



**UL ENVIRONMENT**  
ARTICLE

**BIG BENEFITS OF  
JUMPING INTO  
SUSTAINABLE  
PROCUREMENT**



## BIG BENEFITS OF JUMPING INTO SUSTAINABLE PROCUREMENT

There is a lot of action around sustainable procurement (SP) these days. The public policy benefits of linking government spending to products and services that minimize health and environmental impacts are many. They include promotion of competitiveness in sustainability markets, support for local economies and jobs, and aligning with other government priorities in environmental and resource management.

But do sustainable procurement principles align with the objectives of private companies? The short answer is yes, says Josh Jacobs, Technical Information & Public Affairs Manager at UL.

“Although the original push was from governments, internal organizational policies and smart business practices are now driving changes in procurement,” Jacobs notes. “Quite simply sustainability is where business has been for a while now and if companies want to retain customers they need to ensure that they have sustainable offerings and that their supply chain has sustainability as a priority.”

In the US, federal guidance comes from Executive Order 13693: Planning for Federal Sustainability in the Next Decade, passed in March 2015. Agencies are required to identify purchasing preferences for decreased water, energy use, and new building design, for example. State procurement officers are also organized into the National Association of Procurement Officers (NASPO) that publishes a [green purchasing guide](#) for state purchasers. These people often work within state policy frameworks whose public procurement programs contain ‘green’ requirements suppliers must meet to be considered for doing business. For example, criteria may include a percentage of recycled content designated by the [Environmental Protection Agency](#) or otherwise be qualified through recognized certification bodies, such as UL’s ECOLOGO and GREENGUARD, per [State of California standards](#).

With a new federal administration taking office though, leadership could come from smaller actors such as universities, hospitals, and companies or even local authorities having jurisdiction (city and county governments). Many Fortune 500 companies are known for procurement programs built on environmental and human health goals. And Phoenix, ranked as one of the most unsustainable urban areas in North America just a few years ago, has partnered with Arizona State University to completely restructure its operations. The city now has a Chief Sustainability Officer.<sup>(1)</sup>

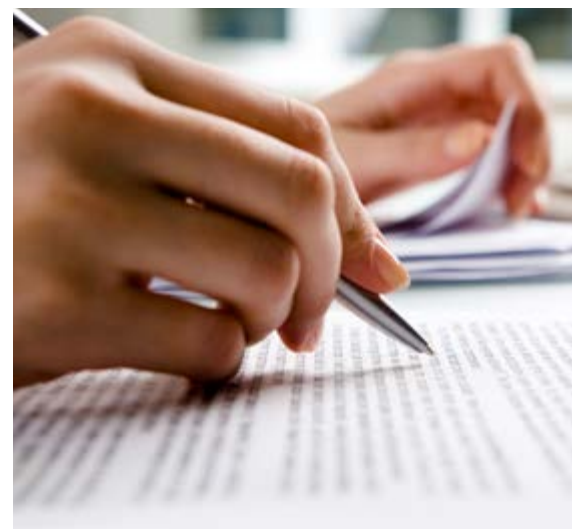
## A STANDARD FOR SUSTAINABLE PROCUREMENT

Now, a new standard (ISO 20400) is being created to give guidance to all organizations on SP. When finalized later in 2017 it will provide a unified understanding sustainable procurement, what the tools are for sustainable procurement activities, and how to implement such a program.

According to Jacobs, who helped write the standard as the Chair of the US Mirror Committee, it should help companies integrate sustainable requirements into their existing procurement programs seamlessly.



“ISO 20400 is an A to Z guide designed for procurement professionals overlaid with sustainability decision making, but also a document that all employees can understand,” Jacobs says. “It really helps companies in selecting the sustainable criteria that fits them and their supply chain, and the tools they need to save time, energy, effort and money. UL, as an ISO 17065 accredited third-party certifier, has a wealth of standards, certification programs, and tools that can help organizations not only set their sustainable criteria, but also prove that their suppliers are meeting their requirements.”



UL is involved in the development of the draft standard through the work of Josh Jacobs, and the ULC Standards office in Ottawa which serves as the co-secretariat for the Canadian National Committee.

“At UL Environment, we leverage our expertise to help organizations improve their purchasing decisions,” says Shyam Ramrekha, Product Manager for the ECOLOGO Program and a member of the review committee.

“One way to do that is to use products which have been third-party certified, and reliably communicate a reduced environmental impact. Our recommendation was for the standard to provide guidance on using third-party certification in procurement criteria.”

Third-party certified ecolabels quickly demonstrate a verifiable benefit to buyers, and their inclusion in procurement policies creates positive feedback encouraging more suppliers to focus their business on products that have both a financial and sustainability benefit.

According to ISO, the world standards making body, there are several other market incentives to adopting sustainable procurement programs in the private sector(2), such as:

- **Consumer expectations.** Consumers are becoming more environmentally aware. They expect brands to be environmental performers as well as meet safety and quality criteria;
- **Competitive advantage.** Both large purchasers and suppliers can differentiate themselves in a competitive market by a sustainable value proposition;
- **Legislation and regulation.** More and more governments are putting restrictions on the environmental performance of products (think emission standards in California). The Federal Trade Commission (FTC) has levied fines against companies who claim a certain environmental attribute only to find out their suppliers have not been meeting these standards during manufacturing, or in other cases for [misleading or vague 'green' claims](#). A good understanding and accountability of supply chain processes are key elements of a sustainable procurement program;
- **Optimizing costs.** A direct cost benefit exists from sourcing sustainable products that are resource efficient. Smart lighting systems, hybrid vehicles and minimal packaging are examples but also the awareness of sustainable practices can have an effect on employee behavior indirectly, resulting in a better run organization; it's a win – win; and

- **Risk management.** Companies are very careful to mitigate brand risk. It takes a lot to build up brand reputation, and sustainable attributes offer brands protection from negative influence that could affect reputation, market share, and threats to operating licenses, for example.

ISO discussions and member country consultations ended in October of 2016 and the committee met in Brazil in December to further revise the draft to enhance its coherence and refine the language of the standard. Beyond certification programs and labels, another example of a tool mentioned in the standard is the concept of “life cycle costing”. This accounts for all the costs during the lifetime of a product or service, even those not considered in the cost of production.

Public and private supply chains share other similarities. Both systems can benefit from process visibility and transparency (3). Visibility enhances evidence based decision making because it allows for accurate measurement and reporting, and transparency is the foundation of good business relationships in the private sector. In government processes, it’s a requirement to remain accountable to the public.

“The evidence-based approach aligns with the principles of multi-attribute Type I ecolabels. We consider life cycle impacts in standards development, which provides an overall assessment helpful to criteria formulation,” Ramrekha says. “Assessment against the finalized standard tells purchasers which products can meet their procurement objectives.”

## PUBLIC SPENDING IS HUGE, BUT PRIVATE INITIATIVES ARE TAKING OFF

The purchasing power of large organizations through formal procurement departments has always had a leg up on the individual consumer when it came to buying sustainable products. If you had to guess the proportion of US public procurement spending relative to the entire US economy, you might be surprised at its sizeable portion, representing 10% GDP in the US in 2012, 14% in Canada, and close to 20% in the Scandinavian countries (4). In the EU the total estimated expenditure was 2 400 Billion € in 2011 (5). Being such a major component of overall consumption, public procurement has great potential to sway demand towards sustainable products and services provided by innovative companies.

Examples of private sector sustainable procurement initiatives are popping up as well, notably in the food catering category. It creates an opportunity for institutions with large workforces to realize operating and environmental savings by buying local, minimally processed food directly from suppliers, such as [Bon Appetit](#), a business and campus café operator that purchases whole hogs straight from the farmlands of Pure Country Pork, of Ephrata, Washington. Instead of paying for the butchering, preparation and packaging of only prime cuts, a company delivers unprocessed hog carcasses to Bon Appetit, whose chefs decide how to use the different parts of the animal.



The source of paper and other raw materials, excessive packaging, non-toxic cleaning materials, and efficient electronics are top product categories for businesses to investigate. In cases where a better alternative product has a higher upfront cost, there are often cost savings over the lifetime of the product, such as energy savings from thermal insulation, disposal costs from biodegradable materials, or health benefits from non VOC emitting paints and coatings (6).

Most recently Google's sustainable operations program made the commitment to 3rd party certified ecolabels. Responsible for sustainable procurement policies in Google offices around the globe, the program [prioritizes ecolabelled products](#) for its office and sanitary supplies. The company has affiliate status with the Global Ecolabelling Network (GEN). UL Environment serves as Secretariat for this association of ecolabelling programs, and UL Environment's ECOLOGO Program is a member.

UL Environment (ULE) helps companies all over the world improve their sustainability, regulatory and compliance, supply chain, and procurement operations, resulting in greater market share and increased profitability. Depending on the specific client business need, ULE can help set up a sustainable procurement program with guidance and training for procurement professionals, or provide guidance on how to improve an existing program that will conform to the soon to be released ISO 20400 Standard.

Jacobs is emphatic that in time, sustainable procurement will not exist. "It will simply be procurement again as more and more private and public entities integrate sustainable requirements in their procurement."

UL Environment provides a range of services that help organizations around the world make and market healthier and more sustainable products and services.

For more information contact [Environment@ul.com](mailto:Environment@ul.com).

## REFERENCES:

1. <http://www.corporateknights.com/reports/sustainable-cities/2013-sustainable-cities-results-13704731/>
2. Sustainable procurement – Guidance. ISO/DIS 20400.2
3. <http://www.supplychainquarterly.com/topics/Procurement/201103public/>
4. [http://trade.ec.europa.eu/doclib/docs/2015/april/tradoc\\_153347.pdf](http://trade.ec.europa.eu/doclib/docs/2015/april/tradoc_153347.pdf)
5. [http://ec.europa.eu/internal\\_market/publicprocurement/docs/modernising\\_rules/public-procurement-indicators-2011\\_en.pdf](http://ec.europa.eu/internal_market/publicprocurement/docs/modernising_rules/public-procurement-indicators-2011_en.pdf)
6. Lefevre, Clement, et al. (2010). Value of Sustainable Procurement Practices: A quantitative analysis of value drivers associated with SPP. A report by PwC and the INSEAD Social Innovation Centre.

