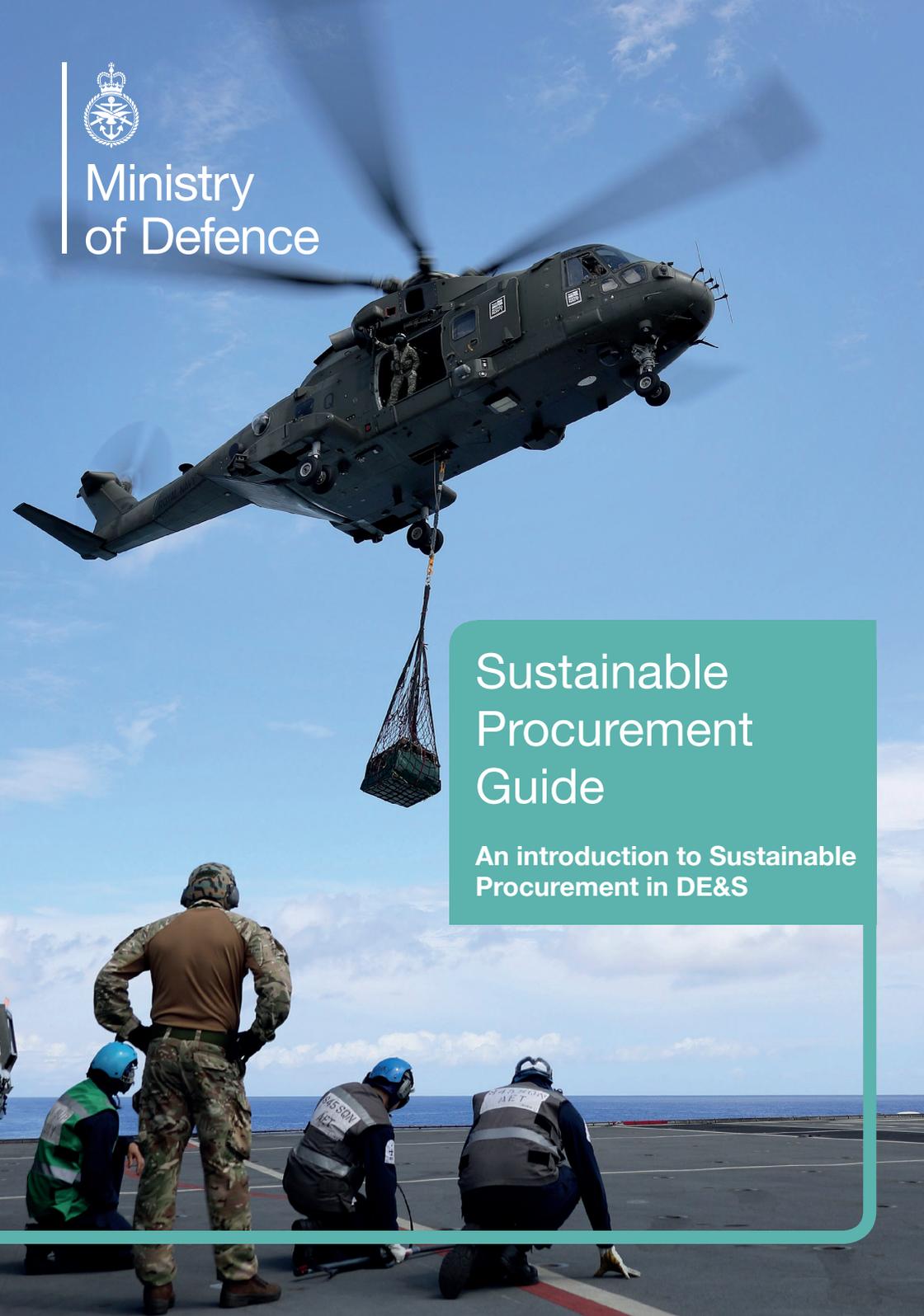




Ministry
of Defence

Sustainable Procurement Guide

An introduction to Sustainable
Procurement in DE&S



© 2018 MOD all right reserved

Introduction

This is a two-part document formed of Part 1 – Introductory Guide and Part 2 – Toolkit.

Part 1 can be read in isolation as a useful introduction to sustainable procurement and it will serve as a reference point during use of the Toolkit (Part 2).



Part 1 Introductory Guide

Purpose

This guide aims to better enable sustainable procurement and the consequential range of benefits within defence equipment and support solutions acquisition.

Position

This guide presents an introduction to sustainable procurement at DE&S and should be read in conjunction with the following publications.

This guide outlines the ‘what’ and ‘why’ of sustainable procurement. The Sustainable Procurement Toolkit outlines the ‘how’. Content embedded within ASEMS, POEMS outlines the ‘when’ and ‘who’.

Commercial Officers should read the Sustainable Procurement Commercial Policy Statement (CPS) for further information.

The Acquisition System Guidance (ASG) provides a MOD wide perspective of strategic and tactical approaches to sustainable procurement.

A five step process for achieving a balanced, proportionate approach to sustainability

1. Sustainable Procurement Plan (aligned with EMP 01)

2. Risk and Opportunity Scoping (aligned with EMP04)

3. Risk and Opportunity Priority Assessment (aligned with EMP 05)

4. Activity within the Commercial Process (EFM)

5. Measurement and Learning from Experience (aligned with EMP 09)



What is Sustainable Procurement?

Sustainable procurement is good procurement and should not be seen as abstract or idealistic. It is practical, achievable and beneficial to the capability of our armed forces. The skills required to embed sustainability within procurement are skills traditionally associated with good procurement practice including negotiation, influence, communication and analysis. A definition of what SP means to Defence is provided on the ASG

Sustainable Procurement helps delivery teams to:

- a. Develop investment appraisals and business cases. The Investment Appraisal Committee (IAC) expect to see how sustainability issues have been addressed within business cases.
- b. Understand possible enhancement opportunities e.g. whole life cost savings, reputational benefits, increased resilience and enhanced operational effectiveness.
- c. Identify, analyse and select appropriate options; develop the preferred option, draft tender questions/contract clauses, monitor sustainability risks and opportunities.
- d. Support the requirements of the Sustainable MOD Strategy and wider government sustainability objectives and targets.

Key terms

Sustainable Procurement (SP) utilises the procurement process to achieve sustainable development.

Sustainable development is an enduring, balanced approach to economic activity, environmental responsibility and social progress. Sustainable procurement, when applied in a balanced, proportional and relevant way, benefits our armed forces by enhancing operational capability.

Sustainability is the term often used to describe the degree of sustainable development in the context of an organisation.

Sustainable procurement requires the balance of economic, environmental and social issues be adjusted for relevance and proportionality. This balance is unlikely to ever attract an equal weighting or identical range of issues from one procurement to the next. However, there may be similarities and common themes within procurement categories.

Environmental Protection (EP) is the term applied to the management of environmental risks and impacts as a result of activities undertaken, minimizing harm to the environment caused by Defence activities. EP at DE&S is typically approached via management of risks within acquisition and through life support of the capability. EP during acquisition and through life support is managed utilising the Project Oriented Environmental Management System (POEMS).

The POEMS contains a number of activity trigger points strategically placed to better enable sustainable procurement. The activity triggers in POEMS bear direct relation to this guide, the Sustainable Procurement Toolkit, content provided within the Green Book, DefStan 00-051, the Acquisition System Guidance (ASG).

Why is Sustainable Procurement important?

The MOD operates in an environment that is increasingly financially and resource constrained.

Procuring sustainably allows the MOD to meet its needs for equipment, support and services that achieves value on a whole life basis in terms of benefits to operating capability, society and the economy whilst minimising the risk of environmental damage.

Even with relatively limited activity, with significant procurement spend, the multiplication effect through the supply chain is massive and will make a positive difference to people and places in the UK and beyond, further enabling the defence vision of being 'a force for good in the world'.

Sustainable procurement better enables efficiency, resilience and adaptability to future challenges and is critical to delivering effective defence capability. Climate change, resource depletion and

competition for energy have been identified as significant challenges to global stability and therefore national security. Understanding and adapting to these challenges is critical to delivering defence capability and ensuring operational capability in the long-term.





Government drivers

The MOD meets its obligations to overarching Government policy on sustainable development, including the 17 global Sustainable Development Goals, by 2030 (UN 2030 Agenda for Sustainable Development).

The sustainability of the government's estate, travel and procurement is managed by the Government's Greening Government Commitments (GGC).

The Government's 2016-2020 GGC reporting requirements are published on the Gov UK website: <https://www.gov.uk/government/publications/greening-government-commitments-2016-to-2020>

The GGCs require the MOD to report on Sustainable Procurement performance. The GGC also includes a reference to continuing to comply with Government Buying Standards (GBS) in departmental procurement contracts.

The Government Supplier Code of Conduct outlines the standards and behaviours that are expected from suppliers, this includes sustainability.

In early 2018 Defra released its 25 Year Environmental Plan. The plan identifies a new requirement under GGC for Government Departments to reduce single use plastics waste along with other waste reduction requirements under the MOD waste strategy.

MOD role

Sustainability is recognized as an enabler of Defence capability. The MOD also has a vital role to play in achieving internal and UK Government Sustainable Procurement targets.

Sustainability is identified as a high priority within the MOD and is linked to Strategic Defence Business Strategy Plans. The Sustainable MOD strategy is a key policy document and defines 17 key sustainability priorities. A number of the priorities are fundamentally linked to MOD acquisition. For example:

- a. Resource Management (including energy and material security);
- b. Equipment longevity;
- c. Supply chain sustainability;
- d. Disposal costs; and,
- e. Climate change issues.

All projects submitted to the Investment Approvals Committee (IAC) are mandated to take sustainability and environmental impacts into consideration, and all business cases taken by the Committee must demonstrate compliance with MOD's Sustainable Procurement policies.

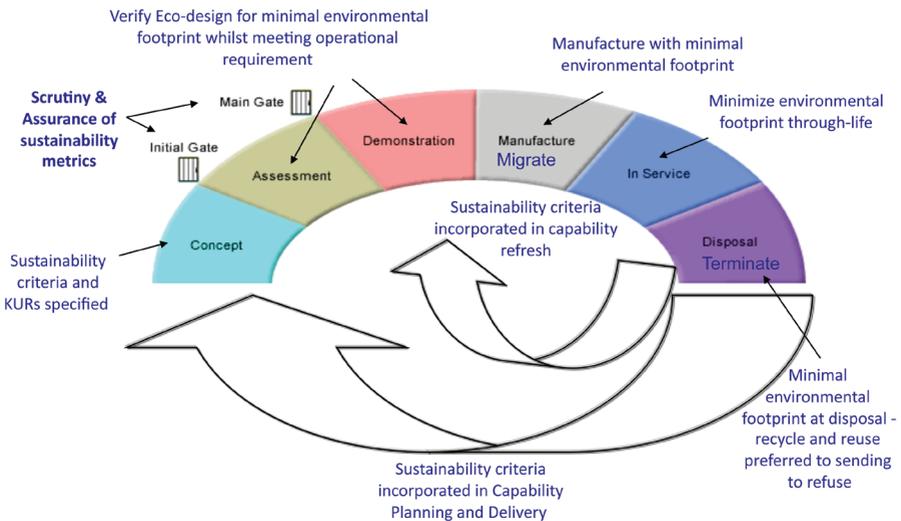
For Estates related sustainability refer to the Sustainability and Environmental Appraisal Tools Handbook.



DE&S and delivery team drivers

Managing sustainability issues within DE&S activity reduces through life costs, better enables an effective approach to resource management and reduces environmental, social and economic risks whilst increasing operational capability.

Ultimately, an appropriately balanced approach to sustainability at DE&S provides Front Line Command (FLC) customers with equipment and support services that are fit for purpose throughout its entire life and drives positive behaviour changes throughout the supplier community.



Applying proportionality and relevance

It is critical to apply proportionality and relevance when embedding sustainability issues into procurement. For example:

1. It could be considered both relevant and proportional to embed a contractual requirement for a number of apprenticeships within a large platform design and build project. However, this would not normally be relevant or proportional for a COTS procurement;
2. It could be considered both relevant and proportional to embed the requirement for a certified environmental management system within a service contract such as grounds maintenance. However, this would not normally be relevant or proportional when establishing a service level agreement for office based software support.

The toolkit will assist in applying proportionality and relevance.

Leadership & Culture

Engagement with SP is part of leadership, communications and culture. The 3* led Sustainable MOD and Energy Steering Group (SMESG) is responsible for providing assurance to the Permanent Under Secretary of Defence by holding Top Level Budget holders and Arm's Length Bodies to account in achieving the objectives of Government and MOD sustainability commitments.

DE&S is expected to support the Front Line Commands in their role as sustainable procurement enablers. Direction on Sustainable Procurement activities within DE&S is provided by the 2* Greening Government Steering Group and the Acquisition Environmental Management Group (AEMG).

Key issues



Climate adaptation and resilience

The National Security Strategy 2015 highlights the need to address climate change which is accelerating the likelihood and significance (as a risk multiplier) of other risks including civil emergencies and natural disasters.

Coupled with population growth and competition over resources, climatic changes are likely to increase the risk of instability and conflict overseas. At the same time, the armed forces are more likely to be tasked with providing humanitarian assistance and disaster relief in response to extreme weather events, including flooding and droughts.

Military capability needs to be designed for both current and the potential for future operating in more extreme environments. This means factoring climate change into long term planning and equipment procurement decision

making and the need to make equipment more adaptable.



Resource use and efficiency

Global population growth and the resulting rise in demand for consumer goods in developed and developing nations is increasing demand for and competition over securing access to the materials which are used in manufacturing. This is often reflected in increasing commodity prices.

On a practical level doing more with less offers efficiency and cost savings.



Energy efficiency

Increasing the energy efficiency of equipment commonly reduces consumption of fuel. There is a direct operational capability advantage in increasing the energy efficiency of equipment and platforms. Additionally, reductions in operational energy requirements

for training, moving and maintaining military forces provide further improved operational capability. The transportation, supply and use of fuel is clearly important but of equal importance is food, water, ammunition and other essential resources. Reducing the requirements and frequency of resupply, particularly in hostile environments where transportation can be targeted reduces the number of service personnel in harm's way but also reduces our armed forces general reliance upon complex and costly operational supply chains.

Cost-savings are an important factor in making the case for increased energy efficiency. For example, deploying water to a theatre of operation can attract similar costs as deploying fuel to the same location. Increasing our deployed forces' ability to locally source or generate energy (such as alternative energy sources) and resource (such as water and food) significantly reduces the fully burdened costs and exposure to the risks of future price instability.



Materials (including materials security)

Threats to the UK's ability to secure the resources it needs were identified in the National Security Strategy / Strategic Defence & Security Review. The White Paper, National Security Through Technology, urged Government and Industry to work together to reduce vulnerability to shortages of supply of materials and energy. Materials security poses a risk to Defence acquisition activities including equipment sustainment and Through Life Capability Management.

Materials Scarcity

Key materials used in defence equipment originate from regions where weak governance, instability, and violent conflict are commonplace. Issues of materials security often overlap with social and ethical issues and therefore potential solutions can be of benefit to both material security and ethical supply.

A material may be considered a risk to capability when it is essential and there is no alternative to it or where supply problems may be encountered. Supply problems can include market forces, geopolitical aspects or legislative impacts. Delivery Teams can ensure that capability solutions are future-proofed against material security risks by embedding appropriate

management within the procurement process.

The EU has generated policy to limit negative impact to its members that includes a list of the critical raw materials here: http://ec.europa.eu/growth/sectors/raw-materials/specific-interest/critical_en

The British Geological Survey has developed a “Risk List” relating to material security. It can be found here: <http://www.bgs.ac.uk/mineralsuk/statistics/riskList.html>

Counterfeit avoidance is an aspect of materials security and relates to managing the risks associated with the spread of fraudulent, substandard and counterfeit material in the supply chain.



Social and ethical considerations

Consideration of relevant social and ethical criteria within public procurement reflects the need to manage risks and capture opportunities for improvement or relevant policy objectives. This includes meeting legal requirements and reducing risk within the supply chain that may impinge on security of supply, reputation or financial liabilities.

Social and ethical considerations include:

- a. Meeting policy commitments and targets of UK Government such as enabling Small and Medium sized enterprises to compete for business;
- b. Meeting legal requirements, such as those contained within the Public Services (Social Value) Act 2012 and the Modern Slavery Act 2015;
- c. Meeting the contracting requirements of MOD Defcon 550 'Child Labour and Employment Law';
- d. Reducing risk within the supply chain that may impinge on security of supply, reputation or financial liabilities;
- e. Delivering UK international development priorities (direct correlation with Department for International Development objectives);
- f. Capturing opportunities for enhancing skills, training and employment and for the third sector (community benefits);
- g. Meeting the UK's obligations under the International Labour Organisation (ILO) core conventions, of which it is a signatory, that seek to enhance labour conditions within developing countries, on which the MOD supply chain can be heavily reliant.



Engagement

In order to effectively influence sustainability within procurement it is essential to engage with stakeholders both up and down the supply chain. DE&S has a pivotal role to play in this engagement and can incubate innovation and step changes via effective communications and messaging.

The POEMS requires that, where appropriate, end users, prime contractors and commercial staff are involved in the environmental committee and therefore have the ability to enact beneficial changes to their requirement, approach or design.

Innovation and technology

Harnessing new and emerging technologies and innovation is an important element of sustainable procurement. Where appropriate to do so, presenting suppliers with well framed challenges and requesting solutions within the procurement process can provide significant and unexpected operational and sustainability benefits.

Contact

DE&S Safety & Environment, Quality and Technology

MOD Abbey Wood, Bristol, BS34 8JH

Tel: 0306 798 2512

Email: DESTECH-QSEPEnv@mod.gov.uk

Design by DE&S Creative
Reference: ABW-18-235
All images are MOD Crown Copyright 2018



Ministry
of Defence