

# Boosting your performance



'Sustainable procurement is when companies buy goods and services based on environmental and social, as well as financial aspects.'



## Sustainable procurement: 'green up' for business growth

Sustainable procurement has enormous potential to profoundly affect the way SMEs do business.

Sustainable procurement is when companies buy goods and services based on environmental and social, as well as financial aspects. It covers everything from companies asking suppliers for information on the environmental management system (see Chapter 12) they have in place, right through to requesting details on the energy, water and carbon pollution associated with a specific product or service.

Many Australian companies have started to 'green up' their supply chain and the move is having significant ramifications for the SMEs who supply them.

In today's international economy, business processes tend to become standardised a lot faster than they used to, particularly in the area of environmental management and business sustainability. Many companies in the United States of America and Europe have well-established sustainability programs for suppliers and Australian companies are adopting these processes.

Retailers have been leaders in this area. Grocery and bulk discount operator Walmart is the single-largest private employer in the United States. In 2009 the company released a document outlining its desire 'to produce zero waste, to be supplied with 100 per cent renewable energy and to sell sustainable products.'

In July 2009, Walmart brought together 1500 of its suppliers and associates to announce plans to develop a worldwide Sustainable Product Index. As part of its desire to make 'sustainability sustainable', it announced a three-stage plan for the project.<sup>29</sup>

### **Walmart Sustainable Product Index**

The following questions have been adapted from the Walmart Sustainable Product Index.<sup>30</sup>

#### **Energy and climate – reducing energy costs and greenhouse gas emissions:**

1. Have you measured your corporate greenhouse gas emissions?
2. What is your total annual greenhouse gas emissions reported in the most recent year measured?
3. Have you set publicly available greenhouse gas reduction targets? If yes, what are those targets?

#### **Material efficiency – reducing waste and enhancing quality:**

4. If measured, please report the total amount of solid waste (rubbish and recycling) generated from the facilities that produce your product(s) for the most recent year measured.
5. Have you set publicly available solid waste reduction targets? If yes, what are those targets?
6. If measured, please report total water use from facilities that produce your product(s) for the most recent year measured.
7. Have you set publicly available water-use reduction targets? If yes, what are those targets?

29 See [www.walmartstores.com/sustainability](http://www.walmartstores.com/sustainability)

30 Reproduced and adapted with permission from Walmart

The first stage was a survey that was distributed to its 100,000 suppliers around the world. The questions were designed by Walmart with input from suppliers, government, academia, not-for-profits and others in the retail community, and were based around four key areas: energy and climate; material efficiency; natural resources; and people and community.

By establishing a Sustainable Product Index, Walmart aims to help its suppliers ‘... identify both cost savings and opportunities for new revenue.’ Walmart believes this process represents a tremendous business opportunity for its company and its 100,000 suppliers.

### **Natural resources – producing high quality, responsibly sourced raw materials:**

8. Have you established publicly available sustainability purchasing guidelines for your direct suppliers that address issues such as environmental compliance, employment practices and product/ingredient safety?
9. Have you obtained third-party certifications for any of the products that you sell?

### **People and community – ensuring responsible and ethical production**

10. Do you know the location of 100% of the facilities that produce your product(s)?
11. Before beginning a business relationship with a manufacturing facility, do you evaluate the quality of, and capacity for, production?
12. Do you have a process for managing social compliance at the manufacturing level?
13. Do you work with your supply base to resolve issues found during social compliance evaluations and also document specific corrections and improvements?
14. Do you invest in community development activities in the markets you source from and/or operate within?

What does this mean for you? Being able to answer these questions is vital for any SME that doesn't want to miss out on an opportunity to work with a large company because it doesn't know its own environmental and social sustainability position.

### **Creating your own sustainable procurement system**

The best place to start developing sustainable procurement processes is to ask yourself key questions and assess their relevance to the materials and services your business both purchases and sells:

1. Is there a more environmentally responsible version of the same product?
2. Does the product have any recycled content?
3. Is it made from sustainably derived materials? With regards to paper or furniture, is it certified as having come from sustainably-managed forests?
4. Is it energy-efficient? Do other versions of this product use less energy over time?
5. Can it be reused or refilled?
6. What has the manufacturer or supplier done to reduce the environmental impact of its products and services?
7. Does the manufacturer or supplier release any type of environmental reporting?
8. Has the supplier ever breached environmental regulations or used toxic ingredients in its manufacturing processes? You can search records at each state and territory environment protection agency or authority or look at the company's annual reports.
9. What has the manufacturer done to 'green up' the supply chain for its products?
10. Are they supplying products to any existing, well-known sustainable procurement scheme, such as ECO-Buy?

As you develop a better understanding of the specific elements of sustainable procurement which are applicable to your business, consideration and documentation of the following principles can form the basis of a good sustainable procurement policy.

#### **Principle one – avoid unnecessary consumption:**

1. Assess the need for making a new purchase. Consider alternatives such as refurbishment, reconditioning or purchasing a second-hand item.
2. Consider alternatives to acquisition, such as short-term hire or using a service provider.

## **Principle two – select products and services with the lowest environmental impact:**

1. Analyse goods from a whole-of-life-cycle perspective. That means looking at everything that goes into making, distributing, selling and using a product or service as well as its end-of-life disposal. Factor in both the initial cost and also operational efficiency, expected life-span, reuse/recycling options at the end-of-life, and cost of disposal/replacement. The cheapest product is not always the most cost-effective option.
2. Look for evidence of environmental management. If a company is large enough it may have environmental certification. The most common is the International Organization for Standardization (ISO) 14000 series.<sup>31</sup>
3. Look for a credible eco-label, indicating the environmental claims are certified by an independent third-party (see the 'Know your eco-labels' section on page 44 for more information).
4. Give preference to products that are reusable, recyclable and/or contain recycled content. Collecting materials for recycling is one thing but your business is not truly recycling unless it's buying recycled-content products.

## **Principle three – support businesses to create a market for sustainable goods and services:**

1. Encourage suppliers to measure and report their environmental management and actions.
2. Favour suppliers who are committed to design, production and operational processes that are more environmentally sustainable.
3. Look for suppliers who accept 'extended producer responsibility'. These suppliers will take responsibility for their product when you have finished with it.
4. Support suppliers who participate in government programs to improve environmental performance (such as the Australian National Packaging Covenant), voluntary reporting protocols (such as the Global Reporting Initiative), or industry groups promoting the uptake of sustainable business practices (such as Environment Business Australia).

31 See [www.iso.org](http://www.iso.org)

## Case study: Marks & Spencer – looking behind the label

In January 2006, UK department store Marks & Spencer launched Look Behind the Label (LBTL), a program to market the environmental and ethical benefits of its products. It was supported by an internal program to make sure products were as sustainable as possible and that marketing claims were true.

With 15 million UK customers a week, Marks & Spencer used the campaign to explain its position on environmental and social issues that mattered most to its customers. Marks & Spencer has a massive supply chain with 30,000 products sourced from 1900 suppliers who employ 100,000 people in 70 countries.

To provide an example of the impact of the campaign, Marks & Spencer worked with 70,000 producers in 12 countries to change 38 of its product lines to Fairtrade coffee and tea. Many of these businesses were SMEs. The switch to Fairtrade increased Marks & Spencer's sales and meant that £340,000 (about AU\$690,000) in Fairtrade Premium went back to farmers to invest in their communities.

To communicate the change, Marks & Spencer launched an ad, backed up by real and measurable corporate change, which advised its customers: "Our coffee won't leave a bitter taste in your mouth. It's Fairtrade." You can find more information about communicating your business' commitment to sustainability in Chapter 13 of this book.

The positive reaction to LBTL provided confidence to develop a more ambitious aspirational set of aims which was launched in January 2007 as 'Plan A'. As part of the campaign, the company promotes the fact that 'there is no Plan B' when it comes to protecting the environment.

The Marks & Spencer approach to sustainability is now embedded within the company and with its suppliers. The results achieved by the company in 2008/09 include:

- 31% of the company's energy now comes from renewable sources, with the goal of being carbon neutral by 2012. Over a 12-month period they reduced carbon emissions by 18% and improved energy efficiency in stores by 10%

- in 2009, the company signed a deal to ultimately power all Marks & Spencer stores and offices in England, Wales and Scotland with renewable power
- packaging for one of its Easter Egg lines was reduced by 90% and pizza packaging was reduced by 62% (480 tonnes); non-glass food packaging was also reduced by 12%
- more than 8 million Fairtrade certified cotton garments were sold
- a recycling rate of 41% was achieved and in one year 125 million hangers were collected for reuse or recycling
- a healthier food range now makes up 30% of its total food offer
- fuel use in delivery fleets was reduced by more than 20%
- 50% of all wood used to build and fit out stores now comes from Forest Stewardship Council (FSC) sources
- the company is working with the environment group WWF to reduce the amount of water being used in product sourcing and production stages
- 44% of staff have been with Marks & Spencer for more than five years which is one of the lowest employee turnover rates in UK retail.

In March 2010, Marks & Spencer extended the 'Plan A' program to cover 180 sustainability commitments,<sup>32</sup> with the aim of becoming the world's most sustainable major retailer by 2015. The company also announced that 'Plan A' has helped save £50 million (about AU\$82.5 million) in 2009/10.

How could your business achieve similar results, albeit on a smaller scale? Would your business be ready to react and engage in the same way if larger Australian companies you supply developed similar programs?

32 See <http://plana.marksandspencer.com>

## **Know your eco-labels**

Not all green claims are the same and not all eco-labels are the same either. When looking for products and services, here are the eco-labels that you can definitely trust. Their use on a product indicates that it has been independently verified by a respected third party.

### **General products**

The Good Environmental Choice (GEC) label certifies products that are environmentally preferable from a whole-of-life-cycle perspective compared to others in the same category. The GEC mark is awarded on independently audited and monitored criteria for environmental, quality and social performance. Go to [www.geca.org.au](http://www.geca.org.au) for a list of GEC-accredited products.

### **Paper and wood products**

The Forest Stewardship Council (FSC) symbol guarantees timber and wood products (including paper) are sourced from well-managed forests or verified recycled materials. Independent assessment is undertaken according to social and environmental standards agreed to by the FSC, which is an international coalition of timber buyers, traders and non-government organisations. For more information, visit [www.fsc.org](http://www.fsc.org). You can also go to [www.goodwoodguide.org.au](http://www.goodwoodguide.org.au) to check out the Greenpeace Good Wood Guide.

### **Office equipment**

Energy Star is the international standard for energy-efficient electronic equipment, including computers, printers, photocopiers, monitors, televisions, DVD players and audio equipment. The Energy Star label shows the equipment can automatically switch into energy-saving features such as 'sleep' mode when not in use and can also use less energy when in 'standby' mode. Go to [www.energystar.gov.au](http://www.energystar.gov.au) for more information.

### **Energy-efficient appliances**

The Energy Rating label is mandatory on appliances like refrigerators, freezers, clothes washers, clothes dryers, dishwashers and air conditioners. It is now also used on TV sets. Similar to the Water Rating label, it uses a star rating system to show you how efficient the product is.

The more stars means the more you'll save on electricity. The label also tells you the estimated annual energy consumption in kW/h through typical use. Go to [www.energyrating.gov.au](http://www.energyrating.gov.au) for more information.

### **Case study: Corporate Express & 'Pilot 'B2P'**

In August 2010, a 'Pilot B2P' Galaxy study showed that 90 per cent of Australians think businesses should do more to make their products less damaging to the environment.

In response to this growing demand for 'greener' products, Corporate Express has published a sustainable procurement guide for Australian businesses. The 'Go Green Guide – for a Greener Workspace' features more than 1500 EarthSaver classified products that help Australian businesses to make more informed and sustainable choices. Corporate Express has also been active on the emissions reduction front. The company's second Sustainability Report issued in 2010 indicated that it had reduced its gross CO2 emissions by 20 per cent on the previous year.

One of the products featured in the guide is the new 'B2P' (Bottle to Pen) from Pilot Pens. Since its release, 1.7 million old PET bottles have been turned into Pilot 'B2P' pens around the world.<sup>33</sup>

### **Water-efficient appliances**

The Water Efficiency Labelling and Standard (WELS) scheme is an Australian Government mandatory label for products like showerheads, tap equipment, toilets, urinals, washing machines and dishwashers. The label is similar to the energy-rating system for electrical appliances – more stars means it's more efficient. The label also gives an estimate of water consumption. Go to [www.waterrating.gov.au](http://www.waterrating.gov.au) for more information.

The Smart Approved WaterMark label is the sister scheme to WELS, certifying products and services that help to reduce outdoor water use. Go to [www.smartwatermark.info](http://www.smartwatermark.info) for more information.

33 See [www.ce.com.au](http://www.ce.com.au) and [www.pilotpenaustralia.com.au](http://www.pilotpenaustralia.com.au) for more information.

## **Sustainable agriculture**

Fairtrade certification promotes more sustainable agriculture by paying a higher-than-market price to producers to ensure that minimum labour, environmental and social conditions are met. Fairtrade-labelled products are sourced directly from local co-operatives, putting more money in the pockets of growers. Go to [www.fairtrade.com.au](http://www.fairtrade.com.au) for more information.

---

## **Not all green claims are the same and not all eco-labels are the same either.**

---

Rainforest Alliance certification primarily addresses ecosystem conservation and wildlife protection, though it also requires meeting minimum conditions for workers. Coffee bearing this logo is now being stocked in outlets all around Australia. Indeed, every coffee bean that McDonald's Australia use at McCafé® is sourced only from Rainforest Alliance Certified™ farms.<sup>34</sup> Go to [www.rainforest-alliance.org](http://www.rainforest-alliance.org) for more information.

## **Travel and tourism**

Green Globe is the worldwide benchmarking and certification program for the travel and tourism industry, including hotels, restaurants, resorts and vehicle rental companies. The certification process was developed in conjunction with the Co-operative Research Centre for Sustainable Tourism in Australia. Go to [www.greenglobe.org](http://www.greenglobe.org) for more information.

## **Sustainable fishing**

The Marine Stewardship Council label certifies that seafood has been fished in a sustainable manner. The standard applies to wild-capture fisheries only, not to farmed fish. Go to [www.msc.org](http://www.msc.org) for more information.

34 See [www.mcdonalds.com.au/mccafe/rainforest-alliance](http://www.mcdonalds.com.au/mccafe/rainforest-alliance)

## Responsible investment

The Responsible Investment Certification Program is run by the Responsible Investment Association Australasia. This certifies environmentally and socially responsible investment products and services. Go to [www.responsibleinvestment.org](http://www.responsibleinvestment.org) for more information.

## Organic food produce

There are seven certification organisations, each with its own logo, approved by the Australian Quarantine Inspection Service:<sup>35</sup>

- Australian Certified Organic: [www.aco.net.au](http://www.aco.net.au)
- NASAA Certified Organic: [www.nasaa.com.au](http://www.nasaa.com.au)
- The Organic Food Chain (OFC): [www.organicfoodchain.com.au](http://www.organicfoodchain.com.au)
- AUS-QUAL: [www.ausqual.com.au](http://www.ausqual.com.au)
- Bio-Dynamic Research Institute: [www.demeter.org.au](http://www.demeter.org.au)
- Safe Food Production Queensland: [www.safefood.qld.gov.au](http://www.safefood.qld.gov.au)
- Tasmanian Organic-Dynamic Producers: [www.tasorganicdynamic.com.au](http://www.tasorganicdynamic.com.au)

In addition to these logos, there is also an Australian Government Certified mark to provide greater assurance for buyers of organic and biodynamic produce. Go to the website of the Organic Federation of Australia at [www.ofa.org.au](http://www.ofa.org.au) for more information. For small organic producers, you can also sign up with the BFA/OGA Small Producers Program. For membership enquiries, visit [www.organicgrowers.org.au](http://www.organicgrowers.org.au)

## Concentrate

Concentrated cleaning products help to reduce packaging waste and allow for better transport efficiencies. Another benefit of concentrated products is they take up less space in your storeroom.

Make sure your cleaning service or cleaning department only uses non-toxic and phosphate-free cleaning products. This can help to reduce the impact of cleaning products on the environment.

35 See [www.daff.gov.au/aqis](http://www.daff.gov.au/aqis)

## **Guides to buying green**

### **ECO-Buy**

ECO-Buy helps SMEs to 'green' their purchasing and makes it easier to integrate sustainable purchasing into daily business practices. Backed by nine years of experience, ECO-Buy aims to increase the use of green products and services. It has just launched a 'Sustainable Procurement Assessment Tool'. This useful tool helps companies to measure and assess their green purchasing programs and policy. Go to [www.ecobuy.org.au](http://www.ecobuy.org.au) for more information.

### **Good Environmental Choice Australia**

This website details those products that have achieved certification with the Good Environmental Choice Label. It also gives useful tips and information about sustainable procurement. Go to [www.geca.org.au](http://www.geca.org.au) for more information.

### **Ecospecifier**

Ecospecifier Australasia offers an online knowledge base of more than 3500 eco-products, eco-materials, technologies and resources. It is particularly useful for those companies who want to source products for building and construction projects. Go to [www.ecospecifier.org](http://www.ecospecifier.org) for more information.

### **Queensland Government Sustainable Procurement**

The Queensland Government spent approximately \$12 billion on goods, services and construction in 2007/2008. This website is designed to help agencies, suppliers and other interested parties to understand sustainable procurement. Go to the 'Sustainable Procurement' page at [www.qgm.qld.gov.au](http://www.qgm.qld.gov.au) for more information.

### **Green Purchasing in Australia**

The Green Purchasing in Australia report is very useful for organisations who want to implement sustainable procurement into their business operations. Go to [www.netbalance.com](http://www.netbalance.com) or [www.ecobuy.org.au](http://www.ecobuy.org.au) to download the report.

If suppliers offer you 'degradable' bags, these are not biodegradable (under the AS4736 standard). Indeed, degradable bags can contain metals that breakdown the bags into smaller fragments – such fragments are problematic for smaller animals.

If the sales person says their bag is biodegradable, ask for certification that proves the bag – and the printing on that bag – is compliant with the AS4736-2006 Australian standard for compostable bags.

Visit [www.banthebag.com.au](http://www.banthebag.com.au) for more information about alternatives to plastic bags.

