



Overview to Sustainable Procurement



Contents

Introduction.....	2
What is Sustainable Procurement?.....	2
The Benefits	3
Getting started.....	4
Identifying Priority Areas	4
The procurement process - The Four Stage Approach.....	5
Useful Links	10
Glossary.....	10



Introduction

Members of the Australian Legal Sector Alliance (AusLSA) sign up to a set of principles which commit them to acting on the issue of sustainability.

The initial focus of AusLSA is about supporting action on the environment as the priority.

This guide therefore focuses solely on procurement as it relates to environmental issues (hereafter referred to as sustainable procurement). In particular reducing carbon emissions in the supply chain - also referred to as green procurement.

The objective of the guide is to assist firms explore how sustainability considerations should complement other key business criteria such as cost, value-for-money, and stakeholder preference. It also recognises that law firms' most significant environmental impacts are often indirect, that suppliers are a key stakeholder and that working cooperatively with suppliers on environmental sustainability often provides the best opportunity for cost, carbon emission and waste savings

Law firms come in varying sizes and many will not have dedicated procurement staff. This guide is particularly useful for firms without professional procurement departments and is intended to assist in circumstances where delegated procurement responsibility is given to individuals or other non-dedicated departments. It is intended to inform firms' existing approach to buying goods and services, not by re-designing the procurement process, but by raising issues to consider along the way.

AusLSA looks at:

- What is sustainable procurement.
- What the benefits are.
- How to build sustainability into purchasing decisions.
- The particular sustainability issues for products and services that law firms commonly buy.

These points are then illustrated in a number of practical examples, which demonstrate how you might apply sustainability principles to the purchase of a variety of products and services by highlighting key questions at each stage of the procurement process.

AusLSA does not endorse any individual suppliers to the legal industry or third party consultancies. If you have any questions about this Procurement Guide or need advice regarding a specific sustainable purchasing issue, please e-mail us.

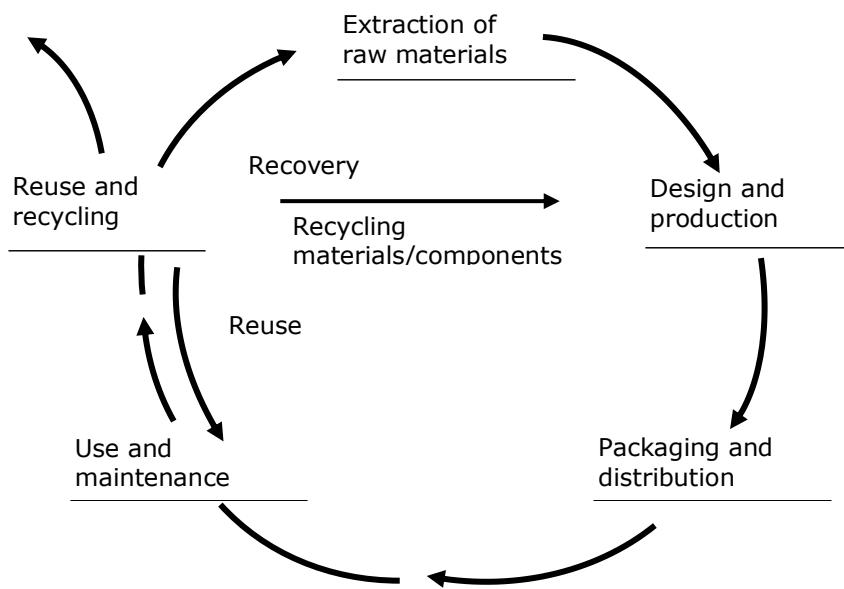


What is Sustainable Procurement?

Sustainable procurement is usually defined as an approach to buying products and services that take into account the economic, environmental and social impacts of what you buy. As previously noted, this guide only deals with the environmental aspect.

Sustainable procurement ideally needs to consider the impact of the product or service on the environment over its entire life cycle from creation to disposal. Taking paper as an example, you would assess whether the paper is made from virgin pulp or a form of recycled product, the production process, how it is packaged, how it is delivered to you and whether you can recycle it.

Incineration and disposal



The Benefits

Taking sustainability into consideration in purchasing decisions is not merely about being seen to be green. There are many potential business benefits. Recent research reveals that more than 50% of people would prefer to work for a company with a strong environmental policy and clients are increasingly asking their legal advisers to demonstrate their green credentials. Being ahead of the game can give firms competitive advantage, but equally, as more firms build environmental considerations into the procurement process, it will drive suppliers to develop more, better and cheaper low-carbon products and services, so it really is a 'win/win' situation.

The business benefits of implementing a robust sustainable procurement strategy can be summarised as follows:

Business case for sustainable procurement	Business benefit
Reduced exposure to reputation risk	Strengthened brand, enhanced community relationships etc
Competitive advantage	Both public and private sector clients are increasingly assessing law firms on their environmental credentials
Cost savings	Can lead to lower consumption of energy and other resources
Attract and retain talent	Employees are increasingly concerned with firms' environmental credentials
Anticipating legal obligation	Being ahead of the game on legislative requirements to reduce carbon consumption



Getting started

Given that sustainability is one of a number of factors to be considered during the procurement process, it is important to establish just how important it is to your firm. This requires getting 'buy-in' at a senior level and then communicating this commitment across the firm and current and prospective suppliers. A simple way of doing this is through a publicly available Sustainability Policy.

A good sustainable procurement policy should:

- Reflect the organisation's values and include a commitment to continual improvement;
- Be informed by a comprehensive risk and opportunity assessment and be appropriate to the nature and scale of the sustainability impacts of the business;
- Be clear, concise and well documented;
- Be endorsed by senior management;
- Be communicated widely, including staff, key suppliers and other key stakeholders at the most appropriate time.

See an example of a *Sustainability Policy* -- <http://www.legalsectoralliance.com/node/170>

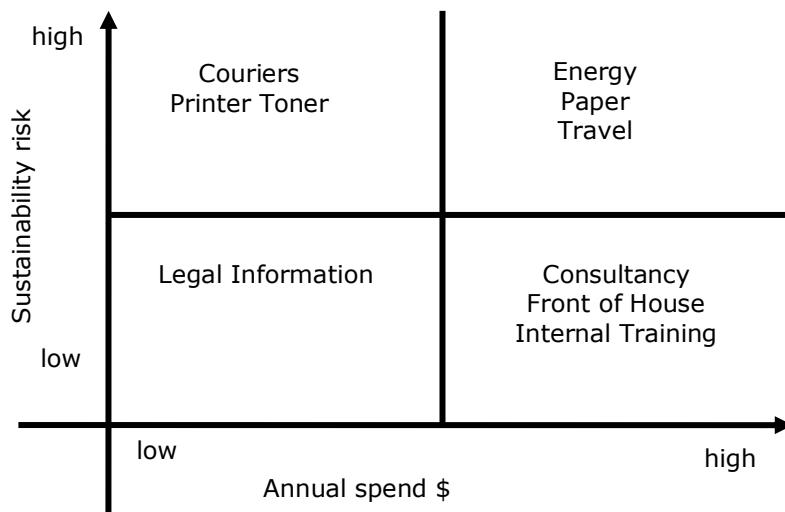
Once the relative importance of sustainable procurement for your firm has been established, you can then begin to build it into a supplier selection exercise. It is important to be realistic and recognise that different approaches will be required in different circumstances. For example, the relative bargaining power of the firm should be considered - it may be difficult for a relatively small law firm to capture the attention of a global software provider on this issue so we recommend prioritising resources on areas where you are more likely to achieve results and where the carbon impact of the product is likely to be high. A large supplier may be further along its green journey than your firm is and may be able to advise you on how to reduce carbon impact.

Identifying Priority Areas

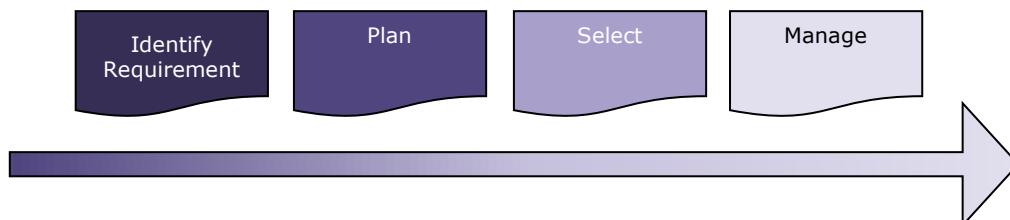
Here we focus on examples of products and services that are likely to be familiar to most law firms (for example, paper or energy). However, these examples are not exhaustive, and you may find the following framework useful for prioritising other categories. We have used it to identify whether the carbon impact of each stage in the product life cycle is high or low.

Carbon usage - High or Low?		
	Example: IT Consulting	Example: Paper
Extraction of raw materials	Low	High
Design and production	Low	High
Packaging and distribution	Low	High
Use and maintenance	High (travel)	Low
Incineration and disposal	Low	High
Overall	Low	High

Once the risk of a category is established as High or Low, this can be contrasted with its volume of use within the firm, which can most easily be measured by annual spend. Firms are then likely to prioritise effort in relation to those categories sitting in the top right hand quadrant.



The procurement process - The Four Stage Approach



The procurement process can be broken down into four broad stages (see diagram above). However, please note that these stages are inter-connected and should be considered flexible to suit the service in question.

- Stage 1 - Identify requirement (demand analysis)
- Stage 2 - Develop plan for procurement including sustainability strategy
- Stage 3 - Select (go to market)
- Stage 4 - Manage the supply arrangements.

Stage 1 - Identify requirement

This stage is about gathering information and defining the service required. It is vital in helping you later communicate your requirements to the prospective suppliers (the term 'suppliers' encompasses anybody providing services, goods, or both, to the customer). With reference to sustainability, this stage relates to collecting information on whether the service is exposed to environmental issues either directly or indirectly.

It is at this stage that you need to consider how important sustainability is to your firm, especially relative to the other concerns such as cost and quality of service in terms of this particular product.

There may be compromises to make but equally, good sustainability credentials should not preclude quality of service or keen pricing.

The key questions to be asked at this stage for each type of procurement supply under review are:

Question 1 - What are your current usage levels? Quantify the material and manpower used in the service or product and consider whether you need to maintain those usage or specification levels. Indeed, do you need the service or product at all? Often service contracts are renewed without a review of the on-going benefits to firms and their clients. This stage might reveal opportunities to improve by re-scoping the work, or packaging it more appropriately with other services.

Question 2 - Have you considered alternative methods?

Question 3 - Can the service or product be separated into different tiers? Could it be provided by an existing supplier whose approach to sustainability is already proven, which may enable the firm to achieve sustainability improvements more easily, as well as the reduced costs associated with managing fewer suppliers?

Question 4 - What waste is associated with the service or product and how can this be reduced? Suppliers can help here - they may be able to reduce waste (and therefore cost) by reviewing and redesigning the service, but it will need a collaborative approach.

Question 5 - How important is sustainability to your business, particularly in relation to the service or product in question? It may be difficult to drive through necessary changes without the broader buy-in across the firm.

Example of how to apply the key questions to paper procurement

Question 1 - Do you need to use so much paper? If it is still required, could you duplex document production?

Question 2 - As an alternative to paper production, could you move to e-filing?

Question 3 - Could you use differing qualities of paper for differing services (i.e. if concerned about recycled paper being lower quality, then could it be used for internal documents?)

Question 4 - How is the paper packaged? Could this be made more efficient and sustainable?

Question 5 - If clients are asking about your sustainability policies and practices, paper is likely to be a service that will be scrutinised. Do your clients have sustainable paper procurement policies in place?

Stage 2 - Develop plan for procurement

Stage 2 is where you take the information gathered in Stage 1 and set out a vision of what you want to achieve for the service or product. This will entail preparing a specification and/or guide document that can be issued to prospective suppliers (often as part of a tender process). The content should specifically address green issues and could include methods to assess the supplier's performance (i.e. how much waste material does the supplier generate? How do they measure their carbon footprint etc?) It may be useful to consider incentives to improve measurable targets.

As the suppliers are experts in their field, it is prudent to ask them exactly how they address their green issues (a simple instance of this is to ask whether they are accredited to the internationally recognised environmental management system ISO14001 or not). The size of the supplier will dictate whether this is practical or not.

The key questions to be asked at this stage are:

Question 1 - Ask the supplier to identify the sustainability risks associated with running its business and what it is doing to mitigate them.

Question 2 - Ask the supplier what it has done to 'green up' the supply chain for its products.

Question 3 - Ask to review the supplier's Environmental Policy and request evidence to prove that it implements the policy. Policies are a good starting point but examples of good practice not only provide evidence but also prevent wasted effort in firms and suppliers 'reinventing wheels'.

Question 4 - Request sustainable alternatives for products and services from the supplier in your tender.

Question 5 - What other information may be gathered to demonstrate the supplier's attitude to sustainability? For example, does the supplier release any type of environment reporting? If the organisation is large enough, it may have environmental certificates (e.g. ISO 14000 series). Ask if the supplier has relevant memberships in industry organisations promoting green standards for the type of supply in question. Case studies demonstrating success in this respect are valuable.

Example of how to apply the key questions to paper procurement

Question 1 - Is the supplier offering recycled and/or virgin source products? Can they demonstrate the advantages of each type and have they identified their sustainability risks?

Question 2 - How does the supplier source the energy required to produce the paper? Have they mitigated this by obtaining energy from green sources?

Question 3 - Has the supplier provided a clear and comprehensive sustainability policy?

Question 4 - Have you asked the supplier to provide information and costs on recycled and virgin source alternatives? In some instances the virgin paper may in fact have less impact on sustainability than recycled paper.

Question 5 - Does the supplier have ISO14001 accreditation or any other clear commitments to improve their sustainability such as awards or

commendations? Do they have any examples of where they have implemented measures to reduce carbon emissions?

Stage 3 - Select

When the prospective supplier has returned its information to you based on the selection criteria developed during Stage 2, you must consider the sustainability criteria in the proposals alongside other matters. A supplier may offer 'greener' products but these may come at a premium in terms of cost. The supplier may offer to reduce its carbon footprint by reducing deliveries to your premises, but is this acceptable? Beyond the direct impacts, what does the supplier do to mitigate its own carbon footprint?

Each business will place differing emphasis on the importance of sustainability matters. The selection stage should be seen as an opportunity to confirm whether you are committed to them.

The key questions to be asked at this stage are:

Question 1 - How important is sustainability in your decision making process (this relates back to Stage 1 and its key question 5)? Is sustainability being given a high enough priority in your assessment of the supplier responses?

Question 2 - Has the supplier demonstrated credibility and an awareness of sustainability (this may be through accreditation, policies, case studies etc)?

Question 3 - If the supplier were to be appointed, how would it ensure that it continued to improve its sustainability credentials?

Example of how to apply the key questions to paper procurement

Question 1 - If the most sustainable paper option costs more than a less sustainable option, will you still commit to it?

Question 2 - Does the supplier's tender include comprehensive information on sustainability and do they clearly relate to their proposal to you?

Question 3 - Would you consider employing incentives to encourage the supplier to provide improvements to the services? Can the supplier provide evidence of continual improvement with other clients?

Stage 4 - Manage the supply arrangements

Once the supplier has been appointed, you should review the supply arrangement regularly and actively encourage the supplier to improve its green credentials. Inserting relevant Key Performance Indicators into the supply contract are an effective tool to ensure suppliers implement progressive sustainability improvements during the terms of the engagement.

Additionally, you should require that the supplier highlights any innovations it has implemented or is considering. The on-going management of the supplier should be seen as a process of continual improvement. Ideally, sustainability reporting requirements should also be incorporated into contract terms and conditions.

The key questions to be asked at this stage are:

Question 1 - Have you put measures in place to monitor future performance in relation to sustainability?

Question 2 - Are there incentives (e.g. the possibility of future work or references) for the supplier to bring innovations to you? Are you prepared to work collaboratively with the supplier to develop and implement sustainability innovations?

Question 3 - Is there flexibility in your agreement to allow new, more sustainable ideas to be implemented? Does the contract encourage or restrict this kind of continuous improvement?

Example of how to apply the key questions to paper procurement

Question 1 - Include requirements to measure the supplier's carbon footprint within your Key Performance Indicators.

Question 2 - To encourage the supplier to work to improve your carbon footprint, consider performance based bonuses or incentives with regard to sustainability.

Question 3 - Make a commitment from the outset to improve the sustainability performance as part of the contract agreement. For example, improvements in the printing processes such as reduced energy consumption, reduction in the use of hazardous chemicals or reduced waste to landfill.

Useful Links

Australia and New Zealand Government Framework for Sustainable Procurement

- Assessing a Supplier's Sustainability Credentials
- Sustainable Procurement Product Guide - Office Furniture - as at December 2009
- Sustainable Procurement Product Guide - Business Machines - as at May 2010
- Sustainable Procurement Product Guide - Print Services - as at May 2010
- Sustainable Procurement Product Guide - Cleaning Services - as at May 2010
- Sustainable Procurement Product Guide - ICT Products - as at May 2010

British Standard BS 8903:2010 - Principles and framework for procuring sustainably - Guide

NSW Environment, Climate Change & Water: Sustainable procurement

ECO BUY: Green Purchasing in Australia, 2009:

<http://www.ecobuy.org.au/uploads/documents/Green%20Purchasing%20Australia%20Report%202009.pdf>

Glossary

Green procurement

One aspect of sustainable procurement involving an environmental impact assessment of products and services purchased.

ISO14001

International standard for environmental management.

Sustainable procurement

An approach to buying products and services that takes into account the economic, environmental and social impacts. It covers everything from asking suppliers for information on their environmental management system to requesting details on the energy, water and carbon pollution associated with a specific product or service.

Virgin materials

Materials which have not been previously used as opposed to recycled materials.

Whole life cost

Calculation of all the costs that will be incurred during the lifetime of the product or service including transportation, water and energy use, maintenance and disposal.

This document is largely based on the procurement resources developed by the Legal Sector Alliance of England and Wales. AusLSA would like to thank the UK-LSA for sharing this resource and allowing AusLSA to adapt it for the Australian market.

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