

PROCUREMENT TALK, S7 E16

THE IMPORTANCE OF AN ETHICAL PROCUREMENT STRATEGY

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Welcome to Procurement Talk and this is your host David Byrne. Procurement Talk is for procurement and business professionals, where we provide insights and solutions to your procurement challenges.

Hello and welcome to Procurement Talk. This is your host, David Byrne. It's great to be back for another episode. This episode is titled "The Importance of an Ethical Procurement Strategy".

Ethical procurement is the responsible purchasing of goods and services that considers environmental, social and economic factors, including human rights, fair labour practices and sustainable sourcing. It involves assessing supplier practices, eliminating unethical conduct into the supply chain, and ensuring transparency, integrity, and fairness in all the procurement dealings to uphold the company's reputation and achieve sustainable growth, and there's nothing wrong with sustainable growth. It's an important aspect that we should be all looking to be proud of and contribute towards.

Ethical procurement is becoming increasingly important in our even-more complex, interconnected and global economy. In the past, the main focus for most companies was profit. But more and more companies now understand the value of ethical procurement. Procurement and profit will continue to be aligned, and should be aligned. But in this podcast, I'd like to talk about some ways that you could enable procurement to have that ethical procurement lens put across it.

First of all, start by building a strong ethical foundation. Develop a procurement code of ethics that outlines such issues as integrity, impartiality, accountability, confidentiality and respect for human rights and the environment. And align this with a high set of standards that will allow the framework like the Australian Government's Ethics, Integrity and Professional Standards Policy Manual so that you can align it to those sorts of documents, so that you're at that higher level - that's what you're reaching for.

Second, you can ensure transparency and accountability. Practice open tendering to ensure transparent processes that allow fair competition and reduce the risk of favouritism or corruption. Provide clear evaluation criteria in tenders. Publish and apply consistent criteria to ensure equitable supplier selection. Maintain auditable records of procurement decisions, communications and contract changes. That will ensure that there is transparency and the accountability that you're looking for.

Thirdly, manage conflicts of interest. There's always going to be some form of conflict of interest in your organisation. It starts with a mandatory disclosure and requires procurement staff to declare any personal or financial interest - it's important to do this upfront. Implement a gift or hospitality policies, and strictly regulate supplier gifts to avoid undue influence. It happens, so don't turn a blind eye to it, address it. Put in place appropriate policies and guidelines to help your employees. Consider engaging external experts for high-risk or high-value procurement activities to ensure integrity.

Number four is to embed sustainability and social impact. Green procurement is here. Prioritise suppliers with environmental responsible practices, for example, low emissions and recyclable materials. This is here, it's with us now, so incorporate these key environmental issues into your procurement policies and procedures. Consider social procurement where possible to support First Nation business or disability enterprises or woman-led suppliers. These are all good options

that could help your business. Consider the long-term environmental and cost of purchases, not just the upfront, but the full life cycle, in mind, so that way you can embed sustainability and the social impact in your organisation.

Number five is to address modern slavery and labour rights. Very common and very much a part of our procurement process now, so carry out thorough due diligence, map out supply chains and assess the risk so that you're well aware of where your products are being made and who's doing what to your products and services in the supply chain. Modern slavery is well entrenched across the globe, so we've got to do our part to ensure that it's controlled, and eliminated if possible.

Number six, train and empower procurement teams. Equip your team to identify ethical dilemmas and make principle-based decisions by providing regular ethics training. Use real-world case scenarios to study and to build confidence and increase better judgment within your team. Strive for continuous improvement by encouraging feedback and regular updating policies back on lessons learned so that you're constantly evolving. So there you have it - number six, train and empower your procurement team.

And the last one is... use ethical decision-making frameworks. They are available. The Ethics Centre's Guidebook for Ethical Procurement offers practical framework for navigating those tough choices and decisions like balancing costs with the social impact, and choosing between a known supplier or going to an open tender. There are websites out there and there's lots of information also to support you in making an ethical procurement decision.

Ethical procurement is both good governance and good business. It builds trust, it strengthens supply relationships and protects your organisation from reputational and legal risk while being socially responsible. It really does sound like a win-win, doesn't it? And it is. So make sure you get on board and ensure that you do have strong ethical procurement within your organisation.

Well there you have it, all the very best and bye for now.

This concludes this episode of Procurement Talk. Thank you for listening.

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We're helping organisations transform procurement. Talk to you again soon. Bye for now.