

Sustainable Procurement Progress Report



2023

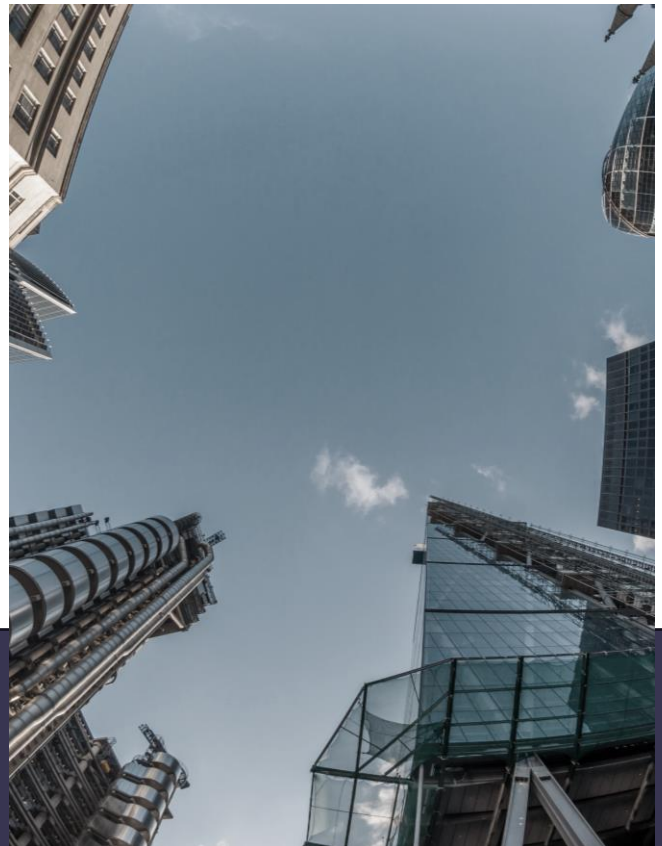
Foreword

I have been involved in sustainable procurement one way or another since the 1990s. I started Action Sustainability in 2006 because I was part of Sir Neville Simm's [Sustainable Procurement Task Force](#) and I thought at the time lots of influential people were talking about sustainable procurement but there was little help for people out there. My experience as [Chair of the Commission for a Sustainable London 2012](#) reinforced this. Since then, we have helped thousands of businesses and trained tens of thousands of people through our [consultancy](#) support, our [Supply Chain Sustainability Schools](#) in the UK, Australia, France and soon one in Ireland. Since my leadership of the UK delegation in developing ISO 20400, our social enterprise business has hosted [ISO 20400.org](#), a global knowledge-sharing platform supported by experts from 19 countries around the world.

This report brings together the collective knowledge gathered through these programmes and delivers valuable insights into the state of sustainable procurement generally. It provides useful case studies and advice from some of the numerous people we have worked with over the years. We

have not taken a scattergun approach to this work, reporting on sectors based on flimsy research, we have focused on those sectors where we have comprehensive, hands-on experience and insight. It is not a complete overview of sustainable procurement; it is our attempt to share what we really know.

I hope you enjoy this report and take some value from it. Please visit our websites and podcast channels frequently to update yourself on what is happening in our world.



Shaun McCarthy OBE

Director

Action Sustainability

About the Authors



Dyanne van de Wijdeven **Sustainable Procurement Consultant**

Dyanne is the lead author of the Sustainable Procurement Progress Report.

In her day-to-day consulting role, she evaluates procurement functions against the ISO 20400 Sustainable Procurement guidance standard, and supports procurement and sustainability functions with embedding sustainability into processes, policies, and procedures across the value chain. Implementation projects range from developing sustainable supply chain charters and procurement policies to creating a 'golden thread' methodology to manage specific sustainability issues throughout a supplier lifecycle.



Will Glover **Consultant Researcher**

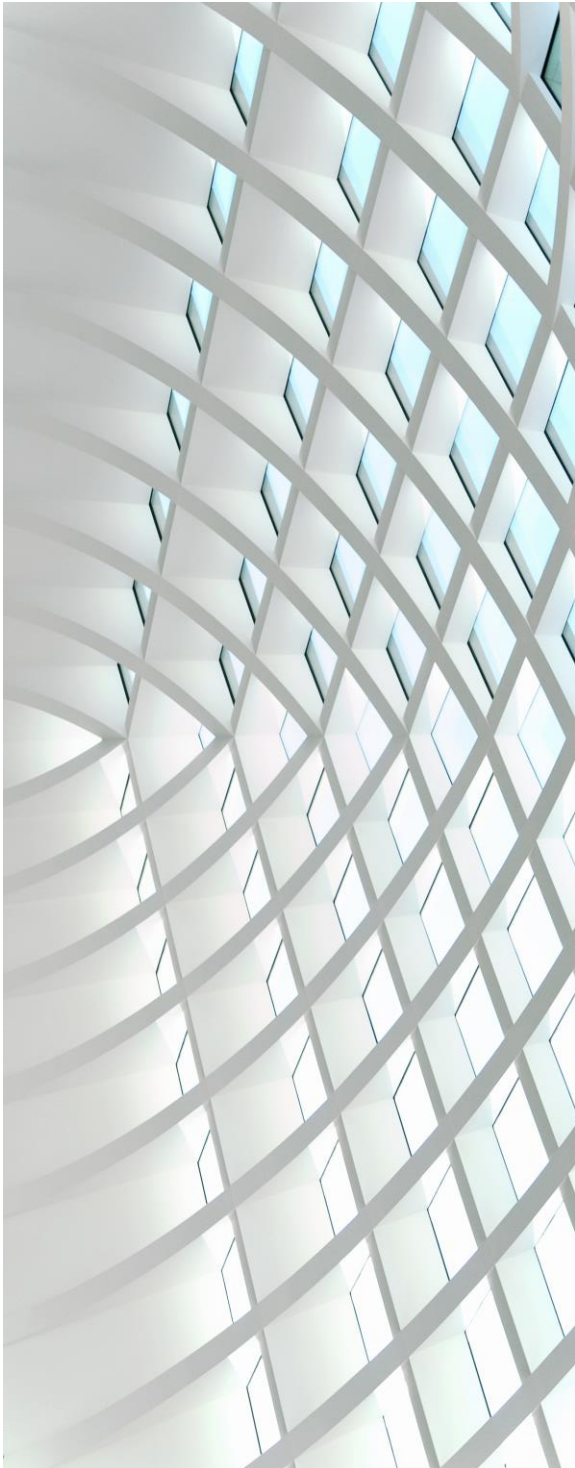
Will is a consultant researcher for the consultancy team at Action Sustainability, focusing on sustainable procurement, modern slavery and sustainable strategy.

Will has a background in ESG consulting, previously working for Europe's largest independent corporate governance and shareholder advisory consultancy. He worked with pension fund and asset manager clients to advise on their sustainable investment strategies and undertook research projects on sustainability topics such as climate governance, conflict minerals in supply chains and modern slavery.

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Executive Summary



Substantial progress has been made over the past years in the field of supply chain sustainability. Data provided by our community interest company ISO20400.org demonstrates that the ISO 20400 Sustainable Procurement guidance standard, and thus sustainable procurement itself, has garnered global awareness. However, the majority of organisations that are taking action to become more sustainable themselves do not yet approach their supply chains the same way.

Findings in this report, based on organisations evaluated by Action Sustainability against the ISO 20400 Sustainable Procurement guidance standard, indicate that the average maturity of sustainable procurement in all organisations assessed in the last four years is at the 'Established' stage. This means that organisations that invest in sustainable procurement have some level of sustainability embedded in their procurement activities. However, it is not yet at a stage where it is fully rolled out, perceived as business-as-usual, or executed to realise all benefits.

In addition to providing an insight into the current state of sustainable procurement adoption and maturity across industries, this report also touches on the capabilities required, the gaps and challenges that must be overcome, and insights and recommendations from organisations that have overcome these. It is aimed to support organisations who are keen to start embedding sustainability into procurement practices as well as those organisations that are looking to develop their approach further.

As the need and urgency for sustainable supply chains is becoming clear from recent global events, it is now up to procurement functions to turn this recognition into action. We must embed sustainable procurement across each spend area and find ways to continuously improve. Though this is easier said than done, sustainability is a topic organisations are willing to share on. Through collaboration and sharing of resources we can collectively play our role in creating a sustainable future, we hope this report can play its part by reinforcing this message and behaviour.



Sustainable Procurement & ISO 20400

This section will cover:

- What is ISO 20400?
- ISO 20400 standard adoption and ISO 20400.org
- ISO 20400.org self-assessment insights

What is ISO 20400

ISO 20400 as a framework for sustainable procurement

Seven years after ISO 20400 has been published, we find ourselves in a surge of work. Supply chain sustainability has gone from a buzzphrase to becoming a key part of a procurement function's deliverables. Most organisations and individuals already have a heightened awareness of supply chains, due to cross-border events such as COVID-19, Brexit and Russia's invasion into Ukraine. However, for those that are unaware of their supply chains beyond tier one, they will have to soon, as legislation around supply chain sustainability is quickly picking up pace too. The ISO 20400 Sustainable Procurement standard is therefore ever so critical in progressing sustainable procurement practices.

What is ISO 20400 and why is it useful?

The ISO 20400:2017 is a guidance standard that aims to support organisations, independent of their activity or size, with integrating sustainability into their procurement activities and contributing to UN Sustainable Development Goals 1, 2, 5, 8, 10, 11, 12, 13, and 16*. The standard not only covers the procurement function itself, but also all stakeholders involved or impacted by procurement decisions and processes.

The standard outlines the four elements pivotal to the effectiveness of sustainable procurement. **Fundamentals** covers the general awareness, recognition and understanding of sustainable procurement. Discussing the scope and principles, as well as why organisations are driven to achieve sustainability in their supply chains.

Policy & Strategy provides guidance on how sustainability considerations should be incorporated into policies and strategies to ensure sustainable procurement is directed at the strategic level. This includes setting the intention, direction and priorities for the procurement function as well as any other parties involved in procurement activities.

Organising the function (Enablers) outlines the enablers that must be in place to successfully implement and continually improve sustainable procurement. This entails tools and techniques that support procurement individuals with their day-to-day sustainable procurement processes, such as capability development, stakeholder engagement, and prioritisation.

The Procurement Process section describes how sustainability considerations should be integrated into existing procurement activities at every stage, from plan, to source, to manage. It ranges from embedding the right sustainability requirements into PQQs, to managing the sustainability performance of a

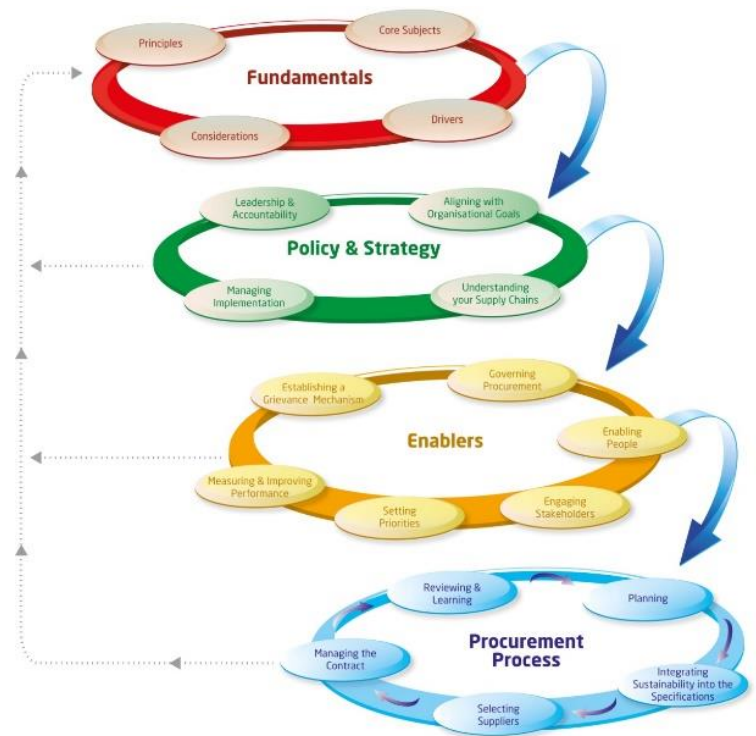


Figure 1: ISO 20400 Framework

supplier. The standard also closely aligns with the 'golden thread' methodology, which aims to ensure that an organisation's goals, vision and values inform and are informed by its processes, systems and people. The 'golden thread' in the case of sustainable procurement starts with the fundamentals, goes down into policy & strategy, continues into the enablers, and culminates in the procurement processes. At each of these levels, there are processes and procedures in place to feedback and revise criteria of the fundamentals to ensure procurement processes continuously evolve alongside the organisation's awareness and understanding of sustainable procurement.



Hear from Farid Yaker

Programme Officer for the UN Environment Programme – Sustainable Public Procurement

About Sustainable Procurement, the ISO 20400 standard, and delivering on the UN Sustainable Development Goal 12.7 of Sustainable Public Procurement Practices.

ISO 20400 Standard Adoption and ISO20400.org



Since 2017, the ISO 20400 guidance standard has been rolled out to more and more countries. Some countries opt to make it available for sale, whereas others choose to adopt it to their own National Standards Body (NSB) and then make it available for sale. In addition to the standard, ISO20400.org exists to further expand the rollout by making resources freely available worldwide. One of which is the self-assessment questionnaire, which provides the opportunity to benchmark your organisation.

[ISO 20400.org](https://www.iso20400.org) is a not-for-profit, free-to-access platform, which aims to develop a global community of practice around ISO 20400 and sustainable procurement. Their aim is to develop a global community of practice around the standard by encouraging members to share their learning experiences on the platform and on social media, to self-assess and benchmark their organisation’s practice, and to learn about sustainable procurement from experts and practitioners around the world.

The [self-assessment](#) is a key tool for organisations to understand both more about what the ISO 20400 standard entails, and how well their practices are aligned with it. The map below indicates where and how many assessments have been completed per country. The United Kingdom stands out with over 340 assessments completed.

- Adopted and available for sale
- Not adopted but available for sale from the country’s NSB
- Available for sale from the ISO website

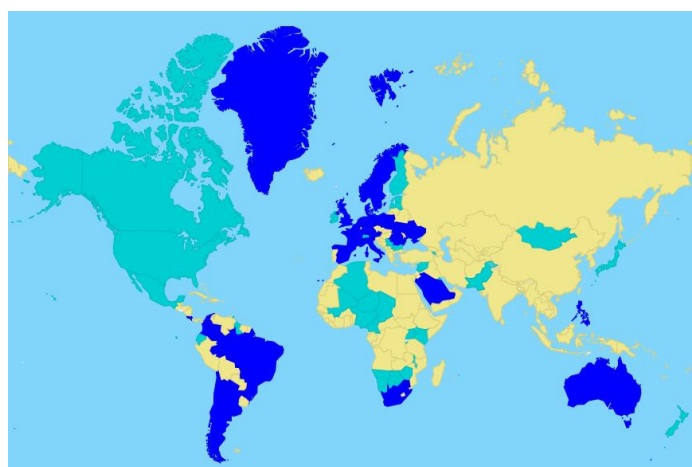


Figure 2: ISO 20400 adoption and availability status per country

Comparing the ISO 20400 adoption and ISO20400.org assessment data shows that countries who have adopted the standard are more likely to have organisations take the self-assessment and thus focus on sustainable procurement.

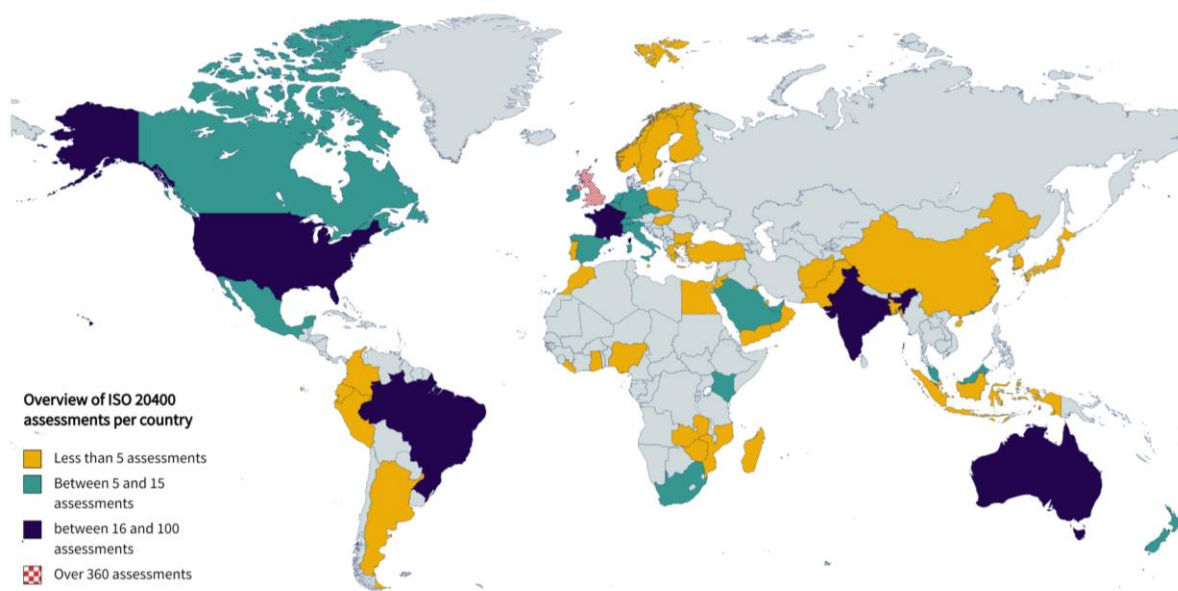


Figure 3: ISO 20400.org sustainable procurement maturity assessments completed per country since 2019

ISO 20400.org Assessment

Insights on assessments taken by industry and company size



Figure 4: ISO 20400.org assessments completed globally by each industry since 2019

Though there are three industries in which the ISO20400.org maturity assessment is more commonly used - construction, manufacturing, and education (37% of all assessments) - data also suggests the assessment is known and used by a range of other industries and sectors (63%). Similarly, when considering company size, the assessment is used by organisations ranging from less than 50 employees to more than 1,000 employees.

This indicates that sustainable procurement is considered in organisations of all shapes and sizes, and that the ISO standard is becoming more common knowledge. As any supply chain includes suppliers that cut across industries, it is promising to see that this range of organisations are starting to think about and deliver on sustainable procurement.

This data is available on www.ISO20400.org, when an account is made and an assessment completed.

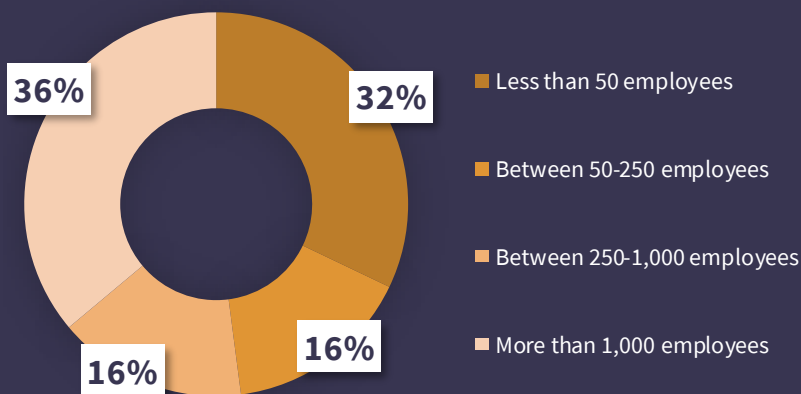


Figure 5: ISO 20400.org assessments completed by company size

One of the great myths in supply chain sustainability is that SMEs cannot or do not want to become more sustainable. The data from ISO20400.org suggests otherwise. Over 230 organisations with a workforce of less than 50 employees have completed the assessment, accounting for 32% of all assessments taken. With large organisations often taking the lead on sustainable procurement, there is an opportunity for them to engage and support the SMEs in their supply chain to become more sustainable.

The ISO 20400 Sustainable Procurement guidance standard was created to be applicable for any size company.



Sustainable Procurement Maturity Analysis

This section will cover:

- The sustainable procurement maturity model
- Sustainable procurement maturity evaluation methodology
- Sustainable procurement maturity insights
- Common challenges
- Unlocking the potential of SMEs
- Embedding sustainability – Landsec case study
- Progressing sustainable procurement

Sustainable Procurement

Maturity model

The Action Sustainability ISO 20400 maturity model maps an organisation’s capabilities to implement and deliver on sustainable procurement. It is aimed at assessing and providing insight into maturity across the four elements of sustainable procurement, distinguishing between five levels of maturity.

Scores from 0 to 1 (Basic) are given when an organisation does not have any awareness or understanding of implementing or delivering on sustainable procurement. Scores from 1 to 2 (Improving) are awarded when organisations are aware and have some commitments in place to implement sustainability into

each procurement element. Scores from 2 to 3 (Established) are achieved by organisations that have embedded sustainability into parts of strategic and/or tactical procurement. Scores from 3 to 4 (Mature) indicate that an organisation has implemented sustainable procurement to such an extent that it is part of the procurement function’s business as usual. Lastly, scores from 4 to 5 (Leading) are awarded to organisations that have been able to demonstrate a clear ‘Golden thread’ methodology, where each element is clearly linked, and data is used to drive continuous improvement. Organisations in the Leading category are often leaders in their industry and are sharing their knowledge and expertise with others.

| | Basic 0 to 1 | Improving 1 to 2 | Established 2 to 3 | Mature 3 to 4 | Leading 4 to 5 |
|---------------------|--|--|--|---|---|
| Fundamentals | No understanding of drivers and due diligence concept. | Drivers work in progress and due diligence on tier 1 supply chains only. | Good understanding of main drivers. Due diligence applied to extended supply chains in some areas. | Refined understanding of drivers. Due diligence applied to all critical supply chains and work on improving procurement practices to reduce adverse impacts on supply chains. | Deep, up-to-date understanding of drivers. Due diligence applied to all critical supply chains and evolution of procurement practices to develop supply chains. |
| Policy and Strategy | No formal commitment, accountabilities, objectives and performance review. | Commitment, roles and responsibilities, objectives, work in progress. | Commitment stated in internal documents. Accountabilities and review mainly through sustainability / procurement teams. Some SMART objectives. | Public, formal commitment. Accountabilities extend to some key decision makers. SMART objectives for some key categories / sustainability issues, regularly reviewed. | Public, formal commitment endorsed at top level. Accountabilities extend to all key decision makers. SMART objectives for all key categories / sustainability issues, performance reviewed with all key stakeholders. |
| Enablers | No integration of sustainability into the procurement function. | Some initiatives to support integration of sustainability into the procurement function. | Sustainability embedded into some key elements of the procurement function: governance, training, category management, SRM, reporting, etc. | Sustainability part of BAU procurement function with strategic importance demonstrated in some category plans, SRM plans, performance review, stakeholder engagement. | Sustainability systematically integrated and encouraged in all elements of procurement function, with significant investment in areas of strategic importance e.g. key categories, suppliers, stakeholders. |
| Procurement process | No integration of sustainability into the procurement process. | Some examples of projects where sustainability was integrated. | Several examples of projects where sustainability was integrated throughout the process, starting with strategic planning. | Most projects with high sustainability risks and opportunities achieve measurable outcomes, starting with excellent strategic planning. | All projects with high sustainability risks and opportunities achieve measurable outcomes, starting with excellent strategic planning. The organisation deeply influences the supply market. |

Figure 6: The Action Sustainability ISO 20400 maturity model

Sustainable Procurement Maturity

Assessment methodology

Our approach is to conduct an analysis of the organisation against the ISO 20400 framework. This is done using our proprietary assessment tool which contains a breakdown of the four main sustainable procurement sections of ISO 20400; Fundamentals, Policy & Strategy, Enablers and Procurement Process, and summarises the essence of the standard in a set of questions. All organisations are assessed against the same standard, which enabled us to develop a consistent benchmark.



Framework

The information collected for the assessment is two-fold, theoretical and practical. Theoretical insights are gained through document reviews and practical insights are gathered through interviews and workshops. The combination ensures the assessor gets a well-rounded view on what practices are in place and how these are executed in practice. The inter-personal element also aids with gaining different points of view on the effectiveness of the current sustainable procurement approach of an organisation.



Input

The findings in combination with the assessment tool result in a set of scores, ranging from 0-5, that highlight the good and to be improved practices in an organisation. Action Sustainability consultants then develop a list of recommended next steps for the short, mid, and long term.

| Score | Maturity |
|-------|-------------|
| 0 – 1 | Basic |
| 1 – 2 | Improving |
| 2 – 3 | Established |
| 3 – 4 | Mature |
| 4 - 5 | Leading |

Output

Overall Maturity: 2.6

Overall maturity per assessed criteria (out of 5)

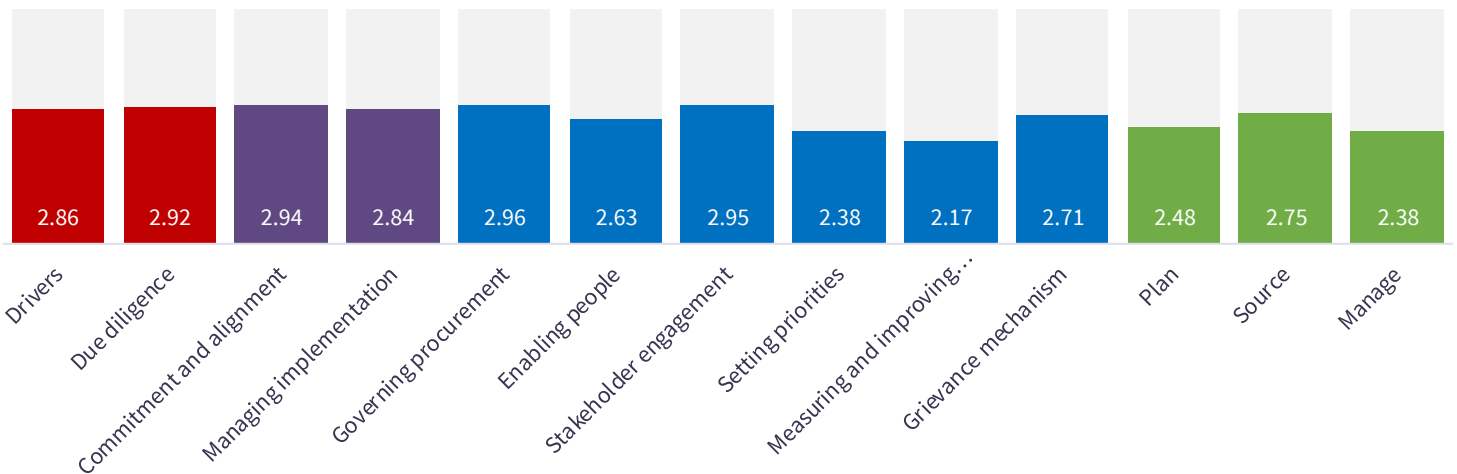


Figure 7: Overall Maturity per assessed criteria (out of 5)

The average maturity of sustainable procurement in all organisations assessed by Action Sustainability in the last four years is at the ‘Established’ stage. This indicates that many procurement functions have some level of sustainability embedded in their procurement activities; however, it is not yet at a stage that it is fully rolled out, perceived as business-as-usual, or executed effectively.

All assessed criteria individually are at the ‘Established’ stage,

but when considering the categories per ISO 20400 section, such as in Figure 8, the Fundamentals and Policy & Strategy are more developed than many of the Enablers and all of the Procurement Process criteria. This indicates that many organisations have a good supply chain sustainability understanding and have the right processes and procedures in place to implement sustainable procurement. However, most organisations lack the actual execution of sustainable procurement, prioritisation and embedding sustainability into the procurement process.

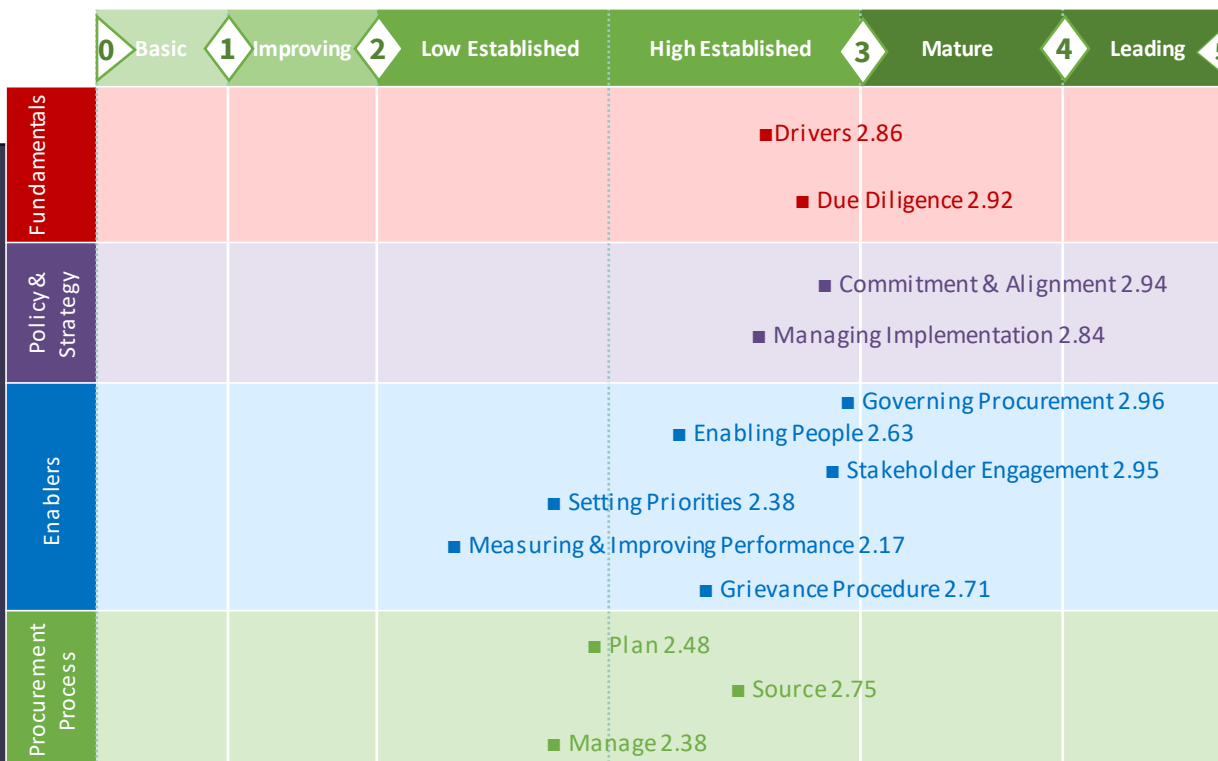


Figure 8: Sustainable procurement maturity per category

- Overview of maturity per assessed criteria in each section of the framework, on a scale from basic to leading.
- As all categories score ‘Established’, we have broken this level down into low and high established. Scores from 2 - 2.5 are low established and 2.5 - 3 are high established.
- Embedding sustainability into the procurement process, sustainability impact prioritisation, and performance measurement & improvement are clear gaps.

Maturity Analysis

Overcoming common challenges

Starting and progressing sustainable procurement can be done in many ways; there is no one-size-fits-all approach. However, when it comes to challenges faced by procurement functions during the implementation and delivery of sustainability in procurement and supply chains, there are a few challenges that nearly every organisation faces.

Where to start

Procurement functions at the start of their sustainable procurement journey often get overwhelmed by the amount of work it requires to fully embed sustainability into procurement activities. The advice from those further along on the journey sounds simple: “Just start somewhere”, but it is true. Implementing sustainable procurement is a multi-year process with many routes towards success. Organisations that start somewhere and continue to build from there, are already much further than those stuck at indecision.

Sustainability comes at a premium

Sustainability often has the preconception that it is costly: it is seen as the more costly option or is difficult to achieve without certain investments. This view creates a level of resistance, especially for procurement functions that have historically been tasked with cost savings. This complicates the process of embedding sustainability at a strategic and tactical level. In addition to the quick wins that save costs, such as reducing waste, procurement must tackle this barrier by showcasing the long-term strategic value and any successes achieved through sustainable procurement. [See the Landsec case study for more insight on how to achieve this](#)

Small, Medium Enterprises (SMEs)* can't do sustainability

In the early days of sustainable procurement, most suppliers were viewed as a barrier. Nowadays, many suppliers have prioritised sustainability themselves and are thus more aligned with buying organisations. However, the notion of certain suppliers not being capable or willing has shifted towards smaller-size suppliers, such as SMEs. Though it is true that resources might be limited, SMEs are often more advanced and willing than large organisations might think. Moreover, the nature of doing business for SMEs has benefits too, such as close relationships with key suppliers, which ultimately drive visibility into tiers for the buying organisation. [For more information see Dr. Anne Staal's view on unlocking new potential through SMEs.](#)

Challenges



Where to start



Sustainability is too expensive



SMEs can't do sustainability



Team capabilities

Sustainable procurement requires a different skillset

General procurement talent is already difficult to attract and retain. Adding sustainable procurement skills into the mix adds a new layer to finding the right people. Sustainable procurement requires individuals to think more strategically, work collaboratively, and have knowledge of sustainability impacts. This requires a range of soft skills that procurement historically has not needed. Though sustainable procurement functions tend to attract more talent, as they are often more passionate about driving positive change in their work, existing procurement teams must also be able to deliver on sustainability. This requires a heavy focus on skills development to upskill the function of sustainability as well as soft skills. These skills development programmes should be based on an assessment of organisational strategic objectives, procurement-aligned objectives, and the skills needed to deliver on these.

Unlocking New Potential Through SMEs

An academic case study by Dr. Anne Staal

Although large organisations seem dominant in many economies, we know that SMEs (Small, Medium or Micro Enterprises) form the real backbone of national economies. The total procurement spend in SMEs exceeds that of multinationals (Staal & Allen, 2023), as they often act as suppliers for such organisations. Additionally, these SMEs will take the brunt of the environmental footprint from multinationals. Improved sustainable procurement in SMEs therefore has a direct and substantial effect on our society and environment.

Over the past few decades, procurement research for large organisations has brought many benefits, as procurement has transformed into a strategic value-adding business function. However, the minimal amount of research into procurement in SMEs, and thus sustainable procurement, means knowledge is limited. As the Harvard Business Review stated in 1981: a small company is not a little big company. SMEs differ from large companies in many ways, but they also vary greatly between themselves.

“While large companies often pursue growth ambitions, SME owners more often adopt a survival or lifestyle approach.”

These differences, their leadership styles and experience impact their procurement processes and performance.

SME characteristics

SMEs often have a few characteristics in common. They lack bargaining power towards their supply base. But once they have selected or found good key suppliers, SMEs will remain loyal to those suppliers. So, no switching every three-to-five years to get a better deal. Contracts and contract management are less formalised, similar to how relationships are managed. In this way, SMEs can have remarkably effective supplier relations and be demanding of supplier capabilities.

However, more often SME procurement is underdeveloped and focused on operations rather than strategy. (Pressey, 2009). Some SMEs see the benefits of collaboration (Van Hoof, 2013), while others want to remain independent and would feel unhappy in an integrated supply chain (Bohme, 2009).

Research activities

Our research at Auckland University of Technology (NZ) in collaboration with Victoria University (NZ) and Hanze University (NL) aims to increase the understanding of the SME procurement ecosystem. Focusing on SMEs with 20-100 staff, we investigated how those SMEs manage their complex procurement processes to realise social, environmental, or innovative outcomes with their suppliers.

- Zwiép adapted the Business Model Canvas with questions that entrepreneurs ask their suppliers to create a more sustainable value proposition.
- ElDeeb built a simple sustainable procurement quick scan for manufacturing SMEs based on ISO 20400 material.
- McGill conducts doctoral research on how fast-growing SMEs select innovative suppliers.

Research findings

- Haluskova found informal supplier selection processes in Dutch fashion SMEs more effective than formal ones.
- Claassen's research on local councils confirmed that effective communication, planning, and dedicated procurement staff with a risk-aware mindset will benefit small suppliers more than risk-averse approaches.
- A high level of entrepreneurship towards innovative suppliers can benefit innovative customers. Simultaneously, economic benefits and environmental benefits can be aligned (Staal, 2019).

Upcoming research

We will start master and doctoral research on:

- Vested way with small suppliers,
- Using the Business Model Canvas for supplier collaboration,
- Co-developing a maturity model and a circular procurement model for SMEs based on ISO 20400,
- The effect of leadership on sustainable procurement in SMEs.
- Ethical procurement in SMEs.

Benefits of SMEs:

- Strong relationships with their suppliers
- Less complex contracts

SMEs in Europe:

20m SMEs in Europe
100m people employed
(EU, 2020)

SMEs in the UK account for:

66% of employment
50% of turnover
According to recent UK data



Dr. Anne Staal

Senior Lecturer, Auckland University of Technology

Want to know more or want to support this research?

Please contact Dr Anne Staal at the Auckland University of Technology in New Zealand. astaal@aut.ac.nz

Driving Successful Sustainable Procurement Integration

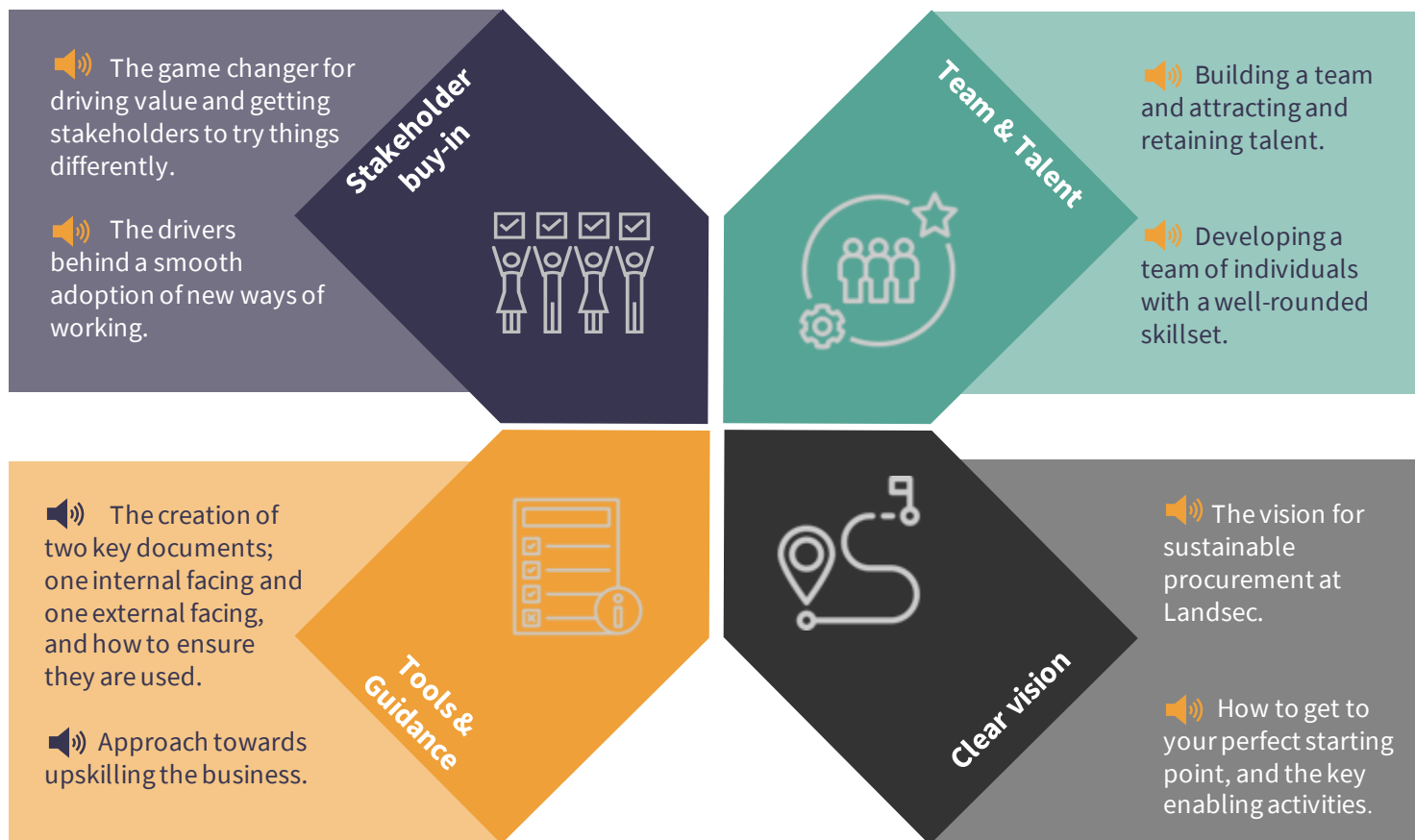
A Landsec case study

Kathryn Gillard, Group Procurement Director at Landsec, is two years into a strategic and sustainable procurement transformation. In that time, she has set up a function that has effectively embedded sustainability while also delivering on ambitious savings targets.

In conversation with Action Sustainability, she provided insight into the critical enablers of sustainable procurement. Discussing in greater detail how to achieve stakeholder buy-

in and adoption, the importance of a well-rounded and happy team, where to start in combination with a strong vision, and the tools & guidance that have made the biggest impact on the implementation and execution of sustainable procurement.

Click on the orange speakers to hear from Kathryn herself about her vision, experience, and lessons learned.



Kathryn Gillard
Group Procurement Director
Landsec



Progressing Sustainable Procurement

Considerations for moving to the next stage

Many organisations that fall within a certain level of maturity share similarities in terms of good practice, recent developments, and capability gaps. To move into the next maturity level, a few considerations will thus apply to most procurement functions.

Different organisations will start their sustainable procurement journey differently, there is no perfect place to start. Often the advice for organisations at **Basic** is to just start. Don't get stuck on where to start but start somewhere and build on this.

Procurement functions that find themselves in the '**Improving level**', tend to be the most diverse in terms of high and low-performing areas. This is easily explained, as sustainable procurement is a large and complex undertaking and there is no 'one way to start the journey'; this results in organisations arriving at the improving level in different ways.

One of the progressions in maturity towards the '**Establishing level**' takes place when procurement functions start approaching sustainability holistically, focusing not only on Scope 3 and human rights, but the entire triple bottom line with all relevant impacts. Some of the concerns often overlooked are biodiversity, communities, diversity & inclusion, and water consumption. Once organisations recognise all sustainability elements affected, more dedicated action can be taken towards mitigating these effects. These organisations often do not yet have a structured process in place to effectively prioritise the right sustainability concerns for the right supply and supplier base.

Those for which their average score is in the '**Mature level**' will often have the previously mentioned in place, with a

sustainable procurement strategy that outlines the sustainability impacts critical to the business and a category heatmap indicating which spend areas should focus on which impacts. It also tends to be underpinned by a clear alignment from top to bottom. They have achieved the 'Golden thread'. This means that the organisation recognises procurement's role in driving sustainability, has set clear expectations for the procurement function to deliver on, and a procurement function that drives sustainability in the supply chain as business as usual.

Considering the current context of the ISO 20400 standard and sustainable procurement practices across industries, those that find themselves in '**Leading**' have the aforementioned in place, complimented with a set of corporate-driven targets and a standardised process of measuring, monitoring and reporting on performance in the supply chain.



Vision for Sustainable Procurement

Five years from now

Sustainable procurement is evolving at a quicker pace than ever. Not only is the suite of sustainability impacts considered expanding, but procurement is also tasked with more responsibilities to manage and mitigate these in the supply chain. We asked all casestudy participants what they believe sustainable procurement will look like in five years for them and their organisations.

Skanska UK

“There will undoubtedly be some further changes to how we deliver even more sustainability outcomes for our clients, some that we probably don't even know about right now. The government, worldwide targets, and Skanska's commitment around Social Value and Carbon reduction are going to intensify, to make sure we deliver our projects Sustainably.”

SSE plc

“Sustainable procurement for SSE in 5 years, will be a fully digitalised and embedded sustainable procurement process that creates environmental, social, and economic value for SSE and our supply chain by looking at the whole-life value of the products and services that we procure.”

Landsec

“I can see us having a complete suite of carbon neutral products that go into all of our builds. Something I really hope for is, as a sector, we forget the one upmanship and focus on collaborating. We have the same challenges and are doing the same things but we're not working together on the areas that we should, like sustainability. We must collaborate so much better and have a common aligned goal of what we want to achieve.”

Great Western Railway

“In five years' time, sustainability will be the leading theme in our sourcing specifications, which will drive better ways of working and address all aspects of sustainability.”

SUEZ

“In five years, sustainability will be fully incorporated into every procurement decision and the expertise will be spread throughout the team. All those that are involved in purchasing will consider all the aspects of sustainability within their procurement decisions. We will have a more resilient, sustainable, innovative network of suppliers who will work with us as strategic partners and greater transparency of our full supply chain.”

Avanti West Coast

“The vision for us as procurement would be to demonstrate the evidence towards reaching our science-based targets. We should be looking at enhancing and encouraging suppliers to move towards the execution and demonstration of their own sustainable goals. We also want to have engaged with *all* of our suppliers in some way. Whether that is regular forums or just a conversation once a year.”

Sector Deep Dives

Construction



Train
Operating
Companies



Utilities



Sector Deep Dives

Overview and methodology

Sector comparison – Average score per section

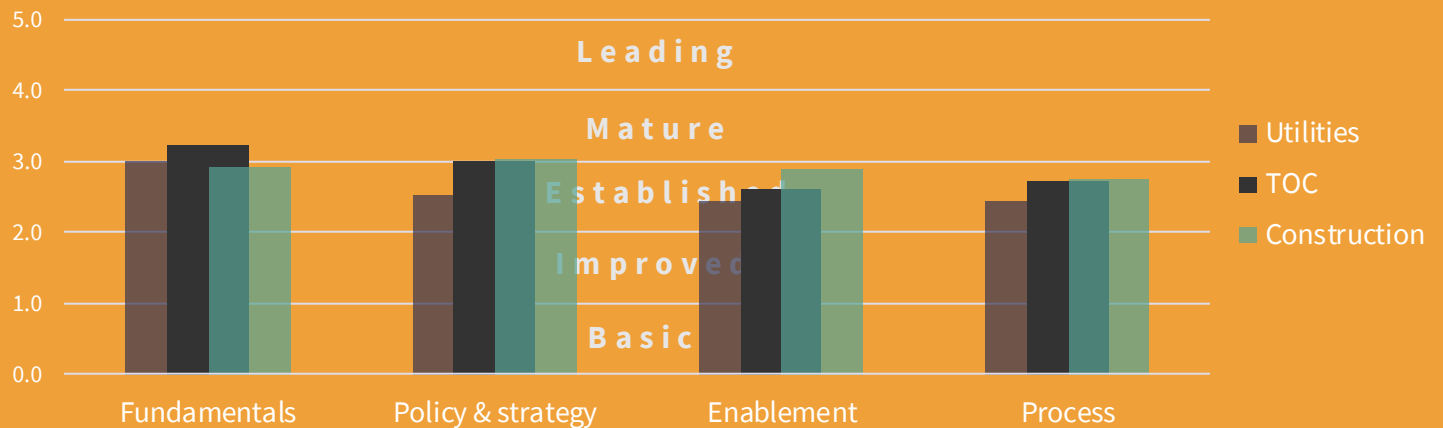


Figure 9: Average score per section across each sector

In this section of the report, we highlight the three sectors where a significant number of organisations have had themselves assessed against the ISO 20400 Sustainable Procurement guidance standard. Though the results are anonymised, the impact these organisations have on society is outlined in the purple box on the first page of each sector deep dive.

Figure 9 shows the average scores per ISO 20400 section for each sector. Out of the three sectors, construction and train operating companies (TOCs) have the highest total average score (3 and 2.9 out of 5 respectively); both have strong policies and strategies in place that aid with a more effective implementation of

sustainable procurement. Contrastingly, utilities shows stronger capabilities in Fundamentals criteria. This indicates that these utility companies understand what drives sustainability initiatives and engage in supply chain due diligence, however this has not yet translated into further integration of sustainability into other aspects of procurement.

Similar to cross-industry trends discussed earlier in the report, these sectors highlight the same drop-off of capability moving from the fundamentals and policy & strategy criteria to enablement and process. This indicates that organisations in these sectors also struggle to effectively enable their procurement teams and stakeholders to drive sustainability in their supply chains.

Sector deep dive structure



Industry maturity

- Maturity score & distribution of assessment results across maturity levels
- Summary of key drives and barriers to supply chain sustainability
- Average maturity score per ISO 20400 section



Criteria analysis

Overview of scores per criteria with findings and recommendations



Sector-wide focus

Analysis and recommendations on critical gap for the sector



Case studies

Insights from advanced companies in the sector



Construction

This section will cover:

- Construction industry maturity
- ISO 20400 Sustainable Procurement Analysis
- Sector-wide focus: Enabling people
- Interview with Dale Turner, Head of Procurement at Skanska

Construction Industry Maturity: 3.0



Construction companies are involved with the manufacturing and trade related to the building, repairing, renovating and maintenance of buildings. They tend to rely on complex supply chains to provide the materials and services needed.

As most of the core procurement activities are of a project nature, the role of the supply chain is critical to how construction companies operate. With client expectations and industry regulations becoming more and more centred around environmental and social factors, construction companies must adapt to the direction of the industry. However, because of its small profit margins, construction companies face difficulties building a case for sustainable procurement. Additionally, construction supply chains naturally consist of many SMEs and

micro companies, which adds another level to driving supply chain sustainability.

The average maturity score in the industry is 3.0, showing that the construction industry is at a strong stage for driving sustainability in their supply chains. As Figure 10 – construction maturity distribution, shows half of the organisations assessed are comfortably considered in the ‘Mature’ category, scoring between a 3 and a 4. While the other half of the group are spread across the ‘Established’ and ‘Improving’ categories, mostly scoring towards the higher end of their respective category. It suggests that in general, the industry is in a comfortable position with some organisations continuing to improve and strive for even higher maturity, while others are well along in their sustainable procurement journey.

Maturity score per section

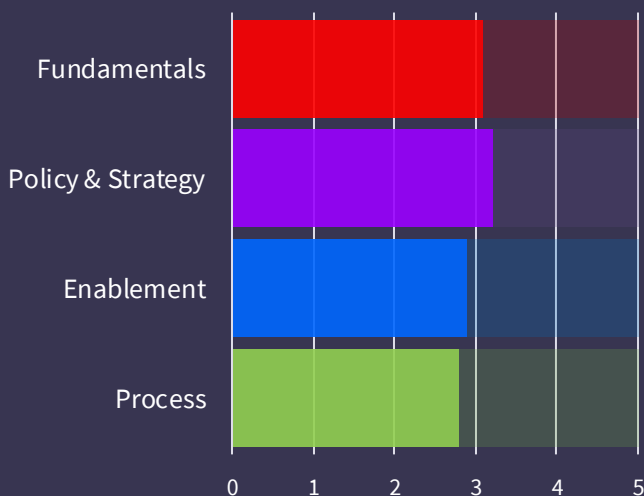


Figure 10: Maturity score per section – construction

The sustainable procurement maturity of the sector is based on the construction companies evaluated by Action Sustainability. The combined turnover of the organisations evaluated against the ISO 20400 was around £24.56 billion. (Based on 2022 data from [The Construction Index](#) and 2021 data from [Rail Engineer](#))

As the average number of Full Time Employees (FTEs) for the companies assessed was 32,095 they are some of the largest construction companies in terms of size and resources. These organisations tend to have more budget; hence they are more likely to have themselves assessed. They are also likely to be more mature than smaller organisations as they are able to provide more resources towards their sustainable procurement initiatives. As such, smaller organisations tend to find themselves at the lower end of the maturity scale. However, there are some small organisations in the industry that have turned sustainability into their unique selling point, and because of that, win a lot of work.

ISO 20400 Performance Analysis

Construction industry maturity

The average scores across each category in the analysis are relatively stable except for some slight drop-offs in the ‘Setting Priorities’, ‘Measuring and Improving Performance’ and ‘Manage’ categories. The relatively stable scores show the prevalence of the ‘golden thread’ methodology in the construction industry.

For the three areas where the average scores dropped off, there are some similar industry patterns that could explain this. Many companies lack specific sustainable procurement targets and KPIs; for some, the gap exists with targets for both themselves as a function and their suppliers whereas some just lacked them for their suppliers. This is a key area of improvement and aligns directly with the ISO 20400 recommendations for the ‘Measuring and Improving Performance’ category.

Fully understanding the supply chain is also important and another gap for many construction companies. Supplier heatmapping and engagement were shared recommendations across the industry and are crucial to implementing and delivering on the sustainable procurement policy and strategy. It allows companies to determine which suppliers significantly contribute to each issue and would see improvements in the ‘Setting Priorities’ score.

Finally, under the ‘Manage’ category, it is important to hold suppliers and contractors to their sustainability obligations which was another consistent gap for the industry evaluations. There are numerous practices that the ISO 20400 standard suggests can help manage a supplier. Introducing mutual obligations between suppliers and customers, ensuring the contract is built onto a well-informed plan at the planning stage and relevant requirements at the sourcing stage, establishing a contract management plan and monitoring performance and relationships throughout the contract are crucial ways to ensure the ‘Manage’ category improves.

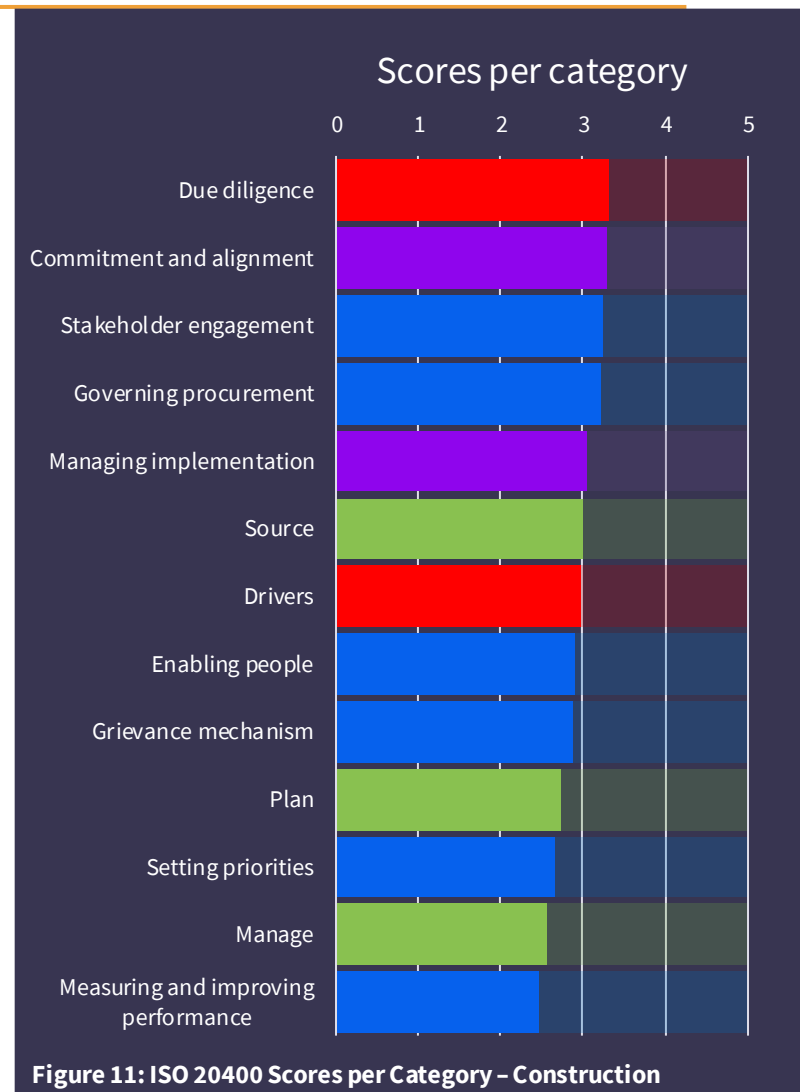


Figure 11: ISO 20400 Scores per Category – Construction

The two most developed categories are ‘Due Diligence’ and ‘Commitment and Alignment’. Due diligence is particularly important in the construction industry because of how vital many suppliers are to the successful completion of a project, from both a sustainability and resilience perspective. Therefore, it is vital that companies have strong due diligence processes in place to minimise and mitigate any risks. All companies evaluated had made a formal commitment from top management to sustainable procurement and many had ensured that this was implemented across the business. This particularly high score for the ‘Commitment and Alignment’ category is underpinned by the achievement of the ‘Golden thread’ as mentioned before.

Sector-wide Focus

Enabling people in construction

Enabling people entails providing your organisation's key stakeholders within procurement, or those otherwise involved in the procurement process (e.g., production workers or others engaged with suppliers) with the sufficient means to manage and deliver 'sustainable' procurement. This area of capability has been found to be a gap within the construction sector.

Looking more closely at the data within 'Enabling People' (Figure 12) there is a clear dip in the 'Personal objectives, bonuses, and rewards' factor, an enabler used to set and communicate expectations around sustainability to every stakeholder in the organisation. An example solution that aligns with the ISO 20400 standard is to include goals within incentive plans/reward schemes or staff development evaluations. This is an area of improvement for many companies at the 'Improving' and 'Established' levels, particularly including sustainability objectives in procurement team members' performance management reviews, whereas for those in the 'Mature' level, this activity is starting to become more commonplace. This shows where the industry may be slightly deficient and could see specific improvement that raises the scores for this metric.

Enabling people category factor maturity



Figure 12: Maturity of each factor within the 'Enabling People' Category

On a more holistic scale, the construction industry mostly has a gap in setting and communicating sustainable procurement expectations to procurement individuals and its stakeholders. Effective delivery of sustainable procurement requires those involved to fully understand the reasons why it is being implemented and what is expected of each individual. Many companies lack processes and activities that enable the procurement team to expand their awareness and competence for sustainable procurement outside of the team. This is especially relevant for the construction sector because of its project nature and an often decentralised procurement delivery, where different parts of the procurement process are managed by different teams across the business. Moreover, having this in place ensures greater alignment between teams and projects, which is essential in a low-margin sector such as construction.

Set and communicate sustainable procurement expectations by...

- Engaging and sharing information with internal and external stakeholders to increase awareness of supply chain sustainability across the whole organisation.
- Developing a set of shared goals supported by templates and guidance, such as a spend category sustainability heatmap, that can be used by stakeholders across the organisation.
- Including sustainable procurement goals within incentive plans and staff development evaluations as well as supplier contracts.
- Making use of relevant sustainability guides, certifications, case studies, and evaluation tools, to help implement and achieve sustainability goals.

Interview with Dale Turner

Head of Procurement & Supply Chain at Skanska UK

What does sustainable procurement look like at Skanska?

As Director of Procurement and Supply Chain for Skanska UK, I lead a team of around 100 different procurers that sit within our business. We have a small strategic sourcing team looking at UK-wide framework agreements, and a commercial transport team looking after vehicles. Most of the procurement team are out on the projects with our commercial team procuring supplier and subcontract packages.

Beyond that, the procurement function is underpinned by policies and procedures aligned to the principles of ISO 20400, that help embed sustainability within the procurement process:

We have a **UK procurement policy** which covers the key high-level principles of how we want to procure.

'Our way of working for procurement' ensures consistency, describing what is expected at each stage of the procurement process and the required actions to take.

The **sustainable procurement policy** which we developed in 2010 and has been updated frequently since. We contract on this document with our supply chain, enabling us to communicate what it is that we are trying to achieve on individual projects to deliver on our client's objectives and on Skanska's values.

Skanska's sustainable procurement journey started in 2010, how have you ensured it maintained a strategic priority throughout the business over that period?

Sustainable procurement is a fundamental part of the way we do business. It's how we deliver our stakeholder requirements and supports our Skanska values and purpose. In essence it is our license to operate, to win work, manage risk and attract stakeholders.

A lot of the important early steps were transforming a team that were a bit siloed in specific parts of the business to a group with a common, consistent approach where a community of procurers, spending time together to solve problems and sharing experiences.

Part of the procurement team's responsibility is also horizon scanning, to prepare the business for sustainability challenges coming down the line. It's important to stay up to date and be clear on what our clients and industry wants. I think sustainability 10 or 15 years ago was very different from where it is now. The sustainability agenda is now much wider, incorporating multiple factors into the procurement decisions we make. It's challenging to deliver from a procurement team perspective but genuinely satisfying to see the procurement function, adding value to customers and Skanska's business.

The sustainable procurement policy is a great example of how we stay up to date, the first version of the was developed in 2010. We did a lot of work at the time, going out to the supply chain to make sure that it landed well, but since then we have gone through a lot of iterations, all the way up to today, it's forever changing.



Dale Turner
Head of Procurement & Supply Chain at Skanska

A conversation on Skanska's sustainable procurement journey from 2009 to today. Embedding it into all parts of the organisation, ensuring it remained top of mind throughout the years and all the benefits that have come with procuring sustainably.

SKANSKA

Interview with Dale Turner

Head of Procurement & Supply Chain at Skanska UK

How have you embedded sustainable procurement throughout the organisation?

At the forefront of our approach has been consistency and application of the key parts of the procurement process. In 2010 we began a procurement transformation programme to embed the key elements of procurement consistently across our business. Since then, we have added incremental movement each year to adapt and be agile to an ever-changing marketplace.

Our sustainable procurement approach is underpinned by:

Tailored procurement strategies

Our business is diverse, so we accommodate in our procurement strategy for all those differences. Each bid or project has their own procurement strategy, signed off by the project team to ensure we are all aligned before we start.

Pre-qualification

We do a lot of due diligence to understanding capacity and capability within the market, and suitability for the works to be undertaken.

Balanced scorecard approach

Our balanced scorecard weighs different sustainability factors to make sure we appoint the right supplier. This could be relatively simple with a couple of different areas, all the way through to quite advanced complex weighting (e.g., social value, carbon, digital), depending on where specific a project demands.

Tracking performance

We're interested in not just how the interaction has gone through the procurement event, but more importantly how they have performed on the project. Looking at how suppliers delivered on what was agreed in terms of sustainability value throughout contract delivery. This can then be fed back into the

process for future selection.

Supplier development

Working directly with our clients and supply chain to develop our Sustainable Procurement Policy has helped to align our aspirations and upskill the supply chain to be at their best to deliver for us. Being a founder of the industry-leading [Supply Chain Sustainability School](#), we are very keen to promote the many free resources it provides. Each member of the supply chain can tailor their learning journey whether they are at beginner to advanced levels across all sustainability areas.

This has enabled us to set the standard, align the supply chain and innovate.

What benefits do you see sustainable procurement has achieved within and outside of the function?

Over the last 10 years, there has been greater alignment between our customers and extended supply chain. The hierarchy of the relationships are aimed to encourage collaboration achieve more value together.

Our sustainable procurement approach also drives a more diverse supply chain which helps to manage risk and understand where innovation can be applied down the tiers of the supply chain to make our projects more efficient and productive.

Some of the recent work events have made us rethink our approach and in an often-heated marketplace like we have now, you need to use the full breadth of supply chain options and understand what is happening down the tiers.

We also have a very big community feel within the procurement enabling function with a very low churn of people, where they can build a career in a professional function, making a significant contribution to business performance.

Dale Turner

Head of Procurement & Supply Chain at Skanska

A conversation on Skanska's sustainable procurement journey from 2009 to today. Embedding it into all parts of the organisation, ensuring it remained top of mind throughout the years and all the benefits that have come with procuring sustainably.





Train Operating Companies

This section will cover:

- Train Operating Companies industry maturity: 2.9
- ISO 20400 performance Analysis
- Sector-wide focus: Setting priorities
- Case studies from GWR and Avanti

TOC Industry Maturity: 2.9

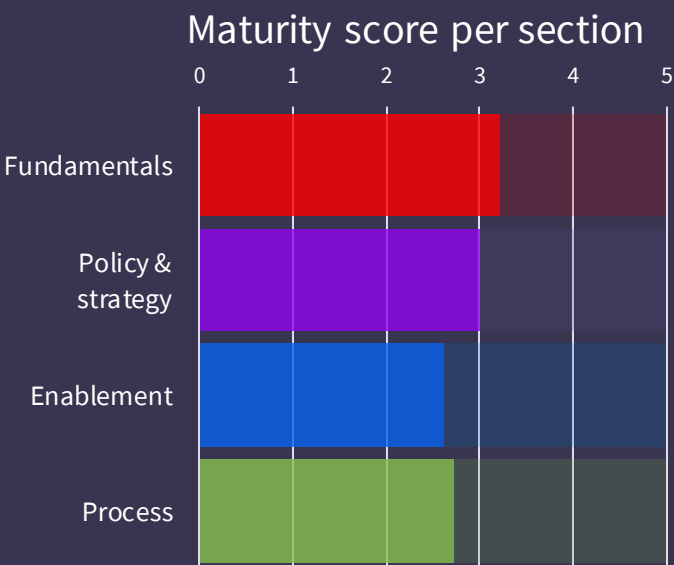


Train operating companies (TOCs) run the rail passenger services in the UK. They operate by applying to the Department for Transport (DfT) for franchises to run routes, while leasing and managing stations from Network Rail. They also often lease trains from rolling stock companies. These aspects affect the extent and direction of sustainable procurement undertakings. Sustainability is driven by a range of factors, such as changing customer expectations and internal awareness and recognition of sustainability as a priority. Moreover, governmental mandates such as the [2021 Rail Environment Policy statement](#), set the direction and intention for the rail industry on environment issues and inform the [Sustainable Rail Strategy \(SRS\)](#).

The train operating companies benefit from a relatively strong industry-wide sustainability drive. The SRS initiative, co-created and facilitated by the Rail Safety and Standards Board (RSSB)

and overseen by the DfT, emphasises the need for a holistic sustainability approach, covering the entire triple bottom line of people, profit, and planet, and sets out some expectations for supply chain sustainability.

With an average maturity score of 2.9, the train operating companies sector is well underway in their efforts to drive sustainability in their supply chains. As the TOC Maturity distribution above, suggests, the maturity of the sector is skewed towards more 'Mature', most organisations find themselves within this stage. Moreover, the majority of organisations who find themselves at the 'Established' stage, scoring between a 2-3, score on the higher end. Indicating that these are close to becoming 'Mature'. However, the distribution also indicates that there are a number of TOCs who are early on in their sustainable procurement journey, having considered sustainability in their supply chains only recently.



The sustainable procurement maturity of the sector is based on the TOCs evaluated by Action Sustainability in the UK. The total of the organisations evaluated against the ISO 20400 standard account for:

- 56% of all passenger kilometres travelled
- 42% of all routes operated
- 46% of all stations managed
- 53% of Full-time equivalent (FTE) employees in the sector

(Based on April 2021 - March 2022 data from the [Office of Rail and Road](#))

Figure 13: Maturity score per section – TOC

ISO 20400 Performance Analysis

Findings for **starting** TOCs

Data suggests TOCs can largely be split into two groups (See Figure 14), the ‘advancing TOCs’ and the ‘starting TOCs’.

Advancing TOCs are those that have been working on sustainable supply chains for some years and are looking to progress further now they have strong foundations in place

Starting TOCs are those that have recently started, often driven by industry initiatives such as the SRS. Comparing and contrasting the two groups offers insights on where critical gaps are and where there are opportunities to learn from one another.

Rather than reinventing the wheel, TOCs at the start of their sustainable procurement journey can benefit from the learnings of advanced organisations and other industry initiatives such as the SRS. This also counts for the areas starting organisations should focus on to progress to more advanced practices:

Incorporating sustainability into procurement planning

Less advanced TOCs often have the processes in place, but the spend affected and sustainability concerns covered are much more limited than advanced organisations. Moreover, they are often engaged too late by internal stakeholders, which means they are not given the right amount of time to strategically assess the needs of internal stakeholders, limiting the function’s ability to analyse all relevant sustainability risks and opportunities. Having structured processes with templates and early stakeholder engagement in place will speed up the planning stage, allowing procurement to cover the necessary steps while keeping stakeholders satisfied.

Identifying all sustainability impacts

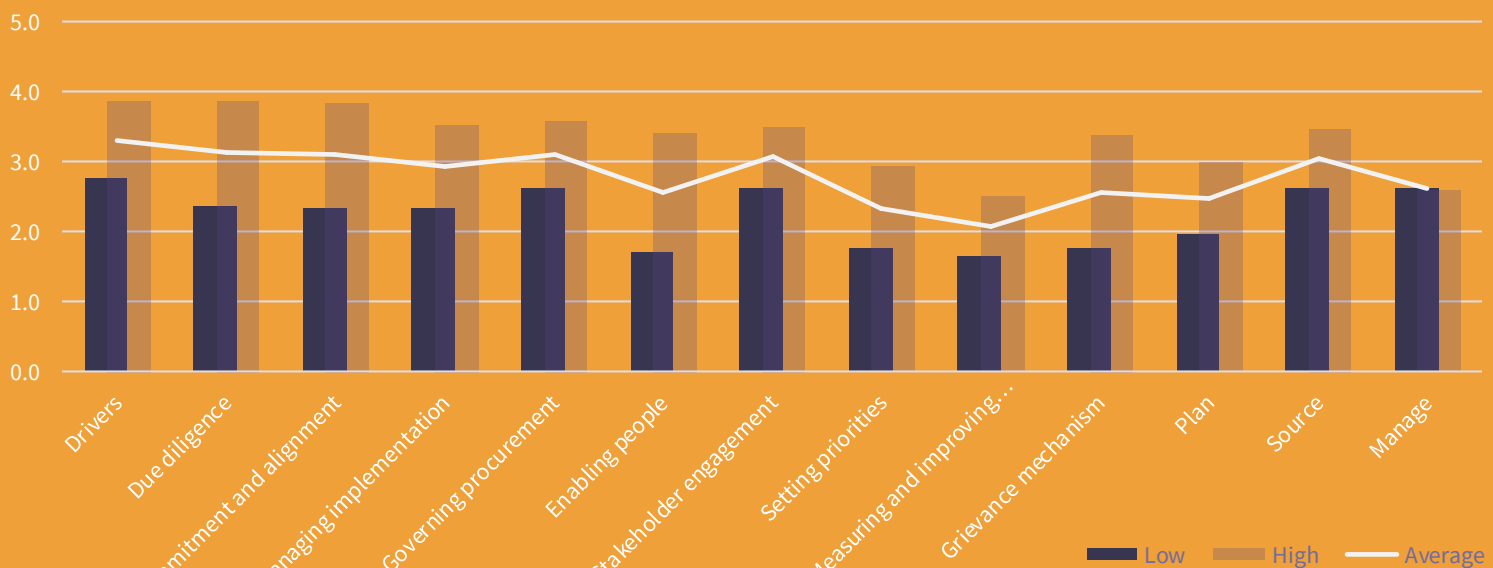
Where advanced organisations have mainly taken the approach of focusing on all relevant sustainability concerns, starting organisations tend to focus on fewer sustainability concerns and incorporating these well. However, this does mean many have not yet covered the entire triple bottom line of planet, profit, and people, and thus are missing some critical sustainability concerns. Using resources such as the SRS, can be a good starting point to identifying relevant sustainability impacts in the supply chain.

Tools and guidance to enable people

As TOCs at the start of their journey are mostly focused on awareness and understanding of sustainable procurement, they are not yet able to develop supporting tools and resources for procurement professionals to incorporate sustainability into their procurement activities.

1.7 *Advanced TOCs score higher for enabling people*
vs
3.4 *than TOCs that have recently started, scoring ‘mature’ as opposed to ‘improving’*

While awareness and understanding is important, ‘people enablement’ must stay top of mind to ensure everyone feels supported to embed sustainability into their own procurement activities. Important supporting resources include, templates, step-by-step guidance, heatmaps, category strategies, and Supply Chain Charters.



Low vs high scoring TOCs

Figure 14: Scores per category of the high scoring TOCs vs the low scoring TOCs

ISO 20400 Performance Analysis

Findings for **advancing** TOCs

As mentioned, advancing TOCs are those that have been working on sustainable supply chains for some years and have strong foundations in place. They are now focused on how they can progress further.

High-performing TOCs tend to have strong foundational elements in place, all have recognised the drivers for sustainable procurement, have a clear understanding of the range of sustainability concerns in their supply chains, and have implemented due diligence processes to mitigate risk. These organisations also have procurement strategies and policies within which sustainability is a core pillar for delivering value.

50% *Mature organisations score at least 50% higher for ‘Fundamentals’, Strategy & Policy’, and ‘Organising the function’, than Established and Improving organisations.*

They have the foundations in place before incorporating sustainability into the procurement process. However, there are three gaps that advancing TOCs must consider to progress their sustainable procurement efforts:

Setting priorities to measure and monitor

Where sustainability concerns have been identified, they must now be tailored to the different spend areas to reflect the

relevant issues. Once this is in place, organisations can start setting baselines and targets to work towards.

Tools and guidelines

Tools and guidelines do not all have sustainability incorporated into it, for other organisations the sustainability elements incorporated are not aligned. For example, where organisations have sustainability risk heatmaps in place, the existence of these is not incorporated into other guidelines or processes.

Incorporate sustainability into supplier management

Advanced organisations show a clear drop in sustainable procurement performance moving from plan and source stages into the supplier management stage. This is caused by supplier sustainability performance not yet being monitored or managed.

The average scores for ‘Manage’ are equal for both groups, however, the underlying factors for the score differ. ‘Advanced’ organisations tend to have some foundations in place but lack continuous monitoring and improvement for all sustainability impacts identified. Whereas the lower scoring organisations are more likely to have a broader set of management processes in place but deliver this only for a few spend areas and for very limited sustainability concerns, often carbon and waste.

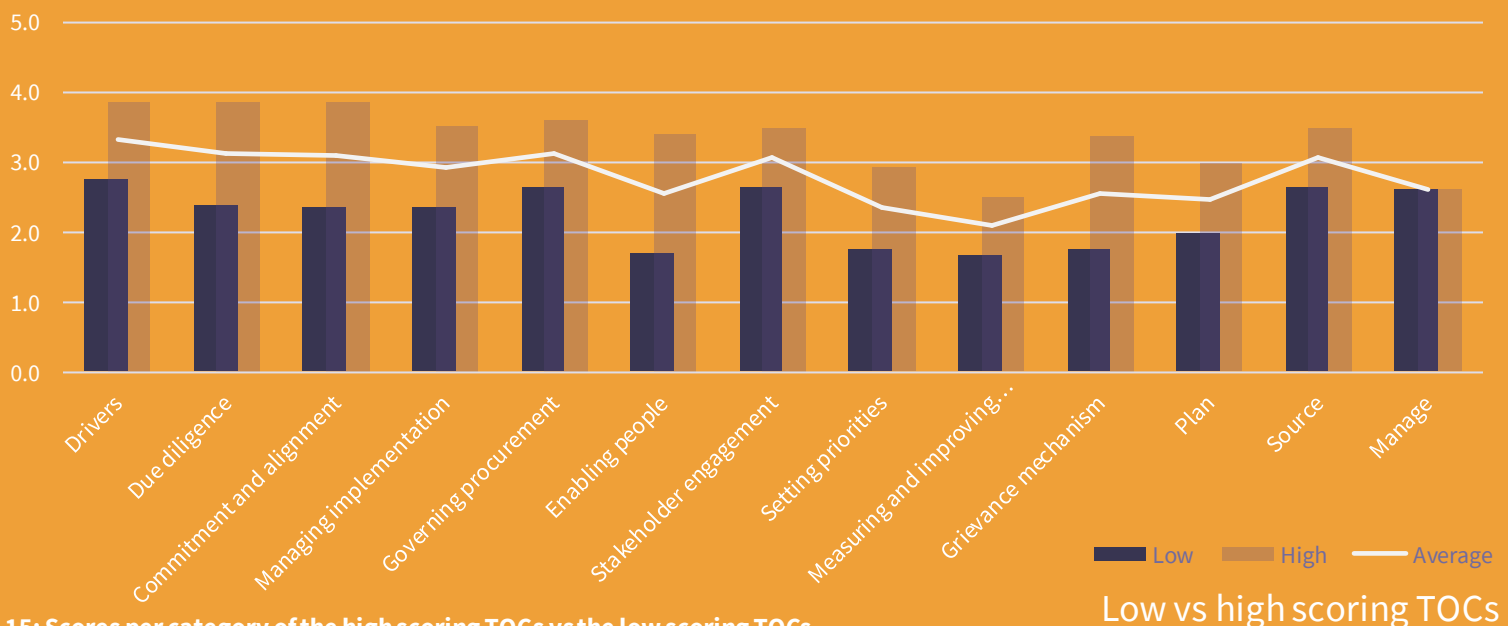


Figure 15: Scores per category of the high scoring TOCs vs the low scoring TOCs

Low vs high scoring TOCs

ISO 20400 Industry-wide Focus

Setting priorities



Train operating companies have strong foundations in place, but face challenges to fully implement sustainability into the function’s enablers and day-to-day procurement process. Though the factors of the ISO 20400 standard are measured separately, they are interrelated. One such factor that is strongly interrelated with many of the others, is ‘Setting Priorities’. The awareness of relevant sustainability concerns and the recognition of the need to prioritise greatly affects overall performance. This is especially the case in the procurement process and many of the enabling activities, such as measuring and improving performance.

‘Starting’ organisations have rarely set priorities as most have not yet identified all sustainability concerns within their supply chains. Whereas ‘Higher’ scoring organisations tend to have defined the sustainability concerns covered in the procurement process, they have not yet rolled out a standardised process through which spend areas have their own tailored set of relevant sustainability priorities. This causes numerous issues; if all sustainability concerns are covered with each supplier, the overall supplier engagement and satisfaction will decrease as suppliers can feel overburdened. Moreover, sustainability might not be embedded at all as a lack of understanding can lead to decreased effort to deliver on sustainability.

Starting organisations should determine which sustainability concerns are applicable to their supply chains and develop a roadmap towards managing these, as many TOCs have gone through this exercise before and there are a range of industry initiatives, there are resources readily available that can be benefitted from, as explained by Sue in the Avanti case study interview (see page 32). Higher-scoring organisations must tailor the priorities by spend area and supplier, for example by developing category and supplier heatmaps to guide their procurement efforts. A useful starting point is the [free heat mapping e-learning provided by the Supply Chain Sustainability School](#).

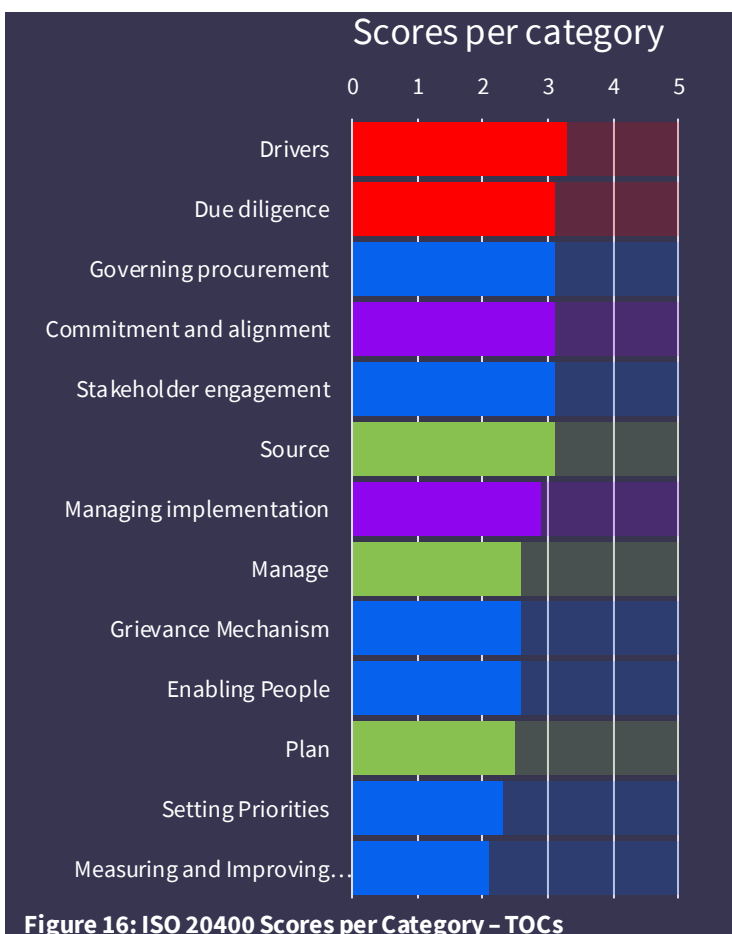


Figure 16: ISO 20400 Scores per Category – TOCs

Case Studies from the Sector

Using the ISO 20400 evaluation to drive successful sustainable procurement implementation

A Great Western Railway case study, with Head of Procurement Laura Daniel.

- Laura discusses how GWR improved their ISO 20400 evaluation from their first evaluation to their second;
- With a focus on the key actions taken to improve their score
- And the positive impacts that sustainable procurement has had across the entire GWR organisation.

Taking suppliers with you on your sustainability journey by effectively embedding sustainability into the supplier lifecycle

An Avanti West Coast case study, with Head of Procurement, Sue Ferm, and Sustainable Procurement lead, Ruchiie Sehdev.

- Sue and Ruchiie discuss how sustainability can effectively be embedded from plan, to source, to manage;
- The role and use of third party solutions,
- And the actions taken to develop supplier capabilities during the contract management stage.



- [0:07 – How did you put the evaluation recommendations into practice?](#)
- [1:25 – How did the first assessment differ from the second?](#)
- [2:19 – What action have been key to the successful implementation of sustainable procurement?](#)
- [3:42 – What benefits have you seen so far?](#)



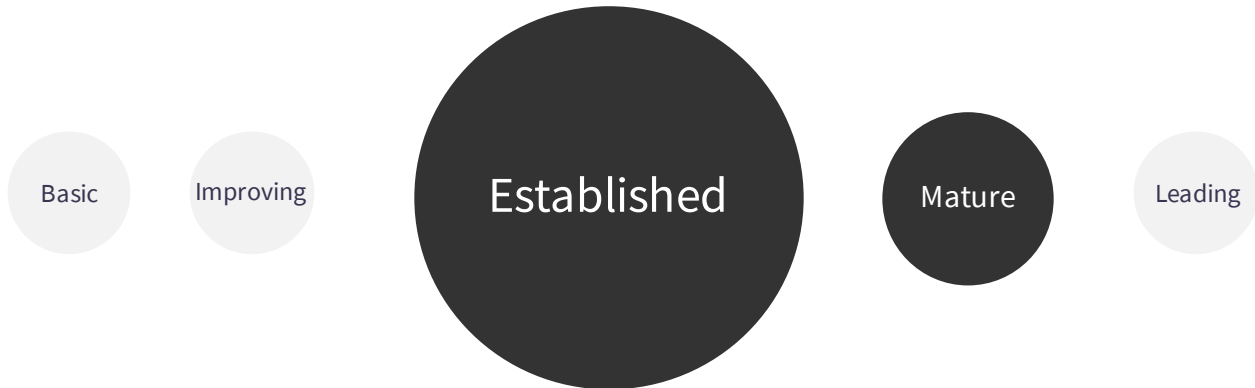
- [0:05 – How did you embed sustainability throughout procurement?](#)
- [1:13 – The role of third-party solutions](#)
- [2:22 – Embedding sustainability into the procurement process](#)
- [3:47 – Ensuring sustainability is considered from plan, to source, to manage](#)
- [7:03 – How to encourage suppliers to become more sustainable](#)
- [8:51 – How to encourage the organisation to become more sustainable](#)
- [9:38 – What do you appreciate from each other that has helped drive sustainable procurement?](#)

Utilities

This section will cover:

- Utilities industry maturity: 2.4
- ISO 20400 performance Analysis
- Sector-wide focus: Enabling people
- Insights from SSE
- Case study from SUEZ

Utilities Industry Maturity: 2.4



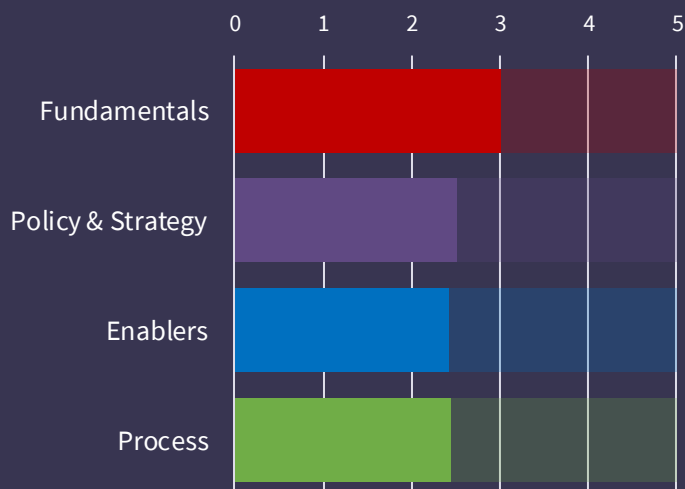
Utilities companies provide electricity, natural gas, water, sewage and other services to homes and businesses. They operate as private, for-profit companies but are heavily regulated as they form part of the public service infrastructure. This means companies must apply for licences to operate in the utilities sector and ensure they are following the strict legislation given to them. Therefore, sustainability in the sector is driven by governments and regulation but there is also a push from other stakeholders such as investors, and increasingly from a more conscious society starting to pay more attention to sustainability issues caused by the sector.

The nature of the sector requires these organisations to deliver on long-lasting infrastructure while being prone to the current and future impacts of climate change, such as drought and

higher levels of storm/floodwater. This means they must deal with, and plan for, the impacts of climate change on these infrastructures now and in the future. These efforts require expertise and collaboration from the supply chain.

The average maturity score in the industry is at 2.4 showing that the utilities industry is at an established stage of implementing sustainability in their supply chains. This is lower than the average sustainable procurement maturity score. As Figure 17 – Utilities maturity distribution shows, almost all organisations range between 2-3 in the ‘Established’ stage, with only one organisation achieving a mature score. The majority of those that are Established, are all at the lower end of the ‘Established’ level. This suggests that the industry is in the earlier stages of implementing sustainable procurement and there is significant progress to be made.

Maturity score per section



The sustainable procurement maturity of the sector is based on the utilities companies evaluated by Action Sustainability. The organisations evaluated against the ISO 20400 standard supply utilities such as water, electricity and gas to around:

- 25 million homes in the UK and Ireland;
- And have a combined total revenue for 2022 of around €113.9 billion.

(Based on the total number of homes and revenue data from the companies’ 2022 Annual Reports.)

Figure 17: Maturity score per section – Utilities

ISO 20400 Performance Analysis

Taking a closer look at the scores per category for the utilities sector, a few things stand out. Firstly, similar to other sectors, setting priorities and measuring and improving performance is low. Secondly, ‘managing implementation’ scores low compared to the other categories, which differs from any other sector, where managing implementation is often better developed than the majority of other categories. Lastly, enabling people, a key driver for effectively delivering sustainable procurement, scores low as well.

The procurement process categories (plan, source and manage) are relatively strong when compared to organisations in other sectors. This can be due to the strict regulations in place that require extensive procurement processes. Another reason why these can score higher is the strong stakeholder engagement, which lessens the need for a structured SP approach. However, when splitting the sector into the average highest and lowest performers, high-performing organisations show very little improvement from those lower-performing organisations in the procurement process, scoring 2.7 and 2.4 respectively.

19% Higher performing organisations only score 19% higher for categories in ‘Procurement process’, as opposed to 72% better for categories in ‘Fundamentals’.

As sustainable procurement activities become more elaborate, the function cannot rely on stakeholder management and existing regulations alone. Dedicated SP processes and procedures are needed to effectively roll out sustainability into every stage of the sourcing process.

Low scores for ‘Managing implementation’ means any changes and developments introduced are less likely to be effective. It is therefore critical that organisations have the foundations in place to manage implementation.



Rory O’Callaghan, Sustainable Procurement & Supply Chain Risk Manager at SSE describes how prioritisation and implementation are done at SSE.

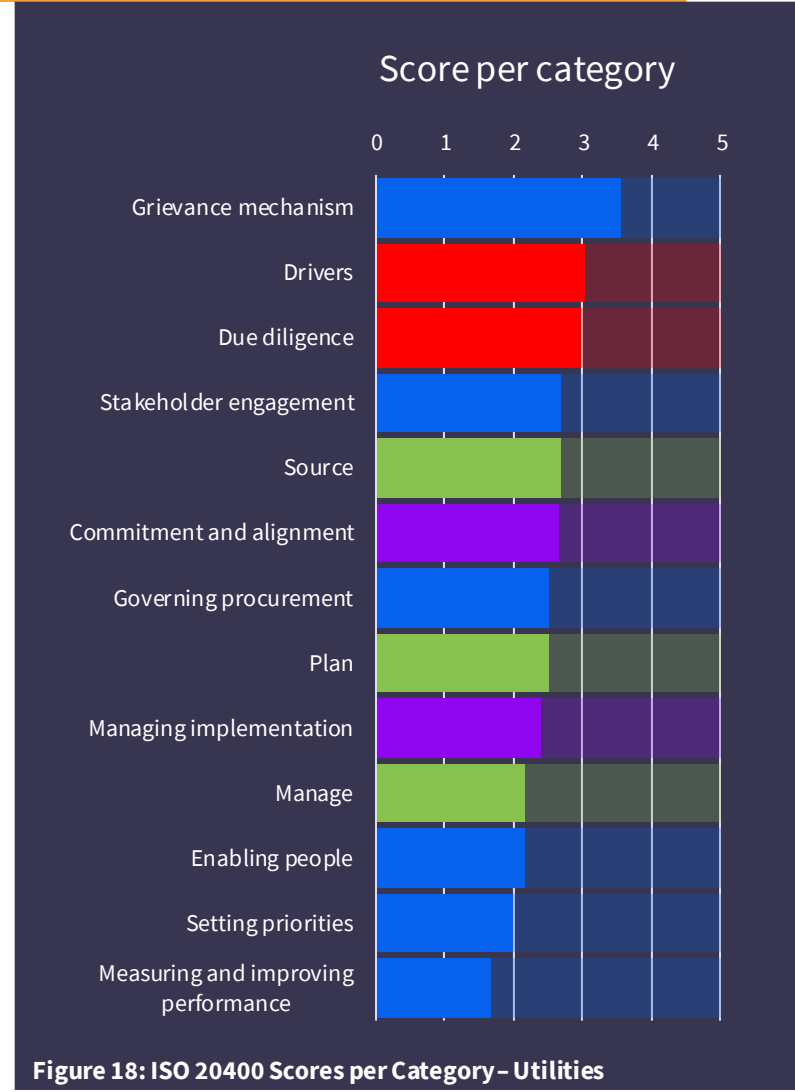


Figure 18: ISO 20400 Scores per Category – Utilities

The ‘Setting Priorities’ category is also one of the lower-scoring categories for the utilities sector. At 1.9, the average score for the category is in the ‘Improving’ level of maturity. From the analysis, it was found that there is little prioritisation in place, which is caused by a lack of sustainability priorities across all business units and not just procurement. A materiality assessment and supply chain heatmap can offer more guidance for everyone involved. Allowing procurement to become proactive in identifying, managing and mitigating sustainability risks from plan, to source, to manage.

Sustainable procurement implementation process



Action Sustainability ISO 20400 Gap evaluation to validate progress

Recommended list of key actions to adopt and embed

Prioritise based on analysis of impacts and expected barriers

Sector-wide Focus

Enabling people

Enabling people as a category has many facets. It covers internal as well as external stakeholders, but also considers awareness, expectation setting, performance monitoring, and guidance in general. Organisations in the utilities sector particularly struggle to build staff competence, manage performance, and provide effective tools and guidelines to every stakeholder involved.

The higher scores for staff awareness, learning from others, and organisational culture indicate that individuals are often aware of the importance of sustainable procurement, the 'why' is clear. Whereas the lower scores of staff competence, performance management, and tools and guidelines emphasise a need for more support on the 'how'. This gap in understanding how to deliver on sustainable procurement is an important reason for the lower overall maturity score of the sector.

For the utilities sector to advance their maturity, they must invest in building staff competence, both through developing skills and capabilities, as well as introducing tools and guidelines to support every internal stakeholder with their procurement and supplier management activities.



Figure 19: Scores for each factor within the 'Enabling People' Category

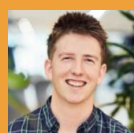
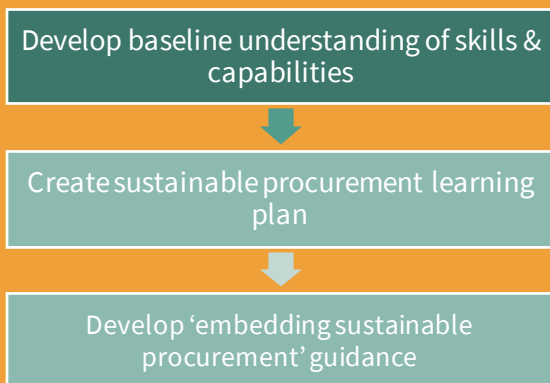
Best practice skills and capabilities development includes dedicated training for procurement and sustainability functions, as well as other internal stakeholders. This ensures the organisation is engaged, aligned, and clear on what and how supply chain sustainability can be achieved. These development initiatives should entail both education on strategic procurement and insights into all relevant supply chain sustainability impacts.

Tools and guidelines are some of the most impactful enablers for driving positive change. More advanced organisations have a range of tools, guidelines and templates in place for procurement and all stakeholders. Key resources include category strategy templates, category sustainability risk heatmaps, sustainable procurement guides and sustainability performance management tools. Though these resources are effective, they must be implemented and introduced correctly. Organisations often forget to incorporate them into existing processes, procedures and resources.

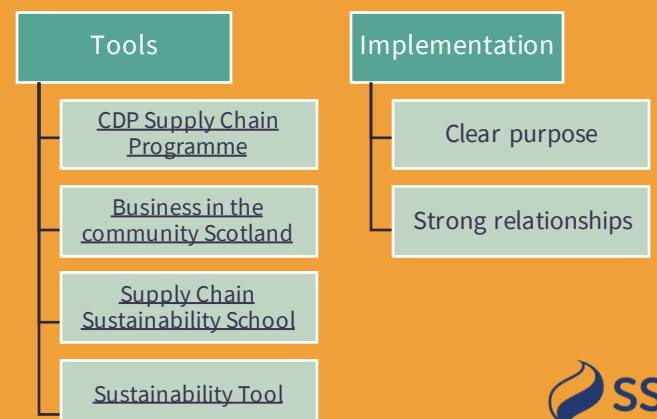
Rory O'Callaghan, Sustainable Procurement & Supply Chain Risk Manager at SSE describes how SSE have approached people enablement, both internally as well as their supply chain.



Enabling the procurement team



Enabling the supply chain



From Early Adopters of ISO 20400 to Today

The SUEZ Sustainable Procurement Journey

As SUEZ we recognise that whilst we need to be profitable, we can do this while caring for the environment, the people and communities affected by our operations. Procurement plays an integral part as one of our main goals is to save the company money whilst also increasing social value and protecting the environment.

From early adoption to action

In 2017 Action Sustainability assessed SUEZ UK against the then freshly released ISO 20400 Sustainable Procurement standard and provided us with a report including suggested areas for improvement. Since then, we have incorporated these areas into our sustainable procurement action plan which continues to be reviewed and developed.

Based on the assessment we focused on a few areas, including:

Improving our policies & strategies by drafting and issuing a supplier code of conduct. **Setting and communicating our aims and minimum standards expected of suppliers.**

Improving stakeholder engagement by introducing Supplier Awards and creating a quarterly supplier newsletter to **advise and support suppliers, especially SMEs.**

Improve people enablement through the Supply Chain Sustainability School, enabling us to direct our own employees and our suppliers to **easily accessible sustainability training and resources.**

Improving our procurement processes by incorporating sustainability into **Sourcing questions and performance weightings:** 10% evaluation criteria on Sustainability and 25% of our supplier performance scorecards.

One of the challenges in implementing this transformation has been changing the mindsets within the team and the company. Shifting the focus from traditional transactional relationships with suppliers to more strategic partnerships that achieve financial savings as well as environmental and social benefits. Now that everyone sees the value of this way of working within procurement, we have managed to embed sustainability within the function and beyond.

Intensifying our efforts

It is vital that if a company wants to be truly sustainable it must have the support of both senior management and the people at

each site. The enthusiasm for change must be shared across the company. The responsibility should also not lie with one department but be embedded within every function. Due to this recognition and the benefits delivered to SUEZ up until now, it was decided to integrate sustainable procurement even further into the organisation by introducing a dedicated Sustainable Procurement role. As the Procurement Sustainability and Compliance Manager, I work closely with the procurement team, our sustainability team, led by our Chief Sustainability and External Affairs Director Dr Adam Read, and our network of sustainable champions present at nearly every site within SUEZ. It is a fantastic opportunity to work in a role that is dedicated to driving environmental and social value through our supply chains and helping our SMEs and VCSEs to understand and adopt the SUEZ commitment to sustainability and a world without waste.

Looking ahead

Today we are at the point where we can build on the solid foundations of the sustainable procurement actions already undertaken. To ensure we continue to improve, we have put in place a five-year plan with eight objectives that will enable us to support both SUEZ's and our suppliers' sustainability journeys:

5-year plan objectives

- 1 Increase Knowledge and Understanding of Sustainable Procurement
- 2 Understand and Manage Potential Risk in the Supply Chain
- 3 Take Action to Identify and Prevent Modern Day Slavery
- 4 Continue to Improve the Sustainable Procurement Process
- 5 Develop and Embed Sustainable Practice within the Team
- 6 Increase the Transparency of our Supply Chain
- 7 Work with our Supply Chain to Improve our Environmental and Social Impact
- 8 Evaluate and Report on our Performance



Wendy Storey
Procurement Sustainability & Compliance Manager

Conclusion

Final thoughts on progressing sustainable procurement

As the need and urgency for sustainable supply chains has become clear over the past few years, it is now up to procurement functions to turn this recognition into action. We must embed sustainable procurement across each spend area and find ways to continuously improve. Though this is easier said than done, sustainability is a topic organisations are willing to share on. Through this collaboration and sharing of resources, we can collectively play our role in creating a sustainable future. Below are some thoughts from the contributors to this report on how sustainable procurement can be achieved.

Kathryn Gillard, Group Procurement Director, Landsec



“Prioritisation. There is a danger that with so much to do both internally and externally you try to do it all at once and struggle. It is better to tackle it in smaller chunks. It is also crucial to understand across the organisation what everybody's priorities are. From there you can phase it over 3-5 years so it feels palatable for the business. Also, don't preach to people, guide them. Ensure that people see you as an advisor and you are there to support people to achieve their own strategies and goals.”

Dale Turner, Head of Procurement & Supply Chain, Skanska UK



“For me it's about communication and clarity, so that everybody understands what we are going to do and the benefits it provides. Over communicate to make sure the messaging is clear. Also, an important aspect of developing a sustainable procurement approach is to have diverse people in the room throughout the journey that will give you honest feedback on how this will land in your projects. This means spending a lot of time and engagement at all levels of the business to make the right decision.”

Laura Daniel, Head of Procurement, Great Western Railway



“Start small and let the ideas grow by themselves. It felt too big for a long time which, looking back, may have stalled our progress. Once we'd done just a couple of individual tenders with good sustainability requirements, it inspired others to do the same and helped us clarify how we could develop our longer-term strategy.”

Ruchi Sehdev, Sustainable Procurement Lead, Avanti West Coast



“Have a joint up approach. Applying a consistent approach, with everybody having the same sustainability objectives from start to end would be very useful. Don't reinvent the wheel. There is a lot of content around, in all shapes and sizes and you are not alone in the journey. Undertake some research and see what's around that's relevant to you. At this stage, many organisations are quite well developed and there is content that there I'm sure they're happy to share. We're happy to share.”

Rory O'Callaghan, Sustainable Procurement & Supply Chain Risk Manager, SSE plc



“Focus on the Sustainable Procurement actions that are really going to influence change such as Sustainable Tender Questions, Sustainable Minimum and preferred standards, Sustainable Contract Clauses and Sustainable Supply Chain Engagement.”

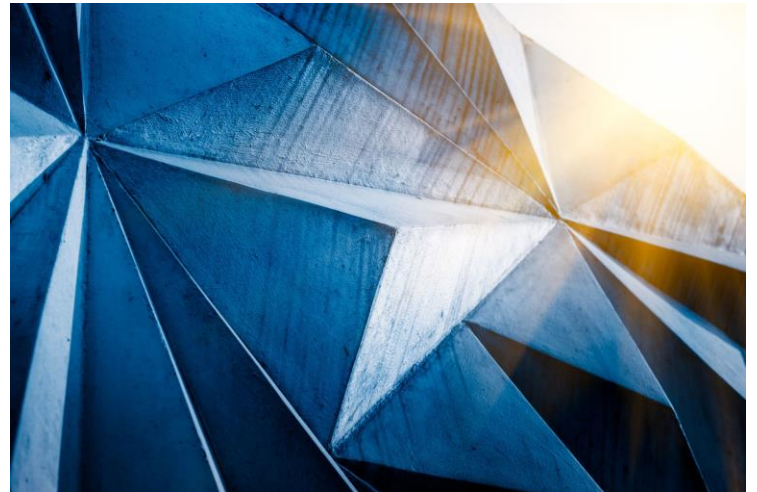
Wendy Storey, Procurement Sustainability & Compliance Manager, SUEZ



“It's about progress not perfection, look for the quick wins which will help you showcase how you can be both sustainable and reduce costs to help build engagement, also find like-minded people within your organisation that are passionate about sustainability so you can work together – collaboration and working as a team makes it so much easier.”

We would like to thank all contributors, those featured above and Dr Anne Staal and Sue Ferm featured in the report. As sustainability is a topic that requires everyone to act at pace, this requires collaboration over competition. We are grateful that this report has enabled these organisations and individuals to share their insights, promoting collaboration within and between industries.

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