



COMMISSION FOR A  
SUSTAINABLE LONDON 2012

# Procuring the Games

A review of LOCOG's procurement

January 2010



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# Introduction

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## RAG Status: Green

### 1 Aim of the review

1.1 The Commission published its first governance review in November 2007<sup>1</sup>. This included a programme of thematic reviews that we proposed to carry out as part of our assurance of the Games. One of the scheduled activities was to review the procurement processes for the Games and a review was conducted with the following aims:

- To ensure that Sustainable Development objectives are being translated appropriately to contractual arrangements;
- To ensure effective controls are in place to assure performance; and
- To advise stakeholders with respect to ethical standards and approach.

### 2 Commitment to achieving Sustainable Development through procurement

2.1 The Joint Venture Agreement (JVA) among the London Organising Committee of the Olympic and Paralympic Games (LOCOG), the Government, the Mayor of London and the British Olympic Association states that “LOCOG shall operate a procurement policy having regard to environmental, social and ethical considerations”.

2.2 The London 2012 Sustainability Plan<sup>2</sup>, published in November 2007, sets out how London put sustainability at the heart of its bid for the 2012 Games and that it remains central to the vision for 2012. The plan has a programme-wide commitment to sustainability across all venues and Games-related activities. It identifies procurement as an area that requires action which cuts across all five of the key sustainability themes that form the basis of the plan.

2.3 Procurement actions in the London 2012 Sustainability Plan include:

- Sourcing materials with low embodied carbon
- Minimising waste at source, promoting use of secondary materials
- Policies on ecologically sensitive materials: e.g. timber, food
- Ethical procurement and fair employment
- Sourcing healthy materials and ensuring health and safety on site

2.4 The London 2012 Sustainability Plan also states that “London 2012’s commercial partners will play a major role in helping to deliver this sustainability plan. This will be achieved in part through the supply of products and services which improve environmental performance, but also through actively engaging with London 2012 sustainability projects and using their employees, customers and supply chains to promote behavioural change.”

<sup>1</sup> [http://www.cslondon.org/documents/2007\\_Governance\\_Review.pdf](http://www.cslondon.org/documents/2007_Governance_Review.pdf)

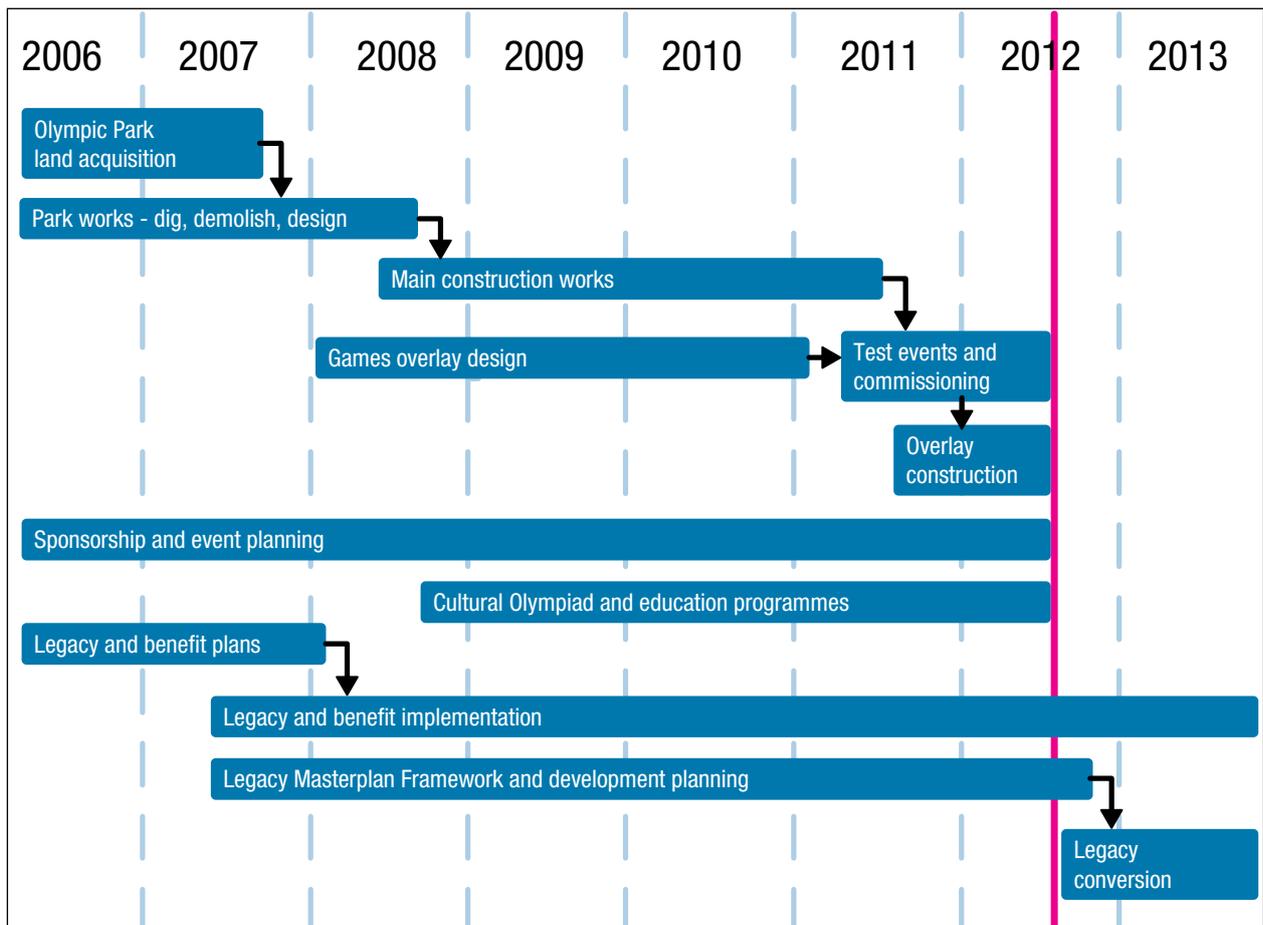
<sup>2</sup> <http://www.london2012.com/documents/locog-publications/london-2012-sustainability-plan.pdf>

2.5 As well as the London 2012 Sustainability Plan, the standards to which LOCOG will procure are set out in the Sustainable Sourcing Code (the Code) and the Diversity and Inclusion Business Charter (D&I Business Charter).

2.6 London 2012 has agreed principles of cooperation with the Trades Union Congress<sup>3</sup> which include sustainability issues. The principles are:

- The importance of respect at work,
- The potential of partnership at work,
- The commitment to equalities, diversity and inclusion,
- A commitment to exemplary health, safety and welfare,
- Recognition of the value of learning, employment and skills,
- A commitment to legacy, maximising economic and social regeneration,
- A commitment to environmental and social sustainability.

### 3 Timeline<sup>4</sup>



<sup>3</sup> <http://www.london2012.com/documents/london-2012-joint-documents/principles-of-cooperation-20080903.pdf>

<sup>4</sup> From "Towards a One Planet 2012" the London 2012 Sustainability Plan

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## 4 Structure of the review

- 4.1 This review has focussed on the procurement process within LOCOG. The ODA was reviewed in spring/summer 2008 to allow for elements of joint information gathering with the National Audit Office, who published their report “**Preparations for the London 2012 Olympic and Paralympic Games: Progress report**” in June 2008<sup>5</sup>. The Commission’s report on the ODA “**Procuring a legacy**”<sup>6</sup> was published in February 2009.
- 4.2 This review of LOCOG started by assessing the findings of an internal audit of sustainability initiatives within their procurement framework and the management recommendations contained within it. This was conducted by KPMG LLP in their capacity as LOCOG’s internal auditors. The Commission then followed up on the findings of this audit and extended our enquiries into specific areas not covered by it.
- 4.3 The review also involved assessing key documents and interviews with relevant members of staff at LOCOG. The interviews were conducted for this review and as part of our 2008 Annual Review. Details of this can be found in Appendix 1. We had the opportunity to comment on two drafts of the Sustainable Sourcing Code and a draft of the D&I Business Charter. We are pleased that many of our comments were taken on board. LOCOG is committed to developing the Code over time as experience of using it in procurement grows. An updated version is expected in late 2009.
- 4.4 The review has primarily focussed on the procurement of goods and services, including bringing partners and licensees on board. It has not covered in detail the activation activities of the commercial partners, including sustainability partners, as these will be reviewed when activity increases during 2010 and beyond.
- 4.5 The review was conducted over the period from January 2009 to June 2009. In July 2009 we were informed that a significant organisation change was to take place with procurement moving from the finance to the commercial directorate and a new Procurement Director being recruited. As a result of this, the review was put on hold until early September 2009 to enable the new structure to develop its plans. Actions taken after September 2009 are not covered but may be used by Key Stakeholders in their response.
- 4.6 The Commission gathered data on best practice in this area, which included a visit to the Eden Project in order to better understand procurement for an organisation that is primarily focused as a sustainable visitor attraction.

5 [http://www.nao.org.uk/publications/nao\\_reports/07-08/0708490.pdf](http://www.nao.org.uk/publications/nao_reports/07-08/0708490.pdf)

6 [http://www.cs london.org/documents/Procuring\\_a\\_Legacy.pdf](http://www.cs london.org/documents/Procuring_a_Legacy.pdf)

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# LOCOG's Procurement Process

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## 5 Introduction

- 5.1 The London Organising Committee of the Olympic and Paralympic Games (LOCOG) is responsible for preparing and staging the 2012 Games.
- 5.2 Funding for LOCOG comes mainly from the private sector and it is therefore not subject to EU procurement rules. It is however obligated by the JVA to operate a fair and competitive procurement process with due regard to environmental, social and ethical considerations.
- 5.3 A total of £2 billion will be raised from sources including sponsorship, broadcasting rights and selling merchandise. As such the London 2012 brand is a key factor in enabling these funds to be raised.
- 5.4 As LOCOG's procurement focuses on the needs of the Games themselves, it will cover a wide range of goods and services from temporary venues, sports equipment, merchandise produced under licence, temporary commodities and overlay for the venues, through to catering. Some initial contracts have been let and the majority will be let from early 2010 onwards.
- 5.5 LOCOG has undertaken a lifetime business planning process and has analysed the procurement needs resulting from this plan by category and by functional area. This was completed during the course of the review.
- 5.6 LOCOG will be using the following types of procurement:
- direct procurement of goods and services
  - products & services provided by partners / sponsors (as Value In Kind and sold to the public & others)
  - products produced under license
  - ensuring sustainability and other criteria are applied to premiums (Items bearing the London 2012 mark which are sold or distributed as part of a promotion by one of LOCOG's Commercial Partners or Key Stakeholders)
- 5.7 As a new, yet temporary, organisation LOCOG is unique in that it largely has a fresh supply chain to develop, which on the face of it represents a significant unrivalled opportunity in respect to sustainable procurement. There are, however, significant challenges facing the organisation these include sponsorship rights, the sheer diversity and volume of its supply chain, inability to offer repeat business and of course, time.

## Key documents

- External
  - November 2007 London 2012 Sustainability Plan and November 2008 update
  - November 2008 Sustainable Sourcing Code

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- November 2008 LOCOG Guidelines on carbon emissions of products and services
  - November 2008 LOCOG Packaging guidelines
  - Principles of Cooperation between London 2012 and the Trades Union Congress
  - Policy statement on the use of PVC for the London 2012 Olympic and Paralympic Games
  - September 2009 Diversity and Inclusion Business Charter
  
  - Internal
    - Internal Audit – Review of Sustainable Initiatives within the Procurement Framework at LOCOG
    - Draft Sustainable Procurement and Licensing Strategy
    - Lifetime business plan
    - Procurement Governance Model
    - Procurement spend analysis by category and functional area
    - Sustainable Sourcing Category Matrix

## 6 Procurement process

- 6.1 Sustainability issues in procurement are addressed through the Sustainable Sourcing Code (the Code)<sup>7</sup>. The first edition was published in November 2008, following 18 months of development and discussion with a wide range of partners. Preliminary versions and interim arrangements were utilised in procurement prior to this. A Diversity and Inclusion Business Charter has also been developed to describe how LOCOG will implement their principles in this area through their supply chain. This was published in September 2009.
- 6.2 The Code sets out the main sustainability principles to be addressed through procurement which are:
- responsible sourcing;
  - use of secondary materials;
  - minimising embodied impacts;
  - healthy materials.
- 6.3 It then sets out the approach to sourcing sustainable products based on the following five key questions
- Where does it come from?
  - Who made it?
  - What is it made of?
  - What is it wrapped in?
  - What will happen to it after the Games?

7 <http://www.london2012.com/documents/locog-publications/sustainable-sourcing-code-nov-08.pdf>

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- 6.4 The Code is supported by guidelines on measuring the carbon emissions of products and services<sup>8</sup> and by guidelines on packaging<sup>9</sup>.
  - 6.5 The Code requires Suppliers and Licensees to ensure that all factories and premises used in the manufacture and supply of products and services are working towards meeting the provisions of the Ethical Trading Initiative (ETI) Base Code.
  - 6.6 Elements of the Code have been evaluated against the anticipated spend categories to create a Sustainable Sourcing Category Matrix. The method for development of the Sustainable Sourcing Category Matrix drew on that recommended by the Sustainable Procurement Task Force. This enables the elements of the Sustainable Sourcing Code to be applied where they will have the most impact.
  - 6.7 The impacts identified by the prioritisation process will be used in a variety of ways. Firstly by each Functional Area in developing their specifications, with assistance from the Sustainability Team. Secondly by the procurement team. Each supply category will have a manager responsible for selecting the appropriate procurement techniques to ensure delivery of the priority aspects of the Code.
  - 6.8 Following award of a contract, LOCOG will monitor a supplier or licensee's practices to ensure they are being carried out as agreed in the tender process. This will be done using a range of tools including a Sustainable Sourcing Compliance Plan, the Supplier Ethical Data Exchange (Sedex)<sup>10</sup> and independent audits. For priority categories, LOCOG requires suppliers and licensees to become members of Sedex if they are not already.
  - 6.9 Commercial decisions of £250,000 and above are made by a Deal Committee, chaired by the Chief Executive and attended by the Head of Sustainability. Decisions over £100,000 require sign-off by the Head of Sustainability.
  - 6.10 A new Procurement Governance Model has recently been developed which builds on and formalises many of the arrangements already in place in LOCOG, including those with respect to sustainability. The implementation of this model was being rolled out across the organisation at the time of writing this report.

8 <http://www.london2012.com/documents/locog-publications/locog-guidelines-on-carbon-emissions-of-products-and-services.pdf>

9 <http://www.london2012.com/documents/locog-publications/locog-packaging-guidelines.pdf>

10 [www.sedex.org.uk](http://www.sedex.org.uk)

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## 7. Resources

- 7.1 Procurement within LOCOG will be led by Category Managers and their teams, reporting to the Procurement Director who, in turn, reports to the Commercial Director. These Category Managers will be expected to work closely with the relevant Functional Areas and to take advice where required from the Sustainability team. Category Managers are currently being recruited and LOCOG expect to be fully resourced by January 2010, when procurement activity is planned to increase. Knowledge of sustainability is a key competence for recruitment purposes.
- 7.2 Commercial partnerships are managed by the Commercial Negotiations team which is a separate part of the Commercial team. However, whilst this is managed separately, a competitive tender process is followed and the team also report to the Commercial Director. The Code applies to these types of contract. The Sustainability team provide advice and support to the Commercial Negotiations team on sustainability issues relating to categories where partnerships are being sought.
- 7.3 Merchandise licensing arrangements are handled by a Licensing team which is a separate part of the Commercial team and again whilst managed separately, a competitive tender process is followed, using the Code. The Sustainability team provide advice and support to the Licensing team on sustainability issues relating to categories where licensees are being sought.
- 7.4 There will be elements of LOCOG's supply chain where they will be required to source the goods from the IOC's Worldwide Partners. In these cases LOCOG has agreements in place with the partners and the IOC to require the partners to adhere to LOCOG's policies.

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# Findings

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## 8. Findings

8.1 This review commenced in January 2009 following a review by LOCOG internal audit in summer 2008. It became clear that LOCOG was not in a position to respond to the internal audit recommendations until the Lifetime Plan was complete in spring 2009. We were not receiving satisfactory responses to our questions during May/June 2009 and we escalated this issue to senior management in June 2009. We were advised of plans to transfer responsibility for procurement from the Financial to the Commercial Directorate and to recruit a Director of Procurement. LOCOG requested we suspend the review to allow the new arrangements to bed in. This request was granted and our findings reflect the position in September 2009 when the new management was in place and plans completed, by which time many of our concerns expressed in spring/summer 2009 had been addressed.

### The Sustainable Sourcing Code

- 8.2 The scope of the Sustainable Sourcing Code (the Code) is comprehensive and represents good practice. It outlines where suppliers should be meeting compliance with national legislation and also meeting requirements beyond legislative requirements. The five simple questions posed by the Code make a complex document very clear, even for small companies. Although we have expressed some concerns about this document we welcome it as a comprehensive piece of work and look forward to the next edition addressing the concerns expressed in this report.
- 8.3 The Diversity & Inclusion Business Charter represents a bold and potentially ground breaking attempt to tackle the issue of diversity in supply chains in a way that few businesses have attempted before. Whilst we need to fully understand how this will be applied in practice, we congratulate LOCOG on their publication of this document.
- 8.4 The Code makes references to labour practices overseas, local initiatives such as the London Living Wage and the use of temporary/agency staff. It does not appear to support the local skills and employment agenda, or the way in which suppliers and licensees should be investors in the local community as well as the Games. The Commission published a report on skills and employment<sup>11</sup> in February 2009, having reviewed this area during 2008. This recommended that “LOCOG develop a strategy to provide employment opportunities for residents in the five Host Boroughs building on the experience of the ODA, making use where appropriate of existing resources and processes.” LOCOG is developing an employment and skills strategy and has linked this to their supply chain activities through the Diversity & Inclusion Business Charter. LOCOG has included community benefit as part of their overall evaluation criteria in the Procurement Governance Model and plans to include this in the next iteration of the Code; we welcome this commitment.
- 8.5 The Code was published in November 2008 and the Diversity & Inclusion Business Charter was published in September 2009. The Procurement Governance Model had recently

11 [http://www.cs london.org/documents/A\\_clear\\_run\\_to\\_employment.pdf](http://www.cs london.org/documents/A_clear_run_to_employment.pdf)

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been developed and was being rolled out across the organisation at the time of writing this report. Procurement activity is expected to accelerate strongly in early 2010 and peak in 2011. Given that LOCOG has already undertaken significant procurement activity it will be necessary to review this work to evaluate the need for any retrospective action.

### **Recommendation 1**

**That LOCOG review procurement activity to date and take any necessary retrospective action to ensure sustainability requirements are incorporated into contractual arrangements.**

- 8.6 LOCOG will expect their tier 1 suppliers to complete an assessment of their diversity and inclusion performance using the Diversity Works for London toolkit<sup>12</sup>. In addition, suppliers will then be required to use reasonable endeavours to try and reach Gold Standard by Games time. It is not currently clear how suppliers who already have a good track record in this area will be evaluated or how compliance through subsequent tiers of the supply chain will be managed. This is not a major concern at present but we would expect to see category plans reflecting this.
- 8.7 During the review, we became concerned that some of the wording in the current draft of the Code may give the impression that sustainability is a secondary issue and not an intrinsic requirement of LOCOG. A prime example of this is that the introduction to the Code states that “LOCOG is placing the highest priority on quality and value for money but also wants to do business with responsible suppliers and licensees”. There are also areas in the Code where we believe the wording is too weak. For example “We may give consideration to carbon emissions associated with production, storage, transportation, use and ultimate disposal or recycling.” and “LOCOG may include the use of these guidelines in the tendering process and they may influence decisions made during the procurement process.” We understand from discussions with LOCOG directors that sustainability is to be given a high priority and we expect to see future drafts of the Code reflecting this.

### **Recommendation 2**

**That future iterations of the Sustainable Sourcing Code emphasise that sustainability has the same status as other business requirements and make it clear which requirements are mandatory.**

- 8.8 There are also other subject areas that need to be covered in future iterations of the Code. These include water, which should be covered in the embodied impacts section; air quality, particularly with respect to transport and logistics; and the low carbon section of the Code needs expanding and making more explicit when the London 2012 Carbon Management Strategy is published.

12 <http://www.diversityworksforlondon.com/>

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### Recommendation 3

**That future iterations of the Sustainable Sourcing Code incorporate key sustainability issues, including water and air quality, and have a more explicit carbon section.**

- 8.9 LOCOG is placing its procurement opportunities on the CompeteFor website<sup>13</sup> to provide opportunities for businesses that may not otherwise be able to access them. Some of these opportunities make specific references to relevant sustainability issues but most rely on LOCOG's standard terms of reference at this stage of procurement. These require compliance with LOCOG's sustainability policies.
- 8.10 There is no reference to CompeteFor in the Sustainable Sourcing Code but this is made clear in the Diversity and Inclusion Business Charter. So far, there is little evidence of LOCOG's suppliers and commercial partners using CompeteFor but we expect this to improve over time. We believe this is particularly important given that commercial partners have such a significant role in delivering the Games.

### Recommendation 4

**That LOCOG strongly encourage their first tier suppliers to use CompeteFor with their addressable supply chain and that they actively encourage their commercial partners to use the system.**

#### Using the Sustainable Sourcing Code

- 8.11 The work carried out to identify and prioritise the sustainability impacts against key supply categories will enable LOCOG to deliver best practice in sustainable procurement. The recruitment, training and management of the new category managers will be key to making this a success.
- 8.12 If a product has already been made and there is no sustainability impact in use, leasing the product is usually the most sustainable option and there is a caveat in the Code to this effect. However, taking this approach is not setting new standards of sustainability as is the stated intent for the Games. LOCOG state that they will seek to influence the marketplace where they can and are engaging with industry on these and other issues. The ODA's experience in this area suggests that early clear specification and significant lead time must be allowed in order to produce results. In addition there will be substantial volumes of items that, whilst they will be leased by LOCOG, will need to be produced new for the Games due to market capacity constraints. This led the Commission to make a recommendation in our Design Review<sup>14</sup> "that LOCOG explore the opportunities to influence the marketplace for the goods and services they require to seek to enable the requirements of the Sustainable Sourcing Code to be applied despite the goods and materials being leased and not bought." **This recommendation still applies.**

<sup>13</sup> [www.competefor.com](http://www.competefor.com)

<sup>14</sup> [http://www.cslondon.org/documents/Eco-chic\\_Sustainable\\_Design.pdf](http://www.cslondon.org/documents/Eco-chic_Sustainable_Design.pdf)

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8.13 In line with our recommendations in November 2007, LOCOG has set out a clear position in the Code with respect to environmentally sensitive materials such as PVC and substances with high Global Warming Potential such as HFCs. This has been followed by overall London 2012 policy positions established in 2009. LOCOG is engaging effectively with the market to ensure that requirements can be met well ahead of formal procurement activity. This approach is commendable.

### Implementation of sustainable procurement

8.14 LOCOG has developed a Procurement Governance Model under which sustainability and diversity & inclusion are identified as 2 of the 5 ways that value for money is defined (the others being quality/delivery/disposal, commercial and legal/financial). The Code and Diversity & Inclusion Business Charter set out expectations with respect to these two elements. A prioritisation exercise has been carried out in compliance with the recommendations of the Sustainable Procurement Task Force, creating clarity around which product categories have the major impacts. Category managers for key supply categories are currently being recruited and they will be expected to develop category plans that are in compliance with the work carried out.

8.15 It is essential to ensure that sustainability requirements are embedded into functional area specifications in a way that procurement activity can logically flow from this. To this end, the Sustainability team is working with the 26 Functional Areas in LOCOG to agree Functional Sustainability Requirements. At the time of writing this report Functional Sustainability Requirements had been produced for the 4 Functional Areas which contain some of LOCOG's most significant sustainability impacts.

### Recommendation 5

**That LOCOG urgently complete the Functional Sustainability Requirements for all Functional Areas and ensure they are embedded in Functional / Operational planning and tender documentation.**

8.16 LOCOG has developed a compliance plan template for suppliers to record their compliance with sustainability and other requirements. The first five licensees (adidas, Royal Mint, HONAV, Hornby, and Royal Mail) have all prepared compliance plans with no adverse results.

8.17 At the time of the internal audit review of sustainable procurement initiatives in 2008, there was no clear process to understand the overall sustainable procurement performance, for example, gathering, monitoring and utilising information on local suppliers. We understand that this is being addressed through the application of the Diversity and Inclusion Business Charter. We believe that there is the opportunity for LOCOG to learn from the experiences of the ODA in tackling these issues.

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8.18 LOCOG's carbon footprint has been calculated as part of the overall carbon strategy approach recommended by the Commission in 2006. Plans to deal with significant carbon impacts are under development. We expect to see these emerge in the Functional Sustainability Requirements and category plans during 2010.

### **Independent certification and compliance**

8.19 The Code covers the use of product claims and declarations, allowing licensed products to demonstrate independent certification (e.g. the FSC trademark or Fairtrade) and statements on recyclability and/or recycled content. Declarations must be approved by LOCOG and be in accordance with the London 2012 Brand Protection Guidelines and the UK Government Green Claims Code. These declarations are to be used where deemed appropriate by LOCOG. It will be important that all relevant products demonstrate their social and environmental credentials to show how London 2012's sustainability policies are being put into practice. It is also essential that these claims are able to be substantiated, by following recognised and respected criteria for product declarations, so that the claims are accessible to the public and demonstrate the standards that they achieve.

8.20 LOCOG is developing a panel of third party auditors which they will require their supply chain to use to monitor compliance with their standards. They have begun engagement with the audit industry to determine their requirements in this respect. This has included hosting a workshop with individuals from companies and other organisations that carry out compliance audits, organisations that have experience in managing these issues in their own supply chains and relevant industry bodies. The workshop addressed key questions around the skills and expertise that will be required to audit LOCOG's supply chain, the types of reports and audits that are available and the extent to which these can be utilised.

8.21 It is important that the third party auditors LOCOG utilise have sufficient skills and experience for the range of industries, countries and localities that they will be operating in. It is also important that the audit reports LOCOG rely on are consistent in their audit approach and standards.

8.22 LOCOG has engaged with the Supplier Ethical Data Exchange (Sedex) to assist with the monitoring and assurance of their supply chain. For priority categories LOCOG will be requiring suppliers and licensees to become members of Sedex if they are not already. This enables LOCOG to have access to an established assurance programme for labour standards. LOCOG will face some particular challenges in this area as elements of their supply chain are in sectors that are not used to this level of scrutiny and transparency, particularly when dealing with promotional goods or premiums.

8.23 LOCOG will require full disclosure of manufacturing locations but as public disclosure is rare outside the apparel industry, they do not propose to disclose manufacturing locations in public.

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## Commercial partnerships

- 8.24 All contracts with commercial partners contain a requirement to comply with all relevant LOCOG environmental and sustainability policies. This includes compliance with the Code as early development forms of this were in use from mid 2007. The contracts also cover the production of premiums. Factories producing the premiums must be disclosed to LOCOG.
- 8.25 LOCOG's potential capacity to influence sustainability is significantly enhanced by working with commercial partners. The concept of a "sustainability partner" introduced for the first time by LOCOG has succeeded in attracting five organisations to date – BP, BT, Cisco, EDF Energy, and GE. In addition to a financial contribution, sustainability partners intend to undertake marketing activities around sustainability themes and to work collaboratively with LOCOG to achieve the London 2012 sustainability goals. Examples of this can be seen in the TV advertising from EDF Energy and the substantial donation of medical equipment to a local hospital by GE.
- 8.26 We have also seen evidence of other partners and supporters of London 2012 taking actions to improve their sustainability performance. For example, adidas has launched a sustainable clothing range, which will be expanding significantly by 2012, and has provided sports equipment 'adiZones' in the Host Boroughs. Cadbury has achieved Fairtrade certification for their leading chocolate brand Dairy Milk and is actively looking at ways to reduce packaging and their carbon footprint. We look forward to the further development of London 2012's Partner programme, particularly following the appointment of a Sustainability Partnerships Manager in September 2009.
- 8.27 In our 2008 Annual Review we made the recommendation that "All users of the London 2012 Brand should be required to demonstrate how they will contribute to the London 2012 Sustainability Plan and relevant objectives". This includes commercial partners and any London 2012 events that they coordinate, sponsor or manage. We will investigate response to this recommendation in our forthcoming annual review.
- 8.28 Many commercial partners will contribute to the Games through Value in Kind (VIK). Essentially this means providing goods or services free of charge in return for brand recognition. Whilst this arrangement is essential to deliver the Games within budget, it could be seen to be excluding small and local suppliers from the opportunity to participate. This places greater emphasis on Recommendation 4 of this report to strongly encourage commercial partners to engage the local supply chain through Compete For and the local labour market through the work of the Joint Co-ordination Team and local labour schemes.

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# Appendix 1 – Methodology of the review

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The review has centred on the LOCOG Internal Audit “Review of Sustainable Initiatives within the Procurement Framework at LOCOG”. This was carried out in the summer of 2008, with the management actions being followed up on in April 2009. The review investigated the extent to which the Sustainable Sourcing Code embedded LOCOG’s sustainability requirements into the procurement process. The Commission also followed up on areas where further investigation was needed and conducted a number of interviews as part of the evidence gathering for this review and the 2008 Annual Review. The review includes actions taken up until September 2009.

## Interviews

We carried out 16 interviews with staff involved in procurement and/or the delivery of sustainability objectives in procurement in LOCOG.

These interviews covered:

- The organisation’s procurement processes
- How sustainability fits into them

We interviewed the following people:

LOCOG	Phil Cumming Malgorzata Grzyb Matt Keatley Richard Mould Laurie Neville Chris Townsend Gerry Walsh
KPMG LLP (LOCOG Internal Audit)	Jonathan Adams Tracy Barnard Naseem Walker

The interviews were followed up with further communication where necessary to clarify matters.

## Documents reviewed

The following documents were reviewed as part of this review:

- External
  - November 2007 London 2012 Sustainability Plan and November 2008 update
  - November 2008 LOCOG Sustainable Sourcing Code
  - November 2008 LOCOG Guidelines on carbon emissions of products and services
  - November 2008 LOCOG Packaging guidelines

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- Principles of Cooperation between London 2012 and the Trades Union Congress
  - Policy statement on the use of PVC for the London 2012 Olympic and Paralympic Games
  - September 2009 Diversity and Inclusion Business Charter
  
  - Internal
    - Internal Audit – Review of Sustainable Initiatives within the Procurement Framework at LOCOG
    - Draft Sustainable Procurement and Licensing Strategy
    - Procurement Governance Model
    - Lifetime business plan
    - Procurement spend analysis by category and functional area
    - Sustainable Sourcing Category Matrix

## RAG Status definitions

The following criteria were used to assign a RAG status:

### ■ Red

Significant concerns about performance and little evidence of recovery plan. Significant threats exist which may impact successful achievement of the Sustainable Development objectives and projected targets for the issue if not addressed in the short term.

### ■ Amber

Evidence not currently available in response to recommendation or some significant concerns about performance but evidence that they are being addressed is available  
Threats exist which may impact successful achievement of the Sustainable Development objectives and projected targets for the issue if not addressed in the medium term

### ■ Green

No significant threats to achievement of the target performance for the issue were identified.

# Appendix 2 – Glossary and list of organisations

## Glossary of common acronyms used in relation to the London 2012 Olympics

BREEAM	Building Research Establishment Environmental Assessment Method
BOA	British Olympic Association
BPA	British Paralympic Association
BSI	British Standards Institute
CLG	Department for Communities and Local Government
CSL	Commission for a Sustainable London 2012
CSR	Corporate Social Responsibility
DCMS	Department for Culture, Media and Sport
DEFRA	Department for the Environment, Food and Rural Affairs
5 Boroughs Partnership Board	Representatives of the five Host Boroughs; Greenwich, Hackney, Newham, Tower Hamlets, Waltham Forest
GLA	Greater London Authority
GOE	Government Olympic Executive
GRI	Global Reporting Initiative
HFC	Hydrofluorocarbon
HMG	Her Majesty's Government
IOC	International Olympic Committee
IPC	International Paralympic Committee
JVA	Joint Venture Agreement
LDA	London Development Agency
LEST	London Employment and Skills Taskforce for 2012
LMF	Legacy Masterplan Framework
LOCOG	London Organising Committee of the Olympic Games
NRG	Nations and Regions Group; 12 senior representatives from UK business and sport, ensures the whole of the UK is involved in and benefits from the 2012 Games
OB	Olympic Board
OBSG	Olympic Board Steering Group

ODA	Olympic Delivery Authority
OGI	Olympic Games Impact
OPLC	Olympic Park Legacy Company
OPPO	Olympic Programme, Programme Office
OPRG	Olympic Projects Review Group
PSA	Public Service Agreement
PVC	Polyvinylchloride
SD	Sustainable Development
SRF	Strategic Regeneration Framework
TfL	Transport for London
VANOC	Vancouver Organising Committee for the 2010 Olympic and Paralympic Winter Games

## Key Organisations delivering the 2012 Games

Organisation/ group	Background	Role in relation to the London 2012 Games
British Olympic Association	The National Olympic Committee for Great Britain and Northern Ireland.	Co-signatory to the Host City Contract, signed with the International Olympic Committee. Co-signatory to the joint venture agreement which established LOCOG. The Chairman is a member of the Olympic Board. Represented on LOCOG's Board, the Olympic Board Steering Group and other stakeholder groups.
British Paralympic Association	The National Paralympic Committee for Great Britain and Northern Ireland.	Represented on LOCOG's Board, the Olympic Board Steering Group and other stakeholder groups.
Department for Culture, Media and Sport	Government department.	The lead government department for the Games, with overarching responsibility for managing the Government's interests and responsibilities.
Government Olympic Executive	Dedicated unit within the Department for Culture, Media and Sport, reporting direct to the Minister for the Olympics.	The team responsible for handling Olympic matters within the Department for Culture, Media and Sport. Provide assurance to the Olympic Board and the Minister for the Olympics that activities across the London 2012 programme are being well managed, and provide effective governance and risk and financial management for the Games as a whole. The Minister for the Olympics is a co-signatory to the Host City Contract, signed with the International Olympic Committee.

Organisation/ group	Background	Role in relation to the London 2012 Games
Greater London Authority	Strategic governing body for London covering transport, policing, fire and emergency services, economic development, planning, culture and the environment. Comprises the Mayor of London, the executive of the Authority, and the London Assembly which scrutinises the Mayor's activities.	Contributing up to £625 million to the public sector funding package for the Games, to be generated from council tax receipts. The Mayor of London is a co-signatory to the Host City Contract, signed with the International Olympic Committee. The Mayor of London is a member of the Olympic Board. The Mayor of London is a co-signatory to the joint venture agreement which established LOCOG.
London Development Agency	The Regional Development Agency for London, co-ordinating economic development and regeneration. Accountable to the Mayor of London.	Responsible for acquiring the land on the Olympic Park site, and leading on the development of the legacy Masterplan Framework. Contributing up to £250 million to the public sector funding package for the Games, in addition to funding the land acquisition. Planning and implementation of a strategic regeneration plan for East London to secure Olympic legacy benefits.
London Organising Committee of the Olympic Games and Paralympic Games (LOCOG)	A company limited by guarantee, established by a joint venture agreement between the Secretary of State for Culture, Media and Sport, the Mayor of London and the British Olympic Association.	Responsible for the operational and staging aspects of the Games. The liaison point for the International Olympic Committee and a party to the Host City Contract, signed with the International Olympic Committee. The Chairman of LOCOG is a member of the Olympic Board.

Organisation/ group	Background	Role in relation to the London 2012 Games
London 2012 Sustainability Group	Comprises senior representatives from the Olympic Delivery Authority, LOCOG, British Olympic Association, Government Olympic Executive, Greater London Authority and Defra. Other Government departments and Olympic stakeholders may be invited to attend. The Commission for a Sustainable London 2012 is invited to attend for part of meetings. The group meets every two months.	Responsible for the sustainability agenda, including overseeing, co-ordinating, monitoring and delivering sustainability commitments in the Sustainability Plan. Provides collective advice and assurance on the progress of sustainability commitments across the programme and shares best practice across the programme. Co-ordinates internal and external stakeholder engagement in relation to all sustainability and environmental issues.
Olympic Board	Established by a Memorandum of Understanding between the Secretary of State for Culture, Media and Sport, the Mayor of London and the British Olympic Association. Comprises the Minister for the Olympics, the Mayor of London, and the Chairs of the British Olympic Association and LOCOG. The Chair of the Olympic Delivery Authority and the Commissioner of the Metropolitan Police Service attend Board meetings. Chaired alternately by the Minister for the Olympics and the Mayor of London.	Responsible for resolving and determining issues raised by members of the Olympic Board to ensure the delivery of the Games, and for ensuring that a sustainable legacy is achieved following the staging of the Games. Oversees the Olympic programme, and receives reports and plans from the bodies involved in staging the Games.

Organisation/ group	Background	Role in relation to the London 2012 Games
Olympic Board Steering Group	Comprises senior officials from the Government Olympic Executive, the Greater London Authority, the British Olympic Association, LOCOG, the Olympic Delivery Authority, the Olympic Lottery Distributor, the Department for Communities and Local Government, and the British Paralympic Association. Chaired by the Director General of the Government Olympic Executive.	Supports the Olympic Board at official level. Takes a strategic overview of the work of the stakeholders in relation to the Olympic programme as a whole. Responsible for ensuring that the Olympic Board is kept informed and regularly briefed on all relevant matters.
Olympic Delivery Authority	Established by the London Olympic and Paralympic Games Act 2006. Non-departmental public body, sponsored by the Department for Culture, Media and Sport.	Will prepare the Olympic Park site, build the new venues and provide for their legacy use, and deliver the Olympic Village, media facilities, certain off Park venues, and infrastructure for the Games. The planning authority for the Olympic Park area – any application relating to land within the area is considered by the Olympic Delivery Authority’s Planning Committee rather than the local borough. Responsible for developing an Olympic transport plan and for delivering certain Olympic transport projects.

# Appendix 3 – Status of recommendations from the 2007 Governance Review relating to procurement

Number	Responsibility	Recommendation	Status
Recommendation 17	ODA LOCOG	ODA and LOCOG should develop a clear plan to collect information about labour standards in the supply chains of commercial partners and suppliers and, more importantly, make it clear how this information will be used to make procurement and contract management decisions.	<p>ODA contractors are required to agree their equalities policies and processes and pass the requirements onto subcontractors and down the supply chain.</p> <p><b>Complete</b> LOCOG has developed a sustainable sourcing code, which addresses issues of labour standards, including requiring compliance with the ETI base code and registration with Sedex. LOCOG is also developing its plans for auditing overseas supply chains and the skills and expertise it will require in this area.</p> <p>LOCOG has developed a Diversity and Inclusion Business Charter setting out their objectives for securing a diverse supply chain that also monitors and improves its performance.</p> <p><b>Closed (recommendations from the 2008 Annual Review and this review take precedence)</b></p>
Recommendation 19	CSL	The Commission should undertake a further review of commercial arrangements as part of its ongoing work plan.	<p>This review was conducted to address this recommendation.</p> <p><b>Complete</b> The Commission will also continue to review commercial arrangements as part of our ongoing monitoring.</p>

Number	Responsibility	Recommendation	Status
Recommendation 2.17	LOCOG	Demonstrate how SD is being embedded into contractual commitments and into the process for measuring results in relation to sponsorship arrangements generally and in relation to the category of “Sustainability Sponsorship”.	<p>LOCOG has produced a Sustainable Sourcing Code, which sets out their approach to sustainability in procuring goods and services and it is incorporated into agreements with commercial partners and licensees. The activation activities of commercial partners, including sustainability partners, will also be covered by subsequent reviews of LOCOG as they develop. CSL has engaged in dialogue with the Sustainability Partners about their approach to the Games and will continue this.</p> <p><b>Progress made</b></p>
Recommendation 3.2	ODA LOCOG	Continue to develop a strategy for dealing with environmentally sensitive materials through the design and supply chain process.	<p>The ODA has developed a Materials Implementation Guide for Project Teams (IGPT). The aim of the guide is to provide guidance in relation to minimising the environmental impact, and maximising the sustainability of materials, through design and procurement to construction and operation of the venues and infrastructure.</p> <p>LOCOG has produced a Sustainable Sourcing Code, which sets out their approach to dealing with environmentally sensitive materials. This has been complemented by London 2012 commitments on the use of plastic tensile fabrics (including PVC), setting out the environmental issues to be addressed in the specification and procurement of such materials.</p>

Number	Responsibility	Recommendation	Status
			<p>We are aware that LOCOG is engaging with the marketplace and believe that they need to give a clear indication on how their policy will be implemented and put into practice in procurement decision making. We would also expect the other Key Stakeholders to do the same. LOCOG covers other environmentally sensitive materials in the Code and has convened a temporary materials forum to assist in this area. This supported the development of a London 2012 approach to HFCs and alternatives to them and this approach also needs to be continued for other environmentally sensitive materials.</p> <p><b>Closed (recommendations from the 2008 Annual Review take precedence)</b></p>
Recommendation 3.8	LOCOG / ODA	Develop a proactive approach to linking the carbon strategy to the procurement process.	<p>A decision to incorporate embodied energy into the design and procurement process was taken by the ODA at an early stage. This has been successfully applied to sitewide contracts such as concrete and is a requirement in venue contracts.</p> <p>The LOCOG Sustainable Sourcing Code has an accompanying document on how to calculate the carbon emissions from products and services. The carbon management strategy is due to be published in late 2009.</p> <p><b>Progress made</b></p>



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