the organization's activities, products and services;
- be clear, concise and well-documented;
- be endorsed by senior management;
- be communicated widely, including to all staff, key suppliers and other key stakeholders at the most appropriate time;
- capture all three pillars of sustainability, i.e. the economic, social and environmental considerations.

NOTE 2 A lot of organizations publish their policies online. An internet search for some examples might help inform an organization on what might or might not be appropriate for its own policy.

5.2 Strategy

A sustainable procurement strategy with defined objectives and based on the sustainable procurement policy should be in place. These objectives should be outcome focused and should clearly identify measurable deliverables. Strategy might also cover risk, process integration, talent/people, communications, supplier engagement, new technologies and innovation. For example, the strategy might recognize the potential of more sustainable technologies and be focused on using buying power to drive innovation in design, construction, manufacture and/or delivery of goods, works and services. Table 2 might help organizations identify and prioritize some key issues to be addressed.

Some organizations might not separate sustainable procurement policy and strategy; it is typically in line with company size, sector and operations. The organization should ensure that the sustainability objectives, priorities and deliverables are clearly communicated to staff and stakeholders.

Strategy in this section is used in its broadest sense. It does not have to be long or complex, but should be a written plan outlining how an organization's sustainable intentions or policy can be delivered. This should outline the key objectives and targets and include a basic work plan.

A deep understanding of risk and opportunity is also needed to develop an appropriate strategy and set clear objectives. The first requirement is to identify those risks and opportunities and to gain some idea of their size. Organizations need to deal with sustainability risks and opportunities that are important to them at the point in their supply chain where it can make the most difference and set their strategic objectives accordingly.

NOTE 1 Generally, the greater the risk or impact, the further down the supply chain an organization will have to go to manage or mitigate it.

This approach helps clarify the scope and reach of sustainable procurement objectives, which fall into three broad categories.

- Benefit realization. These objectives focus on using procurement influence and decisions to achieve a positive change (or impact) in an identified area. These objectives tend to be driven by financial benefits, sales and marketing targets or corporate values and political targets. For example, reducing carbon emissions, reducing waste to landfill, improving social diversity in the supply chain, etc.
- Risk mitigation. These objectives focus on using procurement influence and decisions to mitigate identified risks (e.g. legal, financial, moral, security of supply). These objectives are often reputation driven. For example, detecting and preventing inappropriate labour standards, pollution incidents or other things suppliers might do which could damage an organization's reputation, leading to loss of revenue, cost, litigation or loss of shareholder confidence.
- Supporting competitive strategy. These objectives tend to be driven by opportunity and the integration of sustainability into the organization's pursuit of competitive advantage. For example, creating new green or ethical products for the marketplace which requires collaboration with suppliers. Procuring sustainably could provide access to previously unavailable markets in both the public and private sectors.

The example here demonstrates how an organization, having identified its key sustainability issues and opportunities, has provided a clear direction for its purchasing department, enabling relevant and aligned purchasing strategic objectives to be set.

EXAMPLE

A high street retailer has clearly stated its sustainable business intentions and it launched an organization-wide strategy in 2007 setting out 100 commitments on the most important social, environmental and ethical challenges facing the business. These commitments are centred around five key impacts, and demonstrate a clear strategic direction for buyers and their corresponding supply chains.

- Climate change: the organization intends to make all operations in the UK and Republic of Ireland carbon neutral by 2012 and to reduce supplier emissions.
- Waste: the organization has made a commitment to stop sending waste to landfill from the UK and Republic of Ireland and to reduce use of packaging and carrier bags.
- Sustainable raw materials: the organization has made a commitment to ensure key raw materials come from the most sustainable sources available.
- Fair partner: the organization has made a commitment to improve the lives of thousands of people within its supply chains and local communities.
- People: the organization has made a commitment to develop and reward staff retaining the organization's reputation as a supplier of choice.

Measurement criteria, methodology and performance indicators should also be agreed to enable progress to be assessed and success demonstrated. Typically, two types of indicator are used.

- Management performance indicators, which provide information on an organization's capability and efforts in managing sustainability within its operations. These tend to reflect practices such as percentage of staff trained, or number of contracts with sustainability criteria included.
- Operational indicators tend to be more focused on the actual outcomes of sustainable initiatives, for example, actual reduction in waste sent to landfill or reduction in carbon emissions, use of recycled content, number of apprenticeships created, number of SME suppliers, etc.

If carbon reduction forms part of an organization's strategy, possible performance indicators could be:

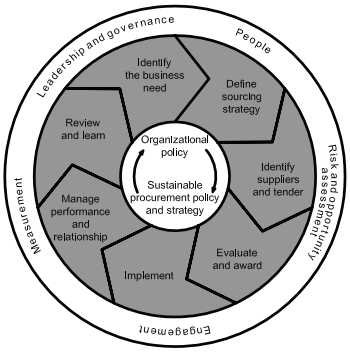
- percentage reduction in energy usage for office/operation/facilities management contract;
- percentage increase in energy efficiency per m^2;
- percentage reduction in CO_2 emissions for top 30 suppliers.

Defined targets for each objective should be set. For example, if an objective is to reduce CO_2 emissions for the top 30 suppliers, a target figure might be 10% reduction over five years.

NOTE 2 Public sector organizations are advised to check the latest Directives [1] [2], Regulations [3] [4] and government policy. If a public sector organization had a target on its top 30 suppliers to reduce emissions, it might have to be on a voluntary basis only.

A good strategy should have clear and measureable delivery plans over the medium term (e.g. three to five years), outlining ownership and responsibilities, internal and external resource requirements, measurement and evaluation procedures. It should also be clear how procurement strategy integrates with other departmental strategies. For example, a carbon reduction strategy might well span all departments, so it is key to align the approach and how it should be tackled across the complete supply chain.

Section 3: The procurement process



6 Sustainability considerations within the procurement process

6.1 General

The organizational policy and sustainable procurement policy and strategy outlined in Clause **4** and Clause **5** have been described as "fundamentals". These should provide the strategic direction which informs and guides all subsequent purchasing activity.

Clause **6** examines the procurement process. However, it discusses only the sustainability considerations that should be addressed across the various stages of a typical procurement process. It does not attempt to detail all aspects of a robust procurement process or cover all tools and techniques associated with a full category management process. Nor does it attempt to address the rules of the public sector whilst working within their own legal and policy obligations. If public sector buyers use this guide, they should do so in conjunction with the relevant guidance and reference material. See Annex A for further information.

However, this clause does outline the key stages followed when procuring typical goods, works and services. The scale and complexity of requirements vary and as such, a buyer may choose to adopt a complete and detailed approach or, for a relatively simple, non-strategic good, work or service, a more streamlined version. Irrespective of this choice, sustainability considerations should be addressed at each relevant stage.

It is important to note that if an organization does not have an effective procurement process in place, this guidance is unlikely to achieve a robust sustainable solution.

6.2 Identify the business need

6.2.1 General

Most purchases begin with the identification of a need, which might arise in a number of ways.

- Most commonly a requirement for goods, works or services emerges. This typically originates from internal stakeholders, e.g. technical staff or other budget holders who do not sit within the purchasing department.
- Resolution of a business issue or business risk might require a change in what is bought, or whom goods, works or services are bought from, for example, a security of supply risk or changes in regulatory requirements.
- In pursuit of strategy objectives, for example, meeting cost saving, supplier rationalization or carbon reduction targets.

It is key that procurement becomes involved as early as possible, ideally at the design stage, because the ability to influence cost, performance and sustainability declines as the procurement process progresses. Also, the most fundamental sustainability challenge comes at this point, that is, to question the actual need in the first place. The most sustainable good, work or service is often the one that isn't bought at all.

6.2.2 Resourcing

Once a requirement has been identified, the first consideration for procurement is resourcing the project. This might be a relatively straightforward purchase or a complex requirement necessitating cross-functional team involvement throughout to reach the best result. From a sustainability perspective, it is important that the team involved have the appropriate skills and understanding of sustainability requirements across the organization and their area of expertise. If not, further development and/or coaching should be considered. (See Clause **8** for more detail.)

6.2.3 Stakeholder mapping

Identification of all key internal and external stakeholders and understanding the level of support for the project is an important consideration at the outset and at this point, stakeholders with sustainability interests should also be highlighted, for example, finance and technical departments and budget holders. Stakeholders should be mapped and decisions should be taken on how best to engage with them throughout the project to proactively influence and manage them in a positive way.

Annex B should be consulted for guidance on the stakeholder engagement process, outlining stakeholder mapping and communications planning.

6.2.4 Identification and challenge of business requirements

Gathering information based on the current and future needs of the key stakeholders is critical to identifying all potential strategy options and ultimately selecting the best possible procurement solution. Business requirements should be aligned with relevant strategic objectives and typically include regulatory requirements, quality and performance requirements, service, cost, innovation and supply requirements. However, sustainability requirements should also be factored in here and should be aligned with the organizational sustainability policy objectives. For example, if an organizational strategy is to reduce energy consumption, any potential solutions should also strive to achieve this aim.

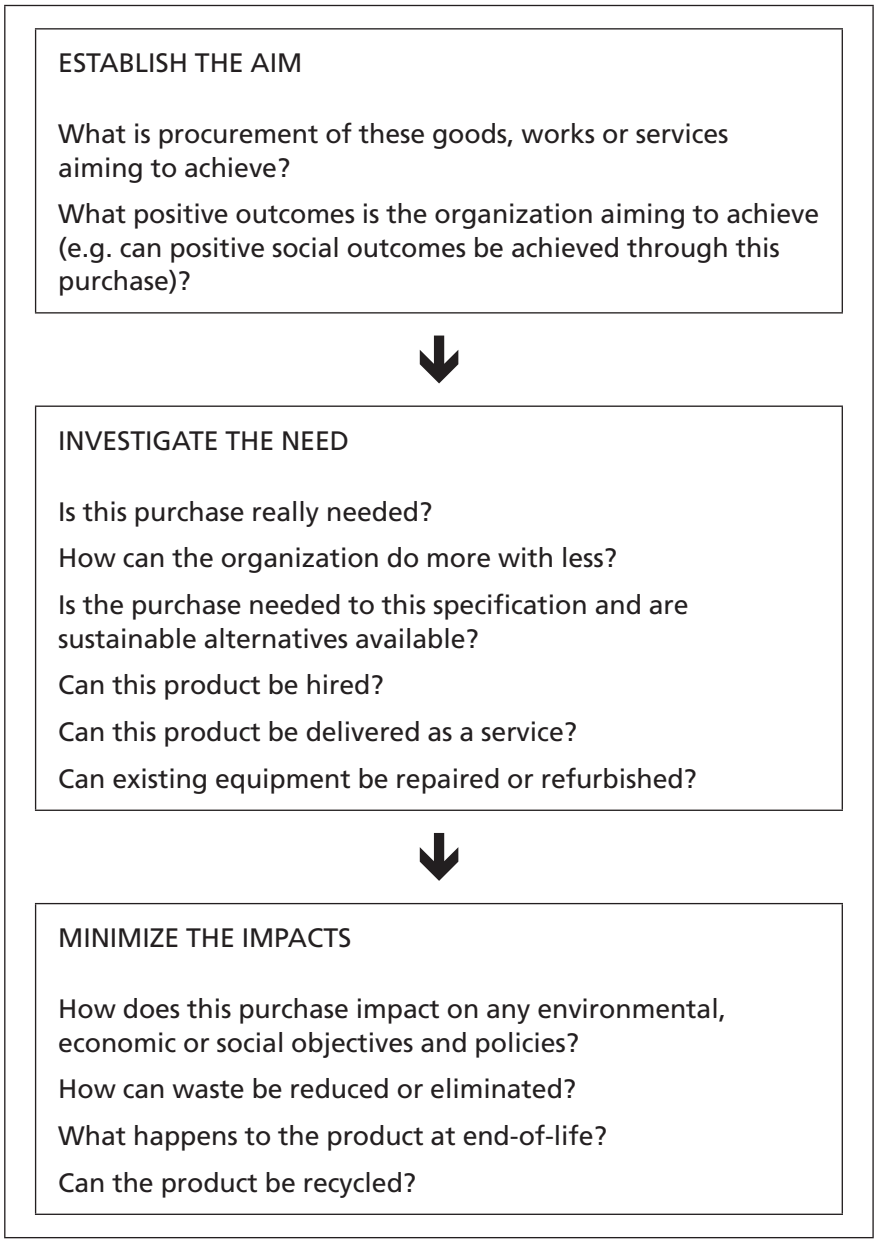
Too often, buyers are told by business what is wanted instead of what is required to meet the need. Sustainable procurement should start with understanding the business needs and desired outcomes required rather than starting from the point of a detailed purchasing specification.

EXAMPLE

A major constructor re-examined its travel strategy. Upon evaluation of current business requirements, it emerged that in 2009 over 24.5 million miles were travelled by car, which equates to 400 000 hours or 45 years on the road. This cost the company over £3.5 million compared to £200 000 for air and train travel. (Once a cost for employee time was added, this figure jumps to a potential indirect cost of £19 million.) Car travel also accounted for 20% of the carbon footprint within its UK operations. Consequently, all travel requirements are now assessed for opportunities to avoid/reduce miles travelled or to identify greener transport choices to reduce the impact of unavoidable travel.

When challenging stakeholders on their requirements, buyers should attempt to reduce demand in the first instance. Buyers should help stakeholders rethink the need, reuse existing equipment and recycle products where possible. In this way, organizations can save money and avoid unnecessary social and environmental impacts. Figure 3 gives examples of questions which should be asked.

Figure 3 **Example questions for buyers**



It is also essential that organizations ask if there is anything else that can be done to encourage a change in behaviour.

Another way of thinking about this is to apply the equivalent of the waste hierarchy to the procurement process: rethink need, reduce, reuse, recycle.

Repeat purchases should be challenged and innovative solutions sought. Where possible, creativity should be encouraged. Buyers should develop not only product specifications, but also output/outcome based specifications. This means identifying the desired outcomes including defining minimum product specifications and letting the suppliers decide how best to meet those needs. This allows suppliers more flexibility to innovate and find alternative solutions which can offer significant benefits to the customer. For example, instead of buying maintenance services or spares for particular equipment, it might be beneficial to buy a level of reliability with an agreement as to the acceptable number of failures.

Procuring the product as a service makes the manufacturer responsible for the maintenance, disposal and recycling of the product or equipment. This puts the risk and opportunity back to the place where it's best positioned to be managed. For example, some companies offer carpet tiles with a take-back and recycling service instead of a standard carpet that usually ends up in landfill at the end of its life. (In this case, only damaged tiles are replaced, minimizing waste in the first instance; those tiles that are damaged are then recycled.) Some major airport operators have outsourced their electricity infrastructure to energy companies, again transferring the risk and opportunity back to the experts. However, it should be noted that outsourcing does not eliminate an organization's overarching responsibility for the business decisions taken in relation to such contracts, which still need to be managed and have service level agreements in place.

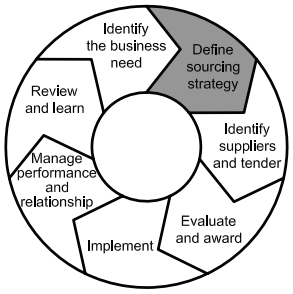
6.2.5 Risk assessment

Buyers should consider risk throughout the procurement process and this should include sustainability related risks and impacts. Any risk assessment completed early in the procurement process should be periodically revisited and revised to reflect the changing risk profile as the procurement progresses.

NOTE See BS ISO 31000 for principles and guidelines on risk management.

6.2.6 Gateway reviews

Depending on the organization's procurement process, formal reviews might take place at key points. These reviews act as checks to ensure that key stakeholders are engaged and support any business decisions or proposals. If reviews do occur, sustainability considerations should also be addressed and stakeholders should have sufficient knowledge of sustainability to provide guidance and challenge throughout this process.



6.3 Define sourcing strategy

6.3.1 General

After the initial business requirements are defined, further market research might be necessary before a final procurement solution can be agreed (depending on the size and complexity of the procurement requirement). The objective here is to:

- gain a deep understanding of the market, its trends and dynamics (including gaining an understanding of potential social or environmental concerns associated with production or delivery of potential goods, works or services) and engage with a diverse range of suppliers early on in the process to promote creativity and determine if new technologies, new products, new innovative suppliers or advances in sustainable business practices could meet business requirements. Market research shouldn't just be limited to external sources; an organization's own business areas (e.g. IT, communications) might be able to provide valuable insight on sustainability requirements and opportunities;
- encourage buyers to think beyond their ownership of a product and consider all stages of production, transportation, use and disposal, as sustainability impacts are created throughout the whole product life cycle.

Any procurement solutions should be fully aligned with the sustainable business objectives of the organization and procurement department (where applicable). This should help determine the scope and reach of any solution.

> EXAMPLE
>
> A high street retailer has gone beyond conventional thinking of energy use and is not only trying to reduce carbon emissions in its own operations but is also trying to influence the energy consumption (and hence carbon emissions) of its customers when laundering its products. By demanding innovative fabrics requiring lower wash temperatures and non-iron properties, it can influence consumer behaviour and reduce the overall carbon footprint of this extended supply chain.

Forward commitment procurement (FCP) is also increasingly being used by buyers who are attempting to transform markets and find innovative and sustainable solutions to meet business needs. This is a demand pull process that begins from the identification of an unmet need that current products and services cannot deliver or can only do so at excessive cost or with unacceptable risk.

There are a number of steps involved, starting with engaging and researching the market to understand what is available and what is potentially possible. The second stage involves clarifying the organization's unmet needs and then constructing a credible procurement process that makes these needs visible in the marketplace. This should clearly signal what the organization wants going forward and should create an incentive for potential suppliers to respond (i.e. create a market pull).

In brief, FCP involves providing the market with information of unmet needs and critically, the incentive of a forward commitment, i.e. an

agreement to purchase a product or service that currently might not exist, at a specified date in the future, providing it can be delivered to agreed performance levels and cost.

EXAMPLE

A Danish pharmaceutical manufacturer using highly energy intensive processes set a challenging CO_2 emissions target. To achieve this, energy savings and promotion of renewable energy became a priority, so the firm began searching for a cost effective model to reduce CO_2 emissions and contribute to the capacity for renewable energy in the Danish market. No solution was available, but the request to the market spurred innovation and after one year of negotiations, the firm partnered with an energy supplier which devised a cost neutral way of achieving reductions in CO_2 emissions. This was achieved by making a link between energy savings and greening of the energy supply. The energy supplier helps the firm identify energy saving projects, and in return the firm pledges to convert realized energy savings at its production sites into the purchase of green electricity from a new wind farm in the North Sea. The partnership runs till 2020 and the goal is that by 2014, all the pharmaceutical facilities will be powered by green electricity.

Any proposed specifications should be market tested with suppliers and a constructive dialogue should be started before moving to the tender stage to ensure that the requirements are challenging but still deliverable (and potentially capable of generating competition).

All possibilities (including FCP opportunities) should be evaluated prior to the final purchasing solution and resulting specification being agreed, and for certain purchases this research and evaluation stage can form a significant element of the overall process.

6.3.2 Deciding between potential procurement options

Procurement solutions are often decided without giving adequate consideration to all of the options available, to the organization's sustainability objectives, to the whole life cost implications or the risks involved. They might also be based upon subjective criteria such as past buyer–supplier relationships or might fail to meet the business requirements set by the stakeholders. In order to avoid this, a structured analysis of options should be undertaken. There are a number of procurement tools that can be employed to aid this analysis, a selection of which is outlined in **6.3.3**. The tools selected here should help determine the best purchasing solution in terms of sustainability.

6.3.3 Procurement tools

6.3.3.1 Life cycle assessment

NOTE 1 Currently, life cycle assessment is usually used to assess environmental impacts and it is discussed in this way in this guide. However, it does not have to be limited to this.

Life cycle assessment (LCA) can in certain circumstances be a useful assessment tool. However, it is a complicated process and usually requires expert knowledge to apply.

LCA is the compilation and evaluation of inputs, outputs and the potential environmental impacts of a product system throughout its life cycle. It addresses the environmental aspects and potential environmental impacts (e.g. use of resources and the environmental consequences of releases) throughout a product's life cycle, from raw material extraction and acquisition through production and manufacturing to use and end-of-life treatment, recycling and final disposal (i.e. cradle to grave – see Figure 4).

Figure 4 **The cradle to grave approach**

In the context of LCA, an environmentally preferable product is a product that has the minimum environmental impacts throughout its life cycle, compared with other products or services using the same purpose and having the same functional qualities.

Although LCA is not commonly used in procurement at the moment, it has the potential to be a highly significant method for assessing the overall environmental impact of products, processes or services. Category level LCAs are increasingly being developed as background research, which helps buyers understand the elements within the supply chain. This helps identify where and how key environmental impacts arise, which in turn enables buyers to focus on the most important impacts and avoids misguided focus on less significant aspects within the supply chain.

Some environmental product specifications such as Defra's Government Buying Standards and ecolabels such as the EU Ecolabel (the EU Flower) are developed from data derived through an LCA approach. These product specifications have already done much of the hard work for buyers and can be inserted directly into procurement specifications (see Annex C and **E.4**).

EXAMPLE

Food procurement has seen an increasing focus on the sustainable impacts of "food miles", with attention shifting to food transport as a result of the influence of lobby groups. However, LCA analysis of certain food produce has shown that transport can form as little as 2% to 4% of the carbon impact of food and much more significant impacts arise in the process of growing crops with the application of fertilizers and pesticides, the rearing of livestock and the processing of foods further up the supply chain.

*NOTE 2 For an overview of the practice, applications and limitations of LCA, see BS EN ISO 14040 and BS EN ISO 14044. Further sources of information are referenced in **E.5.2**.*

6.3.3.2 Carbon measurement

This follows the LCA approach but is focused on measuring the carbon footprint of products across their full life cycle. It analyses carbon emissions across the complete supply chain from raw material to end consumer. This approach enables the carbon emissions impact to be

incorporated into decision making, carbon reduction opportunities to be identified and associated environmental and financial benefits realized.

*NOTE See PAS 2050 and ISO 14067, Parts 1 and 2, for practical guidance. BS ISO 14064 sets out how to accurately measure reduction in carbon emissions and how supply chain emissions are classified and addressed. Also see **E.5.3** for information on the Greenhouse Gas Protocol.*

Carbon management is increasingly being used to inform supply chain decision making as organizations continue to take more responsibility for their supply chains and take a wider view of carbon measurement. However, buyers should continue to be informed by their organization's sustainability objectives and the associated scope. If the organization is currently only attempting to measure and monitor carbon emissions within its direct operations, then its focus should be on procurement that directly reduces those emissions before looking at emissions further down the supply chain.

6.3.3.3 Whole life cost (WLC) analysis

Whole life cost analysis is a life cycle approach which can be useful when deciding between differing purchasing strategies. This approach is frequently employed by buyers and project teams to help inform the final purchasing solution. For example, in construction, value for money is the best combination of whole life cost and quality to meet the user's requirement. This means that awarding contracts on the basis of lowest price tendered for construction works is rarely value for money; long-term value over the life of the asset is a much more reliable indicator. It is the relationship between long-term costs and the benefit achieved by clients that represents value for money.

The Office of Government Commerce (OGC) describes WLC as:

"a technique to establish the total cost of ownership. It is a structured approach which addresses all the elements of this cost and can be used to produce a spend profile of the product or service over its anticipated lifespan. The results of a WLC analysis can be used to assist management in the decision making process when there is a choice of options. The accuracy of WLC diminishes as it projects further into the future, so it is most useful as a comparative tool, when long term assumptions apply to all the options and consequently have the same impact." (www.ogc.gov.uk)

WLC analysis enables evaluation of competing options, improves awareness of total costs, enables more accurate forecasting of cost profiles, and allows for modelling performance trade-off against cost.

The following three basic principles are fundamental to WLC.

- An analysis of the cost structure: any such analysis should ensure that all the elements of cost are identifiable.
- Cost estimating: having produced a cost structure, it is necessary to work out the costs for each category.
- Discounting: the application of a selected discount rate such that each future cost is adjusted to the present time, i.e. the point at which the purchase decision is made. Selection of an appropriate discount rate is key.

It is important to note when completing WLC calculations that expected usage life and not expected physical life should be the preferred parameter. This should also reflect the likely obsolescence of rapidly changing technologies. For example, one computer might

be capable of upgrade, extending its life to five years, while other comparative products might become obsolete after three years despite still being functional.

WLC allows for scenario modelling, for example, using fluctuating energy costs. When completing a WLC analysis, reasonable assumptions should be made as to the future costs of energy, and it is recommended that professional advice be sought on energy forecasting to make calculations as accurate as possible. This is especially important for purchases that are energy intensive in use and where energy is a significant component of WLC.

Current and future fiscal instruments could also impact WLC assessment, such as those associated with the Carbon Reduction Commitment (CRC), EU Emissions Trading Scheme (EU ETS), landfill tax escalator and Landfill Allowance Trading Scheme (LATS). These should be factored in to WLC assessment where appropriate.

NOTE 1 WLC does not take into account all sustainability issues. For example, a building with a lot of concrete might be better insulated, reducing overall heating costs, but it could require more energy to manufacture than a building with less concrete. This analysis does not account for the embedded carbon associated with manufacture and it highlights the need to look at other impacts as well as cost.

WLC can benefit more sustainable products and services, which typically have lower running and disposal costs. It is particularly important for assets but also enables comparison of disposable and reusable products.

Detailed WLC can be a time consuming exercise so typically it is completed for products or services with high sustainability impacts or risks which can be monetized (such as high energy use or high incidence to landfill), or high value purchases. However, where data is available, WLC should be completed on lower value purchases to ensure decisions are being made on comprehensive costing information. See Annex A for guidance on WLC for the public sector.

*NOTE 2 Assessment of social return on investment (SROI) is an emerging area for procurement. This attempts to measure value created by a project (or organization or policy) in its broadest terms. It aims to measure social, environmental and economic outcomes that do not normally have market values and attempts to place a financial value on them. As SROI measurement techniques develop, these might increasingly be used to inform WLC decision making. See **E.7**.*

EXAMPLE

Using whole life costing principles, Wakefield Council determined that a new lightweight kerb edging made from entirely recycled materials offered better value for money than comparable traditional pre-cast concrete kerb edging despite a 235% higher purchase price. This cost analysis took account of design, raw material, sourcing, manufacture, delivery, use and disposal costs. (See Table 3.)

When comparing this lightweight recycled polymer kerbing system to traditional kerbs, the Council took account of the benefits of the new system, which include the following.

- Lightweight construction, weighing less than 6 kg (compared to 70 kg for concrete), removing the need to use mechanical lifting equipment and reducing the risk of accidents.
- Traditional kerbs rely heavily on natural resources; at the end of life or if no longer required, the polymer kerbing system can be recycled.
- Lighter weight allows more to be transported in one load resulting in lower transport and storage costs and reduced emissions.
- Productivity is three to four times greater because they can be laid without mechanical lifting equipment, which also reduces traffic management costs and disruption, and reduces the need for an operator driver.
- The produce is made entirely from recycled materials (100% recycled polymers) that would otherwise be destined for landfill. 182 recycled bottles make one of these new kerbs.
- At the end of life or if no longer required, the kerbs can be recycled and the council will receive a payment from the recycling company.
- The durable construction results in a substantial reduction in cracking and chipping compared with traditional kerbs, reducing expensive maintenance costs.

Key sustainability indicators included:

- environmental: reduction in CO_2 emissions and waste to landfill;
- social: reduced musculoskeletal injury risk and reduced long-term disabilities;
- economic: whole life costing saving for the council, reduced road closures and restrictions to the public.

Table 3 **Comparison of new polymer kerbing system and traditional kerbs**

	New kerb	Traditional kerb	Comparison
Transportation			
Loads per 38-tonne trailer	1 248 units	364 units	245% better
Weight of load	6.7 tonnes	25.1 tonnes	73% better
CO_2 emissions [A)]	247 kg CO_2e	925 kg CO_2e	73% better
Production			
Use of raw materials	0%	100%	100% better
Purchase cost per unit	£8.32	£2.48	235% worse
Embodied carbon (manufacture)	8.7 kg (but recyclable)	10.5 kg	17% better
Installation [B)]			
Mechanical lifter	N/A	£16 per day	Total saving
JCB and driver	N/A	£244 per person per day	Total saving
Days to install 325 metres	1.30	4.06	68% better
Damage rate	1%	5%	80% better
Installation costs	£7 299	£7 731	£432 or 5% better

A) Based on a 15 tonne Euro 5 lorry travelling 100 km. "kg CO_2e" is the total carbon dioxide emitted in kg.

B) 325 metres, based on installation of £10 per linear metre of bedding material.

6.3.3.4 Risk and opportunity analysis

Risk and opportunity analysis is another tool that should inform decision making when deciding on a procurement strategy and should still be completed even when there is only a single procurement option. Buyers should review the sustainable risks and opportunities of the planned procurement against the organization's sustainability objectives as described in **9.2**. In this way, buyers can prioritize the highest impact aspects and identify appropriate interventions, mitigating measures and qualification criteria throughout the pre-qualification or tender process.

6.3.3.5 Weighted decision making

In instances where a number of procurement options are being considered, it might be useful to use a structured decision making process. Weighted decision making is one way to clearly evaluate the options against a defined set of requirements. These requirements should be aligned with business objectives and incorporate key sustainability impacts and opportunities. They should also capture the relevant commercial and functional requirements.

Agreeing and allocating relevant weighting ensures that appropriate consideration is given to each requirement and sustainable requirements are not ignored or underestimated.

This process also enables buyers to balance WLC thinking alongside conclusions drawn from other analysis such as risk and impacts analysis or LCA. For example, WLC thinking does not capture embedded impacts (i.e. the impacts caused in the process of manufacturing goods). Direction should always be guided by the organization's sustainability objectives and in certain cases other factors aside from WLC might inform decision making.

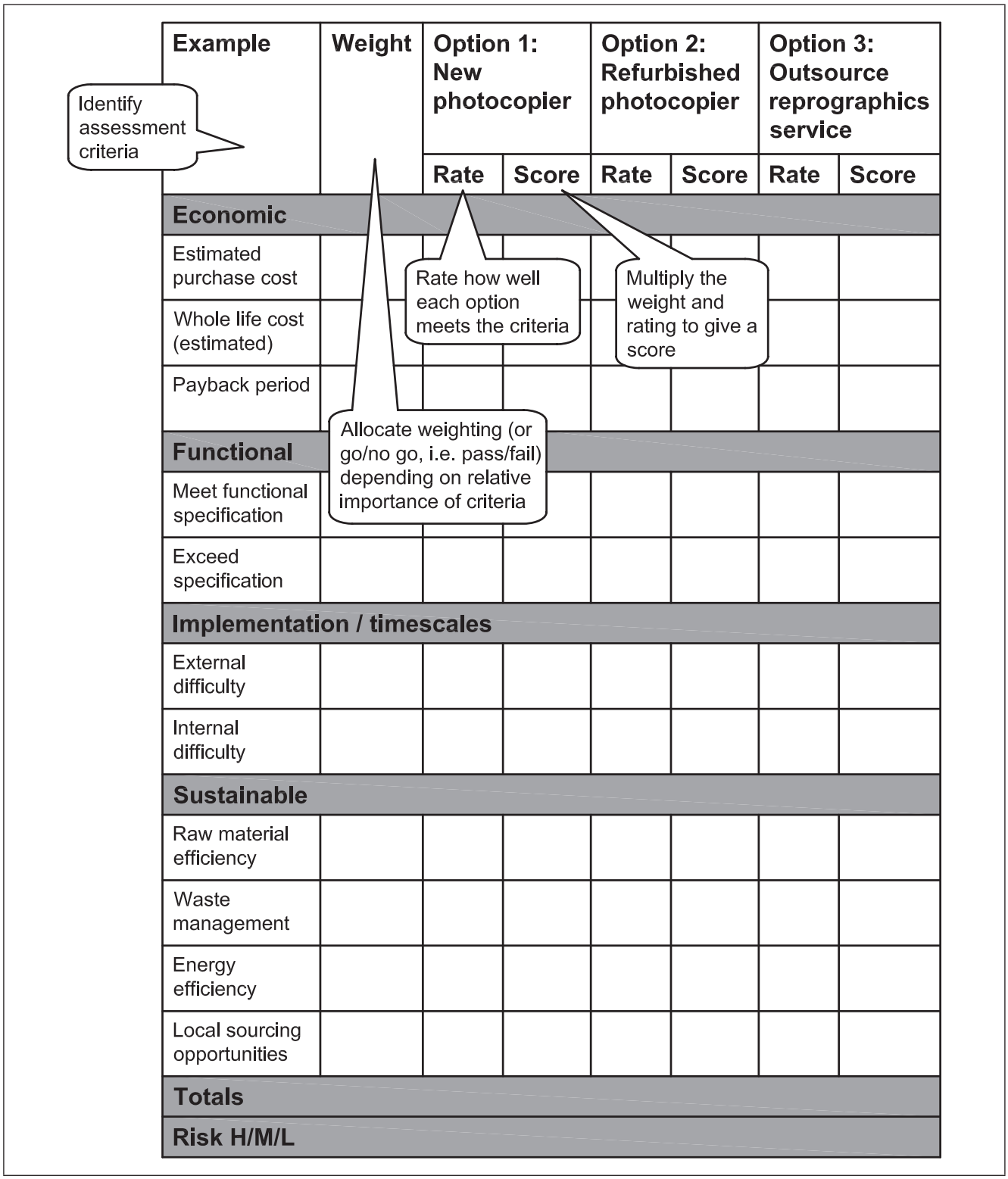
EXAMPLE

Following a comprehensive assessment of its paper purchasing, a large financial services company made a corporate-wide decision to shift all paper purchases to more sustainable sources. A policy was created to outline what was acceptable and what was not, which was rolled out globally. In many cases, certified paper was already being used or could be substituted in at no additional cost, but that wasn't always possible.

As a result, a high-level decision was made that a moderate premium was acceptable at times because of the benefit generated to the company's overall sustainability efforts and the reputational enhancement that went along with it.

Figure 5 illustrates an example of a weighted decision making template for the purchase of a photocopier.

Figure 5 **Weighted decision making, example template**



Example	Weight	Option 1: New photocopier		Option 2: Refurbished photocopier		Option 3: Outsource reprographics service	
		Rate	Score	Rate	Score	Rate	Score
Economic							
Estimated purchase cost							
Whole life cost (estimated)							
Payback period							
Functional							
Meet functional specification							
Exceed specification							
Implementation / timescales							
External difficulty							
Internal difficulty							
Sustainable							
Raw material efficiency							
Waste management							
Energy efficiency							
Local sourcing opportunities							
Totals							
Risk H/M/L							

6.3.4 Finalizing the specification

Once a decision is taken on the overall procurement strategy, the procurement specification can be finalized. Using the specification to incorporate sustainable elements is the most effective means of ensuring sustainable aspects are incorporated into the purchasing decision, and providing that all requirements are relevant to the subject matter, a buyer has significant freedom to design these in. Specifications should be used to establish minimum acceptable performance, actively excluding undesirable features and specifying in positive aspects and preferred higher sustainability options.

In order to decide what sustainability considerations should be included in the specification, buyers should refer back to the organization's definition of its sustainability objectives. The specification should attempt to satisfy these objectives wherever possible. Using climate change mitigation as an example, a specification for a facilities management contract might support climate change mitigation by incentivizing energy reduction and use of low energy goods. However, this should not just cover energy. Greenhouse gases might also be considered. As such, the specification might exclude use of substances with high global warming potential, for example, certain refrigerants.

There are three main types of specifications that can be used.

- Attribute: a physical characteristic of the product is specified, e.g. recycled content, mercury-free.
- Process: the way in which the product is manufactured or delivered is specified, e.g. organic or sustainably managed timber and fisheries.
- Performance/functional: the minimum level of performance required is specified, e.g. energy/fuel efficiency, minimum usage life, nutritional content.

Table 4 shows example criteria for the three main specification approaches.

NOTE This also illustrates how criteria ought to be linked back to the wider organizational objective such as climate change mitigation.

Table 4 **Different specification approaches and example criteria**

Specification approach	**Examples of impact criteria linked to organizational objectives**		
	Climate change mitigation	**Waste reduction**	**Social risk/benefit**
Attribute (Physical features)	Energy efficiency standards for goods (e.g. Government Buying Standards, Energy Star).	Reusable or recyclable product.	Product for disposal for some social gain (e.g. use by a charity).
Process	Standards for embedded energy impacts in manufacture or service provision/construction.	Waste targets in manufacturing process or "take back" arrangement at end of life.	Materials that are not harmful to health in manufacture or from sources causing social damage.
Performance/functional	Energy targets for service contracts (e.g. facilities management).	Waste targets for projects (e.g. construction).	Labour requirements for services (e.g. apprenticeships).

6.3.5 Deciding between procurement techniques

There is often some confusion as to how and where in the procurement process it is best to capture sustainability considerations and what procurement techniques to employ to achieve this. This depends on the goods, works or services being purchased and the associated sustainability requirements defined by the buyer. Figure 6 provides some general guidance on appropriate points and methods for including different sustainability criteria.

Figure 6 **Sustainability requirement decision matrix**

Requirement	Pre-tender		Pre-award		Post-award	
	Specification	Pre-qualification	WLC	Weighted criteria	Performance indicator	Continual improvement
Recognized minimum standard [A)]	✓	✓				
Bespoke minimum standard	✓	✓				
Quantifiable requirement [B)]	✓	✓		✓		✓
Requirement can be monetized [C)]			✓			
Performance requirement [D)]	✓				✓	
Aspirational requirement [E)]						✓

A) E.g. Forestry Stewardship Council or Ethical Trading Initiative Base Code [6].
B) E.g. Recycled content.
C) E.g. Energy, landfill.
D) E.g. Reducing energy usage through facilities management services.
E) E.g. Embedded impacts.

6.4 Identify suppliers and tender

6.4.1 Pre-qualification

Once an approach and corresponding specification is finalized and agreed by all key internal stakeholders, the next step is to identify potential suppliers or contractors to invite to tender. Pre-qualification involves vetting potential suppliers of goods, works and services to identify those able to meet the required standard. This can be done in a number of ways: questionnaire, supplier site visits, supplier presentations, etc. The most widely used method is a pre-qualification questionnaire, which is particularly useful where a large number of

suppliers might potentially be able to fulfil the organization's needs. This should be tailored to the organization's requirements and the depth of questioning and dialogue should be dependent on the strategic importance and risk profile associated with the product or service in question as well as the resources available to analyse responses. From a sustainability standpoint, what is asked depends on what the organization has identified as its key issues. However, waste, carbon, raw material/recycled content, water, local labour, labour standards, equality and diversity legislation, employment skills and training schemes are the most common areas examined.

Increasingly, pre-qualification is carried out through shared proprietary industry databases. These databases provide the purchasing organization with a pool of suppliers pre-qualified on specific criteria such as health and safety, environmental performance, and corporate responsibility criteria. They also allow suppliers to respond to questionnaires only once in a standard way agreed by the industry so that this information can then be accessed by multiple customers searching for pre-qualified suppliers, thus reducing the burden of questionnaire fatigue that otherwise results from multiple customer requests for almost identical data. It is worth noting that using certain pre-qualification systems, some organizations proactively pre-qualify suppliers prior to having a specific need. This then allows them to focus on specific needs at a given moment in time from a pre-qualified pool of suppliers.

Pre-qualification is useful because:

- suppliers and contractors are required to provide information on the required product or service. This is a cost-effective way of contributing valuable market information, enabling the buyer to gain further market expertise and insight;
- it is an effective way of further engaging and conditioning the supply base to the organization's strategy. It provides an excellent platform to share sustainable procurement aspirations and goals with suppliers, enabling them to align their business practices to support the organization's supply chain goals;
- it streamlines the procurement process by selecting for tender only those suppliers that meet the organization's key criteria in the first round;
- it can establish a baseline for successful suppliers to use as part of a continual improvement process and helps buying organizations to identify any areas of weakness that could be addressed as part of a subsequent supplier development programme.

In order to ensure that the pre-qualification process is not too cumbersome, suppliers should only be requested to provide enough information to satisfy the buyer or project team that their level of competence is sufficient to execute any future contract. It is a common mistake to use this process as a mechanism to understand everything about the supplier. It should also be brief and simple enough to avoid putting off potential suppliers, especially SMEs, and to balance the need for information with the time it will take to process.

Pre-qualification is frequently very time constrained and standard sustainability related questions with "yes/no" answers may be included. This has the advantage of keeping the process simple and streamlined but in practice, such a binary process can be limiting. Many organizations do not have sufficient time or capacity to adequately capture sustainability requirements at pre-qualification and tend

to capture these at the tender stage or even later throughout the supplier management phase once the contract is ongoing.

NOTE Public sector buyers are advised to check, as limitations around public procurement could mean that buyers cannot look at the same criteria twice. As such, buyers have to pay particular attention to when and how sustainability criteria are used in the qualification process.

6.4.2 Pre-qualification using sustainability objectives

A good specification is fundamental and should, where possible, incorporate sustainability requirements in as much detail as possible.

Private sector organizations have a lot of latitude to incorporate sustainability criteria across the pre-qualification and tender process because they might not comply with the EU procurement legislation required in the public sector. It might be useful to pre-qualify suppliers based on one or more of the key sustainability impacts or risks identified for the goods, works or services in question, or to include one or more of their organizational or procurement departmental sustainability objectives in the pre-qualification criteria.

Many industry specific standards and codes of supplier conduct also exist, which are frequently used in pre-qualification. Fair working conditions is one criterion that is commonly used to shortlist suppliers who can demonstrate they are meeting (or are committed to working towards) fair pay and working conditions across their supply chain. For example, suppliers might comply with International Labour Organization (ILO) Standards, which provide minimum standards for pay and working conditions and form the basis of other standards or ethical codes of practice, for example, the Ethical Trading Initiative "Base Code" [6] or SA8000 [7] (a global ethical standard). Organizations may choose to use different degrees of evidence at various points across the procurement process. At the pre-qualification stage, it might be sufficient to request evidence of ethical trading and labour policies or self certification. However, as the process progresses and potential suppliers are further shortlisted by the tender process, third-party auditors or specialist in-house auditors might then be used to provide further assurance. When selecting auditors, it is important to consider consistency between their reports and practices, to enable fair comparison.

NOTE See Annex C for an introduction to ecolabels.

Consideration should also be given to the scope of coverage. Ideally, all tiers of the supply chain should meet the standards. However, this is resource intensive and a decision should be made as to the appropriate scope. This should be influenced by industry sector, the risk and impact assessment, as well as the extent of supply chain activity from the developing world.

Annex D shows two examples of sustainability related questions used at the pre-qualification stage and a linked example of sustainability requirements at tender stage.

Upon evaluation of pre-qualification questionnaires, suppliers may be invited in for further discussion or clarification before the final list of suppliers to be invited to tender is agreed. This activity, whilst led by procurement, should involve and/or consult with key internal stakeholders identified within the stakeholder map and communications plan. A gateway review may also be incorporated in the process here to gain stakeholder approval of the final supplier list.

If suppliers are deselected, it is good practice to formally notify them and provide some degree of debrief. Suppliers should be made aware if and how their sustainability credentials fell short of the requirement, which in turn sends a clear signal to the market regarding the importance of sustainable business practices.

6.4.3 Issuing the tender

Prior to issuing the final tender, and depending on the scale, market and complexity of the purchase, shortlisted suppliers may be invited to attend a conference or meeting to outline the bid process and ensure ongoing communication. This is a further opportunity to market the value of any potential contract and ensure suppliers fully understand the business opportunity and the commercial and sustainable business expectations. It is an ongoing part of the supplier conditioning process and buyers should maximize this opportunity to promote competition and proactively influence suppliers.

Visibility and integrity is key to this process and all bid evaluation criteria, scoring methodology and benefits assessment should be agreed in advance of tender issue. This ensures the best sourcing decision is made balancing social, environmental and economic factors. Criteria can be assessed in a number of ways, including:

- weighting;
- setting minimum requirements or performance standards (e.g. Government Buying Standards, see **E.4**);
- as part of WLC assumptions;
- monetizing certain impacts such as energy consumption and waste.

Sustainable factors might often be given a higher weighting in purchasing arrangements for products and services where there is a higher degree of sustainable risk. Again, it is important to stress that whilst this is led by procurement professionals, this process should involve all the key internal stakeholders to ensure continued organizational alignment and that a consistent message is given to the market.

Weighting criteria and benefit evaluation methodology should be shared with bidders to ensure they fully comprehend the importance of all aspects of the proposal, including the sustainable business requirements. As highlighted already in **6.4.1**, buyers should be clear on how far down the supply chain they need to go when assessing impacts. This depends on the corporate policy position and risk.

EXAMPLE

A Welsh public sector print framework agreement demonstrates how environmental and social benefits can be achieved through the tender process. The three-year framework agreement placed in 2009 covers the provision of conventional lithographic printing and digital printing, for all aspects of printing and finishing, including specialist direct mailing and bespoke printing requirements. Extensive use was made of "lots" to encourage bids from SMEs and new businesses, with requirements split into five product lots, which were then further divided into North and South Wales regional lots.

Significant supplier communication took place throughout the tender and North and South Wales supplier engagement events were held early in the process to provide suppliers with detail on the framework requirements, tendering process and more general guidance on tendering for public sector contracts.

The procurement opportunity was advertised across the EU and locally with 67% of resulting bidders being Welsh suppliers.

Tenders were evaluated on a cost/quality basis against the following criteria.

Evaluation criteria	*Weighting*
Cost	30%
Quality	22%
Delivery	18%
Account management	16%
Environmental	14%
Total	100%

The following specific environmental questions were asked.

1) Waste streams.

List every waste stream that you will reclaim/recycle. Examples may include but are not restricted to: contaminated wipes, film developer, fount solution, solvents, plates, chemical containers.

2) Recycled packaging.

Describe the use of recycled material for packaging you will apply to this framework.

3) Delivery scheduling.

Briefly describe how your organization will schedule deliveries in order to reduce your carbon footprint.

4) Power and water conservation.

Explain how you will minimize your consumption of power and water.

5) Voluntary and environmental programmes.

Explain the voluntary environmental programmes you will undertake over and above those prescribed by legislative requirements.

6) Use of non-soya and vegetable based inks.

Explain the circumstances when you will use non-soya/vegetable based printing inks.

7) Use of biodegradable and compostable materials.

Explain the circumstances when you will use gloss, semitone or matt laminates other than biodegradable and home compostable brands.

8) Supply chain performance.

Explain how you will assess the environmental performance of your suppliers.

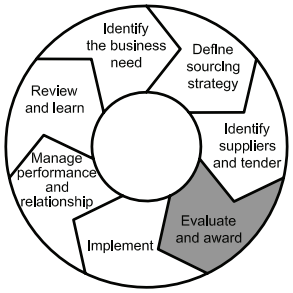
EXAMPLE *(continued)*

9) Minimizing waste.

Explain how you will minimize the amount of wastage at make ready, printed overs, and/or digital copies.

The resulting benefits include:

- estimated savings of up to 22% on current expenditure;
- increased volume of print produced on recycled or environmentally certified paper across Wales;
- all suppliers have been required to demonstrate environmental credentials including use of vegetable based inks and successful suppliers have the opportunity to improve their environmental accreditation under the agreement;
- time and resource savings to both buyers and suppliers, by combining requirements and avoiding separate tendering exercises;
- fourteen Welsh SMEs were successfully appointed, which is 50% of the chosen supply base.



6.5 Evaluate and award

6.5.1 Tender evaluation

The tender responses should be evaluated in line with pre-agreed scoring methodology. The specification should always capture sustainable elements in as much detail as possible. However, there are also other ways to promote sustainable outcomes at the evaluation stage.

a) Rewarding superior standards and performance.

The degree to which suppliers can meet the organization's sustainable requirements might not always be known when writing the tender. In this case, specifications may identify minimum standards and evaluation criteria can then be used to reward performance that exceeds this level. Extra points may be awarded in incremental levels for proposals exceeding the minimum criteria. For example:

Vehicle carbon emissions:

- Specification: minimum standard <150 g CO_2/km.
- Evaluation: one point awarded for every 10 g below threshold.

b) Qualitative judgements.

Suppliers of services may be requested to summarize their experience and provide method statements within their tender response. The buyer can then assess their approach to sustainability, identify the associated social and environmental risks and develop adequate measures to address them. Other examples include supplier alignment with organizational objectives, or cultural fit might be important for some contracts. In this instance, suppliers whose approach is culturally sensitive or most appropriate may be rewarded, e.g. health and social care related contracts.

c) Fit for purpose assessments.

It is also important to identify and properly evaluate products that might not be sufficiently robust, leading to higher repair and replacement costs. Other proposals might be over-engineered, providing unwanted functionality or service at added expense. Neither extreme provides a sustainable solution and this should be reflected in the evaluation.

d) Whole life costing.

This should be used as part of tender evaluation to ensure that true value for money is achieved, resulting in the selection of the most economically advantageous supplier over the life of the contract. Further information on WLC can be found in **6.3.3.3** and **E.6**.

Suppliers with socially and environmentally unsustainable practices might be able to offer lower prices than suppliers with better conditions. Unless robust pre-qualification and tender processes and criteria are in place to ensure good minimum standards before the supplier is taken on, the purchasing organization could be constantly undermining its own ethical policies, exposing itself to reputational risk, and giving a signal to the market that it undervalues sustainability against other issues.

6.5.2 Supplier auditing

Buyers may audit their suppliers and prospective suppliers at different points across the purchasing process. However, as this is typically a costly and resource intensive activity, this is frequently performed once the supplier or suppliers have been shortlisted at the tender evaluation stage. Assessing supplier operations via tender or pre-qualification questionnaires is not robust enough for certain categories of spend with significant health and safety considerations, environmental impacts, where integrity of sustainable source materials is questionable or where there is potential for worker exploitation.

Generally, an organization should ensure a supplier audit is completed either by in-house staff or third-party experts. Periodic audits may also form part of post-contract relationship management.

Audits can pick up visual aspects such as improvements in areas of health and safety and records of wages and employment can be checked. But it should be recognized that they are a record just of the day the auditor was on site and there are limitations to such checklist approaches. Evidence also suggests that this does not necessarily lead to improvements for suppliers or their workers and can simply shift problems elsewhere. For example, evidence has been found of instances where factories in certain countries have been using sophisticated computer programmes to create false books covering wage records and working hours. (Source: Supply management, "Purer source", 4 January 2007 [8].)

Progressive audit standards allow some flexibility and allow improvements to be made. The key to success is both the buyer and supplier's willingness to bring about change and their ability to work together to do so. Above all, communications to suppliers should stress transparency over compliance, so that social and environmental performance can be improved, whereas concealment of issues makes it harder for them to be addressed.

Whilst comprehensive auditing and ethical buying codes support this drive for transparency across supply chains, further training of buyers to change their behaviour might also be required. This is needed to improve two-way communication and industrial relations in order for the buying organization to understand what the supplier issues are and then be prepared to provide some support. Multi-stakeholder initiatives (staff, suppliers and worker unions) are needed to address some of the biggest problems within the supply chain.

*NOTE For further information, see "Win/Win, achieving sustainable procurement with the developing world" (see **E.8**).*

6.5.3 Conducting negotiations and agreeing terms and conditions

Private sector organizations might have the ability to negotiate following evaluation of tenders. Sustainability considerations should not be traded as part of this negotiation process and care should be taken not to focus only on cost at the expense of other specification needs. However, the supplier can be very responsive at this stage of the process and it might be an opportunity to proactively influence the supplier's future sustainability agenda to improve the extended supply chain performance. It is also an opportunity to secure supplier agreement to take actions to mitigate any supply chain risks and/or reduce those impacts identified in the risk and impacts analysis during the earlier pre-qualification or tender evaluation stage.

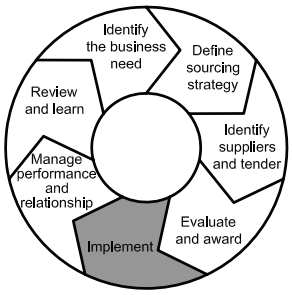
Most organizations have their own standard terms and conditions which would normally be included in the tender documentation. This ensures that all potential suppliers bidding are aware of all the potential requirements which might impact their costs and risks. Clauses may be amended, added or deleted throughout the contract negotiation phase and buyers should review these to ensure any additional sustainability requirements (emerging as a result of detailed risk and impact analysis during the evaluation stage) are reflected.

Where possible, sustainability commitments that could not be delivered through the tender process should be written into the contract to ensure that the supplier is contractually bound to deliver on them. This provides more leverage for the buyer. However, it might meet resistance from suppliers. If so, a more informal and flexible approach might be required to persuade suppliers to embrace sustainability initiatives. These initiatives would not be contractually binding and are usually captured in a separate supplier improvement plan or a memorandum of understanding. Example initiatives include commitments to switch to (or increase the use of) sustainably managed timber, reduce or eliminate the use of a hazardous chemical or ensure improved working conditions further down the supply chain.

6.5.4 Issuing the contract

Upon conclusion of the negotiation, the supplier should be formally awarded the contract, which should be fully approved by the necessary stakeholders (organizations may have a formal gateway review at this point) and the wider stakeholder community should be informed of the new arrangements. Sustainability benefits should be publicized and both supplier and organizational success recognized; this should be linked back to the procurement and/or organizational sustainable strategy and policy wherever possible.

Unsuccessful suppliers should be notified and fully debriefed and, at this point, suppliers should be informed if and how their sustainability credentials fell short of the requirement. This in turn reinforces the importance of sustainable business practices within the supply market.



6.6 Implement

6.6.1 Implementing the contract

There is a period of transition and bedding in at the start of any new contractual arrangement and frequently the influence and involvement of stakeholders changes as the contract becomes operational. From a sustainable business perspective, it is key that awareness and focus on sustainable elements and associated performance targets are communicated and understood by relevant internal stakeholders. This helps ensure a consistent message continues to be conveyed by the purchasing organization regarding the importance of sustainability.

6.6.2 Finalizing the review process and improvement plans

The supplier review process, key measures and measurement methodology of contract terms should be finalized and agreed. A supplier performance improvement plan which integrates sustainable measures and targets may be finalized and jointly agreed. Baseline data gathering might be required before meaningful targets can be defined.

Linking sustainable targets and other improvement targets with the contract management and review process puts continual improvement and sustainability firmly on the commercial agenda and helps sustain focus and momentum for sustainable development. Many organizations use performance indicators to measure their own performance and that of their suppliers. Targets and related performance indicators can cover the whole spectrum of sustainable impacts from raw materials sourcing, labour standards across the supply chain, local sourcing and training, through to production, use and end-of-life management.

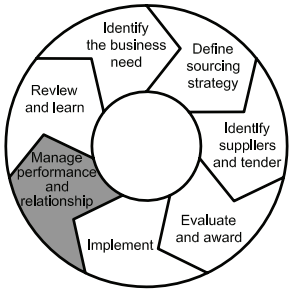
Any risk and impacts analysis completed by the contracting organization throughout the supplier selection process should be revisited with the supplier at this point. Corresponding action plans should be revisited or developed to ensure supplier buy-in, alignment and continued focus on sustainability related risks and opportunities. Where appropriate, these should be incorporated into supplier development/continual improvement plans.

Knowing that major customers continue to treat sustainability as a priority through the life of the contract is likely to give suppliers confidence to invest in process improvements, training, research and development, etc.

In some cases, there might be a conflict of interest and improving sustainability practices might not be in the supplier's short-term financial interest. For example, waste contractors who are paid by the tonne might be reluctant to embrace waste reduction initiatives, or IT equipment suppliers might not be supportive of customer attempts to increase product lifespan through product upgrade as opposed to replacement. In such instances, a combination of incentives and

remedies may be adopted to re-align profitability with sustainability. For example:

- supplier bonuses could be paid for achieving targets;
- fixed price contracts could be agreed (in this case reducing waste or improving efficiency would improve a supplier's profit margins);
- gain share agreements could be put in place: the customer and the supplier split any gains from improvements in sustainable supply arrangements.



6.7 Manage performance and relationship

6.7.1 Performance monitoring and reviewing

Ongoing performance monitoring is essential for the duration of the contract to ensure that the supplier continues to deliver in accordance with the specification, contract terms and/or separate performance improvement plans. Many organizations adopt a balanced scorecard methodology where sustainability criteria can be monitored alongside service, quality delivery, cost and technical requirements. If any individual score or combined score shows a negative trend or falls below an agreed threshold, the supplier should be required to take corrective action. Review meetings should be set at agreed intervals and for key suppliers these should be held face-to-face. These meetings should provide an opportunity for both parties to communicate, share concerns, promote understanding and foster a good business relationship. Organizations should consistently attempt to harness suppliers' expertise to maintain competitive advantage and a constructive review process fosters this. It is good practice for organizations to carry out periodic audits of suppliers throughout the life of the contract to verify that sustainability claims and work practices meet stated requirements.

6.7.2 Working with suppliers

Organizations should also champion initiatives to improve sustainability and this frequently involves suppliers and customers in joint approaches. Supply chains can be long and complex and efforts to improve downstream sustainable practice require the proactive support of key tier 1 suppliers. For example, efforts by customers to improve working conditions or gain assurance of integrity of source materials could be greatly facilitated by proactive support from these suppliers.

Other examples of joint improvement targets are:

- introduction of returnable/reusable packaging;
- reducing packaging weight and volumes;
- reducing the hazardous content of materials;
- reducing source materials, e.g. light-weighting;
- examining order quantities and delivery frequency;
- improving delivery scheduling to minimize impacts from transportation;
- reducing carbon intensity of products through improved energy efficiency.

Fostering positive customer–supplier relationships and promoting open and two-way communications enable joint performance improvement and help harness valuable supplier expertise. The importance of maintaining continuous focus on sustainability should not be underestimated.

6.7.3 Supplier failure

In extreme cases it might be necessary to exit a relationship with a supplier where the supplier has failed to make the required sustainability improvements. This should be a last resort and only taken after the purchasing organization has made the effort to support the supplier to meet agreed requirements, but where the supplier has made little or no effort to improve. To continue to source from such a supplier indicates to competitors and other suppliers that the purchasing organization is not serious about its sustainability commitments across its supply chains. Other considerations at this stage might be appropriate, e.g. payments of severance or other steps a buyer can take to ensure that workers get paid before final payments are made.

6.7.4 Disposal and end-of-life management

Some goods require disposal strategies to be developed at the end of their useful life. At this point, disposal options should be reviewed and assessed with the aim of minimizing environmental impacts, maximizing recycling and reuse and determining all opportunities to minimize landfill and pollution. Unethical disposal, especially overseas, can have significant remediation costs and damage an organization's reputation.

NOTE Attention is drawn to any relevant UK and/or local disposal legislation.

However, these disposal requirements should not only be considered at the end of the life cycle but should be factored in throughout the design, procurement process and during operational phases of the product life. This includes ensuring consideration for disassembly and reuse at the design stage, optimum choice of components and materials in the specification to maximize recycling opportunities, and recovery of subsystems and resources whilst minimizing the use of hazardous materials that could be dangerous and costly to dispose of. This is sometimes referred to as a cradle to cradle approach.

As discussed in **6.3.3.3**, WLC assessments should also take into consideration the costs of decommissioning, resale and disposal and should also take account of any possibilities for reuse, modification and maintenance to extend and maximize the product life. This can be very difficult, especially for products and equipment with particularly long operational lives. Some organizations are now dealing with end-of-life management and sustainability issues resulting from purchasing decisions taken over 50 years ago.

EXAMPLE

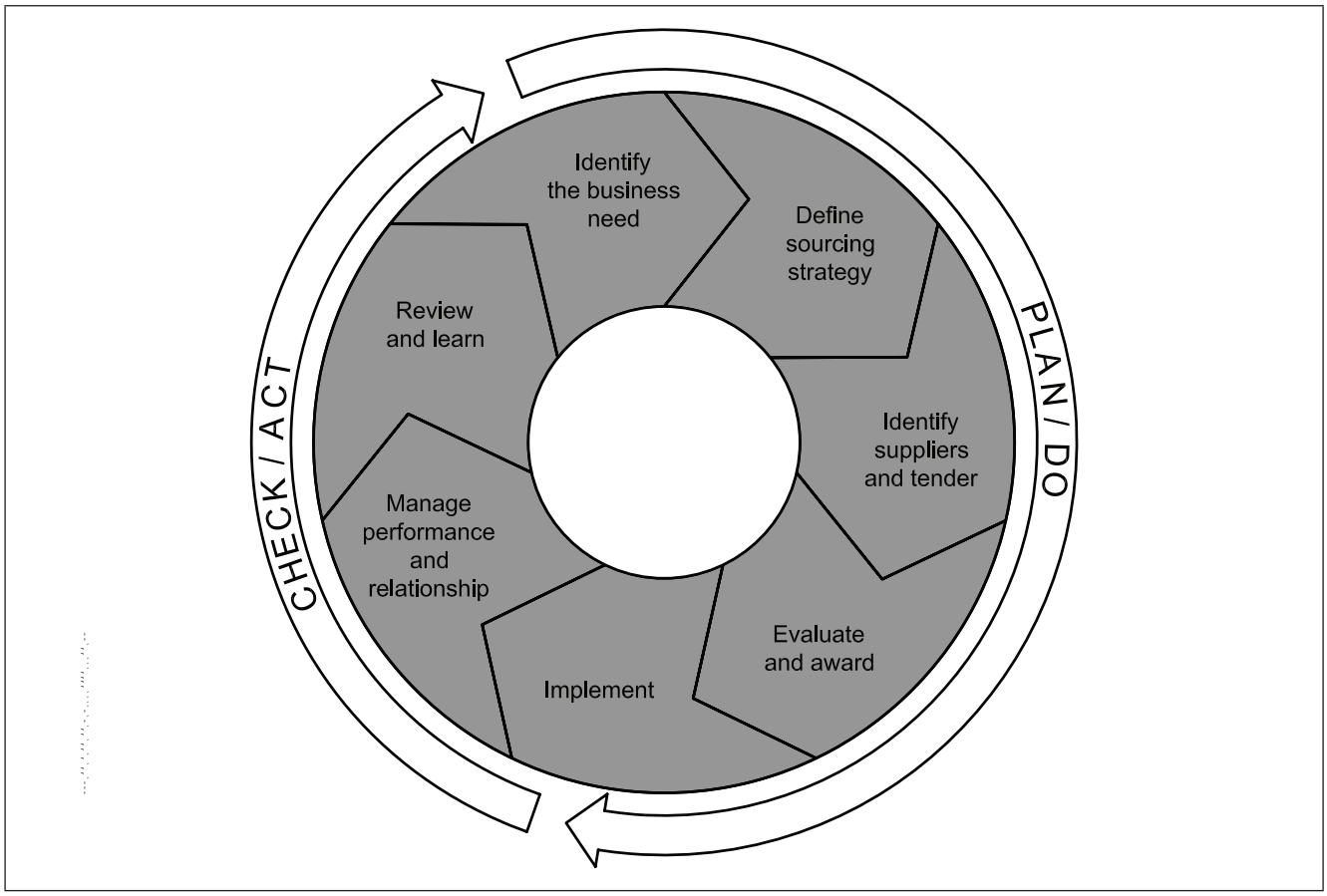
The procurement decisions taken by the Ministry of Defence today are factoring in long-term future disposal strategies, as well as attempting to understand future climate change factors and operating conditions in which the armed forces could be expected to deliver military operational capability, to deliver functional and sustainable equipment whose operating practices mitigate and adapt to the challenges of climate change and resource depletion.

6.8 Review and learn

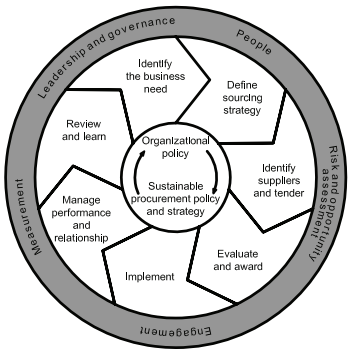
Continual improvement is the cornerstone of good procurement practice. Buyers should ensure that processes are in place to allow review and feedback of key projects and purchases so that learning is captured, shared and acted upon. This should be an ongoing process and buyers do not need to wait until the end of the procurement cycle to commence this. The procurement process illustrated in Figure 7 follows the Plan, Do, Check, Act approach outlined in BS EN ISO 14001.

*NOTE See Clause **11** for further guidance on measurement.*

Figure 7 **Plan, do, check, act approach**



Section 4: Enablers



*COMMENTARY ON Section **4**.*
The final section of this British Standard examines sustainable procurement "enablers". These are practices, competencies or techniques that underpin sustainable procurement activity.

7 Leadership and governance

7.1 Leadership

The support of top management makes a crucial difference to an organization's achievement of sustainable procurement and can be a powerful driver to encourage organizations to go beyond minimum legal requirements. Leaders should be capable of articulating and sharing a vision of desired long-term sustainability outcomes which enable staff to prioritize sustainability objectives alongside other priorities, including efficiency savings. They should also empower staff to seek innovative and sustainable business solutions and encourage them to develop sustainability led initiatives. Leadership can be reinforced at all levels. For example, some local authorities have a network of sustainability champions across all business units.

Leaders and management should be capable of, and willing to provide, guidance, mentoring and advice, as well as ensuring appropriate training is available to develop the competencies of procurement staff and other stakeholders where appropriate.

7.2 Governance

A clear governance structure is essential to ensure accountability and management involvement in procurement planning, the procurement process and delivery of strategy objectives. Increasingly, leading organizations are publically reporting their sustainability intentions and commitments with independent assurance bodies verifying progress.

Good governance improves forward-planning, which enables buyers to identify future trends and signal needs to the market. Stakeholders and suppliers should be informed of and/or involved in forward-planning to ensure they can adequately prepare to meet any future needs and changing priorities.

8 People

Effective delivery of sustainable procurement policy and strategy requires that all personnel involved in procurement activity, at whatever stage, understand the reasons for implementing sustainable procurement as well as how to play their part in implementation. Building competence is perhaps the most important enabler of all and should not be underestimated.

Competence is a fusion of knowledge, skills and attitude. Applying a sustainable procurement strategy might require acquisition of new knowledge and, to be effective, development of skills to apply that knowledge practically. Procurement organizations should identify the learning and development needs of those involved in the procurement process, in order to equip them with the tools and

capabilities needed to implement organizational and procurement objectives. Some considerations might be formal training, job shadowing or job exchanging internally or externally, attending conferences, sharing learning and good practice or working in a specific project team.

Buyers cannot fully achieve sustainable procurement practices without ensuring that key stakeholders and budget holders also have the necessary skills and knowledge and organizations should invest time and money to provide resources for building appropriate levels of competence. This investment can reap rewards, both in terms of managing sustainable procurement and employee motivation.

The purchasing organization should review its existing learning and development programmes to ensure that:

- recruitment and induction programmes clearly outline the organization's vision and objectives for sustainable procurement together with its wider sustainable development goals;
- sustainable procurement issues and their management are captured into all relevant professional training, for example, category management training;
- learning and development resources provide opportunities to adapt and develop the organization's culture and behaviour, where necessary; and
- competencies required to manage sustainable development form part of the performance appraisal system. Staff personal objectives should include sustainability objectives and an incentive programme (e.g. awards, fiscal bonuses) could also be considered.

Development activity should be tailored depending on staff involvement and input to the procurement process with customized or more advanced training or development opportunities made available for key staff dealing with specialist categories or high risk/impact goods, works or services. Table 5 outlines possible training approaches. Development needs often change over time as competence builds and the scope and reach of an organization's procurement aspirations grow.

Purchasing organizations should also encourage suppliers to take steps to ensure that they develop skills and competency in sustainable business practice. This enables them to respond to buyers' needs in respect of sustainable procurement and supports the development of sustainable supply chains. Suppliers might miss out on business opportunities if they fail to appreciate that their competencies also need to change and develop.

For example, as part of carbon footprinting for products, suppliers might need to provide accurate data on energy consumed, or, to be eligible to tender for a client's project, they might need to demonstrate compliance with an approved environmental management system or a responsible sourcing framework standard (such as BS 8902). Either of these situations could have cost, resource or management implications for the supplier. A purchaser should therefore be cognizant of any such burden and be prepared to help the supplier develop sufficient skills and competency to fulfil these requirements.

Table 5 **Example training options**

Staff	Training options					
	Introductory training on sustainable development principles and relevance to organization and stated policy objectives [A)]	Introductory sustainable procurement training, including quick win opportunities, high level risk and impacts analysis and whole life costing techniques [A)]	Sustainable procurement process training, demonstrating how to incorporate sustainability into the procurement process	Category specific training (high risk/impact categories)	One-to-one coaching and detailed consulting on specific category plans	Company-wide forum to share learning and recognize success, e.g. intranet, newsletters, etc.
Senior procurement managers and commissioners	✓	✓	✓			✓
Strategic category managers	✓	✓	✓	✓	✓	✓
Buyers	✓	✓	✓	✓	As required	✓
Finance, other budget holders, decision makers	✓	✓				✓
Designers, specification writers or architects	✓	✓	✓			✓
All employees	✓					✓

[A)] This may also be included in induction training.

9 Risk and opportunity assessment

9.1 General

Risk can most simply be defined as "the chance of something happening that will have an impact on objectives". These impacts can be positive or negative but when assessing risk, there is a tendency to focus on the negative impacts. Positive impacts on objectives should also be considered, i.e. the opportunities as well as risks should be assessed.

Organizations should ensure that they have processes and controls embedded in their operations to identify and manage risks and the effectiveness of these processes should be reviewed regularly. Risk management is the identification, assessment and prioritization of risks followed by a coordinated approach to monitor, minimize or control these risks. It is a key enabler across all aspects of business and as such, identification and understanding of supply chain risk is good, basic procurement practice.

When considering risk and opportunity from a sustainable procurement perspective, it should be completed at two levels.

Firstly, at a purchasing department and/or organizational level, risk and opportunity assessment is needed to inform business strategy and set strategic objectives (see Clause **4** and Clause **5**). This should provide buyers with clear strategic direction for ongoing and future purchasing activity.

Secondly, risk and opportunity assessment should be completed at the category, supplier and/or project level, covering both ongoing contracts (to ensure that the organization is not leaving itself immediately exposed to criticism or reputational damage) and as an integral part of the procurement process when buying any new goods, works or services.

The terms risk and impact are in many instances used interchangeably but the following explains how they are used for the purposes of this British Standard.

- Risks are actions or processes in the supply chain that might result in damage to the brand, the organization's reputation or even prosecution, for example, inappropriate labour standards, pollution incidents, or use of unsustainable, critical source materials. Organizations should work to mitigate risks.
- Impacts are the results of actions or processes in the supply chain. These can be positive or negative. Where a negative impact exists, there is frequently an opportunity to improve performance.

What is considered a high risk or impact for one organization might not be for another. This should be considered in context of the business, strategy objectives and customer base. Therefore, perceptions of risk and impact can differ even for companies operating in the same sector.

For example, one airline estimated that turnover could be impacted by as much as 5% to 10% over a period of three to six months, with customers switching to a rival operator if it received bad publicity for its approach to climate change. A low cost, budget airline might perceive its risks and impacts differently and might choose not to pursue such sustainability objectives. However, a company should still behave responsibly and not ignore key sustainability obligations.

EXAMPLE

A UK utilities company has identified and defined twelve key supply chain sustainability risks and impacts that it requires its buyers to manage as part of their ongoing supply chain management activities. Clearly defining what is meant by each impact and setting boundaries as to what is included and what is not included in each definition has maintained clarity and alignment for purchasing staff.

All categories and/or subcategories have been mapped against these twelve impacts using "high", "low" or "not applicable" as scoring options (see Figure 8). Buyers have then developed detailed action plans and set SMART (specific, measurable, agreed upon, realistic and time-based) targets for all high impact areas to manage and, where possible, reduce impacts. As part of setting appropriate targets, buyers analysed their supply chains and identified how far back down the supply chain they should realistically go in order to make a difference. It was also realized that affecting the supply chains would take time and a six-year plan was developed for each category or sub-category, enabling buyers to extend their reach as competency and sustainable business skills were developed.

This exercise was accompanied by a comprehensive training package to ensure that not only the buyers but also key stakeholders (including first and some second tier suppliers) were provided with an opportunity to develop the skills needed to meet targets and address the impacts.

Figure 8 **Supply chain risk map**

Key impacts	**Sub-category 1**	**Sub-category 2**	**Sub-category 3**	**Sub-category 4**
Waste to landfill [A)]	High	High	Low	Low
Energy	High	High	High	High
CO_2	High	High	High	High
Biodiversity	*Not applicable*	*Not applicable*	High	*Not applicable*
Materials	High	High	High	Low
Water use	Low	Low	Low	Low
Air emissions	Low	High	High	Low
Hazardous substances	*Not applicable*	*Not applicable*	High	*Not applicable*
Emissions to water	Low	Low	Low	Low
Fair treatment	High	High	High	High
Labour standards	High	High	High	High
Employment opportunities	Low	Low	Low	Low

[A)] Example definition: Waste to landfill is defined as only waste sent to landfill as a result of the utility company's own activities, including construction, operational and office based activities. Supplier's waste from manufacture and waste that does not arise from the organization's own activities is not included.

9.2 Prioritizing risks and impact at a category level

*NOTE The expenditure prioritization methodology described in **9.2** is based on that adopted by the Sustainable Procurement Task Force in Procuring the Future [5].*

9.2.1 Step 1: Define overall sustainable supply chain risks and impacts and associated measures

The first step is to identify the main sustainability supply chain risks and impacts relevant to the organization. This step should have previously been completed and used to establish overall procurement policy and associated strategic objectives. Then the method by which any risk or impact will be measured, i.e. what constitutes a high, medium or low risk/impact for each category, should be identified.

Categories should then be assessed against these risks and impacts in order to determine an overall level of risk or opportunity for that category, i.e. high, medium or low.

9.2.2 Step 2: Identify categories and associated spend profile

Organizations should record basic spend data. It is important to capture low spend, low business-critical categories that could have high sustainability impacts. Therefore, completing an initial prioritization based on category spend alone is not recommended.

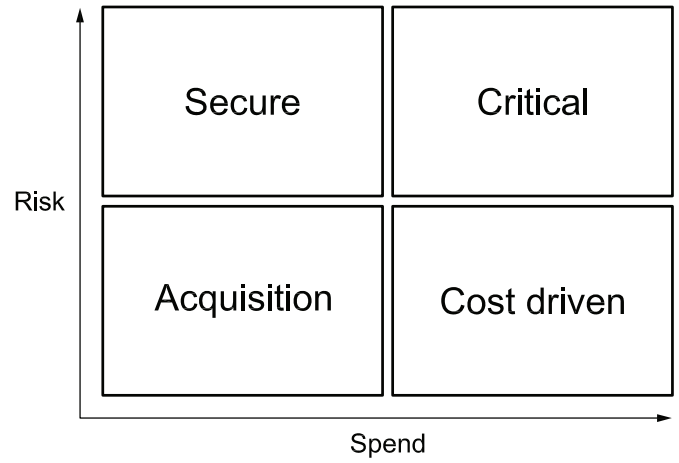
9.2.3 Step 3: Prioritize categories and sub-categories based on size of risk, scope and influence

When determining risk and how to prioritize activity, the size of the risk/impact, the scope to improve and the leverage the company has to make any improvement happen should be considered. The initial task is to determine the size of the sustainability risk. This can be completed by assessing the sustainability risk of a category versus spend using a simple matrix; see Figure 9.

NOTE This approach is similar to that outlined by the Kraljic matrix, which typically takes into consideration wider supply chain risks versus strategic value of spend.

Plotting the two dimensions against each other results in the categories being placed in one of four quadrants. Different approaches and relationship styles are generally taken to address sustainability in each quadrant.

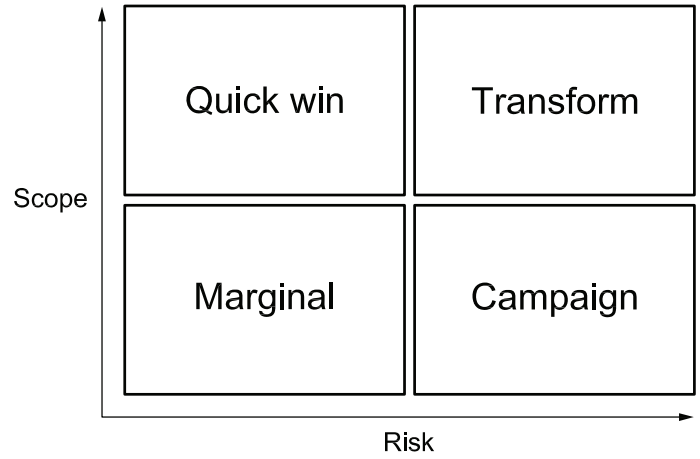
Figure 9 **Prioritize action: risk and spend**



- Critical: these categories have the highest spend and highest risk. They are typically critical to the business and should be a top priority demanding further risk analysis and close management. There should be a focus on driving value and opportunity, minimizing risk and building an effective relationship.
- Secure: these categories are lower spend, lower business critical categories but with high sustainability risks or impacts. These should also be prioritized and sustainability risks closely managed. Organizations should consider paying a cost premium if appropriate to manage risks associated with these purchases to ensure achievement of an organization's sustainability goals.
- Cost driven: these categories have lower sustainability risks requiring less attention and should not be prioritized if time and resources are limited. Buyers of such categories will typically adopt a more cost driven approach leveraging savings from suppliers. (These savings could potentially be used to fund costs in higher risk areas.)
- Acquisition: categories in this quadrant have a lower sustainability risk and should be not be prioritized where time and resources are limited. Due to the lower value of the spend, the procurement approach should be focused on more efficient buying techniques enabling buyers to focus time and attention on more strategically important categories.

Categories with the highest sustainability risks should now be prioritized and further analysis completed based on risk versus scope to do more in terms of reducing sustainable risks or impacts; see Figure 10.

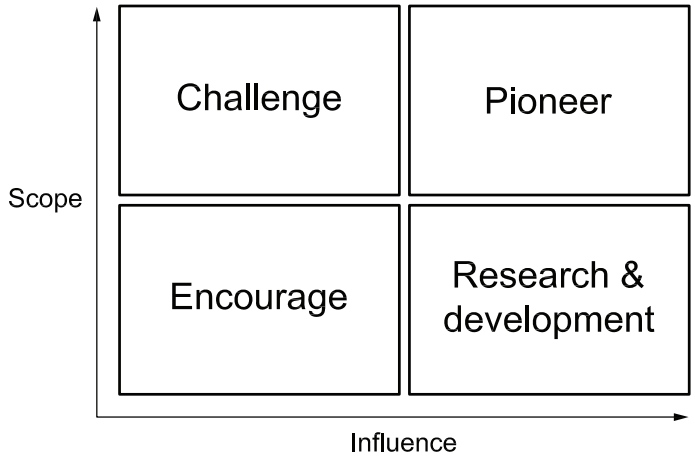
Figure 10 **Buyer approach: scope and risk**



- Campaign: some categories might be inherently unsustainable and by their very nature there is relatively little scope to improve. In such cases, the buyer could lobby or campaign the manufacturer or supplier to engage in research or make long-term changes to processes or business practices. However, it is likely to be relatively difficult involving longer timescales.
- Transform: these are higher risk/impact categories that have more scope to improve by switching to more sustainable business practices, manufacturing methods or specifications, for example. It is generally assumed that improvements are possible and with the right market engagement strategy, there is a real possibility of achieving a more sustainable outcome.
- Quick win: categories with lower overall sustainability risk but with some scope to improve fall into the quick win quadrant. It is recommended that if a positive sustainability impact can be made with relative ease, this should be pursued wherever resources permit. This could be as easy as specifying a more sustainable alternative that is readily available in the market place or adopting a minimum standard, for example, specifying that all timber products are to be certified to Forestry Stewardship Council (FSC) standard or stated equivalent criteria.
- Marginal: it is recommended that those categories falling into the marginal quadrant should not be prioritized in terms of sustainability.

Finally, higher risk/impact categories should be analysed further based on scope to do more against buyer influence. This approach examines whether the buyer has sufficient buying power to engage with suppliers and bring about sustainability improvements. This can be a real issue for SMEs who are often unable to exert enough influence over their supply chains to make a difference. Resources should be primarily focused on categories where there is the highest scope and influence, as these categories represent the greatest opportunity to achieve a positive sustainable outcome. Categories fall into one of the four quadrants shown in Figure 11.

Figure 11 **Market engagement strategy: scope and influence**



- Pioneer: high scope and high influence. Buyers have an opportunity to drive both the market and suppliers to maximize sustainability opportunities.
- Challenge: high scope and lower influence. Buyers should challenge suppliers to embrace the opportunities and use reverse marketing to encourage suppliers to act.
- Research and development: low scope and high influence. Buyers should push suppliers to undertake research and innovate to find new sustainable solutions.
- Encourage: low scope and low influence. Buyers should work with suppliers to raise awareness of sustainability issues.

EXAMPLE

A major food and beverage company with high street retail outlets is likely to prioritize furniture as a high impact, high spend category with sufficient scope to source furniture in a sustainable way. Part of the strategy might be to insist on sourcing to recognized standards such as FSC for timber products. This company would also have considerable influence over the suppliers and for certain items might wish to verify all aspects of the supply chain back to raw materials.

However, a second company, for example an automotive manufacturer, might not see procurement of furniture as much of a risk as it does not form part of their core offering and does not represent much risk to the brand or organization's reputation. In this instance, furniture would reside in the quick win quadrant (assessing scope versus risk) with the ability to specify a minimum standard or equivalent.

An example of a high impact category with little influence to change is pharmaceuticals. Individual health care trusts generally have very little influence over the sustainability performance of pharmaceutical organizations. Only by uniting at a national level does the UK health care industry have enough purchasing power to attempt to influence global pharmaceutical organizations.

9.3 Analysis and action planning of prioritized categories

9.3.1 Step 1: Develop a detailed risk/impact assessment

Upon completion of category prioritization, a specific category level risk/impact assessment and action plan should be developed for those prioritized categories. It should not be completed by buyers in isolation but should involve all key stakeholders. The purpose of this assessment is to:

- identify what the specific risks and opportunities are and consequences for the organization;
- determine the root causes – how, why and where the risks emerge (this might involve mapping the supply chain);
- develop action plans.

Figure 12 shows an example of a risk and opportunity action plan.

Figure 12 **Example risk and opportunity plan**

Description of risk or impact and consequences for the organization	How the risk/impact arises, i.e. root causes	Current rating H/M/L	Actions to address risk/impact	Who	When	Residual rating H/M/L

Depending on category and supplier relationship, this exercise might initially begin with internal stakeholders and suppliers might be invited later. Either way, suppliers need to be involved and buy in to any actions that they have been tasked with. This is a voluntary decision on behalf of suppliers (unless this has been included in the contractual terms and conditions). However, suppliers ought to see this as the right thing to do and be willing to take steps to make ongoing business more sustainable.

9.3.2 Step 2: Execute action plans

Where applicable, buyers and suppliers have the option to incorporate these actions into ongoing supplier development plans. Resource should be focused on the most critical issues and corresponding actions.

9.3.3 Step 3: Capture results and share learning/best practice

Results should be captured and learning and best practice should be shared. This is especially important across decentralized purchasing structures.

10 Engagement

For buyers to influence sustainable business practice, engagement and ongoing communication with stakeholders and suppliers both up and down the supply chain is essential. Buyers should be proactive and ensure suppliers and stakeholders understand and, where appropriate, buy in to sustainable practices and approaches. This can take time and training might be required to enable stakeholders to understand the business imperatives and develop necessary skills (for example, in whole life costing techniques) and process knowledge to support the sustainability agenda. Buyers should also be prepared to work with (and in some cases train) suppliers to adopt and embed sustainability principles into their organizations and downstream supply chains where appropriate.

EXAMPLE

Transport for London's (TfL) £500 million project to extend the East London Line is an example of how effective engagement with the supply chain, its workforce and the local communities can help promote sustainable social outcomes within large capital contracts.

The strategy for the project was to improve transport links to stimulate economic regeneration in the areas surrounding the extension, which include some of the most diverse and deprived areas of London. To support this Mayoral objective, a set of requirements were developed for bidders to meet which were relevant to the objectives of the project and would require a step change in the way the contractors implemented equality and diversity within their operations. Given the high value and length of the contracts, TfL considered it relevant and proportionate to require the following.

a) An Equality Policy which would have measures to encourage a representative workforce, considering the diversity and the gender balance of their workforce and how people from different groups could be attracted.

b) A Training Plan for staff delivering the project to detail how the bidder's own workforce and that of its sub-contractors would be fully trained and equipped to deliver the equality policy.

c) A Communications Plan detailing how the bidder would engage with the communities affected by the project to include initiatives within the wider community where training and employment opportunities such as apprenticeships could be made available.

d) A Supplier Diversity Plan setting out how the bidder would ensure that diverse suppliers were able to access and bid for sub-contracted opportunities arising from the project.

These requirements were implemented through a combination of evaluation criteria and contract performance conditions. TfL engaged with all potential bidders through clarification sessions to build bidders' understanding of the requirements to ensure that tender responses could be implemented.

To ensure that local people would be available and equipped to respond to the employment and skills opportunities made available by the contractors, considerable engagement with stakeholders was undertaken, including a number of local London Boroughs. A local university developed work placements whilst local funding agencies like the local Learning and Skills Council were informed that the contractors were looking for skills, and provided funding and support where appropriate. As part of the youth engagement programme, a community art project was developed whereby the local community was invited to paint hoardings to increase the sense of ownership and reduce vandalism.

Actions aimed at engaging with a more diverse supply base included supplier conferences and briefings, production of supplier guides and ensuring visibility of supplier requirements throughout the procurement process. Engagement with suppliers was maintained throughout the project and a supplier health check used to identify progress made by suppliers on key sustainability issues.

Effective stakeholder engagement can only happen if buyers are clear about:

- the desired objectives associated with the engagement;
- the appropriate scope of sustainability requirements across the supply chain, stakeholder group and/or organization;
- what the key messages actually are and who the target audience is;
- how those messages are relevant to the stakeholders.

Timing is also important. Stakeholders should only be engaged once messages can be articulated clearly and a two-way dialogue promoted.

The guidance in Annex B should be consulted when planning stakeholder engagement. A stakeholder engagement model is included this annex, which incorporates two templates: one for mapping stakeholders and a second for communications planning.

Often little attention is given to sharing of lessons learned. Wherever possible (and relevant), learnings should be shared throughout the organization and with suppliers. As competency builds, practical examples should also be incorporated into training and good practice shared with other organizations. Finally, achievements and successes should also be publicized widely and reputational benefits realized.

11 Measurement

11.1 General

The final enabler of sustainable procurement is to put in place systems for measuring and monitoring the results. Measurement can have both qualitative and quantitative dimensions and may be applied to both purchasing practices and outcomes. As discussed in **5.2**, sustainability measures are usually divided into two areas (management performance indicators and operational indicators).

It is important to measure the baseline position so the impact of sustainable procurement activities can be monitored and measured. The results might not be evident immediately as they can only be realized once measures have been agreed, and then some time lapse allowed for measurement to take place.

11.2 Sustainable management performance indicators

A useful tool is the Flexible Framework. This is a maturity matrix which details the phases of progression an organization can follow to achieve sustainable procurement leadership. It describes the journey towards sustainable procurement and is an articulation of best practice. It can be used as an assessment tool to understand current positioning and to provide a clear route to improve performance.

NOTE 1 Defra has produced a guidance package to the Flexible Framework which sets out the activities that organizations can undertake to meet its requirements and enables participants to assess and record their performance on sustainable procurement over time; see www.defra.gov.uk.

A good starting point is to conduct a self-assessment of the organization's progress against each theme on a scale of one to five. Organizations should define their own targets and measures

of demonstrable achievement and should identify the sources of evidence that show the targets have been achieved.

NOTE 2 See BS 8900 for guidance on developing a maturity matrix based on the sustainable development principles of inclusivity, integrity, stewardship and transparency.

EXAMPLE 1

How measures related to the Flexible Framework could be applied.

Procurement policy and strategy – qualitative measures (scale of one to five).

The organization scores:

- one, when a simple policy is adopted, endorsed by the CEO and communicated to suppliers and other stakeholders;
- two, when the policy is regularly reviewed and is linked to other organizational goals;
- three, when the organization develops a strategy for implementing the policy that addresses the main sustainability risks;
- four, when the strategy is linked to other management systems;
- five, when all of these measures have been achieved and are subject to regular review and external scrutiny.

EXAMPLE 2

A government department is using the Flexible Framework model to assess its own performance in sustainable procurement. It has created a monitoring tool which consists of a separate sheet for each of the five levels of the Framework.

At each level the department assesses itself against the Flexible Framework themes.

For each theme, the department has set a series of targets, against which it records its achievements, its criteria for success and the person responsible for each target. Ongoing and planned activities are also recorded.

11.3 Sustainable procurement outcomes (operational indicators)

The second aspect of measurement is to know the results or outcomes of the organization's sustainable procurement activities. This usually involves quantitative measures and begins with setting targets and performance indicators.

The starting point for setting meaningful sustainable procurement targets and performance indicators should always be the organization's sustainable procurement policy and strategic objectives. This ensures that the targets and performance indicators selected are aligned with the organization's broader goals and objectives and the objectives of the sustainable procurement policy in particular. It is an essential step that also helps to secure buy-in for the targets from stakeholders across the organization.

Figure 13 shows one organization's targets for reducing waste to landfill. It has set clearly defined goals and measures over a six-year period. These goals are linked to the sustainable objectives it has set. For very large organizations, these targets might vary for different regions or divisions.

Figure 13 **Example targets for reducing waste to landfill**

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
70% of suppliers reporting waste to landfill.	**90%** of suppliers reporting waste to landfill. **30%** of suppliers have waste reduction targets. **1** forward commitment made to marketplace.	**2** forward commitments made to marketplace.	**90%** of suppliers reporting waste to landfill. **50%** of suppliers have waste reduction targets. **30%** of suppliers can demonstrate reductions made. **1** forward commitment delivered. **3** forward commitments made.	**2** forward commitments delivered. **4** forward commitments made.	**90%** of suppliers reporting waste to landfill. **90%** of suppliers have waste reduction targets. **50%** of suppliers can demonstrate reductions made. **3** forward commitments delivered. **5** forward commitments made.

An organization's policies and strategies should provide clear guidance as to what kinds of sustainability issues are to be considered in the procurement process and should contain high level targets for the organization against those issues (as demonstrated in Figure 13). Buyers can then translate these targets into more detailed performance indicators for individual categories or products. Clear management information systems should then be put in place to track and report progress of these measures within agreed timescales.

EXAMPLE

A construction company has created a supply chain sustainability strategy. Through this strategy, the company communicates its sustainable procurement policy, key targets and objectives to its top ten suppliers and asks for their commitment to this agenda.

Within the strategy is a supply chain sustainability criteria matrix. This matrix lists the company's top ten sustainability criteria for a typical project and sets performance targets against each of these to be achieved over a five-year period.

In addition to the sustainability matrix, the company has developed a risk matrix to identify what it sees as the key risks that should be priorities for each supplier's business. Supply chain members are required to produce a project plan, identifying sustainability targets they are implementing on a project, and report the outcomes at the end of their involvement. Progress against the sustainability criteria is discussed and recorded as part of the quarterly development plans by the supply chain manager.

11.4 Benchmarking

A purchasing department might choose to use the Flexible Framework assessment to benchmark itself against peer organizations. However, there are a number of other corporate responsibility measurement indexes available. These are not limited to supply chain activities but take into account all aspects of an organization's business practices, including supply chain.

NOTE See Annex E for further resources, including examples of benchmarking indexes.

Annex A (informative) Public procurement guidance

A.1 General

Directive 2004/17/EC [1] and Directive 2004/18/EC [2] (and the Regulations that implement them in the UK [3] [4]) are applicable to all procurement by public bodies and certain utilities. They cover all aspects of the qualification and tender process.

At various stages of the procurement process, it is important for public sector buyers to ensure procurements are consistent with UK Procurement Regulations enacting the EU Directives where these apply and with EU Treaty Principles. This annex attempts to highlight some (but not all) of those instances and it is important for public sector buyers to note that any use they make of BS 8903 has to be in compliance with these procurement rules. If in doubt, buyers are advised to seek legal advice.

It is the responsibility of the buyers to check that they are working to the latest Directives, Regulations and government policy.

More on the EU Treaty Principles can be found online. Also available online is the EU Green Public Procurement Toolkit (Module 2: Legal Module, "Legal Framework for Green Public Procurement"), which helps to understand what is and isn't acceptable with regards to environmental considerations in public procurement (http://ec.europa.eu).

The OGC, as custodian of the Procurement Regulations, has extensive guidance on its website (www.ogc.gov.uk).

There are also policy statements and guidance on enabling SME participation and catering for apprenticeships and training available on the OGC website.

"The Sustainable Procurement Cupboard – The Legal Shelf" is another potential source of information. The Sustainable Procurement Cupboard provides a framework to help buyers find case studies, tools, primary documents and contracts to deliver on multiple public sector targets. The Cupboard is user-driven, enabling buyers to find and share work. The Legal Shelf provides an overview of legal practice and introduces buyers to some of the relevant law surrounding embedding sustainability into procurement practice (www.procurementcupboard.org).

Useful guidance, such as guidance on implementation of Opening Doors Charter principles, procurement and third-sector guidance for the public sector, and frequently asked questions on supported factories and businesses are available from www.buy4wales.co.uk.

Further guidance can be found at www.scotland.gov.uk and www.northernireland.gov.uk.

Guidance on timber procurement can be found at www.cpet.org.uk.

A.2 Identify the business need (6.2)

Public sector buyers are advised to be aware of latest government policy about developing the business case for a purchase, for example, whether they have to take account of benefits to the whole of society, including social and environmental benefits, and whether all costs and benefits have to be considered over the life of the contract.

See www.hm-treasury.gov.uk and www.ogc.gov.uk for further guidance.

A.3 Define sourcing strategy (6.3)

There is a set of minimum environmental standards for particular types of products which can be accessed via the Defra website. These are called Government Buying Standards (GBS). All public sector buyers are advised to check whether the minimum GBSs are currently mandatory for their area of work (e.g. Central Government, non-departmental public bodies, non-ministerial departments) (www.defra.gov.uk).

A.4 Whole life cost (WLC) analysis (6.3.3.3)

Public sector buyers are advised to be aware that value for money might have to be assessed over the whole lifetime of a project, including disposal (either sale proceeds or decommissioning costs), estimating the costs and benefits to society as a whole, not simply those directly relevant to the buyer, e.g. environmental impact. (See www.hm-treasury.gov.uk.)

A.5 Weighted decision making (6.3.3.5)

Where weighted decision making is used in the public sector, buyers are advised to check whether sustainability requirements need to be relevant to the subject matter of the procurement, and whether the award has to be based on the best value for money for the contracting authority.

A.6 Finalizing the specification (6.3.4)

Public sector buyers are advised to check whether they are allowed to have a sustainability issue as a core requirement. This is likely to be possible if it is central to the subject matter of the contract. This means that the sustainability issues have to relate to the characteristics of the product or service. Requirements that do not refer to the characteristics of the product or service being bought but rather to the wider operation of the supplier might not be allowed to be included.

A.7 Pre-qualification (6.4.1)

Private sector organizations generally have more flexibility than the public sector to incorporate sustainable procurement considerations across the pre-qualification and tender process.

Public sector buyers are advised to check the latest Directives [1] [2], Regulations [3] [4] and government policy as it is possible that they cannot restrict themselves to a pre-qualified pool of suppliers without allowing other suppliers to pre-qualify/demonstrate equivalence.

In addition, buyers are advised to check whether questions can only relate to suppliers' technical ability and track record, over and above those covering the grounds for mandatory exclusion under the Directives. Where industry standards are used, it is likely that equivalence will have to be allowed for.

The Procurement Regulations contain an extensive list of references or evidence that potential suppliers can be asked to provide to prove their technical and/or professional ability, e.g. if a contract requires specific environmental knowledge, proof of suitable experience can be requested. However, the evidence requested has to relate to the specific contract itself, not the operation of the whole business.

A.8 Tender evaluation (6.5.1)

Public sector buyers are advised to check whether tenders have to be awarded to the bid offering best value for money relative to the specification or requirements, assessed from the perspective of the contracting authority. It is also advisable to ascertain what it is and is not permissible to take account of during tender evaluation.

In many instances, this is likely to result in a sustainable solution, but it cannot be guaranteed that the most sustainable bid is automatically successful, and might depend among other things on what is being bought.

A.9 Supplier auditing (6.5.2)

Public sector organizations need to carefully consider when and how to audit suppliers so as not to impose unnecessary burdens. Sometimes it will not be appropriate to require a supplier to meet a certain standard prior to contract commencement, and this ought, therefore, to be included in contract conditions. Where standards are used, equivalence ought to be allowed for. Public sector buyers are advised to check whether this information is mandatory at the time of their purchase.

A.10 Conducting negotiations and agreeing terms and conditions (6.5.3)

Public sector buyers are advised to check whether it is mandatory to use the terms and conditions to ensure the contract is carried out in line with the organization's needs.

For example, buyers might be able to require a winning bidder to set up an accredited Environmental Management System (EMS) to cover the performance of the subject matter of the contract, but only where they are buying works or services and only where the EMS is relevant to the performance of the contract.

A.11 Working with suppliers (6.7.2)

The extent to which a public authority can influence its subcontractors down the supply chain, procure ethically and buy sustainable raw materials (e.g. timber) is subject to the Procurement Directives [1] [2] and Regulations [3] [4] and public sector buyers ought to consult OGC guidance, the Directives and Regulations themselves or seek legal advice.

A.12 Supplier failure (6.7.3)

A decision to terminate a contract needs to be considered carefully, and a public sector organization ought to consider supplier performance against other aspects of the contract. Buyers are advised to check whether this information is mandatory at the time of their purchase, and also whether there are other mandatory requirements related to contract termination.

A.13 Relevant theme matrix

This matrix can be used as a tool to support the decision making process for public sector buyers when considering which themes of sustainable procurement are relevant to a forthcoming procurement exercise. Used at the start of the procurement process, the tool provides an overview of how key challenges facing the UK's public sector link into the top 10 spend categories identified by the Sustainable Procurement Task Force Prioritization Methodology (see www.defra.gov.uk).

The matrix scores each theme on the potential for implementation and delivery within each spend category. A score of 5 denotes a high scope to implement themes and 1 denotes a low scope for implementation.

For example, as there is a wide acknowledgement within the procurement community that social and environmental aspects can be implemented in large construction contracts, the matrix scores all themes as high. The labour intensive nature of the health and social work sector provides a great opportunity for the promotion of equality, but there is little scope for the implementation of a low carbon strategy, hence the matrix scores of 5 and 1.5 respectively.

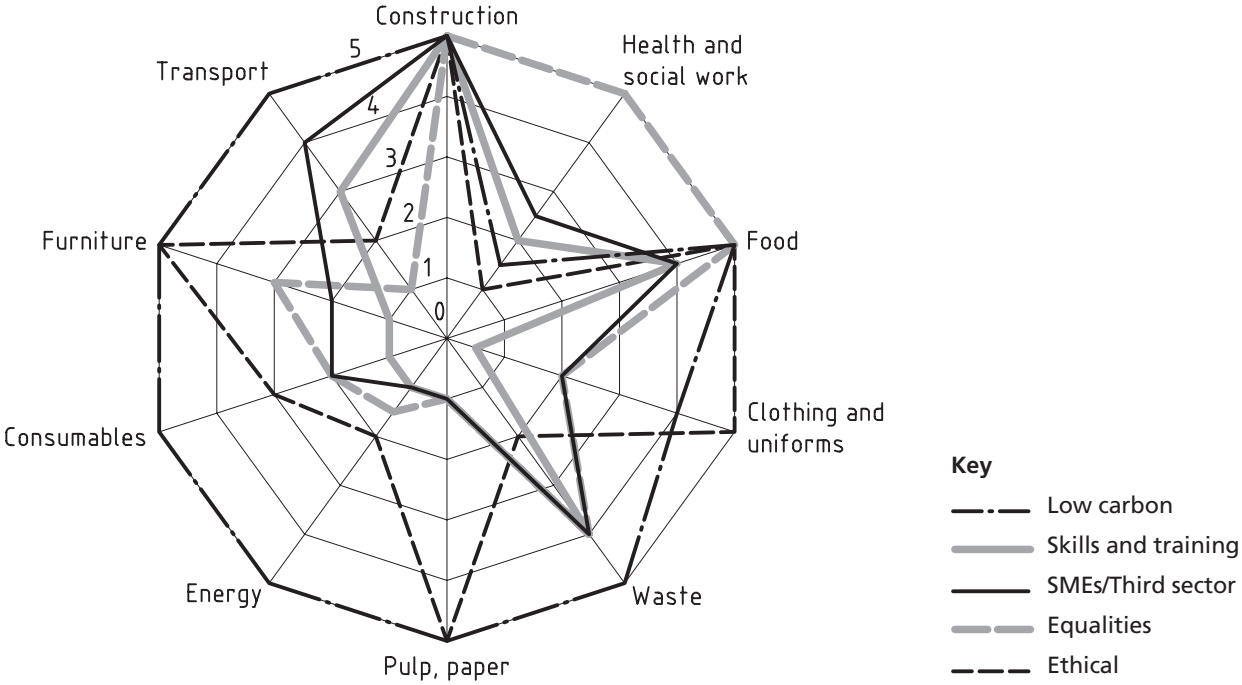
As mentioned throughout BS 8903, the principle of proportionality (contract size and duration) ought also to be considered when implementing sustainable procurement considerations.

The matrix can also be used to assist leads in identifying which spend categories are relevant for implementation.

The themes are defined as follows.

- Low carbon: using procurement as a driver to stimulate a low carbon economy through reducing carbon emissions within the supply chain and encouraging low carbon products and services.
- Skills and training: encouraging suppliers to use apprenticeships and provide training to tackle youth employment and to meet the future needs of the labour supply/skills shortages.
- SMEs/Third sector: opening up contract opportunities for SMEs and third-sector organizations, encouraging and supporting these organizations to compete for public sector contracts.
- Equalities: using procurement to improve equality practices of suppliers and to deliver equality outcomes through the procurement process.
- Ethical: using procurement to encourage the use of ethical sourcing practices including aspects of human rights and labour standards as they relate to work and employment.

Figure A.1 **Relevant theme matrix**



Annex B (normative)

Stakeholder engagement planning

Proactive stakeholder engagement, both internal and external, is crucial to the success of sustainable procurement strategy and resulting activities. Organizations should have in place long-term cross-departmental strategies to address sustainability concerns. The appropriate level of engagement and ongoing communication is key to success. Stakeholder mapping is a tool which provides an active analysis of stakeholders. It is designed to ensure the proactive influencing and management of people or groups who can impact or could be affected by sustainable procurement initiatives. By understanding the individual's motives and positions, the process of change can be influenced positively and the issues that are traditionally a barrier to change can be minimized and solved.

This is a relatively easy exercise that structures thinking and systematically enables an organization to identify and assess how stakeholders will be impacted by a project and how they are likely to respond. It should be completed at the outset of a key project and revisited throughout the project life as stakeholders and their potential influence change. A stakeholder might be supportive of proposed activities and facilitate and champion change within their sphere of influence. Alternatively, they might be passive or potentially resist change. In all cases, it is important to understand and anticipate stakeholder responses in order to proactively manage them and maximize their support and influence to achieve the best possible outcome.

Figure B.1 gives an example of a stakeholder mapping template.

Figure B.1 **Stakeholder mapping template**

Project or strategy name:		**Owner:**		
Name	**Role**	**Location**	**Interest**	**Supportiveness**
Who	*Current position within company or department*	*Where individual is based (this will influence the communication approach)*	*How the initiative or project will affect the individual*	*Anticipated response or attitude, e.g. supporter, facilitator, blocker, neutral/passive*

Following on from identifying and mapping stakeholders, organizations should think about how best to communicate with them. Communication is frequently given little attention and its importance significantly underestimated, yet effective communication is critical to the success of all business activities. The messages to be conveyed and the most effective media to use should be carefully considered.

Completing a formal communications plan helps structure this thinking and clarifies communication responsibilities within the team.

There are four key steps within this process.

1) The stakeholder mapping should be referred to, to identify who will be affected by the activity/project and how they will be affected. This is required to interpret what information they are likely to need. The messages are likely to differ between stakeholders and communications should be tailored to reflect this.

   NOTE For example, a sponsor will want to understand if a project is on target to deliver objectives, on time and within budget and any potential issues that might require sponsor input to resolve. A supplier, however, will be much more concerned with how the project will impact them, what resources will be required and how they can engage with the project to their commercial advantage.

2) The most appropriate method of communication should be considered at the outset of the project and then on an ongoing basis. Communication should be two-way in order to harness stakeholder expertise and maintain engagement.

3) The frequency of formal communication should be determined, e.g. periodically (weekly/monthly), by event or by project milestone.

4) Who within the team should be responsible for which communications should be decided. Things to consider at this point are: location, expertise and experience of team members and existing relationships with stakeholders.

This method of formal communication is not a substitute for regular informal communication with parties when the opportunity arises. Two-way communication should be encouraged and communication should be started as early as possible, as it is important not to let rumour or miscommunication precede the message.

The date of the next formal update should always be made known.

Figure B.2 gives an example of a communications planning template.

Figure B.2 **Communications planning template**

Name	What	Method	Frequency	Action
Stakeholder name	*Necessary information and updates*	*e.g. face-to-face meeting, email*	*How often, e.g. monthly*	*Person responsible*

Annex C (informative) An introduction to ecolabels and environmental declarations

C.1 Ecolabels

Ecolabels are used to identify products or services that have been certified as having certain environmentally-friendly properties. They are typically voluntary and awarded by impartial third parties.

Ecolabels appear to offer a quick solution for purchasers looking to specify environmentally preferred goods, but their use can be problematic as many third-party ecolabel schemes now operate globally, with each scheme having its own particular set of selection criteria. Criteria documents can be complex and confusing and suppliers might be expected to meet a number of different standards and criteria for different customers.

The EU ecolabel scheme (EU Flower) has tried to address some of these concerns by streamlining its procedures, adding more product groups and speeding up the criteria development process. Other measures include simplification of the assessment procedures, and greater focus on the most significant environmental impacts of products. Additionally, criteria documents have been simplified to ensure they are more user-friendly.

Before using an ecolabel to inform a purchasing decision, it is important that purchasers check that they know what criteria the ecolabel requires and who awarded the ecolabel to that product or service, to check that it is truly impartial. Purchasers also ought to check that the product or service meets their other sustainability requirements (social and economic).

For more information on ecolabels, see Global Ecolabelling Network (GEN): www.globalecolabelling.net.

The example ecolabels below are country/region specific but there is also a wide range of industry ecolabels.

- EU Flower: http://ec.europa.eu.
- Germany Blue Angel: www.blauer-engel.de.
- Nordic Swan: www.svanen.nu.

C.2 Environmental declarations

An environmental declaration is a "claim which indicates the environmental aspects of a product or service" (BS EN ISO 14020:2001). These are increasingly being used by organizations to communicate the

environmental performance of goods, works and services in a credible and understandable way. Such statements are intended to be relevant, verified and comparable to inform customers' decision making. See BS EN ISO 14020 for more information.

Annex D (informative) Example pre-qualification questionnaires

D.1 Example 1

D.1.1 Part 1: Supplier pre-qualification questionnaire (sustainability related questions only)

The example given here shows the sustainability related section of an organization's pre-qualification questionnaire. These sustainability related questions would be included along with questions regarding strategic, financial, technological, product/functional and wider market/sector related questions. All answers are assessed against a standard assessment model and the organization decides the weighting of sustainability in the overall bid assessment before issuing the pre-qualification questionnaire.

NOTE See PAS 91 for information on pre-qualification criteria in construction tendering.

EXAMPLE

Company X values the role that suppliers and contractors can play in helping us to achieve our corporate responsibility aims; sometimes corporate responsibility is known as "sustainability".

For us, this means a balance between economic, environmental and social aspects.

We have pledged to use our supply chain process to:

- specify equipment that is carbon, energy and water efficient;
- only select suppliers who meet minimum standards;
- use whole life cost analysis to award contracts;
- give/receive feedback to suppliers to improve supplier performance;
- reduce waste and dispose of assets responsibly.

We have identified our risks, impacts and opportunities and have corresponding action plans in place for these. Many of these need supplier support for us to deliver.

1) Do you have processes in place that:
   a) identify your main sustainability risks, impacts and opportunities?
   b) manage and mitigate these risks, impacts and opportunities?
   c) identify new technologies to manage and mitigate these risks?
   d) train and inform your key stakeholders?

Please provide information regarding the above (400 word limit).

2) Have you over the last two years had any environmental prosecutions? If yes, please provide details as well as information regarding the steps taken to address the issues and ensure that they do not occur again.

3) Please provide details of any awards or commendations you have won for your work in dealing with sustainability issues within your organization (300 word limit).

D.1.2 Part 2: Supplier invitation to tender questionnaire (sustainability related questions only)

EXAMPLE

Upon review of the contract scope, Company X believes the following to be the main sustainability impacts and risks for this contract:

1) *Key sustainability risks/impacts* [A)]

2)

3)

Please note that the information you provide should be specific to the contract requirements as outlined in the invitation to tender and that evidence provided should support your ability to manage the risks and impacts identified above.

Please provide details and evidence of measures you have taken within your organization or with other clients to deal with any or all of the above impacts and risks (400 word limit).

Please provide details and evidence of any other sustainability risks and impacts (not identified above) that you have identified within similar contracts with other clients. If other risks and impacts have been identified, please provide details and evidence of processes implemented and measures taken to address these risks (400 word limit).

[A)] When pre-qualifying suppliers, the key risks and impacts identified following any prioritization exercise are inserted here to ensure buyers pre-qualify suppliers on the most relevant issues.

D.2 Example 2

D.2.1 National Health Service (NHS) generic sustainability pre-qualification questions

The following questions are taken from NHS web-based, centralized purchasing platform, "sid4health". This is the NHS supplier information database holding supplier pre-qualification information, which is shared among all purchasing organizations in the NHS.

These example questions are generic and any subsequent evaluation approaches would be tailored to the particular contracting authority, the specific nature of the goods, works or services being procured, plus other circumstances that apply to the procurement exercise.

1) Are documented plans in place to effectively manage significant risks or opportunities associated with energy and carbon emissions?

   If yes: please provide a short summary of significant risks and the associated controls and mitigation measures applied together with details of any actual reductions achieved within the last five years.

2) Are documented plans in place to effectively manage and minimize consumption of physical resources critical to the goods, works or services to which this profile relates?

If yes: please provide details of critical physical resources and significant measures or initiatives in place to minimize consumption and associated supply risks.

3) Is a biodiversity action plan in place to address the significant biodiversity aspects of the goods, works or services to which this profile relates?

   If yes: please provide a copy of your biodiversity action plan.

4) Does your organization operate an Environmental Management System (EMS) to address the significant environmental aspects of the goods, works and services to which this profile relates?

   If yes: is your EMS independently certified to a recognized EMS standard?

   If yes: please provide evidence of your certification which clearly identifies the standard applied, the certifying body and the scope of the EMS.

   If you have an EMS in place but this is not certified to a recognized EMS standard, please provide a summary of the measures you have in place and any independent verification applied.

5) Is a process in place to identify the significant public health risks or opportunities associated with goods, works and services to which this profile relates?

   If yes: please provide a short summary of significant risks and opportunities and any associated controls and mitigation measures applied.

6) Is a system in place for assuring that labour standards are maintained in line with those set out in the Ethical Trading Initiative Base Code for:

   a) staff directly engaged by your organization for the delivery of goods, works and services to which this profile relates (including direct employees and staff employed through or by a third party who are working under the instruction of your organization)?

   b) people employed by organizations within the supply chain(s) from which your organization will source goods, works and services to which this profile applies?

   If yes to a) or b): please provide a summary of the assurance measures you have in place and any independent verification applied.

7) Is an effective corporate governance system in place which identifies and addresses issues associated with conduct and standards of behaviour (e.g. bribery, corruption, fraud, illegal activity)?

   If yes: please provide a summary of the assurance measures you have in place and any independent verification applied.

8) Is a system in place for assuring that animal welfare standards are maintained in line with legal minimum standards applied in the UK for the goods, works and services to which this profile applies?

   If yes: please provide a summary of the assurance measures you have in place and any independent verification applied.

9) Please confirm that your organization is able to supply goods, works and services which meet or exceed the Government's Buying Standards.

10) Do you have policies or statements in place that address the significant sustainable development aspects of the goods, works and services to which this profile relates?

If yes: please attach copies in section x and list the document names/references here.

11) Give the name of the officer(s) responsible for the implementation of your organization's sustainable development related policies (if no responsible officer is in place, please state "None").

D.2.2 Scoring

Evaluation guidance and scoring also ought to be developed. However, this is specific to the goods, works or services in question. A possible scoring scale has been included in Table D.1 for **D.2.1**, question 1, for illustration purposes. (These questions also ought to be weighted alongside other pre-qualification questions.)

Table D.1 **Example scoring for question 1**

Are documented plans in place to effectively manage significant risks or opportunities associated with energy and carbon emissions? If yes: please provide a short summary of significant risks and the associated controls and mitigation measures applied together with details of any actual reductions achieved within the last five years.	
5 Excellent	Clear explanation of relevant procedural controls, mitigation measures and ongoing initiatives to manage risk and maximize opportunities to deliver energy efficiency and carbon emissions. Evidence shown of reductions in energy consumption within the last five years that are associated with operations related to delivering the contract. Organization voluntarily reports publicly on energy consumption and carbon emissions.
4 Good	Clear explanation of relevant procedural controls, mitigation measures and ongoing initiatives to manage risk and maximize opportunities to deliver energy efficiency and carbon emissions. Evidence provided of reductions in energy consumption within the last five years with some reference to reductions associated with significant operations related to delivering the contract.
3 Satisfactory	Clear explanation of relevant procedural controls, mitigation measures and ongoing initiatives to manage risk and maximize opportunities to deliver energy efficiency and carbon emissions. Some actions identified apply to operations associated with delivering the contract. Patchy evidence of actual reductions achieved.
1 Weak	Some explanation of procedural controls, mitigation measures and ongoing initiatives to manage risk and maximize opportunities to deliver energy efficiency and carbon emissions reductions. Lack of convincing evidence of energy reductions achieved and failure to identify whether the actions apply to the significant elements of the operation that will be used to deliver the contract.
0 Unacceptable	No response or the details provided are incoherent, lack credibility or fail to address the question.

Annex E (informative) Further resources

E.1 Benchmarking

Recognized corporate responsibility measurement indexes include the following.

a) Financial Times Stock Exchange (FTSE) 4 Good Index:

www.ftse.com.

b) Dow Jones Sustainability Index:

www.sustainability-index.com.

c) Business in the Community (BITC) Corporate Responsibility (CR) Index:

www.bitc.org.uk.

d) Global Reporting Initiative:

www.globalreporting.org.

Other ways of benchmarking include:

e) Sunday Times Best Green Companies:

http://business.timesonline.co.uk.

f) Global 100:

www.global100.org.

E.2 Mayor of London's Green Procurement Code

The Green Procurement Code recognizes and rewards achievements in green procurement. The annual progress review helps organizations to implement effective and efficient green procurement and identify where they are performing well and areas for improvement

The progress review aligns with the five themes of the Flexible Framework. By completing the progress review and using it to plan and implement a green procurement action plan, organizations can reach the highest level of the Flexible Framework. The Green Procurement Code progress review also enables organizations to measure their success in carrying out the procedures they have put in place. They can be awarded bronze, silver or gold status in recognition of this success.

www.greenprocurementcode.co.uk.

NOTE This is just one example of how good sustainable procurement is recognized and rewarded; other systems are also in operation across the UK and other countries.

E.3 Identify the business need

Forum for the Future has developed a demand review tool, "Buying a better world", which is a set of questions that might help buyers eliminate or reduce demand early in the procurement process. This forms part of its Sustainable Procurement Toolkit.

www.forumforthefuture.org.

E.4 Government Buying Standards and Greenticks

Government Buying Standards are a set of sustainable specifications for a range of commonly purchased products. The products assessed were chosen for their environmental and financial impact, scope for environmental improvement and political or example-setting function.

Government Buying Standards can assist central government departments and their executive agencies meet sustainable operations targets for certain groups. They might also assist private sector organizations and SMEs looking to improve sustainable purchasing credentials. The categories currently covered by Government Buying Standards are: paper and paper products, cleaning products, office information and communication technology (ICT) equipment, construction, transport, furniture, electrical goods, textiles, gardening services, and food.

www.defra.gov.uk.

There is also an initiative called Greenticks, from Buying Solutions, which identifies specific products meeting the Government Buying Standards. A list of Greentick products can be found on the Buying Solutions website.

www.buyingsolutions.gov.uk.

E.5 Sustainable procurement tools and guidance

E.5.1 Flexible Framework

See **0.2** and Clause **11** for information on the Flexible Framework.

www.defra.gov.uk.

E.5.2 Life cycle assessment

See BS EN ISO 14040 and BS EN ISO 14044 for the principles and framework of, and requirements and guidance on, life cycle assessment.

Further life cycle assessment information is provided by The Environment Agency.

www.environment-agency.gov.uk.

Specific case studies can be accessed via the WRAP (Waste & Resources Action Programme) website.

www.wrap.org.uk.

E.5.3 Carbon measurement

Measurement is a critical part of achieving reduction in carbon emissions and several standards exist for this purpose.

- PAS 2050 provides guidelines for carbon footprints of products and services accounting for the full life cycle emissions of a specific product or service.
- ISO 14067 is a two-part international standard for product and service footprints and carbon labels. (Part 1: Quantification; Part 2: Communication.)
- BS ISO 14064 sets out how to accurately to make measurements of carbon emissions and how supply chain emissions are classified and addressed.

- BS ISO 14065 sets out how greenhouse gas verification bodies that make measurements should be accredited.
- "The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard" [9] can be used if a carbon footprint aims to account for all greenhouse gas (GHG) emissions from operations within the direct control of a company or other organization.

There are various calculators and services available to help organizations measure their carbon footprint, e.g. http://carboncalculator.direct.gov.uk and www.carbontrust.co.uk.

E.6 Whole life costing (WLC)

The Chartered Institute of Purchasing and Supply (CIPS) offers guidance on WLC.

www.cips.org.

A WLC model can be requested from Forum for the Future in the Sustainable Procurement Toolkit.

www.forumforthefuture.org.

E.7 Social return on investment (SROI)

For more information, see "A guide to social return on investment".

www.neweconomics.org.

E.8 Buying from suppliers in developing countries

For information on auditing, selecting and buying from suppliers from developing countries, see: "Win/Win, achieving sustainable procurement with the developing world".

www.cips.org.

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Further reading

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