ISO 20400 AND BS8903

A COMPARISON OF SUSTAINABLE PROCUREMENT GUIDANCE STANDARDS

Introduction

ISO 20400 Sustainable procurement – Guidance was published in April 2017, this international standard supersedes the British Standard BS8903 Principles and framework for procuring sustainably- Guide published in 2010.

This document explains:

- The key similarities and differences between these guidance standards
- Important new content and guidance provided by ISO20400
- How other international documents have influenced the content of ISO20400

ISO20400 can best be described as a 'build' upon the solid foundation of BS8903, both standards provide an understanding of:

- What sustainable procurement is
- What the sustainability impacts and considerations are across different aspects of procurement activity: policy, strategy, organization and process
- How to implement sustainable procurement

Both standards apply to any organization, regardless of its sector, size and location and any stakeholder involved in or impacted by procurement decisions and processes.

These standards do not replace legislation, policy and ethical frameworks that regulate procurement activities.

Box 1: ISO and BSI explained

ISO is the world's largest developer of voluntary International Standards. International Standards provide state-of-the art specifications for products, services and good practices, helping to make industry more efficient and effective. ISO standards are developed through a consensus process by groups of experts and national delegations from all over the world; as such they reflect a wealth of international experience and knowledge. 30 countries participated in the development ISO20400 with a further 12 countries observing.

British Standards Institute (BSI) is the UK national standards body that forms part of the ISO membership. It works with business experts, government bodies, trade associations and consumer groups to capture best practice and structure knowledge. BS8903 was developed by national consensus by a sub-committee of cross sector procurement and sustainability experts. This group also provided input into the development of ISO20400 with UK representation through Action Sustainability CIC on the global technical committee.

Table of contents

Table1 below provides a comparison of contents for both documents.

BS8903	ISO20400
Section 1: General Introduction **1-Scope** **2-Terms and definitions** **3- What is sustainable procurement? (SP)** **4- Why procure sustainably**	Foreword and Introduction 1-Scope 2-Normative References 3- Terms and definitions
	4- **Fundamentals** Concept of SP Principles of SP Core subjects of SP Drivers for SP Key considerations for SP
Section 2: Fundamentals **5- Organizational policy** **6- Sustainable procurement policy and strategy**	5- **Integrating sustainability into the organizations procurement policy and strategy** Committing to SP Clarifying accountability Aligning procurement with organizational objectives and goals Setting procurement priorities Managing implementations
Section 3: The procurement process **7- Sustainability considerations in the procurement process**	6- **Organizing the procurement function towards sustainability** *(i.e. Enablers)* Governing procurement Enabling people Identifying and engaging stakeholders Setting SP priorities Measuring and improving performance Establishing a grievance mechanism
Section 4: Enablers **8- Leadership and governance** **9- People** **10- Risk and Opportunity assessment** **11- Engagement** **12- Measurement**	7- **Integrating sustainability into the procurement process**
Annexes & Bibliography	Annexes and Bibliography

Table 1- Contents Comparison

More simply the framework of the standard has evolved using a similar structure and format
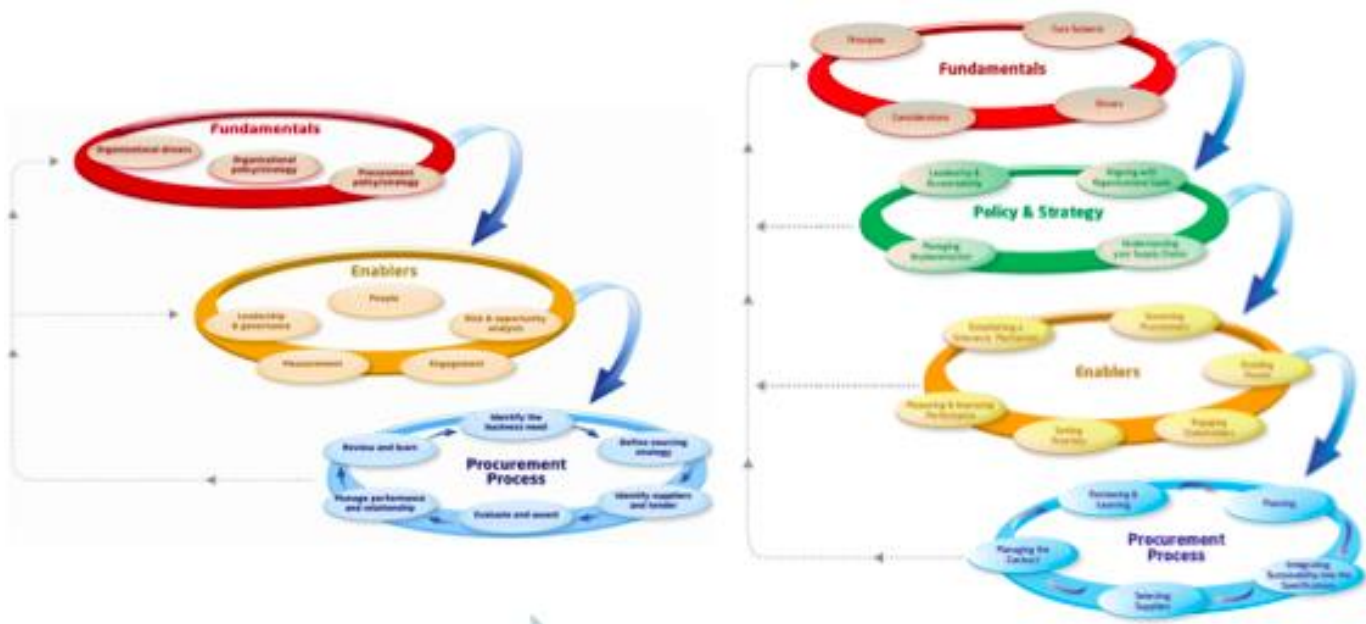
From BS8903 ➔ ISO20400

Figure 1- BS8903 and ISO20400 document structures compared

Whilst BS8903 is UK centric, citing (rather dated) UK examples and influencial UK reports, the new international standard uses examples sparingly and where used they are deliberately generic to avoid country, sector or category bias.   The standard is applicable to anyone with procurement related responsibilities but is easily navigable with distinct sections aimed at providing flexible guidance to all levels of staff. See fig 1.

Figure 1: Referencing ISO20400 guidance for differing procurement responsibilities

Summary of the key changes within ISO20400:

Compared to BS8903, the Fundamentals section has been split into two separate clauses; clause 5-Fundamentals and clause 6- Organizational and procurement policy and strategy.

Clause 4-Fundamentals

This section provides basic introduction to sustainable procurement, it is applicable to all and includes sections on what sustainable procurement is, the business drivers, key principles and risk management. Noteworthy additions include:

- o A modified definition and set of principles compared to BS8903- ISO20400 defines sustainable procurement as: ***"Procurement that has the most positive environmental, social & economic impacts possible over the entire life cycle"***. The key principles have been revised and are as follows:
    - Accountability
    - Transparency
    - Ethical behaviour
    - Full and fair opportunity
    - Respect for stakeholder interests
    - Respect for the rule of law and international norms of behaviour
    - Respect for human rights
    - Innovative solutions
    - Focus on need
    - Integration
    - Life cycle approach
    - Continual improvement

- o A revision to the **scope of sustainable procurement** which is aligned with the 7 core subjects and 37 issues identified in ISO2600: 2010 Guidance on Social Responsibility. ISO20400 in general places a greater emphasis on social responsibility compared to BS8903. See fig 2 and box 2 for more detail. Annex A outlines the 37 issues and provides a useful summary of suggest how they may translate into actions of expectations for procurement.
- o A recommendation that organizations analyze their key **business drivers** and motivations for being sustainable. Every organization is different and will have a different combination of reasons to practice sustainable procurement. The standard offers a range of typical drivers and recommends that an organization analyses their own unique set of drivers to help establish their goals and objectives.
- o Greater emphasis on **identification and prioritization of sustainability issues**. The standard recognizes that time and resources should be focused where most difference can be made and encourages priority setting at multiple levels –organizational/procurement department level, category and supplier level and goods/service level.
- o Additional emphasis on **risk and opportunity management** with a clear requirement for organizations to manage risk within their supply chains. The standard sets out expectations that an organization should implement a robust **due diligence** process to prevent, treat, remediate or control potential and adverse sustainability impacts. It also highlights the need for organizations to 'exercise its **capacity to influence** the behaviour of suppliers and other stakeholders and the need to ensure an organization is **not complicit** in wrongful acts of other organizations through its procurement activity. See box 2 for more detail.

Figure 2: ISO26000 Core subjects provide the scope of sustainable procurement

Clause 5: Integrating sustainability into the organization's procurement policy and strategy

The thinking in this section remains consistent with BS8903 and deals with developing a policy and strategy to deliver the organization's procurement ambitions. Sustainable objectives should be integrated at a strategic level within the procurement function to ensure that the intention, direction and priorities are documented and understood by all. ISO20400 highlights how sustainable procurement objectives should be aligned with organizational sustainability objectives introducing the idea of a "golden thread" between organizational policy and procurement strategy.

This section is primarily aimed at senior management and like BS8903 it highlights the importance of both management commitment and management understanding of how procurement can support organizational sustainability goals. Clarifying accountability and responsibility for sustainable procurement is also emphasized.

Box 2: How ISO 2600: 2010 Guidance on Social Responsibility has influenced the content of ISO20400

ISO 26000 provides guidance on how businesses and organizations can operate in a socially responsible way and has influenced the content of ISO20400. The standard helps to define social responsibility and translate principles and issues into effective actions based on international norms of behaviour aligned with the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the Rio Declaration on Environment and Development. It helps organizations contribute to sustainable development by encouraging them to go beyond basic legal compliance and promotes a common understanding of social responsibility.

Due diligence is an important aspect in ISO2600 and the need to complete due diligence is repeatedly stressed in ISO20400. Due diligence is an integral part of decision-making and risk management and is an important tool in delivering a sustainable procurement strategy. It is a comprehensive, proactive process to identify actual and potential negative social, environmental and economic impacts of an organisations decisions and activities, with the aim of mitigating those impacts. This includes possible negative consequences resulting from the actions of suppliers whose activities are linked to those of the organization. By undertaking due diligence an organization should know about its potential negative impacts and should exercise its influence to help mitigate such impacts. The concept of **complicity** also emerges in the standard. An organization could be considered complicit where it stays silent about, or benefits from irresponsible practices of its partners, suppliers or subcontractors.

Clause 6: Organizing the procurement function towards sustainability (Enablers)

This section is also aligned with the guidance in BS8903. It describes the organizational conditions, management techniques and competencies needed to successfully implement sustainable procurement. It has been renamed 'Organizing the procurement function towards sustainability' because 'Enablers' does not translate easily across multiple languages. Sub clauses on Governing procurement, Enabling people, Identifying and engaging stakeholders, Setting sustainable procurement priorities and Measuring and improving performance broadly mirror the requirements of BS8903.

Noteworthy changes are:

- o **Setting priorities-** ISO20400 outlines more detail on mapping of sustainability issues to purchase categories and mapping suppliers related to critical sustainability issues. The standards approach prioritization using differing criteria:
  - • BS8903 considers the size of the risk/opportunity, the scope to improve and the leverage an organization has to make the improvement happen.
  - • ISO20400 suggests using relevance (i.e. which sustainability issues apply to the organization and its stakeholders) and significance (analysis of which relevant issues are most impacted by the activities and decisions of the organization.)
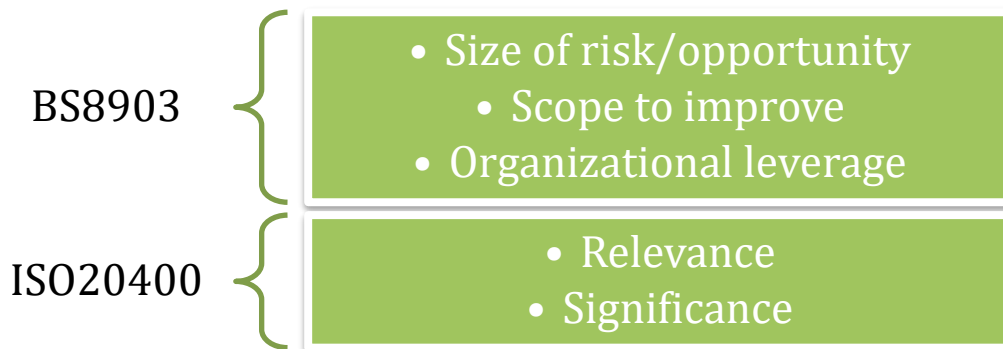
BS8903
- Size of risk/opportunity
- Scope to improve
- Organizational leverage

ISO20400
- Relevance
- Significance

Figure 3: Standards suggest different criteria for priority setting

The sustainability objectives outlined in the procurement policy and strategy should be turned into operational priorities for procurement through risk management and prioritization. The identification of relevant sustainability issues and the related risks and opportunities can happen at multiple levels.
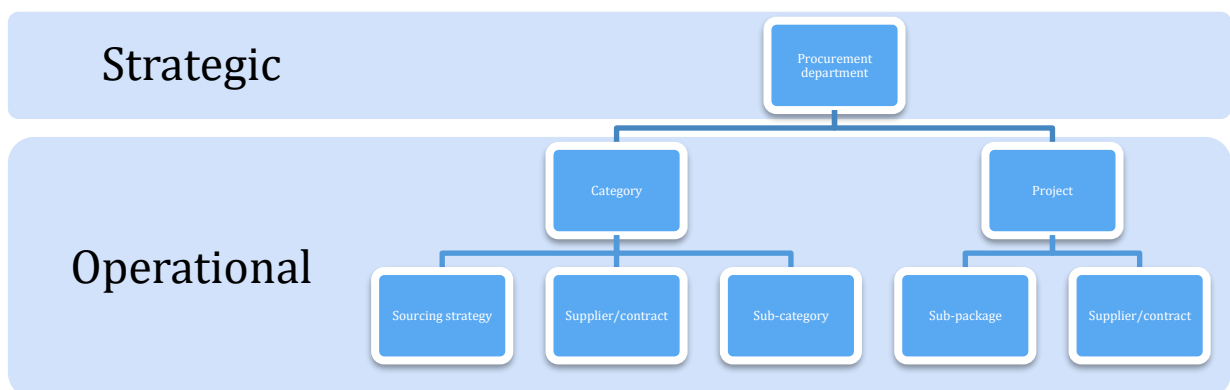
Strategic
- Procurement department

Operational
- Category
  - Sourcing strategy
  - Supplier/contract
  - Sub-category
- Project
  - Sub-package
  - Supplier/contract

Figure 4: Setting sustainability priorities can occur at multiple levels

- **Measuring and improving performance-** Both standards recognize the need to measure and monitor the results of sustainable procurement. BS8903 divides sustainability measures into performance indicators (practice measures) and operational indicators (outcome measures). ISO20400 cites four indicators that can be used to manage performance:
    1. **Process indicators**: related to the measurement and monitoring of progress towards the achievement of organizational policy, objectives and goals. This is good for the early stages of development to understand how many compliant contracts, how many people have been trained, how many suppliers have been engaged etc.
    2. **Output indicators:** related to the measurement of the outputs of the sustainable procurement policy implementation and of the sustainable procurement process itself. This would include suppliers' performance, carbon emissions, waste volumes, number of local employees, local spend etc.
    3. **Outcome indicators**: related to the performance of the organization, especially those aspects that are affected by the sustainable procurement process. These indicators help to understand the contribution of the supply chain to overall organizational objectives, such as carbon footprint, workforce diversity etc.
    4. **Impact indicators:** related to significant economic, environmental and social impacts that are: positive/negative, actual/potential, direct/indirect, short-term/long-term, intended/unintended.

- **Establishing a grievance mechanism**- This is a new requirement that is aligned with the internationally accepted principles outlined within the UN Guiding Principles on Business and Human rights. A key pillar of this framework is the need to ensure access to remedy for victims of business related abuses. Having effective grievance mechanisms in place is a crucial part in an organization's responsibility to respect human rights. Such mechanisms can play an important role in mitigating negative impacts in supply chains by enabling anybody in the supply chain to raise a grievance and to ensure that it will be properly and independently investigated.
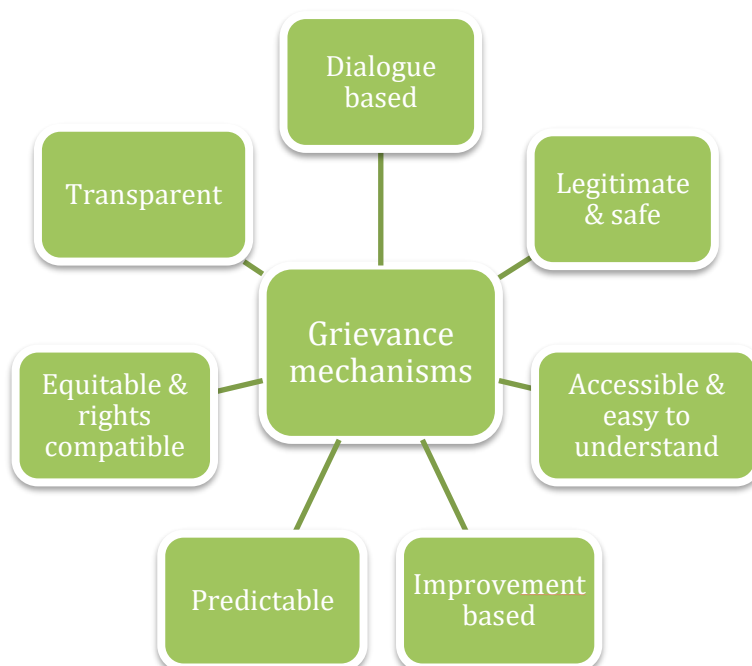

Figure 5: Elements of an effective grievance mechanism

Clause 7: Integrating sustainability into the procurement process

Once again guidance in the section builds upon BS8903, both standards describe the sustainability considerations that should be addressed across the various stages of a typical procurement process. BS8903 uses a 7 stage model whilst ISO20400 adopts a 5 stage model, the steps and considerations are aligned. BS8903 uses more illustrative examples and provides more guidance on procurement tools including lifecycle assessment (LCA), carbon measurement, whole life costing and weighted decision making. Note that these are referenced in the new standard but only cost analysis is discussed in more depth.
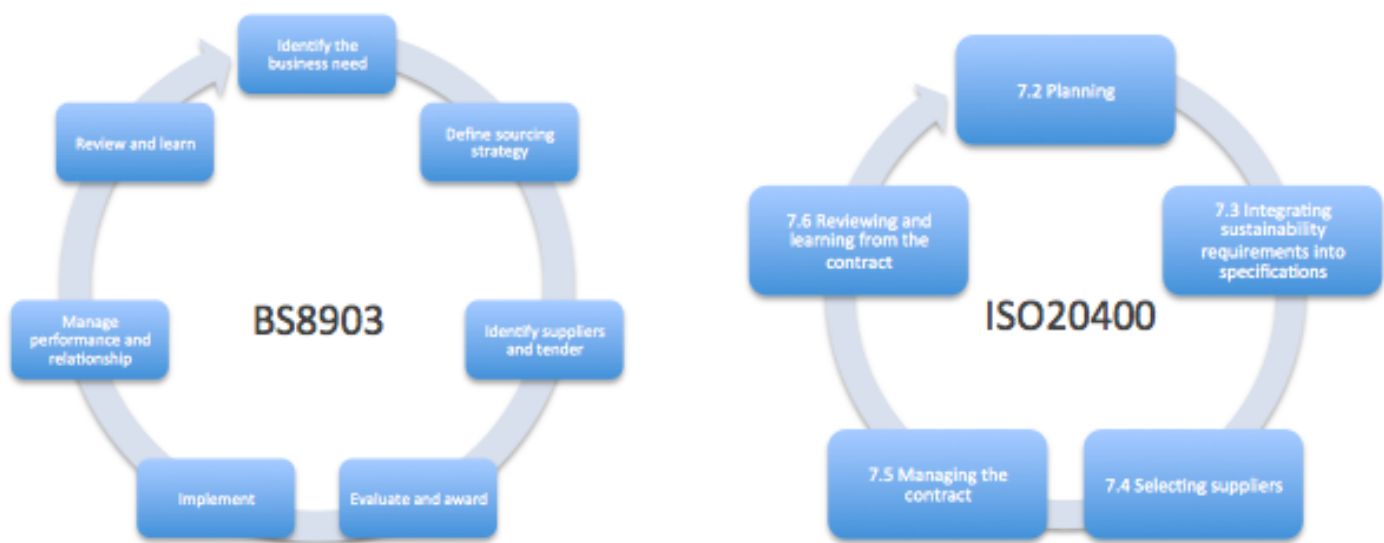

Figure 6: Procurement process models compared

The main additions in this section of ISO20400 are:

o **Cost analysis:** Both standards recognize the need to make procurement decisions using wider cost data than upfront purchase price. BS8903 encourages buyers to consider whole life costing techniques (alternatively known as total cost of ownership) that include the anticipated costs of the product or service over its expected lifespan. The new standard recommends a more extensive analysis (where applicable) to include positive or negative impacts on society that can be monetized, such as carbon emissions, job creation or job losses. The diagram in figure 7 is taken from ISO20400. (Note that this diagram also introduces consideration of wider externalities on society that cannot easily be monetized).
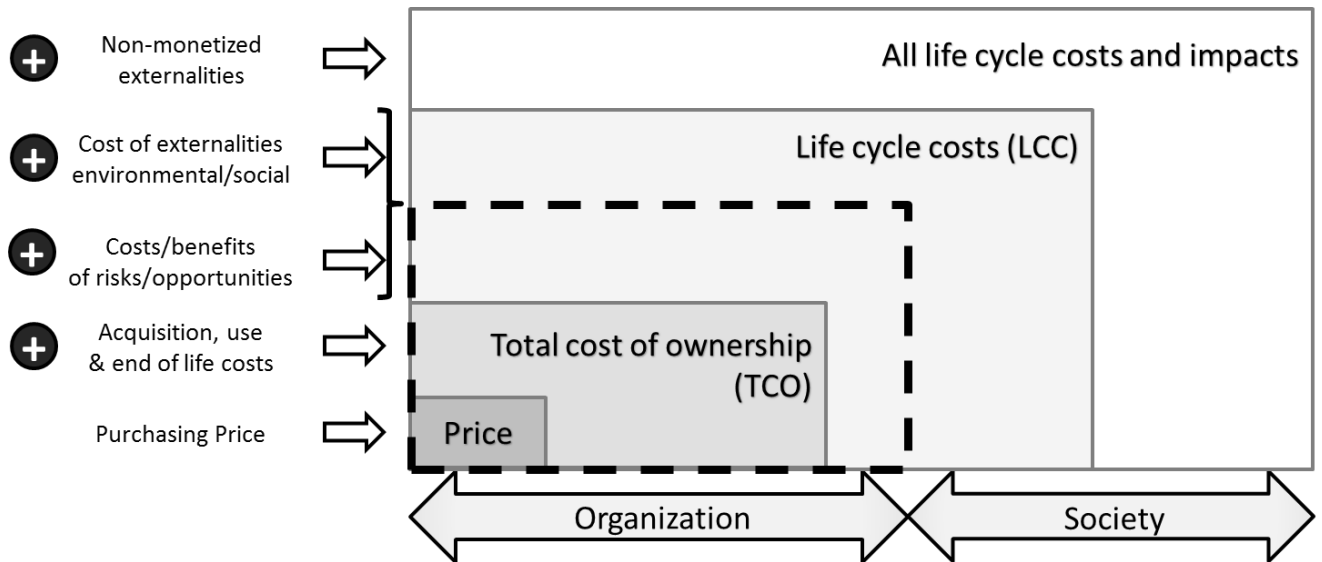
Figure 7: Overview of lifecycle costing analysis recommended by ISO20400

- o **Market analysis:** Whilst both standards reinforce the need to gain a thorough understanding of the existing and future capability of the supply market to understand the extent to which the supply chain can contribute to sustainability goals and commitments. ISO20400 encourages buyers to consider the position of their organization within the market to assess the influence or leverage it may have to promote more sustainable outcomes. The market engagement matrix below can help buyers develop their procurement approach by considering market influence and sustainability ambition.
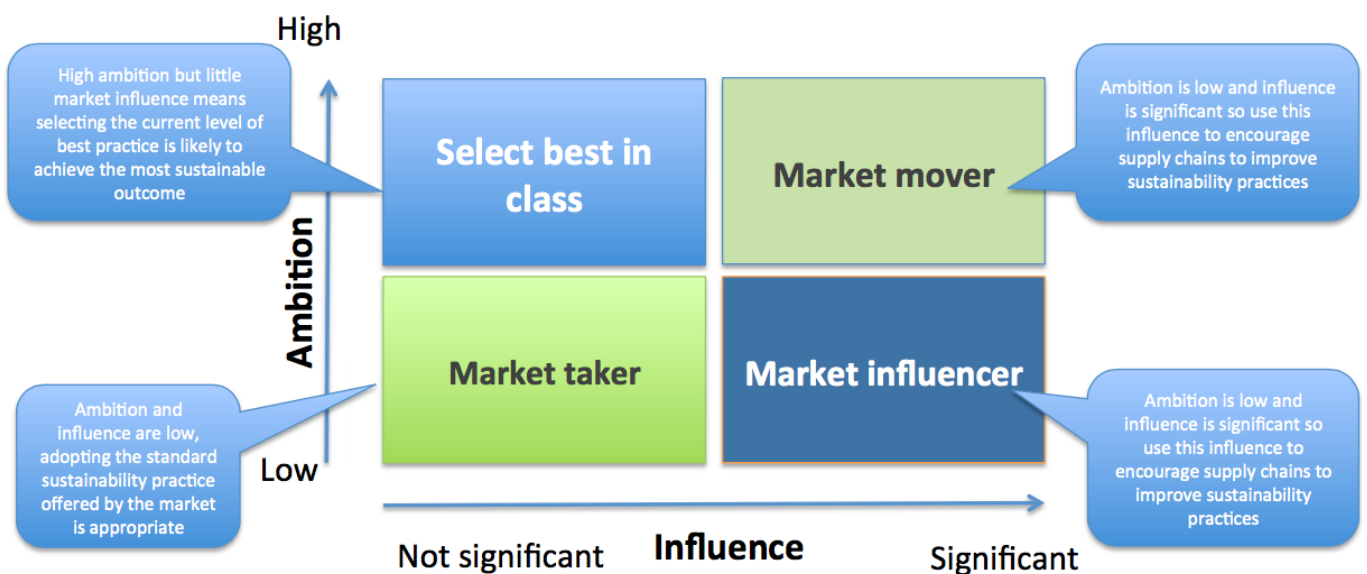
- o **Verification of sustainability requirements:** The standard has been considerably strengthened around this topic. ISO20400 stresses some useful guidance here:
  - o It is important to understand and decide what certifications, marks or labels could or should be used to comply with specific sustainability criteria. Referencing the requirements or

partial requirements and not the certifications, marks or labels themselves may allow other suppliers to compete who have not been formally awarded such certifications and ensures that competition is not inadvertently limited.

- o Each requirement should be verifiable and the evaluation procedure should be outlined in the tender document
- o There are many types of evaluation procedures such as documentation review, testing, inspections, audits, certification, management systems, assessment, sustainability claims, labels and declarations. They offer different levels of assurance and can be carried out by an independent external body or organization (third-party), an external body on its behalf (second-party) or the supplier or its representative (first-party).
- o When defining the evaluation procedure for each requirement, the organization should be clear on what activities should be carried out, by whom and who bears the cost. Cost should be balanced in relation to the level of assurance desired.
- o Some useful information is included on ecolabels that are a voluntary method of environmental performance certification. There are numerous environmental labels available that can seemingly provide simple confirmation for non-experts that products bearing a label meet with a range of environmental standards. It's important to understand what each label represents.

   3 common types of environmental labels exist:

   - ISO 14024 'Type I' labels involve a third party assessment of a product based on a number of criteria / issues involved in the environmental impact of a product or material throughout its life cycle. Well known examples include the EU Ecolabel and the Blue Angel
   - ISO 14021'Type II' labels are environmental claims made by the supplier themselves, with no evaluation by a third party
   - ISO 14025 'Type III label have no standards to meet. It is a third party validation of an EPD (environmental product declaration) of the product based on quantitative data from an LCA (Life Cycle Assessment). It enables comparisons with other products intended to fulfil the same function.
   - Note other labels address single sustainability issues. They may be public e.g. Energy Star for energy consumption. Or private, run by NGO's, industry groups or stakeholders, Forest Stewardship Council (FSC) is a well-known example. These can also be used effectively to target specific requirements.

- o **Contract Review:** Finally both standards reflect on the need to review and learn from the contract. BS8903 stresses the Plan, Do, Check, Act approach consistent with ISO 14001, which is a cornerstone of continuous improvement. The new standard recommends the development of a debrief document to feed into the next procurement and sourcing strategy. It also advises that best practice involves publishing lessons learned in detail so that other organizations can learn from them. The Olympic Learning Legacy suite of materials provides an excellent example here.

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Action Sustainability (headed by Shaun McCarthy) represented the UK on the International Delegation to ISO PC 277

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