

By Re-Generation

Business Model and Organization

4.4 Procurement

The next frontier of corporate procurement is to engage suppliers, vendors and contractors in improving their social and environmental sustainability performance. Major multinational firms with large market power have an enormous opportunity to influence change in the operations of their supply chain partners. Unfortunately, [less than half of supply chain professionals](#) say that their organizations have supply chain sustainability goals. To really become sustainable, organizations must adopt sustainable or social procurement policies, implement incentives for better supplier performance, improve supply chain visualization to map key risks, and other approaches. To learn more about sustainable procurement policies and frameworks, continue reading this PDF guide.

Acknowledgements

Written by Gareth Gransaul, Associate Director of Re_Generation, with review by some of Canada and North America's most influential sustainability leaders.

About Re_Generation

[Re_Generation](#) is a Canadian youth movement that seeks to build a regenerative, sustainable, and just economy. We aim to reimagine our schools, repurpose our careers, and remodel our companies to be aligned with regenerative principles. In particular, we provide resources for individuals to launch impact-driven careers and advocate for change within their companies and schools. We also aim to advance public policies that promote regenerative and sustainable business practices.

Our successful 'Our Future, Our Business' Manifesto campaign received the support of 65 youth organizations, 130 high-level executives, and 100 civil society organizations recognizing the need for reform in business education on sustainability. After three years of existence as the Canadian Business Youth Council for Sustainable Development, we have changed our name to Re_Generation to become more inclusive of all youth, not just business youth.

We believe that the ideal society is a [regenerative](#) one. Regeneration to us means putting human and ecological [well-being](#) at the centre of every decision. It means restoring relationships, both within nature and within society, while helping all communities to thrive. Read more about our history and vision at our [About Us](#) page.

Issue Summary

Traditionally, sustainable procurement has involved screening in or out products or services that are greener or more socially responsible. However, the next and more impactful frontier of procurement is to engage suppliers, vendors and contractors in improving their social and environmental sustainability performance.

While it is important for all organizations to improve sustainability in the entities under their direct operational control, this is only half the battle. To become a truly sustainable organization, firms need to engage with their supply chain partners and attempt to influence the adoption of sustainable practices throughout their value chain. Major multinational firms with large market power have an enormous opportunity to influence change in the operations of their supply chain partners. Unfortunately, [less than half of supply chain professionals](#) say that their organizations have supply chain sustainability goals, according to the MIT Centre on Transportation and Logistics. To the extent that organizations engage with their suppliers on sustainability issues, they tend to focus on first-tier suppliers while lower-tier suppliers remain ignored, despite being the entities where supply chain risk is most concentrated. To really become sustainable, organizations must adopt sustainable or social procurement policies, implement incentives for better supplier performance, improve supply chain visualization to map key risks, and other approaches.

Key Considerations

As outlined in this Harvard Business Review article, [top performing firms](#) will establish long-term sustainability goals for their supply chains, require first-tier suppliers to set their own goals, incorporate lower-tier suppliers into sustainability strategy, and assign a staff member to be responsible for the implementation of supply chain sustainability strategy. GreenBiz has outlined [six steps to more sustainable supply chains](#) that all organizations should follow, which include:

1. Map your supply chain;
2. Communicate expectations, particularly through a supplier code of conduct;
3. Develop a baseline for supplier performance;
4. Develop training and capacity building programs;
5. Drive performance improvement using an audit program to measure performance over time;
6. Join industry collaborations.

As a preliminary step, all organizations should adopt a supplier code of conduct that outlines expectations and minimum standards regarding supplier sustainability performance. These codes should apply to all tiers of suppliers, and should cover all the most salient issues related to sustainability and business ethics based on an assessment of the most relevant social and environmental risks. For more information about defining supplier codes of conduct, see [this article](#) from EcoVadis, as well as the guidelines from the UN Global Compact outlined on [pages 23-27 of this report](#).

Firms should also engage with their suppliers to improve the circularity of their supply chains using this [circular economy procurement framework](#) from the Ellen MacArthur Foundation. Circular procurement policies, based on comprehensive life-cycle analyses of all purchased products, can help increase sustainability of a firm's supply chain by raising the sourcing of repurposed or recycled materials as a percentage of overall inputs.

To promote respect for human rights and labour rights across supply chains, and conduct necessary due diligence, firms should consider these [self-assessment questions](#) developed by the Danish Institute for Human Rights, some of which include:

- Does the company promote international human rights and labour standards in its interactions with suppliers and business partners?
- Does the company seek to ensure that its suppliers and contractors, including recruitment agents, do not participate in, or benefit from, any form of forced or bonded labour, including through practices such as recruitment fees, money deposits, retention of personal documents, captivity, coercion, or human trafficking?
- Does the company require its suppliers and contractors to adhere to applicable international and national laws concerning minimum age requirements related to child labour and young workers?
- Does the company seek to ensure that its suppliers and contractors provide a safe and healthy working environment, minimizing risks of accidents, personal injury and adverse health impacts in compliance with applicable laws and regulations?
- Does the company seek to ensure that its suppliers and contractors pay wages on time and provide all employees with at minimum a living wage sufficient to meet the basic needs of employees and their dependents?
- Does the company seek to ensure that its suppliers and contractors are committed to ensuring access for all employees, in line with international minimum standards and local laws, to: annual paid leave, paid sickness leave, paid parental leave?
- Does the company seek to ensure that its suppliers and contractors refrain from discrimination or harassment of any kind in the workplace, including in relation to recruitment, compensation, benefits, promotion or termination?

Beyond requiring sustainable and ethical practices among its suppliers, forward-thinking firms should also make sure to critically evaluate their own list of suppliers and clients to determine whether there are any firms or partnerships which might not withstand public scrutiny and should thus be boycotted or phased out. Boycotting can be a powerful tool to signal to the public and to regulators a willingness to break with unsustainable practices. The demand for boycotting unsustainable clients is increasing among employees and the general public, as noted in [recent calls for law, consulting, and public relations firms to suspend their relationships](#) with large polluters and fossil fuel firms responsible for obstructing action on climate change. In these changing political and cultural conditions, firms would be advised to reconsider problematic business relationships which might attract criticism in the future.

Tools

For a comprehensive introduction to supply chain sustainability policies, see this [practical guide for continuous improvement developed](#) by the UN Global Compact. This guide outlines concrete suggestions for establishing performance baselines, determining scope, engaging with suppliers, determining roles and responsibilities, participating in multi-stakeholder initiatives, and other key considerations. Firms can also review [this guide](#) from the Judge Business School at Cambridge that focuses on supplier engagement for sustainability.

Firms should also regularly evaluate the performance of their suppliers on key sustainability and social issues. The Global Reporting Initiative has developed standards for [social assessments](#) and [environmental assessments](#) of all supply chain partners.

1. Supply Chain Transparency

Companies should work to increase visibility into their supply chains, with the overall aim of increasing transparency and accountability. For an introduction to the themes and core concepts of supply chain traceability, see [this guide](#) from the UN Global Compact, which includes a map of the global landscape of traceability schemes on pages 15-16. Before endorsing or joining a multi-stakeholder initiative on traceability and transparency, however, organizations should be advised to read and consider the criticisms of multi-stakeholder initiatives [outlined in this multi-year research project](#) led by MSI Integrity.

Deloitte has identified a [variety of supply chain transparency tools](#) that can be used by businesses for a variety of purposes ranging from risk assessment to supply chain mapping. Their list of tools is included in the table below:

Risk Assessment	Sayari Verisk Maplecroft FRDM
Workplace Audits	ELEVATE Insite Compliance SGS
Product Traceability	Provenance Transparency-One
Supply Chain Mapping	ChainPoint Sourcemap SourceTrace SupplyShift ImportYeti
Audit Management	Inspectorio Sumerra
Data Sharing	Better Buying Sedex Advance Verité Cumulus
Worker Engagement	Ulula
Awareness Resources and Campaigns	Behind the Barcodes (Oxfam) KnowTheChain

2. Sourcing and Procurement

After mapping supply chains and identifying key risks, firms should adopt sustainable or ethical procurement policies that aim to source only from suppliers who meet a minimum level of performance. For more information about ethical and sustainable procurement policies, see [this guide](#) from Traidcraft, as well as this [report on responsible value chains](#) from the World Economic Forum.

To articulate a sustainable procurement policy, organizations should see this [sustainable procurement guide](#) from Reeve Consulting, as well as this [procurement guide](#) from the UN Development Programme. This [GreenBiz article outlines](#) the key steps in building a business case for sustainable procurement, which includes tools for benchmarking and measurement building on the [resources de-](#)

veloped by [EcoVadis](#), a prominent sustainable supply chain advisory firm. Ceres has developed a [sample supplier self-assessment tool](#), which covers all the key categories of environmental and social risk. To learn more about trends and issues in supply chain sustainability in general, see the [Supply Chains Solutions Centre](#) as well as the [Sustainable Procurement Platform](#).

Firms hoping to develop a social procurement policy should see the [social buying guide](#) and [social sourcing](#) tools developed by Coro Strandberg. In purchasing ethically sourced, socially impactful products, companies should specifically aim to adopt procurement policies that benefit local communities and help develop local economies. Firms should review this [Open Contracting Partnership report](#), which examines the importance of local procurement policies, and evaluate themselves according to the [community investment framework](#) from Business for Societal Impact. Firms should also aim to disclose their [procurement practices](#) and [impacts on local communities](#) through these GRI standards.

Case Studies

Case studies of sustainable procurement, focusing primarily on the public sector, can be seen at [this page](#) from the Sustainable Procurement Platform. In one example, the Ministry of Defence of the Netherlands has adopted a circular sourcing policy for all of its textile purchase, a decision which has saved an estimated 233 million litres of water and 23 megajoules of energy.

The [Clean Creatives](#) campaign provides an interesting example of the power of boycotting in partnership decisions, and the ripple effects they can have in changing the discourse and altering the political landscape. Clean Creatives is a movement of leading advertising and public relations agencies that is committed to suspending all work for the fossil fuel industry and no longer participating in marketing efforts that aim to increase demand for fossil fuels. As of this year, 265 agencies have signed up, suspending business with all the firms named on this [boycott list](#).

Organizations/Initiatives

[Reeve Consulting](#) and [EcoVadis](#) are two leading organizations working with organizations to advance sustainable purchasing and procurement. For supply chain mapping and transparency tools, see the above-mentioned table.

Some key multi-stakeholder initiatives on supply chain transparency and supplier engagement include the following:

- [Responsible Minerals Initiative](#)
- [Better Cotton Initiative](#)
- [Fair Trade Labelling Organizations International](#)
- [Forest Stewardship Council](#)
- [Global Organic Textile Standard](#)
- [Global Sustainable Beef Roundtable](#)
- [Good Weave](#)
- [IDH Sustainable Trade Initiative](#)
- [International Federation of Organic Agricultural Movements](#)
- [ITRI Tin Supply Chain Initiative](#)
- [Kimberley Process](#)

- [Leather Working Group](#)
- [Marine Stewardship Council](#)
- [Programme for the Endorsement of Forest Certification](#)
- [Rainforest Alliance](#)
- [Responsible Jewellery Council](#)
- [Roundtable for Responsible Soy](#)
- [Roundtable on Sustainable Biomaterials](#)
- [Roundtable on Sustainable Palm Oil](#)
- [Sustainable Forest Initiative](#)