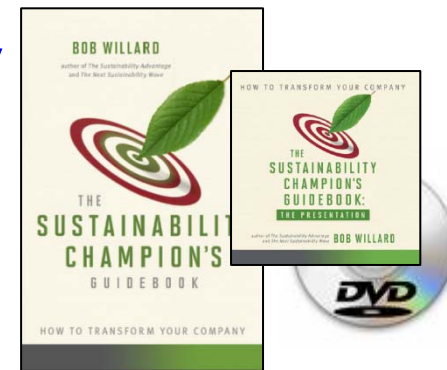


How Procurement Policies Contribute to a \$ustainability Advantage



Advancing Sustainability Through Procurement

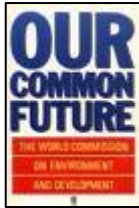
Winnipeg
March 5, 2010



Definitions of Sustainability

Sustainable Development (SD)

Meeting the needs of the present generation without compromising the ability of future generations to meet their own needs



-- Brundtland Commission, 1987 --

Sustainability

The possibility that human and other forms of life on earth will flourish forever

-- John Ehrenfeld, Professor Emeritus. MIT --

Sustainable Development (SD)

Enough - for all - forever

-- African Delegate to Johannesburg (Rio+10) --

Core Concepts of Sustainability



Futures Thinking

Intergenerational responsibility

(Eco-)Systems Thinking

Carrying capacity of the planet
to absorb waste and support life

Social Justice

Equity, Dignity, Basic services, Human rights,
Stakeholder voices

Economic, Environmental, Social/Cultural
responsibilities

Sustainability 3-Legged Stool

Sustainability

Economic Leg

Good Jobs
Fair wages
Security
Infrastructure
Fair Trade



Environmental Leg

0 Pollution & Waste
Renewable Energy
Conservation
Restoration

Social Leg

Working conditions
Health services
Education services
Community & Culture
Social justice

Quality of Life / Genuine Wealth / Genuine Progress

Corporate Sustainability 3-Legged Stool

Sustainability = Sustainable Development (SD)
= Environmental, Social, Governance (ESG)
= Corporate Social Responsibility (CSR)
= Corporate Responsibility (CR) = Green
= Triple Bottom Line (TBL) = 3Es = 3Ps

Economy - Profits

Growth, Jobs,
Taxes
Products
Services



Environment - Planet

Eco-efficiencies
Eco-effectiveness

Equity - People

Employees
Community / Culture
World

Smart Business 3-Legged Stool

Asset Management

Economic / Financial
Capital

Built / Manufactured
Capital



Natural
Capital

Human Capital
Social Capital

Sustainable Value Creation

The 3 R's of Justifying Sustainability



RISKS

+



RESPONSIBILITIES

+



REWARDS

BUSINESS CASE



Risks to Corporate Capitals / Assets: Big-5 Sustainability Storm Fronts



Waste and
Toxicity



Species Extinction and
Overharvesting



Climate Change and
Energy Crises



Poverty and
Social Injustice



Food and Water
Crises

The 3 R's of Justifying Sustainability



RISKS

+



RESPONSIBILITIES

+

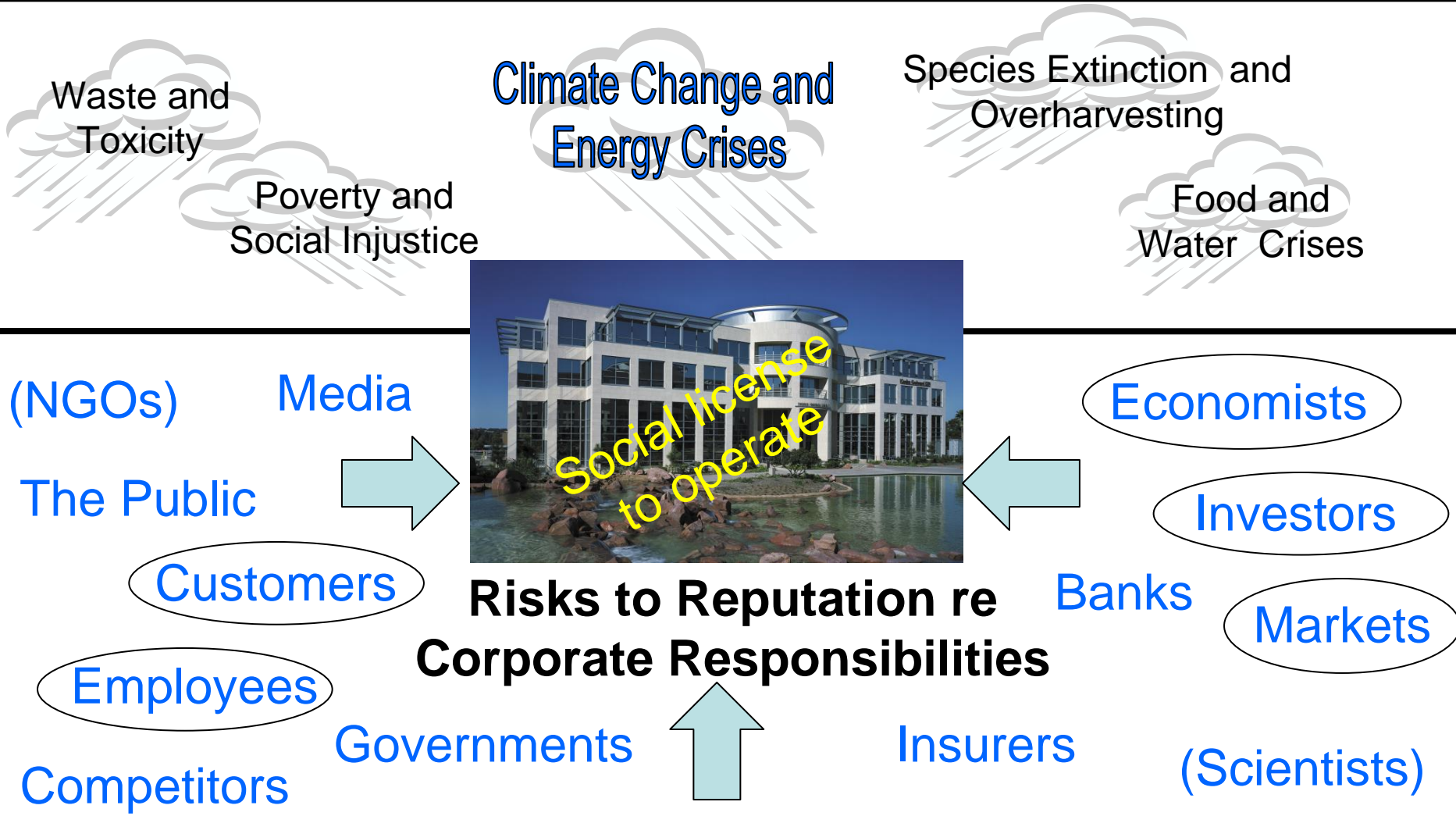


REWARDS

BUSINESS CASE



Risks to Social Capital: Stakeholders' Rising Expectations



The 3 R's of Justifying Sustainability



RISKS

+



RESPONSIBILITIES

+



REWARDS

BUSINESS CASE



The 3 R's of Justifying Sustainability



RISKS

+



RESPONSIBILITIES

+

SME
Companies:
At least 66%
more profit



REWARDS



Large
Companies:
At least 38%
more profit

BUSINESS CASE

Potential Improvements

REPUTATION

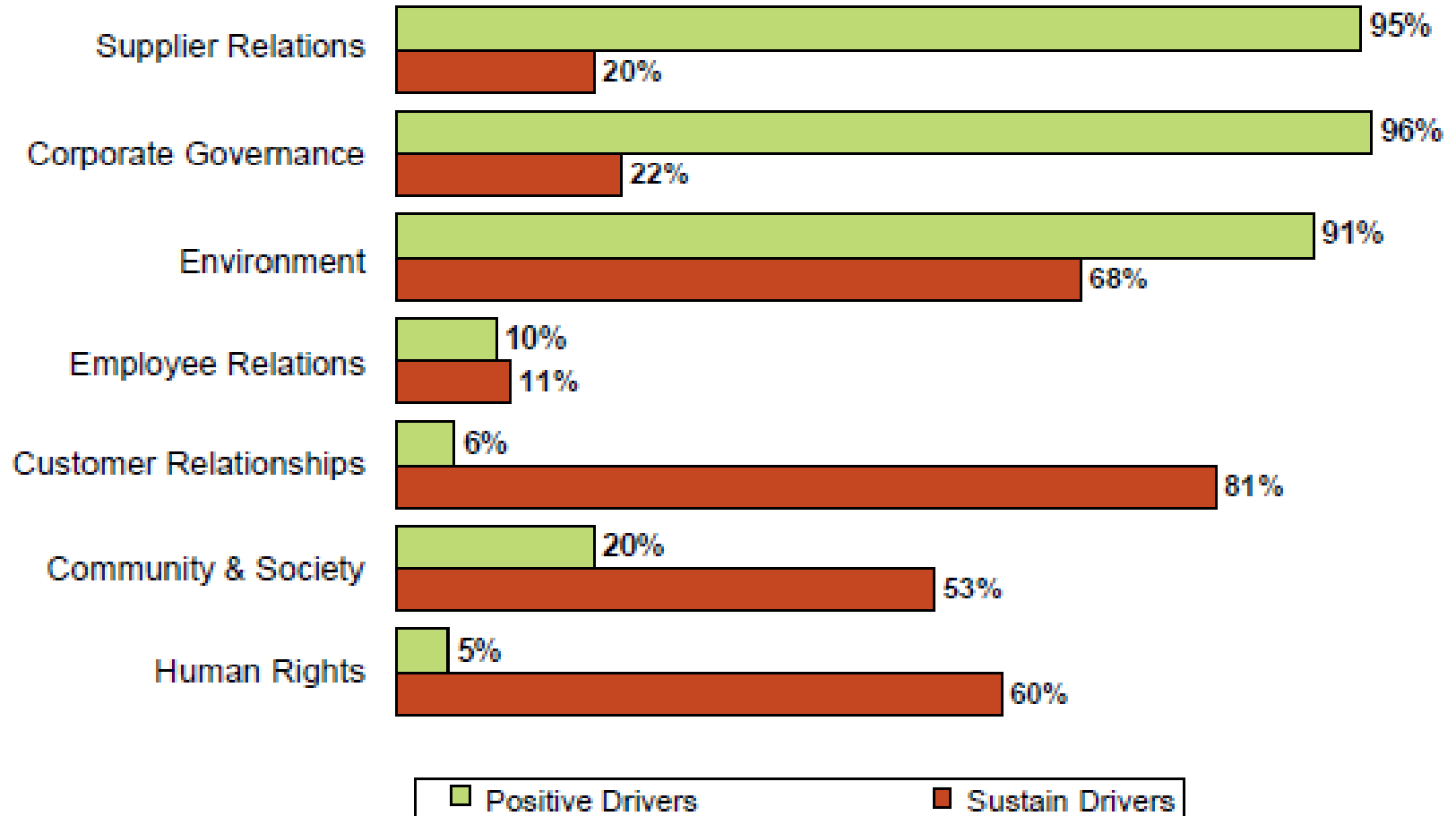
1. Reduced recruiting costs -1%
2. Reduced attrition costs -2%
3. Increased employee productivity +6%
4. Eco-efficiencies: savings in energy, water, materials, waste handling -10%
5. Increased revenue / market share +5%
6. Lower insurance & borrowing costs -5%

... yielding a profit increase of **+66%**



Drivers of CSR Perceptions

Percent of organizations where the dimension is a Top 3 driver of Corporate Social Responsibility*:



“Business Sustainability and Employee Engagement” presentation by Ted Emond, Hewitt Associates, at CCSR and NBS event, Toronto, Feb. 24, 2010

The 3 R's of Justifying Sustainability



RISKS

+



Responsibility

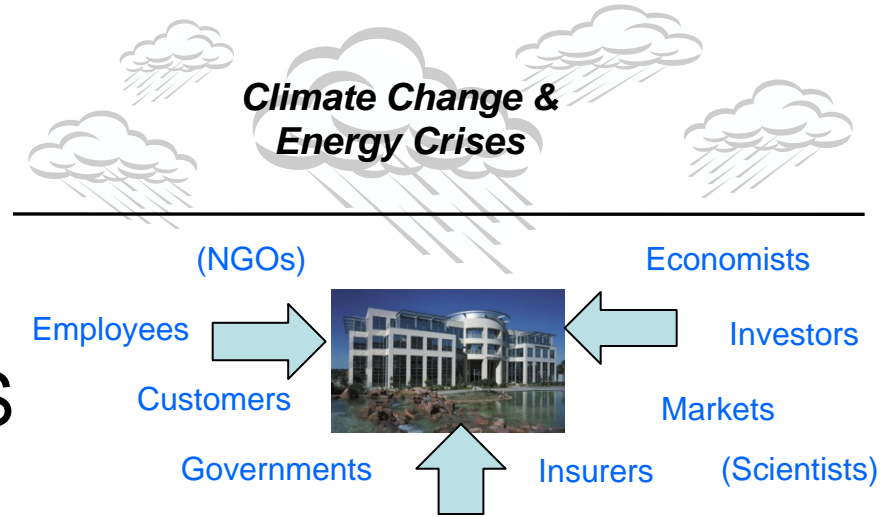
RESPONSIBILITIES

+



REWARDS

BUSINESS CASE



**At least 38% to 66%
more Profit**

Municipal “3-Legged Stool”

Sustainable Community

Economic Security

Responsible
businesses,
Jobs, Tax base

Infrastructure and Built Environment

Public transit,
Energy-efficient
buildings



Ecological Integrity

Air, Land, Water,
Biodiversity, Local
renewable energy,
Zero waste

Governance and Empowerment

Social Well-being
Health care, Safety,
Education, Housing,
Culture

Smart Community 3-Legged Stool

Resilient Community

Economic / Financial
Capital

Physical / Built
Capital



Natural
Capital

Human Capital
Passion Capital
Social Capital
Cultural Capital
Political Capital

Community Value Creation

Cheryl Jacobs, "Measuring Success in Communities," 2007
<http://agbiopubs.sdstate.edu/articles/ExEx16005.pdf>

Potential Improvements - Municipal

1. Reduced recruiting costs
2. Reduced attrition costs
3. Increased employee productivity
4. Eco-efficiencies: savings in energy, water, materials, waste handling

Same
as for a
business

5. Reduced infrastructure costs / more efficient use of tax revenues
6. Increased public trust & confidence / Increased leverage of social capital / Magnet for companies and citizens

Huge potential

REPUTATION



Municipal “3-Legged Stool”

Sustainable Community

Economic Security

Responsible
businesses,
Jobs, Tax base

Infrastructure and Built Environment

Public transit,
Energy-efficient
buildings



Ecological Integrity

Air, Land, Water,
Biodiversity, Local
renewable energy,
Zero waste

Governance and Empowerment

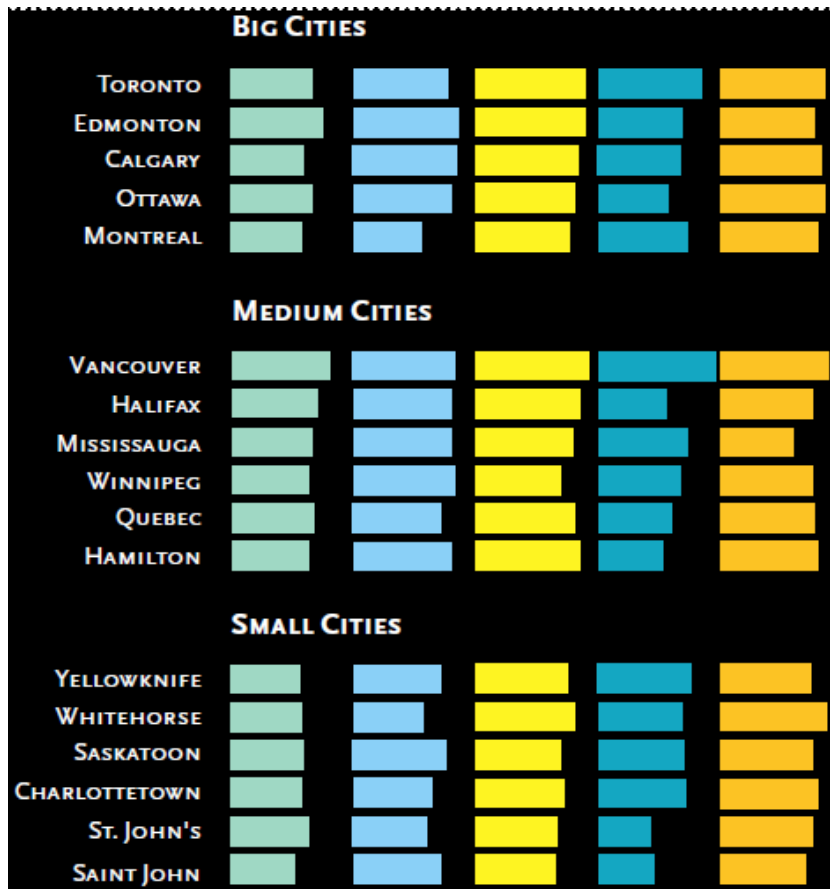
Social Well-being
Health care, Safety,
Education, Housing,
Culture

Ranking of Sustainable Canadian Cities

Ecological Integrity Economic Security Governance & Empowerment Infrastructure & Built Envir't Social Well-Being



Winnipeg's Score



“Winnipeg is planning to do more with the strength of many. With an active **transportation stimulus plan** and **community GHG and waste reduction strategies** in the works, the Peg stands to improve in coming years. Sustainability gaps: **no ban on the use of pesticides** and **minimal effort to support regional economic development.**”

Winnipeg Citizen Engagement

Call To Action

for **OurWinnipeg**[™]

Vision & Directions for the OurWinnipeg Plan

SpeakUpWinnipeg.com website:	1,600 posts
Roundtables and Workshops:	800 participants
Speak Up Squad Street Team:	13,500 connections
Mayor's Symposium on Sustainability:	267 participants
City Building Charrette:	500 participants
Focused Neighbourhood Discussions:	220 participants
Open Houses for Call to Action:	300 participants

15 Directions for OurWinnipeg Plan



Call to Action for Our Winnipeg, January 2010

Purchasing Power

TerraChoice 2008 survey of \$78B of purchasing power in Canada and the U.S.

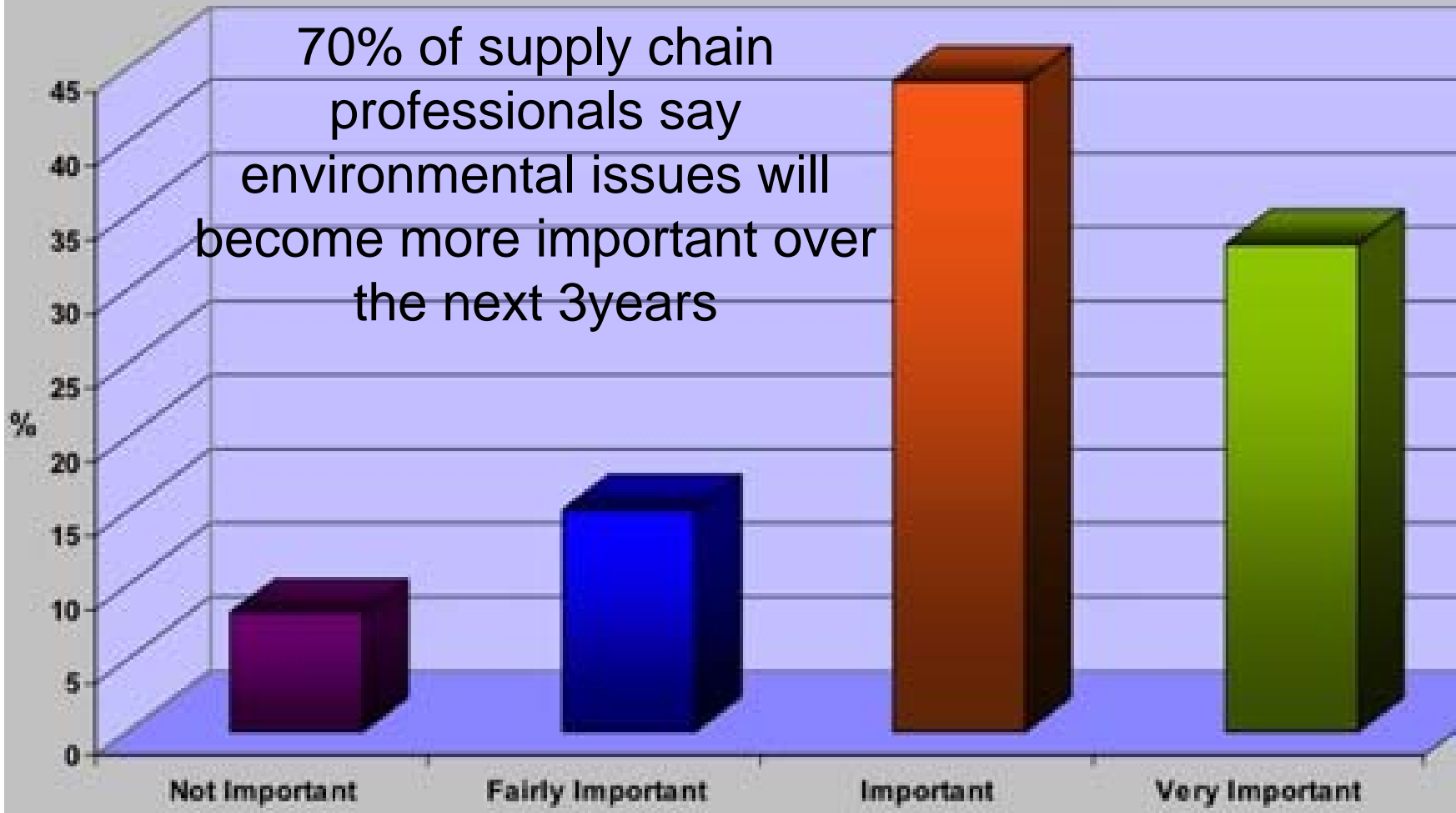
68% of North American organizations increased their green purchasing in the past 12 months

91% of purchasers believe they will become more active green purchasers over the next two years

Purchaser-supplier collaborations are turning out to be a gold mine of product and service innovation, improved social and environmental conditions, and long-term economic benefits for both parties.

Greening the Supply Chain

Importance of Environmental Issues to Supply Chain Strategy



Sustainable Procurement: U.S. Gov't



President Obama Executive Order (Oct. 2009)

For all U.S. Federal Agencies

Impacts 500,000 buildings and 600,000 vehicles

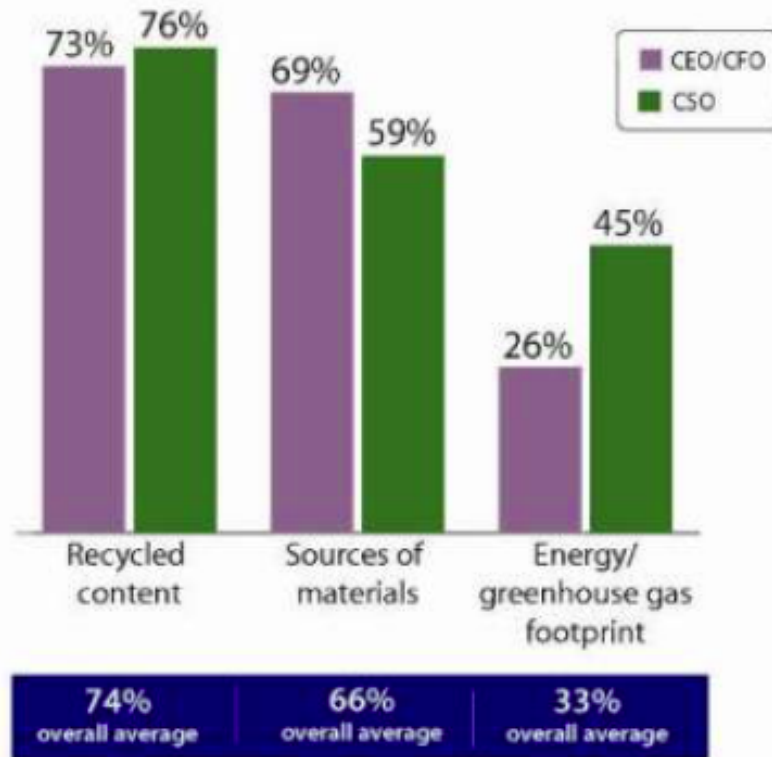
Impacts \$500B / Yr spent on goods and services

Largest consumer of energy in the U.S. economy

- Federal agencies must set 2020 GHG emissions reduction goals within 90 days
- Green procurement policy covers 95% of new acquisitions
- 30% reduction in fleet gasoline by 2020
- 26% boost in water efficiency by 2020
- 50% waste recycling and diversion rate by 2015
- Net-zero-energy building requirement by 2030
- General Services Administration must explore feasibility of tracking vendor GHGs

Ripple Effect in Supply Chains

- Over half (53%) requiring vendors and suppliers to incorporate sustainability
- Most requested information from vendors includes:



Wal-Mart Leading the Way

- Leveraging purchasing power to drive demand
- July 2009: Announced reporting guidelines for 100,000 suppliers
- Eventually all vendors and suppliers will be required to have their products indexed

C-suite survey of 203 large U.S. enterprises, Feb.-Mar. 2009

Wal-Mart Sustainability Index 15Qs

Energy and Climate: Reducing Energy Costs and GHGs

1. Have you measured your corporate greenhouse gas emissions (GHGs)?
2. Have you opted to report your GHGs to the Carbon Disclosure Project (CDP)?
3. What is your total annual GHGs reported in the most recent year measured?
4. Have you set publicly available GHG reduction targets? What are they?

Material Efficiency: Reducing Waste and Enhancing Quality

1. Total amount of solid waste from facilities that produce product(s) for Wal-Mart?
2. Have you set publicly available solid waste reduction targets? Target?
3. Total water use from facilities that produce product(s) for Wal-Mart?
4. Publicly available water use reduction targets? If yes, what are those targets?

Natural Resources: High Quality; Responsibly-Sourced Raw Materials

1. Public sustainability purchasing guidelines for your direct supplier(s)?
2. 3rd party certifications for any of the products that you sell to Wal-Mart?

People and Community: Ensuring Responsible and Ethical Production

1. Location of 100% of the facilities that produce your product(s)?
2. Evaluate the quality of, and capacity for, supplier manufacturing & production?
3. Process for managing social compliance at the manufacturing level?
4. Do you work with your supply base to resolve compliance issues?
5. Invest in community development in markets you source from / operate within?

Wal-Mart Carbon Reduction Goal ... in Supply Chain

90% of Wal-Mart's carbon footprint is in its supply chain

Plans to eliminate 20M metric tons of GHG emissions from its global supply chain by the end of 2015 (Feb 2010)

Equivalent to Wal-Mart's current carbon emissions, or 1.5 times its anticipated 5-year carbon footprint growth, or taking 3.8M cars off the road for a year

Will collaborate with the Environmental Defense Fund, PwC, ClearCarbon Inc., the Carbon Disclosure Project, and the Applied Sustainability Center at U Arkansas to:

1. work with high-payback sector suppliers (apparel, food, and electrical products),
2. quantify life-cycle reductions, and
3. verify GHG reductions



Sustainability Consortium

An independent, global group of scientists and engineers from leading **academic, NGO, Governmental, and industrial** research institutions developing the science to support the **indexing of consumer products** throughout all phases of the product's life



Founding Partners



In Summary ...

Sustainability is smart business

Procurement policies can accelerate progress

New market forces & risks are in play

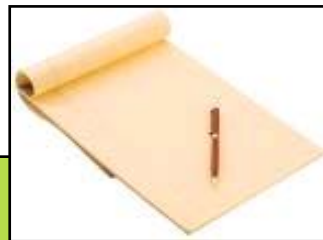
Important stakeholders' expectations are rising

Relevant to existing organizational priorities

Can protect & enhance organizational values

Many willing, helpful partners

Opportunity for leadership ... by example



How Procurement Policies Contribute to a Sustainability Advantage



Advancing Sustainability Through Procurement

Winnipeg
March 5, 2010

