

A Supplier's Guide to Sustainability

by NSPR



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Publication



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A Supplier's Guide to Sustainability

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About the NSPR

The National Sustainable Procurement Roundtable (NSPR) is a nationwide movement and an industry-led workgroup set up to promote sustainable procurement in Singapore with the objective of building an innovative and sustainable supply chain that efficiently meets sustainability objectives.

For more information, please visit www.sustainableprocurement.sg.

Disclaimer

This reference document is created by procurement and sustainability professionals from various NSPR member organisations with the objective of sharing best practices regarding sustainable procurement, based on their own experiences and respective context.

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Executive Summary

Sustainable procurement is about incorporating environmental and social factors alongside economic ones and promoting good governance in the procurement process. A successful sustainable procurement program can help companies manage business risk, achieve cost savings through material efficiency gains, enhance their brand reputation, and manage suppliers more effectively.

Given the complexity of the procurement lifecycle, it is no surprise that suppliers play a critical role in this journey. In fact, most organisations have already incorporated sustainability-related criteria in their supplier evaluation and selection processes. As a result, suppliers must undertake their own sustainability initiatives to avoid business disruption. The objective of *A Supplier's Guide to Sustainability* is therefore to help suppliers launch their own sustainability journey by providing them with guidance based on experiences and benchmarks, resources to facilitate implementation, and use cases to furnish proofs of concept for effective processes. The ultimate goal goes beyond pure compliance - it seeks to enhance the competitiveness of our suppliers both in Singapore and abroad through innovative business models.

The preamble of the guide provides an overview of the sustainability journey that is discussed in greater detail in subsequent sections. Section 1 briefly describes macro-economic drivers that put sustainability on the executive agenda. As inaction is not an option, the section calls for collaboration between buyers and sellers in the sustainability journey.

Section 2 introduces the three key pillars of sustainability: environmental, social and governance (ESG) impact of operations. It is worth emphasising that ESG is all about *business* sustainability. As climate change is increasingly disrupting operations, businesses face explicit costs of externality while their assets turn into liabilities. New risks are also emerging in the form of stakeholder disruptions. The latter include consumer revolts, tighter business regulations, reduced access to key resources such as talent (e.g. your organisation is no longer perceived as a good place to work), and capital (as investors and financial institutions revamp their loan portfolios towards 'green investments'). While focusing on risk mitigation and compliance might represent the first steps in the sustainability journey, focusing on strategic opportunities would enable businesses to contribute to positive change, foster sustainable development, and improve the well-being of communities while meeting fundamental corporate goals such as profitability.

Section 3 specialises the ESG framework to procurement. It provides concrete guidance that would facilitate the supplier's sustainability journey, including indicators, methodologies, processes, certifications, legal requirements, and resources on all three dimensions.

Section 4 provides a detailed description of the implementation of a sustainable procurement strategy. The objective of this section is to provide the suppliers with an illustration of an implementation roadmap, and more importantly, to highlight the key criteria that buying organisations are implementing in their sustainable procurement practices.

The guide concludes with several case studies that provide both proof of concept and inspiration that the ultimate goal of sustainability initiatives is not simply to minimise risk, but also to capitalise on new business opportunities.

Preamble

Sustainable procurement is about incorporating environmental and social factors alongside economic ones and promoting good governance in the procurement process. Environmental factors, which focus on the management of natural resources along with the company's impact on the environment, include greenhouse gas emissions, energy and water management, and biodiversity impact. Reflecting the way companies engage with their stakeholders, social factors include labour practices, employee health and safety, Diversity Equity and Inclusivity (DEI), and human rights. Guiding the decision-making process, governance is concerned with compliance, business ethics, and risk management. As depicted in Figure 7, leading customer organisations have already incorporated sustainability thinking into their procurement processes.

A sustainability-anchored business strategy will provide suppliers with a continued *license to operate* as it enables them to meet the growing expectations of their stakeholders, namely customers, employees, regulators, and investors. While there may be initial investment costs, an ESG focus will enhance business performance through more efficient use of resources, facilitate talent attraction and retention, lower cost of financing, mitigate operational, regulatory, and reputational risk, and provide new growth opportunities.

The sustainability journey starts with building internal awareness¹: understanding key ESG concepts and identifying emerging requirements. In this first stage, the leadership team should focus on the following questions:

- What are the risks and opportunities associated with sustainability for your company?
- What are your clients' sustainability requirements as a prerequisite to engage in business activity?
- Are you aware of the resources available to help you start your sustainability journey?

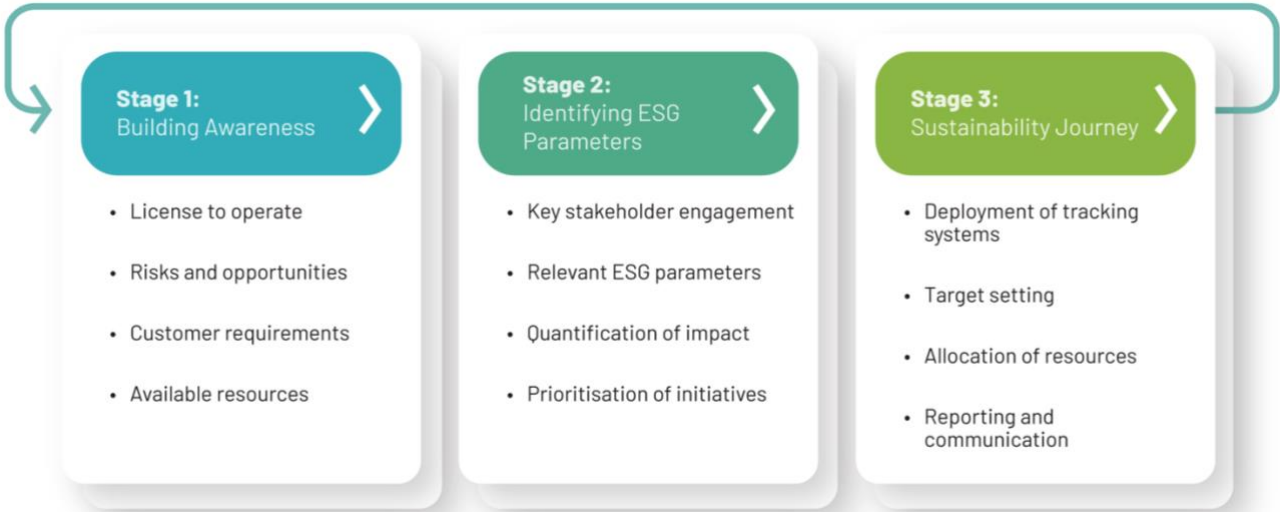
The second stage is about identifying the ESG parameters that are relevant to your business and taking the first initiatives in the areas of high priority. The leadership team should focus on the following questions:

- Has your company engaged the key stakeholders (e.g., key customers, employees, and suppliers) to identify the relevant ESG parameters?
- Has your company assessed the impact of the identified ESG parameters (e.g., GHG emissions, energy, water, waste) to identify high-priority initiatives to undertake?

The third stage represents an *iterative* journey of identifying areas of further improvement, setting targets, allocating resources, undertaking improvement projects, measuring, and communicating the impact. The leadership team should focus on the following questions:

- Has your company implemented systems to track and collect data for the identified parameters (e.g., GHG emissions, energy, water, waste)? For each parameter, what is the current level of performance, the targeted performance in two to ten years, and the projected performance beyond ten years? Are these goals aligned with the objectives of your key stakeholders? What are the resources allocated to these projects? How frequently is progress communicated? How frequently are priorities revisited/updated?
- Have you considered regular auditing and certification programs?

A *Supplier's Guide to Sustainability* provides the suppliers with the fundamental ESG building blocks to help them launch their sustainability journey depicted in the figure below.



Section 1 – Introduction

The role of procurement is no longer limited to securing materials and services at competitive cost, managing risks, and securing supplier resources for innovation. Environmental, social, and governance (ESG) issues increasingly appear among Chief Procurement Officer's (CPO's) main responsibilities. **Sustainable procurement** therefore incorporates environmental and social factors along with economic ones while encouraging good governance in the procurement process². Initially, sustainability programs focus on environmental issues; however, social and governance challenges have recently gained prominence. Similarly, most organisations undertake sustainability initiatives by first focusing on compliance to avoid reputational and supply disruption risks. Leading organisations, however, are moving beyond compliance by proactively responding to customer expectations and striving for positive environmental and social impact.

Essentially, businesses will be compelled either by societal pressure or by legal requirements to procure 'sustainable' products from 'sustainable' suppliers. However, the term 'sustainable' itself invariably holds different meanings for different stakeholders. In the case of procurement activities, buyers and sellers would have divergent views on what the term means for their respective businesses. For example, many buyers have recently started to include elements of sustainability-related criteria in their product and supplier evaluation processes. However, suppliers may struggle to understand what these criteria entail or how they could achieve better ratings in these elements to be competitive. In addition, inadequate awareness of the underlying rationale behind the sustainability movement may push businesses to start questioning whether the sustainability agenda is consistent with their bottom line and corporate goals given the traditionally higher costs of implementation.

The misalignment between buyers' and sellers' mindset would lead to situations where businesses may not fully comprehend their own customers' requirements for a greener and more sustainable supply chain. Exacerbating this misalignment is the lack of understanding of the purpose behind these requirements as well as that of the global pivot towards sustainable procurement. The implications are critical and as the saying goes - to survive we need to adapt. In the short term, these businesses may lose out on opportunities (hence loss of profit) as their customers increasingly shift towards buying 'green.' In the long run, they would be left out in a world where sustainability becomes the norm. Most at risk during this transition are the small and medium-size enterprises (SMEs), especially those with neither the know-how nor the resources to incorporate sustainability into their business practices.

Given this context, we believe that the publication of *A Supplier's Guide to Sustainability* will help in bridging the gap between buyers and sellers on what it means to be a sustainable business. While not exactly a cheat sheet, the guide should help suppliers improve their competitiveness by better understanding the various sustainability-related criteria typically considered by buyers during product or supplier evaluation. While opportunities and profits are important, suppliers should look beyond treating sustainability as a mere paper exercise to satisfy customers. We also urge suppliers who have yet to do so to embark on their own sustainability journey bearing in mind that no action is not an option. The investment will be worthwhile as profits are future-proofed and businesses stay resilient in the face of a more challenging global business outlook.

More specifically, the guide covers the three key pillars of sustainability, namely environmental, social and governance dimensions. On the environmental impact the focus is on decarbonisation and circularity. On social impact, human rights, diversity, equity and inclusion, and stakeholder engagement are discussed. Finally, business ethics and data privacy are the main points covered in governance. The emphasis is on *business* sustainability with the aim of managing risks, harvesting the benefits and avoiding greenwashing.

The guide features relevant tools and information on common industry-led best practices in Singapore and in the region. Readers may find references or inspiration for further improvements to their own procurement processes or to simply widen their pool of knowledge on the topic. We believe this will help businesses, large or small, wherever they may be in their sustainability journey. It is also hoped that, by sharing first-hand experiences gained by member organisations, we can amplify the need for all market players to work together to strengthen Singapore's sustainable supply chain.

Ultimately, it is our desire for *A Supplier's Guide to Sustainability* to ignite positive change in mindsets, catalyse paradigm shifts, and give Singaporean businesses a gentle push towards taking concrete action to achieve their sustainability goals. After all, **knowledge is empowering but only if one acts on it.**

Section 2 – Sustainability Principles and Why It Matters

Sustainability Through the Environmental, Social and Governance Lens

Increasingly, corporate success is not only measured in terms of financial performance but also the impact a company's activities have on the environment and society. Influential stakeholders who can make or break businesses have become increasingly conscious about sustainability. They include a new generation of consumers concerned about how their purchases contribute adversely to climate change, B2B customers who increasingly demand ethically sourced products, and investors who gravitate toward companies with environmentally responsible behaviour and good corporate governance practices. Consequently, businesses have sought to implement sustainability principles in their corporate policies, internal processes as well as their day-to-day operations.

In corporate strategy terms, these principles are usually evaluated based on a framework consisting of three broad factors, namely **environmental**, **social** and **governance** (ESG), described briefly in Table 1. Moreover, as reflected in Figure 1, the evaluation of the environmental impact (e.g., GHG emissions) will be carried out over an increasing scope of activities. More specifically, Scope 1 includes all direct activities undertaken by the organisation in terms of production and distribution. Scope 2 further incorporates purchased energy, comprising electricity, heat, steam, and cooling. Finally, Scope 3 encompasses all supply chain activities, including indirect activities by upstream suppliers as well as downstream partners, endowing the procurement function the responsibility to drive the sustainability transition.

Table 1. ESG Dimensions of Sustainability

ENVIRONMENTAL

- Considers how its activities impact the environment; usually revolves around issues such as climate change, resource depletion, and biodiversity conservation.
- Focuses on how companies manage environmental risks such as direct or indirect greenhouse gas emissions, toxic waste, and compliance with environmental regulations.
- Evaluates the implementation of environmentally sustainable practices, e.g.:
 - Reviewing carbon footprint-reducing manufacturing processes, minimising wastage and optimising resource usage
 - Switching to renewable energy
 - Adopting circular economy practices
 - Implementing an environmentally responsible supply chain management
 - Developing innovative and economically viable solutions to "green" activities

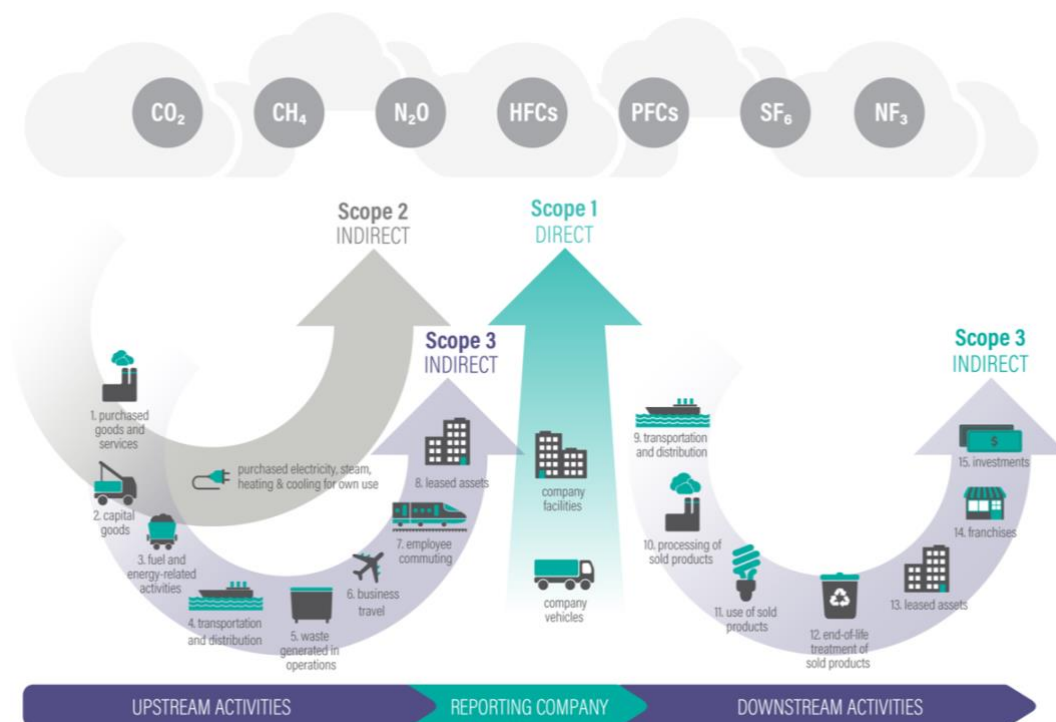
SOCIAL

- Refers to societal-related considerations such as fair labour practices, human rights, diversity and inclusion, community and stakeholder engagement, and customer satisfaction.
- Looks at how companies can positively impact its relationship with stakeholders including employees, customers, and the communities they operate in, as they are impacted by its activities.
- Good practices may include the following examples:
 - Adherence to anti-slavery, anti-child labour and anti-discriminatory policies
 - Respect for human rights, diversity, and inclusion
 - Improved workplace conditions, health & safety of employees
 - Fair trade and compensation, training, and development opportunities
 - Solutions for social issues and support for local communities / enterprises

GOVERNANCE

- Assesses internal systems, organisational structures including aspects such as leadership, executive compensation, shareholder rights, and anti-corruption measures.
- Looks at how companies, through their policies and operations, ensure robust governance, ethical decision-making, transparency and accountability.
- Activities considered to be contributing to good governance:
 - Establishing accurate as well as transparent reporting and accounting practices
 - Promoting a culture of integrity and accountability to shareholders and in leadership selection
 - Adherence to rule of law and clear policies prohibiting corruption or other illegal conduct

Figure 1. Scope 1, 2, and 3 Emissions³



Scope 1, Scope 2, and Scope 3 emissions are three categories used to classify greenhouse gas (GHG) emissions based on their source and control. These categories are defined by the GHG Protocol:

Scope 1 emissions are direct GHG emissions from sources owned or controlled by the organisation. This includes emissions from activities within an organisation's operational boundaries. Common examples of Scope 1 emissions include emissions from combustion of fossil fuels in company-owned vehicles, on-site power generation, heating, and industrial processes. These emissions are considered direct because they occur from sources that the organisation has direct control over.

Scope 2 emissions encompass indirect GHG emissions associated with the generation of purchased or consumed energy, including electricity, heat, steam, and cooling. These emissions occur at the facility where the energy is produced, such as a power plant. Scope 2 emissions are considered indirect because the emissions occur outside of the organisation's operational boundaries but are a result of the organisation's energy consumption. Organisations

typically calculate Scope 2 emissions using emissions factors provided by energy suppliers or grid averages.

Scope 3 emissions represent all other indirect GHG emissions that occur throughout an organisation's value chain, including both upstream and downstream activities. These emissions are associated with activities such as purchased goods and services, transportation, employee commuting, business travel, waste disposal, and other activities not covered in Scope 1 or Scope 2. Scope 3 emissions are generally the most significant and challenging to measure as they often involve multiple stakeholders and complex supply chains.

To identify sustainability risks and opportunities, ESG reporting and disclosures are therefore critical for both internal and external stakeholders. As part of the efforts to promote sustainability reporting, the Singapore Exchange (SGX) introduced for all listed

companies mandatory sustainability reporting requirements, which are expected to be progressively extended. Beginning from FY2025, all listed issuers will be required to report and file annual CRD (climate-related disclosures) in alignment with the International Sustainability Standards Board (ISSB) standards. Moreover, commencing FY2027, large Non-Listed Companies (NLCos), defined by annual

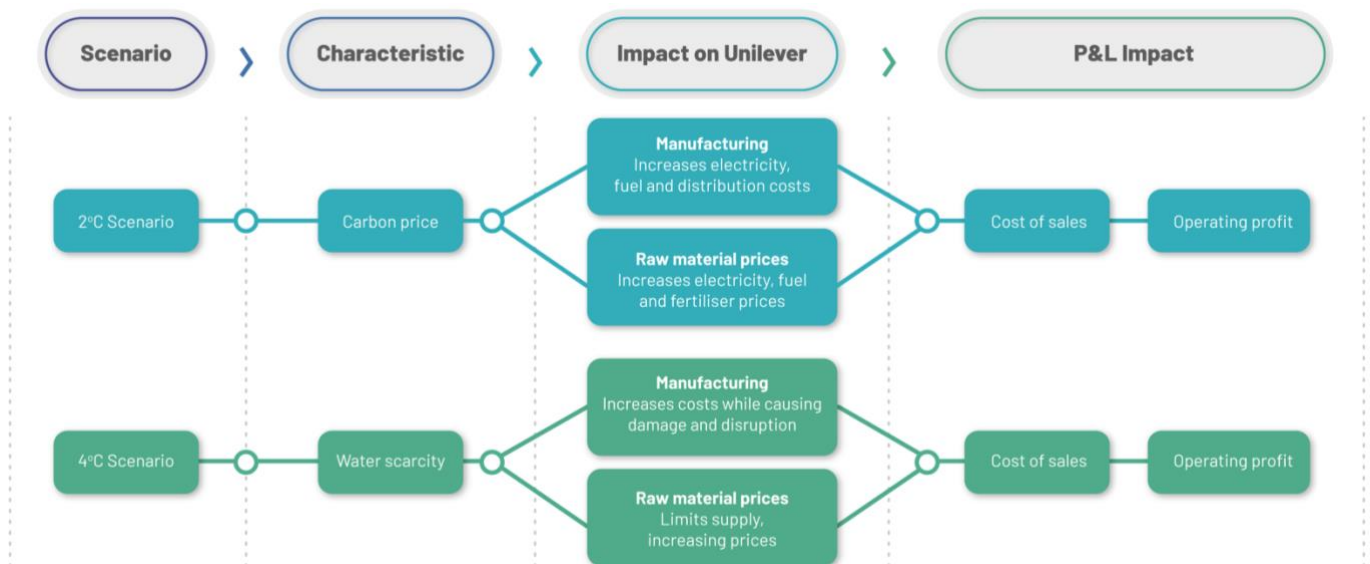
revenue of at least \$1 billion and total assets of at least \$500 million, will also be mandated to do the same. ACRA will conduct a thorough review of the reporting experiences of listed issuers and large NLCos before extending similar requirements to other entities within the corporate landscape⁴.

ESG - Why It Matters

It is worth emphasising that ESG is all about *business* sustainability. Inaction is therefore not an option as businesses face explicit costs of externality while their assets turn into liabilities triggering additional risks. Figure 2 is a high-level assessment of the impact of climate change on the Cost of Goods Sold (CoGS) of Unilever, the global manufacturer of personal care products. A 2-degree Celsius increase in global temperatures would result in the imposition of higher carbon prices, increasing costs for both input resources and manufacturing activities. In contrast, a 4-degree increase would result in water scarcity, ultimately triggering production disruptions.

As for polluting assets, principal trading blocks are considering higher import taxes for metals produced with higher carbon emissions. Similarly, countries are blocking imports of produce harvested using forced labour. In addition to potential disruptions triggered by higher incidences of extreme weather events, new risks are emerging in the form of stakeholder disruptions. The latter include consumer revolts, tighter business regulations, and reduced access to key resources such as talent (as your organisation is no longer perceived as a good place to work) and capital (as investors and financial institutions revamp their loan portfolios towards 'green investments').

Figure 2. Impact of Climate Change on Unilever's Cost of Goods Sold (CoGS)⁵



As illustrated in Figure 3, there are several options to ensure business sustainability:

- Focus on risk mitigation
 - Rebranding
 - Divesting polluting assets
- Focus on compliance
 - Carbon offsets
 - Carbon reduction commitments
- Focus on strategic opportunities
 - Innovative business models
 - Innovative technologies
 - Innovative product design
 - Innovative procurement

While focusing on risk mitigation and on compliance might represent the natural first steps in the sustainability journey, focusing on strategic opportunities would enable businesses to contribute to positive change, foster sustainable development, and improve the well-being of communities while meeting fundamental corporate goals such as profitability. Incorporating sustainability principles into corporate strategy not only aligns with sustainability values but would yield both tangible and intangible benefits for businesses, including improved financial performance, strong governance, enhanced brand reputation, and higher resilience.

Governance, Compliance and Risk Management

Sustainability principles lay the foundations for strong governance which ensures ethical decision-making, effective operations, better risk management, and accountability throughout the organisation. By establishing transparent reporting practices, adopting rigorous internal controls, and promoting a culture of integrity, businesses reduce governance risks such as fraud, decisions which are not in the best interest of stakeholders, inappropriate executive compensation, and non-compliance with laws and regulation. Robust governance frameworks also help businesses build trust with investors and customers which in turn will lead to long-term profitability.

Good governance initiatives place emphasis on establishing an effective and well-functioning board of directors with diverse skills, expertise, and independent perspectives, providing strong leadership and oversight. This ensures that the business is guided by a board which makes sound decisions based on the best interests of stakeholders. It also contributes to effective strategy planning and risk management as well as ensures that long term goals are pursued with integrity and accountability. This enables businesses to navigate complex environments and seize opportunities while managing risks.

Figure 3. Potential Responses to Sustainability Challenges and Opportunities ⁵



By establishing good governance and embedding the right values and culture through sustainability principles, businesses can identify, assess, and mitigate risks associated with legal, regulatory, and ethical compliance. They can prevent misconduct and ensure a high degree of compliance with sustainability-related laws and regulations prevalent today, and which are only expected to tighten as higher standards are adopted. Examples of these are those related to environmental protection, fair trade, labour laws, and corporate governance. Compliance will help build stakeholder trust, avoid penalties, and maintain a positive relationship with regulatory bodies. This will prevent issues such as reputational damage, penalties, and potential disruptions caused by non-compliance.

Efficient Use of Resources

One of the major principles of sustainability is the reduction of ecological and carbon footprint of products and services. While adopting good environmental management systems may initially be challenging, businesses can reap dividends over the long run. Effectively, waste would be minimised, logistics would be optimised and resources including raw materials and energy would be consumed with higher efficiency leading to reduced operational costs (hence, more profits). Besides driving positive change towards environmental conservation, it will also help businesses identify and manage environmental risks early, thus putting companies in a stronger position in terms of business continuity and resilience in the face of increasing environmental challenges such as supply chain disruptions caused by climate change, depletion of resources, and tightening environmental laws.

Access to Capital

Investors and financial institutions increasingly consider ESG factors when making investment decisions. This effectively means that businesses that do not implement ESG initiatives may start to face hurdles to capital and funding soon. In contrast, businesses that establish strong environmental, social, and good governance initiatives can expect to benefit from lower capital costs and preferential treatment from investors and financial institutions. Additionally, they may be able to gain access to a sustainability-related pool of funds from responsible

and socially conscious investors and impact investment funds.

Innovation and Market Opportunities

The adoption of sustainability initiatives places companies in a strong position to innovate and adapt to the rapidly changing realities of the world. It would also encourage investment in technology that can positively impact the environment and society. Companies will benefit through the rapid development of new products, services, and business models which will help support resilience and offer innovative solutions to address social needs along with other sustainability-related challenges. Once sufficiently developed, these capabilities can potentially be exported into emerging markets which are focused on sustainability, allowing businesses to grow by tapping into new business opportunities and expanding customer bases.

Brand Value and Reputation

Businesses that prioritise sustainability as a corporate strategy will likely thrive in the long run as markets align with values of consumers who increasingly prefer environmentally and socially responsible products and services. By proactively taking steps toward integrating sustainability into their operations and demonstrating commitment towards responsible business practices, businesses stand to gain market share by differentiating themselves from competitors and establishing sustainability credentials in their respective fields.

Besides gaining a positive reputation among sustainability-conscious customers, environmentally and socially responsible organisations are often viewed as attractive employers to prospective employees who seek to make a difference, particularly the younger generation who prioritise purpose-driven work. In addition, businesses which strive to ensure good governance frameworks are implemented and adhered to would enhance their reputation as transparent, accountable, reliable, and responsible.

Overall, incorporating ESG initiatives will help to foster trust and positive relationships with stakeholders including customers, employees, suppliers, and the wider community. This will benefit businesses by burnishing their reputation as

responsible corporate citizens and enhancing brand value, both of which are key components for long term success and sustainable business growth.

Stronger Relationships with Stakeholders and Communities

Businesses are expected to take into consideration the social impact of their activities and to respond to shifting societal expectations. This includes upholding and embedding into organisational fabric social principles such as human rights, equal opportunities, diversity, and inclusivity. For example, companies that prioritise fair labour practices, employee well-being, career development based on merit, and training opportunities will create attractive work environments. This in turn will help improve staff satisfaction, which allows businesses to enjoy lower turnover rates and higher levels of productivity.

Additionally, companies that engage meaningfully with their communities by supporting local causes and addressing social issues will benefit from stronger relationships and goodwill. Social initiatives contribute to the betterment of local communities and society at large and can come in many forms such as enabling support for vulnerable segments of the population, improving access to quality education, healthcare, and other essential services. Besides addressing social challenges faced by these communities, businesses can enhance their reputation as a socially responsible entity. In addition, this potentially improves employee morale and satisfaction rates by instilling a sense of pride with working in a company that is making a positive impact on society. By prioritising social factors, businesses will be able to build strong relationships with and earn the trust and loyalty of important stakeholders such as customers, employees, investors, and their communities.

Government and Public Sector Role

In 2021, the Singapore Government unveiled the *Singapore Green Plan 2030*⁶. This is a whole-of-nation movement to advance Singapore's national agenda on sustainable development. To take the lead in Singapore's sustainability journey, the public sector launched the **GreenGov.SG** initiative. Under this initiative, one of the public sector's aims is to promote a green economy by embedding environmental sustainability into its procurement. Examples include purchasing electrical appliances and printing paper which meet high resource efficiency and environmental sustainability standards, as well as introducing environmental sustainability considerations into the tender evaluation process.

In addition to policies which seek to incentivise public sector suppliers to adopt environmental sustainability initiatives, the Government has also been negotiating green economy agreements with countries to foster common rules and standards that promote trade and investment in green goods, services and technologies, develop interoperable policy frameworks to support new green growth sectors and capabilities, catalysing technology development and cooperation in the emerging green economy. An example of this is the *Singapore-Australia Green Economy Agreement* (or SAGEA) which is the world's first agreement of its kind.

In October 2021, Enterprise Singapore launched the Enterprise Sustainability Programme (ESP) to support Singapore businesses on sustainability initiatives, and to capture new opportunities in the green economy. Support under the ESP includes subsidised training courses, sustainability playbooks, funding support for enterprise projects, support for green financing, and partnership with corporates and Trade Associations and Chambers for capability building.

Sustainable Procurement

Supply chain management, including corporate procurement activities such as supplier selection, has traditionally focused on three criteria: time, cost, and quality. Procurement functions in organisations would typically ask this generic question - *“How can we obtain a product or a service, based on specified minimum standards; faster and cheaper?”* However, with the global shift towards sustainability, businesses must now consider sustainability-related risks and rethink procurement policies. Accordingly, sustainability-related criteria are now considered an equal -if not more important- metric in product or supplier evaluation.

As part of a company’s responsibility to ensure that its supply chains comply with sustainability standards, evaluation frameworks must typically be put in place to ascertain supplier sustainability capabilities. Such a framework could involve assessing and monitoring supplier performance through audits. A simplistic way to provide some form of early assurance would be for suppliers to obtain independently verified certifications/assurance using widely recognised standards such as ISO14001, the upcoming ISSA 5000 (set to replace ISAE 3000 in 2024 for sustainability assurance engagements), or B Corp Certification. Depending on the industry, businesses may also consider other more specific standard certifications such as Fairtrade International, Forest Stewardship Council (FSC), Roundtable for Sustainable Palm Oil (RSPO), and Leadership in Energy and Environmental Design (LEED).

However, it must be noted that although these high-level generic certifications represent a good starting point, major buyers have noted that more detailed and granular-level evaluation methodologies would be required for compliance with increasingly stringent sustainability standards as well as for alignment with more rigorous targets. These methodologies include the need for suppliers to collect the necessary data and provide relevant information to their customers such as greenhouse gas (GHG) emission reduction targets set based on the Science-Based Targets initiative (SBTi). To comply with these goals, companies would require their suppliers to provide independently verified carbon emissions calculated and reported in accordance with the ISO 14064/GHG Protocol (i.e., Scopes 1, 2, and 3

emissions), a set of data which many SMEs in Singapore may not have.

Essentially, sustainable procurement policies integrate ESG considerations into procurement processes and supply chain management. For buyers, the focus will be based on the specific activities which pose the highest sustainability risks and opportunities. This would mean increased monitoring along the supply chain and working with suppliers to mitigate them or capitalising on them. To this end, at the first ‘gateway,’ namely at the tender stage where the supplier and product evaluation process is carried out, buyers may require suppliers to either carry out a self-assessment or accept an independent third-party evaluation by sustainability rating and assessments providers such as EcoVadis, CDP, and Sustainalytics. It is expected that evaluation of ESG elements in tenders will become increasingly important and stringent, if not mandatory; it would therefore be in suppliers’ interest to start implementing ESG initiatives to gain a competitive edge.

The scope of implementing ESG initiatives is admittedly wide; hence, businesses may find it challenging to identify a starting point given the perceived vagueness of the sustainability movement. The reluctance to implement ESG initiatives may also be due to other barriers such as high capital outlay for infrastructure, upgrading of equipment or adoption of new technology. Sustainable supply chain practices may necessitate changes in production processes, materials sourcing, packaging, transportation methods, and waste management systems. These changes will undoubtedly incur upfront costs or require adjustments to existing operation systems. Some may perceive the implementation of these new ways of doing things and the accompanying employee re-training as overly disruptive, and that the benefits may not be worth the effort.

Given the above, it is important for companies to prioritise their sustainability efforts based on the activities which have the greatest impact. This may differ depending on the nature of business so companies should focus on the risks and opportunities relevant to their respective fields. In implementing ESG initiatives, companies should also

set specific goals and milestones to measure progress in an objective fashion rather than making unsubstantiated claims to persuade stakeholders of their sustainability credentials – or what is commonly known as greenwashing (see list of greenwashing examples in Section 3).

The adoption of ESG initiatives into supply chains as part of the national and global sustainable procurement movement is a journey to be jointly taken by all parties. It will require much time, effort, and resources. It would be equally important to note

that all market players should view it more of a collaborative than an adversarial relationship. While suppliers are likely required to invest significant resources to implement the necessary changes, it is also important for buyers to engage them through open dialogue, supporting capability building, providing guidance and information, and exchanging ideas and experiences.

In summary, adoption of ESG initiatives is a collaborative journey for buyers and sellers.

Section 3 – Sustainability Principles in Procurement

As discussed in Section 2, ESG provides a framework to measure the sustainability impact of a company's operations. ESG is also important for suppliers in managing increasing stakeholder expectations for environmentally friendly products and services along with emerging risks and opportunities, and in maintaining competitive advantage. This section provides a deep dive into sustainability principles within the context of procurement. This section also provides an extensive list of resources that would facilitate the supplier's ESG journey.

Environmental Indicators, Reporting Standards and Certifications

As companies seek to lower their environmental footprint, they seek to work with suppliers who also have lower environmental footprints. To gauge the environmental sustainability of a company, the following environmental indicators, reporting standards, and certifications are often used to benchmark suppliers.

a) *Indicators*

These indicators that are base metrics of individual environmental components are typically found in questionnaires, reporting standards, as well as part of certification requirements.

i) Greenhouse gas (GHG) emissions

The standard methodology by Greenhouse Gas Protocol is often used to measure GHG emissions, which can then be developed to into reduction targets, and implementing emission reduction strategies. Companies will often ask if suppliers account for their company's carbon emissions and have emissions reduction targets. In some cases, companies may even ask for product/service specific carbon footprint when calling for tender. See Section 3 below for more details on carbon accounting.

ii) Energy/electricity consumption

This includes tracking of energy consumption (e.g., through your company's bills, meters, monitoring systems etc. in litres, volume) and energy reduction initiatives.

iii) Waste generation/management

This includes tracking of weight of waste generated and disposed, and waste reduction initiatives like recycling.

iv) Water consumption

This includes tracking of water consumption (e.g., through your company's bills, meters, monitoring systems, etc. in litres, volume) and water reduction initiatives.

v) Renewable energy

This includes the utilisation of renewable energy, measured as a percentage of total energy consumption. Renewable energy targets. Some companies also require their suppliers to make reasonable efforts to plan for transition to renewable energy (defined as per RE100 guidance)⁷.

vi) Packaging

This includes packaging reduction initiatives, use of recycled materials, and recyclability of packaging.

vii) Limiting deforestation or biodiversity preservation initiatives

This includes such initiatives as replanting trees, spreading awareness through campaigns amongst all stakeholders,

conducting environmental impact assessments before starting new business projects, etc.

b) Reporting Standards and Benchmarks

As companies report on various indicators, these are the more common standards and benchmarks used to identify companies with comprehensive reporting or targets:

i) International Sustainability Standards Board (ISSB)

ISSB Standards provide guidelines for consistent and comparable sustainability reporting globally. The ISSB standards is inter-operable with GRI standards, easing the disclosure burden for companies employing both ISSB and GRI Standards in their reporting.

ii) Global Reporting Initiative (GRI)

GRI provides guidelines and standards that help organisations report on their economic, environmental, and social performance, also known as triple bottom line reporting.⁸ The GRI is often used as the standard guideline for corporate sustainability reporting.

iii) Science-Based Targets Initiative (SBTi)

SBTi provide a clearly defined pathway and GHG reduction target, that is in line with the Paris Agreement, for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth.⁹

iv) Carbon Disclosure Project (CDP)

CDP offers a disclosure framework specifically focused on environmental impact and climate change. It provides a

standardised platform for companies to report their carbon emissions, climate risks, and sustainability strategies.¹⁰

CDP questionnaire is not mandatory; however, many large companies that are also CDP members request their suppliers to disclose their environmental data via the CDP questionnaire to assess the supplier's environmental risks and performance. CDP Resources that are particularly useful for SME include:

- SME Questionnaire and Reporting Guidance
- CDP Disclosure for SME webinar
- Comprehensive overview on climate disclosure: SME Climate Framework

c) Certifications

Certifications can be obtained at the company or at a product level. Examples of company-level certifications include:

- International – ISO 14001:2015 (Environmental Management Systems)
- International – ISO 50001 (Energy Management Systems)
- International – ISO 46001 (Water Efficiency Management Systems)
- International – PAS 2060 Carbon Neutrality Standard and Certification
- International – CarbonNeutral® Certification (by Climate Impact Partners)
- International – B Corporation Certification
- Singapore – Eco Certifications (by Singapore Environment Council)

A list of available product-level certifications is provided in Table 2.

Table 2. List of Environmental Certifications at Product Level

| Type | Certifications |
|--|--|
| General (Cut across categories) (International) | Green Business Certified Green Seal Certification Green Business Bureau SMaRT (Sustainable Materials Rating Technology) Consensus Sustainable Product Standard Cradle to Cradle Certification |
| General (Cut across categories) (Country Specific) | (US) - MADE SAFE Certification (China) - CELP (China Environmental Labelling Programme) (Indonesia) - Green Label Certification (Singapore) - Singapore Green Labelling Scheme (by Singapore Environment Council) (Taiwan) - Green Mark Programme |
| Building/ Facilities Products & Services | (International) - LEED (Leadership in Energy and Environmental Design Certification) / SITES (International) - The Passive House Standard (Singapore) - SGBP (Singapore Green Building Product) (Singapore) - Green Mark Certification by BCA (Singapore) - Eco-office Certification, Eco-shop Certification (by Singapore Environment Council) (Singapore) - Water Efficient Building (WEB) by PUB (Singapore) - Water Efficiency Labelling Scheme (WELS) by PUB |
| Electrical, Electronic and Household Appliances and Products | (US) - Energy Star (International) - EPEAT (Electronic Product Environmental Assessment Tool) (Singapore) - Mandatory Energy Efficiency Labelling Scheme (MELS) by National Environment Agency (NEA) (Singapore) - Water Efficiency Labelling Scheme (WELS) by PUB |
| Event Organisers | (Singapore) - Eco Events Certification (by Singapore Environment Council) (Singapore) - MICE Sustainability Certification (MSC) by Singapore Association of Convention & Exhibition Organisers & Suppliers (SACEOS) |
| Food or Agricultural Products | (Indonesia) - ISPO (Indonesia Sustainable Palm Oil) (International) - Quality Assurance International QAI Organic Certification (International) - Rain Forest Alliance (International) - RSPO (Roundtable on Sustainable Palm Oil) (Malaysia) - MSPO (Malaysia Sustainable Palm Oil) (US) - US Department of Agriculture USDA Organic (Singapore) - Eco-F&B Certification (by Singapore Environment Council) (Singapore) - Farm-to-Table (FTT) Recognition Programme Singapore Food Agency (SFA) |
| Forestry Products | (International) - FSC (Forestry Stewardship Council) (International) - PEFC (Programme for the Endorsement of Forest Certification) (International) - Rain Forest Alliance (Singapore) - Enhanced Singapore Green Labelling Scheme for Pulp and Paper Products (Enhanced SGLS by Singapore Environment Council) |
| Household and Cleaning Products | (International) Leaping Bunny (US) - Natural Seal Home Care (by National Products Association) |
| Textiles | (International) - GOT (Global Textile Standards) |
| Tourism Products | (International) - Rain Forest Alliance (International) - Global Sustainable Tourism Council (GSTC) Certification |

Carbon Accounting Methods

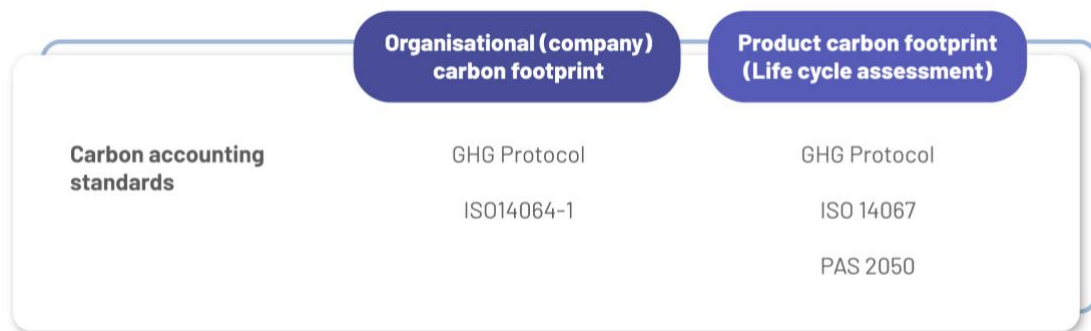
Carbon emissions can be used to assess a supplier’s environmental sustainability through overall company emissions and product carbon footprint. There are several carbon accounting methods which have been developed by the GHG Protocol, such as material-based, activity-based and spend-based methods, each encompassing different scopes (see Figure 1) with different sets of requirements. GHG Protocol provides a set of guidelines and methodologies to help organisations understand, track, manage, and report their greenhouse gas (GHG) emissions. It provides a standardised methodology and set of principles for calculating GHG emissions from various sources, enabling organisations to identify their primary emission sources and develop strategies to reduce their environmental impact.

Here are some carbon management and decarbonisation resources:

- LowCarbonSG programme — a capability building programme developed by UN Global Compact Network Singapore (GCNS) with support from NEA and Enterprise Singapore.
- Enterprise Sustainability Programme courses on Decarbonisation conducted by GCNS, Carbon Trust and PwC Singapore
- Decarbonisation for Singapore Enterprises Playbook, an Initiative of LowCarbonSG by the GCNS
- SME Kickstarter Decarbonisation Programme by Schneider Electric

This section will discuss two common carbon accounting levels:

Table 3. Common Levels of Carbon Accounting



SMEs starting out on carbon accounting should prioritise their scope 1 and 2 carbon emissions followed by product carbon footprint, before considering scope 3 due to its complexity. Accounting for scope 1 and 2 emissions is important, as they account for emissions from the operations under the control of the reporting company. Scope 1 and 2 emissions are also often used as a basis by MNC customers to evaluate a company’s basic environmental sustainability performance. Product carbon footprint will help suppliers tackle the pressing demands from customers as this helps them account for their scope 3 emissions. Service-based suppliers may refer to Table 2 for relevant industry certifications.

The process for calculating your company’s carbon footprint entails the following steps:

- 1) Collecting data associated with the activity that generates GHG emissions. (You may refer to GHG Protocol Corporate Accounting and Reporting Standards for detailed requirements on corporate GHG inventory).

For example, to account for Scope 2 emissions, you will need to collect the total electricity consumption (kWh) by all sources that are owned or controlled by your company for the reporting year.
- 2) Converting your data into GHG emissions via an emission factor

An emission factor is used to quantify the amount of GHG generated per unit of activity.

For instance, Singapore's Grid Emission Factor (GEF) measures the amount of carbon emissions produced per unit of electricity generated. The latest GEF, as reported by the Energy Market Authority¹¹ for 2022, is 0.4168 kgCO₂/kWh. Therefore, for every 1,000 kWh of electricity consumed, the corresponding emissions generated would be 416.8 kgCO₂.

3) Measuring carbon emissions intensity

Carbon emissions intensity refers to the amount of carbon dioxide (CO₂) emissions produced per unit of output, such as per unit of goods produced or per dollar revenue. This is typically viewed as a measure of efficiency.

For this process, the following resources can be useful:

1) Local

The GCNS Carbon & Emissions Recording Tool (CERT)¹² has been developed as a guiding tool for companies to measure and monitor their emissions, incorporating localised emission factors, such as carbon emissions from MRT travel per passenger-kilometre and carbon emissions per cubic meter from the production of NEWater, to provide a more precise estimation of the environmental footprint.

2) GHG Protocol

- GHG Protocol - A Corporate Accounting and Reporting Standard¹³
- GHG Protocol - Scope 2 Guidance¹⁴
- GHG Protocol - Corporate Value Chain (Scope 3) Accounting and Reporting Standard¹⁵
- GHG Protocol - Technical Guidance for Calculating Scope 3 Emissions³

3) Other international emission factors

International sources are useful in providing emission factors that cannot be found from local sources. Useful benchmarks include:

- United States Environmental Protection Agency (US EPA) - GHG Emission Factors Hub¹⁶
- United Kingdom Department for Environment Food & Rural Affairs (UK DEFRA) - Greenhouse Gas Reporting: Conversion Factors 2023¹⁷

Tips on Reducing Companies Carbon Footprint

Prioritising Scope 1 and 2 Emissions

- Most companies will wish to know the Scope 1 and 2 emissions of their suppliers as this will help with their carbon accounting under their own Scope 3. Hence, Scope 1 and 2 should be a priority when it comes to organisational carbon accounting. In addition, it is much less tedious in relation to Scope 3.
- To help give more context on which scopes and categories to prioritise: CDP questionnaire requires the organisation to declare its Scope 1 and 2 emissions, and the standard/protocols used. If the organisation does not calculate their scope 1 and 2 emissions, they will be required to state their reasons. You may refer to the CDP SME Questionnaire and Reporting Guidance for more information. Enterprise Singapore has a programme with CDP to provide support for Singapore enterprises in environmental disclosures. For more information, visit Enterprise Sustainability Programme FAQs¹⁸ or sign up at EnterpriseSG CDP Programme Registration.

Prioritising Scope 3 Upstream Emissions

- According to the GHG protocol Scope 3 Calculation Guidance³, the Hybrid method calculation for Scope 3 Category 1 uses a combination of the suppliers allocated Scope 1 and 2 emissions, and upstream emission categories for Scope 3. From the buyer's perspective, they would thus prioritise their suppliers to report Scope 1, 2, and Scope 3 upstream emissions.

- Likewise, CDP questionnaire also requires SMEs/suppliers to account for all 15 categories of Scope 3 but with a priority on upstream categories.

As there is recognition that Scope 3 emissions assessment can be a tedious process, the GHG protocol encourages organisations to identify and prioritise the Scope 3 categories that are most **relevant and material** to their specific business operations and value chain. A representative list is presented in Table 4.

Table 4. Scope 3 Categories by Sector¹⁹

| Industry | Material Scope 3 Categories |
|---|---|
| Manufacturing and Supply Chain Intensive Industries | <p>Requires raw material/equipment</p> |
| | <p>Cat 1: Purchased Goods and Services: Industries with extensive supply chains should consider emissions associated with the production and transportation of raw materials, components, and finished goods.</p> |
| | <p>Cat 2: Capital Goods: Manufacturing that is reliant on machinery and equipment should assess emissions from purchase of capital goods.</p> |
| | <p>Cat 3: Fuel and energy related activities: If energy is a large component of your raw materials.</p> |
| | <p>Cat 4: Upstream Transportation and Distribution: Industries heavily reliant on transportation, such as automotive or retail, should assess emissions from the transportation of goods to distribution centres and retail locations.</p> |
| | <p>Cat 5: Wasted generated during operations: Emissions from waste generated within the organisation from manufacturing operations.</p> |
| | <p>Cat 11: Use of sold products: Resulting from the use of products by customers or end-users.</p> |
| | <p>Cat 12: End-of-life treatment of sold products: Emissions from the disposal, recycling, or treatment of products at the end of their life cycle.</p> |
| | <p>Direct suppliers and customers are based internationally</p> |
| | <p>Cat 4: Upstream transportation and distribution.</p> |
| <p>Cat 9: Downstream transportation and distribution.</p> | |
| <p>Your products are intermediaries (i.e. sold for further processing)</p> | |
| <p>Cat 10: Processing of sold products: Includes emissions from processing of sold intermediate products by third parties subsequent to sale.</p> | |
| <p>Transportation and Logistics Industries:</p> | <p>Cat 3 Fuel and Energy-Related Activities: Industries that rely on fuel- intensive transportation, such as aviation or shipping, should assess emissions from the extraction, production, and transportation of the fuels they use, including outsourced transportation and logistics services, including third-party delivery and freight providers.</p> |

Industry

Material Scope 3 Categories

Financial Institutions and Banks:

Cat 6: Business travel: If employees travel regularly by air, the company should assess the emissions from business travels.

Cat 7: Employee commute: Companies that have a large workforce should assess their emissions for employee commute.

Cat 15: Investments: Financial institutions should evaluate emissions associated with the sectors they invest in or provide financing to, such as fossil fuel extraction, energy-intensive industries, or infrastructure projects.

Food and Beverage Companies:

Cat 4: Upstream Transportation and Distribution: Food and beverage companies should assess emissions from the transportation of agricultural products to processing facilities and distribution centres.

Technology and Electronics Industries:

Cat 11: Use of Sold Products: Companies manufacturing electronics should consider emissions associated with the use phase of their products, including energy consumption during product usage and end-of-life management.

Leasing of assets:

Cat 8: Upstream leased assets: Companies that lease office spaces or large sites should assess emissions from their leased assets.

Leasing out of assets:

Cat 13: Downstream leased assets: Emissions associated with the production, transportation, and disposal of assets that are leased by customers or end-users of the organisation's products.

In contrast, the **product carbon footprint** covers the entire life cycle of a product from manufacturing to disposal. Product carbon footprint should be certified by a certification body such as Carbon Trust²⁰ and TÜV SÜD²¹. Some of the certifications for product carbon footprint include:

- a) ISO 14067²² is a standard that provides guidelines and requirements for calculating and reporting the GHG emissions associated with their entire life cycle, including raw material extraction, manufacturing, distribution, use, and end-of-life disposal or recycling.
- b) BSI: PAS 2050²³ is a publicly available specification that provides a method for assessing the life cycle greenhouse gas (GHG) emissions of goods and services.

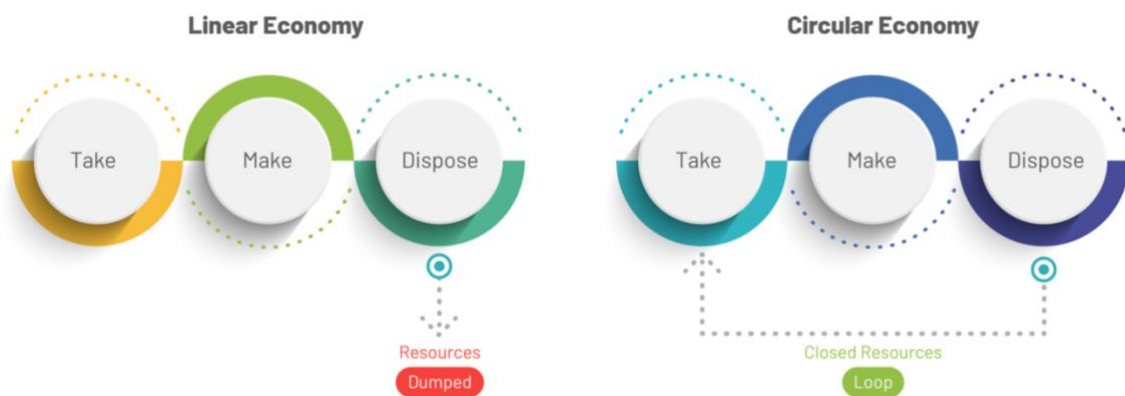
Examples

- *Singtel* Wi-Fi 6 routers have a certified product carbon footprint of 124.29 kgCO₂e, verified with TÜV SÜD. This was attained from measuring the carbon footprint from the life cycle analysis which comprise of components such as direct material, packaging material, supplementary materials, energy resources, waste, transport, use phase, and final disposal

Circular Economy

Circular economy is an alternative to a traditional linear economy (take, make, waste), which seeks to reduce waste by recovering resources at the end of a product's life, and channelling them back into production, thus significantly reducing pressure on the environment²⁴, as illustrated in Figure 4.

Figure 4. Linear vs. Circular Economy²⁵



Singapore's only landfill, the Semakau Landfill, is expected to reach full capacity by 2035, at our current rate of waste generation. To continue to grow sustainably, Singapore must promote a circular economy approach. Businesses contribute a large part to Singapore's overall waste production and therefore have a responsibility to help Singapore conserve its scarce land and resources. Procurement practices represent the natural starting point in integrating circular economy principles in an organisation's operations and supply chain (see, for instance, NSPR's **Circular Economy Playbook**) in order to reduce waste and cut costs, kickstart innovative solutions and partnerships, and help position Singapore to better address emerging resource security/scarcity issues in the future. To this end, suppliers possess many key levers:

a) **Materials:** Use post-consumer and/or biodegradable materials in your products or packaging – this helps reduce waste and reduces the burden of producing even more virgin materials. It also creates more demand for

recycled materials, giving suppliers more of an incentive to collect and process recycled materials. Use renewable energy sources in production to reduce your environmental impact.

- b) **Production:** Employ circular processes and design, for instance by designing products that are durable, repairable, and easily disassembled for recycling or remanufacturing. Remanufacturing (i.e., refurbishing) products, as commonly seen in the automotive and personal devices industries, can also reduce the burden on resources.
- c) **Distribution:** Adopting an everything as-a-service model can encourage the sharing and reuse of products. Instead of selling products outright, consider providing them as a service, which promotes resource efficiency. Consider exploring re-selling options for your products to extend their lifecycle.
- d) **Usage:** Promote demand reduction by encouraging your stakeholders to make conscious and sustainable choices. This could involve removing or blocking certain items from

the eProcurement system catalogue. At other times, it may be useful to put in additional reviewers or approvers to suppress consumption of a controlled item. You can also focus on useful life-extension by promoting preventive maintenance or offer services that extend the useful life of products through repairs or upgrades. Consider promoting the use of sharing platforms – such as platforms for ridesharing or the rental of goods – with the aim to increase the utilisation rate of the shared asset, in turn

Social Responsibility

For many companies, a key part of their sustainability strategy is a commitment to minimising human rights breaches in their operations and value chain, fostering a diverse and inclusive culture, and contributing to their community. These commitments may stem from international agreements calling for businesses to uphold and protect human rights, including:

- UN Guiding Principles on Business and Human Rights
- International Bill of Human Rights
- International Labour Organisation’s Declaration on Fundamental Principles and Rights at Work
- OECD Guidelines for Multinational Enterprises

For companies operating in Singapore, Singapore is a member of the International Labour Organisation (ILO). Formed in 1919, the ILO became a UN agency in 1946, and its primary role is to formulate international labour standards in the form of conventions and recommendations. The ILO Conventions which Singapore has ratified pertaining to the following labour standards:

- Effective abolition of child labour
- Elimination of all forms of forced or compulsory labour
- Freedom of association and the effective recognition of the right to collective bargaining
- Elimination of discrimination in respect of employment and occupation

In short, many businesses are committed to integrating social responsibility into their operations

reducing the number of new resources required to produce these assets.

- e) **Disposal:** Proper disposal is crucial for closing the loop in the circular economy. Consider implementing recycling programmes for your products and packaging. Additionally, adopting reverse logistics practices allows for the return and recovery of your products at the end of their lifecycle, facilitating responsible disposal or remanufacturing.

and expect their suppliers and contractors to adhere to values consistent with their own.

A Supplier's Guide to Sustainability covers four aspects of social responsibility that your business can make an impact on:

- **Human rights:**
Fundamental rights and freedoms that every individual is entitled to, regardless of their race, gender, nationality, or any other characteristic. Examples of human rights include the right to life, liberty, security, fair treatment, and freedom from discrimination.
- **Diversity, Equity and Inclusion (DEI):**
An organisation’s strategies and initiatives to promote a diverse workforce, create equitable opportunities and foster an inclusive environment where all individuals feel valued, respected, and empowered. As home to many non-locals and multinational companies, Singapore has the potential to become a true hub of diversity, and it is important that organisations in Singapore contribute to creating a culture of DEI.
- **Training for employees:**
Structured initiatives designed to enhance the knowledge, skills, and abilities of employees within an organisation.
- **Stakeholder engagement:**
Structured process of actively involving and communicating with stakeholders – i.e., individuals or groups that have an interest or influence in your company's operations and decisions. Examples of stakeholders include

your employees, customers, business partners, suppliers, contractors, investors, NGOs, and members of the public.

Human rights: Promoting social responsibility is crucial not only for ensuring compliance. Hence, securing a license to operate helps protect the company's reputation, avoid disruptions, while ensuring access to key resources and attracting top talent. Human rights abuse in the supply chain, such as modern slavery issues, can also lead to supply disruptions and legal liabilities. By working to minimise human rights breaches within their supply chains, businesses can enhance the resilience of their operations.

Depending on where they are located, some businesses are legally required to monitor and manage human rights in their operations and supply chains. For companies operating in Singapore, rights and responsibilities of employees and employers are governed by laws and regulations including but not limited to:

- The Employment Act 1968 – refer here for a basic guide from the Ministry of Manpower
- The Employment of Foreign Manpower Act 1990
- Child Development Co-Savings Act 2001
- Retirement and Re-Employment Act 1993
- Workplace Safety and Health Act 2006

Global Workplace Insider: Singapore employment and labour guide (April 2023) from Norton Rose Fulbright is a comprehensive guide to the rights and responsibilities of employers and employees in Singapore. In addition, your organisation may consider implementing a human rights due diligence process, which can help your business to reduce risk by encouraging closer compliance with reporting requirements and applicable laws and promote brand reputation.

DEI: To ensure compliance on DEI, you should first understand the current state of DEI within your business by identifying any existing barriers or biases and assess the diversity of your workforce across various dimensions, such as gender, age and/or ethnicity. Consider developing clear policies and

practices that promote DEI, which may include anti-discrimination policies, equal opportunity practices, flexible work arrangements, and inclusive recruitment and promotion processes.

Regarding gender equality, leverage on resources from the Singapore Council for Board Diversity and collaborate with like-minded companies to promote greater diversity on your Board and/or leadership team.

Ultimately, you may consult the guidelines issued by the Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP), including:

- Employers should treat employees fairly and with respect, while creating progressive human resource management systems.
- Reward employees fairly based on performance, ability, contribution, and experience.
- Provide employees with equal opportunities to be considered for training and development to help them reach their potential. This should be based on the strengths and needs of the individual.
- Recruit and select on merit regardless of gender, religion, marital status, age, race, family responsibilities, or disability.
- Comply with all labour laws and abide by the Tripartite Guidelines on Fair Employment Practices.
- Create a culture where employees can bring their full and best selves to work can help to improve employee retention and performance.
- Improve your reputation – a company that is known as a leader for its diverse workplace and inclusive practices may be more attractive to its customer base and prospective employees.

Employee training: Prioritising ways to upskill your employees will enhance job performance and increase customer satisfaction when your employees are more well-equipped to provide quality service to stakeholders. For businesses in Singapore, the government offers a range of grants and assistance schemes to help employers subsidise training costs.

- Use the Singapore Government's Skills Frameworks for various industries to understand potential gaps in your employees' skills. Leverage on this framework for industry transformation to help ensure that your workforce's capabilities are in pace with national standards.
- Consider establishing an in-house learning team and platform to encourage employees to take ownership over a formalised learning plan and track their own learning performance.
- Provide financial incentives for your employees to upskill and attend training by external course providers and/or e-learning platforms.

Finally, **stakeholder engagement** helps your company maintain its social licence to operate by understanding and addressing societal concerns. It also helps your company manage risk by gathering input from a wide range of stakeholders, which would better inform your decision-making. To this end, you may:

- Consider developing a stakeholder engagement plan, which could include clear directions for:
 - Key stakeholders who have an interest or influence in your business, in order of priority. These may include customers, employees, suppliers, local communities, government agencies, NGOs, industry associations, etc.
 - The needs and expectations of each set of stakeholders. These may be discerned or better understood from regular communications with stakeholders, for example through in-person meetings or events, surveys, etc.

- The objectives, strategies, and tactics for engaging with each set of stakeholders;
 - The goals, messages, and desired outcomes for engaging with each stakeholder group;
 - The roles and responsibilities of the team members in implementing this plan.
- Try to foster open and transparent two-way communication by providing opportunities for feedback and dialogue as well as responding to inquiries and addressing issues in a timely manner.

Governance

Governance refers to all processes for governing institutions, processes, and practices through which issues of common concern are decided upon and regulated.²⁶

By implementing strong governance practices, businesses can have better visibility over potential risks; therefore they would be able to mitigate their risks more effectively, and be more likely to achieve long-term sustainable business performance. These would further inspire investor confidence as investors are more likely to trust the company's leadership when businesses demonstrate strong governance. Stronger governance also fosters employee engagement and satisfaction. When employees perceive fair treatment, transparency, and opportunities for growth within an organisation, they are more likely to contribute their skills and experiences towards the organisation's success.

Under governance, we lay out two pillars that SMEs can focus on – business ethics and data privacy. The fundamentals of business ethics involve an Employee Code of Conduct, which should address conflicts of interest, gifts and hospitality; anti-bribery and corruption policies and frameworks in place; anti-competitive practices; and a whistle blower programme as well as policies which describe the organisation's approach to whistleblowing and encourages whistle blowers to voice concerns without fear of reprisal. Data privacy is also of utmost importance in a rapidly evolving digital environment

and companies must ensure employee and customer data protection. To this end, you may:

- Create and communicate a code of conduct / an ethical business guideline that details the expected behaviours and standards for all your stakeholders. This code should promote integrity, transparency, honesty and fair treatment of all stakeholders.
- Clearly define the roles and responsibilities of key individuals within your business, such as directors and senior managers, to help ensure accountability and clarity in decision-making.
- Provide training, especially to key leadership personnel, to ensure your company stays abreast with emerging regulatory requirements on corporate governance, including sustainability disclosures, board diversity and board renewal.

More specifically, you may consider developing:

- i) A Company Code of Conduct that outlines how employees should work and act while performing their jobs. Other company policies should reference this Code. The Code should also address
 - Conflicts of interest
 - Gifts and Hospitality – acceptance of gifts or hospitality events/invitations from customers and/or business partners, suppliers, and members of the public
 - Workplace health and safety
 - Dealings with other employees, customers and business partners
 - Insider trading
- ii) A Supplier Code of Conduct which sets out the requirements and expectations of suppliers should be aligned to a company's Code of Conduct. This can include
 - Anti-harassment, abuse and anti-discrimination commitments where suppliers are to create and maintain an environment that treats all with dignity and respect, and will not use any threats of violence, sexual exploitation. Suppliers should also not discriminate based on race,

sex, religion, political opinion, age, sexual orientation or disability

- Anti-competitive practices where suppliers must comply with anti-trust and fair competition laws
- iii) An Anti-Bribery and Corruption (ABC) policy, framework and programme, which includes these elements:
 - Governance and structure
 - An ABC policy with a zero-tolerance approach to bribery and corruption of any form, procedures and controls
 - Risk assessments
 - Training and communications on ABC to regularly reinforce importance of compliance
 - iv) Companies can also look at incorporating Anti-bribery Management System (ISO 37001) and Risk Management certifications (ISO 31000) to help prevent, detect and respond to bribery and risks, while complying with laws and commitments.
 - v) Whistle blower policy outlining the Company Code of Conduct, zero tolerance towards fraud and ABC practices, including how a person can report an incident to an independent whistle blower hotline.

Finally, in a digital environment where operations are exposed to cyber security threats and data privacy concerns, companies may consider implementing:

- i) Data protection / privacy policy
- ii) Data governance management, including how customer data is used
- iii) Information Security Management System (ISO 27001)
- iv) Data Protection Trustmark by Infocomm Media Development Authority

Besides corporate governance and transparency, accountability in GHG accounting and reporting enhances environmental stewardship, promotes sustainability, and contributes to the collective efforts to address climate change. It builds credibility and trust among stakeholders, including investors, customers, employees, and the public. It demonstrates an organisation's commitment to accurate and reliable reporting of its GHG emissions, environmental impacts, and sustainability performance.

It is worth emphasising the importance of avoiding greenwashing in this journey. Greenwashing, as defined by Hayes, involves making unsubstantiated claims to deceive consumers into believing that a company's products are environmentally friendly. Even providing misleading information about how a company's products have greater positive environmental impact than they do can be considered as greenwashing. For more information, you may refer to the list of greenwashing examples provide by Hayes that companies should avoid.²⁷

Section 4 – Guide to Implementing a Sustainable Procurement Strategy

In the sustainability journey, the supplier plays a pivotal role as a key partner that contributes to the successful implementation and effective execution of a sustainable procurement strategy. Consequently, the objective of this section provides the supplier with an illustration of an implementation roadmap, and more importantly, to highlight the key criteria that buying organisations are implementing in their sustainable procurement practices. This provides organisations an overview of the key steps.

Responsible procurement endeavours to incorporate ESG considerations into the buying process. Organisations can solidify their commitment to responsible buying by developing clear guidelines on its ESG commitment and provide guidance on how responsible buying should be conducted to meet its ESG goals.

Development of the **Sustainable Procurement Strategy (SPS)** takes guidance from the strategic direction and sustainability targets that the organisation commits to. It is important to identify key focus areas to prioritise as it may not be feasible to achieve every possible sustainable goal all at once. This is reflected in Figure 5.

Developing a Sustainable Procurement Strategy (SPS)

A practical way to kickstart the development of a sustainable procurement policy is to consider building it as a procurement guide; a handbook that provides guidance for the stakeholders and should be updated through continual improvement. The key component of a sustainable procurement guide:

- i) Key principles and objectives
- ii) Organisation's commitment
- iii) Sustainable procurement roadmap and target
- iv) Procurement process that incorporates ESG considerations

Figure 5. An overview of implementing a Sustainable Procurement Strategy



The **first step** is to develop a practical SPS for your organisation's needs and where it can have the most impact. A SPS may cover the following aspects:

- a) **Materiality:** Organisations may identify a list of priority goods and services that they procure, e.g. by spent value or impact to the environment or social or critical to operations.
- b) **Market research:** On the type of sustainability-related credentials available for each prioritised goods and services.
- c) **Self-assessments:** These are conducted according to the organisation's baseline performance using current/recent purchases.
- d) **Targets setting:** Set short, medium and long-term targets for prioritised goods and/or services that form the Sustainable Procurement Roadmap. This should be done with reference to baseline performance, peer benchmarking and market readiness assessment.
- e) **Trials:** Consider conducting a trial of the Sustainable Procurement Strategy on a few

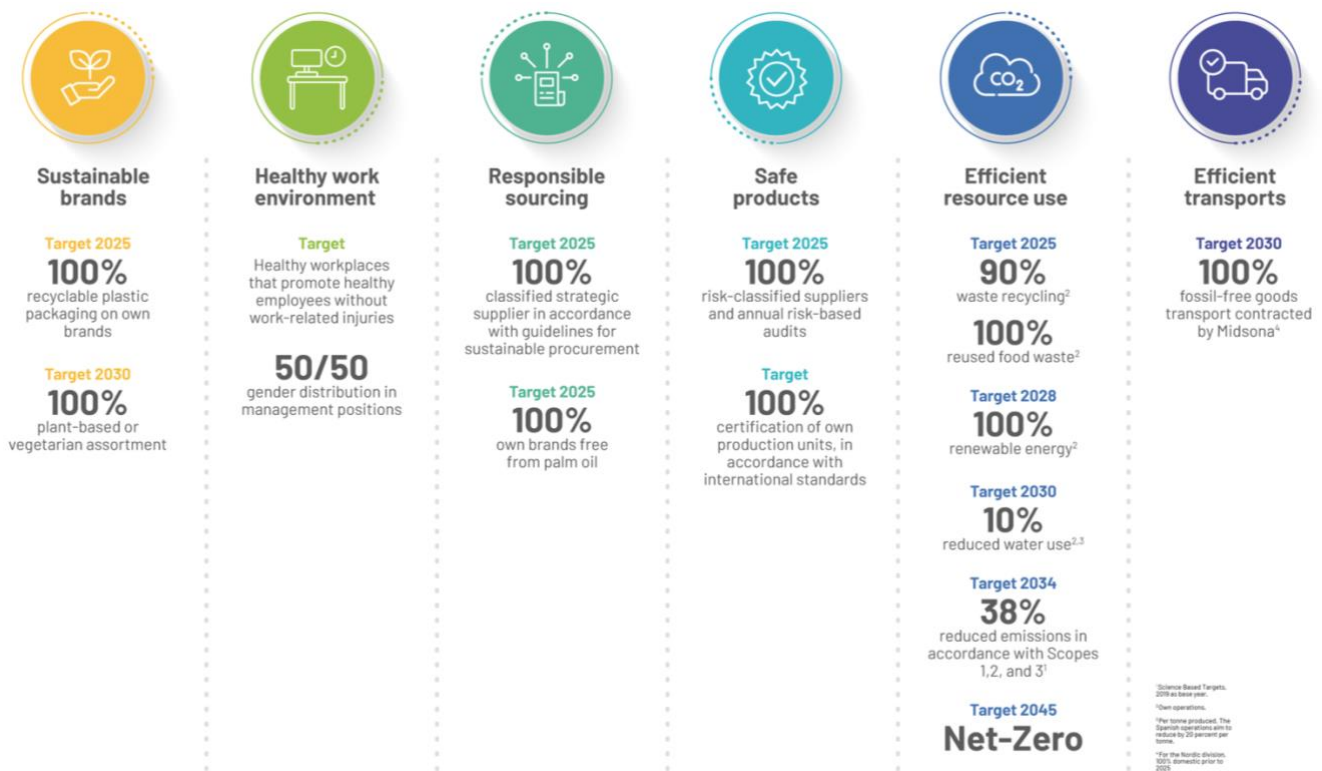
goods and services, before applying it company-wide.

- f) **Refine:** To refine the strategy (e.g. adding more goods and services, review targets) over time.

As a key component of the SPS, a Sustainable Procurement Roadmap helps chart out the short, medium and long-term targets for corresponding goods and services. It also can help illustrate a pathway to meet long-term sustainable goals and targets to the management and stakeholders.

Figure 6 provides an example of such a roadmap.

Figure 6. An Example of a Sustainable Procurement Roadmap²⁸



Organisations may choose to set different types of targets for the roadmap that shows progression over time, aligned with its purpose, mission and values such as:

- a) Improvements on actual quantity in percentage of sustainable goods and services over time (e.g., 50% by year X, 75% by year Y and 100% by year Z)
- b) Improvements on the type of items that meets defined sustainable targets over time (e.g., 4 out of 10 items by year X, 8 out of 10 items by year Y and 10 out of 10 items by year Z)
- c) Targets that have a direct impact on the environment (e.g., emissions, renewable electricity, water consumption, waste generation, recycling rate)
- d) Removal of items (e.g., stopping single-use plastic by year X)

- e) A minimum percentage of items (e.g., x% of menu items are plant-based and vegetarian options)

To aid in the target setting, buyers may measure the baseline performance of existing purchases to ascertain the current level of sustainable procurement. This will help organisation to set realistic targets against the baseline and facilitate subsequent performance tracking. Different time frames (short/long term) may be considered depending on the impact, market readiness and organisation baseline performance. Targets should follow the SMART goals of Specific, Measurable, Achievable, Realistic and Time-bound.

The **second step**, if not the most important, focuses on one of the key success factors of a SPS. This, would be to seek your internal stakeholders’ support, especially the senior management’s buy-in and commitment.

It is paramount for the senior management team to support the sustainable procurement goals. When seeking their support, one may highlight the benefits of SPS – how it may translate to savings, enhance corporate image, consumer satisfaction, alignment with the UN Sustainable Development goals, etc. It would also be good to align the SPS with the organisation’s objectives and goals, to reflect commitment to sustainability.

To ensure tracking and accountability, organisations should consider forming a sustainability committee, involving the senior management team, to conduct regular meetings (e.g. quarterly) to oversee the

sustainability efforts within the organisation. This would include tracking the outcomes of the SPS while not being limited to it. Objectives of the committee may include providing guidance on reviewing of strategies, approving recommendations, and endorsing environmental sustainability-related targets/work plans.

As reflected in Figure 7, a sub-committee working-level group may also be formed, involving the relevant internal stakeholders (e.g., Procurement department, Buyer department, Sustainability team) to meet regularly (e.g. monthly or bi-monthly). The working group’s role is to propose and track targets, offer progress and challenge updates for tenders, refine responsible buying guidelines, explore opportunities, etc. By involving various stakeholders, this can allow cross-pollination of ideas and sharing of good practices.

Figure 7. Reporting structure for tracking and monitoring of SPS outcomes



The identification of key stakeholders in relation to sustainable procurement within the organisation may help to decide the representatives of the sustainability committee and working group. Table 5 below maps out the different internal stakeholders and their possible topics of interest.

Table 5. Different internal stakeholders' interests in sustainable procurement (adapted from ISO 20400)

| Examples of Internal Stakeholder | Examples of Stakeholder Interest |
|----------------------------------|---|
| Senior Management | Risk management Responsible culture building Building brand reputation Gaining competitive advantage Increasing investor confidence |
| Procurement Team | Managing procurement risks Reducing costs Sustaining innovation Improving sustainable procurement performance |
| Users/Buyers | Buying and using goods/services Product quality and suitability |
| Sustainability Team | Improving sustainability performance Supporting innovation |

Once the relevant internal stakeholders are identified, it would be critical to communicate internally and engage with them on the different functions and how the SPS would impact their work. It is important for stakeholders to understand the objectives of the SPS and how they can play their part.

At an appropriate juncture, departments may incorporate sustainable procurement targets and workplans into individual/corporate KPIs to achieve cultural change company-wide.

Company-wide advocacy messages on sustainable procurement may also help raise awareness and signal to employees the importance of such work. Organisations may also choose to communicate and publish their commitments on their public platforms, e.g. policy statements, annual reports, sustainability reporting on the company's website or social media platforms. This promotes transparency and helps demonstrate to their external stakeholders their dedication and commitment to ensuring a sustainable supply chain.

With the support from senior management on the overall strategy and the various internal stakeholders identified, the **third step** would be to implement the strategy.

As mentioned briefly in Step 1: Develop Strategy. Organisations at the start of their SPS journey may want to consider taking a phased approach by focusing first on a list of priority goods and services or suppliers of strategic importance before expanding the list to other areas after gaining enough confidence and experience on their SPS.

For each of the priority goods and services or Suppliers of strategic importance identified, Organisations may assess the sustainability credentials at the product level and/or the Supplier level. In this section, we will briefly touch on the two aspects: Supplier level considerations and Product level considerations.

Supplier Level Considerations

When evaluating Supplier ESG readiness at a high level, here are some important factors to consider (if relevant):

- a) **Environmental Impact:** Assess the Supplier's environmental practices, policies, credentials and declaration of non-compliances. Evaluate the Supplier's approach to environmental responsibility, which includes energy efficiency, waste management, emissions reduction, water conservation, use of sustainable materials, and compliance with environmental regulations. Consider their commitment to sustainable sourcing and their efforts to minimize the ecological footprint of their operations.
- b) **Social Responsibility:** Assess the Supplier's social practices, policies, credentials and declarations. Evaluate the Supplier's approach to social responsibility, which includes labour practices, human rights, community engagement, workplace health and safety. Look for evidence of engagement with local communities and initiatives supporting social causes.
- c) **Governance and Ethics:** Assess Supplier's business code of conduct (if applicable), as well as Supplier's commitment to operate in accordance with the Organisation's Supplier code of conduct. Examine the Supplier's governance structure, transparency, and ethical standards. Evaluate their code of conduct, anti-corruption policies, whistle blower protection mechanisms, and

Product Level Considerations

- a) **Benchmarking:** When setting sustainable criteria for each product, Organisations may benchmark against peer organisations, reference to sustainable standards/certifications²⁹ for product. Organisations may also take reference from other publicly available documents such as the green procurement requirements for public sectors by categories, e.g., ICT, construction.³⁰

adherence to legal and regulatory requirements.

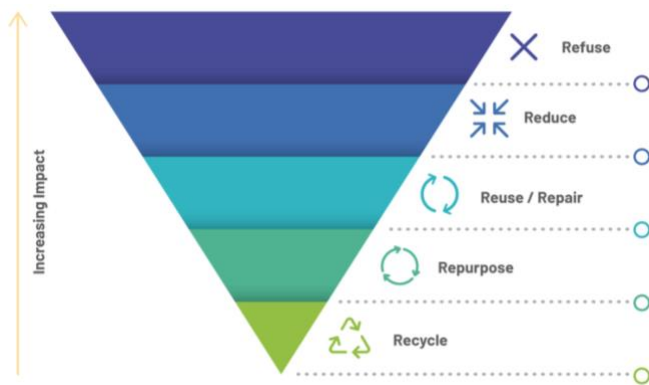
- d) **Sustainability Reporting:** Review the Supplier's sustainability reporting practices. Look for comprehensive and transparent reporting on ESG performance indicators, goals, targets, and progress. Assess their level of disclosure on ESG risks, opportunities, and management strategies. Consider if they participate in relevant sustainability frameworks or initiatives, such as the Global Reporting Initiative (GRI) or Science Based Targets Initiative (SBTi).
- e) **Supply Chain Management:** Evaluate the Supplier's ability to manage ESG risks and opportunities within their supply chain. Assess their Supplier selection and monitoring processes, their engagement with Suppliers on ESG issues, and their efforts to drive sustainability and social responsibility across their supply chain. Consider if they audits or assess the ESG practices of their suppliers.
- f) **Innovation and Adaptability:** Consider the Supplier's ability to innovate and adapt to evolving ESG challenges and opportunities. Assess their investment in research and development of sustainable technologies or practices, their participation in industry collaborations or initiatives related to ESG, and their track record of adopting innovative solutions to reduce their environmental impact or improve social outcomes.

- b) **Market Readiness:** Organisations may assess the market readiness by understanding if the supply market (especially in the local context) can support the Organisation's sustainability needs, lead time, pricing functionality/quality of product etc.

The buyer must illustrate and provide better clarity on how ESG attributes may be considered at different stages of the procurement process: tender preparation and tender evaluation.

Tender Preparation: Before kicking off the procurement process, one considers the “5Rs” – Refuse, Reduce, Reuse/Repair, Repurpose and Recycle for goods purchased. As shown in Figure 8, 5Rs builds on the 3Rs concept that is most commonly used in waste management, but it is equally applicable when kicking off a procurement discussion.

Figure 8. 5Rs: Refuse, Reduce, Reuse/Repair, Repurpose and Recycle



- **Refuse:** Are there things we should not buy? Depending on the Organisation’s policy, businesses may choose to set certain prerequisites to ensure that the procured goods and services meet a set of minimum standards (e.g. paper must be from FSC or recycled), strictly no wildlife products etc., that are aligned with the organisation’s values or purpose.
- **Reduce:** How much to procure? This question challenges the user to avoid overbuying, which might result in wastage downstream, especially for perishable items that have a shelf life/expiry date.

- **Reuse/Repair:** How frequent would we re-use the item? How easy can the item be repaired? These questions challenge the user to consider the reusability and reparability of the item and if we can cut down on items that have low likelihood of reusability like single-use disposables and consider how easily the item’s usage life can be prolonged such as through product design (e.g. accessibility to switch out old batteries) and the availability of spare or replacement parts in the market.
- **Repurpose:** What can we do with this item at the end of life? This question challenges the user to consider the up-cyclability potential/circularity of the item to give the item a second lease of life.
- **Recycle:** Are the materials of the item made from recycled or recyclable materials? This question challenges the user to consider the ease of recycling the item in the local context at the of life.

If we can consider the 5Rs, the procurement requirement may be met fully or partially thereby eliminating or reducing the need to buy new. Through such rigor in assessing the buying needs, it may also open up an opportunity to consider recycled/upcycled products.

Organisations may incorporate sustainable considerations in procurement specifications in the pre-purchase stage. When Buyer is ready to work on the procurement requirement and specification, Buyer may consider incorporating ESG criteria in the procurement requirement as these give clear indication to the Supplier on what the Buyer looks out for.

Examples of common ESG considerations that may be included in procurement requirement are presented in Table 6.

Table 6. Examples of Common ESG Considerations in Procurement Requirements



Depending on the Organisation’s ESG focus areas and market readiness, the sustainable attributes can become part of mandatory procurement requirement or may be a preferred option/good-to-have. It is to note that market readiness can be influenced by many factors and its readiness status may change over time or could be triggered by events overnight. Buyer should constantly assess the market readiness to optimise its sustainable buying approach, as illustrated in Table 7.

Table 7. Sustainable Procurement Requirements Based on ESG Focus and Market Readiness



For the **“Mandatory”** category, sustainable requirements are indicated as such in the tender specification. This communicates a strong intention to buy only sustainable products/services and only offers that meet these compulsory sustainable criteria will be considered for evaluation. In the scenario where Buyer is considering to procure a relatively new sustainable product/service that is not yet available in the market or with very limited supplies, there should be sufficient pre-engagement with the Supplier community to discuss the feasibility of offering such products/services.

For the **“Good-to-have”** category, sustainable requirements will not be made mandatory in the tender requirement because the market may not be ready with a sustainable offering. There are several reasons why markets may not be mature enough to offer sustainable products/services:

- Lack of well recognised methodology in measuring sustainable impact

- Lack of well recognised regulatory bodies that award sustainability-related certifications
- Insufficient demand for sustainable product/services driving the supply
- Insufficient sustainable supply due to high cost of compliance

For such **“Good-to-have”** category, the sustainability requirement may still be incorporated into the tender requirement and made known to the tenderer. Priority will be given to tender offers that can meet these good-to-have sustainable criteria. Such offers will be accorded with higher evaluation points and ceteris paribus, while standing a higher chance of being awarded the tender. To operationalise this, Organisations may consider including a questionnaire for Suppliers to declare their sustainability credentials of their products. e.g. palm oil questionnaires that may include declaration of palm oil in their products, plans to switch to RSPO-certified sustainable palm oil etc.

Where market availability of sustainable options is limited, Organisations may consider implementing progressive sustainable requirements in the evaluation criteria e.g. to meet the goal of 100% sustainable seafood, Organisations may consider having a mandate on 100% sustainable seafood by a certain year (e.g., 5 years from present). And in the interim years, set targets for specific seafood (e.g., salmon, barramundi, shrimp) where sustainable certified sources are more readily available. Thereafter, moving on to other seafood items or consider removing such items if the market is not ready. Items may be reintroduced when their sustainable certifications are ready.

As more and more spend categories now fall under to the mandatory category (refer to the procurement roadmap section which details the progressive roll out of sustainable target over time), this will signal to the supply market to seek out more sustainable sources.

Tender Evaluation: Organisations may develop an evaluation framework that includes ESG attributes. Such frameworks may place appropriate emphasis on ESG considerations at the procurement evaluation stage as it is most impactful when such considerations are built into the procurement decision-making process, giving it its due recognition where it matters most. Organisations that use the Price-Quality Matrix (PQM) method to evaluate tender response can consider setting aside a percentage of the Quality evaluation that must be/can be attributed to assessing the sustainable aspect of the tender offer.

For example, starting in 2024, large construction and information and communications technologies (ICT)³¹ tenders will set aside up to 5% of the evaluation points for environmental sustainability.

There are many methods to assess and provide scoring on the ESG attributes.

- **Pass/fail Method:** This is a straightforward assessment and often used when the sustainability attribute is an important criterion without which the organisation will not be considering the offer. For example, in the tender to procure sustainable seafood for F&B operations, Organisation may mandate

that only offers that are certified sustainable by a certain sustainable certification body will be considered. The certification here is a compulsory requirement and tender offer that does not meet this mandatory requirement would have failed and not be considered further.

- **Benchmark Method:** A benchmark performance level may be established for a particular ESG attribute. Thereafter, the minimum performance level maybe set at a specific percentage (x%) or 100% of the benchmark performance level depending on how critical such ESG attribute is to the Organisation. For example, in the procurement of energy efficient air-conditioning system, benchmark for energy consumption may be set at a minimum of 3-ticks on the energy label. Proposals that offer more energy efficient appliances (i.e., 4-ticks and above) will be considered more favourably whilst appliances that are 2-ticks and below may score lower in the evaluation.
- **Ranking Method:** For some attributes such as Supplier's commitment to environmental initiative, it can be difficult to set a benchmark performance level. For these attributes, Buyer may rank the tender offer according to the relative merits of their proposals and allocate points based on the ranking position.
- **Banding Method:** Banding method refer to an acceptable range rather than with reference to a fixed performance benchmark. This method is most suitable when Buyer is indifferent to the achievement levels within the relevant bands.
- **Total Cost of Ownership Method:** It is important to consider the total life cycle cost when evaluating sustainable offer. Apart from the buying cost, Buyer should endeavour to quantify ESG cost (if any) to evaluate the offer holistically. For example, in the evaluation of diesel vs electric vehicles, Buyer can consider quantifying and putting a value on the carbon emission (e.g., internal carbon pricing) over the vehicle's life cycle when comparing the options.

Buyers can assess the sustainability of their Suppliers by considering several key factors. Below are some common methods and criteria used to evaluate Supplier sustainability:

- **Supplier Codes of Conduct:** Many buyers establish Supplier codes of conduct that outline their sustainability expectations. These codes typically cover areas such as environmental responsibility, labour practices, human rights, diversity and inclusion, and ethical business conduct. Buyers can evaluate Suppliers by assessing their compliance with these codes of conduct.
- **Supplier Surveys and Self-Assessments:** Buyers often request Suppliers to complete sustainability surveys or self-assessment questionnaires. These surveys typically cover various sustainability aspects, including environmental performance, social impact, governance practices, and adherence to relevant standards and certifications. Suppliers' responses can provide insights into their sustainability practices and performance.
- **Audits and Certifications:** Buyers may conduct on-site audits or request third-party audits to assess Suppliers' sustainability performance. Audits can evaluate factors such as environmental management systems, labour conditions, health and safety practices, and compliance with regulations and industry standards. Additionally, certifications like ISO 14001 for environmental management or social certifications can indicate a Supplier's commitment to sustainability.
- **Supply Chain Transparency (key Suppliers):** Buyers may evaluate Suppliers based on their level of transparency regarding their supply chains. Transparent Suppliers are more likely to provide information about their sourcing practices, labour conditions, environmental impacts, and social responsibility efforts. Buyers can assess this transparency to determine the Supplier's commitment to sustainable practices and responsible sourcing.
- **Performance Metrics (key Suppliers):** Buyers can establish performance metrics and key performance indicators (KPIs) related to sustainability and include them in Supplier contracts. These metrics can track specific sustainability goals such as reducing carbon emissions, water usage, waste generation, or improving labour conditions. Suppliers' performance against these metrics can be periodically assessed and evaluated.
- **Industry and Third-Party Ratings:** Buyers can consider industry rankings, sustainability indices, and third-party ratings to evaluate Suppliers' sustainability performance. These ratings consider factors such as environmental impact, social responsibility, governance practices, and supply chain ethics. Some rating agencies such as, but not limited to, the Dow Jones Sustainability Index, CDP (formerly Carbon Disclosure Project), or EcoVadis ratings.
- **Collaboration and Dialogue:** Engaging in open dialogue with Suppliers can provide insights into their sustainability initiatives, challenges, and future plans. Buyers can discuss sustainability goals, initiatives, and improvement opportunities with Suppliers, fostering a collaborative approach to sustainability and encouraging Suppliers to enhance their practices.

By combining these methods, buyers can assess Suppliers' sustainability performance and make informed decisions about engaging with them. It is important for buyers to align their assessment criteria with their own sustainability goals, industry best practices, and the specific sustainability concerns relevant to their supply chains.

The **fourth step** represents an on-going activity. After the completion of tenders for the prioritised list of goods and services, it is important that we track the sustainability related outcomes and report the performance against the set targets.

- At the **Product level**, percentage of sustainable products/services can be calculated (by quantity/weight/value) using total products/services purchased. e.g. Out of the 100kg of eggs procured annually, if only 40kg meets the sustainable criteria (e.g., locally-sourced, cage-free etc), then only 40% of this product is deemed sustainably sourced.
- At the **Supplier level**, percentage of Suppliers assessed for environmental and social impact / considerations may also be calculated and shared as a percentage of total Suppliers weighted with the procurement value (e.g., 100% of our suppliers are screened for major environmental and social impact before procurement).

At the working group level, relevant internal stakeholders should track the outcomes with the original targets set in the Sustainable Procurement Roadmap and review the targets annually. The performance and reviewed targets may then be approved by the management through the working group and sustainability committee meetings.

To increase awareness on sustainable procurement, Organisations may also consider organising sustainable Supplier roadshows and invite Buyer departments and relevant stakeholders. Such roadshows may reiterate Buying Organisation's commitment on sustainable procurement and to also allow Buyer departments to clarify on the sustainability credentials of the Suppliers .

As part of the continuous engagement with Suppliers regarding their commitment to improving sustainability credentials, Organisation may consider the following efforts:

- **Regular communication:** Maintain open lines of communication with suppliers to discuss sustainability goals and progress. Schedule regular meetings or check-ins to address any concerns, share updates, and exchange ideas.

- **Sustainability performance assessments:** Conduct periodic assessments or audits of suppliers' sustainability practices and performance. This evaluation can help identify areas for improvement and track progress over time.
- **Collaboration on sustainability initiatives:** Collaborate with suppliers on joint sustainability initiatives, such as waste reduction programs, energy efficiency improvements, or supply chain transparency efforts. Engage suppliers in the development and implementation of sustainable practices.
- **Knowledge sharing and best practices:** Facilitate knowledge sharing sessions or workshops where suppliers can learn from each other's sustainability practices and share best practices. Encourage the exchange of ideas, innovations, and success stories.
- **Incentives and recognition:** Recognize and reward suppliers that demonstrate significant improvements or innovative sustainability practices. Consider offering incentives such as extended contracts, preferential terms, or public recognition for their efforts.
- **Capacity building and training:** Offer training programs or resources to help suppliers enhance their sustainability knowledge and skills. This can include topics such as sustainable sourcing, waste management, energy conservation, or compliance with relevant standards and certifications.
- **Collaboration on goal setting:** Engage suppliers in the development of sustainability goals and targets. Seek their input on realistic and impactful targets that align with both their capabilities and your organisation's sustainability objectives.
- **Transparency and reporting:** Request regular sustainability reports from suppliers, detailing their progress, initiatives, and challenges. Encourage transparency and ensure suppliers understand the importance of reporting sustainability-related information.

- **Continuous improvement plans:** Encourage suppliers to develop and implement their own continuous improvement plans focused on sustainability. Support them in setting goals, tracking progress, and identifying areas for further enhancement.

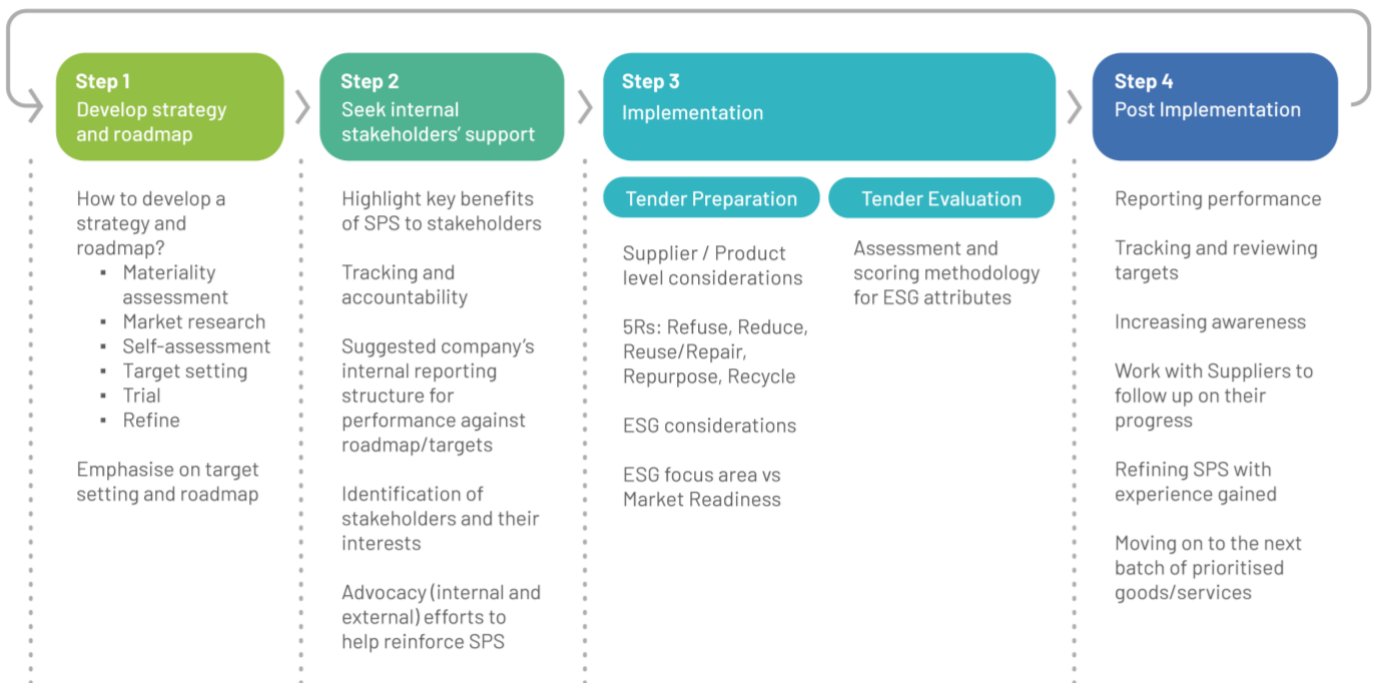
By implementing these efforts, you can foster a collaborative and ongoing engagement with suppliers, driving positive change in their sustainability practices and contributing to the overall sustainability goals of your organisation.

With each round of sustainable procurement tenders conducted, Organisations may over time gain experience and knowledge of the market readiness. Such learnings could then be incorporated in the future tenders.

After achieving the targets of prioritised goods and services, Organisations could then move on to consider targets and procurement strategies for the next batch of prioritised goods and services.

The SPS Framework is summarised in Figure 9.

Figure 9. The SPS Framework



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