

Sustainable Procurement



*Greening the Supply Chain promotes more
Sustainable Energy Projects*

Presented at 2023 CIPMM Regional
Workshop- Nov 1, 2023



ONTARIO
**SUSTAINABLE
ENERGY**
ASSOCIATION



Sustainability
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Government
of Canada

Gouvernement
du Canada

Policy on Green Procurement

Green procurement is set within the context of achieving value for money. It requires the integration of environmental considerations into the procurement process including planning, acquisition, use and disposal. In this context, value for money includes the consideration of many factors such as cost, performance, availability, quality and environmental performance. Green procurement also requires an understanding of the whole lifecycle of goods and services being acquired from resource extraction through to disposal, including the total cost of ownership, the relevant risks and opportunities, the environmental and economic costs or benefits to society, and any environmental or economic non-monetized positive or negative impacts to society.

Objective

It is the objective of this policy to advance the protection of the environment and support sustainable development by integrating environmental performance considerations into the procurement decision-making process.

Given the Greening of government procurement, our objective is to show how including the request for the carbon footprint from the suppliers will contribute to the increased demand for sustainable energy options.

Given the increased recognition of Environmental, Social and Governance (ESG) reporting, and our Net Zero energy and carbon objectives, we will discuss the ways that procurement could request ESG information from the suppliers and consider the sustainable energy aspects in their evaluations.

Numerous global programs like CDP, GRI, GRESB and others cover a broad range of issues. Products, services or space that are procured, all require energy for some aspects of their creation and delivery. Requesting a measurable carbon footprint and showing the suppliers how lower GHGs will be considered in the evaluation of their offer could entice more suppliers to make investments in sustainable energy options. It could be using more recycled inputs, investing in energy efficiency and renewable energy produced at site or purchased, decarbonizing their facilities and transportation, and requesting the same sustainable energy from their supply chain.

Given the Greening of government procurement, our objective is to show how including the request for the carbon footprint from the suppliers will contribute to the increased demand for sustainable energy options.

Suggesting suppliers use programs like RETScreen that now provides more decarbonization feasibility and life cycle cost assessment capabilities for all types of investments and measuring with programs like the Green Globes Net Zero Energy & Net Zero Carbon Programs for buildings, will advance our Net Zero objectives.

Requesting Environmental Product Declarations (EPD) which includes their GHG content will also increase the development and use of more EPDs. The International EPD System is open to private and public organizations from most countries, and any product category. As of today, 400+ organizations from almost 50 countries publish their EPDs via the programme.

Most jurisdictions where purchases are made have renewable energy in their new plans and the federal government is providing incentives, loans and clean energy tax credits that should be promoted.

Agenda

<i>Topics</i>	<i>To leave time for discussion and questions I will briefly go over these very detailed slides from the open sources below.</i>
What is SP? Definitions, Terminology	
Why SP – Drivers, Barriers, Benefits	
How SP – Sustainable Procurement Toolkit	
What is NZP? Definitions, Positioning	
Why NZP – Drivers, Benefits	
How NZP – Net-Zero Procurement Toolkit	
Status of NZP	
Comparison of NZP Toolkit to SP Toolkit	
SP and NZP Support Organizations	

1. <https://sustainabilityadvantage.com/sp/toolkit/> - <https://sustainabilityadvantage.com/sp/net-zero/>

Given the following Definitions, and Terminology I will focus on the life cycle cost and benefits to show how the value for money required under government procurement is met but also how the Net Zero contributions may differ from each bid submitted.

My perspective comes from experience as a Buyer for Bechtel Canada and Johnson and Johnson, then Purchasing Agent and Financial Evaluations Officer for Ontario Hydro.

Sustainable Procurement: Four-part Definition



“Obtaining *best value* for money by purchasing...
...the *most sustainable goods and services*...
...from the *most sustainable suppliers*...
...in support of the buyer’s *purpose, policies, and strategic goals.*”

Sustainable Procurement *makes sustainability matter* to suppliers,
because *sustainability attributes of goods and services,*
and *sustainability attributes of suppliers,*
are *significantly weighted* in their customers’ bid appraisal.



Sustainable Procurement Enables the SDGs

Sustainable Procurement

A market force enabling attainment of the SDGs

Green Procurement



Net-Zero Procurement



Circular Procurement



Social Procurement



Employee & Community / Society Wellbeing

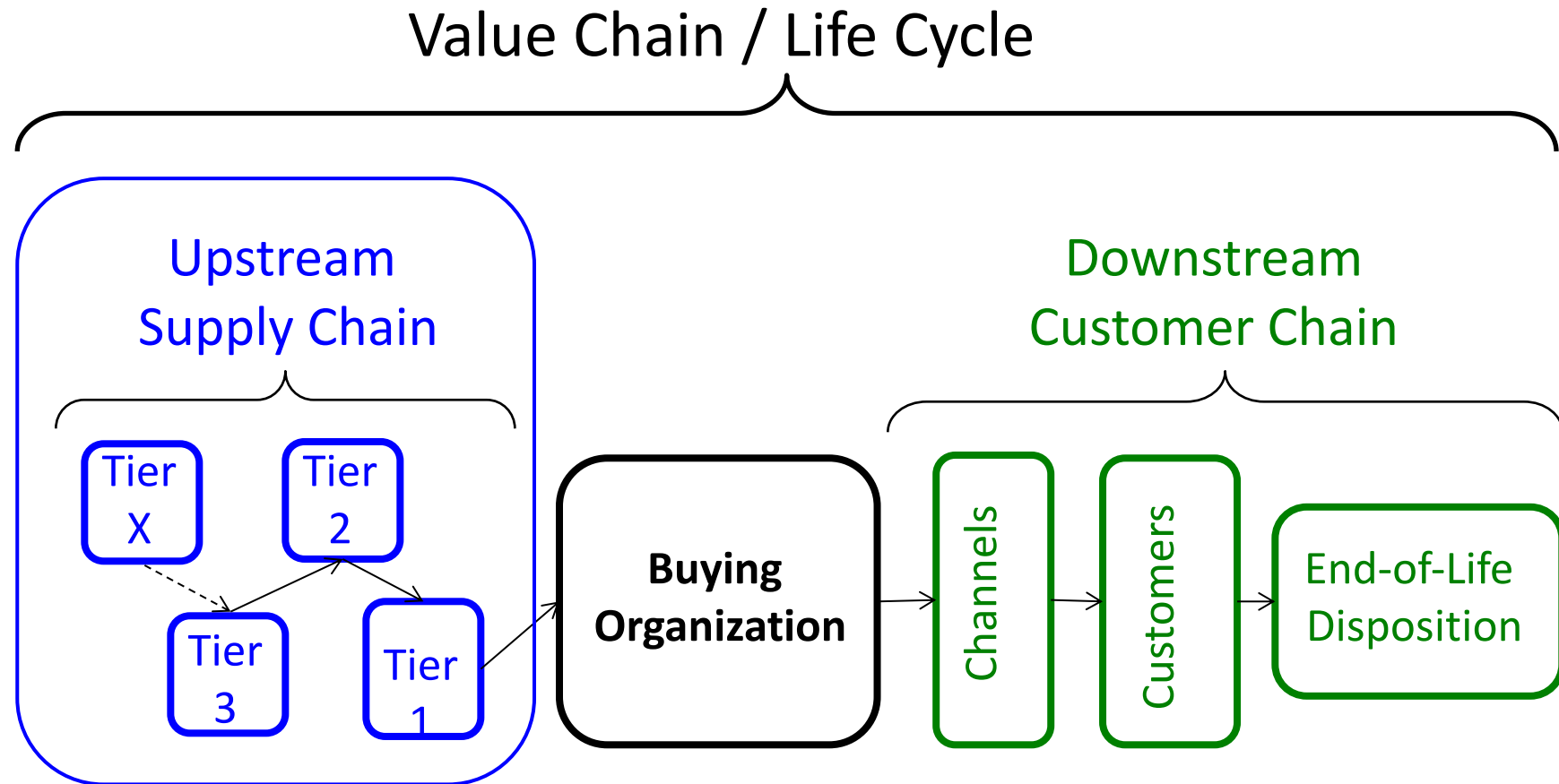


Greatest Impacts Are In Supply Chains



Based on a figure in “A Sustainable IT Purchasing Guide,” HP, January 2020.

Mutual Accountability Scope





Benefits of SP

TYPE	DESCRIPTION	AVERAGE RESULTS	COMPARED TO SUSTAINABLE PROCUREMENT PROGRAMME COSTS
Cost reduction	Reduction in total cost of ownership linked to reduced energy costs, reduced over-specification, reduced consumption and reduced social and environmental compliance costs	0.05% of total revenue per project ¹	Up to 6 times payback
Risk reduction	Financial impact on brand value from bad supplier practices (e.g., child labour, local pollution); economic cost of supply chain disruptions (e.g., noncompliance with environmental regulations)	Additional direct costs as a 0.7% of total revenue	Up to 85 times payback
		Decrease of 12% in market cap	NA
Revenue growth	Additional revenue through innovation of eco-friendly products/services, price premium or income from recycling programmes	0.5% of total revenue	Up to 58 times payback

“Value of Sustainable Procurement Practices,” PwC and EcoVadis in collaboration with the INSEAD Social Innovation Centre, 2011.

Benefits to *Buyers* of SP



- Ensures ***best value*** for money ... ***weights what matters most***.
- ***Reduces reputational risk*** ... mitigates supply chain **hot-spots**
- ***Increases reputation*** and ***employee engagement***, if publicly disclose scores.
- **Enabler of corporate *purpose*** ... uses ***buying power as a market force*** for a sustainable, circular, just and decarbonized economy.
- Creates ***partnership opportunities*** for innovation with suppliers.
- Improves readiness for sustainable procurement ***regulations***.
- ***Non-disruptive integration*** ... builds on current procurement systems.
- If the buyer is a government, it is acting as a **customer** vs. as a regulator.

“Making the Case for Investment in Your Company’s Sustainable Purchasing Program,”
Sustainable Procurement Leadership Council (SPLC) and EcoVadis, 2019.

SP Cost-Benefit Analysis

Enabler of corporate Purpose
and Strategic Goals

Cost reductions
Revenue growth
Improved reputation
Innovation with suppliers

Risk reductions

Access to capital

21st Century CAPEX Request Form

Project Requesters / Sponsors

Project Description / Why Needed

- + Helps fulfill **purpose / vision / values**
- + Aligns with **long-term strategic plans**
- + Improves **environmental and social** impacts

Expense and Revenue Impacts

- + Increased **revenue**
- + Savings on **operational** and **HR expenses**
- + Lower **cost of capital**
- + Higher **asset values** and **market value**

Risks avoided

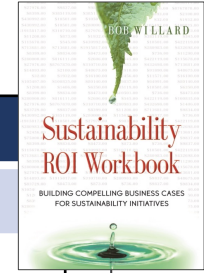
- + Monetized risks of **not** doing the project

Capital Required (CAPEX) and Sources

- + New **sources** of capital

Financial Analysis / ROI

Payback Period, IRR, NPV ...



Identification / quantification / monetization help

How SP – Sustainable Procurement Toolkit

Sustainable Procurement (SP) Toolkit



The add-ons expedite the integration of SP into any procurement process.

- ***SP Bid Appraisal Template***

Makes sustainability matter by heavily weighting the *supplier* score on core sustainability issues and the *product* score on sustainability-related specs.

- ***SP Supplier Assessment Tool***

Scores suppliers' impacts on people and planet.

- ***SP Product Specifications Checklist***

Specifications used to score sustainability features of the product.

- ***SP Sample Ts & Cs***

Ensure winning suppliers' stated sustainability targets are met.

+ The Toolkit also includes a ***Total Cost of Ownership (TCO)*** calculator for use, if appropriate.

SP Bid Appraisal Template



% Weight (% of Points)	SP Bid Appraisal Criteria	Score (1-100%)	Weighted Score
10-30%	Supplier score on core sustainability issues , including supplier commitment to net-zero	Score	Weighted score
10-30%	Product score on sustainability-related specs , including climate-beneficial specs	Score	Weighted score
x%	Score on other product-related specs e.g., quality, price / Total Cost of Ownership (TCO) , warranty, delivery	Score	Weighted score
x%	Score on other supplier-related attributes e.g., location, size, social enterprise, ownership diversity	Score	Weighted score
100%	Best value for money is the supplier's bid with the highest total weighted score		Total weighted score

SP Bid Appraisal Template – Example

% Weight (% of Points)	SP Bid Appraisal Criteria	Score (0-100%)	Weighted Score
30%	<i>Supplier</i> score on core sustainability issues	80	24
20%	<i>Product</i> score on sustainability-related specs	30	6
30%	Score on other product-related specs e.g., quality, price / Total Cost of Ownership (TCO) , warranty, delivery	90	27
20%	Score on other supplier-related attributes e.g., location, size, social enterprise, ownership diversity	50	10
100%	<i>Best value for money</i> is the supplier's bid with the highest total weighted score		67

Total Cost / Value Of Ownership (TCO)

*TCO helps determine if initially paying more for the goods and services is the **best long-term financial decision**.*

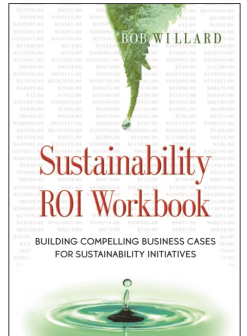
Estimates all **ongoing** direct and indirect costs, benefits and value associated with the procurement of the goods and services.

Benefits

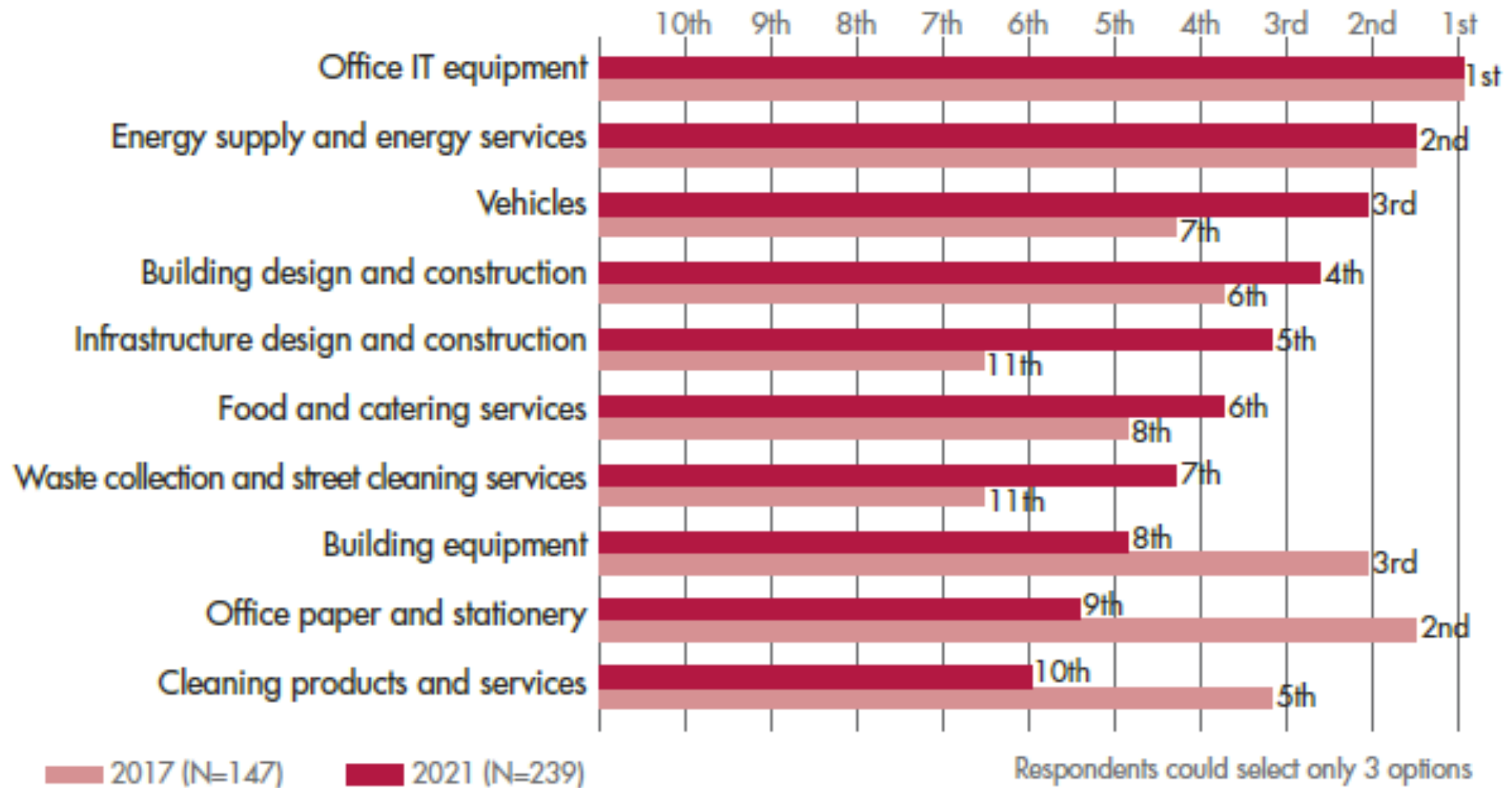
- Reveals potential ongoing costs before they become problems.
- Provides input to user department budgeting & financial planning.
- Determines service cost / chargebacks to user departments.
- Ties to asset management factors – depreciation schedules.
- Identifies "hidden" costs of ownership.
- Helps make lease vs. buy decisions.

Total Cost / Value of Ownership (TCO)	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	...	Yr x
One-time acquisition and start-up costs							
<i>All prices, taxes, fees, start-up costs, etc., – Any incentives for sustainable products</i> <div>\$</div>							
Ongoing costs / expenses							
<i>Utilities, fees, supplies, insurance, maintenance, etc.</i>	\$	\$	\$	\$	\$	\$	\$
Value of ongoing revenue increases (optional, if significant)							
From improved reputation, brand, image	\$	\$	\$	\$	\$	\$	\$
Value of employee-related benefits (optional, if significant)							
Improved productivity; lower hiring and attrition costs	\$	\$	\$	\$	\$	\$	\$
Cost of disposition at end-of-life							
<i>Cost of disposition, minus Trade-in value</i>							\$
Annual cash flows	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$
NPV of impact on cash flows	\$\$\$						
Value added to balance sheet (optional, if significant)	\$\$\$						
Avoided costs if did NOT make the acquisition (optional)	\$\$\$						

Based on ...



Top 10 Product Categories in SP



“Sustainable Public Procurement: 2022 Global Review, Part 1,” UN Environmental Programme, January 2022.

Based on data collected in 2021 on 314 organizations across 92 countries via a Stakeholder Survey, plus data gathered on SP activities of 45 countries in a National Government Questionnaire, plus interviews with 26 sustainable procurement experts, plus a literature review.

What is NZP?

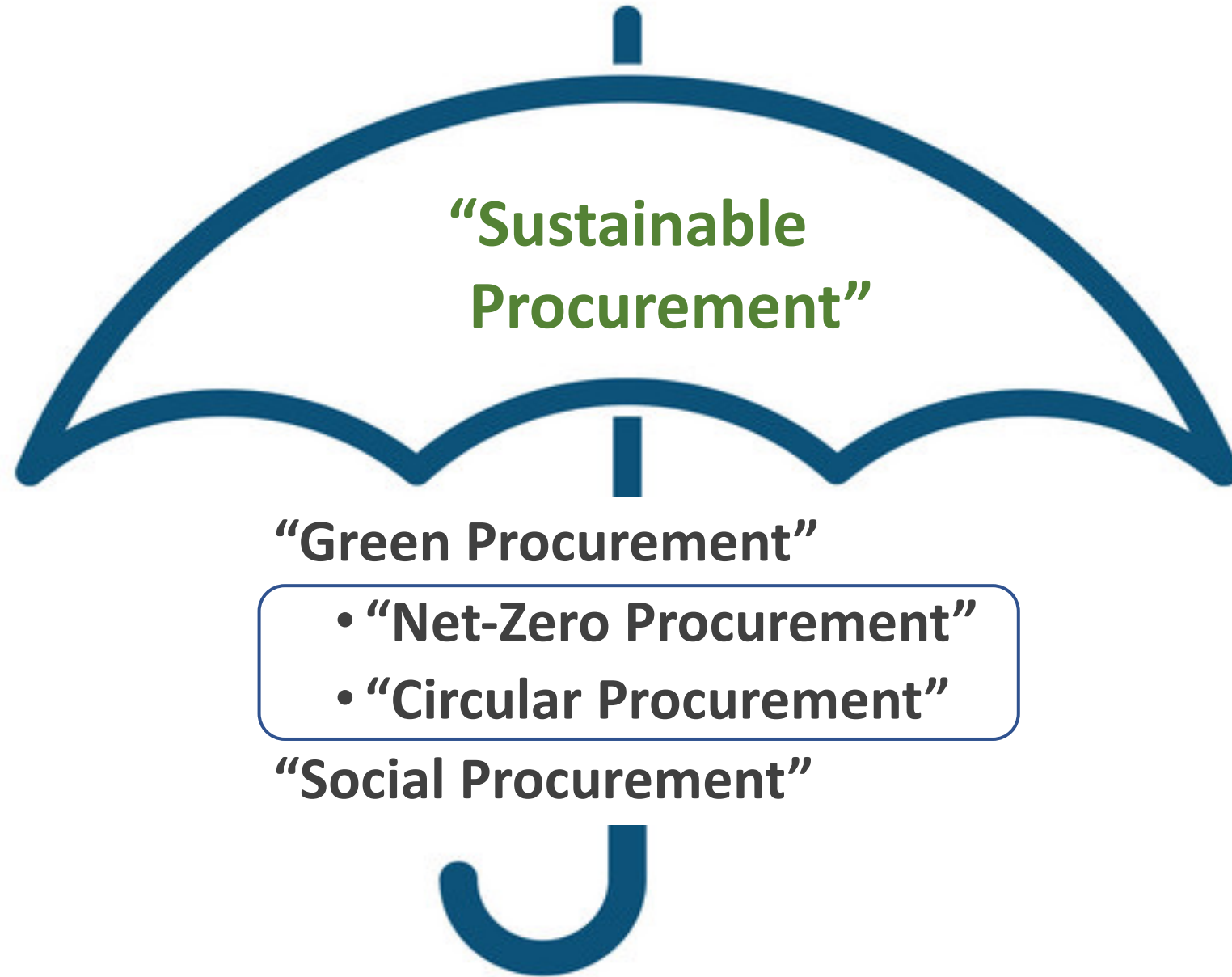
Definitions, Positioning

Net-Zero Procurement: Four-part Definition

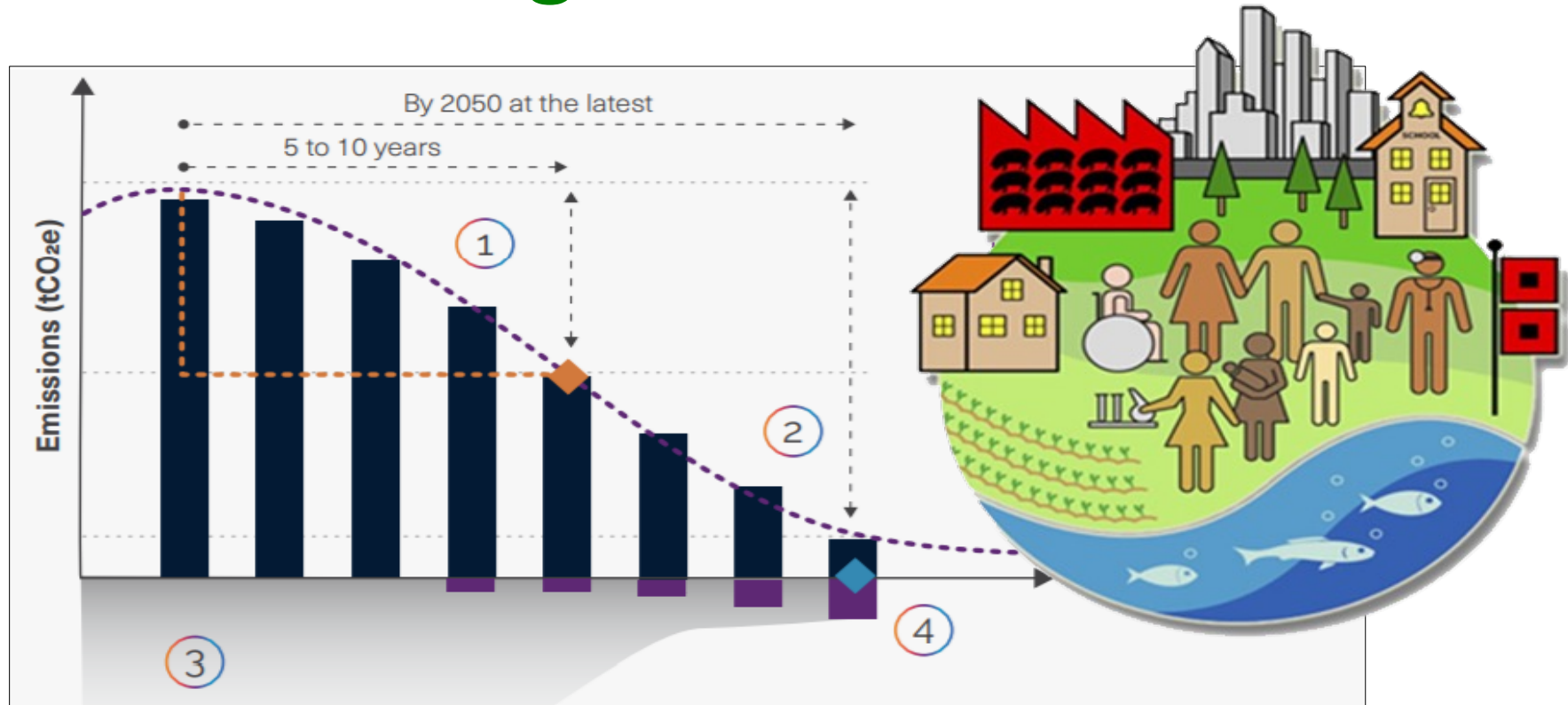


“Obtaining *best value* for money by purchasing...
...the **most climate-beneficial *goods & services***...
...from *suppliers* who are most committed to science-based
net-zero GHG reduction targets...
...in support of the buyer’s *purpose, policies, and strategic goals.*”

Net-Zero Procurement *makes GHG reductions matter* to suppliers,
because the **climate-beneficial features of proposed *goods and services***,
and the **level of *supplier* commitment to science-based net-zero targets**,
are *significantly weighted* in their customers’ bid appraisal.



SBTi Net-Zero Target



1. **Reduce all GHGs 50% by 2030**
2. **Reduce all GHGs 100% by 2050**
3. Beyond value chain mitigation
4. Neutralization of last 5-10% / residual emissions

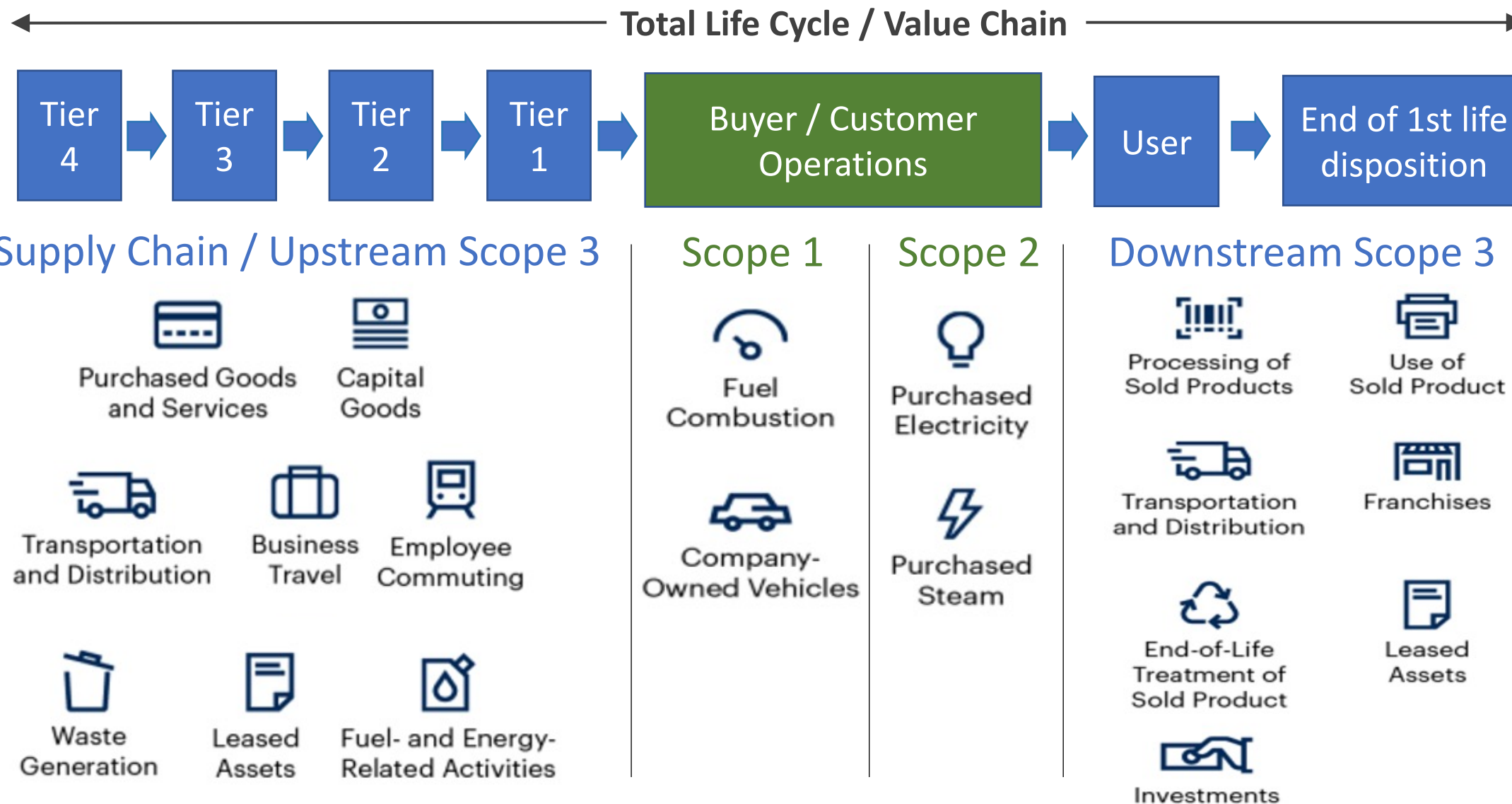
Based on "SBTi Net-Zero Standard," Science-Based Targets, October 2021..

Net Zero Initiative (NZI) 10 Principles

1. “Net zero” refers to the global *balance between GHG emissions and carbon sinks*.
2. For a company, having a net zero strategy means wanting to carry out the *transformations needed to reach global carbon neutrality by 2050*.
3. To organise their climate action, companies must distinguish three different types of action that are non-fungible: *reduction, avoidance, removal*.
4. ***The absolute priority of companies must be to reduce their emissions.***
5. Companies must assess the ***totality of their value chain emissions***.
6. The emission reduction goals must be consistent with *climate science*.
7. Beyond making commitments, it is urgent for companies to obtain *concrete and rapid results on reducing their emissions*.
8. Companies must contribute to the *decarbonization of their ecosystem* as much as possible, through the generation of avoided emissions.
9. Companies must develop *carbon sinks* at the fair level.
10. If companies wish to *communicate* on their climate strategy, it must be done with rigor and irreproachably.

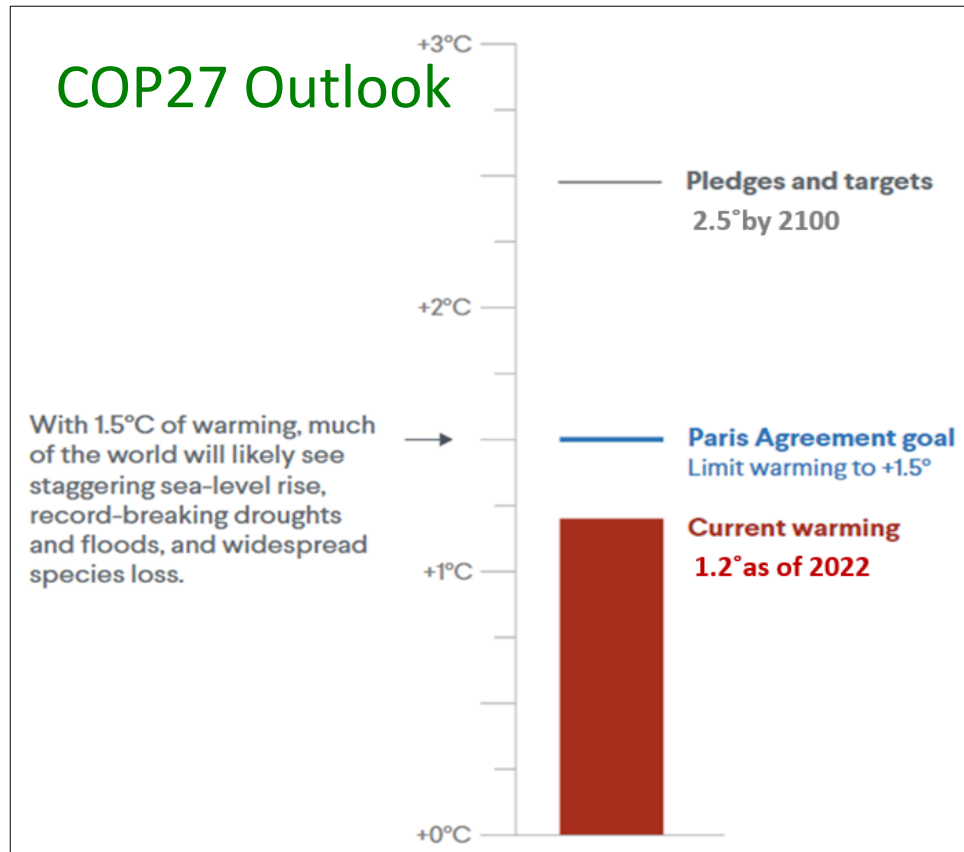


Scope 1, 2, 3 GHG Emission Sources



Why NZP – Drivers, Benefits

The Need For Net-Zero Procurement



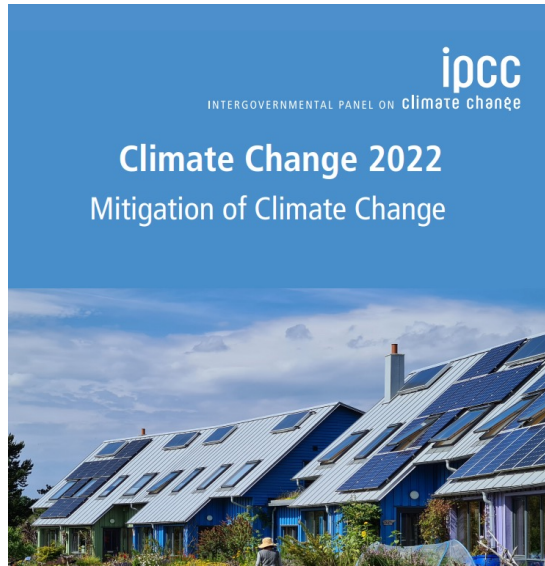
- Governments' COP pledges are insufficient and unfulfilled.
- Most businesses are sitting on the sidelines waiting for governments to fix climate change.
- Unless businesses set and meet science-based net-zero targets, the climate cannot be stabilized.
- Only 2.5% of suppliers have science-based net-zero targets

The *buying power* of companies and governments using Net-Zero Procurement is a *market force* that will mobilize businesses in the race to net-zero GHGs.

"Climate Plans Remain Insufficient;" UN Climate Change press release, October 2022.

"CDP Global Supply Chain Report 2021," CDP, February 2022.

IPCC – April 2022



“The latest IPCC report is a *litany of broken climate promises*. Some government & business leaders are saying one thing but doing another. *They are lying. It is time to stop burning our planet.*”

UN Secretary General
António Guterres

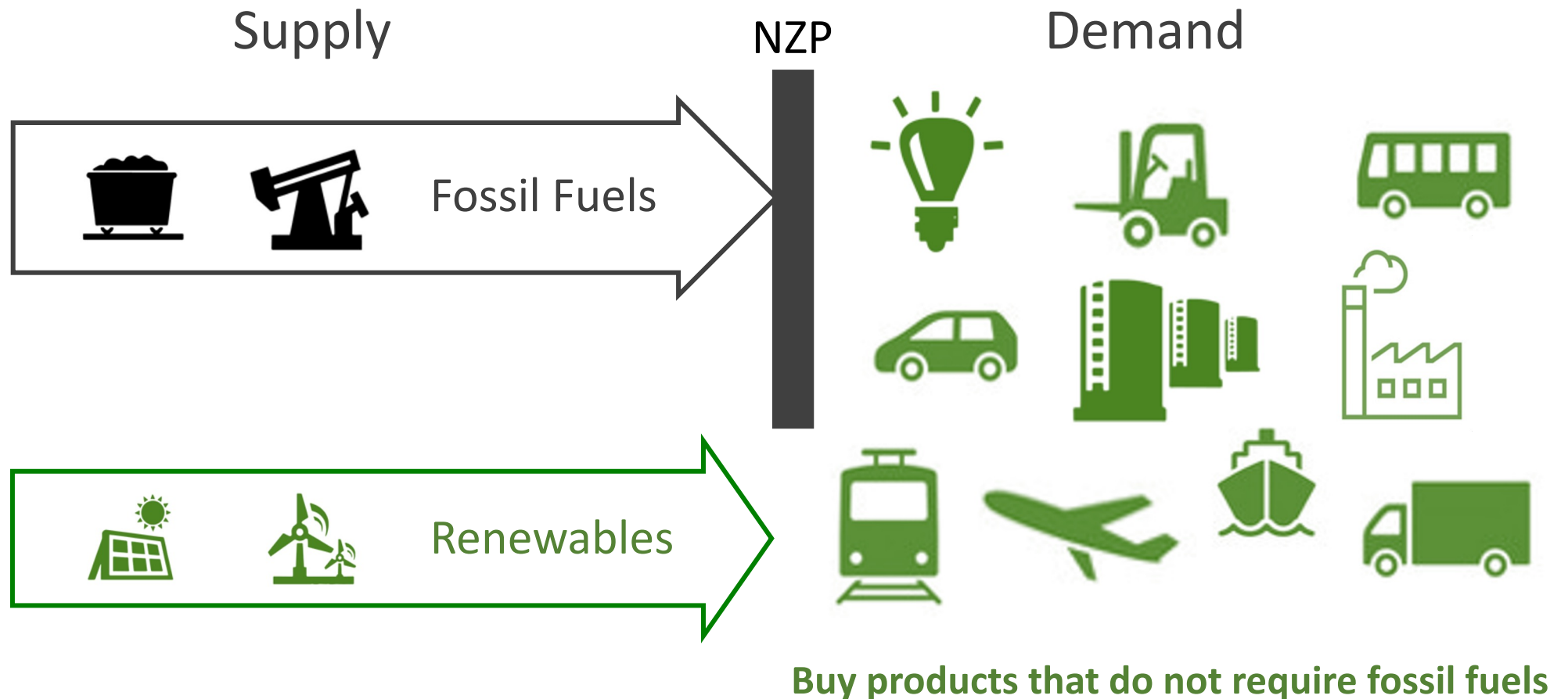


- “**We are at a crossroads.** The decisions we make now can secure a liveable future.”
- “Without immediate and deep emissions reductions across all sectors, limiting global warming to 1.5°C is *beyond reach*. We have options in all sectors to **at least halve emissions by 2030.**”

“Climate Change 2022: Mitigation of climate change,” Summary for Policymakers of the IPCC Working Group III report, April 2022.

NZP Reduces The *Demand* For Fossil Fuels

(The Stone Age didn't end because we ran out of stones ...)



Demands for Scope 3 / Supply Chain GHG Disclosures

- European Commission's Corporate Reporting Sustainability Directive (CSRD) now requires more than 3,000 U.S. companies to disclose their GHG emissions data, *including Scope 3 emissions*, to European regulators and to disclose their 1.5°C aligned transition plans.
- The Securities and Exchange Commission (SEC) has published a proposed rule to enhance and standardize climate-related disclosure for investors, *including Scope 3 emissions*.
- In 2022, the federal government announced mandatory reporting of Scope 3 emissions for large financial institutions starting in 2024. However, the lagging performance of Scope 3 disclosures from Canadian companies reflects a need for regulators to catch up to international peers and ensure more companies report on their Scope 3 emissions—particularly in their most material categories.



Government
of Canada

Benefits to *Buyers* of NZP



- Ensures *best value* for money ... **weights what matters most.**
- *Reduces reputational risk* ... mitigates supply chain climate-related **hot-spots.**
- *Increases reputation* and *employee engagement*, if publicly disclose NZP use.
- **Enabler of corporate purpose** ... uses *buying power as a market force* for a circular and decarbonized economy.
- Improves readiness for net-zero procurement **regulations.**
- Creates *partnership opportunities* for innovation with suppliers.
- *Non-disruptive integration* ... builds on current procurement systems.
- If the buyer is a government, it is acting as a **customer** vs. as a regulator.

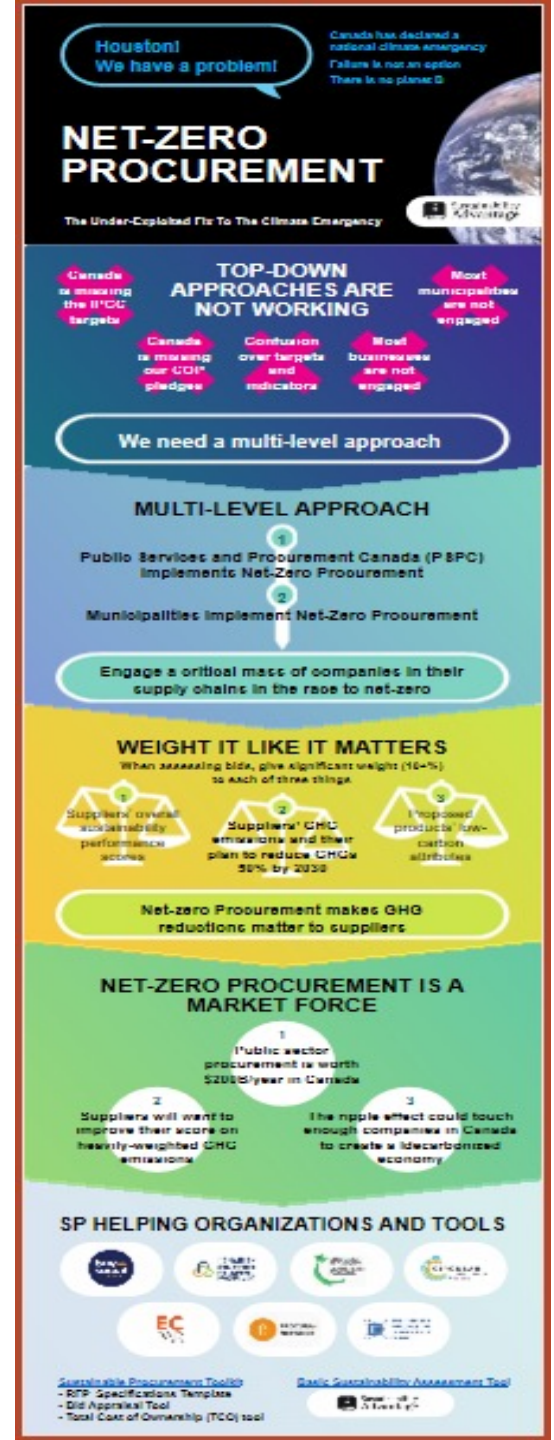
Benefits to *Suppliers* of NZP

- ***Competitive advantage*** ... earn significant points for net-zero efforts.
- **Creates a *market*** for their climate-beneficial products.
- ***Increases reputation*** and ***employee engagement***, if publicly disclose scores.
- Improves readiness for net-zero procurement ***regulations***.
- Creates ***partnership opportunities for innovation*** with buyers.
- Validates that a net-zero ***purpose drives profits***.
- Yields a ***net-zero assessment*** usable with other stakeholders (e.g., disclosures to bankers, investors, insurers)
- Can **use NZP with *their suppliers***, to ensure best value for money.



Net-Zero Procurement Infographic

- Free, open-source, editable PowerPoint infographic
- 6 panels
- Summarizes the What, Why, and How of implementing Net-Zero Procurement at the federal and municipal levels in Canada.
- Can be tailored to support Net-Zero Procurement implementation in any jurisdiction.



Briefing Note: Net-Zero Procurement

BRIEFING NOTE

How to Mobilize the Business Community in the Race to Net-Zero:
Use *Net-Zero Procurement* as a Ubiquitous Market Force

Purpose

The purpose of this briefing note is to present options and a recommendation on how the Government of Canada (GC) can mobilize its suppliers and the larger business community in the race to [net-zero](#).



- 3-page, tailorable briefing note for government officials
- Summarizes the three main features of an N-ZP system
 - NZP mandates that all suppliers *disclose* their net-zero scores.
 - NZP *incentivizes / weights* supplier commitment to net-zero.
 - NZP *contracts* with suppliers to meet net-zero targets.

Why Net-Zero Procurement



- **Takes action on the high-profile climate crisis**
- Is a Trojan Horse market force
- Expedites a market for sustainable products
- Quick-starts sustainable business models
- Scales globally

“5 Reasons Net-Zero Procurement Can Achieve System Change,” Sustainability Advantage blog, May 2022.

<https://sustainabilityadvantage.com/2022/04/05/6757/>

3 Superpowers of Net-Zero Procurement (N-ZP)



- **Disclosure Superpower:** Voluntary disclosure of net-zero progress to prequalify as a supplier
- **Incentive Superpower:** Suppliers doing the best on net-zero targets receive preferential treatment thru heavy weightings in bid appraisals
- **Commitment Superpower:** Contract stipulates penalties / bonuses re meeting short-term targets; CEO pay link; and/or public commitment

NZPP Is A “Super-Leverage Point”

- Low difficulty
- Low cost
- Reasonably high probability of it gaining traction in all jurisdictions
- Large impact on deployment of clean tech, zero emission solutions
- Influences all major emitting sectors
- Positively supports the transition to a net-zero economy
- Starts the transition to a sustainable economy

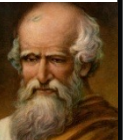
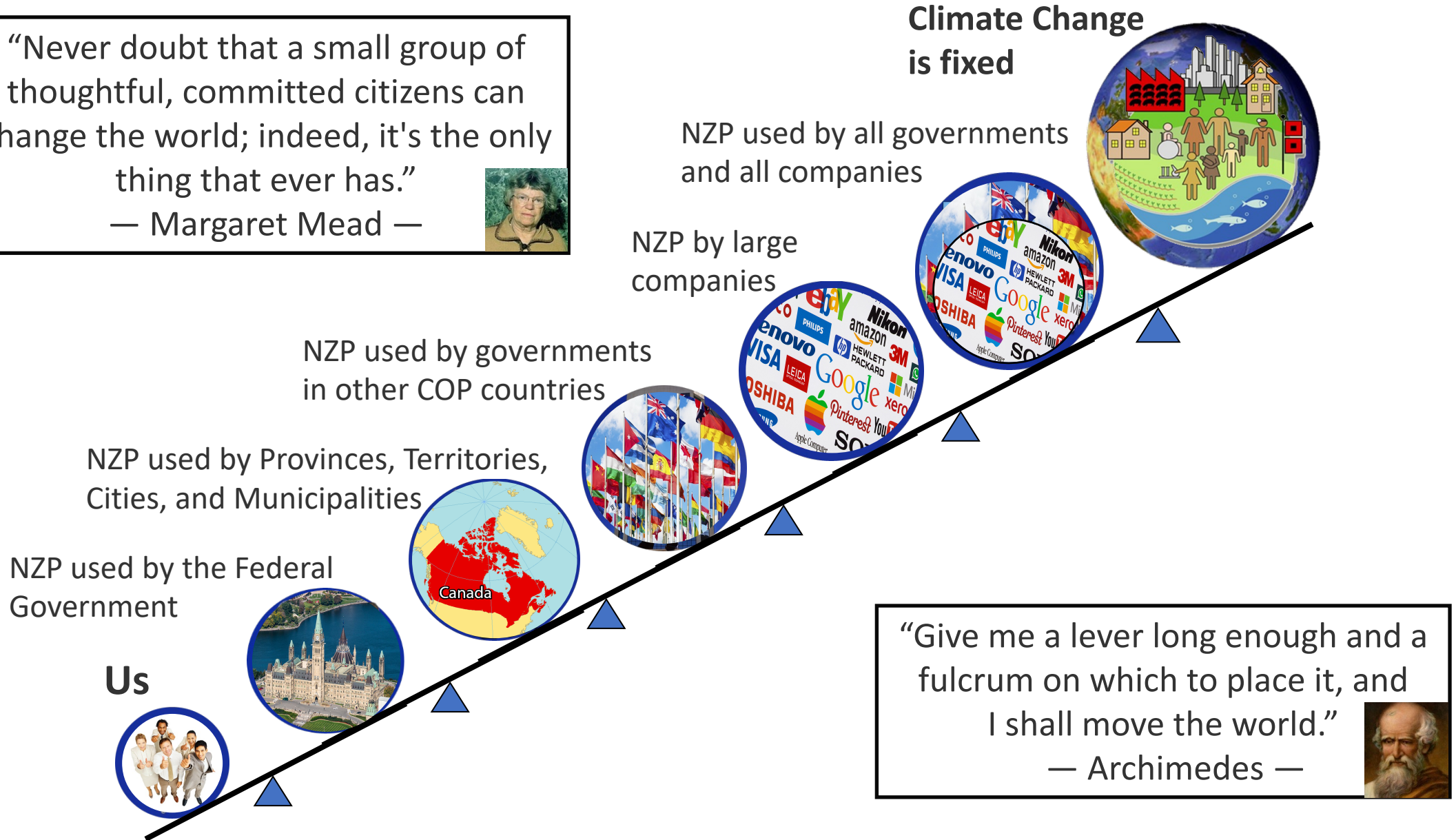


“Give me a lever long enough and a fulcrum on which to place it, and I shall move the world.”
— Archimedes —

“The Breakthrough Effect: How To Trigger A Cascade Of Tipping Points To Accelerate The Net Zero Transition.”
Uses the super-leverage point attributes described in ““The Breakthrough Effect: How To Trigger A Cascade Of Tipping Points To Accelerate The Net Zero Transition,” Bezos Earth Fund, SystemIQ, and University of Exeter, January 2023.

NZP Can Fix Climate Change

“Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it's the only thing that ever has.”
— Margaret Mead —



How NZP – Net-Zero Procurement Toolkit

Net-Zero Procurement (NZP) Toolkit



The add-ons expedite the integration of NZP into any procurement process.

- ***NZP Bid Appraisal Template***

Makes GHG reductions matter by heavily weighting the **supplier** score on commitment to science-based net-zero targets and the **product** scores on climate-beneficial specifications.

- ***NZP Supplier Assessment Tool***

Scores suppliers' commitment to net-zero targets.

- ***NZP Product Specifications Checklist***

Specifications used to score climate-friendliness of products.

- ***NZP Sample Ts & Cs***

Ensure winning suppliers' net-zero targets are met.

+ The Toolkit also includes a ***Total Cost of Ownership (TCO)*** calculator for use, if appropriate.

NZP Bid Appraisal Template – Makes it matter



% Weight (% of Points)	NZP Bid Appraisal Criteria	Score (0-100%)	Weighted Score
10-30%	Supplier score on net-zero commitment	Score	Weighted score
10-30%	Product score on climate-beneficial / circularity specifications	Score	Weighted score
x%	Score on other product-related specs e.g., quality, price / Total Cost of Ownership (TCO) , warranty, delivery	Score	Weighted score
x%	Score on other supplier-related attributes e.g., location, size, social enterprise, ownership diversity	Score	Weighted score
100%	Best value for money is the supplier's bid with the highest total weighted score		Total weighted score

NZP Bid Appraisal Template – Example



% Weight (% of Points)	NZP Bid Appraisal Criteria	Score (0-100%)	Weighted Score
30%	<i>Supplier score on net-zero commitment</i>	80%	24
20%	<i>Product score on climate-beneficial / circularity specifications</i>	30%	6
30%	Score on other product-related specs e.g., quality, price / Total Cost of Ownership (TCO) , warranty, delivery	90%	27
20%	Score on other supplier-related attributes e.g., location, size, social enterprise, ownership diversity	50%	10
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Total Cost / Value Of Ownership (TCO)

*TCO helps determine if initially paying more for the goods and services is the **best long-term financial decision**.*

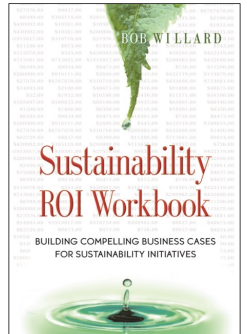
Estimates all **ongoing** direct and indirect costs, benefits and value associated with the procurement of the goods and services.

Benefits

- Reveals potential ongoing costs before they become problems.
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Total Cost / Value of Ownership (TCO)	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	...	Yr x
One-time acquisition and start-up costs							
<i>All prices, taxes, fees, start-up costs, etc., – Any incentives for sustainable products</i> <div>\$</div>							
Ongoing costs / expenses							
<i>Utilities, fees, supplies, insurance, maintenance, etc.</i>	\$	\$	\$	\$	\$	\$	\$
Value of ongoing revenue increases (optional, if significant)							
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Value of employee-related benefits (optional, if significant)							
Improved productivity; lower hiring and attrition costs	\$	\$	\$	\$	\$	\$	\$
Cost of disposition at end-of-life							
<i>Cost of disposition, minus Trade-in value</i>							\$
Annual cash flows	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$
NPV of impact on cash flows	\$\$\$						
Value added to balance sheet (optional, if significant)	\$\$\$						
Avoided costs if did NOT make the acquisition (optional)	\$\$\$						

Based on ...



Net-Zero Procurement (NZP) Toolkit



The add-ons expedite the integration of NZP into any procurement process.

✓ ***NZP Bid Appraisal Template***

Makes GHG reductions matter by heavily weighting the **supplier** score on commitment to science-based net-zero targets and the **product** scores on climate-beneficial specifications.

- ***NZP Supplier Assessment Tool***

Scores suppliers' commitment to net-zero targets.

- ***NZP Product Specifications Checklist***

Specifications used to score climate-friendliness of products.

- ***NZP Sample Ts & Cs***

Ensure winning suppliers' net-zero targets are met.

+ The Toolkit also includes a ***Total Cost of Ownership (TCO)*** calculator for use, if appropriate.

Net-Zero Questionnaire Sources

What topics / questions are common to mainstream net-zero reporting frameworks, standards, and questionnaires?

Net-Zero Assessment Frameworks

[CDP – Climate Disclosure Framework for SMEs](#)

[UN Race to Zero](#)

[Science-Based Targets initiative \(SBTi\)](#)

[Task Force on Climate Related Financial Disclosures \(TCFD\)](#)

[Environment and Climate Change Canada \(ECCC\)
Net-Zero Challenge Checklist Questionnaires](#)

[Canadian Treasury Board Secretariat \(TBS\)
RFI for Disclosure of Emissions and the Setting of
Reduction Targets](#)

(Other ...?)

Common Net-Zero Question Topics

Issues / Topics		NZAT	CDP for SMEs	UN Race to Zero	SBTi	TCFD	ECCC NZC	...
Scope 1	Current year emissions	---	---				---	
	Base year emissions	---	---		---		---	
	Reduction targets	---	---	---	---	---	---	
	Planned actions	---	---	---	---	---		
Scope 2	Current year emissions	---	---		---		---	
	Base year emissions	---	---		---		---	
	Reduction targets	---	---	---	---	---	---	
	Planned actions	---	---	---	---	---		
Scope 3	Current year emissions	---	---				---	
	Base year emissions	---	---				---	
	Reduction targets	---	---	---	---		---	
	Planned actions	---	---	---	---		---	
Governance ... Business model, lobbying, public disclosure, NZP, risk assessments		---	---	---	---	---		
Positive Impacts ... helping others; removing GHGs, using NZP themselves		---	---		---			

Net-Zero Assessment Tool (NZAT)

Meets design criteria for supplier disclosure tool.

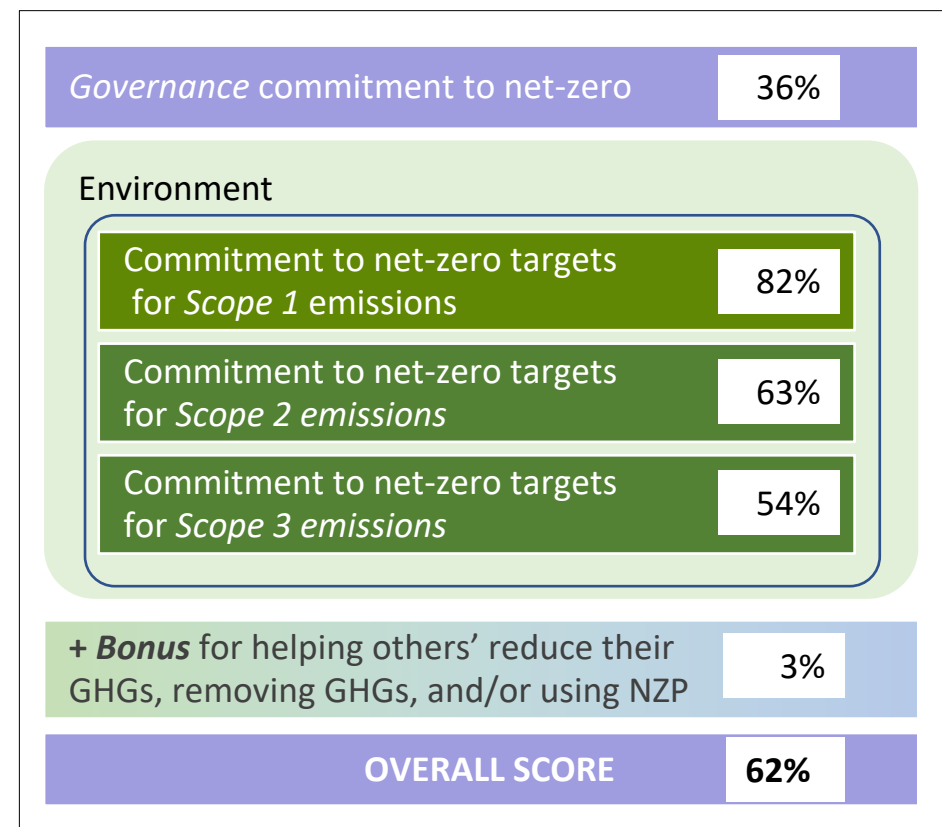


- ✓ *Generic / Comparable*
- ✓ *Comprehensive*
- ✓ *Scorable*
- ✓ *SME-friendly*
- ✓ *Educational*
- ✓ *Verifiable*
- ✓ *Accessible*

+ **Bonuses** for helping others,
removing GHGs, using NZP

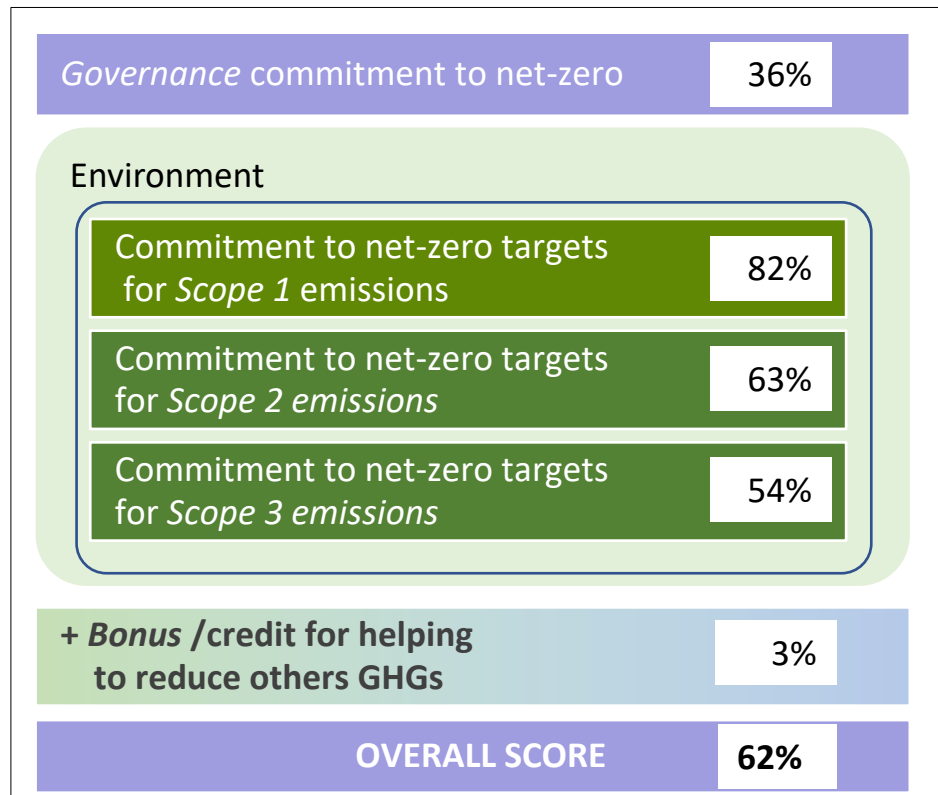
+ **Incentivizes short-term action**

Sample NZAT scores



Supplier Net-Zero Commitment Assessment

In an N-ZP system, **all** suppliers **voluntarily disclose** their commitment to science-based net-zero targets.



- If a supplier chooses not to disclose, they simply **score zero** and will not earn any of the points allotted to supplier commitment to net-zero.
- The scores become part of the **supplier's profile** and can be updated at any time.
- New suppliers complete the assessment as part of their bids.

NZP Sample Ts & Cs



Contract terms and conditions that help ensure winning suppliers will meet their net-zero targets. For example ...

- *Financial penalties / bonuses* re completion of the supplier's short-term net-zero action plans.
- *Preferential payment terms* or financing rates based on carbon reduction targets, disclosure and progress.
- *Verification* of supplier score on net-zero commitment questionnaire by qualified third party. Contract termination if verified score is >10% lower.
- Suppliers must *publicly communicate* their net-zero commitment, plans, and progress on their net-zero targets.
- Requirement that supplier require their *CEO's compensation* be linked to meeting their short-term net-zero targets.
- *Contract termination* if specified net-zero targets are not met.

Net-Zero Procurement (NZIP) Toolkit



The add-ons expedite the integration of NZP into any procurement process.

- ✓ ***NZIP Bid Appraisal Template***

Makes GHG reductions matter by heavily weighting the **supplier** score on commitment to science-based net-zero targets and the **product** scores on climate-beneficial specifications.

- ✓ ***NZIP Supplier Assessment Tool***

Scores suppliers' commitment to net-zero targets.

- ✓ ***NZIP Product Specifications Checklist***

Specifications used to score climate-friendliness of products.

- ✓ ***NZIP Sample Ts & Cs***

Ensure winning suppliers' net-zero targets are met.

+ The Toolkit also includes a **Total Cost of Ownership (TCO)** calculator for use, if appropriate.

NZP Toolkit Simplifies NZP Integration

“Net-Zero Procurement” ensures that buyers...

... obtain the ***best value for money*** when purchasing ...

... the ***most climate-beneficial goods and services*** ...

... from ***suppliers who are most committed to science-based net-zero targets*** ...

... in support of the organization’s stated ***purpose, policies, and strategic goals.***



NZP Bid Appraisal Template
TCO Tool (optional)

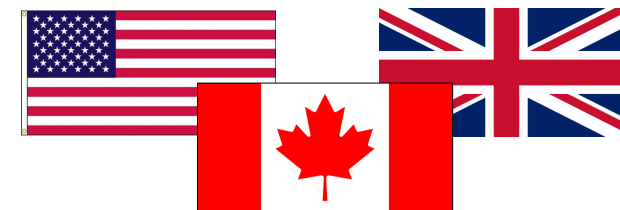
NZP Product Specs Checklist

Net-Zero Assessment Tool
(NZAT)

NZP Bid Appraisal Template

Status of NZP

US, UK, and Canada Require Some Supplier Net-Zero GHG Disclosures



Country	Value of contractor's annual federal contracts		Public disclosures of GHGs (thru GHG Protocol)	GHG net-zero reduction targets validated	TCFD-aligned assessment of climate-related financial risks
US ¹	"Significant" contractors	\$7.5M to \$50M	Scope 1 & 2 only	No	No
	"Major" contractors	> \$50M	Scope 1, 2 & relevant Scope 3	Yes (thru SBTi)	Yes (thru CDP)
UK ²	(Any) suppliers	> £5M	Scope 1, 2 & five Scope 3 categories	Net zero by 2050 for UK operations	(Silent on this)
CA ³	"Major" suppliers	> \$25M	Scope 1, 2 & relevant Scope 3	Participate in Net Zero Challenge (NZC) or equivalent	Required in NZC (SMEs exempt)

¹ US: Federal Supplier Climate Risks and Resilience Proposed Rule; comment period ended February 2023; expected November 2024.

² UK: PPN 06/21: Taking Account of Carbon Reduction Plans in the procurement of major government contracts; since September 2021

³ Canada: Standard on the Disclosure of GHG Emissions and the Setting of Reduction Targets; since April 2023.

Canada: Standard on the Disclosure of GHG Emissions and the Setting of Reduction Targets



- Took effect April 2023. Applies to new procurements after that.
- Only applies to Major Suppliers, not SMEs
- Implemented under Policy Notification PN-157
- Requires participation in Canada's Net-Zero Challenge (NZC), administered by Environment and Climate Change Canada (ECCC), or equivalent

Value of contractor's annual federal contracts		Public disclosures of current GHGs	GHG reduction targets	TCFD-aligned assessment of climate-related financial risks
"Major" suppliers	> \$25M	Scope 1, 2 & relevant Scope 3	Participate in Net Zero Challenge (NZC) or equivalent	Required in NZC (SMEs exempt)

"Standard on the Disclosure of Greenhouse Gas Emissions and the Setting of Reduction Targets,"
Treasury Board Secretariat (TBS), Government of Canada, Nov. 2022.

Canada: Net-Zero Challenge

Encourages businesses to *voluntarily* develop and implement credible and effective plans to transition to net-zero emissions by 2050.



- *Commitment letter*: Sign up and commit to submit two checklists.
- *Preliminary Net-Zero Plan Checklist* (within 12 months of sign-up)
Net-zero targets, baseline GHGs inventories, TCFD disclosures for large companies
- *Comprehensive Net-Zero Plan Checklist* (within 24 months if sign-up)
Preliminary checklist items, interim targets, scenario analysis, mitigation strategies, offset credits, corporate governance
- *Tiers*: Committed, Planner, Implementer, Achiever Level 1, Achiever Level 2, Net-Zero Achiever
- *Five levels*: Bronze, Silver, Gold, Platinum, Diamond.

Canada: Buyers For Climate Action



- Coalition of large leading green buyers of goods and services with a high environmental impact e.g., real property, ITC, and fleet.
- Centre for Greening Government chairs and funds the BCA secretariat
- Steering committee: public organizations; committed to net-zero carbon operations by 2050 at the latest; senior leadership committed to greening procurement; committed to lowering carbon emissions in procurement

Comparison of NZP Toolkit to SP Toolkit

Definitions

Sustainable Procurement

Obtaining **best value** for money by purchasing...

...the **most sustainable goods & services**.....from the **most sustainable suppliers**...

...in support of the buyer's **purpose, policies, and strategic goals**.

Green Procurement

Net-Zero Procurement

Obtaining **best value** for money by purchasing...

...the **most climate-beneficial goods & services**...

...from **suppliers** who are most committed to

science-based net-zero GHG reduction targets...

...in support of the buyer's **purpose, policies, and strategic goals**.

Circular Procurement.

Social Procurement

Sustainable Procurement Resources

Sustainable Procurement (SP)

- *Implementation toolkit:* [Sustainable Procurement Toolkit](#)
- *Supplier sustainability assessment:* [Basic Sustainability Assessment Tool \(BSAT\)](#)
- *Overview of what, why, and how of SP:* [Sustainable Procurement Master Slide Deck](#)
- *Assess maturity of implementation:* SPLC SP Assessment Questionnaire (to come)

Green Procurement

Net-Zero Procurement and Circular Procurement

- *Implementation toolkit:*
[Net-Zero Procurement Toolkit](#)
- *Supplier net-zero commitment assessment:*
[Net-Zero Assessment Tool \(NZAT\)](#)
- *Overview of what, why, and how of NZP:*
[Sustainable Procurement Master Slide Deck](#)

Social Procurement

Toolkits

Net-Zero Procurement (NZP) Toolkit

- *NZP Bid Appraisal Template*
Makes GHG reductions matter by heavily weighting supplier and product scores.
- *NZP Supplier Assessment Tool (NZAT)*
Scores suppliers' commitment to net-zero targets.
- *NZP Product Specifications Checklist*
Specifications used to score climate-friendliness of products.
- *NZP Sample Ts & Cs*
Ensure winning suppliers' net-zero targets are met.

<https://sustainabilityadvantage.com/sp/net-zero/>



Sustainable Procurement (SP) Toolkit

- *SP Bid Appraisal Template*
Makes sustainability matter by heavily weighting supplier and products scores.
- *SP Supplier Assessment Tool (BSAT)*
Scores suppliers' impacts on people and planet.
- *SP Product Specifications Checklist*
Specifications used to score all sustainability-related features of the product.
- *SP Sample Ts & Cs*
Ensure winning suppliers' stated sustainability targets are met.

<https://sustainabilityadvantage.com/sp/toolkit/>



These add-ons expedite integration of NZP and/or SP approaches into any current procurement system.

Bid Appraisal Templates



NZP sample bid appraisal template

% Weight (% of Points)	NZP Bid Appraisal Criteria	Score (0-100%)	Weighted Score
10-30%	Supplier score on net-zero commitment	Score	Weighted score
10-30%	Product score on climate-friendly / circularity specs	Score	Weighted score
x%	Score on other product-related specs e.g., quality, price / Total Cost of Ownership (TCO) , warranty, delivery	Score	Weighted score
x%	Score on other supplier-related attributes e.g., location, size, social enterprise, ownership diversity	Score	Weighted score
100%	Best value for money is the supplier's bid with the highest total weighted score		Total weighted score



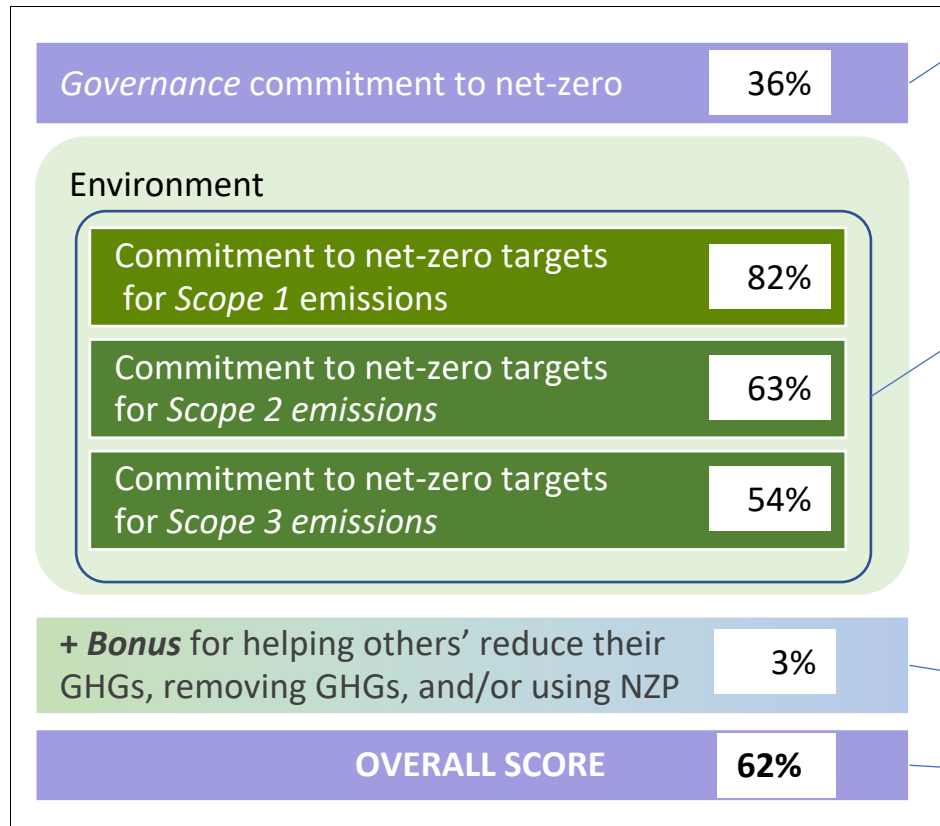
SP sample bid appraisal template

% Weight (% of Points)	SP Bid Appraisal Criteria	Score (1-100%)	Weighted Score
10-30%	Supplier score on core sustainability issues	Score	Weighted score
10-30%	Product score on sustainability-related specs	Score	Weighted score
x%	Score on other product-related specs e.g., quality, price / Total Cost of Ownership (TCO) , warranty, delivery	Score	Weighted score
x%	Score on other supplier-related attributes e.g., location, size, social enterprise, ownership diversity	Score	Weighted score
100%	Best value for money is the supplier's bid with the highest total weighted score		Total weighted score

*The **weight (% of points)** allocated to net-zero / sustainability attributes of products and suppliers **makes them matter and incentivizes suppliers to take action to improve their scores.***

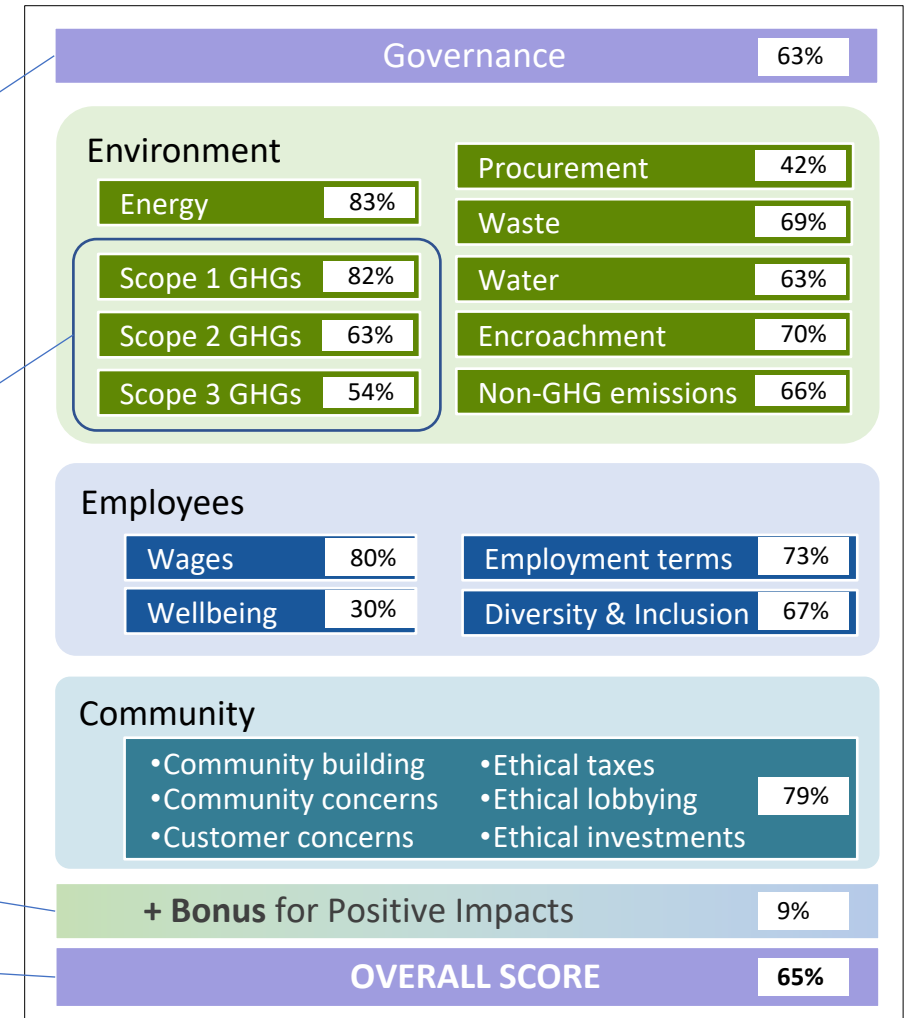
Supplier Scores

NZP sample supplier scores on commitment to net-zero targets



<https://sustainabilityadvantage.com/assessments/nzat/>

SP sample supplier scores on impacts on people and planet



<https://sustainabilityadvantage.com/assessments/bsat/>

Product Specs Checklists

NZP sample climate-beneficial product specs

Specification / Eco-labels	Weight %	Wt'd Score
Carbon footprint	--%--	--#--
Product-as-a-Service (PaaS) options	--%--	--#--
Used / pre-owned options	--%--	--#--
% recycled, renewable materials	--%--	--#--
Designed for repair & upgrades	--%--	--#--
Designed for take-back, disassembly	--%--	--#--
% recycled, renewable packaging	--%--	--#--
Packaging reuse & takeback	--%--	--#--
GHGs from shipping / delivery	--%--	--#--
GHG's emitted during use	--%--	--#--
Energy efficiency during use	--%--	--#--
GHGs emitted during repair & EOL	--%--	--#--
	100%	Score

SP sample sustainability-related product specs

Specification / Eco-labels	Weight %	Wt'd Score
Carbon footprint		
Product-as-a-Service (PaaS) option*	--%--	--#--
Offer used / pre-owned options*	--%--	--#--
Product & packaging net-zero & circularity specs*	--%--	--#--
GHGs from shipping / delivery / use*	--%--	--#--
GHGs emitted during repair & EOL*	--%--	--#--
Energy efficiency during use*	--%--	--#--
Water efficiency during use	--%--	--#--
Waste / emissions from operation	--%--	--#--
Traceability / chain of custody	--%--	--#--
Harmful / toxic materials & chemicals	--%--	--#--
Design for accessibility, data security, Impact on health & safety	--%--	--#--
	100%	Score

* See the Net-Zero Procurement Toolkit - Product Specs Checklist for details.

Terms & Conditions

NZP sample Ts & Cs

- *Financial penalties / bonuses* re completion of the supplier's short-term GHG reduction action plans.
- *Preferential payment terms* or financing rates based on net-zero targets, disclosures and progress.
- Suppliers must *publicly communicate* their net-zero plans and progress toward net-zero targets.
- Requirement that supplier require their *CEO's compensation* be linked to meeting their short-term net-zero targets.
- *Contract termination* if specified net-zero targets are not met.

SP sample Ts & Cs

- *Financial penalties / bonuses* re completion of the supplier's short-term sustainability action plans.
- *Preferential payment terms* or financing rates based on sustainability targets, disclosures and progress.
- Suppliers must *publicly communicate* their sustainability plans and progress toward a more sustainable business model.
- Requirement that supplier require their *CEO's compensation* be linked to meeting their short-term sustainability targets.
- *Contract termination* if specified sustainability targets are not met.

Potential NZP and SP Ts & Cs are aligned.

SP and NZP Support Organizations and
time for Questions

SPLC



Mission: Drive positive environmental and social impact through the power of procurement.

- Convenes buyers, suppliers, and public interest advocates to develop SP programs that deliver measurable, meaningful impact.
- Simplify, standardize, and support SP purchasing efforts
- 180+ public sector, private sector, and academic sector members with over \$500 billion in collective purchasing power. Accelerates members' ability to drive sustainability through the power of procurement

CCSP



- Network of 40 Canadian public-sector and academic institutions working together to align their spending with their values and commitments on sustainability.
- Co-create tools, resources, guides, webinars to better address green, social and ethical opportunities and risks in their supply chain.
- Convened and led by Reeve Consulting

ECPAR



Espace québécois de concertation sur les
pratiques d'approvisionnement responsable

ECPAR contributes value for organizations by supporting responsible purchasing and sustainable development in supply chains.

- Primarily in Quebec
- Primarily public and academic sectors
- Provides tools, services and learning circles for members

Responsible purchasing barometer

BAROMÈTRE 2020
DE L'ACHAT RESPONSABLE

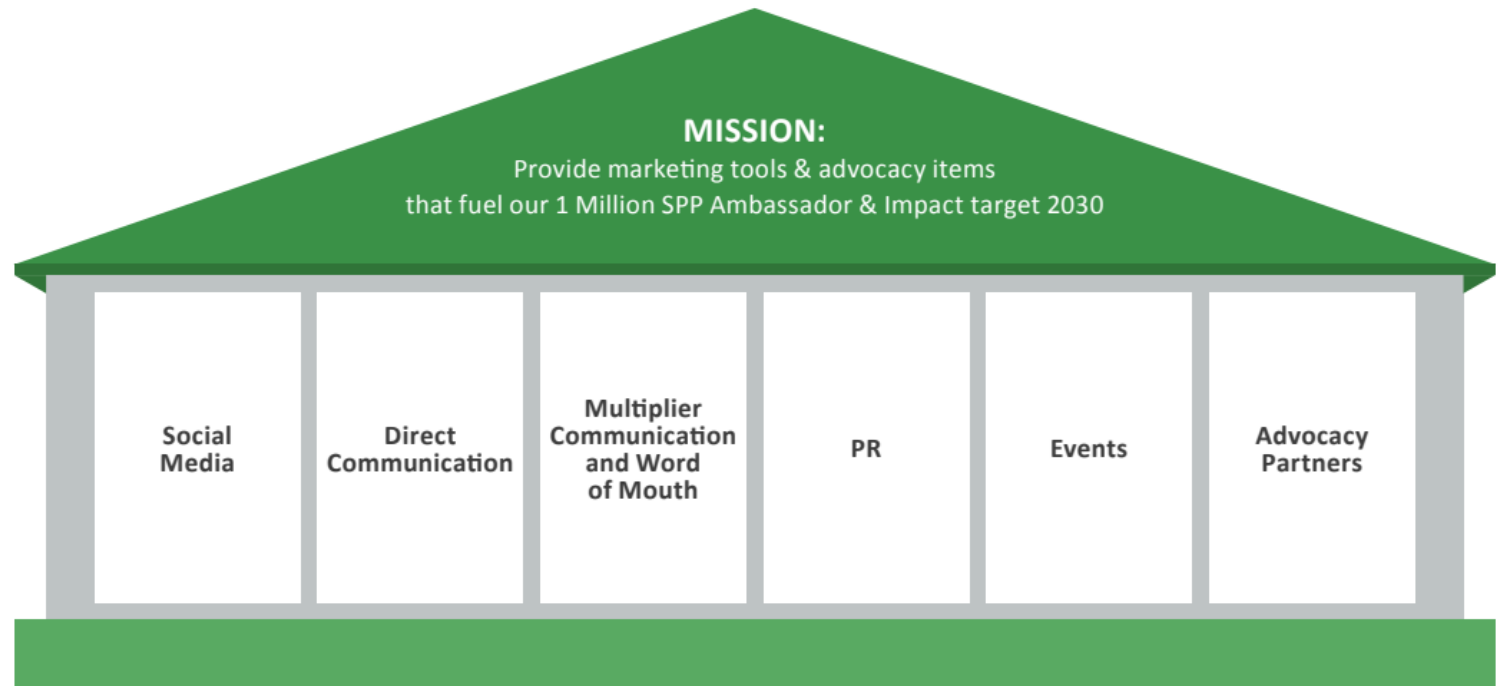
ECPAR measures the progress of Canadian organizations in terms of responsible purchasing every 4 years, in collaboration with research centers and practitioners.

Every 4 years

SPP



Sustainable
Procurement
Pledge



- International bottom-up and non-profit organization freely open to procurement professionals, academics and practitioners
- Pledge to foster a common understanding of responsible, inclusive and cooperative Procurement behavior, and embed them in day-to-day business conduct
- Regional, Industry and Topic chapters, led by volunteer SPP Ambassadors

Greening the Supply Chain promotes more Sustainable Energy Projects

Presented at 2023 CIPMM Regional

Workshop- Nov 1, 2023

Presented by

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