

Leveraging the Power of Sustainable Procurement



How procurement teams can build a sustainable future for their companies through responsible sourcing and other ESG-related activities.

Calls are getting louder for organizations to pay closer attention to their environmental, social and governance (ESG) commitments. Procurement teams are especially well positioned to make a difference in this area through supplier selection, responsible sources practices and a focus on good governance.

Procurement’s role in ESG deepens when “N-tier” suppliers are involved. For example, tracking the activities and commitments of a tier 1, core supplier may be fairly straightforward. Keeping tabs on what those companies’ suppliers—and by extension, the suppliers of those suppliers—are doing is anything but easy.

The effort is well worth it, however, according to management consultancy [Oliver Wyman](#). “Having procurement champion supplier diversity can make a significant difference to communities but can also have an upside for company revenue, as customers are increasingly keen to purchase products or services from brands they perceive to be committed to diversity and inclusion,” the company says.

Oliver Wyman goes on to say that procurement has the capabilities to ensure that their organizations not only perform well, but that they’re also more socially and environmentally responsible.

“This is because procurement alone has the most comprehensive overview of corporate ecosystems, including internal structures, suppliers, assets, and customers,” the company adds. “With this comes the ability to shape the vision and create value by selecting and supporting partnerships, structures, and relationships that best support their ESG agenda.”

Realizing Procurement’s Untapped Potential

In its new [Sustainable Procurement Barometer 2024](#) report, EcoVadis takes a deep dive into procurement’s “untapped potential” to drive business value through sustainable supply chain programs. Here’s what the company learned:

- More than 70% of programs see delivering on corporate sustainability goals and commitments as a top procurement driver.
- Just 50% of companies have visibility into more than half of their Tier 1 suppliers; a mere quarter have 50%+ visibility into Tier 2.
- Less than 50% of companies use integrated ESG data to “operationally inform” or “strategically engage” their executive stakeholders.
- Although 50-60% of organizations integrate ESG data manually or digitally into procurement processes, only 30% of those integrations are reported as “very” or “extremely effective.”

- Just 6% to 25% of firms digitally integrate ESG into procurement processes.
- And only 9% of companies' ESG programs are driven by cost reduction.

“Business is at a pivotal juncture where leaders are recognizing sustainable procurement’s strategic role for long-term business resilience and growth,” said EcoVadis’ Pierre-Francois Thaler in a [press release](#). “While many companies are adjusting to this change, the most advanced programs are continuously tuning strategies and investments to accelerate the transformation needed to thrive in a new era of business that also benefits people and the planet.”

5 Steps to Take in 2024

Along with pointing out the core challenges that companies are facing as they work to align procurement with sustainability, EcoVadis offers these five recommendations to teams that want to start doing a better job in this area:

- **Engage suppliers more deeply to accelerate the adoption of sustainable practices.** Activities like corrective action plans, carbon reduction, e-learning or innovation programs drive supplier ESG improvement while producing richer data and insights.
- **Integrate supplier sustainability data into end-to-end procurement approaches.** Programs with high integration are three to four times more likely to have strategic-level engagement with C-suite stakeholders.
- **Enhance ESG technology and digital tech foundations.** Data can be packaged into insights that drive tactical and strategic decisions, ultimately driving more effective and impactful sustainability initiatives.
- **Use new tools to gain greater N-tier visibility.** Risk and hotspot mapping can inform decarbonization priorities, pinpoint risks and inform engagement strategies and investments across responsible sourcing practices.
- **Engage internal and C-suite stakeholders with sustainable procurement data.** Between 72% and 93% of leading companies are able to strategically engage or operationally inform critical business functions (e.g., CFO/finance, sales, product design, operations, risk and compliance) with their supplier ESG data and insights.