



Government of **Western Australia**
Department of **Finance**
Government Procurement

Sustainable Procurement Practice Guidelines

Table of Contents

INTRODUCTION	3
HOW TO USE THESE GUIDELINES	4
WHAT IS SUSTAINABLE PROCUREMENT?	5
KEY SUSTAINABLE PROCUREMENT PRINCIPLES	6
SUSTAINABLE PROCUREMENT DIMENSIONS	6
WESTERN AUSTRALIA'S SUSTAINABLE PROCUREMENT POLICY	10
PLANNING FOR SUSTAINABILITY	11
DEMAND MANAGEMENT & ANALYSIS STRATEGIES	11
CONTRACT FORMATION	13
SUSTAINABLE APPROACH OPTIONS	13
CONTRACT MANAGEMENT	14
MONITORING SUSTAINABLE PERFORMANCE	14
PURCHASING FROM A STANDING ARRANGEMENT	15
CONTRACT REVIEW	15
OTHER SUSTAINABILITY CONSIDERATIONS	16
USEFUL REFERENCES AND LINKS	17

Introduction

These guidelines provide information and practical advice to Western Australian public authorities and government procurement officers on how to integrate sustainability considerations into the procurement process. They focus on the procurement of goods and services, as opposed to capital works and infrastructure.

They are designed to support the intent of the State Supply Commission's *Sustainable Procurement* policy and the application of the Australian and New Zealand Government Framework for Sustainable Procurement¹ to which Western Australia is a signatory.

Acknowledgement

These guidelines utilise and build on work undertaken by members of the Australian Procurement and Construction Council's (APCC) Sustainable Procurement Working Group, in particular, procurement guidance material produced by the Queensland Government Chief Procurement Office.

¹ Framework endorsed by the Australian Procurement and Construction Council (APCC), Sept 2007; can be downloaded at www.apcc.gov.au – see Publications/Procurement/Sustainability.

How to Use these Guidelines

These guidelines are targeted at public authorities in general and procurement officers in particular. Accordingly, the reader will need to determine which sections are of greatest relevance to a proposed procurement and their individual circumstances.

It is assumed that the reader has knowledge of existing procurement policies, processes and practices in use within Western Australia. The guidelines are structured to follow the familiar broad steps applicable to most procurement processes (Procurement Planning; Contract Formation; and Contract Management) and should be read in conjunction with the Department of Finance's *Procurement Practice Guide - for public authorities*.

Sustainability considerations should be incorporated into every stage of the procurement process, including at the forward procurement planning and budget allocation stages. Nevertheless, in some circumstances individual procurement officers may only become involved in a process after the decision to proceed with the procurement has been made and/or high level specifications have been developed. It is important to note that in these circumstances, it is still possible to bring sustainability considerations to bear during the development of the request document, the evaluation and awarding of contracts, and in the management of contract.

However, as will become evident, the extent to which sustainability considerations should be applied to a particular procurement will vary depending on a range of factors, including its value and significance, the severity of associated sustainability impacts, the maturity of and capacity to influence the market, regulatory requirements, and so on.

What is Sustainable Procurement?

Sustainable procurement involves an organisation meeting a need for goods and services in a way that achieves value for money and generates benefits not only to the organisation, but also to society and the economy, while minimising damage to the environment.

For the purpose of these guidelines, the sustainable procurement definition utilised in the Australian and New Zealand Government Framework for Sustainable Procurement will broadly apply. The APCC framework defines sustainable procurement as "... a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole of life basis in terms of generating benefits not only for the organisation, but also to society and the economy, whilst minimising damage to the environment." ² This definition was developed by the United Kingdom Government commissioned Sustainable Procurement Taskforce in 2006.

Key Sustainable Procurement Principles

At a high level, the APCC framework is built around four broad principles of sustainable procurement. The framework recommends that these principles should underpin the development and implementation of sustainable procurement strategies, policies, guidelines and tools.

Accordingly, these guidelines endeavour to reflect the following four key principles:

- adopt strategies to avoid unnecessary consumption and manage demand;
- in the context of whole of life value for money, select products and services which have lower environmental impacts across their life cycle compared with competing products and services;
- foster a viable Australia and New Zealand market for sustainable products and services by supporting businesses and industry groups that demonstrate innovation in sustainability; and
- support suppliers to government who are socially responsible and adopt ethical practices.

Sustainable procurement dimensions

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

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

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



Figure 1: Examples of key considerations in sustainable procurement decisions

Social

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

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

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

Environmental

Overview

Environmentally preferable goods and services are defined as those that have a lower impact on the environment over the life cycle of the good or service, when compared with competing goods or services serving the same purpose.

There are significant variations in the sustainability impacts associated with different commodities. In order to ensure that damage to the environment is minimised, it is necessary to determine the impacts that are most significant for a particular commodity.

Key environmental issues which might be considered over the life cycle of the goods/service include:

- energy use, and type of energy utilised;

- water use and water quality impacts;
- resource use, including the use of non-renewable resources;
- volume and type of waste;
- end-of-life options, e.g. recyclability, resource recovery;
- impact on natural habitat;
- level of toxic and hazardous substances/waste; and
- noise, pollutants and emissions.

Desirable outcomes/benefits (examples only):

- Improved air quality by reducing or eliminating emissions to air (e.g. greenhouse gases, such as carbon dioxide, and other pollutants);
- Reduced use of water (e.g. water saving or efficiency);
- Improved water quality by reducing or eliminating releases to water (e.g. chemical pollution of water courses);
- Improved soil quality by reducing or eliminating releases to land (e.g. chemical fertilisers);
- Reduced demand on raw materials and natural resources (e.g. sustainable forestry, biodiversity);
- Reduced use of energy (e.g. energy efficiency, use of renewable energy);
- Reduced energy emitted (e.g. heat, radiation, vibration, noise); and
- Reduced waste and by-products (e.g. recycling and waste prevention).

Adapted from British Standard BS 8903:2010

Where it is not possible to calculate dollar benefits associated with environmental impacts, they can be described in other quantitative terms, for example:

- energy use (Kwh);
- usage (megalitres);
- resource use (kg per product);
- waste production (kg per product, or percent of product);
- packaging type and quantity (kg per product); and
- wastewater parameters (BOD, TSS, P, flow).

Economic

Overview

Sustainable procurement can contribute directly to economic (financial) outcomes including cost savings, for example:

- procuring goods and services that are more efficient to operate and thereby reduce operating costs (including consumables, energy, water and time);
- capital procurement that achieves reduced through-life costs, e.g. through reduced annual operating and maintenance costs;
- re-examining requirements, and where appropriate challenging demand at source, so as to avoid procurement in excess of needs;
- reducing end of life disposal costs and impacts; and
- driving supply chain efficiency and developing market competitiveness, innovation and capacity.

Some products that may appear more expensive in terms of up-front acquisition cost may in fact provide greater economic benefit over the whole life of the product. This is examined in further detail below under the discussions on 'value for money' and 'whole-of-life' basis.

Desirable outcomes/benefits (examples only):

- reduced whole-of-life costs to achieve value for money, including cost savings;
- supply chain efficiency;
- job creation (e.g. green technologies, use of local suppliers, creating markets for recycled products, back to work schemes);
- supporting small and medium enterprises;
- reducing entry barriers (e.g. facilitating open competition);
- ensuring suppliers' agreements are at fair and viable margins; and
- ensuring business continuity (e.g. supply chain resilience).

Adapted from *British Standard BS 8903:2010*

Western Australia's Sustainable Procurement Policy

Sustainable procurement can minimise a public authority's environmental impact as well as benefit society and the natural environment and reduce overall operational costs.

The State Supply Commission's *Sustainable Procurement* policy requires public authorities to consider sustainability during the procurement process, including:

- preparing procurement plans;
- preparing request design, including selection criteria;
- preparing request specifications that reflect environmental and social standards, codes or legislation;
- determining methods of verification of a preferred bidder's claims made regarding sustainability;
- writing evaluation reports; and
- as a measure of a supplier's contract performance against agreed commitments.

The Western Australian Government has committed to addressing sustainability in government business. Guidance on sustainable procurement principles is available at:

- Australian and New Zealand Government Framework for Sustainable Procurement; and
- Australian and New Zealand Government Framework for Sustainable Procurement – Practice Note.

These guidelines are designed to provide public authorities and procurement officers with information and tools to assist them achieve these policy requirements.

Planning for Sustainability

Wherever possible, sustainable procurement considerations should be integrated into the procurement process at the very outset – i.e. at the early procurement planning stage. This should certainly be the case with high value procurements involving a public tender and the development of a procurement plan.

Demand Management & Analysis Strategies

Before embarking on a proposed procurement, public authorities are encouraged to consider relevant demand management strategies that can potentially reduce overall consumption levels, identify more sustainable alternatives, or in some cases negate the need to undertake the procurement.

During demand analysis, consideration should be given to the required outcome sought from the procurement and whether the 'need' can be met by alternative means. For significant procurements, it is important to articulate how sustainability may contribute to the 'value for money' proposition.

Demand management may also include a stakeholder consultation where key stakeholders should be identified and sustainability issues introduced into discussions regarding the proposed procurement and its objectives. This will facilitate a better understanding of what sustainability considerations might be incorporated into the requirement specifications. End users, business analysts and technical officers are important stakeholders in this process, as they may be responsible for or have a major influence over developing the specifications.

Sustainability Impact Assessment

Depending on the value, sensitivity and complexity of a proposed procurement, there are a number of actions that a public authority or procurement officer can undertake in order to better understand the sustainability aspects and implications. During the procurement planning stage a sustainability impact assessment may be undertaken. The assessment helps to:

- prioritise those procurements with high sustainability impacts; and
- understand the whole of life environmental and social impacts associated with the good or service to be procured. This will assist in determining the specific sustainability issues, risks and opportunities that the procurement will address and support.

A score of 24 on the Sustainability Impact Scoring Chart included below indicates a procurement activity for a good or service with high sustainability impacts.

Table 1: Sustainability Impact Scoring Chart

Criteria/Question	Rating/Score
Does the procurement have a significant environmental or social impact/risk?	3 High – significant environmental or social impact/risk 2 Medium – some environmental or social impact/risk 1 Low – little or no environmental or social impact/risk
What degree of influence does the public authority have in the particular supply market?	3 High – high level of influence 2 Medium – moderate level of influence 1 Low – minimal influence
Does the supply market have a proven sustainable procurement capability?*	3 High – strong and proven capability 2 Medium – moderate capability 1 Low – little or no capability
Does the procurement align with or support the public authority's strategic and sustainable business goals?	3 High – strong alignment 2 Medium – some alignment 1 Low – little or no alignment
How much effort and cost will be required to implement and contract manage the sustainability requirements?	3 High – little effort and resources will be required 2 Medium – moderate effort and resources will be required 1 Low – significant effort and resources will be required
How difficult will it be to encourage end users to change their current practices?	3 High – little effort and resources will be required 2 Medium – moderate effort and resources will be required 1 Low – significant effort and resources will be required
Are there any links with other sustainability initiatives underway within the public authority or elsewhere in government?	3 High – strong links with other sustainability initiatives 2 Medium – some links with other sustainability initiatives 1 Low – no links with other sustainability initiatives
What is the availability of sustainability expertise within the public authority to undertake the procurement?	3 High – suitable expertise exists and is available 2 Medium – some expertise exists and may be available 1 Low – in-house expertise does not exist

- * The APCC's *Assessing a Supplier's Sustainability Credentials* provides a useful tool for gauging the capacity of a supplier or industry to meet sustainability requirements – see www.apcc.gov.au

Developing Procurement Plan and Contract Formation under State Supply Commission policy all procurements with a total estimated price of \$5 million or more require the development of a procurement plan. Procurement plans are also often developed for procurements valued at less than \$5 million, particularly if the procurement has high risk, sensitivity or complexity elements. For more information for development of Procurement Plans refer to Department of Finance Procurement Practice Guide.

Contract Formation

In the previous section on procurement planning it was recommended that as a minimum, a procurement plan should identify the likely sustainability impacts of a proposed procurement, the associated sustainability objectives and priorities, and sustainability approach options. This information becomes critical in ensuring that the subsequent request document adequately addresses sustainability considerations – irrespective of the form the request is to take.

The use of appropriate, well defined qualitative criteria can enable potential respondents to compile their offers in a manner that demonstrates their sustainability credentials and claims, and assists an evaluation panel to compare and assess the relative strengths and weaknesses of each potential supplier based on the merits of their offer. Depending on the procurement, sustainability issues may be covered by a separate qualitative criterion with its own weighting, or incorporated within other criteria such as business systems and processes or organisational capability.

While the specific nature of the product or service to be delivered tends to be the focus of the specifications section of a request, the qualitative requirements section typically emphasises the experience, capacity and service levels of the respondent. Increasingly criteria specifically related to a supplier's sustainability profile and performance are being used in the evaluation stage of procurement processes. In addition to assessing the sustainability of the goods or services on offer, it is important to capture information about a potential supplier's own sustainability performance and capacity to manage the sustainability impacts of their business.

Clearly it is important to develop qualitative criteria that are relevant to the procurement and the market in question, and which can validly be applied to all potential respondents. For example, many small businesses do not have an accredited Environmental Management System in place. Nevertheless, they can still be asked to provide information about what steps they are taking and/or proposing to take to improve the sustainability of their business practices and to minimise environmental impacts appropriate to that industry (e.g. water usage and disposal, waste minimisation, packaging reduction, energy efficiency, etc).

The APCC has produced a useful document entitled *Assessing a Suppliers Sustainability Credentials* that can be used to help frame relevant qualitative criteria. A copy may be accessed from the APCC website (details at the end of this guide).

More information on developing specification and qualitative criteria may be found on Department of Finance Procurement Practice Guide.

Sustainable Approach Options

Consideration should be given to determining how sustainability will be addressed. The approach adopted will be influenced by such factors as the severity of the sustainability impact; the maturity and number of suppliers in the market; the criticality of the supply arrangement; the contract value and term; and any regulatory frameworks covering the industry.

Sustainability may be addressed by:

- inviting only those suppliers that market research has shown meet a mandatory sustainability requirement; e.g. in a limited market where only a few suppliers can offer a particular recycling service. This may only be considered where the procurement value does not exceed the public tender threshold.

- including minimum accreditations that respondents must have in order to pass through the desk top assessment stage of an evaluation; e.g. possessing a license to operate a high temperature incinerator or having an ISO 14001 certified Environmental Management System. These will be included as Pre-Qualification criteria, which must be specified with extreme caution as respondents will be excluded from consideration if they do not comply with the Pre-Qualification criteria.
- including requirements that encourage respondents to offer items that meet or exceed the request's sustainability specifications and/or special conditions of contract; e.g. white goods must have Energy Star rating above a specified threshold.
- including a requirement that respondents provide information on a range of sustainability related criteria in order to allow their sustainability credentials to be scored and/or compared; e.g. provide evidence of any program or initiative your organisation has in place to minimise/reduce the amount of packaging used.
- including a contractual requirement that respondents should move to the provision of more sustainable goods over time, should they be awarded a contract; e.g. the supplier to increase the proportion of products covered by a certain class of environmental label over the term of the contract.
- including contract clauses and/or key performance indicators that aim to achieve a specified level of sustainability performance; e.g. quarterly reporting on the proportion of products offered covered by a recognized environmental label.

Contract Management

Monitoring Sustainable Performance

Where a contract includes sustainability provisions or specific sustainability key performance indicators (KPIs), public authorities must monitor contractor compliance with these provisions.

Sustainability KPIs must be measurable and clearly defined. The contract should specify actions that may result if there is a downward trend or fall in performance against any agreed benchmark or threshold. Potential approaches to addressing sustainability through KPIs may include:

- setting specific targets or actions that the supplier is required to meet within a prescribed timeframe — e.g. requiring a contractor that indicated in their offer they were moving towards implementing an ISO 14001 accredited Environmental Management System, to achieve accreditation within one year of contract commencement.
- requiring a contractor to progressively increase the sustainability performance of their products — e.g. a minimum of 30% of a supplier's product catalogue have a certain environmental certification or eco-label standard within two years of contract commencement, and this is to rise to 40% by the end of year four.
- requiring supply chain initiatives or reporting — e.g. reporting on the origin and certification of products or components (such as imported timbers).
- requiring contractors to provide a general update (e.g. an annual report) on their progress, initiatives and innovations relating to sustainability.

In order to have the information available to measure the benefits associated with sustainable procurement, it is vital that related performance measures and reporting requirements are specified

in the request document. It is then the responsibility of the Contract Manager to proactively manage the contract and ensure that KPIs are monitored and reporting requirements met.

Purchasing from a Standing Arrangement

With CUAs, standing offer arrangements or preferred supplier panels, where a range of buyers utilise a contract on an on-going basis, it is critical that buyers are educated and kept informed about the sustainability objectives and buying arrangements/rules for the contract. Ideally, contract developers and managers should produce guidance material for contract users/buyers that specify the most sustainable goods or services available under the arrangement and highlight the key sustainability impacts and issues associated with utilising the contracted items.

Where applicable, the guidance material (i.e. buyers guide, fact sheet, smarter buying brochure, product catalogue, etc) should also detail potential demand management strategies. For example, the buyers guide for a contract supplying copy paper might recommend that agencies set their printers to default to duplex printing in order to reduce paper usage, as well as providing information regarding the recycled content of different papers available under contract.

As a minimum, buyers should be made aware of the sustainability implications of their buying behaviour and how they may minimise negative impacts. There is no point building in more sustainable options into such contracts without educating the buyers accordingly.

Contract Review

At the end of a contract, or when deciding whether to exercise any available extension options sustainability performance should be included as part of the contract review process. Before deciding if a contract should be renewed or extended it is important to:

- review performance against the agreed sustainability KPIs;
- determine whether the desired sustainability objectives have been met and/or exceeded, and whether they still align to the Government's and/or the public authority's sustainable procurement strategy;
- assess whether the public authority's value as a client has changed or whether the market has changed (i.e. are there new suppliers in the market or new, more sustainable products available);
- document findings and lessons learned, so that this information can be used in the planning stage for any future contract.

Other Sustainability Considerations

While these guidelines focus primarily on incorporating environmental sustainability considerations directly into the procurement process (at the contract planning, formation and management stages), public authorities can also support the achievement of sustainable procurement objectives by considering the following:

- Promote awareness of the importance and benefits of sustainable procurement throughout the organisation, but particularly to staff involved in budget decision making and purchasing.
- Incorporate core elements of the objectives and features of sustainable procurement within the organisation's broader corporate goals, plans and corporate performance indicators.
- Include awareness of sustainable procurement objectives and initiatives within staff training and induction programs.
- Review internal policy settings (e.g. purchasing policies, or standardised settings for desktop computers and printers) to ensure they do not pose a barrier to achieving sustainable procurement objectives.
- Include sustainable procurement reporting within the organisation's normal reporting regimes, such as divisional dashboards and the corporate annual report.

Useful References and Links

- APCC, *Australian and New Zealand Government Framework for Sustainable Procurement* – www.apcc.gov.au – search under Publications/Procurement/Sustainability
- APCC *Assessing a Suppliers Sustainability Credentials* – www.apcc.gov.au – search under Publications/Procurement/Sustainability
- Eco-label overview – www.ecospecifier.org – search under eco-labels
- Energy Rating Australia – www.energyrating.gov.au
- Energy Star Australia – www.energyrating.gov.au
- GECA, Good Environmental Choice Australia – www.geca.org.au
- ISO 140001, Environmental Management System, international standard – www.iso.org – search under 14001
- National Packaging Covenant – www.packagingcovenant.org.au – the new Australian Packaging Covenant commenced 1 July 2010
- Office of Energy (WA) – www.energy.wa.gov.au
- Towards Zero Waste – www.zerowastewa.com.au
- UK Office of Commerce, various publications under sustainability incl. *Buy Green and make a Difference* – www.ogc.gov.uk
- Water Efficiency Labelling and Standards (WELS) Scheme – www.waterrating.gov.au