

The multiplier effect of sustainable procurement along the value chain

The roadmap from the drawing board to an actual strategy

Special guest:



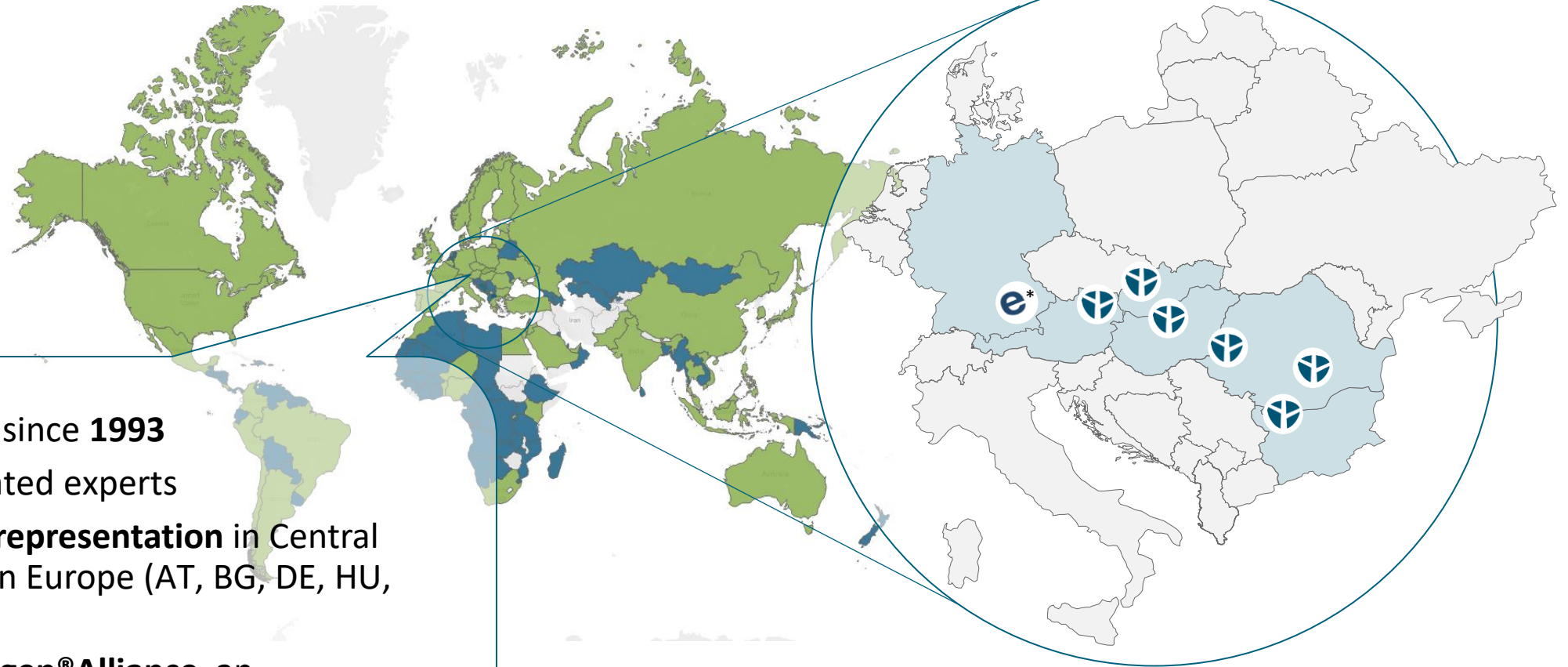
25.11.2021

ESG Forum, GovNET

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* sustainable AG, based in Germany, is partner of denkstatt.

A nighttime photograph of a city waterfront. In the foreground, a river flows under a bridge, with its surface reflecting the lights from the buildings and streetlights. The bridge's structure, including a perforated metal beam, is visible at the top of the frame. The background shows a city skyline with various buildings, some of which are brightly lit. The overall scene is illuminated by a mix of warm streetlights and cooler building lights, creating a vibrant urban atmosphere.

New added Sustainability Values by looking into SUPPLY CHAIN

Just DO MORE ! Multiply your actions and increase your benefits.

1. Sustainability Requirements for Companies

2. Significance of Procurement for Sustainability

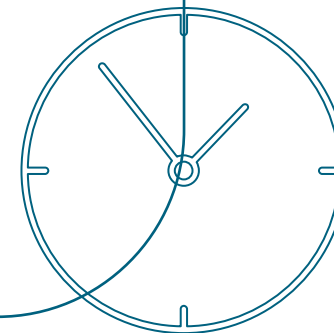
3. Sustainability in the Procurement Process

4. Standards & Tools for Sustainable Procurement

5. Business case presentation -  Autonom

6. Q&A

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Sustainability Requirements for Companies – Key Topics

Companies are confronted with a multitude of ecological, social and economic challenges. Only through sustainable and collective action can these global challenges be solved.

Environmental Protection

- **Energy consumption & greenhouse gas emissions**
- Water management and wastewater treatment
- Biodiversity
- Air pollution
- Toxic substances, chemicals and waste
- Raw material use & circular economy
- Recyclability and handling of end-of-life products

Human Rights & Labor Standards

- Employee Health & Safety (occupational health & safety)
- Working hours & conditions
- Salaries & benefits
- Freedom of association and collective bargaining
- Career management & training
- Forced labor, child labor & human trafficking
- Diversity, non-discrimination & inclusion
- Customer health and safety

Ethics & Anti-Corruption

- Corruption (bribes and kickbacks)
- Anti-competitive practices
- Conflicts of interest, gifts, hospitality and invitations
- Responsible information & data management

Further information

- The UN Sustainable Development Goals ([SDGs](#)) framework is designed to address sustainability challenges globally.
- The UNGC/ BSR Supply Chain Sustainability [Guide](#) describes how sustainability challenges are addressed through procurement

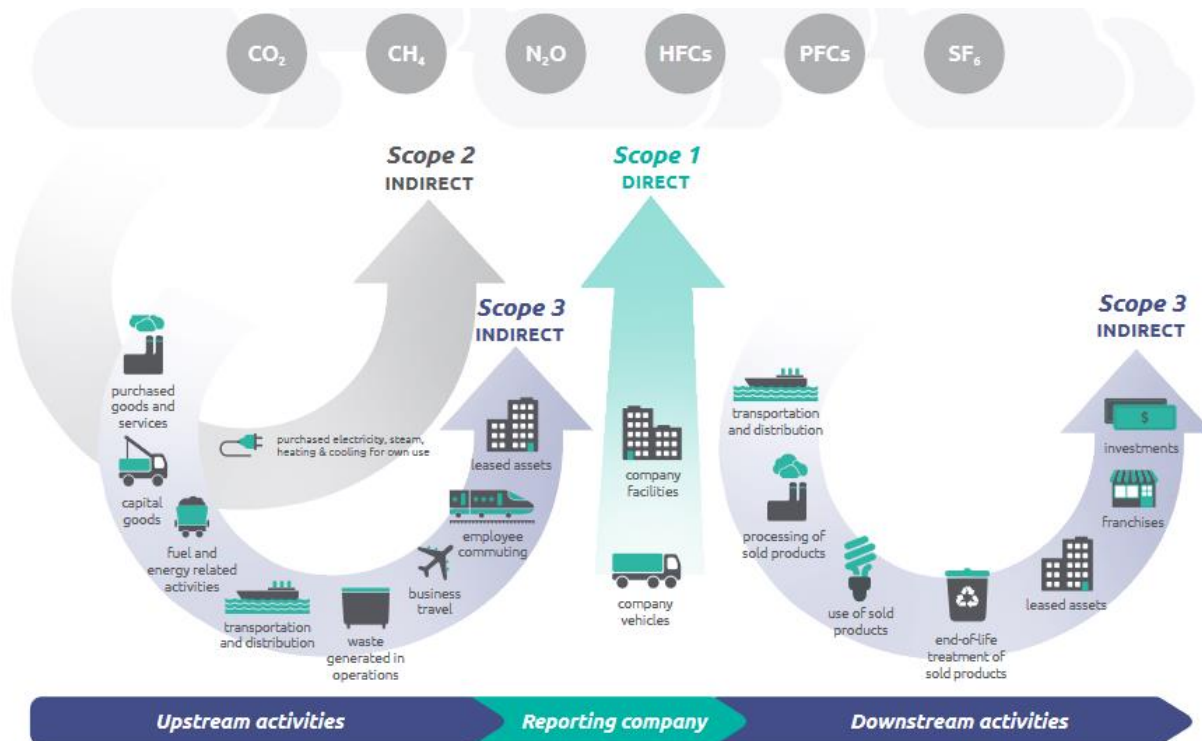
Sustainable Procurement & Supply Chains

- Environmental practices of suppliers and value chain partners
- Social practices of suppliers and value chain partners
- Ethical practices of suppliers and value chain partners

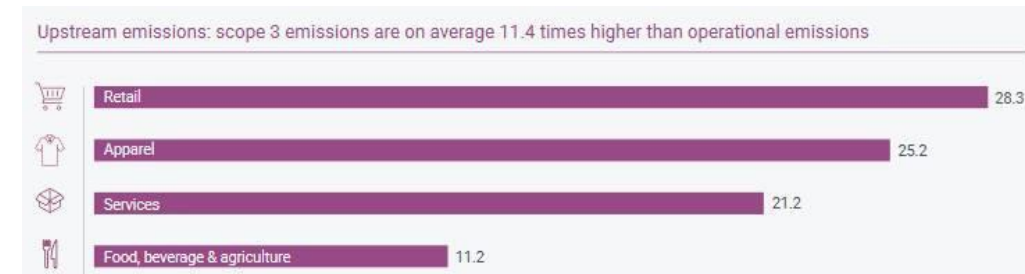
Sources: Illustration by denkstatt, based on UNGC / BSR (2015) and EcoVadis.

The scope of GHG Protocol

Helps companies in establishing the Corporate carbon Footprint.

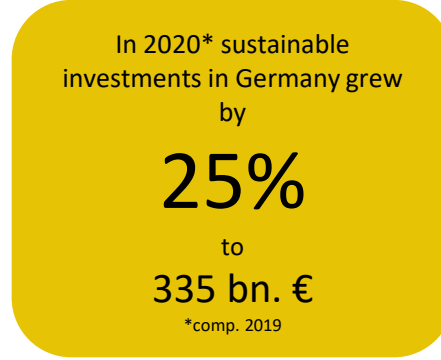
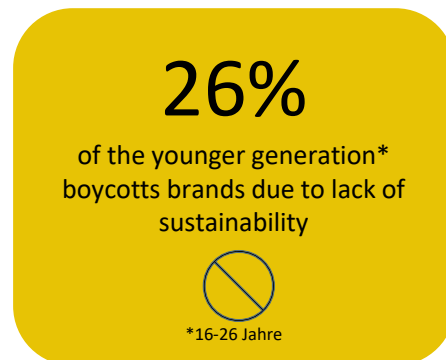
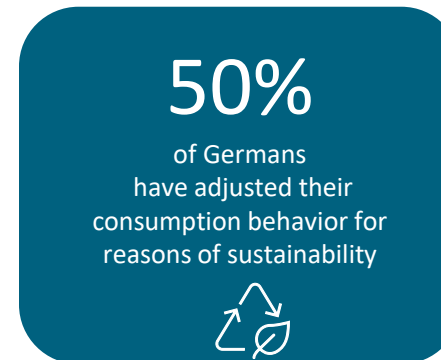


Significant values of GHG emissions in the value chain (Scope 3)



Sustainability Requirements for Companies – Trends & Developments

The awareness for sustainability, the demand for sustainable products, solutions and financial instruments as well as the number and scope of regulatory frameworks are steadily increasing.



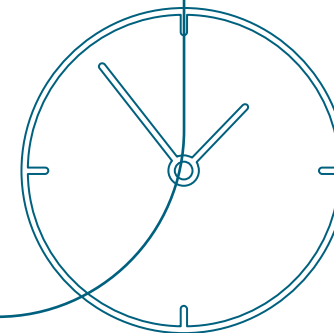
i Further information

- [Analysis of current sustainability trends by Sustainability \(2020\)](#)
- [Survey on sustainable consumer behavior in Germany by EY \(2020\)](#)

Sources: German government (2021), IISD (2020), Borderstep Institute for Innovation and Sustainability (2021), Statista (2021), FNG (2021), UNCTAD (2020).

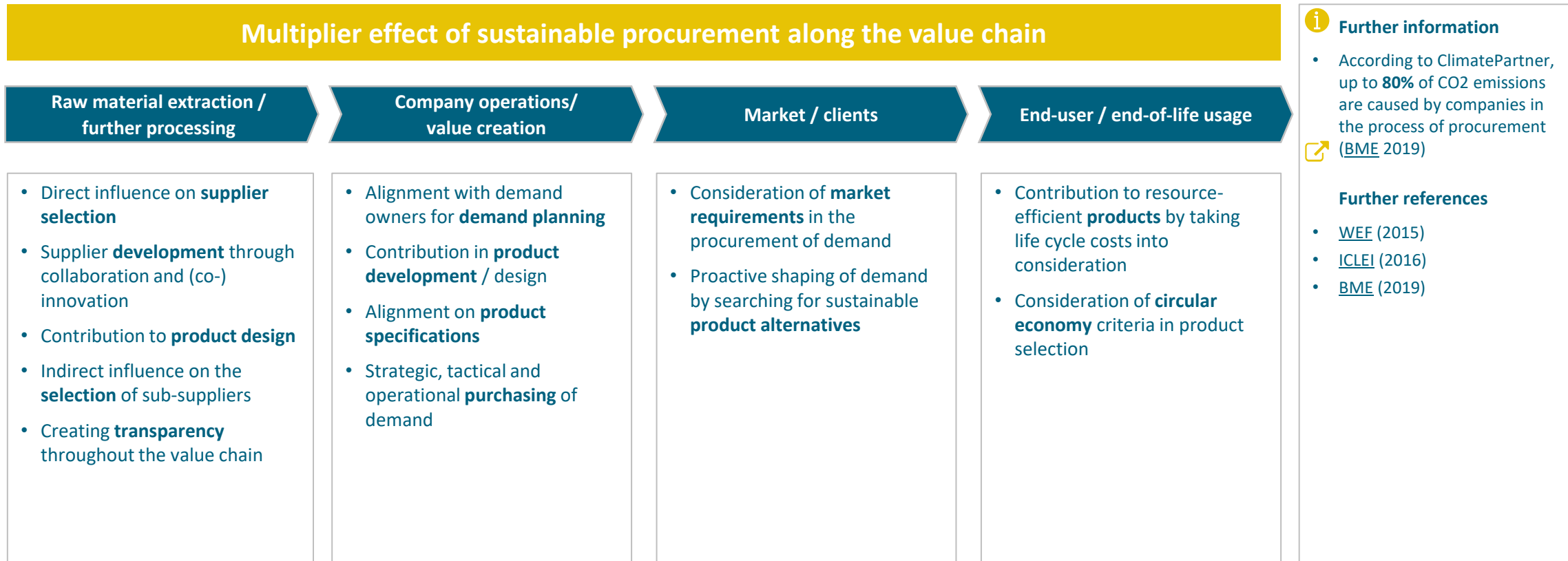
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The Procurement Function as a Multiplier for Sustainability

Sustainable procurement is a multiplier, which shapes the value creation of a company and its numerous suppliers, and can thus make a significant contribution to environment and society.



The Business Case for Sustainable Procurement

Sustainable Procurement is a driver for economic, social and ecologic value-add. The Business Case for Sustainable Procurement is based on three key value drivers.



i Further Information

- Additional benefits of sustainability for companies include improved employer attractiveness and employee retention, innovativeness, resilience and market capitalization.

📄 Further references

- [WEF](#) (2015)
- [ICLEI](#) (2016)
- [HBR](#) (2016)

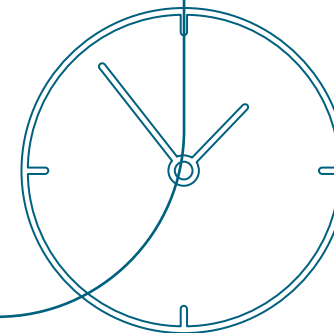
📁 Case studies

- A study by the [WEF](#) (2015) highlights various business cases on sustainable supply chain management

Source: WEF (2015)

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Sustainability in Procurement - Roadmap

To shape the procurement function in a sustainable way, it is initially necessary to set the organizational course and strategic directives and to subsequently implement sustainability aspects in essential procurement processes.



1. Laying the foundation

Support from decision-makers, setting up organizational structures, identifying and involving relevant stakeholders



2. Setting strategic directives

Deriving priorities, defining the scope and developing a sustainable procurement strategy



3. Designing sustainable procurement processes

Deriving measures and integrating sustainability aspects in procurement processes and systems



4. Measuring success

Definition of relevant key performance indicators for sustainable procurement, progress measurement and reporting



Further Information

- The ISO 20400 guideline describes procedures for implementing sustainable procurement.

Sustainability in Procurement - Setting Strategic Directives

A sustainable procurement strategy provides the guidelines for corporate responsibility in purchasing and should be in line with the company's overall sustainability strategy.



1. Basis: Corporate sustainability strategy & materiality analysis

- The sustainable procurement strategy can be derived based on the corporate sustainability strategy and materiality analysis
- If the company does not yet have a sustainability strategy, the essential (stakeholder) requirements for procurement can be analyzed

2. Definition of priorities & scope

- Priorities for sustainable procurement are to be defined in accordance with the requirements
- The scope of the sustainable procurement strategy is to be defined, for instance in terms of affected categories and organizational units

3. Defining a mission statement and deriving the strategy and fields of action

- The mission statement defines the principles and values of the sustainable procurement strategy
- The main fields of action provide the strategic framework for deriving core topics and measures

4. Definition of Key Performance Indicators

- In order to manage the sustainable procurement strategy, key performance indicators and appropriate objectives are to be defined
- These serve as a basis for deriving measures to be anchored in the procurement processes

Further references

- [BME \(2019\)](#)
- [UNGM \(2020\)](#)

Sustainability in Procurement – Sustainable Supplier Management

Sustainability criteria should be considered in supplier selection, tendering, supplier evaluation and development as well as supplier risk management.



Supplier Selection

- Definition and contractual anchoring of a supplier **code of conduct** (with transfer clause)
- Incorporation of **sustainability criteria** for supplier selection (e.g., supplier self-assessment)
- Consideration of sustainability aspects in award decisions (tenders)

Supplier Development

- Consideration of **sustainability aspects** in supplier **development measures**
- Conducting **supplier training** on sustainability
- **(Co-) Innovation processes** for developing sustainable products and solutions


Supplier Evaluation

- Incorporation of **sustainability criteria** for supplier evaluation
- Conducting **supplier audits** (incl. social and environmental aspects)
- Definition of sustainability-related **phase-out criteria**

Supplier Risk Management

- Establishment of **transparency and traceability** along the value chain
- Conducting **risk analysis** and **risk monitoring** to identify sustainability risks
- Anchoring of **corporate due diligence obligations**

Further references

- The [BME](#) Guideline to Sustainable Procurement outlines a pool of criteria for sustainable supplier evaluation
- [econsense](#) and [UNGC / BSR](#)  provide an overview of various industry initiatives on sustainability

Book recommendation

- Wellbrock / Ludin (2019)

Sustainability in Procurement – Further Procurement Processes

In addition to supplier management, sustainability aspects can also be anchored in further strategic, tactical and operational procurement processes.



Strategic Processes

- Incorporation of sustainability criteria in selected **category strategies**
- Optimization of **demand planning** to avoid unnecessary demand quantities
- Identification of sustainable products/ materials through **procurement market analysis**
- Evaluation of ownership models (**Make or Buy**)

Operational Processes

- Consideration of sustainability aspects in **purchase requisitions**
- **Operative ordering** from suppliers with good sustainability performance ratings
- Providing **Supply Chain Finance** programs with better terms and conditions for sustainable suppliers

Tactical Processes

- Simplification of **specifications** and consideration of sustainability criteria
- Consideration of sustainability aspects in **award decisions** (tenders)
- Calculation of **Life Cycle Costs (LCC)**
- Incorporation of sustainability aspects into **supplier contracts**

Performance & Basic Processes


- Definition, **tracking** and **reporting** of sustainability-related **performance indicators**
- Elaboration and adoption of **guidelines** and **codes of conduct** for sustainable procurement
- **Training** of buyers, stakeholders and suppliers on sustainability subjects

Further information

- The [Procura+ Manual](#) and the [UN Procurement Practitioner's Handbook](#) describe how demand specifications can be designed in a sustainable way
- The [BME Guideline to Sustainable Procurement](#) and the [Procura+ Manual](#) provide insights into life-cycle costing (LCC)
- The [BME Guideline to Sustainable Procurement](#) and [SPP \(2021\)](#) illustrate possible performance targets for sustainable procurement

Sustainability in Procurement – Key Performance Indicators

In order to manage the implementation of the sustainable procurement strategy and to be able to measure and report progress, it is necessary to define suitable key performance indicators.



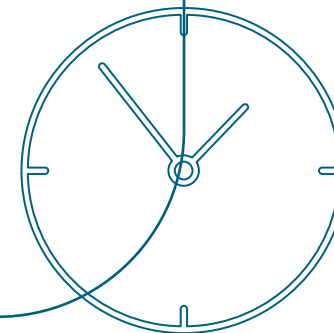
Domain	KPI Examples
Environmental sustainability	% Share of suppliers with environmental or occupational health and safety management system
	% Share of suppliers that were screened using environmental criteria
	% Share of purchased products made from recycled plastics
	% Share of suppliers with ongoing CO2 reduction measures
	% Share of suppliers that have improved their sustainability performance in a follow-up assessment.
	% Share of natural resources (paper products, food, metals, etc.) purchased from sustainable sources
Social sustainability	% Share of suppliers that were screened using social criteria
	% Share of suppliers for which specific audits (e.g., social audits) were conducted
	% Share of relevant suppliers completing the Conflict Minerals Reporting template (or meeting the relevant requirements)
	% Share of purchasing volume relating to local suppliers
	% Share of purchasing volume relating to supplier diversity
	# Number of diverse suppliers with whom the company has concluded contracts
	# Number of tenders to which diverse suppliers were invited
Financial sustainability	% Percentage of purchasing volume for sustainable products
	% Percentage of spend on products with a life cycle of less than 12 months

i Further information

- [SPP](#) offers a variety of informative tools and webinars on metrics for sustainable procurement


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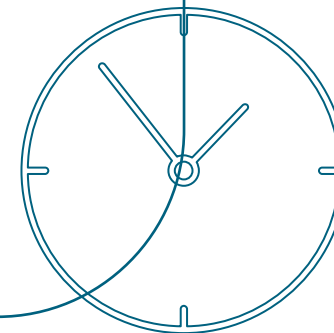
Standards & Tools Sustainable Procurement – Overview

There are various standards, ratings & rankings, certification schemes and indices that can support buyers in managing the sustainability requirements in collaboration with their suppliers.

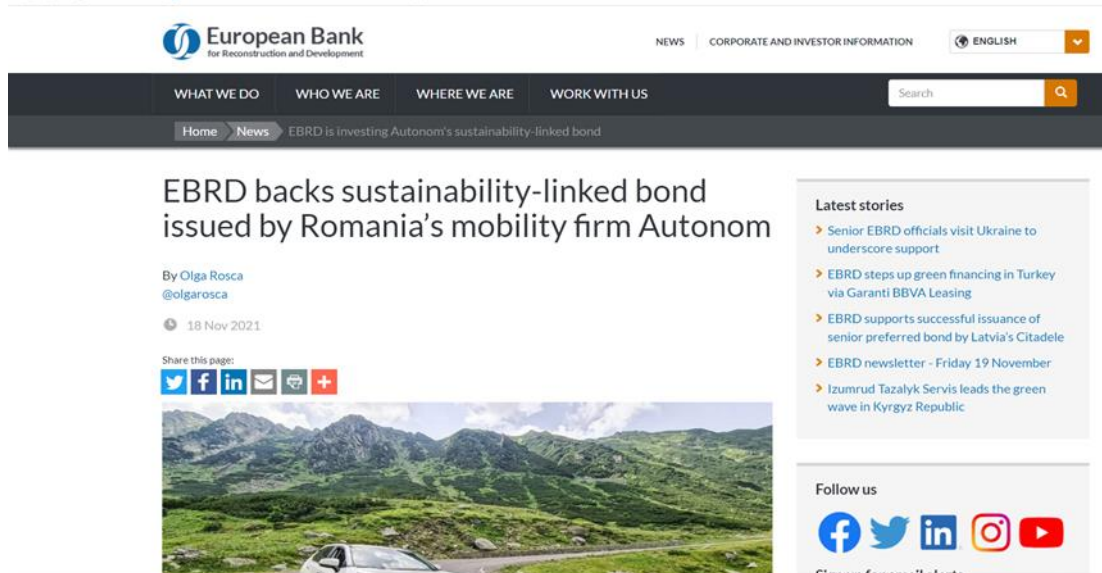
Management Systems & Guidelines	Certification Systems & Labels	Ratings & Rankings	 Further information <ul style="list-style-type: none"> An overview of relevant standards, ratings and rankings is provided by Gartner (2019) An overview of essential standards and certifications is provided by plant values (2021) A comparison of the most important rating agencies is provided by sustainerv (2020) The Sustainability Compass offers a label finder with extensive information on social and environmental labels
<ul style="list-style-type: none"> Certified management systems on environment, energy, occupational health and safety, and sustainability are internationally recognized sets of standards Guidelines (e.g., from UN and OECD) describe working principles and procedures for responsible corporate governance Examples: EMAS (environment), ISO 50001 (energy); UN Global Compact, OECD guidelines 	<ul style="list-style-type: none"> Certification systems and labels include the verification of certain social and environmental criteria by independent auditors Companies use these certifications e.g., in tendering processes and for brand positioning and reputation management Examples: Forest Stewardship Council (FSC), B. Corp, Fair Trade, Better Cotton Initiative 	<ul style="list-style-type: none"> Objective to link the corporate performance with ESG data Primarily used by institutional investors to evaluate sustainable investments Can contribute to improving financial and operational risk management Examples: CDP, Dow Jones Sustainability Index (DJSI), Sustainalytics, MSCI, Ecovadis 	
Reporting Standards	(Risk/ Development) Indices	Platforms	
<ul style="list-style-type: none"> These standards define performance indicators for sustainability reporting/ disclosure In addition to this primary use, the indicators can contribute to improving financial and operational risk management Examples: CDP, Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) 	<ul style="list-style-type: none"> Risk indices provide comparable figures on country-specific risks relating to socio-ecological matters Development indices provide comparable figures on country-specific progress relating to socio-ecological matters Examples: Global Slavery Index, Global Rights Index, Child Labour Index, Sustainable Development Index, SDG Index 	<ul style="list-style-type: none"> Platforms can be used to collect and track sustainability-relevant information from and about suppliers Depending on the scope of the platform, e.g., the sustainability performance of suppliers can be assessed based on defined questionnaires Examples: Ecovadis, IntegrityNext, riskmethods, SupplyShift, sustainabill 	

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Business Case Presentation

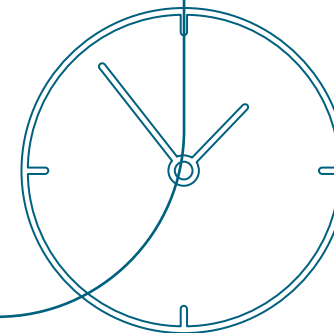


EBRD backs sustainability-linked bond issued by Romania's mobility firm Autonom

- EBRD invests €10 million in Romania's first sustainability-linked bond
- Car leasing and rental firm Autonom is raising finance for environmentally friendly growth
- By 2025, the company plans to cut operating fleet's carbon emissions by 25 percent
- By 2030, the company plans to cut operating fleet's carbon emission by 51 percent

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