

Worksheet 5.1C

Supplier engagement strategies

Level of supplier (refer w'sheet 5.1A)				Engagement strategy	Comments and examples
1	2	3	4		
Stage 1: Pre-screening communications between purchaser and supplier					
	●	●	●	Environmental and procurement policies distributed to suppliers.	Raises awareness of the organisation's environmental procurement goals and sets the tone for future collaboration. For example, Telstra has a web page giving directions to its supply chain, including facility management services and suppliers.
	●	●	●	Code of conduct for suppliers	Communicates how business will be done with suppliers, including standards to be achieved, and may warn suppliers of unethical practices. Optus promotes its code via supply tenders. Westpac provides detailed guidance notes to suppliers to ensure its supply chain policy is well understood.
	●	●	●	Minimum environmental performance standards	Contracts often specify a level of environmental performance based on recognised standards. Colonial First State Global Asset Management (CFSGAM) sets environmental performance standards in its cleaning specifications. Ford requires all key suppliers to have in place an EMS certified to ISO 14001.
●	●	●	●	Product specifications	Product specifications can detail environmental performance requirements as well as other functional, aesthetic and value-for-money requirements. Many companies specify office paper based on its recycled content. Paints are often specified as low or no volatile organic compounds (VOCs) or timber as being from certified sustainable forestry sources.
●	●	●	●	Lists of materials to avoid	Some organisations circulate lists of chemicals or toxic materials their supply chain is to avoid. Such lists require regular updating and require some form of verification by suppliers when delivering orders. Kodak, Canon, Toyota and Ford produce such lists. The Sydney 2000 Olympic Games procurement contracts included a list of packaging materials not to be delivered to Games venues. Also check for companies and suppliers who offer to take-back packaging for reuse or recycling, or take back used electronic equipment (e-waste) and printer cartridges. www.wrapp.nsw.gov.au/material/equip.shtml www.environment.nsw.gov.au/warr/ewaste.htm

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Stage 2: Qualifying and negotiating with suppliers					
●	●	●	●	List of pre-approved materials	Lists of pre-approved materials can streamline internal procurement decisions. Suppliers need to submit expressions of interest to gain pre-approval status. Organisations wanting to use environmentally friendlier materials often use lists provided by specialists such as ecospecifier or Buy Recycled Business Alliance.
	●	●	●	Requests for proposals (RfP)	RfP for significant supply items or services can include environmental selection criteria the tenderers must address.
	●	●	●	Surveys and questionnaires	Organisations require suppliers to complete self-assessment forms. This common approach requires some level of technical capability on behalf of the purchaser. Pro-forma questionnaires exist, including a detailed product environmental data sheet initiative by the Australian Government. See also www.ecospecifier.org/knowledge_base/downloads/epds_long_questionnaire and www.nzbcsc.org.nz/supplychain/SupplyChain.pdf .
	●	●	●	Required standards of performance	Technical standards are often referenced in tenders and supply contracts are often based on applicable Australian standards or relevant international standards (e.g. ISO). Examples include the Forest Stewardship Council (FSC) certification, Good Environmental Choice labelling and ISO standards for construction materials. Sydney 2000 Olympics required key procurement contracts to include an extensive environmental tender specification.
		●	●	Supplier selection criteria/ranking	Where detailed environmental performance specifications are included in the tender selection process, it's a good idea to include the selection criteria in the information for tenderers. Sydney 2000 Olympics used a 26-point selection criteria assessment that was weighted to reflect the importance of environmental performance in the procurement contract.
●	●	●	●	Pre-approved supplier lists	A number of organisations create pre-approved supplier lists generated from responses to stage 1 pre-engagement screening. Serco-Sodexo produces lists of various suppliers that have demonstrated an ability to meet their required environmental standard. Tendering is based on price and delivery program and therefore time on both sides is reduced. Government departments use extensive pre-approved supplier panels.
	●	●	●	Contract negotiations	Depending on the scope of environmental risks, some facility management or construction contract negotiations may include environmental specialists within the purchaser and supplier organisations. This arrangement ensures transparency and a higher level of scrutiny of the supplier's environmental claims.

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Stage 3: Monitoring and continuous improvement					
	●	●	●	Performance audits	Regular audits of performance (self-audit or external audit) are common on large procurement and supply contracts in the construction industry and major infrastructure projects. Some contracts may require a self audit by the supplier, together with an annual verification audit by an independent specialist. Contracts requiring certification to ISO 14001 often require copies of the certification and re-appraisal audits before payments are made.
		●	●	Regular visits to suppliers	Purchasers may regularly visit supplier operations to inspect quality and look for incremental improvement. The NSW RTA undertakes such visits.
	●	●	●	Performance reviews	Regular performance reviews between the supplier and purchaser may include environmental performance reporting.
	●	●	●	Project-related partnering	Some supply chain initiatives can provide win-win solutions for supplier and purchaser. Often these arrangements will be subject to a partnering agreement where both parties share information and work collaboratively to achieved agreed objectives. Examples include energy performance contracts.
		●	●	Supplier training and awareness development	CFSGAM provides training and awareness to its managing agents on the company's sustainability policy and procedures. City Rail holds environmental health and safety (EH&S) training for suppliers, and many construction projects include suppliers in environmental inductions.
			●	Collaboration on R&D and new product development	Intel works with suppliers and cross-functional teams to design new semiconductor manufacturing tools that will operate with minimum EH&S impacts.

Source: Adapted from 'New Paths to Business Value' Global Environmental Management Initiative, 2001.

Global Supply Chain Project, 'Forging New Links: Enhancing Supply Chain Management Through Environmental Excellence', 2004, www.gemi.org/supplychain