

<b>Committee(s):</b> Operational Property and Projects Sub Committee	<b>Dated:</b> 26 September 2022
<b>Subject:</b> Climate Action Strategy - Purchased Goods and Services Project Plan Update	<b>Public</b> <b>Appendix Non-Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	2, 5, 11, 12
<b>Report of:</b> Emma Moore, Chief Operating Officer	<b>For Information</b>
<b>Report author:</b> Lisa Moore, Responsible Procurement Manager	

### Summary

The Purchased Goods and Services (PGS) project plan of the Climate Action Strategy (CAS), aims to improve supplier's performance in delivering low carbon and sustainable contracts. PGS plans to introduce a category measurement of supplier emissions that will inform engagement, help set targets and increase performance management. The project focuses on working with our top emitting suppliers and seeks to embed low carbon procurement practices and sustainable procurement standards throughout our purchasing decisions.

The focus this year has been engagement with both internal stakeholders and suppliers raising climate action on agendas and getting commitment to take action. We are working on several projects to help capture carbon reductions as moving away from proxy values in carbon emissions data reporting is proving to be a challenge due to lack of information from the supply chain.

### Recommendation(s)

- Members are asked to note the report.

### Main Report

#### Background

1. The carbon footprint exercise that accompanied the development of the CAS from FY 2018/19, identified PGS as the third largest area for carbon emissions in the City Corporation's Scope 3 measurements. Work under the CAS PGS project plan will improve supplier's performance in delivering low carbon and wider sustainable products and services on our contracts. It will also introduce a measurement of supplier emissions by category to inform decision making.
2. Initially, the PGS project plan focuses on the top 25 suppliers to get the greatest carbon return on effort invested and to update procurement standards so we may reduce carbon emissions quicker than the current Government Buying Standards. The latter will be balanced against commitments to SMEs.

#### Current Position

3. The PGS project plan outlines five main aims. Members are asked to note the aims and the update against each:

**Implement the Carbon Net Zero Procurement Plan; FY 2022 – 2024 “Does your organisation have a net zero carbon target?”**

4. This has been included in tenders over £100,000 since April 2022. The responses have been very positive. The information received indicates that climate action is on the radar of businesses throughout the supply chain including SMEs. The market appears to be working proactively on climate action and further ahead than we anticipated so we are reviewing the net zero carbon plan (NZCP) for suppliers to see if timelines can be brought forward. The next step in the plan will be to introduce a standard weighting tied to the PGS KPI on carbon metrics.

**Work with our supply chain to embed Climate Action KPIs into the supply chain through focus on the most impactful contracts.**

5. Engagement with our Top 25 suppliers has been a key activity this year with more than 40 meetings held with suppliers. The PGS team worked with an external consultant to map the first ‘Top 25’ set based on proxy data and carbon intensity with a view to have representation from each category in PGS remit. See appendix for the list of Top 25 suppliers. This list will be reviewed annually after the carbon footprinting exercise to ensure we are working with the most relevant suppliers to advance the project plan objectives.
6. Through discussions with our Top 25 suppliers several carbon reduction projects are being explored which include swapping to low carbon goods or machinery. More details can be found in appendix one which has been put in the non-public papers for commercial reasons.

**Focusing on the most impactful contracts, migrate away from proxy values to track carbon performance more accurately.**

7. While we are finding suppliers are more engaged than expected on climate action in general, proxy data (data calculated using spend with a supplier against an industry standard carbon emissions factor) is still largely used across the PGS supply chain. The one exception in our Top 25 is the corporate print supplier.

The requirement to help us move away from proxy and provide more accurate data is being included in relevant new contracts such as the Integrated Facilities Management contracts and we are engaging the current Top 25, but it is proving to be a challenge. We do not expect this to change significantly this year, but will keep exploring options for more accurate data such as ‘top down’ metrics which may be useful for service contracts. That approach may allow us to apportion a percentage of a company’s own carbon emissions footprint based on City Corporation activity rather than rely on spend.

**Develop low carbon, green and circular criteria, and standards to help decouple carbon from spend.**

8. An in-house tool is in development to ‘read’ our spend data and produce reports on our most carbon intensive (by way of volume) goods and services. The information will be used to engage with category boards.

9. A specification is being drafted to procure a consultant to write options after this scoping exercise. The current timeline for this project would see implementation of the outputs in FY 23/24.
10. PGS are currently supporting the Environment department on a review of materials used in the public realm which use whole life cycle analysis materials performance data on cost, carbon emissions and ethical sourcing. We will also be engaging with officers on low carbon trials in the second half of this year.

**Ensure this project plan promotes a Just Transition for worker's rights and livelihoods e.g. we do not want to perpetuate use of zero hours contracts, worker's paying for their own retraining or modern slavery.**

11. It is essential that we keep people and human rights in focus while carrying out this project plan. An equalities impact assessment has been carried out for the year two plan with no negative impacts from the work planned.
12. The supplier action plan includes a section for suppliers to declare any high risk areas under the Just Transition principles for suggested innovations or pilots which will be checked by the PGS team before going ahead.
13. The PGS team are undertaking a review of high risk areas for modern slavery in our domestic and global supply chains against the response to climate action. A training session will be delivered to the climate action leads and commercial services team in Q3 to support the Just Transition aim of the project plan.
14. The London Responsible Procurement Network, of which the City Corporation is a founding member and sits on the steering group, will be hosting a meeting in October on Modern Slavery and the response to Climate Action.

### **Key Performance Indicators**

15. Four key performance indicators have been set for this project plan:
  - % spend on suppliers with SBTi targets or equivalent Paris aligned target – 32% for FY 21/22 which increased from 27% for FY 20/21 and 15% in 19/20
  - Number of Top 25 contracts with action plans signed off – Currently zero, but that is due to the action plan still being in draft form.
  - % spend on contracts with a carbon metric integrated – this is not currently known, but will be tracked by end of Q3.
  - Annual carbon footprint from PG&S – FY21/22 footprint exercise complete and going through external verification process in September 2022
16. We are still using proxy data to inform our carbon foot-printing exercises. A change to the scope of PGS has meant a jump in the carbon emissions associated with this project plan. There has been an overall reduction from the baseline year, but until we can decouple from proxy spend we are relying on individual projects to show true carbon reduction.
17. While not a key metric at the moment, PGS has been working closely with Heart of the City (HoTC) to support the SMEs in our supply chain. A small number of our

Top 25 suppliers are SMEs so we are expanding to the Top 50 for future engagement. We've had one of the SMEs in our Top 25 sign up to HoTC's programme.

## **Corporate & Strategic Implications**

18.

- Strategic implications – Efforts to improve environmental sustainability supports the Corporate Plan, Responsible Business Strategy, RP Policy and CAS.
- Financial implications – City Procurement's efficiency and savings targets have consistently been met even as requirements for responsible procurement outcomes have been continuously strengthened since 2016.
- Resource implications – No additional resource implications as a result of this paper.
- Legal implications – Procurement regulations are considered before implementing changes as a result of the PGS project plan.
- Risk implications – Delays in initial recruitment have slowed progress on the project plan but this is not likely to have an impact on achieving the net zero target by 2040.
- Equalities implications – No equalities implications have been identified to date, but we will continue to monitor and assess at least annually.
- Climate implications – The work outlined in this paper is directly supporting CAS
- Security implications – No security implications have been identified.

## **Conclusion**

19. Engagement with internal stakeholders and key suppliers has been the headline in the first half of this year. We hope that this partnership working approach can show carbon reduction as well as cost savings on our contracts.

## **Appendix – CAS PGS Top 25 Suppliers**

**Lisa Moore, Responsible Procurement Manager, City Procurement**

T: 07753317237 E: [lisa.moore@cityoflondon.gov.uk](mailto:lisa.moore@cityoflondon.gov.uk)