



**Government
of South Australia**

State Procurement
Board

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Sustainable Procurement Guideline

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Contents

Overview	3
Object of the State Procurement Act	3
What is Sustainable Procurement and Why is it Important?	3
Key Sustainable Procurement Principles.....	3
Summary of Sustainable Procurement Requirements.....	4
Organisational Level Requirements.....	4
Transactional Level Requirements	4
Sustainability Impact Assessment.....	5
Acquisition Planning	6
Supplier Selection	8
Contract Management.....	8
Further Information	9
Related Policies and Guidelines	9
Useful References	9
Attachment 1 Sustainable Impact Considerations	10

Overview

This guideline provides guidance on how to effectively integrate sustainability features and objectives into the procurement process for goods and services valued at or above \$4.4 million and significant procurements below \$4.4 million (as determined by the public authority).

Public authorities are encouraged to take into consideration the general principles for sustainability identified in this guideline for all procurements greater than \$550,000 and less than \$4.4 million.

This guideline supports the Government's commitment to the Australasian Procurement and Construction Council *Australian and New Zealand Government Framework for Sustainable Procurement* (APCC framework).

Object of the State Procurement Act

The object of the *State Procurement Act 2004* (the Act) is to advance government priorities and objectives by a system of procurement for public authorities directed towards:

- a) obtaining value in the expenditure of public money
- b) providing for ethical and fair treatment of participants
- c) ensuring probity, accountability and transparency in procurement operations.

The application of sustainable procurement is consistent with these objectives and all expressions defined in the Act have the same meaning in this guideline.

What is Sustainable Procurement and Why is it Important?

The APCC framework defines sustainable procurement as "a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment."

The key benefits from ensuring sustainable procurement practices include:

- reducing the adverse environmental impacts arising from Government procurement action
- utilising public resources more efficiently thus achieving greater value for money
- stimulating the local and global markets to innovate and produce more sustainable goods and services.

Key Sustainable Procurement Principles

Value for money requires public authorities to include and consider all relevant financial and non-financial costs and benefits over the life cycle of the procurement.

Sustainability is an important component of this value for money equation and is reflected in the following key sustainability principles:

- adopt strategies to avoid unnecessary consumption and manage demand
- in the context of whole-of-life value for money, select goods and services which have

- lower environmental impacts across their life cycle compared with competing goods and services
- foster a viable Australian and New Zealand market for sustainable goods and services by supporting businesses and industry groups that demonstrate innovation in sustainability
 - support suppliers to government who are socially responsible and adopt ethical practices.

These principles are outlined in greater detail throughout this guideline.

Summary of Sustainable Procurement Requirements

Public authorities **must** undertake a sustainability impact assessment for all procurements valued at or above \$4.4 million and significant procurements below \$4.4 million (as determined by the public authority) during the acquisition planning phase.

The sustainability impact assessment will identify the key whole-of-life sustainability impacts, risks, opportunities and features of the procurement and will determine whether sustainability is an important part of the procurement.

For those procurements, further sustainability considerations are to be taken into account in the acquisition planning process that will flow through to the supplier selection and contract management process.

For all procurements greater than \$550,000 and less than \$4.4 million, public authorities are encouraged to take into consideration the general principles for sustainability identified in this guideline and provide a brief analysis in the acquisition plan of any sustainability issues, as appropriate.

Organisational Level Requirements

Public authorities have an important role in using their purchasing power to encourage suppliers to adopt sustainable practices that achieve environmental and social benefits and reduce costs.

Public authorities are encouraged to:

- reflect sustainable procurement and a commitment to continual improvement in organisational goals, policies and key performance indicators
- promote awareness of sustainable procurement throughout the public authority
- support the provision of, and access to, training programs that improve the level of staff awareness about sustainable procurement
- include sustainable procurement in annual performance reports
- set up processes to reduce, reuse or recycle goods (demand management).

Transactional Level Requirements

Sustainability features and objectives can be incorporated into each phase of the procurement process, including acquisition planning, supplier selection and contract management.

The APCC *Assessing a Supplier's Sustainability Credentials Guideline* also provides useful information on how to incorporate sustainability into the procurement process.

Sustainability Impact Assessment

The *Acquisition Planning* Policy outlines the requirements for developing an acquisition plan. Undertaking a sustainability impact assessment during the acquisition planning phase enables sustainability features and requirements to be identified early and for an assessment to be made as to whether sustainability is an important part of the procurement.

Public authorities **must** undertake a sustainability impact assessment for all procurements valued at or above \$4.4 million and significant procurements below \$4.4 million (as determined by the public authority) during the acquisition planning phase.

The sustainability impact will vary for each procurement and is based on an assessment of both the goods and services being purchased and an understanding of the organisational context.

The following *procurement related* questions can be used as a guide to identify the sustainability features of the procurement:

- Are there any significant climate change or greenhouse gas emission impacts associated with the procurement?
- Does the procurement utilise a high level of energy, materials or water (including natural landscapes and habitats)?
- Does the procurement utilise or promote renewable energy practices (e.g. solar, wind, wave, biomass, tidal)?
- Does the procurement utilise or promote renewable materials such as remanufactured products and/or products that include recycled content?
- Is there any pollution or waste associated with the production, distribution, use and disposal of the procurement (including packaging)?
- Are there any opportunities for reusability and/or recyclability associated with the procurement, including options for reuse, repair, upgrade or modification to increase the product life?
- Does the procurement have significant travel, transport or logistics related impacts (including air, road, rail and vehicle)?
- Are there any impacts from the procurement on human health and wellbeing, ethical practices or fair working conditions?
- What are the impacts on local communities and businesses?
- Does the procurement provide opportunities for training, development and/or sustainable employment of vulnerable persons, for example, people with a disability, the aged, homeless, indigenous, unemployed, youth?

Attachment 1 provides information to assist public authorities identify and understand the specific sustainability issues associated with the procurement.

The following *organisational related* questions can be used as a guide to understanding the organisational context in which the procurement is being undertaken:

- Does the procurement align with or support the public authority's environmental and/or sustainability goals?

- Are there any links with other sustainability initiatives underway within the public authority or elsewhere in government?
- Are there any standards or legislative requirements that relate to the procurement, for example, eco-labels, environmental certification? How much effort and cost will be required to implement and contract manage the sustainability requirements?

The views of key stakeholders can be a useful source for answering some of these questions.

Acquisition Planning

For procurements where sustainability is deemed to be important, the following sustainability aspects can be considered throughout the procurement process, commencing in the acquisition planning phase and flowing through to the supplier selection and contract management phases.

Demand management

Before embarking on the normal procurement process, public authorities can consider relevant demand management strategies that avoid or reduce consumption and factor these outcomes into the procurement process. This could negate or significantly impact on the need to undertake the procurement.

Demand management strategies aim to avoid or reduce consumption and include:

- assessing the need for a given purchase
- reusing, refurbishing or reconditioning the good to extend its life
- acquiring second-hand or used goods
- acquiring goods that include recycled materials
- aggregating demand and sharing amongst multiple users to achieve better usage of resources
- establishing management systems to monitor and report consumption levels
- implementing energy and resource efficiencies that balance out peak environmental demand situations.

Supply market analysis

The *Market Analysis Guideline* outlines how to undertake market analysis when undertaking a procurement (including the supply chain).

In particular, supply market analysis assists to develop an understanding of the current level of sustainability related capability and performance in the market and the degree of influence the public authority has within the supply market to drive sustainable procurement objectives.

Supply market capability and performance

The APCC *Assessing a Supplier Sustainability Credentials* guideline outlines factors and questions that public authorities can use to select potential supplier sustainability related questions to indicate good supplier sustainability practices.

In particular, supply market capability may exist where:

- suppliers have introduced sustainable goods and/or services and practices demonstrating a commitment to the environment and society and believe it may give them a competitive advantage
- there is a growing demand or expectation from consumers for sustainable products/services
- suppliers have adopted environmental and corporate social responsibility policies and reporting practices
- suppliers have adopted accreditation to relevant environmental management standards
- suppliers have adopted nationally or internationally eco-labelling practices for the goods or service
- sustainable research and development activities are occurring or being planned; and
- there is a history of suppliers delivering sustainability benefits.

Degree of influence

Being able to influence the supply market is useful when procuring goods and services that have important sustainability features.

Indicators of being in a strong position of influence include that:

- the procurement requirement is significant from a market share perspective
- a large number of capable suppliers exist in the market with an appetite to do business with the public authority
- there are suppliers in the market who are actively promoting sustainability
- there are suppliers in the market that have invested in sustainability and are looking for suitable clients.

Specifications

Integrating sustainability features into specifications demonstrates that sustainability is important to the public authority and the procurement. The sustainability specifications are partially informed by considering the outcomes of the sustainability impact assessment and the supply market analysis. The specification will also reflect the outcome of stakeholder engagement and demand management strategies.

The specifications for the procurement can be either mandatory or qualitative and there needs to be care that the sustainability requirements are fit for purpose.

The specification will, in turn, inform the procurement responses that suppliers are required to submit.

Contractual Key Performance Indicators

Developing and monitoring measurable and clearly defined sustainability key performance indicators (KPIs) are an important means for ensuring that key sustainability requirements are achieved.

Developing sustainability KPIs involves:

- setting specific targets or actions that the supplier is required to meet within a prescribed timeframe

- requiring a supplier to consider continual improvements to increase the sustainability performance of their goods and/or services
- requiring suppliers to report on progress relating to sustainability performance.

Sustainability KPIs are developed during the acquisition planning phase and monitored in the contract management process to ensure the delivery of sustainability requirements as detailed in the specification.

The contract will also outline specific actions that may result if performance measures are not met.

Supplier Selection

The sustainability requirements and outcomes documented in the acquisition plan are realised through the selection of an appropriate supplier. The *Supplier Selection Policy* requires public authorities to identify the evaluation criteria (including sustainability, where relevant) and determine appropriate weightings in selecting a preferred supplier.

The evaluation weighting that is allocated to sustainability will indicate how important sustainability is as a part of the total value for money equation.

Life Cycle Costing

The *Supplier Selection Policy* requires public authorities to consider life cycle costing when selecting suppliers. This includes all initial and future costs related to the entire life cycle and includes sustainability related costs, for example, energy and disposal costs.

Invitation and Response Documents

A supplier's ability to meet the sustainability evaluation criteria needs to be assessed based on information received from the supplier during the market approach stage of the procurement.

Part B Specification needs to contain the sustainability specifications of the procurement.

The Response Schedule needs to be updated to contain sustainability related questions and requirements for the supplier to respond based on the specification and organisational sustainability capability.

Contract Management

Effective management of the contract ensures that the supplier meets the agreed contractual commitments (including sustainability) and continues to perform according to the agreed contract terms and conditions.

The *Contract Management Policy* supports public authorities to manage contracts to achieve the agreed contract outcomes.

Sustainability requirements contained within the contract (including key performance indicators) are monitored to ensure sustainability outcomes are achieved.

The *Disposal Guideline* requires public authorities to consider the use of environmentally sustainable methods of destruction/recycling when disposing of goods.

Further Information

State Procurement Board Secretariat
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Related Policies and Guidelines

SPB Acquisition Planning Policy
SPB Market Analysis Guideline
SPB Supplier Selection Policy
SPB Contract Management Policy
SPB Risk Management Guideline
SPB Disposal Guideline
SPB Market Approaches and Contracts Guideline
APCC Australasian and New Zealand Government Framework for Sustainable Procurement
APCC Assessing a Supplier's Sustainability Credentials Guideline
APCC Sustainable Procurement Product Guide

Useful References

APCC Australasian and New Zealand Government Framework for Sustainable Procurement
(<http://www.apcc.gov.au>)

APCC Assessing a Supplier's Sustainability Credentials Guideline (<http://www.apcc.gov.au>)

APCC Sustainable Procurement Product Guide (<http://www.apcc.gov.au>)

Good Environmental Choice Australia – Green Procurement Database (<http://www.geca.org>)

Green Industries SA (formerly Zero Waste SA) (<http://www.greenindustries.sa.gov.au>)

Energy Rating Australia (<http://www.energyrating.gov.au>)

Water Efficiency Labelling and Standards (WELS) Scheme (<http://www.waterrating.gov.au>)

ISO 14001 – Environmental Management System International Standard
(<http://www.iso.org>)

National Strategy for Ecologically Sustainable Development
(<http://www.environment.gov.au>)

National Packaging Covenant (<http://www.packagingcovenant.org.au>)

Attachment 1 Sustainable Impact Considerations

Category	Issues to consider	Key Performance Indicators
Climate change and greenhouse gas emissions	<ul style="list-style-type: none"> Climate change impacts associated with the production, distribution, use and disposal of the procurement Specific focus on greenhouse gases: carbon dioxide (CO₂), methane (CH₄), nitrous oxides (N₂O), HFCs, PFCs, SF₆, and low level ozone (O₃) 	Tonnes Carbon Dioxide equivalents (t CO ₂ -e)
Energy, resources and water	<ul style="list-style-type: none"> Energy use and efficiency Use of renewable energy e.g. solar, wind, wave, biomass, tidal Water use and efficiency Water recycling Impact on water pollution, and measures to reduce discharges Amount and type of raw material and consumables associated with the procurement Product efficiency and longevity: options for reuse, repair, upgrade or modification, to increase product life Impacts on land use e.g. land clearance for farms, factories, mines, plantations causing habitat degradation and modification (linked to climate change impacts) Impacts on important habitats Recycled content of goods (reduces demand for finite and/or virgin materials) 	<p>Megawatt hours (MWh)</p> <p>Megalitres (ML)</p> <p>% Recycled or ML recycled</p> <p>Megalitres (ML)</p> <p>Tonnes</p> <p>Extended life in Years</p> <p>Hectares</p> <p>Hectares, Biodiversity impacts</p> <p>% Recycled Content</p>
Pollution and waste	<ul style="list-style-type: none"> Amount and type of waste associated with the production, distribution, use and disposal of the procurement Hazardous or toxic waste Reusability and/or recyclability Amount and impact of packaging Environmental pollution that reduces fertility and diversity of wild species Substances that adversely affect human health or the environments associated with the production, distribution use and 	<p>Tonnes of waste material</p> <p>Tonnes, Risk</p> <p>Tonnes</p> <p>Tonnes Material Type</p> <p>Tonnes or ML Material Type</p> <p>Tonnes or ML Material Type</p>



Category	Issues to consider	Key Performance Indicators
	<p>disposal of the goods. Such substances include:</p> <ul style="list-style-type: none">- heavy metals, (e.g. lead, mercury, cadmium)- ozone-depleting chlorinated compounds such as CFCs- Organic solvents, (e.g. chlorinated and aromatic hydrocarbons)- carcinogens, mutagens, teratogens- volatile organic compounds (VOCs)- phosphorous- phthalates (additives in PVC)- substances that can bioaccumulate- substances that result in acute or chronic toxicity <ul style="list-style-type: none">• Consider reactivity, corrosiveness, flammability, irritation potential of toxic substances and pollutants	
Travel, transport and logistics	<ul style="list-style-type: none">• Impact of air, road, rail or vehicle travel or transport requirements	Kilometres travelled
Social responsibility and ethical practices	<ul style="list-style-type: none">• Impact on human health and well being• Impact on fair working conditions• Promotion of social enterprise• Abolition of compulsory labour and child labour• Impact on local communities and businesses• Other social priorities (e.g. indigenous employment, persons with disabilities)	Number of people impacted Local jobs impact