ISO 20400: Sustainable Procurement
-An overview of what this is, the development process and Australia’s contribution, and how to build a business case

Leadership and Policy Seminar Series

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Agenda

1. Introduction
2. What is Sustainable Procurement?
3. ISO 20400 Development Process
4. Overview of ISO 20400
5. Building a Business Case for Sustainable Procurement
6. The Australian Modern Slavery Act
7. Questions?
1. Introduction

About me

• Currently Head of Procurement, Australian Broadcasting Corporation (ABC)
• Formerly the CPO at Roads and Maritime Services (RMS), part of Transport for NSW
• Previous role of Associate Director Procurement at The University of Sydney + domestic and regional procurement and supply chain roles for Unilever and JPMorgan.
• Since 2011 have been working with the University of Sydney’s Institute of Transport and Logistics Studies in their Contemporary Procurement unit
• Have my professional procurement qualifications and am a Chartered Fellow of the Chartered Institute of Procurement and Supply (CIPS).
• Member of the NSW CIPS Committee since 2008
2. What is Sustainable Procurement?

‘Procurement that has the most positive environmental, social & economic impacts possible over the entire life cycle.’

Source: ISO 20400 Sustainable Procurement - Guidance
2. What is Sustainable Procurement?

- **‘Budget’ Savings**
  - Purchasing Price

- **TCO Savings**
  - Purchasing Price
  - Acquisition, use & end-of-life costs

- **Lifecycle costs**
  - Purchasing Price
  - Acquisition, use & end-of-life costs
  - Costs of social and environmental externalities

**Great.**

**Better!**
3. ISO 20400 Development Process
3. ISO 20400 Development Process

52 countries involved through their national standards organisations and under the umbrella of ISO (PC277)

- Secretariat
  - France - Association française de normalisation (AFNOR)
- Twinned Secretariat
  - Brazil - Associação Brasileira de Normas Técnicas (ABNT)

- Participating Members (38)
- Observing Members (14)

65% world population
85% world GDP
73% world CO2 emissions
Liaisons with international organisations and ISO standards

International organisations

- European Commission
- IATA
- IFPSM
- IIOC
- ITUC CSI IGB
- International Trade Union Confederation
- OECD
- United Nations Human Rights
- Sustainable Purchasing Leadership Council
- UN Global Compact
- UN Environment
- UNOPS

Liaison committees

- ISO/TC 207 Environmental Management
- ISO/PC 278 Anti-bribery Management System
- ISO/TC 262 Risk Management
3. ISO 20400 Development Process

- The Australian Mirror Committee (MB-024) was hosted and managed by Standards Australia & met on 14 occasions from 2013–2017 to review the draft standard and agree Australia’s position for the next international meeting.
- Membership of this committee included 22 Nominating Organisations which represented industry groups & procurement practitioners.

- I was nominated in 2014 by CIPS Australasia to represent the procurement practitioners.
3. ISO 20400 Development Process

- Project approved in February 2013, with 6 international meetings to build consensus.
- Australia participated via a Standards Australia Mirror Committee and had representatives attend every meeting as well as hosting one in Sydney in May 2016.

- SEPT 2013 - International Meeting 1 – Paris, France
- FEB 2014 - International Meeting 2 – Iguassu, Brazil
- NOV 2014 - International meeting 3 – Singapore
- JUN 2015 - International meeting 4 – London, UK
- MAY 2016 - International Meeting 5 – Sydney, Australia
- DEC 2016 - International Meeting 6 – Rio de Janeiro, Brazil

- APRIL 2017 –Published globally
3. ISO 20400 Development Process

Australian launch & next steps

• Official Australian ISO20400 launches:
  o 31st May 2017 in Sydney at Parliament House
  o 29th August 2017 in Melbourne at State Library of Victoria

• Identical adoption of ISO20400 as an Australian Standard AS ISO 20400 returned from public comment in April and was published on 17th May 2018.

• The Standards Australia Mirror Committee & our representative bodies commenced promoting the standard at conferences and via LinkedIn.
4. Overview of ISO20400

1. **Guidance** – No third party certification but you can evaluate and align your organization to best practice and say ‘following the guidance of ISO 20400’

2. **Flexible** - Applies to any organisation, regardless of its sector, size and location

3. **Comprehensive** – Covers Strategy, Organisation and Process and all sustainability issues

4. **Global** - Does not replace legislation, policy and ethical frameworks that regulate procurement activities.

5. **Accessible** - Can be used by any stakeholder involved in or impacted by procurement decisions and processes.
4. Overview of ISO20400

- ISO20400 defines what ‘real’ Sustainable Procurement looks like at a global level.
- Organisations using ISO20400 will:
  - Get a practical framework for procurement, Corporate Social Responsibility (CSR) and other key functions to work together;
  - Protect their reputation by efficiently managing sustainability risks in their supply chains;
  - Get ahead of future client and regulatory requirements;
  - Take a competitive advantage in their industry by seizing opportunities to innovate; and
  - Demonstrate supply chain engagement to the Global Reporting Initiative (GRI), Dow Jones Sustainability Index (DJSI) or other indices.
4. Overview of ISO20400

Contains 7 core subjects:
4. Overview of ISO20400

Its structure can be incorporated into various aspects of an organisation:
5. Building a Business Case for Sustainable Procurement
5. Building a Business Case for Sustainable Procurement

- Published in February 2019 by the NSW Office of Environment and Heritage, the Business Case Guide is a guidance document that helps sustainable procurement champions create impactful business cases for use within their organisations.

- It is available for free at www.iso20400.org under the “Tools and Guides” section.

- Is designed so organisations can focus on implementing all or part of ISO20400.

- An Australian initiative shared globally, with the UK & Argentinian ISO Committees are currently developing their own versions!

The team submitted an application to the global Sustainable Purchasing Leadership Council awards:

“A story of successful pro-bono collaboration generating maximum benefits for the procurement and sustainability communities”

Today we found out that we will receive an “outstanding case study award”!!!
5. Building a Business Case for Sustainable Procurement

Section 1

- Is the outline for a 3-page business case covering the below key elements in “ plain English”:
  - What is Sustainable Procurement (the “Executive Summary”)
  - Benefits of implementing

<table>
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<tr>
<th>CUSTOMER</th>
<th>SUPPLIER/MARKET</th>
<th>COMMUNITY</th>
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| ▪ Securing best value for money and efficient use of resources  
  ▪ Financial savings through greater efficiencies in energy, waste, water, raw materials, etc.  
  ▪ Reputational boost through providing leadership and demonstrating corporate responsibility. | ▪ Increasing the availability of cost-effective sustainable products  
  ▪ Expanding the market for sustainable products and services  
  ▪ Increasing opportunities for smaller, innovative suppliers with strong product differentiation. | ▪ Reducing adverse environmental impacts e.g. waste, pollution, carbon emissions  
  ▪ Increasing employment and skills and developing local communities  
  ▪ Creating new business opportunities for a wide range of large and small businesses. |

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<tr>
<th>COST/INCOME</th>
<th>COMPLIANCE</th>
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| ▪ Increase efficiencies in supply chains  
  ▪ Encourage creation of new goods and services  
  ▪ Develop innovative new markets  
  ▪ Diversify product portfolio and “future proof” business. | ▪ Comply with local, national and international regulations and norms of behaviours  
  ▪ Engage with government or other influential bodies  
  ▪ Support key public policies and maintain social licence to operate. |

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<tr>
<th>REPUTATION</th>
<th>ORGANISATIONAL</th>
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| ▪ Respond to customer, investor or civil society expectations  
  ▪ Promote investor confidence  
  ▪ Increase supply chain and confidence as a reputable customer. | ▪ Boost competitive advantage  
  ▪ Attract talent and retain staff  
  ▪ Avoid disruption/enhance security of supply chains. |
5. Building a Business Case for Sustainable Procurement

• Barriers
  o Lack of senior executive and organisational support;
  o Lack of coherent corporate procedures, systems and approaches;
  o Lack of time resources, knowledge and capacity; and
  o Costs, perceived costs and cashable savings.

• Implementation
  o A well-argued business case for action (the “why”) and implementation strategy;
  o Proposed new policy, standards, operations, activities, timelines and milestones;
  o Immediate and medium-term resources implications;
  o Changes to current procedures and likely implications of those changes;
  o Key performance and success indicators;
  o Reporting and feedback mechanisms to management;
  o Capacity building for staff and suppliers (training, supplier forums, online education resources etc); and
  o Budget and resources to implement.
5. Building a Business Case for Sustainable Procurement

Sections 2 -8

• For each of the 7 sustainability issues covered in the ISO 20400, the document gives an overview of the current global situation followed by the Australian context.
  o Organisational governance;
  o The environment;
  o Human rights;
  o Labour practices;
  o Community involvement and development;
  o Fair operating practices; and
  o Consumer issues.

• Each issue is accompanied by examples of organisational threats and opportunities, impactful case studies and a list of useful links and resources.

• These are ideal for individuals that are looking to work on a specific sustainable procurement topic.
5. Building a Business Case for Sustainable Procurement

Good governance must be:

- **Accountable**, including a fundamental obligation to report and answer for the consequences of decisions made;
- **Transparent**, to facilitate the understanding of decision-making processes;
- **Compliant** and follow rules and regulations, by making decisions consistent with relevant legislations;
- **Responsive**, through balanced disclosure in a timely and appropriate manner; and
- **Equitable**, inclusive, effective, efficient and participatory.

At the Australian Level, a CPA governance survey found that 60% of respondents believe the vast majority of Australian companies behave ethically, comply with laws and regulations and that listed companies are accountable and comply with the ASX Corporate Governance Principles and recommendations.

Buying organisations that do not assess their strategic suppliers’ organisational governance, including the management of their supply chains, run the risk of facing situations of supplier failure.
5. Building a Business Case for Sustainable Procurement

Environmental issues include:

- Climate change mitigation and adaptation
- Prevention of pollution
- Sustainable resource use
- Protection of the environment
- Biodiversity and restoration of natural habitats

Australian carbon emissions in 2016 accounted for 398 millions of tonnes of CO2 (ranked as the 16th highest emitter out of 215 countries).

Environmental laws and regulations are administered by governments to protect the environment from harmful actions. Breaches of these laws result in penalties. These penalties include fines and in some circumstances jail time for offenders and will most certainly have a negative commercial and reputational effect on business. Alternatively, good environmental performance will positively affect business reputation and income.
5. Building a Business Case for Sustainable Procurement

Key issues relevant to business and human rights include:

- **Due diligence** to ensure human rights impacts are identified and addressed.

- **Human rights** risk situations where individuals’ human rights may be compromised.

- **Avoidance of complicity** where businesses may knowingly or unknowingly contribute to abuses.

- **Resolving grievances** where mechanisms are in place to enable human rights issues impacting on workers or other people, to be properly resolved.

- **Discrimination and vulnerable groups** where human rights of groups are compromised based on ethnicity, gender, age, nationality, etc.

- **Categories of rights** including civil, political, economic, social and cultural.

- **Fundamental principles or rights at work** based on internationally recognised agreements and norms.

Australian businesses can be exposed to significant human rights risks either directly through sectors or commodities associated with slavery (e.g. construction, agriculture, food processing), or indirectly via supply chains that extend into at-risk regions.

The business case for respecting and supporting human rights in Australia is well established.
Encompasses issues around the relationship between an employer, an employee and the work they each produce, including:

- Employment and employment relationships;
- Conditions of work and social protection;
- Social dialogue;
- Health and safety at work; and
- Human development and training in the workplace.

Australia’s labour laws comprehensively address labour practices. Currently, Australia has three streams of law that cover labour practices (and overlap with ISO 20400).

Labour practices can considerably affect the productivity, reputation and overall effectiveness of the management and sustainability of a business. For instance, good workforce management and communication is key and businesses are >50% more likely to have employee turnover levels below average. This can impact the business considerably given that employee turnover is estimated to cost the business between 30% - 150% of the worker’s annual salary.
Community involvement and development is an umbrella category that focuses on the opportunities to engage the broader community and create community legacy and jobs from sustainable procurement practices.

• **Community involvement** – participate, support and contribute to community involvement program.

• **Education and culture** – promote and support education at all levels.

• **Employment creation and skills development** – programs and approaches.

• **Technology development and access** – for businesses and individuals in community.

• **Wealth and income creation, health, social investment** – consider the opportunity for growing wealth in the community.

• **Health** – do no harm and create a legacy.

In developed countries like Australia, disadvantage is less obvious but still significant. Disadvantage exists in pockets relating to population cohort or geography. Some examples of these groups include Aboriginal Australians, people with disabilities and rural populations.

The opportunity for sustainable procurement to deliver community involvement and development is significant.
5. Building a Business Case for Sustainable Procurement

An organisation should have in place operating practices that address ethical conduct internally and with external organisations (government, partners, suppliers, sub-contractors and communities) including:

- Anti-corruption
- Responsible political involvement
- Fair competition
- Promoting sustainability in the value chain
- Respect for property rights

The Australian Institute reported in January 2018 that since 2012, corruption has potentially reduced Australia’s GDP by $72.3 billion, or 4%. Further, the trust in the government is at a historic low in Australia, with Transparency International’s Corruption Perception Index (CPI) reporting increasing levels of perceived corruption, with Australia sliding six positions to 13th on the CPI index since 2012.

All organisations are exposed to corruption risks at all levels. If not managed, these can lead to loss of reputation, financial loss, wasted resources or criminal charges.
5. Building a Business Case for Sustainable Procurement

In the context of sustainable procurement, consumer issues include:

- Fair marketing, factual and unbiased information, fair contractual practices;
- Protecting consumers’ health and safety;
- Sustainable consumption;
- Consumer service and support, and complaint and dispute resolution;
- Consumer data protection and privacy; and
- Access to essential services, education and awareness.

Australia has consumer laws at the federal and state level and has developed several mechanisms that serve to support the rights of consumers, ensure competition is fair and that information about goods and services is accurate.

At the state level there are offices to ensure that government departments fulfil their functions and obligations (e.g. the NSW Ombudsman).

The process to resolve disputes between parties may be enacted by lawsuits, arbitration, mediation, collaborative law, conciliation, facilitation and negotiation. Inadequate attention to dispute resolution may have multiple impacts such as sales and long-term survival.

LINKS
- Australian Competition & Consumer Commission
- Consumers International
- International Consumer Protection and Enforcement Network
- International Consumer Rights
- NSW Fair Trading
- UN Sustainable Development Goals
Modern slavery practices are major violations of human rights and serious crimes and include trafficking in persons, slavery, slavery-like practices including forced labour and the worst forms of child labour.

Modern slavery can occur in any sector or industry and at any point in a supply chain and there is a risk that Australian businesses are exposed to it without even being aware, in particular within known hot spots:

- Hospitality
- Cleaning
- Agriculture
- Construction
- Electronics
- Extractives
- Merchandise

Source: The Global Slavery Index 2018
6. The Australian Modern Slavery Act

- The **Australian Modern Slavery Act** was passed in Nov 2018 and became law on 1 Jan 2019. Organisations with an annual revenue >$100m now need to consider its application across their supply chain including implementing a program to address the four key mandatory criteria below:
  1. The entity’s structure, operations and supply chains;
  2. Possible modern slavery risks;
  3. Actions to assess and address modern slavery risks, including due diligence and remediation process; and
  4. How the entity assesses the effectiveness of its actions

- Is done in the Annual Report, the 1st of which is due Dec 2020. If an organisation identifies that there is modern slavery in its supply chain, they will need to report this position and the steps they are undertaking to address, i.e. can’t turn a blind eye.

- If the choose not to investigate their supply chain for modern slavery, they will be required to make this statement in their Annual Report.

- The Standards Australia Mirror Committee & CIPS also provided a formal submission during the Modern Slavery Act consultation period.
  - The 2 submissions were deliberately aligned to provide more support for key aspects e.g. inclusion of Government spend.
6. The Australian Modern Slavery Act

The Global Slavery Index 2018

• A deep global and regional analysis of Modern Slavery from several angles – 276 pages of findings, data and analysis.

• The Global Slavery Index 2018 (the Index) is the fourth edition of the Index, produced by the Walk Free Foundation.

• Across 167 countries, the Index aims to provide a picture of:
  o Where Modern Slavery occurs (countries/industries)
  o Where the products of modern slavery are sold and consumed
  o The factors that allow Modern Slavery to prosper
  o How Governments are responding to Modern Slavery

• The Index relies on confirmed data and predictive modelling to estimate the extent of Modern Slavery across the globe, and the prevalence of Modern Slavery in supply chains.
6. The Australian Modern Slavery Act

**Key Findings of the Index**

The prevalence of Modern Slavery in high GDP countries is higher than previously understood

<table>
<thead>
<tr>
<th>40.3 million people across the world living in modern slavery (2016 estimate)</th>
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<td>71% Female</td>
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<th>40.3 million people across the world living in modern slavery (2016 estimate)</th>
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<td>24.9 million in forced labour</td>
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<th>89 million people experienced modern slavery, in some form, for some duration, during the past 5 years</th>
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<th>USD 354 billion of at risk products are imported annually by G20 Countries</th>
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<td>Australia accounts for</td>
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### 6. The Australian Modern Slavery Act

**The countries with highest prevalence of Modern Slavery**

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<th>Country</th>
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<th>Country</th>
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<tbody>
<tr>
<td>1</td>
<td>North Korea</td>
<td>6</td>
<td>Mauritania</td>
</tr>
<tr>
<td>2</td>
<td>Eritrea</td>
<td>7</td>
<td>South Sudan</td>
</tr>
<tr>
<td>3</td>
<td>Burundi</td>
<td>8</td>
<td>Pakistan</td>
</tr>
<tr>
<td>4</td>
<td>Central African Republic</td>
<td>9</td>
<td>Cambodia</td>
</tr>
<tr>
<td>5</td>
<td>Afghanistan</td>
<td>10</td>
<td>Iran</td>
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A common link in several of the Top 10 countries is the existence of repressive regimes, and conflict.
6. The Australian Modern Slavery Act

**What does this mean for organisations?**

- Supply Chain mapping so as to understanding the organisation’s suppliers (Tier One). Analysis will produce estimates of spend which must be considered within a risk assessment.

- Supply Chain mapping also means understanding who is supplying the organisation’s Tier One suppliers, and who is supplying those suppliers etc. How deep do we dive?

- Procurement changes (inclusion in market engagement documents and contracts).

- Communications with suppliers, and supplier obligations.

- Training, awareness and communications for management and staff.

- Responses to incoming queries from other organisations where your organisation is part of their supply chain.

*Source: https://www.elementum.com/chain-reaction/why-we-need-n-tier-visibility-for-supply-chain*
Case Study – Aerocare (March 2017)

- Aerocare provides baggage handling, aircraft loading, towing and other aviation services for some of Australia's biggest airlines and therefore is a 2\textsuperscript{nd} tier supplier.
- Aerocare faced allegations of providing unsafe conditions for its employees, and disadvantageous rostering arrangements under a split-shift arrangement aimed at cutting costs.
- The case drew attention from the media and unions.

7. Questions?