

# Sustainable Procurement

Final Industry Report, Project 2.76



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# Message from the Chair

This project focused on sustainable procurement, which is a tremendous opportunity to take the funds we are allocating to our construction projects and give them a second purpose to improve environmental outcomes and embed change through the supply chain.

The sustainable aspects within procurement related to the requirements in the environmental, social, economic and governance dimensions. In my opinion, the real strength of this project was the ability to bring together industry, government and academia to look at how we solve issues and challenges with procurement. It was also a great opportunity to create a framework for sustainable procurement and seek to create case studies in selected sustainability themes such as green concrete and recycled contents.

**Davina Rooney**

Chief Executive Officer (CEO)  
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# Preface

The Sustainable Built Environment National Research Centre (SBEnc), the successor to Australia's Cooperative Research Centre (CRC) for Construction Innovation, is committed to making a leading contribution to innovation across the Australian built environment industry. We are dedicated to working collaboratively with industry and government to develop and apply practical research outcomes that improve industry practice and enhance our nation's competitiveness.

We encourage you to draw on the results of this applied research to deliver tangible outcomes for your operations. By working together, we can transform our industry and communities through enhanced and sustainable business processes, environmental performance and productivity.



**John V McCarthy AO**  
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## Table of Contents

Executive summary .....	5
Introduction .....	7
Industry challenges .....	7
Aim and objectives .....	7
Value of sustainable procurement .....	8
Drivers, barriers and enablers .....	9
What drives sustainable procurement? .....	9
What impedes the successful implementation of sustainable procurement? .....	10
How can organisations enable sustainable procurement? .....	10
Stakeholders' role in transforming industry practices .....	12
Government .....	12
Client organisations .....	12
Other significant stakeholders .....	13
Transforming industry practice .....	13
Behavioural change .....	14
Cultural change .....	15
Process change .....	16
The role of context .....	17
COVID-19 impact on sustainable procurement .....	18
Understanding the Australian experiences .....	18
Lever for sustainable procurement .....	19
Framework for enabling sustainable procurement .....	20
Key steps .....	21
Step 1: Enabling awareness .....	21
Step 2: Enabling alignment .....	22
Step 3: Enabling organisation .....	22
Step 4: Enabling process .....	24
Case studies .....	24
Conclusion .....	25
Moving Forward .....	26
References .....	27

## Executive Summary

Sustainable procurement is increasingly on the agenda for purchasing and supply managers seeking to demonstrate corporate social responsibility in their supply chains. Driven by industry's desire to modify behaviours that contribute to unsustainable practices, the SBEnc's Sustainable Procurement project is dedicated to examining key issues across system, organisation and procurement processes, with a focus on finding practical ways to improve environmental, social and economic sustainability outcomes in the housing, building and infrastructure sectors in Australia. This report presents the outcomes of the research, which focus on the following areas:

1. Understanding the value of sustainable procurement to meet organisational targets across environmental, social, economic and governance dimensions.
2. Examining the role of stakeholders in transforming industry practices.
3. Examining the COVID-19 impacts on sustainable procurement and how these impacts may be optimised.
4. Developing a framework for enhancing sustainable procurement.
5. Demonstrating the application of the proposed framework by conducting case studies in selected sustainability themes such as green concrete, recycled contents (beyond concrete material), modern slavery, regional participation and marginalised groups.

Desktop research, focus group discussions and case studies were conducted to achieve the research objectives. Twenty-two participants were recruited for the focus group discussions involving representatives from the Australian Government, state governments, private organisations and industry associations. Four focus groups were conducted in March and April 2021. Case studies were conducted with industry partners to demonstrate the application of the

proposed sustainable procurement framework and identify recommendations for enhancing sustainable procurement practices for public and private organisations in the Australian building, housing and infrastructure sectors.

The motivations of organisations for practising sustainable procurement are driven by government interventions, client requirements, and societal and organisational pressure. Constraints in organisation, process and context are the main barriers for implementing sustainable procurement practices. It is evident that the COVID-19 crisis has created significant disruptions to the supply chain and prompted both private and public organisations to rethink innovative approaches to address the disruptions. Several key levers including developing reliable, transparent and local supply chains, leveraging innovative tools and digital engineering approaches, creating a coalition between the government and industry, purposeful integration of the Modern Slavery Act 2018 (Cwilt) and procurement guidelines and conducting multi-level risk assessment were proposed.

Enabling sustainable procurement in an organisation requires system thinking, as it involves systematic planning and changes in organisational culture, behaviour, governance and processes. For the project, a framework for enabling sustainable procurement was proposed to help organisations to gain an understanding of the holistic picture of sustainable procurement and align their culture, behaviour, organisation and processes to sustainable procurement principles. The framework identifies the key steps to help organisations get started on the sustainable procurement journey, the best practices that support the implementation of sustainable procurement, the role of stakeholders in transforming sustainable procurement practices and the responsibilities across various levels of staff, and recognising the value and impact of sustainability as the core role in driving sustainable procurement practices.





## Introduction

### Industry Challenge

Governments and industry spend billions of dollars on housing, building and infrastructure programs. The way those dollars are spent can influence environmental, social and local (regional) industry capability outcomes. Considering the environmental and social impacts when making procurement decisions aligns with government's obligation to spend public money efficiently, effectively, economically and ethically.

Sustainable procurement involves a high degree of collaboration and engagement among all parties in a supply chain. There is an increasing community expectation to support sustainable products and practices and monitor supply chain activities to achieve sustainable outcomes. Moreover, if risks are identified in supply chains it is expected that actions be taken to mitigate those risks by client organisations working through their supply chains.

As governments and industry signal intent to support more sustainable products and services, and the market moves to respond, it is challenging to be able to justify decisions for procurement, particularly if decisions become political, and if the right tools or data are not available. There is a trend to use products and services that are ethically sourced, recycled, low carbon and low pollutant, and which deliver improved social outcomes.

It is difficult to navigate through the sustainability claims made and to identify the products or services that genuinely support sustainable development goals, achieve the targeted outcomes and concurrently represent value for money in achieving those goals. Data, which may not be available for all products and services, is often open to interpretation.

The need for supply chain oversight is not limited to justifying environmental credentials. The supply chain also needs to be monitored to track the achievement of social sustainability outcomes. For example, the introduction of modern slavery legislation (the *Modern Slavery Act 2015* (UK); *Modern Slavery Act 2018*; and various state-based legislation such as the Human Rights Act 2019 (Qld)) highlights the need to identify and mitigate social risks through supply chains. This is further emphasised by various state-based policy frameworks such as the Queensland Government's Ethical Supplier Mandate and the Ethical Supplier Threshold. More broadly, there is a need to ensure that suppliers comply with internationally accepted labour standards as set out in the United Nations (UN) Global Compact and the UN's Guiding Principles on Business and Human Rights.

### Aim and Objectives

This industry-driven research project aims to examine key issues across system, organisation and procurement processes and to find practical ways to improve environmental, social and economic sustainability outcomes in the housing, building and infrastructure sectors in Australia. The key focus areas include:

1. Understanding the value of sustainable procurement to meet organisational targets across environmental, social, economic and governance dimensions.
2. Examining the role of stakeholders in transforming industry practices.
3. Examining the COVID-19 impacts on sustainable procurement and how these impacts may be optimised.
4. Developing a framework for enhancing sustainable procurement.
5. Demonstrating the application of the proposed framework by conducting case studies in selected sustainability themes such as green concrete, recycled contents (beyond concrete material), modern slavery, regional participation and marginalised groups.

## Value of Sustainable Procurement

The benefits of sustainability motivate organisations to practise sustainable procurement. The potential benefits of practising sustainable procurement are mapped against the environmental, social, economic and governance dimensions in Figure 1.

It is, however, acknowledged that different stakeholders may perceive different levels of benefits associated with sustainable procurement practices, and there are sometimes competing priorities that

occur across these dimensions. Understanding how the stakeholders perceive the value created by sustainable procurement across environmental, social, economic and governance dimensions will help organisations to understand the stakeholders' behaviours and responses to sustainable procurement practices and initiate strategies and actions towards achieving the sustainability goals.



Figure 1: Value of sustainable procurement



## Drivers, Barriers and Enablers

The drivers and barriers to practising sustainable procurement were explored in the focus group discussions. Understanding the drivers, barriers and enablers is fundamental for an organisation to

understand their external context and internal capabilities, define the sustainable procurement objectives and goals, and formulate strategies and action plans towards achieving them.

### What Drives Sustainable Procurement?

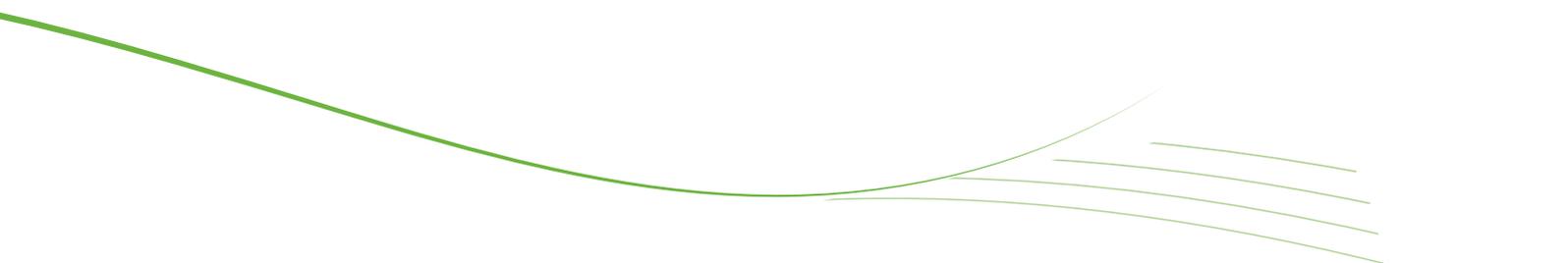
Drivers of sustainable procurement can be either internal or external. Government requirements and policies regarding sustainable procurement can impact the decision-making of organisations to align their policies, targets and strategies accordingly. Governments can foster sustainable procurement by imposing mandatory environmental and social requirements. Governments can also engage stakeholders in sustainable procurement through incentives.

Client requirements is another key driver for the successful implementation of sustainable procurement. Organisations need to identify their customers' needs and minimise the ethical, legal and economic risks. Customer needs, investor confidence, public concerns, stakeholder expectations and value creation were identified as underlying factors for formulating client requirements in sustainable procurement. A focus-group participant from a

private client commented that *“market research on customers is a way to assess the value of sustainability for private companies; and customer needs and share price are considered to balance sustainability cost and future benefits”*.

Internal organisational pressure provides a strong, driving force to practising sustainable procurement. The factors related to internal organisational pressure include: risk management; gaining competitive advantage; the need to report to investors; decreasing the initial cost premium for sustainability; long-term supplier engagement; innovation and technological advancement; and improving efficiencies for suppliers. A public client participant from the focus group commented: *“In the context of the government client, people are not willing to pay a premium for sustainability. However, if sustainability is phrased as a better risk management, people would be more willing to pay.”*





## What Impedes the Successful Implementation of Sustainable Procurement?

The focus group discussions revealed several barriers from either internal or external environments that would impede the implementation of sustainable procurement practices. These barriers are classified into organisational constraints, contextual constraints and process constraints.

Organisational constraints refer to the aspects of the internal work environment that inhibit the integration of sustainability into procurement. Focus group participants cited the following as barriers: the traditional measure of success that is focused on cost reduction; a lack of dedicated staffing and resources and training and communication, not linking sustainability to performance indicators, financial difficulties, and an unwillingness to pay due to tight budgets.

Contextual constraints cover the aspects of the external environment that may impede the successful implementation of sustainable procurement practices. The evidence observed from the focus group discussions about contextual constraints includes traceability of supply chain, a lack of supply chain transparency and visibility, a lack of understanding around broader social or environmental co-benefits, and the shortened life span of a product due to the fast development of technology.

Process constraints lie in the aspects related to procurement processes that may inhibit the success of sustainable procurement. Key barriers in this category include lack of tools and data for objectively evaluating the value and impact of sustainability, lack of clear and simplified guidance on sustainable procurement, lack of post-completion reviews resulting in less understanding around the benefits of sustainable procurement, and competing targets.

## How Can Organisations Enable Sustainable Procurement?

Senior management should seek to demonstrate a commitment to sustainable procurement by aligning sustainable procurement practices to their organisational targets and developing a sustainable procurement strategy, policy and action plans.

Having tools which can effectively evaluate and measure the social, financial and environmental outcomes is of great importance to demonstrate the real value of sustainable procurement.

Contract management plays a critical role in enabling sustainable procurement. Contractual documents need to clearly describe the sustainability criteria that should be met by suppliers. A good post-contract evaluation will offer valuable data to verify sustainability outcomes and support future decisions.

Engaging suppliers early during the planning phase may promote innovations and improve environmental and social outcomes, while also achieving financial and time savings.

Driving organisational changes such as designing an internal governance structure, aligning individual performance targets to sustainability objectives, and senior management commitment to sustainability may build the internal organisational capabilities and optimise resources for improving sustainability performance.

Collaboration may catalyse innovations. For example, a focus group participant from a listed entity referred to the collaboration of the Property Council of Australia (PCA) with its core members to develop the online supplier platform to minimise modern slavery risks across the building and construction supply chain.

Building industry capabilities require leadership from government and client organisations and collaborations between various stakeholders. Effective training and communications in relation to the value, standards and practices of sustainability will help to raise awareness, build supply chain capabilities, and increase the participation of small and medium enterprises and local businesses in building and infrastructure projects.



## Stakeholders' Role in Transforming Industry Practices

Sustainable procurement is a major change to industry practices that requires a shift in the approach, priorities and practices of all stakeholders involved. The successful transformation will depend

on how stakeholders fulfil their roles and responsibilities. It requires actions and participation of all stakeholders including government agencies, client organisations and other significant stakeholders.

### Government

The government can and should play a critical, proactive role in creating a regulatory environment for sustainable procurement. Agbesi et al. (2018) argued that “the presence of government procurement laws, policies and regulations motivates public sector client organisations to initiate sustainable practices in construction procurement and finally aid adoption

and implementation”. Any transformation that requires regulations will need some mechanism of evaluating and monitoring to be effective.

It is suggested that the practices and results of sustainable procurement be monitored, and feedback be provided for policy and regulation making purposes (OECD, 2015).

### Client Organisations

As the buyer of services and goods, the client organisation has enormous power in influencing how the supply chain responds to and implements sustainability practices. Chiefly, it is government clients who have significant buying power. In the UK, the public sector's expenditure on goods, services, works and utilities accounts for 13 per cent of Gross Domestic Product (Department for Environment, Food & Regional Affairs (DEFRA), 2006). How client organisations initiate, adopt, implement and monitor practices has a huge impact on the results of the transformation to more sustainability in procurement.

It is widely suggested that incentives be used by the client to promote sustainable practices in the supply chain. Incentives are not necessarily financial. As the European Union (2016) points out: “As good

performance on environmental issues also helps to establish a contractor's reputation, incentives may take the form of positive publicity which highlights this to the public and other contracting authorities.”

As sustainable procurement requires specialised knowledge and skilled multidisciplinary teams, it is essential that the client, especially in the public sector, builds the capacity through tools to professionalise and increase “know-how skills” (OECD, 2015). The client also needs to set an example for sustainable procurement practices, as Day (2005) argues: “If we are asking citizens to be environmentally responsible, public authorities should also be ready to reduce their own negative impacts. This would have a demonstration effect that could lead to more green procurement by the private sector.”

## Other Significant Stakeholders

There are a number of other significant stakeholders who can influence the practices of sustainable procurement, such as contractors, suppliers, local community and non-government organisations, to name a few. Their role in transforming sustainable procurement practices seems to be less emphasised in research as well as government publications. These publications tend to suggest actions to do ‘with’ them rather than ‘by’ them. Contractors, subcontractors, or those further down the supply chain should share the

same responsibility as client organisations in implementing sustainable procurement practices.

Other than stakeholders who directly participate in the delivery of goods and services, stakeholders such as non-government organisations, trade unions and professional societies “can be important stakeholders in assisting an organisation to raise awareness of sustainable practices ... creating conditions for a positive dialogue with other stakeholders including the local community” (ISO 20400).

## Transforming Industry Practice

A cohesive industry practice transformation model was conceptualised in Figure 2. The model has four elements (behaviour, culture, process and context) that are complementary yet potentially overlapping.

The first three elements (behaviour, culture and process) have a direct impact on the ability to drive change in industry practices, while the fourth element (context) has an indirect impact.

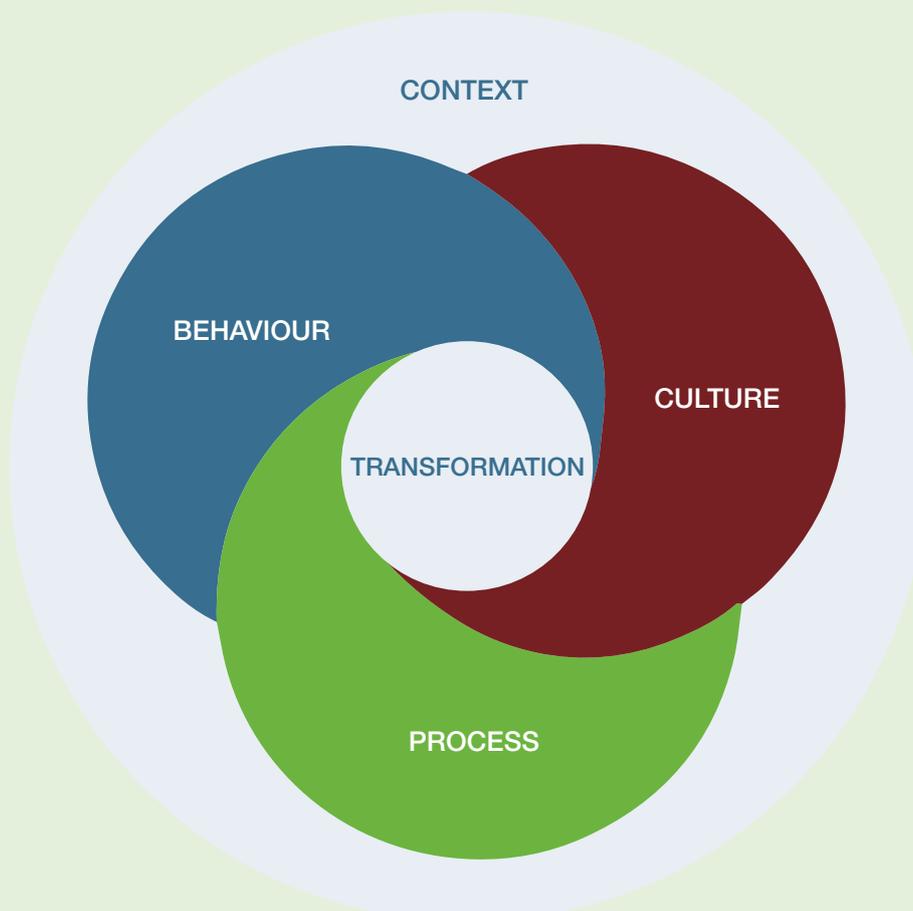


Figure 2: Four-element industry practice transformation model

## Behavioural Change

Behavioural change requires a holistic approach and a significant amount of time. The research shows that this element entails: (1) approaching sustainable procurement proactively; (2) influencing with purchase power; (3) reporting performance; and (4) developing strategies for behaviour change.

Given the diversity of sustainable procurement stakeholders and their roles, any effort to engage them in transforming industry practices needs to be inclusive and comprehensive. Behavioural change can happen at both individual and organisational levels.

*“Behavioural change takes time so maybe changes in sustainability have to be gradual,”* said a government representative in the focus group. Behavioural change can be enhanced through collaboration and raising awareness, as suggested by an industry association representative: *“The government can work with industry bodies to understand the market practices and raise awareness and help facilitate the certification process to get the local market ready for tendering opportunities.”* Figure 3 presents an example of strategies for behavioural change that were adopted from DEFRA (2006).



Figure 3: Example of strategies for behavioural change

## Cultural Change

Organisational and industry culture plays a role in changing behaviours. For example, in the context of a government client, there seems to be an unwillingness to pay a premium for sustainability. However, when sustainability is framed as a better risk management, there is more willingness to pay. Similar to changing behaviours, changing culture will take time. Strategies for positively influencing cultural change in sustainable procurement can be summarised as: (1) defining value for money; (2) engaging stakeholders early; (3) fostering communication and collaboration; and (4) enabling innovation.

### *Defining value for money*

Clients should be explicit in including sustainability in the definition of value for money. It should be part of the project and organisational goals. The way value is measured also affects how sustainability is treated. It is believed that the whole-of-life valuation of a project (in terms of costs and benefits) would help with industry transformation.

### *Engaging stakeholders early*

The early engagement of stakeholders is particularly instrumental in encouraging the supply chain to

collaborate to develop innovations and ideas. It allows for the evolution and rationalisation of project requirements and solutions early so that changes can be made while the ability to influence project outcomes is still high.

### *Fostering communication and collaboration*

There was great consensus among research participants that sustainable procurement would benefit significantly from more transparent communications and stronger collaborations. It is argued that, for the public sector, it is important to communicate the ambition and set expectations clearly.

### *Enabling innovation*

In response to the question about what the private sector can do that the government cannot, a government participant said “innovation”, citing that they (the government) struggle to pay for it. Also, a private client participant said that the private sector tends to endeavour, and implements small pilot projects when it wants to adopt a new practice. The same participant cited renewable energy as an example whereby small solar photovoltaic projects were trialled to understand infrastructure requirements and logistics.





## Process Change

Any transformation in industry practices will depend on the change in tools, policy and process, apart from the change in behaviour and culture. We have identified four strategies related to this element of the transformation model: (1) using tools and process; (2) defining goals and requirements; (3) managing performance and practices; and (4) incentivising and providing resources.

### *Using tools and process*

It is widely agreed that using rating tools such as Green Star is an effective approach in driving sustainable procurement practices. Rating tools are sometimes used as guidance. Particularly, a participant argued that rating tools need to be “embedded in policy and process”. Similarly, another participant from the government sector suggested that sustainable procurement should be embedded into organisations’ business plans and operational plans for it to “become mainstream”.

### *Defining goals and requirements*

Change in process can be driven by clients by using clearly defined goals and requirements. A participant gave an example where a private client uses a scorecard from Green Star to drive sustainability requirements down the supply chain through to construction contracts. Clients should set and clearly communicate the expectations and requirements. They should be reflected in the selection criteria and process, as well as in performance measures and management.

### *Managing performance and practices*

Managing performance and practices goes hand in hand with defining goals and requirements. Goals and requirements are set during the selection process, while performance and practice management is performed in the contract management phase. Research participants argued that contract management is important to ensure commitments in front-end tenders be translated to implementation. Reporting requirements and measures should be clear so that parties deliver what was contractually committed and provide evidence to support. The contractual mechanism should be strong enough to hold suppliers accountable.

### *Incentivising and providing resources*

It is acknowledged that cost is one of the biggest impediments to industry transformation in sustainable procurement. Government agencies may find it difficult to justify paying extra for sustainability. An initial cost premium for sustainability tends to decrease over time (examples include LED lighting and solar energy). It is therefore suggested that when analysing the cost of sustainable options, life-cycle costing should be looked at or incentives considered.

Incentives can be effective in driving change in the industry. The supply chain can be influenced through selection criteria and process and performance management. Subsidies, though partial, could work as an incentive for the market players to trial and innovate. The payment mechanism could also play a critical role. A private contractor participant gave an example of how the use of a cost-plus reimbursement model with financial incentive for performance can drive good performance (environmental impact in this case). It allows for the focus on performance, rather than cost.



## The Role of Context

Context plays a relatively indirect, yet potentially powerful role in transforming industry practices. A participant argued that legislation plays a critical role in enforcing the minimum requirements in sustainability and addressing the “laggards” who are late in adopting sustainable procurement practices. Legislation can also give the government the head of power to introduce measures and “set goals and targets” around a particular aspect. In anticipation of legislation, the industry may act early to be on “the front foot”.

Regarding the private sector, a participant pointed out that *“consumers have a big impact and influence on sustainability practices. The consumers are the*

*market and the private sector is driven by that”*. The same participant also argued that *“[i]f there’s a market for sustainable products and sustainable marketing, then they will follow”*. Similarly, the public sector is influenced by the public. Community pressure (for example, protests) may drive behavioural and practice changes in the government sector. Understanding the role of consumers and the public allows stakeholders to allocate resources appropriately to influence the transformation process of sustainable procurement practices. For example, industry bodies may choose to work on raising awareness of the public about sustainable procurement requirements and benefits to indirectly influence behaviours and practices of the supply chain.



## COVID-19 Impact on Sustainable Procurement

The COVID-19 pandemic has brought global economies to a standstill and has created challenges to a variety of sectors including housing, building and infrastructure. Many business and government organisations have experienced some form of supply chain disruption – either through suppliers going offline, a sudden spike in demand or both.

According to a survey conducted by the Institute for Supply Management (United States), almost 75 per cent of companies surveyed reported supply chain disruption due to COVID-19. Australia's COVID-19 experience, which follows the devastating 2019-2020 bushfires, has also led to significant supply chain

disruptions, from wood through to personal protective equipment. The imposition of export restrictions on these products has compounded the situation, creating another layer of complexity to sustainable procurement due to process delays, loss of efficiencies, and cost impacts.

While there are limited precedents to assist organisations to clearly understand what the potential future impacts may be, it is clear that flexibility and adaptability are critical. Right-time, right-place procurement decisions can assist businesses to be more resilient and better positioned for post-disruption recovery – in this case, as the acute pandemic subsides.

### Understanding the Australian Experiences

This project explored the lived experiences of private and public organisations and the challenges they experienced in the face of COVID-19 disruptions. Through focus group discussions we were able to gain insights on COVID-19 realities from industry and government. There was a major emphasis on rapid interactions and tasks such as pre-start checks and cleaning activities.

A private sector representative shared: *“The first impact I noticed was really around having to work very quickly with suppliers on their working practices, pre-start checks and cleaning. Safety took precedence over other priorities.”* Government sector representatives also described how they immediately engaged in safe operational practices and sourcing activities. They also shared their experience in delays in contractors delivering on time and suppliers struggling to meet their contractual obligations.

Another participant explained the challenges related to limited supply: *“Once COVID-19 hit, we got a lot of feedback from our contractors with limited supply, and obviously they do not stockpile, and a lot of the supply was coming from overseas and that all stopped.”* To overcome this challenge, a multi-level risk assessment was suggested as a strategic approach that could assist. Some businesses also benefited from pivoting to more localised value chains, and some to global supply chains.

To achieve a more interest-aligned approach as opposed to an adversarial contractual relationship, both the public and private sectors should be investing in productivity measures, training, skills and capabilities, different risk allocations and new methods of construction and contracting.

## Levers for Sustainable Procurement

Learning from the COVID-19 realities, government and industry can re-assess their supply chain risks and determine supply chain design solutions that will deliver the most resilience in the event of another large-scale disruption. Through the COVID-19 pandemic there was more focus on the possible adoption of digital approaches and introduction of a new system to electronically process information, as stated by a private sector participant: “[For] [a]nything that wasn’t required onsite, engagement was done electronically. We introduced a new system to embrace ... more processes electronically, and more information.”

Another industry practitioner emphasised the importance of these tools in sustainable procurement: “It’s also about value creation. It’s about driving better outcomes and whole-of-life outcomes, reducing operational costs, providing value for money, making sure that we’re prepared for things like shocks and stresses.”

Key levers including developing reliable, transparent and local supply chains, leveraging innovative tools and

digital engineering approaches, creating a coalition between government and industry, integrating the Modern Slavery Act 2018 and procurement guidelines, and assessing risks at multiple levels emerged through the focus group discussions.

It is important to use targeted tools such as technological platforms that collect information from industry suppliers on their modern slavery exposures on operations and supply chains. For example, a private sector participant described their experience of using such a digital tool as follows: “We ask our suppliers to complete a series of questions and they had to disclose [the answers] on this database, with information on who they supply with, where they get their products from, how do they ensure that Modern Slavery is met.”

Derived from our research, Figure 4 presents a suite of actions to consider in response to COVID-19. Organisations can then make their supply chains more resilient, collaborative and networked as they recover from COVID-19.

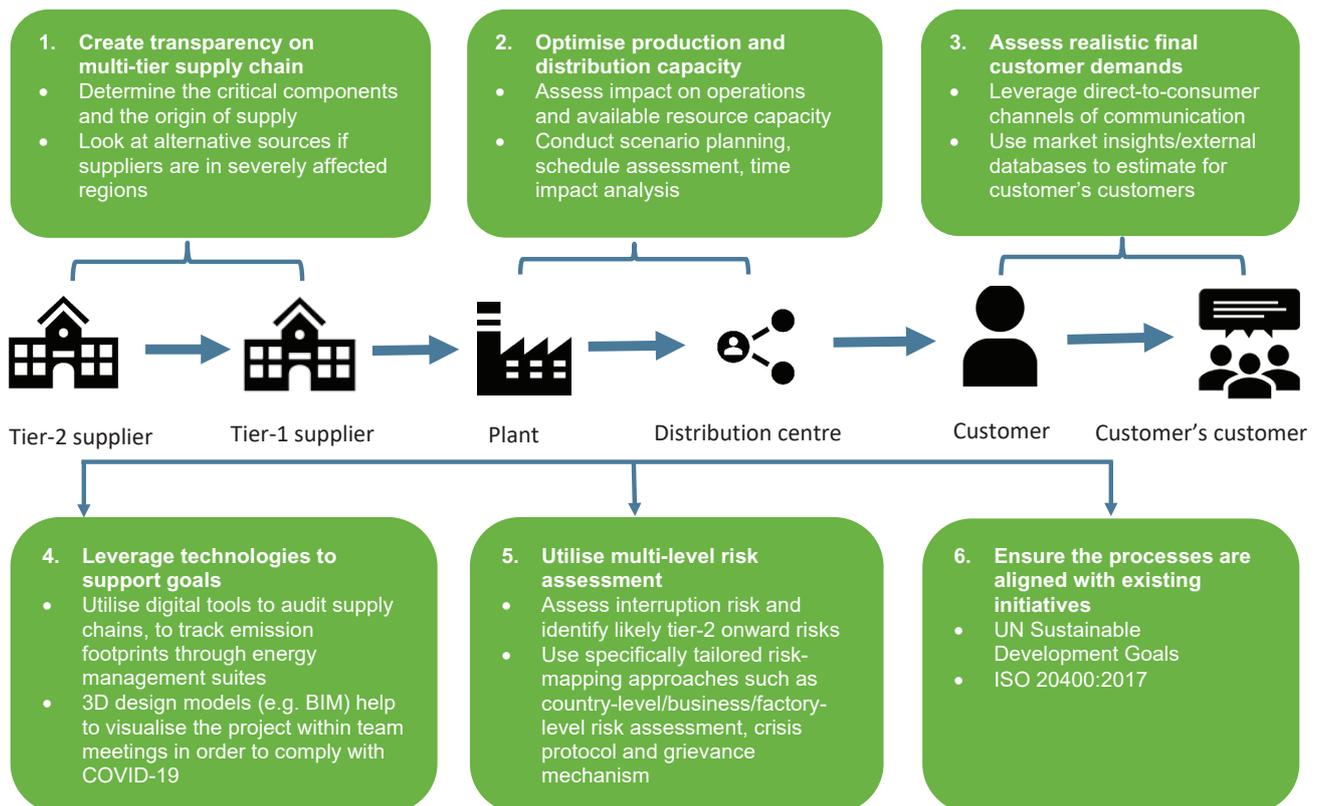


Figure 4: Actions in response to COVID-19

# Framework for Enabling Sustainable Procurement

As the world's first major international standard on sustainable procurement, the ISO 20400 provides a framework to guide an organisation to implement sustainable procurement and influence their supply chain's sustainability activities and performance. By aligning the findings of this project to the principles of ISO 20400, a framework for enabling sustainable procurement was proposed to help organisations to gain an understanding of the holistic picture of sustainable procurement and align their culture, behaviour, organisation and processes to sustainable procurement principles.

As described in Figure 5, the framework identifies the key steps that help organisations commence with the sustainable procurement journey; the best practices that support the implementation of sustainable procurement; the role of stakeholders in transforming sustainable procurement practices; and the responsibilities across various levels of staff, recognising the core role that value and impact of sustainability plays in driving the sustainable procurement practices.

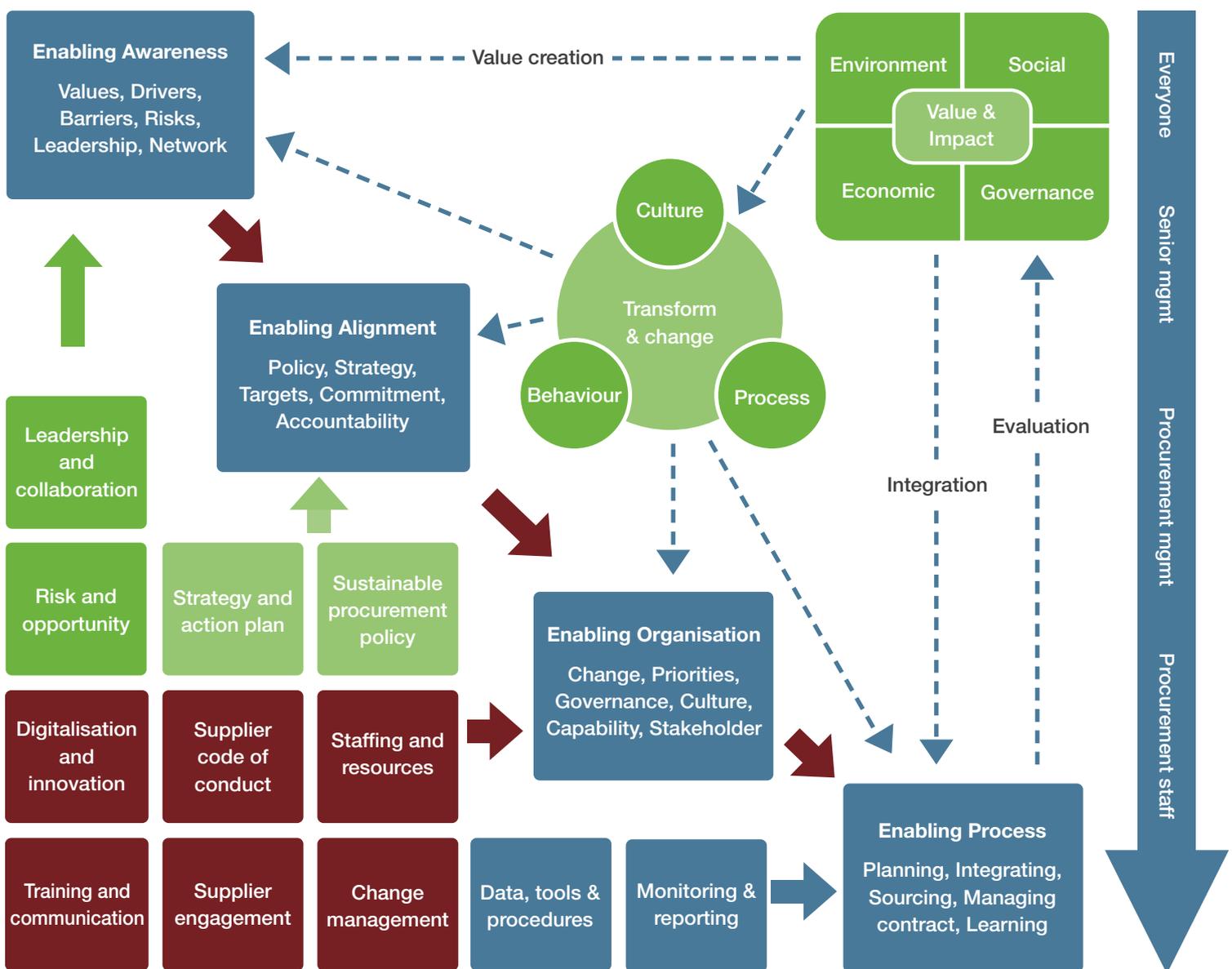
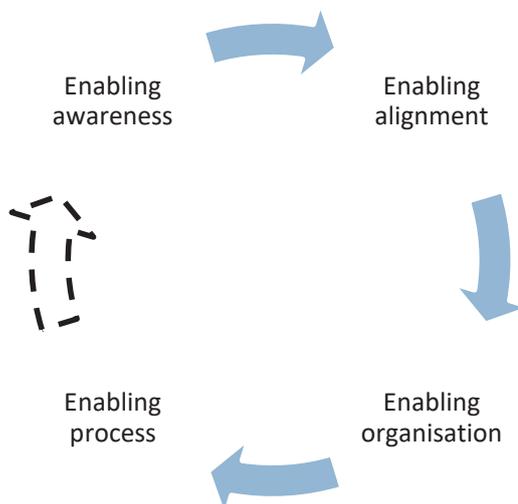


Figure 5: Framework for enabling sustainable procurement

## Key Steps

Enabling sustainable procurement in an organisation requires system thinking, as it involves systematic planning and changes in organisational culture, behaviour, governance and processes. This section describes the four key steps for implementing the framework (see Figure 6).



**Figure 6: Key steps for enabling sustainable procurement**

### Step 1 : Enabling Awareness

Enabling awareness involves: understanding and identifying what motivates and impedes the organisation to practise sustainable procurement; the sustainability risks; and opportunities across the value chain that can change the industry's mindset

towards sustainability. It also requires the organisation to analyse the role of stakeholders and understand how the key stakeholders would influence the implementation of sustainable procurement, and what are the benefits for them by practising sustainable procurement.

#### Key Considerations

1. Identify stakeholders and assess the benefits of sustainable procurement to the stakeholders and their influence on sustainable procurement practices.
2. Evaluate the value of sustainability by applying whole-of-life costing and circular economy principles, and analyse the motivations of the organisation to practise sustainable procurement.
3. Understand the external context and internal capabilities of the organisation and identify the barriers to practising sustainable procurement.
4. Analyse internal and external sustainability risks and market opportunities across the value chain to identify and assess their relevance and significance to the organisation and stakeholders.
5. Promote innovation in sustainability solutions and procurement approaches through leadership and collaboration.
6. Assess life cycle impacts (social, economic, environmental and governance costs and benefits) to maximise the value for money for the organisation.
7. Demonstrate client leadership and enhance collaboration between various stakeholders to address sustainability issues across the supply chain.

## Step 2: Enabling Alignment

Enabling alignment relates to the policy, strategy, targets, commitment and accountability of an organisation. Having successfully developed the awareness of the fundamentals and context of sustainable procurement, senior management should seek to demonstrate commitment to sustainable

procurement by aligning sustainability objectives to their organisational targets and developing sustainable procurement policy, strategy and action plans. These will help to inform and shape the organisation's supply chain targets, supplier code of conduct and sustainable procurement processes.

### Key Considerations

1. Develop the strategy, policy and action plans to guide sustainable procurement practices and shape the organisation's supply chain targets, supplier code of conduct and sustainable procurement processes.
2. Set specific and tangible sustainability objectives and align the objectives to the organisation's vision and strategic goals.
3. Develop targets and action plans for short- and long-term improvement.
4. Develop an organisational framework for a coordinated implementation of sustainable procurement practices.
5. Align sustainable procurement objectives and practices to management and employees' performance indicators, duties and accountabilities.
6. Align sustainable procurement practices to organisational goals through internal governance structure and arrangements, individual performance management and internal forums.
7. Ensure that the sustainable procurement strategy and policy are understood by staff and business partners and suppliers.

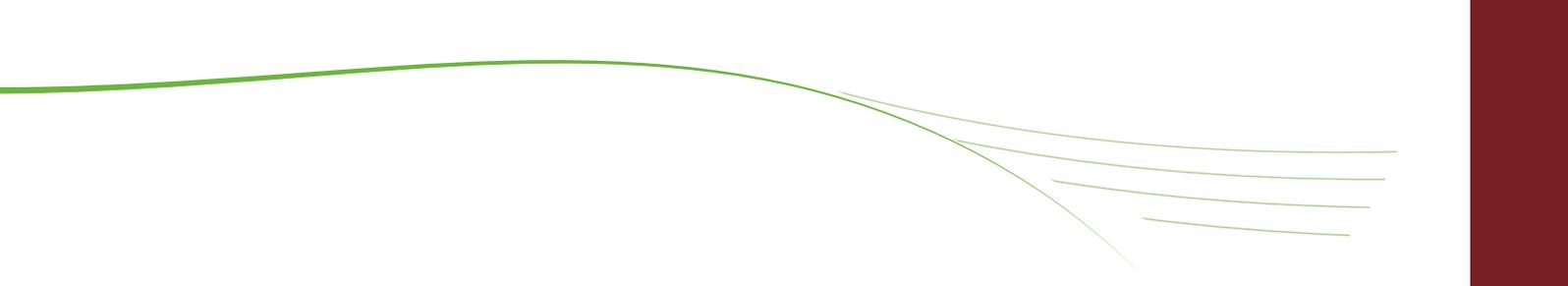
## Step 3: Enabling Organisation

This step involves the governance and capability of an organisation as well as stakeholders' management. Specifically, it integrates supplier engagement, training and communication, supplier code of conduct, staffing and resources, digitisation and innovation, and change management.

It is important to advance people and capabilities in sustainable procurement through organisational culture, committed staffing, resources, continuous training, collaboration, and by incorporating sustainable procurement practices into performance management.

### Key Considerations

1. Set sustainability priorities to ensure that the most impactful outcomes are achieved.
2. Assign relevant roles and responsibilities and provide appropriate training to relevant staff.
3. Change governance structure and arrangements to enable the sustainable procurement function.
4. Change organisational culture towards sustainability by defining value for money, engaging stakeholders early, fostering communication and collaboration, and enabling innovation.

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5. Recognise the diversity of sustainable procurement stakeholders and their roles, and engage the stakeholders in promoting sustainability and transforming sustainable procurement practices.
  6. Build sustainable procurement capabilities by recruiting specialised professionals, providing appropriate training and committing necessary resources.
  7. Actively engage with suppliers through early supplier involvement, incentives, supplier development plans, strategic supplier relationship initiatives, communications and capability development programs.

## Step 4 : Enabling Process

The enabling process promotes sustainable procurement practices throughout the procurement process by preparing a sustainable sourcing strategy, establishing specifications that address sustainability criteria, awarding the contract to supplier, integrating

sustainability in contract management, and post-contract evaluation and learning. This step also involves using data, tools and procedures as well as monitoring and reporting to measure and improve the sustainability performance of an organisation.

### Key Considerations

1. Embed sustainability considerations and priorities into the procurement process and day-to-day procurement activities.
2. Manage supply chain as a platform for positive impact through integration with the organisational targets and strategies.
3. Use reporting framework and rating tools to help define elements of sourcing strategies, specifications and tender evaluation criteria.
4. Track, measure, report and benchmark the performance of supply chains and address root causes of issues through deep collaboration between clients and suppliers.
5. Conduct post-contract evaluation to assess the achievement of sustainability goals, cultivate a culture of continual review and learning from the contract, and apply lessons learned in future procurement considerations.
6. Seek continual process improvement by regularly reviewing goals, requirements and practices, promoting innovation, applying tools, procedures and standards, embracing digital technologies, managing performance, providing incentives and resources, and engaging stakeholders and taking feedback.

## Case Studies

Case studies on selected sustainability themes including green concrete, recycled contents (beyond concrete material), the Modern Slavery Act 2018, regional participation and marginalised groups were conducted and analysed based on the proposed framework for enabling sustainable procurement.

Data were collected by reviewing documents and records and interviewing relevant staff from participating organisations, which include both public and private organisations in Australia. Table 1 summarises the sustainable procurement practices that were implemented by the participating organisations in the case studies.

Sustainable Procurement Practices	Green Concrete (Private Organisation)	Recycled Contents (Public Organisation)	Modern Slavery (Private Organisation)	Regional Participation & Marginalised Groups (Public Organisation)
<b>Enabling Awareness</b>	Uncover enablers, barriers and opportunities; Take marketing efforts and third-party endorsements to advocate the benefits and functionality of products.	Lead efforts to promote the uptake of recycled contents; Identify and understand key stakeholders; Enhance collaboration via Waste Forum; Analyse risks and opportunities.	Collaborate in developing a tech platform that gathers and collates information from suppliers; Consider modern slavery as an opportunity to increase the transparency and visibility in the portfolio's supply chain; Identify high-risk suppliers prior to the procurement phase.	Lead partnerships with social enterprises to create social value; Analyse the market to search for opportunities and assist marginalised and regional groups.
<b>Enabling Alignment</b>	Develop a strong policy framework that aligns with UN Sustainable Development Goals; Adapt accounting systems; Demonstrate management commitment.	Incorporate sustainability in purchases to develop a culture of sustainability through its supply chains; Deliver short-, mid- and long-term action plans; Drive behavioural and attitudinal changes.	Develop comprehensive strategies, policies and guidelines; Align strategies and policies with organisational value, vision and targets.	Develop social procurement strategies and policies; Integrate social benefit as a guiding principle in procurement.
<b>Enabling Organisation</b>	Build capabilities; Enable sustainable procurement function and provide resources; Engender sustainable business practice, mindset and culture.	Establish progressive targets to use recycled products which are negotiated with contractors/suppliers; Improve communications by organising training courses, specialised conferences and roundtables. Use pilot trials to engage suppliers and minimise risks.	Establish a Modern Slavery Working Group to support the strategic goals and ensure compliance; Build internal and supply chain capabilities through collaboration and training.	Engage suppliers early in the tendering process; Build long-term collaboration with social traders; Provide incentives for creating social benefits; Provide trainings to fill in capability gaps.
<b>Enabling Process</b>	Include elements of sustainability in tender; Measure and monitor environmental footprint; Assess sustainability of its concrete supply chain; Undertake Life Cycle Assessment.	Enable the use of recycled contents in certain circumstances through contract clauses that are either incentive or mandatory; Use various tools and procedures to collect, process and report data; Monitor and report progress in using recycled contents through audits, pilot trials, lessons learned, ISCA credits, and site visits.	Develop and update tender packages to address modern slavery risks; Establish a Modern Slavery Working Group to monitor risks and corrective action plans; Engage suppliers and take feedback on procurement processes.	Set weighted evaluation criteria to ensure the creation of social benefits; Gather data for evaluating the success of social procurement strategy and application to future projects; Use KPIs to evaluate whether the procurement represents value for money.

## Conclusion

This SBEnc research project examined the key issues of sustainable procurement across system, organisation and procurement processes and proposed practical ways to improve environmental, social and economic sustainability outcomes in the housing, building and infrastructure sectors in Australia.

The project uncovered the drivers, barriers and enablers of sustainable procurement; developed strategies to drive cultural, behavioural and process changes towards sustainable procurement; and proposed approaches to optimise the COVID-19 impact on sustainable procurement practices.

A framework for enabling sustainable procurement was proposed to help organisations to gain an understanding of the holistic picture of sustainable procurement and align their culture, behaviour, organisation and processes to sustainable procurement principles. The framework identifies the key steps that help organisations get started on the sustainable procurement journey and the best practices that support the implementation of sustainable procurement.

Case studies on selected sustainability themes including green concrete, recycled contents, modern slavery, regional participation and marginalised groups were conducted with industry partners to demonstrate the application of the proposed sustainable procurement framework and identify best practices for enhancing sustainable procurement practices.

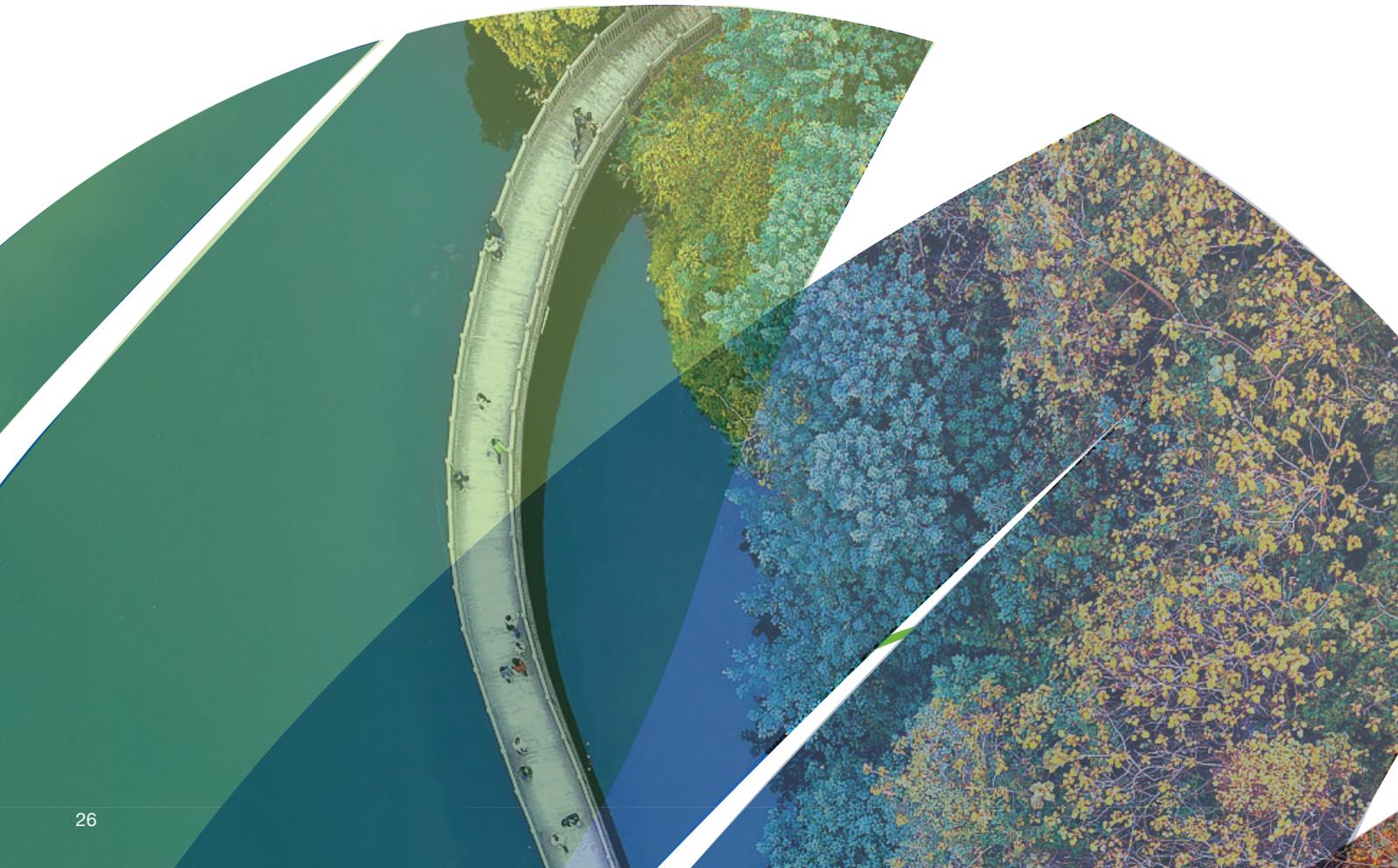
This project may steer the adoption of more sustainable procurement in the housing, building and infrastructure sectors in Australia and improve the consistency and simplification of sustainable procurement practices. The outcomes of this research may assist organisations to reduce their impact on the environment, tackle human rights issues, advance social outcomes and manage supplier relations, while harmonising long-term global costs and improving their purchasing outcomes.



## Moving Forward

In this project, we focused on helping organisations to establish and implement comprehensive sustainable procurement systems and processes. The next challenge is to bridge the missing link for sustainability in the supply chains. The industry needs to not only monitor the compliance, but also build the supply chain's capabilities to respond to the increasingly higher expectations in social and environmental outcomes through collaborative practices.

Built upon the outcomes of this project, the SBEnc's next project in the theme of Sustainable Procurement will seek to develop more sustainable and resilient supply chains in the Australian building and infrastructure sectors through procurement and collaborative practices. It is expected that the outcomes of the new project would enhance the efficiency, reliability and sustainability of supply chains and help the Australian building and infrastructure clients in public and private sectors to achieve their sustainability goals.



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**Find out more:**

Project webpage (including link to YouTube video):  
<https://sbenrc.com.au/research-programs/2-76/>

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