



Sustainable and Ethical Procurement Tools Guidance Notes

The document outlines the CIPS Sustainable and Ethical Procurement Tools created to help you and your organisation with its ethical conduct and sustainable practice.



This knowledge paper is supportive of Procurement professionals operating at operational level of the CIPS Global Standard



CIPS members
can record
one CPD hour

CIPS Sustainable and Ethical Procurement Tools Guidance Notes

Sustainable and ethical procurement adopts a view of the whole process which incorporates the net benefits for both the buying organisation and the wider world. This approach considers the impact of ethical, environmental, economic and social factors and not just the price of a product or service.

In today's world ethical conduct and sustainable practices are of paramount importance.

Ethics in procurement relates to doing the right thing, accepting people's beliefs and cultures as well as ensuring individuals have a safe place to work with fair remuneration for their efforts.

Sustainable practices relate to making sure suppliers and businesses have a long term future and that this is achieved without destroying the environment, taking advantage of people or situations and working with and caring for the community with which they are involved.

The human rights of individuals are taken very seriously and within supply chain management the welfare of both people and nature is of the utmost importance. Many reputable and forward-thinking organisations have whistleblowing processes in place to try and raise awareness of any unethical or unsustainable behaviours.

Ethical conduct incorporates many subject areas and these are so important that CIPS have dedicated specific topics to them. More information on ethics can be found in [Modern Day Slavery](#) and [Fraud And Corruption In The Supply Chain](#).

Procurement should promote and encourage ethical behaviour throughout the supply chain by close collaboration with the suppliers and [effective communication](#).

Sustainable and ethical processes can be ensured by monitoring the suppliers within the chain and conducting audits or questionnaires to ensure that all parties are behaving as expected.

Suppliers are expected to have a CSR (Corporate Social Responsibility) Policy which outlines their commitment to being ethical and sustainable.

Suppliers that do not conform to the procurement organisations' requirements will either not be engaged with for contractual work or will be given an improvement note to try and help them reach the standards required.

You can also access further CIPS Sustainable and Ethical Procurement [guidance here](#).

This document will cover the following tools which CIPS members can [download here](#).

Tools

- What is ethics?
- What is sustainability?
- Human Rights
- CSR
- Managing Sustainability
- Fair Trade
- 3Ps
- 3Rs
- Circular Economy
- Ethical/Sustainable Questionnaire

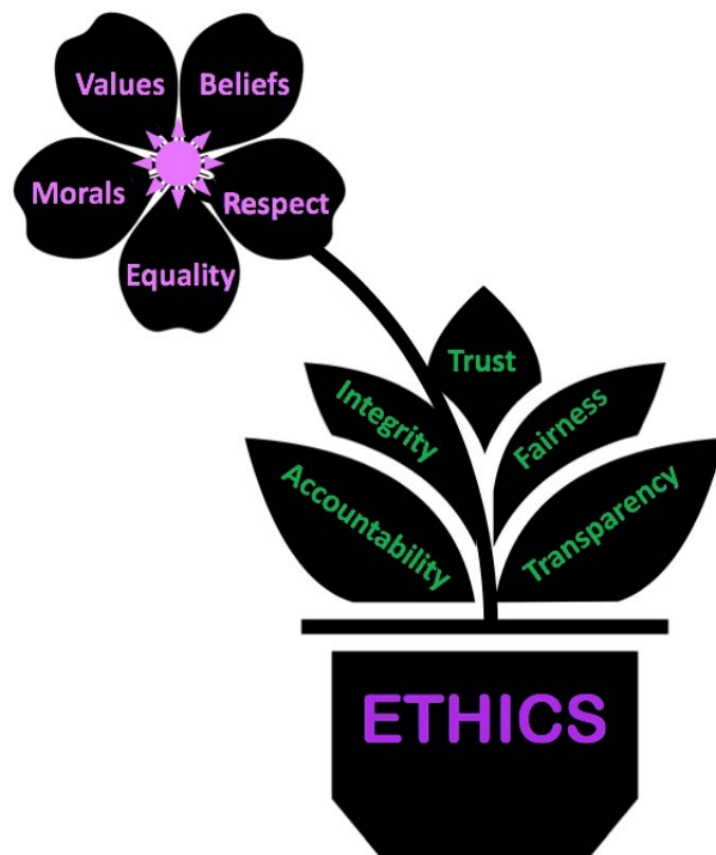
1. What is ethics?

This model shows what ethics is and what ethical behaviour represents.

Ethics is about being transparent, not hiding anything within the supply chain, being accountable for all actions, being fair to all people and the environment, as well as showing integrity and developing trust with those with which one works.

The flower in the model shows how promoting and practicing equality is paramount, as well as respecting everyone and their associated life choices, beliefs, values and morals.

In a truly ethical supply chain all parties will be treated equally with opportunities to develop, all will have access to safe working environments and receive fair and representative remuneration for their efforts.



(Source: Jarvis-Grove, 2020)

2. What is sustainability?

Dictionary definitions for sustainability are based around the ability to maintain something for a long time. This is also the case for the definition of sustainability within procurement and supply chain management.

Sustainability is about understanding the impact of the actions taken within the supply chain in relation to the environment, the community and the economy.

This model demonstrates how impacts can be severe if not managed appropriately.

Social impacts can be detrimental to the environment if people are not able to gain employment which then has an impact on the economy and in turn affects the environment.

If individuals are not able to get money, they are not able to contribute to the economy and may also find that they are acquiring goods that are less environmentally friendly as these appear to be a lower price.

Procurement professionals have a duty of care to ensure that the supply chains within which they work are sustainable. This includes making sure that raw materials from the primary sector are sourced responsibly. For example if a buyer is sourcing timber, a sustainably acceptable supplier would be replanting trees at the same or faster rate than which they are felling them. This equates to the resources being put back into the environment, the habitat of wildlife being protected and the natural landscapes being maintained.

Conducting supplier due diligence is also part of ensuring a sustainable process. Suppliers need to have a good cash flow, have assets and capital to give procurement professionals the confidence that when they are involved in a contractual agreement continuity of supply will occur. A supplier that does not have a good cash flow may find that they are unable to source the raw materials or components needed to manufacture or supply goods or they may try to save money by reducing the quality of parts.



(Source: Jarvis-Grove, 2020)

3. Human Rights

This diagram shows the elements of Human Rights. Human Rights are the basic rights and freedoms to which every person in the world should be entitled.

The Human Rights Act can be studied in depth at <https://www.equalityhumanrights.com/en/human-rights/human-rights-act>.

Some of the rights listed within the Act include the right to life, freedom, education and expression

The model summarises human rights into ten elements. If a person is able to be guaranteed these ten factors then their basic human rights will have been met.



(Source: Jarvis-Grove, 2020)

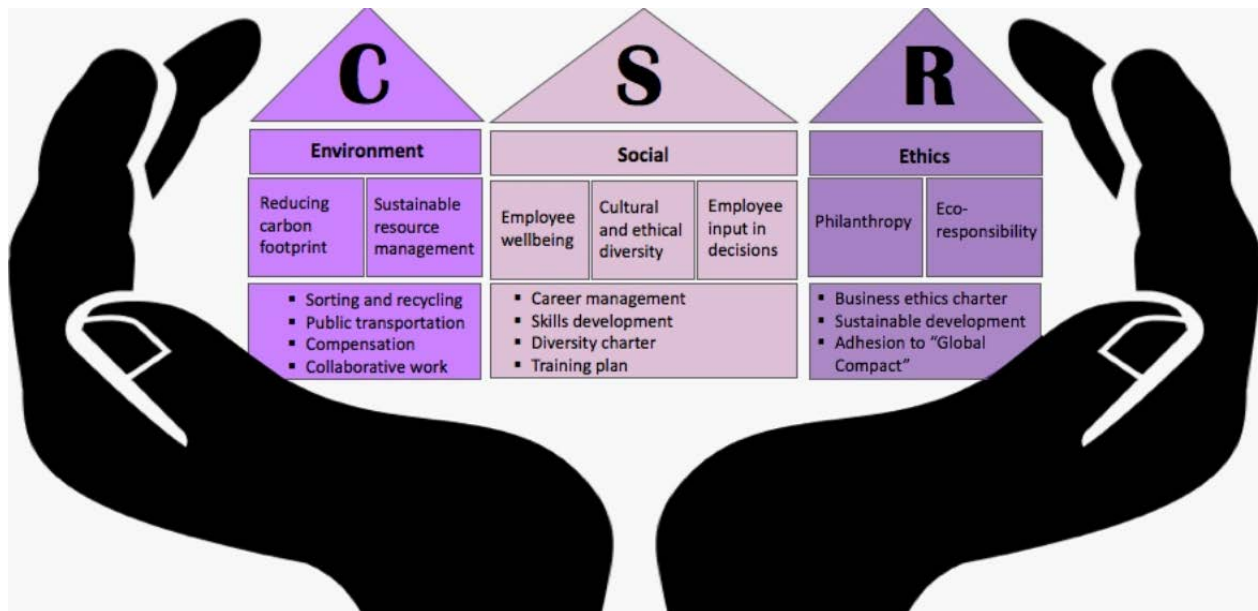
4. CSR

Corporate Social Responsibility is about ensuring that organisations work ethically, responsibly and sustainably. The CSR policy that organisations may have is something that procurement professionals should request as part of their due diligence and auditing process.

A CSR policy will document a company's commitment to protecting the environment, looking after its employees and local community as well as managing ethical conduct.

This model outlines the elements that can feature within a CSR document. All organisations' documentation will differ as each has different agendas, different cultures to manage, different raw materials going in and waste products exiting their organisation.

What is important is to evaluate the policy to understand how seriously an organisation is taking their responsibility to provide a green product or service, how they are looking to reduce their carbon footprint and how they deal with ethical issues.



(Source: Jarvis-Grove, 2020)

5. Managing Sustainability

To ensure the effective management of sustainability this model can be used.

Within industry standards exist for organisations to commit to or work towards to promote their dedication towards becoming sustainable. These standards vary across the globe but most developed or developing countries have regulations and standards that can be achieved for green practices.

Monitoring performance through the use of [KPIs](#) can help to manage sustainability. If a procurement professional sets a KPI for a supplier to reduce their percentage of waste going into landfill, this contributes towards the supplier becoming more sustainable.

Good corporate governance made up of [policies](#) and procedures will also help an organisation be more sustainable.

Being aware of acceptable behaviour within the supply chain will aid in managing sustainability and having the option to whistle blow on anything unacceptable will contribute positively to developing awareness in this area.

Audits and audit trails contribute towards managing sustainability. Audits reveal both good and poor practices which can then provide procurement professionals with insight into which suppliers are doing a good job and also those which may need some support to amend their processes.

Good risk management processes will contribute towards managing sustainability. Through identifying and managing risk anything that is not in accordance with good sustainable practice will be mitigated against.

Whilst as a procurement professional one main objective is to achieve cost reductions, this must always be done in a sustainable way. If a cost reduction seems too good to be true or is significantly lower than other suppliers' quotations or bids, this must be thoroughly investigated in the area of sustainability. The cost could be significantly lower than the competition due to child labour, or sourcing raw materials in an unacceptable way.

Whilst a procurement professional cannot completely control its supply chain, by conducting regular due diligence, audit processes and being aware of all tiers within said chain, the likelihood of unsustainable activity going undetected is significantly reduced.



(Source: Jarvis-Grove, 2020)

6. Fair Trade

This model shows some of the key areas that fair trade promotes.

Fair trade is about ensuring that all parties within a supply chain experience good ethical conduct and the processes are sustainable.

Fair trade promotes looking out for workers in under developed countries to make sure that they are receiving fair levels of pay and are working in acceptable conditions. Fair trade should allow all parties in the supply chain to have the opportunities to make enough money to survive and have the ability to develop their business should they wish.

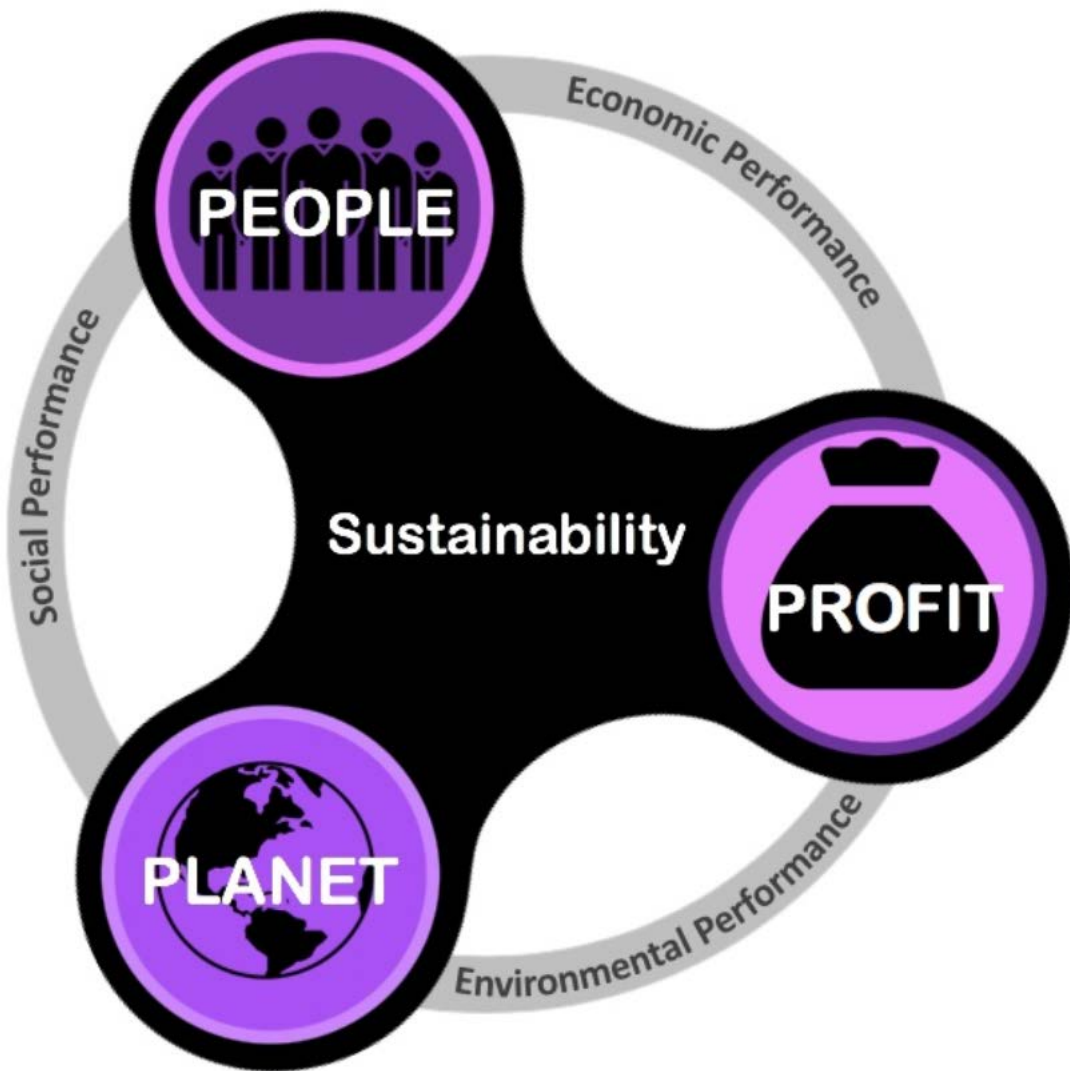
The model shows the areas which fair trade helps generate positive outcomes. These include giving opportunities to underprivileged producers, aiming to eradicate child labour and modern slavery, promoting environmental kindness and creating global standards that are followed worldwide to make for a sustainable and ethical future.



(Source: Jarvis-Grove, 2020)

7. 3Ps

This model shows the three Ps that are related to sustainability. Sustainable businesses and processes will look after their people, make a profit and be kind to the planet.



(Source: Jarvis-Grove, 2020)

8. 3Rs

The 3 R's model demonstrates how an organisation can reduce its carbon footprint by producing less waste and landfill.

By reducing the amount of raw materials used the environment will not suffer as much. If, instead of using raw materials, organisations can reuse what they have already or recycle some of their waste, they will be contributing towards a more sustainable business. This also links in to creating a LEAN process within the business reducing waste in several areas to promote a more efficient and effective outcome.



(Source: Jarvis-Grove, 2020)

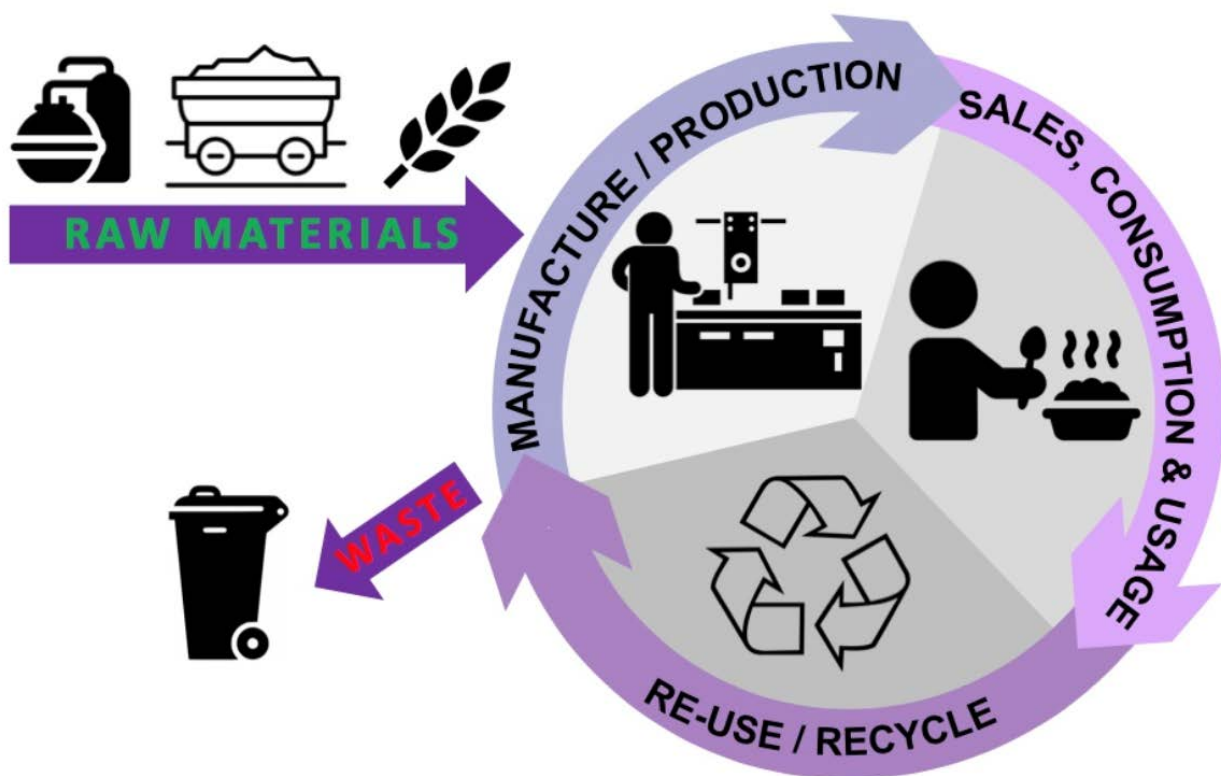
9. Circular Economy

This model demonstrates how if procurement can help to promote ethical and sustainable conduct, their suppliers can start to work towards the circular economy theory.

This theory is based upon organisations understanding the waste involved in the manufacturing process as well as knowing what happens to the products at the end of their lives.

By having this knowledge systems and processes can be put in place to reduce the waste and to enable the consumer to recycle, reuse or return the product when their need for it has finished.

By understanding the end of life of the product and the development, engineers can work towards making the product more sustainable, sales personnel can change their pitch to help promote sustainability in the industry in which they work and the levels of waste that end up in land fill should be significantly reduced.



(Source: Jarvis-Grove, 2020)

10. Ethical/Sustainable Questionnaire

This template can be used as part of pre evaluation due diligence or ongoing [SRM](#).

The template consists of five blocks of questions which all relate to ethical conduct and sustainable practises.

The yellow area focuses on understanding what written documentation a supplier has in relation to CSR, ethical and sustainable issues.

The blue area gives an opportunity for the suppliers' ISO or other accreditations to be documented.

The green questions are based around environmental issues, such as understanding the levels of waste generated or percentage of products that are recycled.

The red area is linked to financial stability which is an important aspect of sustainability linked to economic performance. Here documents such as balance sheets or company accounts can be reviewed.

Finally the purple section relates to social factors and looks at how a supplier is working within its local community to support the residents and the local environment.

By completing the questionnaire a procurement professional gains a useful insight into a supplier and this can also be used as part of a [benchmarking](#) process to understand which suppliers are performing optimally in the ethical/sustainable procurement category.

Supplier Name:				Procurement Professional Conducting Questionnaire:	
Date:				Review Date:	
	Yes	No	Comments	Copy Viewed/Received?	
Policies And Procedures					
Does the supplier have a mission statement?			<i>Insert mission statement:</i>		
Does the supplier have a CSR policy?					
Does the supplier have a Code of Conduct?					
Does the supplier have an ethical policy?					
Does the supplier have a sustainability policy?					
Does the supplier have a modern slavery policy?					
Does the supplier have a whistleblowing procedure?					
Does the supplier have a health and safety policy?					
ISO Accreditations					
Does the supplier hold ISO9001?					
Does the supplier hold ISO14001?					
Does the supplier hold ISO20400?					
Waste And Emissions					
What percentage of waste is recycled?					
What percentage of waste is reused?					
What percentage of waste goes to landfill?					
Is packaging sustainable?			<i>Recycled/reusable?</i>		
Is renewable energy used?			<i>Details:</i>		
Does the supplier's fleet run on bio fuel?					
Is the supplier in a good financial position?					
Copy of balance sheet viewed?					
Copy of profit and loss statement viewed?					
Annual accounts viewed?					
Credit rating check undertaken?					
Society Awareness					
What percentage of employees are from the local area?					
What does the supplier do to aid the local community?					
What does the supplier do to try and reduce its carbon footprint?					
Does the supplier sponsor any local events/groups/teams?					

(Source: Jarvis-Grove, 2020)

You can also access further CIPS Sustainable and Ethical Procurement [guidance here](#).

This document will cover the following tools which CIPS members can [download here](#).

