

# Integrating Sustainability into Procurement

Recommendations  
Report



# Procurement for Sustainability



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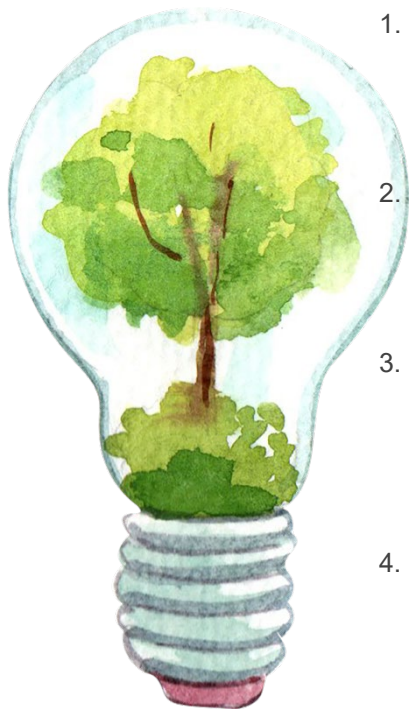
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# Executive Summary

As part of SSROC's Embedding Sustainable Procurement project, Edge Environment consultancy was engaged to review member councils procurement policies and tender documents to identify gaps and opportunities to support sustainable procurement and to develop targeted training. The purpose of this report is to provide key recommendations for improving performance in sustainable procurement across the region. It includes a summary of findings based on the assessment of SSROC member councils' performance against the international standard for sustainable procurement (ISO20400).

SSROC member councils vary widely in their sustainability priorities, maturity, and resourcing, and therefore are at different stages in embedding sustainability into their procurement processes. The findings of the ISO20400 gap analysis found there are four significant areas for improvement that SSROC and councils should focus on to achieve their sustainable procurement objectives:



1. **Governance:** Include sustainability goals, objectives, and targets within Council's governance framework (Strategic Plan, Risk Management Framework, Sustainability Policy, Sustainable Procurement Policy and Supplier Code of Conduct). Linking sustainability elements across the governance framework provides a strategic lever both internally and externally. Not all councils have integrated sustainability into their procurement policies and there is still considerable work to do to define the social, economic and environmental drivers in their procurement documents and processes.
2. **Identify and prioritise sustainability risks:** Create sustainability priorities at the category level to determine where the effort and focus should be directed. Only a few councils interviewed for this project have prioritised sustainability risks for different categories of procurement, yet this can save time for councils as some categories have higher impacts than others. Councils should develop specific category guidelines and training to support staff to both identify sustainability risks and opportunities and to also assess suppliers sustainability credentials in the evaluation stage.
3. **Procurement and Supply Chain Management:** Set clear minimum and aspirational sustainability requirements for suppliers, (including relevant specifications, criteria and standards), and encourage suppliers to challenge the requirements if they can see opportunities to improve sustainability (e.g. through innovation clauses). Councils can use the procurement process to have subject matter experts (the suppliers) provide insights to council on what can be achieved and who is willing to work with them to get there. Examples of sustainability specifications, criteria and clauses are provided in an accompanying resource developed for this project 'Guide to Sustainability Criteria, Clauses and Metrics in Procurement'.
4. **Reporting:** To achieve a consistent approach to collecting data and measuring sustainable spend, councils must first agree on the sustainability priorities and objectives for the region. Only then can councils develop standardised metrics, collection forms and data collection/storage. It is easiest to begin by using simple metrics for data capture and sustainability performance measurement to establish a baseline; these can evolve as maturity about sustainable procurement increases between councils and suppliers. At the time of writing, key performance indicators (KPIs) for sustainable procurement have not been set by any council, measuring and reporting on sustainable spend is discussed in detail in Section 4 of this Report.

It is important to recognise that there are leading examples amongst SSROC councils that demonstrate the potential of sustainable procurement in local government such as aggregating demand to drive end markets for recycled crushed glass in SSROC's regional tender *Paving the Way*, and individual councils such as Inner West, City of Sydney and Waverley Council's efforts in including sustainability in their procurement policies and procurement training programs. There are also excellent examples of resources to support sustainable procurement such as Waverley Council's Sustainable Procurement Heat Map Assessment tool and the City of Sydney's Sustainable Event Guidelines and Sustainable Design Technical Guidelines. This highlights that SSROC councils are making significant process in using procurement to drive sustainable outcomes and innovation and that the area for extra effort is in embedding and systemising these approaches so that they become business as usual across the region.

A best-practice, step by step approach to improving sustainable procurement performance in the four focus areas is summarised below to assist councils, with more detail in each section of the Report.

## Governance

- Integrate sustainability objectives into council's robust existing procurement practices.
- Develop a specific sustainable procurement policy (commitment), linked to council's sustainability strategy and targets. This should not be a separate policy to the existing Procurement Policy. Instead sustainability objectives and targets should be integrated throughout the procurement process and documentation.
- Communicate the policy commitment to internal and external stakeholders. Ensure it is easily accessible on an external-facing website.
- Develop and communicate a Supplier Code of Conduct that addresses the environmental, human rights and social expectations and minimum standards.
- Assign responsibility and accountability to key internal resources who interact with aspects of sustainability risk, buying and contractor performance management processes.
- Document legal, regulatory and desired sustainability requirements alongside contract reporting obligations.
- Implement mandatory sustainable procurement training and education for internal staff and where relevant external suppliers.
- Conduct regular executive reporting on sustainability priorities (dependent on each council), sustainability governance and compliance. This helps link priorities back to procurement, create accountability and track progress.
- See section 2.1 for more information.



## Risk Management

- Agree and establish standard sustainability risk criteria and metrics that are consistent across councils.
- Develop a procedure for identifying and mitigating supplier and project risks or ensure that sustainability risks are integrated into existing risk-assessment procedures.
- Establish a process that details the recommended steps for responding to identified sustainability risks at various risk levels.
- Develop and implement external verification requirements. See section 4.2 for examples.
- See section 2.2 for more information.



## Procurement and Supply Chain Management

- Create tailored category specific guidelines that detail the procurement and contract lifecycle, which includes key risks and opportunities, required documentation, specifications, criteria and metrics.
- Develop a supplier selection and due diligence process (can be included in category guideline, recommendation 5.3.1) that details the appropriate steps for evaluating suppliers and conducting due diligence according to the level of risk and spend.
- Make use of the pre-qualification process to communicate sustainability priorities and set expectations to embed sustainability in council procurement. This should always be accompanied by the appropriate level of due diligence (recommendation 5.3.2), the following up of supplier performance on sustainability priorities.
- Develop and implement a supplier assessment questionnaire and remediation action plans, where required, to inform supplier contract requirements.
- Update contractual terms and conditions to include specific sustainability clauses, according to sustainability priorities and criteria.
- Revise new supplier on-boarding process to capture additional information in line with council priorities, including indigenous, women-owned or local business to ensure efficient reporting against targets.
- Once the high-risks and priorities for each of council's categories have been established (recommendation 5.2.1), engage and communicate the sustainability objectives to identified category suppliers.
- Develop a consistent set of council sustainability priorities and objectives for the region so that metrics can be standardised, and data collected in a unified way.
- Include sustainability reporting obligations (informed by established objectives and associated metrics, see recommendation 5.4.2 below) in contract performance management and implement proactive supplier assessment against expectations.
- See section 2.3, the [Recommendations](#) section of this Report; and the 'SSROC Guide to Sustainability Criteria, Clauses and Metrics in Procurement'.

## Reporting

- Create a local government working group to test and select automated sustainability solutions, which includes data capture, monitoring and reporting across all sustainability elements (see section 4.2).
- Gain consensus on a consistent set of sustainability priorities and objectives that include the associated metrics and key performance indicators across councils and potentially other government agencies (can be based on criteria within accompanying document 'SSROC Guide to Sustainability Criteria, Clauses and Metrics in Procurement') to reduce internal and supplier effort.
- Ensure minimum standards are met and tracked via automated reminders for regular reporting against due dates. This includes requesting updated certifications, licenses or certificates that have an expiry date. Existing procurement technology systems include reminders as features. Examples of existing platforms are Vendor Panel, Conserve and Technology One.
- See section 4.1, 4.2 and [Appendix B](#), which outlines the United Nations Environment Program's (UNEP) reporting framework to assess councils progress against the Sustainable Development Goal (SDG) 12.7.1., the SDG indicator on Sustainable Public Procurement (SPP). This reporting framework provides a robust checklist to assess what type of sustainability measures should be in place across processes and documentation with associated metrics to report against.



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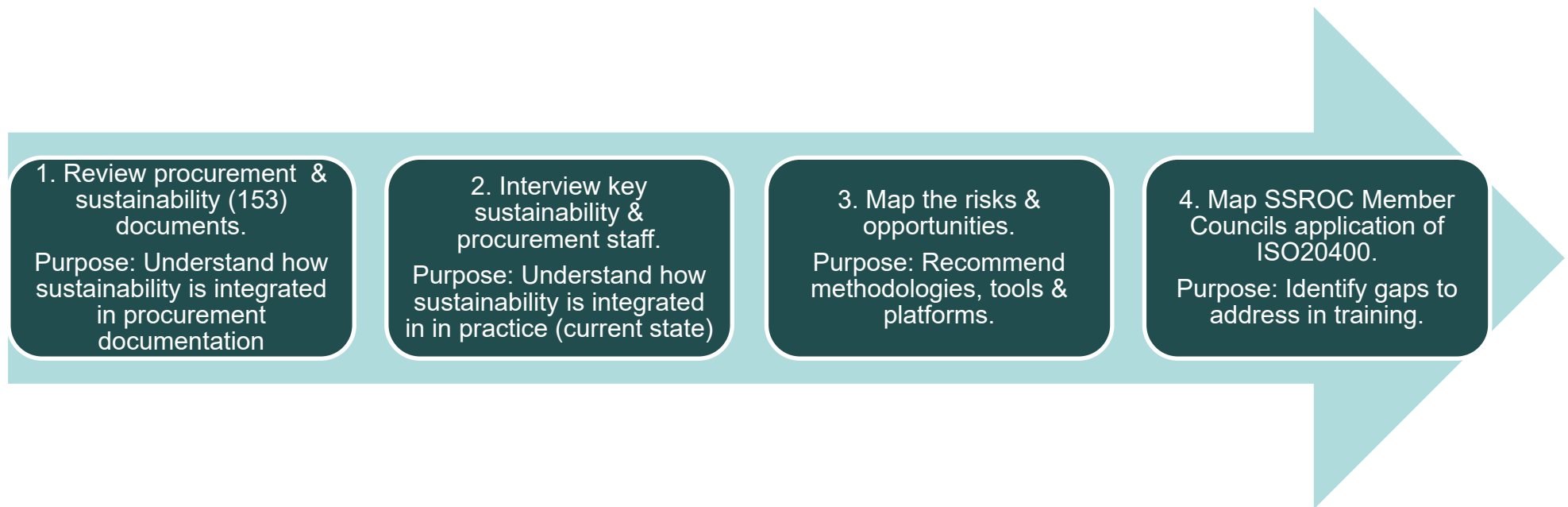
# 1 Introduction

The purpose of this report is to provide a summary of findings based on the assessment SSROC member councils' performance against ISO20400 and to provide key recommendations for improving performance. SSROC member councils vary widely in their sustainability priorities, maturity, and resourcing, therefore, the recommendations describe a best-practice approach to which all councils can aim to align.

This report is intended to be read in conjunction with SSROC Guide to Sustainability Criteria, Clauses and Metrics in Procurement' (the Guide).

## 1.1 Project methodology

The recommendations in this report were informed by the following project methodology, as described in *Figure 1: Project methodology*.



**Figure 1: Project methodology**

**Note:** Analysis was based solely on the documentation provided and the findings from the stakeholder interviews. State Government applicable and emerging legislation was not incorporated into this review.

## 2 Integrated Sustainability Framework

Each council, and SSROC as a region, has sustainability goals, objectives and targets. It is essential for all participants in the procurement process to align to these sustainability goals, objectives and targets to achieve successful sustainable procurement and to align to *Sustainable Procurement Guidance AS ISO20400:2018* (ISO20400). The procurement process forms part of commercial and risk management. It involves internal and external stakeholders and sits within an overarching governance framework.

**Best-practice procurement frameworks include and link sustainability elements throughout the organisation, so that the procurement process can be leveraged to achieve council's sustainable objectives.** Figure 2, below, provides the road map for successful sustainable outcomes across the aforementioned organisational areas, including procurement and aligned with ISO20400. By embedding this leading approach to sustainable procurement, SSROC member councils will generate benefits to staff, economies and communities.

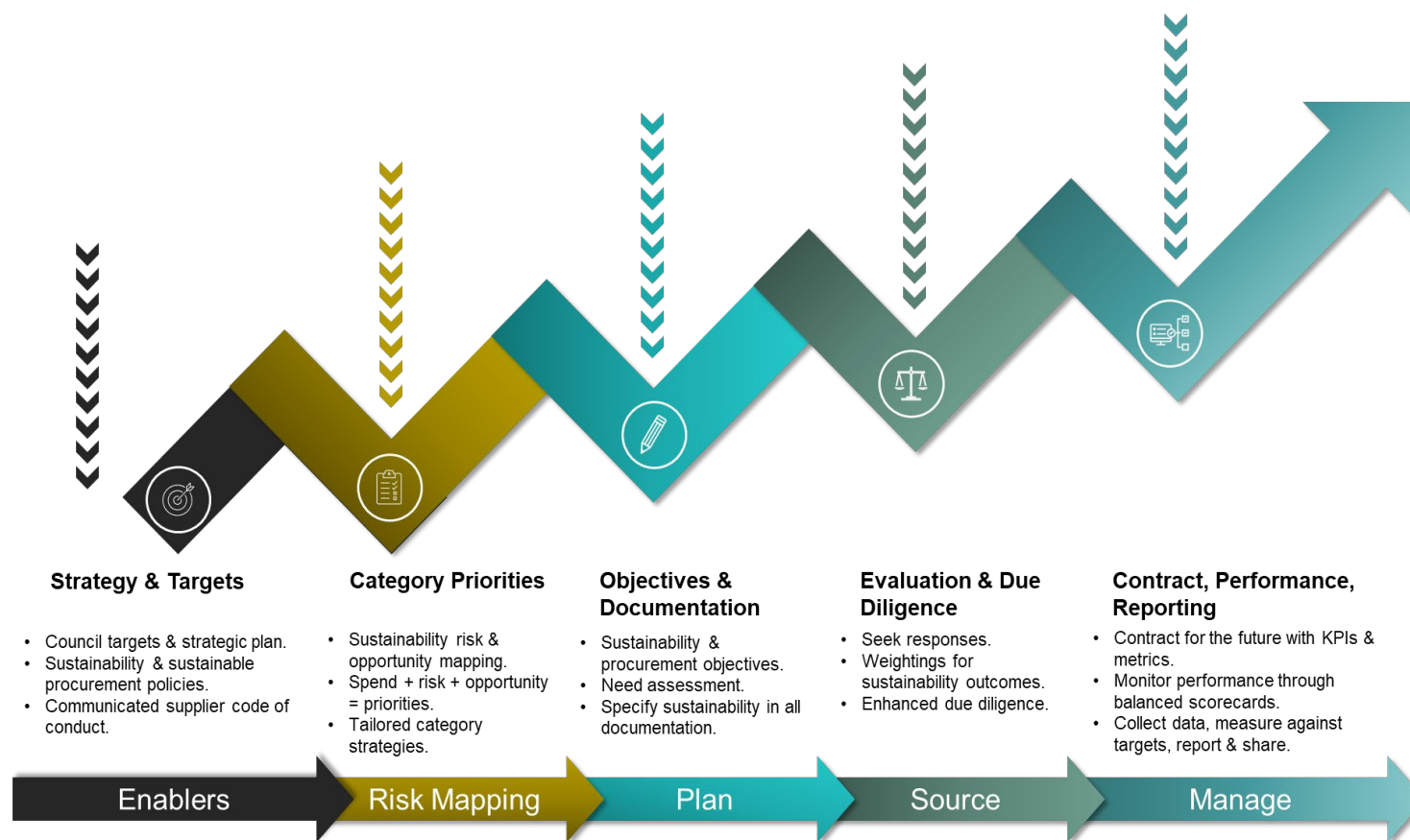


Figure 2: Integrated Sustainability Framework

## 2.1 Governance - Council's strategic pillars as a foundation

Five strategic pillars provide the effective foundation to achieve sustainability goals, objectives, and targets within a successful sustainability governance framework. To ensure all internal and external stakeholders are aligned, it is essential that the strategic imperative (council's sustainability goals, targets and commitments) is consistently linked to objectives and cascaded via policies, procedures, document templates and contract obligations.

These strategic pillars (Council's Strategic Plan, Risk Management Framework, Sustainability Policy, Sustainable Procurement Policy and Supplier Code of Conduct) are outlined in *Figure 3: Strategic Governance* below. To embed sustainable procurement, councils should include sustainability goals, objectives, and targets within each pillar.



**Figure 3: Strategic Governance Pillars**

If one or more of the strategic pillars are not developed across the procurement process/governance framework, consider utilising the documentation of a council that has progressed this (e.g. City of Sydney or Inner West Council) and standardising the approach across all SSROC councils to reduce the burden on suppliers who provide goods and services to many or all councils.

## 2.2 Category prioritisation - risk and opportunity identification

It may not be practical to address all sustainability risks and opportunities at the same time. Prioritising the appropriate level of effort needed to manage risk and performance is crucial, as some categories are not as impactful as others.

Councils can prioritise their approach by allocating sustainability risks and opportunities to procurement categories. Identifying category sustainability risks and opportunities helps to define measurable, category-specific (relevant) sustainability objective priorities, which determines the subsequent procurement process. Risks, market maturity, technical criteria, evaluation and contracting obligations differ according to the category, requiring a tailored category management approach.

*Figure 4* is an example of a sustainability heatmap created by a prioritisation process. Red indicates the sustainability issue is of high importance, yellow indicates medium importance and green equates the sustainability issues as low importance.

Council procurement teams should engage the sustainability and/or project teams who are responsible for managing the specific category and collaborate to determine what priorities should be included in future procurements and why.

Sustainability issue	Air quality	Biodiversity	Sustainable Materials	Waste & resource efficiency	Fairness, inclusion & respect	Modern slavery	Energy & carbon	Water	Social value	Wellbeing
Spend category										
Site preparation										
Demolition & clearance										
Site investigation										
Groundworks										
Building & civil										
Concrete works										
Steelwork										
Road & bridgeworks										
Stone & brickworks										
M&E services										
Building finishing										

**Figure 4: Example of Construction Category Heatmap**



## 2.3 Six steps to integrating sustainability in the procurement process

This is the step-by-step process where sustainability objectives should be integrated into the procurement. Once step one is complete, the prioritised sustainability risks and opportunities then flow down into the following steps, leading to key outcomes and indicators for sustainable procurement. In addition to these six steps, Figure 5 on the next page, also provides an overview of the opportunities to include sustainability in a holistic procurement process.

1.

• **Prioritise sustainability risks and opportunities for each of your procurement categories** (section 2.2). This will help you to define measurable, category-specific (relevant) sustainability objective priorities. Once category sustainability priorities have been defined, the next step is to integrate sustainability throughout the procurement process. Priorities should be aligned to Council sustainability commitments and targets.

2.

• **Planning the procurement**: based on priorities identified in step 1, **set clear sustainability objectives**, for that specific type of procurement. Determine if the procurement objective can be reframed in order to find circular procurement or low carbon opportunities.

3.

• **Supplier engagement**: **Communicate Council's minimum sustainability goals, requirements and standards to the market**, to allow industry experts to offer solutions to achieve those targets and goals. Supplier engagement can be achieved by written communications, online forums or workshops and industry group engagement.

4.

• **Specify sustainability requirements in all tender or quotation documentation** (see sections 3 to 5 of the Guide). Incorporate detailed questions into documentation to collect sustainability information during the competitive process, which can be used to evaluate and award contracts. E.g. a supplier self-assessment questionnaire with an associated weighting and/or integrate sustainability assessment criteria and weightings into tender or quotation.

5.

• **Evaluation and due diligence** to verify and evaluate claims, certifications and standards included in responses by asking for copies

- Evaluate supplier responses, self-assessment questionnaire and documentation provided as evidence (see section 7 of the Guide).
- Stipulate in the tender evaluation report, the supplier's strengths and weaknesses and actions to improve and/or mitigate any risks including sustainability risks (these could also be documented in a contract management risk assessment).

6.

• **Contract, performance and monitoring** – ensure contracts have clear sustainability requirements, outcomes and metrics relating to sustainability objectives:

- Include clear reporting requirements in the contract management plan or supplier agreement. This should include the sustainability risk mitigation actions identified during the evaluation and due diligence assessment completed in supplier assessment phase.

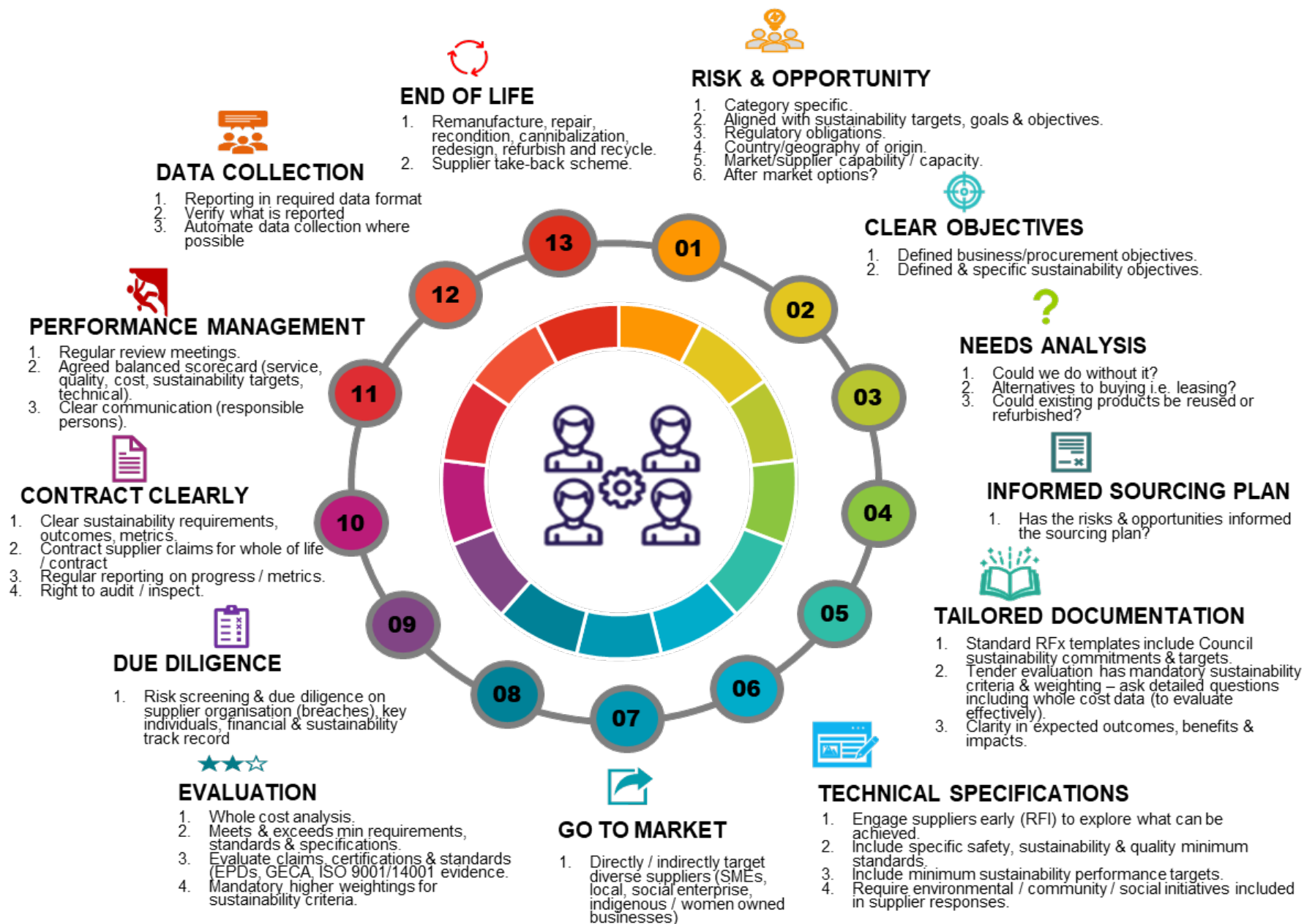
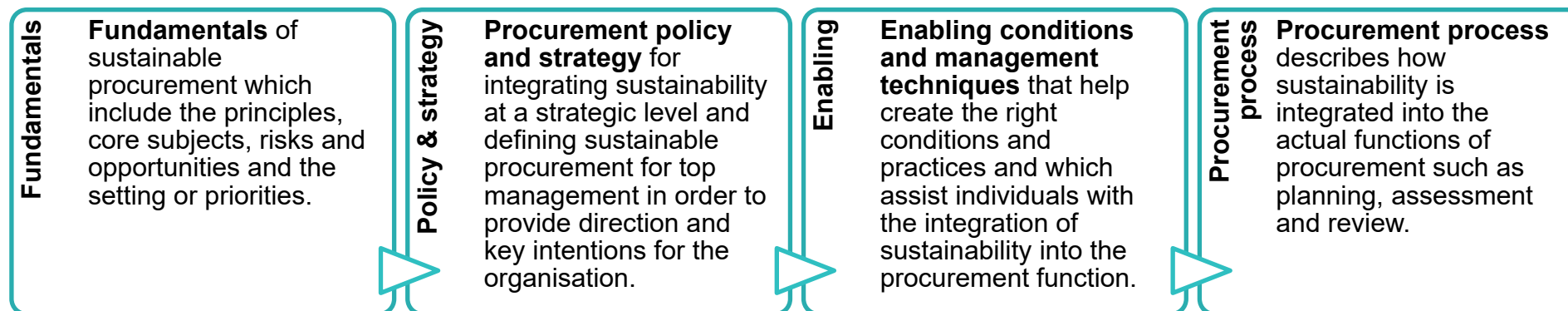


Figure 5: 13 Opportunities to include sustainability

### 3 Council ISO20400 Assessment

This section provides the outcomes of the review of each council's suite of procurement documentation against ISO20400. ISO20400 is structured in four sections as described in *Figure 6*. These four sections describe what is required to integrate sustainability into the procurement function of an organisation.



*Figure 6: Four sections of ISO20400*

#### Findings:

Each council has a strong overall procurement process in place that reflects the four sections described above. Procurement is generally supported by good documentation and processes. The document review and interviews with councils highlighted that different councils are at different stages of integrating sustainability.

To provide an overview of how councils perform overall according ISO20400, and to highlight the strengths and weaknesses, a rating was given against each requirement of ISO20400. The ratings against ISO20400 and overview of the standards and best practice requirements are provided in [Appendix B](#) and [Table1 Summary of council scores against ISO20400](#).

The following sections 3.1 to 3.4 are structured according to ISO20400 providing a brief overview of the standard's best-practice requirements followed by a summary of the key findings of overall performance.

### 3.1 ISO20400 Fundamentals

The fundamentals of sustainable procurement according to ISO20400.

Key finding for SSROC councils:

- [Define and externally communicate the principles of sustainable procurement](#). This includes communicating expectations to suppliers through documentation such as the Supplier Code of Conduct (see Appendix A for examples) and Sustainability Policy.

See the City of Sydney's Supplier Code of Conduct for a strong example.

- [Define the drivers for sustainable procurement](#). Factors that motivates the council to practice sustainable procurement specific to the 7 core subjects and thirty-seven issues included in ISO 20400:
  - 1) Organisational governance,
  - 2) Human rights,
  - 3) Labour practices,
  - 4) The environment,
  - 5) Fair operating practices,
  - 6) Consumer issues, and
  - 7) Community involvement and development.

Based on the ISO 20400 assessment and a review of councils procurement documents, councils still have considerable work to do to define the social, economic and environmental drivers in their procurement documents and processes.

- [Identify sustainability risks](#) across categories and integrate mitigation of these risks into the procurement process.

### 3.2 Procurement policy and strategy

**Strategy and policy for sustainable procurement.** This is required for successful implementation throughout a council and for any organisation.

Key finding for SSROC councils:

- Although councils have strong procurement policy and strategy, most do not embed sustainability across all areas of the procurement process.
- Many councils do not have sustainable procurement policies in place and there is a disconnect between sustainability targets and how procurement can achieve them.

See Inner West, City of Sydney or Waverley Council's Sustainable Procurement Policy

- Procurement accountabilities and responsibilities are communicated, but sustainability is not fully integrated into these accountabilities.



- Councils have sustainability objectives in place, but these are not comprehensive in each council and don't always have clear measures attached that are relevant to procurement.

See Waverley Council's Appendix B. Sustainability text and criteria for RFTs and RFQs and EOs for a good example of connecting council objectives to priorities for procurement categories

- Procurement and sustainability teams have a good understanding of environmental issues, but there is a gap in the understanding of how procurement can address social issues.

For how to identify social opportunities during procurement see the SSROC document: 1210 SPAG Social Procurement in NSW

### 3.3 Enabling conditions and management techniques (buy in tools)

**Key conditions and management techniques (that can assist and support functions in the procurement system that are regarded as enablers of well-integrated and sustainable procurement).**

#### **Key finding for SSROC councils:**

- Several gaps were found when councils were assessed using this section, the most important being around identifying and agreeing on sustainable procurement priorities and integrating these into ongoing supplier performance metrics.
- A mature procurement function exists, however, while governance of procurement is clearly articulated and communicated internally, relatively little integration of sustainability has occurred into governance processes such as approvals or business case development.
- Not all councils have communicated their sustainability objectives consistently to suppliers and internal stakeholders. For example, communicating sustainability objectives using a Supplier Code of Conduct.
- Key performance indicators (KPIs) for sustainable procurement have not been set by any council.
- There is a large gap in the availability of sustainable procurement guidance, which supports staff decision-making, training or performance management, such as KPIs or recognition arrangements.

Inner West Council provide support to those who undertake procurement by having a Business Partner allocated to each council team. The Business Partner understand the area of business and provides appropriate and specialised guidance for example identifying sustainability objectives and developing bespoke contract terms and evaluation criteria.

- The level of engagement with suppliers depends on the supply category and level of risk. It is not completely clear how much engagement occurs with suppliers during the initiation of procurement with new suppliers that are not part of a large tender.
- Majority of councils have not analysed spend or prioritised by category the environmental and social risk.

See Waverley Council's Sustainable Procurement Heat Map - Assessment tool for an excellent example of how to assess risk across categories

### 3.4 Procurement processes

**The procurement process:** addresses how each step during the procurement cycle can incorporate sustainable procurement practices. Sustainability should be integrated into existing procurement processes and the creation of a parallel process should be avoided.

#### Key finding for SSROC councils:

- The process, procedures and documentation that allow sustainability to be well integrated are all present within councils. At each of the steps in the procurement process there are opportunities to improve, especially around supporting staff to identify sustainability risk and how they can actively manage the risk through criteria, requirements, measurement and reporting.
- Opportunities to promote sustainable outcomes within the supply chain are sometimes lost as sustainability objectives are not considered during the planning process.

The City of Sydney's [Sustainable Event Guideines](#) provide an example of how staff can be supported to set sustainability objectives during the planning process.

- The processes for good procurement planning are in place, however the level at which sustainability is considered is up to the staff in control of the contract or procurement. Sustainability is not always mandatory and highly reliant on the staff's perspective, knowledge and engagement.
- Prequalification and/or due diligence of supplier's sustainability credentials and capability is a major gap for councils and staff would benefit from further training in these areas.

See Inner West Council Scope Document\_Property DRAFT Mar2021 example of a template that translates council sustainability goals into relevant expectations for property scope that staff can follow.

- Reporting, monitoring and encouraging continuous improvement is a gap in sustainable procurement for councils. See next section for detail on how to improve reporting and data management.

## 4 Reporting and Data Management

Sustainability measurement and reporting is an ever-evolving area with metrics and data collection opportunities throughout each step of the procurement process. **The most important step for data collection is the setting of the sustainability objective and establishing the metrics for success at an early stage in the procurement.** Metrics need to be designed to allow for straightforward evaluation of the supplier's progress on the sustainability objectives and criteria that have been included in the contract.

According to sustainability best practice, the recommended steps to capture supplier sustainability information for procurement include:

### 1. Evaluation and due diligence:

- a. Collecting and recording supplier sustainability policies or sustainability reporting, and recording these in council's data management systems, just as supplier insurances or licenses would be recorded.
- b. Collecting and recording supplier certifications, carbon calculations or certifications, Environmental Product Declarations, and other documentation such as modern slavery statements.

### 2. Supplier reporting for contract outcomes:

- a. Building sustainability into the KPIs and contract reporting requirements.
- b. Setting specific targets that the supplier is required to meet. For example, 'supplier must implement a carbon reduction plan'.
- c. Requiring a supplier to progressively increase the sustainability performance of their products. For example, 'supplier must increase the number of products that meet strict criteria or an eco-label standard'.
- d. Requiring supply chain initiatives. For example, carbon foot-printing.
- e. May be more broad or general to encourage sustainability innovation and improvements throughout the term of the arrangement.
- f. Include contracts, supplier action plans and project plans in contract management platforms, such as Contracts Monitor.

### 3. Ongoing performance management:

- a. Supplier and project review meetings - a predefined supplier scorecard can help you to review if the supplier has achieved the sustainability criteria or their key performance indicators.
- b. Progress payment milestones can be added to existing council dashboards like ArcBlue.
- c. Ensure minimum standards are met and tracked via automated reminders for regular reporting against due dates. This includes requesting updated certifications, licenses or certificates that have an expiry date. Existing procurement technology systems include reminders as features. Examples of existing platforms are Vendor Panel, Conserve and Technology One.

## 4.1 Example metrics for measurement of sustainable procurement

To achieve a consistent approach to collecting data, councils must first agree on the sustainability priorities and objectives for the region. Only then can councils develop standardised metrics, collection forms and data collection/storage. It is easiest to begin by using simple metrics for data capture and sustainability performance measurement to establish a baseline; these can evolve as maturity about sustainable procurement increases between councils and suppliers.

[Appendix C](#), Table 2 is an example template for sustainability data to be collected, noting that consumption, as well as the avoided consumption, can be recorded to assist in developing a baseline.

To measure council's overall sustainable procurement process performance, the reporting framework provided in [Appendix D](#) is a robust checklist that can be used to assess what type of sustainability measures should be in place across processes and documentation, with associated metrics to report against.

## 4.2 Examples of external platforms for supplier verification and data collection

There is no single platform or system that is able to capture, monitor, and report on all sustainability data, criteria or spend, however, there are a number of options referenced below that include different focus areas of sustainability. This list is not exhaustive.

The following four procurement processes have been identified as key areas where measurement and evaluation is required, and corresponding external platforms are recommended:

**4.2.1 Supplier risk screening:** Organisations and individuals are screened for fraud, governance, financial, environmental and human rights crimes. External platforms screen for whether organisations or individuals have been accused, investigated, arrested, charged, indicted, detained, questioned or on trial for any and all of these crimes.

**Platforms include:** [Refinitiv World Check One](#), [Dow Jones Risk and Compliance](#), [AML Risk Manager](#) and [SAP Ariba Supplier Risk](#).

**4.2.2 Supplier sustainability credentials:** Allows historical supplier performance and reporting effectiveness to be assessed. The complexity of assessing effectiveness against non-financial global frameworks, standards, codes, norms and ethical and social audits means some organisations use external platforms to assist them with this compliance requirement.

**Platforms include:** Range from large global organisations, such as [EcoVadis](#) and [SEDEX](#), to local suppliers, such as [Givvable](#) and [iSystem](#).

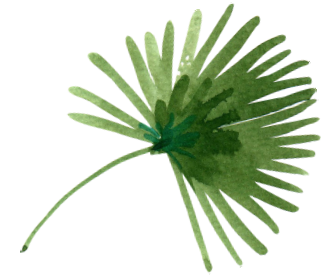
**4.2.3 Supplier sustainability self-assessment questionnaires:** Sustainability risk criteria is captured through the self-assessment questionnaire and ongoing performance monitoring. This can be a manual and time-consuming process across numerous suppliers however, there are platforms that integrate and automate actions to manage this process.

**Platforms include:** [Informed365](#) (can be tailored) and [SupplyShift](#) (includes sustainability, carbon, packaging, modern slavery) platforms.

**4.2.4 Environmental data management systems:** Provide real-time sustainability monitoring such as consumption data and capability to manage utility suppliers and bills.

**Software systems:** [Azility](#), [Envizi](#), [Kinesis](#) and [Schneider Electric](#).





## 5 Recommendations

These recommendations are based on the findings of the ISO20400 gap analysis. The existing council governance and risk management approaches are priority areas to identify, assess, action, evaluate and monitor sustainability objectives and targets. By implementing these recommendations and integrating sustainability objectives into council's robust existing procurement practices, environmental and social outcomes will be achieved.

### 5.1 Governance

- 5.1.1 Develop specific sustainable procurement commitments or a policy (this can be integrated into an existing procurement policy), linked to council's sustainability strategy and targets, and communicate this commitment to internal and external stakeholders. Ensure it is easily accessible on an external facing website.
- 5.1.2 Develop and communicate a Supplier Code of Conduct which addresses the environmental, human rights and social expectations and minimum standards.
- 5.1.3 Assign responsibility and accountability to key internal resources who interact with aspects of sustainability risk, buying and contractor performance management processes.
- 5.1.4 Document legal, regulatory and desired sustainability requirements alongside contract reporting obligations.
- 5.1.5 Implement mandatory sustainable procurement training and education for internal staff and where relevant external suppliers.
- 5.1.6 Conduct regular executive reporting on sustainability priorities (dependent on each council), sustainability governance and compliance. This helps link priorities back to procurement, create accountability and tracks progress.

### 5.2 Risk Management

- 5.2.1 Agree and establish standard sustainability risk criteria and metrics that are consistent across councils.
- 5.2.2 Develop a procedure for identifying and mitigating supplier and project risks or integrate sustainability risk into existing risk assessment procedure.
- 5.2.3 Establish a process that details the recommended steps for responding to identified sustainability risks at various risk levels.
- 5.2.4 Develop and implement external verification requirements. See section 4.2 for examples.

## **5.3 Procurement and Supply Chain Management**

- 5.3.1** Create tailored category specific guidelines that detail the procurement and contract lifecycle, which includes key risks and opportunities, required documentation, specifications, criteria & metrics.
- 5.3.2** Develop a supplier selection and due diligence process (can be included in category guideline, recommendation 5.3.1) which details the appropriate steps for evaluating suppliers and conducting due diligence according to the level of risk and spend.
- 5.3.3** Make use of the prequalification process to communicate sustainability priorities and set expectations to embed sustainability in council procurement. This should always be accompanied by the appropriate level of due diligence (recommendation 5.3.2), the following up of supplier performance on sustainability priorities.
- 5.3.4** Develop and implement a supplier assessment questionnaire and remediation action plans, where required, to inform supplier contract requirements.
- 5.3.5** Update contractual terms and conditions to include specific sustainability clauses, according to sustainability priorities and criteria.
- 5.3.6** Revise new supplier on-boarding process to capture additional information in line with council priorities, including indigenous, women-owned or local business to ensure efficient reporting against targets.
- 5.3.7** Once the high risks and priorities for each of council's categories have been established (recommendation 5.2.1), engage and communicate the sustainability objectives to identified category suppliers.
- 5.3.8** Develop a consistent set of council sustainability priorities and objectives for the region so that metrics can be standardised, and data collected in a unified way.
- 5.3.9** Include sustainability reporting obligations (informed by established objectives and associated metrics, see recommendation 5.4.2 below) in contract performance management and implement proactive supplier assessment against expectations.

## **5.4 Reporting**

- 5.4.1** Create SSROC or council internal working group to test and select automated sustainability solutions, which includes data capture, monitoring and reporting across all sustainability elements (see section 4.2).
- 5.4.2** Gain consensus on a consistent set of sustainability priorities and objectives that include the associated metrics and key performance indicators for across councils and other government agencies (can be based on criteria within accompanying document 'SSROC Guide to Sustainability Criteria, Clauses and Metrics in Procurement') to reduce internal and supplier effort.
- 5.4.3** Ensure minimum standards are met and tracked via automated reminders for regular reporting against due dates. This includes requesting updated certifications, licenses or certificates that have an expiry date. Existing procurement technology systems include reminders as features. Examples of existing platforms are Vendor Panel, Conserve and Technology One.

## Appendix A: Supplier Code of Conduct

A Supplier Code of Conduct is a single document which describes minimum expectations related to supplier organisational environmental, social and governance practices that meet and exceed compliance to legislation. Areas include integrity, ethics and conduct; conflict of interest, gifts, benefits and hospitality; supplier organisational governance; labour and human rights; health and safety; environmental management; and supply chain management.

Examples SSROC councils can review to help develop their own Supplier Code of Conduct include the Queensland Government [Supplier Code of Conduct](#) and the City of Sydney (contact them directly for a copy).



## Appendix B: Summary of ratings against ISO20400

Table 1 below provides a summary of the performance rating given to SSROC member councils against ISO20400, followed by an explanation of each focus area in the ISO20400 (including the fundamentals, strategy and policy for sustainable procurement, key enabling conditions and management techniques and the procurement process). Note: Keep in mind that these ratings reflect the integration of sustainability throughout the procurement process (sustainable procurement) and are not scoring the Council's actual procurement processes and policies, they are also an average score across the region.

**Table 1 Summary of council scores against ISO20400**

		Level
Fundamentals	4.1 Concept of sustainable procurement	3
	4.2 Principles of sustainable procurement	3
	4.3 Core subjects of sustainable procurement	3
	4.4 Drivers for sustainable procurement	3
	4.5 Key considerations for sustainable procurement	2
Policy and Strategy	5.1 Committing to sustainable procurement	3
	5.2 Clarifying accountability	3
	5.3 Aligning procurement with organisational objectives and goals	2
	5.4 Setting procurement priorities	2
	5.5 Managing Implementation	2
Enabling Conditions & Management Techniques	6.1 Governance	3
	6.2 Enabling people	N/A
	6.3 Identifying and engaging stakeholders	3
	6.4 Setting sustainable procurement priorities	2
	6.5 Measuring and improving performance	2
	6.6 Establishing a grievance mechanism	N/A
Procurement Process	7.1 Building on the existing process	3
	7.2 Planning	2
	7.3 Integrating sustainability requirements in the specifications	2
	7.4 Selecting suppliers	3
	7.5 Managing the contract	3
	7.6 Reviewing and learning from the contract	N/A

**The fundamentals according to ISO20400:** The fundamental elements are the first area of ISO20400. The fundamentals support the adoption of sustainable procurement by an organisation. In accordance with ISO20400 guidance, these fundamentals include:

- A clear definition of sustainable procurement principles for each council.
- Identification of the environmental, social and economic issues for each council.
- Understanding how the core subjects of sustainable procurement apply to the scope for each council.
- Documentation and communication of the key drivers for sustainable procurement.
- Sustainability is integrated into existing risk-management processes.

**Strategy and policy for sustainable procurement** is required for successful implementation throughout a council and for any organisation. In accordance with ISO20400 guidance, key components of procurement policy and strategy include:

- Approval and/or support of management on a definition of sustainable procurement; a sustainable procurement policy and procedures; followed by internal buy-in and public communication of commitment.
- Clear integration of sustainability into procurement accountabilities and responsibilities.
- Document comprehensive and specific, measurable, achievable, realistic and timely (SMART) sustainability objectives that are aligned with broader organisational goals.
- Consider sustainability impacts and transparency within supply chains, including complexity and number of supply tiers.
- Internal buy in and approval to formally integrate sustainability into job roles for individuals responsible for procurement, with management regularly reviewing employees' progress towards established sustainability goals.

**Key enabling conditions and management techniques:** This section of ISO20400 details a number of functions in the procurement system that are regarded as enablers of well-integrated and sustainable procurement including:

- All sustainable procurement processes are incorporated into performance management.
- All relevant staff and major suppliers are actively consulted, and collaboration results in improved buy-in to supply chain sustainability goals.
- Sustainability priorities are organised by category, supplier, or sustainability issue.
- Quantifiable measures and reporting is in place for all specific objectives identified.
- Grievance mechanism is in place to allow accessible and safe dialogue and mediation to support the rights of the people impacted by council procurement and supply chains.

**The procurement process:** Addresses how each step during the procurement cycle can incorporate sustainable procurement practices. Sustainability should be integrated into existing procurement processes and the creation of a parallel process should be avoided. In accordance with ISO20400 guidance, key procurement process include:

- Sustainability risks and opportunities are identified during planning for procurement, such as pre-tender market analysis.
- Sustainability objectives are set for each procurement and included in the prequalification process.
- Sustainability objectives are assessed as part of the evaluation processes and queries on sustainability are followed up with suppliers.
- Sustainability requirements and their specification requirements are documented across the procurement process, including minimum requirements.
- Sustainability requirements may be included in contracts.
- Quantitative sustainability measures are used on priority procurements (e.g., whole life cost).
- Contract performance is measured across pre-determined qualitative criteria.
- Prioritised reviews of contracts are undertaken regularly (sub-annually), and this is used as the basis for recommendations for improvements.

Level 1	Level 2	Level 3	Level 4	Level 5
No Sustainability	Procurement function is in place but does not reference sustainability	Minimal sustainable procurement	Good practice sustainable procurement	Best-practice sustainable procurement





# Appendix C: Metric examples for measuring sustainable procurement

Table 2: Example of data and metrics for sustainable procurement measurement

Example data and metrics for measurement of progress over time		
What is the procurement category?		
Describe the product or service		
Did the RFQ or RFT include sustainability criteria?		
Did any of the suppliers evaluated provide sustainability information or credentials? Y/N If yes indicate the total no. of suppliers evaluated and total no. of suppliers with sustainability information or credentials.		
Did the successful supplier have sustainability credentials? Y/N		
What area of sustainability did the supplier address? a) Embodied carbon b) Carbon emissions c) Waste reduction d) Circular economy principles e) Water efficiency f) Material toxicity g) Social sustainability, describe:		
Priority area	Metric/KPI/Measure	Quantity avoided
Fuel and transport	Litres of fuel/type of fuel (transport or generators including biofuels)	
	Kms travelled (by service provider or freight)	
	Mode of transport	
	Share or % of freight distance carried out with low carbon transportation	
	Average CO2 equiv. emissions per shipment/freight	
Energy and emissions	kWh's of electricity	
	Energy consumption per unit produced kWh/unit	
	Megajoules of gas	

	Energy generated from renewables e.g. solar power kWh or %	
	Emissions avoided via changing practice (e.g. smaller hire car, solar power generators, LEDs or switching off equipment). Note requires a baseline	
	Supplier or product with carbon neutral certification	
	Supplier that calculates organisational, service or product emissions	
Water	Kl of water consumed	
	Kl of recycled water used	
Circular economy & resource recovery	Recycling rate and weight by waste material stream	
	Composted weight/volume	
	Landfill weight/volume	
	Increase in waste diversion based on previous project	
	Quantity of compostable products (indicate if used as an alternative to non-compostable product)	
	Number of products or materials with recyclable content	
	No. or quantity materials avoided or reused	
Supplier sustainability	No. of suppliers who have sustainability policies, strategies or environmental management plans etc (list types of documentation)	
	Sustainability credentials, standards or certifications (list)	



# Appendix D: Sustainable Development Goal for Public Procurement and Municipal Sustainable Procurement Indicators

The following data indicators represent the United Nations Environment Program's (UNEP) reporting framework to assess federal, state and city/municipal progress against Sustainable Development Goal 12.7.1. indicator on Sustainable Public Procurement (SPP), officially designated as the "Number of countries implementing SPP action plans and policies".

Sustainable Development Goal 12 (SDG 12) is "To ensure sustainable consumption and production patterns". For SDG 12, target 12.7 is "Promote public procurement practices that are sustainable, in accordance with national policies and priorities."

Target 12 has one indicator highly relevant to SSROC council's which is the "Degree of sustainable public procurement policies and action plan implementation". This indicator refers to the capacity of governments to undertake procurement that ensures economic and social development while protecting the planet and reducing the negative impacts in the environment.

The reporting framework provided below in Table 3 is a robust checklist to assess what type of sustainability measures should be in place across processes and documentation, with associated metrics to report against. By integrating these areas and metrics into processes SSROC member councils will be prepared to provide data to assist national data collection for SDG 12.7.1 progress reporting.

**Table 3: Sustainable Development Goal 12.7.1 Reporting Checklist**

<b>Existence of a Sustainable Public Procurement (SPP) Action Plan and/or Policy and/or Sustainable Public Procurement Regulatory Requirements</b>		
A municipal/city SPP action plan, policy, SPP regulatory requirements have been developed and approved by the government	Yes	No
OR a related national, provincial, regional plan, policy, regulatory requirement already applies to your local government procurement	Yes	No
Action plan, policy related documents and/or relevant regulatory requirements are externally accessible online	Yes	No
<b>The Public Procurement regulatory framework is conducive to sustainable public procurement</b>		
<b>Provision in the legal and regulatory framework allow for sustainability considerations (environmental, social) to be incorporated at the following stages of the procurement process:</b>		
<b>1. Defining technical specifications</b>	<i>When defining technical specifications, public authorities can resort to:</i>	
<b>Sustainability requirements (environmental, social) can be included in technical specifications:</b> When defining minimum compliance criteria for a contract sustainability requirement can be specified. E.g. use of sustainable / recycled raw material; biodegradability of products; avoidance of use of harmful substances; environmentally friendly packaging; power consumption level; warranty of durability; guarantee of availability of parts & components.	Yes, sustainability requirements can be included in technical specs	No, such criteria, standards, or labels cannot be used

<b>Type I Eco-labels, social labels, or relevant sustainability standards:</b> can be used as a reference to specify the minimum level of compliance	Use, type I eco-labels or sustainability standards can be used as reference	
<b>Functional / Output-based / Performance-based specifications can be used as criteria:</b> Such specifications indicate what the procured items should achieve in terms of the functions performed, the level of performance reached, or the delivered outputs / outcomes (e.g. light bulbs with limited energy consumption, or vehicles with limited CO2 emissions).	Yes, functional, output-based, and / or performance-based specifications can be used	No, they cannot be used as criteria
<b>2. Sourcing of suppliers</b>	<i>Can sustainability related selection or exclusion criteria be applied when sourcing suppliers?</i>	
<b>Sustainability requirements can be specified as pre-qualification / selection criteria:</b> Selection criteria assess the suitability of an economic operator to carry out a contract. E.g. suppliers may be asked to provide proof of compliance with social or environmental standards, evidence that they have adopted an environmental management system approach or a supply-chain management and tracking system.	Yes, sustainability requirements can be specified as pre-qualification / selection criteria	No, it is not possible
<b>Sustainability requirements can be specified as exclusion criteria:</b> Suppliers in breach of environmental or social laws, or, not complying with certain environmental or social standards (such as ILO core conventions), can be excluded from the procurement process.	Yes, sustainability requirements can be specified as exclusion criteria	No, it is not possible
<b>3. Award Criteria</b>	<i>Can sustainability related selection or exclusion criteria be applied when sourcing suppliers?</i>	
<b>The legal and regulatory framework allows for contract award to be based on criteria other than price (including sustainability criteria).</b> E.g. "Best Value for Money" or "Most Economically Advantageous Tender (MEAT)" approaches.	Yes, contract award can be based on such approaches / criteria	No, contract award cannot be based on such approaches / criteria
<b>The legal and regulatory framework allows for life-cycle costing (LCC) to be used in the evaluation of tenders:</b> LCC means considering all the costs that will be incurred during the lifetime of a product, work or service (purchase price including delivery, installation costs; operating costs and maintenance; end-of-life costs such as disposal). <i>Source: Buying Green, EU Handbook on GPP</i>	Yes, life-cycle costing can be used	No, life-cycle costing cannot be used
<b>4. Contract Performance</b>	<i>Can sustainability related selection or exclusion criteria be applied when sourcing suppliers?</i>	
<b>Sustainability requirements can be specified in contract performance clauses:</b> E.g. Requiring compliance with labour rights in the supply chain (i.e. ILO core standards); requiring an efficient use of resources such as electricity and water on construction sites; reduction of CO2 emissions associated with transport; packaging taken away for reuse, recycling or appropriate disposal.	Yes, contract performance clauses can specify sustainability requirements	No, contract performance clauses cannot specify sustainability requirements
<b>Provision in the legal and regulatory framework mandate the procurement of sustainable alternatives:</b>		
<b>Is the procurement of sustainable alternatives:</b>	<i>The procurement of sustainable alternatives is:</i>	

<b>Possible/voluntary:</b> the legal and regulatory framework allows the practical implementation of SPP. Public authorities may choose to procure more sustainable alternatives	Yes, it is mandatory to procure sustainable products/services at least for some categories	No, it is NOT mandatory (only possible) to procure sustainable products/services
<b>Mandatory:</b> the legal and regulatory framework mandates the procurement of sustainable products/services, at least for some categories.  <b>Example 1: The procurement of sustainable alternatives is mandatory for some categories of products/service.</b> E.g. EU "Clean Vehicles Directive" making it mandatory for contracting authorities to take energy and environmental impacts into account when purchasing road transport vehicles.  <b>Example 2: The procurement of sustainable alternatives is mandatory whenever products falling to "priority "categories (product groups for which specific labels, specification or minimum sustainability criteria have been identified), are procured.</b> E.g. public administrations may have to mandatorily procure more sustainable alternatives from an official catalogue of products bearing the national ecolabel.	Yes, it is mandatory to procure sustainable products/services at least for some categories	No, it is NOT mandatory (only possible) to procure sustainable products/services
<b>Practical Support delivered to procurement practitioners on the implementation of SPP/GPP</b>		
Guidelines and tools, or an official catalogue of eco-labelled products, have been developed and are periodically revised	Yes	No
Specific communication channels (newsletter, website, intranet, social media, etc.) are used to provide information or tools to procurement practitioners, at least twice a year.	Yes	No
Training sessions are organised at least once a year to build the capacity of public procurement practitioners in the implementation of SPP/GPP.	Yes	No
Best practice or (at least 3) case studies are shared with procurement practitioners (please only take account of studies developed in the last 3 years), which may include the translation of relevant documents developed by other countries	Yes	No
A helpdesk is available for procurement practitioners	Yes	No
<b>SPP Purchasing criteria / buying standards / requirements</b>		
<b>Environmental criteria</b>		
<b>Commonly found categories of products and services to be used as reference for evaluation</b>	Have environmental criteria been defined, or environmental standards / labels been recommended for specific categories of products?	If label(s) has(have) been recommended for those products, what kind of label?

<ul style="list-style-type: none"> <li>o Appliances (commercial and residential appliances, such as clothes washers, refrigerators, etc.)</li> <li>o Building interior products (carpeting, wallboards, paint and stains, etc.)</li> <li>o Healthcare, biomedical equipment and supplies</li> <li>o Building management and maintenance</li> <li>o Cleaning products, janitorial and laundry services</li> <li>o Construction materials and services (including concrete, insulation materials, etc.)</li> <li>o Doors and windows</li> <li>o Electricity acquisition and Renewable energy</li> <li>o Food, catering services and vending machines</li> <li>o Furniture</li> <li>o Heating, venting and cooling products</li> <li>o Landscaping and park services</li> <li>o Lighting products and equipment (incl. lamp bulbs, indoor and outdoor lighting).</li> <li>o Meeting and conference services</li> <li>o Office electronics (incl. computers, monitors and imaging equipment) and electronic equipment leasing</li> <li>o Office supplies (non-paper supplies)</li> <li>o Paper and paper products</li> <li>o Road Design, Construction and Maintenance</li> <li>o Shipping, Packaging &amp; Packing Supplies</li> <li>o Textiles (including workwear)</li> <li>o Transportation services and vehicles (including fleet maintenance)</li> <li>o Urban Waste collection</li> <li>o Waste water infrastructure</li> <li>o Water-using products/ plumbing systems</li> </ul>		
<b>Social/Economic/Governance-related criteria</b>		
<p><b>Please choose from the proposed list below the issues considered in public procurement</b></p>	<p>Please add any details on the exact criteria which you may have considered when providing your answer, and which are referred to in contracts. E.g. Requiring a specific % of women in the workplace Promoting women-led businesses</p>	



<ul style="list-style-type: none"> <li>o Protecting against human rights abuses (for example, discrimination, unsafe working conditions child labour, forced labour, and human trafficking). It is advised to refer to the UN Guiding Principles for Business and Human Rights in the definition of such considerations.</li> <li>o Protecting and promoting groups at risk (for example, minorities, indigenous people, persons with disabilities, migrant workers) through social inclusion, which may include employment opportunities.</li> <li>o Promoting compliance with ILO standards and decent work</li> <li>o Promoting transparency and accountability and combatting corruption</li> <li>o Promoting SMEs</li> <li>o Promoting fair trade (for example, by ensuring fair living wages for those along the supply chain)</li> <li>o Promoting gender equality (for example, through the promotion of women-led businesses, or requiring a certain percentage of women in the workplace)</li> <li>o Promoting opportunities for social economy enterprises (NGOs, etc.)</li> <li>o Promoting Responsible Business Conduct among suppliers (governments may refer to the OECD Guidelines for Multinational Enterprises when defining these).</li> <li>o Promoting inclusive and equitable quality education, and lifelong learning opportunities for all (such as apprenticeship or training opportunities)</li> </ul>		
<b>Risk Assessment and Impact Prioritisation</b>		
A <b>risk-assessment analysis</b> has been conducted to identify which product or service would show the highest <b>environmental and / or social impact</b> , and priority has been given to setting criteria for those categories first.	Yes, a risk assessment analysis has been conducted prior to the selection of categories	No, no risk assessment analysis has been conducted
<b>Existence of a SPP Monitoring System</b>		
<b>Monitoring of SPP action plan/policy implementation</b>		
Is the <b>progress of your SPP action plan / policy implementation</b> monitored? (If so, please provide specific details in column E)	Yes, progress of SPP Action plan/policy is monitored	No
Has a <b>specific target</b> been set for sustainable procurement implementation? (for example, specific % of "green", or socially-responsible contracts)	Yes, a specific target has been set	No
Is the progress towards the <b>achievement of your target</b> monitored?	Yes, target achievement is monitored	No
<b>Monitoring of SPP implementation</b>		
Is the <b>number and/ or value of contracts which included sustainability requirements</b> monitored? (If yes, please provide more details on the scope and data monitored, in column E)	Yes, # and / or value of 'sustainable' contracts is monitored	No
Does monitoring also entail the measurement of <b>sustainability outcome(s)</b> ? (such as the monitoring of reduction in CO2 emissions, or the creation of green jobs)	Yes, sustainability outcome(s) are monitored	No

<b>How</b> is data monitored? (Please choose the most suitable option)  o Via surveys, self-assessment, or traditional reporting to management, <b>OR</b> ; o Via internal/external audit, <b>OR</b> ; o Via an information system, <b>OR</b> ; o Via an elaborate e-procurement platform.			No monitoring
<b>Percentage of sustainable public procurement</b>			
<b>Procurement Categories</b>			
		Please indicate the total value of contracts including sustainability requirements for the procurement of the procurement categories you listed in column B	Please provide details regarding what was considered as "sustainable" public procurement, and examples of tenders.
	1. Your category here		
	2. Your category here		
	3. Your category here		
	4. Your category here		

