Guidance for Leadership in Sustainable Purchasing
Version 1.0 Launch Webinar
February 5, 2015

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Agenda

1. Chapter 1 : Preamble
2. Chapter 2 : Create the Program
3. Chapter 3 : Run the Program
4. Chapter 4 : Category Guidance
5. Pilot Program
6. Member Reflection
7. Questions & Answers
Guidance for Leadership in Sustainable Purchasing
Version 1.0

Presented by:

Jason Pearson
Executive Director
Chapter 1

Preamble

Presented by:

Jason Pearson
Executive Director
About This Publication

The *Guidance for Leadership in Sustainable Purchasing, Version 1.0* is intended to help organizations improve environmental, social, and economic performance within their supply chains—across the entirety of product and service life cycles—by implementing a strategic sustainable purchasing program. This Guidance is based on the Council’s Principles for Leadership in Sustainable Purchasing, which define what it means to be a responsible—principled—actor, as an organization and within the marketplace.

Organizations in a wide variety of sectors and regions can use this Guidance to understand the environmental, social, and economic life cycle impacts of their purchased goods and services, identify actions that best address these priorities, and benchmark progress toward goals. This Guidance is a voluntary program that will serve as the basis for a future rating system that rewards organizations that demonstrate leadership in sustainable purchasing.

About the SPLC

The Sustainable Purchasing Leadership Council (SPLC) is a 501(c)(3) charitable organization whose mission is to support and recognize purchasing leadership that accelerates the transition to a prosperous, socially just, and sustainable future. The Council’s programs and community of practice will help institutional purchasers to:

- understand the social, environmental, and economic life cycle impacts of their purchased goods and services,
- prioritize opportunities to improve the life cycle impacts of goods and services, and
- benchmark progress toward goals.

The Council provides a collaborative space for organizations and individuals to improve clarity and promote consistency in defining and measuring sustainable purchasing.

The Council oversees a number of activities, including:

- **Membership**: a leadership network and community of practice;
- **Development of program resources**: guidance, measurement, and benchmarking tools;
- **Professional development opportunities**: online and classroom-based training and accreditation;
- **Events**: annual summit, expo, workshops, and expert gatherings;
- **Awards**: honoring individuals and organizations who advance the sustainable purchasing movement; and
- **Leadership recognition**: rating and rewarding leadership in sustainable purchasing.
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Founders Circle

The following organizations came together in a Founders Circle to commit financial and technical resources to the launch of the SPLC. The Council—and this Guidance—would not exist without their early investment.
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1. Preambule / Overview: The Case for Guidance

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■ Detailed guidance is in blue text and boxes.
■ Tips are in green text and boxes.
■ Examples and case studies are in orange text and boxes.
■ Notes and disclaimers to Members and Pilot participants are in red text.
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Overview: The Case for Guidance

The Opportunity: Institutional purchasers send a powerful economic signal.

Sustainable purchasing enables institutional purchasers to advance a sustainable future by leveraging their market influence. Annual government purchasing in the United States represents $2.5 trillion (15% of total U.S. Gross Domestic Product) in demand for goods and services. Institutional purchasing by business-to-consumer service providers (e.g., universities, schools, hospitals, hotels, airlines, financial institutions) represents an additional $7.5 trillion in demand for goods and services. Combined, those governmental and institutional sectors account for $10 trillion in demand. Overall, institutional purchasing represents an estimated two-thirds of U.S. economic demand. For these organizations, the environmental impacts associated with their purchasing are typically four to nine times greater than their direct, operational impacts.1

The Challenge: A lack of standardization inhibits leadership action.

Organizations face a fundamental challenge in pursuing sustainable purchasing: namely, the lack of standardization in how sustainable purchasing is defined, guided, measured, and rewarded. Individual organizations create and communicate different definitions and metrics for what constitutes “sustainable.” As a result, suppliers receive mixed signals regarding how they can demonstrate a commitment to providing sustainable products and services.

The Solution: A shared program provides a framework for leadership action.

The Council proposes a two-part solution to the above challenges:

1. Create a multi-stakeholder community of collaborators to identify and evaluate best available guidance for organizations engaged in sustainable purchasing.
2. Develop an integrated program that guides, measures, and recognizes leadership in sustainable purchasing, enabling organizations in a wide variety of sectors and regions to send clear, consistent market signals defining and measuring sustainability.

These actions will help advance an organization’s pursuit of sustainability and the long-term health and stability of our shared global economy. This guide is the first major component of the Council’s integrated program of support for institutional leadership in sustainable purchasing.

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1 Based on an analysis by TRUTHstudio of data from the US Department of Commerce and the Open10 database hosted by the University of Arkansas. For more information, see www.truthstudio.com.

2 Based on reports from SEEDC members who have used economic input-output lifecycle assessment (EIO-LCA) methods to estimate their supply chain environmental impacts. To the knowledge of the Council, a similar analysis of the degree of social and economic impacts has not been completed.
Opportunity

$10 Trillion

Institutional purchasers send a powerful economic signal that focuses the forces of market innovation.

Challenge

Purchasers lack shared resources to build a robust strategy and avoid duplication of effort.

Suppliers face multiple, "different but similar" market signals as they seek to differentiate their offerings.

Solution

A shared program provides a framework for leadership action and aligns market innovation for a positive future.
About This Guidance

Guiding Principles

This Guidance is based on the Council’s Principles for Leadership in Sustainable Purchasing, which define what it means to be a responsible—principled—actor, as an organization and within the marketplace. By our definition, a leader in sustainable purchasing demonstrates:

- **Understanding**: Understanding the relevant environmental, social, and economic impacts of its purchasing.
- **Commitment**: Taking responsibility for the relevant environmental, social, and economic impacts of its purchasing.
- **Results**: Delivering on its commitment to improve the relevant environmental, social, and economic 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.

The Principles outline a framework for exploring and implementing a strategic sustainable purchasing process, which are operationalized within this Guidance. Each chapter explores organizational responsibility in the context of the particular topics addressed within that section. For example, Chapter 4 explores the ways that an organization can still send appropriate demand signals regarding significant environmental, social, and economic impacts, even when definitive solutions are lacking.

Embedded in these Principles is recognition of the vital role of prioritization in leadership. The Principles begin with understanding, because understanding is the basis for prioritization. Once an organization understands its most significant purchasing impacts, it can then prioritize solutions, make commitments to improve its impacts, take action and ultimately deliver results. This Guidance provides a practical framework for such prioritization.

- **Innovation**—including change and challenge to the organizational and external status quo—is critical to advancing a prosperous, socially just, and sustainable future. Institutional purchasers therefore have an opportunity to exercise leadership:
  1. externally, by using their market influence to promote and encourage marketplace innovation; and
  2. organisationally, by supporting staff in the long-term process to continually improve an organization’s ability to exercise leadership.

**Transparency** in the marketplace builds momentum for positive change by creating healthy competition, internally within organizations and externally along market supply chains. Transparency is also a building block for critical information sharing where some organizations are able to identify and implement best practices in certain impact areas, others can quickly adapt these practices as appropriate. Transparency is a catalyst for innovation, not least because market actors can use shared information to improve their supply chains and demonstrate leadership in the development and delivery of their products and services. Finally, transparency is a building block of increasingly trust from consumers, who are increasingly demanding more information regarding the environmental, social, and economic impacts of their purchasing.

**Principles for Leadership in Sustainable Purchasing**

An organization demonstrates leadership through:

- **Understanding**: Understanding the relevant environmental, social, and economic impacts of its purchasing.
- **Commitment**: Taking responsibility for the relevant impacts of its purchasing by committing to an action plan.
- **Results**: Delivering on its commitment to improve the relevant 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. Timelines for achievement will vary across criteria and market sectors.

For more information, see [http://www.sustainablepurchasing.org/principles/](http://www.sustainablepurchasing.org/principles/)
Structure of the Document

This Guidance is intended as a comprehensive handbook for organizations seeking to exercise leadership in sustainable purchasing. Because not all organizations will be starting from the same place, Guidance v1.0 supports iteratively growing sustainable purchasing efforts over time into a comprehensive sustainable purchasing program that ultimately enables an organization to take meaningful responsibility for all significant environmental, social, and economic consequences of its spending. Only by doing that, can an organization demonstrate genuine leadership.

The document is organized in four chapters, which together provide a framework for the cross-functional collaboration necessary to build a highly-effective Sustainable Purchasing Program.

Chapter 1 provides an overview of sustainable purchasing and the strategic opportunity that it represents.

Chapter 2 helps “champions” to build support for and design a strategic sustainable purchasing program.

Chapter 3 describes a continuous improvement process that cross-functional teams can employ to develop strategies for achieving specific environmental, social, and economic performance goals.

Chapter 4 offers guidance on how to apply this strategic thinking for specific categories of purchasing that may be priorities for a wide variety of organizations.

Overall, these chapters are designed to give an organization the basic building blocks to pursue and achieve leadership in sustainable purchasing.
Benefits of Sustainable Purchasing

Implementing an effective, integrated plan for sustainable purchasing can assist purchasing organizations in accomplishing the following:

Improve the bottom line.

Sustainable purchasing provides vast opportunities for organizations to improve their bottom line. Within this Guidance, strategic actions are tied to internal benefits that will help to build the case for making a different purchasing decision, be it buying less, investing in a new technology, changing user behavior or choosing to lease a product. For example, making electronics purchasing decisions that mitigate environmental, social, and economic impacts can result in reduced operating, replacement, and disposal costs, improved security, and increased user satisfaction. The same possibilities exist within every purchasing category addressed within this guide.

Be part of (and be recognized for) a collective leadership agenda.

This Guidance offers organizations the tools to become leaders within the procurement community. Organizational purchasing decisions send powerful economic signals up and down the entire supply chain, with the potential to influence the environmental, social, and/or economic performance of entire markets. Institutional purchasing is a strategic leadership opportunity at the global economic scale. Collectively, institutional purchasers have the opportunity to shape entire markets.

Use market influence to advance a positive future.

Including procurement as part of an organization’s strategic sustainability initiative will greatly enhance its environmental, social, and/or economic performance. According to Dan Tangherlini, Administrator of the U.S. General Services Administration (GSA), the supply chain impacts of their goods and services purchasing create a carbon footprint nine times that of the operational impacts of their buildings and fleet combined.3 Incorporating goods and services purchasing impacts into an organization’s sustainability considerations will typically shift—and broaden—its priority impact focus area significantly.4 The tables on the following page display a non-exhaustive list of potential impacts within product and service supply chains and the potential benefits associated with addressing them.

Empower staff to be part of a collective solution.

Procurement professionals have a strategic role in leveraging institutional purchasing to improve environmental, social, and economic impacts. They are uniquely positioned to demand transparency on the upstream and downstream impacts of goods and services, and incorporate that knowledge into purchasing decisions at a scale that can shift markets and ensure that “sustainable” products demonstrate quality and total cost benefits. Contributing their experiences and knowledge to both the supplier community and their organization’s purchasing community is critical to the success of the sustainability movement and will define purchasing leadership for years to come.

3 See “GSA Administrator Dan Tangherlini on Sustainable Purchasing” Published May 22, 2014 http://www.gsa.gov/portal/page/DisplayPage?_http_cache=true
4 Certainly, this isn’t to say that organizations should stop improving their own operations. Rather, it is to say that claiming sustainability leadership is dubious when an organization improves only its own operations, ignoring the highly much larger footprint in its supply chain.
A Broader Context for Sustainable Purchasing

Leadership in sustainable purchasing involves thinking expansively and holistically about the environmental, social, and economic performance of an organization’s supply chain and optimizing that performance in order to advance a positive future. The lists below include key aspects of a supply chain’s environmental, social, and economic performance that tend to contribute to (+) or detract from (-) such futures. The lists are intended to spark ideas for discussion internally and with stakeholders, recognizing that the list is not exhaustive, nor is every item on the list necessarily relevant for every organization or purchasing category. For more information about how to think about aspects of environmental, social, and economic performance, please refer to the Principles for Leadership in Sustainable Purchasing of G, available on the SPCG website, and to the resources from which these lists are drawn, including: UN Global Compact, UN Guiding Principles on Business & Human Rights, International Bill of Human Rights, the Global Reporting Initiative, and lifecycle assessment standards. A related worksheet is available from the SPCC website.

<table>
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<th>Economic</th>
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<td>+ anti-discrimination</td>
<td>+ fair dealings</td>
</tr>
<tr>
<td>Climate adaptation</td>
<td>+ community engagement</td>
<td>+ innovation research / investment</td>
</tr>
<tr>
<td>Resource optimization</td>
<td>+ diversity / equal opportunity</td>
<td>+ open competition</td>
</tr>
<tr>
<td>Social health stewardship</td>
<td>+ employee engagement</td>
<td>+ transparency of information</td>
</tr>
<tr>
<td>Acidification</td>
<td>+ equal remuneration</td>
<td>+ use of diverse suppliers</td>
</tr>
<tr>
<td>Desertification</td>
<td>+ fair trade</td>
<td>+ use of HUB zones</td>
</tr>
<tr>
<td>Eutrophication</td>
<td>+ freedom of association</td>
<td>+ use of local suppliers</td>
</tr>
<tr>
<td>Freshwater pollution</td>
<td>+ grievance &amp; remedy processes</td>
<td>- conflicts of interest</td>
</tr>
<tr>
<td>Greenhouse gas emissions</td>
<td>+ human rights</td>
<td>- corruption (bribery, extortion...)</td>
</tr>
<tr>
<td>Habitat depletion</td>
<td>+ indigenous rights</td>
<td>- dividing territories</td>
</tr>
<tr>
<td>Human health impacts</td>
<td>+ occupational health &amp; safety</td>
<td>- dumping</td>
</tr>
<tr>
<td>Land use change</td>
<td>+ right to collective bargaining</td>
<td>- exclusive dealing</td>
</tr>
<tr>
<td>Marine pollution</td>
<td>+ sustainable compensation</td>
<td>- misleading market claims</td>
</tr>
<tr>
<td>Ozone depletion</td>
<td>+ training and education</td>
<td>- monopoly (seller collusion)</td>
</tr>
<tr>
<td>Radiation pollution</td>
<td>+ worker rights</td>
<td>- monopoly (buyer collusion)</td>
</tr>
<tr>
<td>Resource depletion</td>
<td>- child labor</td>
<td>- patent misuse</td>
</tr>
<tr>
<td>Smog</td>
<td>- forced / compulsory labor</td>
<td>- price fixing</td>
</tr>
<tr>
<td>Waste</td>
<td>- human trafficking</td>
<td>- product tying</td>
</tr>
<tr>
<td>Water consumption</td>
<td>- sourcing from conflict zones</td>
<td>- refusal to deal</td>
</tr>
</tbody>
</table>
Target Audiences and Uses

This Guidance is for purchasing organizations and other organizations and industries who affect—and are affected by—supply chains of purchased goods and services, such as product and service suppliers, standards and certification developers, and public interest advocates.

Purchasing Organizations

This Guidance is for any organization that wants to improve the environmental, social, and economic impacts within its purchasing supply chain. It is not intended for any one professional within an organization. Rather, the Guidance demonstrates the pertinent actions that an integrated, multi-stakeholder group within an organization must take in order to be most successful.

As such, the Guidance often refers to the following roles within a purchasing organization:

- Purchasing organization
- Senior leadership (C-Suite)
- Sustainability staff
- Purchasing staff
- Procurement professional
- Product specifier
- Program and Business Unit staff
- Supplier

Suppliers of Products and Services

A supplier of products and services could use this Guidance to support leadership in sustainable purchasing through the following actions:

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

Public Interest Advocates

Public interest advocates could use this Guidance and support leadership in sustainable purchasing through the following actions:

- Raise awareness of relevant environmental, social, and economic impacts of products, services, or specific aspects of the supply chain in which the organization is a recognized expert.
- Invest in the research and development of quantitative metrics for environmental, social, and economic impacts, where no such metrics exist.
- Advocate for and promote suppliers of products and services that invest in research and development and demonstrate progress on relevant environmental, social, and economic supply chain impacts.
- Advocate for public and private incentives for the research, development, and delivery of products and services that improve relevant environmental, social, and economic impacts and accelerate return on investment for purchasers.

Market Sectors that will find this Guidance useful...

- National Governments
- State and Provincial Governments
- Local Governments
- Higher Education Institutions
- K-12 Education Institutions
- Healthcare
- Corporate
- Service Providers
- Retailers
- Manufacturers
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- Advocate for public and private incentives for the research, development, and delivery of products and services that improve relevant environmental, social, and economic impacts and accelerate return on investment for purchasers.
Target Audiences and Uses, continued

Standards and Certification Developers
A standard or certification developer could use this Guidance to support leadership in sustainable purchasing through the following actions:

- Harmonize, where appropriate, standards and certification programs with identified environmental, social, and economic impacts.
- Invest in the research and development of quantitative metrics for environmental, social, and economic impacts, where no such metrics exist.
- Evaluate and promote suppliers of products and services that have been validated to meet or exceed industry standard performance on relevant environmental, social, and economic impacts.

Integrated Approach and Process

This Guidance promotes the use of an integrated approach for developing a comprehensive and strategic Sustainable Purchasing Program, including four key components:

1. Integration of a team in the early stages of the process (Chapter 2);  
2. Challenging assumptions and the status quo of current standard operating procedures related to procurement (Chapter 3);  
3. Continued collaboration throughout various phases of creating and implementing an action plan (Chapter 3); and  
4. Iteration of the process to improve on the environmental, social, and economic performance of purchasing (Chapter 3).

This Guidance details the implementation of these concepts through specific steps, such as:

- Building support and setting goals for a strategic sustainable purchasing program  
- Structuring stakeholder engagement  
- Setting a reasonable scope to implement initial program  
- Quantifying entire spend within the defined scope  
- Selecting the most appropriate method for analysing spend  
- Choosing decision-making criteria to evaluate, prioritize, and select actions that can save money and add value  
- Identifying actions to address significant impacts of spending  
- Setting performance metrics  
- Implementing the plan  
- Measuring and reporting results, and  
- Promoting continuous improvement of the sustainable purchasing program

* Everlee, John. Personal interview. 30 October 2014.
Opportunity

Institutional purchasers send a powerful economic signal that focuses the forces of market innovation. $10 Trillion

Challenge

Purchasers lack shared resources to build a robust strategy and avoid duplication of effort. Suppliers face multiple, “different but similar” market signals as they seek to differentiate their offerings.

Solution

A shared program provides a framework for leadership action and aligns market innovation for a positive future.
2. Create the Program

Presented by:

Sam Hummel
Director of Outreach & Operations
Chapter Overview

This chapter helps individuals within an organization build stakeholder and management support for implementing a strategic Sustainable Purchasing Program at their organization.

Chapter Organization

This chapter guides a progression of activities that naturally build momentum towards an organizational commitment to the implementation of a Sustainable Purchasing Program:

1. **The Champion prepares a vision** for what the organization’s Sustainable Purchasing Program could be and do for the organization and society.

2. **The Champion shares that vision with key stakeholders** in order to **enlist their support** in defining the vision and promoting it to management.

3. **Together, the key stakeholders design a plan** for bringing the program into existence.

4. **The key stakeholders work with management to win the organization’s commitment to the Program Plan.**

What Is the Champion’s Role?

In this Chapter, the capitalized word “Champion” is used to identify the person who volunteers or is tasked with building organizational support for creating and implementing a Sustainable Purchasing Program Plan. A generic term is needed because, in practice, sustainable purchasing advocates come from all types of roles within organizations: procurement professionals, sustainability staff, senior leaders, operations staff, budget holders, and so on.

The Champion’s primary role is to build the necessary cross-functional and management support for implementing a Sustainable Purchasing Program successfully. Many sustainable purchasing efforts flounder without a Champion to do that legwork, because sustainable purchasing work requires cross-functional cooperation.

Preparing to Champion

As a first step, Champions are strongly encouraged to read Guidance Chapters 1, 2, and 3 all the way through, and familiarize themselves with the structure and contents of Chapter 4. Chapters 1-3 define the full scope that the Council recommends organizations utilize to strategically address all significant environmental, social, and economic consequences of its spending. Having the whole picture will significantly ease implementing each step in the process. Chapter 4 provides guidance for specific purchasing categories that will be useful to reference during several of the process steps described in Chapters 1-3.

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4 Given the diversity of management roles and titles across sectors, the Guidance uses “management” to refer to an organization’s senior decision-makers. Depending on the decision to be made and the size and type of organization, “management” could be a Chief Executive Officer, President, Mayor, Chief Procurement Officer, Chief Operating Officer, Vice President, Dean, Commander, Director, Manager, and so on. Readers should determine who at their organization would be the appropriate number of management to make the type of decision being discussed.

5 In this chapter, “key stakeholders” are defined as those people with influence, skills, or roles relevant to designing and winning management support for a Program Plan. The term does not include everyone that could be affected by a Sustainable Purchasing Program.
PREPARE the Vision

Purpose
This section guides a Champion in developing a vision for the organization’s Sustainable Purchasing Program that they can share with key stakeholders when enlisting their support.

Benefits
- Broadly, this section provides a common foundation upon which to build Sustainable Purchasing Programs within our community of practice.
- Specifically, it provides the basis for the story—or vision—of what you want the organization’s Sustainable Purchasing Program to be.
- Offers a replicable process useful to contexts outside your profession and efforts related to sustainable purchasing.

Process
Champions should expect to encounter the following question when advocating for a Sustainable Purchasing Program:
1. **Why** does the organization need a Sustainable Purchasing Program? What organizational needs, values, or priorities would it serve?
2. **How** would a Sustainable Purchasing Program meet those needs? How would it be organized? What would it do?

Once a Champion has developed a clear picture of how they would answer the questions, they should draft a summary to share and reference during the stakeholder engagement process in the “Enlist” phase.

DETAILED GUIDANCE
A LEADERSHIP VISION FOR “WHY?”

A leadership vision is big picture. As Champions for sustainable purchasing set out to define a vision for the organization’s program, they should also consider the big picture. Leadership organizations answer the question, “Why do sustainable purchasing?” in a context larger than their own organization: “Because we have a responsibility to future generations.” “Because we care about hidden risks in our supply chains.” “Because we are part of a community that matters to us.” “Because marketplace innovation benefits us all.” The key is that leadership organizations answer the question, “Why?” by looking outside their four walls.

Similarly, SPLC defines leadership in sustainable purchasing in terms of an organization’s ability to use its market influence to strengthen the environmental, social, and economic systems on which we all depend. That is what this Guidance means by the “environmental, social, and economic performance of purchasing.”

Refer to the lists on page 7 of this Guidance for an overview of the types of environmental, social, and economic aspects that can inform an organization’s Sustainable Purchasing Program vision.
### Benefits of Sustainable Purchasing

The following list of financial, management, environmental, and socio-economic benefits of sustainable purchasing is adapted from BuySmart Network's Guide to the Business Case & Benefits of Sustainability Purchasing, which contains many supporting case studies.

**Financial**
- Reduces costs
- Enhances image and brand
- Eases regulatory burden

**Management**
- Aligns purchasing with organizational goals and values
- Reduces business risks
- Improves supplier relationships
- Advances market and product innovation
- Improves human resources performance

**Environmental**
- Reduces and prevents waste
- Reduces resource use
- Reduces pollution and toxins
- Reduces greenhouse gas emissions
- Maintains biodiversity

**Socio-economic**
- Improves workplace levels and working conditions
- Advances human rights
- Improves employee health and safety
- Develops markets for sustainable products
- Promotes a strong local economy
- Supports vulnerable groups
- Provides community services
- Reduces public expenditures
- Promotes economic opportunity and benefit-sharing
- Improves conditions in the developing world

Source: http://tiny.cc/8gueox

### The Need for a Sustainable Purchasing Program

Simply enumerating the benefits of sustainable purchasing does not—by itself—make the case for creating a program. Some benefits of sustainable purchasing can be realized without a formal program, but it is nonetheless essential to leadership.

A well-designed sustainable purchasing program will increase the chances that an organization’s sustainable purchasing efforts will achieve the benefits described and advance organizational goals, including sustainability goals. Following are typical outcomes for organizations that have proceeded on an ad hoc basis, compared those who have invested in a coordinated program.

<table>
<thead>
<tr>
<th>Typical Outcomes with a Program</th>
<th>Typical Outcomes without a Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management understands and supports the work</td>
<td>Frustration over lack of management commitment</td>
</tr>
<tr>
<td>Strong cross-functional cooperation</td>
<td>Silos thwart substantial progress</td>
</tr>
<tr>
<td>Sustained communication with stakeholders</td>
<td>Transient communication with stakeholders</td>
</tr>
<tr>
<td>Resources are available for strategic planning</td>
<td>Limited capacity to plan strategy</td>
</tr>
<tr>
<td>Benefits are tracked, aggregated, and reported</td>
<td>Evidence of benefits is anecdotal</td>
</tr>
<tr>
<td>Proactive management of supply chain risks</td>
<td>Reactive management of supply chain risks</td>
</tr>
<tr>
<td>Ability to tackle big, challenging issues</td>
<td>Biggest issues are out of reach, unless easy</td>
</tr>
<tr>
<td>Efforts are prioritized on the greatest opportunities to achieve significant benefits or improvements</td>
<td>Effort expended on initiatives that don’t achieve significant benefits or performance improvements</td>
</tr>
<tr>
<td>Understanding of biggest risks and opportunities</td>
<td>Blindness to biggest risks and opportunities</td>
</tr>
</tbody>
</table>

### Tip

Focus on benefits that advance existing organizational priorities and needs.

The benefits that will be most compelling to stakeholders across the organization—and to management—will be those that help the organization achieve its existing goals. Sustainable purchasing may not be viewed as a priority if it isn’t clear how it advances existing organizational priorities.
The Four Components of a Sustainable Purchasing Program

The Council considers four components to be required for a Sustainable Purchasing Program to be capable of achieving genuine leadership:

- **Chapter 3**: Run the Program
  - IMPROVEMENT PROCESS
  - PRIORITIZATION PROCESS
  - RESOURCE COMMITMENT

- **Chapter 2**: Create the Program
  - PROGRAM COMMITMENT

The Program’s work is primarily accomplished through a continuous improvement process, which rests on the solid foundation off a high-level organizational program commitment; the resource commitment to run the program; and a prioritization process to ensure those resources are applied strategically. This chapter focuses primarily on the commitments, and Chapter 3 focuses on the processes.

**Commitment**: The high-level program commitment provides political capital, which is necessary to achieve the level of sustained cross-functional cooperation and external stakeholder engagement required to address the biggest environmental, social, and economic performance challenges in an organization’s supply chain.

**Resources**: Naturally, the commitment of resources is essential; little meaningful program planning and implementation can take place without it.

**Prioritization**: As described in Chapters 1 and Chapter 3, prioritization is essential for leadership, because leaders deliver substantial benefits for their organizations and the world by focusing their efforts on those areas with the greatest opportunity for improvement.

**Improvement**: And finally, directing the Program’s energies into an iterative continuous improvement process recognizes the essential truth that sustainable purchasing is an iterative process that never finishes. Procurement professionals familiar with Strategic Sourcing will recognize this parallel between optimizing cost and optimizing environmental, social, and economic performance; there are always further and new opportunities to make improvements and realize benefits.

The Role of the Strategy Cycle

As described in detail in Chapter 3, this Guidance suggests a structured process—the Strategy Cycle—to guide the prioritization and continuous improvement processes. The Strategy Cycle involves convening appropriate stakeholders to analyze spending associated with a prioritized focus area, identifying projects that could meaningfully improve performance in that area, organizing the most promising of those projects into a cohesive Strategy Plan, implementing the plan, and tracking and reporting out the plan’s financial, environmental, social, and economic performance. The Strategy Cycle structure reliably supports strategic decision-making, while remaining flexible and scalable to the specific needs and challenges of an organization.

**TIP**

Program complexity may vary.

While this Guidance suggests that Sustainable Purchasing Programs should have the above components, each organization’s implementation of those components could be as elaborate or lean as appropriate for their organizational context. For a Fortune 500 company, the resources required to run the Program will almost certainly include dedicated sustainable purchasing staff. For a small business, significant strides could be made with a fraction of one or more staff members’ time. In the “Design” phase, later in Chapter 2, the Champion and key stakeholders will determine the appropriate level of complexity and resource intensity for their organizational context.
Many organizations using this Guidance may already have in place one, two, or three of the four components of a leadership-oriented Sustainable Purchasing Program. And organizations just getting started may already have support for one or more of those components. There are many pathways by which an organization can grow their existing efforts into a complete Program. The “Design” section of this chapter focuses in detail on how to move from an existing set of activities to a strategic program.

### Scenario #1: Build on Existing Efforts
An organization could already have an initiative addressing a specific area of purchasing (e.g., wood and paper products, IT, etc.) or an aspect of their whole supply chain’s environmental, social, and economic performance (e.g., supplier diversity, GHGs, etc.). The organization could apply the Strategy Cycle to that initiative as a pilot project. As the organization gains familiarity with the Strategy Cycle and its benefits, it will become more comfortable committing resources to a Sustainable Purchasing Program that continuously prioritizes and supports the application of the Strategy Cycle to other areas of the supply chain.

### Scenario #2: Respond to Management
An executive or political leader may have decided, “We should have a sustainable purchasing program,” and directed staff to create one. In this case, management commitment exists, but it needs to be turned into a program commitment. This is a good problem to have! In such a case, this Guidance will provide a useful roadmap for designing an effective program.

### Scenario #3: Start with Prioritization
An organization may have conducted a sustainability materiality assessment* to prepare their annual sustainability report. In the process, they discovered that specific areas of their supply chain present significant sustainability concerns. Thus, the assessment demonstrated the need for a Sustainable Purchasing Program to proactively manage these issues and provided a prioritization to guide the application of the Strategy Cycle. The organization could then establish and resource a Sustainable Purchasing Program to support continuous improvement of supply chain performance.

### Scenario #4: Start with Resources
A university receives a charitable contribution to support their sustainability efforts. They may decide to invest resources in a Sustainable Purchasing Program right away, or they may first run a prioritization process to better understand their supply chain’s current environmental, social, and economic performance and demonstrate the need for an ongoing Program. Either path is valid.

Champions should think now about what pathway likely makes the most sense for their organization. It may be helpful to proactively include a preview of that pathway when talking with key stakeholders. Many stakeholders will support the big picture vision, but have doubts about how to get there.

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* A materiality analysis identifies areas of an organization’s activities that affect the organization’s ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large. Increasingly, sustainability reporting frameworks require organizations to conduct materiality assessments in order to determine what parts of their activities should be covered in their sustainability reports. (http://tiny.cc/ujuesx)
Purpose
This section guides Champions in identifying key stakeholders whose support and input can help the Champion take their vision from an idea and transform it into a concrete Program Plan that is likely to win commitment from management.

Benefits
- Identifies who can help the Champion turn their vision into a Program Plan that can win management's commitment.
- Plans stakeholder engagement that builds support for the Program by giving key stakeholders a sense of ownership.
- Champions develop tailored messages for effectively engaging key stakeholder groups.
- Key stakeholders' willingness to participate in the Program Plan design process is confirmed, allowing that process to begin.

Step 1: Identify key stakeholders
The Champion identifies the key stakeholders whose support and input they need to transform their vision for a Sustainable Purchasing Program into a formal Program Plan that can win support.

**Detailed Approach: Identifying Key Stakeholders**
At this phase, the goal is to continue to refine the Champion’s vision into a functional plan that can win the commitment of management. Who are the stakeholders who would be key for that?

- **People with influence.** Their support or objections would meaningfully influence management’s decision to commit to the Program Plan. Examples: Major budget holders, managers of departments that would play a leading role, such as the Chief Procurement Officer, students and faculty at a university, etc.

- **People already doing a piece of the work.** They are natural allies and contributors, when not blindsided! Examples: Staff in sustainability, procurement, supplier diversity, environmental health and safety, risk management, etc.

- **People with specialized skills or wisdom.** Their input will lead to a Program Plan design that is more likely to win management commitment and successfully change purchasing in meaningful ways. Examples: Procurement data expert, energy manager, city planner, etc.

- The management decision-maker(s). They will ultimately decide if the organization commits to the Plan. Examples: Chief Executive Officer, City Council, VP of Supply Chain, etc.
DESIGN the Program

Purpose

This section guides the Champion and the key stakeholders in evaluating the different pathways for starting up a Sustainable Purchasing Program at the organization, and designing a Program Plan that defines the pathway they think will be most successful.

Benefits

• Key stakeholders develop a shared vision for what the Sustainable Purchasing Program should be.
• Builds on the collective wisdom of key stakeholders to produce a Program Plan for realizing that vision.
• Increases the chances management will commit to the Plan, because it has the input and buy-in of key stakeholders.

Note: All of the steps in this section will likely happen over a series of meetings. The Champion and the key stakeholders will need time to digest the information shared and the Champion will need to time to incorporate stakeholder feedback between steps.
Step 3: Determine the Best Pathway for Starting the Program

Rewrite the “Many Pathways to a Complete Program” information at the beginning of the chapter and discuss where would be the most strategic place to start building the Program the group envisioned in the previous step.

Once a starting point has been identified, chart a timeline for growing the organization from there all the way until it reaches the group’s full Sustainable Purchasing Program vision, noting resources needed for each step along the way, as well as the resources the Program will need on an ongoing basis once it is fully established.

Step 4: Draft the Program Plan

Now, the Champion should start drafting a Program Plan document, capturing the group’s ideas in a format that can be presented to management. See the Sample Program Plan Outline box.

**Detailed Guidance**

**TWO PARTS OF THE PROGRAM PLAN**

The Program Plan will need to:
1. Clearly describe the vision for how the Program will work, once it is in place; and
2. Provide a detailed plan for getting the Program up and running.

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End of Section Checklist

- Key stakeholders share a common vision for the Program
- A Program Plan has been prepared for management to consider

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**Detailed Guidance**

**STARTING THE PROGRAM WITH A “TRIAL PHASE”**

In an ideal world, the group could present their Program vision to management and immediately receive the commitment of all the resources necessary to run the full Program. But, of course, it rarely works that way. Managers and other stakeholders often want to see new ideas proven on a small scale first.

However, the group need not reduce its Program Plan vision to a stand-alone pilot project. Instead, it can write a Program Plan that has a Trial Phase containing one or more pilot projects. At the end of the Trial Phase, the outcomes of the pilot projects are presented to management along with any suggested revisions to the initial Program Plan. If management doesn’t like what they see, they can postpone or cancel the full Program before the establishment of the more permanent program elements, such as hired staff. Here’s an example of how that might look:

<table>
<thead>
<tr>
<th>Program Commitment</th>
<th>Apr 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management approves Program Plan.</td>
<td></td>
</tr>
</tbody>
</table>

**Trial Phase**

<table>
<thead>
<tr>
<th>May-Sep 2015</th>
<th>Pilot project: Prove the value of the Strategy Cycle process by using it to develop a Strategy for addressing carbon emissions associated with the organization’s purchasing.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug-Dec 2015</td>
<td>Pilot project: Prove the value of a data-driven prioritization process by conducting an “all spend, all impacts” analysis of the spending associated with just one of the organization’s many operational units.</td>
</tr>
<tr>
<td>Jan 2015</td>
<td>Revise the Program Plan based on pilot project outcomes, if necessary.</td>
</tr>
<tr>
<td>Feb 2015</td>
<td>Review pilot project outcomes and Plan revisions with management before proceeding with next steps...</td>
</tr>
</tbody>
</table>

**Full Program**

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr 2015</td>
<td>Begin “all spend, all impacts” analysis of the spending associated with the entire organization’s purchasing.</td>
</tr>
</tbody>
</table>

... (Timeline continues)

If stakeholders and management support it, this approach has several advantages over proceeding on a project-by-project basis. Here are a few key advantages:

- It makes the long-term vision clear, while only requiring an immediate commitment of the resources required for the Trial Phase.
- It allows management to make a long-term commitment that is provisional upon their concerns being addressed. Negotiation with management over the Trial Phase will clarify those concerns, and what it will take to alleviate them.
- The pilot projects will likely receive substantially more cooperation and buy-in because management is their customer and what is at stake will be clear.
Commit to the Program

Purpose
The purpose of this phase is to gain the management commitment required for the successful implementation of the Program Plan.

Benefits
Formal commitment increases the likelihood that sufficient political and financial resources will be allocated to execute the Program Plan.
3. Run the Program
Chapter Overview

Chapter 3 provides guidance to help organizations ensure that their Sustainable Purchasing Program will be strategic, i.e., that actions taken will meaningfully improve the environmental, social, and economic performance of an organization’s purchasing.

To this end, the Chapter introduces a structured process for prioritizing:

1) overall strategies — e.g., “Scope 3 GHG reduction strategy”; “supplier diversity strategy” — that advance the organization’s goals; and
2) specific projects and actions that will advance those strategies.

The Guidance assumes that the Program Leader identified in Chapter 2 will this process iteratively to facilitate the collaborative planning and implementation of an appropriate set of larger strategies that, over time, cumulatively enable the organization to achieve a leadership level of sustainable purchasing performance.

Prioritize.

The Importance of Prioritization

Leadership requires prioritization. Organizations that demonstrate leadership in sustainable purchasing prioritize each incremental expansion of their program by focusing on strategies that offer the greatest opportunity to improve the overall environmental, social, and economic performance of their supply chain, typically by following two parallel and related lines of strategic inquiry:

- **What** do we buy, and why does it matter?
  - Which categories of spending offer the best opportunities for us to advance a positive environmental, social, and economic future?
- **From whom** do we buy, and why does it matter?
  - Which suppliers present the greatest opportunities or risks for us to advance a positive environmental, social, and economic future?

A Sustainable Purchasing Program cannot be strategic as a whole if it doesn’t answer—or at least grapple with—these two questions.

The Challenges of Prioritization

Prioritization is not easy. Two fundamental questions that leadership organizations ask—“What...?” and “From whom...?”—are deceptively simple, yet hard to answer, in practice. Internally, it can be difficult to collect, validate, and classify organization-wide spend data. Externally, supply chain information may be incomplete, inaccurate, or inaccessible. And even if data is available, methods for using this data to estimate the environmental, social, and economic performance of goods and services are often approximate, and sometimes controversial. Further, accurate assessments of alternatives to current practice may be equally lacking. This means that quantitative assessment may not be possible at all, and expert knowledge, if accessible, may be required as a substitute.

While satisfactory answers may not always be available, however, leaders nevertheless strive to answer these questions because of their importance to ensuring that a Sustainable Purchasing Program actually delivers meaningful results. Otherwise, an organization could invest years in strategies that deliver minimal environmental, social, and economic benefits or—worse—could discover that its well-intentioned efforts had actually done more harm than good.

The Strategy Cycle: A Structured Process for Prioritization

This Guidance proposes the “Strategy Cycle” as a structured process for addressing the diversity of factors that may influence an organization’s strategic prioritization process. The Guidance assumes that, in most cases, an organization will use a Strategy Cycle to guide the process of prioritizing one or more high-level strategies for its sustainable purchasing program, and then use successive Strategy Cycles to further develop each of these strategies. The following section provides an overview of Strategy Cycles, and the remainder of Chapter 3 provides a step-by-step guide for using Strategy Cycles to develop a highly effective Sustainable Purchasing Program.
An organization’s approach to prioritization may depend on a wide variety of factors:

**Internal Factors**
- Availability, accuracy, and usability of (internal) spending data
- Organizational culture and structure
- Position of sustainable purchasing ‘champion(s)’ within organization
- Internal stakeholder interests and perspectives
- Staff and financial resources dedicated to sustainable purchasing activities
- Relationship of sustainable purchasing to existing initiatives

**External Factors**
- Availability, accuracy, and usability of (external) supply chain data
- Availability and practicality of methods for assessing environmental, social, and economic performance
- Readiness of relevant suppliers to engage in conversation
- External stakeholder interests, perspectives

In this example, an organization has prioritized four strategic focus areas that they have identified as most likely to offer opportunities for improving the environmental, social, and economic performance of their purchasing: Electricity, Supplier Diversity, IT, and Human Rights. These are the areas that are “material” to them (see the “Materiality and Prioritization” box below). Then, for each of those areas, the organization has prioritized which projects are likely to most effectively deliver results that advance the goal of the respective strategy.

In this way, the organization can have some confidence that it is being strategic: that its actions will be reasonably likely to advance its goals.
An Introduction to Strategy Cycles

The Strategy Cycle is a structured process for selecting and designing specific strategies to advance the goals of an organization's sustainable purchasing program. The Strategy Cycle provides a structure that reliably supports strategic decision-making, while remaining flexible and scalable to the specific needs and challenges of an organization. It provides process for a group of key stakeholders collaborate to:

- understand opportunities for improvement;
- prioritize strategies for addressing them;
- commit to specific strategic actions;
- implement those actions; and
- measure the results over time.

Structure of a Strategy Cycle

A Strategy Cycle involves the following phases:

Launch. Convene the cross-functional Strategy Team that will develop a Strategy Plan for improving performance in a specific focus area.

Analyze. Collect spend data and analyze associated impacts; prioritize areas for strategic action.

Plan. Identify a complementary set of strategies for improving performance; create Project Plans for each strategy; and summarize the Project Plans into a comprehensive Strategy Plan.

Commit. Win management’s support for implementing the Strategy Plan.


Report. Report results to internal and external stakeholders; monitor performance for continuous improvement opportunities.
In some cases, an organization may not be able to complete an initial Strategy Cycle prior to setting program priorities. In such cases, organizations may consider using one of the following alternative methods to establish interim strategic priorities.

**Prioritize by environmental, social, or economic opportunity or impact.**
Prioritize strategies that are likely offer the most significant improvement in the environmental, social, and economic performance of the organization's overall purchasing, based on evidence from:
- A peer organization or sector association that has conducted a relevant spend analysis;
- Guidance from a consultant who has conducted many sustainable purchasing analyses;
- A spend analysis tool applied to the organization's spend (see SPLC website for a list);
- Supply chain focus areas of relevant sustainability benchmarking tools, such as the Global Reporting Initiative, the Sustainability Tracking, Assessment & Rating System (STARS), CDP, etc.;
- Internal knowledge about where the organization's supply chain presents reputational or operational risks that are related to environmental, social, and economic performance;
- Information provided voluntarily by suppliers familiar with opportunities for improvement within their own industry and supply chain; or
- Category-specific information in Chapter 4 of this Guidance.

**Prioritize by purchasing category.**
Prioritize one or more purchasing categories that are likely offer opportunities for the most significant improvement in the environmental, social, and economic performance of the organization's overall purchasing, based on evidence from the same sources cited above.

**Prioritize by supplier.**
Prioritize one or more suppliers that likely offer opportunities for the most significant improvement in the environmental, social, and economic performance of the organization’s overall purchasing, based on evidence from the same sources cited above. Additional considerations that could affect prioritization could include:
- Suppliers from which the organization has the highest spend;
- Groupings of multiple suppliers in a single purchasing category;
- Purchases made off contract; OR
- Level of supplier diversity.

**Prioritize a momentum-building early win.**
Identify areas of purchasing where working on the environmental, social, and economic performance would align well with organizational and management priorities.
- Identify existing strengths that can be built upon.
- Work on an area where there is leadership, willingness, resources, and/or expertise.
- Address an area that is under pressure from investors or customers.
- Capitalize on employee interest or passion.

When it becomes possible for the organization to complete a more comprehensive Strategy Cycle to establish overall program priorities, assessment of the long-term value of these interim strategies can be included as part of that process.
LAUNCH the Strategy Cycle

Purpose
Kick off the Strategy Cycle by determining the scope of work to be undertaken in the cycle, identifying stakeholders for that scope, and recruiting a Strategy Team to do the work.

Benefits
Ensuring that all stakeholders understand the cycle’s focus areas and what is expected of them throughout the process can head off common sources of confusion and frustration, significantly improving the chances that the cycle will produce an excellent Strategy Plan.

DETAILED GUIDANCE
LAUNCH OUTCOMES

Completing the Launch section should fill in the blanks in this paragraph:
A Strategy Team comprised of (team) agreed to investigate the purchasing associated with (operational unit). With the input of (key stakeholders), the Team will collect purchase history data, analyze the (specific issues or risks of interest) associated with those purchases, prioritize areas of purchasing with the greatest room for improvement, identify projects for improving performance in those areas, and select the most strategic projects for inclusion in a detailed Strategy Plan. The Team will get as far as they can (meeting (frequency) for a period of (duration)). If it hasn’t completed a Strategy Plan by then, it will make a recommendation on how to proceed.
Step 1: Define the Scope

The Program Leader\(^3\) drafts a memo or proposal describing the scope of work to be undertaken in this iteration of the Strategy Cycle. The development of this proposal will help clarify who needs to be involved in the Strategy Team and what is expected of them. The proposal can then be shared as part of inviting members to join the Strategy Team.

The memo or proposal should answer the following scope questions:

- What purchasing category or aspects of environmental, social, and economic performance will be the focus of the cycle and why?
- What operational unit's purchasing will be the focus of this cycle?
- Who are the Strategy Stakeholders, and which of those should be on the Strategy Team? Who will be the Team Leader, if not the Program Leader?
- How long is the cycle expected to take? What's the time commitment for team members?
- What budgetary resources are required for tools or consultants, if any?

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\(^3\) The “Program Leader” is the person responsible for leading the organization’s sustainable purchasing program. Who this person is will depend on the organization's context. It could be a Director of Supply Chain Sustainability, a Sustainable Purchasing Coordinator, the Chief Procurement Officer, the Chief Sustainability Officer, or any of several other titles.
Step 2: Invite Stakeholders

Prepare letters inviting the Strategy Stakeholders to engage with the project, making clear in the invitation what level of involvement is requested from the recipient (e.g., their participation on the Strategy Team, attendance to progress reports and requests for inputs, etc.). The letter should briefly outline the goals, process and expected benefits of the cycle, and provide instructions for engaging with the process. In many cases, it will be strategic to invite the recipients to a kick-off meeting or a briefing. If a kick-off meeting is planned, ask for RSVPs so that any major gaps in stakeholder representation can be identified and addressed in advance of the kick-off meeting.

Decide who will send the invitations. Depending on the organization’s size and culture, it may be helpful to have an executive leader or senior member of management issue the invitations. In other cases, it may be most expeditious for the Program Leader to send them.

**Strategy Stakeholders**

Identify as stakeholders any staff, departments, and external parties who would be affected by efforts to examine and optimize the proposed aspects of environmental, social, or economic performance within the scope of the cycle.

Internal stakeholders could include:
- Business units;
- Procurement;
- Finance;
- Operations units; and
- the program’s managerial sponsor.

External stakeholders could include:
- Customers;
- Suppliers;
- Investors;
- Public interest advocates

**Tips for differentiating stakeholders:**

- Decide which Strategy Stakeholders need to be involved throughout and should be invited to join the Team.
- Decide which Strategy Stakeholders simply need to be kept informed so they are not blindsided and are prepared to give input when desired.
- Determine if any further subdivisions within the Strategy Stakeholder group would enhance planning and communications. For example, the Strategy Team might communicate with external stakeholders, such as suppliers and public interest groups, separately from internal stakeholders.
Step 3: Kick-off Meeting

The Kick-Off Meeting agenda should generally include the following items, but the agenda should be customized to the needs and context of the organization:

- Agenda Overview
- Group Introductions
- Presentation: Program Overview
  - Program Goals (ref. Chapters 1, 2)
  - Program Benefits (ref. Chapters 1, 2)
  - Program Process (ref. Chapter 3)
    - Strategy Cycle
    - Environmental, social, and economic aspects of supply chain performance
    - Spend Analysis Methods & Tools
    - Strategy Plan Examples
- Q&A about the Process
- Presentation: Scope Proposal Overview
  - Operational Unit
  - Targeted Environmental, Social, and/or Economic Aspects
  - Strategy Stakeholders
  - Timeframe & Level of Commitment
- Discussion
  - Proposal details
  - Capacity of strategy team participants
- Decisions
  - Revise strategy scope based on feedback
  - Agree on scope
  - Agree on strategy team participants
- Next Steps
  - Schedule Regular Strategy Team Meetings
  - Assign Tasks to Prepare for First Strategy Team Meeting

Why Have a Kick-off Meeting?

The Kick-off Meeting (or a series of meetings with stakeholder groups and with members of the Strategy Team) creates a space for collaboration and shared commitment.

Strategy Stakeholders are able to meet each other, receive a briefing on the overall Sustainable Purchasing Program and this project, give feedback on the proposed scope, clarify their capacity and willingness to participate, and identify additional resources and capabilities.

Whether that all happens in one kick-off meeting or over a series of meetings, the goal of these conversations is to end up with a Strategy Team that is fully committed to executing a well-scoped project with the support of the larger body of Strategy Stakeholders.

The purpose is not to get into the weeds of project planning! Avoid getting bogged down at the beginning in detailed implementation questions that the Strategy Team will be investigating and addressing as part of their work. (See Tip.)

The agenda outlined here assumes that stakeholders with little prior knowledge of the organization’s Sustainable Purchasing Program and process are invited to attend the kick-off meeting. Organizations should certainly tailor it to meet their context and needs.

There are cases where it may make sense to have two kick-off meetings for the same project. For example, it may be strategic to brief and take feedback from internal stakeholders before presenting to external stakeholders.

Deepen stakeholder engagement throughout the process.
The Kick-off Meeting is the beginning of the stakeholder engagement process. Throughout the cycle, the Strategy Team should report on its progress to the larger group of Strategy Stakeholders and invite input at appropriate times, such as when developing the Strategy Plan.
ANALYZE Spending

Purpose
This section of the guidance supports organizations in conducting sustainability-related spend analysis. Sustainability-related spend analysis involves collecting, cleaning, and classifying purchasing history data in order to pair it with additional information about the environmental, social, and economic performance of the products, services and suppliers that make up that purchase history.

Benefits
- Spend analysis allows an organization to determine the areas of their purchasing that offer the greatest opportunity to improve their supply chain’s environmental, social, and economic performance.
- Spend analysis establishes a performance baseline against which future progress can be measured.

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“Sustainability-related spend analysis” is a catch-all phrase that SPLC uses to identify the numerous methods that organizations use to analyze different aspects of their supply chain’s environmental, social, and economic performance. Because many aspects of environmental, social, and economic performance are fundamentally different in nature, there can be no single method that works for analyzing all of them. SPLC does not use the term “hotspot analysis” because that is a term of art in the Lifecycle Assessment (LCA) field and SPLC wishes to recognize that there is a broader set of methods in use than LCA, such as the supplier diversity spend analysis example given in this section of the Guidance.
## SAMPLE SPEND ANALYSIS SCENARIOS FOR DIFFERENT PERFORMANCE ASPECTS

<table>
<thead>
<tr>
<th>Performance Aspect</th>
<th>Greenhouse Gas Emissions</th>
<th>Supplier Diversity</th>
<th>Human Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sample Metrics</strong></td>
<td>• Total supply chain GHGs</td>
<td>• Diversity spend ($ and % of total);</td>
<td>• % of contracts in IT, agriculture, and soft apparel that employ best practices recognized by human rights advocates as credible;</td>
</tr>
<tr>
<td></td>
<td>• % of total supply chain GHGs by purchasing category</td>
<td>• Diverse suppliers (# and % of total);</td>
<td>• % of IT, agriculture, and soft Apparel purchasing made off-contract;</td>
</tr>
<tr>
<td></td>
<td>• Transmissions of diverse suppliers (# and % of total);</td>
<td>• Diversity by type (# and % of totals);</td>
<td></td>
</tr>
<tr>
<td><strong>Sample Method</strong></td>
<td>Economic Input/Output Lifecycle Assessment (EIO-LCA)</td>
<td>Ask Procure-to-Pay provider to turn on supplier diversity fields, and run their built-in supplier diversity reports.</td>
<td>The team will evaluate the best practices compatibility of the 20 contracts that make up 80% of the organization’s on-contract spend in each sector and the best practices compatibility of largest off-contract suppliers.</td>
</tr>
<tr>
<td><strong>Baseline Timeframe</strong></td>
<td>2010 to Present</td>
<td>3 year trend data for all metrics</td>
<td>12 months of purchases in order to identify volume suppliers in each sector</td>
</tr>
<tr>
<td><strong>Who will compile the data?</strong></td>
<td>A consultant with EIO-LCA expertise will lead the team through the data collection and compilation process.</td>
<td>Procure-to-Pay system contains most supplier transaction data. Procurement team will also look for diversity among top suppliers of P-card purchases</td>
<td>Procurement Dept inventories the contracts and suppliers in three high-risk categories, analyzing them for compatibility with best practices.</td>
</tr>
<tr>
<td><strong>What tools do they need?</strong></td>
<td>Consultant has the necessary software.</td>
<td>Incumbent Procure-to-Pay system</td>
<td>Spreadsheet to score contracts against best practices.</td>
</tr>
<tr>
<td><strong>What training do they need?</strong></td>
<td>Consultant will provide team with training for the parts they will do.</td>
<td>None needed.</td>
<td>Training on ICAR best practice recommendations.</td>
</tr>
<tr>
<td><strong>What third-party data do they need?</strong></td>
<td>GHG emissions factors from the OpenO database.</td>
<td>Diversity characteristics of current suppliers. Their Procure-to-Pay system provider has it already for most of their suppliers.</td>
<td>Information from top suppliers about their capacity to monitor human rights compliance in their own supply chain. Will query account reps for it.</td>
</tr>
<tr>
<td><strong>Who will validate and interpret the results?</strong></td>
<td>Consultant helps interpret results. Formal validation not required. Informal validation by sharing with Strategy Stakeholders.</td>
<td>Procurement staff will spot-check the supplier classifications to ensure the totals are based on sound data, and provide results interpretation.</td>
<td>Invite a human rights procurement expert or NGO to review the results and help with interpretation.</td>
</tr>
</tbody>
</table>

*In this hypothetical example, the Strategy Team decided they lacked sufficient visibility into their own supply chain to be able to evaluate the presence of human rights abuses within it. Relying on expert knowledge from leading international human rights organizations participating in the International Corporate Accountability Roundtable (ICAR), they identified three high-risk sectors the organization buys from: IT, agriculture, and soft apparel. The team then decided to evaluate whether or not the organization’s contracts in the those high-risk sectors met ICAR’s best practice recommendations for preventing human rights human rights within procurement. Measuring their contracts’ conformity with human rights best practices, gave them a proxy metric that could help to improve as part of their Strategy Plan.*
### Two Primary Types of Sustainability-Related Spend Analysis

<table>
<thead>
<tr>
<th>Type</th>
<th>Purchasing Category Analysis</th>
<th>Supplier Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus</td>
<td>What are we buying?</td>
<td>From whom are we buying?</td>
</tr>
<tr>
<td>Purpose</td>
<td>Identify product and service categories within the organization's purchasing that present significant environmental, social, and economic performance risks.</td>
<td>Identify whether the overall make-up of the organization's supply base reflects its values, and whether individual suppliers present significant environmental, social, and economic performance risks.</td>
</tr>
<tr>
<td>Analytical Questions</td>
<td>- What are the most significant cumulative impacts across all of the organization's purchasing? &lt;br&gt; - Which categories are contributing more to those cumulative impacts? &lt;br&gt; - Where in the supply chain are the impacts originating?</td>
<td>- Do we have the right mix of small, medium, and diverse suppliers? &lt;br&gt; - Are our biggest dollar suppliers sustainability leaders or laggards in their categories? &lt;br&gt; - Do any of our suppliers present an outsized sustainability risk for us?</td>
</tr>
<tr>
<td>Benefit</td>
<td>Enables Strategy Planning to focus on the categories that present the greatest opportunity to improve the overall performance of the organization's purchasing.</td>
<td>Enables Strategy Planning to focus on aspects of the organization's supplier selection processes that present the greatest opportunity to improve the supply base's overall performance.</td>
</tr>
<tr>
<td>General Method</td>
<td>Pair purchase history data with information about the estimated environmental, social, and economic risks associated with the product and service categories in which the organization buys.</td>
<td>Pair purchase history data with information about supplier characteristics and supplier performance history from an environmental, social, and economic perspective.</td>
</tr>
<tr>
<td>When to Use</td>
<td>When the aspect of environmental, social, and economic performance being evaluated is associated with the quantity and characteristics of the products or services purchased.</td>
<td>When the aspect of environmental, social, and economic performance being evaluated is associated with characteristics of a supplier or the supply base, as a whole.</td>
</tr>
<tr>
<td>Data Source Examples</td>
<td>Input/Output Lifecycle Assessment databases; process lifecycle assessments; sector analyses; country of origin analyses; standards, labels and certifications; expert knowledge; information provided by the supplier</td>
<td>Data reported publicly or directly by suppliers; audit or third-party verified data; standards and certifications; regulatory compliance data</td>
</tr>
</tbody>
</table>

### Other Considerations

**Making Sense of the Many Subtypes**

Many aspects of environmental, social, and economic performance are fundamentally different in nature, which means that nuanced methods, tools and data sets are required for each. Where harmonization is possible, concerted efforts are being made to align methods, such as through the UNEP/SETAC Hotspots Mapping Strategy, whose report ([http://tiny.cc/avm3t](http://tiny.cc/avm3t)) lists many of the methods, tools and data sets available today.

**The Rise of Open Data**

Thanks to a combination of academic, industry, government, non-governmental, and entrepreneurial initiatives, suppliers are now reporting substantial environmental, social, and economic performance data, often into shared databases that allow purchasers to compare suppliers and that also provide recommendations to both the purchasers and suppliers on how they can improve their sustainability performance.

The more that purchasers rely on these common platforms and request that their suppliers also report into them, the better they will become as resources. Before organizations set out to collect performance data from all their suppliers through a supplier survey, they should check to see if there is a shared database that they can direct their suppliers to report to instead. Many of these database platforms can accommodate custom questions to meet unique needs. Making a point to use shared platforms for collecting data will reduce the significant sustainability survey fatigue felt by many suppliers, and will allow other purchasers to benefit from the data.

**Acquiring Spend Analysis Tools and Skills**

Taking raw purchasing history data and pairing it meaningfully with environmental, social, and economic performance data in order to make credible claims about an organization's overall supply chain performance requires a specialized set of skills. Organizations often use third-party tools to reduce complexity and/or hire service providers to provide training, help manage the process, clean purchasing data, conduct the analysis, and/or interpret the results.

The [SPLC website](http://www.splc.org) provides information about tool providers and services providers that can support both category-based and supplier-based sustainability-related spend analysis.
Step 2: Choose Spend Analysis Methods, Tools and Responsible Parties

First, identify any existing spend analysis that the team can build on.

For example, if the organization is already collecting and tracking its purchasing from small and medium enterprises, it may be possible to expand that system to also track purchasing from women and minority-owned suppliers in a similarly ongoing fashion. Another example is building on existing analyses conducted by industry associations, professional societies, or peer organizations. If a peer organization’s analysis of all their spending revealed that 80% of their impacts came from just five purchasing categories, the Strategy Team could make a fairly safe bet that they would find out the same thing if they conducted a similar analysis. Instead of replicating that analysis, the team could instead decide to do a deep-dive analysis on one or more of those five purchasing categories.

Second, identify where spend analysis is needed and who will conduct it.

For each aspect of environmental, social, and economic performance where new analysis is required, the Strategy Team must answer the following questions:

1. What metrics will enable strategic prioritization and planning?
2. What method will be used to conduct the analysis?
3. How many years of purchase history does the analysis need to include in order to establish a sufficient baseline?
   (a) Who will do the data preparation and manipulation?
   (b) Will they need training?
   (c) What tools will they need?
4. What third-party data will they need?
   (a) Who will validate, interpret and present the results?
   (b) Will they need training?
5. Should there be a third-party review?

Answering the third and fourth questions, requires investigating the complexity of the method(s) selected. Some require greater technical skill and time commitments than others. Some require buying access to third-party data sets or tools. In many cases, hiring the assistance of a service provider who already has access to and mastery of the required data sets and tools can be more cost-effective than conducting the same analysis in-house. However, if conducting the analysis in-house is a priority, many of these same service providers also offer training.

Third, decide how to handle areas where there is not a suitable method.

Robust methods simply do not yet exist for connecting purchasing data to some of the environmental, social, and economic impacts known to exist in the world’s globalized supply chains. In these cases, the Strategy Team must decide how to proceed. Here are just a few of the ways organizations have addressed these kinds of gaps:

- Use a proxy indicator (e.g., risk = industry + country of origin)
- Substitute expert knowledge (e.g., NGO, academic, or consultant expertise; category guidance from Chapter 4)
- Measure the ability/ inability to evaluate the given aspect of environmental, social, or economic performance — with the goal of improving that ability through a project in the Strategy Plan
- Collaborate with others to develop a novel method

The table title “Sample Spend Analysis Scenarios for Different Performance Aspects” shows a number of scenarios for how a team could organize their decisions about what metrics, methods, tools and other resources they will use.
Step 3: Collect and Standardize Purchasing Data

Identify Data Sources
Finding all the expenditure data will require collaboration with multiple internal departments because the data sources may reside in multiple places, such as ERP systems, e-commerce platforms, purchasing card systems, and data warehouses. Sources of data to consider include:
- Accounts payable and general ledger data
- Purchase order data
- P-Card data
- Contract and invoice data
- Data from supplier's systems

For example, within a single operational unit, purchases may be made on contracts, with the exception of travel expenses, which are paid using purchasing cards. It is important to collect both sets of data to avoid inadvertently collecting a subset of spend and distorting the analysis.

Prepare the Data Requests
Before reaching out to owners of expenditure data, decide exactly what data points are needed and in what formats. This will usually be dictated by the third party data that is to be matched with, or the tool that it will be entered into. Preparing a template describing those two things will improve the chances of getting correctly formatted data. But, even with a well-designed template, don't be surprised if a good deal of work is necessary to prepare the data for use.

Collect Data on Major Anticipated Spending
Accompany the data request with a brief survey that asks about major purchases anticipated in the next 12-24 months, such as vehicles, construction or renovation projects, IT, etc. Significant purchases on the horizon are something the Strategy Team may be able to leverage as part of the Strategy Planning process. The owners of purchase history data may not be the best person to answer forecast questions, so let them know they can pass the survey along to other staff and budget holders within the operational unit. The finance department can also be a good place to find information about major new expenditures.

Resolve Data Problems
As the data comes in, review its quality and make plans for how to address quality problems. See the box above for strategies to consider.

\[\text{Tip}\]
Keep a central repository of contact information for the data owners.
When teams divide up the work of reaching out to owners of expenditure data, the repository can be used to assign individual team members to data owners. This can be useful in follow-up inquiries and for keeping them informed of the project's progress.
A sample Data Owner Contact Collection Sheet is included in an appendix to this Guidance.

\[\text{Tip}\]
Make sure that all data providers feel invested in the process.
If, for some reason, members of a department whose spend data your team will be investigating were not included in the Strategy Stakeholder group or have not otherwise been involved in conversations to date, make time to meet and explain the project and its benefits. This will help any internal political issues from arising and may identify any critical areas where scope needs to be revisited in the short-term due to unforeseen circumstances.
Step 4: Implement the Analysis & Validate the Results

Implementation

At this point, it’s time for the team members of consultants responsible for conducting the analysis to apply the chosen analytical method or methods to the data.

Note: The guidance for implementing the analysis will depend entirely on the analysis method chosen. Consult the documentation created by the method’s authors for assistance on this step.

Validate the Results

Things can go wrong when crunching large data sets, even when great care is taken. Before showing the results to too many people or spending much time trying to interpret them, taking time to validate the results can save a lot of grief. Nothing undermines confidence in a Strategy Plan like last-in-the-game revisions of the analysis it’s based on.

Validation can be a highly formal process involving an independent reviewer, but in most cases something less formal will be sufficient.

Step 5: Interpret the Results

In general, the purpose of a sustainability-related spend analysis is to find opportunities to optimize the supply chain’s environmental, social, and economic performance. In that vein, questions that may be helpful to ask when interpreting the results include:

- Is the overall performance better or worse than expected? Better or worse than peers?
- Is the organization’s overall performance improving or decreasing?
- Is there evidence that prior efforts have produced performance improvements that can be celebrated?
- What areas of purchasing are contributing the most, positively or negatively, to the observed performance?
- Are there any departments or business units that are contributing disproportionately to the performance challenges or successes?
- Does the analysis suggest that current efforts to improve performance could have a greater effect if re-applied somewhere/somewhere else?
- Is there evidence of temporary in-buzzness that the team might want to normalize before doing Strategy Planning, such as a recent once-in-fifty-years construction of a new campus?
- Is there anything that the analytical method itself is getting wrong, or not taking into account? Does the team trust the results?
- Is there anything that needs to be investigated more deeply either as part of Strategy Planning or as part of a future Strategy Cycle?
Step 6: Invite Stakeholders to Give Feedback on the Results

Before reporting out “final” conclusions from the spend analysis, it is a good idea to invite in the broader group of strategy stakeholders to review the results and the team’s interpretation of those results, and to contribute their reactions and feedback. For example, sharing the results to current suppliers will often prompt productive dialogue and the sharing of new information. Opening the results to the scrutiny of a larger group of stakeholders is another way to informally validate the results before moving into Strategy Planning.

Step 7: Prioritize Areas for Strategy Planning

The team should formally come to agreement on the priority areas that will be the focus of the Strategy Planning phase.

TIP

This is a good point to draft some recommendations for improving the spend analysis process for the future. Recommendations could include the following:

- **Improve future contracts.** Require suppliers to submit regular reports on what the organization has purchased.
- **Improve coding.** Harmonize the item classification codes being used in the organization. Improve checks to ensure they are being properly applied within day-to-day operations.
PLAN Strategies

**Purpose**

The purpose of the “Plan” phase is to create a Strategy Plan that includes one or more projects to meaningfully improve the environmental, social, and/or economic performance of the areas of purchasing prioritized in the previous “Analyze” phase. The Strategy Plan describes, in detail, the unified business case for a set of projects that an organization will implement together to achieve a strategic objective.

During this phase, the Strategy Team will accomplish the following:

- Identify a wide range of projects that could improve performance.
- Choose a set of those projects that collectively offer the most strategic path for improving performance.
- Develop project plans for each project, detailing the tasks, responsible parties, timelines, performance metrics and targets, and the benefits and costs of implementing the project.
- Draft a Strategy Plan document that draws on the individual project plans to show the cumulative costs and strategic benefits of implementing all the projects in a comprehensive fashion.

**Benefits**

A Strategy Plan enables management to commit the organization to a strategic and comprehensive plan of action, rather than respond to one-off projects that may or may not be strategic when taken together.
Step 1: Adjust Strategy Team Composition

Given the areas of purchasing the Strategy Team prioritized for attention during the planning phase, consider whether the Strategy Team has sufficient representation from functional units that would need to be involved in making changes to those areas of purchasing, or that would be affected by changes to those areas. If gaps are identified, recruit additional participants from those functional units to join the Strategy Team. Do the same thing for the larger group of Strategy Stakeholders.

In addition to adding new team members, permit any original team members to reduce their level of participation if they are not likely to be involved in or affected by work on the purchasing areas that will be the focus of the planning phase.

TIP

Throughout the Strategy Cycle, being careful to use only the human resources necessary to get the job done will earn the Program respect and trust from managers asked to contribute one of their staff’s time to a Strategy Team.

Step 2: Explore Potential Decision Criteria

Ask the Strategy Team and Strategy Stakeholders to identify criteria that they would like to see a project meet before it is included in the Strategy Plan. This brainstorm can be conducted as part of a group meeting, by survey, and/or in one-on-one meetings, such as with management.

Why Define Decision Criteria?

In major planning processes, stakeholders often fear that their concerns will not be factored into decisions. Planners can reduce such concerns and win buy-in by documenting and prioritizing criteria at the outset, to ensure that key stakeholder concerns are recorded and addressed.

 Including Diverse Decision Criteria

Decision criteria can vary widely:
- Some will be quantitative (e.g., tons of greenhouse gas emissions avoided)
- Others will be qualitative (e.g., alignment with executive priorities)
- Some will be applicable across-the-board (e.g., return on investment)
- Some will only apply to a specific aspect of environmental, social, and economic performance (e.g., greenhouse gas emissions reduced per dollar invested)
- Some will be minimum performance criteria (e.g., 99.9% uptime)
- Others may be logistical in nature (e.g., feasibility within an existing long-term contract)

In this step, all decision criteria important to stakeholders should be included and treated seriously, even if their utility seems dubious. At a minimum, these criteria provide intelligence about how Strategy Stakeholders will ultimately evaluate the final Strategy Plan.

In the next step, the Strategy Team will prioritize and streamline the criteria.

Step 3: Select Decision Criteria

Organize the criteria

First, organize the stakeholder’s decision criteria into three categories:
- Absolute performance criteria
- Efficiency performance criteria
- Other criteria

Prioritize the criteria

Within each grouping, review the proposed criteria to see if there is duplication that can be merged or if there is anything missing. There generally should be at least one absolute performance criterion and one efficiency criterion for each relevant aspect of environmental, social, and economic performance. Move criteria that are not strategic for decision making to an “excluded” list.

Rename the absolute and efficiency criteria lists as “First pass criteria” and “Second pass criteria”. For each criterion in the “Other criteria” list, ask if it is a prerequisite. If no project could be included in the Strategy Plan without meeting that criterion, then it should be moved to the “First Pass” list, otherwise, move it to the “Second Pass” list.

Agree on the criteria

If the Strategy Team wasn’t involved in the above evaluation and prioritization exercises, it should review and modify the prioritization before moving to the next step.

Agree on standard coefficients

Evaluating some criteria will require calculations using assumed values, or coefficients. In order to compare all projects fairly, the same coefficients should be agreed in advance before starting to investigate potential projects. They team might decide, for example, to set a consistent fuel cost coefficient equal to the lowest price that fuel has cost the organization in the last year.
Step 4: Explore Potential Projects (1st Pass)

For each area of purchasing chosen as a focus during the “Analyze” phase, brainstorm a wide range of potential projects the organization could implement to address the aspects of environmental, social, and economic performance that are the focus of this cycle. This can be done as a group exercise, in small groups, or as “homework.” For each potential project identified, assign a team member to collect the necessary data to evaluate the first pass decision criteria.

### Detailed Guidance: Brainstorming Suggestions

Stay high-level and outcome-oriented. Focus on high level, outcome-oriented projects, such as “improve fleet economy by 5 mpg,” as opposed to “replace fleet sedans with hybrids that get 40+ mpg.” Focus only on whether the project will address a priority impact at scale.

Use brainstorming guidance and resources.

- Use SPLC guidance as prompts (guidance in Chapter 4, solutions worksheet, case studies database).
- Use guidance produced by others.
- Look for credible standards, certifications, or labels.
- Invite existing and competitor suppliers to suggest solutions.
- Identify and engage collaborative efforts that are tackling a particular challenge. (e.g., Healthy Building Network, Sweatfree Purchasing Consortium)
- Seek advice from NGOs, consultants, and other experts that focus on that impact.
- Ask peers in professional and trade associations for ideas.
- Conduct in-house research on alternatives.

### Detailed Guidance: Solution Strategies to Consider

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
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<td>Efficiency</td>
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<td>Choose a different product with lower ESE impacts</td>
<td>Chemical costs and workers compensation insurance premiums reduced by switching to green cleaning products.</td>
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<td>Supplier substitution</td>
<td>Choose a supplier with lower ESE impacts</td>
<td>Making evidence of bribery or extortion automatic grounds for suspension of business with a supplier.</td>
</tr>
<tr>
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<td>Convert a product acquisition to a long-term service</td>
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<td>In-source a function to better reduce impacts</td>
<td>Hiring LEED expertise in-house to optimize and streamline green building across all of org’s construction and renovations.</td>
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<tr>
<td>Out-source</td>
<td>Outsource when an external party can better reduce impacts</td>
<td>Contract out utility bill management to firms that leverage energy market expertise to cut energy and carbon costs.</td>
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<tr>
<td>Offsetting</td>
<td>Pay for an impact reduction to offset impacts elsewhere</td>
<td>Buying carbon offsets; paying to put land in permanent conservation to offset development of other land.</td>
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The above Solutions table can be downloaded as a worksheet that can be used with the Strategy Team here: [https://www.sustainablepurchasing.org/public/SPLC_Worksheet_20140629_Solutions.pdf](https://www.sustainablepurchasing.org/public/SPLC_Worksheet_20140629_Solutions.pdf)
Step 7: Select Projects for Implementation Planning (2nd Pass)

In this step, the Strategy Team will evaluate the results from the second pass investigation and select a portfolio of projects for inclusion in the Strategy Plan. The selected projects will receive detailed implementation planning in the next step.

The Strategy Team comes to agreement on a set of projects that it believes present the organization’s most strategic pathway for improving the aspect(s) of environmental, social, and/or economic performance that are the focus of this Strategy Cycle.

**DETAILED GUIDANCE**

**WHY A PORTFOLIO APPROACH WORKS**

A portfolio approach enables teams to achieve objectives that simply would not be attainable in a contract-by-contract or product-by-product approach for the following reasons:

**Aligned Incentives.** Stakeholders discover that the Strategy Plan is an avenue for getting things they want. (An updated deal! A procure-to-pay automation system! A dedicated supplier diversity position!)

**Shared costs.** Budget-holders don’t feel like they are being singled-out, because they see others being asked to make changes, too.

**Team perspective.** When stakeholders are asked to compromise, the Strategy Plan allows them to fully understand the rationale for that request and in the context of shared goals.

**Transparency.** The planning process requires objections to be made visible to the Strategy Team, so difficult personalities or territorialism can’t hold up the process in the same way that they can in lower visibility negotiations around changing a single contract or product.

**Collective voice.** Management is much more likely to commit to the Strategy Plan’s projects when they are recommended to them by a Strategy Team that is cross-functional and representative of key stakeholders.

**DETAILED GUIDANCE**

**FUNDING AND RESOURCING PROJECTS**

Projects that require additional funding or resources should only be selected for the Strategy Plan if the Team has a recommendation for how it could be funded and resourced, because that will be the first question management will ask. Potential funding sources/mechanisms could include:

- Re-allocation of operating funds within a department or budget;
- Re-allocation of operating funds between departments or budgets;
- Allocation from the general fund;
- Self-financing performance contracts in which the supplier provides initial capital in return for a share of the savings;
- Borrowing (e.g., bonds, bank credit, etc.);
- Grants;
- Incentives and tax credits offered by local, state, national governments or utilities;
- Investment of endowment funds on internal projects offering a reliable rate of return;
- Fundraising from alumni or partners; and
- Student fees.

**TIP**

Get endorsement from responsible parties. Before a project is selected for the Strategy Plan, the Strategy Team should ensure that the parties who would be responsible for implementing the project are on-board. They should be asked to verify the Team’s understanding of what would need to happen and on what timeline, who would lead the project, what the outcomes would be, and what the risks would be. Nobody wants the Strategy Plan to go to management for approval, only to have the parties responsible for implementation oppose one of the Plan’s recommendations!
Step 8: Create Strategy Plan Timeline, Metrics, Targets & Milestones

In the previous step, the Strategy Team evaluated a number of individual projects against decision criteria in order to select a portfolio of projects the team will recommend to management. Now, all of these individual projects need to be organized into a cohesive Strategy Plan.

In this step, the Strategy Team organizes the selected projects into an implementation timeline, addressing any interdependencies between the projects and interactions with other planned organizational activities.

The team agrees on performance metrics and methods for tracking those metrics. The team identifies parties who will be responsible for establishing the processes by which data required for the metrics will be collected in an ongoing way.

For each metric, the Strategy Team agrees on a cumulative performance target for the whole Strategy Plan, as well as periodic milestone targets so that delays in progress toward the cumulative target can be discovered and addressed early.

Suggested Metrics and Indicators*

Chapter 4 suggests metrics and indicators* to measure performance in specific purchasing categories.

In addition to metrics that track aspects of environmental, social, and economic performance, the Strategy Plan should also include metrics to track cumulative financial costs and benefits.

* Indicator is used by SPLC to mean qualitative or proxy measures that can be used when direct measurement is not possible.

Detailed Guidance: The Importance of Strategy Plan Targets

Overall, how much of an environmental, social, economic and financial performance improvement does the team expect the Strategy Plan to deliver?

These targets are the headline claims that will go into the Strategy Plan’s executive summary and will be used in internal and external communications about the Plan.

They are also what the Strategy Plan’s success will ultimately be measured against.
Step 10: Draft the Strategy Plan

Write a formal Strategy Plan document that can be presented to management, describing the projects selected and planned in the previous steps.

TIP

Write management support into the Plan.

Begin the Strategy Plan timeline with “CEO Commitment” or “Commissioners Commitment” or whatever level of management support the Plan will require. This will clearly signal that everything else in the Plan depends on affirmative support from management.

If the projects in the Plan require any specific policies to be adopted by management (e.g. a policy that all computer purchases meet the EPEAT Gold standard), include that policy commitment at the start of the implementation timeline alongside the overall commitment to the Strategy Plan: “CEO Commitment to Strategy Plan: CEO Sign-off on EPEAT Gold Policy; CEO Sign-off on Fleet Fuel Economy Policy…”

This way, the Implementation Team doesn’t have to come back to make those requests from management at a later date.

SAMPLE STRATEGY PLAN OUTLINE

Introduction

- Statement of the Plan’s origins, objectives and expected benefits
- A concise list of the management commitments the Plan requires

Strategy Plan

- Overall Plan
  - Projects and benefits list
  - Metrics and targets
  - Funding, financing and resource needs
  - Implementation coordination and communications plan
  - Master timeline for all projects
- Individual Project Plans (one per project)
  - Detailed explanation of planned project
  - Metrics for success
  - Task list with responsible parties
  - Timeline
  - Funding/resource needs

Appendix I: Summary of the Strategy Planning Process

- Stakeholder engagement
- Spend analysis process
- Strategy planning process

Appendix II: Future Plans

There may be promising projects the Strategy Team would like to have investigated with more time, or that may not have been possible within current circumstances.

Note any projects that would be good to investigate in future Strategy Plans.
**COMMIT to the Strategy**

**Step 1: Plan the request.**
Make a plan for how the team will solicit management's commitment to the Strategy Plan.

**Purpose**
The purpose of this phase is to win and maintain the management commitment required for the successful implementation of the Strategy Plan.

**Benefits**
Formal commitment increases the likelihood that sufficient political and financial resources will be allocated to execute the Strategy Plan.
IMPLEMENT the Strategy

Purpose
The purpose of the implementation phase is implement the Strategy that the Strategy Plan describes.

Benefits
If the Strategy has been well designed, and the plan has been well crafted and implemented, then the organization should realize the full range of the environmental, social, and economic benefits that originally provided a rationale for creating the Strategy (and the Strategy Plan that defines it) to begin with.

Process
After management commits to the Strategy Plan, the Program Leader or Strategy Team announces the commitment, according to the communications plan developed earlier.

The Strategy Team then sursets a new Implementation Team is formed from the responsible parties named in the Strategy Plan.

The responsible parties implement the Strategy Plan’s individual projects with oversight by the Implementation Leader.

The Implementation Team establishes systems for efficiently collecting, on an ongoing basis, the data necessary to calculate the performance metrics established in the Strategy Plan. This can done, for example, by writing periodic reporting requirements into a supplier’s contract, adding a database field and data to an existing reporting system, etc.
REPORT Results

**Purpose**
Demonstrate results (or lack of results) to internal stakeholders, external stakeholders, third party reporters.

**Benefits**
- Have the data to know the results are real
- Have the data to tell the story of your program’s success

**Importance**
Real results are the key to building a stronger program. Building a stronger movement. Building a better world.

**Process**
At least once a year, but preferably more frequently, the Program Leader or another staff member compiles the data being tracked for each metric that has been established as part of a Strategy Plan.

The results are shared with internal stakeholders. This can include convening current and/or past Strategy Team and Implementation Team members to discuss and respond to gaps between expected performance and actual results.

Results that can be shared with external stakeholders are made available to those stakeholders. Where practical, results are shared using public reporting tools, such as the Global Reporting Initiative, the CDP (formerly Carbon Disclosure Project) or SPCG’s future benchmarking and rating system, so that others can access and learn from the organization’s work.

Significant performance improvements or periods of high achievement should be celebrated.
LAUNCH the Strategy Cycle

Purpose
Kick off the Strategy Cycle by determining the scope of work to be undertaken in the cycle, identifying stakeholders for that scope, and recruiting a Strategy Team to do the work.

Benefits
Ensuring that all stakeholders understand the cycle’s focus areas and what is expected of them throughout the process can head off common sources of confusion and frustration, significantly improving the chances that the cycle will produce an excellent Strategy Plan.

DETAILED GUIDANCE:

LAUNCH OUTCOMES

Completing the Launch section should fill in the blanks in this paragraph:

A Strategy Team comprised of [team] agreed to investigate the purchasing associated with [operational unit]. With the input of [key stakeholders], the Team will collect purchase history data, analyze the [specific issues or risks of interest] associated with those purchases, prioritize areas of purchasing with the greatest room for improvement, identify projects for improving performance in those areas, and select the most strategic projects for inclusion in a detailed Strategy Plan. The Team will get as far as it can meeting [frequency] for a period of [duration]. If it hasn’t completed a Strategy Plan by then, it will make a recommendation on how to proceed.
An organization’s approach to prioritization may depend on a wide variety of factors:

**Internal Factors**
- Availability, accuracy, and usability of (internal) spending data
- Organizational culture and structure
- Position of sustainable purchasing ‘champion(s)’ within organization
- Internal stakeholder interests and perspectives
- Staff and financial resources dedicated to sustainable purchasing activities
- Relationship of sustainable purchasing to existing initiatives

**External Factors**
- Availability, accuracy, and usability of (external) supply chain data
- Availability and practicality of methods for assessing environmental, social, and economic performance
- Readiness of relevant suppliers to engage in conversation
- External stakeholder interests, perspectives

In this example, an organization has prioritized four strategic focus areas that they have identified as most likely to offer opportunities for improving the environmental, social, and economic performance of their purchasing: Electricity, Supplier Diversity, IT, and Human Rights. These are the areas that are “material” to them (see the “Materiality and Prioritization” box below). Then, for each of those areas, the organization has prioritized which projects are likely to most effectively deliver results that advance the goal of the respective strategy.

In this way, the organization can have some confidence that it is being strategic: that its actions will be reasonably likely to advance its goals.
4. Category Guidance

Presented by:

Christina Macken
Director of Programs
Chapter Overview

Purpose

The guidance within this chapter provides information relevant to a variety of purchasing categories, enabling teams to quickly identify the following:

- clusters of significant environmental, social, and economic impacts associated with purchasing categories that are likely to be some of their primary areas of spend,
- best available actions to address the identified impacts,
- external and organizational benefits associated with implementing specific actions,
- anticipated challenges
- metrics and indicators that teams can use to track progress toward achieving their objectives within individual purchasing categories,
- policy and specification language and resources to assist in implementing the proposed actions, and
- undecided issues, both within the broader industry and the Council’s Technical Advisory Groups.

Benefits

- Provides reliable information based on the contributions from Technical Advisory Group members—representing a variety of perspectives within the industry—in a presentation consistent with how a cross-functional team operates within the context of this guide.
- Can expedite the Strategy Planning process outlined in Chapter 3 (depending on to what extent an organization’s primary spending area aligns with the categories discussed in this Chapter).
- Functional Performance

There is a common perception that sustainability improvements may result in performance losses or cost increases. This Guidance suggests that leadership organizations should seek to avoid unnecessary compromise and ask the marketplace to deliver innovations that offer functional performance, environmental stewardship, social responsibility, and cost parity.

Leaders in sustainable purchasing are those organizations that request, of their suppliers, that functional performance not come at the expense of environmental damage, community costs, or worker safety. Likewise, advances in environmental or social performance should not come at the expense of functional performance or total cost of ownership.

There may still be times, however, when no existing market solution meets both technical performance requirements and sustainability objectives. In such cases, an organization may have to choose an appropriate compromise based on its own priorities. In these circumstances, SFLC’s Principles for Leadership in Sustainable Purchasing ask leadership organizations to call on the marketplace to innovate and adopt better solutions in the future. This could mean providing suppliers and buyers with an incentive to innovate, joining a collaborative effort to raise standards, or other strategies developed by the purchaser.

Various sections within this Chapter discuss product performance considerations in more detail. It is recommended that for every purchase, organizations consider the performance attributes that are most important and ensure that these are communicated as part of the RFP.

Consider the following:

- What are the functional performance needs for individual products and services procured by an organization? How does this relate to the opportunities available to purchase products with improved environmental, social, or economic performance?
- Are there performance aspects of existing products important to an organization that are not available in products with improved environmental performance?
- Does an organization need a specific type of paper (e.g. thickness, brightness, etc) that is not available with post-consumer recycled content?
- Is diet-specific (e.g. vegetarian, gluten-free, etc) or culturally specific (e.g. Kosher, Halal) food available to meet the needs of the organization’s target population that also meet certifications verifying reduced environmental, social, or economic impacts?
National security

National security and other costs are exacerbated by the import of petroleum. Transportation accounts for over 73 percent of all fuel consumed in the U.S., and a significant portion of that fuel goes toward light- and medium-duty vehicles often used for local service delivery.

ACTION & RESULTS: What makes a difference?

Explore whether purchasing new vehicles can be avoided.

Consider the following opportunities to reduce the need for new vehicle purchases:
- Reallocate existing fleet vehicles (this requires collaboration with other departments and potentially revising the organization’s vehicle fleet purchasing policies).
- Set up a car-share program (this requires collaboration with other departments and potentially revising the organization’s vehicle fleet purchasing policies).
- Explore national best practices and whether you can domesticate your vehicle (see: http://www.afdc.energy.gov/resource/rightsizing.html).
- Invest in alternative fuel conversation kits.

External Benefits:
- Reduce carbon emissions
- Reduce environmental impacts associated with vehicle manufacture
- Organizational Benefits
- Reduce costs without compromising fleet activities
- Select alternative fuel vehicles (AFVs), including exploring options for investing in alternative fuel infrastructure.

Depending on local markets, alternative fuels may also cost less and perform better than gasoline or diesel. Online tools such as the Alternative Fuels Data Center’s Vehicle Cost Calculator (see https://www.afdc.energy.gov/calculator) are available to compare the ownership costs and emissions of different types of vehicles.

EXAMPLE

TRANSITIONING TO SMALLER VEHICLES

A fleet dominated by SUVs may find that mid-size sedans suffice with a significant reduction in fuel costs. Transitioning to smaller, more efficient engines can reduce fuel use and emissions while still meeting operational needs. Lighter vehicles can improve fuel economy by up to 2% for every 100 pounds of weight reduced.

TIP

Ensure compliance of fuel conversion kits.

If you plan on using alternative fuel conversion kits to modify your existing vehicles, ensure the kits are U.S. EPA and/or California Air Resources Board (CARB) approved for emissions. The conversion kits must also be in compliance with the National Highway Traffic Safety Administration’s (NHTSA) federal safety standards.

TIP

Purchase vehicles with good reparable, reliability, and durability records.

This extends the life of all vehicle purchases.
Organizational Considerations
As your team considers the recommendations within this Chapter, consider the specific aspects of the organization that may influence which strategies may be most appropriate to recommend.

- Existing organizational priorities (e.g., strategic plan, guiding principles, regulations, policies, advancing brand leadership, existing reporting requirements,
- Existing rating/certification requirements,
- Improvements to business units, etc.)

- Cost (e.g., initial cost, return on investment, total cost of ownership, etc.)

- Performance improvement potential (e.g., tons of CO2 reduced, gallons of water saved, improved indoor air quality, increased user satisfaction, etc.)

- Implementation logistics (e.g., feasibility within an existing long-term contracts, opportunity to improve upon expiring contracts, scalability, transferability)

- Organizational risk tolerance (e.g., taking a temporally conservative approach to new initiatives due to unforeseen market volatility, brand management, etc.)

- Resource availability (e.g., financial and human resources)

Recommended Actions
In most cases, several different types of solutions will be provided that go beyond the typical potential of a purchasing professional. This is possible because of the cross-functional approach to creating a Sustainable Purchasing Program recommended in this Guide.

Policy Recommendations
Many categories recommend exploration of existing policies and finding ways to improve them. Potential adjustments to existing policies can be explored and tested within the context of the organization itself (e.g., one hotel within a chain, a single hospital within a hospital system, or a particular department or agency within a larger organization), providing the ability to make more confident policy recommendations that could be applied in a broader context. The policies could incorporate the process recommendations related to exploring how to buy less in certain categories. For example, what considerations could be made prior to choosing to invest in constructing a new building that could result in not needing to invest in a new building. The same inquiry could be applied across nearly all of the purchasing categories. Institutionalizing this inquiry process could result in significant cost savings for the organization as well as a more strategic use of funds that are spent.

Operational Recommendations
Sometimes the largest opportunities for mitigating the environmental, social, and economic impacts associated with purchasing require leveraging operational changes. Operational changes often provide benefits for seemingly unrelated purchasing categories. For example, making an investment in high quality teleconference infrastructure—such as enhanced video and audio capabilities, among other improvements—can set the organization up for significant cost savings by setting the foundation for a more flexible work environment. Consider the following benefits of investing in high quality teleconference infrastructure:

- There is more flexibility for remote working or working in a variety of organizational locations. This allows an organization to consider leasing existing spaces in a few locations rather than building an entire new building to accommodate a full staff.

- If the investment allows more staff to work from home, the organization needs less infrastructure to operate. This includes minimizing workstation costs by setting up some home or remote workstations—and the potential to purchase less furniture and furnishings over time.

- This infrastructure investment—coupled with sourcing from service providers who have made similar investments—can significantly reduce the amount of consultant travel on behalf of the organization procuring the services. This means that either less money can be spent on specific contracts, or that a higher percentage of similar services is being sought from the increased flexibility.

The cost savings accrued from these benefits will allow for not only a faster return on the investment, but also the potential to improve employee satisfaction from the increased flexibility.
Organizational Considerations
As your team considers the recommendations within this chapter, consider the specific aspects of the organization that may influence which strategies may be most appropriate to recommend.

- **Existing organizational priorities** (e.g., strategic plan, guiding principles, regulations, policies, advancing brand leadership, existing reporting requirements, existing rating/certification requirements, improvements to business units, etc.)
- **Cost** (e.g., initial cost, return on investment, total cost of ownership, etc.)
- **Performance improvement potential** (e.g., tons of CO₂ reduced, gallons of water saved, improved indoor air quality, increased user satisfaction, etc.)
- **Implementation feasibility** (e.g., feasibility within an existing long-term contract, opportunity to improve upon expiring contracts, scalability, transferability, etc.)
- **Organizational risk tolerance** (e.g., taking a temporarily conservative approach to new initiatives due to unforeseen market volatility, brand management, etc.)
- **Resource availability** (e.g., financial and human resources)

Recommended Actions
In most cases, several different types of solutions will be provided that go beyond the typical potential of a purchasing professional. This is possible because of the cross-functional approach to creating a Sustainable Purchasing Program recommended in this chapter.

Policy Recommendations
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Operational Recommendations
Sometimes the largest opportunities for mitigating the environmental, social, and economic impacts associated with purchasing require leveraging operational changes. Operational changes often provide benefits for seemingly unrelated purchasing categories. For example, making an investment in high-quality teleconference infrastructure—such as enhanced video and audio capabilities, among other improvements—can set the organization up for significant cost savings by setting the foundation for a more flexible work environment. Consider the following benefits of investing in high-quality teleconference infrastructure:

- There is more flexibility for remote working or working in a variety of organizational locations. This allows an organization to consider leasing existing spaces in a few locations rather than building an entire new building to accommodate a full staff.
- If the investment allows more staff to work from home, the organization needs less infrastructure to operate. This includes minimizing workstations—consider setting up some hosting workstations—and the potential to purchase less furniture and furnishings over time.
- This infrastructure investment—coupled with procuring from service providers who have made similar investments—can significantly reduce the amount of consultant travel on behalf of the organization procuring the services. This means that either less money can be spent on specific contracts, or that a higher percentage of similar costs of money are going toward creating deliverables.

The cost savings across all of these benefits will allow for not only a faster return on the investment, but also the potential to improve employee (and contractor) satisfaction from the increased flexibility.
Purchasing Recommendations

As expected, purchasing recommendations are provided to help answer the question, “When the organization has to buy a product or service, how can we buy it better?” For example, is there third-party certification that can verify improved environmental, social, and/or economic performance? If so, to what extent do individual certifications successfully address the most significant impacts within a category? If no certifications exist, are these qualities of a supplier or actions that they take to help an organization determine if they are improving the environmental, social, and economic performance of their purchasing. Generally, solutions are recommended in the following hierarchy to reflect the potential for each strategy type to improve environmental, social, and economic performance of an organization’s purchasing.

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</table>

The above Solutions table can be downloaded as a worksheet that can be used with the Strategy Team here: https://www.sustainablepurchasing.org/public/SPLC_Worksheet_2014002_Solutions.pdf
Purchasing Recommendations

As expected, purchasing recommendations are provided that help to answer the question, “When the organization has to buy a product or service, how can we buy it better?” For example, is there a third-party certification that can verify improved environmental, social, and/or economic performance? If so, to what extent do individual certifications successfully address the most significant impacts within a category? If no certifications exist, are there qualities of a supplier or actions that they take to help an organization determine if they are improving the environmental, social, and economic performance of their purchasing. Generally, solutions are recommended in the following hierarchy to reflect the potential for each strategy type to improve environmental, social, and economic performance of an organization’s purchasing.

<table>
<thead>
<tr>
<th>DETAILED GUIDANCE</th>
<th>SOLUTION STRATEGIES TO CONSIDER</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy</strong></td>
<td><strong>Description</strong></td>
</tr>
<tr>
<td>Efficiency</td>
<td>Reduced impact through reduced use</td>
</tr>
<tr>
<td>Process change</td>
<td>Design the impact out of a process</td>
</tr>
<tr>
<td>Behavior change</td>
<td>Implement programs to shift attitudes and practices</td>
</tr>
<tr>
<td>Combining Projects</td>
<td>Combine multiple projects into a single positive ROI project</td>
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<tr>
<td>Supplier engagement &amp; accountability</td>
<td>Engage suppliers and hold accountable for a specific impact</td>
</tr>
<tr>
<td>Product substitution</td>
<td>Choose a different product with lower ESE impacts</td>
</tr>
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</tr>
<tr>
<td>Servicizing</td>
<td>Convert a product acquisition to a long-term service</td>
</tr>
<tr>
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Purchasing Categories

Below is a list of the purchasing categories for which guidance is provided in Chapter 4. Future versions of the Guidance are expected to expand upon these initial categories.

Chemically Intensive Products
- Cleaning and Sanitizing Products for Facilities Care

Construction and Renovation Products
- Construction and Renovation Materials
- Furnishings

Electricity

Food and Beverages for Food Services
- Animal Protein
- Beverages (except Milk, Coffee, and Tea)
- Chocolate
- Coffee
- Dairy
- Grains, Rice, and Legumes
- Nuts and Seeds
- Oils
- Produce
- Spices
- Tea

IT Hardware and Services
- Data Centers
- End of Life Management
- Imaging Equipment and Televisions
- Mobile Phones
- Personal Computers

Professional Services

Transportation and Fuels
- Fuels
- Institutional Vehicle Fleets
- Local Delivery Service
- Long-Haul Transport
- Travel

Wood and Agrifiber Products
- Paper

Unresolved Issues and Future Items

Note that the guidance provided within Chapter is intended to evolve based on not only market feedback, but also subsequent work of the Technical Advisory Groups that expand upon the scope of their sections throughout 2015.

For example:
- The Chemically Intensive Products Category will soon include Paints and Coatings and Laundry and Warewashing content.
- The Electricity and the Fuels content will be better integrated to provide a single set of guidance that addresses an organization’s Scope 1 and 2 emissions.
- The Food and Beverages for Food Services Category will expand in scope to address waste management beyond organic waste (e.g., impacts and actions related to single use packaging).
- The IT Hardware and Services Category will more specifically address Tablets and Monitors/Projectors, where the impacts and potential solutions diverge from the current areas visited.
- The Wood and Agrifiber Products Category will expand in scope to incorporate Apparel and products such as paper towels, tissues, toilet paper, etc.
- Generally, for all products having significant energy use, when—if ever—is it better to continue using energy-intensive an old but functioning product versus purchasing a new, more energy efficient product that will result in extraction, manufacturing, and production impacts (as well as potential waste impacts from discarding old but functional products)?
Food and Beverages for Food Services

Scope

This guidance pertains to procurement of Food and Beverages for Food Services. For purposes of the SFLC, food services pertains to direct and indirect spend on food by commercial and non-commercial purchasers (e.g., universities and colleges, hotels and resorts, government and military, corporate offices, health care facilities, etc.), presumably those who are procuring food for the purpose of providing on-site food services, whether self-operated or outsourced to a food service management company.

The scope of this Guidance does not include food manufacturers or retailers, or a guide for selecting a specific food service provider.

Executive Summary

Understanding

Why do we care?

- **Food is a human right.** The right to food guarantees freedom from hunger and access to safe and nutritious food.
- **Carbon emissions** from agriculture, forestry and fisheries have nearly doubled globally over the past fifty years—and could increase an additional 30 percent by 2050—without greater efforts to reduce them.
- **Water system impacts.** Agriculture accounts for more than 70 percent of global freshwater use.
- **Human rights and labor impacts.** A variety of human rights abuses are evident throughout the different categories of food purchasing.

Action

How can we exercise leadership?

- Understand the food needs of the population being served.
- Measure spend specific to food categories.
- Explore opportunities to reduce demand—and associated waste generation—associated with existing food spend.
- Consider existing certifications and RFP language to attract suppliers that can mitigate identified impacts.

Results

What are the benefits?

External

- Expands transparency and traceability of food purchases.
- Reduces impacts associated with food purchases.

Internal

- Reduce costs and waste associated with food purchases.
- Potential for improved relationships with local community.
- Improved metrics and indicators to measure food purchasing performance.
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UNDERSTANDING: Why do we care?

Food is a human right.

Purchase of food with improved environmental, social, and economic performance is of particular interest, in part due to food’s status as a human right. The right to food guarantees freedom from hunger and access to safe and nutritious food. Principles fundamental to guaranteeing the right to food include:

- **Availability**: Food should be available in a quantity and quality sufficient to satisfy the dietary needs of individuals, free from adverse substances, and acceptable within a given culture.

- **Accessibility**: Food should be physically and economically accessible in ways that do not interfere with the enjoyment of other human rights.

- **Sustainability**: Food should be secure, or accessible, for both present and future generations.

- **Non-Discrimination**: Any discrimination in access to food, as well as to means and entitlements for its procurement, on the grounds of race, color, sex, language, age, religion, political or other opinion, national or social origin, property, birth or other status constitutes a violation of the right to food.

Today, sustainable farming practices commonly include:

- Crop rotations that mitigate weeds, disease, insect and other pest problems; provide alternative sources of soil nitrogen; reduce soil erosion; and reduce risk of water contamination by agricultural chemicals

- Pest control strategies that are not harmful to natural systems, farmers, or consumers. This includes integrated pest management techniques that reduce the need for pesticides by practices such as scouting, use of resistant cultivars, timing of planting, and biological pest controls

- Increased mechanical and biological weed control; more soil and water conservation practices; and strategic use of animal and green manures

- Use of natural or synthetic inputs in a way that poses no significant hazard to man, animals, or the environment.

While these practices “encompasses the whole farm, relying on the expertise of farmers, interdisciplinary teams of scientists, and specialists from the public and private sectors,” the practices—individually and collectively—do not mitigate all of the major environmental, social, and economic performance issues associated with food production.

**Climate change impact.**

Agriculture is a major contributor to climate change through the production of greenhouse gas emissions across the global food supply chain. The Food and Agriculture Organization of the United Nations estimates of greenhouse gas data show that emissions from agriculture, forestry and fisheries have nearly doubled globally over the past fifty years—and could increase an additional 30 percent by 2050—without greater efforts to reduce them. (Note that other human activities have greenhouse gas emissions that are rising faster than agriculture; these trends are visited, as relevant, in other purchasing category sections within this guide.)

Agricultural greenhouse gas emissions impacts can vary significantly within the overall context of a country or region. For example, the U.S. Environmental Protection Agency’s latest greenhouse gas emissions inventory estimates that agricultural production accounts for 6.1% of the emissions inventory, not including associated vehicle emissions, behind electricity, transportation, industry, and commercial and residential sectors. Greenhouse gas studies conducted by the New South Wales Environmental Protection Agency the food supply chain accounts for “approximately 23 percent of Australia’s total greenhouse gas emissions—second only to coal fired power stations.”

Additionally, depending on the management of individual food service operations, food waste has the potential to add significant impacts. Food—i.e., organic—waste across all food categories not only unnecessarily exacerbates all of the above impacts, but also produces a separate set of impacts. Most food waste goes to landfills as food degrades, methane—a potent greenhouse gas—is produced.

**Water system impact.**

Agriculture is also a primary driver of impacts to water and land resources, accounting for more than 70 percent of global freshwater use. The water system impact within the United States is less severe than the impacts globally, though it is important to note that the United States relies upon the global food supply chain, where impacts may be exacerbated for a variety of reasons. According to the U.S. Geological Survey, livestock water withdrawals (associated with livestock watering, feedlots, dairy operations, and other on-farm needs) have decreased 7 percent, while aquaculture water withdrawals (associated with raising organisms that live in water for food, restoration, conservation, or sport) have increased by the same amount. Both withdrawals are relatively insignificant compared to uses such as thermoelectric power, public supply, and irrigation (irrigation includes—among other uses—agriculture practices). Additionally, current technological advances—such as water effi-
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### KEY IMPACTS BY FOOD CATEGORY

#### Coffee
- Human and labor rights
- Land use and deforestation
- Biodiversity degradation
- Fair pricing to cover cost of production (particularly small farmers)

#### Tea
- Human and labor rights (specifically wages on estates, capacity building of smallholders, and temporary labor),
- Soil erosion
- Land use and deforestation
- Biodiversity degradation

#### Chocolate
- Human and labor rights (specifically gender equality and child labor)
- Chemical use

#### Spices
- Human and labor rights
- Biodiversity degradation
- Chemical use and threats to long-term supply

#### Oils
- Deforestation
- Biodiversity degradation
- Land, air, and water pollution
- Human and labor rights
- Public health impacts of consumption

#### Sugar
- Water use
- Biodiversity degradation
- Human and labor rights
- Public health

#### Nuts, seeds
- Land use and water intensity
- Chemicals
- Biodiversity degradation
- Worker health and safety

#### Beverages (other than milk, coffee, tea)
- Water use and contamination
- Public health
**ACTION & RESULTS:**

**What makes a difference?**

Understand the food needs—including portion sizing, nutritional value, and cultural considerations—of the population being served.

Understanding the food needs of the target population allows the organization to create a baseline of minimum “performance” criteria food purchases must meet. Questions to consider include the following:

- **Who is the target population?** Nutritional needs and portion sizes vary based on gender, age, and other factors.
- **What are the dietary restrictions of the target population?** Depending on the size of the organization or target population, this step could take a fair amount of research and surveying to adequately understand.
- **What are the dietary restrictions (e.g. gluten-free, dairy-free, vegetarian, vegan) and cultural restrictions (e.g. Kosher or Halal) of the target population?**

This information will be helpful when considering solutions to the target food categories determined in the following steps. For example, if a substantial percentage of the target population is vegetarian—yet meat is one of the highest spend areas for the organization’s food purchases—there may be an opportunity to reduce meat purchasing while still meeting the needs of the population. Providing food that is tailored to the target population also provides the potential to drive down food waste.

**Internal Benefits**

- Providing food tailored to the target population also provides the potential to drive down food waste, and the costs associated with unused resources.

**Measurement**

Identify specific food categories.

Determine what food is currently purchased, in what volume, at what cost, from where, from whom, how, and with what attributes. Fundamental to setting sustainable sourcing goals and ensuring improvements to environmental, social, and economic impacts of food purchasing is to understand the organization’s current sourcing practices. Using purchasing data gathered from food service operations and suppliers (e.g., invoices), an institution can establish its purchasing history to include:

- Food product purchased
- Whether the food product is received in whole (e.g., loose raw carrots) or as a manufactured product (e.g., bread)
- Geographic origin (e.g., carrots from California or bread from local baker)
- Third-party certification
- Price
- Vendor

**External Benefits**

- Signals a preferential signal to sustainable food products to supply chain partners

**Baseline performance** in sustainable sourcing can be identified specific to food category.

**Identify primary impact areas associated with food purchasing based on food categories with highest spend.**

Examine categories and individual products that represent large volumes and spend with key areas of potential impact. Once an institution has established what it buys, from where, in what quantity, it can compare purchasing patterns with potential solutions for improving sustainability performance. For example, if beef represents 50 percent of all protein spend for the institution, it might consider how to increase spend for the same amount of beef raised according to improved sustainability practices and/or reduce overall procurement of beef in favor of alternative proteins (e.g., pulses).

**Internal Benefits**

- Ability to impact most important and vulnerable areas of the food system

**External Benefits**

- Efficient focus of resources (e.g., time, funds, political capital, etc.)

**Align primary impacts with institutional goals through the creation of a Food Purchasing Policy.**

Institutions can utilize enclosed resources and market specific guidance, where available, to inform goals for food service procurement and waste reduction. Goals should be realistic, but aggressive, and target key areas of potential greatest impact and quick wins. Strategies for sourcing may be tiered to allow for incremental improvement, while maintaining longer-term stretch objectives. Goals should be dynamic and modified with relevant new information.
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Explore opportunities to reduce overall demand for food purchasing.

Food should be available in a quantity and quality sufficient to satisfy the dietary needs of individuals. Work with vendors to explore appropriate portion sizes for catering and food service. This will not only reduce the overall impact of purchasing food and beverages, but will reduce the impacts associated with organic waste from uneaten food.

Consider shifting to less environmentally, socially, and economically impactful food choices.

If a majority of spend is within food categories of high environmental, social or economic impact (e.g. meat as opposed to vegetables, from a carbon impact perspective), consider ways in which the organization can minimize their consumption of their highest impact food purchases while still meeting the needs of the organization’s operations.

Consider procuring food with certifications that track and (ideally) verify improved environmental, social, and economic performance within food category supply chains.

Certifications can be an important risk management tool to improve traceability of food products. While certifications have many benefits, it is important to note that each the various certifications have different impacts associated with a particular food category. Additionally, no certification program currently covers the cluster of significant environmental, social, and economic impacts associated with a particular food category. It is important to ensure that—if a certification is the anticipated strategy for addressing the impacts of a food category—that the program chosen aligns with the metrics or indicators selected by the organization. If not, the performance improvements expected by the Program Team will not align with the new food purchases.

**External Benefits**
- Potential to use food services to enhance positive impact
- Scale of impact as more institutions address a shared goal or objective

**Internal Benefits**
- Stakeholder engagement/buy-in assistance
- Industry benchmarking
- Efficiency in determining relative goals

In order to address social impacts at various levels of food production, consider actions that increase visibility into the supply chain.

**During the bid solicitation stage:**
- Expand notice of risk that human rights are violated in sector or supply chain.

**External Benefits**
- Expands the traceability and transparency of food purchases

**Organizational Benefit**
- Provides opportunities to mitigate risk once more information about the impacts of specific food purchases can be determined.
<table>
<thead>
<tr>
<th>Program</th>
<th>Impact Types Addressed</th>
<th>Food Categories</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>USDA Organic</td>
<td>Environmental</td>
<td>• Meat • Poultry • Eggs • Dairy • Processed foods • Fresh vegetables</td>
<td>Organic meat, poultry, eggs, and dairy products come from animals that are given no antibiotics or growth hormones. Organic food is produced without using most conventional pesticides; fertilizers made with synthetic ingredients or sewage sludge; bioengineering; or ionizing radiation.</td>
</tr>
<tr>
<td>Food Alliance Certified</td>
<td>Environmental Socialâ©</td>
<td>• Crop • Livestock • Farmed shellfish • Nursery, greenhouse operations • Food handling operations</td>
<td>Certifies farms, ranches, and food processors and distributors for sustainable agricultural and facility management practice</td>
</tr>
<tr>
<td>Certified Humane Raised and Handled</td>
<td>Animal welfare</td>
<td>• Dairy • Lamb • Poultry • Beef</td>
<td>Certify that animals are treated in a humane manner. Traceability ensures that those products come from the farms that were inspected.</td>
</tr>
<tr>
<td>Animal Welfare Approved</td>
<td>Environmental Animal welfare</td>
<td>• Meat • Dairy • Eggs</td>
<td>A food label for meat and dairy products that come from farm animals raised to the highest animal welfare and environmental standards. Certified farms provides their animals with continual access to pasture or range, as well as the opportunity to perform natural and instinctive behaviors essential to their health and well-being. Requires audited, high-welfare slaughter practices, and is the only label that requires pasture access for all animals.</td>
</tr>
<tr>
<td>Salmon Safe</td>
<td>Environmentalâ©</td>
<td>• Various</td>
<td>Certifies urban and agricultural operations based on the protection of water quality and native biodiversity, including riparian habitat protection, elimination of chemical pesticides harmful to fish, restoration of wetlands, reducing run-off into streams, and other conservation practices.</td>
</tr>
<tr>
<td>Marine Stewardship Council</td>
<td>Environmental Operations</td>
<td>• Wild-capture seafood</td>
<td>The MSC fisheries standard has 3 overarching principles that every fishery must prove that it meets: Principle 1: Sustainable fish stocks Principle 2: Minimizing environmental impact Principle 3: Effective management</td>
</tr>
</tbody>
</table>

**IMPORTANT NOTE:** This section of the Guidance is intended for organizations that have already identified Food and Beverages for Food Services as a priority based on a strategic analysis of overall spending.
Challenges

These are some of the challenges that might be encountered when exercising leadership in food purchasing:

Cost of “sustainable” versus “conventional (e.g., status quo)” food products.

Cost is often a barrier—real or perceived and varying significantly by product—to increasing the purchasing of products with improved environmental, social, or economic performance (e.g., $0.79/lb conventional banana vs. $0.99/lb Organic banana). In this case, “conventional” is used to describe food for which improvements to the relevant environmental, social, or economic performance issues have NOT taken place. When an option with improved environmental, social, or economic performance does cost more, institutions must consider 1) taking on the additional cost, 2) negotiating the sharing of the additional cost burden with suppliers or partners, or 3) finding acceptable ways to offset increased price with savings generated from funding acquired elsewhere. For example, coupling investing in opportunities to right-size portions and purchase less food overall—and spend less money on waste hauling for unused food—creates the potential to allocate dollars saved to higher priced sustainable food choices.

Third-party certifications and consumer education

There are many third-party certifications for food products that aim to provide easily identifiable sustainable products to food purchasers. However, certifications do not apply to all foods or food categories and vary in degree of impact improvement, focus of impacts (e.g., environmental versus social impacts), and rigor of the claims (e.g., what is the verification structure? Does the label clearly articulate the “level” of certification, if more than one exists?). In certain instances, an institution or food service company may be able to purchase, but not promote, a third-party certified option without additional site-level certification that guarantees chain of custody (e.g., Marine Stewardship Council). These elements alone—or combined—pose challenges for purchasers to recognize and trust food choices and understand the real impacts of various third-party certifications.

Traceability and transparency

Food and Beverages for Food Services may be acquired by a variety means depending on the policies of an institution and whether or not its food services operations are outsourced or self-operated. Procurement methods include:

- Direct purchase from a producer/farmer
- Purchase through a local or regional distributor by the institution
- Purchase through a national distributor (e.g., Sysco/US Foods)

It is not always possible for the institutional purchaser or consumer to know the exact origin of a particular food item, nor how much each party was paid in its journey from production to plate. This is due to a widely varying number of tiers within a food product’s supply chain and the need for supply chain stakeholders to preserve competitive advantage. Additionally, food labeling currently does not extend beyond nutrition except in instances where a producer has opted—often for competitive reason—to market or claim sustainable attributes (e.g., USDA Organic).

Healthy food versus more sustainable food purchases.

Healthy food and sustainable food are often both goals of an organization, but they are not interchangeable criteria and may be difficult to achieve in tandem. For example, if an elementary school with significant limitations on available funding has to choose between feeding their students Organic (with improved performance attributes such as no antibiotics or growth hormones, and without conventional pesticides, fertilizers, or sewage sludge) potato chips or boxed cookies versus a banana or orange that has no improved—in this case—environmental attributes, how do they decide which is better? Institutions must achieve internal alignment over how to prioritize the purchase of healthy and/or sustainable food prior to developing food services RFP criteria or contract terms with suppliers and partners. The target population also plays a role, in terms of nutritional needs and dietary preferences that can vary by the individual or population group (e.g., children versus adults). Goal of a successful sourcing strategy should allow for sufficient diversity in product mix to meet personal preferences and offer comprehensive nutrition to the populations being served.
Guidance for Leadership in Sustainable Purchasing Version 1.0

Chapter 4: Category Guidance / Food and Beverages for Food Services / Food and Beverages for Food Services

**Important Note:** This section of the Guidelines is intended for organizations that have already identified Food and Beverages for Food Services as a priority based on a strategic analysis of overall spending.

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**Metrics**

- Percent of volume, net volume, and spend of product meeting one or more defined single attribute sustainability criteria without negatively impacting another, such as:
  - Grown on a farm that operates as a cooperative, has a profit sharing policy for all employees, or has a social responsibility policy covering all workers
  - Production that demonstrates reduced use of energy
  - Production that demonstrates reduced use of water
  - Production that demonstrates reduced use of synthetic fertilizers, pesticides and herbicides
  - Production that demonstrates optimal use of land, including rehabilitation
  - Production that demonstrates reduced waste or non-useful byproduct
  - Production that reflects natural growing and consumption periods for a specific geography (seasonality)
  - Production that respects habitat, biodiversity and food supply needs of other species
  - Grown and processed within x miles of the institution (when tracking the spend for local food)

**Indicators**

- Percent of volume, net volume, and spend of product meeting third party certifications for one or more criteria of improved environmental, social, or economic performance compared those food purchases without such certifications
- Number of contractors to disclose that can disclose supply chain information including specific subcontractors and addresses of facilities or sites of supply.

**Contract / Policy Language**

The following contract / policy language examples may be useful for organizations seeking to exercise leadership in their approach to purchasing of Food and Beverages for Food Services.

**Sample Policies**

- **County of Santa Clara** Nutrition Standards 2012 Implementation Guidance
  
  [https://www.sustainablepurchasing.org/p=4059](https://www.sustainablepurchasing.org/p=4059)

- **Emory University** Sustainability Guidelines for Food Service Purchasing
  
  [https://www.sustainablepurchasing.org/p=4061](https://www.sustainablepurchasing.org/p=4061)

- **Health Care Without Harm**: Integrating Sustainability Requirements Into Health Care Food Service Contracting
  
  [http://mhw.org/36/Downloads/food/Integrating_Sustainability_Food_Service.pdf](http://mhw.org/36/Downloads/food/Integrating_Sustainability_Food_Service.pdf)

- **Michigan State University** Sustainable Food Procurement Guide. The Guide’s mission is to optimize partnerships in order to build an increasingly expanding supply chain of safe, seasonal, nutritious, and fair market priced and responsibly sourced food for the MSU community and potentially beyond.


- **Oevedale Hospital Medical Center** Comprehensive Food Policy to Promote Individual & Environmental Health

  [https://www.sustainablepurchasing.org/p=4054](https://www.sustainablepurchasing.org/p=4054)

- **Portland State University** Example Policies and Plans


- **U.S. General Services Administration (GSA)** Health and Sustainability Guidelines for Federal Concessions and Vending Operations defines healthy and sustainable food service

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**Sample Specifications**

- California Department of General Services Kosher Meals
  
  [https://www.sustainablepurchasing.org/p=4060](https://www.sustainablepurchasing.org/p=4060)

---

**Example Table:**

<table>
<thead>
<tr>
<th>FAIR TRADE (FT) CERTIFIED COFFEE</th>
<th>2013 Actual</th>
<th>2014 Actual</th>
<th>2015 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>FT (lbs, $/lb)</td>
<td>450, $10</td>
<td>700, $11</td>
<td>1000, -</td>
</tr>
<tr>
<td>Other (lbs, $/lb)</td>
<td>350, $5</td>
<td>250, $6</td>
<td>0</td>
</tr>
<tr>
<td>Total (lbs)</td>
<td>900</td>
<td>950</td>
<td>1000</td>
</tr>
<tr>
<td>Total spend ($)</td>
<td>$8,750</td>
<td>$8,200</td>
<td>-</td>
</tr>
<tr>
<td>FT sourced (%)</td>
<td>50%</td>
<td>74%</td>
<td>100%</td>
</tr>
<tr>
<td>FT spend (%)</td>
<td>$4,500</td>
<td>$7,700</td>
<td>-</td>
</tr>
<tr>
<td>FT spend (%)</td>
<td>67%</td>
<td>84%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Pilot Program for Guidance Version 1.0

Guidance for Leadership in Sustainable Purchasing Version 1.0

Presented by:
Christina Macken
Director of Programs
Guidance v1.0 Pilot Program

Why Participate?

• contribute and offer improvements to program
• early access to education
• collaboration with other participants
• obtain assistance from SPLC*
• public acknowledgement*

www.sustainablepurchasing.org/pilot/
Guidance v1.0 Pilot Program

Timeline

Jan 2015: Pilot Program Begins
Feb – May 2015: Education sessions launch
Mar – July 2015: Feedback sessions launch
  • Listening sessions
  • Participant surveys open
  • Collaborative participant engagement
May 2015: Summit 2015 workshop & education sessions
Jul 31, 2015: Deadline for feedback
Fall 2015: Lessons from Guidance v1.0 Pilot published

www.sustainablepurchasing.org/pilot/
## Guidance v1.0 Pilot Program

### Types of Participation (Purchasing Organizations):

<table>
<thead>
<tr>
<th>Participation</th>
<th>Level of Effort</th>
<th>Level of Service</th>
<th>Level of Recognition*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use the guidance in current work, complete participant questions</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Review guidance based on recent or upcoming work, complete participant questions</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Review guidance, complete participant questions</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Review portions of guidance, provide general feedback</td>
<td>Low-medium</td>
<td>Low</td>
<td>Low</td>
</tr>
</tbody>
</table>

[www.sustainablepurchasing.org/pilot/](http://www.sustainablepurchasing.org/pilot/)
Guidance v1.0 Pilot Program

Express Interest in Pilot Participation

www.sustainablepurchasing.org/pilot/
Share expertise. Discover solutions. Build relationships. **Shape the future.**

### 2015 SUMMIT
SAVE $150! Early Bird Pricing Ends Feb. 06

**Seattle, Washington | May 26-28**

**Sponsored by FedEx**

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<table>
<thead>
<tr>
<th>Registrant Type</th>
<th>Early Bird Rate</th>
<th>Standard Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Member</strong></td>
<td>$800</td>
<td>$950 *</td>
</tr>
<tr>
<td>Includes both days of meetings, four meals, and keynote banquet with reception.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-member</strong></td>
<td>$975</td>
<td>$1,125 *</td>
</tr>
<tr>
<td>Includes both days of meetings, four meals, and keynote banquet with reception.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**Two Ways to Save!**
1) Early Bird Deadline Ends 2/6
2) 10% New Member Discount*

*When joining and registering at the same time: www.sustainablepurchasing.org/summit15/membership

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*Limited number of scholarships available

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www.sustainablepurchasing.org/summit
Member
Reflection

Charleen Fain-Keslar
Standards & Quality Control Manager
California Department of General Services
Q & A

Jason Pearson
Executive Director
SPLC

Sam Hummel
Director of Outreach & Operations
SPLC

Christina Macken
Director of Programs
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www.sustainablepurchasing.org/guidance-download