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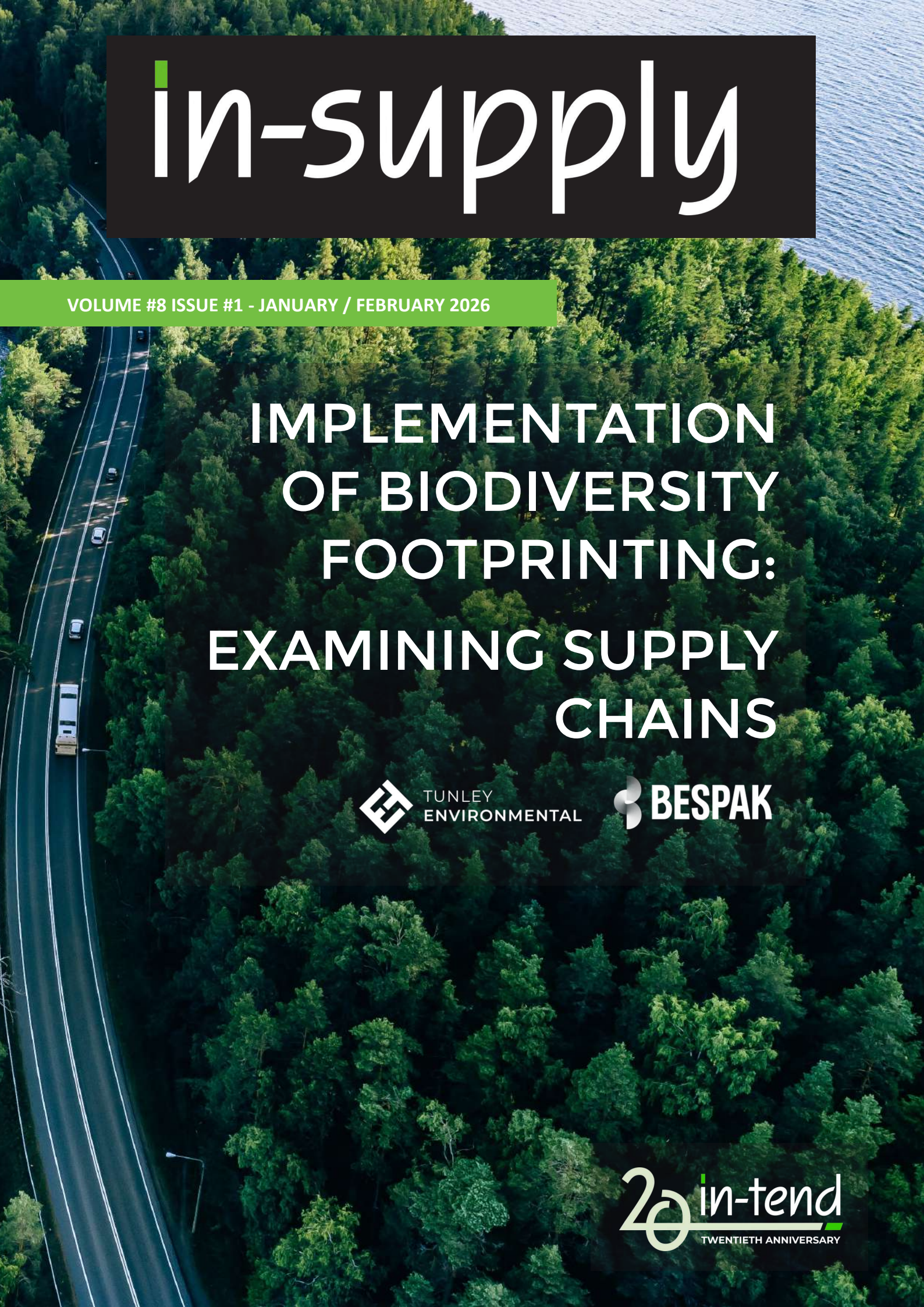

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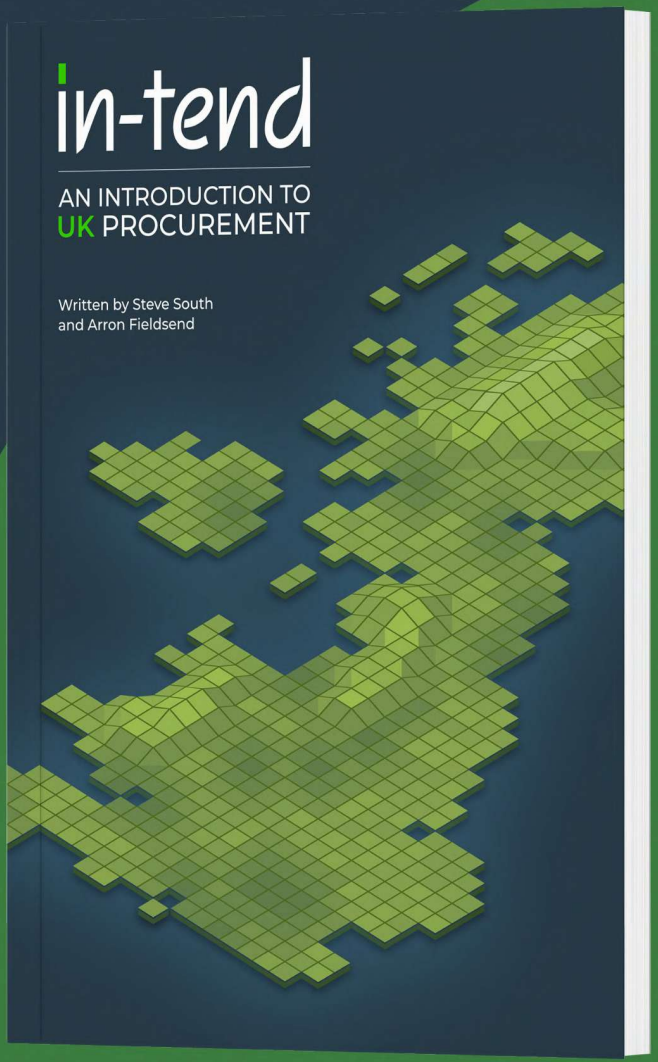

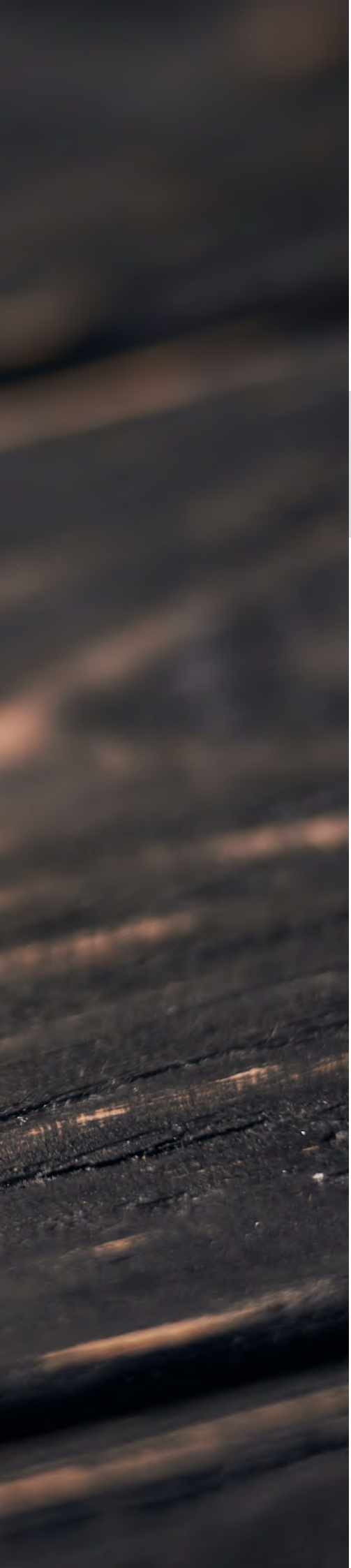

DE-RISKING COMPLEX PROCUREMENT

By Iain C. Steel, FCIPS(CS)
FCMI FCILT
Director of Procurement &
Business Transformation
Beneffrey Consulting

BENEFFREY Consulting

Complex procurement is where public sector ambition most often collides with reality. Major construction programmes, enterprise-wide IT systems, digital transformations, strategic outsourcing, and multi-authority collaborations all promise significant benefits, yet they also carry disproportionate risk. When such procurements fail, the consequences are rarely confined to budget overspends. Service users are affected, and organisational credibility is damaged. For contracting authorities, complex procurement has become increasingly common. Ageing estates, digital modernisation agendas, sustainability commitments, and constrained funding have combined to create projects that are technically demanding, politically sensitive, and operationally critical – making it less a procedural exercise, and more a core leadership and governance challenge.

Understanding What Makes Procurement 'Complex'

Complexity in procurement does not arise solely from high contract value. Smaller procurements can be equally risky where requirements are novel, markets are immature, or internal capability is limited. Complexity typically emerges from a combination of factors: uncertainty over outcomes, multiple interdependencies, diverse stakeholder interests, long delivery timescales, and asymmetry of information between buyer and supplier.

Depending on the nature of the authority, complexity may stem from political oversight, statutory obligations, or integration with wider public services. However the complexity arises, procurement teams are frequently expected to manage this complexity

> "Complex procurement is where public sector ambition most often collides with delivery risk, particularly in large-scale construction, digital transformation, and strategic outsourcing programmes."

without commensurate authority or resourcing.

The Procurement Act 2023 implicitly recognises these realities. By moving away from rigid procedural categories and allowing contracting authorities greater flexibility to design procurement approaches, the Act creates space for more intelligent risk management. However, flexibility also increases responsibility.

Poorly designed processes are harder to defend when discretion is explicitly permitted.

The Illusion of Control and Optimism Bias

One of the most persistent risks in complex procurement is optimism bias. Business cases tend to emphasise benefits and downplay uncertainty. Delivery risks are acknowledged, but often framed as manageable without clear evidence. This is rarely deliberate deception; more often it reflects organisational pressure to secure approval or funding.

Procurement professionals are frequently drawn into this dynamic late in the process, asked to 'run the tender' once strategic decisions have already been taken. At this stage, opportunities to reduce risk are limited. The Procurement Act 2023's emphasis on planning and early transparency provides a stronger mandate for procurement involvement earlier in the lifecycle, where it can have meaningful impact.

De-risking complex procurement requires challenging the illusion that contractual mechanisms alone can manage uncertainty. No amount of legal drafting can compensate for unclear outcomes, unrealistic timetables, or unresolved internal disagreement.

De-risking Through Better Planning and Readiness

The most effective risk mitigation occurs before the procurement formally begins through the process of readiness assessment. This involves asking difficult questions: Are requirements sufficiently defined? Is there clarity on desired outcomes rather than preferred solutions? Do internal teams have the capacity and capability to manage what is being procured?

The Procurement Act 2023 strengthens the importance of this phase by placing planning at the heart of the regime. Transparency notices and documented decision-making create a clear expectation that authorities understand what they are buying and why. For complex procurements, this should include explicit articulation of assumptions and constraints.

Market engagement is a key component of readiness. Early engagement allows authorities to test feasibility, understand supplier capacity, and identify risks that may not be visible internally.

"No amount of legal drafting can compensate for unclear outcomes, unrealistic timetables, or unresolved internal disagreement at the outset of a project."

When conducted transparently and fairly, as envisaged by the Act, it reduces information asymmetry and helps avoid procurements that are attractive in theory but undeliverable in practice.

Risk Allocation and Commercial Reality

Risk allocation remains one of the most misunderstood aspects of complex procurement. There is a persistent temptation to transfer as much risk as possible to suppliers, often driven by fear of public criticism. However, excessive risk transfer rarely delivers value. Suppliers price risk into bids, reduce innovation, or seek to recover losses through claims and variations.

Effective de-risking requires aligning risk allocation with market capability. Risks should sit with the party best able to manage them. This may mean accepting retained risk in areas such as demand volatility, policy change, or third-party dependencies. While politically uncomfortable, this approach is often more defensible than pretending such risks can be outsourced entirely.

The Procurement Act 2023's flexible procedures support this realism. Authorities are better able to design processes that explore delivery models collaboratively, rather than forcing suppliers to commit to fixed solutions in uncertain environments.

Governance, Decision-Making, and Escalation

Complex procurement demands robust governance, but governance is frequently conflated with bureaucracy. Effective governance is not about the number of boards or reports, but about clarity of authority and accountability. Who can make decisions? Who owns risk? How are disagreements resolved?

In many failed procurements, governance arrangements exist on paper but lack teeth in practice. Decisions are deferred, escalations are avoided, and accountability is diffused across committees. De-risking requires governance that supports timely, informed decision-making, even when choices are uncomfortable.

The Procurement Act 2023 increases the importance of this clarity. Transparency obligations mean that indecision and inconsistency are more visible. Well-defined governance structures protect both organisations and individuals by ensuring decisions are taken consciously and recorded properly.

Capability and Capacity Constraints

Another often-overlooked risk is organisational capability. Complex procurement requires specialist commercial, technical, and legal skills. Yet many public sector organisations attempt to manage such procurements with overstretched teams and limited access to expertise.

Acknowledging capability gaps is not a failure; ignoring them is. De-risking may involve bringing in external expertise, reallocating internal resources, or adjusting scope to match capacity. The Procurement Act 2023 does not mandate how authorities address capability, but its emphasis on defensible decision-making implicitly requires honesty about what can realistically be delivered.

Contract Design as a Risk Management Tool

Contract design plays a critical role in de-risking, but only when aligned with operational reality. Overly rigid contracts struggle to accommodate change, while overly permissive ones lack control. The balance lies in designing mechanisms for managing uncertainty rather than pretending it does not exist.

This may include staged delivery, break points, performance gateways, and collaborative governance forums. Such mechanisms allow authorities to limit exposure while maintaining flexibility. Transparency requirements under the Act reinforce the need for these mechanisms to be clearly justified and documented.

Learning from Failure and Near Misses

De-risking complex procurement is not a one-off activity. It requires organisational learning. Near misses and partial failures provide valuable insight into systemic weaknesses, but only if lessons are captured and acted upon. The Procurement Act 2023 encourages lifecycle thinking, creating an opportunity to embed learning into procurement strategies, standard documentation, and training. Over time, this builds institutional resilience and reduces reliance on individual heroics.

Complex procurement will always involve risk. The objective is not to eliminate uncertainty, but to understand it, manage it, and make informed decisions about where risk should sit. For authorities operating under increasing scrutiny, the ability to de-risk complex procurement is a defining feature of professional maturity.

The Procurement Act 2023 provides both opportunity and obligation in this regard. Greater flexibility allows for smarter approaches, but it also demands greater judgement. Organisations that invest in planning, governance, and capability will be better placed to deliver complex procurements that achieve their intended outcomes without becoming another cautionary tale.

About the Author: Iain C. Steel is an award-winning procurement professional and trainer with over 30 years in the procurement and business transformation sector. He is passionate about improving procurement processes, and helps organisations create positive, productive environments for procurement professionals, suppliers and stakeholders alike.

SUPPLIER RISKS GROW FOR PUBLIC SERVICES AS SMEs LAG ON EMPLOYMENT REFORM READINESS

TWO-FIFTHS OF SMALL BUSINESSES IN THE UK NEED MORE GUIDANCE ON NEW EMPLOYMENT ACT

Rob Boyles, Group Chief Finance Officer soon to be Group Chief Executive Officer at **Commercial Services Group**

Public-sector organisations risk contract delays and compliance failures as small and medium-sized enterprises (SMEs) across their supply chains remain unprepared for the government's impending Employment Rights Act, new findings from Commercial Services Group suggest.

The Group's research reveals fewer than two-thirds (64%) of employees in small and medium-sized businesses say they are aware of the Act. However, one in three (36%) report experience of zero-hours contracts, highlighting the scale of change many smaller employers will need to undertake to meet the new requirements.

The findings come as contracting authorities are under clear instruction through the National Procurement Policy Statement (NPPS) to increase spend with SMEs and Voluntary, Community and Social Enterprises (VCSEs), while ensuring that suppliers continue to meet high standards of employment practice.

Under proposed reforms, large contracting authorities spending more than £100 million a year will be required to set targets for direct spending with SMEs and VCSEs. They will also be expected to demonstrate that their supply chains comply with strengthened employment rights, placing increased scrutiny on workforce practices across public-sector contracts.

> "If gaps in SME compliance are not addressed early, the resulting risks delays, audit failures, and reputational damage, are transferred directly into public-sector contracts."

Rob Boyles, Group Chief Finance Officer soon to be Group Chief Executive Officer at Commercial Services Group, said: "Employment reforms are no longer siloed HR issues, they are overlapping with public-sector procurement.

If gaps in SME compliance are not addressed, it could carry costly implications through delayed contracts and failed audits. Realistically, those risks are passed straight into public-sector contracts, making it harder for contracting authorities to meet the expectations set out in the NPPS."

In early 2026, pay transparency and redundancy safeguards will be required, and by mid-2026 enforcement powers will be fully operational with regulators granted the authority to impose penalties for non-compliance.

While larger organisations often have the budget, in-house legal and HR capacity to respond quickly to regulatory change, many SMEs do not. The research reveals a potential capacity challenge, with almost two-fifths (38.2%) of small businesses saying clearer government guidance will be essential to help them prepare.

Rob added: "With SMEs playing such a vital role in delivering public services, supporting them to understand and implement these changes is essential to the resilience and reliability of public-sector supply chains. Now is the time to start reaching out for support revising policies and modernising contracts.

"If employers act early, compliance could turn into a strategic advantage, positioning their businesses as a fair and transparent employer."

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THE IMPLEMENTATION OF BIODIVERSITY FOOTPRINTING:

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By Dr Tara Garraty, PhD
Tunley Environmental
and
Benedicta A. Bakpa, MSc
Bespak

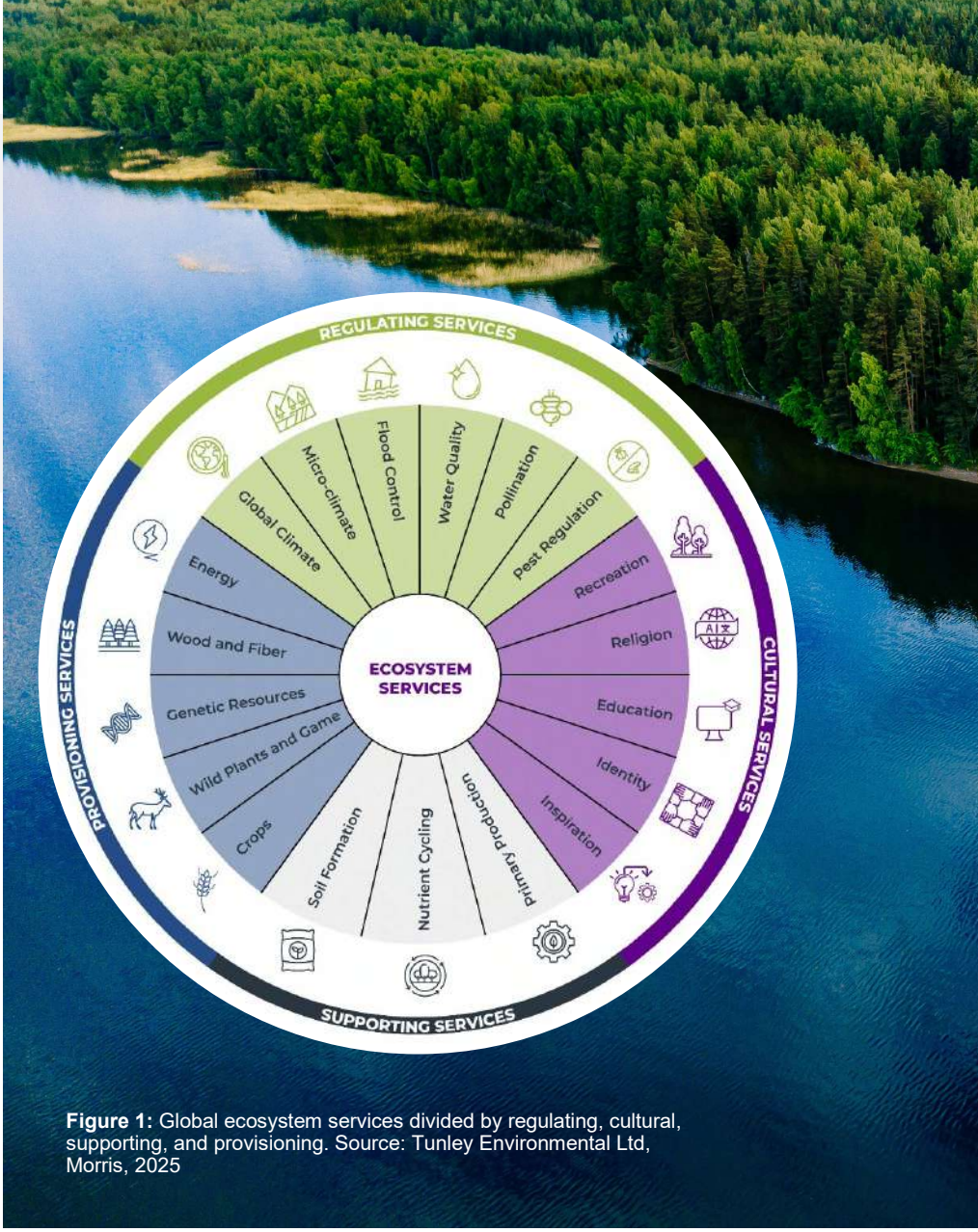


Figure 1: Global ecosystem services divided by regulating, cultural, supporting, and provisioning. Source: Tunley Environmental Ltd, Morris, 2025

Biodiversity is foundational to human health, economic stability, and industrial resilience, particularly in the pharmaceutical sector, which is intrinsically reliant on natural ecosystems. Over 60% of pharmaceuticals originate from biological sources, including plants, microbes, and marine organisms, yet the industry's operations often contribute to biodiversity loss through land degradation, overharvesting, pollution, and habitat destruction. As global environmental risks escalate and regulatory frameworks such as the Global Biodiversity Framework and the Corporate Sustainability Reporting Directive (CSRD) introduce new compliance obligations, businesses must evolve from climate-only metrics to holistic environmental governance.

This article introduces Supply Chain Biodiversity Footprinting (SCBF), a science-based, spatially explicit method rooted in Life Cycle Impact Assessment (LCIA), to quantify, disclose, and mitigate nature-related risks across supply chains. Drawing on real-world examples, including a case study from Bespak, it demonstrates how SCBF can inform strategic decisions, support regulatory compliance, and advance nature-positive goals. Aligning with major biodiversity frameworks and regulations, SCBF empowers businesses to lead in biodiversity accountability, supply chain resilience, and long-term innovation.

Nature is a Business Imperative in Pharma

The pharmaceutical industry is intrinsically linked to biodiversity. Over 60% of pharmaceuticals originate from natural compounds, including plant alkaloids, microbial metabolites, and marine organisms. These biological resources underpin pharmaceutical innovation and therapeutic development. Despite this dependence, the industry's operations, characterised by large-scale resource extraction, intensive monocultures, and energy-intensive synthesis, can cause significant harm to biodiversity. Activities such as deforestation to grow medicinal crops, water depletion for manufacturing, and pollution from pharmaceutical effluents all contribute to ecosystem degradation. This ecological toll is often geographically distant from consumers but disproportionately impacts biodiversity hotspots in tropical and subtropical regions.

> "Over 60% of pharmaceuticals originate from biological sources, underscoring the industry's intrinsic dependence on healthy and functioning ecosystems"

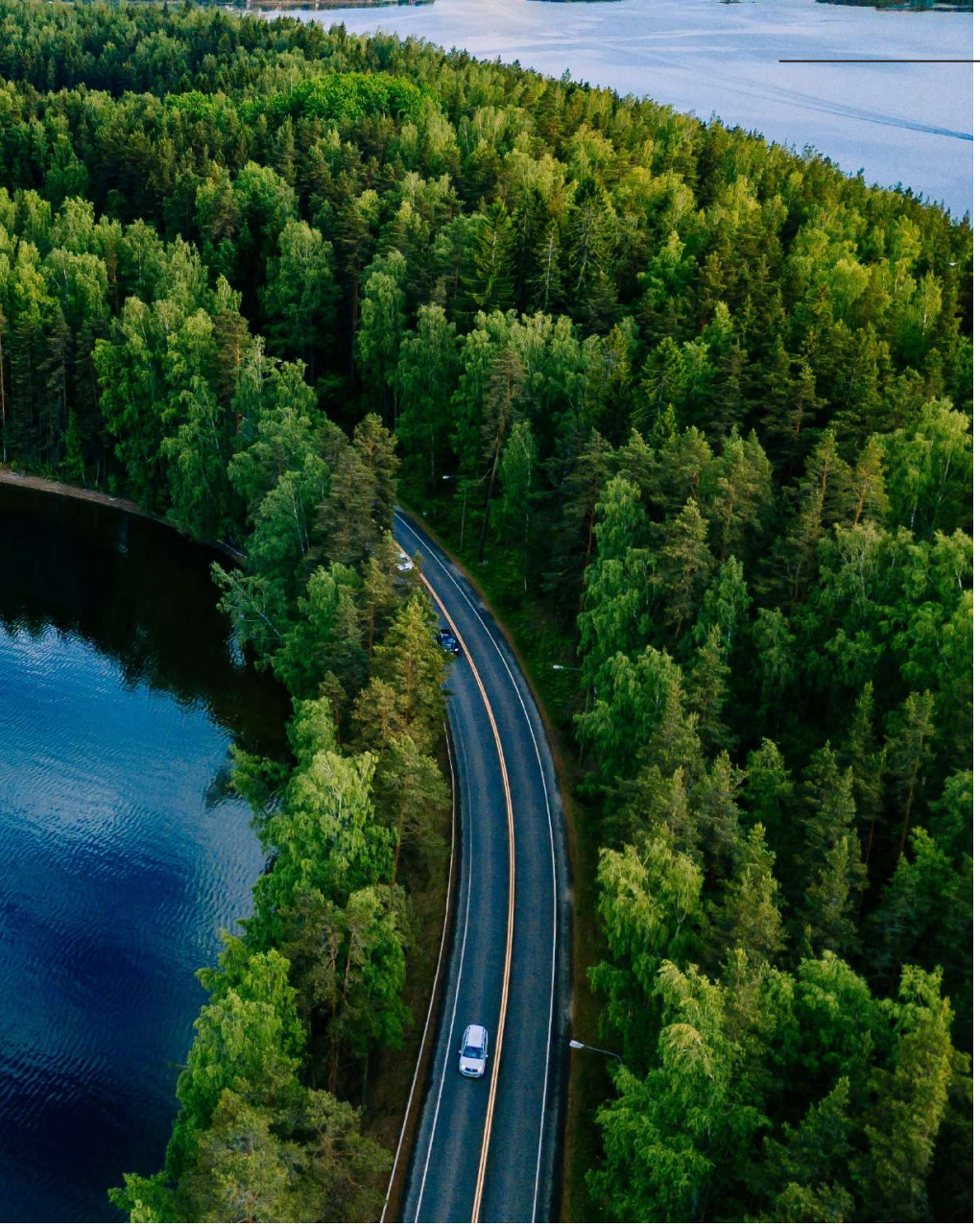
Globally, over one million species are at risk of extinction, many within decades, primarily due to anthropogenic pressures. These losses are not only morally and ecologically troubling but also economically and operationally dangerous for the pharmaceutical sector. Biodiversity loss can disrupt research pipelines, reduce the availability of critical compounds, and increase supply chain volatility.

To safeguard future innovation and supply chain continuity, businesses must move from reactive environmental compliance to a more proactive, systems-based governance model. SCBF provides a structured, science-based mechanism for assessing, quantifying, and addressing biodiversity-related risks across complex value chains.

Biodiversity: What Is It and Why Does It Matter to Businesses?

Biodiversity refers to the diversity of life at three interconnected levels:

- Genetic diversity
- Species diversity
- Ecosystem diversity



LAND USE AND LAND USE CHANGE

The use of land for human activities (like farming or building) and changes from one land type to another, often leading to habitat loss and carbon emissions.

EUTROPHICATION

Nutrient overload in water bodies (mainly from fertilisers and waste), causing algal blooms and oxygen loss, which harms aquatic life.

ECOTOXICITY

Harmful effects of pollutants (like pesticides or heavy metals) on plants and animals.

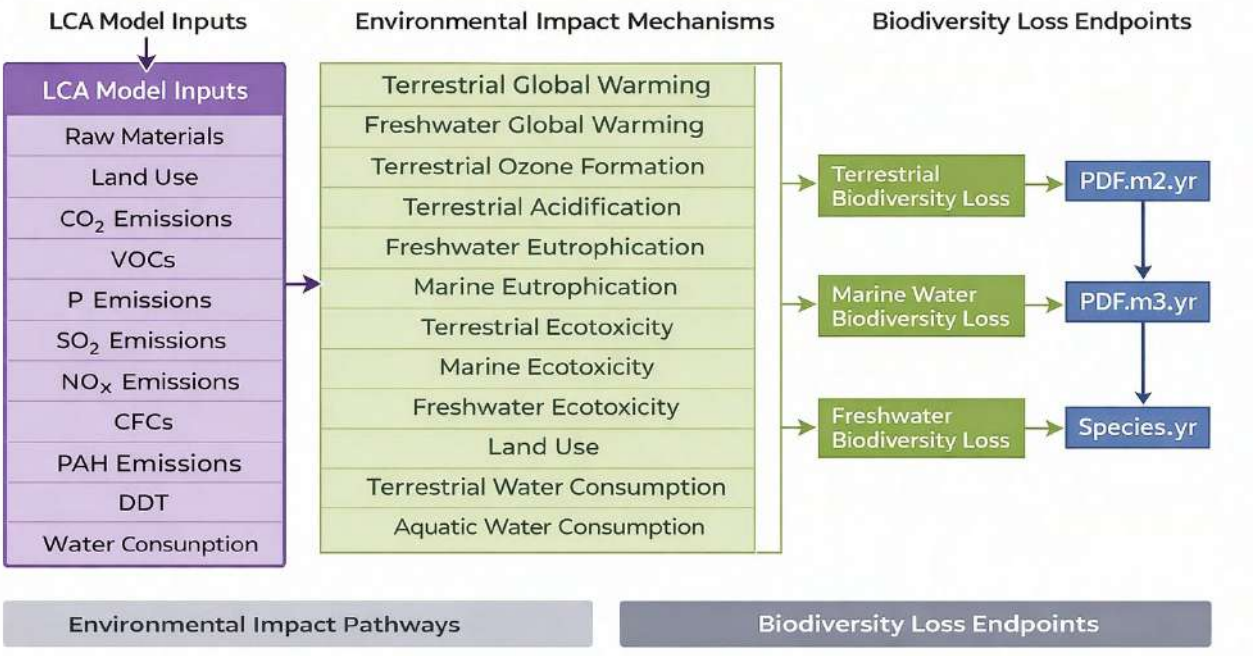
WATER STRESS

Water demand exceeds supply, or water is too polluted to use which is impacting people, wildlife and crops.

CLIMATE-DRIVEN HABITAT DISRUPTION

Damage to natural habitats caused by climate change (e.g. rising temperatures or extreme weather), which can force species to move or decline.

Figure 2: The LCIA methodological approach that incorporates an Input-Output model with an LCA model to quantify biodiversity impacts from supply chain activities. Source: Tunley Environmental Ltd, Morris, 2025



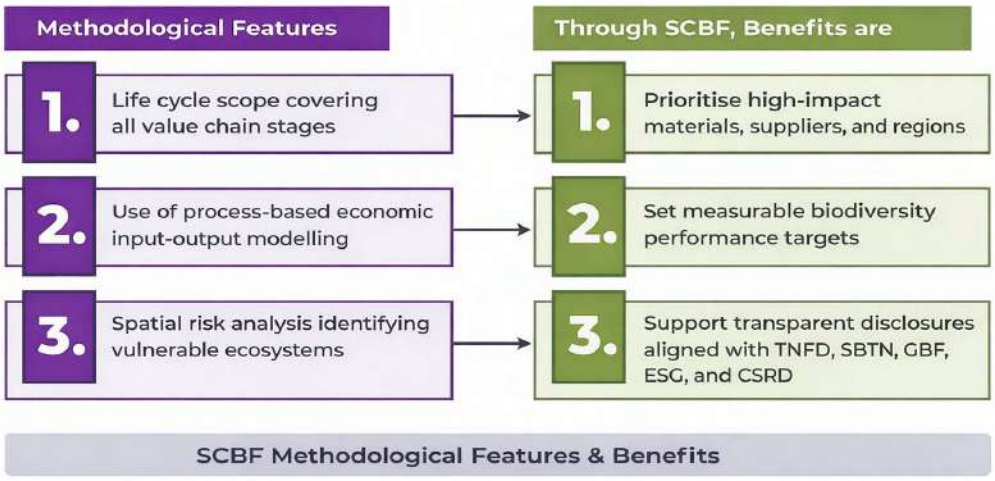


Figure 3:
The methodological approach and benefits of a Supply Chain Biodiversity Footprint (SCBF).
Source: Tunley Environmental Ltd, Morris, 2025

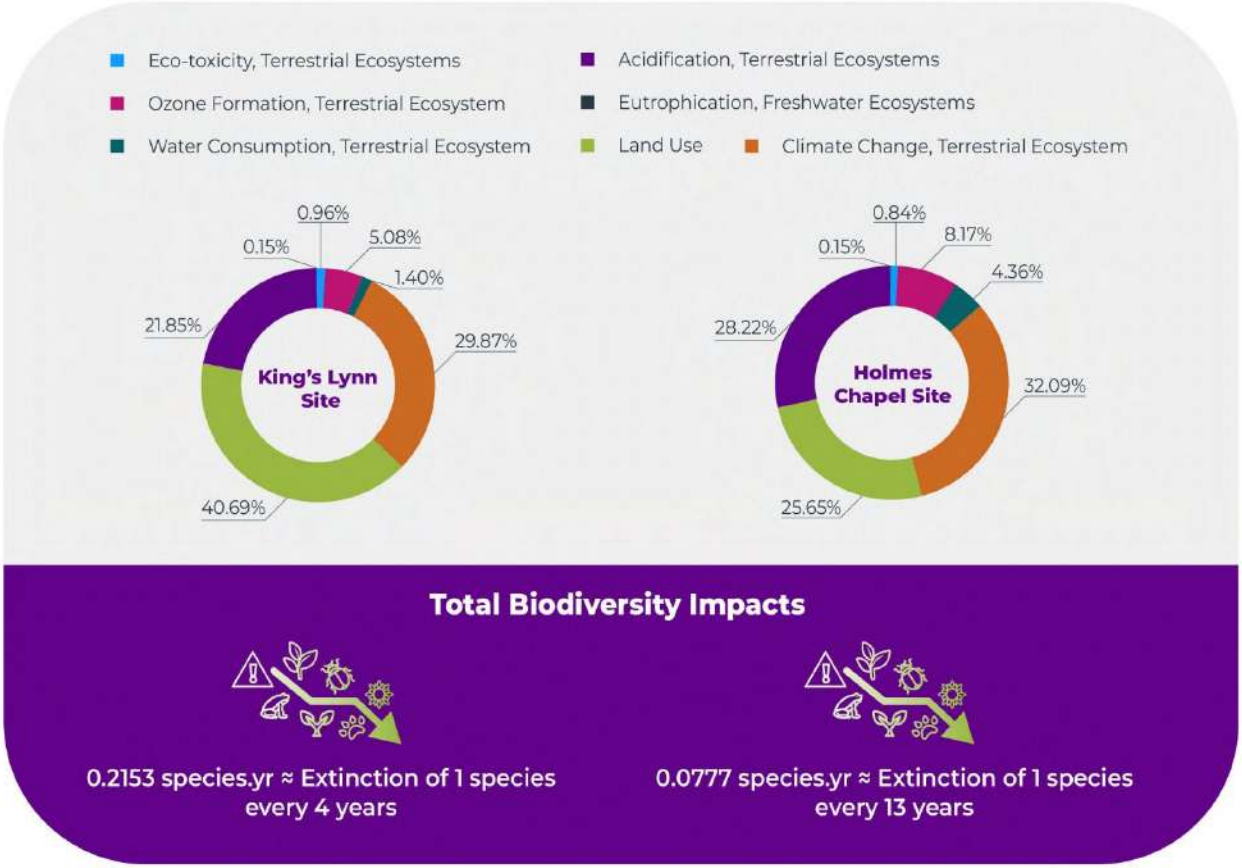
This complexity supports the functionality of ecosystems and the services they provide, which can be categorised into four distinct service types (Figure 1).

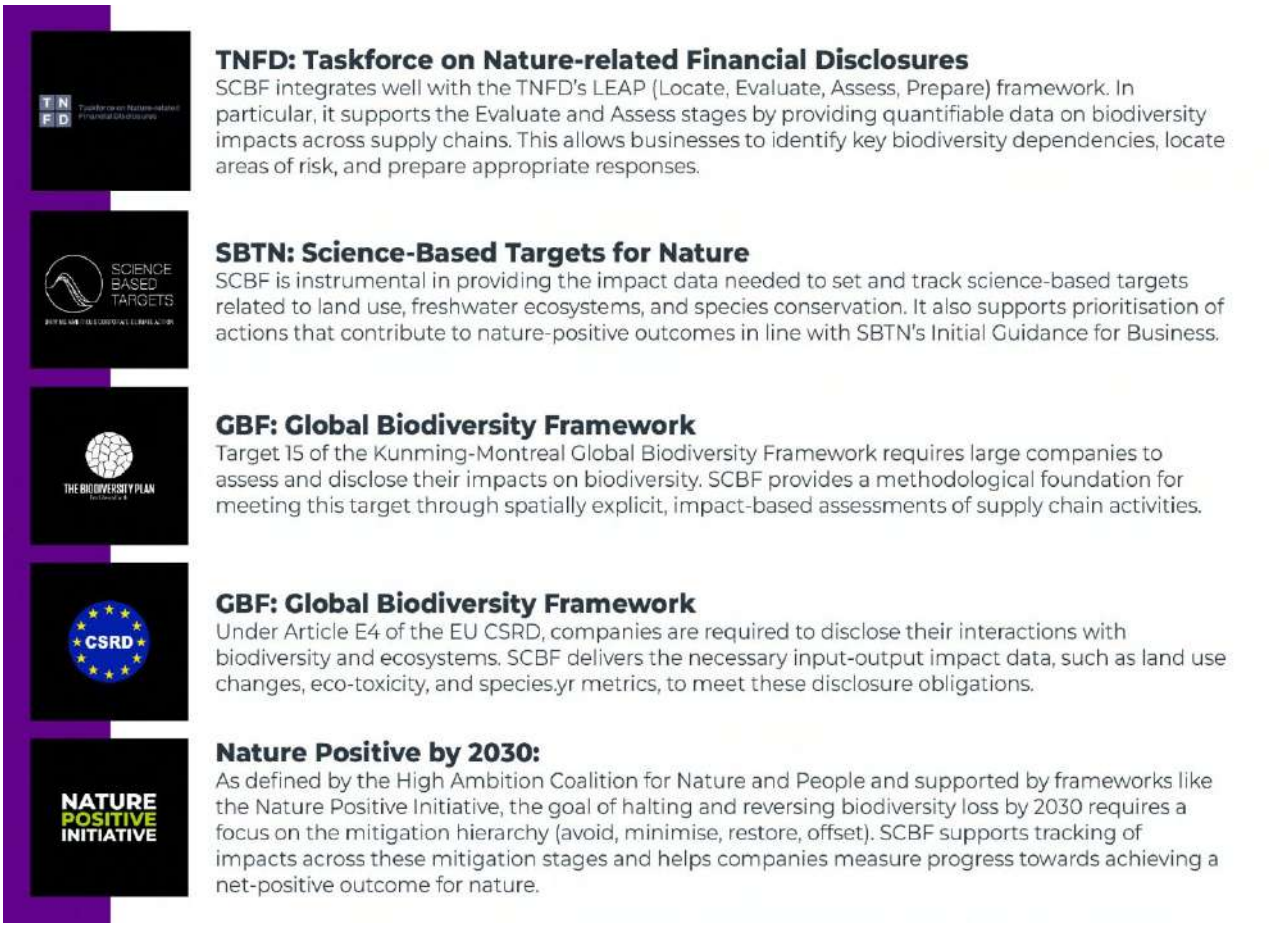
The pharmaceutical sector has historically benefited from this broad spectrum of ecosystem services. For example, research into soil bacteria has led to the discovery of key antibiotics, and marine biodiversity has provided novel compounds for pain management. Ecosystem degradation through drivers such as deforestation, wetland drainage, marine collapse, or chemical pollution threatens the natural materials upon which much of the pharmaceutical sector relies.

Loss of biodiversity directly threatens operational stability by limiting access to unique biological

> “Biodiversity loss is not only an ecological concern; it represents a material operational and supply chain risk for pharmaceutical innovation.”

Figure 4: Bespak’s Supply Chain Biodiversity Footprint Assessment Results. Source: Tunley Environmental Ltd, Morris, 2025





resources and increasing vulnerability to supply disruptions. During the COVID-19 pandemic, reliance on specific plant-based compounds illustrated the fragility of natural supply chains under environmental stress.

The Importance of Environmental Compliance and Transparency for Business

As environmental pressures mount, global regulatory expectations are rising.
Key applicable regulations and frameworks now demanding action and disclosure include:

- The Global Biodiversity Framework (GBF), particularly Target 15 on corporate disclosure
- The UK Environment Act, which mandates biodiversity net gain
- The EU Corporate Sustainability Reporting Directive (CSRD), including Article E4 on ecosystem impact
- The EU Biodiversity Strategy for 2030

Non-compliance with regulations can lead to financial penalties, restricted market access, and investor withdrawal. Conversely, transparency fosters resilience through:

> "Supply Chain Biodiversity Footprinting provides a science-based, spatially explicit method to quantify and manage nature-related risks across complex value chains"

- Enhanced stakeholder trust and reputational strength
- Stronger integration of Environmental, Social, and Governance (ESG) principles
- Early identification of nature-related risks and strategic opportunities

Disclosure encourages cross-department collaboration, strategic foresight, and informed planning, making it a core business capability rather than a peripheral reporting task. Leading pharmaceutical businesses that have embedded biodiversity into ESG reporting have been able to anticipate regulatory shifts and secure long-term procurement contracts.

Public disclosure also strengthens access to green finance opportunities and nature-aligned investment vehicles. As sustainability-linked loans and nature performance bonds gain traction, transparent and science-based reporting on biodiversity footprints can provide a strategic edge in competitive capital markets.

Supply Chain Biodiversity Footprints: What Are They and Why Are They Important?

While carbon accounting has become standard practice, it does not capture the full scope of ecological impact. Biodiversity footprinting expands the environmental lens to include multiple pressure pathways across supply chains.

To tackle these shared responsibilities, several collaborative practices are recommended:

SHARED BIODIVERSITY SCREENING PROCESS

Jointly developing biodiversity risk screening protocols across the supply chain can help standardise impact assessments. This enables consistent evaluation of sourcing locations and practices, allowing for better identification of high-risk inputs and regions.

HARMONISED KEY PERFORMANCE INDICATORS (KPIs) AND PROCUREMENT STANDARDS

Aligning biodiversity-related performance expectations across procurement contracts ensures suppliers operate under the same sustainability criteria. This can include requirements for traceability, biodiversity risk disclosures, and verified land stewardship practices.

CO-INVESTMENT IN RESTORATION AND MITIGATION PROJECTS

Pharmaceutical companies and their suppliers can pool resources to support habitat restoration, species conservation, and water stewardship programmes in sourcing regions. These initiatives not only mitigate biodiversity impacts but also enhance local ecosystem resilience.

BIODIVERSITY CAPACITY BUILDING AND TRAINING

Equipping suppliers with knowledge and tools to integrate biodiversity into their operations can lead to improved environmental performance. Training may include guidance on sustainable harvesting, pollution control, and habitat restoration techniques.

These pressure pathways can be evaluated using LCIA models to examine the potential negative impact an activity has on global biodiversity. One key metric is the *species·year* (species.yr), which measures the potential loss of species diversity due to supply chain activities over a one-year period (Figure 2).

The impacts of key environmental change drivers—such as habitat destruction, freshwater acidification, climate change impacts, and pollution—are quantified as a fraction of species affected annually. This methodology therefore estimates the probability of global species extinction linked to business activities.

SCBF builds on these models and introduces a comprehensive method to assess upstream biodiversity impacts across the product life cycle, from raw material extraction to distribution. Its methodological features and benefits are illustrated in Figure 3.

SCBF in Practice: A Bespak Case Study

Bespak, a specialist inhalation contract development and manufacturing business, has undertaken Supply Chain Biodiversity Footprinting assessments at its two UK sites—Holmes Chapel and King's Lynn—as part of its wider commitment to understanding and reducing its ecological footprint.

The primary drivers of biodiversity impact across both sites were identified as:

- Terrestrial climate change, altering habitat conditions and species viability
- Land use conversion, particularly transformation of natural landscapes for agricultural or industrial inputs
- Freshwater ecotoxicity, resulting from the release of harmful substances into aquatic systems

A summary of the SCBF assessment results is illustrated in Figure 4.

In response, Bespak has begun implementing a site-specific suite of mitigation strategies aligned with the biodiversity mitigation hierarchy: Avoid, Minimise, Restore, and Offset. This includes engaging high-impact suppliers, reducing or redesigning inputs that drive land-use and pollution pressures, and exploring nature-positive interventions both onsite and across the wider value chain.

This case study demonstrates the practical value of SCBF not only as a diagnostic tool but as a strategic enabler. By translating complex environmental data into actionable insights, SCBF supports procurement decisions, regulatory compliance, and long-term sustainability planning.

Aligning with Global Frameworks

Supply Chain Biodiversity Footprinting plays a critical role in enabling businesses to meet obligations under an evolving landscape of biodiversity-related frameworks. As both voluntary and mandatory disclosure expectations continue to rise, SCBF offers a structured, science-based approach to alignment and reporting.

By linking operational impacts to global goals, SCBF enables businesses to integrate biodiversity into corporate strategy. This reduces legal and reputational risk while unlocking opportunities such as improved access to green finance, enhanced supply chain resilience, and competitive positioning in environmentally conscious markets.

The Role of Pharma Suppliers and Collaborative Nature Responsibility

Upstream supply chain operations are often where biodiversity impacts are most concentrated. Pharmaceutical businesses rely on globally distributed networks of contract manufacturers, raw ingredient suppliers, agricultural producers, and logistics providers.

Many biodiversity risks originate from practices such as overharvesting of medicinal plants, land-use change for raw material cultivation, wastewater discharges from chemical manufacturing, and unregulated logistics expansion. Because these impacts occur beyond direct operational control, addressing them requires a collaborative and systemic approach to sustainability.

Next Steps and Call to Action

To embed biodiversity into business resilience and regulatory compliance, pharmaceutical businesses should adopt a structured and proactive approach to managing biodiversity impacts.

By integrating these steps into business operations, pharmaceutical companies can move beyond regulatory compliance to play an active role in ecosystem protection. The SCBF methodology empowers businesses to quantify, disclose, and mitigate their impacts in a science-based and decision-relevant manner.

To view full white paper, please visit: **https://www.tunley-environmental.com/en/white-papers/implementation-of-biodiversity-footprinting-examining-supply-chains**

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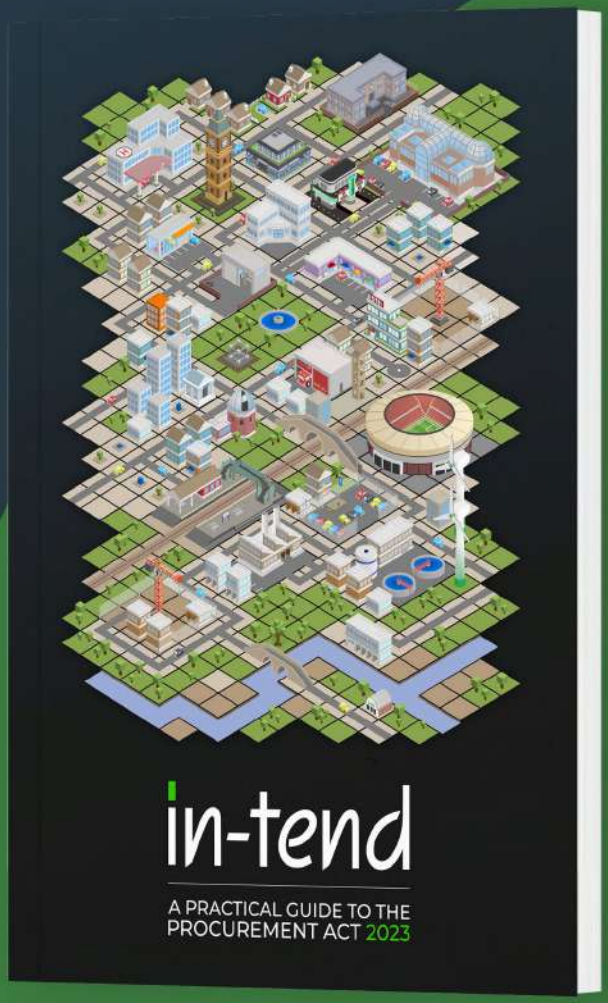

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