

# SUSTAINABLE PROCUREMENT PROGRAM DEVELOPMENT STRATEGY

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## Purpose

This document introduces the concept of sustainable procurement, its scope and the practices involved in developing a Sustainable Procurement Program at your organization. While implementation will look slightly different at each institution, this document provides overarching key factors for success and messages that can be used to guide communications with staff at all levels – covering what benefits sustainable procurement brings and what a holistic program entails.

Accompanying this Program Development Strategy are 10 individual Best Practice Documents which go into much more detail about how to implement each of the 10 Program Elements, as captured in the Best Practice Program Framework.

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# Defining Sustainable Procurement

**Sustainable procurement** involves taking a best value approach to meaningfully integrate sustainability criteria into procurement decisions to get more sustainable goods and services from more sustainable suppliers, ultimately for the benefit of the environment and society and in service of your organization's top-level strategies. Every purchase has a different blend of relevant sustainability risks and potential opportunities that can be embedded into the procurement process alongside traditional considerations like price, quality, service, and technical specifications. Sustainable procurement can be broken down into four distinct pillars that capture the wide variety of sustainability issues. Organizations should identify which sustainability priorities are most important to them within each pillar, while remaining open to opportunities to address others as needed. Sustainable procurement efforts should encompass all four of these pillars, however organizations do not need to be advancing all four all the time.

## FOUR PILLARS OF SUSTAINABLE PROCUREMENT



### ENVIRONMENTAL PROCUREMENT

Aims to minimize environmental harm and maximize positive outcomes for a healthier environment. Focusses on issues like reducing greenhouse gas (GHG) emissions, pursuing net-zero, energy efficiency, zero-waste and circularity, and reducing water usage and toxicity. It also supports the adoption of a regenerative economy with clean and renewable technologies.

### ETHICAL PROCUREMENT

Involves reducing modern slavery and 'sweatshop labour' by setting recognized minimum workplace standards for suppliers and subcontractors. This often involves assessing compliance with the United Nations' Universal Declaration of Human Rights and the International Labour Organization's conventions against child labour, forced labour, and employment discrimination.

### SOCIAL PROCUREMENT

Fosters diversity and inclusivity by creating economic opportunities for equity-deserving and other target populations. This includes purchasing from local suppliers, suppliers that offer social value, such as non-profits, social enterprises, and diverse suppliers, and mandating other suppliers to deliver on social value through their own corporate practices and services they offer, including living wage.

### INDIGENOUS PROCUREMENT

Promotes reconciliation through contracting and subcontracting Indigenous businesses, increasing employment and skills development opportunities for Indigenous peoples, and otherwise engaging them in public spending in alignment with the Government of Canada's Truth and Reconciliation Commission's Call to Action 92, Business and Reconciliation, and the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).

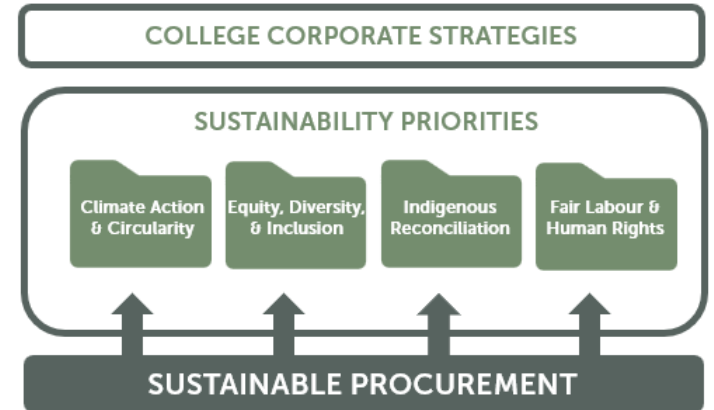
# The Business Case for Sustainable Procurement

There is no magic formula that will tell if sustainable procurement ultimately costs more or saves more money for the institution. Instead, it's important to understand how it will serve and benefit the organization and broader community and how to manage potential budget implications on a case-by-case basis. The following key messages can be shared with senior leadership to help them understand the value that sustainable procurement can bring to the Organization.

## Enabling Strategy

Effectively implemented sustainable procurement acts as a foundation feeding upward to achieve sustainability and other organizational strategic priorities, like operational excellence and community leadership. Organizations should view sustainable procurement holistically but emphasize sustainability issues that are already embedded in existing corporate strategies, while being open to the unique sustainability risks and opportunities within any given procurement.

Sustainable procurement practices often coincide with and support other procurement transformation initiatives. Driving sustainable procurement increases the strategic value that procurement provides within the organization both internally and in a public-facing way. Incorporating sustainability into procurement is not meant to be an entirely new process, but rather an enhancement to procurement that further enables the organization to meet its high-level strategic objectives.



## Wholistic Benefits



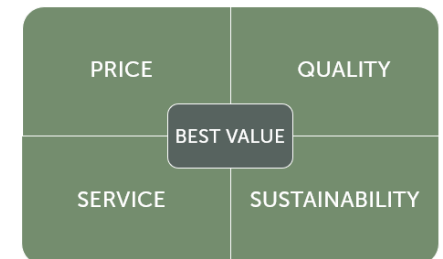
1. **Sustainable Development.** Through mitigating negative impacts and finding opportunities for positive outcomes, implementing sustainable procurement is an integral way for organizations to contribute to global sustainable development towards a green regenerative and socially just society.
2. **Public Perception.** Working on sustainable procurement and celebrating wins is another way to communicate to staff, students, and community members your alignment with their sustainability values.
3. **Financial Return on Investment.** Total Cost of Ownership (TCO) and life-cycle costing prove there can be cost savings over the lifetime of a product, based on reduced consumption, resource efficiency, reduced maintenance costs, or reduced disposal costs.
4. **Risk Reduction.** By taking a closer look at the impacts of purchases and engaging with suppliers, there is more opportunity to identify and mitigate environmental, ethical and other supply chain risks.
5. **Engaged Employees.** Sustainable procurement engages employees with aligned values, while also playing a role in the attraction and retention of both employees and students.
6. **Market Development.** Asking suppliers to meet sustainability criteria signals to suppliers and creates demand for more sustainable options in the market, over time increasing availability at competitive prices.

## Budget Implications

Determining the cost-benefit and budget implications for sustainable procurement will be a very case by case scenario; however, there are approaches that can be used to evolve the organization’s view of financial value, to support budget planning, and to compare/calculate costs to find savings over a product’s lifecycle.

### Best Value

Public sector procurement has been evolving away from the lowest price approach to a best value approach, and reconsidering what is included in the definition of “value”. A ‘best-value’ approach means seeking to meet all requirements around cost, quality, and service, while also seeking to advance positive sustainability outcomes. This does not require purchasing the “greenest” option every time regardless of price or other factors. Rather it is about integrating your organization’s sustainability values, ultimately creating a balance of factors resulting in overall better value for money. For any procurement, these factors might be weighed differently; sustainability criteria typically range from 5% to 30% of the evaluation score for a procurement. This aligns with BOBI requirements to assign a weighting of 25% – 45% cumulatively for any factors aside from price, of which sustainability would fit within.



### Budget Planning

Depending on what is being purchased, a more sustainable option might cost more upfront, it could be very cost comparable, or it could result in savings across its lifecycle. With many factors influencing price, this makes it very difficult to pre-identify the dollar figures that may be needed to budget for. As a baseline, organizations can simply work within existing budgets and ask suppliers to meet either basic required criteria or more advanced rated criteria to see what is feasible. Alternatively, with enough upfront notice on larger projects, project managers can complete market research or distribute an RFI to suppliers to indicate how much the offering would cost with the requested sustainability features; this can then be incorporated into budget planning for the next year. Each organization has the opportunity to incrementally introduce more sustainability considerations into procurements and monitor costs on an ongoing basis to support future planning.

## Total Cost of Ownership



When looking at a product's entire life cycle, rather than only the upfront cost, project managers can start to uncover areas of both extra costs as well as areas cost savings. For example, a more durable product may cost more upfront, but it lasts 8 years and requires less maintenance than a lower cost option that only lasts 5 years; saving money on maintenance, repair and replacement, and disposal. This concept, Total Cost of Ownership (TCO), also referred to as life-cycle costing, is a method that organizations can use to calculate cost savings or compare different options, when relevant.

TCO is designed to assess the true costs and sustainability of investments by considering the entire life cycle of a product or service. It is a way for project managers to identify and plan for the accumulated costs of purchase price plus the indirect costs associated with product usage (ex. energy and water utilities), repair and maintenance (ex. labor and cleaning), storage and disposal (ex. Waste hauling and hazardous waste disposal), as well as social or environmental risks or liabilities. Additionally, a lot of these "hidden costs" are also costs to the environment or to the community, such as more fuel or energy usage resulting in increased pollution, excessive packaging contributing to landfill, or missed opportunity for local employment.

TCO helps achieve best value over a purchase's lifecycle and results in a more efficient use of public resources, while also quantifying costs that aren't traditionally accounted for in the procurement department, but that still impact the organization's bottom line. TCO will not be used for every procurement and the level of effort and factors used will vary depending on the capacity available or the complexity of the procurement.

# What does a High Impact Program Look Like

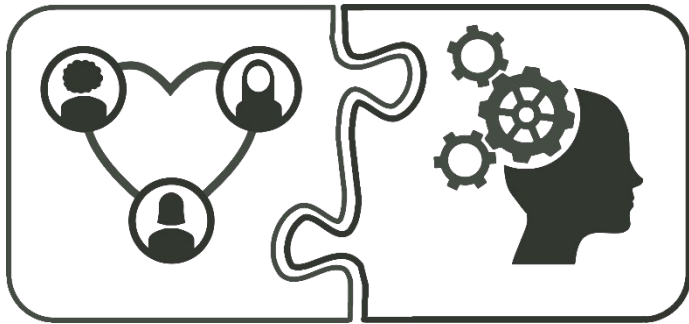
## Best Practice Program Framework

OECM has adopted a Best Practice Program Framework, from Reeve Consulting and the Canadian Collaboration for Sustainable Procurement, that has been developed based on 20 years of experience with over 100 organizations and designed to align with other existing standards. The framework captures *10 Program Elements* to have in place for an effective sustainable procurement program. While a high-performing program has all of the following elements in place, it takes time to develop each of these areas. What is of most importance is that a program will consist of more than Policy alone and will thrive with ongoing training and resources for organization staff. OECM organizations can use the Sustainable Procurement Program Assessment Questionnaire to track progress in each Element using the Moon Chart:

○ = not yet started or just beginning    ◐ = some progress made    ◑ = in progress    ◒ = fairly well developed    ● = well developed with solid experience

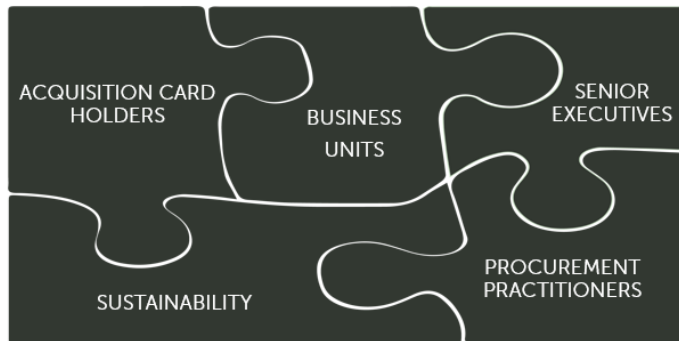
<p> <b>1. STRATEGY AND ACTION PLAN</b></p> <p>A sustainable procurement strategy outlines the long-term vision for a sustainable procurement program and provides a clear course of action for implementing and managing it.</p>	<p> <b>6. TOOLS</b></p> <p>Enable staff with templates and checklists to take a standardized approach to assessing sustainability risks and opportunities and making informed purchasing decisions.</p>
<p> <b>2. STAFFING AND RESOURCES</b></p> <p>Staff have sustainable procurement embedded in their role descriptions and are given dedicated technical and financial resources to design, implement, and manage the organization's sustainable procurement program.</p>	<p> <b>7. TRAINING AND ENGAGEMENT</b></p> <p>Help staff understand sustainable procurement strategy, policies, and priorities, and empower them to integrate sustainability into purchasing decisions.</p>
<p> <b>3. POLICY</b></p> <p>Provide a mandate, clarity and direction on the importance of considering sustainability risks and opportunities in procurement.</p>	<p> <b>8. MEASUREMENT AND REPORTING</b></p> <p>Take regular stock of performance on sustainable procurement goals, and highlight successes, challenges, and opportunities.</p>
<p> <b>4. HIPO LIST</b></p> <p>Identify specific product and service categories for sustainable procurement based on risk, impact, volume, spend, and/or strategic importance for sustainability. Continually update HIPO List with new targets and procurement categories.</p>	<p> <b>9. SUPPLIER ENGAGEMENT</b></p> <p>Engage suppliers on sustainability priorities and invite them to be partners in addressing risks and creating innovations. Some suppliers may be leaders and help inform organizational efforts, while other suppliers may require training and support.</p>
<p> <b>5. PROCUREMENT PROCEDURES</b></p> <p>Outline how sustainability requirements will be integrated into each major type of procurement process, whether sole sourcing or multiple quotes.</p>	<p> <b>10. LEADERSHIP AND COLLABORATION</b></p> <p>Advance the field of sustainable procurement and build mutually beneficial resources for all stakeholders, through leadership and collaboration with other organizations and sectors.</p>

## Factors for Successful Change Management



10 PROGRAM ELEMENTS

OPPORTUNISTIC HIPOS



### **Heart & Smart**

To effectively influence behaviour change, an organization should build out the technical elements of a program, like Policy, Tools, and Procedures, (the “smart”) to guide the integration of sustainability into the procurement process. While also building goodwill and buy-in from staff (the “heart”) through consistent communications, engagement, and training.

### **Two-track Program**

It’s important to remain opportunistic during implementation; while it may take 2-3 years to put the whole program together, organizations should simultaneously find high impact procurement opportunities (HIPO) to pilot tools and processes and begin experiencing the benefits of integrating sustainability into purchases. This enables learning and refinement so SP can be rolled out across an organization.

### **Everyone Has a Role**

Sustainable procurement is a group effort; there are a variety of roles throughout an organization who contribute to its success. Procurement practitioners facilitate the procurement process and manage suppliers, sustainability teams provide subject matter expertise, business units hold knowledge on product needs, and senior executives provide guidance and mandate. External groups, like suppliers, GPO’s, peer organizations, and others, also play an important role in creating a supportive ecosystem for collective action.

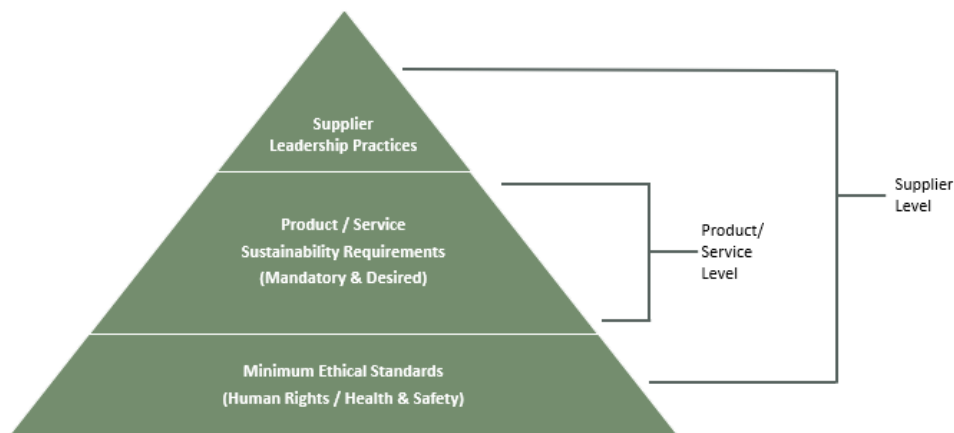


### Scaled for Spending Levels

Sustainability can be incorporated into all levels of spending from credit card purchases to competitive RFPs, and construction projects. However, the time and effort taken to do so will be scaled appropriately for the type of procurement, or type of supplier, and dollar value of the contract (i.e., larger spends will warrant more planning and supplier relationship building).

### Consider Multi-dimensions

Sustainability is multi-dimensional, and there are different tiers for which it can be considered. Organizations looking for the most impact can evaluate suppliers on all three: compliance with minimum human rights standards, sustainable features of the goods and services, and the corporate operations of the supplier. Every purchase can be improved / evaluated on at least one of these tiers.



IMPACT



STRATEGIC SUPPLIERS

### Engage Strategic Suppliers

Sustainable procurement is equal parts inserting sustainability into the procurement process and working with suppliers. Using the Pareto Principle, start by engaging your top 20% of suppliers – who have about 80% of the impact of your supply chain – and find opportunities to increase their sustainability.



# Developing a Program

## Phase 1 – Developing

Phase 1 of developing your organization's Sustainable Procurement (SP) Program is focused on planning and establishing foundational pieces as well as orienting staff to build understanding about what SP is and address any initial questions and concerns while piloting new procedures and Tools. Characteristics of Phase 1 include:

1. Integrating sustainability into procurement policies and procedures.
2. Adopting an SP Strategy & Action Plan, along with initial KPIs, to identify organizational priorities to align with existing strategies.
3. Gaining buy-in from senior leadership as well as key staff through establishing an internal SP Working Group and/or hosting engagement sessions to support the development and approval of items #1 and #2 above.
4. Creating a Communications & Training Plan to outline the various staff audiences, their roles, and respective learning needs, as well as a schedule of activities to roll-out communications on SP across the organization.
5. Completing an initial HIPO List and adopt some new SP Tools to pilot the integration of sustainability into a few key procurements, to learn by doing and demonstrating some early wins in high impact areas.

## Phase 2 – Maintaining & Evolving

Phase 2 involves farther-reaching roll-out of the SP Program to all staff, ensuring that SP Tools are being used on a regular basis, establishing external awareness of the Program and engaging suppliers, actively measuring KPIs on an ongoing basis, and ensuring continued resourcing is available to not lose progress. Characteristics of Phase 2 include:

1. Procurement staff and department leaders act as ambassadors for the SP Program with colleagues, and senior leadership continues a supportive mandate.
2. Training is being delivered across business units to ensure all staff have a clear understanding of accountabilities and resources and how to use SP Tools.
3. External awareness of the organization's commitment to SP is growing and sustainability is being integrated into supplier engagement activities, so suppliers can better respond to procurement opportunities. Especially engage with social value suppliers and establish methods to track spend with social value suppliers.
4. All identified HIPO's are being implemented and staff are actively using SP Tools and other resources as a regular component of the procurement process.
5. Data on KPIs is being collected and reported on an ongoing basis, including sharing of success stories on positive sustainability outcomes achieved.

## Phase 3 – Advancing

By Phase 3 organizations should have some progress made within all 10 Program Elements and be working towards "full Moons". Integrating sustainability into purchasing will be the status quo and the organization will be working on evolving Tools, resources, program measurement and supplier engagement for greater impact. Characteristics of Phase 3 include:

1. Completed HIPO's are regularly turning into success stories demonstrating environmental, social, Indigenous, and ethical outcomes, and new HIPOs are being identified.
2. Evolving and further developing SP Tools to keep up with growing staff needs, aligning with procurement technology, and staying up to date on sustainability topics.
3. Sustainability is integrated into supplier performance reviews to check in on the status of sustainability performance and identify opportunities for improvement.
4. Targets for KPIs have been achieved and new targets set along with more identifying more advanced KPIs to begin measuring.
5. Ample staff time and resourcing is increased and maintained, either as a full time roll or distributed amongst procurement and sustainability staff, to put towards the growth of the SP Program.

# Barriers & Success Factors

## Barriers

Many organizations experience barriers for implementing sustainable procurement practices. To be successful, organizations must be conscious of potential risks; however, all of these can be overcome through implementing best practices and through learned experience. Some of the concerns typically identified by staff include:

- **Change Management.** Introducing new knowledge and processes across an organization is a challenge and takes time to effectively change old behaviours and mindsets.
- **Knowledge.** Staff can lack the confidence and sustainability related knowledge to effectively implement sustainable procurement, potentially facing a steep learning curve.
- **Time.** Sustainable procurement may be seen as extra work and it can be difficult to carve out more time and planning into already tight procurement cycles.
- **Availability of Sustainable Options.** Sustainability may be new or difficult for some suppliers, and there may sometimes not be a sustainable option available within budget.
- **Budgeting.** Sustainable options can sometimes cost more upfront, which may need to be budgeted for appropriately.

## Success Factors

- 1 Utilize sustainable procurement to align organizational practices with values. The priorities identified within a sustainable procurement policy and program should align with the priorities in top-level sustainability plans and corporate strategies.
- 2 Having a Policy helps to better define sustainable procurement priorities and provide appropriate guidance and mandate for continuing efforts. In conjunction, executive support and a Policy can justify spending resources on sustainable products and services within a best value approach.
- 3 Remain opportunistic during implementation; follow a two-track program that simultaneously works on the HIPO list while also taking the time to deliberately put in place the 10 elements of a high performing program.
- 4 Senior executive leadership must be seen to be signaling the importance of using procurement to catalyze and support key sustainability priorities and organizational development. Messaging must be consistently delivered to drive a supportive culture.
- 5 Deploy simple tools that can enable staff to begin to self-identify the sustainable risks and opportunities relevant to their purchasing decisions. Leverage early wins and repeat as required until a culture evolves that looks for opportunities.
- 6 Engage business units through the creation of a cross-functional working group, or a number of working groups across commodity categories, to facilitate discussion among key internal stakeholders who collectively monitor and drive the program implementation plan.
- 7 The partnership between the Procurement and Sustainability groups is especially important for the development of a high impact program, to drive more sustainability thinking into the planning and needs assessment stages of the procurement process.
- 8 Keep up with training during the beginning stages of roll out and continuously to keep progress moving. Deploy a robust training and communication plan that touches multiple internal audiences in year one and expands to include more suppliers and external agencies in year two.
- 9 Working directly with suppliers is an approach to achieve impact outside of a formal RFP process. Consider asking suppliers if they have environmentally preferable options available, especially with more mature markets, where there is a less noticeable disparity in costs.
- 10 Sharing success stories is key for creating buy-in, positive buzz, and engaging both internal audiences and the public on the organization's sustainability journey.