



Sustainable Procurement Handbook for Employees

Revision history

Version	Revisions made	Date approved	Approved by
<i>Version 1</i>		<i>15/09/2016</i>	<i>Chiara Coppola – Group Procurement Governance Manager</i>

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1. Introduction

As an organisation with [a social purpose](#), City & Guilds Group is committed to making a positive impact on people, society and the environment. We strive to act as a responsible, ethical and accountable organisation in all areas of our work and in every country we operate. These overall commitments are expressed in everything we do including [the Group Ethics Principles](#).

Procurement can help to leverage such commitments. How, what and from where we buy necessary services and goods can have an impact not only on our economic performance and reputation, but also on our customers and the wider environment.

The aim of this handbook is to provide **practical tips** that colleagues can apply for at each stage of procurement to make our decision as responsible and ethical as possible. The handbook covers the following key aspects of sustainable procurement practice:

- Socially and ethically responsible procurement
- Minimising environmental impact through the supply chain
- Delivering economically sound solutions
- Good business practice

The introduction of this Sustainable Procurement Handbook is one of the key milestones within the long-term goal to embed sustainability in the Group's procurement practices. It is everyone's responsibility to pursue this goal, progressing over time through a number of levels of behavioural change (see Figure 1).

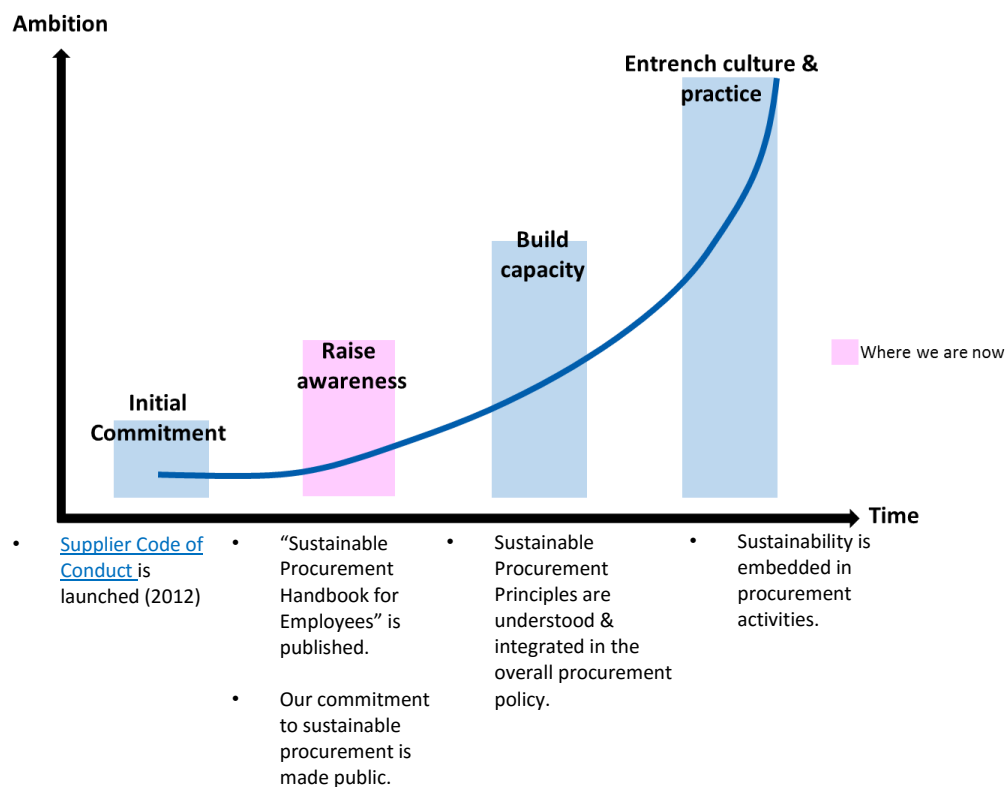


Figure 1. Stages of behavioural change in Sustainable Procurement

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To lead and facilitate behavioural change, a Sustainable Procurement Working Group (SPWG) consisting of a number of representatives across the Group was set up in February 2016. The overall purpose of this working group is:

- Generate and exchange ideas for best practice sustainable procurement;
- Implement a City & Guilds Group “Sustainable Procurement Handbook (this handbook);
- Be an ambassador for best practice within the business units;
- Facilitate continuous knowledge sharing and learning in the subject.

If you would like to participate in SPWG or for more details, please contact the Procurement Governance at procurementask@cityandguilds.com.

2. Sustainable Procurement – The Essentials

2.1 What is Sustainable Procurement?

Sustainable procurement is an approach to integrate environmental and social criteria into decisions throughout the procurement lifecycle instead of making decisions simply based on short-term costs and benefits.

Through sustainable procurement, we can use our own buying power to give a signal to the market in favour of the protection of the environment, of social progress and in support of economic development.

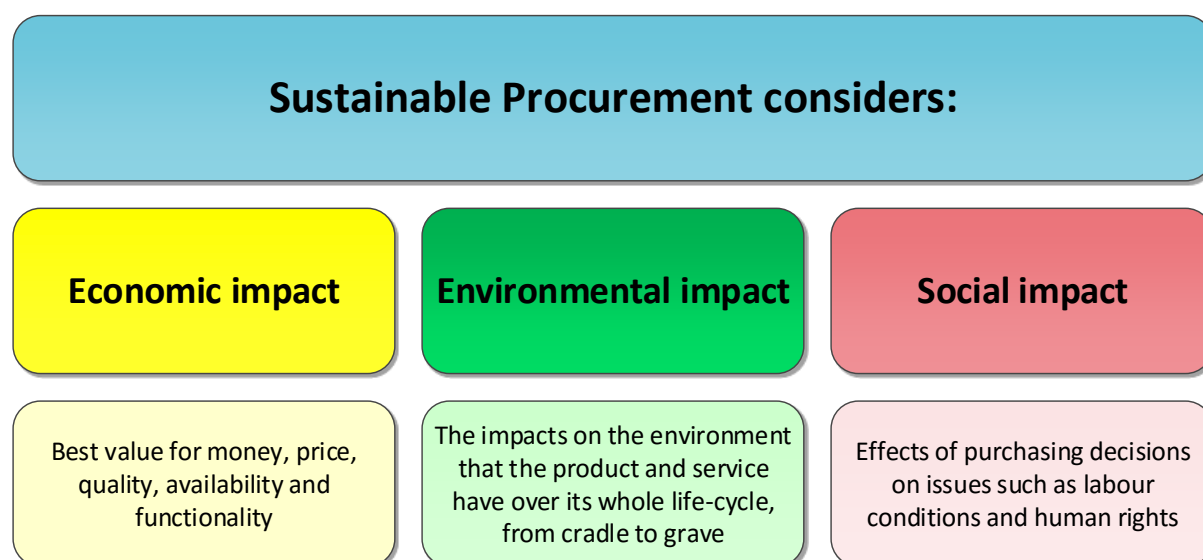


Figure 2. The three pillars of Sustainable Procurement

2.2 Why Sustainable Procurement Matters

Sustainable procurement practice is widely regarded as a core component of risk and reputation management, as well as a way of aligning Corporate Social Responsibility (CSR) objectives with the

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core business. Sustainable procurement matters not only because this is the right thing to do but also because a number of benefits it can bring such as:

- **Positive reputation/image:** strengthen our reputation as an organisation committed to society, community and people, and standing out from competitors.
- **Legal compliance:** reducing costs of rectifying non-compliance issues.
- **Securing investment:** Organisations with socially responsible practices may have greater access to capital because their distinctive ethical values appeal to particular types of investors.
- **Attracting talented staff:** Having a reputation as a socially responsible organisation is an indicator for a good employer, which treats its own staff as well as its suppliers with the same respect and dignity. Such organisations can attract and retain exceptional employees.

3. What are the practical things we can do to make our procurement sustainable?

There are a number of things we can do today to help increase the positive social impact of our business through procurement activities. This section provides practical tips to make our procurement as sustainable as possible throughout a typical procurement cycle illustrated below.

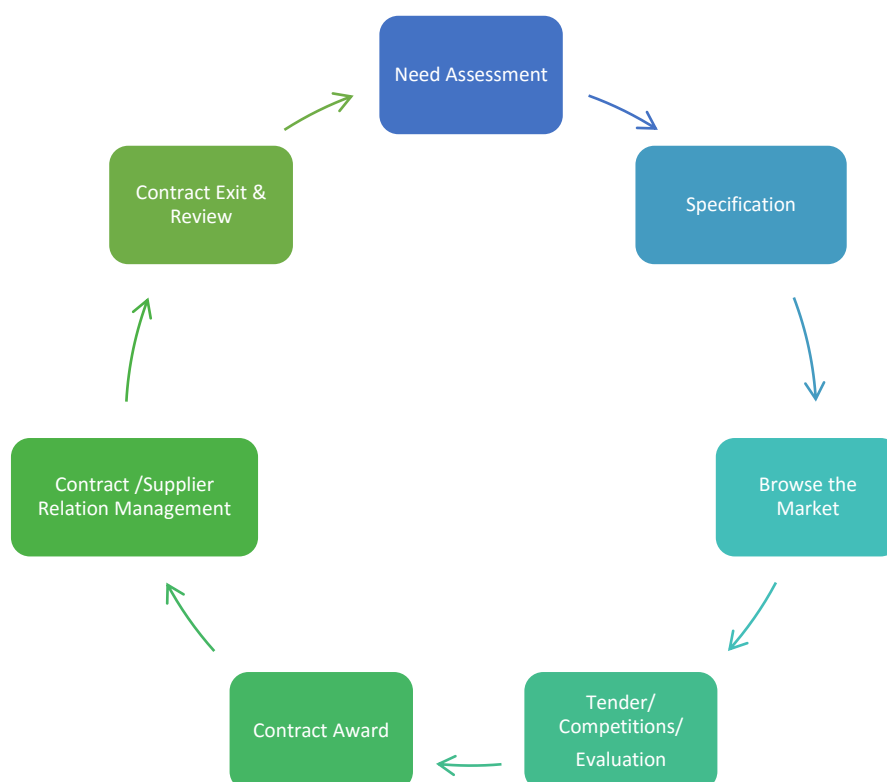


Figure 3. A typical procurement cycle

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3.1 Need Assessment

The first step in any procurement activity is to identify and assess the needs. This initial step will help us reduce or eliminate duplicated demands, save money and potentially avoid adversarial environmental impacts. Buyers are advised to ask themselves the following questions before embarking on purchasing:

- ✓ Is the purchase essential?
- ✓ What is whole life cost* of acquiring the concerned service or good?
- ✓ Are there any duplicated services and goods that have already been brought in which can be shared and re-used across business units?
- ✓ Can the requirement be aggregated with other service or goods requirements?
- ✓ Can the item be re-used after its original use?
- ✓ Are the quantities required accurate?
- ✓ Do the goods have to be purchased outright or can they be rented?

***'Whole life cost'** refers to the total cost of ownership over the life of an asset. This includes a range of other costs in addition to outright purchase price that we have not taken into account when assessing procurement needs (see the figure below).

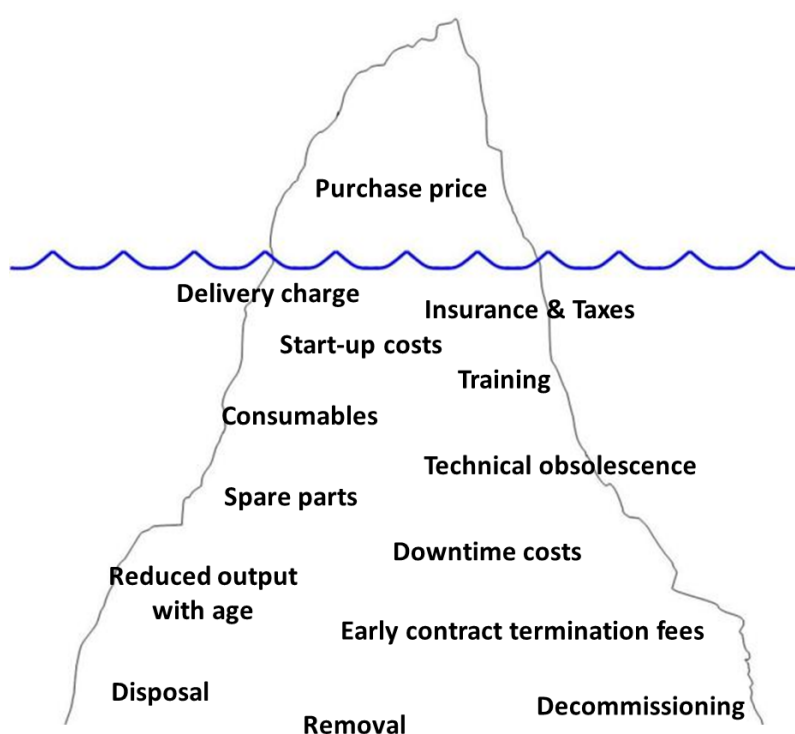


Figure 4. Whole Life Cost – Iceberg modelling

It is good procurement practice to consider all of the costs associated with procuring and not just the initial cost of a purchase because of the following reasons:

- Products that are more environmentally friendly usually have longer life spans and lower whole life costs even if the outright acquisition cost might be more expensive
- Producing less waste can help reduce whole life costs.

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3.2 Specification

This step is to 'define' the needs by creating a specification ("requirement" in [our Request for Proposal \(RFP\) template](#)). Buyers have freedom within the specifications they set and chance to make this the most effective stage in the procurement process to **design-in sustainability**. You can specify a number of things in addition to minimum functionality and performance requirements.

Here are some standards/certificates you can consider for inclusion in the specifications that will help to drive sustainable value:

- ✓ ISO certificates¹ (e.g. ISO 14000 Environment, ISO 26000 Social responsibility, ISO 5001 Energy saving, ISO 45001 Health & Safety, ISO 9001 Quality Management Systems) (**globally recognised standard**);
- ✓ Fairtrade (**globally recognised standard**);
- ✓ FSC (Forest Stewardship Council) certificate (**globally recognised standard**);
- ✓ MSC (Marine Stewardship Council) certificate (**globally recognised standard**);
- ✓ Compliance to European emission standards for passenger cars² or equivalent for non-EU countries.

While most of the above standards and certificates are applicable for goods, there are ways to build in sustainability aspects in your service requirement. For instance:

- ✓ Specify the products/materials used in carrying out the service which have reduced adversarial impact on the environment;
- ✓ Request management procedures put in place to minimise the environmental impact of the service.

In addition, there are a number of market tested, sustainable specifications available which any organisations can make use of. For further details, please refer to **Appendix A: Examples of Sustainable Specifications**.

3.3 Browse the Market

Once you know what you want in terms of functionality and performance, it is important to investigate what sustainable products or services are available to meet your requirement. Market analysis provides information about how the market could potentially fulfil your needs, what alternatives are available and the price that you will be prepared to pay.

One of the key elements of sustainable procurement is to diversify our supplier base because that enables us to continuously invest back to communities we operate in. For this reason, It is highly

¹ Whilst not all organisations hold ISO certificates, they may be using similar principles and able to demonstrate through other documentations and/or equivalent standards.

² European Emission Standards: All vehicles produced from 1st September 2015 must meet Euro 6 standards from their introduction date. This means any vehicles that are newly introduced into the market as a new model.

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recommended that we explore alternative supply markets such as **Social Enterprises**³, **SMEs**⁴ (Small and Medium-sized Enterprises) and **eco-friendly businesses** in addition to more conventional big companies. Opening up to alternative supply markets also contribute to the Group's effort on equality, diversity and inclusion (EDI).

Main advantages of alternative businesses over big businesses includes:

- **Flexibility & Agility:** SMEs and Social Enterprises have the ability to react quickly to changes in the marketplace due to their relatively small size.
- **Community Involvement:** SMEs and Social Enterprises often become actively involved in the community, because they view themselves as members of the community.
- **Local economy:** Since their active community involvement, SMEs and Social Enterprises can boost local economy more than large businesses⁵.
- **Making a profit, making a difference:** Social Enterprises use the majority of those profits to further their social or environmental goals.
- **Specialisation:** Since SMEs and Social Enterprises tend to be highly specific in what they offer, they are far more willing to tailor for your particular requirement.
- **Customer Interaction:** As a smaller business, they are more likely to work harder to satisfy and maintain customers.

Here is the list of useful business directories for alternative suppliers:

✓	Social Enterprises:
○	Social Enterprise UK Directory
○	Social Enterprise Directory – The City of London Corporation
✓	SMEs:
○	1000 Companies to Inspire Britain (this is an annual listing of some of the fastest-growing and most dynamic SMEs in the UK. The list is not exhaustive but it shines a light on some of the UK's most vibrant SMEs).
✓	Eco-friendly business:
○	Green Business Directory (global directory)
✓	FSC (Forest Stewardship Council) certified products:
○	UK Products & Suppliers Database
○	Global Marketplace (global directory)

For procurements carried out outside the UK, check local information on alternative supply markets.

³ **Social Enterprises:** a) are businesses that aim to generate their income by selling goods and services, rather than through grants and donations; b) are set up to specifically make a difference; c) Reinvest the profits they make in their social mission. (<http://socialenterprise.org.uk/about/about-social-enterprise/FAQs>)

⁴ Thresholds for **SMEs (Small and Medium-sized enterprises):**

No. of employees	Turnover	or	Balance sheet total
Less than 250	GBP 25.9 million		GBP 12.9 million
	EUR 50 million		EUR 43 million

⁵ A research from the Federation of Small Businesses (FSB) and the Centre for Local Economic Strategies shows that 58% more of the money spent by local authorities with small firms is re-spent in the local economy compared to that spent with large businesses in the same area (<http://www.fsb.org.uk/media-centre/press-releases/fsb-report-reveals-the-power-of-small-businesses-in-the-local-economy-pr-2013-35>)

3.4 Tender/ Competitions

Once you know what you want and identify potential suppliers, you are ready to proceed to the tender stage. This stage includes preparing tender documents, issuing them to suppliers, carrying out due diligence check and evaluating proposals received. The following section will explain the recommended course of actions for buyers.

3.4.1 Tender documents

In the questionnaire section (PART E) of [RFP template](#), buyers can add a number of questions to test: a) suppliers' commitments and initiatives relating to sustainability; and b) whether suppliers can demonstrate them through case studies and/ or policies.

The table below shows examples of questions you can include in RFP documentations depending on your requirements (not every question is applicable for all requirements and the list below is not meant to be exhaustive).

Category	Question
Social Impact	What percentage of your net revenues do you annually invest in training, apprenticeships etc?
Social Impact	What percentage of your net revenues do you invest in research and development annually?
Social Impact	What activities does your organisation have in place to provide employment, training and skills development for economically inactive and disadvantaged groups or individuals?
Social Impact	What programmes does your organisation have in place that involve interaction with local communities?
Social Impact	Does your organisation support socially responsible programmes or make charitable donations (national or international) either independently or via another third party e.g. NGOs (Non-Governmental Organisations)? If yes, please name them.
Environmental Impact	Does your organisation have a documented Environmental Management System (EMS)?
Environmental Impact	Does your organisation have a process in place for the monitoring and ongoing improvement of your environmental performance in the following areas? a) Greenhouse gas emissions b) Energy consumption
Environmental Impact	Does your organisation publicly report on its overall environmental objectives, targets and performance?
Environmental Impact	How does your organisation make direct efforts to include/increase the use of renewables, waste heat, energy from waste, cogeneration as alternative sources of energy within your organisation?
Environmental Impact	How does your organisation embed sustainability principles such as eco design, life cycle thinking into its product / service development process?

3.4.2 Proposal Evaluation Criteria and Indicative Weighting

Before issuing a RFP to suppliers, there are three critical things that buyers are advised to do.

- ✓ The evaluation criteria should be agreed among your project team before issuing the tender document.
- ✓ Sustainability related criteria should be included.
- ✓ The evaluation criteria and indicative weighting should be disclosed in the RFP documents.

Key benefits of this practice includes:

- It aids suppliers to focus on 'critical success factors', i.e., they will know which element of the proposal – cost, quality or timescale – we put the highest importance on when evaluating;
- It makes our procurement process transparent and fair to suppliers;
- Including sustainability related criteria shows our commitments and ethos to suppliers, which can contribute to attract the right suppliers who are compatible with the City & Guilds Group's value and culture.

It is recommended to allocate at least **10%** to Sustainability related criteria as **a minimum standard**. However, depending on the potential environmental and social impact of the requirements, it is advisable to consider increasing the weight. For example, printing, courier service, car fleet, catering and clearing services may potentially have a higher impact on environmental and/or social factors (CO2 emission, waste management, fair wage etc), and therefore it should be considered to have a higher weight on Sustainability criteria than the 10% minimum standard.

For general guidance on the tender evaluation scorecard, please refer to [this link](#).

3.4.3 Due Diligence

Due diligence checks on suppliers' sustainable practices are vital to support the business to achieve its objectives whilst adhering to highest standard of integrity and mitigating risks. Types of risks we should be aware of within our supply chain includes financial stability, corruption, bribery and human right abuse such as modern slavery⁶.

Typical options for due diligence check include:

- Requesting a copy of the supplier's policies on:
 - equal opportunities
 - anti-bribery and corruption
 - anti-slavery and human trafficking
 - Sustainability
- Credit check
- Conduct any of the following to see if there are any adversarial information:
 - a site visit

⁶ For more information on Modern Slavery Act 2015, see <https://www.gov.uk/government/collections/modern-slavery-bill>

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- request a supplier to complete a due diligence questionnaire
- Company search

For further information and advice on due diligence checks, please contact the Group Procurement Governance team.

3.5 Contract Award

After a contract has been awarded, both successful and unsuccessful suppliers should be debriefed with as much transparency about the evaluation process as can be provided. In respect of sustainability, constructive feedback can help suppliers to improve their capabilities and competence for future similar opportunities.

In addition, a contract must include all the requirements agreed, including Service Level and Key Performance Indicators (KPIs). KPIs are the set of quantifiable measures that a buyer uses to gauge or compare suppliers' performance in terms of meeting the agreed service level and targets. Including everything agreed during the negotiation with a supplier is essential to avoid confusion and ambiguity because an ambiguous contract that lacks relevant information could lead to mistakes and misunderstandings on what a buyer expects to receive and what a supplier understands to deliver.

3.6 Contract/ Supplier Performance Management

Achieving sustainability through procurement does not end when the contract has been awarded. Working with suppliers throughout the contracts duration constitutes an important part of achieving sustainable objectives.

KPIs play an important role in effective performance management. KPIs are the useful tool not only to make sure that the contract is being performed as agreed in terms of timeframe and level of quality, but also to motivate and develop suppliers further. Effective contract management with well-defined KPIs not only ensures that suppliers comply with what was agreed but also encourages behaviours to go above and beyond the call of duty and bring in innovative solutions.

3.7 Contract Exit & Review

When a contract has completed its cycle it is good practice to share any successes and failures in a lessons learnt session with your project team and relevant stakeholders for continuous improvement.

Contract managers must also ensure that an exit and transition plan is clear and understood by all parties involved including an incumbent and new supplier. An ill-defined exit and transition plan and lack of clear communication can damage the relationship with a supplier and our reputation as a trustworthy organisation to do business with. At worst, this could also lead to dispute with suppliers.

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4. Summary & Checklist

This checklist sums up key steps the handbook has covered. Buyers can use this list to check whether they have taken the recommended steps during procurement.

- 1) Need Assessment**
 - ☐ Have you challenged the decision to procure (identifying right quantity and separating “needs” from “wants”)?
- 2) Specification**
 - ☐ Have you included sustainability related requirements in the specification?
 - ☐ Have you considered using Sustainable Specifications where applicable?
- 3) Browse the market**
 - ☐ Have you checked alternative supply markets , e.g. SMEs, Social Enterprises and Eco-friendly businesses etc.?
- 4) Tender/Competitions**
 - ☐ Have you included sustainability related questions in RFP to test the supplier’s commitments?
 - ☐ Have you defined the evaluation criteria and weighting?
 - ☐ Have you included sustainability related evaluation criteria?
 - ☐ Have you disclosed the evaluation criteria and weighting in RFP document?
 - ☐ Have you conducted supplier due diligence check?
- 5) Contract Award**
 - ☐ Have you debriefed unsuccessful suppliers?
- 6) Contract/Supplier Relation Management**
 - ☐ Have you set up KPIs for the contract & supplier performance review?
 - ☐ Have you set up regular performance reviews with the supplier?
- 7) Contract Exit & Review**
 - ☐ Have you reviewed the entire procurement process, captured lessons learnt and shared with your project team and/ or relevant stakeholders for continuous improvement?
 - ☐ Have you communicated clearly with a incumbent and new supplier about an exit/transition/implementation plan so that they know their responsibilities?

For supports and questions regarding the content of this handbook and general procurement matters, please contact the Group Procurement Governance team at procurementtask@cityandguilds.com.

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APPENDIX A

EXAMPLES OF SUSTAINABLE SPECIFICATIONS

FACILITY MANAGEMENT
<ul style="list-style-type: none"> • Cleaning products and services: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/482149/gbs-clean-prod-services-2015.pdf • Car fleet: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/341552/GOV.UK_GBS_for_vehicles.pdf • Foods and Catering Services: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/418072/gbs-food-catering-march2015.pdf • Water-using products - dishwasher, showers, taps, toilets etc.: https://www.gov.uk/government/publications/sustainable-procurement-the-gbs-for-water-using-products • Office Furniture: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/341461/Furniture_GBS_1407.pdf • Electrical goods - ovens, dishwashers, refrigeration units etc.: https://www.gov.uk/government/publications/sustainable-procurement-the-gbs-for-electrical-goods • Rrefurbishment projects and products - heating, lighting, taps, paint, timber etc.: https://www.gov.uk/government/publications/sustainable-procurement-gbs-for-construction-projects
IT
<ul style="list-style-type: none"> • Office ICT equipment: https://www.gov.uk/government/publications/sustainable-procurement-the-gbs-for-office-ict-equipment
OTHER CONSUMABLES
<ul style="list-style-type: none"> • Paper and paper products: https://www.gov.uk/government/publications/sustainable-procurement-the-gbs-for-paper-and-paper-products

