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PURCHASING AND
SUPPLY CHAIN MANAGEMENT
ASSOCIATION OF THAILAND



PURCHASING PRACTICES & BEYOND 2024

SUSTAINABILITY FORESIGHT
HOW TO IMPLEMENT SUSTAINABLE
PROCUREMENT IN PRACTICE

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PURCHASING PRACTICES & BEYOND 2024

SUSTAINABILITY FORESIGHT - HOW TO IMPLEMENT SUSTAINABLE PROCUREMENT IN PRACTICE



Session **3**
14:00-15:00

Mr. Supakit Kitsarun
Head of Procurement
Siam City Cement PCL.



Headline for Today:



01

What is sustainable procurement

02

**How sustainable procurement
revolve in Procurement Process**

03

**What is Supplier code of conduct
and how to implement it effectively**

04

**Risk & Supply assessment key
issue of critical supplier**

05

ESG Criteria for supplier assessment



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What is sustainable procurement

Sustainable procurement involves acquiring goods and services in a way that takes into account **environmental, social, and ethical factors**. It's not just about getting the best deal in terms of cost and quality; it also considers the long-term impact of the products and services on the environment, society, and ethical standards. The goal is to make **purchasing decisions that contribute to overall sustainability and minimize negative effects on people and the planet.**





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ISO 20400 – Sustainable Procurement - Guideline

- Sustainable procurement involves considering environmental, social, and economic factors in the procurement of goods and services. ISO 20400 offers guidance on how organizations can implement sustainable procurement practices, covering aspects such as **supply chain management, supplier selection, and the evaluation of social and environmental impacts.**

Sustainable Development Goals (SDGs)

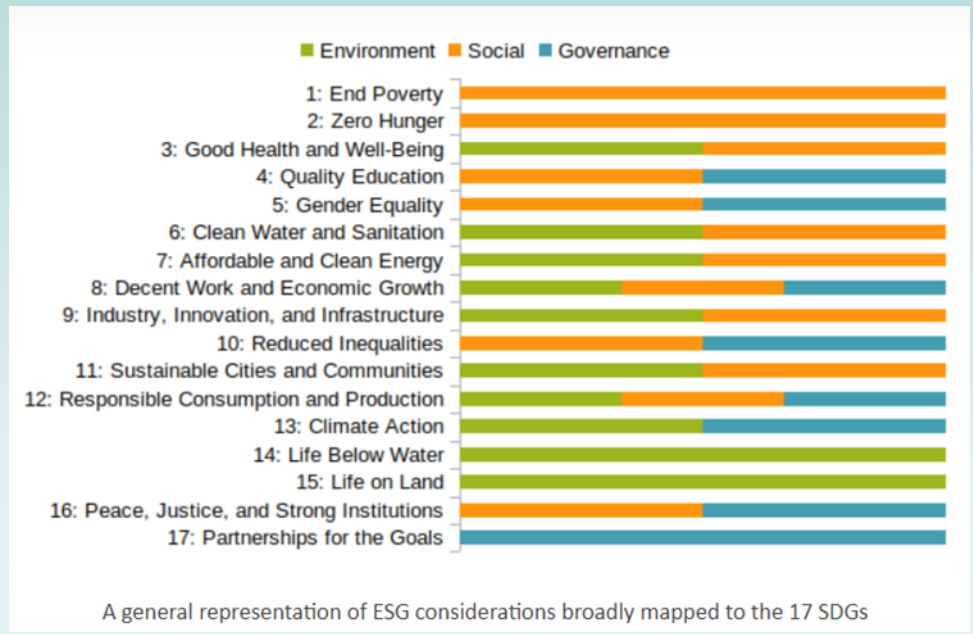
A set of 17 global goals adopted by the United Nations in September 2015 as part of the 2030 Agenda for Sustainable Development.

1 NO POVERTY 	2 ZERO HUNGER 	3 GOOD HEALTH AND WELL-BEING 	4 QUALITY EDUCATION 	5 GENDER EQUALITY 	6 CLEAN WATER AND SANITATION 
7 AFFORDABLE AND CLEAN ENERGY 	8 DECENT WORK AND ECONOMIC GROWTH 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	10 REDUCED INEQUALITIES 	11 SUSTAINABLE CITIES AND COMMUNITIES 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 
13 CLIMATE ACTION 	14 LIFE BELOW WATER 	15 LIFE ON LAND 	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	17 PARTNERSHIPS FOR THE GOALS 	

Mapping SDGs to ESG

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A general representation of ESG considerations broadly mapped to the 17 SDGs

*Mapping the SDGs across the three ESG factors (GIIN, 2018)



GCCA Sustainable Supply chain management

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The 10 Sustainable Supply Chain Principles



ทุกคนเราช่วย
ปลอดภัยไปด้วยกัน
Safety First, We Alert Together



2) Working condition

มีสภาพการทำงานที่ดีธรรมและเหมาะสม ได้รับค่าแรงขั้นต่ำตามที่กำหนดไว้ในกฎหมายของประเทศเป็นอย่างน้อย และได้รับประโยชน์จากระบบประกันสังคมตามมาตรฐานทางกฎหมายของประเทศ



3) Freedom of association and non-retaliation

เสรีภาพในการสมาคมของพนักงาน ตัวแทนของแรงงานไม่ควรถูกเลือกปฏิบัติหรือขกเลิกสัญญาเพื่อตอบโต้การใช้สิทธิของพนักงาน การร้องทุกข์ การมีส่วนร่วมในกิจกรรมสหภาพแรงงาน หรือการรายงานการละเมิดกฎหมาย



4) Forced labour

ไม่ควรใช้งานใดๆ ที่กระทำภายใต้การคุกคามของบทลงโทษ รวมถึงการบังคับทำงานล่วงเวลา การล้ามนุญช์ การเป็นหนี้ หรือการระงับยอม ไม่ควรขีดเอกสารแสดงตนของแรงงานข้ามชาติ



5) Child labour

ไม่ควรจ้างเด็กในวัยที่การศึกษายังเป็นภาคบังคับ เด็กและเยาวชนที่มีอายุต่ำกว่า 18 ปีหรือต่ำกว่าอายุขั้นต่ำที่กฎหมายกำหนด



6) Non-discrimination

การตัดสินใจเกี่ยวกับการจ้างงานควรเป็นกลาง ไม่แยกแยะด้วยเหตุผลต่างๆ ซึ่งรวมถึงไม่จำกัดเพียง อายุ ความทุพพลภาพ เพศ รสนิยมทางเพศ ความคิดเห็นทางการเมืองหรืออื่นๆ ชาติพันธุ์หรือสังคม หรือศาสนา รวมถึงการเลื่อนตำแหน่ง การเลิกจ้างและการย้ายพนักงาน การฝึกอบรมและการพัฒนาทักษะ สุขภาพและความปลอดภัย หรือนโยบายใดๆ ที่เกี่ยวข้องกับสภาพการทำงาน เช่น ชั่วโมงการทำงานและค่าตอบแทน



7) Environmental regulatory compliance

ปฏิบัติตามข้อกำหนดด้านสิ่งแวดล้อมในระดับท้องถิ่นและระดับประเทศ มีใบอนุญาตและใบอนุญาตด้านสิ่งแวดล้อมที่จำเป็นทั้งหมด และสนับสนุนแนวทางการป้องกันเพื่อรับมือกับผลกระทบด้านสิ่งแวดล้อม



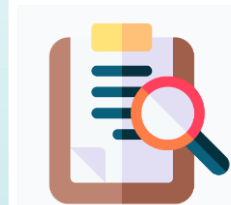
8) Management of environmental impacts

จัดการผลกระทบต่อสิ่งแวดล้อมที่เกี่ยวข้องและกำหนดวัตถุประสงค์และเป้าหมายเพื่อลดผลกระทบดังกล่าว ควบคู่ไปกับการดำเนินการและแสดงหลักฐานของการปรับปรุงอย่างต่อเนื่องเพื่อนำไปปฏิบัติและประยุกต์ใช้ระบบการจัดการสิ่งแวดล้อมที่เป็นที่ยอมรับ



9) Bribery and corruption

ปฏิบัติตามกฎหมายและระเบียบข้อบังคับว่าด้วยการต่อต้านการทุจริต มีนโยบายที่ไม่ยอมให้มีการติดสินบน การทุจริต การกรรโชก และการข่มขู่ในทุกรูปแบบ โดยเฉพาะอย่างยิ่ง ไม่ควรจ่ายสินบนหรือจูงใจอื่นใด (รวมถึงเงินใต้โต๊ะ การจ่ายเงินเพื่ออำนวยความสะดวก ของขวัญและการต้อนรับที่มากเกินไป เงินช่วยเหลือหรือการบริจาค) ที่เกี่ยวข้องกับการติดต่อทางธุรกิจกับลูกค้าและเจ้าหน้าที่ของรัฐ คาดหวังให้ดำเนินการติดต่อทางธุรกิจทั้งหมดอย่างโปร่งใส รวมถึงไม่ควรจ้างบุคคลที่สามเพื่อทำสิ่งที่ไม่ได้รับอนุญาตให้ทำเอง



10) Transparency and Integrity

ซัพพลายเออร์ได้รับการคาดหวังให้ให้ข้อมูลและเอกสารที่เกี่ยวข้องในประเด็นข้างต้นเมื่อมีการร้องขอปกป้องคุณสมรถตลอดจนความสัมพันธ์ของความไว้วางใจซึ่งกันและกัน แม้ว่าข้อมูลนี้จะไม่รวมถึงข้อมูลที่ละเอียดอ่อนในเชิงพาณิชย์ แต่ข้อมูลทั้งหมดที่ซัพพลายเออร์อาจให้เพื่อแสดงความมุ่งมั่นต่อหลักการของห่วงโซ่อุปทานที่ยั่งยืนจะได้รับการปฏิบัติอย่างรอบคอบและเป็นความลับ เพื่อเพิ่มโอกาสในการปรับปรุงเพิ่มเติมในทุกด้าน



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How sustainable procurement revolve in Procurement Process

Implementing sustainable procurement within an organization involves a strategic approach that integrates sustainability principles into the procurement process.

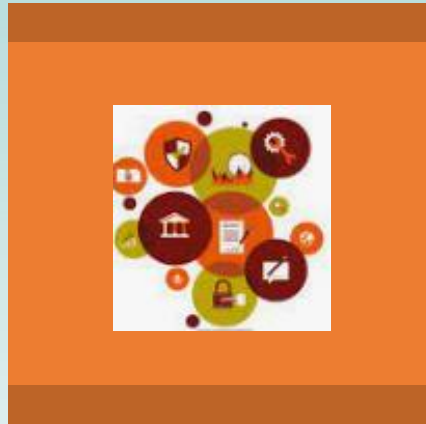


- Procurement Policy
- Supplier code of conduct
- Supplier pre-qualification
- Supplier Evaluation
- Bidding/Tender evaluation
- Contract clause
- Supplier performance
- ESG Risk assessment



Sustainable Procurement implementation approach

Part 3: How	Policy framework	Suppliers' engagement	Qualification process	Management & control		
	Training activities					
Part 2: What	Health & safety	Working conditions	Freedom of association	Forced labor	Child labor	Non-discrimination
	Environmental compliance	Environmental management	Bribery & corruption	Transparency & integrity		
Part 1: Why	Supply chain risk	Supply chain efficiency	Business innovation			
Visible leadership & accountability, collaborative approach*						



Policy Framework

- Company/Business Code of Conduct
- Supplier Code of Conduct
- Procurement Policy



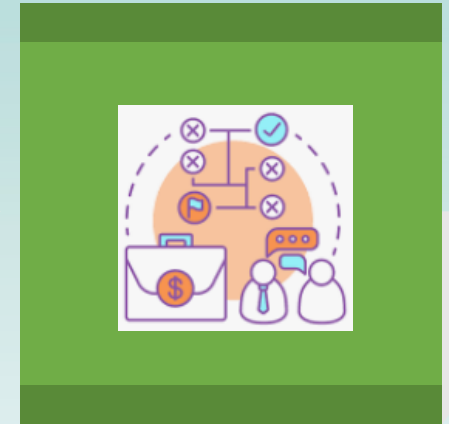
Supplier Engagement

- Supplier Code of Conduct
- Supplier risk assessment
- Term & Condition in PO
- Contract Clause



Qualification Process

- Supplier qualification
- Supplier risk assessment
- Supplier performance evaluation



Management & Control

- Contract management
- Supplier on boarding at site
- On site contractor management and control
- Supplier performance evaluation
- Feedback for improvement

Training Activities



Sustainable Procurement implementation approach



Preparation of documentation

- Corporate governance
- Financial performance
- ESG performance
- Declaration of Integrity in Business Conduct
- Safety, Health and Environmental Protection Guarantee for Contractors

Sign code of conducts & provide information

- ESG Self-Assessment Questionnaire
- Declaration of Integrity in Business Conduct
- Safety, Health and Environmental Protection Guarantee for Contractors

Qualification assessment

- Documentation
- Supplier ESG Desk/off-site review
- Confirm the signing of the principles
- Confirm the compliance with ESG standards
- On-site inspection

Become Suppliers

Pass the examination



Periodic evaluation

- ESG Self-Assessment Questionnaire
- Involve circular economy issues

Supplier ESG evaluation

- On-site review
- Desk/off-site review

Supplier sustainability risk assessment

- Identifying and evaluating sustainability risks in supply chain
- Identify high-risk suppliers and risk types

Supplier sustainability risk assessment

- ESG and risk assessment report of supplier
- ESG/risk improvement recommendation and requiring supplier to improve

Improvement actions and capacity building

Joint review

- Issue sustainability performance self-assessment questionnaire
- Fill out the ESG self-assessment questionnaire
- Desk/off-site review

Supplier evaluation

Threshold setting

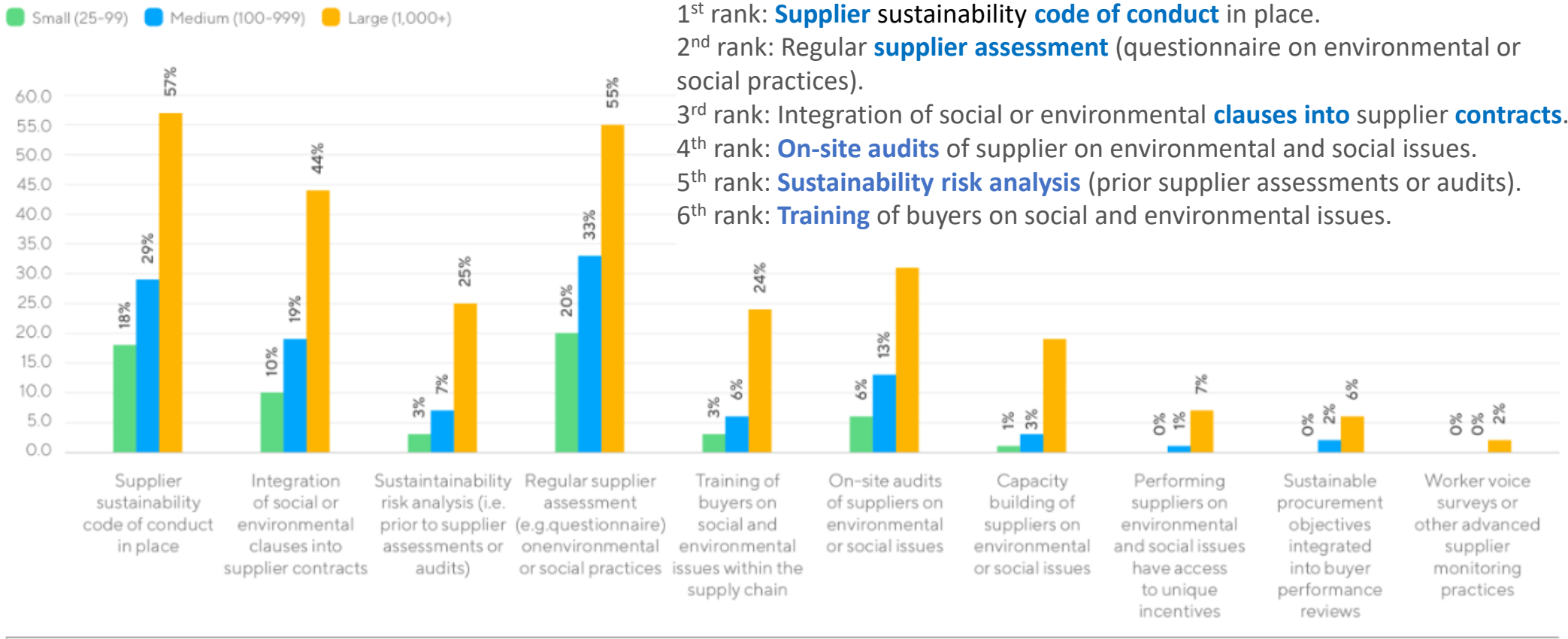
- Threshold for ESG
- Sustainability performance threshold for technical evaluation of major tenders

Signing code of conduct

- Declaration of Integrity in Business Conduct
- Safety, health and environmental protection guarantee for contractors

Ten fundamental actions for developing an effective sustainable procurement approach

Figure 5: Percent coverage for the ten fundamental actions by company size in 2022



- 1st rank: **Supplier sustainability code of conduct** in place.
- 2nd rank: Regular **supplier assessment** (questionnaire on environmental or social practices).
- 3rd rank: Integration of social or environmental **clauses into** supplier **contracts**.
- 4th rank: **On-site audits** of supplier on environmental and social issues.
- 5th rank: **Sustainability risk analysis** (prior supplier assessments or audits).
- 6th rank: **Training** of buyers on social and environmental issues.

Source: Ecovadis - seventh annual Business Sustainability index



Supplier Code of Conduct

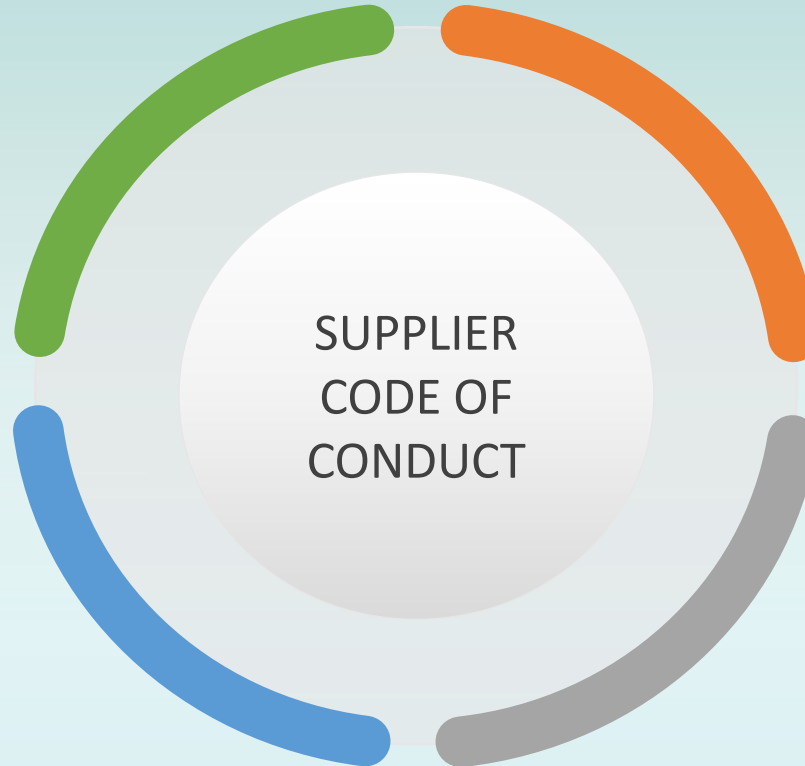


BUSINESS ETHIC

- Business integrity
- Confidentiality and data protection
- Corporate Social Responsibilities
- Conflict of interest

HUMAN RIGHTS

- Freely Choose Employment
- Child Labor Avoidance
- Wages and Benefits
- Working Hours
- Non-Discrimination
- Layoffs Practice
- Humane Treatment
- Freedom of Association



OH&S

- Safety and working environment
- Security and Emergency Preparedness
- Occupational Health injury and illness

MANAGEMENT ENVIRONMENT

- Environmental Management through Life-Cycle perspective
- Solid Waste and Hazardous Waste
- Wastewater
- Air Emission and Greenhouse Gas
- Soil and Groundwater Contamination



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Supplier Code of Conduct – Term of Engagements

Term of Engagements

- **Applies to all** suppliers and it is communicated to both potential and existing suppliers.
- Be **part of the qualification process**, new suppliers shall be assessed to ensure adherence to the standards stipulated in this document.
- The Code is **non-negotiable** minimum standards that we ask our suppliers to respect and to adhere to when conducting business with us.
- When a supplier does not meet our requirements, **corrective action plans** are to be established within specific time frame (depending on the severity of the issue) and Company will monitor the progress.
- Company may **disqualify or terminate the relationship** with suppliers that repeatedly and knowingly violate the present Code of Conduct and refuse to implement improvement plans.
- During the tendering process Company reserves the right to **exclude suppliers that are not compliant** with this supplier code of conduct, local, national or international laws or regulations.

Supplier Acknowledgment

By signing this document, I hereby confirm that I have read carefully and understand “Supplier Code of Conduct” of Company and its subsidiaries before signing.

I confirm that the companies I represent comply with all the requirements of the “Supplier Code of Conduct”.

Officially signed and stamped by supplier



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How to implement Supplier code of conduct effectively

- Formulate a supplier code of conduct that embraces social, environmental, and corporate governance issues to **demonstrate the company's commitment** in supporting suppliers who operate with ethics and social responsibility.
- 100% of tier 1 suppliers have **signed acknowledgement** and **received training** on the Supplier Code of Conduct.
- Supplier code of conduct implementation guideline which declare that **Suppliers shall promote and support the proper implementation of this Supplier Code of Conduct to their employees / workers and subcontractors.**

10 common types of Supplier risk



STRATEGIC RISK
Occurs when a prospective or current vendor's decisions and actions are incompatible with your organization's strategic objectives.



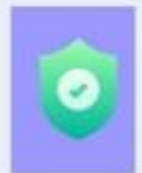
OPERATIONAL RISK
The risk of loss resulting from a vendor's ineffective or failed internal processes, people, controls, or systems.



BUSINESS CONTINUITY RISK
Occurs when an outside event negatively impacts a third-party vendor's ability to conduct business and impacts your organization as a result.



COMPLIANCE AND REGULATORY RISK
Arises from a third-party vendor's failure to comply with laws and regulations governing the products and services to its customers.



INFORMATION SECURITY RISK
Stems from third-party vendor security vulnerabilities. Two of the most common cyber risks resulting from missing or ineffective controls are cyberattacks and data breaches.



FINANCIAL AND CREDIT RISK
Directly relates to the financial condition of the third party itself and its inability to meet their contractual obligations and provide products and services to your organization.



REPUTATION RISK
Encompasses any of the numerous ways your third-party vendor could directly or indirectly damage your reputation, brand, or name.



CONCENTRATION RISK
Closely related to business continuity risk, it usually occurs when your vendor has too many high-risk or critical services provided by a single vendor, or there is only one vendor in the marketplace to provide critical products and services.



GEO-POLITICAL RISK
Can occur when your vendor is located in a country or region that's vulnerable to issues like political unrest, corruption, or human rights violations.



ESG (ENVIRONMENTAL, SOCIAL, AND GOVERNANCE) RISK
When vendors violate environmental laws, treat people unfairly, or display poor corporate governance and behavior.



Supplier's ESG Risk Assessment Framework



Risk Assessment Method



1. Self-Assessment forms/questionnaire



2. Information from reliable 3rd party or stakeholders/News



3. On site Audit



The information used in the risk assessment can be obtained from

- 1) News from trusted public sources
- 2) Past performance
- 3) Country / Sector / Commodity – specific risk
- 4) Potential future risk trends
- 5) Supplier self-assessment results



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Identification of Critical Suppliers

Review the list of critical tier 1 suppliers and critical non-tier 1 suppliers on an annual basis or upon a significant change according to the organization's context

Critical Tier 1 Supplier

- Suppliers with **high spend value** or **high transaction**
- Suppliers of **critical goods and services**
- Suppliers of **non-substitutable goods and services**, or are among the few available suppliers



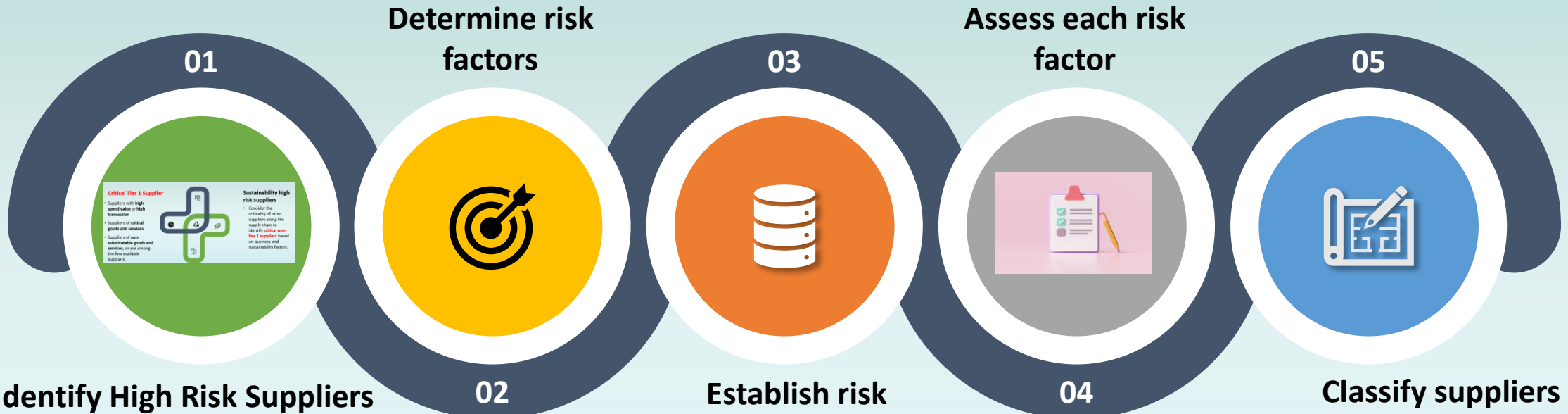
Sustainability high risk suppliers

- Consider the criticality of other suppliers along the supply chain to identify **critical non-tier 1 suppliers** based on business and sustainability factors.



Supplier's ESG Risk Assessment Framework

- Regular assess ESG risks at least once every three years



01 Identify High Risk Suppliers (Tier-1 & non-tier-1)

Critical Tier 1 Supplier

- Suppliers with high spend value or high transaction
- Suppliers of non-substitutable goods and services, or are among the few available suppliers

Sustainability high risk suppliers

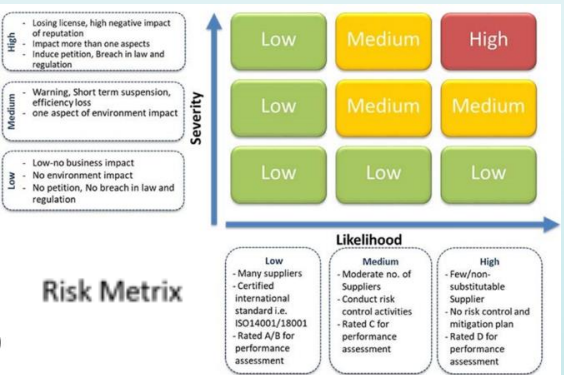
- Consider the availability of other suppliers along the supply chain to identify critical tier 1 suppliers based on business and sustainability factors.

Category	Local suppliers	Global suppliers	Region				
			High	Low	Medium	High	Low
Raw materials	✓	✓	M	M	M	M	M
Plastic (development, political issues, risk of obsolescence)	✓	✓	M	M	M	M	M
Energy	✓	✓					
Manufacture of fuel	✓	✓					
• Biomass: where it comes from, labor issues (e.g. child labor)	✓	✓					
• Forest: occupational health & safety (OH&S), environment, reputation	✓	✓					
Chemical/food material providers (labor issues, education issues, safety, reputation)	✓	✓					
• Waste: OH&S, environment, reputation	✓	✓					
Quarrying services	✓	✓	M	M	M	M	M
Transport services (road, CH&S, hazardous)	✓	✓	M	M	M	M	M
Maintenance and installation (labor issues, health, OH&S, environment)	✓	✓	M	M	M	M	M
Coating services / facility management	✓	✓	M	M	M	M	M
Processing materials	✓	✓	M	M	M	M	M

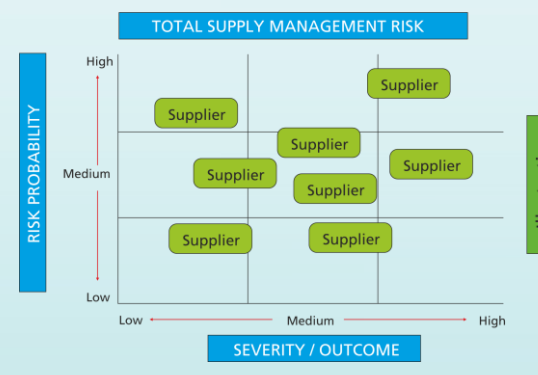
Table 1 Risk Factors

Environment	Social	Governance
Material toxicity and chemicals	Child Labour	Conflict of interest
Forest Risk Commodity	Discrimination	Gifts, meal and entertainment
Waste disposal	Forced Labor and Abuse of Labor	Corruption
Greenhouse gas emission	Epidemic	Protecting information
Energy use	Occupational health and safety	Fair competition
Water use and waste water treatment	Working conditions	Intellectual property
Air pollution	Remuneration	
Biodiversity		
Deforestation		

03 Establish risk assessment criteria



05 Classify suppliers associated with risk issues



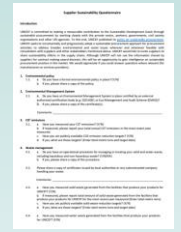


Supplier's ESG Risk Self-Assessment/On site Audit Framework

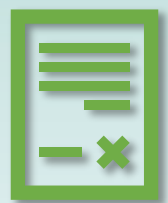
- Regular self-assess ESG risks with all tier-1 supplier by questionnaire at least once every three years



Tier-1 supplier list



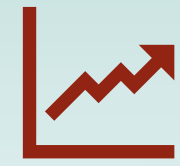
Supplier self-assessment



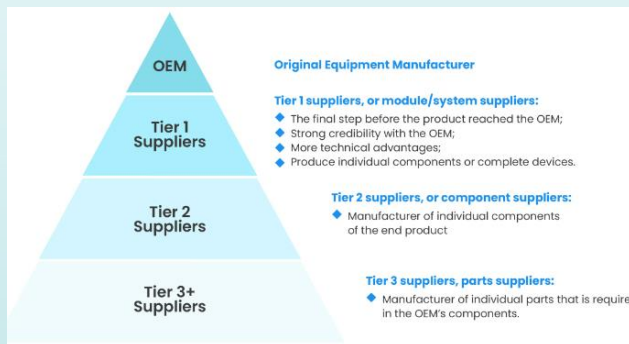
Analyze the supplier self-assessment results and classify their risk level



On site Supplier Audit & Supplier Performance Evaluation



Supplier Improvement /Capacity Building Plan



Supplier Risk result Classification		
Results	Percentage Risk Score	Action
A	0-20.9	Follow up and evaluate performance according to regular scheduled intervals
B	21-70.9	Increase the ESG self-assessment cycle to every two years
C	71-100	Immediately perform on-site supplier audit

Evaluation	Criteria	Actions
A	< 5 Minor NC	<ul style="list-style-type: none"> • Prepare a corrective action plan within 30 days. • Provide evidence that corrective actions have been implemented within 90 days. • Conduct on-site audit every three years.
B	≥ 5 Minor NC or 1 Major NC	<ul style="list-style-type: none"> • Prepare a corrective action plan within 30 days. • Provide evidence that corrective actions have been implemented within 90 days • Conduct on-site audit annually.
C	> 2 Major NC	<ul style="list-style-type: none"> • Prepare a corrective action plan within 30 days. • Provide evidence that corrective actions have been implemented within 90 days. • Conduct follow up audit on-site to monitor the supplier's corrective actions within 3-6 months. • Conduct on-site audit annually.



Identification of Critical Suppliers





ESG Risk Assessment Questions



Example Questions

E

S

G

- How does the company manage water usage, waste disposal, and recycling efforts?
- How does the company manage energy consumption and promote energy efficiency?



- What environmental regulations or certifications does the company adhere to?
- Are there initiatives to minimize resource depletion or promote sustainable sourcing of materials?



- How does the company ensure fair labor practices and adhere to human rights standards?
- How does the company ensure equal opportunities for all employees?



- What measures are taken to ensure workplace safety and employee well-being?
- Are there any social responsibility or community development programs in place?



- Are there mechanisms in place to prevent corruption or unethical behavior?
- How does the company identify and manage potential risks within its operations?



- How transparent is the company in its financial reporting and decision-making processes?
- What measures are taken to ensure data privacy and cybersecurity?





Overall progress of Sustainability Procurement implementation



Example KPIs	2022	2023	2024
Compliant Supplier Number of active suppliers complying with sign on Supplier Code of Conduct	80%	95%	100%
Local Procurement Number of suppliers whom Company procures goods and services from operating in Thailand	55%	65%	70%
ESG Risk Assessment Number of active suppliers undergo sustainability risk assessment	60%	80%	100%
Critical Supplier Risk Assessment Number of critical tier 1 and non-tier 1 suppliers being self - ESG assessment	75%	85%	10%
Critical Supplier Audited Number of critical tier 1 and non-tier 1 suppliers being ESG assessed on site	60%	80%	100%
Tracability and tracking 100% of sustainability high-risk raw materials are traceable	85%	90%	100%

Q&A

