



Australian Government

**Department of Sustainability, Environment,
Water, Population and Communities**



Guide for sustainable procurement of services

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GUIDE FOR SUSTAINABLE PROCUREMENT OF SERVICES

Purpose of this guide

The purpose of this guide is to identify and explain sustainability impacts associated with the procurement of services, as well as to provide minimum and better practice sustainability considerations for tender specifications and contract clauses for Australian Government agencies.

How to use this guide

This guide is not intended to cover all stages of the procurement process. It particularly focuses on the specification development, contract negotiation and contract management stages of the procurement process.

This guidance will not be suitable for all agencies or for all procurement arrangements.

This guide is made up of two sections:

Part 1: *Getting started* – provides basic information on the key sustainability considerations and a simple checklist to use.

Part 2: *Putting it into practice* – provides detailed information on what you can include in tender specifications and contract clauses.

Scope of this guide

For the purposes of this guide, 'services' covers a range of professional and business office-based services, including legal, insurance, finance, audit and accounting, consulting and management of resources (for example human, financial, intellectual).





Disclaimer

Every effort has been made to ensure that the material contained in this guide is up to date and is based on accurate, credible and reliable sources of information at the time of publishing.

Reference made to any specific ecolabel, standard, certification or policy does not constitute endorsement.

Users of this guide are responsible for checking the latest legal and technical requirements, as these may have changed since publication of this version of the guide.

Getting started

What are the key sustainability considerations for the procurement of services?

The procurement of sustainable services presents different challenges than the procurement of sustainable goods. It is usually a more straightforward process to identify what the environmental and social issues are for a supply of goods, and therefore easier to identify sustainable alternatives.

The provision of professional services – such as legal advice, audit or consultancy – is responsible for a range of environmental and social impacts resulting from the supplier's operations, as shown in Figure 1.

There are two main aspects to consider for the procurement of sustainable services:

- how the specific services to be provided to your agency could be delivered with improved environmental and social impacts
- the operations of the supplier organisation itself.

For procurement of a one-off piece of work, such as a consulting project, you might decide to just focus on the sustainability impacts associated with the delivery of that particular service. Procurements covering high-value or long-term arrangements, such as ongoing provision of legal or audit services, offer more scope for the supplier to help your agency progress towards its own sustainability goals. In this case it makes sense to consider the supplier's overall operations as well as the service being delivered.



Energy and water usage

Energy and water usage are associated with a service provider's operations, resulting in depletion of resources, emissions of greenhouse gases and other pollutants to air, water and land.

Typically service providers utilise energy sources for office lighting, heating and cooling, ICT equipment and hot water.

Travel

Travel is responsible for a range of environmental impacts including air pollution, greenhouse gas emissions and resource depletion through fuel consumption.

Procurement practices

Service providers will purchase many different types of goods and services in their operations, including office goods and equipment, furniture, vehicles and cleaning services.

These purchases are associated with raw materials use, water and energy consumption and waste generation over the product's life cycle. They may also have positive or negative social effects, depending on labour practices.

Waste

The disposal of waste to landfill is associated with adverse environmental impacts. Typically, the decomposition of organic material, such as food, in landfills produces methane gas – a greenhouse gas 23 times more potent than carbon dioxide.

Service providers commonly dispose of food organics, copy paper and office consumables such as toner cartridges – much of which can be recycled.

Figure 1: Environmental and social impacts of professional services





Checklist of questions to ask

Below are some questions to ask when assessing the sustainability of potential service providers:

Delivery of the contracted service

Energy and resource management

- What steps will the supplier take to improve the energy/resource efficiency of its activities associated with delivery of the contracted service – for example: energy consumption related to equipment use?

Waste management

- Does the supplier have a documented program addressing waste reduction or elimination associated with the delivery of the contracted service – for example: recycling?

Travel and transport

- What steps will the supplier take to reduce travel and transport – for example: change to holding a certain proportion of meetings with your agency via tele/video conferencing rather than face to face?

Supplier's operations

Environmental management

- Does the supplier have a program or system in place to identify environmental impacts relevant to the organisation, or a program/system under development with a timeline for implementation?
- Does the supplier have an environmental or sustainability policy in place or a program/system under development with a timeline for implementation?

Energy and water management

- Can the supplier provide a statement of the sources of purchased electricity (for example: accredited GreenPower, coal)?
- Does the supplier have a strategy/plan in place to achieve water reduction targets, or a program/system under development with a timeline for implementation?

Waste management

- Does the supplier have a strategy/plan in place to achieve waste reduction targets or a program/system under development with a timeline for implementation?



Supplier's operations (continued)

Sustainable procurement

- Does the supplier have a green/sustainable purchasing policy in place?
- Has the supplier established sustainable purchasing guidelines or criteria for choosing its direct suppliers – for example: guidelines that address environmental management and labour practices?
- Does the supplier have a policy to procure energy-efficient ICT equipment by applying a recognised standard such as Electronic Product Environmental Assessment Tool (EPEAT)?
- Can the supplier demonstrate that it purchases copy paper with a high proportion of recycled content?

Business practices

- For office-based operations, does the supplier have a program or plan in place to minimise its impacts – for example: a green office program?

Social benefits

- Does the supplier have any initiatives in place that support disadvantaged or marginalised groups in the community – for example: placing contracts with social enterprises or providing training/employment/mentoring opportunities?

Social impacts in the supply chain

- Does the supplier assess its supply chain against relevant labour standards?

Putting it into practice

Sample sustainability considerations in specifications for the procurement of services

Minimum performance criteria can be used as a starting point in an approach to market if sustainable procurement is fairly new to your agency, where the supply market does not have a track record of minimising adverse environmental or social impacts or where many of the potential suppliers are small businesses.

Where suppliers are already able to meet many of the minimum criteria, the better practice performance criteria can be used as a tool to help drive continuous improvement and communicate to the supply market that you are serious about sustainability.





Delivery of the contracted service

Minimum performance criteria	Better practice performance criteria
<p>Minimum specification:</p> <p><i>Energy and resource management</i></p> <ul style="list-style-type: none">• Tenderers are to provide details of actions to improve the energy/resource efficiency or reduce energy consumption associated with delivery of the contracted service. <p><i>Waste management</i></p> <ul style="list-style-type: none">• Tenderers are to provide details of actions to reduce or eliminate waste associated with the delivery of the contracted service. <p><i>Travel and transport</i></p> <ul style="list-style-type: none">• Tenderers are to provide details of actions to reduce fuel use, reduce air pollution and mitigate emissions associated with transport.	<p>Better practice specification:</p> <p><i>Energy and resource management</i></p> <ul style="list-style-type: none">• Tenderers should provide evidence of explored opportunities to improve the energy/resource efficiency of activities associated with delivery of the contracted service.• Tenderers should provide evidence of steps taken to reduce energy consumption associated with the delivery of the contracted service, such as energy consumption related to equipment use. <p><i>Waste management</i></p> <ul style="list-style-type: none">• Tenderers should have a documented program addressing waste reduction or elimination associated with the delivery of the contracted service. <p><i>Travel and transport</i></p> <ul style="list-style-type: none">• Tenderers should provide quantifiable evidence of implemented initiatives that reduce fuel use, reduce air pollution and mitigate emissions associated with transport – for example: change to holding a certain proportion of meetings via tele/ video conferencing.



Supplier's operations

Minimum performance criteria	Better practice performance criteria
<p>Minimum specification:</p> <p><i>Environmental management</i></p> <ul style="list-style-type: none"> Tenderers are to have a program or system in place to identify environmental impacts relevant to the organisation, or a program/system under development with a timeline for implementation. Tenderers are to have an environmental or sustainability policy in place, or under development with a timeline for implementation. <p><i>Energy and water management</i></p> <ul style="list-style-type: none"> Tenderers can provide a statement of the sources of purchased electricity (for example: GreenPower, coal). Tenderers have a strategy/plan in place to achieve water reduction targets, or a program/system under development with a timeline for implementation. <p><i>Waste management</i></p> <ul style="list-style-type: none"> Tenderers have a strategy/plan in place to achieve waste reduction targets, or under development with a timeline for implementation. 	<p>Better practice specification:</p> <p><i>Environmental management</i></p> <ul style="list-style-type: none"> Tenderers should have implemented and maintained an environmental management system, certified to ISO 14001 or equivalent, to reduce environmental impacts and continually improve environmental performance. Tenderers should have a publicly available environmental or sustainability policy in place. Tenderers should brief employees and others who work on behalf of the organisation about the organisation's environmental or sustainability policy. <p><i>Energy and water management</i></p> <ul style="list-style-type: none"> Tenderers should purchase a proportion of GreenPower <ul style="list-style-type: none"> or, if no proportion of renewable electricity is purchased, tenderers should offset a minimum proportion of non-renewable energy sources in line with the National Carbon Offset Standard (NCOS). Tenderers should measure and record energy use on a minimum quarterly basis (for example: of electricity, gas, renewable energy) based on receipts. Tenderers should install energy efficient lighting in offices and other work areas where applicable.





Minimum performance criteria

Better practice performance criteria

- Tenderers should install power-saving features on appliances where possible. For example, an appliance could be programmed to enter 'suspend' mode within 15 minutes of becoming inactive.
- Tenderers should have a documented program addressing water use reduction across offices and facilities and provide a report.

Waste management

- Tenderers should have a documented program addressing waste reduction or elimination of all major waste streams across offices and facilities (for example: implement recycling initiatives) and provide a report.

Sustainable procurement

- Tenderers should demonstrate that a green/sustainable purchasing policy is in place.
- Tenderers should demonstrate that sustainable purchasing guidelines or criteria are in place for choosing direct suppliers – for example: guidelines that address environmental management and labour practices.
- Tenderers should demonstrate that they purchase copy paper with a minimum of 80 per cent recycled content.

Social impacts

- Tenderers should provide evidence of initiatives that support disadvantaged or marginalised groups within the community.



How to assess sustainability considerations in the tender evaluation process

After specifying the sustainability performance criteria in the tender documentation, it is recommended that sustainability be assessed in the overall tender evaluation process along with organisation-specific criteria such as cost, quality and reliability.

If available, weightings should be assigned according to the agency's objectives, priorities and targets. For example, if an agency's priority is to reduce the greenhouse gas emissions associated with its activities, it makes sense to encourage suppliers of services to follow emissions-reduction principles and assign a higher weighting to emissions-specific criteria in the tender evaluation process.

An example of a weighting for a sustainability criterion in an approach to market is:

Documented evidence of the organisation's commitment to improving its own environmental performance. This may include policies, initiatives, environmental management systems, sustainability reports and outcomes from these activities (5 per cent).

If your agency has not developed sustainability priorities or targets, think about which major impacts are associated with delivery of the service, assess the potential size of the impacts and set priorities or targets accordingly. For example, will the service involve large amounts of travel, or will it generate large volumes of waste?

Relevant procurement-connected policies

National Waste Policy: Less Waste, More Resources
www.environment.gov.au/wastepolicy/index.html

You should also check the Department of Finance and Deregulation website to determine whether there are any other relevant procurement-connected policies for a particular procurement:

www.finance.gov.au/procurement/procurement-policy-and-guidance/buying/policy-framework/procurement-policies/principles.html





Related ecolabels and standards

There are a number of ways to verify environmental and social credentials for suppliers of services. For example, there are several credible and relevant ecolabels and standards from Australia and overseas. These, or equivalents, are a good indication that the supplier takes sustainability seriously and is working to reduce the adverse environmental or social impacts associated with its operations:

- GECA 35-2007 Administrative Services
- ISO 14001 Environmental Management Standard
- National Carbon Offset Standard (NCOS)
- NSF P391-2012 General Sustainability Assessment for Services and Service Providers
- SA8000 Social Accountability Standard.

Sample sustainability clauses in contracts for the procurement of services

Reporting and management

Contract reporting requirements should highlight the sustainability outcomes achieved by procuring environmentally and socially preferable goods and services.

It is recommended that sustainability reporting requirements be selected early in the procurement process, included in tender documentation, incorporated into contract terms and conditions and, most importantly, followed up by the contract manager.

Key performance indicators (KPIs) can be used to ensure that suppliers implement progressive sustainability improvements over the term of the arrangement. For example:

- A sustainability criterion may be set as part of KPIs if the potential supplier does not have the capability or capacity to meet a particular sustainability requirement at the specification development stage. For instance, the supplier may be required to progressively increase the proportion of tele/video conferencing meetings instead of meeting face to face.
- A supplier could improve its practices over time by using better practice criteria that are set as KPIs. For instance, the supplier may have to demonstrate within the first 12 months of the contract that it has established sustainable purchasing guidelines or criteria for choosing its direct suppliers.

Other KPIs can be set based on the checklist on page 3 for assessing the sustainability of potential services and service providers.



Possible contract requirements

Examples are provided below for possible inclusion in contracts. Note that some may be more advanced than the procurement warrants, so tailor these to the complexity and duration of the contract. You should always seek legal advice before drafting and inserting clauses relating to environmental and social specifications into a specific contract.

Possible contract requirements: Delivery of the contracted service

The supplier should implement and report quarterly on initiatives to reduce energy use associated with transport, to reduce kilometres travelled and greenhouse gas emissions.

The supplier should implement and report on initiatives to achieve a continual reduction in energy use associated with the travel to/from client meetings over the contract period – for example, change to holding a certain proportion of meetings via tele/video conferencing.

The supplier should implement and report on initiatives to reduce the volumes of paper used in the delivery of the contracted service. This could include increasing the proportion of material provided electronically, adopting demand management techniques and applying sustainable design principles.

Possible contract requirements: Supplier's operations

Environmental management

The supplier is required to provide bi-annual reports stating environmental impacts (including those related to energy and water consumption and waste production) measured against a baseline over the term of arrangement.

Energy management

The supplier is required to continually increase the proportion of GreenPower that is purchased over the term of the arrangement.





Waste management

The supplier is required to report at least quarterly on its progress achieved towards waste reduction, stating the proportion of waste that is diverted from landfill and the proportion of waste that is recycled or composted as measured against a baseline.

The supplier is required to report on the proportion of discarded toner cartridges, electronic equipment such as monitors and hard drives, mobile phones and fluorescent light globes that are recycled, reused or refurbished.

The supplier is required to provide quarterly reports on paper usage, stating the number of reams purchased, the number of reams used per full-time-equivalent staff member, the proportion printed double-sided and the proportion recycled, against reduction targets.

Supply chain management

The supplier is required to communicate its sustainability practices to its suppliers and stakeholders.

Additional reference and guidance material

Good Environmental Choice Australia, *Administrative Services*

<http://www.geca.org.au/media/medialibrary/2012/02/geca-35-2007-administrative-services-sep-2011.pdf>

International Standards Organisation (ISO)

http://www.iso.org/iso/iso_14000_essentials

National Carbon Offset Standard

<http://www.climatechange.gov.au/ncos>

NSF International, *NSF International Protocol NSF P391-2012 – General Sustainability Assessment Criteria for Services and Service Providers*

<http://www.nsf.org/>

Social Accountability International (SAI), *SA8000 Standard*

<http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&PageID=937>

