What is the Metric for Sustainable Purchasing?

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Best Buy
metric
ˈme-trik\n
A meaningful measurement taken over a period of time that communicates vital information about a process or activity, leading to fact-based decisions.

What’s the metric for sustainable purchasing?

[A thought experiment]

Yalmaz Siddiqui,
VP Corporate Sustainability, MGM Resorts
What’s the metric for carbon emissions?
Metric tons Carbon Dioxide equivalent: mtCO2e

Electricity: kWh
Natural Gas: kBTU
Fuel: gallons
Etc.
How do we measure improvement over time?
Absolute percentage reduction in mtCO2e

500,000 mtCO2e

20% reduction

400,000 mtCO2e
What’s the metric for waste?
10,000 tons waste to landfill

5,000 tons diverted

= 33% diversion
How do we measure improvement over time?
Either reduced tons waste to landfill

10,000 tons waste to landfill

20% reduction

8,000 tons
Or higher % diversion

10,000 tons diverted

10,000 tons waste to landfill

= 50% diversion
Core elements of these metric = what’s included

1. A unit of measure
2. A decision on:
   a. absolute or relative over time
   b. absolute or normalized across another factor, e.g. square footage, revenue etc.
3. A measurement methodology
4. An approach to verify the data
5. Improvement that is comparable over time
What makes the metric good = SMART

1. Specific
2. Measurable
3. Agreed-upon
4. Realistic
5. Time bound
What’s our metric for sustainable purchasing?
The unit of measure for the purchasing community
A key motivator for the purchasing community

Economic Savings
My proposed metric for your consideration:

Sustainable Spend %
Proposed calculation narrative: short/medium term

**Sustainable Spend %**

\[
= \frac{\text{Spend on vendors & products/services that measurably results in meaningful positive benefits to people AND planet (when compared to typical alternatives)}}{\text{Addressable Spend}}
\]
Proposed calculation narrative: long term

Sustainable Spend %

= \frac{\text{SPLC SUSTAIN}^{sm} \ \text{Spend}}{\text{Total Spend}}
Initial thoughts on how, in a thought experiment, with a caveat
Thought experiment

- How do we measure purchasing?
- How could we measure environmentally sustainable purchasing?
- How could we measure socially sustainable purchasing?
- How could we measure economically sustainable purchasing?
- How could we bring it all together?
We measure purchasing by measuring spend / vendor

<table>
<thead>
<tr>
<th>Vendor</th>
<th>$Amount</th>
<th>$1,000,000</th>
<th>$1,000,000</th>
<th>$1,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor 10</td>
<td>$3,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Vendor 9</td>
<td>$6,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
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<tr>
<td>Vendor 8</td>
<td>$3,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Vendor 7</td>
<td>$4,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Vendor 6</td>
<td>$6,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Vendor 5</td>
<td>$5,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Vendor 4</td>
<td>$6,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Vendor 3</td>
<td>$6,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Vendor 2</td>
<td>$5,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Vendor 1</td>
<td>$6,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

10 Vendors | $50,000,000
And also by spend per product/service category

<table>
<thead>
<tr>
<th>Category</th>
<th>Category 1</th>
<th>Category 2</th>
<th>Category 3</th>
<th>Category 4</th>
<th>Category 5</th>
<th>Category 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>$9,000,000</td>
<td>$8,000,000</td>
<td>$9,000,000</td>
<td>$8,000,000</td>
<td>$7,000,000</td>
<td>$9,000,000</td>
<td>$9,000,000</td>
</tr>
</tbody>
</table>
Some leaders in SPLC measure environmentally sustainable purchasing using Eco-Preferable Product (EPP%), focused on **Product Category**

<table>
<thead>
<tr>
<th>6 Categories</th>
<th>Paper</th>
<th>Technology</th>
<th>Cleaning</th>
<th>Coffee</th>
<th>Furniture</th>
<th>Batteries</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 50,000,000</td>
<td>$ 9,000,000</td>
<td>$ 8,000,000</td>
<td>$ 9,000,000</td>
<td>$ 8,000,000</td>
<td>$ 7,000,000</td>
<td>$ 9,000,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EPP Spend</th>
<th>EPP Spend %</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 3,000,000</td>
<td>33%</td>
</tr>
<tr>
<td>$ 4,000,000</td>
<td>50%</td>
</tr>
<tr>
<td>$ 9,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>$ 2,000,000</td>
<td>25%</td>
</tr>
<tr>
<td>$ 3,000,000</td>
<td>43%</td>
</tr>
<tr>
<td>$ 1,000,000</td>
<td>11%</td>
</tr>
</tbody>
</table>

$ 22,000,000

44%
Some leaders in SPLC measure socially sustainable purchasing using Diverse Spend %, focusing on Vendor.
In a small but growing set of product categories, we can measure socially preferable spend at the product level, e.g. Fair Trade

<table>
<thead>
<tr>
<th>6 Categories</th>
<th>Paper</th>
<th>Technology</th>
<th>Cleaning</th>
<th>Coffee</th>
<th>Furniture</th>
<th>Batteries</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 50,000,000</td>
<td>$ 9,000,000</td>
<td>$ 8,000,000</td>
<td>$ 9,000,000</td>
<td>$ 8,000,000</td>
<td>$ 7,000,000</td>
<td>$ 9,000,000</td>
</tr>
</tbody>
</table>

| EPP Spend | $ 3,000,000 | $ 4,000,000 | $ 9,000,000 | $ 2,000,000 | $ 3,000,000 | $ 1,000,000 |
| EPP Spend % | 33% | 50% | 100% | 25% | 43% | 11% |

| Fair Trade Spend | $ - | $ - | $ - | $ - | $1,000,000 | $ - | $ - |
| Fair Trade Spend % | 2% | 44% |
Possible way to bring it all together?

<table>
<thead>
<tr>
<th>6 Categories</th>
<th>Paper</th>
<th>Technology</th>
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<th>Coffee</th>
<th>Furniture</th>
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<td>$9,000,000</td>
<td>$8,000,000</td>
<td>$7,000,000</td>
<td>$9,000,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EPP</th>
<th>$3,000,000</th>
<th>$4,000,000</th>
<th>$9,000,000</th>
<th>$2,000,000</th>
<th>$3,000,000</th>
<th>$1,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPP Spend %</td>
<td>33%</td>
<td>50%</td>
<td>100%</td>
<td>25%</td>
<td>43%</td>
<td>11%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SPP</th>
<th>$3,000,000</th>
<th>$0</th>
<th>$2,000,000</th>
<th>$2,000,000</th>
<th>$1,000,000</th>
<th>$1,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPP Spend %</td>
<td>33%</td>
<td>0%</td>
<td>22%</td>
<td>25%</td>
<td>0%</td>
<td>11%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sustainable Spend</th>
<th>$3,000,000</th>
<th>$0</th>
<th>$2,000,000</th>
<th>$1,000,000</th>
<th>$1,000,000</th>
<th>$1,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable Spend %</td>
<td>33%</td>
<td>0%</td>
<td>22%</td>
<td>13%</td>
<td>14%</td>
<td>11%</td>
</tr>
</tbody>
</table>
Example 1:
A reminder on origins and scope of sustainability

John Elkington’s original

Chartered Institute of Management Accountants
Issues to resolve

How do we measure economically sustainable purchasing?
- Total savings?
- Spend that supports market integrity?
- Spend that helps the ‘system’ prosper?

How do we connect spend to measurably positive benefits?
- What specific improvements are enabled: GHG down, waste down, toxicity reduced, living-wage-jobs created, inequality reduced
- How can buyers calculate the social and environmental benefits accurately and consistently across product categories?
- How can we avoid claiming benefits using industry average LCA?
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sustainable purchasing
\sə-ˈstā-nə-bəl \ˈpər-chəsɪŋ\
Sustainable purchasing means making sure that the goods and services an organization buys achieve value for money and generate benefits not only for the organization, but also for the environment, society and the economy.

Source: http://www.iclei-europe.org/topics/sustainable-procurement
Purchasing that...

- achieves value for money.
- generates benefits for the organization.
- generates benefits for the environment.
- generates benefits for society.
- generates benefits for the economy.
# Benefits of Sustainable Purchasing

## Internal

**Tangible**
- Sustainable purchasing provides tangible economic benefits to the organization.
  - process efficiency
  - performance tracking
  - cost

**Intangible**
- Sustainable purchasing provides intangible economic benefits to the organization.
  - employee satisfaction
  - customer satisfaction
  - supplier relationships
  - brand value
  - investor visibility
  - supply chain risk

## External

**Environment**
- Sustainable purchasing can benefit the natural systems on which life depends, now and in the future.
  - biodiversity preservation
  - climate adaptation
  - resource optimization
  - soil health stewardship
  - acidification
  - desertification
  - eutrophication
  - freshwater pollution
  - greenhouse gas emissions
  - habitat depletion
  - human health impacts
  - land use change
  - marine pollution
  - ozone depletion
  - radiation pollution
  - resource depletion
  - smog
  - waste
  - water consumption

**Society**
- Sustainable purchasing can benefit the social systems on which we depend, now and in the future.
  - anti-discrimination
  - community engagement
  - diversity/equal opportunity
  - employee engagement
  - equal remuneration
  - fair trade
  - freedom of association
  - grievance & remedy processes
  - human rights
  - indigenous rights
  - occupational health & safety
  - right to collective bargaining
  - sustainable compensation
  - training and education
  - worker rights
  - child labor
  - forced/compulsory labor
  - human trafficking
  - sourcing from conflict zones

## Economy
- Sustainable purchasing can benefit the markets on which we depend, now and in the future.
  - fair dealings
  - innovation research / investment
  - open competition
  - transparency of information
  - use of diverse suppliers
  - use of HUB zones
  - use of local suppliers
  - conflicts of interest
  - corruption (bribery, extortion...)
  - dividing territories
  - dumping
  - exclusive dealing
  - misleading market claims
  - monopoly (seller collusion)
  - monopsony (buyer collusion)
  - patent misuse
  - price fixing
  - product tying
  - refusal to deal
Types of Metrics

1. Metric(s) at the scale of a program that measure impact in the world.

2. Metric(s) at the scale of a category or strategy that measure impact in the world.

3. Metric(s) at the scale of a program that measure maturity of the program.
Types of Metrics

1. Metric(s) at the scale of a **program** that measure **impact** in the world.

2. Metric(s) at the scale of a **category or strategy** that measure **impact** in the world.

3. Metric(s) at the scale of a **program** that measure **maturity** of the program.
A metric for GHG impacts of food service?

- **Conventional Food Products**
  - 10 tons CO₂e
  - 1 ton of food

- **Sustainable Food Products**
  - 9 tons CO₂e
  - 1 ton of food
A metric for GHG impacts of food service?

2,300 tons CO₂e

230 tons of food

Conventional Food Products

4,370 tons CO₂e

50% sustainable spend

230 tons of food

Sustainable Food Products

460 lbs/student/yr
A metric for GHG impacts of food service?

<table>
<thead>
<tr>
<th>Sustainable Spend</th>
<th>Tons CO₂e</th>
<th>lbs/student/yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>3,200</td>
<td>320</td>
</tr>
<tr>
<td>25%</td>
<td>3,120</td>
<td>320</td>
</tr>
<tr>
<td>50%</td>
<td>4,370</td>
<td>460</td>
</tr>
<tr>
<td>75%</td>
<td>4,255</td>
<td>460</td>
</tr>
<tr>
<td>100%</td>
<td>4,140</td>
<td>460</td>
</tr>
</tbody>
</table>
Types of Metrics

1. Metric(s) at the scale of a **program** that measure **impact** in the world.

2. Metric(s) at the scale of a **category or strategy** that measure **impact** in the world.

3. Metric(s) at the scale of a **program** that measure **maturity** of the program.
Purchasing that...

✓ achieves value for money.
✓ generates benefits for the organization.
✓ generates benefits for the **environment**.
✓ generates benefits for **society**.
✓ generates benefits for the **economy**.
<table>
<thead>
<tr>
<th></th>
<th>Initiating</th>
<th>Developing</th>
<th>Improving</th>
<th>Leading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Results</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transparency</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Understanding</td>
<td>Initiating</td>
<td>Developing</td>
<td>Improving</td>
<td>Leading</td>
</tr>
<tr>
<td>---------------</td>
<td>-----------</td>
<td>------------</td>
<td>-----------</td>
<td>---------</td>
</tr>
<tr>
<td>Scope includes all relevant impacts identified in analysis.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td>Initiating</td>
<td>Developing</td>
<td>Improving</td>
<td>Leading</td>
</tr>
<tr>
<td>Priority strategies address at least 75% of relevant impacts.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Results</td>
<td>Initiating</td>
<td>Developing</td>
<td>Improving</td>
<td>Leading</td>
</tr>
<tr>
<td>Fully achieve goals for three (3) priority strategies.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation</td>
<td>Initiating</td>
<td>Developing</td>
<td>Improving</td>
<td>Leading</td>
</tr>
<tr>
<td>Transparency</td>
<td>Initiating</td>
<td>Developing</td>
<td>Improving</td>
<td>Leading</td>
</tr>
</tbody>
</table>
## Solution Strategies for Sustainable Purchasing

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behavior change</td>
<td>Implement programs to shift attitudes and practices</td>
<td>Voluntary “green office” competitions reduce energy and material consumption, while increasing recycling.</td>
</tr>
<tr>
<td>Combining Actions</td>
<td>Combine multiple actions into a single positive ROI project</td>
<td>An energy efficiency project is combined with a solar project. Energy savings offset the solar costs for a good overall ROI.</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Reduced impact through reduced use</td>
<td>Implementing a procure-to-pay IT system reduces impacts associated with printing and transporting paper documents.</td>
</tr>
<tr>
<td>In-source</td>
<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>
</tr>
<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>
</tr>
<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>
</tr>
<tr>
<td>Process change</td>
<td>“Design the impact out” of a process</td>
<td>Air pollution from medical waste incineration is reduced by switching to reusable surgical tools that are steam sterilized.</td>
</tr>
<tr>
<td>Product substitution</td>
<td>Choose a different product with lower impacts</td>
<td>Chemical costs and workers compensation insurance premiums reduced by switching to green cleaning products.</td>
</tr>
<tr>
<td>Servicizing</td>
<td>Lease rather than buy to align incentives</td>
<td>Lease carpet so that it is returned to the manufacturer for full recycling.</td>
</tr>
<tr>
<td>Supplier engagement</td>
<td>Engage and hold accountable suppliers with regard to a specific impact</td>
<td>Require apparel manufacturers to permit independent audits of factory conditions and provide retribution-free grievance/remedy processes.</td>
</tr>
<tr>
<td>Supplier substitution</td>
<td>Choose a supplier with lower impacts</td>
<td>Making evidence of bribery or extortion automatic grounds for suspension of business with a supplier.</td>
</tr>
</tbody>
</table>
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2. Metric(s) at the scale of a **category or strategy** that measure **impact** in the world.

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Comparability of Metrics

### Organization A

**Maturity (SPLC BENCHMARK)**

- Understanding
- Commitment
- Results
- Innovation
- Transparency
- OVERALL

**Priority Strategies**

- Food GHG Reduction
- Uniforms (Fair Labor)
- Supplier Diversity
- % SUSTAIN

**Contribution to Org Priorities**

- GHG Reductions (SBT)
- Community Engagement

---

### Organization B

**Maturity (SPLC BENCHMARK)**

- Understanding
- Commitment
- Results
- Innovation
- Transparency
- OVERALL

**Priority Strategies**

- % SUSTAIN
- LEED Construction
- Food GHG Reduction

**Contribution to Org Priorities**

- SDG Reporting
- CSR Report
metric
\'me-trik\n
A meaningful measurement taken over a period of time that communicates vital information about a process or activity, leading to fact-based decisions.

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