

Sustainable Procurement

*Harnessing Supply Chains for
Sustainable Outcomes*

October 2023

Sustainable Procurement As Transformational Procurement

- From functional operating models through to key enterprise-level agendas, we view Sustainable Procurement as a tailored, transformational solution for your organisation. Our expertise across critical value drivers within the procurement chain enhances the abilities of your procurement team to meet ESG demands from stakeholders, and gain competitive market advantage.
- Our expertise across all areas within procurement transformation ensures that we are suited to identifying the right areas to concentrate Sustainable Procurement efforts, across the entire procurement lifecycle and with in-house experts on specialist ESG subjects.
- Our hands-on operational experiences in delivering these services on behalf of public and private sector clients means that we bring a wealth of cross-sector and pan-industry knowledge, to drive best practice in environmental and social management within your sphere. We look for results that will generate a permanent positive change for our clients.
- Our depth of internal benchmarking data, combined with our proximity to government bodies, delivers the right recommendations for your organisation based on emerging trends and upcoming policy changes. We strive to innovate solutions and collaborate with all stakeholders.

Our framework approach encompasses four key areas of transformational procurement to deliver a fit-for-purpose solution

Strategy & Vision

Organisation & Talent

Process & Governance

Digital

Procurement Strategy



Building an enterprise level strategy and plan to transform your function and align to the overarching business vision and strategic goals

Procurement Operating Model (PTOM)



Understanding the vital role procurement plays within an organization and maximizing the structure of people, processes and systems to leverage the most out of your team.

Sustainable Procurement



Meeting global challenges through our Sustainable Procurement Framework, based on over two decades of experience, to ensure you remain aligned to relevant legislation & ESG goals

Category Management



Whether piloting a discrete category or implementing holistic transformation of your procurement function, our category management transformational expertise can be tailored to maximise your operating environment and reduce supply chain costs and risks.

Digital Procurement Solutions



Embedding digitally-led strategic procurement foundations and solutions to drive greater efficiency, deliver enhanced services and embed a digital-first culture, all enabled by transformative tools.

Cost & Spend Transformation



Using a range of indicators and digital tools, our spend analytics specialists can transform cost and spend, including tail spend, to create a more agile organisation. We focus on adding value as well as generating cost savings.



Developing Procurement Challenges

Developing Legislation (Private-Sector Value Chains)

Canada: In 2022, under Canadian securities regulations, public companies must disclose information relevant to investor decision making. This encompasses material environmental matters, including climate change

United Kingdom: In April 2022, TCFD rules became mandatory for Britain's largest businesses, requiring them to disclose their climate-related risks and opportunities

Europe Community: In November 2022, the EU's CSRD became mandatory for large organisations and listed SMEs. In late 2023, the EU is expected to vote on CSDDD

United States: In August 2021, the U.S. Department of Treasury's Federal Insurance Office (FIO) announced data collection from insurers to assess climate-related financial risk across the United States

Hong Kong: In April 2023, Hong Kong's bourse reviewed its existing disclosure rules for environment, social and governance (ESG) matters and Proposed tougher climate and sustainability risks & opportunities disclosures

Brazil: In 2021, Brazil's Central Bank and National Monetary Council published new rules on disclosure and management of social, environmental & climate-related risks

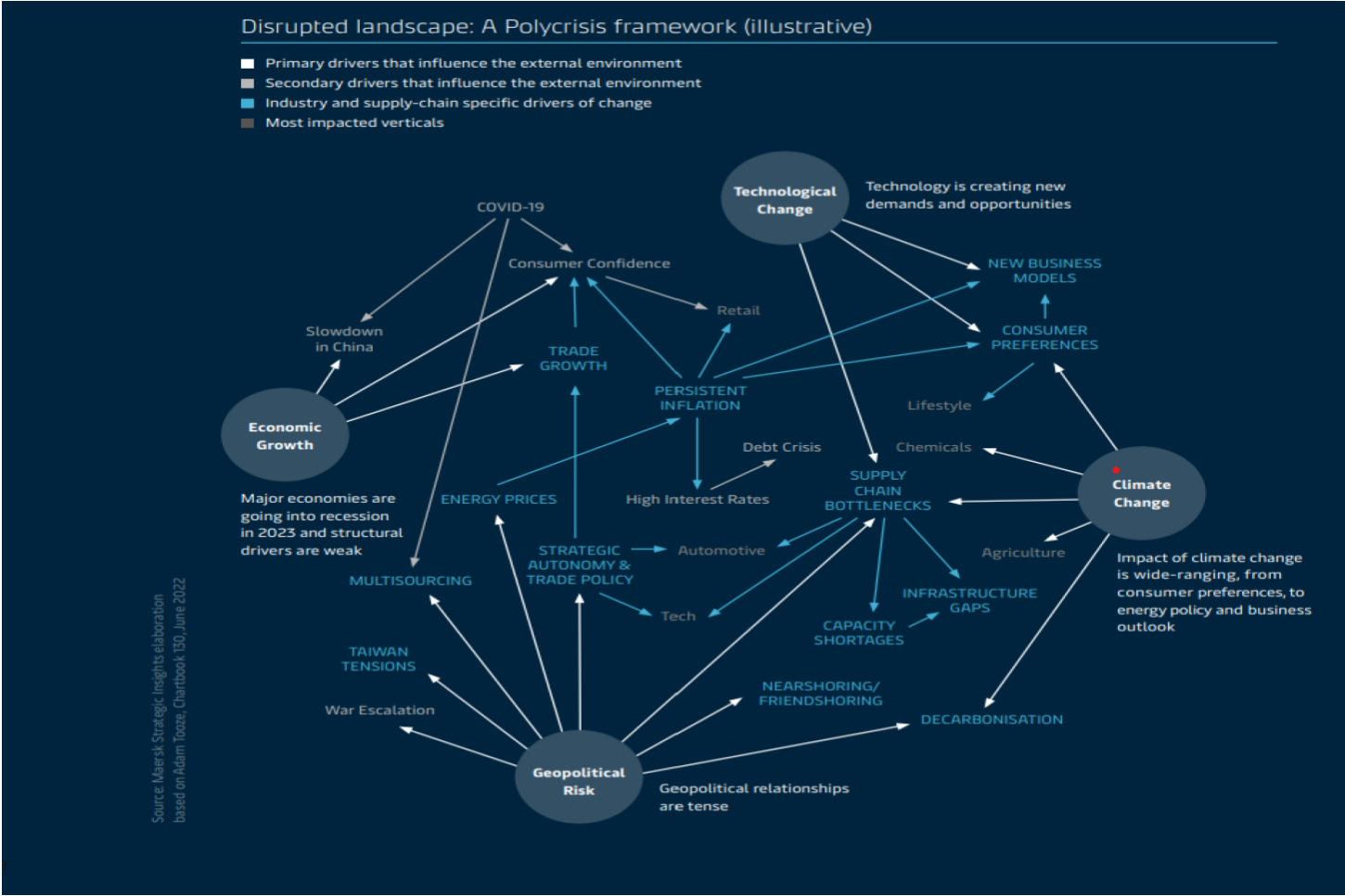
Chile: In 2022, the Financial Market Commission (CMF) required submission of ESG compliance information as part of companies' mandatory financial reporting

Singapore: In 2021, the Monetary Authority of Singapore (MAS) introduced the Green Finance Industry Taskforce (GFIT) for Singapore-based financial institutions

New Zealand: In 2021, NZ passed legislation making climate-related disclosures mandatory for some large financial market participants. The requirement applies to large publicly listed companies, insurers, banks, non-bank deposit takers and investment managers



Current Supply Chain Polycrises



Source:
Dr. Omera Khan, Maersk 2023

Client-Reported Challenges

Supplier engagement

- Suppliers are hesitant to change from existing practices to those they fear may be less cost effective

Traceability

- Large and complex supply chains struggle with visibility/traceability to ensure supplier compliance

Limited supply

- 60% of companies across sectors report challenges in securing raw materials

Compliance with accepted standards

- Difficult to enforce in areas where laws are weak

Managing supplier relationships

- Large, global, extended supply chains prove difficult when monitoring performance

Complex supply chains

- The structure of contractors and sub contractors creates risk in terms of environmental and social compliance

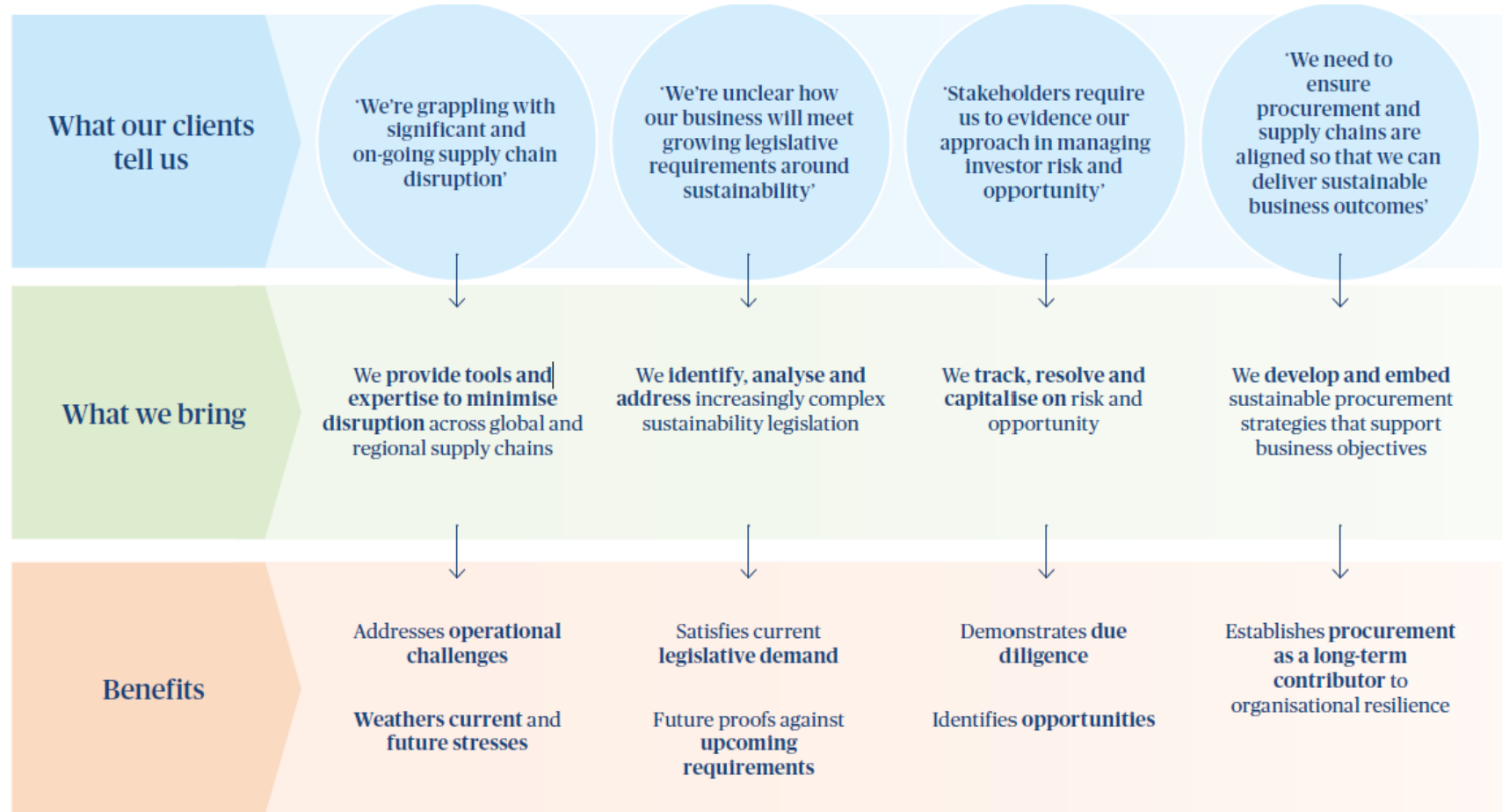
Evolving sustainability standards

- Sustainability standards and expectations are constantly evolving, and coping up with them requires ongoing monitoring, assessment, and adaptation

Changing regulatory demands

- Regulations around sustainable sourcing and procurement are constantly evolving, requiring adaptation of practices

Harnessing Supply Chains for Sustainable Outcomes



"A perfect storm... supply side, transport, and labour are coming together to blow a stagflationary wind through the global economy..."

The Guardian,
2nd October 2021

"70% of supply chain leaders are planning to invest in circular economies..."

Supply Chain,
17th May 2021, 'Circular Economy'

"Keeping pace with constant regulatory updates has become a mammoth task for businesses and investors..."

S&P Global,
21st July 2022

"Global ESG assets under management are set to hit \$53 trillion by 2025..."

Bloomberg,
23rd February 2021,



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Sustainable Procurement- In Brief

Definitions

Sustainability:

*"state of the global system including **environmental, social and economic** aspects, in which the needs of the present are met **without compromising the ability of future generations** to meet their own needs"*

ISO 20400 (2017)

Sustainable Procurement:

*"a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves **value for money on a whole life basis** in terms of generating benefits not only for the organisation, but also to society and the economy, **whilst minimising damage to the environment**"*

Defra (2006)

Issues and Considerations

Examples of issues and considerations throughout the procurement process might include:

Environmental

- Reduce emissions to air (CO2e etc)
- Reduce releases to water
- Reduce releases to land
- Sustainable use of natural resources
- Efficient use of energy
- Packaging waste minimisation
- 'Circular' economy (re-use, recycle)
- Biodiversity

Social

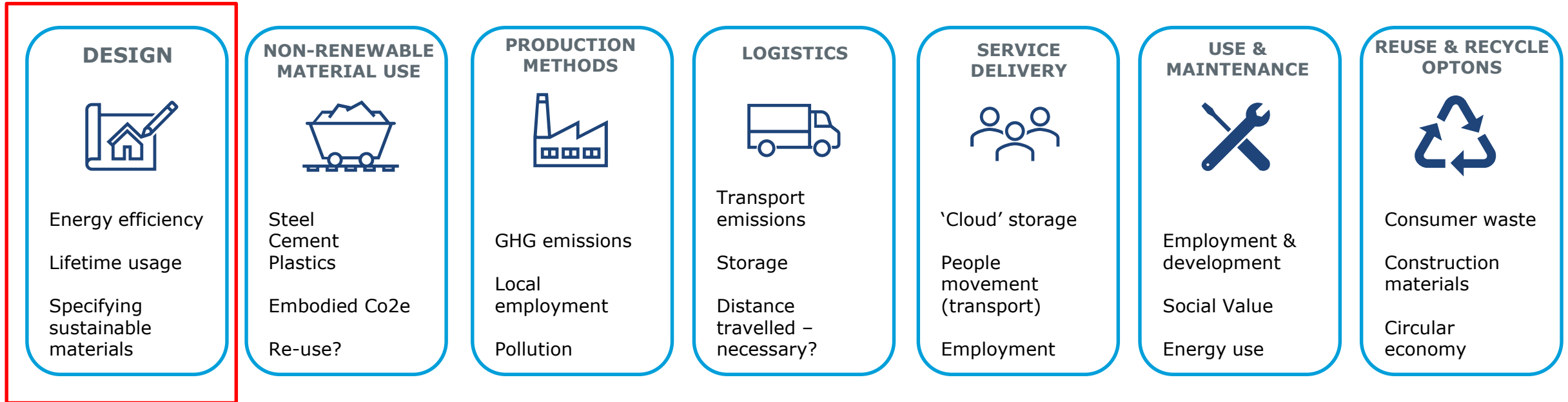
- Human rights
- Encourage diverse supply base
- Promote fair employment practise
- Promote workforce welfare
- Develop training & career opportunities
- Establish community benefits
- Fair trade and ethical sourcing practises

Economic

- Job creation
- Supporting local SME's
- Reducing barriers to entry
- Providing local employment
- Fair & reasonable margins
- Fraud, bribery and corruption
- Supplier diversity

Approach Throughout the Lifecycle

Stages in a lifecycle that may be influenced/ incorporate sustainable procurement methodologies:

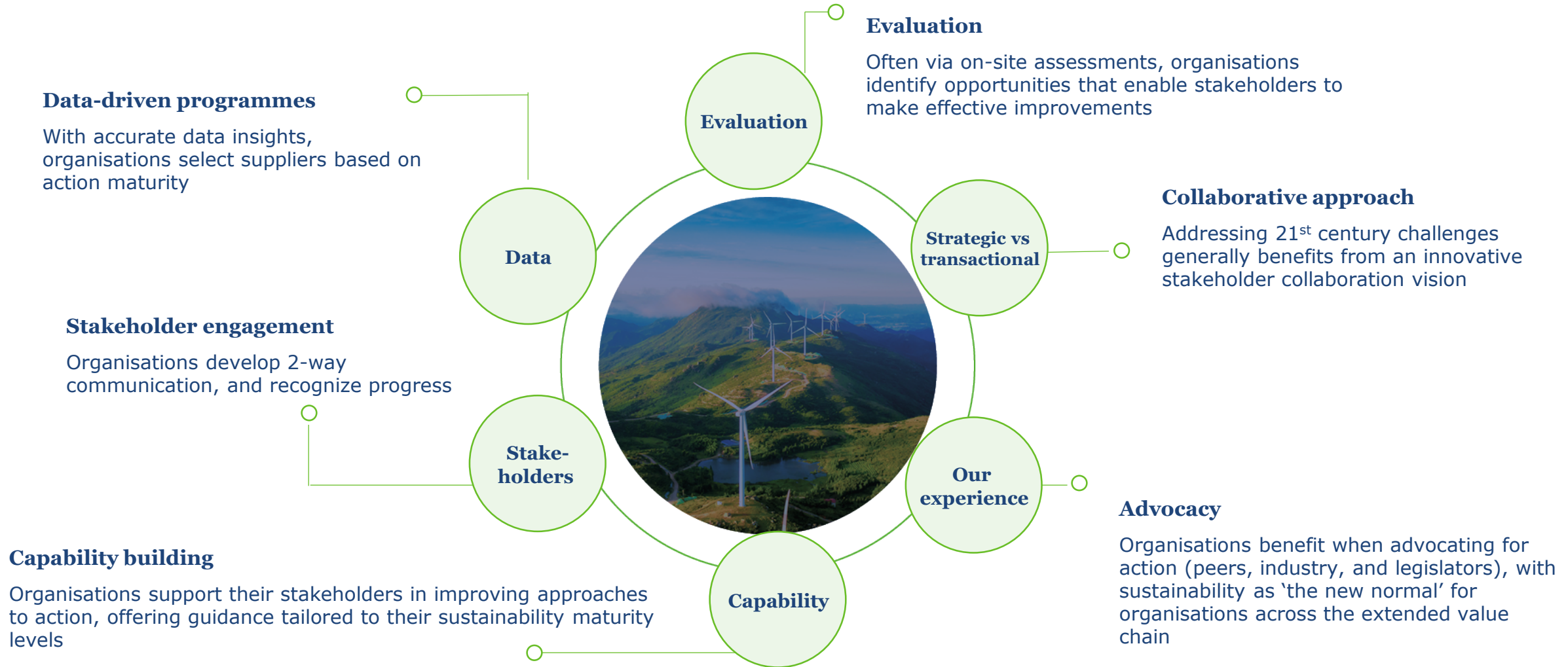




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A Structured Approach

Best-Practice Insights



Sustainable Procurement Ecosystem

	Legislation?	Guidance or approach?	Verified internally?	Verified externally?	Applicable to UK/ EU/ Global?	Relevant to all products?
BES6001				Y	All 3	Y
BES 6002		Y		Y	All 3	Y
BS OHSAS 188001				Y	All 3	Y
BS 8903		Y	Y		All 3	Y
BS8902		Y			All 3	Y
Carbon Footprint		Y	Y	Y	All 3	Y
CARES SCS				Y	All 3	
CE Marking	Y				UK/ EU	Y
Cradle-to-Cradle Certified				Y	All 3	Y

A (non-exhaustive) list of methods for demonstrating Due Diligence/ Compliance against various aspects of responsible sourcing, relevant to the Built Environment

Sustainable Procurement in Practice

Strategy & Setup

Assessing client needs and risks to define Sustainable Procurement objectives, and quantifying the supply chain impacts as a foundation for the commercial levers

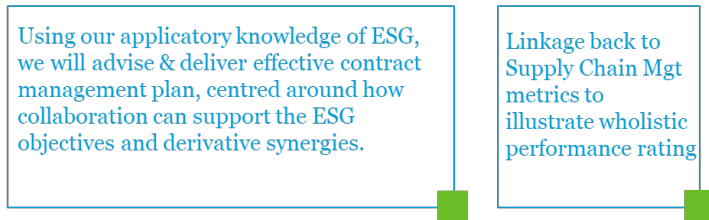
What we do



Contract Management & Benefits Realisation

Post contract (supplier development) activities will drive continuous improvement as the supply chain evolves the sustainability objectives

What we do



Supply Chain Enablers

Equipping internal stakeholders with governance and operational controls. Creating awareness and know-how amongst the procurement function around supply chain sustainability.

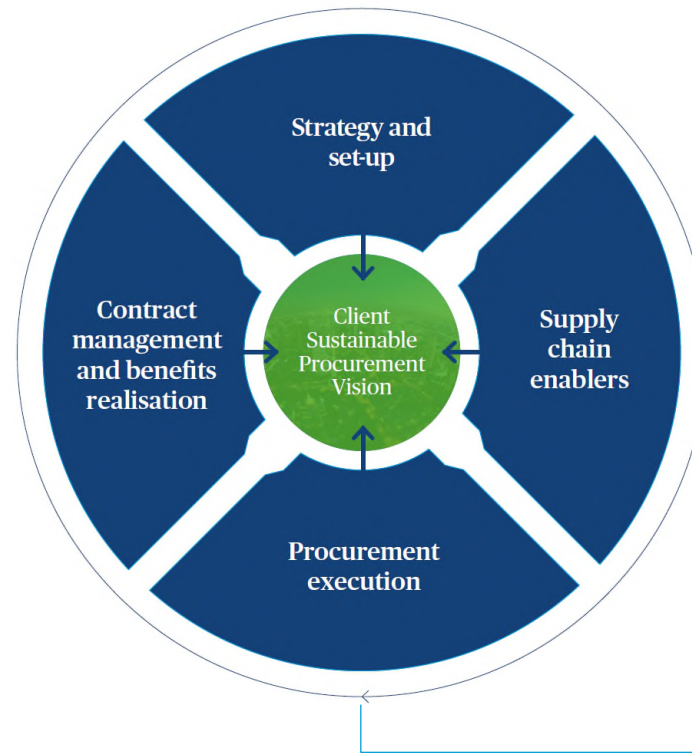
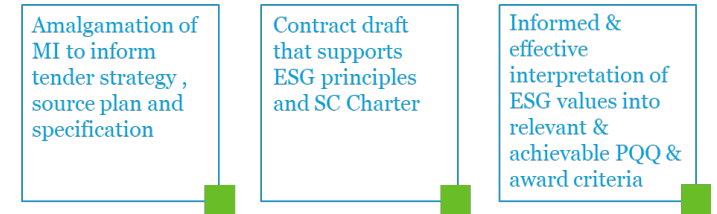
What we do



Procurement Execution

Layout the framework for supply chain sustainability, covering both incumbent and prospective supply chain partners.

What we do





Our Value Proposition

Case study

CBRE- Management System Implementation



Client overview

- Client since: 2021
- Locations: North America, Latin America, UK, Europe,
- Services: Net zero

Client challenge

CBRE has the goal of decarbonising power by 2025, coupled with high energy costs and procurement lead-times, requiring swift action through longer-term hedging. They have pledged to achieve Net-Zero target by 2040 and to monitor their Scope 3 emissions for their estates. They also aim to transition their fleet to electrical vehicles to reduce emissions from operating vehicles. Turner & Townsend is supporting CBRE in their transition to Net-Zero. As the world's largest commercial and real estate services and investment firm, they have a complex emissions portfolio for which we have helped produce a carbon baseline, assess reduction pathways, and developed a roadmap and associated actions plans. We developed action plans to prioritize and assess 130,000 suppliers with an associated supply chain engagement cost model to drive their supply chain decarbonization strategy.

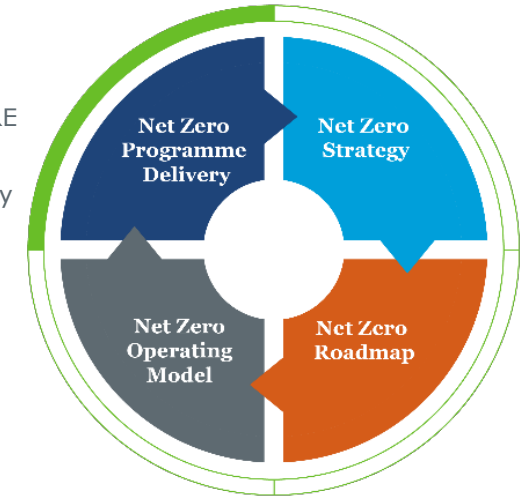
Turner & Townsend's contribution:

- We collated CBRE's Scope 3 data from various sources including their finance system and travel booking system, as well as developing an employee commuting survey.
- A common issue with Scope 3 datasets is double counting (e.g., carbon associated with buildings emissions are recorded in the supply chain spend data, and in buildings emissions). Our team applied their experience to identify, mitigate and resolve any issues concerning the base year carbon footprint.
- Turner & Townsend helped CBRE to build a roadmap that will set out their overall journey to achieving net-zero commitments for their real estate portfolio.
- We created costed action plans for prioritizing and engaging 130,000 suppliers towards decarbonisation
- We set the scope of the journey to Net-Zero, and the parameter for initiatives to be developed and delivered.
- We translated the net-zero strategy and commitments into a set of logical workstreams that align to the capital plan and current operating model.

Key outputs

The following key outputs have been identified as a part of CBRE net-zero journey with us:

- Net-zero programme delivery
- Net-zero strategy
- Net-zero roadmap
- Supply Chain action plans
- Supply Chain engagement programme cost model
- Net-zero operating model
- Green Leasing



Case study

Heathrow Airport- Balanced Scorecard Implementation



Client overview

- Client since: 2022 (for NZ services)
- Location: London
- Services: Sustainable procurement, baselining, roadmap, ESG

Client challenge

Heathrow Airport is committed to achieving net zero by 2050, and to making substantive changes before 2030. But announcing the refresh of the airport's 'Heathrow 2.0' sustainability strategy last year, Heathrow's CEO, John Holland-Kaye acknowledged "we can't do this alone".

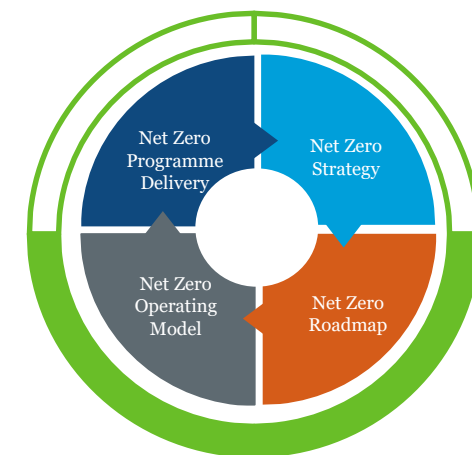
The airport has more than 800 suppliers, directly employing around 76,000 people in the local community, and producing an estimated 250,000 tonnes of CO2 emissions annually (which form part of Heathrow's carbon footprint). It was crucial that sustainability progress is made across the supply chain, and achieving this meant transforming the way in which Heathrow procures and assesses its suppliers.

Turner & Townsend's contribution:

- In partnership with Heathrow, Turner & Townsend created a innovative new procurement tool – the '**Balanced Scorecard**' - that has taken Heathrow's bold sustainability targets and focused them down into a tangible clear set of supply chain measures to drive improved outcomes.
- Turner & Townsend has built a baseline assessment of Heathrow's Scope 3 supply chain emissions and other environmental & socio-economic supply chain impacts. This real-world data has provided unparalleled transparency in how Heathrow's supply chain are performing against the Heathrow 2.0 strategy.
- The Balanced Scorecard – and the data it has provided – has also enabled the meaningful contractualisation of sustainability with Heathrow's strategic tier 1 suppliers, and serves as the foundation for driving continuous improvement as Heathrow journey towards the vision set out in Heathrow 2.0.
- More widely, Turner & Townsend are embedding Sustainable Procurement with the Heathrow team to better their supply chain impacts. This includes evolving the approach across reporting, supplier relationship management, KPI formulation, award criteria, future tendering requirements and wider contract management.

Key outputs

- 'Balanced Scorecard' supply chain sustainability measures
- Baseline assessment for scope 3 supply chain, environmental & socio-economic impacts
- Net-zero roadmap
- Strategic alignment between Heathrow's supply chain & 2.0 sustainability strategy
- Supply chain engagement
- Revised contract drafting with Heathrow's strategic suppliers
- Stakeholder engagement and learning roadmap
- Shortlisted for 'Sustainability Project of the year' at 2023 CIPS Awards



Embedding Sustainable Procurement into Client DNA

Turner & Townsend have an established framework, which we deploy to identify; efficiency improvements, opportunities to gain competitive advantage, interdependency risks, organisational change requirements and make clear recommendations designed to de-risk, assure and establish an integrated, Sustainable Procurement setup, fit for future success.



1

SPD (diagnostic)

Maturity Assessment

Review the existing procurement strategy and vision, evaluating existing procurement processes and governance, assessing the procurement operating model and organisational structure and capabilities, and reviewing the existing stakeholder and systems landscape.

2

Design

Blueprint & Roadmap

Develop a To-Be state covering the Sustainable Procurement target operating model, organisational design, procurement process blueprint, governance and controls, and systems.

Design a new business partnering and governance model to be implemented both within the organisation, and externally.

3

Deliver

Tailored Solutions

Embed the To-Be state, communicating the change with stakeholders, embedding a new business partnering approach with internal and external teams

Delivering learning and development for procurement teams and specific procurement training for key stakeholder groups

Outputs

Findings & Recommendations report, detailing:

- Gap analysis of current ways of working against industry best practices
- Hotspot areas for ESG focus
- Tailored recommendations to drive efficiencies with quick wins highlighted
- Foundation to design a new Sustainable Procurement functional blueprint

Blueprint for Change and Implementation Roadmap, detailing:

- Procurement target operating model blueprint design
- A tailored business partnering and communications framework for stakeholder engagement
- Digital systems and tools business case

Implementation of Blueprint and Roadmap, covering:

- Launch of new operating model and organisational structure
- Delivery of learning and development programme for key stakeholders
- Launch of new business partnering approach across the organisation

Our Procurement Teams Have Significant Expertise

Why us

- We draw on our in-depth knowledge and expertise, spanning multiple sectors and our 42-country global network
- Our maturity assessment approach generates real insights for clients across industries and geographies
- We empower our clients to deliver strategic solutions to optimise procurement operations and meet sustainability objectives
- We collaborate with industry forums to navigate regulations and develop best practice guidance, ensuring programmes and supply chains exceed expectations and create long-standing value
- We work extensively with key clients and leading suppliers across the UK and globally to provide unique, first-hand perspectives
- We leverage our 75 year heritage in cost management to help realise your business objectives.



Our people

- Our people are central to the way we work. At Turner & Townsend we believe in:
- **Our purpose:** We are making the difference, transforming performance for a green, inclusive and productive world
- **Our values:** These guide our team's behaviours, to transform performance and help us live our Purpose
- 98% of our procurement experts have, or are working towards, accreditation with the **Chartered Institute of Procurement and Supply (CIPS)** or are degree educated and above, and our Contract Services business has achieved **CIPS Procurement Excellence accreditation**. We are the first consultancy in this space to be recognised for providing services to clients that are aligned to CIPS best practice
- We **build trust** between clients, suppliers, governments and society through the commitment, capability and care our teams bring, and deliver outcomes that have a positive impact on the world around us.
- Our claims experts are dual qualified with Construction Law degrees and have either testified in court or been questioned by adjudicators

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