CIRCULAR PROCUREMENT GUIDE

Using procurement to accelerate the adoption of the circular economy

Introduction

If humans continue to use the Earth's resources as we are, we will reach a point of unrecoverable depletion. This is illustrated by Earth Overshoot Day – the day every year that "humanity's demand for ecological resources and services in a given year exceeds what Earth can regenerate in that year". In 1970, Earth Overshoot Day fell on 29 December; by 2019 it was reached as early as 29 July. This was driven by global population growth and more people living by Western consumption patterns. It is vitally important that we change the way we produce and consume.

The Circular Economy is a system designed to maximise the value of products and materials while in use, then to recover and repurpose them at the end of their lives, ultimately eliminating waste. This reduces demand for finite natural resources, lowers carbon emissions, and regenerates natural systems. While businesses selling physical products and services can reduce the number of resources they depend on by redesigning their business models, every business – irrespective of their sector – can accelerate the shift to a Circular Economy by changing the way they buy and use products. This guide, produced by Business in the Community (BITC), outlines how businesses can redesign their procurement processes for greater 'circularity'.

Figure 1 - A Circular Economy

What is circular procurement and why is it important?

Purchasing power can be leveraged to influence pricing and availability of raw materials, as well as creating opportunities for innovation and sustainability. When viewed with this lens, procurement can shape a better world.

Sustainable procurement is recognised as a strategic lever to drive innovation, and circular procurement is seen as part of this wider agenda[i]. While general sustainable procurement considers broader issues – such as human and labour rights, climate resilience and inclusive procurement[ii]– circular procurement focuses on closing energy and material loops within supply chains, by remanufacturing or reusing resources in a circular manner.

Circular procurement creates long-term value by focusing not just on single transactions, but also on the relationships between clients and suppliers and the lifecycle of a product throughout the whole value chain. In this way, circular procurement contributes to sustainable procurement. For example, reducing resource use would, in turn, reduce Greenhouse Gas emissions[iii].

There is no silver bullet for achieving circular procurement within a business, as this will change depending on the size of your organisation and the sector you are in. As circular procurement is still a relatively new concept, learning what works best for you will be a process of trial and error[iv]. However, this guide has been designed to act as a starting point for any business to begin your circular procurement journey in 6 simple steps:

1. **define your circular ambitions**
2. **determine your functional needs**
3. **formulate your questions and communicate with the market**
4. **choose your supplier/s and award the contract**
5. **implement circular usage policies**
6. **evaluate success.**

Step 1: Define your circular ambition

The first step in any sustainability journey should be to set your goals and ambitions. The first question you should ask is: why does your organisation want to adopt circular procurement? Examples for these reasons include to build into a wider sustainability strategy such as reducing emissions in your supply chain, to improve cost-efficiency across your value chain, or to deliver social benefits through green job creation.

After this, you need to think about how your organisation is going to define 'circular' for the product types which you will be procuring. There is no single answer for what a circular product is, but you should consider whether you want to reduce material use, use alternatives to virgin materials, extend the life of the product, prioritise reusability, or focus on the recyclability of the materials. In reality, you will probably want to incorporate several criteria across these areas so you can refer to the Goals and Strategies for Circular Purchasers map, developed by Circular Flanders (see Resources section), to help you think this through. You should think about which options will have the greatest impact and are viable for the product type that is being procured.

At this stage, you should also consider which internal stakeholders need to be involved to determine your circular ambition – for example, the Finance, Operations, Sustainability and Procurement Teams may all be interested in, and/or affected by, changes to your organisation's procurement practices. When discussing circular procurement with them, make sure you consider financial implications including net long-term cost savings as well as upfront costs.

If it is the beginning of your circular procurement journey, choose a few product categories to get started. These trial products should be highly visible (so that impact can be seen), but low in cost and complexity (eg circular furniture is much simpler than circular computers).

Resources:

- BITC's Accelerating to net zero with the circular economy factsheet.
- World Business Council for Sustainable Development's 8 Business cases for the circular economy.
- Flanders Circular developed this circular ambition map to help you determine what the circular ambitions of your organisation could be, by listing circular objectives and the possible purchasing strategies to achieve them.

Case Study: Interface

Interface has been on a journey from a petroleum-intensive manufacturer into a pioneering, sustainable, and ultimately restorative company. In 2016, Interface launched its *Climate Take Back* mission: a commitment to run its business in a way that helps to reverse global warming. Having defined its purpose, Interface was able to identify how circular economy approaches could contribute to this goal.

As a flooring manufacturer, Interface is a large consumer of raw materials and the sourcing of these presents a significant opportunity for circular procurement. In October 2020, Interface launched its CQuestBio backing, taking the total recycled and biobased content of its carpet tiles up to 92.8%. The ambition to increase the amount of recycled materials used also led to collaboration with supply chain partners with the added benefit of creating social value, for example through the Net-Works programme which transforms discarded fishing nets into nylon yarn.

Step 2: Determine your functional need

The next step in developing your circular procurement strategy is to think about what is needed and whether it must be purchased. Consider the following points:

- **What is the functional need?** It is easy to assume that buying a new product is required to fulfil the need, but you should interrogate the request to determine what the 'functional' need is or what is actually required to solve the problem. For example, an internal customer has asked you to purchase a new chair because the one they are currently using is giving them back pain. When inspecting the chair, you see that the seat cushions have become flat and this is the reason behind their request. In this instance, the functional need is seating comfort, which can be achieved by replacing the seat cushions on the chair rather than purchasing a brand new one.
- **Can you buy a service rather than owning a product?** In determining the functional need, you may realise that you do not necessarily need to own the product. Categories like IT and lighting can be bought on a contract basis from suppliers, where they retain ownership over them and deal with maintenance and removal. This is typically cheaper over the lifespan of the contract and can be financed through leasing. See the case study in this section for an example of how JLL has procured 'AV as a service'.
- **Can you share across departments/locations/other companies?** You may require a product that another department or company is looking to get rid of, or vice versa, so sharing across teams is a great circular alternative to procuring a new item. Refer to step 5 for more information on how to set up an exchange system like this.

Resources:

- BITC's The Circular Office Guide.

Case Study: JLL

Realising that they do not need to own audio-visual equipment, but rather require the functional need of being able to present imagery and sound, JLL incorporated "AV as a service" into the fit-out of their Landmark office building in Manchester. This approach has retained capital on the balance sheet, outsourced obsolescence risks, and increased flexibility to respond to technology refresh demands, with the ability to replace equipment without additional capital costs. In addition, operational risks associated with assets failing are mitigated with an old for new replacement under the seamless maintenance and service support contract leasing model.

End of life management of the AV assets is embedded as the leasing company will seek to maximise the asset value in the secondary market at the end of the lease period. This is

supported by a refurbishment and parts replacement service that should promote multiple ownership(s) of the equipment.

Step 3: Formulate your questions and communicate with the market

By combining steps 1 and 2, you can now create a document to share with potential suppliers which sets out your ambition.

Before formulating questions, carry out initial research to understand the level of circular maturity within the marketplace that you will be approaching. This will help you to pitch questions at the right level – suppliers may already have very well-developed circular offerings or may have never considered the circular economy before.

There are three broad types of questions that you can ask:

Ambition alignment: asking suppliers how, at a high level, they will contribute to your circular ambition. You may alternatively want to ask what *their* circular ambition is.

Functional specification: asking suppliers how they will provide the functionality which you require (as determined in step 2), allowing them to determine the most circular solution.

Technical specification: asking suppliers to address specific technical opportunities in the specification of the product, for example what materials it should be made from. This may constrain innovation but can also act as useful guidance for suppliers.

When creating questions for suppliers you should avoid being *too* specific as this will constrain opportunities for innovation and may prevent them from being able to provide a quote (see grid).

Bad practice	Why is this bad?	How it could be improved
"Can you supply packaging made from recycled content?" (yes/no tick box)	This question limits innovation. Suppliers that do not use packaging are not given credit.	Reframe this question to ask suppliers how they are addressing the environmental impacts of packaging.
"Is your product (name ecolabel) certified?"	Smaller suppliers may not be able to afford the costs of acquiring ecolabel status.	Consider which parts of the ecolabel criteria are important to you and ask suppliers how they can demonstrate that they meet these requirements.
"Can the paper you supply meet our target of 20% recycled content?" (yes/no tick box)	This is a low level of ambition and suppliers will not be rewarded for exceeding it.	Use the GPP criteria for research more appropriate levels of technical specification.

Think beyond circularity when designing your questions to maximise wider social and economic value. For example, you could ask whether new jobs are being created because of your project. This is also the stage at which you should consider other general sustainable procurement best practices, such as human and labour rights and supplier diversity.

By presenting this information to the market, you can find out which circular products and services are already available and align most closely to your requirements.

Collaboration with suppliers

If there are not any products or services available to match these criteria, your ambitions document provides a starting point for you to collaborate with suppliers to find the best possible solution, allowing them to be innovative. You could also establish 'innovation partnerships' with suppliers, which provide a framework for research and development, piloting and subsequent purchase of a new product, service, or work[v].

For successful circular procurement initiatives you should work in partnership with suppliers, ensuring you understand their concerns and limitations and providing support where necessary. This sort of collaboration with suppliers will also pave the way for a healthy, long-term relationship. This is essential when identifying the potential and feasibility of new procurement models such as product-service systems, leasing options, buy-per-use, shared use, or buying and selling back.

Resources:

- BITC's Driving sustainability through procurement report, including a chapter on collaboration.
- Copper8's Circular Procurement in Eight Steps (step 3).

Case Study: Bromley Council

Working through London Waste and Recycling Board's Circular Economy Champions scheme, Bromley Council has developed a Sustainable and Circular Procurement Toolkit which is intended to help colleagues procuring products, services, and equipment to adopt more circular procurement practises.

The tool is based on a spreadsheet in which users prioritise what specific circular categories and outcomes are important (or not) to the services procured, by attributing a degree of relevance (High/Medium/Low/Not Applicable). The key outcome of the toolkit is the generated report which users can utilise to inform their tender documents. This includes a circularity statement, contract specification wording, award criteria, and monitoring metrics.

Step 4: Choose your supplier(s) and award the contract

Once bids, quotes or tender responses have been submitted, they should be evaluated through measurement (quantitative) and assessment (qualitative) to determine the best solution.

Evaluating the circularity of offers received is complicated, especially where questions have been framed in a way which encourages innovative approaches from suppliers. You should consider the following:

- The document created at the beginning of step 3 should act as a reference point to assess questions about circular ambition against. How well aligned to your circular ambitions is the supplier?
- What level of detail do you require for measuring circularity? This can easily become very complex so do not request very detailed information that will be overly burdensome for the supplier to provide.
- You may wish to use circular procurement tools to help collect data from suppliers and assess circularity – contact BITC for more information on this.

When thinking about cost-effectiveness, take into consideration total Life Cycle Costing rather than considering only the upfront purchase cost – certain circular products/services may cost more upfront but could be more cost-efficient in the long-term. In standard procurement models, suppliers will expect you to bear the item's additional cost of disposal at end-of-life, but suppliers operating circular business models will often plan to take products back from you when

you are finished with them and this will be built into their costing.

Upon choosing your supplier(s), you can then award the contract. Make sure to consider:

- Relationship management, eg how you will support the suppliers, how often you will be in contact, measures to ensure the contract is delivered correctly etc.
- Monitoring suppliers throughout their contract. Keep an eye on KPIs to ensure things are running smoothly, but also allow for some mistakes and/or improvement. This will build a stronger relationship with your suppliers, creating long-term value in partnerships.
- Contracting for uncertain futures, eg natural disasters or global pandemics. The COVID-19 pandemic saw global supply chains crumble but taught the important lesson of supply chain resilience. Think about shortening your supply chain and how you manage the relationships between different players in your value chain.

Resources:

- BITC's Driving sustainability through procurement report.
- BITC's COVID-19: helping the supply chain toolkit.
- WBCSD's Circular Metrics Landscape Analysis.
- SINTEF's Sustainable Procurement KPIs.
- Copper8's Circular Procurement in Eight Steps (step 6).
- European Commission's information on Life-cycle Costing.

Case Study: Thames Tideway

The Thames Tideway Tunnel, which is currently under construction, is a 25km sewage and rainwater discharge tunnel running under the River Thames through central London.

The contractors were given flexibility in their design briefs to adapt the design, driven by the team's ambition to challenge specifications and reduce materials and waste.

This spurred innovation which identified numerous carbon saving opportunities. Appointing contractors early in the design process allowed for the material selection and quantification of carbon benefits to be realised, captured, and shared.

Step 5: Implement circular usage policies

Aside from thinking more about resource use, one thing that differentiates circular procurement from general sustainable procurement is thinking about the whole life of a product. Buying a circular product does not mean that you have implemented circularity – you need to think about the circularity of the product while it will be in use and how the materials will be recovered, not just circular criteria at the point of purchasing.

- Engage all employees to gain their buy-in. If they understand the organisation's reasons for implementing circular approaches, they will be more willing to adapt their behaviour if required.
- Extend the life of the equipment that you procure. Consider providing on-site repair services or ask the providers if they can offer such services. Leasing instead of owning equipment is often a good way to ensure that long service life is in the provider's interest.
- Share resources across departments and locations. Regularly make an inventory of items already in stock and items requested to be procured, and make sure that before any new supplies are ordered, the items already in stock are used.
- Think about use and end-of-use. Much of this will have been determined in earlier steps, but it is also important to communicate internally within your organisation on circular practices and behaviours to ensure your products are reaching their full circular potential. One way to do this is through giving individuals or teams

accountability for their own resources, using a balanced scorecard of resource efficiency to monitor rates of waste, or reuse through budget codes.

Case Study: Murphy

As part of Murphy's Waste to Wealth commitment, a better circular economy in its own back yard was a priority. Pitched as Murphy's own internal eBay, a materials exchange portal called ClickShift was launched. Any project with spare materials could log items, offering them for someone else to use.

Launched in 2018, over £200,000 worth of materials have been reused, from office chairs and cabinets to fencing and aggregates. Murphy has seen a reduction in costs and lower total waste generated, and ClickShift has contributed to a total of 43,000 tonnes less waste going to landfill since January 2020. Additionally, materials have been used on over 20 local community projects, helping Murphy's teams leave a positive legacy in the communities they work in.

Step 6: Evaluate success

Circular procurement requires continuous evaluation to ensure ongoing success. Areas to consider include:

- Reviewing the quality of tenders received can give an indication as to how successfully you managed to perform market dialogue. If the quality of responses is low, then you may need to reconsider what questions you ask to make circularity clearer to the suppliers. If no suitable responses are received, then you may need to go back to step 3 and consider whether you can collaborate with a supplier to develop a solution which does not yet exist.
- Understand the impact on the users of the circular product or service. Consider how this compares to what would otherwise have been bought through a standard procurement process – have users had to adapt their behaviour in any way and is this something that they are willing to do? If this is proving a problem, try to understand exactly what additional challenges they face and how this could be overcome.
- Review whether the procurement has had the desired environmental impact and if there have been any unintended consequences.
- Consider any cost implications from the procurement.
- If the procurement proved successful think about how you can upscale the impact across your organisation, eg rolling out across your estate following a successful trial or adopting the approach taken to other product types. You should also try to influence other organisations to do the same; the more demand there is for circular products, the better developed and lower cost the solutions will become. You may wish to share a case study with BITC.

Case Study: Waitrose Unpacked

In 2019 Waitrose launched an 11-week test in their Botley Road shop, having engaged with suppliers to take more than 200 products out of packaging using a 'Reduce, Reuse, Refill' model. The aim was to see where unnecessary packaging could be removed and test how customers might be prepared to shop differently. This was a complex pilot, requiring wholesale change across all parts of the value chain.

Following the trial, an extensive evaluation process was carried out to measure impact, evaluate success, and gather learnings for upscaling. 72% of customers were very satisfied shopping Unpacked, 98% of single-use plastic packaging was eliminated across Unpacked products, and there is potential for the approach to reduce greenhouse gases – but this is significantly dependent on whether food waste is increased either in the supply chain or in our customers' homes. Going forward Waitrose will use these insights to continue to adapt their supply chain and encourage customer behaviour change.

Additional opportunities with BITC

BITC's Circular Economy Taskforce is advocating for circular economy approaches to be a fundamental pillar of the transition to Net Zero Carbon. Members of the Taskforce are leading innovative projects which reduce resource use and product lifecycle emissions across key sectors including the built environment, textiles, and metals. Join the Taskforce to collaborate with other businesses at the forefront of the journey.

BITC is a partner in the Interreg North Sea Region ProCirc project. ProCirc is set up to experiment, implement and learn how circular economy and procurement can benefit the region. To fully benefit from circular opportunities and to contribute to the international development of a circular economy, ProCirc will conduct 30 pilots to demonstrate procurement opportunities.

Contact BITC to enquire about participation in ProCirc, or our Advisory and Consultancy services to see how we can help you implement circular procurement. Additional resources on the Circular Economy can be found below:

- BITC's Accelerating to net zero with the circular economy factsheet.
- BITC's Advancing circular construction: case studies from the building and infrastructure sector.
- BITC's Making the journey towards a circular office toolkit.
- BITC's Guide to recycling, waste management, and resource productivity.
- BITC's The Circular Office guide.

ENDNOTES

[i] UNEP (2018); Building circularity into economies through sustainable procurement; available at weforum.org.
[ii] BITC (2020); Driving sustainability through procurement; available at bitc.org.uk.
[iii] BITC (2020); Addressing emissions in your supply chain; available at bitc.org.uk.
[iv] Oppen, Croon & Bijl de Vroe (2018); Circular Procurement in 8 steps; available at copper8.com.
[v] European Commission (2017); Public procurement for a circular economy; available at ec.europa.net.