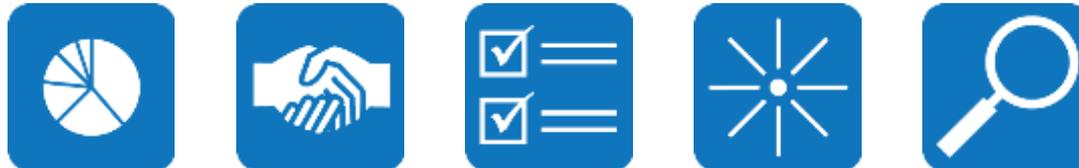




# Principles for Leadership in Sustainable Purchasing



## Version 1.0

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# Introduction

These *Principles for Leadership in Sustainable Purchasing* were created by the Sustainable Purchasing Leadership Council, a multistakeholder initiative that brings together leaders from government, industry, academia, standards organizations and NGOs to develop an integrated guidance, benchmarking, and recognition program for institutional leadership in sustainable purchasing. By providing a common reference point for sustainability excellence, the *Principles* are intended to enable greater alignment and benchmarking of sustainable purchasing efforts across all types of organizations.

The *Principles* were developed through an 18-month multi-stakeholder process that engaged leading organizations from a number of sectors, and included the collection of more than 300 comments via public forums and a comment period. Version 1.0 of the *Principles* reflects the deliberation of a Technical Advisory Group (TAG) made up of SPLC members from the purchaser, supplier and public interest advocacy communities.

More information about the *Principles* is available at [www.purchasingcouncil.org/principles](http://www.purchasingcouncil.org/principles).

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# A Vision for Sustainable Purchasing

The Sustainable Purchasing Leadership Council (SPLC) envisions a world where the production, distribution,<sup>1</sup> use and disposal of goods and services enhance the long-term health and vitality of society, economies and the planet. SPLC supports and recognizes leadership in sustainable purchasing to accelerate the transition to an economically, socially and environmentally sustainable future.

The Sustainable Purchasing Leadership Council and its membership strive to define and accelerate environmental,<sup>2</sup> social<sup>3</sup> and economic<sup>4</sup> (ESE) progress through sustainable purchasing. Organizational purchasing decisions send powerful economic signals up and down the entire supply chain,<sup>5</sup> with ESE impacts<sup>6</sup> throughout the lifecycle<sup>7</sup> of purchased goods and services.

By adopting a consistent, practical definition of leadership in sustainable purchasing, organizations can collectively advance a positive future for society and the planet by using their purchasing power<sup>8</sup> to promote marketplace innovation that delivers broad benefits to customers, suppliers, employees, investors, other stakeholders, and society at large. To this end, we define leadership in sustainable purchasing according to the following principles.

# Principles for Leadership in Sustainable Purchasing

An organization<sup>9</sup> demonstrates leadership in sustainable purchasing through:<sup>10</sup>



**Understanding.** Understanding the relevant<sup>11</sup> environmental, social, and economic (ESE) impacts of its purchasing.



**Commitment.** Taking responsibility for the relevant environmental, social, and economic (ESE) impacts of its purchasing by committing to an action plan.



**Results.** Delivering on its commitment to improve the relevant environmental, social, and economic (ESE) impacts of its purchasing.



**Innovation.** Actively promoting internal and external innovation that advances a positive future.



**Transparency.** Soliciting and disclosing information that supports a marketplace of innovation.

These criteria outline a framework for specific actions. The SPLC recognizes that timelines for achievement will vary across criteria and market sectors based on the availability of: tools and resources to implement representative actions; products and services that effectively improve the relevant ESE impacts of an organization's purchasing; and practical tools and resources to measure that improvement.

# Principle #1: Understanding

An organization demonstrates leadership in sustainable purchasing through:



## **Understanding.**

Understanding the relevant environmental, social, and economic (ESE) impacts of its purchasing.

### *Representative Actions*

- Quantify and analyze all aspects of organization-wide spend.<sup>12</sup>
- Use best available science, information and expert knowledge to assess relevant impacts of its purchasing and identify priority spend categories<sup>13</sup> across organization-wide spend.

### *Rationale*

An organization must understand the relevant ESE impacts of its purchasing as a foundational step toward improving ESE impacts. The phrase “one cannot manage what one does not measure” begins at this stage of an organization’s process; understanding ESE impacts requires determining a baseline of the impacts associated with its current – and comprehensive - purchasing practices. This allows for measurement and reporting progress toward achievement later in the overall process. Quantifying and considering this data at the outset enables an organization to take the most meaningful and high impact actions. More broadly, information available at the outset of any process, including organizational purchasing, is critical to ensuring the best possible ESE outcomes attainable.

## Principle #2: Commitment

An organization demonstrates leadership in sustainable purchasing through:



### **Commitment.**

Taking responsibility for the relevant environmental, social, and economic (ESE) impacts of its purchasing by committing to an action plan.

#### *Representative Actions*

- Engage an integrated team<sup>14</sup> to develop an action plan<sup>15</sup> to improve the relevant ESE impacts of its purchasing.
- Identify actions that could most significantly improve relevant impacts of organization-wide spend.<sup>16</sup>
- Prioritize identified actions based on feasibility and potential to influence relevant ESE impacts.
- Agree on implementation timeline, responsible parties, performance targets<sup>17</sup> and management systems.

#### *Rationale*

Once an organization has comprehensive spend data and an understanding of how the data translates to ESE impacts, the organization is ready to plan and act upon that information. Determining the actions most appropriate should not be a unilateral decision; it requires engagement of stakeholders inside and outside the organization, including executive level staff, purchasing professionals, suppliers and customers. This team can more effectively determine the most appropriate course of action – short- and long-term – to make progress toward the organization’s ESE performance targets. At this stage, it is critical that goals and performance targets are tied to implementation, delegation of responsibilities, and changes to processes and management systems.

# Principle #3: Results

An organization demonstrates leadership in sustainable purchasing through:



## **Results.**

Delivering on its commitment to improve the relevant environmental, social, and economic (ESE) impacts of its purchasing.

### Representative Actions

- Resource implementation of the action plan.
- Implement and track progress on actions that significantly improve the relevant ESE impacts of its purchasing.
- Provide guidance and training to internal and external parties responsible for actions.
- Support and use credible standards that meaningfully address the relevant ESE impacts of its purchasing.<sup>18</sup>
- Achieve meaningful improvements<sup>19</sup> in the relevant ESE impacts of its purchasing.

### Rationale

Once committed, an organization can begin to implement its plan and chart progress toward the goals targeted through their organizational commitment improving the relevant ESE impacts of its purchasing. This is an iterative process and should be regularly assessed to ensure the proposed steps and changes to internal processes indeed result in progress toward improving relevant ESE targets and other performance goals. Where there are gaps between plan implementation and results, it is critical that those leading the sustainable purchasing effort identify solutions to assist responsible parties in adjusting appropriately.

# Principle #4: Innovation

An organization demonstrates leadership in sustainable purchasing through:



## **Innovation.**

Actively promoting internal and external innovation that advances a positive future.

### Representative Actions

- Reward staff for contributions to organizational leadership in sustainable purchasing.
- Continuously improve processes and best practices to improve the relevant ESE impacts of its purchasing.
- Use solicitation processes and specification formats that foster competition and innovation.<sup>20</sup>
- Proactively support and defend a marketplace environment that promotes innovation.<sup>21</sup>

### Rationale

From the outset of an organization's process to improve the relevant ESE impacts of its purchasing, it should be understood that innovation – including change and challenge to the internal and external status quo – is critical to advance a prosperous, socially just and sustainable future. Collaboration and creativity are necessary – and should be actively cultivated – to find the bold solutions necessary to advance a positive future. The Innovation Principle is an iterative step in the process as it represents the long-term, continuous improvement of an organization's delivery on its commitment to improve the relevant ESE impacts of its purchasing.

# Principle #5: Transparency

An organization demonstrates leadership in sustainable purchasing through:



## **Transparency.**

Soliciting and disclosing information that supports a marketplace of innovation.

### *Representative Actions*

- Measure and publicly report internal targets and timelines for and progress toward improving relevant impacts of purchasing, using best available methods and reporting frameworks.
- Prefer suppliers that publicly report targets and timelines for and progress toward improving their supply chain impacts, using best available methods and reporting frameworks.
- Share lessons and benefits of adopting and implementing sustainable purchasing policies.

### *Rationale*

Transparency is a fundamental principle to build momentum for and create healthy market competition to improve relevant ESE impacts, internally within organizations and externally along the supply chain. Transparency is also a building block for collaboration; where some organizations are able to identify and implement best practices in certain ESE impact areas, others can quickly adopt these practices as appropriate. Transparency is also a key catalyst for innovation; market competitors can use this valuable information to improve the ESE outcomes of their supply chains and demonstrate ESE leadership in the development and delivery of their products and services.

## Interpretations for Other Stakeholders

The SPLC's *Principles for Leadership in Sustainable Purchasing* serve as a market signal for the type of environmental, social and economic criteria for which organizational purchasers will seek to improve their relevant impacts, through the most efficient and high-impact methods. Suppliers of products and services, standards and certification developers, and public interest advocates can use this document to position themselves as leaders, key informants and necessary stakeholders in the ongoing processes through which organizations will proceed to improve their relevant ESE impacts. In this spirit, representative actions are listed that each of these stakeholder groups can implement.

Representative Actions for

## Suppliers of Products and Services

A supplier of products and services supports leadership in sustainable purchasing through the following representative actions.

- **Understand, engage, and invest in research and development** based upon the relevant ESE impacts of its products and services.
- **Provide products and services** that exceed industry standard performance along quantifiable ESE metrics (defined elsewhere in this document).
- **Meet or exceed credible standards, provide transparent and accurate claims, and seek third-party validation** of relevant ESE supply chain impacts and claims.
- **Demonstrate** how<sup>22</sup> products and services may help purchasers achieve strategic objectives and ESE performance targets.
- **Track, evaluate, and report metrics and non-competitive insights** on product and service performance on relevant ESE impacts, using clear, transparent and easy-to-interpret methods.

Representative Actions for

## **Standards and Certification Developers**

A standard or certification developer supports leadership in sustainable purchasing through the following representative actions.

- **Harmonize, where appropriate, standards and certification programs** with identified ESE impacts.
- **Invest in the research and development of quantitative metrics** for ESE impact where none exist.
- **Evaluate and promote suppliers** of products and services that have been validated to meet or exceed industry standard performance along relevant ESE impacts.

Representative Actions for

## **Public Interest Advocates**

A public interest advocate supports leadership in sustainable purchasing through the following representative actions.

- **Invest in the research and development of quantitative metrics** for ESE impacts where none exist.
- **Raise awareness of relevant ESE impacts** of products, services, or specific aspects of the supply chain in which the organization is a recognized expert.
- **Advocate for and promote suppliers** of products and services that invest in research and development and demonstrate progress based upon relevant ESE supply chain impacts.
- **Advocate for public and private incentives** for the research, development and delivery of products and services that improve relevant ESE impacts and accelerate return on investment for purchasers.

# Notes and Definitions

These notes and definitions are an integral part of the *Principles*.

- 1 Includes trade.
- 2 The **environmental dimension** of sustainability refers to the importance of maintaining the natural systems on which life (and our markets) depends, now and in the future. Opportunity areas for influencing systemic environmental impacts might include, but are not limited to: typical lifecycle assessment indicators including GHG emissions, water use, and ozone depletion; human health impacts, including reduction of intrinsic hazards; and biodiversity and habitat protection.
- 3 The **social dimension** of sustainability refers to the importance of maintaining the social systems on which society (and our markets) depends, now and in the future. Opportunity areas for influencing systemic social impacts might include, but are not limited to: supply chain impacts such as child labor, worker rights, wages, and respect, including freedom of association, collective bargaining rights, and working conditions; and localized impacts such as impact on community infrastructure, economies, and social fabric.
- 4 The **economic dimension** of sustainability refers to the importance of maintaining the health of the markets on which commerce depends, now and in the future. Economic sustainability is measured at the system – as opposed to the firm, enterprise or organizational – level. Opportunity areas for influencing systemic economic impacts might include, but are not limited to: using accessible and competitive bid processes; eliminating conflicts of interest; collaborating to improve disclosure and transparency; supporting local economic resiliency (e.g., HUB zone, small business); promoting economic enfranchisement (e.g., supplier diversity); ensuring suppliers are not undermining economic systems (e.g., bribery, freedom of association); and discouraging monopolistic or collusive behavior by supporting regulatory frameworks and oversight.
- 5 A **supply chain** is the entire system of organizations, individuals, information, and resources involved in the process of converting raw materials into goods or services and delivering those goods or services to a customer.
- 6 **Impacts** of a purchased good or service include all of the direct or indirect consequences of production, distribution, use, and disposal of that good or service. Impacts may be positive or negative, and improving impacts includes both enhancing positive impacts and reducing negative impacts.
- 7 The **lifecycle** of a good or service includes raw materials extraction, manufacturing, distribution, use, and disposal.
- 8 In the United States alone, purchasing (including government, households, and exports) is approximately \$15.2 trillion annually, representing the largest driver of final consumption in the world. Household expenditures include roughly \$7.5 trillion annually for services (i.e. health care, housing, electricity, financial services and insurance, food, transportation, recreation, education, communications, personal care and hospitality services). U.S. Government purchasing accounts for roughly \$2.6 trillion annually. Together, these sectors account for approximately \$10.1 trillion of spend within the U.S. economy annually.  
(Source: US Department of Commerce, Bureau of Economic Analysis; 2011 data)

## Notes and Definitions, continued

- <sup>9</sup> It is assumed, as foundational to these criteria, that organizations follow all applicable laws and operate with business integrity.
- <sup>10</sup> No ranking is implied in the order of criteria.
- <sup>11</sup> **Relevant impacts** are the most significant social, environmental, and economic impacts of a product, process, business or service. In the case of a purchasing organization, relevant purchasing impacts are the most significant environmental, social and economic impacts of the organization's purchasing. (cf. *ISEAL Credibility Principles*)
- <sup>12</sup> **Organization-wide spend** refers to all of an organization's annual purchases of goods and services, including capital expenditures and long-term contracts for goods and/or services, but excluding employee costs and investment in financial instruments. Organization-wide spend includes both direct (goods for resale) and indirect (goods not for resale) procurement.
- <sup>13</sup> **Priority spend categories** are those categories of spend where an organization has an opportunity to significantly improve relevant category impacts, whether by virtue of volume of category spend, intensity of impact, or both.
- <sup>14</sup> An **integrated team** should ideally include executive-level staff, budget-holders, purchasing staff, suppliers, and customers.
- <sup>15</sup> An **action plan** is a plan for sustainable purchasing and risk management addressing all relevant impacts of organization-wide spend.
- <sup>16</sup> **Actions that improve impacts** may include, but are not limited to: exploring alternatives to purchasing such as servicizing; achieving operational efficiencies that reduce the need for purchasing; preferring goods and services that improve relevant impacts; and preferring suppliers based on their track record for improving relevant impacts.
- <sup>17</sup> **Performance targets** are specific goals for an organization to achieve by a specific date. Wherever possible, goals should be stated in terms of quantitative changes in relevant purchasing impacts.
- <sup>18</sup> **Credible standards** are robust, measureable, transparent standards that promote continuous improvement in relevant impacts for a defined category of goods and/or services.
- <sup>19</sup> **Meaningful improvements** are changes in relevant purchasing impacts that represent a significant improvement as measured against past performance and/or against the performance of comparable peer organizations.
- <sup>20</sup> **Strategies for competition and innovation** may include, for example: open solicitations; performance-based—as opposed to prescriptive—specifications; preferring suppliers that support marketplace transparency; providing 'bonus' points for exceeding basic requirements.
- <sup>21</sup> **Support for a marketplace of innovation** includes actively supporting government regulations that promote a marketplace of innovation and withholding support from organizations that seek to discourage a marketplace of innovation.
- <sup>22</sup> Including appropriate use.