ISO 20400: Sustainable Procurement

IPSHK 20th AGM cum Seminar –
"Procurement & Supply Chain in Horizon (2020)"

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Ms Linda Ho
Chief Executive Officer
Green Council
Agenda

Brief Introduction of Green Council
Evolution of Green Council
Development History of ISO 20400
Content of the Guide
Benefits of Using the Guide
Way Forward
Brief Introduction of Green Council

Evolution of Green Council

Development History of ISO 20400

Content of the Guide

Why do we need an ISO Standard for Sustainable Procurement

Benefits of Using the Guide

Way Forward
Background of Green Council

Our Motto: Conservation begins with Education

The Green Council (GC) was established in 2000 as an environmental organization with non-profit making and charitable status. It was formed by a group of individuals from commercial, industrial and academic sectors who share the same vision to help build Hong Kong into a world-class green city for the future.

Reference of our works: www.greencouncil.org
Core Initiatives

- Ecolabelling and Certification
- Green Purchasing
- Environmental Education
Green Council’s Experience
Corporate Sector

- Hong Kong Green Label Scheme (Since 2000)
- Eco Expo Asia–Green Council Pavilion (Since 2006)
- Hong Kong Green Purchasing Charter (Since 2007)
- Hong Kong Green Awards (Since 2010)
- Environmental Congress, Symposium, Forum, Seminars and Exhibitions (Ongoing)
- Lean & Green Program for Waste Separation@ Source ~ Waste Footprint Calculator for Hong Kong (Since 2016)
- FoodWaste Lean and Green Label Scheme (Since 2016)
Green Council’s Experience
Schools

- Eco-model Tournament (Since 2001)
- Eco-Walk and Tree Planting (Ongoing)
- Train-the-trainer Program (Ongoing)
- School Environmental Talks (Ongoing)
- Captain Green “Train the Trainer” Programme
Green Council’s Experience
General Public

- Green Carnival (Since 2004)
- International Coastal Cleanup (Since 2007)
- Hong Kong Green Day (Since 2013)
- Green Run (2016-)
Milestone of Green Council

- Green Carnival (Since 2004)
- International Coastal Cleanup (Since 2007)
- Hong Kong Green Day (Since 2013)
- Green Run (2016-)

[Image of a timeline showing various green council milestones and events from 2000 to 2017]
Brief Introduction of Green Council

Evolution of Green Council

Development History of ISO 20400

Content of the Guide

Benefits of Using the Guide

Way Forward
**Evolution of Green Council**

- **2000**
  - Commenced Hong Kong Green Label Scheme (HKGLS) including 37 criteria under 9 categories collaboration with Hong Kong Productivity Council.

- **2002**
  - Restructured HKGLS (managed by Green Council based on generally compliant ISO14024).
  - Joined GEN (Global Ecolabelling Network).

- **2003**
  - Hosted the first International Green Purchasing Conference.
  - Become the member of International Green Purchasing Network.

- **2004**
  - Hong Kong Green Purchasing Charter established. Encourage organizations, big and small to purchase “green product”.

- **2006**
  - Successfully completed The Peer Review process of GENICES.
  - Invited to be Advisory Committee for Multistakeholder of UNEP Sustainable Procurement Initiative (SPPI).

- **2007**
  - Planning to expand the Criteria to cover 150 items commonly used by the Government Green Specifications.

- **2009**
  - Invited to be Advisory Committee for Multistakeholder of UNEP Sustainable Procurement Initiative (SPPI).

- **2012**
  - Successfully completed The Peer Review process of GENICES.

- **2014**
  - Invited to be Advisory Committee for Multistakeholder of UNEP Sustainable Procurement Initiative (SPPI).

- **2016**
  - Provided Service and Training for Environmental Social and Governance Reporting (ESG).

- **2017**
  - Become a Certification Body.
Brief Introduction of Green Council
Evolution of Green Council
Development History of ISO 20400
Content of the Guide
Why do we need an ISO Standard for Sustainable Procurement
Benefits of Using the Guide
Way Forward
ISO 20400, the coming standard on sustainable procurement

September 2013, representatives from around 40 countries have been working to develop a new ISO standard on Sustainable Procurement-ISO 20400

This international standard provides guidance to organizations integrating sustainability within procurement, independent of their activity or size, based on ISO 26000 - Guidance on social responsibility.

It is intended for stakeholders involved in or impacted by procurement decisions and processes.
ISO 20400 is the first international guidance standard on sustainable procurement publishing in early 2017. It provides an understanding of what is sustainable procurement, how sustainability impacts the different aspects of the procurement activity - policy, strategy, organisation, process – and how to implement sustainable procurement practically. It is relevant to any organization regardless of sector, size and location as well as to any stakeholder involved in or impacted by procurement decisions and processes. It does not replace legislation, policy or ethical frameworks in the areas of procurement and sustainability but provides a basis for an effective integration of sustainability (environmental, social, economic) concerns into the procurement activity and supply chains.
What is Sustainable Procurement?

A process whereby organizations meet their needs for goods, works and utilities in a way that achieves value for money in terms of generating benefits not only to the organization, but also to society and the economy, while minimizing damage to the environment.
Path to Creation

ISO Committee on Consumer Policy suggests CSR Standard

2002

Technical Management Board (TMB) sets up Strategic Advisory Group

2003

Findings Reported Back to TMB - vote

2004

Brazil & Sweden Selected as secretariats

2005
Path to Creation

2006
Meetings

2007
25,000+ comments From 450 experts

2008
99 Countries & 40 International Organizations

2010
ISO 26000 Published
Path to Creation

2012
Launch of TC277 France & Brazil (France)

2013
135 Responsible Purchasing (ISO26000)

2014
Draft International Committee Drafts/Meetings (Brazil & Singapore)

2015
Draft International Standard/Meeting (London)

2016
2nd Draft International Standard/Meetings (Sydney & Rio)

2017
Publish (2nd Quarter)

ISO 20400:2017
## International Organisations Involved

<table>
<thead>
<tr>
<th>Liaisons</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFPSM</td>
<td>International Federation of Purchasing and Supply</td>
</tr>
<tr>
<td>IIOC</td>
<td>Independent International Organization for Certification</td>
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<tr>
<td>ITUC</td>
<td>International Trade Union Confederation</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>SPLC</td>
<td>Sustainable Purchasing Leadership Council</td>
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<td>UNEP</td>
<td>United Nations Environment Programme, including ISPPI</td>
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<td>International Sustainability Public Procurement Initiative</td>
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<tr>
<td>UNOPS</td>
<td>United Nations Office for Project Services</td>
</tr>
</tbody>
</table>
Other ISO Standards involved

ISO 26000 Social Responsibility (Published in 2010)
ISO/TC 207 Environmental Management
ISO/PC 278 Anti-bribery Management System
ISO/TC 262 Risk Management
ISO/PC 280 Management Consultancy
Global Involvement
37 Countries have commented: 13 Observing
Brief Introduction of Green Council
Evolution of Green Council
Development History of ISO 20400

Content of the Guide
Why do we need an ISO Standard for Sustainable Procurement

Benefits of Using the Guide
Way Forward
4.1 What is Sustainable Procurement?
4.2 Why procure sustainably?
4.3 Key considerations for Sustainable Procurement

Describes the principals of SP, summarizes the range of issues and the reasons for undertaking SP. Important considerations include prioritization, risk management, due diligence, influence and complicity.

Top management

5. POLICY & STRATEGY

5.1 Committing to Sustainable Procurement
5.2 Aligning with organizational goals
5.3 Adapting to the procurement context
5.4 Managing implementation

Describes the main considerations when developing an organization sustainability policy and an aligned procurement policy.

Top management

6. ENABLERS

6.1 Governing procurement
6.2 Enabling people
6.3 Stakeholder identification and engagement
6.4 Setting priorities
6.5 Measuring & improving performance
6.6 Grievance mechanisms

Describes the conditions that need to be created to enable SP to be consistently and continuously improved. These conditions are key to successfully integrating sustainable considerations throughout the procurement process.

Procurement management

7. PROCUREMENT PROCESS

7.1 Planning
7.2 Procurement criteria definition
7.3 Sustainability aspects of supplier selection
7.4 Contract management
7.5 Contract review and lessons learnt

Describes how to integrate sustainable considerations and priorities into the procurement of goods and services using a generic procurement process.

Individuals who are responsible for the actual procurement
ISO 20400 CONTENT

<table>
<thead>
<tr>
<th>1) Scope</th>
<th>2) Normative</th>
<th>3) Terms and Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>4) Fundamentals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5) Policy &amp; Strategy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6) Enablers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7) Procurement Process</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ISO 20400 Content

4) Fundamentals

4.1 Concept of Sustainable Procurement

4.2 Principles of Sustainable Procurement

4.3 Core subject of Sustainable Procurement

4.4 Driver for Sustainable Procurement

4.5 Key Consideration for sustainable procurement
4.1 Concept of Sustainable Procurement
4.2 Principles of Sustainable Procurement

- Accountability
- Transparency
- Ethical Behavior
- Full and Fair Opportunity
- Respect for Stakeholders Interests
- Respect for Human Rights
- Innovative Solutions
- Focus on Need
- Integration
- Life Cycle Costing
- Continual Improvement
4.3 Core subject of Sustainable Procurement

- Organizational Governance
- Human Rights
- Labour Practices
- The Environment
- Fair Operating Practices
- Consumer Issues
- Community Involvement and Development
4.4 Driver for Sustainable Procurement

- Legislation and Regulation
- Competitive Advantage
- Customer
- Innovation
- Economic Value
- Supply Chain Security
4.5 Key Consideration for sustainable procurement

- Managing Risks and opportunities
- Addressing Adverse Impacts thru Due Diligence
- Setting Priorities
- Exercising Influence
- Avoiding Complicity
5) Policy & Strategy

5.1 Committing to Sustainable Procurement

5.2 Clarifying Accountability

5.3 Aligning Procurement with Organizational Objectives & Goals

5.4 Setting Procurement Policies

5.5 Management Implementation
5.1 Committing to Sustainable Procurement
5.2 Clarifying Accountability

- **Accountable**
  - Developing the sustainable procurement strategy

- **Procurement management**

- **Supportive**
  - Sustainable procurement lead
  - Driving the program

- **Staff**

- **Individuals who are responsible for the actual procurement**

- **Top management**

- **Responsible**
  - Executing the sustainable procurement strategy
5.3 Aligning Procurement with Organizational Objectives & Goals

- Reflect the organization’s value
- Reflect the organization’s commitment to sustainability
- Align clearly and precisely with the organization’s policies
- Take into account the environmental, social and economic considerations
- Address the principles
5.4 Setting Procurement Policies
5.5 Managing Implementation

- Validate strategic objective
- Assess the applicable sustainability risks and opportunities
- Establish SMART goals for each objective
- Get endorsement and sponsorship from leadership and top management
- Communicate to all relevant stakeholders
- Plan and deploy the policy and strategy throughout the organization and procurement process
- Assess and monitor the implementation
- Share information with relevant stakeholders and learn from them
- Continual review and improve the implementation
ISO 20400 Content

6) Enablers

Describes the conditions and management techniques needed in order to Successfully implement and continually Sustainable Procurement

6.1 Governing Procurement

6.2 Enabling People

6.3 Identifying and Engaging Stakeholders

6.4 Setting Sustainable Procurement Principles

6.5 Measuring and Improving Performance

6.6 Establishing a Grievance Mechanism
6.2 Enabling People

Important Ideas from Sections

- Culture
- Enabling People
- Collaboration
- Performance Management
- Guidance
6.3 Identifying and Engaging Stakeholders

**Internal**
- Top Management
- Procurement
- Specifiers & Production
- Other internal people

**Supply Chain**
- Supplier
- Subcontractors
- Business partner

**Others**
- Customer, Client and users
- Community
- Government
- Investors
6.4 Setting Sustainable Procurement Principles

- Applying Risk Management
- Category Approach
- Suppliers Approach
- Issue Approach
6.5 Measuring and Improving Performance

- Metrics
- Reporting
- Benchmarking
ISO 20400 Content

7) Procurement Process

Procurement Process itself
How Sustainability considerations should be integrated into existing Process

7.1 Building on the Existing Process

7.2 Planning

7.3 Integrating Sustainability Requirements in the Specifications

7.4 Selecting Suppliers

7.5 Managing the Contact

7.6 Reviewing and Learning from the Contact
7.2 Building on the Existing Process

7.2 PLANNING
Preparing a sustainable sourcing strategy

7.3 PROCUREMENT CRITERIA DEFINITION
Integrating sustainability requirements in the specifications

7.4 SELECTING SUPPLIERS
Awarding the contract to a sustainable supplier

7.5 CONTRACT MANAGEMENT
Managing the contract sustainably

7.6 REVIEWING AND LEARNING FROM THE CONTRACT
Evaluating and improving sustainability performance
7.2 Planning

Important Ideas from Section 7

- Assessing Risks (and Opportunities)
- Analyzing Organizational Needs
- Analyzing the Market
- Analyzing the Costs
7.3 Integrating Sustainability Requirements in the Specifications

Important Ideas from Section 7

Integrating Sustainability Requirements in the Specifications
• Define Criteria
• Ensuring Requirement are met
**Labour practices – Pre-qualification question**

- Please outline your experience in delivering work through fair and ethical employment practices through your workforce and supply chain.
- Please advise your employment policy with respect to: living wages, equality and diversity, freedom of association, grievance procedures, working hours including split shifts, exclusive zero hour contracts, unpaid work and child labour.

**DISTINCTIVE**

- Has extensive experience of resource ethical employment directly and through the supply chain for projects of multiple sizes and complexity. This is supported by case study evidence and risk analysis
- Can demonstrate that the policy is being complied with and delivered against
- Can demonstrate the business case for delivering ethical employment practices and cost reductions

**GOOD**

- Demonstrates understanding of fair employment practices and risk management for the supply chain.
- Addresses all aspects identified in the question.
- Policy to comply with an international standard such as Ethical Trading Initiative Base Code.
- Provides evidence of past projects demonstrating high ethical standards.

**BASIC**

- Demonstrates an understanding of the issue but has limited experience of delivery beyond legal compliance.
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 so.

**SELECTING SUPPLIERS**

**DISTINCTIVE**
• Commits to a target >10% over baseline.
• Comprehensive and detailed action plan.

**GOOD**
• 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.

**BASIC**
• Baseline data provided, no firm commitment to targets, or an action plan.
7.5 Managing the Contract

7.6 Reviewing and Learning
Brief Introduction of Green Council
Evolution of Green Council
Development History of ISO 20400
Content of the Guide
Benefits of Using the Guide
Way Forward
Benefits of working with the standard

The main reason to adopt ISO 20400 is that it enables organizations to integrate sustainability into procurement in a systematic way. As such, it helps the organization to:

- Meet the demands of customers and other stakeholders to assume responsibility for its supply chain
- Identify legal, financial and moral risks associated with sustainability in the supply chain
- Monitor and improve the sustainability performance of suppliers
- Build supplier relationships that create long-term, sustainable value
- Take a competitive advantage in their industry by seizing opportunities to innovate, and
- Demonstrate supply chain engagement to GRI, DJSI or other indices.
Brief Introduction of Green Council
Evolution of Green Council
Development History of ISO 20400
Content of the Guide
Benefits of Using the Guide
Way Forward
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ISO 20400 – The first international guidance standard on Sustainable Procurement. Final version of the standard will be launch soon.

IFPSM states at its annual Summit that Sustainable Procurement is the future global procurement trends.

The biggest social and environment impacts of companies are often found in their supply chains. New ISO 20400 Guide can help to tackle the development and implementation of Sustainable Supply Chain Management.
Way Forward

Training on ISO 20400 to all levels of organizations especially procurement staff is practical useful.

The Green Council and the IPSHK will jointly promote the Guide and provide trainings, workshops and capacity buildings to all levels of organization management, include:

- Top management
- Middle management
- Operation staff
How sustainability consideration should be integrated at a higher strategic level?

It involves:

• Committing to Sustainable Procurement
• Aligning with organization goals
• Adapting to the procurement context
• Managing implementation
Organizing procurement function towards sustainability

- Governing Procurement
- Enabling People
- Stakeholder identification and engagement
- Setting Priorities
- Measuring improvement performance
- Grievance mechanism
Training Workshops to Operation Staff

Integrating sustainability into procurement process

- Planning
- Defining Procurement Criteria
- Sustainability aspects of supplier selection
- Contract management
- Contract review
Implement a Sustainable Procurement Strategy

Certification to the ISO 20400 standard

Green Council (GC) qualified auditor confirm the implementation of standard through an Onsite assessment. The detailed report outlines their findings and makes recommendation for improvement. If applicable, after passing the audit, the organization receives an ISO 20400 Certificate and Sustainable Procurement Label
Implement a Sustainable Procurement Strategy

Supply Chain Assessments
When developing a sustainable procurement strategy, it is of vital importance to understand the current risks, strengths and weaknesses of your supply chain. With its global network of auditors, GC performs risk-based assessments of selected suppliers to give a full picture of the current situation, including a recommendation of KPIs to focus on to monitor improvement. This helps organization set priorities for the supplier selection process.

Supplier Audits
Once a specification or standard for your suppliers is in place, GC can monitor compliance through supplier audits. This can be based on a company-specific code of conduct or an established auditing scheme.
Thank You!

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