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# eg magazine



## Sustainable Procurement

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Promoting local sustainable development

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# eg magazine

In this issue we explore SUSTAINABLE PROCUREMENT or as I prefer to think of it: SENSIBLE PROCUREMENT.

Our aim, as always, is to provide our readers with the latest thinking – and with the support and tools to help you deliver.

Whether you operate in the public or private sector, you will find something of interest in these pages.

Anne Finnane

Editor

[anne.finnane@globaltolocal.com](mailto:anne.finnane@globaltolocal.com)

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[eWorld Purchasing & Supply](#), 21st September 2011, QEII Conference Centre, London

[Sustainable Purchasing & Supply Summit](#), 17th April 2012, QEII Conference Centre, London

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8 Black Croft, Clayton le Woods  
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## Reflections on Sustainable Procurement

Anne Finnane, editor of eg magazine,  
reports on the Sustainable Purchasing and Supply Summit,  
London 31<sup>st</sup> March

### Is the Private Sector now striding ahead of the Public Sector?

The Chartered Institute of Purchasing and Supply (CIPS) hosted the Sustainable Purchasing and Supply summit<sup>1</sup> – an inaugural event which brought together some of the UK's leading thinkers and practitioners.

Andrew Coulcher MCIPS, Director of Business Solutions at CIPS set the tone for the event in his opening address. Sustainable Procurement is not just about carbon reduction and Corporate Social Responsibility, it is a COMMERCIAL NECESSITY. 80% of policies produced in the last 5 years are the result of pressure from customers and stakeholders.

Only the previous day I had heard of an ASTONISHING announcement from Unilever. *"By 2020, we will halve the environmental footprint of our products, help more than 1 billion people take action to improve their health and well-being, and source 100% of our agricultural raw materials sustainably."*<sup>2</sup>

To that end, the company has created the *"Unilever Sustainable Living Plan"*.<sup>3</sup> The aim is *"to develop new ways of doing business which will increase the social benefits from Unilever's activities while at the same time reducing our environmental impacts"*.

The Plan contains over 50 concrete targets that will:

- Help more than one billion people improve their health and well-being
- Halve the environmental impact of Unilever's products
- Source 100% of their agricultural raw materials sustainably

Apparently, *"Two billion times a day, somebody, somewhere, uses a Unilever brand."* The impact of Unilever's actions is potentially world-changing.

*Back in the conference hall, Boots and John Lewis were delivering an equally strong message of innovation and creative thinking (details overleaf).*

Our plan isn't just the right thing to do for people and the environment. It's also right for Unilever: the business case for integrating sustainability into our brands is clear.

<sup>1</sup> <http://www.spssummit.com/>

<sup>2</sup> <http://www.unilever.com/sustainability/?WT.GNAV=Sustainability>

<sup>3</sup> <http://www.sustainable-living.unilever.com/>

## *John Lewis – Influence, listen, support and remember why*

*Mark Ryce, Head of Commercial & Construction Supply Chain, began by showing a dramatic film of the effects of climate change – a reminder to all of us of why this is so important.*

*The John Lewis approach is one of Collaboration and Innovation.*

In the John Lewis Partnership, all 76,500 staff are also partners. There are 32 John Lewis shops across the UK (28 department stores and four John Lewis at home), 248 [Waitrose](http://www.waitrose.com) supermarkets ([www.waitrose.com](http://www.waitrose.com)), an online and catalogue business, [johnlewis.com](http://johnlewis.com) ([www.johnlewis.com](http://www.johnlewis.com)), a production unit and a farm with a turnover of nearly £8.2 billion last year. Partners share in the benefits and profits of the business.

This company structure allows them to undertake long-term decision making, rather than always seeking short-term profits. It has led to an ambitious commitment to reduce CO2 by 15% by 2020 – compared to 2010 - and to work with suppliers to achieve this.



The Partnership first developed a framework for delivering sustainable construction in 2007.

This has helped them to agree objectives for each stage of the construction life cycle to ensure they adopt sustainability principles in the planning, design, construction and

operation of John Lewis and Waitrose building and refurbishment projects.

This year, the new Responsible Development Framework was launched.<sup>4</sup>

It sets out targets and guidelines for development, refurbishment and extension of their retail shops, offices and warehouses and provides a practical summary of the main actions and questions that need to be considered by anyone responsible for developing their buildings.

This is followed by the detailed framework highlighting the objectives, commitments, practical considerations and key questions at each stage - from purchase to construction to shop-fit and whole life maintenance.

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<sup>4</sup> <http://www.johnlewispartnership.co.uk/Download.aspx?ResourceId=62160>

## Waitrose Off-Grid

Waitrose is set to become first supermarket in the UK to go 'off-grid' with a biomass plant at a new store on the Isle of Wight. The East Cowes energy centre is due to be up and running in summer 2011. The plant will use wood-chip from sustainably managed woodlands on the Isle of Wight. Energy from the plant will also be used for heating for other developments in the local area.

The shop has other environmentally friendly features including HFC-free fridges and uses cold air retrieval instead of air conditioning. It has also fitted sun pipes to let in natural light to both the store and its offices.



Waitrose's latest refrigeration kit has won praise for its eco-credentials from the Environmental Investigation Agency (EIA), which ranked Waitrose above all other supermarkets for its pioneering approach. David Bonnell – Department Manager, merchandise at Waitrose Wolverhampton – thinks one of its other features is just as important. 'It's reliable,' he explains. 'We have fewer engineer call-outs than with the old kit and it's made life a lot easier.'

Wolverhampton is one of six branches with this propane-based refrigeration technology, which the Partnership's Engineering team spent two years developing. The fridges are due to be rolled out to all branches by 2020 and will help Waitrose cut its carbon footprint.

In another project the retailer is installing charging stations for electric vehicles at some of its key stores as part of its 'green travel plan' initiative.

The initiative intends to encourage customers to utilise greener transport alternatives. One has already been installed at one of its newest stores in York, which is Waitrose's flagship store for embracing carbon cutting initiatives.



*John Lewis Chairman Charlie Mayfield has called for businesses – including the Partnership – to 'decouple carbon emissions from growth' in a bid to mitigate the impact of climate change. It looks like he really means it!*

For the latest CSR reports for John Lewis:

<http://www.johnlewispartnership.co.uk/Display.aspx?MasterId=81f00253-1639-4749-a590-d2cd32540b62&NavigationId=613>

## Boots – a life-cycle thinking approach

Andrew Jenkins, Sustainable Development Manager, Boots plc, outlined an approach that integrates sustainability into product development:

### i) Embedding sustainable development into the product development process

As one of the few health and beauty retailers that also develops its own products, we're in a strong position to understand the factors that affect their sustainability through a unique understanding of what goes into our products, where the materials come from, how they are made and how our customers can use and dispose or recycle them.

Our experts have developed a new product sustainability assessment process, unique to Boots, that measures the sustainability of products across more than 20 different criteria. We're now starting to use this model to identify how we can improve our products further, as well as ensuring that sustainability measures are built into all our product development targets.

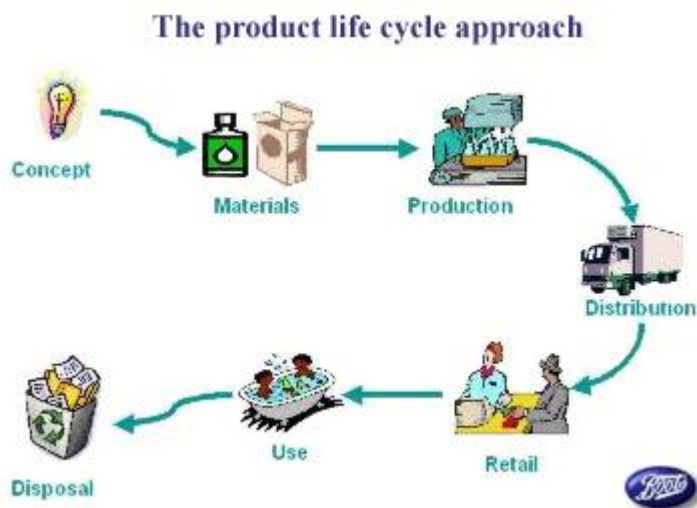
### ii) Innovation

Within the company we have teams evaluating new technologies and ideas encompassing both packaging and formulation. The objective of the approach is to manage the current inventories of raw materials and packaging and to optimise them for their impact on the supply chain.

In addition the approach sets out to develop new product ideas up to 3 years in advance. This entails spotting potential marketplace, legislation and technology trends and developing them to a lower risk, usable format ready for introduction by the Product Development teams. In this future-focused work the team is working on the areas of sustainability and inclusive design and how to integrate the thinking into mainstream product development.

From May 2011, all Boots products (80,000 in total) will go through the sustainability assessment process.

The aim is to take an holistic approach to product sustainability embracing the whole product lifecycle, from concept and design, through to customer use and final disposal of packaging and waste product. This life-cycle approach is the **Product Journey**.



## Where now for the Public Sector?

It was always the intention of the last government that the public sector would lead by example; driving sustainable procurement from the top down.

According to William Jordan, Chief Sustainability Officer, Cabinet Office, the present government intends to continue to deliver on this agenda, both in its management of the government estate and the operation of its supply chain. Given their enormous size, their impact on the market should be significant.

The level of ambition of the "Greening Government strategy"<sup>5</sup> is very welcome: "Our vision means that we must take action to significantly reduce the impact we have on our environment: cutting our waste, bringing down our water usage and making our procurement more sustainable."

### Commitments for greening Government operations and procurement:

- *Reduce greenhouse gas emissions from a 09/10 baseline from the whole estate and business-related transport*
- *Reduce the amount of waste we generate by 25% from a 2009/10 baseline*
- *Reduce water consumption from a 2009/10 baseline, and report on office water use against best practice benchmarks*
- *Ensure government buys more sustainable and efficient products and engages with its suppliers to understand and reduce the impacts of its supply chain:*

a. *Embed the Government Buying Standards in departmental and centralised procurement contracts, within the context of Government's overarching priorities of value for money and streamlining procurement processes*

b. *Improve and publish data on our supply chain impacts, initially focussing on carbon, but also water and waste – setting detailed baselines for reducing these impacts*

For detail on the scope of coverage for these commitments please see [Greening Government commitments: operations and procurement](#) Defra, February 2011 (pdf, 495KB)

<sup>5</sup> <http://sd.defra.gov.uk/gov/green-government/commitments/>

77% of government  
carbon emissions come from the  
supply chain

Ian Barnham from the Sustainable Procurement Policy Team at DEFRA (Department for Environment, Food and Rural Affairs) provided us with more information- in particular the new Government Buying Standards.<sup>6</sup>

**Government Buying Standards** are designed to make it easier for government buyers to buy sustainably. They include:

- Official specifications that all government buyers must follow when procuring a range of products;
- Information about sustainable procurement and how to apply it when buying;
- Direct links to websites with lists of products that meet the standards.

**And here is Ian's very useful checklist:**

- Review your procurement policy
- Ensure strategic, top-down support
- Adopt a category management approach
- Reduce demand
- Consider whole-life and end-of-life
- Use Government Buying Standards
- Work with suppliers
- Make sure procurers are qualified and understand sustainable procurement

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## POST SCRIPT

*My message from the conference is this: The Business Case for Sustainable Procurement is proven. CEO's of large corporations and Whitehall mandarins have "got it". However, individual local authorities and other public sector organisations are slow to pick up the challenge – as are many private companies, especially SMEs. Information and support is readily available. What is required is a change of attitude. This is not an add-on. It is an essential element of running a successful organisation in the 21<sup>st</sup> century.*

[anne.finnane@globaltolocal.com](mailto:anne.finnane@globaltolocal.com)

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<sup>6</sup> <http://sd.defra.gov.uk/advice/public/buying/>

## Tools of the trade

### Green Accord

The Green Accord<sup>7</sup> is a symbol of green business practice. It is a national environmental accreditation scheme that demonstrates your green credentials and in turn elevates your business. Utilising a Self Assessment that is clear, with easy to implement actions, the Green Accord provides an affordable route to sustainability, reduced carbon, and business savings.

Useful tools to assist public and private sector organisations to purchase sustainably

The Green Accord is a proven supply chain process that addresses the expanding environmental responsibilities facing those who procure. It demonstrates best practice and promotes the reduction of environmental impact. It's about deeds not words.

Being inclusive, it is suitable for all types of organisations and supply chains. Benefiting clients and suppliers, as well as non-customers, in terms of community benefit from environmental advantage realised.



The Green Accord was developed in partnership with environmental experts Zero 2050 and Envirowise and has received endorsement from the Audit Commission together with the acclaim of many national awards.

Client organisations that have applied the Green Accord to their supply chain include the Met Office, Sir Robert McAlpine and Exeter University

**EMS EASY** - a smart, informal and lean way of implementing an EMS which simplifies the process of cutting costs and attaining certification.

Environmental charity Global Action Plan delivers EMS Easy training in the UK<sup>8</sup>, enabling companies of all sizes to achieve internationally recognised standards - ISO14001 or EMAS. The idea behind EMS Easy is that it simplifies the process of certification by replacing a paper-based approach to managing environmental performance, with something more visual and intuitive, which takes as its starting-point 'what is happening on the ground'.

The toolkit shows that the entire management system documentation can be a tenth of of any other system and implementation takes only 4-9 months, compared with the usual 15-18 months.

<sup>7</sup> <http://www.green-accord.co.uk/>

<sup>8</sup> <http://www.globalactionplan.org.uk/ems-easy-training-course-dates>

## BS 8903 – SUSTAINABLE PROCUREMENT GUIDE <sup>9</sup>



The drive to deliver sustainable procurement outcomes is only set to increase as more pressure is applied throughout supply chains by legislators, specifiers and stakeholders.

The good news for procurement managers is that sustainable procurement is not materially different to or separate from the traditional process of procurement.

Sustainability should be a fundamental part of any good procurement process by giving consideration to wider social, economic and environmental factors in addition to the conventional criteria of price, quality and service. The benefits to businesses of applying principles of sustainability go beyond meeting tender requirements to safeguarding brand reputation and delivering improved value and real cost savings.

The Sustainable Procurement Guide aims to help procurement professionals meet the challenges of the sustainability agenda by providing clear, practical advice on how to approach sustainable procurement issues and how to embed these practices within an organization. Case studies highlight solutions found to problems facing organizations across a range of sectors and templates and examples provide the starting point for developing policies and processes that suit business requirements. (Based on the principles that are set out in the British Standard [BS 8903, Principles and framework for procuring sustainably](#) <sup>10</sup>)

BS 8903 is a British Standard which gives recommendations and guidance on how to adopt and embed sustainable procurement principles and practices across an organization and its respective supply chains. It provides practical information to help implementation. It also includes guidance on measurement to help organizations assess the extent and effectiveness of their sustainable procurement activity.

It gives detailed guidance across all stages of the procurement process and is applicable:

- To individuals and small and large organizations responsible for commissioning or procuring any form of goods, works or services regardless of sector, for own use, resale or to support service provision
- Across the public sector, private sector and third sector
- Across the whole procurement cycle including one-time purchases to ongoing contracts with long-term supplier partners
- To individuals and organizations with sole responsibility for their purchasing needs and third parties contracted to provide outsourced procurement solutions.

<sup>9</sup> <http://shop.bsigroup.com/en/ProductDetail/?pid=00000000030213389>

<sup>10</sup> <http://shop.bsigroup.com/ProductDetail/?pid=00000000030203003>

## Climate Resilience Toolkit



You've heard about climate change, but have you considered how it could affect your business? By planning ahead, you can protect your business from the impacts of the changing climate and seize the opportunities it presents.

This simple, interactive tool is based on ten questions, which will help you to assess the areas where you are most likely to be able to avoid disruption and gain a financial advantage, based on your business activities. It shows you the areas where you are potentially at higher risk and will provide you with a tailored report which gives you straightforward advice and links to sources of further information.

This tool has been developed by the Department for Environment, Food and Rural Affairs (Defra) and the Chartered Institute of Management Accountants (CIMA).

<http://www.businesslink.gov.uk/bdotg/action/layer?r.i=1087138514&r.l1=1079068363&r.l2=1087319510&r.l3=1087319936&r.s=m&r.t=BLTTOOL&topicId=1087319936>

## Social Return on Investment (SROI)<sup>11</sup>

Using SROI, procurers can attach a 'cash' value to social and environmental concerns important to the organisation and evaluate each tenderer's response on the basis of a 'real' cash added-value. It is based on seven principles.

1. **Involve stakeholders** - Understand the way in which the organisation creates change through a dialogue with stakeholders
2. **Understand what changes** - Acknowledge and articulate all the values, objectives and stakeholders of the organisation before agreeing which aspects of the organisation are to be included in the scope; and determine what must be included in the account in order that stakeholders can make reasonable decisions
3. **Value the things that matter** - Use financial proxies for indicators in order to include the values of those excluded from markets in same terms as used in markets
4. **Only include what is material** - Articulate clearly how activities create change and evaluate this through the evidence gathered
5. **Do not over-claim** - Make comparisons of performance and impact using appropriate benchmarks, targets and external standards.
6. **Be transparent** - Demonstrate the basis on which the findings may be considered accurate and honest; and showing that they will be reported to and discussed with stakeholders
7. **Verify the result** - Ensure appropriate independent verification of the account

<sup>11</sup> <http://www.sroi-uk.org/content/view/31/66/>

## DEFRA accredited training

### **Sustainable procurement is good procurement** <sup>12</sup>

The rationale behind the main sustainable procurement modules is to show public sector purchasers that sustainable procurement can deliver local drivers such as cost efficiency and carbon reduction. Sustainable procurement is simply good procurement practice. Applying sustainability principles begins at the start of the procurement cycle by encouraging an innovative approach to purchasing and re-thinking the need to buy.

#### **Module 1: Actioning policy through sustainable procurement**

##### **Module 1 lasts one day and covers:**

- Introduction to sustainable procurement;
- Government sectors drivers and the impact of sustainable procurement;
- Introduction to the sustainability prioritisation methodology;
- Applying and evaluating the prioritisation methodology.

#### **Modules 2 and 3: Assuring sustainability**

Modules 2 and 3 cover the evaluation of bids and supplier development; module 3 requires previous attendance at module 2.

##### **Module 2 lasts one day and covers:**

- Taking action at the appropriate stage of the procurement and commissioning cycle;
- Identifying needs and assessing the sustainability risks;
- Developing the specification;
- Supplier selection and inviting bids.

##### **Module 3 lasts one day and covers:**

- Taking action at the appropriate stage of the procurement and commissioning cycle;
- Bid evaluation;
- Contract management;
- Monitoring and reporting;
- Stakeholder engagement;
- Developing policy, strategy and action plans.

#### **Module 4: Carbon literacy for procurers**

##### **Module lasts one day and covers:**

Developing an understanding of:

- Basic principles of Green House Gases (GHGs) and climate change;
- Common terminology used;
- Low carbon and renewable energy;
- Principles of carbon accounting, including CO<sub>2</sub> equivalence, Global Warming Potential (GWP) and application of carbon conversion factors;
- Different types of carbon footprinting, including: Organisational carbon footprinting and Product / service carbon footprinting;
- How the terminology and principles covered in the course can be applied in a procurement context.

*Fay Blair, consultant with Global to Local, is an accredited trainer:*

[fay.blair@globaltolocal.com](mailto:fay.blair@globaltolocal.com)

<sup>12</sup> <http://sd.defra.gov.uk/2011/03/the-national-sustainable-public-procurement-programme/>

## Green Public Purchasing in Europe



Public authorities in Europe spend €1.5 trillion a year on goods and services equivalent to 16% of EU GDP. From constructing energy efficient public buildings to buying low emission vehicles, from buying organic or Fair Trade food to installing water-saving toilets public procurement can have a huge impact in driving the market towards sustainability.

Procura<sup>+</sup> is an initiative designed to help support public authorities in implementing Sustainable Procurement – and help promote their achievements.<sup>13</sup>

The Campaign was established in 2004 by ICLEI – Local Governments for Sustainability to help drive the mainstreaming of sustainable public procurement. Through participating in the Campaign, public authorities can contribute to a growing international movement and help bring about real change on the market.

### The European Commission

## Buying green!

The European Commission is strongly promoting green public procurement (GPP) within the European Union Member States. A new website<sup>14</sup> has been set up which contains a great deal of useful information on the topic, including the Commission's Handbook on GPP - Buying Green<sup>15</sup>

The European Commission has now published: "[Buying Social: A Guide to Taking Account of Social Considerations in Public Procurement](#)"

To be a success, GPP needs clear and verifiable environmental criteria for products and services. A number of European countries already have national criteria, and the challenge now, as GPP becomes more widespread, is to ensure that the criteria are compatible between Member States. A level playing field will boost the single market, ensuring that what is good for the EU is also good for the environment.

<sup>13</sup> <http://www.procuraplus.org/>

<sup>14</sup> [http://ec.europa.eu/environment/gpp/index\\_en.htm](http://ec.europa.eu/environment/gpp/index_en.htm)

<sup>15</sup> [http://ec.europa.eu/environment/gpp/pdf/buying\\_green\\_handbook\\_en.pdf](http://ec.europa.eu/environment/gpp/pdf/buying_green_handbook_en.pdf)

## Progress in Sustainable Consumption and Production in Europe: An Indicator based report



A new report<sup>16</sup> from the European Topic Centre on Sustainable Consumption and Production provides an indicator-based overview of progress towards sustainable consumption and production (SCP) in Europe. It is a stepping stone on the way towards full indicator-based reporting on SCP by the European Environment Agency, according to a framework published by the ETC/SCP at the beginning of 2010.

The framework includes a vision for SCP at its core and 35 policy questions interpreting this vision. The current report presents some answers to these 35 policy questions through assessing trends in 39 relevant European indicators. It provides timely valuable information for policy makers and policy implementers within the fields of SCP and resource efficiency.

### Some Key Messages:

*Direct per capita GHG emissions from EEA<sup>17</sup> countries have seen a reduction of 17% since 1990 and appear to be steadily decreasing. However, the current reduction rate is not rapid enough to meet the 2050 target.*

*The period 1995-2006 saw an absolute decoupling in direct air emissions from European production despite a 40% growth in economic output. Greenhouse gases have been rising slightly since 1999. Direct material resource use has increased since 2000 but more slowly than economic growth.*

*Direct use of metal ores, non-metallic minerals and fossil energy carriers in EEA countries increased over the period 2000 to 2007. Metallic and non-metallic minerals increased most rapidly indicating increasing use by the metals manufacturing sectors and the construction sector, respectively.*

*Most energy using products for which data is available across Europe have shown improvements in energy efficiency from 10% to nearly 40%. The exception is televisions.*

*Key production sectors have shown a mixed performance in decoupling direct pressures from growth in output during the period 1995-2006. Public services, Agriculture, hunting, forestry and fishing and Manufacturing showed best performance with absolute decoupling in all environmental pressures considered while Transport, storage and communication showed poorest performance with continuous growth in all emissions.*

<sup>16</sup> [http://eea.eionet.europa.eu/Public/irc/eionet-circle/etc\\_waste/library?l=/scp\\_2010indicator/indicators\\_paperpdf/ EN 1.0 &a=d](http://eea.eionet.europa.eu/Public/irc/eionet-circle/etc_waste/library?l=/scp_2010indicator/indicators_paperpdf/ EN 1.0 &a=d)

<sup>17</sup> European Economic Area

## SMART SPP

### *How to drive energy efficient innovation through sustainable procurement*



Running from September 2008 until August 2011 "SMART SPP – innovation through sustainable procurement" is a three year project which promotes the introduction of new, innovative low carbon emission technologies and integrated solutions onto the

European market. This is done through encouraging early market engagement between public authority procurers and suppliers and developers of new innovative products and services in the pre-procurement phase of public tenders. <http://www.smart-spp.eu/>

#### **Barcelona - Electric vehicle charging points**

Barcelona City Council's main activity in SMART SPP has been the market engagement activities and tendering for electric vehicle charging points. The activity, however, has grown beyond the scope of the project and has been taken on by a public-private initiative which promotes [pilot projects through living labs](#), and among the private sector (hotels, car parks, etc.).

#### **Denmark - Kolding goes for climate-friendly lighting solutions**

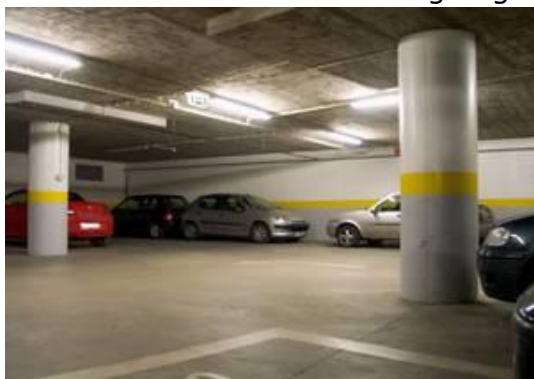
The journey towards purchasing energy efficient lighting for Kolding's municipal offices (Denmark) has led to the publication of a call for tender at the EU level at the beginning of February (deadline 28 February 2011). Led by the City's Environment Department, the tender calls for the supply of highly energy efficient replacement light bulbs (such as light emitting diodes or LEDs) on behalf of the 12-City Purchasing Group.



#### **United Kingdom**

##### **Eastern Shires Purchasing Organisation purchase LED lighting**

The Eastern Shires Purchasing Organisation (ESPO) is working to let a contract for LED lighting for car parks controlled by Cambridge City Council. The framework contract will enable ESPO to choose from a range of suppliers for similar energy saving lighting technologies in future. The contract for Cambridge will allow the local authority to make significant savings in energy and maintenance costs.



##### **Energy efficient office lighting for Bromley's offices**

Similar to ESPO, the London Borough of Bromley is also piloting the early market engagement approach with one of their sustainable lighting tenders. The approach was recently used to support a trial of internal office lighting in Bromley's Civic Offices. This has proved successful, and the trial is being extended at present to include the retro-fitting of LED lighting to the wider office environment of the Civic Centre.

## Portugal - Energy efficient street lighting purchase in Cascais



Information gathered by the Municipality of Cascais from companies that participated in the market engagement process (which ran until last September), are now being used to fine tune sustainability requirements to be included in tender documents. A list of the sustainability requirements, which include avoidance of toxic substances, eco-design and life-cycle costing, are presented in a recent [case study](#) published by the European Commission.

## SMART SPP Guidance

The final versions of the SMART SPP guidance package will be published in May this year. They will be available in English, Spanish, Portuguese and Danish. The package includes:

- A guide on how to procure innovative solutions
- An LCC-CO<sub>2</sub> tool for calculating life-cycle costs and CO<sub>2</sub> emissions within procurement (also to be published in German)

## Conference on *smart procurement* on 29 June 2011 in Brussels

The Basque Country EU-Office (in Brussels) is the host of the *Smart procurement - Reducing costs & saving energy* conference, set for 29 June in Brussels.

The latest information and perspectives from European policy makers (European Commission and European Parliament) on how public purchasing can be used strategically to boost innovation and sustainability, particularly energy efficiency, will be one of the main topics debated. Smaller sessions will also be run to provide hands on advice to procurers on how to award contracts based on the whole life costs and CO<sub>2</sub> emissions of products.

Registration form and a preliminary version of the programme will be available in March at [www.smart-spp.eu/conference](http://www.smart-spp.eu/conference). For inquiries, please contact [Amalia Ochoa](#) from ICLEI.

## Take part in a regional seminar near you

In addition to the conference in Brussels, a number of events of a national (or regional) nature will be organised by the SMART SPP partners in the lead up to the end of the project in late August. The events will be used to promote the guidance developed and the practical experiences from the project partners in each of the partnering cities.

Public sector representatives involved in procurement and companies interested in supplying to the public sector will be the main target groups of the events.

Dates and venues in Barcelona, Cascais (Portugal), Kolding (Denmark) and London will be published on [www.smart-spp.eu/seminars](http://www.smart-spp.eu/seminars). The events will take place during the months of May to July.

## United Nations - Sustainable Procurement



### Sustainable Procurement Guidelines<sup>18</sup>

This resource was developed to assist procurers and requisitioners with sustainable procurement. Apart from providing guidelines, the

resource also contains statistics, policy information, background documents and a collection of good practices across the UN system. The guidelines also recognize that market situations are different based on location and thus provide more specific guidelines depending on regional categorizations. Furthermore, guidelines are specifically provided for the areas of ICT, cleaning, furniture, stationary, vehicles and catering. Overall, the resource provides a comprehensive overview of the importance of sustainable procurement and the steps that need to be taken to achieve it.

#### ICT

- \* [Users Guide](#)
- \* [Background on ICT and Sustainable Procurement](#)
- \* [Basic and Advanced Criteria \(All Regions\)](#)

#### Cleaning

- \* [Users guide](#)
- \* [Background on Cleaning Products and Services and Sustainable Procurement](#)
- \* Region 1 criteria: [basic](#) and [advanced](#)
- \* Region 2 criteria: [basic](#) and [advanced](#)
- \* Cleaning services: [basic](#) and [advanced](#)

#### Furniture

- \* [Users guide](#)
- \* [Background on Furniture and Sustainable Procurement](#)
- \* [Basic criteria \(all regions\)](#)
- \* [Advanced criteria \(all regions\)](#)

#### Stationery

- \* [Users guide](#)
- \* [Background on Stationery and Sustainable Procurement](#)
- \* Basic criteria for [toner cartridge](#), [paper](#), [consumable](#) and [writing implements](#) (all regions)
- \* Advanced criteria for [toner cartridge](#), [paper](#), [consumable](#) and [writing implements](#) (all regions)

#### Vehicles

- \* [Background report](#)
- \* [Basic and advanced criteria](#) (all regions)

#### Cafeterias, food and kitchen equipment

- \* [Cafeterias, food and kitchen equipment product sheet](#)
- \* [Background report on cafeterias, food and kitchen equipment](#)

<sup>18</sup> <http://www.greeningtheblue.org/resources/procurement>

## Health & Green Economic Development

Despite their enormous potential, the health impacts of climate change mitigation are not measured systematically enough. But it is possible to develop knowledge with more health sector research and involvement overall. Reviewing and consolidating such evidence, together with their partners and stakeholders, is a key aim of WHO's (World Health Organisation) climate change adaptation and mitigation efforts.<sup>19</sup>



The health sector has its own “greening” initiatives. Hospitals in a number of Chinese cities have launched programmes to promote “green and safe” hospitals –that can function better in emergencies. From the UK's National Health Service to small NGOs at the grass roots, health facilities are launching energy audits and examining how carbon efficiencies can benefit both the planet and health.

### Adaptive Mitigation

Initiatives for “green and safe” hospitals recognise that many measures that “mitigate” against future climate change can also be integrated with measures that improve adaptation to the impacts of climate change already being felt. These could include:

- Integrated vector management, which combines environmental management with wise use of chemicals, can help combat climate change-induced changes in vector borne disease transmission, while also reducing long-term environmental impact of chemicals
- Improved home and hospital design to facilitate natural ventilation can improve air flows for better infection control and heat wave resilience while reducing reliance on air-conditioning
- Greener urban development could improve home siting and construction to better protect from heat waves, flooding and mudslides that may be caused by climate change – while also improving access to public transport, walking and cycling, to mitigate against future climate change.

WHO's Health in the Green Economy series<sup>20</sup>, is reviewing the evidence about expected health impacts of greenhouse gas mitigation strategies in light of mitigations options for key economic sectors:

**The Regional Framework for Action**<sup>21</sup> aims to protect health, promote health equity and security, and provide healthy environments in a changing climate in the WHO European Region. It is designed to support action by Member States of the WHO European Region, the WHO Secretariat and other partners. Consistently with the WHO global workplan, it sets out its aim and key principles; five strategic objectives; specific actions to achieve the objectives; and implementation.

<sup>19</sup> [http://www.who.int/hia/cop16\\_article.pdf](http://www.who.int/hia/cop16_article.pdf)

<sup>20</sup> [http://www.who.int/hia/green\\_economy/en/index.html](http://www.who.int/hia/green_economy/en/index.html)

<sup>21</sup> [http://www.euro.who.int/\\_data/assets/pdf\\_file/0005/95882/Parma\\_EH\\_Conf\\_edoc06rev1.pdf](http://www.euro.who.int/_data/assets/pdf_file/0005/95882/Parma_EH_Conf_edoc06rev1.pdf)

### **A plan for NHS sustainability**

University College London Hospitals (UCLH) and BRE are delivering an NHS Sustainability Portal, related services and training. The aim is to help Health Trusts and other healthcare organisations to reduce their carbon emissions and energy consumption, and operate more sustainably and efficiently. The project will give healthcare organisations access to methodologies, processes and information that have been inspired by and developed in the style of Marks and Spencer's 'Plan A' sustainability strategy.

The Sustainability Portal is due to be launched at the IHEEM Conference in November. For more information contact Linda McKeown at [mckeownl@bre.co.uk](mailto:mckeownl@bre.co.uk)

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### **Vulnerability, social justice and climate change adaptation**

The Joseph Rowntree Foundation (JRF) has published a paper 'Vulnerability to heatwaves and drought: adaptation to climate change'. This research was intended to improve understanding of how adaptation to climate change relates to vulnerability, what this means in practice, and how social vulnerability to climate change is currently understood. It used two case studies of climate change adaptation in south-west England, focusing on affordable water efficiency and heatwave planning. To download a copy of the report, go to <http://www.jrf.org.uk/publications/vulnerability-heatwaves-and-drought-adaptation-climate-change>

#### **Key points**

- Assessments of who is 'vulnerable' to climate change are highly complex. Vulnerability is generally understood as a combination of someone's exposure and sensitivity to climate hazards (e.g. heatwaves) as well as their ability to adapt.
- Social vulnerability differs for heatwaves and drought:
  - People who live in poorly constructed homes in 'urban heat islands' (where built environments retain heat), work in hot conditions, suffer ill health, are older or very young, receive low incomes and/or are disconnected from social networks are more likely to be vulnerable to high temperatures.
  - Low-income households unable to reduce their water use are more vulnerable to differential water charging, particularly those who do not qualify for support schemes. There are likely to be strong links between some existing forms of social disadvantage and vulnerability to climate change.
- Water companies are moving away from flat rate fees to new charging models that bill customers according to water usage. This could create affordability problems for low-income households. Schemes to support vulnerable households may help to improve water efficiency while providing affordable water to all.
- The Department of Health's Heatwave Plan details how the health and care sectors should respond to heatwaves. But it is difficult for local decision-makers to identify all who are vulnerable to high temperatures, which may limit the effectiveness of planned responses. A national cross-sectoral strategy is needed.
- The authors conclude that decision-makers need to consider how vulnerability will change over time in order to prepare strategically and build resilience to climate change in advance, to achieve adaptation that is socially just.

## Big Society Benefits

*Jim Harbidge<sup>22</sup>, associate of Global to Local, shows how environmental and social benefits can be delivered along with bottom line performance*

At the eWorld Purchasing and Supply<sup>23</sup>, conference in London in March, Jim Harbidge described some real world examples of the demand and response to sustainable procurement.

### Corporate Responsibility

Jim started by considering the difficulties many large organisations have in:

- translating policy for corporate social responsibility (CSR)<sup>24</sup> policy into action;
- understanding community needs at the local level; and
- delivering a measurable 'return' on their investment in CSR.



An increasing number of companies and public organisations are turning to their supply chains to support their aims in this area and initiatives such as the government's 'flexible framework'<sup>25</sup> have stimulated discussion with suppliers.

Within the property and facilities sector, Jim provided examples of two large government contract opportunities in South Wales where a competitive dialogue procurement process had provided a platform for discussion and close examination of sustainability challenges in rural environments. It allowed Carillion time to identify and engage with local community representatives and social enterprise leaders in designing services for its potential client.

A range of innovative solutions were developed with social enterprise suppliers which 'bundled' services such as cleaning, post-room management and basic caretaking together, enabling one 'living wage' full time position to be created in place of several part time posts. There is an ability of the 'third sector' to work with funding partners to identify and secure funds to support contract delivery and career opportunities within growth sectors of waste and energy management.

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<sup>22</sup> As an associate with Global to Local and within his previous role leading sustainability solutions for Carillion Plc, Jim has challenged traditional procurement and outsourcing models to deliver environmental and social benefits whilst improving bottom line performance within property and facilities management.

<sup>23</sup> <http://www.eworld-purchasing.com/>

<sup>24</sup> [http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm)

<sup>25</sup> <http://sd.defra.gov.uk/documents/flexible-framework-guidance.pdf>

Jim feels that whilst the approach to procurement had sparked good discussion, productive and innovative service design, contracting bodies need to be ready to accept that contract performance regimes need to be less rigid in their measurement of 'inputs' and that procurement managers should consider outputs – why should grass cutting regimes for instance specify a two weekly cutting schedule, when in dry summers such as 2010, grass growth is much slower: local employment (rather than bussing in staff from distant towns) enables daily monitoring and cutting as and when needed.



### Measuring and valuing the benefits

Jim offered a potential solution for procurers looking to value the 'return' on their investment within a tool known as SROI (Social Return on Investment)<sup>26</sup>.

Here are his 'top tips' for procurers & bidders in embedding sustainability into their outsourcing programmes – these include:

- linking-up with local social enterprise support organisations to better understand local challenges;
- considering competitive dialogue as a way to find out whether your suppliers understand your CSR aims; and
- stimulating innovation in their provision of services and the use of SROI to measure the benefits of working in this way.

<http://www.sellingaddedvalue.co.uk> is a good starting point for SROI.



**The latest policy developments from the European Union, guidance, tools or studies** carried out relevant for green public procurement (GPP) are now available in an easy to digest format. The information is published on a monthly basis through the European Commission's [GPP News-Alert](#).

Complementing the policy news and tools, each issue features a number of [practical examples](#) – good practice cases – illustrating how public authorities put GPP into practice for various products and services. Examples range from the procurement of recycled

paper to constructing a new hospital building, or purchasing new energy efficient IT equipment for office use. 26 examples have been published to date and the idea is to showcase experience from all the EU Member States.

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<sup>26</sup> <http://www.sroi-uk.org/content/view/31/66/>

## Ethical Trading Initiative



**The Ethical Trading Initiative** is a ground-breaking alliance of companies, trade unions and voluntary organisations. They work in partnership to improve the working lives of people across the globe who make or grow consumer goods - everything from tea to T-shirts, from flowers to footballs.

### What is ethical trade?

It means that retailers, brands and their suppliers take responsibility for improving the working conditions of the people who make the products

they sell. Most of these workers are employed by supplier companies around the world, many of them based in poor countries where laws designed to protect workers' rights are inadequate or not enforced.

Companies with a commitment to ethical trade adopt a code of labour practice that they expect all their suppliers to work towards. Such codes address issues like wages, hours of work, health and safety and the right to join free trade unions.

### Why is ETI needed?

'Doing' ethical trade is much harder than it sounds. Modern supply chains are vast, complex and span the globe. Labour issues are themselves challenging. For example, what exactly is 'a living wage'? What should a company do if it finds children working in a supplier's worksite? Evicting children from the workplace can, paradoxically, make their lives worse.

ETI brings corporate, trade union and voluntary sector members together in a unique alliance that enables us to collectively tackle many thorny issues that cannot be addressed by individual companies working alone.

Some 12.3 million people globally are forced to work for their employers.

As well as adopting the Base Code, corporate members must also sign up to [ETI's Principles of Implementation](#), which set out the approaches to ethical trade that member companies should follow. These require companies to:

- demonstrate a clear commitment to ethical trade;
- integrate ethical trade into their core business practices;
- drive year-on-year improvements to working conditions;
- support suppliers to improve working conditions, for example through advice and training; and
- report openly and accurately about their activities.

To find out more visit: <http://www.ethicaltrade.org/>

## What is a Green Economy?

World Resources Institute (WRI) Managing Director Manish Bapna responds to some of the most commonly-asked questions<sup>27</sup>

A Green Economy can be thought of as an alternative vision for growth and development; one that can generate growth and improvements in people's lives in ways consistent with sustainable development. A Green Economy promotes a triple bottom line: sustaining and advancing economic, environmental and social well-being.

The prevailing economic growth model is focused on increasing GDP above all other goals. While this system has improved incomes and reduced poverty for hundreds of millions, it comes with significant and potentially irreversible social, environmental and economic costs. Poverty persists for as many as two and a half billion people, and the natural wealth of the planet is rapidly being drawn down. In a recent global assessment, approximately 60 percent of the world's ecosystem services were found to be degraded or used unsustainably. The gap between the rich and poor is also increasing – between 1990 and 2005, income inequality (measured by the gap between the highest and lowest income earners) rose in more than two thirds of countries.



A series of market and institutional failures have made the prevailing economic model far less effective than it otherwise would be in advancing sustainable development goals. These market and institutional failures are well known to economists, but little progress has been made to address them. For example, there are not sufficient mechanisms to ensure that polluters pay the full cost of their pollution. There are “missing markets” – meaning that markets do not systematically account for the inherent value of services provided by nature, like water filtration or coastal protection.

### What does a Green Economy look like?

The transition to a Green Economy has a long way to go, but several countries are demonstrating leadership by adopting national “green growth” or “low carbon” economic strategies. And there are many examples of successful, large-scale programs that increase growth or productivity and do so in a sustainable manner. For example:

- The **Republic of Korea** has adopted a national strategy and a five-year plan for green growth for the period 2009–2013, allocating 2 per cent of its gross domestic product to investment in several green sectors such as renewable energy, energy efficiency, clean technology and water. The government has also

<sup>27</sup> [http://www.wri.org/stories/2011/04/qa-what-green-economy?utm\\_campaign=wri-digest&utm\\_medium=email&utm\\_source=wridigest-2011-04&utm\\_content=hyperlink&utm\\_term=Q&A-GreenEconomy-FullStory](http://www.wri.org/stories/2011/04/qa-what-green-economy?utm_campaign=wri-digest&utm_medium=email&utm_source=wridigest-2011-04&utm_content=hyperlink&utm_term=Q&A-GreenEconomy-FullStory)

launched the Global Green Growth Institute which aims to help countries (especially developing countries) develop green growth strategies.

- **China** now invests more than any other country in renewable energy. Its total installed wind capacity grew 64 percent in 2010. This growth is driven by a national policy that sees clean energy as a major market in the near future, and one in which China wants to gain a competitive edge.
- Businesses are increasingly leading progress toward a Green Economy. For example, the carpet company **Interface FLOR**<sup>28</sup> is improving its competitive positioning in this normally petroleum-intensive industry by focusing on how sustainability can enhance its business model. The company is working towards a closed loop system, meaning that its waste products are also its manufacturing inputs. Its company culture reinforces its goals – when employees know they are making a difference in the world, they tend to work harder and be better at their jobs, making the enterprise more productive. Interface’s CEO, Ray Anderson, has said “If we can do it, anyone can. And if anyone can, everyone can.”

More examples can be found in the recent United Nations Environment Programme’s (UNEP) report on the Green Economy.<sup>29</sup>

## GREEN economy

*Towards a Green Economy*<sup>30</sup> is among UNEP’s key contributions to the Rio+20 process and

the overall goal of addressing poverty and delivering a sustainable 21st century.

The report makes a compelling economic and social case for investing two per cent of global GDP in greening ten central sectors of the economy in order to shift development and unleash public and private capital flows onto a low-carbon, resource-efficient path.

Such a transition can catalyse economic activity of at least a comparable size to business as usual, but with a reduced risk of the crises and shocks increasingly inherent in the existing model.

A green economy does not favour one political perspective over another. It is relevant to all economies, be they state or more market-led. Neither is it a replacement for sustainable development. Rather, it is a way of realizing that development at the national, regional and global levels and in ways that resonate with and amplify the implementation of Agenda 21.

A transition to a green economy is already underway, a point underscored in the report and a growing wealth of companion studies by international organizations, countries, corporations and civil society. But the challenge is clearly to build on this momentum.

<sup>28</sup> <http://www.interfaceflor.com/>

<sup>29</sup> <http://www.unep.org/greeneconomy/>

<sup>30</sup> [http://www.unep.org/greeneconomy/Portals/88/documents/ger/GER\\_synthesis\\_en.pdf](http://www.unep.org/greeneconomy/Portals/88/documents/ger/GER_synthesis_en.pdf)

## Sustainability and Leadership Development

by Matt Gitsham, Director of the Ashridge Centre for Business and Sustainability  
Ashridge Business School

As organisations embrace sustainability, what does this mean for how they educate and develop their leaders?

More and more organisations are recognising the strategic value of engaging with climate change and sustainability – from Unilever’s 2020 Sustainable Living Plan, to GE’s ecoimagination programme, leadership teams in organisations are increasingly aware of the incentives to act and are mapping out appropriate courses of action for their organisations. Not just is the evidence

becoming overwhelming that it’s in all of our interests as individuals, but the organisational case is also becoming that much clearer – new market opportunities from new products and services, brand and reputational benefits, opportunities for efficiencies and cost savings, and employee engagement and productivity benefits.

There are several challenges to effectively executing these strategies on sustainability that lie along the way, and one of the most common obstacles many organisations encounter is that among a significant proportion of both their senior leaders and employees at large there is lack of awareness about the issues, why they’re important and why they’re important to the business, and in many cases active resistance from some quarters. Even where there is strong awareness and commitment to action among senior leaders and employees, there can still be a lack of skill in grasping what that means they should be doing differently on a day to day basis.



To put it another way, any effective strategic organisational response to the opportunities and challenges of sustainability must involve some hearts and minds engagement. There is thus a clear role for talent management, HR, leadership development and organisation development professionals to leverage their expertise in helping organisations adapt and respond.

Ashridge Business School has been leading a programme of research for several years to understand how organisations are building their capability and acting to shift their organisational cultures to make them better placed to act on sustainability.

In 2009, at the invitation of UN Secretary General Ban Ki-Moon, and sponsored by Shell, Unilever, IBM, Johnson & Johnson and Microsoft, the founding corporate partners of the EABIS network, Ashridge led a programme of work to engage with CEOs on the question of what a changing global context might mean for leadership development.

Some of the key themes that came back from the CEOs we engaged with were that senior leaders needed a more nuanced understanding of the broader social context of business, they needed the skills to build stronger personal connections with diverse communities, and they needed to grasp both how they could lead change on sustainability, and how they could support others to lead change. Tellingly, in our global survey of companies participating in the UN Global Compact (a good bellwether of organisations that have done some level of thinking about sustainability and their business), 76% of CEOs and senior executives believed it important that leaders in their organisations possessed these qualities, but fewer than 8% thought that their organisations were developing them very effectively.

There are, however, a handful of pioneering organisations that have already actively engaged with the question of what this changing global context means for their leadership development activities. Ashridge and the United Nations are publishing research later this year based on an in-depth study of seven organisations that have been innovating in their approach to leadership development in an attempt to foster a generation of organisational leaders more sensitive to issues of sustainability.

One of those seven organisations is HSBC, where Ashridge was invited to conduct an in-depth evaluation of their global Climate Champions programme developed in partnership with NGO Earthwatch.

The drivers for HSBC in developing this programme were clear. As long ago as 2002 the bank recognised that it really needed to embrace and improve its understanding of environmental issues, that at that time these issues were not well understood in the organisation and this entailed both some business risk and the chance that some commercial opportunities would not be recognised.



As a result HSBC worked with Earthwatch to create the Investing in Nature programme, which in 2007 evolved into the Climate Champions programme. More than 2000 HSBC employees participated in the Investing in Nature programme between 2002 and 2007, and by 2012, a further 2200 will have completed the new Climate Champions programme, which involves supporting scientific research in one of five Earthwatch regional climate research centres. Spending up to two weeks conducting environmental research at one of five Earthwatch research centres worldwide, these employees, at the same time, learn about sustainability issues, and come to understand the threats and opportunities these present to their business.

HSBC's objectives are threefold: firstly, this endeavour is a contribution to building organisational understanding, skill and commitment around acting on climate change, secondly it is an investment in employee engagement, and thirdly, it is in itself a direct investment in support of action on climate change through the resource provided to help build the scientific evidence base.

What has this effort achieved? Participants in the Climate Champions programme report both a powerful personal impact and change in behaviour:

- 96% report that their knowledge of climate change and sustainability issues increased
- 93% report that their commitment to taking action on climate change and sustainability increased
- 92% report that they have included more environmental considerations in their day to day decision making
- 75% report that they have done or are doing a climate change related project or action within HSBC

As one senior leader within the organisation commented in an interview:

*"This is a big idea. It's the kind of idea people want to be known for as an organisation, what we want to stand for. Then there's also obviously the idea that it can save a lot of money. Also, there's the idea of not lending money to companies with destructive practices. This isn't a small idea. You need the internal change so that our customers and other stakeholders really experience this when they interact with HSBC. You need the change in order for us to really live this brand. That's why this kind of programme is important."*

There have also been demonstrable impacts on employee engagement: 79% of climate champions report that participating has made them more committed to HSBC as an organisation.

Earthwatch's long-term relationship with HSBC has enabled these organisations to find a joint approach to consolidating HSBC employee engagement. For example, Ashridge's evaluation was to put more emphasis on the steps they could take to support climate champions as they return to the organisation, enabling them to access more time and resource, stay in touch with each other, and get more support from more senior management – steps HSBC was already taking and are now putting more resource into.

This is just one example of how one organisation has been acting to innovate in its leadership development as part of building capability and shifting their organisational culture to make them better placed to act on climate change and sustainability. There is no one size fits all, and across the seven organisations we have looked at in-depth there are a wide diversity of approaches.

What is clear is that there is growing recognition among those organisations some way down the track of doing some sophisticated thinking on how to react to sustainability and climate change that engaging with the hearts and minds of senior leaders and employees more broadly is critical, and therefore those with expertise in learning and change have a central role to play.

## Supply chain – resource risks

**Trucost<sup>31</sup> data** enables organisations to identify, measure and manage the environmental risk associated with their operations, supply chains and investment portfolios. Key to their approach is that they not only quantify environmental risks, but also put a price on them, helping organisations understand environmental risk in business terms.

### Rising prices here to stay

The rise in energy and commodity prices follows on the heels of a bull market between 2006 and 2008. The high prices during the economic recovery in 2010 were unusual and reflected tight markets before the 2007 global financial crisis. Government responses to curb domestic inflation include raising export duties to conserve natural resources, stockpiling commodities and putting pressure on interest rates, which adversely affects the cost of capital. However, many price rises are here to stay as part of a commodities super-cycle driven by rising population levels, economic growth and urbanisation.

*Resource use drives greenhouse gas emissions, pollution and waste. Environmental accounting can shed light on opportunities to make supply chains more efficient to improve competitiveness.*



Greater demand will coincide with systemic supply constraints as resources including oil become more scarce. The International Energy Agency (IEA) expects oil production to peak by 2035.9 The speed at which unconventional oil sources are exploited, at higher costs than conventional production, will influence future energy prices. Electricity prices, which have already risen by around 30% annually in countries including Australia and South Africa over the past few years,<sup>10</sup> are set to continue

rising as fuel prices and network costs go up. Electricity consumption in China is expected to grow by 12% in 2011, and the China Electricity Council has warned of supply constraints due to “uncertainties in coal supplies, water inflows and weather conditions.”

Fossil fuel costs will rise as 85 countries that have pledged to cut GHG emissions introduce or strengthen policy measures such as carbon taxes, mandatory performance standards and emissions trading. Carbon prices and abatement costs will increase as Governments implement delayed emissions controls. Energy efficiency and switching supplies away from fossil fuels are vital to deliver energy security and reduce carbon dioxide emissions.

<sup>31</sup> <http://www.trucost.com/what-we-do>

## Water: a finite resource



Global water and wastewater tariffs rose by 8.5% on average between 2008 and 2010. Some water-scarce areas saw the biggest price hikes, with tariffs up by more than 80% in drought-stricken parts of Mexico and Moldova. The expectation that demand will exceed supply by 40% by 2030 suggests that price rises will be ongoing to fund infrastructure costs and drive improvements in water efficiency.

The World Bank and OECD have called for “substantial” increases in water prices to help manage water as a finite resource. Higher prices and stricter limits on water use will affect most companies through their supply chains, with suppliers operating in areas afflicted by water shortages facing the fastest rate rises and greatest tensions between industrial and agricultural use.

Understanding which suppliers could be most exposed to water risks is particularly important for the Food & Beverage sector. Trucost data on

water use in the supply chains of 35 Food Products firms show that most water is used in farming certain types of widely-used produce. Mapping larger water users to areas of water scarcity can inform supply chain water risk management.

### Identifying supply chain exposure

Since the main industrial GHG is carbon dioxide from energy use, GHG emissions data can be used as a proxy for energy use and exposure to rising energy and carbon costs. For instance, Trucost data show that most GHGs from 11 Automobiles & Parts companies in the MSCI World Index are emitted by suppliers. Analysis of their upstream supply chain data reveals that 38% of these supplier emissions are from iron and steel mills and ferroalloy manufacturers. Carmakers could therefore use a better understanding of fossil fuel use by suppliers in this sector to manage exposure to rising energy costs. Similarly, data on suppliers’ resource use and waste can be used to identify the most efficient suppliers which could face less upward pricing pressure from rising raw materials costs.



## Costs cascade through supply chains

Food production also uses significant amounts of raw materials and energy, while agriculture and food processing cause GHG emissions, waste and air and water pollution. In turn, pollutants and depletion of water resources can reduce crop productivity. The cycle of resource use driving depletion and pollution, which in turn affect energy and commodities prices, is repeated across sectors. Resource use, GHG emissions, water use, waste and pollution linked to the top 3,000 companies by market capitalisation in Trucost's database generated environmental costs totalling US\$ 2.15 trillion in 2008 alone. Half of the companies' exposure to rising input costs was through their supply chains. As these costs escalate, the cycle will become more pronounced.



**China's** Environment Minister has warned that "natural resources are shrinking, degenerating and drying up", and "ecological and environmental decay has become a bottleneck and a serious obstacle to... economic and social development."<sup>32</sup> Improving resource and carbon efficiency are central to China's 12th five-year plan, and the Government plans to introduce an environmental tax on heavy polluters to help control pollution. Similar steps to apply the "polluter pays" principle are being taken worldwide to make companies bear the costs of reducing pollution and waste, cleaning up polluted sites, or compensating for damages imposed on society and the environment.

## Improving transparency to map risks

As supply chains are caught up in the commodities super-cycle, efficient and reliable suppliers can become a strategic and competitive advantage.

Letting suppliers know how much more or less efficient they are than sector peers can help spur improvements that can also cut costs. Manufacturers that compete on resource efficiency can reduce risks across industries. Benefits can percolate through value chains as companies favour suppliers that deliver cost savings and limit exposure to rising input costs. Enterprise resource planning that takes account of resource efficiency can strengthen relationships with suppliers that help stabilise costs. This will be essential in an increasingly resource and carbon-constrained business environment.

For the full text of this briefing note, see: [http://www.trucost.com/publications/Supply Chain: Resource Risks](http://www.trucost.com/publications/Supply_Chain:_Resource_Risks)

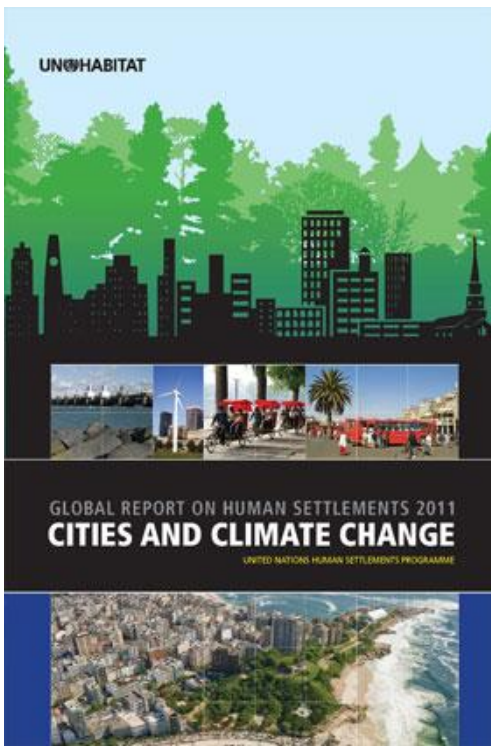
*Text reproduced here by permission*

<sup>32</sup> China pollution 'threat to growth', FT.com, 28 February 2011

## NEWS

### Climate Change

#### **Cities and climate change: Global Report on Human Settlements 2011**



A report by the UN says that urbanisation and climate change are on a crash course to threatening the world's environmental, economic and social stability unless action is urgently taken. The report states that the world's cities are responsible for up to 70% of greenhouse gases, while only occupying 2% of its land. The main sources of emissions come from urban areas and are related to the consumption of fossil fuels for electricity generation (mainly from coal, gas and oil); transportation; energy use in commercial and residential buildings; for lighting, cooking, space heating, and cooling; industrial production; and waste. The effects of increased urbanisation include an intensification of heat waves, drought, increased cyclone activity and extreme high sea levels. To understand and map the impact of cities and climate change, the report highlights the major factors that influence the total and per capita CO2 emissions of urban areas: a city's geographic situation; demographics; urban form and density; the urban economy; and the wealth and consumption patterns of urban residents. The report argues that local action is indispensable in order to fulfill international and national climate change commitments. Currently, it says, there are no clear

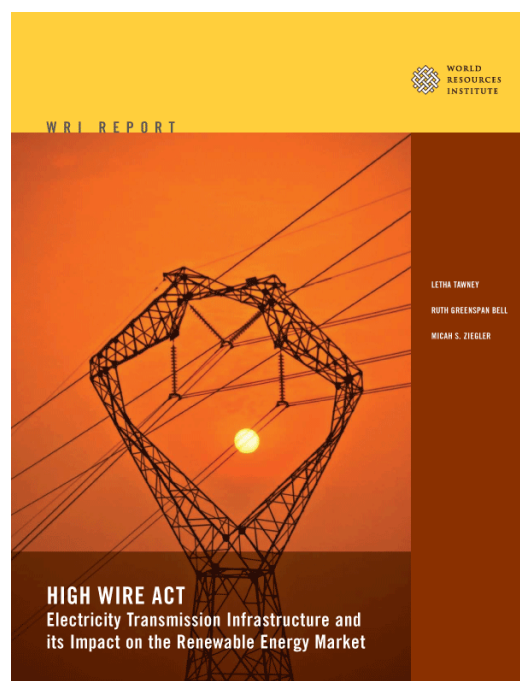
processes by which local governments, stakeholders and actors can participate in national climate change policies. The report considers mitigation and adaptation measures for a more sustainable future. Policies, it says need to address long and short-term issues and need to take an opportunity/risk management approach.

### Energy

The European Union, China, and the United States have all made significant commitments to renewable energy deployment, at either the central or regional levels. But they face a major challenge: how to integrate this power into the existing grids. As a [WRI report](#) shows, policies to help transmit renewable energy have not kept pace with ambitions.

The report examines the relationship of renewable energy and transmission in the European Union, China, and the United States. Supported by the [HSBC Climate Change Centre of Excellence](#), the research highlights how, in all three markets, transmission is currently a bottleneck to maximizing renewable energy's cost-effective contribution to the power mix.

The main message for policy makers crafting renewable energy policies and for investors seeking to be a part of this \$240 billion a year market is a simple one. Transmission constraints have to be addressed upfront to improve the chances of reaping the long-term rewards of a future powered by renewable energy.



## Information Technology



**Amazon Cloud Drive** is your hard drive in the cloud. Store your music, videos, photos, and documents on Amazon's secure servers. All you need is a web browser to upload, download, and access your files from any computer. [Get more details about using Cloud Drive](#) 5GB FREE

**Dropbox** is a Web-based file hosting service that uses cloud computing to enable users to store and share files and folders with others across the Internet using file synchronization. [www.dropbox.com/](http://www.dropbox.com/) 2GB FREE

**Windows Live Mesh** - With [Windows Live Mesh](#), you can sync up to 200 folders, each up to 50 GB in size and containing up to 100,000 files between computers. Plenty of free storage but Windows Live Essentials only work on Windows 7 and Windows Vista-powered computers.

## Waste

British supermodel and environmentalist Erin O'Connor has teamed up with SodaStream to launch "A World Without Bottles", a campaign to raise awareness of plastic bottle waste and its devastating effects on the environment.

Erin's involvement follows new research that reveals a shocking 63% of British adults do not know how the 13.1 billion plastic bottles – over 500 per household - used annually by UK households could damage the environment.

What's more, Brits hugely underestimate the amount of bottle waste they generate; with 42% of adults believing they use between 1-5 bottles a week in their household when the actual figure is double that.

To find out more and to support the campaign: [www.sodastream.com/worldwithoutbottles](http://www.sodastream.com/worldwithoutbottles)

