



Sustainable Procurement Policy

ISG is a dynamic global construction services company. Our people specialise in fit out, technology, construction and development and are dedicated to delivering places that help people and businesses thrive.

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Introduction

This policy has been produced for ISG Ltd (ISG) and for all its subsidiary companies. It details the ISG declaration of intent in respect of Sustainable Procurement, which includes all supply chain, sub-contracting and purchasing activities of ISG; and aims to assist all employees in meeting minimum Supply Chain requirements in line with the Sustainable Procurement Statement set out herein.

This policy has been written to confirm ISG's standards regarding Sustainable Procurement, and the responsibilities of different individuals within the organisation to ensure adherence to it. A focus within the policy has been placed on UK procedural requirements, which is where most of the group's business is located. However, ISG operates in 20+ countries around the world; it is acknowledged that for other jurisdictions in which ISG carry on business, specific local Supply Chain obligations and initiatives may also exist, on a country-by-country basis. In such instances, additional local policies and procedures may be required to supplement this over-arching (but UK focused) group policy.

This policy details the framework for the organisation and management of Sustainable Procurement initiatives within ISG and the businesses we procure from and work in partnership with. Where local variations are necessary, the Managing Director of each non-UK business shall be responsible for ensuring that such arrangements are accurately recorded via a separate policy (or an addendum to this policy), in conjunction with ISG's Supply Chain team.

ISG staff have an obligation to comply with ISG processes and procedures that allow ISG to fulfil its legal obligations. This policy applies to all people who perform services for or on behalf of ISG (including all full and part-time employees, all Directors, all agency staff/contractors and all persons employed by all group companies).

The purpose of this policy is to provide both the foundations and a framework for ISG to embed sustainable procurement across the organisation as a whole and subsequently optimise the benefits arising out of our procurement activities on a sustainable basis. It will also encourage a fair and transparent procurement process, promoting Micro & Small, Medium Enterprises (MSMES), Voluntary, Community and Social Enterprises (VCSE's) and Diverse and Inclusive businesses. ISG are committed to establishing a diverse and inclusive supply chain that contributes to our positive social impact as well as our business requirements. This in turn, will lead to greater supplier performance and therefore improving the performance of ISG.

This policy takes account of and is informed by the best practice contained in ISO 20400:2017, 'Sustainable procurement – Guidance' which provides guidance to organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000, Social Responsibility.

Scope

Adoption of sustainable procurement by ISG represents the largest positive impact that our business activities can have. The materials and products that we and our supply chain purchase have far reaching impacts. Through strategic management of our activities, negative impacts can be avoided or reduced, and positive impacts prioritised and maximised.

The main principles of sustainable procurement as defined within ISO 20400:2017 and incorporated herein are:

- a) Accountability
- b) Transparency
- c) Ethical behaviour
- d) Full and fair opportunity
- e) Respect for stakeholder interests
- f) Respect for the rule of law and international norms of behaviour
- g) Respect for human rights
- h) Innovative solutions
- i) Focus on needs
- j) Integration
- k) Analysis of all costs
- l) Continual improvement through adoption of a risk and opportunity-based approach, ISG will actively manage and prioritise sustainability issues related to our procurement activities.

Sustainable Procurement Policy

April 2022

This policy is aligned with the following ISG policies that constitute ISG's approach to sustainability and wider responsible business approaches:

- Environmental management policy
- Climate change and carbon policy
- Circular economy policy
- Social value policy
- Modern slavery and human trafficking policy
- Anti-slavery commitment
- Code of ethics and business conduct
- Labour and human rights – UN Global Compact

The ISG Sustainable Procurement Policy will act as an umbrella document supporting all the policies listed above. The policy is applicable to internal stakeholders, internal processes & procedures and our supply chain. The policy should also be read in conjunction with our Code of Ethics and Business Conduct which sets out Key Values and ISG's expectations relating to supply chain collaboration.



1.0 Sustainable Procurement Policy Statement

For ISG to deliver our sustainability commitments, it is essential that our policies and requirements are embedded in our supply chain and our supply chain management activities. We will adopt inclusive principles to set exemplar sustainability standards and we want to take everyone with us on this journey. The following objectives have been set for the business:

- Establish a transparent approach to procurement that supports our net gain sustainability strategy and ISG's Environmental, Social, Governance (ESG) commitments
- Increase accountability, transparency and ethical behaviour of all procurement activities
- Align procurement activities to relevant UK and international standards, charters, frameworks, codes and pledges
- Adoption of our ESG commitments and targets in all of our procurement activities
- Meet our commitments with regards to health, safety & wellness, ethical business, labour & human rights, quality, sustainability, information technology, tax and political support across all parts of our supply chain
- Integrate ISG business requirements into sub-contracts and provide support for suppliers to meet these needs
- Produce standardised goals for the supply chain against which, their strategic performance can be measured
- Select suppliers that share our values and sustainability goals
- Analyse procurement from a whole-life cost basis and adopt a preference for ethical and certified products
- Identify and develop innovative solutions with our supply chain and share best practice across the sector.

These aims take a holistic view of sustainability through our procurement activity, balancing the drive to a low carbon economy with that of both circular principles and delivering real social value. We are committed to and targeting:

- Alignment with the ISO 20400
- Adoption of UN Global Compact principles in our procurement activities
- Aligning procurement reporting with the UN Sustainable Development Goals (SDGs)
- Supporting our supply chain in achieving carbon neutral status by 2030, in line with our own commitments
- Radically improving justice, equality, diversity and inclusion in the construction sector
- Integrating Modern Methods of Construction into our approach which also embrace deconstruction methods
- Adoption of sustainable procurement material standards and environmental product declarations as a preference with a commitment to ensure all procured products and materials meet relevant standards by 2030
- Evaluation of whole life costs through defined supply chain reporting and data requirements
- Developing approaches to support us working directly with local businesses, MSMEs, VCSEs, Social Enterprises and diverse businesses.

Responsibilities regarding the above commitments have been defined for all ISG personnel and are contained within the Sustainable Procurement Roles and Responsibilities Document as part of the overall company management system. All employees and contractors are expected to cooperate with ISG in the implementation of the Sustainable Procurement Policy Document and will ensure that their own work is carried out where required, to enable sustainable procurement requirements to be achieved.

This statement is regularly reviewed to ensure it remains current and appropriate to the purpose and context of the organisation, including the nature, scale and impacts of our activities, products and services.

For and on behalf of ISG Limited Signed:

A handwritten signature in black ink, appearing to read 'Tom Smith', is written over a horizontal line.

Tom Smith
Chief Commercial Officer
Date: July 2022

2.0 Organisational Responsibilities

As a construction management contractor ISG is responsible for assuring that all work carried out and completed is performed in compliance with relevant sustainability requirements and corporate processes relating to social, environmental and economic management. This includes execution and management of all work performed by direct company employees, subcontractors, and direct-hire labour regarding compliance with legislation, regulations, commitments, permits and approvals relating to every project.

The Sustainable Procurement Policy is produced and controlled by the ISG supply chain team and is signed off by the Group Director for Sustainable Business and the Chief Commercial Officer (CCO). The document shall be reviewed, and revised as necessary, at intervals not exceeding one year. A copy of this Policy document will be issued to all employees and made available to other interested parties, as appropriate.

The Sustainable Procurement Policy has been produced for all activities undertaken by ISG that form part of their scope of works, this includes offices, sites and off-site operations. ISG recognises that regulations, custom and practice will differ between Business Units but will adopt and implement, as a minimum, the standards set out in the ISG Sustainable Procurement Policy. The Managing Director of each Business Unit and the Senior Management team will ensure that this Policy is used and that any processes developed by individual operating units incorporate Company guidance and requirements. Where a Business Unit enters into a Joint Venture with one or more other entities, an agreement will be made, as part of the contract, as to which monitoring management system will be utilised for operations.

The Statutory Board approves the policy and in doing so ensures appropriate resources are dedicated to its implementation.

The Chief Commercial Office responsible for Supply Chain is ultimately responsible for the implementation of the standards set out in the in the supply chain, with the support of the Senior Leadership Team from the respective Business Units.

The immediate responsibility for Sustainable Procurement in each workplace is carried by the most senior line manager involved.

Details of employee and supplier roles and responsibilities are given in the ISG Group Sustainability Roles and Responsibilities document, available in the Company Management System (CMS). This document makes explicit the responsibilities of the ISG Statutory Board, Chief Operating Officers, Group Health and Safety Director, Managing Directors, all Directors, Account Leads, Departmental and Functional Heads, HSE Managers and Advisors, Managers, Surveyors and Commercial Staff, Estimators, Bid Managers, Planners, Engineers, Foreman and Supervisors, directly employed Operatives and ISG Office Staff/any other staff within ISG, to ensure adequate and effective management of environmental issues and sustainability.

3.0 Implementation

3.1 Implementation procedures

The implementation of the sustainable procurement policy begins by analysing our current sustainable procurement position and aligning our implementation to the ISO 20400 Sustainable Procurement Standard. This approach requires evaluation of procurement risks and prioritised management of key issues through supply chain risk analysis, drawing upon category management, sustainability risk mapping, supply chain spend and geographical risk.

ISG will align with and adopt other external commitments into our sustainable procurement approach, as appropriate to ensure consistent practices are implemented. By aligning to UK and internationally recognised standards, we can be compared against other organisations in our performance surrounding those standards, increasing accountability and transparency of our actions.

Our implementation strategy will require significant levels of stakeholder involvement, both internally and externally. It is important for us to understand our stakeholder interests to define what opportunities/barriers there are in implementing sustainable procurement.

The implementation of our policy and strategy will involve altering existing internal processes to embed sustainability into decision making and the procurement structure. This change will be monitored to ascertain whether it is being adopted and to understand whether it has been useful in promoting sustainable procurement practices.

To measure the success of this policy and to provide transparency and accountability in procurement activities, a governance structure will be utilised to ensure processes are being followed and best practice adopted.

ISG's sustainable procurement approach will align to our supplier performance management function, this means that that existing supplier performance will be drawn upon during the sustainable procurement process. Performance management activities will ensure consistent Key Performance Indicators (KPIs), goals and requirements are set across our supply chain.

3.2 Legal and other requirements

With support from Watermans Legal Register, the Heads of Sustainability and Environmental Compliance will maintain a process for identifying and assessing the legal and other requirements applicable to ISG. This information will be kept up to date and communicated to employees and other relevant interested parties as appropriate.

Other legal requirements relating to social issues including, but not necessarily limited to, health & safety, bribery, competition, modern slavery, labour and human rights, gifts and hospitality, right to work, tax and political support are currently incorporated into our procurement approach. New social legislation will be monitored to make sure ISG are procuring in conformity therewith. This is facilitated through internal engagement with legal and other ISG teams to obtain expert advice and best practice.

3.3 Objectives

ISG aims to adhere to sustainable procurement principles across all procurement activities. In line with this we have set the following objectives:

- Establish a transparent approach to procurement that supports economic, environmental and social sustainability
- Increase accountability, transparency and ethical behaviour of all procurement activities
- Align our procurement activities to relevant standards, charters, frameworks, codes and pledges
- Adoption of our ESG policies and targets in all our procurement activities
- Meet our commitments with regards to health, safety & wellness, ethical business, labour & human rights, quality, sustainability, information technology, tax and political support across all parts of our supply chain
- Mandate ISG business requirements into sub-contracts and provide support for suppliers to achieve these
- Produce standardised goals for the supply chain which their strategic performance can be measured against
- Select suppliers that share our values and sustainability goals
- Analyse procurement from a whole-life cost basis and adopt a preference for ethical and certified products
- Identify and develop innovative solutions with our supply chain and share best practice across the sector.

3.4. Training, Awareness and Competence

ISG will ensure all staff are provided with appropriate training and awareness according to their position, the work they are to undertake and their Sustainable Procurement responsibilities. Training requirements will be identified for each level and function across the Business Unit and training provided, as necessary. The Business Units will maintain systems for ensuring individuals have acquired and maintained the knowledge and competency required. Records of training will also be maintained by each Human Resources.

To assist the progress of sustainable procurement practices, ISG will require our supply chain to adopt sustainability practices within their own businesses and organisations. Therefore, ISG will support training in the field of sustainability to make sure our supply chain can deliver sustainable goods and services to the projects on which they are working. ISG will train and engage our suppliers through internal expertise, development sessions, sharing best practice, adoption of minimum standards and external training.

ISG will support our supply chain through regular communication and assessment, identifying and providing training requirements, hosting dedicated supplier forums and a page to share best practice and innovations.

External training will be identified through a variety of bodies, but strongly focused on the Supply Chain Sustainability School and external links to organisations promoting best sustainable procurement and supply chain management practice.

3.5 Consultation and Communication

We will consult with our stakeholders on a regular basis to ensure that this policy and our sustainable procurement objectives are relevant, sufficiently challenging and deliverable. ISG acknowledge the extent of change required in the construction sector to truly deliver our ESG ambitions and we want to provide supportive and inclusive strategies for this change and for our suppliers to work with us. Our stakeholders include local communities and residents within our operating areas, our supply chain, our partners, our clients, local authorities, external bodies, NGOs and other representatives in sectors where we operate. We will ensure we understand their views and needs and take these into account, as best as we can, in the design and ongoing management of our projects, bearing in mind ISG's overall sustainability and ESG objectives.

ISG procurement systems are structured to ensure that all personnel have a clear understanding of what is expected, and what role the individual plays, in relation to Sustainable Procurement. ISG encourages participation that promotes positive outcomes to Company standards from all those affected by its operations. Appropriate communication shall be planned into all works at workplace, operation, contractor and individual level to ensure effective communication and consultation.

Stakeholders will have access to relevant information on our sustainable procurement performance which will be presented clearly and concisely and show how we are progressing. Reporting will be delivered through an annual update and via ISG social media. We will publish our achievements in order to build ISG's reputation in this area.

Key internal stakeholders for this policy include procurement staff, regional buying teams, sustainability teams and senior stakeholders to get new ways of working into practice. We will engage with these stakeholders through channels including, but not limited to, meetings, emails and internal communication channels. Trying to reach out to internal stakeholders through a variety of channels sends a clearer organisational message that builds upon change within a business.

Our external stakeholders need to be aware of changes so they can adopt more sustainable practices within their business to align to our supply chain requirements. Any changes to the existing procurement process that are relevant and do not fall under anti-competitive behaviour will be explained to the supply chain through a variety of ways. These communication channels will include Source2Pay, supply chain forums, email newsletters, 1-2-1 meetings, information posted on ISG's website and through other non-supply chain teams.

3.6 Operational Control

The Group will maintain performance standards for activities associated with sustainable procurement initiatives.

- Supply Chain Charter

- PQQ Process
- CMS

These are subject to regular review, and amendment where necessary, to ensure their continued suitability, adequacy and effectiveness.

3.7 Document Issue and Control

The Sustainable Procurement Policy is produced and controlled by the ISG supply chain and sustainability teams. The document shall be reviewed, and revised as necessary, at intervals not exceeding one year. A copy of this Policy document will be issued to all employees and made available to other interested parties, as appropriate.

3.8 Joint Ventures

Where a Business Unit enters into a joint venture with one or more other entities, an agreement will be made, as part of the contract, as to which environmental management system will be utilised for operations. Where this is not the ISG Environmental Policy then Business Unit Board authorisation and ISG Statutory Board notification is required.

4.0 Performance Measurement, Monitoring and Reporting

4.1 Measurement of ISG Sustainable Procurement Performance

Data requirements, targets and metrics for sustainable procurement performance are defined by other ISG policies and targets, primarily our ESG strategy which outline commitments in relation to Climate Change and Carbon, Circular Economy, Environmental Management and Social Value. Sustainability data requirements have been defined as part of the relevant policies and this includes minimum data reporting standards for ISG suppliers.

Performance reporting for suppliers is required through:

- In-house, bespoke sustainability and procurement trackers
- ISG sustainability database – STREEM.

Further sustainability reporting requirements are anticipated through development of ISG's strategy and policy in relation to ESG, which include measures relating to employment, human rights and justice, equality, diversity and inclusion. Future data requirements will be identified and documented as our approach to ESG is developed.

Additional supplier requirements are documented within the ISG Supplier Charter. This document identifies supplier commitments and targets in relation to a broad range of ISG policy areas and additional data and reporting requirements are to be established as the charter develops. ISG systems and tools for reporting against this document shall be documented within data requirement documents and supporting guidance for supplier data submission. Supplier data is subject to ISG analysis and reporting, with internal dashboards and metrics currently under development. These will be defined in future iterations of this policy.

Metrics are under development to measure our spend and work volumes with Micro & Small, Medium Enterprises (MSMES), Voluntary, Community and Social Enterprises (VCSE's) and Diverse businesses. ISG are committed to establishing a diverse supply chain that contributes to our positive social impact in addition to our business requirements.

Supply chain performance in wider areas including health & safety and quality will identify indirect contribution to sustainably performance through general good performance and high-quality outcomes. The Sustainable Procurement implementation plan identifies further inputs / outputs relating to this policy. The supply chain performance will be measured from both a project and strategic level to establish a full analysis of the supplier.

4.2 Monitoring ISG Sustainable Procurement Performance

Sustainable procurement performance monitoring involves looking at our inputs, outcomes and tracking performance trends. Monitoring of inputs includes stakeholder engagement, supplier behaviour and adoption of change, including new process and operational models. Using the SRM (Supplier Relationship Management) platform ISG will monitor adoption of procurement process and engagement with our strategy.

As an indicative measure of direct inputs, the correlation between supplier spend and performance will be monitored with the intention to incentivise improvement and reward good sustainability practice.

Supplier performance against indirect measures is captured through our SRM platform which allows suppliers to directly update their own information about their organisation while also providing information on ISG metrics. Key supplier performance is evaluated on a six-monthly basis by the ISG supply chain team. Strategic monitoring shall all ensure suppliers are up to date with new ISG policies, the supply chain charter and other relevant updates issued through SRM.

Project level data shall be collated from every project by division and business unit monthly and all sub-contracts require reporting in line with Sustainability Data Requirements. Data shall be collated by the nominated sustainability team representative onto our bespoke internal tracker(s) and then uploaded to our sustainability database (STREEM). Data may then be further interpreted and reported via other internal and external platforms or systems.

The performance of a supplier both at a project and strategic level will be analysed using ISG reporting tools and dashboards, to provide an overall report on performance and where they can develop in the future.

4.3 Reporting

Sustainable procurement performance will be reported to each BU board on a six-monthly basis and a RAG report will be used to highlight those projects or offices that are not meeting their targets.

Supplier reporting will be developed further as this policy is implemented and embedded, aligning with ISG's Net Gain Policies.

Reporting and feedback to ISG suppliers is under development however we are committed to providing timely and transparent performance information to all suppliers.

4.4 Management Review

The Business Unit Boards will review the overall performance of sustainable procurement on a regular basis, to ensure it continues to be suitable and effective. Records of this review will be kept and distributed, as appropriate. These records will include the details, and implementation plan, of any required corrective action plan and will be forwarded to the Head of Supply Chain who is responsible for the maintenance of the Group EMS system.

5.0 Targets

1. ISG adoption ISO 20400 Sustainable Procurement Standard by end 2024, externally verified
2. 80% of ISG direct subcontractors to document a sustainability strategy and sustainability commitments aligned to our ESG Strategy, to support delivery of our 2028 targets.

For and on behalf of ISG Limited Signed:



Tom Smith
Chief Commercial Officer
Date: July 2022