

After 9 years of improvements, beyond tools and practices, a strong management drive is required to cross a **new frontier**.



Sustainable Procurement: **back to management!**

Whitepaper based on the 2011 - HEC/EcoVadis
European Sustainable Procurement Barometer

5th edition

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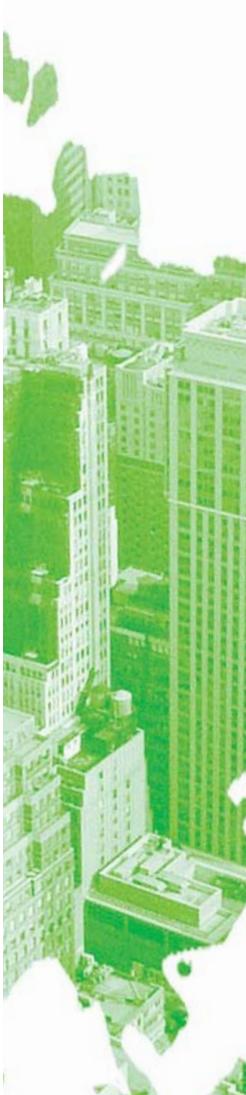


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Executive summary

Since the first study carried out in 2003, Sustainable Development, an emerging concept at that time, has become a key concern for Procurement Departments. How has the vision of the Chief Procurement Officers evolved? What tools and initiatives seem to be the most effective to drive changes? How is progress measured? What are the remaining challenges faced by most organizations? These are a few of the questions that the **HEC-EcoVadis 2011 Barometer** attempts to answer.

The key takeaways of the current study are:

Sustainable Procurement remains high on Executives agendas

- 92% of the surveyed Companies consider Sustainable Procurement a "critical" or "important" initiative, even though for the 1st time this year, "Risk Management" took over as a priority initiative. Three key motivations to implement Sustainable Procurement have been identified: "Risk management", "Cost Reduction" and "Value Creation".
- The major progress made in 2011 is on the support from the Top Management (+24%) thus demonstrating that Sustainable Procurement is attracting more and more interest from Executive Committees.

..and significant progress made in implementation of tools and organisational changes

- Significant organizational changes have been implemented: 45% of companies already have "dedicated teams" and 57% report having trained a majority of procurement staff on Sustainability.
- Whereas in 2007 only 1/3 of companies were using formalized methodologies for assessing their suppliers' Sustainability performance, in 2011 2/3 of them are now implementing dedicated tools (either internal or leveraging 3rd parties).
- Usage of Sustainable Procurement metrics is progressing and only 15% of companies admit not using formal metrics to monitor their Sustainable Procurement initiatives.
- Finally 92% companies have increased (56%) or maintained (36%) their budgets related to Sustainable Procurement, which should yield more changes in the future years.

..but reaching the tipping point for widespread adoption is not easy

- The #1 challenge remains in the "Contradictory objectives" (i.e. between short term financial targets and midterm Sustainability goals). This is an issue for 44% of companies, and since 2009, only 11% have been able to solve it.
- A clear difference appears between top managers who are very supportive, and middle-managers who are much more reluctant to engage in the implementation of Sustainable Procurement practices.
- Limited progress is reported on the implementation level of advanced tools such as « TCO models integrating Sustainability » (only implemented by 12% of the companies surveyed), which would allow companies to truly factor Sustainability criteria into their Procurement performance.

We have been observing evolutions since 2003.

It is now clear that new Sustainable Procurement tools exist and that practices are largely spreading in large companies.

Furthermore Procurement teams are progressively well trained and the level of competency and professionalism is getting higher and higher.

Today, the main challenges for Sustainable Procurement's future progress appear to deal with the two following points.

First it is obvious that the future of the Sourcing and Procurement is a real move from a "cost-saving oriented" approach to a real contribution to the corporate Value Creation (i.e. the concept of Value for Money). In particular, through an incremental or a disruptive innovation process, but also as a competitive advantage. Sustainable Procurement can be part of this change when aligned with company strategies. This objective is more profitable than the current prevailing Risk Management approach.

Secondly we observe through managers' interviews that there is another roadblock to the expansion of Sustainable Procurement: most "line managers" (i.e. business units top managers or other departments that are considered as main stakeholders or internal customers of the Procurement departments) do not have explicit Sustainable Procurement criteria in their personal performance appraisal. Consequently they remain reluctant to implement Sustainable Procurement practices (despite Chief Procurement Officers motivation).

In order to reach a "tipping point", top managers must re-focus their priorities on this strategic challenge with clear operational objectives and implement appropriate "result-oriented" metrics and performance criteria.

1. Benchmark 2011

The 2011 edition of the HEC-EcoVadis Sustainable Procurement Benchmark is the 5th study conducted since 2003, providing a unique perspective on the evolution of Sustainable Procurement practices: How has the vision of the Chief Procurement Officers (CPOs) evolved? What tools and initiatives seem to be the most effective over time to drive changes? How is Sustainable Procurement progress measured? What are the remaining challenges faced by most Procurement organizations?... These are few questions that the HEC-EcoVadis 2011 attempts to answer.

1.1 Procurement Directors' Vision

Sustainable Procurement was an emerging topic when the study was first conducted in 2003, and it has grown as a significant concern for Procurement Departments, remaining at a high level of importance since 2007. Today, in 2011, Sustainable Development is a key issue for 92% of respondents stating it is «important» or «critical» for their organization.

In your organization, what is the importance-level of implementing Sustainable Procurement practices ?

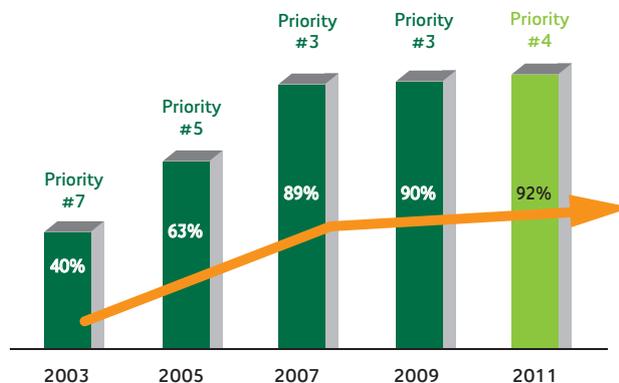


Figure 1 - Importance

Even if Sustainable Procurement has fallen from Priority # 3 to # 4, it remains in the Top 5 CPOs' priorities for the 4th consecutive study (7 years of historical background), thus demonstrating the increasing importance of Sustainability to the "20-year old" Procurement function.

Objectives

If we look closer at the top priorities of CPOs, we find the **"savings"** and **"cost reduction"** targets (whether direct or indirect) ranked #1 and #2, and risk management ranked #3 in importance. This demonstrates that Procurement concentrates on the short term and defensive approach.

At the same time, the issue of Sustainability has grown and also become a high priority, showing that CPOs are convinced about this evolution of Procurement's function. It must be kept in mind that Sustainable Procurement practices can contribute to cost saving and risk reduction within the supply chain, thus contributing to the Top 3 priorities of CPOs.

What are the main objectives of your Procurement organization in 2011 ?

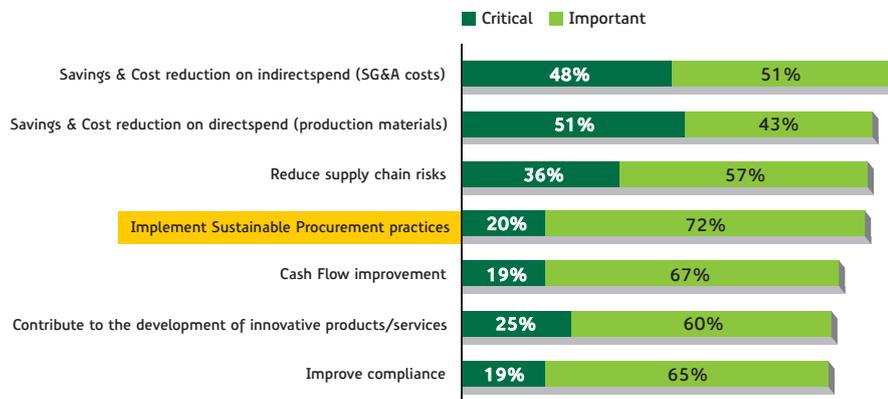


Figure 2 – Objectives

Surprisingly, the development of innovative products/services still remains low despite an increase in its importance compared to the previous surveys (85% versus an average of 75%). It is clear that new Green and Social business models depend upon innovation, thus there is still a gap to be filled in the vision of CPOs to implement a truly Sustainable Procurement vision.

"There is still a lack of support from top management in our company: Sustainability is still not seen as compatible with performance. This is even truer in emerging countries, where cost saving is the most important subject and Sustainability is seen as over-quality."

Industrial Company – France



Drivers

The 2011 study identified **3 main drivers** behind Sustainable Procurement initiatives:

- The 1st driver is **Risk management**, especially in terms of image, which is THE #1 driver for implementing a Sustainable Procurement strategy according to 84% of companies. This defensive approach is confirmed by the fact that compliance (to new regulations) is the second most important driver (55%), followed closely by the requirement to avoid supply disruptions (44% of companies).
- The 2nd driver is **Value creation**: Sustainable Procurement can be leveraged with customers, as 53% of respondents consider that it is a way to "Meet client expectations". This shows that many organizations are now facing new expectancies in terms of CSR / Sustainability from the Procurement Departments of their clients.

Hence, shifting to Sustainable Procurement becomes a competitive advantage.

Additionally, creating new "green" products (43%) by making better use of the environmental innovations proposed by suppliers is an offensive approach to create value within the supply chain.

- Finally, the 3rd driver is **Cost reduction**, which can be achieved either by reducing the cost of the products/services themselves (37%), or by using Sustainable Procurement as a way to ensure that goods procured from Low Cost Countries meet adequate environmental and social standards (16%).

"We have made significant gain from the introduction of closed loop recycling for our high value metals."

Car Manufacturer
- UK

What are the main factors driving Sustainable Procurement practices in your company ?

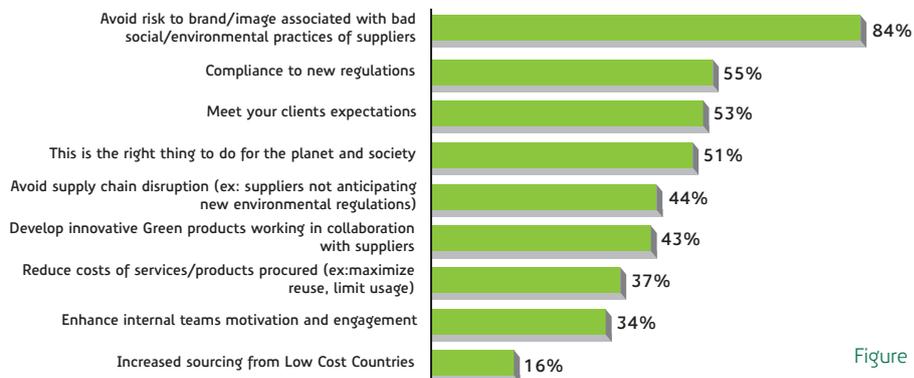


Figure 3 - Drivers

Surprisingly, the incentive "This is the right thing to do for the planet" has grown above 50% (against 23% in 2007 and 24% in 2009). It should be noted that compared to previous studies, a majority of respondents to the current study were also Sustainable Procurement managers, who often hold more environmentally holistic values, and are not afraid to say so.

Benefits

When conducting the study, we have not only asked the respondents about the main drivers for implementing Sustainable Procurement practices, but also about the benefits that they have observed over time.

Not surprisingly, the #1 benefit is aligned with the #1 driver: CPOs claim to have reduced their risks thanks to the implementation of a Sustainable Procurement strategy, according to 55% of respondents.

What is interesting to notice is that the #2 benefit is an intangible one, as 36% of the respondents claim that they can see an enhancement in their internal team's motivation. In a world where CPOs are competing more and more for talents, companies see Sustainable Procurement as a way to attract and retain new talents to their Procurement teams.

The #3 benefit is linked to **"Cost Reduction"**: 35% of respondents claim that Sustainable Procurement generates "cost reduction" of the services and products they purchase, thus dismantling the claim "Sustainable Development is more expensive".



"Sustainable Procurement gives a good image of the Procurement team internally, as it is recognized as the leader on CSR issues"

Construction Company - France

- What are the main factors driving Sustainable Procurement practices in your company ?
- What benefits have you gained from your Sustainable Procurement initiative ?

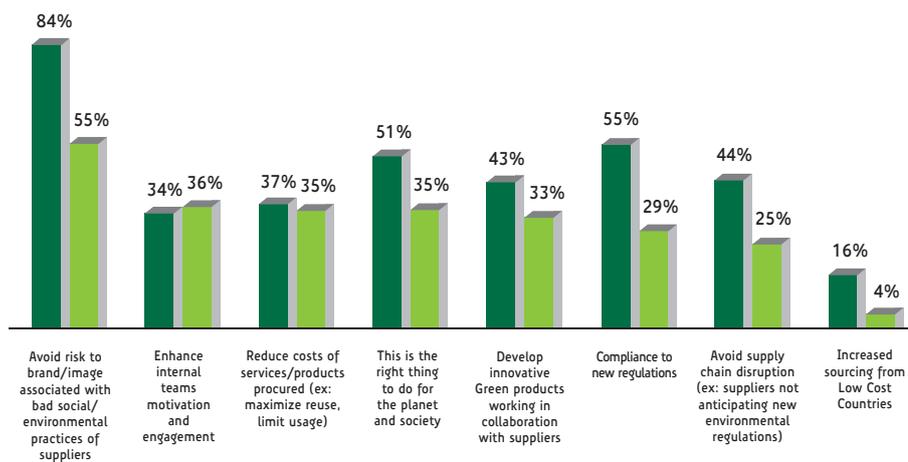


Figure 4 - Drivers versus Benefits



But what is most interesting is to compare the drivers with the benefits they provide. It appears that some issues are very coherent: **"Team motivation"** and **"Cost reduction"** are both considered as drivers and as benefits for more than one third of respondents.

Furthermore, some major gaps appear: **"Avoid risk to brand/image"** (driver at 84% versus benefit at 55%) and **"Avoid supply chain disruption"** (44% versus 25%). It seems that if those are the Top 2 motivations, they are hardly highlighted afterwards by CPOs. This key finding raises the question - **a defensive approach is the most widespread, but is it the most impactful or beneficial?**

"We moved from an «I don't know that I don't know» phase into an «I know that I don't know» one, which explains why we cannot measure all the benefits of this approach yet. Indeed, the more we move forward, the wider the possibilities are."

Industrial Company - France

"It is very hard to measure avoided risks with clear figures; still we use this as an argument to implement Sustainable Procurement policy."

Consumer goods Company - Italy

"More and more «global clients» 'are asking questions about Sustainability, and those questions are getting in more depth on our real capabilities and results. A way to measure the benefits in terms of «Brand Image» would be to measure the feedback of our B2B customers (ex RFP's feedback)."

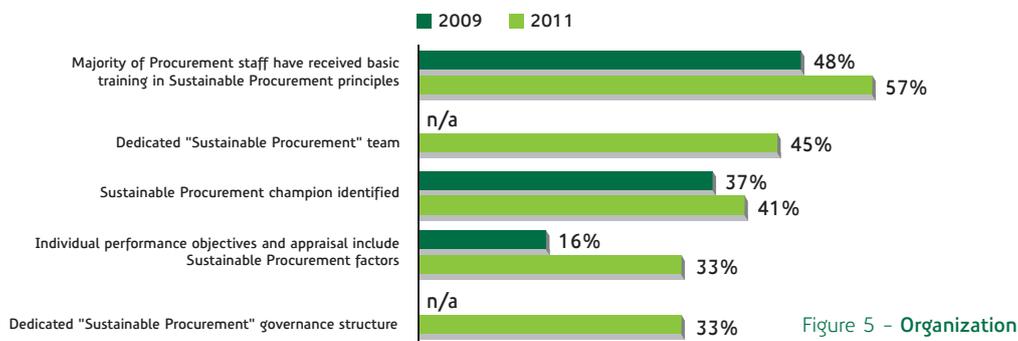
Food & Services Company - UK

1.2 Sustainable Procurement Implementation

Organizational changes

Implementing Sustainability into the Procurement processes requires significant **organisational changes** to shift from vision to successful implementation.

What organizational changes have you implemented ?



According to the study, 45% of companies have a dedicated Sustainable Procurement team in their organization, and 41% have identified a "Champion". These organizational investments indicate that **Sustainable Procurement implementation** is gaining maturity.

The deployment of Sustainable Procurement training programs is also in progress (almost 2/3 of companies) even though the depth of those trainings varies significantly from company to company (from 1hr to several days).

Integration of Sustainability factors in individual performance objectives is the area which progressed the most (+17% compared to 2009 study), which proves that this maturity is translated into tangible organizational changes. However most interviewees recognize that this objective is often assigned to a very limited number of managers (ex: Corporate category managers only) and that lack of CSR objectives is a major roadblock to widespread adoption of Sustainable Procurement.

Unfortunately, only 1/3 of companies have set up a dedicated governance structure (i.e. a steering committee involving senior sponsors from Procurement, CSR or Finance functions). Such Governance structures are critical to ensure the visibility and long term value of Sustainable Procurement initiatives.



Budget

The budget allocated to Sustainable Procurement is a good indicator of the level of implementation, but also of the relative importance given to it by some.

During the 2009 study, one of the key findings was that despite the financial crisis,

only 11% of companies intended to reduce their Sustainable Procurement budget.

In 2011, the importance of Sustainable Procurement has once again been demonstrated by an increased allocation of company resources.

Compared to last year, have your resources/budgets allocated to Sustainable Procurement:

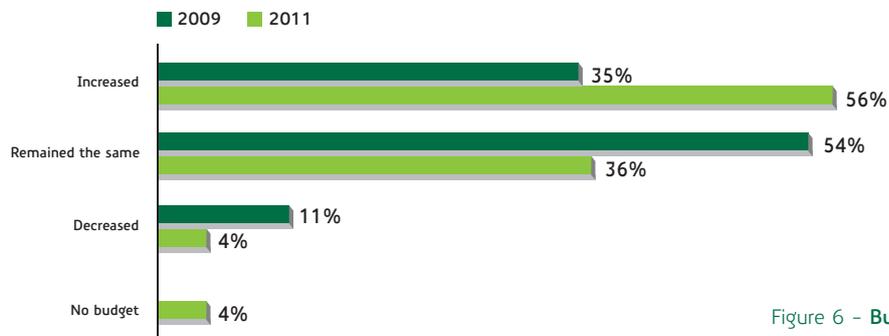


Figure 6 - Budget evolution

Increasing **budgets for Sustainable Procurement** clearly reveal concrete company commitments to this area: For 56% of companies, the budget dedicated to Sustainable Procurement is growing (21% more than in the previous study, which is a significant increase). This is reinforced by the fact that fewer companies kept their Sustainable Procurement budgets the same (-18% compared with 2009).



Tools

The rate of implementation of the various tools is directly related to the order in which tools are implemented and the increasing value (but also costs and complexity) of those tools:

- The most basic tools such as **"Suppliers Code of Conduct"** and **"CSR contract clauses"**, and **"Suppliers self-assessment"** are now a defacto standard implemented by more than 2/3 of the companies even though they provide limited value in terms of risk management.
- The focus is now on more advanced tools like **"Supplier Audits"** and **"Supplier CSR information databases"** allowing for data verification, and suppliers improvement, implemented by half of the companies.
- Unfortunately, we can see no progress towards the implementation of advanced tools such as **"TCO models integrating Sustainability"** (12% of the companies), which is the only type of tool which would allow the companies to truly factor Sustainability criteria into Procurement decisions (answering the fundamental question "what price premium am I ready to give to a Sustainable product or supplier"). On the positive side, 47% of the respondents indicated that they are working on the development of such tools for the coming year. A large Heavy Industry conglomerate for example, indicated that they are working on the development of a tool to allow the buyers to factor "Risk" into a TCO calculation.

"We have re-designed a product thanks to Life Cycle Analysis within our supply chain: by auditing one of our suppliers, we have discovered a waste which can be used as a raw material for our industry."
Industrial Company - France

What tools have you already implemented to support your "Sustainable Procurement" initiative ?

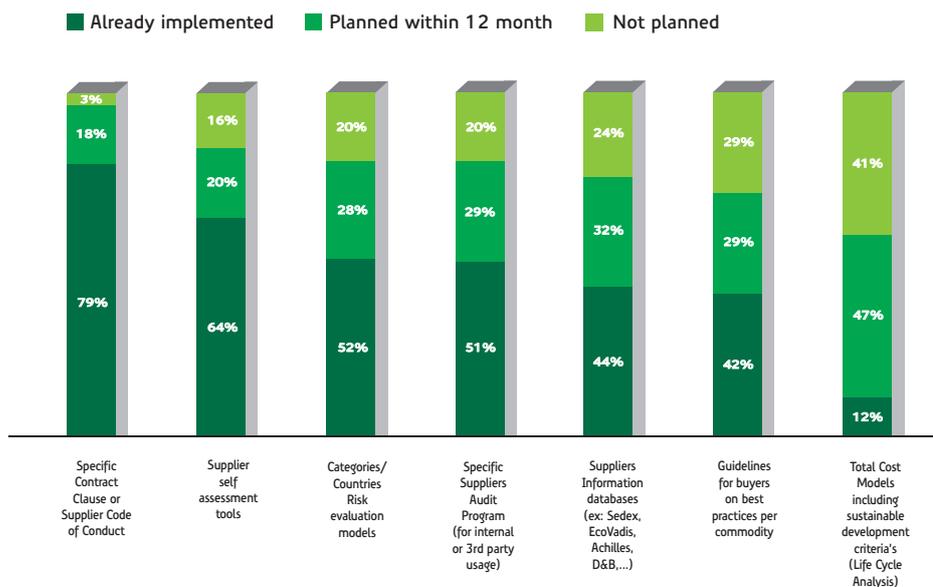


Figure 7.1 - Tools

What tools have you already implemented to support your "Sustainable Procurement" initiative ?

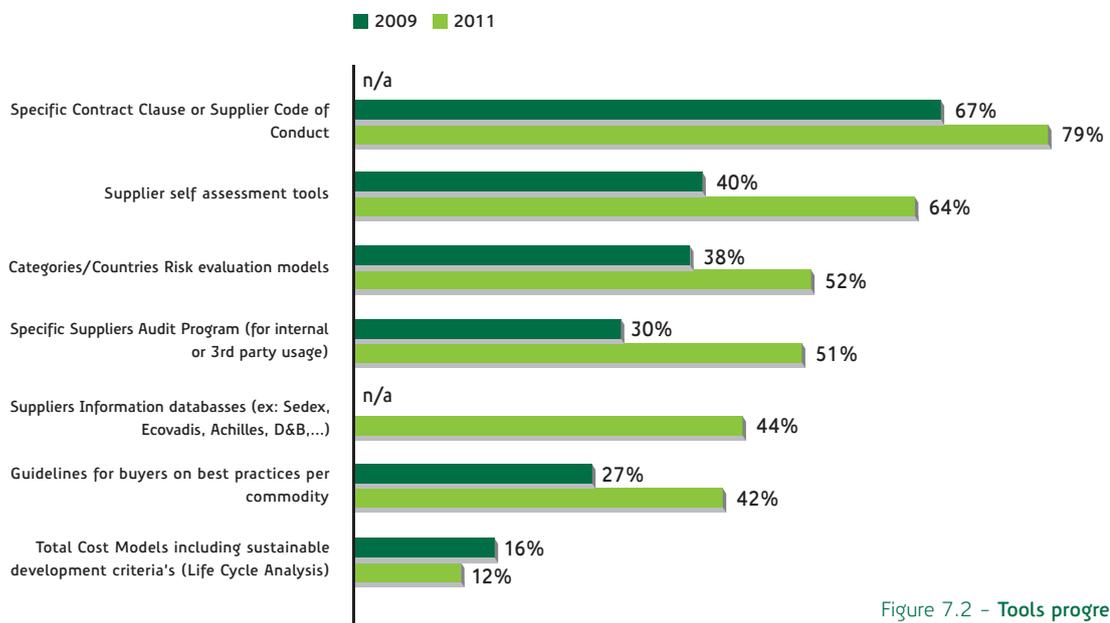


Figure 7.2 – Tools progress

What remains a challenge though, as illustrated by the company's interviews, is the percentage of deployment of all these tools within each organization. Virtually all companies (79%) have developed a **"Sustainable Procurement Charter"**, but the real coverage of this charter – in terms of number of suppliers, percentage of Business Units adopting the charters, countries covered – is hard to know. The tools are now easily available (either from 3rd parties, or using best practices provided by trade associations, or governments), but differences exist in the speed and quality of adoption of such tools, as well as in the level of integration into the standard Procurement processes.

Redefining products/services specifications

Sustainable Procurement is obviously about managing the supplier dimension ("buying from responsible suppliers") and the product/service axis ("purchasing environmental/social friendly products/services"). However, in 2011 again, we observe that companies are far less advanced on the « product » dimension compared to the « supplier engagement » aspect.

Whereas 2/3 of the companies reported developing some form of Suppliers assessment tools, only one third require compliance to ecolabels and only 25% have started to develop Life Cycle Analysis of products, and unfortunately, most of those who do, do it "on a very limited number of categories" and products.

"We are looking forward to a maturation of supplier markets, which will be able to offer sustainable goods and/or services on a wide scope."

Financial Services - Germany

How do you optimize the environmental impact of products ?

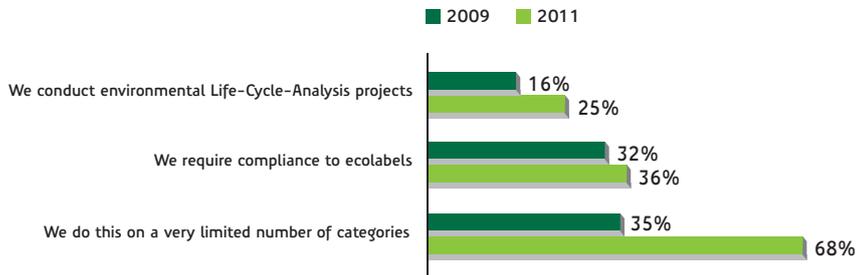


Figure 8 - Product impact

This result is probably due to the fact that the study was focused on Procurement organizations, and most of the « Product » redesign activities are actually led by other groups (engineering, marketing, R&D,...). However, we expect to see a significant change in this area as regulatory pressures (such as EU "Product eco-labelling regulations" or the more recent US « Conflicts Minerals » SEC directive) are pushing companies to trace the environmental and social characteristics of products.



1.3 Sustainable Procurement Monitoring

When looking at the measurements used by companies to evaluate the social and environmental performance of their suppliers, we observe a significant shift in their practices, and a clear indication of the increasing level of maturity of organizations and professionalism of the Sustainable Procurement function.

How do you measure the performance of suppliers on social/environmental concerns ?

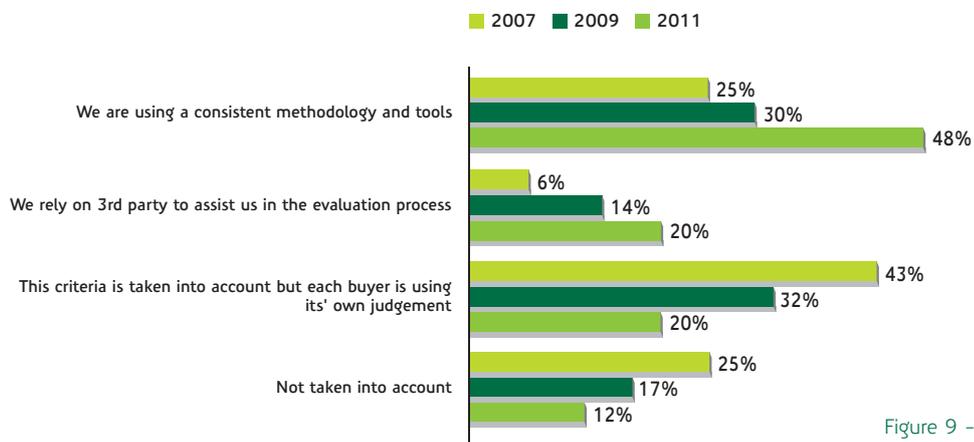


Figure 9 - Measures

Whereas in 2007 only one third of companies were using formalized methodologies for assessing suppliers' Sustainability performance, in 2011 the market has shifted and now two thirds of companies surveyed are implementing such tools (either internally or based on 3rd party data).

Throughout the interviews conducted, companies have also indicated that the increased weight given to Sustainability criteria is forcing organizations to develop tools which would minimize the subjectivity of suppliers CSR assessments, and give more tractability and auditability to the process.

Another potential explanation of this change may be that the financial crisis had limited the availability of internal resources, and Procurement teams were focusing limited resources on strategic sourcing projects which forced Sustainable Procurement to develop (or purchase) tools to automate the process.

Standards for measurement are still evolving, but the metrics used are an other indicator that reveals the increasing maturity of Sustainable Procurement. All the metrics listed are in progress and only 15% of the companies are not using formal metrics to monitor their Sustainable Procurement initiatives.

What metrics are you using to measure implementation of Sustainable Procurement practices ?

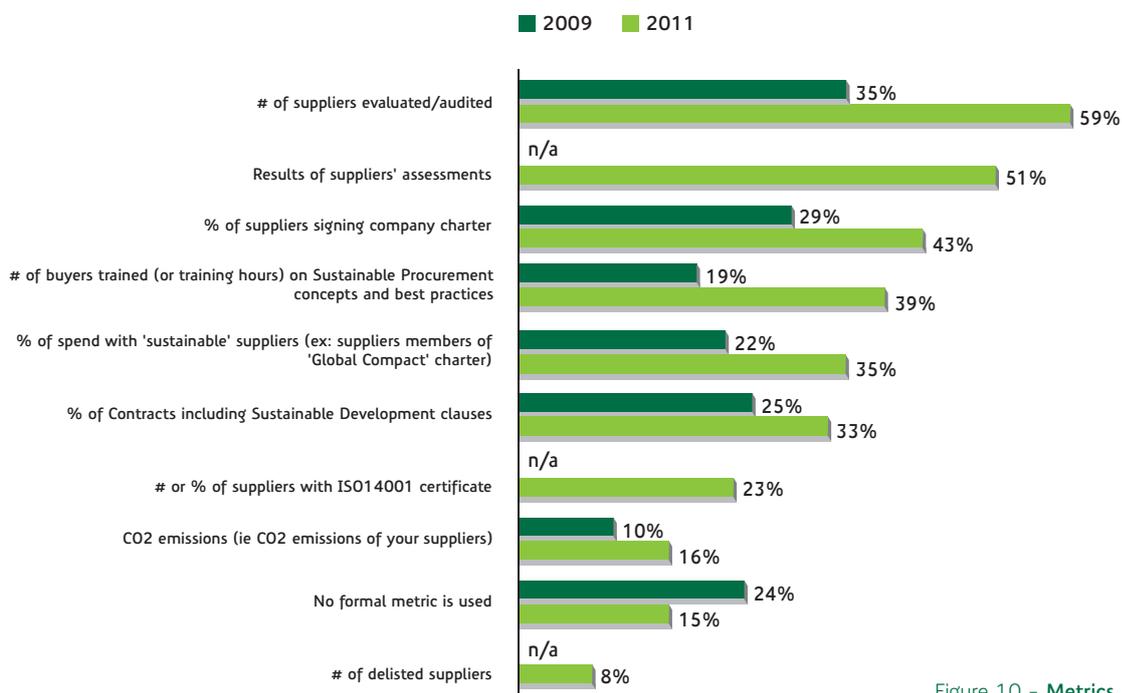


Figure 10 - Metrics

- The percentage of companies using formal metrics to measure results ("results of supplier's assessment" 51%) is now almost as high as the one measuring the quality of the process ("# of suppliers evaluated/audited", 59%). The interviews revealed that more and more companies are interested in measuring the progress of supplier performance.
- "CO2 emissions" metric is progressing but remains quite low (16%). Though some companies, like British Telecom (UK), Procter & Gamble (USA) or Sprint (USA) seem to be launching major initiatives regarding this topic.



1.4 Driving Change in Practices

Over the past few years, many companies have implemented Sustainability within their Procurement processes. For the first time in 2011, the respondents have been asked to identify which initiatives have been the most helpful and effective over time.

Please chose the 3 initiatives that have been the most efficient to help you accomplish your mission

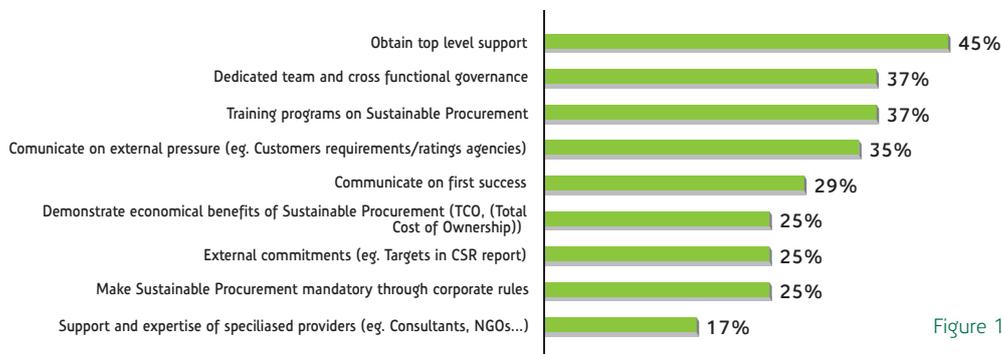


Figure 11 - Initiatives

- Initiatives identified as the most efficient are **Internal or Organizational**: the first one being "obtaining top level support" (45%), followed by "dedicated team" (37%) and "training programs" (37%).
- Then come **Communication Initiatives**, that is to say internal communication on "external pressure" 35%, on "first success" 29% and external communication ("external commitment", 25%). Justifying Sustainable Procurement also requires being able to demonstrate it (through "economical benefits", 25%).

This indicates that companies are still at the beginning stage of Sustainable Procurement implementation: solutions that are implemented are aimed at embedding Sustainable Procurement initiatives through internal-organizational changes and to convince stakeholders (both internally and externally) of its value.

" It has to be noted that top managers are not the final day-to-day decision-makers. The local teams are. In order to overstep contradictory objectives, they are those to be convinced by the benefits that could be generated by implementing Sustainable Procurement practices."

Construction Company - France

"Customer demand will enable a wider and faster deployment of Sustainable Procurement. Meanwhile, we do our best to promote a Sustainable behaviour."

Manufacturing Industry- UK

Remaining Challenges

Sustainable Development implementation is a change management process; therefore the challenges faced by Sustainable Procurement leaders are classical ones, such as lack of tools, KPI's, budget, relevant information, expertise, etc. Still, as time goes by, Sustainable Procurement is becoming more and more important for Procurement organizations. Leaders are making significant progress on defining more precise KPIs to monitor their progress, and the ownership of the process is becoming much clearer (i.e. nomination of dedicated Sustainable Procurement leaders in most of the companies).

- On which of the issues above have you been able to make significant progress in 2010 ?
- What are the main challenges faced in implementing your Sustainable Procurement policy ?

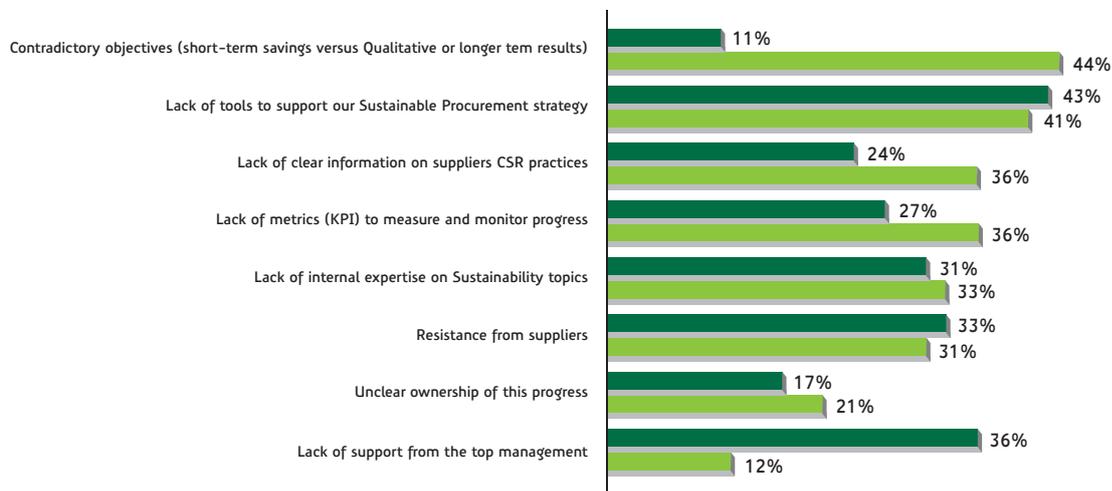


Figure 12 - Progress versus Challenges

By comparing areas of significant progress with the main remaining challenges that organizations face, some key conclusions can be drawn. THE major road-block that remains is "contradictory objectives", which is an issue that has not changed much over the years (40% in 2007, 44% in 2009 and 2011). In 2011, the dilemma between short term versus long term objectives is a major issue for implementing a true Sustainable Procurement policy.

"Sustainable Procurement is based on paradoxes and contradictions. We have to continue doing "business as usual" while transforming the Procurement function towards a more responsible way."
 Transportation Company - France

- The greatest progress made between 2009 and 2011 is the increasing support from Top Management, demonstrating that Sustainable Procurement has indeed become a strategic topic for the CPOs who have nominated dedicated leaders in their teams. It is now considered as a challenge by only 12% of respondents (versus 18% in 2007 and 17% in 2009).
- On the other hand, we can notice that less progress has been made on the challenge of "Contradictory objectives": it is an issue for 44% of respondents but only 11% have been able to solve it.

When looking at the other issues and challenges faced by Sustainable Procurement leaders, it is clear that progress towards implementing Sustainability within the Procurement process has been made, which demonstrates significant progress and success, which allows us to say that "A change is happening!"

For the following internal stakeholder, please indicate the difficulty you encountered to engage them and implement your actions

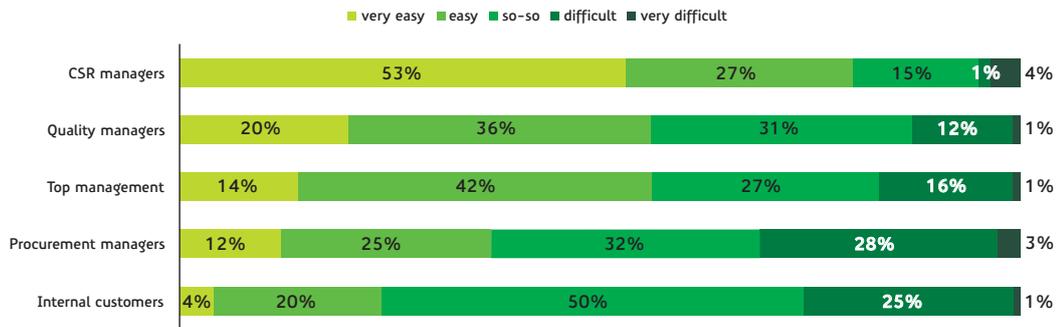


Figure 13 – Stakeholders

It appears that there is a clear difference between top managers (CSR Managers, Quality Managers and Top Management) who are already convinced about the implementation of Sustainable Procurement practices, and middle managers (Procurement Managers – Internal Customers) who appear much more difficult to convince.

"Top management should set common objectives between buyers and internal customers."
Energy industry – The Netherlands

There is an obvious disparity between the results regarding strong top management support and the existence of contradictory objectives: how can the objectives still be contradictory if top management, which is setting the objectives, is now supportive? This is clearly the main challenge to overcome for organization-wide deployment to be successful.

In order for Sustainable Procurement to cross a new frontier and spread across an organization, Managers are clearly the ones that need to drive and lead the change.

"We noticed some differences within the Procurement team: some are committed and have strong personal beliefs regarding Sustainability issues, others are resistant and see no interest to change until it is part of top management vision and/or their individual objectives."

Industrial & Services company – Germany

"Internal customers are resistant as management commitment is not always clearly articulated, and objectives appear contradictory.

This could be dampen by communicating on best practices where Sustainable Procurement and cost saving are not antonymic."

Services Company – Belgium

"There are two main reasons why internal customers are resistant: reluctance from certain business unit managers, and lack of performance indicators that would allow giving precise objectives and measuring the real contribution of each individual."

Transportation Company – Italy

2. Recommendations

2.1 New Sustainable Procurement “Change Management Model”

Despite progress regarding levels of implementation and organizational maturity, we still notice that many companies are struggling to make Sustainable Procurement a systematic practice. For example, we often get feedback from suppliers that the Sustainable Procurement practices, which are deployed by Corporate-level procurement teams, are not deployed by the operational buyers they interact with.

In our 2009 study, we proposed a 1st framework for Sustainable Procurement adoption based on a “Maturity Matrix” (cf. Appendix 1). Even if this tool is useful to give companies objectives and allow them to measure progress, it does not help Sustainable Procurement managers to understand how they can «climb the ladder» of the “Maturity Matrix”.

Companies often underestimate Change Management challenges. Research shows that 80% of projects fail because of Change Management issues. We therefore want to propose a Sustainable Procurement “Change Management Model”. Through the interviews conducted, and analysis of company practices, we observe that the Leaders are those companies which have implemented a very structured Change Management program, which aligns groups' expectations, communicates, integrates teams and manages training of those involved. Based on this analysis we would like to offer a new framework for Sustainable Procurement adoption, leveraging an adaptation of the Patterson-Conner Commitment Curve.



When implementing Sustainable Procurement practices, these steps can be summarized into a 3 phase process that includes:

- 1. Communication activities:** Building **awareness** among employees regarding the approaching change, the benefits and the steps to be implemented.
- 2. Training and Performance support:** ensuring that the initiative is being **understood** among those who are to execute the change or be part of it, and leading to **buy-in** of the key stakeholders.
- 3. Rewards and recognition:** ensuring that employees – and suppliers – who embrace change are properly **recognized** and **rewarded**. This final step is when implementation is not only measured, but also celebrated.



2.2 Practical Examples of Change Management practices



While a Change Management program must be designed in a way to cope with specificities of each organization, we have been able to identify, in the interviews and analysis of company practices, some interesting examples, which could be leveraged by many organizations.

1. Communication

1.1 Relentless focus on measuring "Benefits"

Companies spend a lot of energy reporting on "process" metrics (e.g. number of supplier audits per year), but not as much as reporting on the benefits. While some of the benefits are easily measured (e.g. cost reduction linked to energy optimization), other benefits (in particular those related to «risk management») are much more difficult to quantify. However, some companies identified have highlighted original approaches in quantifying the benefits of Sustainable Procurement in terms of "Risk Management":

- **Compass Group** reports using the feedback from B2B customers who evaluate the company Sustainable Procurement practices in their RFP.
- Using 3rd party ratings to measure improvement in performance (e.g. DJSI / supply chain rating).
- **ArcelorMittal** reports developing an innovative tool that will integrate «CSR risks» into the TCO calculations.

1.2 Aligning with company strategy

Rather than a generic Sustainable Procurement approach, best in class companies are aligning their Sustainable Procurement requirements with the overall company strategy (e.g. **Danone** focusing supplier engagement on water issues and **Siemens** using their internal expertise to deploy energy audits for selected suppliers).

2. Training and performance support

2.1 Mapping internal resistors in order to adapt change management strategy

The main challenge associated with Change Management is linked to the difference in perceptions of various Corporate functions, and the complexity of addressing the different cultural issues linked to geographies. Several companies have implemented interesting approaches to cope with this diversity:

- **Gemalto** launched an internal survey to analyze Sustainable Procurement expectations and vision of various functions ex: quality/R&D/finance/operations.
- Developing customized program for each country to take into account maturity on CSR and cultural issues (e.g.: flexible models used by **Accor** and **Compass Group**).

2.2 Innovative training programs

- For example, **SNCF** provided 2 days of training for 600 buyers. **Alstom** implemented an innovative eLearning tool to train 1500 buyers as well as quality and engineering managers across all countries.
- Beside internal stakeholder's training, external stakeholders can also be trained, especially suppliers. There has been a partnership between **GE, Wal-Mart and Honeywell** to set up a suppliers' EHS university in China.

3. Rewards and recognition

3.1 Internally

CSR in Procurement managers' Management By Objectives (MBOs): Sustainable Procurement managers are all requesting this, but the level of implementation in companies in 2011 is still limited. Many companies justify this by the time lag between initiation and the time required to change HR rules and MBOs definitions.

- MBOs should be based on neutral independent metrics (e.g. In 2009 **Shell** implemented a bonus scheme for Procurement Executives based on DJSI rating of Shell supply chain performance).
- Use transverse MBOs which are applicable not only to Procurement but also to other business functions (e.g. **Danone** where 1400 executives, cross functions, have 1/3 of their objectives based on environmental and social metrics).

3.2 Externally

Beyond internal teams engagement, it is critical to reward the best practices of suppliers (and not only use Sustainable Procurement as a way to terminate relationships with suppliers not meeting minimum standards). More and more companies have taken the initiative to rewarding suppliers with Corporate Responsibility awards (e.g. **Vodafone, Coca-Cola, Crédit Agricole...**).

2.3 Vision towards a transformation

Beyond what we have just described as a true **change management** activity from pure "Procurement" to "**Sustainable Procurement**" we can try to set the vision for a further **transformation** towards a "**Responsible Procurement**". Responsibility being defined as the Corporate Social Responsibility as stated by the new ISO 26000 standard.

Let's imagine ourselves in 2013 or even 2015: hopefully we will still be conducting this study as we have over the past 9 years. What should we be measuring at that time to make sure that we are on the right path towards more Responsibility in Procurement?

We would probably have reached a "tipping point" where roles will have switched: contrary to what happens today, it will be Procurement Managers who have not engaged in Sustainable Procurement who will be responsible for demonstrating the other stakeholders that, by acting this way, they have not decreased the value of their company.

We are not dreamers or utopists ... indeed, we can say that all the Sustainable Procurement Managers interviewed during this study have stated that they are now much more confident since they have started to roll out their initiatives, even if a very limited number of them were able to demonstrate the return on investment of their actions. Still, they are moving forward and are more and more supported and encouraged to do so!

In the current study we have identified certain "signals", which are hard to hear in the "noise" currently surrounding Sustainability, but that we will probably be able to measure more precisely in our future studies. They are the following:

- Procurement Managers will become increasingly engaged in Sustainability, and transform their jobs into true "Responsible Managers" by evolving from the current cost-killing approach to a concept of Shared Value Creation with all stakeholders.
- These "new" Responsible Managers will integrate a new way to manage their internal (i.e. buyers) and external resources (i.e. suppliers) by integrating factors beyond short term financial performance (i.e. bring back the heart at the heart of the processes).
- Those who will be building the transformation of the Procurement function are the current pioneers, probably some of the talents recently nominated as Sustainable Procurement Managers are part of these cutting edge leaders.

How about 2015 or 2017? Let's dream a little bit here by making a parallel with Apple's recently launched Cloud initiative. Why not imagine that all the stakeholders of the Procurement function (buyers, internal customers, managers and suppliers) will be setting up new ways of collaborating in a network environment based on the principles of the ISO 26000 standards? Where communication and negotiation will be based upon a new way to look at the business: shifting from a pure Top / Bottom line approach to a Triple Bottom line one, including the Environment, Social concerns and the Value Creation for all stakeholders?

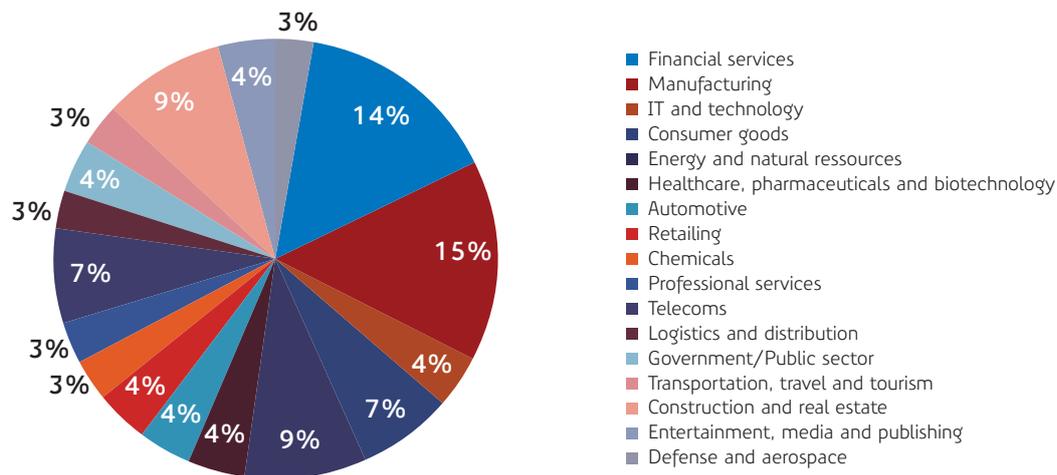
Does this vision seem a bit idealistic? Or is it not just a question of time? This is all about "Transformation": should we wait until this transformation comes naturally into force, or should we decide to change and transform business models towards a better world? We are all able to drive and lead this transformation: therefore shouldn't we decide to get engaged right away?

Let's not wait for our Procurement function to move slowly to a 2.0 step: let's transform it **now** to a "**Responsible Procurement 3.0 function**", based on a true Sustainable Development approach. **If we, Procurement Managers, don't do it, who will?...**

Appendix - Study characteristics

This study was carried out from November 2010 to February 2011.

- **Number:** the Procurement Departments of 200 of the largest European corporations were contacted and 80 of them agreed to participate in this benchmark and responded to a questionnaire relating to their visions, practices and results. For 15 of them, this was followed with a one-on-one interview with the Sustainable Procurement manager(s).
- **Function:** 77% of the participants are in charge of Procurement: 15% are Chief Procurement Officers, 50% Directors or VP Procurement/Supply Chain and 12% Procurement Managers.
- **Country:** The European companies interviewed are based in France, England, Italy, Germany, Belgium, The Netherlands, Austria and Switzerland.
- **Sectors:** the companies interviewed represent all areas of activity as illustrated in the diagram below:



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Appendix – Glossary

CPO	Chief Procurement Officer
CSR	Corporate Social Responsibility
KPI	Key Performance Indicator
MBO	Management by Objectives
NGO	Non Governmental Organisation
RFP	Request For Proposal
SG&A	Selling, General & Administrative Expense
SP	Sustainable Procurement



LEVELS	General principle	Procurement policy / internal levels	Procurement policy / Supplier levers	Processes/ Tools / Practices	Information and decision-making support systems	Procurement H.R. (buyers)	Comm. / Performance
5 Global optimisation - Procurement-oriented company	Standardise level 4 - Global governance	Integrate SD into Procurement as part of the strategy; systematic Lifecycle Analysis of the products and services purchased	Business model coherence; co-steered relationship	All procurement processes include SD criteria	Same as Level 4	Same as Level 4 with internal dissemination of skills	Systematic internal and external communication (based on facts and figures)
4 "External" optimisation - Cross-functional focus (upstream procurement)	Standardise level 3 - Minimise total cost of ownership, innovate and create value	90% of expenditure covered and analysed; map of country/area risks; estimate preventative measures; extension to supply chain; eco-design/innovation; reverse logistics; reuse	Broaden the collaborative approach; sustainable economic development	All procurement processes include SD criteria (supplier approval, sourcing, RFI, RFQ, offer rating; supplier monitoring)	Supplier dashboards; establish and disseminate all TCOs; supplier satisfaction indicators; global database	Create an SD department within the Procurement Department; all buyers have a measured result obligation; recruitment; internal mobility	Standardised communication; comprehensive dashboard (additional quantitative result indicators); measure supplier satisfaction
3 "Internal" optimisation - Procurement Department - Functional focus (downstream procurement)	Standardise level 2 - Collaborative approach with suppliers	Extend the expenditure covered (50% of the portfolio); same as level 2 regarding requirements and specifications	Standardise "core panel" approach; SD criteria in the approval and offer rating processes; jointly define improvement plans	SD-dedicated supplier audits; progressively adapt all procurement processes	Supplier dashboards	Train all buyers; integrate SD into individual performance evaluation	Standardise communication; comprehensive dashboard (quantitative action indicators)
2 Minimise risks, compliance approach	Minimise risks, compliance approach	15% to 20% of expenditure covered; list risks and social standards; formal rating; act on specifications (major risks)	Focus on "core" suppliers; SD charter; self-declaration evaluation; supplier commitment declaration	SD risk segmentation of the portfolio; SD-oriented RFI; dedicated contractual clauses	Adapted supplier files	Train "leading SD" buyers; inform others	Inform internal clients and specifiers; external supplier communication (SD charter); initial indicators
1 "Basic" transactional approach	Supply management, "passive" procurement	Insufficient procurement maturity	Insufficient procurement maturity	Insufficient procurement maturity	Insufficient procurement maturity	Insufficient procurement maturity	Insufficient procurement maturity

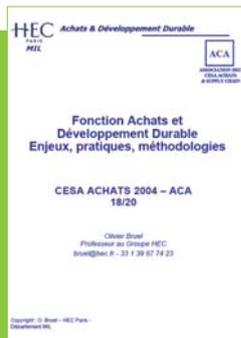
Table - Sustainable Procurement according to Procurement Maturity (© Professor Olivier Buel and Olivier Menuet - HEC Paris - March 2009)

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This study is sponsored by SNCF: SNCF is a premier global mobility and logistics group with expected annual revenues of €30 billion in 2010 and almost 235,000 employees in 120 countries. Our mission is to achieve greater mobility, respect and solidarity by making eco-mobility the driving force behind sustained growth and client preference, both in passenger and freight transport. The Group is made up of 5 main divisions: managing, operating, maintaining and engineering railway infrastructures (SNCF Infra), local urban, commuter and regional passenger (SNCF Proximités), long distance and high speed passenger rail transport (SNCF Voyages), freight transport and logistics (SNCF Geodis) and train station management and development (Gares & Connexions).



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