
HOW TO BE A RESPONSIBLE SUPPLIER:

MAKING SENSE OF ISO20400 SUSTAINABLE PROCUREMENT FOR SMALL AND MEDIUM SIZED ENTERPRISES

LAURA J. SPENCE AND SHAUN MCCARTHY



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SECTION ONE

INTRODUCTION

If you are reading this, then the chances are that you have already done some thinking about sustainability and - as a responsible supplier - have some good practices in place in your small and medium sized enterprise, but you want to know more. Maybe a client requires assurance that your sustainability credentials are up to scratch, or you have spotted a new business opportunity, or there is a buzz around sustainability in your trade association, or you need more information to complete a tender, or indeed, you just think this is an interesting and growing aspect of business life. You have come to the right place.

We think that you will have already worked out why sustainability is important. But just in case there are things you have not thought of, it is worth mentioning that lining up your sustainability practices a bit more systematically can help bring your own values into your work practices, motivate and retain your workers, lead to innovation, manage risk, improve stakeholder relationships, optimise cost, help get ahead of regulatory requirements and gain new (and retain old) business.

This short guide is intended to help you cut to the chase on some of the important issues for small and medium sized enterprises whose clients are practicing sustainable procurement, and calling on their suppliers to fulfil their part in this. After reading this guide you will be much better equipped to respond to your clients appropriately and to investigate the detail you may need for your particular sector or region, giving you the tools to be a responsible supplier. While organisations often have their own formal or informal requirements, international sustainable procurement has been crystallized in the ISO 20400 standard (see Box One) This guide can either be used as a useful starting point if you plan to follow the fifty page ISO standard in full, or as a quick way of understanding the key issues if that isn't the right route for you. The ISO standard is our starting point and inspiration (the bolded words come from it directly) but we write from our own experience of working to achieve sustainability through research and practice to bring the guide to life.

BOX ONE: WHAT IS ISO20400 SUSTAINABLE PROCUREMENT?

Published in 2017, this is one of the many **non-legally binding**, non-certifiable guidance standards established by the International Organisation for Standardization (See Useful Resources for more examples) relating to sustainability. They define sustainable procurement as “**procurement that has the most positive environmental, social and economic impacts on a whole life basis**” (ISO20400, 4.1.1.). Alongside lots of definitions, graphics and justifications for sustainable procurement, the majority of the guide covers how the procurement function can be organised for sustainability and how it can be integrated into the sustainability process. The standard has been written in such a way that it is most obviously meaningful for large organisations as customers (rather than suppliers themselves), who benefit from a sustainability department and specialist procurement practitioners.

The **seven core subjects of sustainable procurement** according to the standard are **organisational governance, human rights, labour practices, the environment, fair operating practices, consumer issues and community involvement and development**. See Annex A of the full standard for a further break down of these. The core subjects match the related ISO26000 Social Responsibility standard.

SECTION TWO

SUSTAINABILITY POLICY AND STRATEGY

There is a starting point with everything, and if you want to respond responsibly to sustainable procurement requirements, then a good place to begin is to understand the perspectives of organisations at the top of your supply chain. Their approach will indicate their own unique set of drivers which they will be keen for their suppliers to reflect. You could start by taking a look at their **sustainability report** to pick up a few ideas. Your client may also have a sustainable procurement policy which sets out what they expect from their suppliers. British Land, for example, have a Supply Chain Charter, where they note that “By working with our suppliers we can make a bigger impact. We encourage our suppliers to support the delivery of our Supply Chain Charter.”¹ It is important to be familiar with any relevant policies your clients may have and understand these so you can make informed choices about how to position yourselves well to support client – and future client - needs. There is little point in you diving-in to one scheme if your key clients favour an alternative (see Useful Resources). But you also have individual drivers of your own, as well as existing practices. So stop and think about your sustainability policy (intentions, objectives and values) and strategy (delivery of these) by working out two things – what your own perspective and priorities are on sustainability and sustainable procurement, and what those of your most influential supply chain partners are. Cheshire-based medium sized company Protec went through this kind of process, and have made environmental

¹ British Land Supply Chain Charter May 2015. http://www.britishland.com/~/_media/Files/B/British-Land-V2/downloads/investor-downloads/bl-supply-chain-charter-2015.pdf

initiatives a key component of their overall business strategy as a result². It isn't easy, but ultimately you need to align the sustainable procurement requirements of your clients with your organisational goals. ISO20400 may help you frame this process and understand more about what is driving your clients, see Box Two.

BOX TWO: SOME KEY THINGS TO UNDERSTAND ABOUT ISO20400

Large firms are expected by ISO20400 to **exercise influence** on those with whom they have a relationship, that is, their **stakeholders** within their '**sphere of influence**' – that would include you as one of their suppliers or sub-contractors. The standard takes a stance on **complicity** meaning that organisations at the top of the supply chain are considered complicit in their support of any bad practice elsewhere in the chain. This principle is supported by the UK Modern Slavery and Bribery Acts. It means that suppliers are likely to get questions about their ethical standards, health and safety, employment conditions etc. not only in their own organisation but through the supply chain. You may be required to **exercise due diligence and manage risks** relating to sustainability. Hence the need to be prepared!

STAKEHOLDER ENGAGEMENT

Stakeholders are those who you influence, or who have an influence on you. As a smaller firm you are both a stakeholder of others, such as your larger clients, and you have your own stakeholder network which will include your local community, workers, trade association and *your* suppliers.

We will concentrate here on your client as a key stakeholder in terms of you being a responsible supplier to them in response to their sustainable procurement programme. As with all small business life, relationships matter. We would advise you to make sure you build up your stakeholder engagement and dialogue with your clients around sustainability- that way you can better understand what it is they are looking for and deal with any concerns as they arise. Depending on the sector, they may be involved with sector-specific initiatives which are driven and funded by the purchaser such as the Supply Chain Sustainability School for the construction industry, or individual companies like Unilever. There are also platforms that involve paid registration by the supplier and provision of information e.g. Ecovadis, SEDEX and Achilles (see Useful Resources). Through your relationship and engagement with your key stakeholders, find out which direction they are headed in and focus your efforts on that approach. Make sure all your workers (your internal stakeholders), especially those at the sharp end of sales and procurement, are on board with your approach. Ideally, go on to embed sustainability at all levels of the organisation.

² Protec Temporary Protection 'Protec & Sustainability' <http://www.protection.co.uk/about/protec-sustainability/>
Acknowledgment: Protec kindly reviewed this guide prior to publication and gave us some useful feedback.

SECTION THREE

SETTING SUSTAINABILITY PRIORITIES

As we noted in Box Three, this relates to the need for you to do due diligence. In terms of sustainability you might start by doing an initial assessment of your business' key issues and status in relation to sustainability. Think about how you manage risk (e.g. that a raw material is extracted by people without safety protection) in this area and what are your sustainability impacts (e.g. are you wasting resources) – and what do you do to manage these. It would also be wise to think about any differentiation between your products – can you map sustainability issues to your different product and supply categories? Or different parts of your business or operation? Which of these are the most materially important in terms of their impact? Start to correct the areas that have the biggest challenges or risks associated with them, though don't neglect small changes that allow for quick wins which can also boost morale and propel sustainability forward. As part of your client's requirements you might also need to be looking at your own sustainable procurement practices. Is it clear who is responsible collectively and individually for sustainable procurement?

You can use Box Three to help prompt your thinking on where there may be key sustainability issues.

BOX THREE: POTENTIAL SUSTAINABILITY PRIORITY AREAS



Source: Supply Chain Sustainability School

All the policies in the world won't do much good without informing and **enabling people** to deliver them. This needs to be done throughout the organisation through dialogue and training – establishing and conveying the reasons why a sustainability policy is being implemented and the implications for working practices. Some investment – at the very least of time - is likely to be necessary. Medium-sized firm Protec do this by holding workshops in specific areas of the organization, concentrating on relevant subjects with teams to ensure they see the benefits of how sustainability can work for them. They also draw on their people's knowledge and experience, and brainstorm how to improve processes and how to maintain their sustainable advantage. This way everyone feels included. It is important to ask whether there are **procedures and systems in place**, even if they are quite straightforward ones suitable to the size of firm, to ensure that it is clear what is needed in relation to sustainability. It is also worth reflecting on whether a new member of staff could pick up what is expected of them quickly, without the natural familiarity of someone that has been in the job for many years.

More formal commitments to sustainability should be supported by the **organisational culture** via the company's policies and targets, and sustained by encouraging workers to act sustainably through the **reward and recognition** mechanisms (appraisals, bonuses, promotion) and **sharing good practice**. Induction and training, even recruitment and selection in the first place, can help to maintain a consistent message. In 'Useful Resources' we note some of the tools and guides that can help to achieve these goals, but working through this **guide** is a great start.

PROCUREMENT CRITERIA

What kinds of things might your clients ask for in terms of demonstrating their sustainable procurement that can also be embedded in **pre-qualification questionnaires** or **tender documents**? Some criteria might relate to the products or services supplied; others to the production and logistics processes in the supply chain. **Compliance** with relevant laws and human rights standards are to be expected, but so too are sustainability **key performance indicators**. They may include provision to carry out **supply chain audits**, set minimum standards for all parties in the chain, and include a right to terminate the contract if **sustainability obligations** are not met. You can find some more detailed possible questions from the Supply Chain Sustainability School who suggest that you might be asked to outline your experience of identifying sustainability risks and opportunities; environmental management system; energy/water/waste solutions; community relations; employment practices; social value. Follow the link to learn more about some of these quite challenging areas and other questions that might be procurement criteria you need to respond to³.

³ Supply Chain Sustainability School Guidance on Sustainability Pre-Qualification Questionnaires and Answer Assessment

[http://www.supplychainschool.co.uk/documents/supply%20chain%20school%20sig%20pqq%20guidance%20for%20members%20and%20sellers%20-%20final%20may%202016%20\(2\).pdf](http://www.supplychainschool.co.uk/documents/supply%20chain%20school%20sig%20pqq%20guidance%20for%20members%20and%20sellers%20-%20final%20may%202016%20(2).pdf)

PROCUREMENT PROCESS

Clearly, your clients will be looking to you to provide data to assure them that you are the right supplier for the job. So as well as thinking about your product, governance and processes you need to be aware of what client expectations are. It is worth doing some background homework on the client's approach to sustainability through their website as well as the tender documents.

The standard **sustainable procurement process** that your clients are likely to have will include planning for a sustainable sourcing strategy, integrating sustainability into procurement criteria, including sustainability in supplier selection criteria, managing the contract sustainably and evaluating and improving sustainability improvement during contract review. This brings us to the very important challenge of being able to **measure sustainable procurement performance** so that you can communicate it to your stakeholders, and improve your own performance.

SECTION FOUR

MEASURING SUSTAINABILITY AND IMPROVING PERFORMANCE

There are many reasons for measuring and monitoring your sustainability, not least establishing a **baseline** for yourselves to know your starting position, enabling **monitoring and corrective action**, being able to **communicate sustainability performance** to stakeholders (internal and external) including clients and potential clients, and benchmarking against the competition. **Benchmarking** is often possible within a trade or sector association, especially where there are industry-specific initiatives. The Global e-Sustainability Initiative for the electronics sector, is one good example⁴. The fast-moving consumer goods sector collaborate through their AIM-PROGRESS group.⁵ The construction industry collaborates on sustainability through the Supply Chain Sustainability School (see Box Four for an illustration of this sector-based initiative).

⁴ GeSI <http://gesi.org/>

⁵ AIM-Progress <http://www.aim-progress.com/>

BOX FOUR: CONSTRUCTION INDUSTRY SUSTAINABILITY INITIATIVE: SUPPLY CHAIN SUSTAINABILITY SCHOOL⁶

Launched in 2012, the Supply Chain Sustainability School has over 14,000 members from the across the built environment sector, mainly construction, and including 45 of the UK’s largest players. The vision of ‘the School’ as it is known, is to be ‘A world class collaboration to enable a sustainable built environment’. Their activities are subdivided into construction, infrastructure, homes and facilities management to enable further within-sector shared perspectives. Part of their work includes concrete measurement and performance indicator support such as for waste, water, carbon and materials:

| Supply Chain School issue | Recommended performance indicator | Indicator calculation |
|---------------------------|---|--|
| Waste | % waste diverted from landfill (by weight) | = $\frac{\text{Total waste diverted from landfill}}{\text{Total waste generated}} \times 100$ |
| | Total waste produced (by weight) per £1 million spend | = $\frac{\text{Total waste generated}}{\text{Spend (£)}} \times 1,000,000$ |
| Water | Potable and non-potable water use per £1 million spend | = $\frac{\text{Potable water} + \text{non-potable water}}{\text{Spend (£)}} \times 1,000,000$ |
| Carbon | tCO ₂ e released per £1 million spend <i>including: waste and logistics/deliveries excluding: passenger vehicles (staff and visitors)</i> | = $\frac{\text{tCO}_2\text{e}}{\text{Spend (£)}} \times 1,000,000$ |
| Materials | % materials purchased that were responsibly sourced (by volume) | = $\frac{\text{Volume of responsibly sourced materials}}{\text{Total volume of materials}} \times 100$ |

Both qualitative (e.g. stakeholder feedback) and numerical (e.g. resource use data) **metrics and indicators** may be useful. For the purposes of the ISO 20400 standard, metrics are the raw data, and indicators are the information used to assist in management, such that the metrics of energy use are converted into indicators around carbon emissions. You may be required or indeed volunteer to **report** your sustainability progress. These reports will vary according to the target audience but for you as a supplier are most likely to form the content of a **supplier performance review**. Larger suppliers may produce **sustainability reports** of their own. SMEs might take some inspiration from the Global Reporting Initiative’s guide to reporting for smaller companies⁷, which is very much aligned with the information in this guide. Taking this approach should help to enable continuous measurement and improvement.

A further way of demonstrating a good sustainability performance is through an independent **verification** of your sustainability credentials. There are **sustainability marks, seals and labels** which might do the job for you, though they only cover a small range of goods, services and industries so if you

⁶ Supply Chain Sustainability School <http://www.supplychainschool.co.uk/>

⁷ GRI Introducing sustainability reporting for SMEs <https://www.globalreporting.org/resource/library/Ready-to-Report-SME-booklet-online.pdf>

take this route make sure it will satisfy your needs and those of your clients. Also be aware of the implications of any added costs to your product. Another, more integrated option is to implement a sustainability-orientated **management system** which works for you. If your sustainability priorities are more environmental, you might look to BS8555⁸ (with the snappy title ‘Guide to the phased implementation of an environmental management system including the use of environmental performance evaluation’). Whatever option you take, make sure it covers what is needed for you and allows you to better understand and therefore improve your sustainability performance.

Finally, don’t forget that while your client is making demands on you in terms of measurement and performance around sustainability they also need to be acting in a sustainable way themselves. This means that in their dealings with you as a supplier or potential supplier, they need to be practising all the things we have been talking about and **manage the contract** in a responsible way. Recommended practices in the ISO20400 guide include full legal compliance, fair conditions, robust procedures, timely issue of orders and payment and avoidance of conflict. Obviously, use your relationship with the client to try to resolve any problems amicably. But if necessary, be aware that there should also be an **anonymous grievance mechanism** in place. Most importantly, organisations following the standard are required to **pay full attention to different categories of suppliers** *including* SMEs. So if you feel you are not being treated fairly, think about how you can engage with the client constructively and discuss with them together how you can improve the sustainable procurement process for all concerned.

⁸ BS855 http://ems.iema.net/acorn_scheme/bs8555

SECTION FIVE

RECOMMENDATIONS

1. Learn from friends

Find out what others in your sector have already achieved. Can you learn from them, share your own ideas and collaborate with others to identify support and best practice for your industry? Is there already a network of committed companies in your sector which you could join?

2. Know your client's sustainability priorities

Do your homework on what systems your key clients – and potential clients- are working to and what their stated priorities are. That way you won't be surprised by any pre-qualification requirements.

3. Know your own sustainability priorities

Don't lose sight of your own values and drivers. In the ideal situation, these should align with external sustainability requirements, but there is nothing to say that you can't celebrate your own organisation's perspective and legacy. What you may need to do is find a way of communicating who you are distinctively, while also being able to show that you meet external sustainability expectations.

4. Involve others

Sustainability is not a task that one person can easily fulfil. To integrate sustainable approaches you will need to work with all your stakeholders, internal and external, and to develop a culture of sustainable practice.

5. Keep track

While it might not be appealing to add another system to your work practices, in the end it will be valuable to you and your clients if you begin to record and measure your sustainability practices so that you can find the data and report on them quickly and easily when required.

6. Keep improving

Sustainability is one of those areas which is only ever going to become more and more of an issue. New legal, social, ethical and environmental expectations are emerging constantly, and a resilient business is one which is proactive rather than reactive in continuously improving its sustainability.

USEFUL RESOURCES

STANDARDS

- ISO20400 Sustainable Procurement Available via <http://www.iso.org/iso/home/standards.htm>
- ISO26000 Social Responsibility <http://www.iso.org/iso/home/standards/iso26000.htm>
- ISO14000 Environmental Management <http://www.iso.org/iso/home/standards/management-standards/iso14000.htm>
- British Standards Institute <http://www.bsigroup.com/en-GB/>
- Global Reporting Initiative www.globalreporting.org
- UN Sustainable Development Goals <https://sustainabledevelopment.un.org/>

RELEVANT UK REGULATION

- Modern Slavery Act <https://www.gov.uk/government/collections/modern-slavery-bill>
- Public Services (Social Value) Act <https://www.gov.uk/government/publications/social-value-act-information-and-resources/social-value-act-information-and-resources>
- Bribery Act <https://www.gov.uk/government/publications/bribery-act-2010-guidance>

HELPFUL ORGANISATIONS

- Action Sustainability. Lead UK delegation for ISO20400 and providers of support on sustainable procurement <http://www.actionsustainability.com/>
- Ecovadis. Corporate social responsibility ratings <http://www.ecovadis.com/>
- Ethical Trade Initiative <http://www.ethicaltrade.org/>
- Institute of Business Ethics <http://www.ibe.org.uk/>
- SEDEX. Supplier Ethical Data Exchange - Membership organisation supporting responsible and ethical supply chains. <http://www.sedexglobal.com/>
- Achilles. Provide support for suppliers. <http://www.achilles.com/>
- IEMA. Institute of Environmental Management and Assessment <http://www.iema.net/>
- Waste and Resources action Programme <http://www.wrap.org.uk/>

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GLOSSARY FROM ISO20400

Complicity - an organisation may be considered complicit when it assists in the commission of wrongful acts of suppliers or contractors that are inconsistent with, or disrespectful of, international norms of behaviour. Complicity might be direct, knowing and intentional, for example in a violation of human rights; beneficial, where an organisation or subsidiaries benefit directly from abuses of environmental regulation committed by suppliers or contractors; or silent, which involves the failure by an organisation to raise the issue and the associated negative impacts, such as not speaking out against systematic discrimination in employment law against particular groups

Ethical behaviour is in accordance with accepted principles of right or good conduct in the context of a particular situation and is consistent with international norms of behaviour

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation

Small and medium sized enterprise (SME) – definitions vary but a European standard is that an SME or small and medium sized organisation (SMO) has fewer than 250 employees. ISO20400 assumes SMOs should consider any constraints such as budget and human resources, and should scale the application of the concepts accordingly

Social responsibility of an organisation relates to the impacts of its decisions and activities on society and the environment. Socially responsible organisations contribute to sustainable development; take into account the expectations of stakeholders; and are in compliance with applicable law and consistent with international norms of behaviour

Sphere of influence is the area or political, contractual, economic or other relationships across which an organisation has the ability to affect the decisions or activities of individuals or organisations

Stakeholder is an individual, group of people, internal function or external organization on whom an organisation's activity has a direct or indirect, positive or negative impact, who have a direct or indirect, positive or negative impact on the same organisation

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

Sustainable development meets the environmental, social and economic needs of the present generations without compromising the ability of future generations to meet their own needs. It is about integrating the goals of a high quality of life, health and prosperity with social justice and maintaining the earth's capacity to support life in all its diversity. These social, economic and environmental goals are interdependent and mutually reinforcing. Sustainable development can be treated as a way of expressing the broader expectations of society as a whole

Sustainable procurement delivers long-term social, economic and environmental benefits

AUTHOR INFORMATION



Laura J. Spence PhD is Professor of Business Ethics at Royal Holloway, University of London. She has researched sustainability, responsibility and ethics since the 1990s and leads research on these topics for small and medium sized enterprises. She has been elected to serve on the Committees of several learned societies including the Social Issues in Management Division of the Academy of Management, the International Society for Business, Ethics and Economics and the European Business Ethics Network.

Laura has been a section editor of the Journal of Business Ethics, co-editor of the Springer book series on Business, Ethics and Economics, and Director of the Centre for Research into Sustainability at Royal Holloway. In addition to several books, her work is published in many leading journals, including Organisation Studies, Accounting, Organisations and Society, Journal of Management Studies, California Management Review, Business Ethics Quarterly and Supply Chain Management.

In addition to her academic work she is Chair of the Horizon Group of the Supply Chain Sustainability School from 2017, and Trustee of the Institute of Business Ethics.



Shaun McCarthy OBE is an independent advisor, author and speaker in the field of sustainable business policy and practice. He has been a leader in sustainable supply chain management for 20+ years; having instigated much of today's best practice. He also pioneered a unique assurance programme over the sustainability of the London 2012 Olympics. He was awarded an OBE for services to sustainability and the London Olympics by Her Majesty the Queen in her 2013 birthday honours list.

Shaun has over 20 years senior management experience with large companies and 9 years' experience as an independent advisor to a wide variety of corporations and governments around the world. He is co-owner of Action Sustainability and Chair of the Supply Chain School.

In addition to his OBE, he is Fellow of the Royal Society of Arts, a member of the Chartered Institute of Purchasing and Supply since 1995 and a Member of the Institute of Environmental Management and Assessment since 2004.