

Sustainable Procurement Policy for Heathrow

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1. Purpose

The purpose of this policy is to ensure that Heathrow is committed to Sustainable Procurement and to ensure a number of key guiding principles are understood and adhered to by Heathrow Colleagues, Third Parties (as defined below), stakeholders and other interested parties. This policy sets out the framework for how we procure and work with our supply chain at Heathrow.

As a business and key provider of UK transport infrastructure, Heathrow's vision is **to give passengers the best airport service in the world**. We will only be truly successful if we achieve this vision while also improving the world around us: our growth must be sustainable.

Heathrow 2.0 is our sustainability strategy. It represents a step-change for our business and captures the momentum of an industry-wide shift towards a sustainable future for aviation.

It will allow us to meet today's needs while delivering fair, sustainable air travel for future generations to enjoy.

Heathrow 2.0 sets out our plan to meet one of our four business priorities – sustainable growth. The purpose of this policy is to set out the framework for how we procure and work with our supply chain business at Heathrow.



In addition to supporting our strategic objectives, Heathrow recognises that adopting the principles of this policy will help us achieve significant commercial and sustainability benefits including:

- Value for money
- Protection and enhancement of the environment
- More effective use of resources
- Greater social inclusion
- Increased innovation
- Improved risk management
- Lower whole-life costs
- Improved supplier relationships
- A diverse and flexible supply chain

2. Scope

This policy applies to Heathrow Airport Holdings Limited and all its subsidiaries (“**Heathrow**” or “**Heathrow Group**”), and covers all sourcing and contract management activities for Heathrow, related to all goods and services procured for IT, Operations and Construction.

This policy outlines Heathrow's approach to working with suppliers, sub-contractors (referred to as suppliers) and business partners to meet Heathrow 2.0.

This policy is mandatory and shall be complied with by all those who work for and on behalf of Heathrow (including directors and colleagues on permanent, temporary or fixed-term contracts of employment (“**Colleagues**”) Heathrow colleagues and also all paid or voluntary agents, contractors, subcontractors or contingent workers where appropriate whilst they are undertaking procurement activities for Heathrow (the “**Third Parties**”).

Our 4 Pillars of Sustainability

The business case for a sustainable Heathrow is strong and clear across the four pillars of our sustainability strategy, Heathrow 2.0:

- **A Great Place to Work** is about helping our people fulfil their potential and work together to lead changes with energy and pride.
- **A Great Place to Live** is about being a good neighbour and a responsible citizen, improving local quality of life.
- **A Thriving Sustainable Economy** is about delivering opportunities for business that will make the UK stronger and more sustainable.
- **A World Worth Travelling** is about ensuring that future generations can explore and enjoy our beautiful world. Tackling these challenges is critical to our licence to operate and to grow.

Procurement and its supply chain will support the strategy across all four pillars with specific focus on Objective 9: *Sustainable Supply Chain; A place that drives change throughout our supply chain.*

We recognise that Heathrow's influence stretches far beyond our boundary. We are not only a hub for passengers, we are also a home for hundreds of businesses who either work on site or supply the airport with goods and services. This vast network gives us another great opportunity to lead.

Heathrow 2.0 outlines how we will deliver the most ethical, sustainable and low carbon procurement and sourcing possible across Heathrow, both through our supply chain and via collaboration across Team Heathrow. We will incentivise sustainable strategies among our suppliers, monitor their performance through the Sustainability Performance Framework and look for opportunities to drive real change.

Whilst Procurement takes into consideration all elements of Heathrow 2.0 within our procurement processes, from tender strategy through to contract KPIs, the following are our Key Priorities:

Academy Engagement	➤ Work with our suppliers to engage with the Heathrow Academy to support apprenticeships and local employment
Leaning and greening fleet	<ul style="list-style-type: none"> ➤ Work with contracted suppliers on fleet strategies for leaning and greening vehicles and reducing road traffic movements ➤ Engaging with the Clean Vehicle Partnership for collaborative working on fleet emission reductions
Surface Access	➤ Where suppliers are required to commute to and from the airport, create strategies for travelling, which focus on reducing road traffic movements on and around the airport by encouraging staff to walk, cycle, work from home and use public transport.
Community Engagement	➤ Encourage our suppliers to align their charitable giving with Heathrow's three current corporate charity partners, as set out in the Heathrow Charities Guidance document.
Supply Chain Sustainability School	➤ All contracted suppliers sign up to the School for training on sustainable business practices
Prompt Payment Code	➤ Ensure that all contracted suppliers will be signed up to the Prompt Payment Code to drive on time payment up against agreed terms with their supply chain.
Circular Economy	➤ Ensure products and services we buy contribute to making Heathrow more energy and water efficient and eliminate waste by adopting circular economy principles.
London Living Wage / Zero Hour Contracts	<ul style="list-style-type: none"> ➤ Maintain our London Living Wage employer status and ensure that those working in our direct supply chain are in scope and are paid the London Living Wage by the end of 2020. ➤ Ensure our directly engaged suppliers who pay London Living Wage will be contractually obligated not to use zero-hour contracts

Carbon	<ul style="list-style-type: none"> ➤ Set ambitious targets by 2020 to reduce carbon emissions throughout our supply chain, and support our suppliers to prepare for future changes to climate. ➤ Set ambitious short-term targets for carbon emissions reductions from our key suppliers as part of our work to achieve Carbon Trust Supply Chain Standard Level 3 Accreditation
Modern Slavery	<ul style="list-style-type: none"> ➤ Work with our supply chain to tackle anti-slavery and human trafficking in all its forms. All contracted risk assessed suppliers to be register on the Sedex platform.

3. Policy

In accordance with *Heathrow Procurement Policy*:

- All supply chain activities and interactions with third parties shall be compliant with the *Professional Conduct Policy*.
- Heathrow shall incorporate appropriate sustainable procurement, health & safety and security requirements into all contracts for goods, services and works. Heathrow shall also seek to improve the overall sustainable management of the supply chain on an ongoing basis, across social, environmental and economic factors. All those involved in supply chain activities shall continuously improve performance in these areas and cascade all these principles throughout the supply chain.

Heathrow colleagues and any Third Parties undertaking procurement activities on Heathrow's behalf are required to:

- Comply with this policy
- Include this policy in all tender documentation
- Build the appropriate elements of this policy into the evaluation criteria, with the appropriate weighting(s) based on size, risk and issues material to suppliers
- Work with existing suppliers to enable them to meet our sustainability requirements
- Periodically evaluate supplier risk, exposure and management across the sustainability issues identified in this policy
- Audit and monitor supplier performance across the sustainability issues identified in this policy

Heathrow colleagues and any Third Parties also need to ensure that 3rd party suppliers to Heathrow comply with the principles of this policy by complying with the following:

- Read, understand and ensure compliance with the sustainable procurement principles outlined in this policy.
- Flag to Heathrow any negative impact to the sustainable procurement principles outlined in this policy they have identified prior to or during doing business with Heathrow
- Refer to the sustainable procurement principles outlined in this policy and where relevant incorporate them into tender submissions.
- Provide Heathrow with the evidence to support their credentials in this area, including:
 - Positions such as policies
 - Processes such as a management system
 - Performance such as carbon footprint
- Comply with national laws in the countries in which they operate and ensure activities comply with Environmental Permits held by Heathrow Airport Limited

- For construction related goods, services and works; comply with the Heathrow Development Employer's Requirements for Environment and Sustainability; Industrial Relations; and Health & Safety.

4. Principles

The following principles have been developed in alignment with Heathrow 2.0 and in accordance with legislation. They should be used by Heathrow and its supply chain to guide procurement decisions when considering:

- The products and services that Heathrow buys
- The organisations that Heathrow does business with; and
- The contracts that Heathrow manages.

5. Accountabilities and Responsibilities

All Heathrow Colleagues or Third Parties have a responsibility to comply with this policy.

Heathrow Colleagues must ensure that this policy is communicated to any individuals or organisations undertaking procurement activities on Heathrow's behalf, who must themselves also adhere to this policy.

6. Consequences of Policy

Non-compliance with this policy is likely to result in damage to the reputation of Heathrow Airport.

Compliance with policies, processes and guidelines will be regularly monitored and audited. Any non-compliance by Colleagues may lead to disciplinary action. Any non-compliance by Third Parties or organisations authorised to undertake procurement activities on Heathrow's behalf, could result in termination of contract.

The principles outlined in this policy will be embedded, considered and assessed via the tools and templates used as part of the Sourcing Gateway Process and Governance identified in *Heathrow Procurement Policy*. They will also be embedded in the processes relating to contract management and supplier performance management.

Responsibility for meeting the policy commitments is devolved to all areas of the business who are involved in undertaking sourcing contract negotiations and contract management activities.

Heathrow will report the outcomes of periodic supplier evaluation to:

- The Procurement Leadership Team - Sustainability (monthly)
- The Sustainability Leadership Team (monthly)

References

This policy should be read in conjunction with

- Heathrow 2.0 Sustainability Strategy
- The Heathrow Procurement Policy
- The Heathrow Sustainable Procurement Guidelines
- The Heathrow Employer's Requirements, Sustainability
- The Heathrow Employer's Requirements, Industrial Relations

- The Heathrow Sustainability Policy
- The Heathrow Environment and Energy Policy
- The Heathrow Health and Safety Policy
- The Heathrow Whistle Blowing Policy
- The Heathrow Charities Policy

7. Communication of Policy

This policy should be communicated to the business via the Heathrow Hub+.

8. Management Review of this Policy

This policy will be reviewed on an annual basis by Procurement, in collaboration with Heathrow's Sustainability Team, and the Executive Committee.

9. Management Sign Off

Executive Director accountable for this policy:

Name: Javier Echave – Chief Financial Officer

Date: 21 November 2019

Function Policy Lead

Name: Andy Haynes – Procurement Director

Date: 21 November 2019