



**Australian Government**  
**Department of Industry,  
Innovation and Science**



# **SUSTAINABLE PROCUREMENT STRATEGY**

*Developing Social Impact in Procurement*

**November 2015**

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## Social Impact-In Context

The Commonwealth purchases more than \$41 billion worth of goods and services each year. This represents a substantial market power, directly assisting in the development of business opportunities for suppliers.

Decisions made in each procurement process serve to achieve the objectives of Commonwealth policies. The Industry, Innovation and Science portfolio focus is to promote technological, social and environmental innovation and shaping businesses, industries and the workforce to turn these opportunities into action. This position brings with it a responsibility to society—to the communities where we conduct business.

Corporate responsibility is emerging as an issue of critical importance in the Australian Business Community. Value for money has long been seen as a direct outcome focused activity. Measuring value in terms of the indirect outcomes to the economy, the community and the environment is developing in importance.

The purpose of this strategy is to align the Department's core objectives with the strategic procurement framework in relation to social impact.

# Sustainable Procurement Strategy

## Mission Statement

*To promote corporate responsibility and increase awareness of the social considerations in the procurement lifecycle. To create innovation through supplier diversity.*

## Social policies which are connected to Procurement

This strategy emphasises the social procurement policies affecting:

- people with a disability
- indigenous people
- gender equality
- small to medium business
- environmental impact and sustainability
- innovation and competitiveness.

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*‘Corporate responsibility is emerging as an issue of critical importance in Australia’s business community...’*

PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

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## Key Principles

1. Achieving value for money is a core rule of Australian Government procurement. The price of a good or service is not the sole determining factor in assessing value for money. Comparing the relevant financial and non-financial costs and benefits of alternative solutions will inform the value for money assessment.
2. The use of the strategy provides meaningful employment opportunities for people. In turn, their contribution adds value to families, the community and their employer. Benefits may include fulfilling cultural obligations and contributions to cultural practices, financial security and creating positive role models in the community.
3. Businesses supported by this strategy create innovation through risk taking, entrepreneurship, investment, supplier diversity and sustainable practices. Competition also encourages innovative businesses to enter the market, inspires existing businesses to improve and allows more productive businesses to replace others.
4. Corporate social responsibility is achieved when people are able to access and enjoy the same rewards, resources and opportunities regardless of personal circumstances.
5. Minimising environmental impacts over the life of the goods and services by choosing products or services that have lower adverse impacts associated with any stage in their production, use or disposal.
6. Officials should not include unnecessary requirements (such as levels of insurance, restrictions on IP, etc) which may create barriers with a business supported by this strategy.

## Sustainable Procurement Strategy

The Department will:

- use the Social Impact Assessment Tool as part of considering Value for Money
- advocate second tier arrangements with businesses and initiatives relating to Social Impact
- utilise businesses supported in this Strategy for corporate managed services related procurement
- create an awareness campaign and educate staff on Social Impact in Procurement
- improve reporting and measurement against social impact with a continued focus on improvement.

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*The key to developing Corporate Responsibility is to tap into the ‘Low Hanging Fruit’.*

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## *How does it work?*

The Sustainable Procurement Strategy is designed to align social policy with Departmental processes without creating additional red tape. This is done by making decisions with the awareness of the impact on the community.

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*Implementing Corporate Responsibility in policy is about raising social awareness without creating red tape.*

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## *Social Impact Assessment Tool*

Introducing Social Impact into the Department's standard assessment criteria (Capability, Capacity, Price and Risk) assists the Department in assessing social considerations as part of value for money. The Social Impact Assessment Tool, available at Attachment A, outlines the broader social impact considerations.

Along with the Social Impact Assessment Tool, officials should consider the policies, outlined in the following links:

- Australian Disability Enterprise
- Indigenous Business
- Gender equality
- Small to Medium Enterprise (SME)
- Sustainability
- Innovation and Competitiveness.

The Department's standard procurement templates and guidance has been updated to include Social Impact as part of the approach to market and evaluation stages.

## *Second Tier*

Prior to approaching suppliers under the Sustainable Procurement Strategy, it is important to consider the ability of suppliers to undertake the work required. When undertaking market analysis, you may identify a lack of experience to undertake the full requirement or achieve a value for money outcome.

Where this is the case, officials should consider a second tier arrangement. A second tier arrangement is one which may include sub-contract, partnership or third party procurement arrangements. A second tier arrangement offers business the opportunity to develop partnerships and gain experience, assisting with growing industry.

The Department's standard templates have been updated to request suppliers to demonstrate where second tier arrangements with suppliers under the Social Impact criteria apply.

## *Reporting*

The Department undertakes a number of existing reporting requirements to meet targets for some of the above procurement policies. However, the Department has implemented reporting measures via the Contracts Module for identifying initiatives directly related to the Sustainable Procurement Strategy.

In addition to the external Whole of Government reporting requirements, Sustainable Procurement Strategy initiatives will be identified and reported to Heads of Division and the Executive.

# Attachment A–Social Impact Assessment Tool

Officials should consider the approaches outlined below as additional enhancements to their process.

BENEFIT	IMPACT	APPROACH
<b>Environmental sustainability</b>	<p>Reduce the adverse environmental, social and economic impacts of purchased products and services throughout their life. Examples include:</p> <ul style="list-style-type: none"> <li>• inputs of natural resources, energy and water in the manufacture, use and disposal of goods</li> <li>• pollution produced from the manufacture, use and disposal of goods</li> <li>• costs of operation and maintenance over the life of the goods</li> <li>• labour conditions in the manufacture, use and disposal of goods or delivery of services</li> <li>• loss of flora and fauna resulting from the removal or alteration of natural resources.</li> </ul>	<p>Potential suppliers may be required to complete a questionnaire as part of a tender submission. This approach could ensure that all potential suppliers that make it to tender assessment meet minimum standards of management and performance.</p> <p>Measure and track the performance of the existing supply chain throughout the contract.</p> <p>Include a section within the capacity for environmentally innovative solutions.</p>
<b>Industry sustainability</b>	<ul style="list-style-type: none"> <li>• Strengthening the economy and ensuring its financial and environmental sustainability.</li> </ul>	<p>Potential suppliers may be required to demonstrate their use of the local economy as part of the supplier chain.</p>
<b>Social inclusion</b>	<ul style="list-style-type: none"> <li>• Promoting openness and equal opportunity for community groups</li> <li>• Building social capital in the community.</li> </ul>	<p>Potential suppliers may be required to demonstrate gender equality or their use of community groups within the supplier chain.</p>
<b>Employment and training</b>	<ul style="list-style-type: none"> <li>• Creating employment opportunities</li> <li>• Developing practical training to build long-term employment opportunities.</li> </ul>	<p>Where the market has limited experience in the nature of the product/service, potential suppliers may be required to demonstrate employment or training opportunities within the business/community.</p>
<b>Diversity and equality</b>	<ul style="list-style-type: none"> <li>• Ensuring all businesses have the same opportunity to tender for contracts</li> <li>• Ensuring that the supply markets around essential and key services remain diverse and vibrant</li> <li>• Ensuring that suppliers such as small to medium-sized enterprises (SMEs), businesses employing people with a disability and indigenous businesses are well-positioned to prosper in the economy</li> </ul>	<p>Potential suppliers may be required to outline any initiatives the business has implemented to improve corporate responsibility.</p> <p>Potential suppliers may be required to demonstrate diversity through their use of SMEs, ADEs or indigenous businesses within the supplier chain.</p>
<b>Developing innovation</b>	<ul style="list-style-type: none"> <li>• Creating a more innovative supplier chain through risk taking, entrepreneurship, investment and diversity.</li> <li>• Fostering a new social economy, addressing service gaps by piloting joint ventures between the Department and external partners. Fostering innovation to build skills and connections to grow and overcome difficulties in developing new capabilities.</li> </ul>	<p>Potential suppliers may be required to include case studies of innovation through</p> <ul style="list-style-type: none"> <li>• supplier diversity practises</li> <li>• new work practices and capabilities to improve business competitiveness</li> <li>• adaptable and streamlined thinking</li> <li>• new and emerging opportunities and technology</li> </ul>