“Green Procurement is smart procurement – it means improving the efficiency of public procurement at the same time using public market power to bring about major environmental benefits locally and globally.”

*European Commission definition*

“Businesses and Governments which have introduced sustainable procurement report between 8% and 30% efficiency improvements – which go straight to the bottom line.”
Understanding sustainable procurement

Price in the past has been the single most important factor in public sector procurement. Now social and environmental factors are also becoming factors in awarding contracts here and offshore.

It’s not about being green. It’s about cutting costs by buying more efficiently and getting best value for money.

Businesses and Governments which have introduced sustainable procurement report between 8% and 30% efficiency improvements – which go straight to the bottom line.

Sustainable public procurement means Government agencies must consider long-term economic viability, minimising environmental impact and being socially responsible when procuring goods, services or works at all stages of the project. Instead of considering only the Day One price, they must consider the comparative costs and benefits of products and services throughout their operational life.

Areas now given priority for sustainable procurement include:

- building and construction
- food
- energy
- waste
- office equipment
- paper and printing
- transport (air travel and vehicle fleets)
- cleaning contracts
- clothing and uniforms.

The New Zealand Government has an extensive impact on the environment through its large workforce, its owned and leased buildings, IT, paper use and vehicle fleet.

This guide focuses on goods and services which are worth between $14 and $20\(^1\) billion of taxpayer’s money each year – and an additional $ 5.6 billion of ratepayer’s money across 85 local authorities\(^2\).

It does not include capital projects such as building and construction which are subject to a separate Government programme.

The guide is primarily for sales and project managers from small and medium-sized enterprises, and corporations who trade with local and central Government departments and want to win and keep business by understanding and meeting the new sustainable purchasing requirements.

Some companies already find themselves excluded from tenders because they do not conform to the new requirements.

The guide should also be read in conjunction with the Business Council’s Guide to a Sustainable Supply Chain which provides “How To” advice on introducing sustainable procurement policies.

Review confirms sustainable procurement ‘business as usual’

Sustainable procurement is continuing in the state sector following a review of procurement policies by the new National-led Government, elected in November, 2008.

In June 2009, as a result of the review the Government announced it was reforming state sector procurement, to look for cost savings, build procurement capacity, enhance business participation and improve governance, oversight and accountability.

The Ministry of Economic Development has told the Business Council it now regards sustainable procurement practices to be part of “business as usual”.

The New Zealand Government has an extensive impact on the environment through its large workforce, its owned and leased buildings, IT, paper use and vehicle fleet.

Centres of excellence being established to let the first all-of-government contracts will be required to identify and implement sustainability criteria in the contracts.

The top 10 agencies by risk and value (including those acting as a centre of excellence) will be independently assessed on their procurement approach, skills, and outcomes. This assessment will explicitly include sustainability performance.

At June 2009 about 200 Government employees had been on sustainable procurement training.

The guide should also be read in conjunction with the Business Council’s Guide to a Sustainable Supply Chain which provides “How To” advice on introducing sustainable procurement policies.

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\(^1\)www.med.govt.nz/upload/50471/anz-framework.pdf

$25 billion+ market opportunity

Government market size and influence

Public procurement spending on goods and services amounts to as much as 15% of New Zealand’s gross domestic product. It is worth between $14 and $20 billion a year. Add to this $5.6 billion spent every year by local and regional councils on goods and services and the central and local government procurement market could be worth more than $25 billion a year.

This purchasing power can have significant market impact, influencing suppliers and setting an example for the commercial sector. Sustainable procurement by some Government agencies is now providing industry with incentives to develop new and better technologies and encourage sustainable patterns of behaviour.

China has issued a green products inventory for greening Government procurement at the central and provincial level with implementation underway.

EU public procurement Directives have reduced prices paid by public authorities for goods and services by more than 30%.

Corporate shift

Retailers and brand owners have a huge influence on driving change by producing and selling sustainable products. Worldwide, many corporations have already made the shift to sustainable procurement.

Where once this was expected to be cost neutral, global retailer Wal-Mart has publicly recognised that quality and sustainability may cost more:

“We favour - and in some cases even pay more - for suppliers that share our commitment to quality and sustainability. Paying more in the short term for quality will mean paying less in the long term as a company.”

Lee Scott, CEO Wal-Mart

Government procurement markets within OECD countries account for 10-15% GDP

17% NZ GDP is linked to New Zealand’s clean green image through primary production and tourism (Source: Ministry for the Environment)

The processes and capabilities required to deliver sustainable procurement and how this is driven by business values and resources. Source: Sustainable Procurement Strategy Model is copyright of the UK Environment Agency

New Zealand companies are also selecting – or deselecting suppliers based on their sustainable performance. Nearly three quarters of the Business Council’s member companies – whose annual sales equate to about $59 billion and 43% of gross domestic product - are including or planning to include social and environmental criteria in supplier terms and conditions.

Some 58% have deselected suppliers in the past year because of their environmental or ethical behaviours. Up to 83% of members will be procuring sustainably from six of their top 10 suppliers by July, 2010.
Transtasman market

New Zealand has been a pilot country for the United Nation’s Sustainable Public Procurement (SPP) programme known as the Marrakech process. The principal objective is to promote and support the implementation of public procurement programmes that encourage the uptake of sustainable products and services.

The New Zealand Government has also agreed a framework for sustainable Government procurement with Australia, through its Australian Procurement and Construction Council. The aim is a transtasman approach to integrating sustainable development considerations in public procurement decisions. Since New Zealand has already developed its procurement toolkit, it is likely the Australian model will be consistent with this. Businesses selling across the Tasman will be required to meet similar criteria.

Principles behind Joint Australia/New Zealand framework for Procurement
1. Adopt strategies to avoid unnecessary consumption and manage demand.
2. Select products and services which have lower environmental impacts across their life cycle compared with competing products and services.
3. Foster a viable Australia/New Zealand market by supporting businesses that demonstrate innovation in sustainability.
4. Support suppliers to Government who are socially responsible and adopt ethical practices.

Implementation in New Zealand

Selection of categories
As part of the process there has been a category review of key sectors. The first to be evaluated have been the purchase and use of paper and paper products, light fittings and travel arrangements.

Stage 1. Categories progress report

<table>
<thead>
<tr>
<th>Category</th>
<th>Objective</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper</td>
<td>All paper sourced by Government departments in future must have a minimum “three-star” rating and be legally harvested.</td>
<td>Hygiene and office copy papers meeting the ratings system are listed. Suppliers report that more Government departments are asking for compliance with guidelines prepared under the former Govt programme. Some departments are requesting recycled papers only rather than using paper buyer’s guide recommendations.</td>
</tr>
<tr>
<td>Travel</td>
<td>Government departments must have a workplace travel plan in place by the end of 2010 with the aim of reducing kilometres travelled by 15%, provided that departmental performance is not reduced. Video conferencing and electronic communications should be encouraged.</td>
<td>Sustainability impact assessment tool for evaluating travel and associated services has been developed.</td>
</tr>
<tr>
<td>Fleet</td>
<td>Government departments must only consider purchasing, hiring, or leasing vehicles that have a minimum emissions standard of Euro 4 (or equivalent). The Govt sustainable purchase guide included a points-based system that weighs up fuel economy, CO₂, crash rating and lifetime cost: Refer Figure 3. The largest fleet buyers are re-evaluating their fleets based on cost, emissions, energy efficiency and safety and performance. (See pages 9 and 15).</td>
<td></td>
</tr>
<tr>
<td>Lighting</td>
<td>Energy-efficient lamps should be purchased instead of standard light bulbs.</td>
<td>This has evolved to a wider focus on energy saving and sustainable renewable processes.</td>
</tr>
<tr>
<td>ICT</td>
<td>Some agencies have started to specify energy efficiency, such as compliance with the Energy Star label. Few specify equipment “take-back” in procurement contracts, although many expect this service when new equipment is installed.</td>
<td>Sustainability impact assessment for ICT is being drafted.</td>
</tr>
</tbody>
</table>

4 http://esa.un.org/marrakechprocess/
Categories have been prioritised according to market size, ease of market introduction and environmental impact of the products and services. The next categories intended for evaluation are:

- ICT
- office equipment
- hygiene products
- textiles and uniforms
- timber and wood products

The Ministry for Economic Development and the Ministry for the Environment have been jointly developing criteria for these categories as well as a generic procurement policy and toolkit which can be used across all goods and services.

This will help agencies comply with the Government’s overarching legal framework and policies and international trade agreements.

The key to success is a training module which will raise the capability of buyers, managers and others involved in the tender process to assess key sustainability impacts and risks.

This work will deliver increasing value for money for the Government, and increasingly mean businesses wanting Government contracts will also need to be aware of the ground shift in criteria.

---

Figure 3: Government's Sustainable Vehicle purchase regime

<table>
<thead>
<tr>
<th>Criteria</th>
<th>CO₂</th>
<th>Fuel Economy</th>
<th>Safety</th>
<th>Whole of Life Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>g/km</td>
<td>Points</td>
<td>L/100km combined</td>
<td>Points</td>
<td>NCAP Rating</td>
</tr>
<tr>
<td>&lt;120</td>
<td>25</td>
<td>&lt;6</td>
<td>25</td>
<td>5 stars</td>
</tr>
<tr>
<td>120 -140</td>
<td>20</td>
<td>6-8</td>
<td>20</td>
<td>4 stars</td>
</tr>
<tr>
<td>141-170</td>
<td>15</td>
<td>8-10</td>
<td>15</td>
<td>3 stars</td>
</tr>
<tr>
<td>171-210</td>
<td>10</td>
<td>10-12</td>
<td>10</td>
<td>Stability System</td>
</tr>
<tr>
<td>&gt;211</td>
<td>0</td>
<td>&gt;12</td>
<td>0</td>
<td>ABS</td>
</tr>
</tbody>
</table>

Vehicle Score

North Shore City Council adopts a simple formula to assess the whole-of-life value for money:

- Product’s initial purchasing cost
- + life maintenance cost
- + life operational cost (energy usage etc.)
- Warranty period for product (not expected life span)

Stage 2. Development of public procurement policy and toolkits

Categories have been prioritised according to market size, ease of market introduction and environmental impact of the products and services. The next categories intended for evaluation are:

- ICT
- office equipment
- hygiene products
  a. textiles and uniforms
- timber and wood products.6

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6 See Executive summary of UK Government Timber Products for example.
Question and Answers:
Points to consider

**What does “best value for money” actually mean?**

By “value for money”, we mean the best possible outcome for the total cost of ownership. “Value for money” does not necessarily mean selecting the lowest price. Rather, the public entity should achieve the right quality, quantity and price, at the right place and time. A public entity should use enough suppliers to support product and user requirements, while keeping procurement and holding costs to a minimum.

A public entity should generally avoid purchasing different brands according to individual user preferences, except where there are verifiable differences in the utility of the product.

Source: Office of the Auditor General: Procurement A Statement of Good Practice

**Will price trump environmental and social criteria?**

This is the big question for suppliers trying to win business with Government departments. To what degree will selection still be based on price?

For Government departments, accountability to the taxpayer must be a key driver. However, the new evaluation tool encourages procurement managers to consider resource efficiency and consumption and other critical sustainability issues along with price. Price will always play a part and will often be the most important criterion but non-economic factors and full life cycle impacts should be factored into decision making. This will help move the focus from financial imperatives only to also considering societal and environmental impacts.

With the first categories now published, we will start to see how much price differential is acceptable and, if a product is more expensive but is the only option meeting the minimum star criteria, how Government agencies will react.

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**How have categories been selected?**

The UK Government’s selection of categories based on risk and spend has been used by the New Zealand Government as a template to set priorities. It can also be used by companies to assess their own priority spend risks.

In the UK Government example below, if the annual spend of the contract is in excess of £1 billion, this would be classified as high value.

![Figure 4: UK Government category selection: Risk and spend.](image)

---

**Strategic Contracts: High Value and High Risk** – procurement needs to focus its effort to manage the real risks to the business and consider trade-offs to manage costs and risks. In this sector any % increase in cost will have a big impact on the bottom line e.g. buildings.

**Security Contracts: Low Value and High Risk** – while of low value, are vital to the business and have a high potential for risk – here the procurer should be willing to pay the cost e.g. timber, chemicals.

**Profit Contracts: High Value and Low Risk** – where the focus is obtaining best value, risk is minimal so the focus will be on buying a more sustainable product at or below the price of competitor products e.g. travel.

**Acquisition Contracts: Low Value and Low Risk** – the emphasis here is on minimising the transactional cost of procurement e.g. copier paper.
**Will there be a single rating system across all product groups such as the five stars rating for papers?**

No. However, the star rating of products on a scale of 0-5 seems to have been a popular choice and has been used so far by the Government to label energy consumption for white-ware, buildings and paper.

At a local Government level many councils have also introduced a “made locally” and Made in New Zealand principle.

Different departments will have different priorities based on their own impacts and risk profile. (See impact risk assessment tool)

**When will all core agencies be on board?**

The impact risk assessment toolkit has now been through a consultative process and the first training workshops have been held in Auckland and Wellington.

Training module will be developed working with the Chartered Institute for Purchasing & Supply (CIPS) with the ultimate aim that sustainable procurement will be a module in the professional qualification. Sustainable procurement is now regarded as “business as usual” (See page 3).

**Do all of the endorsed syndicated contracts on the MED site include sustainable criteria and if so, what are these?**

No. However, the new impact risk assessment tool will make sustainability information more available. Another opportunity will be created by achieving greater consistency across 23 District Health Boards.

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**Figure 5: Risk Assessment Model which is being used by NZ Government**

Schematic of risk assessment methodology: Sustainable procurement guide

**IDENTIFICATION OF BUSINESS NEED**

(Assess against the waste hierarchy: Options to Eliminate, Re-think, Reduce, Re-use, Recycle)

---

**What will change in the process for securing contracts with Government departments?**

Government agencies’ procurement departments will be provided with a risk assessment tool to prioritise the importance of “non-economic” indicators and to give them a weighting in the selection process.

The common theme is that sustainable procurement practices need to augment departmental priorities. Traditional risk management techniques do not adequately capture the impact of social, environmental and economic vulnerabilities in the supply chain so the education process will be critical.

Procurement managers will be encouraged to conduct the following processes before selecting goods or services:-

1. Identify the business need for the product or service.
2. Assess key impacts of the product or service to be procured.
3. Carry out a risk assessment.
4. Evaluate specified products and services against criteria.

Tools will be generic so they can apply to all products and services for all departments.
How might this work in practice?

Example 1: Buying a heat pump

**Energy efficiency:** Climate change is a key indicator for the Government and so its buyers are likely to ask about the energy consumption of products and services.

For example, in buying heat pumps, a Government agency is likely to factor in the cost of energy consumption during use. This choice may be based on independent verification through an Energy Star or Environmental Choice scheme.

**Greenhouse gas assessment:** The Government has also produced guidance for voluntary corporate greenhouse gas reporting to enable businesses to calculate their direct and indirect emissions based on New Zealand’s emissions for a particular calendar year.

Example 2: Safety and quality may outweigh environmental considerations

Government buyers may assess products according to safety and quality criteria as well as environmental.

For example, we would expect The Ministry of Health to require for its hospitals sanitary papers that are hygienic, reduce skin irritation and improve not compromise patient health. Environmental and cost parameters will supplement this.

Example 3: Vehicles – balancing carbon footprint, cost and safety

The Government buys about 3000 vehicles a year at an average budgeted cost of $20,000 (ex GST). Many agencies have specified European diesel vehicles meeting their emissions standards but exceeding their budgets. The largest fleet users, NZ Police, District Health Boards and NZ Post, are re-evaluating their fleet profiles to balance the competing sustainability drivers – which include cutting emissions, energy efficiency and safety and performance – to also come within their agreed budgets. In some cases resale value will also be important.

The Accident Compensation Corporation and Department of Conservation (DoC) both put safety at the top of their selection process. Australian research shows about a third of all travel is work related. Fleet vehicles travel about three times the distance of the average private car and are involved in more crashes.

QUESTIONS MIGHT INCLUDE:-

1. **Will the product require ongoing maintenance/use large amounts of consumables?**

2. **Will there be a product to dispose of at the end of life and is supplier required to provide a take back service?**

3. **Will the product use significant amounts of utilities/fuel?**
   Supplier will be required to identify in-use costs and department will need to factor these costs into awards decision.

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The market for change

In developing this guide, we asked several central Government departments about how they are now applying principles of sustainable procurement. We also talked to local government about its new practices. And we asked the private sector how doing business with Government agencies has changed and what they are doing to implement responsible sourcing policies.

Every Government agency has different purchasing contracts which may have been designed for a particular type of product or service or used generically. As a minimum there are sometimes standard clauses for sustainability which are applied to different contracts. A standardised Government contract could prevent a number of procurement teams from reinventing the wheel, but this hasn’t happened yet.

Local government

However, local government has started adopting its own assessment tools. North Shore City Council has recently published comprehensive sustainable purchasing guidelines for stationery and office purchases which it is sharing with other local councils. This is having an immediate and major impact on suppliers. In some cases, if they cannot demonstrate compliance with the sustainability criteria, they don’t get past hurdle one – and have prices assessed. See Appendix 3.

There will be winners and losers

While there is now much variation in how central and local government departments make purchasing decisions, with several suppliers identifying The Ministry for Social Development, the Department of Conservation and North Shore and Waitakere city councils are good examples, it is generally expected that with increased information and training, the market will shift.

This presents significant opportunities to suppliers who are well placed with their products and conversely will lead to potential business losses for those who are unable to demonstrate their sustainable performance.

Overseas the market is equally lucrative and is seen as adding value to the economy. For example in a market worth over €1.500 billion – representing over 16% of total EU GDP – EU public procurement Directives have reduced the prices paid by public authorities for goods and services by more than 30%\(^9\).

Who’s winning the business?

- The Ministry for Social Development has awarded its $4 million office products contract to Office Max with one of the deciding factors being sustainable performance.
- North Shore City Council awarded its vehicle contract, worth $2.5 million over five years, to Toyota, based on a full life cycle costing analysis of the tendering suppliers and their products.
- North Shore City Council has released a tender worth $2.5 million a year for print and graphic design which has eliminated suppliers who cannot meet 50% of the sustainability criteria (which are worth 25% of the overall evaluation). This has already resulted in suppliers challenging the council because they have effectively eliminated themselves from the tender process if they are unable to provide evidence of independent paper supply chain certification (FSC or PEFC).

\(^9\) http://ec.europa.eu/environment/gpp/facts_and_figures_en.htm
Delivering huge efficiency savings

With every organisation looking at its finances, sustainable procurement will increasingly become a priority. Organisations that factor total life cycle costs into buying decisions report 8% to 30% savings. Efficiency savings fall straight to the bottom line.

- North Shore City Council expects to save 15% on its paper and graphic design tender, and has already reduced the operational costs of its vehicle fleet by 30% over five years.
- Accor Hotels has cut its power bill by 8% across its New Zealand hotels by switching to long-life light bulbs – saving $5.2 million a year.
- IBM has reduced the University of Auckland’s IT infrastructure energy bills and space needs by 50% and improved storage use by 15%.
- Inland Revenue has saved $100,000 through decreasing paper usage, $337,000 through improved energy management, and $4510 in petrol costs through purchasing seven Toyota Prius cars. It also reduced domestic travel by 13% over six months.

North Shore City Council has released a tender worth $2.5 million a year for print and graphic design which has eliminated suppliers who cannot meet 50% of the sustainability criteria.

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**Market size by category**

**Estimated size of categories for New Zealand Government agencies**

<table>
<thead>
<tr>
<th>Category</th>
<th>Central Government (incl DHB’s) Estimated NZ$</th>
<th>Local Government Estimated NZ$</th>
<th>Total Estimated NZ$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printing contracts</td>
<td>25 million</td>
<td>54 million</td>
<td>79 million</td>
</tr>
<tr>
<td>Consumer hygiene products</td>
<td>18 million</td>
<td>4 million</td>
<td>22 million</td>
</tr>
<tr>
<td>Transport fleet</td>
<td>60 million</td>
<td>17 million</td>
<td>77 million</td>
</tr>
<tr>
<td>Office consumables</td>
<td>75 million</td>
<td>12 million</td>
<td>87 million</td>
</tr>
<tr>
<td>Cleaning services</td>
<td>500 million</td>
<td>20 million</td>
<td>520 million</td>
</tr>
</tbody>
</table>

---

Estimates based on best available information from range of suppliers.
## Snapshot – What Government agencies are doing

<table>
<thead>
<tr>
<th>Government Department</th>
<th>Category: Sustainability criteria required</th>
</tr>
</thead>
</table>
| Dept of Conservation (DoC)             | Changed hygiene paper supplier  
 Changed office consumables – require green catalogue  
 Changed vehicle fleet to Euro 4 standard or better (see case study)                                                                                                                                                                    |
| Inland Revenue                         | Changed vehicle fleet to meet Euro 4 standard: 221 cars  
 Paper: Govt4 paper guide has prompted interest in understanding sourcing issues                                                                                                                                                           |
| NZ Police                              | Price has been key driver for purchase  
 Fleet selection based on achievement of safety standards and price                                                                                                                                                                           |
| Ministry for the Environment           | Cleaning contract requires use of Environmental Choice approved cleaning chemicals (value: $360,000)  
 PC supply contract requires take back of packaging and PC’s for safe disposal (value: $100,000)  
 Vehicle selection weighted sustainability criteria  
 Office consumables RFP focuses on sustainability criteria  
 Paper procurement is based entirely on 100% recycled content                                                                                                                                                                        |
| Ministry for Economic Development      | Office cleaning services selected incorporating sustainable performance criteria                                                                                                                                                               |
| Ministry for Social Development        | MSD 2008/670 - $4m office consumables tender selected on the basis of sustainability performance  
 MSD 2008/671 - Cleaning services for Northland, Taranaki, Central, Wellington had a 25% weighting for sustainability performance. See case study                                                                                                                                 |
| District Health Boards                 | 23 DHBs – no central procurement policy for papers, however, are looking at syndicated procurement process for some products such as tyres; vehicles  
 DHBs are centrally analysing fleet requirements and have a committee including all major fleet providers with aim of putting national fleet purchasing in place.                                                                                     |
| Waitakere District Council             | Changed hygiene paper and fleet supplier. See case study                                                                                                                                                                                                                                           |
| North Shore City Council               | Energy contract service providers selected on basis of ability to deliver renewable energy and sustainable environmental practices. Fleet contract selected on basis of life cycle costing, Print and design tender in process requires achievement of 50% of sustainability criteria to be considered in the process  
 Note: North Shore will not accept recycled paper on the basis of overall life cycle costing analysis. See case study                                                                                                                                 |
| ACC                                    | Sustainability clause in all contracts which requires suppliers to pass sustainability hurdles  
 Fleet procurement – safety is first priority. Paper procurement – using paper matrix and focus on increasing amount of recycled content used  
 Selection of medical service providers – ACC has influence over the choice of doctors and physios and is starting to require service providers to demonstrate their sustainable performance |

Note: North Shore will not accept recycled paper on the basis of its overall life cycle costing analysis.
The Warehouse: Managing all upstream and downstream transport emissions

As signatories to the Carbon Disclosure Programme\(^{11}\), The Warehouse requires freight providers to supply data about their energy consumption as part of its conditions of service. The Warehouse uses E-Manage\(^{12}\), a web-based greenhouse gas calculation tool developed by Landcare Research. Raw data provided by the company’s transport and energy providers is entered into the online tool which calculates the CO\(_2\) equivalencies according to an internationally and nationally agreed set of protocols and factors. The emissions generated by road, rail and sea freight service providers are reported as Scope 3 emissions. In 2008 The Warehouse reported 27,678 tonnes of CO\(_2\) for its total operations including those generated from owned sources, electricity and freight.

Blue Star Print Group: Supporting NZ economy sustainably

Blue Star Print Group was an early adopter of sustainable print and procurement practices and only recommends papers to its customers that come from sustainably managed forests, recycled fibres or from alternatives to tree fibres.

David Jupe, General Manager, Blue Star Print Group says: “It is encouraging to see RFP’s which stipulate sustainable paper and third party accreditation to demonstrate environmental performance. Sustainable decision making requires organisations to look at more than day one price. We employ New Zealanders to print locally on sustainable paper using state of the art printing technology. It may be cheaper to source printed materials from overseas but at what cost to New Zealand?”

SCA: Ahead of the pack - proactive and engaging with Government agencies

SCA is a $US25 billion global company with headquarters in Sweden. It has 50 pulp and paper mills and 40,000 employees worldwide. It is the largest forestry owner in Europe and operates one mill at Kawerau in New Zealand, formerly part of CHH Tissue. SCA has a major share of New Zealand’s business-to-business hygiene paper market and Government procurement represents around 25% of that business.

As an early adopter of the Environmental Choice Label, SCA was proactive in contacting the Govt\(^{3}\) team when it became evident that paper products would be the first off the sustainable procurement block. SCA’s technical people provided assistance in setting the framework for the Government’s paper buyers’ guide.

The acceptance of sustainable procurement by Government departments has been inconsistent to date. SCA has developed its own guide, “Make it Matter”, to inform Government agencies and other commercial procurement managers about the choices available to them.

“Recycling logos on paper products can be misleading. Some products are designated as being recycled when that applied to only a small percentage of the material. In one case a city council in New Zealand ordered what it thought was recycled paper, but only 20% was recycled and tests revealed the rest was made from Indonesian hardwood.”

Mark Stevens, SCA Hygiene’s National Sales Manager.
Local government
North Shore City Council:
Price linked to performance
“We are being negligent if we look at capital costs and not the whole-of-life costs – we have to look at the future operating costs of our goods and services not simply the purchase price and this way of thinking is creating a different platform for suppliers. There are winners and losers.

Sustainable procurement practices have to be central to strategic thinking. It requires strong coordination and leadership to effect change. The best relationships with suppliers are those where suppliers are proactive about providing solutions.”
Michael Field, Procurement Manager, North Shore City Council

All procurement decisions are based on understanding sustainability and risk where risk means price and service.

Each supplier has to complete a questionnaire before they can bid. Points are awarded on each question (up to a maximum of 140) and each supplier must achieve a minimum threshold or they will be eliminated from the process. The threshold can vary by product or service. For each product category there may be some criteria that are compulsory. For example, FSC or PEFC chain of custody certification is mandatory for printing or paper.

The criteria used are weighted according to guidelines established by the Sustainability Manager who has responsibility for procurement and who reports directly to the Financial Officer. Buyers are being trained to assess the criteria to ensure long-term sustainability of decision making. When assessing bids, the council operates a two-envelope system whereby all bids must achieve at least 50% of the sustainability points or they do not proceed to the second round which looks at the financial criteria. This effectively eliminates any suppliers who do not have independent verification.

Waitakere City Council:
Sustaining the local economy
The Waitakere City Council’s top 500 suppliers have contracts worth more than $300,000 each. All will be required to supply information about their sustainability credentials including third party accreditation programmes and carbon zero initiatives.

Procurement decisions for goods and services, excluding capital projects, are weighted between price (no less than 70%) and sustainability. The balance changes between product types. The person managing the negotiation assigns the weighting. If a company achieves less than 35% of any weighted attribute requirement its bid will automatically fail.

The council believes in a “carrot and stick approach”. Key performance indicators (KPIs) are set and the supplier will be paid 100% of the agreed price if they are met. If KPIs are exceeded, the rate paid can go up to 105%. If they are not met the supplier can be paid as little as 90% of the fee. So 100% = “business as usual”.

The council has a record of incorporating sustainability into its purchasing decisions. In the 2006 financial year sustainability was awarded a 20% weighting in its vehicle fleet tender. This covered emissions and fuel use as well as safety criteria. All successful bidders had to have cars with at least four stars out of five in the safety rating scheme. The review process considered not just price but assessed the life cycle price while in council ownership. The small car contract was awarded to the Toyota Yaris based on all these criteria. As information about sustainability has improved, so will the council’s procurement process. In future contract negotiations for vehicles meeting Euro 5 emission standards will become standard.
Government departments
Department of Conservation
DoC used Govt3 criteria to evaluate motor vehicles. DoC has more than 485 utility vehicles, one of the country’s largest fleets.

The overriding factor was that the vehicles were fit for purpose: DoC’s field staff need robust vehicles to handle rugged conditions, so there was more to the selection process than simply price. A fundamental principle for selection was the total cost of ownership over the whole-of-life of the vehicle.

DoC selected vehicles based on six criteria:
1. CO₂ emissions – vehicles had to achieve at least Euro 4 standard with more points awarded on a sliding scale for achieving better than Euro 4.
2. Safety – additional points awarded if ASC or ANCAP 5.
3. Fuel economy – based on litres per hundred kilometers.
5. Risk perception.
6. Total cost of ownership: price, depreciation, residual value, on road costs, fuel consumption, RUC’s, tyres and servicing costs. All of the above weighted on a three to five year life cycle and between 60k and 150k mileage.

After the total evaluation, a range of vehicles from Ford, Holden and Toyota were selected for particular categories. Toyota’s Hilux was chosen after a series of grueling “real life” and off-road tests.

Sustainable procurement criteria are now being applied to ICT, chemicals and cleaning products, and textiles and uniforms. Textiles in particular will have to take into account labour standards.

Ministry for Social Development
The MSD has been identified by a number of suppliers as a good example of a Government department making progress in its sustainable procurement.

- All cleaning contracts have a major sustainability component with recent tenders having a weighting of 25% based on sustainable criteria.
- Office products RFP incorporated sustainability requirement from source of supply to delivery. Sustainability performance was one of the deciding factors in awarding the contract.
- In preparing RFP for print design contracts MSD recognises the selection of designers can influence paper selection not just in terms of type but the number of colours used.
- MSD pioneered the total cost of ownership model for buying motor vehicles. Emissions, fuel use and safety are major components.

Advice to suppliers
“Suppliers need to be able to demonstrate their understanding of sustainability in discussion not just on the RPF documentation. At a recent interview a supplier who got 100% on their written response could not explain how their sustainability principles were aligned to Govt3 initiatives. It’s not enough for head office to publish the words, it needs to be understood by their staff and an organisation practice.” Judy Heathcoat, Ministry for Social Development
1. Providing the tools
Training Government’s procurement specialists is leading to a cultural change. Purchasing professionals are directly responsible for selecting suppliers and this includes whether they operate to social and environmental standards that stand up to public scrutiny.

Staff making the purchases must be given the legal, financial, social and environmental knowledge they need to decide to what extent and where environmental or social factors can best be introduced into the procurement procedure; whether they are set at the right level to get best value for money; and whether they match the sustainability priorities of the contracting authority.

Training for public procurement managers as part of a professional public procurement CIPS programme is planned and backed by professional bodies. This should go beyond the public sector. The procurement profession needs to seize these opportunities and up-skill.

Organisations need to work with their suppliers to understand sustainability impacts and work toward joint targets. To succeed commercial relationships between the public and private sectors must be a partnership. With increasing trends toward outsourcing, the buyer is often distanced from what is happening in the supply chain.

As one commercial manager says: “It’s not one person chess. If we invest in Environmental Choice or eco-labels, we expect to see the Government prefer these products over ones with no independent verification.”

2. Promoting social criteria in procurement
Several procurement professionals believe the social side of sustainable procurement is becoming the ‘gorilla behind the curtain’, “We know it’s there but we don’t talk about it”. The vulnerability of purchasing from overseas has been highlighted by experience.

While retailers like The Warehouse are having their overseas supply chain independently audited, there has been little emphasis on social sustainability within Government procurement. However, the development of sustainability criteria for textiles will include sourcing and labour. Buyers are likely to increasingly exert responsible use of power over their supply chains.

3. Ensuring that sustainable public procurement is compatible with legal and regulatory frameworks and trade policies
Social and environmental criteria will need to be managed within the framework of the World Trade Organisation and specific Free Trade Agreements. Industry needs to understand where these international trade agreements may cut across the procurement process.

However, the paper industry successfully agreed with Government that all print sourced offshore must be printed on paper that meets the same requirements as that printed in New Zealand.

4. Long-term political commitment to sustainable public procurement
Three-year electoral cycles for local and central government can influence Government decision makers, particularly where full life cycle costs conflict with short-term budgets. The involvement of The Ministry for Economic Development in setting criteria with The Ministry for the Environment has been an important step to ensure that it is consistent with Treasury plans and accounting measures to improve resource efficiency through an integrated approach.

Efficiency and other gains should ensure sustainable public procurement remains a core plank of Government policy.

5. Application needs to be consistent and well thought through
Industry has voiced concerns that sustainable criteria are set but not always well thought through. For example, the decision to favour diesel vehicles and set Euro 4 standards as a minimum for fleet procurement has resulted in departments looking at buying European vehicles rather than from Asian suppliers without necessarily factoring in price differentials.

In another example, Government departments tasked with reporting the percentage of recycled paper which they are using in their offices are asking for recycled papers even though there is a comprehensive paper buyer’s guide which details all sustainable papers.

What next?
Progress inevitably will not be without challenges. Procurement is a complex multi-functional process which requires strong leadership to implement change.

DEDICATED TO MAKING A DIFFERENCE
6. Local and central government not aligned

Suppliers will have to understand different sets of guidelines which are being used by central and local government. This presents challenges to sales teams to understand the requirements of the RFP under the Sustainability Impact Assessment process which will be used by core Government departments and the various requirements of 85 different councils.

Here are the questions you are likely to face, incorporated in the Sustainability Impact Assessment, which address social impacts:-

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Is it likely that this product or its key components originate in the developing world e.g. clothing, electronics, hardwood timber, rubber, oil, metals etc?</td>
<td>Decide as an organisation your willingness to push the boundary on this issue</td>
<td>Enquire about suppliers sourcing and employment policies in relation to overseas workers Ask supplier how they ensure compliance with local legal requirements Require that supplier is complying with ILO</td>
<td>Sustainable procurement policy which addresses these issues</td>
<td>Ensure that any subcontractors are complying with ILO requirements and local legal minimum employment standards Ensure any subcontracts are back to back</td>
</tr>
<tr>
<td>Is there the potential for suppliers’ employees to be exploited e.g. low pay, antisocial hours, migrant workers? Note: this is relevant for service related contracts</td>
<td>Decide as an organisation your willingness to push the boundary on this issue</td>
<td>Check recruitment policy and practices Ask supplier how they comply with legislative requirements e.g. minimum wage, statutory rest periods, equality Is overtime voluntary and paid at higher rate? How long is work week? If migrant workers are used, ask about language issues and work permits</td>
<td>Check recruitment policy and practices Ask how supplier complies with legislative standards</td>
<td>Approach to any offshoring and any product sourcing from developing world either directly or through sub-contractors must include compliance with ILO Check performance against questions asked in column 3</td>
</tr>
<tr>
<td>Could this contract be used to support economic development/ regeneration?</td>
<td>Ensure local suppliers are aware of the opportunity</td>
<td>Contact any regeneration partners and consult them about options Offer mentoring / assistance to suppliers in bidding</td>
<td>Ensure local suppliers are aware of opportunity</td>
<td>Ask about any subcontracting planned and who is being used</td>
</tr>
<tr>
<td>Is there a PR risk in this product or service e.g. unhealthy school meals, tropical hardwood, GM foods?</td>
<td>Determine risks and agree strategy</td>
<td>Agree your organisation’s position on the issues</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: IPR held by Sustainable Procurement Limited & Marrakech Sustainable Procurement Task Force of the United Nations
What all this means for business

Since early 2007, Government departments have been expected to consider non-economic factors in their procurement. Implementation has been ad hoc because there have been few guidelines on how to make sustainable procurement choices. Consequently the private sector has remained sceptical about the pace of change and to what extent those companies investing in sustainable products and services will be preferred over others.

The Government’s first buyers’ guide which addresses office paper and paper hygiene products was published in June 2008. Local and central government departments that participated in this report have said they are or will be using these guidelines.

The suite of materials which has been prepared by the Government provides procurement practitioners with tools to evaluate products and services from a wider sustainability and whole-of-life perspective. Training now needs to progress to help Government procurers become competent in using the new templates.

The Business Council is recommending local government also adopts these guidelines, or considers the Sustainable Purchasing Guidelines prepared by North Shore City Council as a model, to achieve the major economic, environmental and social gains associated with their use.

Sustainable public procurement has got off to a slow start in New Zealand. However, guidelines are now ready to evaluate contracts. This is likely to drive a huge shift toward buying greener and ultimately more socially responsible products and services which, above all, will deliver better value for money. Companies that aren’t ready are already missing out.

Others are already winning – and are more likely to keep and grow this valuable business.

Buyers’ Summary Checklist for selecting sustainable suppliers

<table>
<thead>
<tr>
<th>Does the supplier have sustainable development criteria?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do the criteria correspond with your organisation’s own requirements?</td>
</tr>
<tr>
<td>If not, can they achieve the required standard within an agreed time period?</td>
</tr>
<tr>
<td>Does the supplier have acceptable processes and policies?</td>
</tr>
<tr>
<td>Will the supplier allow you to audit their policies and processes?</td>
</tr>
<tr>
<td>Will they let you audit them regularly as part of your requirements?</td>
</tr>
<tr>
<td>Does the supplier meet all other sustainable development criteria?</td>
</tr>
<tr>
<td>If not, are you prepared to reject them as a supplier?</td>
</tr>
</tbody>
</table>
Adapted from UK Government model:
Source: UK Environment Agency

Environmental policy and practice

1. Does your company have an environmental policy statement committing it to a programme of environmental improvement?
   YES/NO (If yes, please provide a copy.)

1a. Does the policy statement extend to all the products and services supplied?
   YES/NO (If yes, please indicate how. If no, please indicate which products and/or services are included.)

2. In your company, who has overall responsibility for environmental performance of the organisation?
   (Please name and give job title.)

2a. Is there a Director or member of the board accountable?
   YES/NO

3. Has your company undertaken a review of its environmental impact?
   YES/NO (If yes, please detail the top five environmental impacts of your company.)

4. Does your company have an environmental management system?
   YES/NO (If yes, please provide details, plus any evidence of accreditation.)

5. Does your company communicate environmental objectives to employees, suppliers and other interested parties?
   YES/NO (If yes, please provide details.)

6. Does your company set environmental performance targets and objectives against which performance is audited?
   YES/NO (If yes, please give examples that directly relate to the five environmental impacts identified in question 3.)

7. Does your company formally report on progress toward meeting these objectives?
   YES/NO (If yes, please indicate how and to whom, and provide examples: if possible provide your Annual Environmental Report.)

8. Has your company been successfully prosecuted for infringement of environmental legislation in the past three years?
   YES/NO (If yes, please give details of prosecution.)

Social/ Ethical policy and practice

9. Do you have overseas operations?
   YES/NO
   Australia ..............................................
   Asia ...................................................
   Pacific Islands ....................................
   Europe .............................................
   Africa ..............................................
   North America ...................................
   South America ..................................
   No overseas operations  ......................

10. How do you comply with the local legal minimum age for employment?

11. Do you have a policy for managing your overseas operations. YES / NO
    If yes, what does it cover?
    Working conditions
    Age of employees
    Pay
    Trade Union membership for staff
    Equality of employment opportunities
    Use of natural resources
    Emissions and waste
    Other
    No policy

12. Do you purchase goods or materials from overseas? YES / NO
    Australia ..............................................
    Asia ...................................................
    Pacific Islands ....................................
    Europe .............................................
    Africa ..............................................
    North America ...................................
    South America ..................................
    No purchasing from overseas ............

13. How do you ensure that your suppliers comply with the local legal minimum age for employment?

14. Do you have a policy for overseas sourcing. YES / NO
    If yes, what does it cover?
    Working conditions
    Age of employees
    Pay
    Trade Union membership for staff
    Equality of employment opportunities
    Use of natural resources
    Emissions and waste
    Other
    No policy

15. How do you assess the effectiveness of your policy for overseas sourcing?
    Don’t assess
    Internal assessment
    Comply with SA8000
    Other independent assessment

Appendix 1: Example questionnaire to evaluate suppliers
Appendix 2: Template for sustainability impact assessment - ICT

What is the business need?

- Is there an opportunity not to buy this at all e.g. re-use something else, or do without?
- Can you re-think the need e.g. change to a service, you could have your ICT (Information Communication Technology) hosted by a specialist external organisation or do you want to buy ICT servers?
- Have there been any technological advances/ innovations that would offer you a better outcome e.g. a networked multifunctional product that can scan, copy and print rather than having three separate machines?
- Are you buying as little as possible e.g. double check the quantities required for any contingencies and ensure that you buy the minimum amount possible?
- Does your organisation have any policies/commitment to support socioeconomic issues that you need to take into account when planning this purchase?

What are the key impacts during the life of this product?

The main sustainability impacts of a generic product have been identified above, but this is not an exhaustive list.

<table>
<thead>
<tr>
<th>What are the KEY raw materials?</th>
<th>What are the KEY issues in manufacture?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plastic</td>
<td>Plant and machinery</td>
</tr>
<tr>
<td>Metals</td>
<td>Utilities (gas/ water/ electric)</td>
</tr>
<tr>
<td>Cabling</td>
<td>People</td>
</tr>
<tr>
<td>Hazardous chemicals</td>
<td>Emissions</td>
</tr>
<tr>
<td>Paints and coatings</td>
<td>Noise</td>
</tr>
<tr>
<td>Silicone</td>
<td>Packaging</td>
</tr>
<tr>
<td>Utilities (gas/ water/ electric)</td>
<td>Chemicals and oils</td>
</tr>
<tr>
<td>Paper</td>
<td>Health and safety</td>
</tr>
<tr>
<td>Cardboard</td>
<td>Employment conditions</td>
</tr>
<tr>
<td>Polystyrene</td>
<td>Suppliers (NZ and abroad, including developing world)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What are the KEY issues for you to manage in use?</th>
<th>What are the KEY issues for you at end of life/disposal?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power consumption of equipment/ air con</td>
<td>Storage</td>
</tr>
<tr>
<td>User/ installer knowledge of power features</td>
<td>Waste Electrical and Electronic Equipment (WEEE) responsibility of supplier or WEEE plus?</td>
</tr>
<tr>
<td>Care of equipment</td>
<td>Re-use options at end of life</td>
</tr>
<tr>
<td>Storage</td>
<td>Packaging re-use or re-cycling</td>
</tr>
<tr>
<td>Maintenance</td>
<td></td>
</tr>
<tr>
<td>Consumables</td>
<td></td>
</tr>
<tr>
<td>Packaging</td>
<td></td>
</tr>
<tr>
<td>Waste spares/ packaging</td>
<td></td>
</tr>
<tr>
<td>Housing of data centres</td>
<td></td>
</tr>
</tbody>
</table>

© Ministry for the Environment 2008 (Source IPR held by Sustainable Procurement Limited & Marrakech Sustainable Procurement Task Force of the United Nations)
Appendix 3: North Shore City Council - Supply of services

Contract for: supply of printing and graphic design services

Tender Evaluation
A weighted attributes evaluation will be used to assess tenders based on the following:

<table>
<thead>
<tr>
<th>Non-Financial (stage 1)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability attributes</td>
<td>25%</td>
</tr>
<tr>
<td>Experience and track record</td>
<td>10%</td>
</tr>
<tr>
<td>Technical expertise and process</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>65%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial (stage 2)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>35%</td>
</tr>
<tr>
<td><strong>Combined Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

SCHEDULE TO CONDITIONS OF TENDERING

<table>
<thead>
<tr>
<th>Tender Condition</th>
<th>Agreement to Provide Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract description</td>
<td>SUPPLY OF PRINTING AND GRAPHIC DESIGN SERVICES</td>
</tr>
<tr>
<td>Tender document fee</td>
<td>No tender document fee</td>
</tr>
<tr>
<td>Documents supplied for tender</td>
<td>Part A Conditions of Tendering</td>
</tr>
<tr>
<td>purposes</td>
<td>Part B Conditions of Contract</td>
</tr>
<tr>
<td></td>
<td>Part C Statement of Services</td>
</tr>
<tr>
<td></td>
<td>Part D Schedule of Services</td>
</tr>
<tr>
<td></td>
<td>Part E Schedule of Service Prices</td>
</tr>
<tr>
<td>Tender information contact person</td>
<td>Michael Field</td>
</tr>
<tr>
<td></td>
<td>Sustainability Manager</td>
</tr>
<tr>
<td></td>
<td>North Shore City Council</td>
</tr>
<tr>
<td></td>
<td>Email: <a href="mailto:michael.field@northshorecity.govt.nz">michael.field@northshorecity.govt.nz</a></td>
</tr>
<tr>
<td></td>
<td>Phone: 09 486 8600 Extn 7199</td>
</tr>
<tr>
<td>Submission of tender, time and</td>
<td>Please note, ALL tender submissions are to be fully</td>
</tr>
<tr>
<td>date of closing, address</td>
<td>received in electronic format via the Tenderlink</td>
</tr>
<tr>
<td></td>
<td>Electronic Tender Box as detailed on the Tenderlink</td>
</tr>
<tr>
<td></td>
<td>website.</td>
</tr>
<tr>
<td></td>
<td>Tenders close at 4.00pm on 15th December 2008</td>
</tr>
<tr>
<td>Supplementary information to be</td>
<td>• Name of personnel and details of experience and</td>
</tr>
<tr>
<td>submitted with the tender</td>
<td>qualifications relative to this project to provide</td>
</tr>
<tr>
<td></td>
<td>technical support for product supply.</td>
</tr>
<tr>
<td></td>
<td>• Confirmation of your company’s ability to supply</td>
</tr>
<tr>
<td></td>
<td>the quantity of material/-componentry at the delivery</td>
</tr>
<tr>
<td></td>
<td>rates indicated by the documentation.</td>
</tr>
<tr>
<td></td>
<td>• Statement on your company’s safety policy as</td>
</tr>
<tr>
<td></td>
<td>required by the Health and Safety in Employment Act</td>
</tr>
<tr>
<td></td>
<td>• Information required for tender evaluation (See</td>
</tr>
<tr>
<td></td>
<td>Part A3 Tender Evaluations – Statement of Attributes.</td>
</tr>
<tr>
<td></td>
<td>• Completed Schedule of Prices and accompanying</td>
</tr>
<tr>
<td></td>
<td>information.</td>
</tr>
<tr>
<td></td>
<td>• Completed Form of Tender.</td>
</tr>
<tr>
<td>Validity period of tender</td>
<td>16 weeks</td>
</tr>
<tr>
<td>Condition of tender: paper</td>
<td>It is a condition of this tender that ALL printing</td>
</tr>
<tr>
<td>standards</td>
<td>works be carried out utilising either FSC or PEFC</td>
</tr>
<tr>
<td></td>
<td>certified paper stocks only.</td>
</tr>
</tbody>
</table>
Source materials

2. List of syndicated procurement contracts
3. Sustainability Impact Assessments courtesy of MED/MFE
4. NZBCSD supply chain guide
   www.nzbcsd.org.nz/supplychain
5. North Shore City Council Sustainable Purchasing Guidelines – link to document
6. Department of Environment Food and Rural Affairs
   www.defra.gov.uk
7. UK Government Procurement Action Plan
8. The United Nations Marrakech Process:
   http://esa.un.org/marrakechprocess/

Other Business Council Guides:
The following guides are available at the Business Council’s home page
www.nzbcsd.org.nz

- Emissions – calculate and cut your emissions and lift profits
- Which paper? – Paper buying guide with exclusive product matrix
- Energy efficiency – guide for SMEs
- Sustainable supply chain
- Youth Employment Guide
- Successful Business and School Partnerships
- Sustainable Development Reporting Guide
- Zero Waste Guide
- Extended Producer Responsibility/Product Stewardship