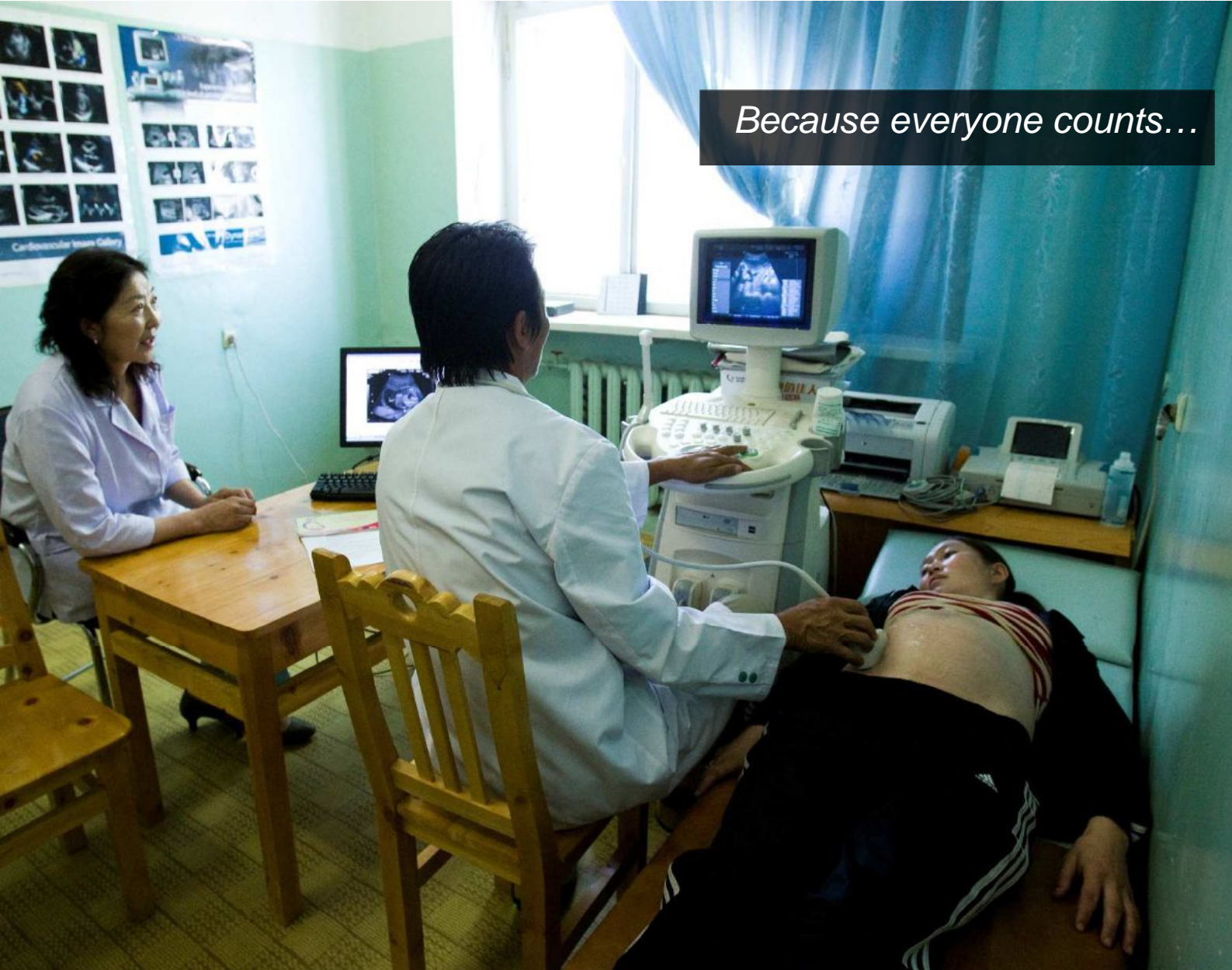


Because everyone counts...



GREEN PROCUREMENT STRATEGY

Acknowledgements:

The Strategy herein results from cooperation between the UNFPA Procurement Services Branch, Deloitte, numerous suppliers and UNFPA country offices. Their objective is to make UNFPA's procurement activities more environmentally friendly.



Contents

Foreword.....	
Executive summary	4
1 Introduction	5
2 Green procurement framework	7
3 Strategy.....	8
3.1 Environmental Sustainability Goals and Focus Areas.....	8
3.1.1 Controlling energy consumption	9
3.1.2 Water	10
3.1.3 Waste management.....	11
3.1.4 Recycling	11
3.1.5 Materials	12
3.1.6 Transportation	13
3.1.7 Chemical substitution	14
4 Implementation of the strategy.....	14
4.1 Collaboration model	16
4.2 Assessment of suppliers' environmental footprint	18
4.2.1 Company	19
4.2.2 Supply Chain.....	19
4.2.3 Products and services	19
4.2.4 End user	20
4.3 Segmentation of suppliers	20
4.4 Implementation of requirements	23

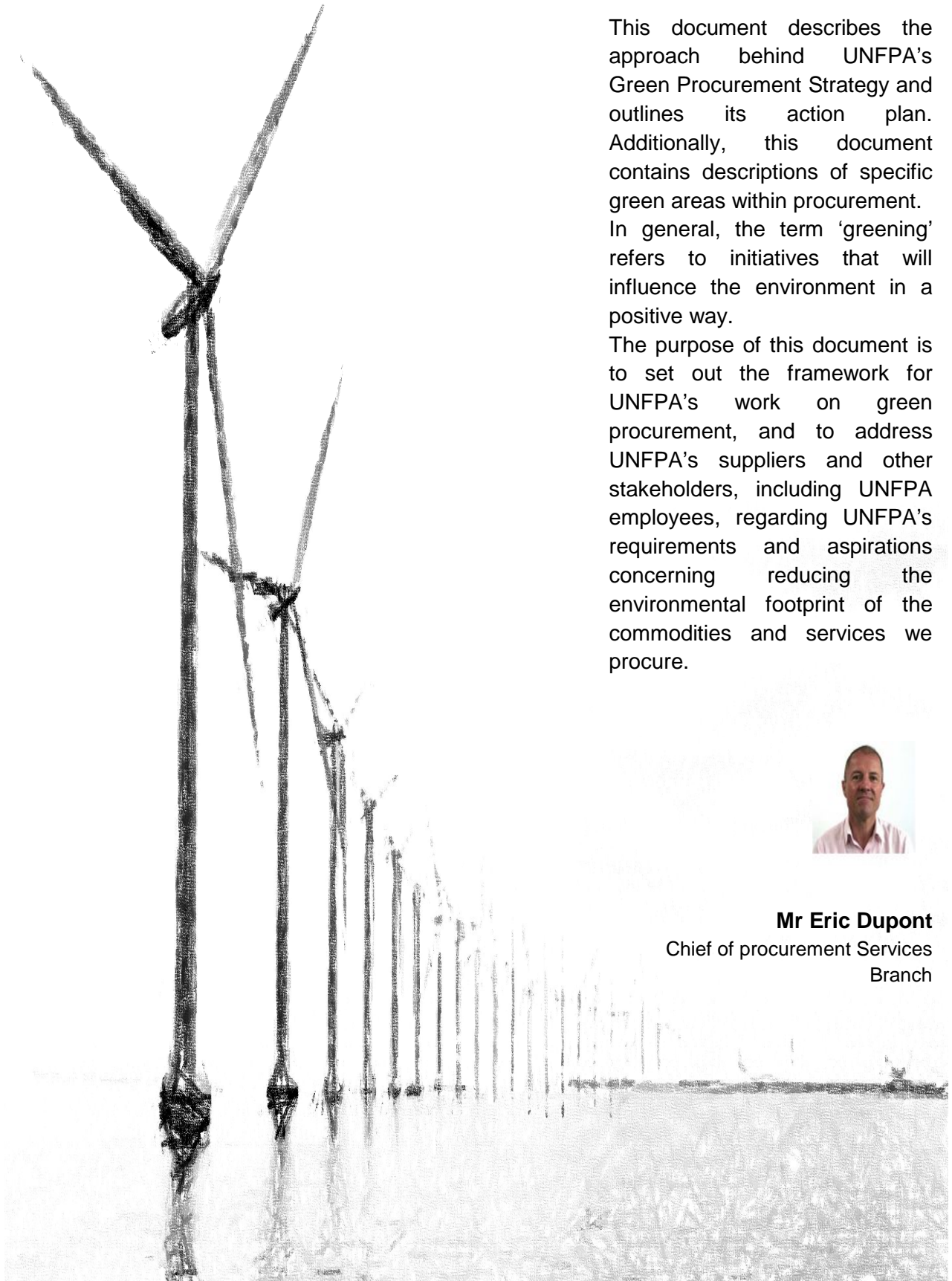
Foreword

This document describes the approach behind UNFPA's Green Procurement Strategy and outlines its action plan. Additionally, this document contains descriptions of specific green areas within procurement. In general, the term 'greening' refers to initiatives that will influence the environment in a positive way.

The purpose of this document is to set out the framework for UNFPA's work on green procurement, and to address UNFPA's suppliers and other stakeholders, including UNFPA employees, regarding UNFPA's requirements and aspirations concerning reducing the environmental footprint of the commodities and services we procure.



Mr Eric Dupont
Chief of procurement Services
Branch



Executive summary

The goal of the United Nations (UN) is to gradually become climate neutral and environmentally sustainable, as described in 'Greening the Blue'. The United Nations Population Fund (UNFPA) aims to achieve this goal by, first, initiating a dialogue with suppliers and manufacturers and, second, setting requirements to which they must adhere. UNFPA will introduce the environmental component into procurement with the aim of safeguarding a sustainable environment.

Specific environment goals are described in this Green Procurement Strategy. It outlines (a) the environmental focus areas for which UNFPA would like to set up requirements and (b) the process through which suppliers are expected to demonstrate that they meet these requirements. To make improvements, suppliers can exercise influence in four parts of their organisation: at the site level (operation of site and production), in their own supply chain, in their products and in relation to end users.

For UNFPA, it is important to engage current and future suppliers in integrating environmental criteria into their businesses rather than restricting their ability to partake in the procurement process. Therefore, its mission is to collaborate with its suppliers to incentivise them to reduce their impact on the environment. In the long term, suppliers will be expected to meet or exceed UNFPA's requirements and must be responsive to audits that UNFPA will perform.

UNFPA will use a segmentation model when determining both how to approach its suppliers and how ambitious it will be with each segment. Suppliers will be segmented based on their impact on the environment and their potential for becoming 'greener'.

Requirements for suppliers will be determined in collaboration with various stakeholders, such as governments, donors, other UN agencies and relevant industries. UNFPA is convinced that working with suppliers to achieve the goal of 'Greening the Blue' will result in a greater positive impact on the environment than setting over-ambitious goals; therefore, standards/requirements will be raised gradually in collaboration with suppliers.

"We hope you will enjoy the reading and work with us in greening the blue and ensuring greener procurement by UNFPA"



Mr Morten Ilsoe Sorensen
Deputy Chief of Procurement
Services Branch

1 Introduction

Secretary-General Ban Ki-moon has declared that the United Nations as an organisation should become more climate friendly and environmentally sustainable.

To reach that goal and ensure that the organisation is moving towards becoming CO₂ neutral, the UN has introduced a climate neutral strategy that aims to reduce greenhouse gas emissions from its premises and work practices world-wide. It has also decided that organisations will progressively move towards establishing environmental management systems.

The UN's ambition is to be at the forefront of and to actively take part in the global agenda for sustainability. It has facilitated the development of the UN Global Compact's ten principles for companies and organisations to commit to embedding in their business methodology. The ten principles also include tenets on environmental sustainability.

The UN in general strives to minimise its own and its suppliers' environmental impact not only by working towards corporate environmental management but also by promoting environmental management globally through its programmatic work in a wide range of areas, such as: climate change, clean water, resource efficiency and biodiversity. By embedding sustainability in the core of the UN organisation, both short- and long-term benefits can be achieved.

As a globally operating organisation, UNFPA must consider its impact on the environment, focusing on its own operations as well as on the impact of its supply chain. Through co-ordinated efforts with suppliers and transportation partners, who form an integral part of UNFPA's business operations, it strives to minimise the environmental impact across its supply chain.

The purpose of UNFPA's Green Procurement strategy is to establish the right structures and a clear commitment to reduce UNFPA's Procurement environmental footprint. This strategy wants to support and guide suppliers and manufacturers in their efforts to minimise the harmful effects on the environment resulting from the supply, production and transportation of their products and services.

These efforts will also help suppliers and manufacturers to minimise the impact of end users' disposal of their products. Suppliers will be encouraged to develop more sustainable products and to initiate new, green business models that support a circular loop of manufacturing materials.

Making the requirements for green procurement more stringent is a strategic area of focus for UNFPA. In this process, the requirements must be made clear and transparent to suppliers and relevant timelines for compliance explained.

UNFPA will therefore strive to involve the supplier in the development of requirements and in the implementation phase. During this process, UNFPA will consider collaboration between UNFPA and the suppliers to be a key factor in successfully hitting the overall target: to reduce UNFPA's environmental footprint.

UNFPA's Green Procurement Code of Conduct¹ will influence its suppliers' procedures. Requirements will be defined in collaboration with the industry, be aligned to existing standards, and implemented in close collaboration with UNFPA's suppliers, including assistance with compliance with requirements. Suppliers are also expected to comply with local legislation and regulations.

The Green Procurement "Code of Conduct" will often influence our suppliers' procedures. Requirements will be defined in collaboration with the industry, be aligned to existing standards, and implemented in close collaboration with UNFPA's suppliers, including assistance with compliance with requirements. Suppliers are also expected to comply with local legislation and regulations.

Overall Principles for Green Procurement

The following principles will be introduced over time and will support the four existing principles² in the UNFPA Procurement Services Branch:

- It is UNFPA's preference to purchase, distribute and use environmentally preferable products to the extent that the products perform satisfactorily and can be acquired at similar total cost and provide the best value for money.
- UNFPA will strive to obtain and maintain a close relationship with its current and future suppliers, and through collaboration ensure that its suppliers become greener in their production and delivery of services.
- UNFPA requires suppliers to comply with both current and future international and local legislation.



¹ The Code of Conduct describes the specific requirements for each supplier segment

² Available at: <http://www.unfpa.org/public/home/procurement/pid/8622>

2 Green procurement framework

This **Green Procurement strategy** states the overall agenda that UNFPA will pursue. This strategy is a future-minded document that shows UNFPA's preferred route to achieving greener procurement.

The **Action Plan** describes the specific initiatives that UNFPA will introduce.

The **Code of Conduct documents** are based on the outcomes of UNFPA's collaborative work with the industry and its suppliers and target various segments. These documents describe the specific requirements for each segment of suppliers.

The Green Procurement Framework is illustrated in **Figure 1**.

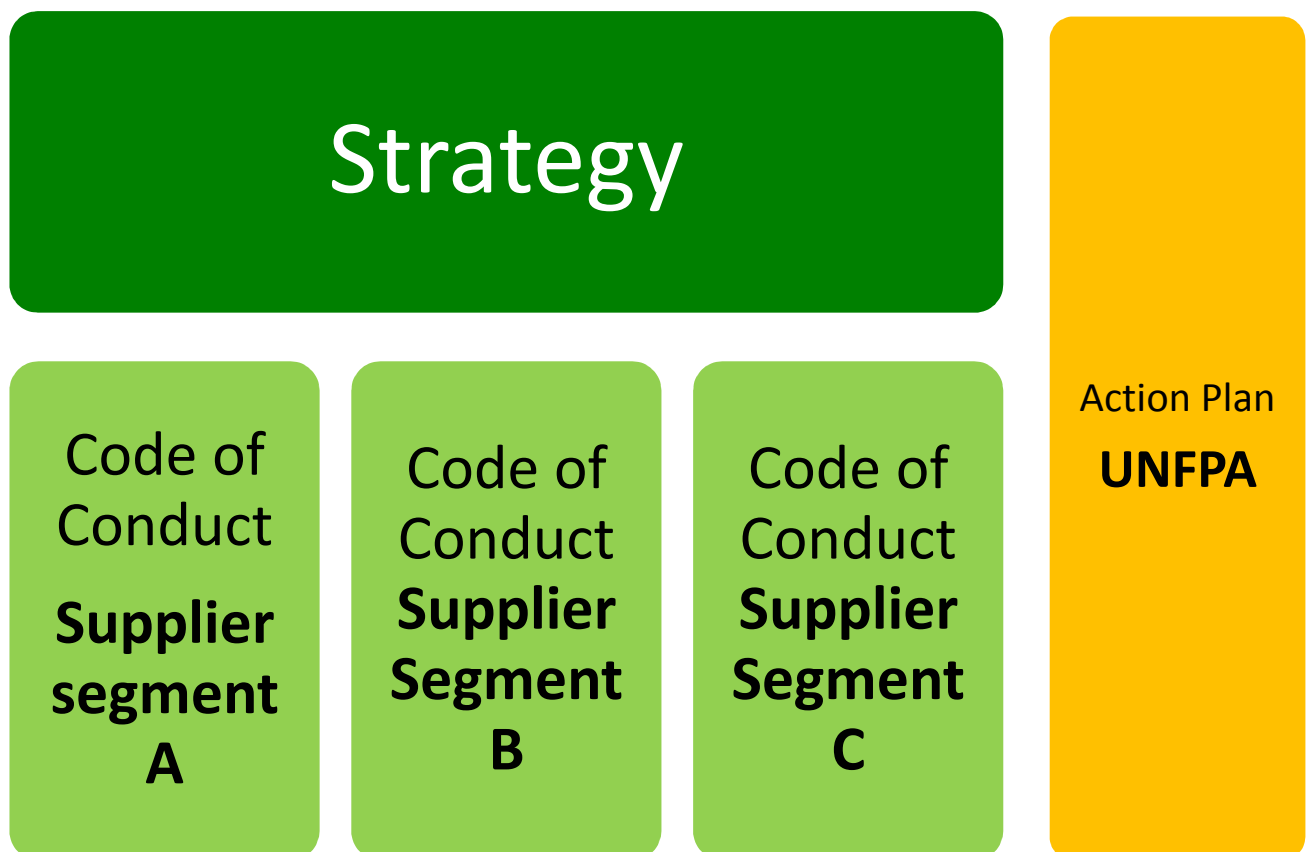


Figure 1: Green Procurement Framework

3 Strategy

The UN's global corporate environmental management strategy is focused on moving the organisation towards a climate-neutral UN and on minimising its general environmental impact on areas such as water and waste.

UNFPA will strive to influence its suppliers to minimise their environmental impact. It does not expect all suppliers to be market leaders in the area of sustainability, as many of its suppliers operate in developing countries where legislation is not yet as strict as in some developed countries. Ambitious sustainability requirements from the beginning could result in unwanted loss of suppliers who are not able to change their environmental impact to the degree required.

A proactive and open collaboration will allow UNFPA to influence the market while making sure suppliers in developing countries as well as in developed countries are given the same opportunities. For UNFPA to have the largest impact on environment the strategy is to set initial goals that are attainable for suppliers and then to progressively make those requirements more stringent. Therefore, UNFPA will strive to set up requirements and assist suppliers in building capacity so as to be able to comply with the increasingly stringent requirements

It is UNFPA's ambition to include all suppliers in this journey through an inclusive and assistive approach. However, UNFPA acknowledges that co-operation with some suppliers might come to an end as an ultimate consequence of the stronger focus on sustainability.

UNFPA will strive to influence the industry by including various stakeholders in the development and continuous updating of a Green Procurement Strategy and entering into dialogue with its stakeholders. Initially, it will focus on setting goals for the supplier segments over which it has significant purchasing power. UNFPA will determine a set of requirements that may vary across supplier segments. The three steps implementation of requirements is shown on the page 22.

3.1 Environmental Sustainability Goals and Focus Areas

To reduce UNFPA's environmental footprint it has been defined four goals. These are an important part of the Green Procurement Strategy and will impact the environment in different ways based on suppliers' performance and products.

Additionally, a total of seven focus areas (see pages 11-15) have been identified and, depending on its nature, included under each goal. These focus areas will be a vehicle for collaboration and capacity building with the stakeholders, including suppliers.

Improvements within the environmental sustainability goals aim to minimise CO₂ emissions, water consumption water pollution, and pollution from chemicals and raw materials. UNFPA uses the term CO₂ emission to mean CO₂ equivalent, denoted CO₂e in this section.

Figure 2 provides an overview of which focus areas affect the different goals.



Figure 2: Overview of goals and focus areas (subject to modification)

Improvements within these goals are expected to offer opportunities for suppliers to reduce costs in several areas. UNFPA will aspire to demonstrate examples for suppliers, showing the positive business case for optimisation within the focus areas.

3.1.1 Controlling energy consumption

Fossil fuels are becoming scarce and expensive. As a result, finding ways to reduce energy demand, to use energy in the most efficient way and to use renewable energy (RE) in production processes is high on the agenda. UNFPA acknowledges this challenge and will work towards obtaining solutions. These initiatives will not only change the suppliers' carbon footprint significantly, but will also reduce vulnerability to increasing energy prices.

Rising greenhouse gas (GHG) emissions are negatively affecting the planet and causing climate change. Four very important greenhouse gases are⁵:

- Carbon dioxide (CO₂): emitted when burning fossil fuels, waste and wood, among other things.
- Methane (CH₄): emitted during production and transportation of coal, natural gas and oil.
- Nitrous oxide (N₂O): emitted during agricultural and industrial activities.
- Fluorinated gases: emitted from a variety of industrial processes.

CO₂, CH₄ and N₂O emissions are directly related to energy consumption, so minimising consumption will thus reduce GHG emissions. By working actively to reduce GHG emissions, and thus prevent climate change, suppliers reduce the risk they face from increasing fossil fuel

⁵ www.epa.gov/climatechange/ghgemissions/gases.html.

prices. Additionally, by converting to RE, a secure supply of energy will be ensured, which is especially attractive in less developed regions that have insecure and unstable energy supplies. Reducing energy consumption from fossil sources thus also reduces air, water and solid waste pollution.

The first step in reducing CO₂e emissions and the production of slag and ash involve examining actual energy consumption and the possibilities for reducing it. This will ensure minimum consumption, which is also important when changing energy source.

Additional effects of reducing energy consumption are cost reductions and immediate CO₂e emission reductions, which will give the first mover suppliers a competitive advantage. Minimising energy consumption can be achieved by both optimising existing production and looking into new technologies.

Optimising energy usage and implementation of RE at production sites, in the operation of facilities and in the transportation of products are main focus areas for UNFPA. Future overall requirements will be:

- Implementation of environmental management systems
- Reduction schemes for GHG (CO₂e) with specific targets
- Increase in the level of RE
- CO₂e quotas

UNFPA may introduce the following measurements:

- Grams of emitted CO₂e from production per produced unit
- Grams of emitted CO₂e from operation of a facility (except production) per employee
- Grams of emitted CO₂e from transportation of products per transported unit
- Percentage of energy consumption covered by RE substituted at the production facility

3.1.2 Water

The challenges presented by water scarcity can be met by minimising the general water footprint through:

- Preventing water contamination
- Reducing the amount of water used in production and transportation
- Cleaning waste water used in production
- Ensuring community and employee access to clean drinking water
- Harvesting of rain water for non-drinkable processes

Globally, clean water is a critical but limited resource essential to sustaining human health and the environment in general. UNFPA will work towards minimising water consumption and water pollution in order to maximise access to clean water in all regions.

Cleaning waste water is a process that results in less pollution, which has a direct influence on nature and wildlife.

The purpose of reducing water consumption is to: support green production; obtain economic growth benefits from the development of resilience against climate events; and reduce consumption of scarce water resources.

UNFPA may introduce the following measurements:

- Water quality control schemes
- The content of harmful chemicals
- Percentage of water cleansed before discharge
- Amount of water used in the production per produced unit

3.1.3 Waste management

The disposal of waste via incineration or the creation of landfills causes environmental pollution. Decreasing the incineration of waste and minimising the need for landfill sites in order to reduce soil contamination and use these areas more efficiently is a principal climate-related objective.

The term 'waste' refers to excess resources that are not used optimally. When a resource is designated waste it loses value and thus moves down the value chain. The transportation of waste to be disposed of creates even more pollution and adds to the already negative impact of waste creation. Waste minimisation is the process of reducing the amount of waste and excess raw materials in production processes; it also involves the possibility of reusing these resources in later production lines.

The purpose of waste reduction is to support green production and prevent the hazardous effects of waste on both human health and the environment. Minimising the amount of waste produced by companies goes hand-in-hand with optimising their use of raw materials. Minimising waste also has cost-reducing effects and creates competitive advantages.

UNFPA may introduce the following measurements:

- Kilograms of waste per produced unit
- Percentage of excess material/waste that is recycled, burned and deposited in landfill sites
- Percentage of waste produced in proportion to resources entering the production process
- Grams of CO₂e emitted as a result of waste disposal, including transportation and handling of the waste per produced unit

3.1.4 Recycling

Access to natural resources is a major challenge facing the growing global population, particularly because of the increasing middle class in developing countries. Recycling is an important step in ensuring future generations' access to the necessary level of resources.

Recycling factors of production or engaging in industrial symbiosis in which materials are sold to/received from other companies or bodies, for mutual gain, are ways to minimise organisations' negative impacts on the environment.

How end users of products dispose of them also has an impact on the environment, and the severity of the impact depends on which materials are present in the products.

The greatest environmental benefits of reuse and recycling accrue from the natural resource and energy savings they provide. Using recycled materials decreases the need for 'new' resources, and recycling prevents production of waste, landfill sites and pollution.

As a result of innovative designs and new business models that encourage recycling and enhance closed material loops, both within biological and technical cycles, suppliers can have a positive influence on the climate and also experience cost savings. For the supplier to gain from the process and be able to reuse the material in either the biological cycle, whereby the material decomposes, or the technical cycle, whereby the material can be used in new products, it is crucial that the end product can be disassembled and materials sorted. Innovative designs can address substitution of products and minimisation of materials needed for particular products.

UNFPA may introduce the following measurements:

- Percentage of resources reused in production processes
- Number of agreements with other companies or bodies from which the supplier purchases resources to reuse
- Number of agreements with other companies or bodies that purchase resources for reuse in their production processes

3.1.5 Materials

UNFPA is committed to making sustainable choices regarding materials that go into the products it procures and their packaging, which is why it strongly encourages its suppliers to use environmentally preferable materials and to avoid those that may have harmful effects on humans, plants or animals. The purpose of buying green raw materials is to support the green production process and prevent harm to human health and the environment.

The choice of materials that go into products greatly influences their possibilities for recycling and thus the minimisation of waste. Therefore, UNFPA will set requirements concerning substitution of raw materials with more environmentally-friendly alternatives to encourage its suppliers to take a greener approach to material procurement. Eventually UNFPA will restrict the use of some harmful materials. Suppliers will, of course, be prepared for this change.

How materials are treated in production processes is also important, especially with regard to recycling. When treating the materials, UNFPA encourage its suppliers to consider the possibility of disassembling the product in either the biological or technical cycles.

It is also worthwhile for suppliers to consider including traditional production planning techniques in their efforts to become greener, such as: reducing production cycle time, increasing production throughput or reducing defective products. All these improvements reduce environmental impact per unit of production.

UNFPA may introduce the following measurements:

- Percentage of reduced use of materials
- Percentage of environmentally-friendly material used in one unit
- Percentage of biodegradable material used in one unit
- Assessment of results from the Life Cycle Analysis (LCA)

3.1.6 Transportation

As hardly any products are designed to be used exactly where they are produced, most have to be distributed in order for the end user to obtain them. Transportation of products overseas generally involves the use fossil fuels, which are scarce resources that have a harmful impact on the environment. The environment is affected negatively by the combustion of fossil fuels in transportation in the following ways:

- Air pollution through particles, ozone (O₃), carbon monoxide (CO) and volatile organic compounds (VOC)
- GHG emissions (CO₂e), which are directly influenced by the consumption of fossil fuels

UNFPA suppliers are often responsible for transporting the products UNFPA procures, thus it will set transportation requirements for its suppliers to comply with.

Transportation ultimately comes down to logistics and how companies ensure a product is delivered to the right place at the right time. With accurate forecasts, there are great opportunities to look into options for alternative ways of transportation which might take more time but will have less impact on the environment. UNFPA plays an important role in ensuring good planning, accurate forecasts and optimisation of delivery intervals.

Currently, few substitutes for fossil fuels exist in terms of transportation, so the focus should be on choosing the least-polluting solutions whilst simultaneously looking for new ways to transport products.

Green transportation refers to a broad range of transportation opportunities which will benefit the environment. Furthermore, green transportation often proves to be the most cost-efficient way for suppliers to transport goods.

Whatever the effect on costs, it is obvious that environmental performance indicators and effective green supply chain measures will become important aspects of total supply chain management in the near future. Road congestion, local air pollution and the need for CO₂e reductions and energy conservation will all have an impact on the future supply chain of all industries, making transportation a significant area to consider.

UNFPA may introduce the following measurements:

- Grams of emitted CO₂e per transported unit ordered in advance
- Percentage of cargo in a vehicle in proportion to the maximum amount possible
- Number of transportation initiatives introduced within the past year

3.1.7 Chemical substitution

Chemicals are used extensively in the health sector. These chemicals have a negative impact on the environment during both the production phase and product disposal. Humans are also exposed to these chemicals when they come into contact with products containing them. There are thus many incentives for using less harmful chemicals.

The choice of chemicals used in a product influences its potential for recycling or responsible disposal.

UNFPA may introduce the following measurements:

- Number of harmful chemicals in a product
- Quantity of harmful chemicals in a product

Number of initiatives during the past year as a result of which some chemicals are substituted with less harmful alternatives.

4 Implementation of the strategy

The implementation of the Green Procurement Strategy will affect various stakeholders and UNFPA will seek close collaboration with all of them.

Since UNFPA's overall strategy relies on reducing environmental impact through its suppliers, it will maintain a continuous dialogue and collaboration with its stakeholders that will include future focus areas and realistic, ambitious requirements. UNFPA's stakeholders and their respective roles are described below:

- **UN Agencies**

As described in this strategy, the UN is working towards climate neutrality and minimising its impact on the environment in general. Within the different UN agencies, various green procurement initiatives are currently being implemented. UNFPA strives to collaborate with other UN agencies to create harmonised requirements and assurance mechanisms for various supplier categories.

UNFPA will share its experiences of working with its supply chain with the other UN agencies in order to obtain the best results and contribute to ensuring overall progress on green procurement.

- **Governments**

UNFPA aims to influence governments to mandate or encourage companies to minimise their impact on the environment. UNFPA will seek opportunities for dialogue and collaboration with governments. By influencing governments, UNFPA will be able to achieve a broader and more sustainable impact than if it focuses on the supply chain alone.

- **Donors**

It is important for UNFPA to collaborate with its donors to ensure that the donors' requirements and expectations are aligned with the requirements that UNFPA places on its suppliers. UNFPA strives to intensify its dialogue with donors regarding specific requirements of granted projects and thereby to influence its suppliers in an efficient manner.

Through dialogue with its donors, UNFPA aims to influence them to set up their own green procurement requirements. UNFPA will help them choose the most suitable requirements to apply to the recipients of their donations. By doing so, UNFPA's work for a better environment will extend further than merely its own suppliers.

- **The Industry**

The industry consists of various interest groups. Through collaboration with the industry (for example, the Reproductive Health Supplies Coalition and ISO), UNFPA will strive to both set the optimal requirements for suppliers and to influence the industry's targets.

Different product types belong in different industries, and the segmentation of products and suppliers will also depend on specific industries. Through collaboration with the industry, existing requirements will be mapped and future requirements can be determined.

- **Suppliers**

UNFPA will strive to involve suppliers in the green procurement process and considers positive interaction and collaboration to be key success factors. UNFPA expects suppliers to take part in the process and to be willing to make commitments supported by actions that allow UNFPA to achieve the goal of reducing its environmental footprint.

- **End users**

UNFPA will communicate directly with end users and will also provide suppliers with information on sustainable consumption of their products to communicate with end users.

The use and disposal of products often has a significant impact on the environment, so end users should participate in reducing the overall environmental footprint through activities such as recycling and waste management.

- **Employees**

UNFPA and other UN employees are central stakeholders in executing the strategy as they have daily contact with suppliers and conduct and control existing and future supplier requirements.

Therefore, mutual capacity building of UNFPA employees and suppliers in relation to sustainability will strengthen co-operation and increase the potential for ambitious environmental goals and results.

4.1 Collaboration model

UNFPA expects its stakeholders to take an active part in reducing its overall environmental footprint and they will be invited to work closely with UNFPA throughout the process.

The collaboration model described in this section provides more detail on the approach towards stakeholders, including suppliers, and is inspired by the work of Public and Private Innovations (PPIs), whereby the public partner (in this case, UNFPA) enters into dialogue with suppliers to identify new solutions that will result in positive outcomes for both partners.

The innovative dialogue has had proven success in improving procurement practices in both the construction and building industry and the information technology sector, and is part of the European Union (EU) public procurement process.

Suppliers will be engaged in UNFPA’s green procurement collaboration model from day one. The collaboration model provides a framework within which UNFPA and suppliers can work jointly towards reducing the environmental footprint of operations performed. This collaboration will offer opportunities for both parties to learn from each other and to improve operations together.

The collaboration model consists of seven steps (as illustrated in Figure 3) and is based on close collaboration between UNFPA and its suppliers. Each step in the model will require involvement and effort by both parties.

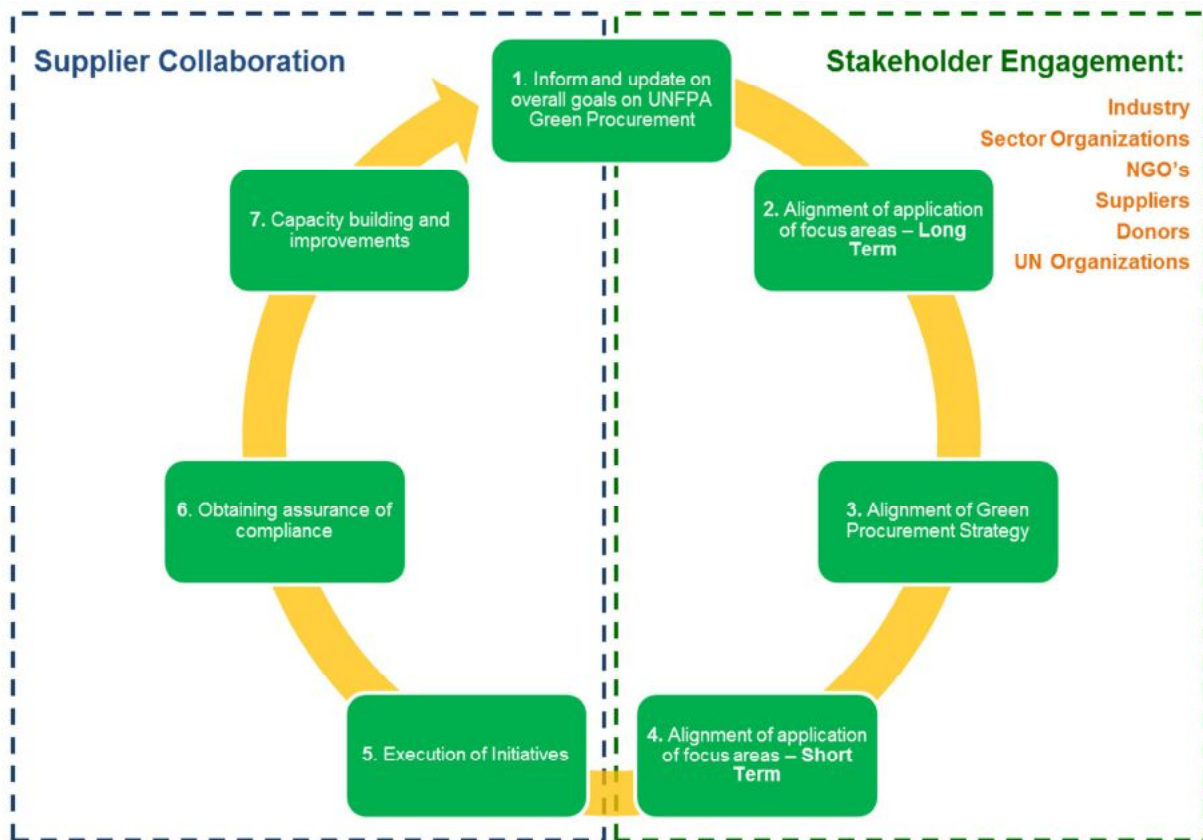


Figure 3: Green Procurement Collaboration Model

- **Stakeholder engagement**

1. **Inform and update suppliers on UNFPA's overall goals for green procurement:** UNFPA will enter into dialogue with stakeholders, including suppliers, and inform and continuously update them on the overall goals for green procurement. UNFPA will also continuously seek input from all stakeholders to further develop and improve the Green Procurement Strategy.
2. **Align application of focus areas – long term:** Based on stakeholder dialogue regarding overall focus areas and the scope of application, the supplier should align application of the focus areas in a way that reduces their environmental footprint to a level that satisfies compliance with UNFPA's long-term goals for green procurement.
3. **Align Green Procurement Strategy:** Based on stakeholder dialogue and alignment of long-term focus areas, short-term goals must be formulated to meet the requirements of the Green Procurement Strategy. Initiatives and targets must be set at levels that satisfy compliance with UNFPA's short-term goals for green procurement.
4. **Align application of focus areas – short term:** Based on the Green Procurement Strategy for supplier segments, UNFPA and the supplier should obtain alignment of the application of the focus areas in a way that reduces the environmental footprint of the supplier to a level that satisfies compliance with UNFPA's short-term goals for green procurement.

- **Supplier Collaboration**

5. **Execute initiatives:** Based on the commitment made by the supplier regarding application of the Green Procurement Strategy, the supplier should define and execute an action plan so that it can become compliant with UNFPA's long- and short-term goals for green procurement and can reduce its environmental footprint. UNFPA will maintain a dialogue with the supplier throughout this process.
6. **Obtain assurance of compliance:** UNFPA will obtain assurance of the supplier's compliance with the requirements set out by UNFPA. UNFPA will continuously monitor the results of the assurance activities performed and will take necessary measures if required.
7. **Undertake capacity building and improvements:** Throughout the process, UNFPA and the supplier will compare experiences and develop suggestions for improvement. These will be continuously implemented within the operating model.

4.2 Assessment of suppliers' environmental footprint

This section describes the method for assessing a supplier's and/or a product type's environmental footprint. The method is loosely based on the Life Cycle Assessment (LCA).⁴ The method is designed to provide an overall understanding of an environmental footprint without the necessity of conducting a very time-consuming and expensive LCA.

The method will be used in:

1. Performing supplier segmentation (see page 20) to identify how UNFPA can prioritise the development of its Green Procurement Strategy throughout each segment.
2. Developing UNFPA's requirements. It will require suppliers to assess their current impact on the environment in order to be able to target reductions in their environmental footprint.

The level of environmental impact in the four improvement areas (figure 4) becomes clear as a result of going through the overall life cycle of a product. The method for assessing the environmental impact is a basis for conducting collaboration with suppliers in their identification of impact areas and the results of the assessment will influence the various requirements set for different supplier segments.

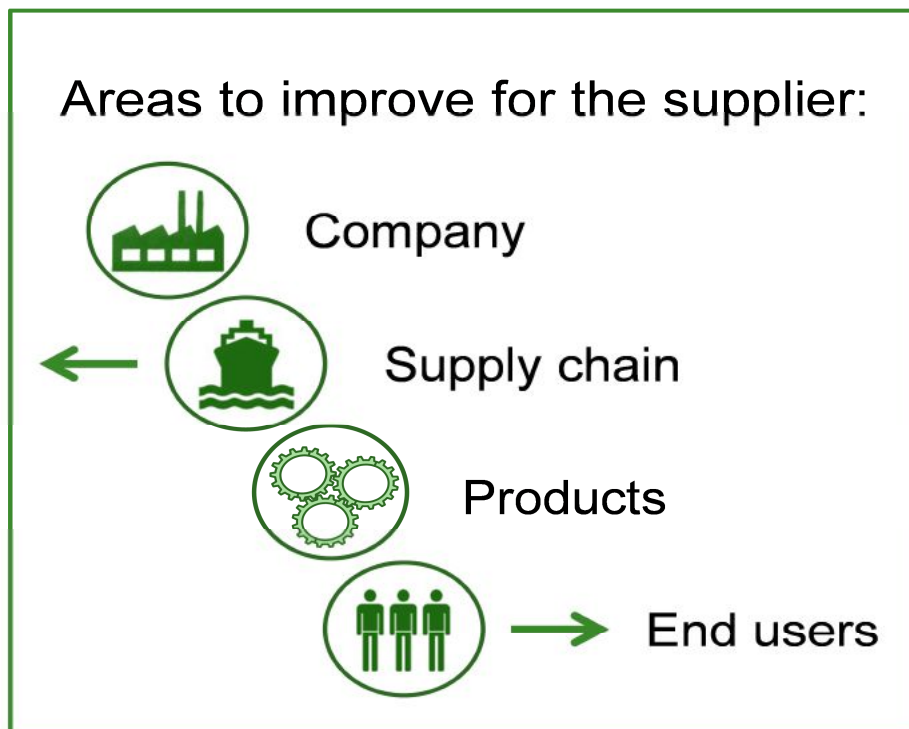


Figure 4: Improvement areas

UNFPA will encourage suppliers to contribute to the development of new solutions, initiate them and perform studies within their market area.

⁴ <http://www.epa.gov/nrmrl/std/lca/lca.html>.

4.2.1 Company

The suppliers and manufacturers can reduce their environmental footprint by optimising their own facilities and production plants. In many companies, the maintenance of physical facilities involves large costs that are often not addressed or even identified.

A production facility's raw materials, energy consumption, water consumption and disposal, and waste production often have a negative impact on the environment. To identify the potential for and reducing the environmental impact of such facilities, how the facility in general is operated (support processes) and how production is organised should both be examined.

4.2.2 Supply Chain

Just as UNFPA places requirements on its suppliers, so suppliers are encouraged to place similar requirements on their respective suppliers and subcontractors. In this way, UNFPA will be able to influence first- and second-tier suppliers. In some cases, UNFPA's suppliers cannot be fully compliant with UNFPA's requirements without also involving their own suppliers in the green procurement process.

4.2.3 Products and services

The environmental impact of products and services can be influenced in several ways. Today, most products and services are designed and produced in a linear value chain rather than in a circular value chain that could ensure reuse and recycling of resources.

New waste management and other green business models will evolve that ensure that excess or expended resources are valued rather than become waste products, as shown in Figure 5.⁵

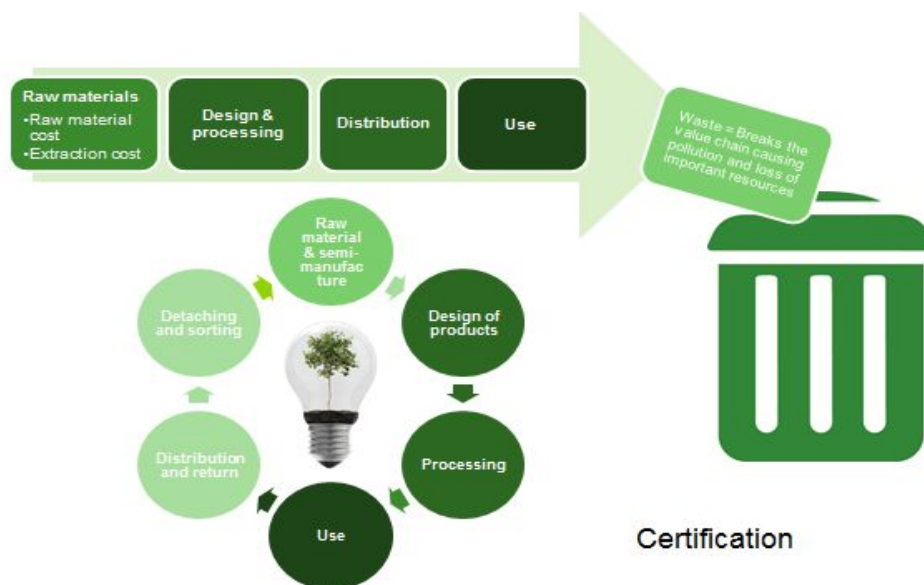


Figure 5: Circular value chain and efficient utilisation of resources⁵

⁵ McKinsey & Company (2011) 'Resource Revolution', http://www.mckinsey.com/insights/energy_resources_materials/resource_revolution; Ellen McArthur Foundation (2012) 'Towards the Circular Economy', <http://www.ellenmacarthurfoundation.org/business/reports>; OECD (2012) 'Business Models for Systemic Eco-innovations', <http://www.oecd.org/science/inno/49537036.pdf>.

Most negative environmental impact will result from the type and quantity of material used in production processes and how excess material is treated. Thus, to work towards the creation of a circular material loop, UNFPA's suppliers should look into reducing the quantity of materials used in their products and packaging, substituting materials used in their products, recycling waste and reusing excess materials.

4.2.4 End user

How the end user treats the disposal or return of a product often has an important impact on the environment and how the product is discarded is almost always the end user's decision. Sustainable consumption can result from new product design, new business methods and new ways of both handling and disposing of products.

Such initiatives will help to close the material loop and ensure access to resources for all people on the planet. The manufacturer should inform the end user of how to responsibly dispose of their product, for example by providing this information on the product or its packaging. If the manufacturer has arrangements in place to take back the used product, it is important that this fact is communicated to the end user to increase the likelihood of its occurring.

The method used to assess the global footprint left by these four areas will also give suppliers, together with UNFPA, insights into how to design and implement green procurement within each step.

4.3 Segmentation of suppliers

UNFPA's supplier base consists of a variety of suppliers. By segmenting the suppliers into categories, unique characteristics, opportunities and risks, the potential for reducing suppliers' environmental footprint can be identified and used to optimise the impact of UNFPA's Green Procurement Strategy.

Segmentation is used merely to aid UNFPA in designing its targeted approach towards suppliers. UNFPA will not exclude any suppliers from this process. General segmentation is applied based on UNFPA's current knowledge and performed from a top-down perspective. Segmentation will be performed on two levels – supplier and product – as described in the following sections.

Supplier segmentation

- Segmentation into industries (for example, grouping together suppliers that work in the health care sector)
- Level of purchasing power
- Countries in which suppliers conduct business

Product segmentation

- Segmentation based on environmental impact

In order to tailor the Green Procurement Code of Conduct to segmentation of suppliers in a way that allows UNFPA to effectively and efficiently reduce both its own environmental footprint and that of suppliers, a risk-based segmentation model will be applied to the supplier categories. The parameters in the segmentation model will include the following risk factors, based on focus areas that will affect the environmental footprint in the supplier category:

- Waste requirements
- Water pollution
- Energy consumption
- Water use
- Natural resources use

Segment potential indicates the potential of reducing the environmental footprint in each supplier category:

- Current environmental footprint
- Opportunities for further improvement

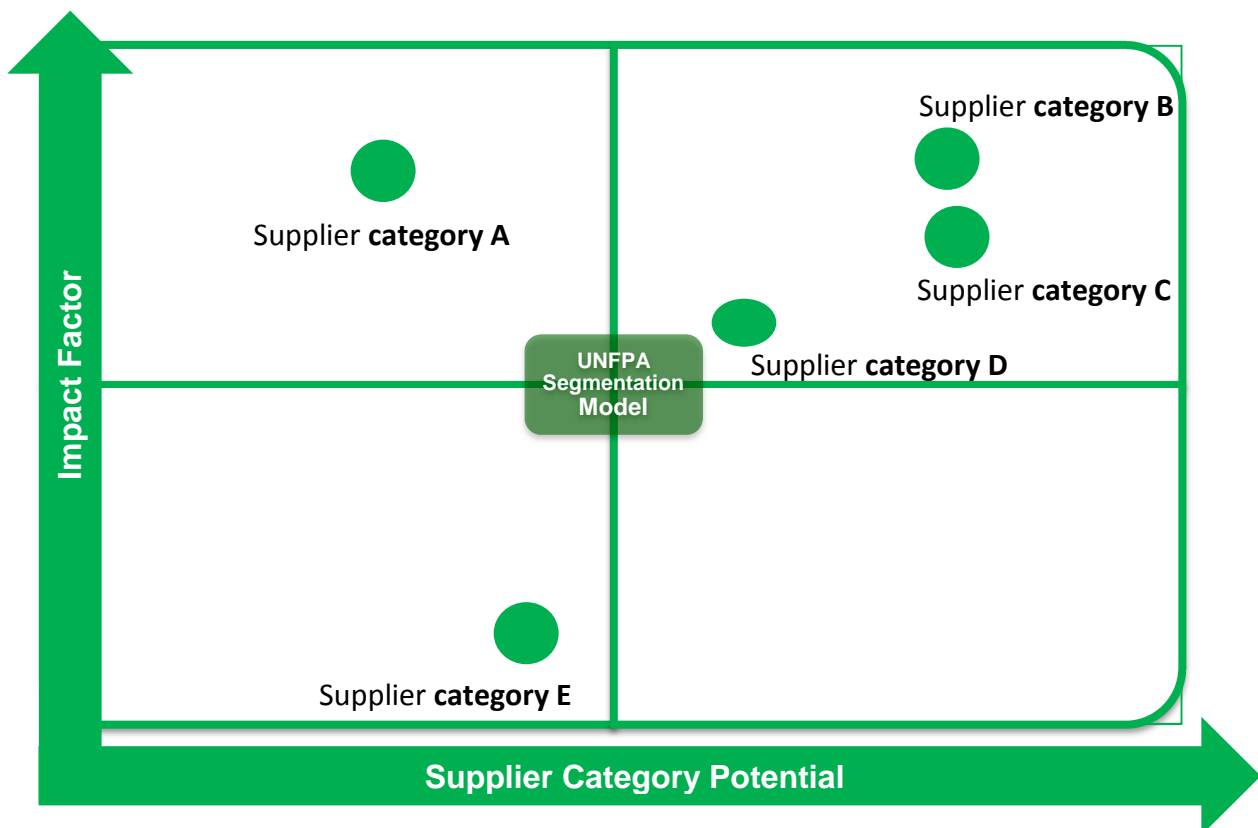


Figure 6. Segmentation model

UNFPA will use the segmentation model to tailor its approach to collaboration with suppliers and to assure suppliers' compliance with requirements in accordance with the implementation and collaboration models described earlier in this document.

Collaboration

How segmentation is applied to collaboration with suppliers is further outlined in the Collaboration Model section (see page 23).

Assurance

Depending on the level of risk that each supplier category poses, UNFPA will tailor its assurance activities and their frequency so as to mitigate the risk appropriately.

Applicable assurance activities will include:

- Audit visits by UNFPA or a third party
- Self-assessments
- Report of deficiencies and tentative list of potential improvements

UNFPA's approach towards its suppliers in the different categories (figure 7) is described below.

➤ ***High environmental impact factor, high supplier category potential***

UNFPA will focus highly on the suppliers segmented into this category from the beginning. It will strive to set requirements in the short term that will reduce the impact for its suppliers and harvest the potential for optimisation. The training programme and collaboration will start as soon as possible for these suppliers and auditing will take place for this category of supplier first.

➤ ***Low environmental impact factor, high supplier category potential***

Suppliers in this category will be expected to live up to the requirements because of their high potential. UNFPA will emphasise the great potential these suppliers demonstrate and show them how to improve. In the short term, UNFPA will invite these suppliers to collaborate with IT and join the training programme, but auditing will occur later.

➤ ***High environmental impact factor, low supplier category potential***

It is important to work with this low potential, high impact category. Because these suppliers are more complex, UNFPA expects to have to offer them greater assistance. The timeline for auditing will be longer for these suppliers.

➤ ***Low environmental impact factor, low supplier category potential***

Suppliers in this category will not be a main focus for UNFPA in the short term. These suppliers are expected to comply with the same requirements as others, but the level of assurance will be lower. UNFPA will strive to inform and update these suppliers to encourage their path to optimisation

4.4 Implementation of requirements

The determination and implementation of the requirements will be introduced in three steps, as shown in **Figure 7**.

This three-step process will be performed continuously as new requirements are introduced:

1. UNFPA will identify realistic requirements in close collaboration with suppliers and based on relevant industries and existing legislation and standards. The requirements are communicated to the suppliers, who are then helped to identify, through co-operation and training, specific initiatives to implement in order to fulfil the given requirements.
2. UNFPA expects suppliers to comply with the defined requirements. UNFPA is still at the suppliers' disposal if they need help to move forward. In this phase there will be no audits but other assurance activities may be conducted.
3. Compliance with the defined requirements is compulsory for the suppliers and UNFPA will periodically perform assurance activities. These assurance activities will be co-ordinated with other types of assurance activities, such as those related to quality, in order to make the interaction with the supplier as efficient as possible.

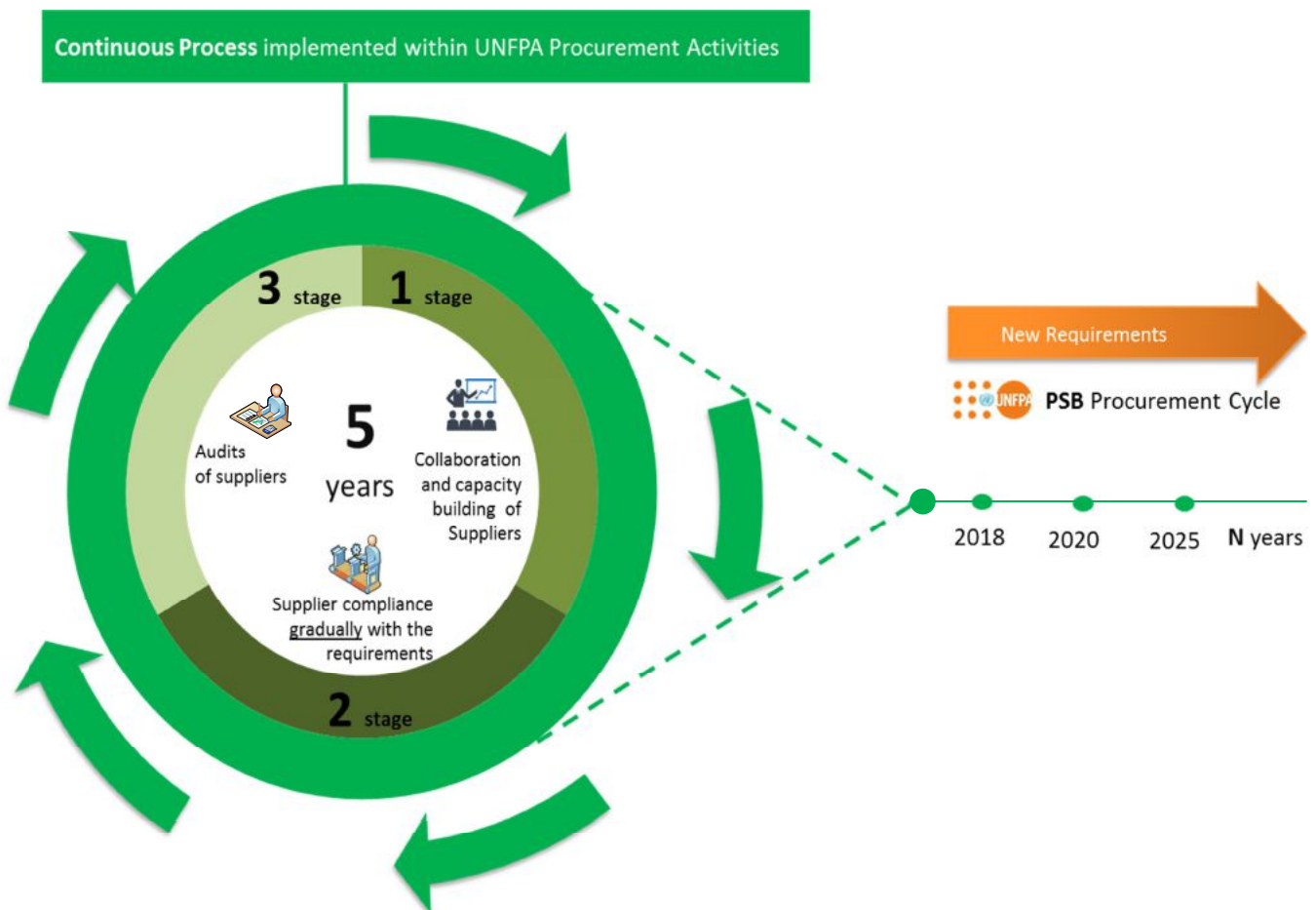


Figure 7: Collaborative model

As an on-going process, UNFPA will maintain a dialogue with political bodies, industry groups and those sector organisations over which it has strategic purchasing power to keep its stakeholders informed about its current and future requirements and to ensure that these requirements are endorsed. This open communication will ensure that UNFPA is aware of new ideas and innovative solutions that may be introduced in the market.

With this approach, UNFPA anticipates that most of its suppliers will be able to green their company, production, supply chain and products, and thereby comply with its requirements. This ensures that UNFPA, as a global foundation, will have a significant impact on the environment as a result of implementing its Green Procurement Strategy.

An important part of the success of the green procurement initiative relies on good communication with both stakeholders and the rest of the world. Spreading the word and promoting green initiatives will increase environmental awareness.

The communication must be two-way and UNFPA intends to listen carefully to those stakeholders involved and to interpret market signals to anticipate and improve its environmental performance.

The Green Procurement Strategy will be updated approximately every five years to ensure that the focus areas and requirements are following market and industry trends.