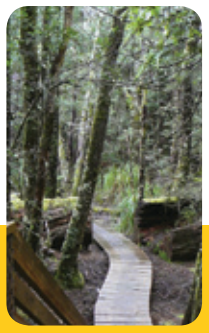
Australian Government
Department of Sustainability, Environment,
Water, Population and Communities



Sustainable Procurement Guide

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PART 1: KEY CONCEPTS

Introduction

Sustainable procurement decisions consider the environmental and social impacts (both positive and negative) from products and services alongside the cost. Considering the environmental and social impacts from procurement aligns with Australian Government obligations to spend public money efficiently, effectively, economically and ethically. As a large procurer (the Australian Government spent over $32 billion in 2010–11[1] on contracted goods and services), the Australian Government can have a leading role as a model purchaser to encourage good practices by its suppliers by using its purchasing power to achieve environmental and social benefits and, at the same time, reduce its costs.

Part 1 of this document will build an understanding of the concept of sustainable procurement, the general principles underpinning it and options for including sustainability in procurement decisions. It describes the benefits sustainable procurement could have for government agencies, suppliers and other sectors of the community.

Part 1:

- defines sustainable procurement
- explains some of the key concepts used in sustainable procurement
- explains the benefits of undertaking sustainable procurement
- describes the policy context for applying sustainable procurement in Australian Government agencies
- provides some options and issues to consider when including sustainability in procurement
- provides links to further resources.

What is sustainable procurement?

Sustainable procurement as a broad concept first emerged following the Rio Earth Summit in 1992. During the 1990s, environmental procurement policies started appearing at the European and international levels and some grew into sustainable procurement policies. Many governments, both overseas and domestic, have now implemented policies promoting sustainable procurement principles.

1 Department of Finance and Deregulation 2012, Statistics on Australian Government Procurement Contracts www.finance.gov.au/publications/statistics-on-commonwealth-purchasing-contracts/index.html

Sustainable procurement aims to reduce the adverse environmental, social and economic impacts of purchased products and services throughout their life. Examples of environmental, social and economic impacts are:

- inputs of natural resources, energy and water in the manufacture, use and disposal of goods
- pollution produced from the manufacture, use and disposal of goods
- costs of operation and maintenance over the life of the goods
- labour conditions in the manufacture, use and disposal of goods or delivery of services
- loss of flora and fauna resulting from the removal or alteration of natural resources.

Sustainable procurement looks beyond the up-front cost to make purchasing decisions based on the entire life cycle of the goods and services, taking into account associated costs, environmental and social risks and benefits, and broader social and environmental implications.

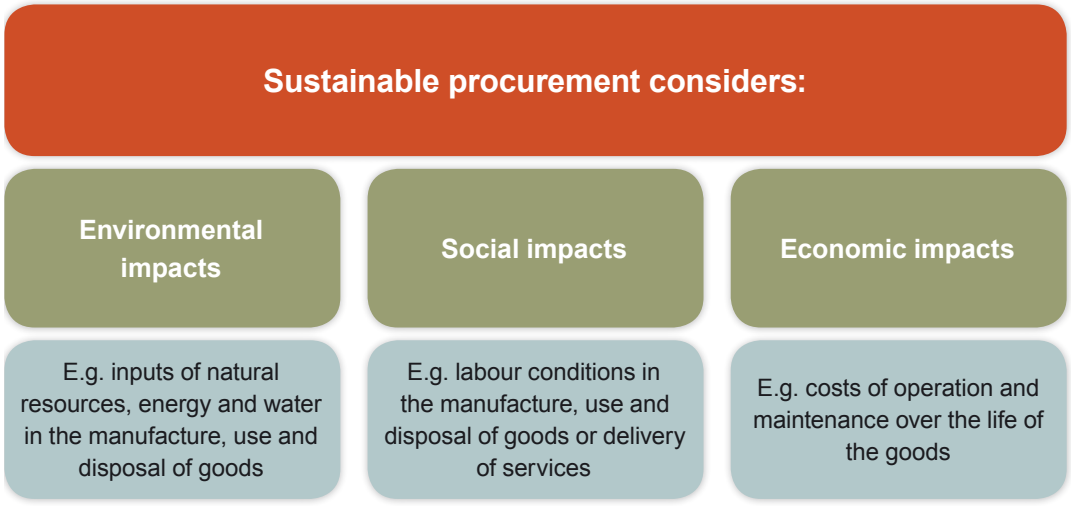


Figure 1: Examples of key considerations in sustainable procurement decisions

In 2005, the UK Government set up a Sustainable Procurement Task Force which developed a definition for sustainable procurement. This definition is now used by the Australasian Procurement and Construction Council (APCC), the UN and the UK Government:

> *A process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment.*
>
> (APCC 2007, *Australian and New Zealand Government Framework for Sustainable Procurement*)

Principles for procuring sustainably

Value for money is the core principle underpinning Australian Government procurement. This means that all relevant financial and non-financial costs and benefits should be taken into account over the entire life of the procurement. Sustainability should be considered as part of the value for money assessment.

Other principles of sustainable procurement include:

- adopting strategies to avoid unnecessary consumption and manage demand
- minimising environmental impacts over the life of the goods and services by choosing products or services that have lower adverse impacts associated with any stage in their production, use or disposal
- fostering innovation in sustainable products and services through the design and implementation of procurements
- ensuring that fair and ethical sourcing practices are applied and that suppliers are complying with socially responsible practices, including legislative obligations to employees.

Some 'quick wins' in sustainable procurement

- Purchase paper with at least 50 per cent recycled content and progressively move to a higher content.
- Check that cleaning contracts align with waste reduction goals.
- Transition to more environmentally friendly vehicles.

(Australian National Audit Office (ANAO) 2012, *Public Sector Environmental Management Better Practice Guide*, p. 149)

Key concepts in sustainable procurement

A number of concepts and approaches assist with incorporating sustainability considerations into procurement decisions.

Value for money: Achieving value for money is a core rule of Australian Government procurement. It should be noted that the price of a good or service is not the sole determining factor in assessing value for money. Comparing the relevant financial and non-financial costs and benefits of alternative solutions will inform the value for money assessment. The Commonwealth Procurement Rules (paragraphs 4.1 to 4.5, pages 14 and 15) describe value for money further.

Sustainable development: This is commonly defined as '*development that meets the needs of the present without compromising the ability of future generations to meet their own needs'*.[2]

Wellbeing: This reflects the combination of economic prosperity, community liveability and environmental integrity.

Sustainability: This depends on maintaining or enhancing the wellbeing of society over time, and therefore requires that the total economic, social and natural capital is maintained or improved for future generations.

Environmental management: This refers to strategic arrangements to reduce the environmental impacts of an organisation's operations. One example of this is an **environmental management system**, which brings together all the environment-related elements of an entity into an overarching management strategy through planning, implementing and reviewing efforts to reduce environmental impacts.[3]

Another aspect of environmental management is **environmental reporting**, which measures whether environmental activities have effectively managed the impacts. For example, the *Environment Protection and Biodiversity Conservation Act 1999* requires entities to report in their annual reports on the actions they have taken to manage and mitigate environmental impacts.

Environmental management and sustainable procurement

Environmental management activities can minimise the ongoing environmental impacts of procurement decisions. For example:

- Ensure all computers are set to default double-sided/duplex printing
- Shut down computers overnight.

2 World Commission on Environment and Development (WCED) 1987, *Our common future*. Oxford: Oxford University Press, p. 43.

3 ANAO 2012, *Public Sector Environmental Management Better Practice Guide*, p. 10.

Environmental purchasing: The term sustainable procurement is frequently used interchangeably with 'green purchasing' and 'environmentally preferable purchasing', but there is a distinction. Green purchasing and environmentally preferable purchasing relate to the consideration of environmental impacts and costs in the procurement of goods and services, whereas sustainable procurement considers the social, environmental and economic implications of procurement.[4]

Greenwash: This is the practice of making false, misleading and/or deceptive claims about the environmental practices of a company or the environmental attributes or benefits of its products or services. Greenwash is often unintentional and can include claims that are vague, irrelevant or inaccurate or that only tell part of the story about the environmental impacts of a product.

To avoid being greenwashed, it helps to understand the environmental impacts of the product or service (life cycle thinking) and the relevant eco-labels, certifications or standards that apply. This information and knowledge can then inform the development of specifications.

Supply chain assessment: Some goods or services can have long supply chains – for example, parts of the process of manufacturing IT equipment can be done in developing countries. There may be risks that environmental protection or labour rights are not respected during the manufacturing or subcontracting process. Assessing the environmental and social credentials of a supplier can extend to ensuring that the supply chain also meets the same environmental and social requirements.

Life-cycle thinking: This refers to approaches that consider the whole life cycle of a good or service to help understand all the benefits and disadvantages of procurement decisions. One approach considers this in terms of the cost (total cost of ownership, or whole-of-life cost) and another in terms of other measures (life-cycle analysis).

Whole-of-life costing (also known as life-cycle costing or total cost of ownership) is the most relevant in a procurement context. This is the cost to the organisation of acquiring the product (including design and planning where applicable), installing or commissioning it, training others to use it, operating it, repairing it, maintaining it, and disposing of it at the end of its life. For some types of products, the lowest cost option up front may not be the cheapest over the life of the asset. This is typically the case for products that use power, water, fuel or other consumables, or have complexities associated with disposal (such as containing hazardous materials).

4 ECO-Buy 2009, *Green Purchasing in Australia*, p. 4.

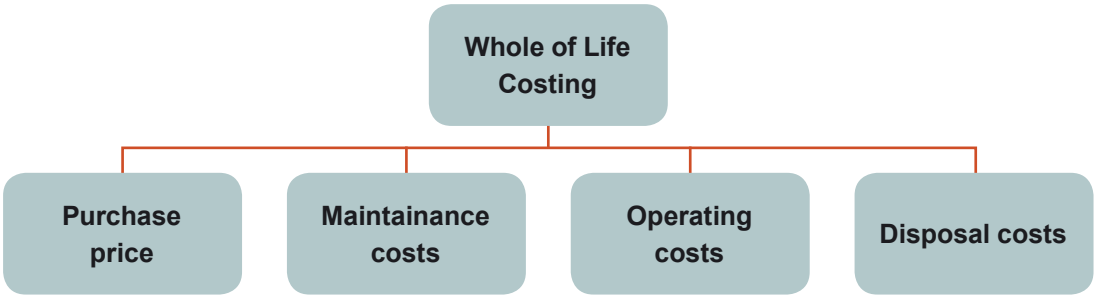


Figure 2: The basic considerations when undertaking whole-of-life costing

The ANAO has produced the *Life-cycle Costing Better Practice Guide* to help departments calculate whole-of-life cost. It is available at: www.anao.gov.au/~/media/Uploads/Documents/life_cycle_costing.pdf.

Life-cycle analysis is a more complicated method to measure the environmental impacts of a product over its life ('cradle to grave'). It is a highly technical and specialist area, governed by the ISO 14040 set of standards, and covers:

- extraction of raw materials
- product manufacturing
- packaging and distribution
- product usage/consumption
- end-of-life disposal.

Life-cycle analysis does not take account of social and economic considerations associated with a particular activity or product. In a procurement context, life-cycle analysis has fairly limited application, although the term is often used interchangeably with total cost of ownership and whole-of-life cost.

Life-cycle thinking (rather than life-cycle analysis) is a useful concept for procurement professionals to be aware of, which means having an understanding of where in the life cycle a product's main impacts occur. This can inform development of specifications which address these impacts.

Social benefits: Being sustainable is also considering the social factors of a good or service. Suppliers can be socially responsible by adopting ethical practices and being compliant with legislative obligations and other actions that benefit society including inclusiveness, equality, diversity, regeneration and integration.

Social impacts that can be taken into consideration across sustainable procurement activities include:

- supporting suppliers to government who are socially responsible and adopt ethical practices
- considering human health impacts
- supporting the use of local and emerging small businesses
- supporting socially inclusive practices, such as employment and training focused on disadvantaged groups
- assessing the impact of occupational health and safety concerns (both here and abroad)
- ensuring compliance with relevant regulatory requirements.

Benefits of sustainable procurement

The benefits of adopting a sustainable procurement approach are numerous. The receiver of the benefits can be the purchaser, the market (or supplier) or the community. Some benefits can apply to all these groups.

Benefits to the purchaser can include:

- securing best value for money and achieving a more efficient use of public resources
- generating financial savings through greater energy efficiency; reduced waste disposal (including reduced packaging to waste); reduced water use; and reusing materials and products, thereby lowering the cost of a product over its life cycle
- achieving positive publicity associated with the purchase and use of products, services and suppliers with good environmental and social responsibility records
- providing government leadership to the community in demonstrating social and environmental responsibility through the purchase of sustainable products and services.

Benefits to the market can include:

- increasing the availability of sustainable products and services at more cost-effective prices
- expanding the market for sustainable products and services, with potential benefits for local businesses
- expanding market opportunities gained from stronger product and service differentiation
- reducing transport-related costs such as fuel, vehicle maintenance and road congestion

- supporting and encouraging innovation through demonstrating preference for more sustainable products and services
- encouraging industry to develop capacity to operate in a clean, green economy.

Benefits to the community can include:

- reducing adverse environmental and social impacts arising from procurement decisions
- reducing waste to landfill, saving water and reducing greenhouse gas emissions
- reducing air and water pollution
- reducing consumption of both natural and processed resources
- promoting health, safety and equality in the community
- influencing purchasing decisions to support issues such recognising equality and diversity; increasing employment and skills; and developing local communities and their physical infrastructure[5]
- improving social inclusion and cohesion through creating employment and business opportunities for disadvantaged or marginalised groups.

Policy context for the Australian Government

National Waste Policy

The *National Waste Policy: Less Waste, More Resources* was endorsed by the Council of Australian Governments (COAG) in 2010. This collaborative policy establishes Australia's waste management and resource recovery agenda across six key directions and 16 priority strategies to 2020.

Strategy 2 of the National Waste Policy commits all governments, including the Australian Government, to embody sustainable procurement in their operations:

> *All governments as significant procurers of goods, services and infrastructure, will embody and promote sustainable procurement principles and practices within their own operations and delivery of programs and services to facilitate certainty in the market.*

5 United Nations Environment Programme (UNEP) 2011, *Buying for a Better World: A Guide to Sustainable Procurement for the UN System*, p. 13.

Australian Government financial management framework

The Australian Government financial framework governs proposals to spend public money in agencies. Sustainable procurement must meet the framework requirements.

Two key pieces of legislation relate to procurement. The *Financial Management and Accountability Act 1997* (FMA Act) and its supporting regulations govern FMA Act agencies, and the *Commonwealth Authorities and Companies Act 1997* (CAC Act) applies to CAC Act bodies.

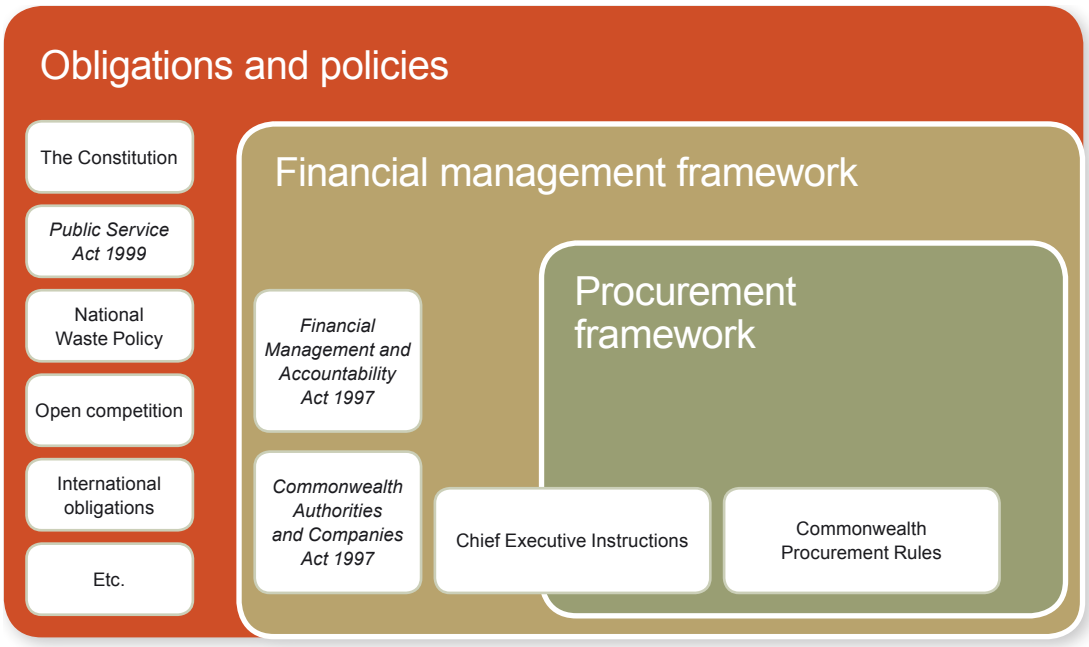


Figure 3: Australian Government financial management framework relating to procurement

Commonwealth Procurement Rules

The requirements of the FMA Act mandate the use of the Commonwealth Procurement Rules (CPRs) and require that procuring officials comply with the CPRs when they procure goods and services. The CPRs are also applicable to prescribed CAC Act bodies as directed under the Finance Minister's (CAC Act Procurement) Directions 2012. More information about the CPRs can be found at www.finance.gov.au/procurement/procurement-policy-and-guidance/commonwealth-procurement-rules/index.html.

Procurement-connected policies

Procurement-connected policies are stated in the CPRs as policies of the Commonwealth for which procurement has been identified as a means of delivery. To assist agencies in complying with policies of the Commonwealth, the Department of Finance and Deregulation maintains a list of procurement-connected policies, which can be found at www.finance.gov.au/procurement.

Options for including sustainability in procurement decisions

Many organisations and governments have implemented sustainable procurement practices in their operations. The US and UK governments are two international examples of governments that have policies and guidance for considering sustainability in procurement decisions – as have many Australian state and territory governments.

Options for implementing sustainability in Australian Government procurement decisions could include:

- instituting an overarching framework or policy
- implementing an action plan
- setting commitments for operations to abide by
- providing practical resources.

ICT Sustainability in government operations

The Australian Government is a significant user of information and communications technology (ICT). Over the life cycle of products, ICT equipment and consumables (such as toner cartridges and copy paper) can raise environmental management concerns including energy use, carbon emissions, electronic waste (including hazardous materials) and packaging.

The Australian Government ICT Sustainability Plan 2010–2015 is a five-year plan to assist FMA Act agencies to better align their use of ICT with the government's overall sustainability agenda.

By focusing on the responsible acquisition, installation, maintenance, use and disposal of ICT, the government aims to utilise ICT resources more effectively, improve efficiency, increase productivity, and reduce the environmental impact of its ICT operations. The ICT Sustainability Plan identifies standards to be applied in government purchasing of ICT products and services, and introduces measures to improve the environmental performance of ICT, particularly in terms of energy efficiency.

Another focus of the ICT Sustainability Plan is the effective use of ICT by government agencies to promote more sustainable practices in government, industry and the community for the economic and social benefit of all Australians. (www.environment.gov.au/sustainability/government/ictplan/index.html)

Generally there are more examples and resources available in relation to the environmental aspects of sustainable procurement than the social aspects. However, the United Nations sustainable procurement guide covers social issues such as core labour standards, fair working conditions, increasing employment and developing local communities.[6] See Appendix A for further resources.

Agency policies

Sustainable procurement may not be able to minimise all the adverse social, environmental and economic impacts associated with purchasing goods and services. It may be desirable to identify the sustainability impacts that your agency regards as the most important to address through procurement activities. Procurement-connected policies (see page 15), agency sustainability policies, annual reports or other plans or policies may assist to identify key sustainability objectives.

6 UNEP 2011, *Buying for a Better World*, p. 13.

Corporate policies of the Department of Families, Housing, Community Services and Indigenous Affairs

The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) publishes a number of corporate policies relating to the environment, workplace diversity, attraction and retention of Aboriginal and Torres Strait Islander people, and recruitment and retention of people with disability.

For example, the FaHCSIA Environmental Policy 2011–12 contains objectives and priorities including:

- upholding principles of ecologically sustainable development
- minimising energy and water consumption
- minimising the amount of waste to landfill generated by the department's operations
- reducing the department's carbon footprint
- communicating relevant environmental information.

(www.fahcsia.gov.au/about-fahcsia/policies-legislation/departments-corporate-policies)

Sustainability issues in purchasing decisions

When considering a purchase, the sustainability issues could include:

- examining the need for the product or service, to avoid unnecessary consumption and manage demand
- considering the alternatives to purchasing a replacement product, such as reusing, refurbishing or reconditioning the existing product or its components to extend its life
- with all factors being equal in the purchase of a product, choosing the product with the least environmental and/or social impact
- utilising extended warranties
- considering the environmental management practices of the supplier/manufacturer – refer to benchmarking environmental management programs where practicable, such as ISO 14001
- requiring suppliers to meet their employment obligations under relevant legislation and other related instruments
- considering the emissions, pollutants, energy and water required at all stages of the life cycle

- verifying the social responsibility and ethical behaviour of manufacturers and suppliers of the product
- reducing the hazardous material content in purchases, including toxicity
- considering the end-of-life options, including the reuse, repair, recycling and disposal options.

Additional reference and guidance material

There are numerous websites that may be useful for further reading about procuring goods and services sustainably. A few of these are given below.

ANAO 2001 *Life-cycle Costing Better Practice Guide*
www.anao.gov.au/uploads/documents/Life_Cycle_Costing.pdf

ANAO 2012 *Public Sector Environmental Management Better Practice Guide*
www.anao.gov.au/Publications/Better-Practice-Guides/2011-2012/Public-Sector-Environmental-Management

APCC 2007 *Australian and New Zealand Government Framework for Sustainable Procurement*
www.apcc.gov.au/Resources/News/SustainableProcurement/tabid/197/Default.aspx

Commonwealth of Australia *Intergenerational Report 2010*
archive.treasury.gov.au/igr/igr2010/report/pdf/IGR_2010.pdf

Department of Finance and Deregulation: Procurement
www.finance.gov.au/procurement/index.html

ICLEI 2007 Procura+ Manual 2nd edition
www.procuraplus.org/en/about-procura/procura-manual/

New Zealand Government 2010 Guides to Sustainable Procurement
www.business.govt.nz/procurement/for-agencies/key-guidance-for-agencies/procurement-planning-and-implementation#Sustainable_procurement

UK Government Buying Standards website
sd.defra.gov.uk/advice/public/buying/

UNEP 2011 *Buying for a Better World: A Guide to Sustainable Procurement for the UN System*
www.unep.fr/scp/sun/facility/reduce/procurement/PDFs/BFABW_Final_web.pdf

US Environmental Protection Agency (EPA) Environmentally Preferable Purchasing
www.epa.gov/epp/index.htm

PART 2: GUIDE TO SUSTAINABLE PROCUREMENT

Part 2 provides information about how to include sustainability considerations in all stages of the procurement process, from identifying the business need to disposing of goods. The sustainable procurement process can be scaled to suit the risk and complexity of the proposal.

This guidance should be read in conjunction with the Commonwealth Procurement Rules (CPRs), remembering that achieving value for money is the core rule of the CPRs.

Including sustainability in procurement

Getting started

Sustainable procurement can be aligned with the general stages of the procurement process as follows:

Identify the business need

- Identify whether there is a need for the goods or services
- Understand the potential environmental and social impacts and risks
- Consider alternatives to purchasing – for example, reuse, recycling or hire of the goods/services

Conduct a risk assessment

- Conduct a risk assessment for the organisation based on the environmental and social impacts of the procurement

Seek alternative solutions

- Research alternatives that may offer reduced environmental and social impacts
- Define the sustainability aspects of the procurement
- Plan for inclusion of sustainability specifications in the contract management and reporting process

Evaluate alternative solutions

- Invite potential suppliers to provide responses
- Determine how your agency will assess and compare sustainability considerations

Award the contract

- Request documentation to support the sustainability attributes of the goods/services provided
- Include reporting areas to ensure environmental and social specifications are delivered
- Provide debriefings

Ongoing management of contract

- Follow up environmental and social performance
- Identify areas of continuous improvement

Disposal of goods

- Determine how the goods will be disposed of in the most environmentally preferable way

Figure 4: Sustainable procurement at each stage of the procurement process

Putting it into practice

Identify the business need

- Identify whether there is a need for the goods or services
- Understand the potential environmental and social impacts and risks
- Consider alternatives to purchasing – for example, reuse, recycling or hire of the goods/services

Identify whether there is a need for the goods or services

Investigate the genuine need for the procurement by asking 'Do we really need this?'.

Figure 5 illustrates the relationship between the waste hierarchy and the procurement hierarchy. The key message is that considering sustainability at an early stage of procurement decision-making can identify opportunities to:

- avoid or reduce consumption
- identify whether there is a more sustainable alternative readily available
- rethink and revise specifications in order to improve sustainability outcomes.

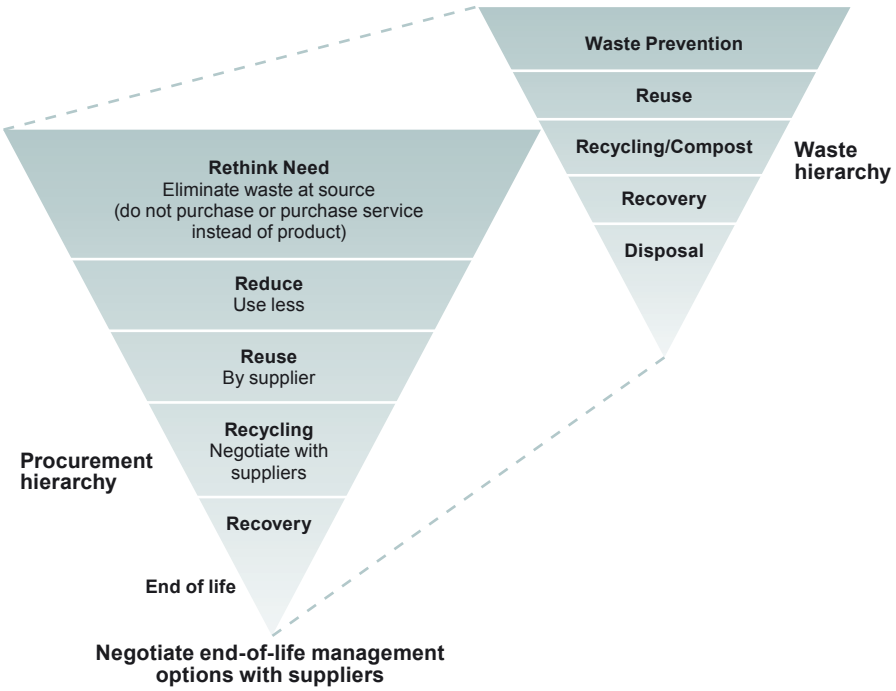


Figure 5: Relationship of waste minimisation with the procurement hierarchy

Source: Waste and Resources Action Plan (WRAP) 2012

Understand the potential environmental and social impacts and risks

Consider whether the need could be met in a way that minimises environmental and social impacts and risks.

For example, the timber used to make a table may be identified as having a significant environmental impact, particularly if its source cannot be verified – for example, it could have been harvested illegally. This prompts thinking about solutions to fulfil the procurement requirements in a different way. The timber could be substituted with a material identified as having a lower environmental impact, such as reclaimed timber (timber taken for reuse), a composite of wood waste and recycled plastic, or timber from a certified source.

When considering the environmental and social impacts arising from procurement, be aware of not restricting competition or discriminating on the basis of size, degree of foreign affiliation or ownership, location or origin of goods and services.

Where possible, outline the environmental and social impacts and risks of the good or service over its lifetime, using the following questions and Figure 6 as prompts:

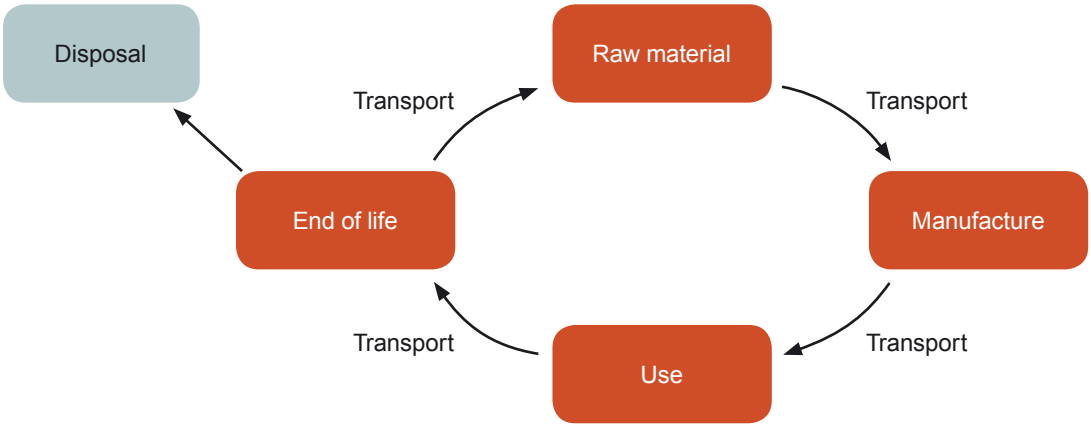
- Which raw materials have been used to make the item and its packaging?
- Which labour standards have been adhered to during the extraction of raw materials and the manufacturing process?
- What are the transport-related impacts?
- Which environmental impacts are associated with the item's manufacture?
- Does it have environmental impacts at the use stage?
- How will the item be disposed of when it has reached the end of its life?

Raw material impacts:

- extraction of non-renewable resources –mining the materials for the hot water system may result in emissions to air, potential pollution releases to water and land, biodiversity impacts through loss of habitat etc.
- labour conditions associated with the mining operations, manufacture etc.

Transport impacts (e.g. for transport of raw materials and finished product):

- use of energy
- emissions to air
- labour conditions.



End-of-life impacts:

- use of energy and materials if refurbished
- energy intensity of recycling process if recycled
- possible waste to landfill for materials that cannot be recycled.

Use impacts:

- energy consumption
- potential emissions to air due to energy source.

Manufacturing impacts (e.g. production/use of substances hazardous to human health):

- emissions to air
- releases to water
- waste generation
- labour conditions.

Figure 6: Example of product life-cycle impacts and risks (hot water system)

Consider alternatives to buying

Alternatives to buying, such as reuse or hire of the goods/services, are part of demand management strategies. Demand management encourages a reduction in the volume of goods purchased, usually through a combination of behaviour change and technology. For example, demand management strategies for paper include setting printers to default doublesided and black and white printing, in combination with draw-down technology (swipe cards or PIN codes to retrieve the job from the printer), and reduction targets for business units for paper and toner.

Conduct a risk assessment

- Conduct a risk assessment for the organisation based on the environmental and social impacts of the procurement

Conduct a risk assessment based on the environmental and social impacts of the procurement that were identified as part of identifying the business need (refer to the timber example on page 22).

The effort directed to risk assessment for sustainability should be commensurate with the scale, scope and identified potential environmental and social impacts of the procurement.

Seek alternative solutions

- Research alternatives that may offer reduced environmental and social impacts
- Define the sustainability aspects of the procurement
- Plan for inclusion of sustainability specifications in the contract management and reporting process

Research alternatives that may offer reduced environmental and social impacts

Consider alternative approaches that may be available in the market, such as reusing or refurbishing existing goods, or hiring the required goods. For example, when purchasing carpet there may be options that meet the performance and functional requirements and reduce environmental and social impacts, such as:

- warranties of longer performance life
- take-back arrangements whereby as sections of carpet wear out they are replaced and taken back for recycling
- sourcing from manufacturers that report on the labour conditions of their workers.

You could also consider emerging technologies and goods or services under development if they can potentially meet the need with improved environmental and/or social outcomes. However, adopting alternative or innovative approaches should not provide an unnecessary obstacle to trade, or result in a supplier having an unfair advantage over other potential suppliers.

The following green goods databases may be useful for your research. They are free of charge to use and list goods that meet minimum environmental criteria.

- Good Environmental Choice Australia (GECA) www.geca.org.au/products/search/
- Ecospecifier www.ecospecifier.com.au/products.aspx
- ECO-Find www.ecobuy.org.au/director/ecofind.cfm?findagreenproduct=keyword&s=f
- Sustainable Choice www.lgsa.org.au/sustainablechoice/

Define the sustainability aspects in the procurement

Once you have determined the key environmental and social life-cycle impacts to address, you should now be ready to set requirements that would minimise these impacts.

For example, if the key environmental impact from purchasing paper is the source of fibre, specify the use of recycled-content paper from a source that can be verified. Another example might be to specify minimum requirements for the energy or water efficiency of a product.

Information that can assist with clarifying sustainability aspects

Information on measures that can reduce environmental and social impacts can be found in existing standards, policies and ecolabels. New technology should also be considered.

Example specifications with environmental and social considerations

- *Purchasing Guide for the Procurement of Services* (available separately)
- ICLEI *Procura+ Manual* www.procuraplus.org/en/about-procura/procura-manual/
- US EPA Environmentally Preferable Purchasing database www.epa.gov/epp/pubs/products/index.htm

Specify environmental and social requirements as minimum or desirable

Specifications can be provided as either minimum or desirable requirements. For example, a minimum requirement for printing services could be to use recycled-content paper, while a desirable requirement could be for the printing services provider to offset greenhouse emissions from the printing processes.

Focus on the performance requirements

This approach allows suppliers to propose innovative solutions within the environmental and social preferences established. For example, specifying a service that will maintain the indoor environment within a set temperature range and at a certain level of air quality, rather than specific attributes of a heating, ventilation and air conditioning system, allows the provider to offer the most efficient service to meet your needs. However, adopting specifications that focus on performance requirements should not provide an unnecessary obstacle to trade or result in a supplier having an unfair advantage over other potential suppliers.

Plan for inclusion of sustainability requirements in the final contract

At this stage you should also be planning ahead and identifying which sustainability requirements will be included in the final contract with the successful supplier as contract clauses and/or key performance indicators. Note that you should always seek legal advice before drafting and inserting clauses relating to environmental and social specifications into a specific contract.

Evaluate alternative solutions

- Invite potential suppliers to provide responses
- Determine how your agency will assess and compare sustainability considerations

When defining the sustainability aspects in the procurement, you will also need to determine how the responses received will be assessed against these requirements. Being transparent about the key considerations and how they will be assessed helps potential suppliers develop their response.

Prioritise environmental and/or social considerations to assess and compare

You may choose to prioritise the most significant environmental or social impacts associated with the procurement of the goods or services. For example, if you are procuring recycled-content paper, selecting a product with a verifiable recycled-content fibre source would be a higher priority than selecting recycled-content packaging for the paper.

Assess the price

It is also important to note that whole-of-life costing should be used when evaluating the cost aspect of tenders. This ensures that, in addition to the up-front price, the costs for use, maintenance and disposal are compared. Further information on whole-of-life costing can be found in the Guide to including sustainability in value-for-money assessment below.

Award the contract

- Request documentation to support the sustainability attributes of the goods/ services provided
- Include reporting areas to ensure environmental and social specifications are delivered
- Provide debriefings

Request documentation to support sustainability attributes

Documentation supporting the claims of the specified sustainability attributes of the goods or services should be sought. Any agreements for the management of packaging and end-of-life take-back of goods should also be incorporated in the contract.

Include reporting areas to ensure delivery of environmental and social specifications

KPIs and reporting requirements for environmental and social requirements determined at an earlier stage in the procurement process should be included in the contract. These may include the quantity of green purchases made, the percentage of recycled content used, energy efficiency, or progress on supplier initiatives such as environmental management certification.

For example, a supplier of printing services may be required to progressively increase the proportion of renewable energy used, or to increase the use of vegetable-based inks in print applications to an agreed percentage over the term of the arrangement. Example contract clauses for key procurement categories are provided in the category-specific purchasing guides, which are available separately.

Provide debriefings

Debriefings should be provided to unsuccessful tenderers on the areas where they did not meet sustainability criteria. This can assist with increasing knowledge in the marketplace about sustainable procurement and improve future responses to procurement requests. Successful suppliers may also seek feedback on, for example, areas where they might improve in the future.

Ongoing management of contract

- Follow up environmental and social performance
- Identify areas of continuous improvement

Through regular meetings and updates, the contract manager should follow up on the environmental and social performance and the progress of the supplier against KPIs and other measures as appropriate.

The contract management process is also an opportunity for the agency to raise any concerns or suggest new areas to improve sustainability performance, as well as for the supplier to bring any ideas for new technologies and goods or services options to the agency.

The contract management process should endeavour to encourage and promote continuous improvement and innovation for sustainability.

Disposal of goods

- Determine how the goods will be disposed of in the most environmentally preferable way

At their end of life, goods can be disposed of in a variety of ways, with the least preferable option usually being landfill.

A better option is to ensure the goods are recycled through one of the following:

- kerbside collection
- a specialist recycler – for example, sending electronic equipment to an electronic waste recycling centre
- a product take-back scheme that guarantees the goods will be recycled by the supplier.

Another preferable option is to ensure the good is refurbished or reused. This can be done through a predetermined arrangement with the supplier.

Checklist

Basics to integrate sustainability considerations into the procurement process

- ✓ Have you identified the major environmental/social impacts of the goods/services?
- ✓ Have you considered alternatives to purchase (e.g. reusing, leasing or hiring)?
- ✓ Have you conducted a risk management process for sustainability impacts?
- ✓ Have you considered the results of your research and analysis of the market in terms of sustainability? For example, are there product alternatives made from recycled-content materials?
- ✓ If your agency has developed clear sustainability outcomes covering environmental and social considerations, have you reflected these in your specifications?
- ✓ Have you identified which information is required from tenderers to make robust decisions based on whole-of-life costs for your agency?
- ✓ Have you developed an assessment process that will enable you to accurately assess tenderer responses for sustainability requirements?
- ✓ Have you factored in whole-of-life cost considerations when making your final decision?
- ✓ Have you incorporated environmental/social requirements and/or KPIs into the contract arrangements?
- ✓ Have you specified a disposal method that will ensure the maximum percentage of materials is recycled?

Next steps to integrate sustainability considerations into the procurement process

- ✓ Have you encouraged the supply market to innovate to reduce environmental impacts and/or enhance social benefits through the product life cycle?
- ✓ Have you determined which sustainability requirements are mandatory (minimum requirements) and which are desirable (better practice)?
- ✓ Have you requested information on tenderers' environmental management practices?
- ✓ Have you identified any development plan requirements for the supplier and incorporated these into contract arrangements (e.g. a requirement to develop an environmental management system by a specified date)?
- ✓ Does your organisation's contract management process encourage continuous improvement and sustainability innovation?

Additional reference and guidance material

Procurement Connected Policies
www.finance.gov.au/procurement/procurement-policy-and-guidance/buying/policy-framework/procurement-policies/principles.html

Waste and Resources Action Plan (WRAP) 2012
www.wrap.co.uk

Including sustainability in value-for-money assessment

This section provides guidance on how to include sustainability considerations in value-for-money assessments, as sustainability considerations such as energy and water efficiency are important elements in the overall cost associated with the procurement.

Specifically this section provides information on:

- how to undertake a whole-of-life costing for goods
- which life-cycle stages to consider
- which costs to include
- other considerations in conducting the calculations.

It includes an example of a whole-of-life costing assessment.

It should be noted that the terms whole-of-life costing (WLC), life-cycle costing (LCC) and total cost of ownership (TCO) are regarded by many organisations as interchangeable and will be treated as such for the purposes of this guide. The preferred term differs by industry; this document uses 'whole-of-life costing' in line with other Australian Government materials.

Whole-of-life costing is applicable to all procurements.

Getting started

Achieving value for money is the core requirement of the Commonwealth Procurement Rules (CPRs):

> *The price of the goods and services is not the sole determining factor in assessing value for money. A comparative analysis of the relevant financial and non-financial costs and benefits of alternative solutions throughout the procurement will inform a value for money assessment. Factors to consider include, but are not limited to:*
>
> *a. fitness for purpose*
>
> *b. a potential supplier's experience and performance history*
>
> *c. flexibility (including innovation and adaptability over the lifecycle of the procurement)*
>
> *d. environmental sustainability (such as energy efficiency and environmental impact)*
>
> *e. whole of life costs.*
>
> (CPRs paragraph 4.5, p. 15)

The capital cost of acquisition is not the only factor to consider when undertaking procurement. Beyond the up-front cost, the purchase of goods may incur the following:

- installation and commissioning costs
- operating costs for the ongoing use of the goods, such as energy and consumable components
- maintenance and repair costs
- disposal at the end of life, including landfill fees and treatment of any hazardous components.

The latter costs can often be far more significant than the original purchase cost, as shown in Figure 7.

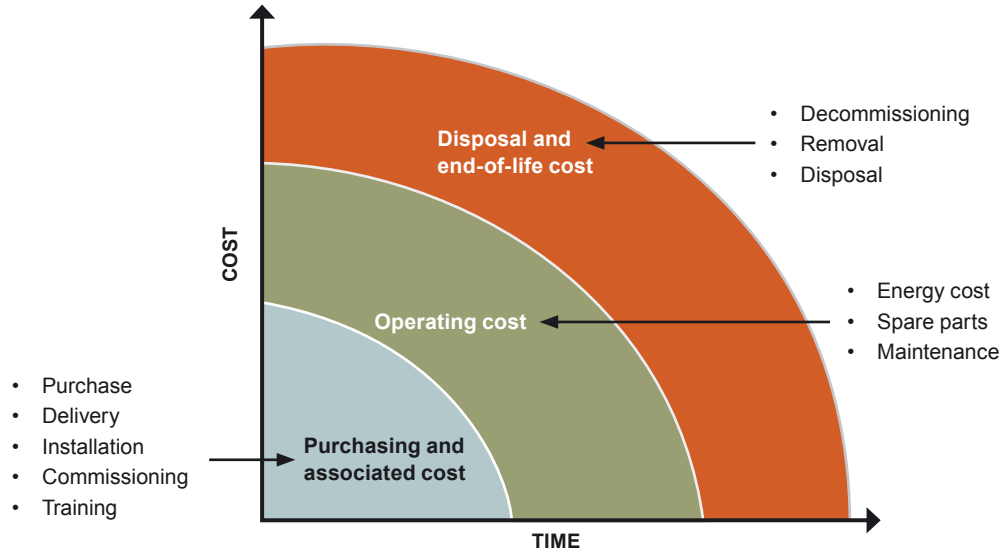


Figure 7: Illustration of typical whole-of-life costing elements over time

Source: British Standards Institution, *The Sustainable Procurement Guide – Procuring Sustainably Using BS 8903*. © British Standards Institution. Reproduced with permission.[7]

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Applying whole-of-life costing to services

For services, whole-of-life costing should consider all the ongoing costs of delivering the service. Depending on the type of service, factors such as travel, energy use, consumables (paper, cleaning products etc.) and waste generation would be incorporated.

Putting it into practice

Consider costs that may be associated with the procurement

Below is a list of examples of costs that may be associated with any procurement. They should be considered when evaluating competing options. Refer to Table 1 for a more detailed list.

- Purchase price
- Delivery
- Installation and commissioning
- Energy and fuel
- Water
- Consumables
- Waste from operation
- Labour
- Health and safety
- Maintenance and repair
- Decommissioning
- Disposal

For example, if you were buying a hot water system you would consider costs for:

- delivery and installation
- energy use
- maintenance and repair
- disposal of packaging and of the hot water system at the end of its life.

These costs can make up a significant proportion of the whole-of-life cost, as demonstrated in Figure 8 below.

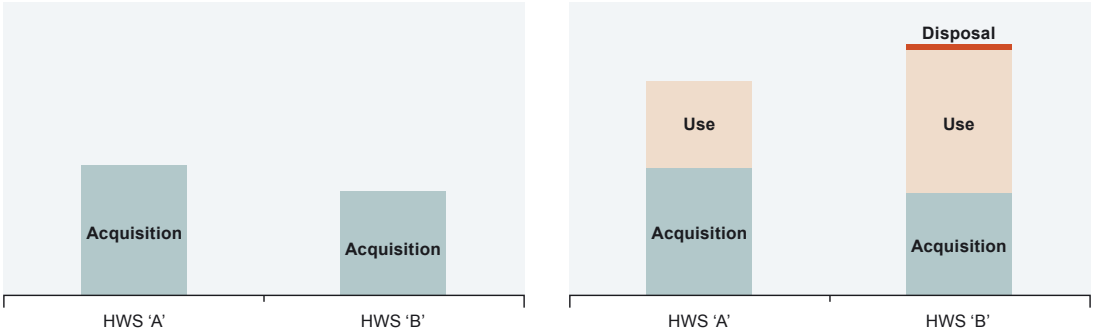

Figure 8: Costs associated with the purchase of two different hot water systems

While hot water system A has a significantly higher acquisition price, it is more energy efficient than hot water system B. This makes the whole-of-life cost of hot water system A significantly less than that of hot water system B. Hot water system A is also easier to recycle, reducing disposal costs.

A worked calculation of a whole-of-life costing assessment, using the example of a hot water system, is provided in Table 2.

Conducting the assessment

The four key steps in calculating the whole-of-life costs of a proposed procurement are:

1. Determine the scope
2. Identify the cost elements
3. Create a cost structure
4. Discount the future costs.

1. In the first step, the purchaser should identify the scope of the assessment (what will and will not be included), as well as any underlying conditions, assumptions, limitations or constraints.
2. The second step is to identify the different elements of the procurement that will incur a cost. To do this, refer to the list in Table 1. Create a spreadsheet with all the elements individually listed on separate rows, and each column representing a different year. Use the spreadsheet for each procurement option and compare them against each other.

A sample of the spreadsheet layout is provided in Figure 9.

Cost element	Year 1 Cost	Year 2 Cost	Year 3 ….
Purchase cost	$12,000	$0	….
Energy use	$2,000	$2,000	….
Maintenance	$500	$500	….
….	….	….	….

Figure 9: Assessment spreadsheet layout sample

An example of a whole-of-life costing calculation (for a hot water system) is provided in Table 2. Each procurement or project will have its own unique features and level of complexity, and each calculation should be customised to suit the particular situation.

A number of additional examples and costing information can be found by searching online. Some organisations also provide simple calculators – such as the Responsible Purchasing Network calculator at www.responsiblepurchasing.org/purchasing_guides/all/calculator.

3. The third step is to determine:
   - the cost structure over the life of the goods, works or service (i.e. what costs should be included in the analysis, and what the expected usage life will be)
   - an accurate method of estimating future costs (e.g. energy and waste disposal costs)
   - an appropriate discount rate, so that future costs can be adjusted to present values.

   The amount of time spent on estimating the cost and frequency of all the elements should be commensurate with the size, risk and complexity of the proposed procurement. In particularly complex procurements or those where ongoing costs are not known, a costing template can be included in tender documents for potential suppliers to fill out.
4. The fourth step is to discount the future costs. This can be especially contentious. In general, $1 spent in the future is worth less than $1 spent now. Discounting these anticipated future costs requires the application of an appropriate discount rate (e.g. 10 per cent) and enables all costs to be adjusted to their present value.

   Information from the Department of Finance and Deregulation on applying a discount rate can be found in Appendix E 'Cost-benefit analysis' of the *Best Practice Regulation Handbook*, under the heading 'Discount future costs and benefits to obtain present value': www.finance.gov.au/obpr/proposal/handbook/docs/Best-Practice-Regulation-Handbook.pdf.

Table 1: Comprehensive list of items for consideration in a whole-of-life costing model

Acquisition costs	*Operating costs*
• Purchase cost • Delivery charge • Insurance and taxes • Installation and commissioning • Training and support • Internal costs associated with changing from the incumbent supplier (which should be identified prior to tenders being received)	• Labour • Materials • Consumables • Energy supply and consumption • Contract and supplier management • Transaction costs • Environmental costs • Cost of change (e.g. a decision to use alternative materials)
Maintenance costs	***End-of-life costs***
• Specialist labour • Specialist tooling • Spare and replacement parts • Reduced output with age • Frequency of maintenance and recommended downtime • Servicing and inspection regimes • Costs associated with equipment downtime	• Safe disposal • Resale • Ongoing liabilities • Decommissioning • Removal for sale or scrap • Reinstatement of land or buildings for alternative use

Source: Chartered Institute for Purchasing and Supply 2012

Example of whole-of-life assessment

Table 2 is an example of a whole-of-life costing assessment. Actual procurements and projects are often more complex than the one illustrated in here. The structure should be customised to suit the particular procurement being considered.

Table 2: Example of a whole-of-life costing assessment (hot water system)

Hot water system	***Calculation***	***Cost over 10 years (ex GST)***
Acquisition		
Purchase cost (RRP)	1x $1,855	$1,855
Delivery (nil)	$0	$0
Disposal of packaging (kerbside recycling)	$0	$0
Installation	$500	$500
	Subtotal	**$2,355**
Use		
Energy use	0.114 MJ per litre 1.3 cents per MJ 200 litres per day 365 days per year 10-year life	$1,081.86
Maintenance and repair	@ $250 (service twice in 10 years as per manufacturer's recommendation)	$500
	Subtotal	**$1,581.86**
Disposal		
Removal from site	Included in installation	$0
Scrap metal value	$20 (subsidises installation)	($20)
	Subtotal	**($20)**
	Whole-of-life cost:	**$3,917.57**

Additional reference and guidance material

British Standards Institution, *The Sustainable Procurement Guide – Procuring Sustainably Using BS 8903*
shop.bsigroup.com/en/ProductDetail/?pid=000000000030213389

Chartered Institute for Purchasing and Supply, *CIPS Positions on Practice – Purchasing and Supply Management: Whole Life Costing*
www.kbresearch.com/cips-files/Whole%20Life%20Costing.%20PoP.pdf

Department of Finance and Deregulation, *Commonwealth Procurement Rules – Achieving Value for Money*
www.finance.gov.au/procurement/docs/cpr_commonwealth_procurement_rules_july_2012.pdf

Department of Finance and Deregulation, *Best Practice Regulation Handbook*
www.finance.gov.au/obpr/proposal/handbook/docs/Best-Practice-Regulation-Handbook.pdf

US Environmental Protection Agency, *Environmentally Preferable Purchasing – Hands-On Tools*
www.epa.gov/epp/tools/index.htm

Greenwash

This section will help you determine whether goods and services have genuine environmental or social attributes, as some are being advertised with misleading or false claims. It will also help you to understand the limitations of some ecolabels or certifications for goods/services.

What is greenwash?

Greenwash is the practice of making false, misleading and/or deceptive claims about the environmental practices of a company or the environmental attributes of its goods and/or services.

This includes environmental claims that are inaccurate, vague, irrelevant or false or do not tell the full story about the impacts of the goods or services. These claims can include direct statements, logos or images associated with the goods or services.

Greenwash can lead to the continuation of negative environmental practices, despite purchasers thinking they are doing the right thing by the environment.

According to the Australian Competition and Consumer Commission, 'vague, unsubstantiated, misleading, confusing, false or deceptive claims serve the opposite purpose. They reduce consumers' confidence in environmental claims, disadvantaging ethical traders'.

How does greenwash affect procurement?

Greenwash creates confusion among procurement staff by spreading false information. This confusion makes complex decisions even more difficult. It eventually erodes buyer confidence that procurement is delivering improved environmental outcomes. In the case of goods that are marketed as, for example, energy saving or energy efficient, greenwash can also result in the expected financial benefits (through lower energy consumption) not being achieved.

In addition, greenwash can also make it harder for genuine green goods and services to compete and gain market share.

If organisations are paying extra to purchase goods and services believed to offer environmental advantages, it is a waste of money if they do not have genuine green attributes.

Table 3: How to recognise and avoid greenwash

Examples of claims	Examples of goods/ services area	Why the claim could be greenwash	How to avoid being greenwashed
Sustainably managed forests, plantation grown (either text or images conveying this message)	Paper, paper products, timber products	Unless the claim is backed up by a recognised third-party verification (such as certification), there is no guarantee that the trees were grown and harvested to minimise environmental impacts.	If using paper made with virgin fibre, insist on a verifiable source for the fibre. Ways of verifying the source include: • FSC (Forest Stewardship Council) certified • PEFC (Programme for the Endorsement of Forest Certifications) certified. In Australia, the latter is represented by the AFS (Australian Forestry Standard).
Biodegradable, compostable, degradable	Garbage bags, disposable cutlery and crockery, stationery items	Goods marketed as compostable often require industrial composting facility conditions rather than those found in domestic composting. While many materials will biodegrade or degrade over time, the claim must be substantiated to have an environmental benefit. Furthermore, goods made from biodegradable or degradable plastic may not biodegrade or degrade in landfills, due to insufficient conditions. It may be misleading to claim that a product is degradable or biodegradable without qualifying how the process occurs.	Ensure that the goods have been tested against a recognised standard – e.g. cleaning products should be readily biodegradable according to AS 4351. Ask whether biodegradable goods have been proven to biodegrade in landfill. Ask whether compostable goods still pass the standard in domestic compost (if that is the intended disposal method).
Natural (e.g. 'Made with natural ingredients')	Cleaning products, paint	Natural goods and/or ingredients also have environmental and/or human health impacts, so 'natural' is not necessarily an environmental benefit. For example, arsenic is naturally occurring and highly toxic.	It is better to discount claims of 'natural' unless they are substantiated. Instead look for other evidence that the goods are environmentally preferable (e.g. they meet relevant standards or are certified).

Examples of claims	Examples of goods/ services area	Why the claim could be greenwash	How to avoid being greenwashed
Carbon neutral, climate friendly, greenhouse friendly	Paper, service providers	While carbon neutrality is a legitimate claim in certain circumstances, it can be greenwash if: • the carbon-neutral claims are not verified (e.g. through a certification method) or do not cover the full life cycle of the product • it does not address the main environmental impact of the good/service. E.g. the process of manufacturing paper does generate significant carbon emissions, but the sourcing of the fibre (where the timber comes from) generates the main impact. Choosing paper that has recycled content or is sustainably sourced should be the priority.	Ensure that the carbon-neutral claim is backed by verification (e.g. the National Carbon Offset Standard).
Recyclable	Packaging, stationery products	For recyclable to be a legitimate claim, collection or drop-off facilities need to be conveniently available to a reasonable proportion of potential purchasers. This means facilities need to exist to accept the goods for recycling. Note that the presence of the recycling symbol does not necessarily mean the material can be recycled – if facilities do not exist locally it may end up in landfill.	Check which materials can be recycled through your agency's waste management contract. If the material cannot be recycled, ask the supplier about alternatives or opportunities to take back the material.

Examples of claims	Examples of goods/ services area	Why the claim could be greenwash	How to avoid being greenwashed
Energy/water efficient, energy saving, water saving, WELS (Water Efficiency Labelling and Standards) rated, Energy Rating, meets MEPS (minimum energy performance) requirements	Appliances, electrical equipment, water fixtures	Claims must be substantiated to show how the goods are an improvement on others performing the same function. Inclusion in mandatory energy rating, water rating and minimum energy performance (MEPS) schemes is not in itself an environmental benefit.	Ensure you know what the star rating is for the goods and seek those with the highest star rating where possible. If the goods are not covered by mandatory ratings or MEPS, seek third-party evidence of energy efficiency.
ISO 14001 certified	Any product, service or organisation	ISO 14001 is not a product certification. It refers to an organisation's environmental management system. It means that the certified organisation has implemented an environmental management system that meets the requirements of the ISO 14001 standard.	While ISO 14001 certification is a positive attribute, you still need to consider the environmental attributes of the goods/services.

How do I avoid being greenwashed?

There are some simple steps you can take to ensure that the goods and services you purchase have genuine green attributes. These include:

- having a basic understanding of what the main environmental impacts are for the goods or services you are looking to purchase. Are the goods made from virgin material (resources extracted from nature in their raw form, such as timber, metal ore and oil)? Are the goods going to use energy or water when in operation? Might they contain toxic substances? Will they be expensive to dispose of when no longer required? If necessary, seek outside help to find out what these impacts are, as this will enable you to make informed decisions.
- making sure you identify which trusted certifications, standards and ecolabels apply or what other evidence the supplier needs to provide, then stipulate these requirements clearly in specifications and ensure they are met through contract arrangements
- maintaining an ongoing discussion with suppliers to ensure they understand that you are serious about purchasing genuine green goods and services
- being wary of supplier claims that are not supported by evidence or are vague, for example 'environmentally friendly', 'low carbon' or 'natural'
- updating your knowledge to keep up with green goods and services developments.

What are ecolabels?

Figure 10: Examples of ecolabels.

Ecolabels are generally a good way to ascertain the green credentials of goods or services. Note, however, that ecolabels cannot be used to describe the specifications of the good or service being procured. The Commonwealth Procurement Rules state that specifications cannot create an obstacle to trade (paragraph 10.9) or require a particular trade mark or trade name etc. (paragraph 10.10).

Ecolabels can be useful as part of the evaluation process to distinguish between the environmental credentials of suppliers. It can be confusing, though, as there are many different labelling programs run by governments, private companies and non-government organisations.

The key characteristics to look for are:

- independence
- third-party accreditation
- verification systems.

For more information on ecolabels, the Ecolabel Index online directory is a useful resource (details are under 'Additional reference and guidance material' below).

Additional reference and guidance material

Australian Competition and Consumer Commission, *Green Marketing and the Australian Consumer Law*
www.accc.gov.au/content/item.phtml?itemId=815763&nodeId=90c89998139b822f949e69e227917455&fn=Green%20marketing%20and%20the%20ACL.pdf

Australian Forestry Standard
www.forestrystandard.org.au/

Ecolabel Index
www.ecolabelindex.com/

Energy Rating Schemes
www.energyrating.gov.au/

Forest Stewardship Council
www.fsc.org/

International Standards Organisation
www.iso.org/iso/iso_14000_essentials

National Carbon Offset Standard
www.climatechange.gov.au/ncos

Program for the Endorsement of Forest Certification
www.pefc.org/

TerraChoice, *Seven Sins of Greenwashing*
sinsofgreenwashing.org/findings/the-seven-sins/

Water Efficiency Labelling Standards
www.waterrating.gov.au

Assessing supplier sustainability performance

This section demonstrates how suppliers and potential suppliers can be assessed on their sustainability performance at both a basic and a more advanced level. The benefits of assessing a supplier's performance are also outlined.

Why should my supplier's sustainability performance be assessed?

It is important to ensure that the suppliers you work with operate in a responsible manner and meet basic standards of environmental and social performance. The same principles and standards your agency upholds should equally apply to your supply chain. It is the agency's responsibility to ensure that this is the case.

Supply chains can be long and complex, with hidden environmental and social impacts. In the UK a number of large government departments found that 70 to 80 per cent of their environmental impact occurs in the supply chain, so it makes sense to encourage your suppliers to operate sustainably.

You should assess the sustainability of your suppliers to:

- meet stakeholder expectations
- demonstrate leadership on sustainability
- ensure suppliers you do business with are aligned with Australian Government policies, for example the Australian Packaging Covenant and National Waste Policy
- reduce risks from environmental and social impacts associated with the goods and services your agency purchases
- identify areas for improvement
- create a stronger supplier market
- encourage innovation
- inform both existing and potential suppliers that you expect them to understand and manage the environmental and social risks associated with the goods they are supplying, including raw materials used and the manufacturing process.

Getting started

All suppliers should be expected to meet a basic level of environmental and social management, just as they are checked for financial soundness and ability to carry out the contract. Indications of good environmental and social management include:

- providing evidence of policies that are in place
- setting objectives for performance
- implementing management systems and standard procedures
- reporting on key performance indicators relating to environmental and social objectives.

There are a number ways to check a supplier's environmental and social management practices, including:

- asking questions of the supplier, either through a questionnaire or by including questions in your approaches to market
- verifying environmental or social credentials, for example through certifications such as ecolabels
- setting reporting requirements through contracts.

The appropriate level of investigation into a supplier's environmental and social management depends on the relative size and complexity of the procurement. For a small and straightforward procurement, it may be enough to ask basic questions such as those under 'Putting it into practice' below. Complex procurements may require more detailed questions; see 'Going further' for more information.

Putting it into practice

Using environmental or social certifications as evidence of sustainability performance

Environmental or social certifications can indicate more advanced performance by a supplier. You could ask the supplier if its operations, or the goods or services it provides, are verified to the appropriate certifications. These may be:

- ecolabels – such as Good Environmental Choice Australia (GECA) or Fairtrade – applicable to goods
- certifications – such as ISO 14001 or SA8000 – applicable to the organisation's operations.

Web links to these certifications and ecolabels can be found under 'Additional reference and guidance material' on page 44.

Note that certifications and ecolabels may not cover a broad range of environmental and social impacts or align with key impacts or risks. They may need to be supplemented with additional questions or engagement.

Reporting on a supplier's sustainability performance

Contracts can be used to state requirements for suppliers to report on environmental and social performance, which could include:

- asking a supplier to provide its environmental report (if applicable)
- reporting on key environmental and social performance indicators during the term of the contract.

Going further

For more complex or long-term procurements, consider requesting current and potential suppliers to complete a supplier questionnaire. The use of questionnaires to assess supplier sustainability is common practice in many public and private sector organisations. Refer to Table 4 on page 51 for an example of a supplier questionnaire.

Advanced supplier questionnaires are commonly used for the following two purposes.

1. During the tender process to assess potential suppliers

- Potential suppliers may be required to complete the questionnaire as part of a tender submission. This approach could ensure that all potential suppliers that make it to tender assessment meet minimum standards of management and performance.
- Agencies should provide feedback on environmental and social criteria to unsuccessful tenderers to encourage the overall improvement of the market for future tenders.

2. To measure and track the performance of the existing supply chain throughout the contract

- For the purpose of tracking improvements in the supply chain, organisations can request existing suppliers to fill out the questionnaire as part of ongoing contract management. Suppliers are usually willing to comply with such requests, to maintain a good relationship with the customer. The questionnaire can then be repeated annually to track how suppliers are improving and how adverse impacts through the supply chain are being managed.
- Areas where the supplier has not performed up to expectation should be addressed through a supplier improvement development plan, targets and reporting.

How to develop the questionnaire

Questionnaires should be tailored according to:

- the strategic priorities of your agency
- previous engagement with and sustainability performance of the supply chain
- the purpose of collecting the information (as explained above).

Four key areas that should be covered are:

1. Your agency's sustainability commitment and the purpose of assessment: have you provided a statement of your agency's sustainability commitment to establish context and an explanation of how the supplier's response will be used?
2. Supplier's environmental performance: has the supplier identified its key environmental impacts, and implemented measurement and initiatives to reduce these?
3. Supplier's social impacts: has the supplier identified its key social impacts and risks (for example, is any manufacturing carried out or are any raw materials sourced from areas that may have a poor record in labour conditions)? There can be higher risks with some areas and industries (overseas and domestic) associated with poor working conditions and practices that adversely affect local communities, such as land clearing.
4. Sustainability management of the entire supply chain: has the supplier looked at the impacts of its own supply chain and required appropriate environmental and social management arrangements to be put in place?

Tips for using questionnaires with small suppliers

Small suppliers often have much simpler management systems in place than larger organisations. Instead of presenting long and detailed questionnaires, a more direct and open-ended approach may be appropriate. In these circumstances, it may be preferable to allow the supplier to explain which environmental and social initiatives they have in place.

The following statement is provided as an example of how this information could be requested:

> *We endeavour to ensure we work with organisations that operate in a socially and environmentally responsible manner. Can you demonstrate how you fit this criterion?*

You could also use the sorts of basic questions provided under 'Getting started' above.

How to assess responses

1. Understand the key environmental/social risks

- When developing the questionnaire, you need to understand the level of environmental and social risk the current or potential supplier or goods pose, as well as the actions and approaches expected to manage these proportionately (refer to page 24 for a discussion on minimising environmental impacts of a procurement).
- If you are aware of potentially high impacts from the manufacture of the goods being supplied (for example, toxic substances used in the production process), then you should focus on how the supplier is managing those impacts and risks (for example, whether they are reducing or eliminating the use of the toxic substances). If a supplier or its sub-contractors is located in a developing country, you should look for good labour practices including targets for improvement and independent auditing.
- For higher risk categories such as those with significant environmental impacts, health and safety considerations or potential for worker exploitation, some level of verification should be sought. Agency procurement and contract management personnel may undertake site visits and audits as part of both initial supplier selection and ongoing contract management.

2. Apply a scoring system

- Scoring allows responses to be compared both for individual tenders (between tenderers) and across the supply chain (suppliers of different types of goods). For the limited small supplier questionnaires discussed above, more subjective judgement may have to be applied to consider what measures are appropriate for the supplier based on its size and the potential risk associated with the purchase.

How to use the sample supplier questionnaire provided

Table 4 is a sample questionnaire that goes into further detail and depth. It is designed to be concise but broad enough to apply to a range of industries. The questions focus on better practice management approaches, including:

- organisational systems and policies in place
- whether environmental and social impacts have been identified, measured and reduced
- engagement with stakeholders and current and potential suppliers
- compliance with environmental and labour standards.

This more detailed version provides thorough measurement of a number of environmental and social management indicators that can be used for all suppliers. By asking questions that may be more advanced than the current level of performance, it also provides an indication of what may be expected in the future and encourages the supply market to improve over time.

Effective supplier engagement is pertinent to delivering improvements in the sustainability of supply chains. Being clear about what you are trying to achieve, talking to suppliers and seeking advice and input will gain their involvement. It may result in innovative solutions and more beneficial longer term relationships.

Avoid information overload!

If your agency is considering the use of a questionnaire, think through how you will capture the data and how it will be used to inform decision making. Requesting more information than you can use may be time-consuming for the supplier and may not add value to your procurement.

Table 4: Sample supplier questionnaire

Supplier details	
Date	
Organisation	
Name:	
Address:	
Contact person	
Name:	
Position:	
Phone:	
Email:	
Type of service/ product(s) supplied	

Policy and management systems		
1a	**Do you have a current statement or policy that commits you to sustainability and/or reducing environmental impact?**	
1b	**If yes, is your policy/statement publicly available?**	
	Please attach copy or provide a URL link to statement or policy	
2a	**Do you have processes or systems implemented to manage your environmental impact?**	
	If yes, are your processes or systems certified to ISO 14001 or equivalent?	
	If no, please provide a brief description of your processes or systems implemented	
2b	**Do you have processes or systems implemented to manage socially responsible employment practices?**	
	If yes, are your processes or systems certified to the SA8000 standard for socially responsible employment practices, or equivalent?	
	If no, please provide a brief description of your processes or systems implemented	
3a	**Do you regularly review/audit your processes or systems internally?**	
	If yes, please indicate when the last two internal reviews/audits were undertaken	
3b	**Do you regularly review/audit your processes or systems externally?**	
	If yes, please indicate when the last two reviews/ audits were undertaken	
4	**Have you published an environmental, sustainability or triple bottom line report?**	
	If yes, please indicate when the last two reports were issued, whether they were completed in accordance with reporting schemes such as the Global Reporting Initiative (GRI) or Carbon Disclosure Project (CDP), and attach the latest report or provide a URL	

Measurement and reduction of impact

Please tick the boxes in the table to indicate which types of environmental and social outcomes are relevant to your organisation and state improvement targets where applicable.

5	**Measurement and reduction of impact:**	a. Energy use	b. Water use	c. Waste to landfill	d. Transport	e. Biodiversity impacts	f. Labour practices	g. Community benefit	h. Other (please specify)
	Our sustainability policy covers:	☐	☐	☐	☐	☐	☐	☐	☐
	We measure:	☐	☐	☐	☐	☐	☐	☐	☐
	We have set targets:	☐	☐	☐	☐	☐	☐	☐	☐
	Where applicable, please state target(s), including units of measure and timeframe:								
	We have an action plan to reach our target(s):	☐	☐	☐	☐	☐	☐	☐	☐
	We publicly report our progress:	☐	☐	☐	☐	☐	☐	☐	☐
	None of the above:	☐	☐	☐	☐	☐	☐	☐	☐
	Where improvement targets have been set, please list 2 or 3 actions your organisation has implemented to achieve targets:								

Commitment to continuous improvement		
6	**Does one or more staff member have direct responsibility for implementing your environmental or sustainability targets?**	
7	**Are your environmental/sustainability policy, strategy and targets communicated to all staff?**	
	If yes, please indicate by which methods e.g. induction, training, intranet:	
8a	**Do you have a commitment to influence stakeholders (e.g. clients, investors) to achieve better outcomes for the environment and/or society?**	
	If yes, please briefly describe how this is achieved:	
8b	**Do you encourage your direct suppliers to engage or collaborate with their own suppliers for sustainability, who engage their suppliers and so on to create a domino effect across the whole supply chain?**	
	If yes, please briefly describe how this is achieved:	
9a	**Do you assess the sustainability performance of your suppliers by including sustainability criteria in tenders/contracts?**	
	If yes, please provide examples of sustainability criteria used:	
9b	**Do you assess the sustainability performance of your suppliers by agreeing on targets/KPIs to improve their sustainability performance?**	
	If yes, please indicate the number of suppliers and examples of targets/KPIs:	
9c	**Other than the methods described in 9a and 9b, please outline any other processes or methods you use to assess the sustainability performance of your suppliers (e.g. independent audits):**	

Compliance		
10	**Has your organisation ever received a penalty or notice from the Environmental Protection Authority or been in breach of any other environmental legislation or regulation?**	
	If yes, please provide details and corrective action taken:	
11	**Has your organisation ever received a penalty or notice from the Fair Work Ombudsman or been in breach of the SA8000 standard for socially responsible employment practices, or similar?**	
	If yes, please provide details and corrective action taken:	

Additional reference and guidance material

Australasian Procurement and Construction Council, *Assessing a Supplier's Sustainability Credentials* www.apcc.gov.au/LinkClick.aspx?fileticket=%2bk1lABqz028%3d&tabid=151&mid=497

Dow Jones Sustainability Index, *Setting the Standard for Sustainability Investing* www.sustainability-indexes.com

Fairtrade
www.fairtrade.com.au/

FTSE 4 Good, *FTSE Good Index Series*
www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp

Good Environmental Choice Australia
www.geca.org.au/

International Organization for Standardization (ISO), ISO 14001 Environmental Management Standard
www.iso.org/iso/iso_14000_essentials

Procter & Gamble, Supply chain environmental sustainability scorecard
www.pgsupplier.com/en/current-suppliers/environmental-sustainability-scorecard.shtml

Social Accountability International (SAI), SA 8000 standard
www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&PageID=937

Walmart, Supplier sustainability assessment
www.walmartstores.com/download/4055.pdf

Sustainable procurement resources

This section provides links to useful resources from peak bodies, governments and expert organisations, internationally and in Australia, for additional information on particular aspects of sustainable procurement.

To find out more, click on the relevant hyperlink and it will take you to the resource, or copy the link and paste it into your web browser.

Please note that the links are all to third-party websites and were correct as of August 2012.

Definitions and key principles of sustainable procurement

- Australasian Procurement and Construction Council, Sustainable Procurement Framework
  www.apcc.gov.au/LinkClick.aspx?fileticket=/IacfFgL8eQ=&tabid=151&mid=497

Implementation guidance for sustainable procurement

- Queensland Government, Integrating Sustainability into the Procurement Process
  www.hpw.qld.gov.au/SiteCollectionDocuments/ProcurementGuideIntegratingSustainability.pdf
- Government of Western Australia, Sustainable Procurement Practice Guidelines
  www.finance.wa.gov.au/cms/uploadedFiles/Government_Procurement/Guidelines_and_templates/goods_and_services_sustainable_procurement_practice_guidelines.pdf?n=4084
- British Standards Institution, BS 8903:2010, Principles and Framework for Procuring Sustainably and Sustainable Procurement Guide
  shop.bsigroup.com/en/ProductDetail/?pid=000000000030203003
- European Commission, Green Public Procurement Toolkit
  ec.europa.eu/environment/gpp/toolkit_en.htm

Benchmarking sustainable procurement practices

- ECO-Buy, Sustainable procurement assessment tool assessment.ecobuy.org.au/
- UK Department for Environment, Food and Rural Affairs, *Sustainable Procurement in Government: Guidance to the Flexible Framework* sd.defra.gov.uk/documents/flexible-framework-guidance.pdf
- United Nations Marrakech Task Force on Sustainable Public Procurement, *Status assessment* mtf.iclei-europe.org/welcome/

Spend prioritisation analysis for sustainable procurement

- Queensland Government, *Integrating Sustainability into the Procurement Process* www.hpw.qld.gov.au/SiteCollectionDocuments/ProcurementGuideIntegratingSustainability.pdf
- UK Sustainable Procurement Task Force, Prioritisation tool sd.defra.gov.uk/advice/public/nsppp/prioritisation-tool/

Sustainable procurement planning

- Forum for the Future, *Sustainable Procurement Toolkit* www.forumforthefuture.org/project/buying-better-world-sustainable-procurement/overview

Establishing commitment for sustainable procurement

- New South Wales Government, *New South Wales Government Procurement Guidelines – Environmental Management*, section 4 www.nswprocurement.com.au/PDF/Policy/Environmental-Management.aspx
- European Commission, *Green Public Procurement Toolkit*, module 1 ec.europa.eu/environment/gpp/toolkit_en.htm

Green/sustainable goods and services databases

- ECO-Find
  www.ecobuy.org.au/director/ecofind.cfm?findagreenproduct=keyword&s=f
- ecospecifier
  www.ecospecifier.com.au/products.aspx
- Good Environmental Choice Australia
  www.geca.org.au/

Supplier assessment for sustainability performance

- Australasian Procurement and Construction Council, *Assessing a Supplier's Sustainability Credentials*
  www.apcc.gov.au/LinkClick.aspx?fileticket=%2Bk1lABqz028%3D&tabid=151&mid=497

Social procurement practices

- Australian Capital Territory Government Procurement Board, Circular PC02
  www.procurement.act.gov.au/__data/assets/pdf_file/0007/276784/PC02_-_Social_Procurement.pdf
- Victorian Government Department of Planning and Community Development, *Social Procurement Toolkit*
  www.dpcd.vic.gov.au/localgovernment/local-government-reform/procurement/social-procurement

Quantifying benefits of sustainable procurement

- US EPA, Environmentally Preferable Purchasing, links to calculators
  www.epa.gov/epp/tools/index.htm
- Responsible Procurement Network, links to calculators
  www.responsiblepurchasing.org/purchasing_guides/all/calculator/

General resources for sustainable procurement

- US EPA Environmentally Preferable Purchasing Database
  yosemite1.epa.gov/oppt/eppstand2.nsf
- Procura+ Resource Centre
  www.sustainable-procurement.org/resources/
- Portal for Responsible Supply Chain Management
  www.csr-supplychain.org/

Case study – Department of Defence: Sustainable procurement of ICT

Australian Government agencies' ICT operations account for 13 per cent of their total emissions. It is estimated that there are currently 350 000 PCs and laptops, 14 000 servers and 37 500 imaging devices, as well as consumables used in this equipment such as toner cartridges and office paper, under Australian Government agency management.

Key considerations must be made about the product life cycle, mainly relating to energy use; carbon emissions; e-waste and hazardous materials; packaging; labour conditions during the resource extraction, transportation and manufacturing processes; and the sustainable use of precious and scarce metals. Reducing such environmental and social impacts needs to be addressed on a variety of fronts, including ICT procurement.

The Department of Defence ICT Energy Management Plan uses procurement as a mechanism to increase the efficiency and effectiveness of the agency's operations.

The ICT Energy Management Plan has gained department-wide support and commitment to implement greener procurement for ICT equipment. Drivers for the implementation of the plan have included:

- the rising cost of energy, encouraging more efficient use of energy and reducing wastage
- providing better value for money
- support from the Defence Environment Strategic Plan 2010–2014
- the recommendation in the *Review of the Australian Government's Use of Information and Communications Technology* (Gershon Review) requiring agencies with an ICT spend of over $20 million to establish an ICT energy management plan or integrate ICT energy initiatives into a wider agency energy management plan
- endorsement from all members of the Defence Environment Management Forum – the most senior environmental management group within Defence, which aims to provide a mechanism for addressing significant environmental management issues that require coordination and endorsement across Defence.

In addition, the ICT Energy Management Plan demonstrates careful integration into existing departmental frameworks and structures.

Recognising that procurements influence the agency's expenditure on electricity and waste disposal, the ICT Energy Management Plan includes procurement strategies to minimise such expenditure. For example, the Department of Defence has already upgraded PCs to Electronic Product Environmental Assessment Tool (EPEAT) Gold Standard, which exceeds the minimum standard (prescribed by the Australian Government ICT Sustainability Plan) of purchasing PCs with EPEAT Silver Standard.

Other procurements conducted by the Department of Defence that have resulted in reduced environmental impacts and increased efficiency are:

- upgrading monitors to EPEAT Silver Standard
- purchasing energy-efficient servers.

The Department of Defence has also demonstrated the adoption of demand management strategies that are linked with energy reduction and thus a reduced environmental impact, including:

- automatic shutdown of the PC fleet
- power management functions set as the default on all devices (e.g. monitors) at the time of purchase
- duplex printing by default, also resulting in decreased paper consumption and toner usage
- data centre consolidation.

For instance, sustainability considerations were applied in the rollout of printers at RAAF Butterworth through the use of Guidelines for Print Solutions. These considerations included a significant increase in printer-to-person ratio to one printer to 25 people, exceeding the Australian Government ICT Sustainability Plan 2012–2015 standard (one printer to 20 people). Only by exception for special circumstances can this ratio be increased (e.g. if small numbers of people work in separate buildings). These guidelines are currently being incorporated into the Chief Information Officer Fleet Management Manual, which is one of the main reference documents for Defence ICT procurement.

Additionally, plans are currently being developed for implementation of FollowMe printing (roaming printing), which enables greater auditability and decreases paper consumption and toner usage.

End-of-life management strategies have also been implemented, such as:

- resale and recycling of used ICT equipment.

In addition, contracts for the purchase of ICT equipment include provisions for suppliers to take back packaging at the time of delivery.

Incorporating sustainability considerations into procurement decision-making processes has included assessing the environmental attributes of goods. For example:

- the energy consumption of ICT goods is included in tender evaluations.

The ICT Energy Management Plan includes the delivery of a training and education program to embed key principles. It is rigorously implemented and monitored and assessed across all facilities. The plan is reviewed and updated periodically to maintain relevance and accuracy.

Additional reference and guidance material

Australian Government, *Australian Government ICT Sustainability Plan 2010–2015*
www.environment.gov.au/sustainability/government/ictplan/index.html

Contact

For further information please contact the department's Community Information Unit:

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Email: ciu@environment.gov.au

Mail: Community Information Unit
Department of Sustainability, Environment, Water, Population and Communities
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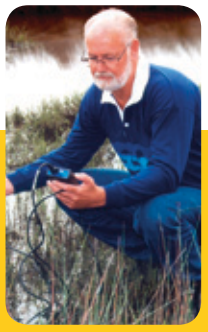

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