



Sustainable Contracting in the Circular Economy

MAXIMIZING YOUR YIELD



Introduction

The Circular Economy is highly inclusive – there is a seat at the table for many to participate.

Botany
Agriculture
Logistics
Manufacturing
Distribution
Retail
Consumer
Disposal

Introduction

Governance structures are rapidly evolving, and sourcing's/contracting's role requires clarity.

Introduction

Contract management and supply chain management have proven:

- Value can be generated
- Risk can be mitigated
- Strategy can be enabled

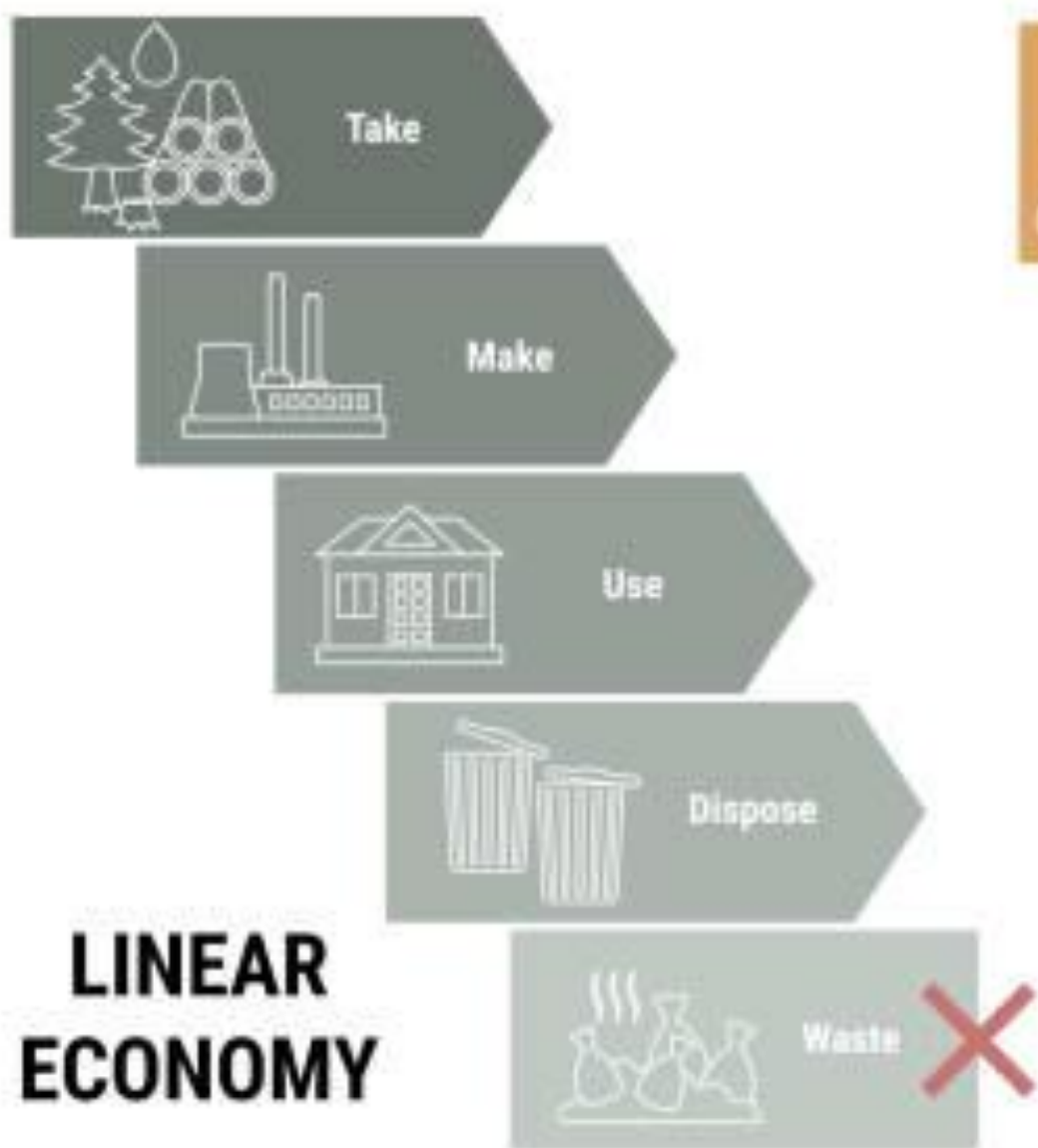
Agenda



- What is the Circular Economy and the broader sustainability discipline?
- How can Contracting and Contract Management become a key enabler of success?
- Which are the additional critical skills needed for contracting in the Circular Economy?
- What are the Key Performance Indicators and measures of success?
- What are the barriers and risks in this pursuit, and how can one overcome them?

What is the Circular Economy and the broader sustainability discipline?





Capitalism is Facing a Major Change

- Core Objective: Maximize Profit
- Balanced Capitalism/Conscientious Capitalism
- Research:
 - Consumers are willing to pay a 15% premium for ESG promoting and Sustainable products

How can Contracting and Contract Management become a key enabler of success?



Contracts as Key Enablers of Success

Contracts as Key Enablers of Success

- Hub and Spoke Model? Who is the “Hub”?
- Master Agreement in place?
 - An additional release?
- An extension of the existing contract?
- Consult with your legal department

Contracts as Key Enablers of Success

- Are teaming, alliance, or other multi-party contracting models appropriate?
 - If “No”, then multiple bi-party models as the default
- Random, disconnected parties?
 - No, there needs to be a connector

Key Tips



Key Tips

A Circular Economy “Project” is needed

- Define a compelling Purpose
- Identify the “Extended Enterprise” parties
- Become the Hub
- Implement the plan, ensure means of continuity
- Report the results – avoid any appearance of greenwashing

Key Tips



Key Tips

Circular Canberra – **this is a fictional project!!!**

- Purpose: All tenants of Brindabella Park will collaborate to raise ESG rating by 25%
- Recruit the top 20 tenants – Extended Enterprise
- Property manager/ACT agency are co-leader Hub
- Implement the plan, ensure means of continuity
- Report the results on outdoor billboards

Key Tips

Circular Canberra – **this is a fictional project!!!**

- All buildings become LEED certified
- ISO 14001 implemented throughout
- Local farmer(s) grows fiber, e.g., hemp, jute, bamboo in collaboration with CSIRO for bioplastic materials – and serves as recycling depository
- ATO creates tax credit incentive program

Key Tips

Circular Canberra – **this is a fictional project!!!**

- Enablement through contracts
 - Landlord/Tenant lease agreements
 - Client/Contractor services agreements
 - Sourcing RFxs



An Example

- Case Study: San Francisco's Saint Francis Homelessness Challenge
 - Switzerland's Hemp Eco Systems
 - California's Fibershed (www.fibershed.org)

Measuring Our Impact

In 2023, producers in the Climate Beneficial™ Program collectively implemented a total of 150 carbon farming practices for an estimated 17,905 Mg of CO₂e drawn down and 23,677 Mg CO₂e projected to be drawn down over the next 20 years. This is the equivalent of taking over 5,200 gas-powered cars off the road for one year.

Prescribed grazing, compost application to rangelands, and cover cropping were the most commonly implemented practices. Over the life of the Climate Beneficial™ Program, these practices have collectively drawn down, sequestering an estimated 72,123 Mg CO₂e to a rangeland causes continued soil carbon drawdown each year for decades.

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Excerpts from our 2023 Carbon Farm Impact Report, which highlights the collective carbon drawdown and the impacts of Climate Beneficial™ producers. See the complete report at fibershed.org/23-CFR.

Carbon Farm Seed Fund

Our Carbon Farm Seed Fund was created to provide direct financial assistance to producers enrolled in the Climate Beneficial™ Program to implement carbon farming practices. In our 2023 round we awarded over \$62,000 to 14 producers to support carbon farming projects, which we estimate will draw down over 1,600 Mg CO₂e over the next 20 years.

	2023	Cumulative
# of projects	14	75
Total CO ₂ e drawdown	1,641 Mg	11,911 Mg

Climate Beneficial™ F

TOTAL PARTICIPATING PRODUCERS



Commercial Officers Group



Cumulative CO₂e Drawdown by Category

2023 PRACTICES AND ENTIRETY OF CLIMATE BENEFICIAL™ PROGRAM

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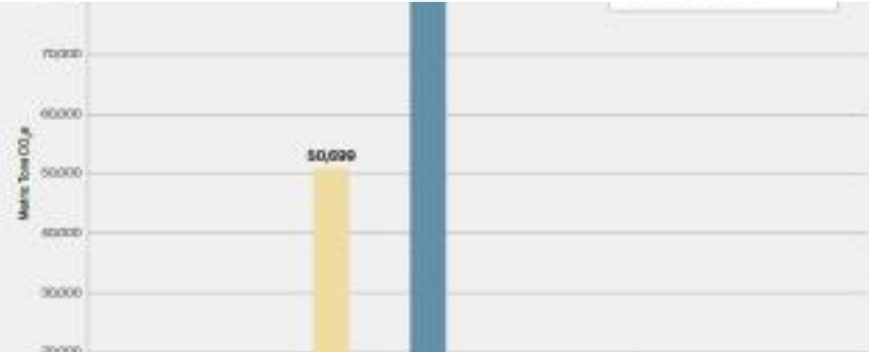
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Why 20-year impact?

Some practices, such as planting trees or applying compost to rangelands, continuously draw down carbon over the years, even if just done once.

Other practices, such as cover cropping, must be done annually to have continued carbon drawdown. These metrics show the impact of practices that have already been implemented by producers, and these measurements differentiate between practices with one-time and 20-year impact.



Contracting Tactics

Clauses – Terms and Conditions

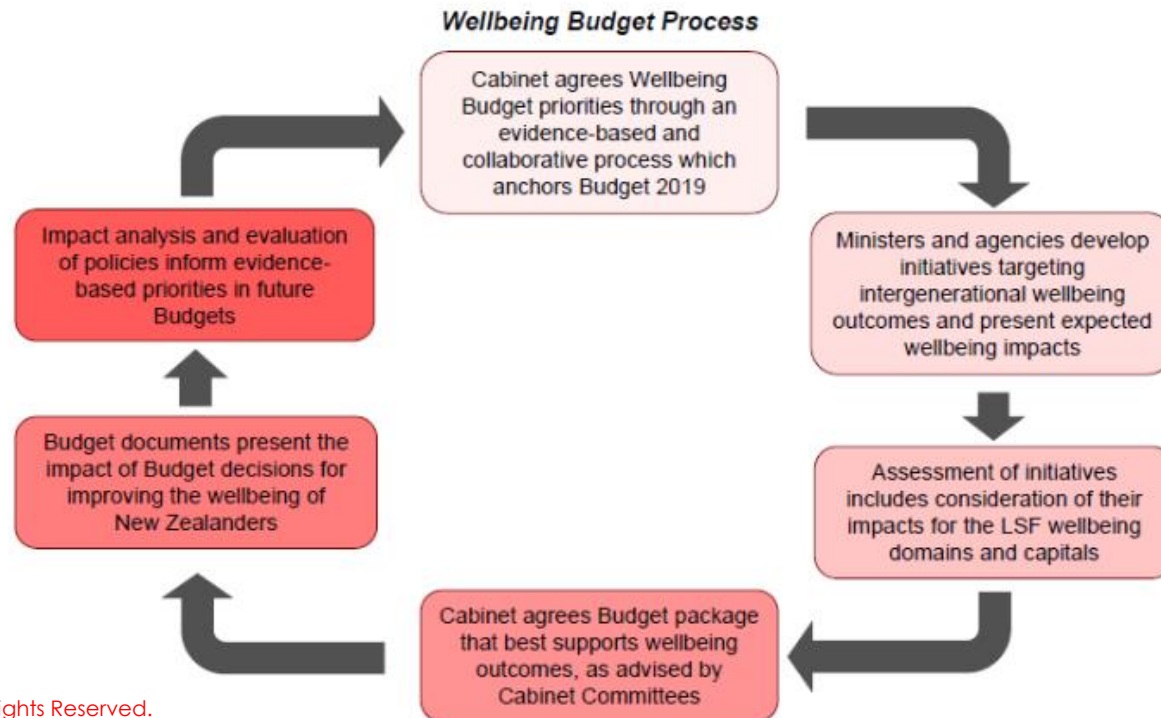
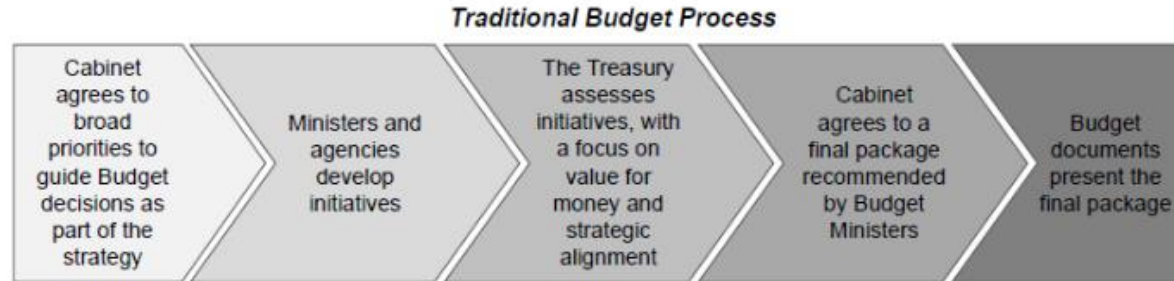
- Assignment – other parties are assignees
- Confidentiality – other parties to have access
- Works for Hire – shared with other parties
- Data – other parties have access
- Insurance – add to Additional Named Insured

Contracting Tactics

Contract Components

- Statement/Scope of Work – the Circular “project” is included
- Service Level Agreement
 - Measures and Metrics – of the Circular “project”

Contracts Must Align with Budget Models



New Zealand's
“Economics of Wellbeing”

Contracts as Key Enablers of Success

- If a series of two-party contracts, integrate a few consistent, universal KPI's
 - “Our offices will only occupy LEED certified buildings”
 - LEED = Leadership in Energy and Environmental Design
 - “Our suppliers must be ISO 14001:2004 compliant”
 - ISO 14001:2004 refers to Environmental Management Systems

Which are the additional critical skills needed for contracting in the Circular Economy?



Needed Skills?

- Strategy sourcing / category management
- Contract management
- Supplier/Customer relationship management
- Supply chain design
- Customer service
- Data analysis
- Collaboration, team-building
- Communication strategy management
- Change management – multiple models

Which Change Management Model?

- ADKAR – Awareness, Desire, Knowledge, Ability, Reinforcement
- Nudge - Define change, Seek employee input, Review best options, Make change a choice, Listen to feedback, Limit options, Attain small wins
- Bridges' Transition Model –End/Let go, Neutral zone, New start
- Satir - Late status quo, Resistance, Chaos, Integration, New status quo
- Lewin – Unfreeze, Change, Refreeze, also “Lift-Shift-Drop”
- John Kotter - Create a sense of urgency, Build the change team, Form a strategic vision, Communicate the vision, Remove barriers to change, Focus on short-term wins, Maintain momentum, Institute change
- Others

What are Contract Management skills?

- The entire process?
- Post- or Pre-Award only?
- Drafting/Negotiating the contract document?

What are the Key Performance Indicators and measures of success?



Key Performance Indicators

- Environment (39%): Collects indicators with a direct impact on the ecosystem, such as emissions, output material process and production and consumption.

Key Performance Indicators

- Governance (34%): Focuses on indicators related to education, capacity building and regulation, among others.

Key Performance Indicators

- Economic and business (14%): Includes those indicators expressed in monetary units such as the value-added of the circular economy and the public investment in circular economy projects, as well as those indicators specifically focusing on activities performed by and within companies.

Key Performance Indicators

- Infrastructure and technology (8%): Covers all the indicators that aim to measure the existence of tools, technologies and spaces that boost the circular economy.

Key Performance Indicators

- Jobs (5%): Gathers indicators associated with employment and human resources.

Key Performance Indicators

- Public procurement (11%): includes circular and green criteria in the purchase of goods, services, and works by governments.
- Several indicators account for the volume of public procurement that includes circular and/or ecological criteria (measured as a percentage of total procurement, number of tenders or total amount in euros/dollars).

Key Performance Indicators

- The number of legal barriers identified, and to a lesser extent “removed”, to implementing green public procurement (GPP)
- Informing companies about circular-economy related public procurement opportunities

What are the barriers and risks in this pursuit, and how can one overcome them?



Barriers and Risks

- Lack of coordination – missing Hub
- Politicalization
- Apathy from market
- Lack of compelling business case or ROI
- Competing priorities

Checkpoints – How to Build Governance

- Foster a team culture – include sourcing, finance, compliance, risk, legal, and audit
- Define purpose, create process, transform people, measure performance
- Deploy RACI
- Strive for simplicity
- Drive continuous improvement

How Does This Apply to Your Situation?

What opportunity can you identify in your role?

Summary

- The Circular Economy is evolving, and participation is growing
- Roles and responsibilities are still in a nascent stage
- Structure/governance will foster stability and longevity
- Skills need to develop through hands-on opportunities
- Public sector has a significant impact
- Localized efforts are generally more effective

Questions...



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