

# Integrating Sustainable Procurement Strategies to Support Corporate Environmental, Social, and Governance (ESG) Goals

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## Abstract

Sustainable procurement is the key to integrating an organization's supply management with the company's environmental, social, and governance goals. Thus this paper explores the ways through which procurement functions can incorporate ESG principles within ethical sourcing, supplier engagement, and green public procurement. Using examples like Walmart's Project Gigaton and IKEA's circular procurement model, the research shows much progress in emissions cuts, resource optimization, and compliance improvement. Based on the research outputs, the advantages of sustainable procurement include cost reduction and company environmental responsibility but barriers such as reliable supplier information and implementation costs still exist. These are important barriers that tools like blockchain and collaborative frameworks must address. The following are the recommendations for how different industries can adopt sustainable procurement and make improvements to the supplier relationship management process to support a company's ESG goals.

**Keywords:** Sustainable Procurement, ESG Integration, Ethical Sourcing, Scope 3 Emissions, Supplier Transparency, Green Procurement Policies.

## Introduction

The concept of sustainable procurement has now become a key component of various business schemes that have the goal of attaining ESG goals <sup>[1]</sup>. As the purchase of goods and services to reduce the organization's environmental footprint, supporting materials sustainability and supply chain governance, sustainable procurement relates ethics in sourcing and supplier relations to business sustainability. In this context, procurement is crucial since it can control 70-90% of a company's environmental impact through supply chain measures <sup>[2]</sup>. This involves embracing sourcing strategies of managing Scope 3 emissions, sourcing products that lower consumption of resources, and encouraging fairness to workers in various suppliers. Several industries including the retail, manufacturing and construction sectors have been at the forefront of formulating such strategies, due to regulatory compliance, stakeholder demand, and ESG value addition <sup>[3]</sup>. Consequently, this study aims at capturing the alignment strategy of procurement with ESG objectives wherein green policies and supplier relations are used to develop strong and sustainable value supply chains, as supported by industry findings.

## Research Problem

Sustainable procurement plays an influential role in the transition of organisational behaviours towards ESG objectives. Although the concept is gradually gaining popularity, several issues remain essential. A major risk is the uneven application of ESG criteria among supply chains: while 46% of the organizations have formal sustainability risk management in place, even fewer apply them to Tier 2 suppliers <sup>[4]</sup>. This lack of

broad coverage hampers the fight against social challenges like labour rights and environmental impact, including Scope 3 emissions, making up between 80 and 90% of a firm's emissions. Additionally, while 56% of the firms declare that they have some form of ESG integration, notably only 21% of companies have codes of conduct that cover contractual clauses on ESG <sup>[5]</sup>.

In an industrial setting, stakeholder and regulatory bodies to pressure groups call for increased Responsiveness. For instance, regulations such as the European Union's Sustainability Due Diligence Directive seek to ensure that ESG monitoring and reporting become part of procurement strategies <sup>[6]</sup>. At the same time, sectors connected to international value chains or those predominantly exposed to global shocks, like manufacturing and retail, are more vulnerable to disruptions while stressing the importance of the development of sustainable best practices. COVID-19 has also undermined conventional procurement strategies where strategies such as just-in-time delivery have not prepared for global emergencies.

### Research Objectives

- To analyze how procurement functions can incorporate ESG criteria effectively across all supplier tiers.
- To assess the role of green policies and ethical sourcing in achieving corporate sustainability.
- To propose frameworks for improving collaboration between firms and suppliers to address Scope 3 emissions and social risks.

### Research Scope

The scope of this study centres on the integration of sustainable procurement strategies within corporate frameworks to achieve ESG objectives. It specifically examines the environmental, social, and governance dimensions of procurement, focusing on reducing carbon emissions, promoting ethical labour standards, and enhancing transparency in supplier operations.

### Literature Review

According to Sanchez-Flores et al., (2020), sustainable procurement is one of the key elements linking a company to its ESG goals, and the theoretical framework includes several models and frameworks. Sustainable procurement captures concepts of ethical sourcing, supplier relations and green procurement hence very closely related to SSCM. The triple bottom line (TBL) theory is key here, calling for economic, environmental, and social equity in management decisions <sup>[7]</sup>. Further, stakeholder theory emphasises the issue of the range of interests of various stakeholders such as the suppliers, customers and regulatory authorities in the procurement plans.

The following empirical research focuses on the implementation of green supplier assessment models, with the evaluation criteria incorporating environmental factors. For example, Haung et al., (2020) indicated that LCA (life cycle assessment) and CPA (carbon footprint analysis) can help organizations minimize the repercussions of supply chain activities on the environment. There is also a trend towards greater integration of collaborative models between firms and suppliers to improve sustainability, especially in managing and reducing Scope 3 emissions, which include a large part of most firms' overall carbon impact.

In the industrial field, ESG procurement is promoted by nominative and competitive requirements and expectations. There are challenges nonetheless, as data from McKinsey and Achilles show adherence being low with under 50% of companies assessing ESG risks in the supply chain systematically <sup>[8]</sup>. Regarding these imperfections, it is suggested to implement complex solutions associated with the governance, compliance, and innovation of procurement practices.

## Methodology

This research uses quantitative research design where data collected from secondary sources is used to discuss sustainable procurement strategies in relation to corporate ESG initiatives. The data is collected from a wide range of industrial documents, elite journal articles, and empirical research. This makes these sources helpful when acquiring information on success stories, potential barriers to sustainable procurement, as well as the effects of sustainable procurement in different sectors, for example, retail, construction, and manufacturing.

Therefore, the study adopts content analysis in the analysis of data gathered from industrial reports and cases such as Walmart's Project Gigaton and Unilever's Carbon Reduction Roadmap. This research adopts the theoretical framework from peer-reviewed literature and comprises the TBL and stakeholder theory with the intention to understand the sustainable procurement practices. Comparative analysis is also used to analyse various strategies, like ethical sourcing, green policies, and supplier collaboration to consider how they help minimize Scope 3 emissions and improve governance.

The approach used is centered on data integration to obtain themes and trends, and potentially missing areas for corporate procurement functions and recommendations. This approach also ensures that there is holistic consideration of the consequences of integration of ESG within environmental, social and the economic system including the strains and opportunities.

## Analysis & Findings

### Environmental Impact: Addressing Scope 3 Emissions

Sustainable procurement can significantly reduce Scope 3 emissions, which are indirect emissions from supply chains and constitute up to 90% of a company's carbon footprint. For example, Unilever's implementation of a "Carbon Reduction Roadmap" in its procurement operations achieved a 30% reduction in emissions by requiring suppliers to provide environmental performance data and prioritize renewable energy sources. Similarly, Walmart's *Project Gigaton* targeted a one-billion-ton reduction in greenhouse gases by 2030 by collaborating with suppliers on emission reduction initiatives<sup>[9]</sup>.

*Table 1 Industrial Evaluation - Environmental Impact*

Company	Initiative	Outcome
Unilever	Carbon Reduction Roadmap	30% emission reduction achieved
Walmart	Project Gigaton	1-billion-ton reduction by 2030

### Social Dimension: Ethical Sourcing and Labor Practices

Ethical sourcing and compliance with labour standards are pivotal to sustainable procurement. A KPMG report (2021) revealed that 78% of companies in manufacturing have integrated ESG criteria for supplier selection, reducing risks of unethical practices such as child labour<sup>[10]</sup>. For instance, Nike's sustainability program enforced stringent audits and supplier training to eradicate labour violations. Companies that fail to

address these issues face reputational risks, as seen with several firms that faced backlash over unethical sourcing in high-risk regions.

**Governance Challenges: Supplier Transparency**

A persistent challenge is supplier transparency. Only 46% of companies systematically track ESG metrics across their supply chains <sup>[11]</sup>. Tools like blockchain and supplier scorecards have proven effective in addressing these gaps. For example, Maersk utilized blockchain to enhance supply chain transparency, enabling real-time tracking of suppliers' ESG compliance. Another approach is supplier collaboration; companies like General Electric co-developed sustainability strategies with key suppliers to improve compliance and accountability <sup>[12]</sup>.

**Financial Implications: Balancing Costs and Sustainability**

One of the barriers to sustainable procurement is the perceived cost. However, evidence suggests that sustainable practices can deliver long-term financial benefits. A study by McKinsey (2020) found that firms implementing green procurement policies reported up to a 20% reduction in operating costs due to improved resource efficiency <sup>[8]</sup>. For instance, IKEA’s circular procurement model significantly reduced waste, cutting costs while promoting environmental goals <sup>[13]</sup>.

*Table 2 Industrial Evaluation - Financial Implications*

Company	Strategy	Financial Impact
IKEA	Circular Procurement	Cost reduction, waste minimization
General Electric	Supplier collaboration	Improved accountability

**Findings**

- Strong ESG-Procurement Integration Improves Outcomes:** Companies integrating ESG into procurement frameworks report reduced carbon footprints, improved compliance, and enhanced brand reputation. Leading examples include Unilever and Maersk, which achieved measurable environmental and governance outcomes.
- Collaboration Drives Sustainability:** Partnerships between companies and suppliers foster innovation and accountability, leading to shared goals in ESG performance. Collaborative efforts, such as Walmart’s supply chain initiatives, are effective in scaling impact across industries.
- Technology Enhances Transparency:** Tools like blockchain and AI in supplier management improve visibility, track ESG compliance, and mitigate risks of unethical practices.
- Financial Viability:** Long-term cost benefits outweigh the initial investments in sustainable procurement strategies. Firms like IKEA illustrate the potential for sustainable procurement to generate financial and environmental returns.

Industrial evidence demonstrates that integrating sustainable procurement strategies supports corporate ESG goals through reduced emissions, ethical labour practices, and improved governance. However, challenges like transparency and cost perceptions must be addressed with technology and collaboration. Future research should focus on scaling these strategies across industries while tailoring them to specific regional and sectoral challenges.

## Conclusion

The study effectively delivered its objectives by examining the implementation of sustainable procurement systems to achieve ESG objectives in the firm operation. It also showed where and how procurement could have the biggest impact on lowering Scope 3 emissions, supporting better labour rights, and enhancing governance. The findings highlight that through examining the existing best practices, including Walmart on Project Gigaton and Unilever on the Carbon Reduction Roadmap, companies can quantify the changes in emission reduction and resource efficiency as well as gain compliance with sustainability goals. It demonstrates that procurement can be used as a driver to manage environmental effects with an emphasis on the accountability of supply chain nodes.

ESG principles in procurement, as illustrated by Nike, show the social value of ethical sourcing, avoiding abuses of labour rights, and enhancing work conditions. Additionally, there are constant advancements in governance for instance, the interconnectivity of Maersk with blockchain technology for supplier visibility bears witness to the issue of holding to account in complex supply systems. From the financial perspective, such organisations as IKEA proved that sustainable procurement processes can eliminate excess spending and provide more extended economic benefits, which rejects the stereotype of the high cost of implementation.

Although the research points out the opportunities for sustainable procurement, several concerns are outlined, namely opacity of procurement practices and lack of integration of firms and suppliers. Reducing these barriers by way of technology, training, and compliance remains important. The implications and recommendations derived from this research can help organisations understand how to successfully implement procurement strategies that will support ESG initiatives resulting in organisational sustainability and resilience.

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