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Sustainable procurement — Guidance

Achats responsables

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103 Foreword

104 ISO (the International Organisation for Standardization) is a worldwide federation of national standards bodies
105 (ISO member bodies). The work of preparing International Standards is normally carried out through ISO
106 technical committees. Each member body interested in a subject for which a technical committee has been
107 established has the right to be represented on that committee. International organisations, governmental and
108 non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the
109 International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

110 The procedures used to develop this document and those intended for its further maintenance are described
111 in the ISO/IEC Directives, Part 1. In particular the different approval criteria needed for the different types of
112 ISO documents should be noted. This document was drafted in accordance with the editorial rules of the
113 ISO/IEC Directives, Part 2 (see www.iso.org/directives).

114 Attention is drawn to the possibility that some of the elements of this document may be the subject of patent
115 rights. ISO shall not be held responsible for identifying any or all such patent rights. Details of any patent
116 rights identified during the development of the document will be in the Introduction and/or on the ISO list of
117 patent declarations received (see www.iso.org/patents).

118 Any trade name used in this document is information given for the convenience of users and does not
119 constitute an endorsement.

120 For an explanation on the meaning of ISO specific terms and expressions related to conformity assessment,
121 as well as information about ISO's adherence to the WTO principles in the Technical Barriers to Trade (TBT)
122 see the following URL: Foreword - Supplementary information

123 The committee responsible for this document is Technical Committee ISO/TC 277, *Sustainable procurement*.

124

125

126 Introduction

127 As an organisation depends on its supply chain to fulfil its purpose and deliver economic benefits, it is
128 important also consider the supply chain as part of its scope of responsibility. Failure of a supply chain partner
129 to act in a way that aligns with the organisation's social responsibility and sustainability approach could
130 significantly jeopardize the performance and reputation of the organisation.

131 A growing component of an organisation's responsibility is its contribution to sustainability. Indeed, a wide
132 variety of stakeholders requires organisations to manage economic, social and environmental impacts within
133 their sphere of influence, e.g. growing demands on the world's resources, threats to the environment and
134 animal welfare, health and safety risks, increased poverty and exclusion, corruption or the violation of Human
135 Rights. As these concerns grow, the procurement function has the responsibility to manage risks and
136 opportunities related to sustainability in its supply chain.

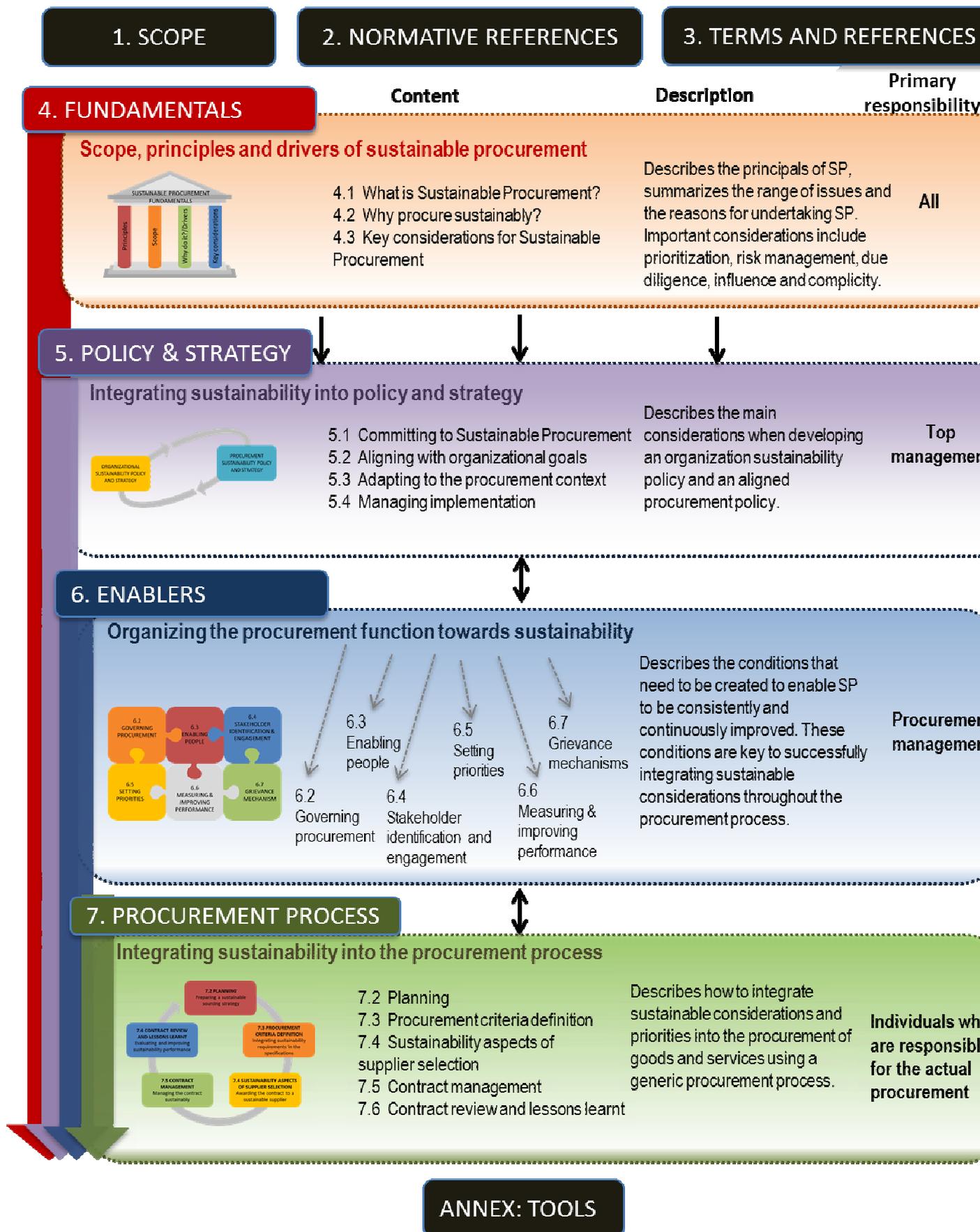
137 The procurement function is therefore expanding its capabilities to include sustainable procurement. This
138 implies substantial changes in the way procurement currently operates within an organisation. However, it is
139 an opportunity for the procurement function to provide more value to the organisation through an increased
140 contribution to its sustainability strategy, better management of risks and regulations, improved assessment of
141 value and performance, better communication between purchasers, suppliers and all stakeholders, and the
142 promotion of breakthrough innovation.

143 This International Standard assists organisations to meet their sustainability responsibilities by providing an
144 understanding of:

- 145 — what sustainable procurement is;
- 146 — what the sustainability impacts and considerations are across the different aspects of procurement
147 activity: policy, strategy, organisation, process; and
- 148 — how to implement sustainable procurement practically.

149 This International Standard is applicable to any organisation, either public or private, regardless of its size and
150 location, and aims to be understood by any stakeholder involved in or impacted by procurement decisions and
151 processes.

152 As a general principle, when taking steps to encourage sustainable procurement, public and private sector
153 procurement professionals need always consider the legislative, policy and ethical framework that regulate
154 their procurement activities. The legislative, policy and ethical framework includes legislation, international
155 obligations, and local regulations, and also the specific procurement, ethics and sustainability policies that
156 apply to the organisation.



157

158

Figure 1 — Content of this International Standard on sustainable procurement

- 159 A general view of the standard could be seen at Figure 1.
- 160 Clause 4 provides an overview of sustainable procurement and is applicable to all. It describes the scope and
161 principles of sustainable procurement and examines why organisations should undertake sustainable
162 procurement. Important considerations include prioritization, exercising due diligence, exercising influence and
163 avoiding complicity.
- 164 Clause 5 provides guidance about how sustainability considerations should be integrated at a strategic level
165 within the procurement function of an organisation to ensure that the intention, direction and key sustainability
166 priorities of the organisation are documented and understood by all parties involved in sustainable
167 procurement. This clause is applicable to all but help top management define sustainable procurement policy
168 and strategy.
- 169 Clause 6 describes the organisational conditions and management techniques needed in order to successfully
170 implement and continually improve sustainable procurement. Procurement management should ensure such
171 conditions and practices are in place in order to help individuals with responsibility for procurement of goods
172 and services integrate sustainability considerations into the procurement and management of contracts.
- 173 Clause 7 addresses the procurement process and is intended for individuals who are responsible for the
174 actual procurement carried out within their organisation. This clause may also be of interest to those in
175 associated functions. It describes how sustainability considerations should be integrated into existing
176 procurement processes and the creation of a parallel process should be avoided.

177 1 Scope

178 This international standard provides guidance to organisations integrating sustainability within procurement,
179 independent of their activity or size, as described in ISO 26000 - Guidance on social responsibility. It is
180 intended for stakeholders involved in or impacted by procurement decisions and processes.

181 2 Normative references

182 The following document, in whole or in part, is normatively referenced in this document and is
183 indispensable for its application. For dated references, only the edition cited applies. For undated
184 references, the latest edition of the referenced document (including any amendments) applies.

185 ISO 26000:2010, *Guidance on social responsibility*

186 3 Terms and definitions

187 For the purposes of this document, the following terms and definitions apply.

188 3.1

189 **animal welfare**

190 welfare of an animal includes both fitness and a sense of well-being, where at minimum; all animals must
191 be protected from unnecessary suffering

192 3.2

193 **circular economy**

194 alternative to a traditional linear economy (make, use, dispose) in which resources are kept in use for as
195 long as possible, maximum value is extracted whilst in use, then products and materials are recovered and
196 regenerated at the end of each service life

197 [SOURCE: WRAP UK, <http://www.wrap.org.uk/content/wrap-and-circular-economy>]

198 3.3

199 **decent work**

200 opportunities for work that are productive and deliver a fair income, security in the workplace and social
201 protection for families, better prospects for personal development and social integration, freedom for people
202 to express their concerns, organize and participate in the decisions that affect their lives and equality of
203 opportunity and treatment for all women and men

204 [SOURCE: ILO <http://www.ilo.org/global/topics/decent-work/lang--en/index.htm>]

205 3.4

206 **due diligence**

207 comprehensive, proactive process to identify the actual and potential negative social, environmental and
208 economic impacts of an organisation's decisions and activities over the entire life cycle of a project or
209 organisational activity, with the aim of avoiding and mitigating negative impacts

210 [SOURCE: ISO 26000:2010]

211 3.5

212 **environmental label**

213 **environmental declaration**

214 claim which indicates the environmental aspects of goods or services

215 Note 1 to entry: An environmental label or declaration may take the form of a statement, symbol or graphic on a
216 product or package label, in product literature, in technical bulletins, in advertising or in publicity, amongst other things.

217 [SOURCE: ISO 14020:2000 Environmental labels and declarations – general principles, modified]

218 **3.6**
219 **ethical behaviour**
220 behaviour that is in accordance with accepted principles of right or good conduct in the context of a
221 particular situation and is consistent with international norms of behaviour

222 [SOURCE: ISO 26000:2010]

223 **3.7**
224 **fair operating practices**
225 practices that concern ethical conduct in an organisation and with other organisations, such as suppliers,
226 with which it has relationships

227 Note 1 to entry: In a sustainable procurement context, fair operating practices can potentially extend to include the
228 relationships between organisations, their suppliers and organisations and others that interact with the suppliers. These
229 include interactions with government agencies, partners, suppliers, sub-contractors, and communities, with the aim of
230 promoting a healthy relationship between the companies that buy goods or services and those providing them.

231 Note 2 to entry: Drawn from the core subject 'fair operating principles' in ISO 26000:2010.

232 **3.8**
233 **gateway review**
234 short review of a program or project undertaken at key decision points in the program or project's lifecycle

235 [SOURCE: Gateway review guidebook for project owners and review teams, Queensland Treasury and Trade, The
236 State of Queensland (Queensland Treasury and Trade) 2013, modified]

237 **3.9**
238 **goods**
239 items or materials that, upon the placement of a purchase order, are being manufactured, processed,
240 handled or transported within the supply chain for usage or consumption by the purchaser

241 [SOURCE: ISO 28001:2007 - Security management systems for the supply chain. Best practices for implementing
242 supply chain security, assessments and plans. Requirements and guidance]

243 **3.10**
244 **indicator**
245 measurable representation of the condition or status of operations, management, or conditions

246 [SOURCE: ISO 14031:2013 – Environmental management -- Environmental performance evaluation -- Guidelines]

247 **3.11**
248 **international norms of behaviour**
249 expectations of socially responsible organisational behaviour derived from customary international law,
250 generally accepted principles of international law, or intergovernmental agreements that are universally or
251 nearly universally recognized

252 Note 1 to entry: Intergovernmental agreements include treaties and conventions.

253 Note 2 to entry: Although customary international law, generally accepted principles of international law and
254 intergovernmental agreements are directed primarily at states, they express goals and principles to which all
255 organisations can aspire.

256 Note 3 to entry: International norms of behaviour evolve over time.

257 [SOURCE: ISO 26000:2010]

258 **3.12**
259 **key performance indicator (KPI)**
260 indicator of performance deemed by an organisation to be significant and giving prominence and attention
261 to certain aspects

262 [SOURCE: ISO 14031:2013 – Environmental management -- Environmental performance evaluation -- Guidelines]

- 263 **3.13**
 264 **labour practices**
 265 policies and practices relating to work performed within, by or on behalf of the organisation, including
 266 subcontracted work
- 267 Note 1 to entry Drawn from the core subject 'labour practices' in ISO 26000:2010.
- 268 **3.14**
 269 **life cycle**
 270 consecutive and interlinked stages of a product system, from raw material acquisition or generation from
 271 natural resources to final disposal
- 272 [SOURCE: ISO 14040:2006 – Environmental management -- Life cycle assessment -- Principles and framework]
- 273 **3.15**
 274 **life cycle assessment**
 275 compilation and evaluation of the inputs, outputs and the potential environmental, social and economic
 276 impacts of goods or services throughout their life cycle
- 277 [SOURCE: ISO 14040:2006 - Environmental management -- Life cycle assessments -- Principles and framework,
 278 modified]
- 279 **3.16**
 280 **life cycle costing (LCC)**
 281 analytical method that incorporates all costs, both internal and external, associated with the life cycle of a
 282 product, and are directly related to one or more actors in the supply chain
- 283 Note 1 to entry: The life cycle includes purchase, set-up, maintenance, operating and disposal costs.
- 284 Note 2 to entry: The estimate of costs usually includes identifying future costs and referring them back to present-
 285 day costs using standard accounting techniques such as net present value.
- 286 **3.17**
 287 **local supplier**
 288 provider that offers a good or service to the organisation and that is based in the same geographic market
- 289 Note 1 to entry: The term "local" may refer to the surrounding community operations, to a region within a country, or
 290 a country (SOURCE: GRI G4)
- 291 **3.18**
 292 **objective**
 293 result to be achieved
- 294 **3.19**
 295 **policy**
 296 body of guiding principles and procedures by which an organisation will operate, as formally expressed by
 297 its top management
- 298 [SOURCE: ISO/IEC Directives, part 1 Consolidated ISO Supplement Procedures specific to ISO, modified]
- 299 **3.20**
 300 **procurement**
 301 activity of acquiring goods or services from suppliers (internal and external)
- 302 Note 1 to entry: The procurement process spans the whole life-cycle from identification of needs through to the end
 303 of a services contract or the end of the life of goods, including disposal.
- 304 **3.21**
 305 **requirement**
 306 provision that conveys criteria to be fulfilled by goods, processes or services

307 **3.22**
308 **risk**
309 combination of the probability of occurrence of harm and the severity of that harm

310 **3.23**
311 **risk assessment**
312 overall process of risk identification, risk analysis and risk evaluation

313 [SOURCE ISO 31000:2009 - Risk management -- Principles and guidelines]

314 **3.24**
315 **service**
316 result generated by activities at the interface between a supplier and a customer and by supplier internal
317 activities to meet customer needs

318
319 [SOURCE: ISO 5127:2001 – Information and documentation - Vocabulary]

320
321 **3.25**
322 **small or medium-sized organisation (SMO)**
323 organisation defined by a number of employees or size of financial activities that fall under certain
324 thresholds which vary from country to country

325
326 Note 1 to entry: It is understood that SMOs should consider any constraint they may have, e.g. budget and human
327 resources, when reading this standard and should scale the application of the concepts in this standard to suit the size
328 of their organisation.

329
330 **3.26**
331 **social responsibility**
332 responsibility of an organisation for the impacts of its decisions and activities on society and the
333 environment, through transparent and ethical behaviour that:

334 — contributes to sustainable development, including the health and the welfare of society environmental
335 impacts, and the welfare of animals;

336 — takes into account the expectations of stakeholders;

337 — is in compliance with applicable law and consistent with international norms of behaviour; and

338 — is integrated throughout the organisation and practised in its relationships

339 Note 1 to entry: Activities include goods, services and processes.

340 Note 2 to entry: Relationships refer to an organisation's activities within its sphere of influence.

341 [SOURCE: ISO 26000:2010 modified]

342 **3.27**
343 **specification**
344 document that prescribes requirements to be fulfilled by goods, processes or services

345 **3.28**
346 **sphere of influence**
347 area or political, contractual, economic or other relationships across which an organisation has the ability to
348 affect the decisions or activities of individuals or organisations

349 Note 1 to entry: Area can be understood in a geographic sense, as well as in a functional sense.

350 Note 2 to entry: The ability to influence does not, in itself, imply a responsibility to exercise influence.

351 Note 3 to entry: Where this term appears in this International Standard, it is always intended to be understood in the
352 context of the Help box ISO 26000 Sphere of influence from Annex B.

353 [SOURCE: ISO 26000:2010, modified]

354 **3.29**

355 **stakeholder**

356 individual, group of people, internal function or external organisation

357 — on whom an organisation's activity has a direct or indirect, positive or negative impact,

358 — who have a direct or indirect, positive or negative impact on the same organisation

359 **3.30**

360 **stakeholder engagement**

361 activity undertaken to create opportunities for dialogue between an organisation and one or more of its
362 stakeholders with the aim of providing an informed basis for the organisation's decisions

363 [SOURCE: ISO 26000:2010, modified]

364 **3.31**

365 **subcontractor**

366 entity (individual, organisation or company, public or private) that undertakes aspects of processing,
367 handling, storage or distribution on a contractual basis

368 **3.32**

369 **supplier**

370 organisation or person that provides goods or services

371 [SOURCE: ISO 9000:2005, Quality management systems -- Fundamentals and vocabulary, modified]

372 **3.33**

373 **supply chain**

374 sequence of activities or parties that provides goods or services to the organisation

375 [SOURCE: ISO 26000:2010, modified]

376 **3.34**

377 **sustainability**

378 state of the global system, including environmental, social and economic aspects, in which the needs of the
379 present are met without compromising the ability of future generations to meet their own needs

380 Note 1 to entry: the environmental, social and economic aspects interact, are interdependent and are often referred
381 to as the three dimensions or three pillars of sustainability

382 Note 2 to entry: Sustainability is the goal of sustainable development

383 **3.35**

384 **sustainability aspects**

385 aspect of an activity or product that, during the life cycle of the activity or product, is related to sustainability
386 (3.36), positively or negatively

387 **3.36**

388 **sustainable development**

389 development that meets the environmental, social and economic needs of the present generations without
390 compromising the ability of future generations to meet their own needs

391 Note 1 to entry: Derived from the Brundtland Report

392 Note 2 to entry: Sustainable development is about integrating the goals of a high quality of life, health and
393 prosperity with social justice and maintaining the earth's capacity to support life in all its diversity. These social,
394 economic and environmental goals are interdependent and mutually reinforcing. Sustainable development can be
395 treated as a way of expressing the broader expectations of society as a whole

396 [SOURCE: ISO 26000:2010, modified]

397 **3.37**
398 **sustainable procurement (SP)**
399 procurement that delivers long-term social, economic and environmental benefits

400 Note 1 to entry: SP involves the sustainability aspects related to the goods and services and to the suppliers along the
401 supply chain

402 Note 2 to entry: SP contributes to the achievement of organisational sustainability objectives and goals

403 **3.38**
404 **tier 1 supplier**
405 supplier providing goods or services directly to the procuring entity

406 **3.39**
407 **universal design**
408 design of goods, environments, programs and services to be usable by all people, to the greatest extent
409 possible, without the need for adaptation or specialized design
410

411 Note 1 to entry: Universal design should not exclude assistive devices for particular groups or persons with disabilities
412 where this is needed.

413

414 **4 Fundamentals**

415 **4.1 What is sustainable procurement?**

416 **4.1.1 General**

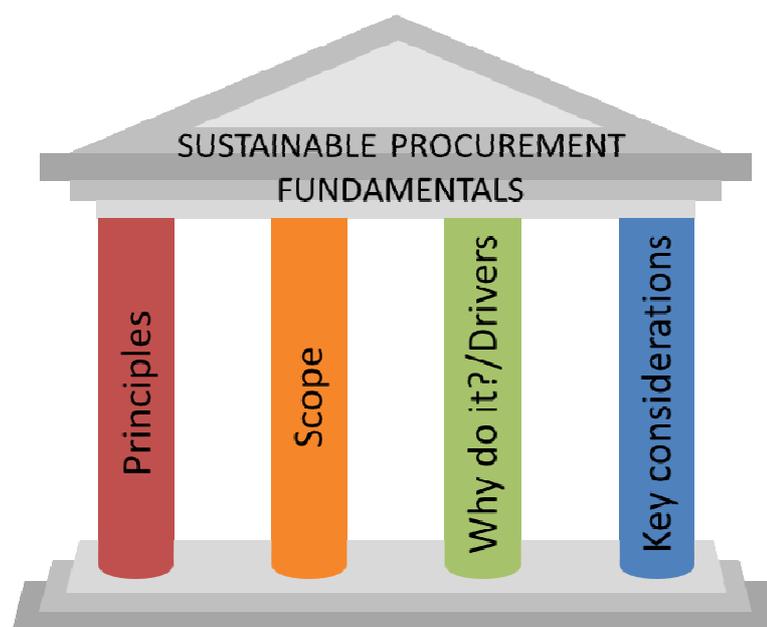
417 Sustainable procurement in general terms means making sure that the goods and services that an
418 organisation acquires have the lowest negative and the most positive environmental, social and economic
419 impacts feasible.

420 Sustainable procurement should not be viewed as an abstract, idealistic goal but as a reasonable, practical
421 and achievable aim for all private and public organisations, irrespective of their activity or their size.

422 Procurement is a powerful instrument when an organisation considers requirements for sustainability and
423 ISO 26000 is an important reference for an organisation wanting to improve its contribution to sustainable
424 development.

425 An overview of sustainable procurement fundamentals could be seen at Figure 2.

426
427
428
429
430
431
432
433
434
435



436 **Figure 2 — Overview Clause 4: sustainable procurement fundamentals**

437 **4.1.2 Principles of sustainable procurement**

438 The principles for sustainable procurement are listed below:

- 439
- 440 — accountability: an organisation should be accountable for its own impacts on society, the economy and
 - 441 the environment and for what is happening in its supply chains, taking into account the life cycle of
 - 442 goods and services;

 - 443 — transparency: an organisation should be transparent in its procurement decisions and activities that
 - 444 impact society, the economy and the environment, and should also encourage its suppliers to be
 - 445 transparent;

 - 446 — ethical behaviour: an organisation should behave ethically and promote ethical behaviour throughout
 - 447 its supply chains;

 - 448 — respect for stakeholder interests: an organisation should respect, consider and respond to the interests
 - 449 of its stakeholders impacted by its procurement activities;

 - 450 — respect for the rule of law and international norms of behaviour: an organisation should respect the rule
 - 451 of law, international norms of behaviour and human rights, and be aware of any violations throughout
 - 452 its supply chains. It should actively encourage its suppliers to abide by these rules and assess and
 - 453 address compliance as situations require.

 - 454 — transformative and innovative solutions: an organisation should seek transformative solutions to
 - 455 address its sustainability objectives and encourage innovative procurement practices to promote more
 - 456 sustainable outcomes throughout the entire supply chain;

 - 457 — focus on needs: an organisation should review demand, buy only what is needed and seek more
 - 458 sustainable alternatives first;

 - 459 — integration: an organisation should ensure that sustainability is integrated into all existing procurement
 - 460 practices to maximize sustainable outcomes;

 - 461 — global cost: an organisation should consider not only the total cost incurred by the organisation from its
 - 462 procurement but also consider the costs and benefits to society, the environment and the economy.

463 **4.1.3 Scope of sustainable procurement**

464 The scope of sustainable procurement can encompass:

- 465 — organisational governance: decision making processes and structures;
- 466 — human rights: due diligence, human rights risk situations, avoidance of complicity, resolving grievances,
467 discrimination and vulnerable groups, civil and political rights, economic, social and cultural rights,
468 fundamental principles and rights at work;
- 469 — labour practices: employment and employment relationships, conditions of work and social protection,
470 social dialogue, health and safety at work, human development and training in the workplace;
- 471 — the environment: prevention of pollution, sustainable resource use, climate change mitigation and
472 adaptation, protection of the environment, biodiversity and restoration of natural habitats;
- 473 — fair operating practices: anti-corruption, responsible political involvement, fair competition, promoting
474 sustainability in the value chain, respect for property rights;
- 475 — consumer issues: fair marketing, factual and unbiased information and fair contractual practices,
476 protecting consumers' health and safety, sustainable consumption, consumer service and support, and
477 complaint and dispute resolution, consumer data protection and privacy, access to essential services,
478 education and awareness;
- 479 — community involvement and development: community involvement, education and culture, employment
480 creation and skills development, technology development and access, wealth and income creation,
481 health, social investment.

482 For more detailed guidance about sustainability issues related to procurement, refer to Annex A Help Box -
483 sustainable procurement issues.

484 **4.2 Why procure sustainably?**

485 Practising sustainable procurement is one way an organisation contributes to sustainability and improves its
486 social, environmental and economic performance. Organisations, regardless of their current level of
487 involvement with sustainability activities, should consider integrating sustainability into their procurement
488 process. If managed effectively, this should encourage more sustainable solutions, promote more
489 sustainable practices and positively influence the sustainability performance of suppliers. Achievement of
490 desired outcomes may also enhance perception of an organisation's performance.

491 There are many reasons for practising sustainable procurement. Organisations should analyse how
492 strongly they are driven by the following factors in order to help identify key sustainability issues, establish
493 objectives and goals and set priorities.

494 Examples of organisational drivers are:

- 495 — customer: responding to customer and consumer sustainability expectations, such as safety,
496 environmental benefits and universal design throughout their supply chains;
- 497 — cost optimisation: optimising use of resources may lead to cost saving and reduced environmental
498 impacts, economies of scales and improved return on investment;
- 499 — risk management: sustainability issues may influence brand value and reputation, market share,
500 market capitalisation, legal exposures, financial liabilities, moral/ethical exposures, price fluctuations
501 and the risks associated with operating licences;
- 502 — supply chain security: avoiding disruptions due to product recall, financial penalties or supplier failure,
503 implementing continuous improvement processes, avoiding depletion of resources;

- 504 — legislation and regulation: compliance with legislation throughout the supply chain. Increasingly
505 governments are requiring organisations to operate more sustainably, e.g. restrictions on waste to
506 landfill, improved supplier diversity, carbon disclosure;
- 507 — investor confidence: sustainable procurement may improve scores from rating agencies and attract
508 investment;
- 509 — public policies: to achieve desired objectives such as promoting competitiveness, SMOs, efficient
510 management of public resources, good governance or social inclusion;
- 511 — competitive advantage: in competitive markets the ability to offer a sustainable value proposition
512 supported by the supply chain can be a differentiator. This can also be an advantage to the supplier as
513 well as the purchaser;
- 514 — the ability to offer sustainable goods and services can be an advantageous differentiator for the
515 supplier as well as for the purchaser;
- 516 — stakeholder expectations: responding to increasing stakeholder expectations to take account of
517 environmental and social factors in order to maintain a societal licence to operate;
- 518 — workers: paying attention to sustainability issues can lead to greater productivity and attract, motivate
519 and retain talent;
- 520 — innovation: using sustainable procurement to stimulate innovation from the supply chain to gain greater
521 shared value and to generate new markets;
- 522 — supplier commitment: improving supplier relationships, leading to improved supplier contribution to
523 organisational objectives;
- 524 — economic value creation: assessing more comprehensive total cost and benefit information can help
525 the organisation to be more effective;
- 526 — personal leadership: passionate leadership from key people in the organisation can promote
527 sustainable business practices including sustainable procurement
- 528 — organisational ethics: the right thing to do, alignment with organisation culture and values;

529 **4.3 Key considerations for Sustainable Procurement**

530 **4.3.1 General**

531 The practices presented in this clause are interconnected and should be considered in an integrated way,
532 through the engagement with stakeholders.

533 **4.3.2 Setting priorities**

534 The scope of sustainable procurement, presented in 4.1.3, constitutes the potential sustainability issues
535 faced by the organisation when procuring goods and services. However, a key component of a sustainable
536 procurement approach is to set priorities at different levels of the procurement activity:

- 537 — the organisational level, covered in clause 5;
- 538 — the category and key supplier level, covered in clause 6. These levels may not exist, depending on the
539 way the organisation operates; and
- 540 — the goods and services level, covered in clause 7.

541 Priority setting means determining the relevance, significance and priority for attention and action of the
 542 sustainability issues within the seven core subjects, as described in Annex A. For procurement this means
 543 issues connected to the buying of goods and services in the supply chain and within its sphere of influence.
 544 Priorities should be established for the sustainability issues that are relevant and significant¹.

545 The relevant sustainability issues can have different impacts (negative or positive) on stakeholders and the
 546 social, ecological and economic environment. Organisations should involve stakeholders, including
 547 suppliers, in identifying the significance of those issues. Relevant issues that are generally considered to be
 548 significant are non-compliance with the law; inconsistency with international norms of behaviour; potential
 549 violations of human rights; practices that could endanger life or health; and practices that could seriously
 550 affect the environment.

551 Suppliers and other stakeholders can also have an impact on the organisation itself, for example negative
 552 publicity in the press, political pressure or a consumer boycott. In ISO 26000 however, this impact is not a
 553 criterion for significance. It is a factor to be taken into account when determining whether an issue is
 554 relevant and potentially also when setting priorities.

555 **Table 1 — Examples of considerations when setting priorities of sustainability issues**

<p>Relevance = The sustainability issue or the aspect applies to the organisation.</p> <p>If Not: Specify why not (comply or explain)</p> <p>Relevance is determined by factors such as:</p> <ul style="list-style-type: none"> - (Potential) impact on social, environmental and economic aspects and stakeholders; - Connection with activities (processes, goods and services) of the organisation - Linkage to legislation and regulations; - Activities of other organisations in the value and supply chain and within the organisation's sphere of influence; - (Potential) impact of other organisations or persons on the organisation. - Sector organisations codes of conduct - Specific circumstances such as emergency or evacuation situations 	<p>Significance = The extent of the impact of activities and decisions by the organisation on sustainable development (people, society, environment and economy).</p> <p>Criteria include:</p> <ul style="list-style-type: none"> - Extent of the impact on sustainable development and stakeholders; - Potential effect of taking action or failing to take action; - Concerns of stakeholders regarding the issue - Societal expectations of responsible behaviour concerning the impacts. 	<p>Priority = The priority for attention and action.</p> <p>Issues/aspects that are relevant and significant deserve attention and action.</p> <p>Considerations include:</p> <ul style="list-style-type: none"> - What has to be done (effort) to achieve the required result and level of ambition for sustainability; - Performance with regard to legal compliance, international standards, international norms of Behaviour, state-of-the-art and best practices; - Contribution to important organisational objectives; - Costs, revenues and value creation; - Ease or difficulty of realization; - Time required for reaching the required results.
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¹ Relevance and significance of a sustainability issue is sometimes described as 'materiality' in other sustainability instruments, such as the Global Reporting Initiative.

558 **4.3.3 Exercising due diligence and managing risks**

559 Due diligence in the context of sustainability is a comprehensive, proactive process to identify the actual
560 and potential negative social, environmental and economic impacts of an organisation's decisions and
561 activities, with the aim of avoiding and mitigating those impacts.

562 In any due diligence process, an organisation should consider the potential and actual impacts of its own
563 activities; and the potential for negative consequences resulting from the actions of other entities or persons
564 whose activities are significantly linked to those of the organisation. For example, the activities of suppliers,
565 contractors, business partners, investment companies intermediaries.

566 In their international business activities organisations may face risks that differ from those they are familiar
567 with in their home country. Organisations may become involved with poor working conditions, intimidation
568 of union members or find themselves implicated in situations where farmland is unlawfully confiscated or
569 fragile ecosystems are damaged. They may become exposed to issues such as child labour, forced labour,
570 discrimination and less known issues such as the right to housing, the right to adequate supply of fresh
571 water and the right to cultural participation. International norms of behaviour expect organisations to take
572 responsibility and prevent and mitigate (potential) violations of human rights and other adverse
573 sustainability impacts in which they are or become directly or indirectly involved. This requires an
574 organisation to implement a due diligence process through which it can manage its actual and potential
575 adverse impacts on social, environmental and economic issues.

576 **4.3.4 Exercising influence**

577 In addition to consideration of sustainability impacts for its own decisions and activities, an organisation
578 may, in some situations, have the ability to affect the responsible behaviour of organisations/parties with
579 which it has relationships. This includes suppliers, contractors, business partners, intermediaries,
580 customers, consumers, and governments. Such situations are considered to fall within an organisation's
581 sphere of influence.

582 An organisation derives influence, or leverage, from sources such as ownership and governance, economic
583 relationships (such as supplier–buyer), legal/political authority and public opinion.

584 By analysing and exercising its influence an organisation and its procurement function can mitigate
585 negative sustainability impacts in the supply chain and stimulate good practices.

586 When assessing its sphere of influence and determining its responsibilities, an organisation should exercise
587 due diligence to avoid contributing to negative impacts through its relationships.

588 **4.3.5 Avoiding complicity**

589 Complicity related to sustainability has both legal and non-legal meanings.

590 In the non-legal context, complicity derives from broad societal expectations of behaviour. In this context,
591 an organisation may be considered complicit when it assists in the commission of wrongful acts of suppliers
592 or contractors that are inconsistent with, or disrespectful of, international norms of behaviour.

593 An organisation should not benefit from the unfair, exploitative or abusive labour practices of its partners,
594 suppliers or subcontractors, including home workers. Nor should it benefit from human rights abuses,
595 damage to the environment, negative impacts on local communities, unfair business practices and other
596 irresponsible issues.

597 Through exercising due diligence, an organisation knows or should know of substantial negative impacts on
598 society, the economy or the environment. An organisation may also be considered complicit where it stays
599 silent about, or benefits from, such wrongful acts.

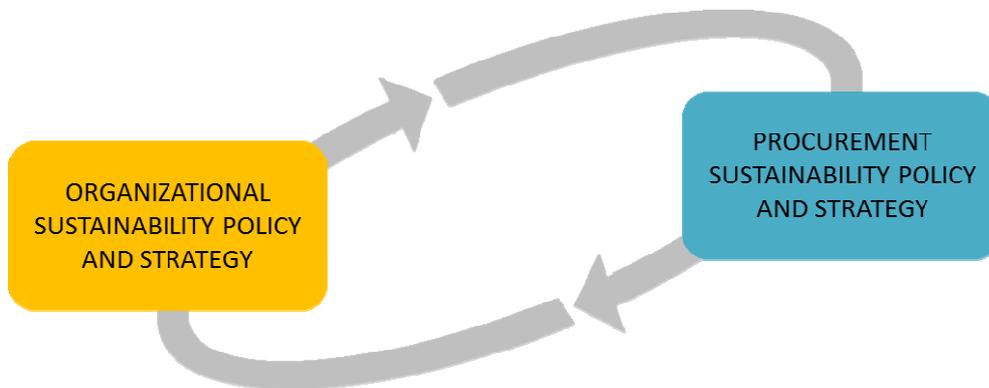
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- 602 While their boundaries are imprecise and evolving, three forms of complicity can be described:
- 603 — direct complicity. This occurs when an organisation knowingly assists. For example, in a violation of
604 human rights, poor labour practices, environmental damage, non-compliance with the law, unfair
605 competition, endangering health or other sustainability issues from the seven core subjects;
 - 606 — beneficial complicity. This involves an organisation or subsidiaries benefiting directly from abuses
607 committed by suppliers or contractors. For example an organisation benefiting economically from
608 suppliers' abuse of child or forced labour;
 - 609 — silent complicity. This can involve the failure by an organisation to raise the issue and the associated
610 negative impacts. For example, not raising the question of systematic or continuous human rights
611 violations with the appropriate authorities, for instance, not speaking out against systematic
612 discrimination in employment law against particular groups.

613 **5 Integrating sustainability into the organisation’s procurement policy and**
614 **strategy**

615 **5.1 Committing to sustainable procurement**



616
617 **Figure 3 — Overview Clause 5: Link between organisational and procurement sustainability policy**
618 **and strategy**

619 Sustainability considerations should be integrated at the highest and most strategic level of the
620 procurement function in order to clearly set the intentions, directions and priorities for the whole
621 organisation in terms of sustainable procurement.

622 When they exist, two key procurement documents are typically impacted and should be linked with the
623 overall organizational sustainability policy and strategy (see Figure 3):

- 624 — a document, often called ‘policy’, which expresses the intentions, objectives and values of the
625 organisation, as formally expressed by its top management. Such a document usually describes
626 elements such as the vision, values, commitments and rules.

- 627 — a written plan, often called ‘strategy’, outlining how an organisation’s procurement intentions and
628 directions will be delivered. This should outline the key objectives and targets and include a basic work
629 plan.

630 Some organisations might not separate these two documents: typically, it depends on their size, sector and
631 operations. They may also use the words interchangeably. For example an organisation may have a
632 strategy document, and then a series of underpinning policies.

633 Some organisations create stand-alone sustainable procurement policies and strategies. This approach can
634 be useful in increasing the visibility of the sustainable procurement approach within the organisation,
635 especially when the concept is new and requires change management. However, the ultimate goal should
636 be to embed sustainability into existing procurement documents.

637 **5.2 Aligning with organisational goals**

638 Many organisations have views and commitments about sustainability that are reflected in an organisational
639 sustainability policy, strategy or both. The organisational sustainability policy is usually formalized in a
640 document and is a declaration of intent that informs the direction of an organisation expressed by its top
641 management. It should provide clear guidance to all stakeholders and should be understood and
642 implemented at all relevant functions and levels of the organisation.

643 When setting procurement priorities management should begin by understanding and adapting those
644 corporate goals and issues into clear sustainability objectives for the procurement policy and strategy.

645 This should take into account the organisation's strategic choices such as externalization, increased
646 subcontracting abroad, increased partnerships, mergers and acquisitions, which can have significant
647 impact on the way business might be conducted in the future. This exercise should result in the
648 establishment of specific, measurable, achievable, realistic and timely objectives for the key issues
649 identified for sustainable procurement. The organisational goals can be broken down into more specific
650 issues to provide greater clarity and adapted to create measurable objectives.

651 When an organisation has a sustainability policy and strategy the procurement function should also take
652 responsibility for the implementation of the sustainable procurement aspects.

653 If an organisational policy or strategy does not exist then top management should be engaged to
654 understand the need to embrace sustainability, to formally determine the strategic intentions and objectives,
655 and to clarify how this aligns with the business priorities.

656 Some organisations first approach sustainability by starting with what is purchased. In such cases the
657 organisation should realize that the involvement with sustainable procurement implies being aware of its
658 responsibility for the sustainability impacts of its decisions and activities. Dealing with those responsibilities
659 might mean be the establishment of a sustainable procurement policy and strategy.

660 **5.3 Adapting to the procurement context**

661 **5.3.1 General**

662 The procurement function should interpret the organisational sustainability policy and strategic goals and
663 align the objectives with the procurement goals. At this stage, it can be relevant to map the supply chain
664 and analyse the expectations of key procurement stakeholders.

665 **5.3.2 Understanding supply chains**

666 In order to set priorities for sustainability, it is necessary to have an overview of the supply chain for goods
667 and services by asking the following questions:

668 — what are the core processes in the supply chain that are needed to deliver goods and services?

669 — how is the supply chain organized? How complex is it? How many tiers exist?

670 — who are the important actors and partners in the supply chain? How do goods, services, payments and
671 information flow through the supply chain?

672 — what external forces influence performance in the supply chain?

673 — what are the sustainability impacts of the goods and services procured?

674 When mapping the supply chain it may be helpful to:

675 — perform a 'spend analysis' to understand each category of supply, expenditure and suppliers, and their
676 type and location;

677 — understand where most significant raw materials and/or semi-finished products come from;

678 — understand where labour is sourced;

679 — verify how and by whom, goods are transported;

680 — review the suppliers historical performance.

681 Mapping supply chains, particularly for complex goods where components are sourced globally, can be a
682 challenging task. This can be made easier by a sustained commitment to gathering data, enhancing and
683 controlling data quality and adequate engagement with suppliers at each stage of the supply chain.

684 **5.4 Managing implementation**

685 Organisational governance is an overarching core subject of ISO 26000. It is an essential driving force in
686 successful implementation of sustainable procurement, as it enables the organisation to assume
687 responsibility for the impacts of its decisions and activities, and takes account of sustainability both
688 internally and in terms of its relationships.

689 Organisational governance may impact four major areas concerning sustainable procurement:

690 — policy formation for sustainable procurement, which should be related to the organisation's strategy,
691 policy and objectives and should integrate sustainability criteria;

692 — the strategic integration and deployment of sustainable procurement, whose objectives should reflect
693 the evaluation of overall performance including the costs and revenues generated as well as the
694 attainment of social and environmental goals. The objectives should equally enable the implementation
695 of mutually beneficial relationships between the organisation and its stakeholders both within (the other
696 functions of the organisation) and outside (suppliers, government, etc.) the organisation;

697 — the operational implementation of sustainable procurement, commencing with the implementation of a
698 strategy and an action plan. Reporting should be required to monitor the overall activity, to analyse any
699 variances against defined objectives and to promote continual improvement. The strategy and the
700 action plan should apply throughout the supply chain and encompass both suppliers and
701 subcontractors;

702 — responsible communication, which enables the organisation to share its commitments, progress and
703 results. The purpose is to inform its stakeholders as to the extent of application of sustainable
704 procurement, engage in dialogue and facilitate operational implementation in conjunction with suppliers
705 by providing them with guidance.

706 A sustainable procurement policy should:

707 — reflect its own values and display its sense of commitment to sustainability;

708 — define its policy clearly and precisely;

709 — align with the organisational goals;

710 — take into account the three pillars of sustainability: economic, social and environmental considerations.

711 When implementing a policy of sustainable procurement, it is recommended that the organisation:

712 — assesses the applicable sustainability risks and opportunities in terms of its activities and therefore, of
713 its goods and services;

714 — ensures effective communication of its policy so as to ensure that all stakeholders have been
715 appropriately informed;

- 716 — plans the implementation, including the establishment of strategies to implement the policy, where
717 appropriate;
- 718 — ensures that the resources needed are available;
- 719 — assesses and monitors the implementation.

720 6 Organizing the procurement function towards sustainability

721 6.1 General



722

723 **Figure 4 —Overview Clause 6: enabling steps for organizing the procurement function towards**
724 **sustainability**

725 Before focusing on the implementation of sustainable procurement it is recommended that the procurement
726 function is thoroughly analysed. This includes determining the level of maturity of the purchasing function
727 and the degree of representation in the different layers of the organisation.

728 This clause describes the organisational conditions and management techniques needed in order to
729 successfully implement and continually improve sustainable procurement (see Figure 4).

730 6.2 Governing procurement

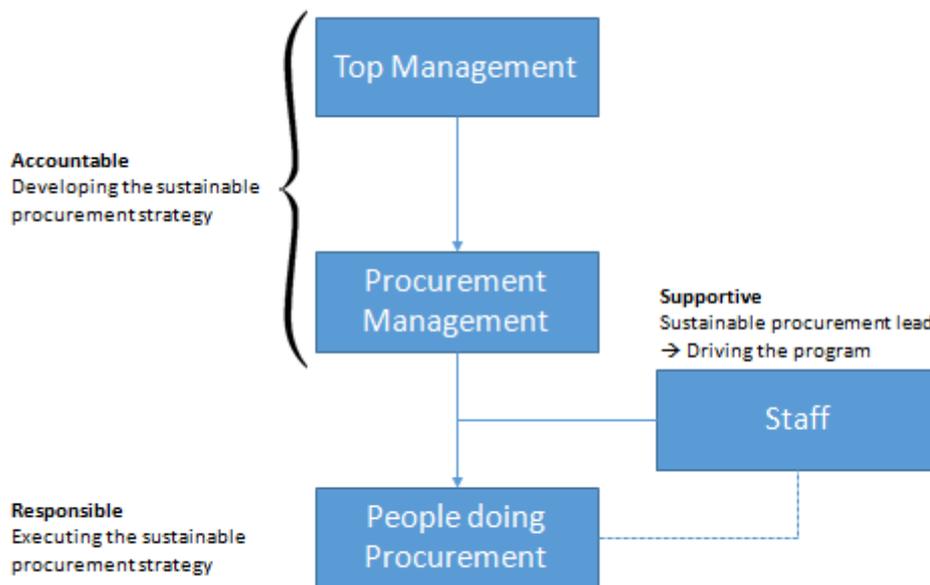
731 6.2.1 General

732 A clear governance structure is essential to ensure accountability and management involvement in
733 procurement planning, the procurement process and delivery of sustainability objectives.

734 It is important to integrate sustainability into existing governance arrangements and not to develop a new
735 governance program. There should be a clear connection between how procurement is governed and the
736 sustainability issues and impacts described in this standard.

737 6.2.2 Governance

738 Organisations often have a group of people to provide governance over issues such as approving
739 procurement strategies, gateways and commitments, monitoring savings and other functional key
740 performance indicators. This group should incorporate governance of sustainability issues in accordance
741 with this standard. Procurement personnel should also be included within an existing group or internal
742 sustainability committee.

743 **6.2.3 Accountability**

744

745

Figure 5 — Roles and levels of accountability for sustainable procurement

746 Clear accountabilities for sustainable procurement should be established. An example could be seen at
 747 Figure 5. The accountability at a senior management level usually resides with the head of procurement.
 748 This arrangement plus integrating sustainability into the teams' objectives and job descriptions may be
 749 sufficient. However, as most sustainable procurement programs involve a degree of change management,
 750 it may be necessary to allocate accountability to implement this standard.

751 **6.2.4 Procedures and systems**

752 Governance requires a set of rules that people need to follow. For most organisations, this typically
 753 comprises a set of documents: policies, systems, procedures, standards and templates, etc. These
 754 documents need to be aligned with the organisation's sustainability and procurement objectives. Some
 755 organisations use systems (e.g. e-tendering, contract management system, enterprise resource planning
 756 systems etc.) to support their workflow and procedures. These systems should also be aligned with the
 757 organisation's sustainability objectives where necessary. Assurance can help consolidate procedures and
 758 systems and should integrate sustainable procurement.

759 **6.3 Enabling people**760 **6.3.1 General**

761 Effective delivery of sustainable procurement policy and strategy requires that all personnel involved in
 762 procurement decisions, including internal stakeholders (such as production staff, budget holders or others
 763 engaged with suppliers in any capacity), understand the reasons for implementing sustainable procurement.
 764 It is also important that all internal stakeholders understand how to play their part in such implementation,
 765 and are given the means to do so. This may involve advising top management, to better understand and
 766 support sustainability. People tasked with delivering sustainable procurement should be enabled to do so
 767 through a supportive organisational culture, performance management, training and support.

768 **6.3.2 Organisational culture**

769 Introducing a relatively new concept to personnel requires carefully managed integration into the
770 organisational culture. It is necessary to develop a culture that embraces change and an environment
771 where collaboration, innovation and appropriate risk taking are encouraged. Key stakeholders should be
772 encouraged to network and engage in internal and external groups, if relevant. This can provide learning,
773 benchmarking opportunities and capture mutual benefits.

774 **6.3.3 Performance management**

775 If the organisation wants to consolidate this cultural change, it should ensure that sustainable procurement
776 is incorporated into performance management. Sustainable procurement objectives should appear in
777 documents like:

- 778 — job descriptions;
- 779 — personnel development plans;
- 780 — collective and/or individual performance agreements;
- 781 — recruitment and induction programs;

782 **6.3.4 Reward and recognition arrangements, developing competence**

783 Competence may be seen as the ability to apply knowledge and skills to achieve intended results. Applying
784 a sustainable procurement strategy requires acquisition of new knowledge and developing skills to apply
785 that knowledge practically. For example, in depth product category expertise should be acquired to
786 understand the relation to sustainability issues.

787 Procurement organisations should identify the learning and development needs of those involved in the
788 procurement process. However, people involved in procurement should not be expected to be sustainability
789 experts; the organisation should ensure that professional sustainability advice and support is available for
790 them.

791 **6.3.5 Learning from others**

792 It is important to have a monitoring function that allows the organisation to take into account sustainability
793 issues and good practices that are fast moving. It could also be useful to join collaborative initiatives. Bad
794 examples or worst case scenarios are also useful to monitor and learn from. Reports from non-
795 governmental organisations, blacklists of banks or specialized media enquiries should also be taken into
796 account as a source of learning.

797 **6.3.6 Guide**

798 Appropriate tools and guidelines can be useful to enable procurement professionals to achieve
799 sustainability objectives. For example:

- 800 — sustainability guides per category or sector ;
- 801 — guides on social and environmental certifications, management systems, analytical tools, etc.;
- 802 — evaluation tools, such as whole life cost models;
- 803 — case studies.

804 **6.4 Stakeholder identification and engagement**805 **6.4.1 General**

806 In addition to being responsible for its own decisions and activities, a procuring organisation may have the
807 ability to affect the behaviour of suppliers with which it has relationships and to promote more sustainable
808 outcomes. There are situations, determined by the prioritization, where a procuring organisation should use
809 its influence to improve the behaviour of suppliers.

810 Change management towards sustainable procurement practices requires the engagement of key
811 stakeholders, including suppliers. Few outcomes can be delivered without their full contribution.

812 Stakeholder identification and engagement assists the organisation in implementing its sustainable
813 procurement policy by providing an understanding of how its activities can negatively or positively affect
814 others, and by providing a means to avoid or mitigate those negative impacts or explore positive
815 opportunities. It should be interactive and is intended to provide opportunities for stakeholders to engage in
816 the decision making process, so they can inform their own decisions and ensure that their views are heard.

817 **6.4.2 Identifying key stakeholders**

818 The organisation should consider mapping its key interested parties in relation to its sustainable
819 procurement initiative.

820 Table 2 shows an example of a typical range of stakeholders to be identified, prioritized and engaged from
821 a procurement perspective and why they should be engaged:

822 **Table 2 — Different types of stakeholder with examples of their interests in and impacts on the**
823 **organisation**

Types of stakeholders	Examples of stakeholders (who?)	Examples of stakeholders interests (why?)	Examples of impacts on organization (how, from the procurement standpoint?)
Internal	Top management / entrepreneur	Protect image Improve brand reputation Get competitive advantage Support innovation	Exercise due diligence on Supply chain Promote collaboration with suppliers Reduce costs and innovate Transparency on Corporate Social Responsibility
	Procurement people	Mitigate procurement risks Reduce costs Comply with regulations Sustain innovation Motivate buyers	Map Corporate Social Responsibility risks and opportunities Analyze true cost of products Understand suppliers expectations Purchase innovative and sustainable goods and services Train buyers, empower them
	Corporate Social Responsibility (CSR) / sustainability people	Improve CSR performance Support innovation Create value through Corporate Social Responsibility	Provide Corporate Social Responsibility rating agencies with relevant data. Information disclosure Provide Corporate Social Responsibility relevant advices Support buyers training
	Other internal people (finance, Health and Safety, Human Resources, operational manager, etc.)	Improve Health and Safety Monitor payment term Return on investment	Assess employees performance Integrate sustainability in daily operations Improve procurement Corporate Social Responsibility performance Corporate Social Responsibility training and awareness
Supply chain	Suppliers (tier 1, 2...)	Be paid on time Be paid at the fair price Have business perspective Have fair contracting conditions	Monitor payment terms Make sure contractual conditions are fair Engage long term relationships Support partnerships with suppliers Avoid supply chain disruption
	Subcontractors (workers)	Get fair contracting conditions Have fair, healthy and safe working conditions	Make sure contractual conditions are fair Engage long term relationships Influence suppliers / subcontractors on negative impacts
	Business partners, consultants	Improve collaboration Innovate Create mutual benefits	Have coherent strategies to address sustainability with privileged partners

External	Customers and clients	Buy sustainable products / services	Sell environmentally and socially responsible goods and services Support responsible operation of the supply chain
	Local community	Support local employment, promote wealth and income creation	Create conditions for a constructive dialogue with local communities Support to disadvantaged communities e.g. minorities, unemployed people, disabled people, indigenous people, etc. Obtain license to operate
	Governments, public sector, academic, international agencies	Protect human rights , promote the access to essential services, protect the environment, foster collaborative research	Comply with legislation and regulation (e.g. waste management, supplier diversity, corruption, reporting)
	Non-Governmental Organisations (NGO)	Create awareness for a more sustainable society	Create condition for a good dialogue with civil society Collaborate with Non-Governmental Organisations
	Trade unions / workers	Achieve better working conditions	Put in place grievance mechanisms Monitor suppliers Reduce orders delay
	Investors, financial sector, rating agencies	Mitigate negative financial impacts Reduce uncertainty Support responsible return on investment	Support sustainability and continuity of the supply chain
	Sector association peers	Motivate industry actors Promote good sustainability practices	Reach or support an industry initiative Share good and bad practices Promote capacity building of suppliers

824 6.4.3 Engaging internal stakeholders

825 For information about engaging internal stakeholders, please refer to clause 6.3.

826 6.4.4 Engaging the supply chain

827 6.4.4.1 General

828 A fair and inclusive process based on engaging suppliers should be developed. Effective supplier
829 engagement is based on good faith and goes beyond public relations.

830 A procurement organisation should be conscious of its decisions and activities on the interests and needs
831 of its suppliers. It should have due regard for its suppliers as well as their varying capacities and needs to
832 engage with the organisation.

833 Supplier engagement is more likely to be meaningful when the following elements are present:

834 — a clear purpose for the engagement is understood;

835 — the suppliers' interests have been identified;

836 — the relationship that these interests establish between the organisation and the supplier is direct or
837 important;

838 — the suppliers have the necessary information and understanding to make their decisions;

839 — a balanced two-way communication is established.

840 An organisation should provide capacity building, especially for small and medium sized organisations.
841 This can improve alignment between the organisation and supplier and may require mobilizing internal as
842 well as external resources.

843 Various engagement techniques can be used depending on how ambitious the organisation's objectives
844 are regarding the management of sustainability impacts in its supply chain and how competent the supply
845 chain is to deliver them.

846 When engaging the supply chain, an organisation may also ensure that it creates opportunities for under-
847 utilized groups of suppliers in society by including them in procurement decisions. This can be done
848 through initiatives such as supplier diversity programs.

849 **6.4.4.2 Exercising influence**

850 In addition to being responsible for its own decisions and activities, an organisation may, in some situations,
851 have the ability to affect the responsible behaviour of organisations/parties with which it has relationships,
852 like suppliers, contractors, business partners, intermediaries, customers, consumers, government. Such
853 situations are considered to fall within an organisation's sphere of influence.

854 An organisation and its procurement function should:

- 855 a) assess its sphere of influence within the supply chain;
- 856 b) promote sustainability in the supply chain;
- 857 c) exercise influence within the supply chain.

858

859 For more information see Annex B, Help box ISO 26000 Sphere of influence.

860 **6.4.5 Engaging external stakeholders**

861 Additional research may identify stakeholders, e.g. organisations that could support the implementation of
862 actions such as peers, universities, non-governmental organisations, trade unions, etc. This can help to
863 increase leverage or influence, share learning and/or promote collaboration to implement joint projects on
864 sustainability issues.

865 Engagement needs to be aligned with the organisation's approach and should be coordinated with
866 externally facing functions such as customer and investor relations, public affairs and corporate social
867 responsibility.

868 Government can be an important stakeholder to assist and support a level playing field as regulators and
869 can offer incentives to improve sustainability practices, especially in cases where sustainability initiatives
870 are insufficiently competitive. In these cases an organisation may exercise influence by working with the
871 government to set policy and standards. Moreover, as a public buyer, government may also have an
872 important role to play.

873 Engagement can be on a one-to-one basis or can be more effective through groups such as trade/sector
874 organisations, government supported groups or non-governmental organisations and other non-profit
875 organisations focused on improving sustainability performance.

876 When engaging in direct peer-to-peer dialogue, care should be taken to ensure that any engagement is
877 ethical and cannot be deemed anti-competitive and that due consideration is given to protecting confidential
878 information or intellectual property and protection against any risk of bribery or fraud.

879 **6.5 Setting priorities**

880 **6.5.1 Due diligence and risk management**

881 A risk management approach should apply to control the organisational processes and reflect the "normal"
882 way to operate. New activities as a result of the organisation's own policy decisions, changes in the
883 operating environment or stakeholder demands need to be integrated in the management approach to
884 ensure they become part of the day-to-day operations.

885 Implementation of the due diligence process can be split into three complementary activities:

- 886 a) conducting an initial assessment of the organisation's current status with respect to the sustainability
887 issues and sustainable procurement principles;
- 888 b) updating or establishing the risk management process; and

889 c) identifying and managing the sustainability impacts.

890 Due diligence aligns well with the structure of generic risk management frameworks. This allows for direct
891 integration of due diligence in existing risk management practices alongside other risk domains that a
892 company decides to address. In any due diligence process, an organisation should consider the country
893 context in which it operates or in which its activities take place. The organisation should include in a due
894 diligence process, in a manner appropriate to the organisation's size and circumstances, the following
895 components:

896 — a means of tracking sustainability performance over time, to be able to make necessary adjustments in
897 priorities and approach; and

898 — appropriate actions to address the negative sustainability impacts of its decisions and activities.

899 Depending upon the situation and influence, appropriate actions could include: establishing contractual
900 obligations on suppliers and subcontractors; making unannounced visits and inspections; and exercising
901 due diligence in supervising contractors and intermediaries.

902 An organisation should exercise due diligence to ensure that it is not participating in, facilitating or
903 benefiting from wrongful acts of suppliers. An organisation can become aware of, prevent and address risks
904 of complicity by integrating the common features of legal and societal benchmarks into its due diligence
905 processes.

906 An organisation should also:

907 — not enter into a formal or informal partnership or contractual relationship with a supplier that commits
908 wrongful acts in the context of the suppliership or in the execution of the contracted work without
909 explicit agreements and monitoring of improvement;

910 — ensure it is not complicit in any displacement of people from their land unless it is done in conformity
911 with national law and international norms;

912 — consider making public statements, or taking other action indicating that it does not condone social,
913 environmental and economic wrongful acts, occurring in the supply chain concerned;

914 — verify that its security arrangements respect human rights and are consistent with international norms
915 and standards for law enforcement.

916 Appropriate actions for priority setting should be defined according to the two following steps in sub clauses
917 6.5.2 and 6.5.3.

918 **6.5.2 Mapping sustainability issues to purchase categories**

919 Many procurement functions implement a category management approach. It usually results in a category
920 plan, which should integrate sustainability considerations.

921 This category plan should be a collective exercise between procurement people, internal stakeholders and
922 those who have knowledge to contribute from other parts of the business. This could be technical staff with
923 a deep understanding of the category of supply, sustainability specialists, or customer facing people who
924 understand customers' needs and expectations. The group should consider:

925 — the purchase volume and/or expenditure of the category;

926 — the inherent (or gross) risk and/ opportunities related to the good or service and key sustainability
927 issues;

928 — criticality to the business operations;

929 — the location of current key suppliers for the category;

930 — changing legislative requirements relating to sustainability;

931 — future business requirements.

932 Once the organisation has analysed its supply chain and categories of supplies, the next step is to analyse
 933 sustainability issues by category. This could be a collective exercise between internal and external
 934 stakeholders.

935 This mapping of the organisations various purchase categories' and sustainability issues could look like the
 936 following:

937 **Table 3 — Sustainability issues per purchase category and their level of impact**

Sustainability issues Purchase categories	Issue 1 (e.g. climate change)	Issue 2 (e.g. health and safety)	Issue 3 (e.g. local employment)	Issue n
Category 1 (e.g. cleaning services)	Low impact	High impact	Low impact	Low impact
Category 2 (e.g. building construction)	Medium impact	High impact	High impact	Medium impact
Category 3 (e.g. packages)	Medium impact	Low impact	Low impact	Medium impact
Category n	High impact	Medium impact	Medium impact	Low impact

938

	high impact	939
	medium impact	940
	low impact	941

942

943 Each sustainability issue will either be:

944 — aligned with the seven core subjects of the ISO 26000 standard (as defined in Annex A);

945 — and/or aligned with the key issues as defined by the sustainability policy of the organisation.

946 Once this mapping is done, it can be deepened by a lifecycle analysis.

947 **6.5.3 Mapping suppliers related to critical sustainability issues**

948 Mapping the sustainability issues to suppliers enables organisations to determine which suppliers heavily
 949 contribute to each issue and should thus be given careful consideration when implementing the policy and
 950 strategy.

- 951 This analysis can be considered in a number of ways depending on the current governance system and the
952 availability of organisational resources:
- 953 a) map all suppliers in high priority categories (red and/or orange in the Table 3), or
- 954 b) if the organisation has a strategy to select critical suppliers for supplier relationship management, map
955 those suppliers and address prioritized sustainability issues.
- 956 c) consider scope of influence or leverage. This is considered to exist where the organisation has the
957 ability to affect change in the practices of the supply chain. Leverage may reflect one or more of a
958 number of factors, such as:
- 959 1) whether there is a degree of direct control between the organisation and the supplier;
- 960 2) the terms of contract between the organisation and supplier;
- 961 3) the proportion of business the organisation represents for the supplier;
- 962 4) the ability of the organisation to incentivize the supplier to improve performance in terms of future
963 business, reputational advantage, capacity-building assistance etc.;
- 964 5) the reputational benefits for the supplier of working with the organisation, and the reputational
965 harm of that relationship being withdrawn;
- 966 6) the ability of the organisation to collaborate with other buyers to incentivize improved performance;
- 967 7) the ability of the organisation to engage government in requiring improved performance by the
968 supplier through implementation of regulations, monitoring, sanctions, etc.
- 969 d) understand the supply chain. It is often necessary to understand the supply chain below Tier 1. This
970 can be done by considering the following:
- 971 1) understanding which lower tier suppliers have a high level of sustainability maturity and can make
972 a contribution or which lower tier suppliers have a low level of sustainability maturity and may be
973 an obstacle;
- 974 2) evaluating and working with lower tier suppliers transparently to identify key risks lower down the
975 supply chain and to improve supplier capacity (see clause 6.4.4);
- 976 3) working with organisations with a significant influence in business relationships – such as first tier
977 suppliers, traders, dealers, merchants, intermediaries, distributors;
- 978 4) analysing how organisations' prices and commercial conditions make it easier for suppliers to
979 manage their supply chain;
- 980 5) examining which suppliers the organisation has developed a partnership with and also what the
981 quality and depth of this partnership is like.
- 982 e) focus on opportunities as well as risks.

983 **6.6 Measuring and improving performance**

984 **6.6.1 General**

985 Measuring and monitoring is necessary to:

- 986 — establish a baseline measurement;
- 987 — monitor performance and take corrective action if necessary;

- 988 — show results and engage with decision makers and internal stakeholders;
- 989 — benchmark the organisation against competitors and sustainability leaders;
- 990 — communicate to external stakeholders, e.g. through annual reports.

991 **6.6.2 Metrics and Indicators**

992 The procurement function should define sustainability goals and targets and related key performance
993 indicators. Then it should put in place systems to collect and analyse the data and use them to support its
994 sustainable procurement approach. Measurement might have both qualitative and quantitative dimensions
995 and may be applied to both procurement practices and outcomes. Consideration should also be given to
996 qualitative indicators such as surveys and any feedback provided from staff and suppliers.

997 Metrics are the raw data that are collected to understand performance. Indicators are the information used
998 to assist in management. For example, metrics related to sources and use of energy can be converted to
999 an indicator related to carbon emissions and quality of life.

1000 It is important to measure the baseline position so the impact of sustainable procurement activities can be
1001 monitored and measured. Time is needed for the impact of a sustainable procurement program to flow
1002 through from organisational indicators, to outcomes and eventually to have an impact on the macro-
1003 economic impact of the organisation.

1004 There are different types of indicators that can be considered. These include:

- 1005 — process indicators: related to the measurement and monitoring of progress towards the achievement of
1006 organisational policy, objectives and goals, etc.;
- 1007 — outputs indicators: related to the measurement of the outputs of the sustainable procurement policy
1008 implementation and of the sustainable procurement process in itself;
- 1009 — outcome indicators: related to the performance of the organisation, especially those aspects that are
1010 affected by the sustainable procurement process.

1011 These indicators may be aligned to the financial/economic ones to enable the organisation to better monitor
1012 the impact of its sustainability practices on its performance.

1013 **6.6.3 Reporting**

1014 Reporting can happen at a number of levels (See table 4) and consideration should be given to ensure that
1015 information moving through these levels is interconnected and data is transferable between these levels, to
1016 avoid an unnecessary reporting burden.

1017 Consideration should also be given to an organisation's sustainability commitments, and how procurement
1018 can contribute to these commitments. As such, metrics to be drawn through the procurement activity should
1019 be consistent with those used at the organisational level.

1020 As suppliers are increasingly being asked for sustainability data from a variety of customers, organisations
1021 should be aware of the need to minimize the reporting burden upon their suppliers, and also of the need to
1022 potentially be required to submit sustainability data to their own customers. By drawing from internationally
1023 accepted sustainability reporting frameworks for sustainability metrics, they can ensure that the data that
1024 they are requesting is consistent internationally thus minimizing the burden of reporting upon suppliers and
1025 creating a global language through which sustainability data is communicated.

1026

Table 4 — Levels of reporting and examples of reporting activities

	Reporting levels	Examples of reporting activities
	External stakeholders	Annual report, Sustainability report
	Organization's top management	Top management reports
	Procurement Function	Reports to Procurement Management
	Supplier/Contract	Supplier performance reviews Contract KPIs

1027

1028 Communication should be complete, understandable, responsible, accurate, balanced, timely and
1029 accessible.

1030 6.6.4 Benchmarking

1031 An organisation might choose to benchmark itself against peer organisations. One way to do this is by
1032 means of comparison to formally established indexes. For example, there are a number of robust
1033 sustainability measurement indexes available. These are not limited to supply chain activities but take into
1034 account many aspects of an organisation's practices including its supply chain.

1035 6.7 Grievance mechanism

1036 Even where organisations operate optimally, significant negative sustainability impacts in the supply chain,
1037 including human rights violations, may be caused by an organisation's procurement decisions and activities.
1038 Grievance mechanisms play an important role to provide an access to remedy. An organisation should
1039 establish a mechanism for stakeholders in the supply chain to bring this to the attention of the organisation
1040 and seek redress. This mechanism should not prejudice access to available legal channels. Non-state
1041 mechanisms should not undermine the strengthening of state institutions, particularly judicial mechanisms,
1042 but can offer additional opportunities for recourse and redress.

1043 For grievance mechanisms to be effective, they should be:

- 1044 a) based on engagement, dialogue and mediation: the process should look for mutually agreed solutions
1045 through engagement between the parties;
- 1046 b) legitimate: to enable trust from the stakeholder groups for whose use they are intended, and being
1047 accountable for the fair conduct of grievance processes;
- 1048 c) accessible: known to all stakeholder groups for whose use they are intended, providing adequate
1049 assistance for those who may face particular barriers to access;
- 1050 d) predictable: provide a clear and known procedure with an indicative time frame for each stage, and
1051 clarity on the types of process and outcome available and means of monitoring implementation;
- 1052 e) equitable: to ensure that aggrieved parties have reasonable access to sources of information, advice
1053 and expertise necessary to engage in a grievance process on fair, informed and respectful terms;
- 1054 f) transparent: to keep parties to a grievance informed about its progress, and provide sufficient
1055 information about the mechanism's performance to build confidence in its effectiveness and meet any
1056 public interest at stake;
- 1057 g) rights-compatible: to ensure that outcomes and remedies accord with international norms of behaviour;

1058 h) A source of continuous learning: drawing on relevant measures to identify lessons for improving the
1059 mechanism and preventing future grievances and harms.

1060 An organisation should set up grievance mechanisms that allow stakeholders, especially vulnerable
1061 stakeholders such as sub-contracted workers, people in local community suppliers to take their problems,
1062 complaints and/or suggestions to procurement and other management. This can be done through different
1063 channels, depending on the sustainable issues being reported.

1064 Grievance mechanisms should also:

1065 — be easy to understand for stakeholders reporting grievances;

1066 — have a mechanism to ensure confidentiality and independency;

1067 — have a procedure for management to follow-up on reported grievances, involving external stakeholders
1068 (third party) if necessary;

1069 — have a procedure to monitor the status of grievances;

1070 — have an appeals system which can be anonymous;

1071 — ensure that an individual, group or organisation which reports a grievance can do so without fear of
1072 penalty, dismissal or reprisal of any kind.

1073 In contributing to grievance mechanisms the procurement function can play an important role in mitigating
1074 negative impacts in the supply chain and providing access to remedy of affected stakeholders.

1075 **7 Integrating sustainability into the procurement process**

1076 **7.1 General**

1077 Clause 7 addresses the procurement process and is intended for individuals who are responsible for the
1078 actual procurement carried out within their organisation. This clause may also be of interest to those in
1079 associated functions.

1080 Individual behaviour is of fundamental importance to successfully implement sustainable procurement. The
1081 organisation should create the conditions under which the people responsible for procurement can exercise
1082 their role effectively.

1083 Sustainable procurement should be integrated into existing procurement processes and the creation of a
1084 parallel process should be avoided. Figure 6 illustrates a typical procurement process flow; this flow is used
1085 as the structure of this clause.

1086 The process of integration should begin with the creation of a clear and compelling business case of how
1087 integration supports the organisation in achieving its purpose, meeting the expectations of its stakeholders,
1088 and achieving its organisational objectives.

1089

1090

1091



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1093

Figure 6 — Integrating sustainability into the procurement process

1094 Principles of sustainable procurement referred to in clause 4 should be integrated into the procurement
1095 process which may then be undertaken through the following five phases:

1096 — planning: integrate sustainability considerations at the outset by identifying stakeholders, determining
1097 criteria, analysing the supply market and analysing profitability based on the approach of product
1098 lifecycle and product cost data;

1099 — procurement criteria: define precise criteria reflecting the key sustainability issues and include details of
1100 specific technical environmental features, production methods, the use of specific criteria, as well as
1101 procedures for verification of compliance;

1102 — sustainability aspects of suppliers: select suppliers on the basis of a pre-agreed scoring methodology
1103 that includes principles of sustainability, sustainability practices, life cycle approach and of goods and
1104 services lifecycle costs;

1105 — contract management: issue orders, monitor execution and supplier payment performance. It is
1106 important that contractual clauses include sustainability criteria and are agreed on. It is also important
1107 that sustainable elements and associated performance targets are communicated and understood by
1108 relevant internal stakeholders to ensure that any sustainability commitments made in the contract are
1109 fully implemented and compliance is monitored;

1110 — contract review and lessons learnt: assess the experience acquired and suppliers' performance on all
1111 relevant criteria including sustainability, capture input from customers then adjust policy based on
1112 findings and finally, develop recommendations with a view to continual improvement.

1113 Sustainability priorities should be considered and integrated in the different steps of the procurement
1114 process; other aspects of the procurement process, such as respect for the rule of law, business ethics and
1115 anti-corruption should be fully respected.

1116 These concepts are detailed in the following clauses related to the operational aspects of sustainable
1117 procurement.

1118 NOTE: An essential element of the procurement process is gathering organisational information to fulfil a
1119 business need. For the purposes of this section the use of the term requirements means a broad provision
1120 that conveys criteria to be fulfilled by goods or services. The use of specifications means a document,
1121 usually technical, that prescribes requirements to be fulfilled by goods or services.

1122 **7.2 Planning**

1123 **7.2.1 General**

1124 This clause is intended to assist organisations define the best sustainability sourcing strategy for a specific
1125 procurement project. While it might take time initially, defining the sustainability strategy should enable
1126 individuals within the organisation who are responsible for the actual procurement to:

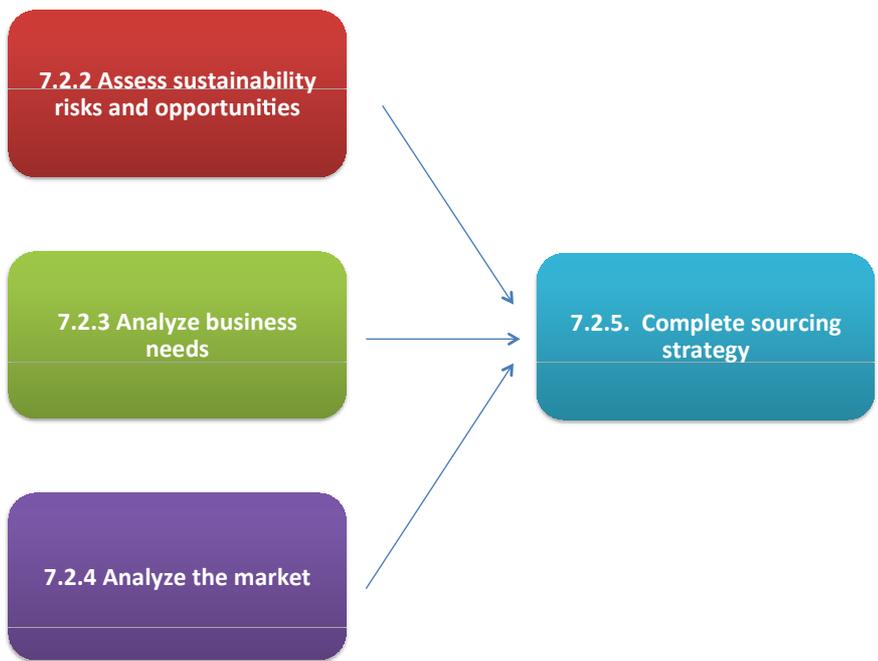
- 1127 — address the significant sustainability risks and opportunities of goods and services and avoid focusing
1128 on details and minor issues;
- 1129 — start a collaborative program of work with internal clients and business users;
- 1130 — define sustainability criteria that suppliers can respond to, while achieving value for money.

1131 Key elements of sustainable procurement planning are (see Figure 7):

- 1132 — assessment of sustainability risks and opportunities (see 7.2.2);
- 1133 — analysis of the sustainability aspects of business needs (see 7.2.3);
- 1134 — analysis of the supply market’s sustainability capability (see 7.2.4).

1135 These elements should then be integrated in a sustainable sourcing strategy, allowing sustainability
1136 considerations to become part of strategic decision making (see 7.2.5).

1137



1138

1139

Figure 7 — Inputs to a sustainable sourcing strategy

1140 7.2.2 Assess sustainability risks and opportunities

1141 Sustainability risks and opportunities can vary significantly from one good or service to another and from
1142 one supplier to another. Relevant considerations include technical aspects, sourcing locations, supply chain
1143 structures, with particular attention to downstream levels, etc.

1144 The due diligence described in 6.5.1 and the prioritization described in clauses 4 and 6 should be aligned
1145 with both the sustainability issues relevant and significant to the organisation and with the sustainable
1146 procurement policy. Frequently that prioritization is made on larger classes or categories of goods or
1147 services. At the planning stage this process should then be repeated and analysis of sub-categories and/or
1148 individual goods or services should be completed using the same sustainability criteria. This approach
1149 should also identify any risks or opportunities that are unique to an individual good or service. In other
1150 words, the prioritization completed when 'setting priorities' of the organisation considers the category of
1151 good or service as a whole. The results of this exercise should be used to inform the overall priorities for
1152 the category, as part of a category management approach. At the planning stage of the procurement
1153 process the focus should be more specific to the particular good or service and its context, while
1154 maintaining alignment with the organisation's direction.

1155 This analysis should not be done in isolation. Quite the opposite, identifying the real sustainability issues
1156 requires a multidisciplinary approach to capture knowledge from:

1157 — technical experts that have a deep knowledge of how the good or service is manufactured, processed,
1158 delivered, etc.;

1159 — sustainability experts that can provide technical advice on matters such as labour and human rights,
1160 health and safety, environmental management, legal issues, etc.;

1161 — business users with knowledge on how the good or service will be used by the organisation.

1162 Together with sustainability risk and opportunity assessment, a life cycle approach should be used. This
1163 technique consists of assessing sustainability impacts associated with all the stages of a product's life from-
1164 cradle-to-grave, for instance: raw material extraction, materials processing, manufacture, distribution, use,
1165 repair and maintenance, and disposal or recycling. This technique is predominantly used to assess
1166 environmental impacts, by applying the global cost calculation method (please see Annex D for further
1167 detail) broader sustainability considerations such as social impacts, are addressed.

1168 7.2.3 Analyse business needs

1169 Although the sustainable procurement policy states why a business aims to purchase sustainably, when
1170 analysing the need, think about what alternative options might exist to deliver the same outcome in a better
1171 way, e.g.:

1172 — eliminating the demand by reviewing the real need;

1173 — reducing the frequency of use/consumption;

1174 — identifying alternative methods of fulfilling demands such as leasing rather than owning;

1175 — aggregating and/or consolidating the demand;

1176 — sharing use between divisions or organisations;

1177 — encouraging reuse/recycling and the use of recycled/renewable materials where appropriate.

1178 Disposal requirements should be factored in throughout the design, procurement process and during
1179 operational phases of the product life including product take back and reverse logistics. This includes
1180 ensuring consideration for disassembly and reuse at the design stage, optimum choice of components and
1181 materials stated in the requirement to maximize recycling opportunities. It also includes recovery of
1182 subsystems and resources whilst minimizing the use of hazardous materials that could be dangerous and

1183 costly to dispose of. This is sometimes referred to as a cradle-to-cradle approach that supports the notion
 1184 of a circular economy where no resources are wasted.

1185 The organisation should consult key internal stakeholders (e.g. budget owners, business users) to assess
 1186 the feasibility of potential 'sustainable' solutions, adapt recommendations and engage them to support
 1187 changes required. Where external stakeholders participate in determining the demand, for example
 1188 government organisations, it may be necessary to engage them upfront in examining options.

1189 **7.2.4 Analyse the market**

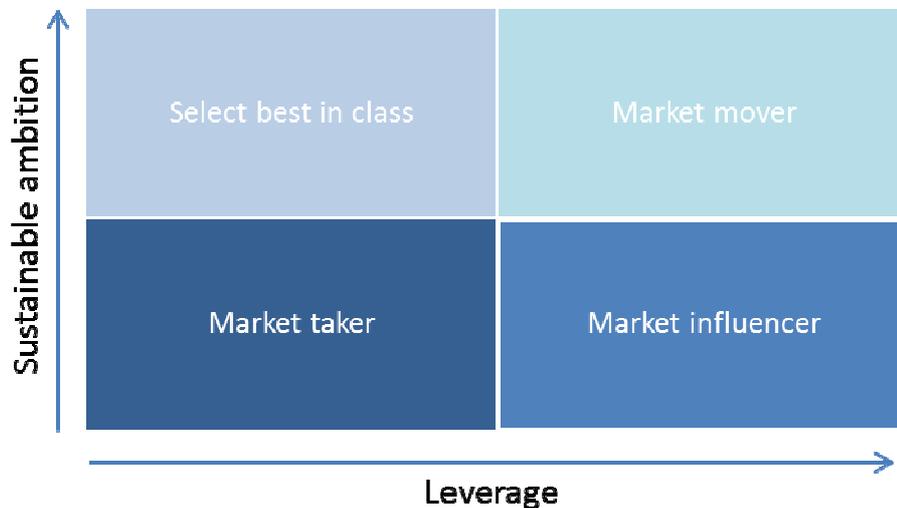
1190 The objective is to gain a thorough understanding of the existing and future capability of the supply market
 1191 to support the organisation's sustainability needs, while providing the same or improved level of price,
 1192 functionality and quality of service. Also make sure the organisation understands if the sustainability criteria
 1193 reduces or increases the level of competition and/or the organisation's buying power.

1194 If these sustainability issues are identified as significant in the prioritization, the organisation should make
 1195 sure that the market research includes local suppliers, small and medium sized organisations and
 1196 disadvantaged populations and communities (e.g. suppliers owned and/or employing people with
 1197 disabilities, indigenous communities, etc.).

1198 Suppliers can be more progressive than their clients in terms of creativity and innovation. It is important to
 1199 invite a diverse range of suppliers early on in the process to determine if new technologies, new products,
 1200 new suppliers or advances in sustainable business practices could meet or exceed the business
 1201 requirements.

1202 Consider the market position between the buyer and the market. The matrix, represented in the Figure 8
 1203 can be used as a guide.

1204



1205

1206 **Figure 8 — Market engagement Matrix**

1207 The matrix illustrated aims to help individuals who are responsible for the actual procurement understand
 1208 what sustainability outcomes may be achieved from the supply market depending on the purchasing
 1209 organisation's market leverage and sustainability ambition. Therefore:

- 1210 — in areas where significant leverage exists combined with high ambition, it may be possible to
 1211 significantly influence suppliers or even move markets to a higher level of sustainable behaviour and
 1212 set a new level of best practice;

1213 — where sustainability ambition is high but leverage over the supply market is less, then selecting the
1214 current level of best practice is probably the most sustainable outcome achievable;

1215 — where ambition is low and leverage is significant then there is likely to be little appetite to drive the
1216 market to a new level, however this leverage can be used to influence the supply chain to improve
1217 sustainability practices and outcomes;

1218 — where leverage is low and ambition is also low then the appropriate strategy would be to adopt the
1219 standard sustainability practice offered by the market.

1220 Leverage should not just be considered in financial terms. Some suppliers could be attracted to the idea of
1221 developing more sustainable goods or services for a small customer with a view to creating additional
1222 competitive advantage with larger ones. Leverage can also be improved through collaboration with other
1223 purchasing organisations, with due consideration to ethical issues and competition law. Market research
1224 should not be limited to external sources: an organisation's own internal resources may be able to provide
1225 valuable insights on sustainability criteria and opportunities.

1226 **7.2.5 Complete sourcing strategy**

1227 The sourcing strategy describes how to deliver the best outcome for the procurement project. It can be as
1228 short as one page for a simple procurement project (e.g. a briefing note) or considerably longer for a
1229 complex procurement project.

1230 The strategic direction related to sustainability should be integrated into different sections of the strategy,
1231 e.g.:

1232 — key findings about sustainability risks and opportunities, needs and the supply market;

1233 — the actions required to manage key sustainability risks and opportunities;

1234 — the recommended demand-related approach (elimination, reduction, reuse, recycling, etc.);

1235 — how the sourcing approach delivers sustainability objectives;

1236 — how sustainability requirements are incorporated into the specification, including any go/no go criteria
1237 at the prequalification or tender stage;

1238 — how sustainability aspects are incorporated in the draft contract or terms and conditions;

1239 — the weight given to sustainability in the evaluation criteria, with careful consideration to finding the best
1240 balance with other criteria such as price or quality;

1241 — the expected sustainability benefits, including whole life savings;

1242 — the impacts of the sustainability approach on the project plan and budget.

1243 The decisions made at this stage influence the whole procurement process. Decisions should be supported
1244 and agreed by all key stakeholders, and should ultimately be documented. Many organisations use a
1245 gateway review at this stage with sign-off by senior stakeholders before progressing to the next stage.

1246 **7.3 Procurement criteria definition**

1247 **7.3.1 General**

1248 Once a decision is taken on the sourcing strategy, the sustainability criteria should be defined and
1249 documented. Sometimes there is only one document, the specification, but in other cases there are
1250 different documents addressing the requirements, in accordance with the organisation's culture; such as a
1251 draft contract, brief, scope of work or the establishment of prequalification criteria. This should include

- 1252 consideration of the impacts of changes to contractual arrangements e.g. the loss of a large proportion of
1253 business or the lack of capacity to cope with expanded requirements.
- 1254 Integrating sustainability aspects into these documents is the most effective means of ensuring
1255 sustainability risks and opportunities are incorporated into the purchasing decision. This should be done in
1256 coordination with key internal stakeholders, in order to reflect practical and technical considerations.
- 1257 Some of these requirements apply directly to the good or service being purchased. Others may apply to the
1258 production and process methods used to deliver the good or service and others to the supplier organisation
1259 in itself.
- 1260 When including sustainability criteria in the criteria, the organisation should take care that those aspects:
- 1261 — comply with laws and fundamental human rights;
- 1262 — reflect the priorities defined in the procurement strategy, e.g. by including key requirements as the
1263 minimum sustainability criteria in the specifications or as sustainability key performance indicators in
1264 the draft contract;
- 1265 — are objective and verifiable;
- 1266 — are defined without any risk of bias or collusion;
- 1267 — are transparently and effectively communicated to potential suppliers;
- 1268 — allow for fair competition and in doing so ensure that particular attention is paid to small and medium
1269 sized organisations and the development of their capacity to respond to such criteria;
- 1270 — identify how far down the supply chain it is necessary to go for adequate impact assessment;
- 1271 Tender documents should capture sustainability criteria as clearly as possible.
- 1272 When appropriate, the draft contract should include clauses that enable the organisation to increase its
1273 control over what happens in the supply chain. Examples of clauses might include:
- 1274 — provision to assess/audit all parties involved in the supply chain;
- 1275 — obligation on the supplier to inform the organisation of any significant impact in the supply chain;
- 1276 — minimum standards to be met by suppliers at lower tiers of the supply chain;
- 1277 — rights to terminate contract for breaches of sustainability obligations;
- 1278 **7.3.2 Types of requirements**
- 1279 There are different types of requirements that can be used:
- 1280 — technical requirements: specify a physical characteristic of goods or services (= attribute), e.g. recycled
1281 or renewable content, mercury-free, or the way in which the product is manufactured or delivered (=
1282 process) e.g. organic or sustainably managed timber and fisheries;
- 1283 — performance requirements: define the performance standards to be met by the goods or services
1284 including definition of the way the good or service has to be delivered in order to optimize social and
1285 environmental impacts related to future performance. For example, standards of care and number of
1286 patients for a social care service, delivery time, waste, relocation and carbon emissions reduction;
- 1287 — functional requirements: define the proposed function to be fulfilled by the goods or services required.
1288 For example, the strength and durability of concrete to be supplied or energy/fuel efficiency.

1289 Generally, a combination of performance and functional requirements are preferred as they enable
 1290 suppliers to propose the most efficient technical solution for the required performance or function, leading to
 1291 potential sustainability benefits such as better energy performance, reduction of waste, better safety for
 1292 users, universal design, disposal and end of life management. The organisation should be careful when
 1293 using technical requirements not to specify particular brands unless it is absolutely unavoidable and
 1294 accepted by the law.

1295 **7.3.3 Minimum and optional requirements**

1296 Requirements can be:

1297 — minimum when they establish minimum acceptable performance, actively excluding undesirable
 1298 features,

1299 — optional when they define preferred sustainability solutions. In this case, they should be related to an
 1300 evaluation criterion that is used to reward performance that exceeds the minimum standards, and
 1301 possibly to a key performance indicator that should be managed during the contract.

1302 In addition to these two main options, an organisation can use additional techniques such as variants in
 1303 order to encourage better alternative solutions.

1304 The previous analysis of the market carried out earlier in the procurement process informs the decision
 1305 about what should be minimum and optional. For instance, the degree to which suppliers can meet the
 1306 organisation's sustainable criteria might not always be known when writing the tender, or the market
 1307 analysis may have revealed that there was a huge gap between suppliers' sustainability performance. In
 1308 that case, the risk of restraining competition and excluding capable suppliers should be avoided, except if
 1309 the requirement is an absolute necessity for the organisation.

1310 If a supplier with lesser sustainability performance is selected, agreements should be made on how the
 1311 supplier should progress in the future. This should be monitored in the contract phase.

1312 Evaluation criteria should focus on sustainability elements considering technical characteristics to provide
 1313 optimisation of "global cost and value creation" (see Annex D – Global cost calculation method).

1314 **7.3.4 Verification of sustainability claims**

1315 **7.3.4.1 General**

1316 Different initiatives aim to assure better performance of a good or service or process related to specific
 1317 impacts. Some of these initiatives focus on environmental issues, others on social aspects, whilst others
 1318 focus on quality or safety characteristics.

1319 **7.3.4.2 Sustainability marks, seals and labels**

1320 Some initiatives allow the use of seals, marks or labels to identify those goods and services that comply
 1321 with the criteria set. In many cases, the criteria are included in technical standards that may be national,
 1322 regional or international. In addition such standards may be public or private. For some standards the
 1323 award of a mark, label or seal is the result of an independent third party assessment, whilst in other cases
 1324 award requires a self-assessment only.

1325 Such initiatives appear to offer a quick solution for organisations looking to specify sustainability criteria for
 1326 goods and services. However, they still cover only a small range of industries and goods and services.
 1327 Care should be taken when using these due to the different levels of assurance associated with particular
 1328 initiatives.

1329

1330 It is possible to use the criteria required by the sustainability label to set the technical requirements for the
1331 good or service. Therefore, any good or service that meets these requirements can be purchased, even if it
1332 has not formally been awarded the sustainability label because it has met the same standards. The second
1333 option is to make award of the sustainability label a technical requirement, when permitted by law. However
1334 take care not to inadvertently limit the number of eligible suppliers by insisting on a particular sustainability
1335 label. The same concept applies in the use of certifications, marks, seals and labels.

1336 It should be noted that in some cases the second possibility is not allowed, usually due to legislation
1337 constraints such as public procurement legislation restrictions in some regions.

1338 **7.3.4.3 Legal compliance**

1339 In some instances legislation requires a specific certification for a good or service. This is commonly the
1340 case with standards related to safety. In these cases, the requirements should demand full certification to
1341 ensure that all legislative obligations have been met.

1342 **7.3.4.4 Management systems**

1343 Management systems enable organisations to improve their performance through a process of continual
1344 improvement. A simple explanation of the continual improvement process is "Plan, Do, Check, Act". A more
1345 complete continual improvement system includes accountability (an assignment of personal responsibility)
1346 and a schedule for activities to be completed. It also includes auditing tools to implement corrective actions
1347 in addition to scheduled activities, creating an upward spiral of continual improvement. Management
1348 systems can help in multi-criteria analysis or selection steps.

1349 Many organisations implement management systems related to sustainability issues such as the
1350 environment or health and safety. These are often specific to industries and can be supported by an
1351 industry-specific standard or code of conduct.

1352 Sustainable procurement practices can be integrated into existing management systems, including quality,
1353 environment, safety and risk. This reduces the effort involved in developing and maintaining multiple
1354 systems and helps align the management of sustainability issues and practices with applicable industry
1355 standards.

1356 Verification of claims can also be done through on-site controls and audits during the execution of the
1357 contract.

1358 **7.4 Sustainability aspects of supplier selection**

1359 **7.4.1 General**

1360 The objective of this stage is to evaluate the capacity of suppliers to comply with or exceed the
1361 organisation's requirements and expectations. Therefore, to integrate sustainability into the procurement
1362 process, the organisation should also assess the capacity of the supplier to contribute to the organisations
1363 goals on sustainability through the supply of goods or services. Particular attention should be paid to how
1364 the selection process impacts small medium sized organisations, for instance ease of access to referencing
1365 and business opportunities, high tender response costs and risks, etc.

1366 Supplier selection often comprises prequalification and tendering. The main difference between the
1367 prequalification and tendering stages are:

- 1368 — prequalification usually focuses on overall capabilities of the supplier to deliver expected outcomes,
1369 including sustainability;
- 1370 — tendering usually focuses on the capacity and commitment to deliver detailed and specific
1371 requirements (including sustainability requirements) for the good or service, which are described in the
1372 requirements.

1373 When conducting supplier selection, the organisation should ensure that all legal requirements (e.g. public
 1374 procurement regulations) are respected and that open and fair competition is promoted between potential
 1375 suppliers. In doing so, particular attention should be paid to:

1376 — ethics, prevention of corruption, conflicts of interest, and internal controls;

1377 — transparency and accountability of the whole selection process;

1378 — referencing/dereferencing practices;

1379 — inclusion of all enterprises of any size, status or positioning with the capacity to fulfil the requirement.

1380 **7.4.2 Prequalification**

1381 The purpose of prequalification is to gather relevant information about the capability of suppliers to
 1382 participate in tenders and in some cases to evaluate tenders against go/no go criteria. The strategy needs
 1383 to identify any sustainability criteria subject to this condition, to ensure that they are agreed with
 1384 stakeholders and made clear to the market. The requirements for prequalification should be clearly
 1385 established and take into account relevant sustainability issues. The following should be taken into
 1386 consideration:

1387 — any sustainability risks and opportunities that are related to the supplier's organisation;

1388 — applicable legislation.

1389 Many industry specific standards, codes of supplier conduct and management systems are used in pre-
 1390 qualification. For example, compliance with International Labour Organisation (ILO) Standards for working
 1391 conditions and human rights may be a mandatory criterion. An organisation should also decide whether to
 1392 encourage suppliers to sign a code of conduct or charter.

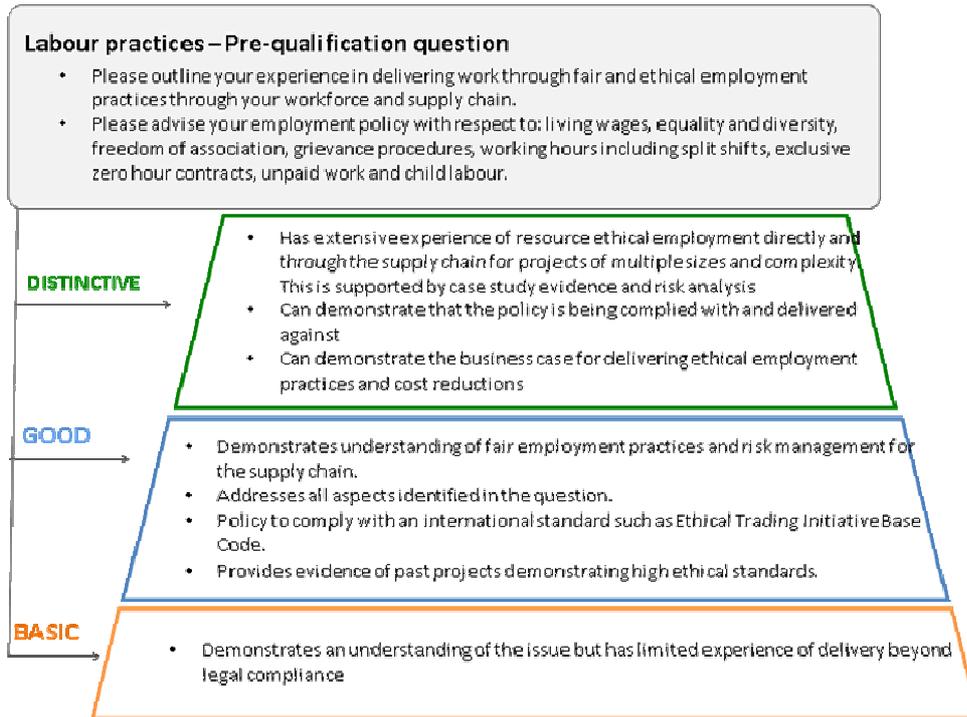
1393 Organisations may choose to use different degrees of evidence at various points across the procurement
 1394 process. At the prequalification stage, it might be sufficient to request evidence of ethical trading and labour
 1395 policies by means of supplier's declarations of conformity (self-claims) on those subjects. However, as the
 1396 process progresses and potential suppliers are further assessed through the tender process, audits and
 1397 other means of collecting evidence of conformity (second party or third party assessments) might be used
 1398 to provide further assurance. The choice of the most appropriate conformity assessment method should be
 1399 the result of a risk assessment of the consequences of a failure to fully conform to the requirements.

1400 Some prequalification criteria may be optional and can be used to inform a weighted evaluation to further
 1401 shortlisted suppliers who comply with all the mandatory criteria. For example, a supplier with a proven track
 1402 record in reducing carbon emissions may be selected ahead of a supplier with less experience in this area.

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1418 **Figure 9 — Example for pre-qualification question and criteria**

1419 The example presented in the Figure 9 could be used as a go/no go condition, with “Good” as a minimum
 1420 requirement, or as a way of shortlisting if there are no minimum mandatory criteria.

1421 If suppliers have been contacted in the pre-qualification process and are deselected it is good practice to
 1422 formally notify them and provide debriefs. Suppliers should be made aware if and how their credentials fell
 1423 short of the requirement (including those related to the sustainability issues), which in turn sends a clear
 1424 signal to the market regarding the importance of sustainable business practices.

1425 **7.4.3 Tender**

1426 Suppliers may be invited to attend a pre-tender briefing to outline the bid process and ensure on-going
 1427 communication, depending on the scale, market and complexity of the purchase. This is a further
 1428 opportunity to ensure suppliers fully understand the commercial and sustainability expectations and to
 1429 encourage joint proposals from firms with complementary sustainability features (e.g. a large company can
 1430 form a joint venture with a small sustainability oriented company).

1431 Transparency, accountability and ethics are keys to the tendering stage: all bid evaluation criteria,
 1432 evaluation methodology and benefits assessment should be agreed in advance of tender issue and
 1433 communicated clearly to suppliers. The organisation should ensure that the suppliers fully comprehend the
 1434 importance of all aspects of the proposal, including the sustainable requirements.

1435 Criteria can be assessed in several ways, including:

- 1436 — setting minimum requirements or performance standards (go/no go criteria);
- 1437 — weighting criteria;
- 1438 — methods of cost calculation (see Annex D);
- 1439 — monetizing certain impacts such as energy consumption and waste.

Employment – Invitation to tender

- We aspire to provide full and fair opportunity for competitive local suppliers and to employ suitably qualified local people. Please confirm your current levels of local workforce and procurement expenditure, your targets to improve on this and provide an action plan for doing

- Commits to a target >10% over baseline.
- Comprehensive and detailed action plan.

- Commits to targets <10% over baseline and can outline how it will be delivered.
- Provides information and assurance to demonstrate competence and local relationships to deliver the target.

- Baseline data provided, no firm commitment to targets, or an action plan.

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Figure 60 — Example of tender question and evaluation criteria

1442 The supplier with the best performance on the sustainability issues may not always win a tender if they are
1443 not competitive in other areas. In this case it may be appropriate to award a contract conditional upon
1444 achieving a minimum standard over a specified timeframe. In the example presented in Figure 10, the
1445 contract may be awarded conditional upon the supplier achieving “Good” standard after a period of time.

1446 Suppliers with unsustainable practices might be able to offer abnormally low prices that could reflect a short
1447 coming on social and environmental aspects, than suppliers with better conditions. Unless robust pre-
1448 qualification and tender processes and criteria are in place to ensure good minimum standards before the
1449 supplier is taken on, the organisation could be constantly undermining its own sustainability policies,
1450 exposing itself to a wide range of risks, and giving a signal to the market that it undervalues sustainability
1451 against other issues.

1452 The tender responses should be evaluated in line with the pre-agreed evaluation methodology, usually set
1453 out in the sourcing strategy and included in the tender documents. The requirements should always capture
1454 sustainable issues in as much detail as possible. However, it is also important to note that there are other
1455 ways to promote sustainable outcomes at the evaluation stage.

1456 **7.4.4 Selection of the supplier, negotiation and award**

1457 Four common methods can be used to promote sustainable outcomes at the evaluation stage:

1458 — rewarding superior standards and performance, which might include recognition of a good's or
1459 service's ability to enhance the sustainability of the buyers own good or service, as presented in the
1460 clause 7.3.2;

1461 — qualitative judgment can be used in some specific contexts. Suppliers, especially in service industries,
1462 may be requested to summarize their experience and methods in relation to sustainability criteria within
1463 their tender response. This enables organisations to assess their approach to managing major
1464 sustainability risks and/or opportunities identified during the planning stage. It is often advisable to
1465 conduct face-to-face interviews with key personnel and to make site visits to places where similar
1466 services take place to ensure qualitative judgments are supported by the best evidence possible;

1467 — fit for purpose assessments that enable identification and evaluation of goods and services that might
1468 not be sufficiently robust, leading to higher repair and replacement costs. Other proposals might be
1469 over engineered, providing unwanted functionality or service at added expense. Neither extreme

1470 provides a sustainable solution and this should be reflected in the evaluation. Eco label criteria (refer to
1471 7.3.4 Verification of sustainability claims), the characteristics stated in Environmental Product
1472 Declarations and other product standards can help to evaluate the credentials of a good, including the
1473 relevant sustainability issues. Alternatively evidence based on trials or other client references help to
1474 evaluate this important aspect;

1475 — methods of cost calculation to ensure that true value for money is achieved, resulting in the selection of
1476 the most economically advantageous supplier over the life of the contract. If correctly applied, this
1477 technique helps to monetize sustainability impacts such as energy costs, early replacement or repair of
1478 less durable goods and disposal at the end of life. Where possible, future costs and anticipated
1479 environmental and social taxation should be taken into account to achieve a fair price with the most
1480 balanced cost evaluation providing a mutually beneficial outcome (see Annex D – global cost
1481 calculation method).

1482 Private sector organisations and some public bodies might have the ability to negotiate following tender
1483 evaluation. This stage represents a risk of reduced sustainability commitments from the supplier(s),
1484 especially if there is focus on cost only. Note this stage can also provide an opportunity to improve supplier
1485 engagement.

1486 Any outstanding sustainability requirements should be included in the preparation for a negotiation meeting
1487 and/or a negotiation strategy and tabled during the negotiation.

1488 Key outcomes of the negotiation can include the following:

1489 — requirements related to sustainability issues have been secured and reporting has been agreed (e.g.
1490 monitoring and actions, key performance indicators etc.);

1491 — agreement to take action to manage sustainability risks identified in the earlier pre-qualification or
1492 tender evaluation stage;

1493 — pro-active influence on the supplier's future sustainability agenda has been achieved.

1494 Where possible, sustainability commitments should to be written into the contract to ensure that the supplier
1495 is contractually bound to deliver them or improve their performance over time. If it is not possible to
1496 negotiate contractual commitments, a more informal and flexible approach might be required to persuade
1497 suppliers to embrace sustainability initiatives. These initiatives should not be contractually binding and are
1498 usually captured in a separate supplier improvement plan or a memorandum of understanding. Example
1499 initiatives include commitments to switch to (or increase the use of) sustainably managed timber, reduce or
1500 eliminate the use of a hazardous chemicals, increase the use of local small and medium sized
1501 organisations or to ensure improved working conditions further down the supply chain.

1502 Upon conclusion of the negotiation, the supplier should be formally awarded the contract, which should be
1503 fully approved by the key stakeholders and delegated authorities (organisations may have a formal gateway
1504 review at this point). The relevant internal stakeholders should be informed of the new arrangements.

1505 Unsuccessful suppliers should be notified and fully debriefed. Suppliers should be informed if and how their
1506 sustainability credentials fell short of the requirement as this an important organisational contribution to
1507 suppliers' improvement. This in turn reinforces the importance of sustainable business practices within the
1508 supply market.

1509 **7.5 Contract management**

1510 **7.5.1 Managing the supplier relationship**

1511 Sustainability commitments of an organisation should be reflected in the quality of the relationship with its
1512 suppliers. Achieving sustainability outcomes often requires developing a long term vision, which has a
1513 better chance of success if it is shared by a supplier that considers the purchasing organisation as a
1514 "customer of choice".

- 1515 The quality of the supplier relationship can be enhanced through a combination of practices. These include:
- 1516 — full compliance with legal requirements in terms of the client-supplier relationship;
 - 1517 — balanced clauses, fair conditions (e.g. guarantees, deadlines, etc.), key performance indicators and
1518 liquidated damages or penalties where permitted by law in contracts;
 - 1519 — robust procedures (e.g. base-contracts, protection of intellectual property) and conditions (e.g. prompt
1520 payments) generating better health for all supply chain stakeholders;
 - 1521 — prompt issue of orders whenever the client organisation and supplier agree to begin the work and
1522 avoidance of hidden costs and risk increase for both parties when ordering;
 - 1523 — controlled and improved payment performance, in respect to contractual terms and legal requirements.
1524 Even when suppliers are responsible for delays, the monitoring of payment performance is key to
1525 maintain a balanced and sustainable relationship. This should be done on a regular basis against
1526 target or/and benchmarking data;
 - 1527 — avoidance of conflicts through dialogue and efficiency of dispute resolution;
 - 1528 — focused attention paid to the different categories of suppliers: strategic, small and medium sized
1529 organisations, vulnerable suppliers, etc.

1530 **7.5.2 Implementing the contract**

1531 There is a period of transition and bedding in at the start of any new contractual arrangement and
1532 frequently the influence and involvement of stakeholders change as the contract becomes operational.
1533 From a sustainable business perspective, it is critical that awareness and focus on sustainable elements
1534 and associated performance targets are communicated and understood by relevant internal stakeholders to
1535 ensure that any sustainability commitments made in the contract are fully implemented.

1536 The supplier should also fully support the implementation of sustainability practices, right from the start of
1537 the contract. It is the role of the contract manager to make sure that sustainability remains firmly on the
1538 supplier's agenda.

1539 **7.5.3 Contract management plan**

1540 Linking the organisation's sustainability targets with the contract management plan puts sustainability firmly
1541 on the commercial agenda and helps sustain focus and momentum for sustainability.

1542 Many organisations use key performance indicators to measure their own performance and that of their
1543 suppliers. Targets and related key performance indicators can cover the whole spectrum of sustainable
1544 impacts and depend on the priorities set in the procurement strategy and refined during the tendering
1545 stage: from raw materials sourcing, labour standards across the supply chain, local sourcing and training,
1546 through to production, use and end of life management.

1547 At this point, the contract manager and supplier should revisit any sustainability risk and opportunity
1548 analysis completed by the organisation throughout the planning and selection stages. Corresponding action
1549 plans should be revisited or developed to ensure supplier buy in, alignment and continued focus on
1550 sustainability key risks and opportunities. These should be referred to in the contract management plans
1551 and, where appropriate, incorporated into supplier development plans.

1552 In some cases, there might be a conflict of interest and improving sustainability practices might not be in
1553 the supplier's short-term financial interest. For example, waste contractors who are paid by the tonne might
1554 be reluctant to embrace waste reduction initiatives, or IT equipment suppliers might not be supportive of
1555 customer attempts to increase product lifespan through product upgrade as opposed to replacement. In
1556 such instances, a combination of incentives and remedies may be adopted to re-align profitability with
1557 sustainability. For example:

- 1558 — supplier bonuses could be paid for achieving targets;
- 1559 — fixed price contracts could be agreed (in this case reducing waste or improving efficiency would
1560 improve a supplier's profit margins);
- 1561 — gain share agreements could be put in place where the customer and the supplier split any gains from
1562 improvements in sustainable supply arrangements.

1563 **7.5.4 Managing performance and relationship**

1564 On-going performance monitoring is essential for the duration of the contract to ensure that the supplier
1565 continues to deliver in accordance with the requirements, contract terms and/or separate action plans. Two
1566 way evaluations are necessary for effective performance management and to promote a good relationship
1567 between organisations and suppliers. Good practice requires:

1568 — the organisation to inform suppliers how they are being evaluated (criteria, key performance indicators,
1569 audit terms, etc.);

1570 — the suppliers to have the ability to provide feedback and openly communicate their perception of the
1571 organisation.

1572 Many organisations adopt methodologies where sustainability criteria can be monitored alongside service,
1573 quality delivery, cost and technical requirements. Balanced scorecard methodologies are an example of
1574 such an approach. If any individual results or combined results show a negative trend or fall below an
1575 agreed threshold, the supplier should be required to take corrective action.

1576 Review meetings should be set at agreed intervals and for key suppliers these should be held face-to-face.
1577 These meetings should provide an opportunity for both parties to communicate, share concerns, promote
1578 understanding and foster a good business relationship. Organisations should consistently attempt to
1579 harness suppliers' sustainability expertise to maintain competitive advantage and a constructive review
1580 process fosters this.

1581 It is important to review risks of dependency from both sides, between the organisation and its suppliers.
1582 Every situation has to be closely analysed (for example a supplier with a specific competence or a newly
1583 created firm, etc.) and appropriate actions taken (for example: accept, prevent, limit or withdraw) in order to
1584 reduce excessive dependency as well as to prevent adverse impacts for the other party.

1585 It is good practice for organisations to carry out periodic audits of suppliers throughout the life of the
1586 contract, especially for important and complex contracts, to verify that sustainability claims and work
1587 practices meet stated requirements. However, audits alone cannot ensure full compliance with standards.
1588 Other techniques for monitoring compliance with sustainability requirements should also be
1589 employed. Audits are useful for creating a focus on particular issues such as sustainability requirements,
1590 and create awareness of the expected standards of performance.

1591 Suppliers with outstanding performance regarding sustainability could be recognized through awards or
1592 similar initiatives in order to reward and promote efforts towards continual improvement of their goods and
1593 services. This also provides an example of good practice for other suppliers.

1594 The sustainable procurement policy can promote the use of negotiation, mediation, expert determination,
1595 expert appraisal, conciliation or arbitration to solve any dispute between the organisation and a supplier.
1596 For that purpose, a dispute resolution process should be developed that outlines steps for resolution and
1597 assigns responsibilities for its facilitation.

1598 **7.5.5 Supplier/customer joint initiatives**

1599 Organisations should champion initiatives to improve sustainability and this frequently involves suppliers
1600 and buying organisation in joint approaches. Supply chains can be long and complex and efforts to improve
1601 downstream sustainable practices require the proactive support of key tier 1 suppliers. For example, efforts

1602 by buying organisations to improve working conditions or gain assurance of integrity of source materials
1603 could be greatly facilitated by proactive support from these suppliers.

1604 Where appropriate, joint initiatives should be put in place to improve the sustainability issues identified
1605 when priorities were set. In some cases, the market may not be capable of delivering new or challenging
1606 sustainability standards. In this case supply chain development programs may be necessary to improve
1607 competence and capacity (see clause 6.3.4).

1608 Examples of joint initiatives are sector initiatives to deal with labour conditions in their supply chains, finding
1609 and developing more sustainable alternatives, sharing of audit data and developing a joint supplier code of
1610 conduct.

1611 **7.5.6 Supplier failure**

1612 In some cases it might be necessary to exit a relationship with a supplier where the supplier has failed to
1613 meet the requirements and conditions agreed. It is important to treat failure to meet sustainability
1614 requirements in the same way as any other failure by a supplier.

1615 Exiting the relationship should be a last resort. This should only occur after the organisation has made the
1616 effort to support the supplier to meet agreed requirements, but where the supplier has made little or no
1617 effort to improve or has proved to be incapable of improvement. The degree of failure should be determined
1618 on how the supplier is engaged by the organisation, on the contract performance commitments initially
1619 agreed to and upon the progress measurements made etc. To continue to source from such a supplier may
1620 indicate to the supply market that the organisation is not serious about its sustainability commitments
1621 across its supply chains.

1622 **7.5.7 Disposal and end-of-life management**

1623 Some goods, equipment and assets require disposal strategies to be developed for the end of their useful
1624 life. Disposal decisions, however, should not be taken in isolation. While disposal is viewed as the final
1625 stage in the management lifecycle of goods, equipment and assets, it is common for disposal action to
1626 trigger the acquisition of a replacement asset. Where appropriate, disposal activities should focus on
1627 optimising the social, environmental and economic impacts on functionally inadequate or under-utilized
1628 assets; as well as its safe decommissioning, transport and warehousing.

1629 At this point, disposal options should be reviewed and assessed with the aim of minimizing environmental
1630 impacts, maximizing recycling and reuse and determining all opportunities to minimize landfill and pollution.
1631 Unethical disposal can have significant remediation costs and may damage the organisation's reputation.

1632 **7.6 Contract review and lessons learnt**

1633 The buying organisation should conduct regular reviews of the contract throughout the life of the contract as
1634 well as at the completion of the contract. This is vital to ensure that lessons learned during the life of the
1635 contract can be shared and continual improvements can take place to achieve better sustainability
1636 performance.

1637 During the review of the contract and at the end of the contract it is helpful to develop a debrief document to
1638 feed into the next procurement and sourcing strategy. This document should contain the usual contract
1639 review information including:

- 1640 — details about the sustainability risks and opportunities that occurred and how these were managed;
- 1641 — details about the achievement of sustainability objectives and targets contained in the contract;
- 1642 — an overview of sustainability performance;
- 1643 — an analysis of key success criteria;
- 1644 — the key lessons for future contracts.

1645 The next procurement or sourcing strategy should draw on lessons from the last one. This enables new
1646 thinking to be incorporated into the process alongside a review of priorities and objectives to promote
1647 continual improvement and drive more sustainable outcomes.

1648 It is best practice to publish lessons learned in detail and in a way that other organisations can learn from
1649 them.

Annex A (informative)

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Help box – sustainable procurement issues

1654 An organisation and its procurement function should look at the sustainability issues holistically. On the
1655 basis of ISO 26000 this means that it should consider all the seven core subjects and 37 sustainability
1656 issues, and their interdependence. An organisation and, in particular, its procurement function should be
1657 aware that efforts to address one issue may involve a trade-off with other issues. Particular improvements
1658 targeted at a specific issue should not affect other issues adversely or create adverse impacts on the life
1659 cycle of the organisation's goods and services, on its stakeholders or on its value and supply chain.

1660 The following table shows how the ISO 26000 sustainability issues relate to possible procurement actions

ISO 26000 seven core subjects and 37 issues	Related actions and expectations for procurement
Organisational Governance An overarching core subject, related to the informal or formal system by which an organisation makes and implements decisions including the fulfilment of its social responsibility	
1. Decision-making processes and structures	Develop a procurement policy that reflects a commitment to sustainability, with clear objectives and ambitions.
	Apply the principles of sustainable procurement (4.1.2) in procurement practices and make their application visible by 'leading by example', and working within performance and commitment frameworks, such as a supplier code of ethical conduct.
	Establish two-way communication processes with suppliers, contractors, business partners and other stakeholders in the value and supply chain on sustainability issues with high relevance and significance.
	Encourage an awareness of sustainable development amongst all employees involved in the procurement process.
	Investigate innovative solutions for goods and services by adopting approaches such as life cycle costing, goods as services system (use instead of ownership), circular economy and inclusive economy.
Human rights Based on the International Bill of Human Rights and the core human rights instruments In line with UN Guiding Principles on Business and Human Rights	
2. Due diligence	Identify, prevent and address actual or potential negative impacts on human rights, resulting from their activities by initial assessment of suppliers
	Set up a due diligence process with a proactive approach to identifying the actual and potential negative human rights impacts of procurement decisions and activities, with the aim of avoiding and mitigating those impacts. Note. Due diligence should be completed not only for human rights, but in an integrated way for all seven core subjects.
3. Human rights risk situations	Analyse human rights risks and opportunities in the supply chain. The procurement function should be alert to the supply of goods and services from areas of conflict or political instability, with known corrupt business practices, with an absence of civil rights or legal protection, of extreme poverty and poor standards of health, with communities of indigenous people, and those where child labour is used
4. Avoidance of complicity	The procurement function should avoid being complicit in assisting the commission of actions by suppliers or contractors that are inconsistent with, or disrespectful of, human rights.
5. Resolving grievances	Establish a transparent grievance mechanism to enable stakeholders who believe their human rights have been abused in the supply chain to bring this to the attention of the organisation and seek redress and remedy.
	The remedy process should be designed to deliver mutually agreed solutions to

	grievances through engagement between the affected parties, the procurement function and suppliers.
6. Discrimination and vulnerable groups	Ensure in communication with suppliers to ensure that the procurement of goods and services does not involve discrimination against workers, local communities, indigenous people, women and girls, people with disabilities, other vulnerable groups such as the elderly and poor, or discrimination based on race, religion or caste.
7. Civil and political rights	Respect, in collaboration with suppliers, of the civil and political rights of stakeholders involved in the supply chain for the production of goods and services. For example, the right to a life with dignity, the right to personal security, freedom from torture, freedom of association, freedom of opinion.
8. Economic, social and cultural rights	Respect, in collaboration with suppliers, of the right of stakeholders in the supply chain to: practice local culture, work in just and favourable conditions; enjoy an adequate standard of health; enjoy a standard of living adequate for maintenance of their physical and mental health and well-being adequate food, clothing, housing, medical care and social protection Do not limit but facilitate access to essential services such as water, electricity and medical care
9. Fundamental principles and rights at work	Ensure, in collaboration with suppliers, that basic human rights in labour issues are maintained, such as freedom of association and collective bargaining; no forced labour; equal opportunities and non-discrimination; no child labour
Labour practices Based on Recommendations and Conventions of the UN agency the International Labour Organisation (ILO)	
10. Employment and employment relationships	Ensure, in collaboration with suppliers and contractors, that labour issues are addressed, such as legal recognition of contractors and workers, equal opportunities for workers, the deprecation of unfair, exploitative or abusive labour practices
11. Conditions of work and social protection	Ensure, in collaboration with suppliers, that good conditions of work are provided, such as: fair wages and other forms of compensation: limits to working time:, rest periods: holidays, disciplinary and dismissal practices, maternity protection; and that the welfare of workers is served by the provision of, for example, safe drinking water, sanitation, canteens and access to medical services
12. Social dialogue	Recognize the importance of social dialogue between suppliers, workers, employees, labour unions and governments on aspects such as collective bargaining and freedom of association, or transparency in the social conditions of subcontractors
13. Health and safety at work	Contribute, in collaboration with suppliers, to the development and maintenance of occupational health and safety systems, to the physical, mental and social benefit of workers, and for the prevention of harm to health caused by working conditions
14. Human development and training in the workplace	Contribute, in collaboration with suppliers to providing workers with access to skills development, training, opportunities for improving their capabilities, functioning and for career advancement
The Environment Environmental responsibility is a precondition for the survival and prosperity of human and living beings Standards from the ISO 14000 series can assist in addressing environmental issues	
	Promote environmental principles with suppliers and other stakeholders in the supply chain, encouraging a precautionary approach, environmental responsibility, environmental risk management and operation in accordance with the 'polluter pays' principle Assess with suppliers the relevance and feasibility of environmental strategies such as life cycle analysis and life cycle costing, environmental impact assessments, cleaner production and eco-efficiency, and the goods to services system approach
15. Prevention of pollution	Improve, in collaboration with suppliers, the prevention of polluting emissions to air and discharges to water, waste management, the use and disposal of toxic and hazardous chemicals and pesticides, and the management of other forms of pollution such as noise, odour, vibration, electromagnetic emissions, radiation, and viral or bacterial pollution
16. Sustainable resource use	Improve, in collaboration with suppliers, the sustainable use of key energy sources (renewable resources such as solar, wind, wave and geothermal energy); water

	conservation, use and access to water (safe drinking water, reuse of water); efficiency the use of materials (reuse– recycle, circular economy, life cycle approach); and a minimized resource requirement for goods and services
17. Climate change mitigation and adaptation	Mitigate, in collaboration with suppliers, the adverse climate change impacts of direct and indirect greenhouse gas emissions and consider aiming for carbon neutrality through supporting joint programs
	Identify, together with suppliers and other stakeholders, opportunities to prevent or minimize damage associated with climate change such as floods, drought and water scarcity, intense cold or heat, and to ensure the security of drinking water, sanitation, food and other resources critical to human health
18. Protection of the environment, biodiversity and restoration of natural habitats	Protect and value, in collaboration with suppliers and other stakeholders, biodiversity, ecosystem services, use land and natural resources sustainably and promote environmentally sound urban and rural development
	Promote and adopt sustainable agricultural, fishing, and forestry practices including aspects relating to animal welfare
	Respect the welfare of animals, when affecting their lives and existence, and ensure decent conditions for keeping, breeding, producing, transporting and using animals
Fair operating practices	
Apply and promote ethical conduct in the organisation's dealings with other organisations such as suppliers, contractors, partners, customers, competitors, governments and business associations	
19. Anti-corruption	Prevent and fight corruption, in collaboration with suppliers, manifested, for example, in bribery (soliciting, offering or accepting a bribe in money or in kind) in both the public and private sectors, fraud, money laundering, embezzlement, concealment or obstruction of justice
	Prevent corruption by raising awareness, supporting and training staff in the procurement function, representatives of suppliers and contractors, and encourage the reporting of unfair treatment and violations of the organisation's anti-corruption policy
20. Responsible political involvement	Prohibit undue influence of suppliers and avoid behaviour, such as manipulation, intimidation and coercion, that can undermine the public political process
21. Fair competition	There are many forms of anti-competitive behaviour. Some examples are: price fixing, where parties collude to sell the same goods or services at the same price; bid rigging, where parties collude to manipulate a competitive bid; and predatory pricing, which is selling a goods or services at a very low price with the intent of driving competitors out of the market and imposing unfair sanctions on competitors.
	The procurement function should support and promote fair competition between suppliers throughout the supply chain
	Support anti-trust and anti-dumping practices with suppliers, and do not take advantage of social conditions, such as poverty, to achieve unfair competitive advantage
22. Promoting social responsibility in the value chain	The procurement function should exercise influence throughout the supply chain in purchasing goods and services that are being produced and delivered in the most sustainable way (see Annex B)
	Where appropriate, provide support to SMO suppliers that includes raising awareness of sustainability issues and best practice, and provide necessary additional assistance (for example, technical advice, capacity building) or other resources
23. Respect for property rights	Property rights cover both physical property and intellectual property and include interest in land and other physical assets, copyrights, patents, geographical indicator rights, funds, and moral rights.
	The procurement function should promote respect for property rights with suppliers and other stakeholders in the supply chain, and should not engage in activities that violate property rights, including misuse of a dominant position, counterfeiting and piracy
Consumer issues	
Organisations that provide goods and services to consumers, as well as other customers, have responsibilities to those consumers and customers. Based on UN Guidelines for Consumer Protection	
	Promote consumer rights principles with suppliers, for example, being informed,

	managing safety, offering redress, adopting the precautionary approach, respecting the right to privacy, ensuring gender equality and employing universal design
24. Fair marketing, factual and unbiased information and fair contractual practices	Provide, in collaboration with suppliers, clear and sufficient information about prices, features, terms, conditions, costs, the duration of the contract and cancellation periods Provide, in collaboration with suppliers, information about sustainability issues and impacts across the supply chain of goods and services
25. Protecting consumers' health and safety	Ensure with suppliers that goods and services will protect consumers' health and safety, in consumption, use, storage, maintenance, repair and return
26. Sustainable consumption	Stimulate the design of products and packaging so that they can be easily used, reused, repaired or recycled and, if possible, offer or suggest recycling and disposal services Provide consumers with information about goods and services, including country of origin, energy efficiency (where applicable), contents or ingredients (including, where appropriate, use of genetically modified organisms and nanoparticles), and information relating to animal welfare Make use of reliable and effective, independently verified, labelling schemes or other verification schemes, such as eco-labelling, or auditing activities, to communicate positive environmental aspects, energy efficiencies, and other socially and environmentally beneficial characteristics of goods and services
27. Consumer service, support and complaint and dispute resolution	Offer adequate consumer service, support and complaint mechanisms including proper installation, warranties and guarantees, and technical support regarding use, as well as making provisions for return, repair and maintenance Make use of alternative dispute resolution, conflict resolution and redress procedures that are based on national or international standards, are free of charge or are at minimal cost to consumers
28. Consumer data protection and privacy	Provide consumer data protection and privacy to safeguard consumers' rights of privacy by limiting the types of information gathered and the ways in which such information is obtained, used and secured Note. Increasing use of electronic communication (including for financial transactions) and genetic testing, as well as the growth in large-scale databases, raise concerns about how consumer privacy can be protected, particularly with regard to personally identifiable information Do not disclose, make available or otherwise use personal data for purposes other than those specified, including marketing, except with the informed and voluntary consent of the consumer or when required by the law; and provide consumers with the right to verify personal data
29. Access to essential services	Stimulate and contribute in the supply chain to (local) opportunities for fulfilling the right to essential utility services, such as electricity, gas, water, wastewater services, drainage, sewage and communication
30. Education and awareness	Contribute to education of consumers by providing, together with suppliers, information on sustainable consumption, health and safety and environmental impacts, e.g., by providing labelling, instructions, user manuals, and other communication
Community involvement and development 'Community' refers to residential or other social settlements located in a geographic area that is in physical proximity to an organisation's sites or within an organisation's areas of impact (e.g., where it purchases goods and services in the supply chain). Supporting the former UN Millennium Development Goals and, where possible, the new UN Sustainable Development Goals	
31. Community involvement	Contribute to community involvement, in collaboration with suppliers, in respecting the cultural, social and political rights of communities (e.g., traditional or indigenous) by consulting representatives of communities, participating in local associations, and contributing to development programmes
32. Education and culture	Promote and support the education of communities at all levels, in particular the education of children, women and vulnerable groups, in areas where goods to be purchased are being produced
33. Employment creation and skills development	Analyse the impacts, together with suppliers, of investment and purchasing decisions on employment creation and capacity building, and on the alleviation of poverty Consider helping to develop or improve skills development programmes in the community where these are inadequate, possibly in partnership with suppliers and others in the community Consider the positive impact of outsourcing and purchasing decisions on employment creation for SMOs

34. Technology development and access	Consider contributing to the development of innovative or low-cost technologies that can help solve social and environmental issues in local communities or can have a high positive impact on poverty and hunger eradication
	Engage in partnerships with suppliers and other organisations, such as universities or research laboratories, to enhance scientific and technological development with partners from the community, and employ local people in this work
	Consider, where economically feasible, developing potential local and traditional knowledge and technologies while protecting the community's right to that knowledge and technology
35. Wealth and income creation	Consider, in consultation with suppliers, the economic and social impacts of entering or leaving a community, including impacts on basic resources needed for the sustainable development of the community
	Consider giving preference to local suppliers of goods and services and contributing to local supplier development where possible
	Ensure suppliers fulfil their tax responsibilities and provide authorities with the necessary information to correctly determine taxes due
36. Health	Seek to eliminate the negative health impacts of any production process, or of goods and services provided by suppliers
	Consider supporting long-lasting and universal access to essential health care services, to clean water and to appropriate sanitation as a means of preventing illness, For example, by participating in public health campaigns together with suppliers
37. Social investment	Take into account the promotion of community development in planning social investment projects with suppliers. All actions should broaden opportunities for citizens, for example by increasing local procurement and ensuring that any outsourcing supports local development
	Consider contributing to programmes of suppliers that provide access to food and other essential products for vulnerable or discriminated groups and persons with low income, taking into account the importance of contributing to their increased capabilities, resources and opportunities

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Annex B
(informative)

HELP BOX - ISO 26000 – Sphere of Influence

1667 **What are related actions?**

1668 An organisation and its procurement function should:

1669 **a) Assess its sphere of influence within the supply chain**

1670 An organisation should consider its ability to influence its supply chains. This should be done through
1671 systematic evaluation of the organisation and its relationship with its supply chains. Where possible this
1672 should be integrated with a wider commercial evaluation of the supply chain. The individuals who are
1673 responsible for the actual procurement should always consider its ability to influence the supplier. This
1674 influence may vary according to the level of mutual dependency.

1675 When assessing its sphere of influence and determining its responsibilities, an organisation should *exercise*
1676 *due diligence* to avoid contributing to negative impacts through its supplier relationships. Reasonable efforts
1677 could include: assessing contractual obligations on suppliers and subcontractors towards sustainability
1678 principles and practices, seeking dialogue with suppliers, making unannounced visits and inspections and
1679 supervising contractors and intermediaries.

1680 **b) Promote sustainability in the supply chain**

1681 To promote sustainability in its supply chain, an organisation and its procurement function should:

- 1682 — integrate ethical, social, environmental and gender equality criteria, and health and safety, in its
1683 purchasing, distribution and contracting policies and practices to improve consistency with
1684 sustainability objectives;
- 1685 — encourage suppliers and other stakeholders to adopt similar policies, without indulging in anti-
1686 competitive behaviour in so doing;
- 1687 — carry out appropriate due diligence and monitoring suppliers and other organisations with which it has
1688 relationships, with a view to preventing compromise of the organisation's commitments to
1689 sustainability;
- 1690 — consider providing support to small and medium sized organisations, including awareness raising on
1691 sustainability issues and best practice and additional assistance (for example, technical, capacity
1692 building or other resources) to meet sustainability objectives;
- 1693 — actively participate in raising the awareness of suppliers and other organisations with which it has
1694 relationships about principles and issues of sustainability ; and
- 1695 — promote fair and practical treatment of the costs and benefits of implementing sustainability practices
1696 throughout the supply chain, including, where possible, enhancing the capacity of organisations in the
1697 supply chain to meet sustainability objectives. This includes adequate purchasing practices, such as
1698 ensuring that fair prices are paid and that there are adequate delivery times and stable contracts.

1699 **c) Exercise influence**

1700 Procurement can exercise its influence with suppliers and other stakeholders either to enhance positive
1701 impacts on sustainable development, or to minimize negative impacts, or both. The exercise of an
1702 organisation's influence should always be guided by ethical behaviour and other principles and practices of
1703 sustainable procurement. When exerting its influence, an organisation and procurement should first
1704 consider engaging in dialogue aimed at improving awareness of sustainability and encouraging socially
1705 responsible behaviour. If dialogue is not effective, alternative actions should be considered, including
1706 changing the nature of the relationship with suppliers and other stakeholders.

- 1709 Methods of exercising influence include:
- 1710 — setting contractual provisions or incentives;
 - 1711 — making public statements by the organisation;
 - 1712 — engaging with stakeholders such as the community, political leaders and other stakeholders (through
1713 open dialogue, workshops, symposium, etc.);
 - 1714 — supplier code of conduct;
 - 1715 — publishing a sustainable procurement charter;
 - 1716 — sharing knowledge and information;
 - 1717 — conducting joint projects with peers, other actors along the supply chain or non-governmental
1718 organisations for instance;
 - 1719 — co-innovation of new goods, services, efficiencies and processes;
 - 1720 — making investment/procurement decisions;
 - 1721 — undertaking responsible lobbying and using media relations;
 - 1722 — promoting good practices;
 - 1723 — forming partnerships with sector associations, suppliers and others;
 - 1724 — requiring stakeholders to report sustainability performance”;
 - 1725 — recognizing suppliers for meeting sustainable objectives;
 - 1726 — capacity building;
 - 1727 — evidence based analysis or research, including suppliers audits.
- 1728
1729 When critical suppliers do not have enough leverage or influence to mitigate negative impacts, procurement
1730 could consider actions like:
- 1731 — offering capacity-building support to the supplier to help it address the problems;
 - 1732 — working collaboratively with other organisations that have relationships with the same supplier to
1733 incentivize improvements;
 - 1734 — working with other organisations on a broader regional or sectorial basis to incentivize improvements;
 - 1735 — working with local or central government to the same ends;
 - 1736 — involving the supplier early in the planning stage to promote significant improvements.
- 1737 If these efforts are unsuccessful, the organisation needs to be able to demonstrate that it has done
1738 everything reasonably possible to improve the sustainability performance of the supplier. It needs to take
1739 steps to end the relationship with the supplier or prepare to face any consequences for its decision to
1740 maintain the relationship.

Annex C
(informative)

Overview of ISO 26000

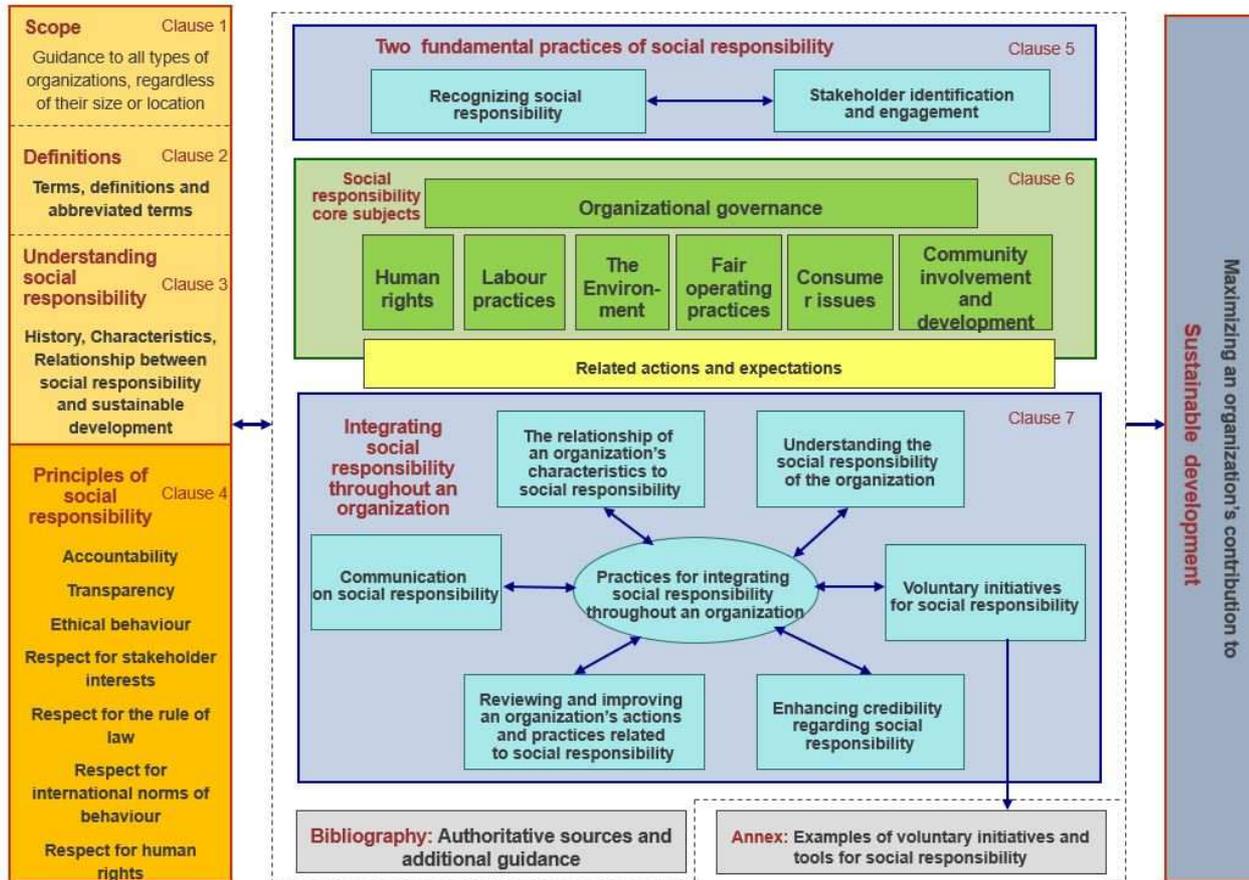


Figure B.1 — overview of ISO 26000

This Figure C.1 provides an overview of ISO 26000, and is intended to assist organisations in understanding how to use the standard. The following points provide guidance on using this standard:

- after considering the characteristics of social responsibility and its relationship with sustainable development (Clause 3), it is suggested that an organisation should review the principles of social responsibility described in Clause 4. In practicing social responsibility, organisations should respect and address these principles, along with the principles specific to each core subject (Clause 6).
- before analysing the core subjects and issues of social responsibility, as well as each of the related actions and expectations (Clause 6), an organisation should consider two fundamental practices of social responsibility: recognizing its social responsibility within its sphere of influence, and identifying and engaging with its stakeholders (Clause 5);
- once the principles have been understood, and the core subjects and relevant and significant issues of social responsibility have been identified, an organisation should seek to integrate social responsibility throughout its decisions and activities, using the guidance provided in Clause 7. This involves practices such as: making social responsibility integral to its policies, organisational culture, strategies and operations; building internal competency for social responsibility; undertaking internal and external

- 1762 communication on social responsibility; and regularly reviewing these actions and practices related to
1763 social responsibility;
- 1764 — further guidance on the core subjects and integration practices of social responsibility is available from
1765 authoritative sources (Bibliography) and from various voluntary initiatives and tools (some global
1766 examples of which are presented in Annex A).
- 1767
- 1768 When approaching and practicing social responsibility, the overarching goal for an organisation is to
1769 maximize its contribution to sustainable development.

Annex D
(informative)

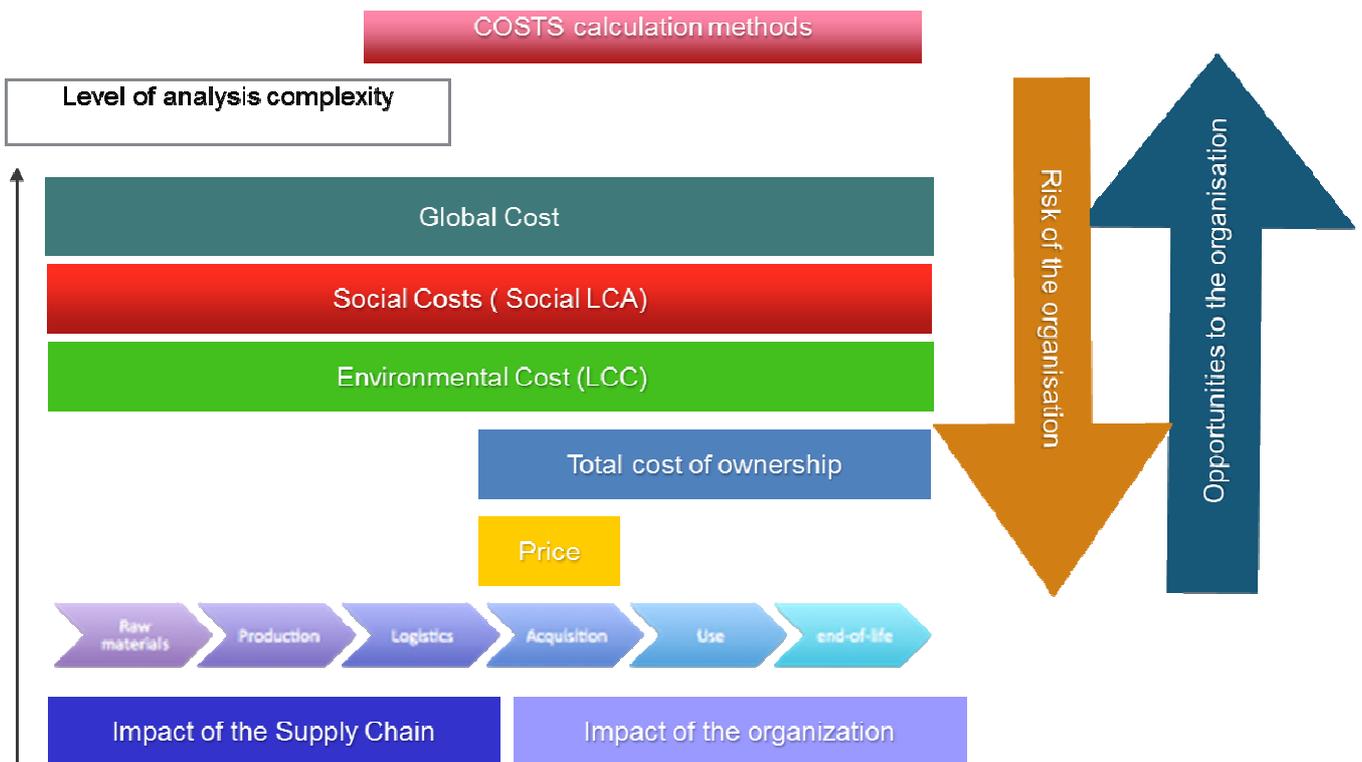
Global cost calculation method

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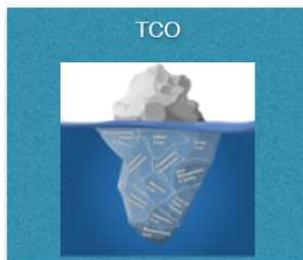
1774 Whenever important decisions have to be made, it is recommended that economic analysis is completed at
1775 all relevant stages within the procurement process.

1776 In order to calculate the global cost the following steps are recommended to be completed in as much detail
1777 as feasible:

- 1778 1. Calculate the Total Cost of Ownership (sum of the following costs: Price, costs of procurement process,
1779 use and end of life)
- 1780 2. Analyse the environmental, social and economic costs over the life cycle of goods and services,
- 1781 3. Assess costs of risks and opportunities or value creation for the organisation:



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The acquisition price of a product, service or work plus the operational costs during the use phase and the end-of-life (included recycling) costs. When choosing among alternatives in a purchasing decision, buyers should look not just at the short-term price, which is its purchase price, but also at its long-term price, which is its total cost of ownership. The item with the lower total cost of ownership will be the more cost-effective and sustainable option in the long run. To be correct the costs of the procurement process itself should be integrated as well.

1784



The goal of LCC is to calculate the environmental costs of products in order to be able to choose the product with the lowest impact. LCA is a technique to assess the environmental aspects and potential impacts associated with a product, process, or service, by: Compiling an inventory of relevant energy and material inputs and environmental releases; Evaluating the potential environmental impacts associated with identified inputs and releases; Interpreting the results to help you make a more informed decision

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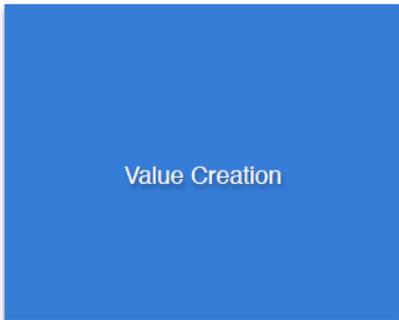
Social Life Cycle Assessment (S-LCA) is a technique to evaluate positive and negative social impacts of a product, service, work along the life cycle.

More information:
Life Cycle Initiative United Nations



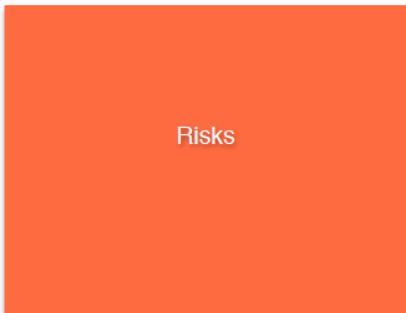
The global cost considers both economical, environmental & social costs during the life cycle of the product/service/work. In order to calculate the global cost the following steps are recommended:

1. Calculate the Total Cost of Ownership
2. Analyse the environmental, social and economic costs over the life cycle of products/services/works), as well as costs of risks and opportunities or value creation for the organization



The global cost could be improved and creates value by taking the opportunities such as:

- Business development
- Competitive differentiation
- Access to new markets
- Efficiency (reduction of costs)
- Better Ecological footprint
- CO2-reductions
- Social considerations (human & labour rights, access for SMO' &



Limit the costs of risks such as

- Reputation, image
- Supply failure, supply chain failure
- Labour conflicts
- Legal risks, financial penalties
- Loss of markets
- Reparation (compensation of victims)
- Remediation (infrastructure, rehabilitation)
- Business ethics

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Annex E (informative) Example of category issue analysis

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Ex. Electronic component		(Another example, such as an agricultural produce, can be added)							
		VALUE CHAIN							
CORE		Raw Materials (Incl. Reproduction)	Production & Processing	Maintenance in Manufacturing Process	Packaging	Transportation & Storage	Retail	Consumers' usage	Disposing and Recycling
SUBJECTS	Organizational Governance								
	Human Rights	Conflict Minerals Forced labour	Conflict Minerals Forced labour	Conflict Minerals Forced labour			Consideration for Diversity of culture and religion		Child labour
	Labour Practices	Safety, Health, Working Conditions	Safety, Health, Working Conditions	Safety, Health, Working Conditions	Safety, Health, Working Conditions	Safety, Health, Working Conditions	Safety, Health, Working Conditions		
	The Environment	Environmental destruction CO2 emission Water usage and Processing	Environmental contamination, CO2 emission Water usage and Processing Chemical disclosure	Environmental contamination, CO2 emission Water usage and Processing	CO2 emission Water usage and Processing	CO2 emission Water usage and Processing	CO2 emission Water usage and Processing	Effective usage of energy and water CO2 emission	
	Fair Operating Practices	Bribery				Bribery			
	Consumer Issues	Traceability	Traceability		Proper notice		Protection of consumer privacy Proper notice	Consideration for safety and health	Recycling
	Community Involvement & Development	Indigenous people & groups	Information disclosure Capacity building						illegal waste dumping

Very high impact
 Medium impact
 Low impact

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1799 — SDG's - <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>

1800 — John Henke Study regarding partnership benefits

1801 — AA1000 Stakeholder Engagement Standard

1802