

Sustainable Procurement Strategy 2020 - 2025

we are
the network

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Version No: 1.0

Issue Date: 27th April 2020

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Introduction

At Northern Gas Networks (NGN) we spend circa £200m annually on goods, works and services which we procure from over 700 suppliers. We are committed to maintaining and improving the resilience of our supply chain to ensure we continue to deliver gas safely and uninterruptedly to our 2.7m customers, whilst also identifying and managing impacts on the society, environment and economy.

The pressure to consider sustainability is ever-growing in today's society as companies come under increased scrutiny for unethical business operations in their supply chains. Sustainability is no longer an optional add-on but a fundamental part of everyday procurement activities, which helps to build robust supply chains and maintain continuity of supply. NGN recognise harmful impacts that negligence towards sustainable procurement can cause, and we pledge to take actions to minimise these risks by driving continuous improvement internally and working collaboratively with our supply chain.

The purpose of this Strategy is to outline our objectives aimed at maintaining and enhancing sustainable procurement practises and increasing the transparency of our supply chain beyond the first tier. We have set ambitious targets to achieve in the short term by the end of 2021, and in the long term by the end of 2025.

Regulatory compliance is of utmost importance to NGN, however, our Strategy aims beyond mere compliance and looks to develop new and more sustainable ways of working, that are challenging and yet rewarding for the society, environment and economy.

The final draft of this Strategy was shared with NGN colleagues, business intermediaries, and a number of suppliers representing different spend categories. The need to place a greater emphasis on social value creation by supporting small and medium-sized enterprises (SMEs) prevailed among the many recommendations we received.

We have taken all feedback on board as we believe that getting diverse perspectives on what the Strategy should dictate is vital for the successful implementation.

Sustainable Procurement at NGN

NGN procurement is regulated by the EU Procurement Directives and the Utilities Contract Regulations 2016 (UCR 2016), and all tenders which are valued above a certain financial threshold are published to the OJEU (Official Journal of European Union). This provides a gateway for suppliers who wish to search for new business opportunities.

We abide by the fundamental principles of the EU Procurement Directives and ensure fair and transparent tendering process and equal treatment of all suppliers regardless of the contract value.

Following Brexit, we anticipate that procurement regulations will remain broadly unchanged, meaning that procurement at NGN we will continue to adhere to the same principles and procedures.

We ensure that all procurement at NGN benefits from a cross-functional input, whereby technical considerations are balanced with commercial and sustainability considerations.

We aim to ensure that all procurement activity at NGN follows the principles of the Triple Bottom Line, which means that in addition to generating Profit, we are also committed to creating a greater value for the People and Environment.

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Areas of Focus for the short and long term

Our objectives are based on the three pillars of the Triple Bottom Line and are aligned with the principles of Sustainable Procurement set out in ISO 20400. Furthermore, our sustainability efforts aim to contribute to the United Nations Sustainable Development Goals (UN SDGs), with a particular focus on Goal 8 - Decent Work and Economic Growth, and Goal 12 - Responsible Consumption and Production.

Objective 1. Resilient Supply Chains

We will take steps to build sustainable and resilient supply chains beyond Tier 1.

We will continue to:

- Focus on achieving value for money by running competitive tender events, using resources efficiently, and assessing a whole-life cost rather than an upfront price
- Maintain the sustainable supply chain by trading ethically, paying a fair price and paying on time
- Carry out due diligence on all suppliers we contract with by asking suppliers to complete pre-qualification questionnaires (PQQ) as part of the tender or single source process and only trade with responsible companies who meet our minimum requirements
- Maintain continuity of supply by effectively managing contracts and associated risks in line with the NGN's contract management policy and supplier / contract risk determination policy
- Working collaboratively with Achilles Utility Vendor Database (UVDB), NGN's e-sourcing and supplier pre-qualification portal, to ensure that the suppliers sourced via Achilles remain registered throughout the whole term of the contract. This is being achieved by carrying out supplier registration gap analysis
- Producing regular reports via Achilles UVDB to give us an insight into sustainability performance of our supply chain against Industry standards

In the short term we will:

- Ensure the Procurement team and other colleagues engaged in contract management are trained on how to create a tracked supplier list on Achilles UVDB. This will ensure we keep track of important changes such as supplier registration status, Health&Safety record, expired insurance policies etc.
- Review our PQQ and introduce a mandatory requirement for the companies who want to trade with NGN to achieve a minimum score on Sustainable Procurement before progressing further. We will ensure that the gateway questions are easily understood and create a level playing field for all suppliers irrespective of the company's size. Where gaps in knowledge are identified, NGN will point suppliers in the direction of support to enhance their sustainability performance
- Work collaboratively with our critical supply chain to map out their co-dependent supply chains in order to identify areas of sustainability risks and opportunities. This will be achieved by:
 - creating and sending out questionnaires to obtain the required data
 - exploring methods and tools to facilitate measuring supply chain sustainability performance

In the long term by 2025 we will:

- Carry out supply chain mapping and develop an action plan on measuring sustainability performance for at least 80% of our contracted supply chain

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Objective 2. Social Sustainability

We will proactively identify and manage impacts on People caused by our procurement decisions.

We will continue to:

- Be transparent and fair in our procurement activities and ensure our supply chain adhere to the same standards. This is being achieved by:
 - Following the NGN's Procurement Policy and complying with the UCR 2016
 - being fully transparent about the tender evaluation process and sharing feedback with unsuccessful bidders
 - clearly stipulating the tender process and standards of conduct expected from bidders, and monitoring compliance during all stages of the tender event
- Respect the rule of law, international norms of behaviour, human rights and labour standards, and make it a mandatory requirement for our suppliers to abide by these rules. This is being achieved by:
 - carrying out due diligence by incorporating questions around compliance with the law into our PQQ
 - including mandatory provisions in all our standard terms and conditions, i.e. clauses prohibiting corporate criminal offences, such as bribery, corruption, tax evasion etc.
 - making sure our suppliers have a Modern Slavery policy in place and all our contracts contain an anti-slavery clause
- Encourage and assist local SMEs in bidding for contracts, where applicable. This is being achieved by:
 - assisting with the registration on NGN's e-procurement portals and providing guidance on how to tender
 - splitting contracts into Lots, where applicable
 - being flexible and making the tender process SME-friendly by adopting a simplified version of the PQQ

Amount invested in contracts with local businesses, including third sector partners, approx. 41% of our total expenditure	2017/2018	£91.2 million
	2018/2019	£99.6 million

In the short term we will:

- Aim to maintain the level of expenditure with SMEs at 41%
- Develop Supplier Code of Conduct and make compliance with the Code a mandatory requirement at the pre-qualification stage for all new contracts
- Include the requirement to have an Equality and Diversity Policy at the pre-qualification stage
- Hold a supplier forum for the mutual sharing of best practices on sustainability between SMEs and larger companies

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- Hold a 'Meet the Buyer' event and work collaboratively with business intermediaries to promote the event to their members. The purpose of the event is to provide guidance to interested companies on how to contract with NGN and talk about upcoming opportunities
- Simplify the language of the PQQ to make NGN more accessible to SMEs

In the long term we will:

- Roll out Supplier Code of Conduct to the entire supply chain and work collaboratively in order to raise awareness and ensure compliance with NGN's sustainability principles and ethical standards beyond Tier-1
- Aim to increase the level of expenditure and a number of contracts awarded to SMEs by making NGN more accessible to SMEs, where possible

Objective 3. Environmental Sustainability

We will ensure our procurement activities do not compromise a long-term environmental quality.

In June 2018 we launched our long-term Environment Strategy which aims to drive us to deliver a decarbonised energy network with reduced operational environmental impact by 2050. Our Environment Strategy contains five focus areas, each aligned to a relevant UN SDG, with long-term objectives to be achieved for each by 2050 along with short (to 2021) and medium (to 2026) term targets. 'Use resources responsibly' is one of our strategy focus areas and we have set objectives and targets associated with us adopting sustainable procurement practices in the short and medium term. The targets outlined below are also aligned with our Environmental Action Plan developed as part of the NGN's Business Plan for RIIO-GD2 price controls, submitted to Ofgem.

We will continue to:

- Abide by the principle of reducing, reusing and recycling to minimise carbon emissions, waste and harmful impacts on the environment. This is being achieved by:
 - challenging demand;
 - taking a whole life cycle analysis approach to procurement, including considering production processes, product transport and end of life.
 - seeking expert advice from the NGN Environment Team in order to understand potential implications of a particular procurement requirement and alternative options that are less harmful for the environment.
- To ensure our suppliers have an Environment policy and are certified to ISO14001, or equivalent, by carrying out necessary checks at the pre-qualification stage.
- Engage with the NGN Environment Team prior to any tender event to ensure that specifications and evaluation criteria include environmental considerations.
- Complete a sustainability risk assessment at procurement strategy stage
- Support the H21 team in all procurement activities associated with the H21 North of England project aimed at converting the UK gas grid to hydrogen
- Reduce our vehicle carbon footprint by continuing to install remote pressure management on our network to reduce the number of journeys that our engineers make to site

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In the short term we will:

- Hold a workshop with our Direct Service Providers (DSPs) where we present the environmental requirements, including (but not limited) to:
 - have an environmental policy and environmental management system,
 - measure and report their Scope 1 and 2 carbon emissions to NGN,
 - measure and report their waste generation to NGN,
 - measure and report their material consumption to NGN,
 - establish action plans to reduce their carbon emissions, waste generation and resource consumption and report their performance against these plans to NGN annually
- Develop and start applying methods for measuring supply chain performance against the aforementioned targets
- Aim to achieve more sustainable and innovative procurement solutions by working collaboratively with the NGN Innovation team
- Explore and leverage collaboration opportunities with other Utility companies to enable sharing of best practices
- Work collaboratively with other Utility companies to eliminate single use plastic consumption by:
 - Analysing our consumption of plastic items and introducing a new specification to all applicable contracts to replace single use plastic packaging with recyclable alternatives
 - Avoid the purchase of single use plastic items by eliminating such items from our approved product list available to purchase

In the long-term we will:

- Reduce our business carbon emissions by renewing our vehicle fleet by the end of RIIO-GD2. At least 50% of our total vehicle fleet will be ultra low emission or hybrid, and we will remove 250 diesel vehicles. This will be achieved by:
 - Renewing our company cars - 100% of our cars will be ultra-low emission or hybrid
 - Renewing our commercial fleet – at least 25% of our commercial vans will be ultra-low emission
 - Installing electric vehicle charging infrastructure across all of our offices and depots
- Ensure that at least 80% of our supply chain (by spend) meet the environmental targets and aim to capture 100%

Objective 4. Internal Culture

We will create and reinforce Sustainable Procurement culture internally.

We will continue to:

- Raise awareness within the Procurement team and provide training on how to monitor and measure sustainability in the supply chain by holding regular best practice sessions and workshops

In the short term we will:

- Achieve CIPS (The Chartered Institute of Procurement and Supply) Corporate Ethical Mark
- Hold a number of workshops with key stakeholders to present the Strategy
- Promote the importance of sustainable procurement to the wider business, e.g. corporate blogs, posts on Yammer

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- Prompt end users to consider sustainability at the pre-tender stage and make it part of the evaluation criteria

In the long term we will:

- Make Sustainability an integral part of every procurement activity regardless of value

Conclusion

NGN believe that Sustainability should be a fundamental and inseparable part of procurement, and our goal is to ensure our vision and commitment to the continuous improvement of environmental, economic, and social sustainability is shared with our supply chains.

Our expectations of our suppliers (described above) will be used as key, weighted criteria during tender processes.

This Strategy sets out the commitments to be addressed and the timescales to work towards in order to strengthen our supply chain and manage impacts on the Triple Bottom Line. We appreciate that certain aspects of our strategy may not be applicable to all our suppliers, but we will aim to ensure that the fundamental principles remain consistent across our supply chain and SMEs are supported where necessary. We will continue to seek continuous improvement and periodically review progress against our strategy and identify learning points in order to achieve the aforementioned objectives.



A handwritten signature in black ink, appearing to read 'R. Willey', written over a light blue grid background.

Roger Willey
Commercial Director