

Sustainable Procurement

Sustainable Procurement Key Terms and Vocabulary

Sustainable procurement is an essential aspect of modern supply chain management, focusing on the environmental, social, and economic impacts of purchasing decisions. This approach goes beyond traditional cost-saving measures to consider the long-term effects of procurement activities on people, the planet, and profits. To successfully implement sustainable procurement practices, professionals in the field must be familiar with key terms and vocabulary that are central to this concept. In this guide, we will explore important terms related to sustainable procurement to help you navigate this complex and evolving field.

1. Sustainable Procurement

Sustainable procurement refers to the process of purchasing goods and services in a way that considers the social, environmental, and economic impacts of those purchases. It involves balancing the need for cost-effective procurement with the goal of minimizing negative effects on people and the planet. Sustainable procurement aims to promote ethical sourcing, reduce waste, and support responsible business practices.

2. Triple Bottom Line

The triple bottom line is a framework that considers three key aspects of sustainability: people, planet, and profits. In the context of sustainable procurement, this means evaluating purchasing decisions based on their social, environmental, and economic impacts. By taking a triple bottom line approach, organizations can ensure that their procurement practices are aligned with their sustainability goals.

3. Green Procurement

Green procurement focuses specifically on the environmental impact of purchasing decisions. It involves selecting products and services that are environmentally friendly, energy-efficient, and produced using sustainable practices. Green procurement aims to reduce carbon emissions, minimize waste, and promote the use of renewable resources.

4. Social Procurement

Social procurement focuses on the social impact of purchasing decisions. This includes considerations such as fair labor practices, diversity and inclusion, and supporting local communities. Social procurement aims to ensure that suppliers treat their workers fairly, promote diversity in their workforce, and contribute positively to the communities in which they operate.

5. Circular Procurement

Circular procurement is a strategy that aims to minimize waste and resource consumption by keeping products and materials in use for as long as possible. This involves designing products for longevity, reusing

materials, and recycling components at the end of their life cycle. Circular procurement helps reduce the environmental impact of procurement activities and supports a more sustainable economy.

6. Ethical Sourcing

Ethical sourcing involves selecting suppliers that adhere to responsible business practices and ethical standards. This includes considerations such as fair labor practices, human rights, and anti-corruption measures. Ethical sourcing aims to ensure that products are produced in a socially responsible manner and that suppliers treat their workers and communities fairly.

7. Supplier Diversity

Supplier diversity refers to the practice of sourcing goods and services from a wide range of suppliers, including minority-owned, women-owned, and small businesses. Supplier diversity programs aim to promote inclusivity and provide opportunities for underrepresented groups in the procurement process. By diversifying their supplier base, organizations can support economic development and foster innovation.

8. Life Cycle Assessment

Life cycle assessment (LCA) is a method used to evaluate the environmental impacts of a product or service throughout its entire life cycle, from raw material extraction to disposal. LCA considers factors such as energy consumption, greenhouse gas emissions, and waste generation to quantify the environmental footprint of a product. By conducting LCAs, organizations can identify opportunities to reduce the environmental impact of their procurement decisions.

9. Sustainable Supply Chain

A sustainable supply chain is a network of organizations, suppliers, and partners that work together to minimize the environmental and social impacts of their operations. A sustainable supply chain considers factors such as ethical sourcing, carbon emissions, waste management, and social responsibility. By collaborating with suppliers and other stakeholders, organizations can create a more sustainable supply chain that benefits the environment and society.

10. Certification and Standards

Certification and standards play a crucial role in sustainable procurement by providing guidelines and criteria for evaluating the sustainability performance of products and suppliers. Examples of certifications and standards include Fair Trade, Forest Stewardship Council (FSC), and ISO 14001. By selecting products and suppliers that meet these certifications and standards, organizations can ensure that their procurement practices align with sustainable principles.

11. Greenwashing

Greenwashing refers to the practice of misleading consumers and stakeholders by presenting a product or company as more environmentally friendly than it actually is. Greenwashing can undermine the credibility of sustainable procurement efforts and erode trust in the organization. To avoid greenwashing, organizations

should ensure that their sustainability claims are transparent, accurate, and backed by evidence.

12. Risk Management

Risk management is a critical aspect of sustainable procurement that involves identifying, assessing, and mitigating risks associated with purchasing decisions. Risks in sustainable procurement can include supply chain disruptions, environmental liabilities, and reputational damage. By implementing robust risk management processes, organizations can protect themselves from potential threats and ensure the sustainability of their procurement activities.

13. Stakeholder Engagement

Stakeholder engagement is essential for successful sustainable procurement, as it involves collaborating with internal and external stakeholders to align procurement activities with sustainability goals. Stakeholders in sustainable procurement may include employees, customers, suppliers, and community members. By engaging with stakeholders and soliciting their input, organizations can build support for sustainable procurement initiatives and enhance their social license to operate.

14. Transparency and Reporting

Transparency and reporting are key principles of sustainable procurement that involve disclosing information about procurement practices, performance, and impacts. Transparent reporting allows organizations to track their progress towards sustainability goals, communicate their achievements to stakeholders, and hold themselves accountable for their actions. By being transparent about their procurement practices, organizations can build trust with customers, investors, and the public.

15. Continuous Improvement

Continuous improvement is a fundamental principle of sustainable procurement that involves regularly reviewing and enhancing procurement processes to achieve better sustainability outcomes. By adopting a mindset of continuous improvement, organizations can identify opportunities for innovation, efficiency, and sustainability in their procurement activities. Continuous improvement ensures that sustainable procurement remains a priority and evolves in response to changing business and environmental conditions.

16. Supply Chain Resilience

Supply chain resilience refers to the ability of a supply chain to withstand and recover from disruptions, such as natural disasters, geopolitical events, or economic downturns. In the context of sustainable procurement, supply chain resilience involves building robust, flexible supply chains that can adapt to changing conditions while maintaining sustainability goals. By enhancing supply chain resilience, organizations can minimize risks and ensure the continuity of their operations.

17. Collaborative Procurement

Collaborative procurement involves partnering with other organizations, suppliers, or stakeholders to

achieve common sustainability goals. By pooling resources, sharing best practices, and leveraging collective bargaining power, organizations can drive sustainability improvements across their supply chains. Collaborative procurement enables organizations to maximize their impact and create positive change on a larger scale.

18. Total Cost of Ownership

Total cost of ownership (TCO) is a financial calculation that considers the total cost of acquiring, using, and disposing of a product or service over its entire life cycle. TCO takes into account not only the purchase price but also factors such as maintenance, energy consumption, and end-of-life disposal costs. By calculating TCO, organizations can make more informed procurement decisions that consider the full economic impact of their purchases.

19. Environmental Management System

An environmental management system (EMS) is a framework that helps organizations manage their environmental responsibilities in a systematic and effective manner. EMSs provide a structured approach to identifying, assessing, and managing environmental risks and opportunities within an organization. By implementing an EMS, organizations can improve their environmental performance, comply with regulations, and demonstrate their commitment to sustainability.

20. Supplier Code of Conduct

A supplier code of conduct is a set of ethical and social standards that suppliers are expected to adhere to when doing business with an organization. Supplier codes of conduct typically cover areas such as labor practices, human rights, environmental impact, and business ethics. By requiring suppliers to comply with a code of conduct, organizations can ensure that their supply chain reflects their values and commitments to sustainability.

21. Sustainable Development Goals

The Sustainable Development Goals (SDGs) are a set of 17 global goals established by the United Nations to achieve a more sustainable and equitable world by 2030. The SDGs address a wide range of social, environmental, and economic challenges, including poverty, inequality, climate change, and sustainable consumption. By aligning their procurement practices with the SDGs, organizations can contribute to the global effort to build a more sustainable future.

22. Procurement KPIs

Key performance indicators (KPIs) are metrics used to evaluate the effectiveness and efficiency of procurement activities. In the context of sustainable procurement, KPIs may include indicators such as carbon emissions, waste reduction, supplier diversity, and ethical sourcing compliance. By tracking and measuring procurement KPIs, organizations can monitor their progress towards sustainability goals and identify areas for improvement.

23. Reshoring

Reshoring is the practice of bringing manufacturing or sourcing operations back to the organization's home country or region, often in response to concerns about supply chain resilience, quality control, or sustainability. Reshoring can help organizations reduce their environmental footprint, support local economies, and improve transparency and oversight in their supply chains. By reshoring production, organizations can enhance their sustainability credentials and reduce risks associated with global supply chains.

24. Conflict Minerals

Conflict minerals are minerals sourced from regions where armed conflict and human rights abuses are prevalent. Common conflict minerals include tantalum, tin, tungsten, and gold, which are used in a wide range of consumer electronics and other products. Organizations that use conflict minerals in their supply chains may be inadvertently supporting armed groups and contributing to human rights violations. By implementing policies to trace and avoid conflict minerals, organizations can promote ethical and responsible sourcing practices.

25. Ecolabels

Ecolabels are certifications or labels that indicate a product has met certain environmental or sustainability standards. Examples of ecolabels include ENERGY STAR, USDA Organic, and the EU Ecolabel. By choosing products with recognized ecolabels, organizations can ensure that their purchases meet specific environmental criteria and contribute to their sustainability goals. Ecolabels help consumers and businesses make informed choices about the products they buy and support environmentally friendly practices.

26. Sustainable Packaging

Sustainable packaging refers to packaging materials and designs that minimize environmental impact throughout the packaging life cycle. This includes using recycled or biodegradable materials, reducing packaging waste, and optimizing packaging size and weight. Sustainable packaging aims to reduce carbon emissions, conserve resources, and minimize pollution associated with packaging production and disposal. By adopting sustainable packaging practices, organizations can reduce their environmental footprint and support a circular economy.

27. Carbon Footprint

A carbon footprint is the total amount of greenhouse gas emissions produced directly or indirectly by an individual, organization, product, or activity. In the context of sustainable procurement, calculating and reducing the carbon footprint of procurement activities is critical for mitigating climate change and promoting environmental sustainability. By measuring and managing their carbon footprint, organizations can identify opportunities to reduce emissions, improve energy efficiency, and support low-carbon procurement practices.

28. Supplier Audits

Supplier audits are assessments conducted to evaluate the performance of suppliers against specific criteria,

such as quality, sustainability, and compliance with standards. In sustainable procurement, supplier audits help organizations ensure that their suppliers meet ethical, social, and environmental requirements. By conducting regular supplier audits, organizations can monitor supplier performance, address non-compliance issues, and maintain a responsible and sustainable supply chain.

29. Social Impact Assessment

A social impact assessment is a process used to evaluate the social consequences of a project, program, or policy on stakeholders, communities, and society. In sustainable procurement, social impact assessments help organizations understand the social implications of their purchasing decisions and identify opportunities to create positive social change. By conducting social impact assessments, organizations can ensure that their procurement practices contribute to social welfare, diversity, and inclusivity.

30. Supplier Collaboration

Supplier collaboration involves working closely with suppliers to achieve shared sustainability goals and improve the overall performance of the supply chain. By collaborating with suppliers, organizations can exchange knowledge, share best practices, and drive innovation in sustainable procurement. Supplier collaboration enables organizations to build strong relationships with suppliers, promote transparency and accountability, and create value for all stakeholders involved in the procurement process.

In conclusion, sustainable procurement is a multifaceted and dynamic field that requires a deep understanding of key terms and concepts related to sustainability, social responsibility, and environmental stewardship. By mastering the vocabulary and principles outlined in this guide, procurement professionals can effectively navigate the challenges and opportunities of sustainable procurement and drive positive change within their organizations and supply chains. By embracing sustainable procurement practices and integrating sustainability considerations into their procurement processes, organizations can create value, reduce risks, and contribute to a more sustainable and resilient future.