

PART 2 – Impact is Opportunity

Social, Ethical & Sustainable Procurement can improve all 3 'P's' of your triple bottom line.



Introduction

A modern supply chain function is critical in delivering sustainable and social impacts that can go hand-in-hand with an improved bottom line. Positively impacting profit, people and the planet. Ethical and sustainable procurement, delivered by a focussed, efficient and data-led Supply Chain Management function ([see Paper 1](#)) should be the aim of all parties, shaking off the belief that it adds cost or is a distracting inconvenience.

Understand, Measure and Manage

This paper isn't going to go into detail on what sustainable and ethical procurement practices cover - there are plenty of information sources out there that do a great job of this already. If you are stuck for a starting point, I would suggest delving into the world of valuable information, training and support available - for free - from the **Supply Chain Sustainability School** [LINK](#).

The focus of this paper will be to show that, as a forward-thinking, proactive supply chain function, you will need to lead your stakeholders and suppliers to understand the advantages that can be gained by delivering against these goals and objectives.

Continuing the theme from our first paper, it is critical that you have an efficient way to collect, manage and measure the data to get the most out of your ethical and sustainable procurement policies. Let the data deliver the results that meet your company and client goals. Companies that can show and prove what they do, will have a big advantage over those that just say they do!

Prioritisation of ESG Deliverables

The “what” to focus will be determined by legal requirements, company goals and expectations and more and more by client expectations. Both existing clients and those you are targeting as future customers. There may currently be a global backlash in certain countries against some of these topics, but good clients, investors and end users will always be demanding more than governments and legislation anyway. If anything, the UK and European markets can expect to see an upturn in ethical, social and sustainable investment in developments as they turn away from countries that are regressing.

Time needs to be spent understanding where your focus is needed. What you do and manage well already. What you do well, but don't report well on and where the gaps are between where you are and where you need to be. The topics are huge and not all goals will be achieved quickly. So prioritisation is key, hopefully some of the ideas presented here will enable you to better understand the potential impacts and win over key stakeholders.

As with all company and client targets in the built environment sectors, the vast majority of the deliverables are pushed down the supply chain. From clients to main contractors. From

main contractors to tier 1 subcontractors and from there to their sub-supply chain, manufacturers and to those providing labour - the vast majority of which can be self-employed or temporary labour. This is why a modern SCM team is key in delivering these goals. Without the supply chain onboard, trained and able to provide what is required of them, no one can succeed fully.

How will you deliver?

Integration of the required deliverables into contracts is a must. “Boilerplate” terms added as standard might be legally necessary, but won’t deliver on their own. Measurable targets are required. Hold the supply chain accountable for what has been agreed as part of them winning the contract.

Collaboration, training, capacity building and data sources need to be the focus of attention. Early supply chain involvement. Use standards where possible to reduce impact on all parties involved.

Collect the data, but don’t stop there. Use of the data will be critical to winning over stakeholders and impressing clients. Make the data and reporting work for you.

Audit your impact. Then feed back into the prioritisation section above.

Non-Financial Benefits

Legislative Requirements

Whether existing, new or upcoming legislation it is clear companies will have to do more just to comply. Be it the *Procurement Act* with its increased weighting on Social Impact and “Most Advantageous Tender” criteria, the EU’s *CRSD* and its Environmental and Societal scope requirements or the UK’s own *Sustainability Reporting Standard (SRS)* and its focus on sustainability related risks.

One of the biggest risks to the industry is in the use of temporary labour on projects. Modern slavery and poor employment practices don’t just have legislative risks, but also huge reputational risks. Having visibility and understanding through all layers of your supply chain of these workers, not only reduces these risks but is also increasingly demanded by major clients.

Being Prepared/Ahead of the Game

Being ahead of the legislation will make your offer to potential clients more attractive. Helping them on their journey with understanding - and reporting data - ready to go as legislation catches up.

Attracting the Best Talent and Suppliers

As well as the proven link between employers' ethical and sustainable goals and attracting and retaining talent, it can also be seen in my experience that it also attracts the best supply chain partners. Companies that set the bar high in this area - and award tenders weighted to a supply chain that can help deliver the required results, will become a client of choice to the best suppliers. Frustration in the supply chain when they are not measured on a level playing field and awards go to lower quality submissions with a lower price will see the high achieving suppliers move away from bidding those potential clients.

Reputation

Not just an absence of negative press, but an opportunity for increased positive news and stories.

Community Engagement

There are multiple benefits to the local community from delivering social and ethical procurement, from apprenticeships and local employment to spend and investment with local businesses and infrastructure. This can have multiple benefits for future work in the area and immediate benefits to your company's reputation.

Financial Benefits

All the Above

As well as being classed as "non-financial" benefits, all of the above can positively impact a company's bottom line too. Reduced hiring and firing costs, lower risks and impacts in the supply chain, no high cost consultants or solutions due to last minute panics to meet

incoming legislation or being able to command a higher fee as a high performing business. All of the above are likely to positively impact financial performance and the bottom line.

Bid winning

The best argument for persuading stakeholders will be; “we will win more work” as well as better work for better clients.

Be clear how SCM, understanding compliance, data management and reporting is critical to gaining an advantage with potential clients to show how their goals can be delivered - and proven to be delivered - across safety, sustainability, quality and ethical & social impacts.

Bidding may be out of the sphere of control of a procurement team, but the right input, especially in the qualification stages could demonstrate a clear advantage over the competition in how compliance, data and reporting is efficiently adapted to specific needs.

Sustainable can just be cheaper!

Forgetting everything else, some sustainable procurement decisions can just be cheaper in the traditional sense! Using less energy will cost you less. Using local companies will reduce transport costs. Using a carbon-conscious supply chain with lower cost bases will be cheaper. Most of these may have already been ticked off as “low hanging fruit”, but don’t forget the principle. Too often key stakeholders will believe it is more expensive, end of discussion!

Industry Standards and Solutions

Raising the bar

Take advantage of cross-industry organisations. There are too many to mention, but each topic under ESG will have numerous organisations set up to help buying and selling organisations. Be that social impact, carbon reduction, ethical labour or supplier diversity

There to train and educate, but also to bring organisations together. Taking away a lot of the cost and resource needed to do everything yourself. As more participate, the industry as a whole will benefit. As we have seen for years with safety, the same can be true for sustainable and ethical procurement.

Leading organisations will set the tone

For all the reasons discussed, being amongst the first in the industry can positively impact the bottom line as well as people and planet. It also gives you and your organisation a chance to shape where the industry goes and keeps you well informed - which will help you with internal and external stakeholders.

Systems, Solutions and AI

There are so many solutions in ESG areas, with seemingly endless new ones launched each week. Some are specific to one area, some claim to do everything. Understanding where you are on the journey, whether you have a good process and operational base to start from and what your priorities are will need to be understood before you go out and look for solutions. Independent review and advice here could have the most significant impact for your company. Committing to a solution is not just a huge financial commitment, but once tied into one solution, changing horses can be difficult and expensive.

Where possible, industry standards and solutions can be very beneficial to all parties. Reducing duplication, limiting spend on specific solutions and on adapting procured solutions for ever-changing requirements.

As discussed in Paper 1, getting the data to work for you will be critical in delivering an efficient process to your business. Nowhere is this more true than with managing, measuring and reporting on ESG impacts.

DID YOU READ? : PART 1 – RISK AND REWARD

Effective, data-led Supply Chain Management for the Built Environment. Where risks and opportunities are many, but resources are few.

NEED HELP?

**WANT TO EXPLORE FURTHER FOR YOUR ORGANISATION,
TEAM or SUPPLY CHAIN?**

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