

SUSTAINABILITY IN PROCUREMENT

Report

EXECUTIVE
NETWORK
GROUP

INTRODUCTION

In this guide, we will be taking a deep dive into sustainability topics and initiatives around the procurement sector. We will be looking into how ESG shapes the industry and the issues and complications that arise. To assemble this report - we created a survey that was sent out to procurement professionals within our network to gather real-world data. The survey was made up of multiple-choice questions with accompanying text boxes, which allowed recipients to elaborate on their answers. We did not request names to complete this survey so responses can remain anonymous.

WHAT IS MEANT BY SUSTAINABILITY IN PROCUREMENT?

According to CIPS - the definition of sustainability in procurement is the "act of adopting social, economic and environmental factors alongside the typical price and quality considerations into the organisations handling of procurement processes and procedures".

More customers and consumers are taking an interest in the sustainability initiatives within the brands and companies that they buy from - which makes these schemes to help combat Climate Change and create significant sustainable changes a huge incentive and an absolute must for every company throughout the sector.

These companies have a social responsibility to take sustainability into account with their investments. A quote from Achilles reads - "It's not just consumers demanding action on sustainability. Governments, industry bodies and regulators are increasingly requiring companies to report their carbon emissions as part of their annual reporting and setting ambitious reduction targets".

ESG

Why should procurement organisations focus on ESG initiatives?

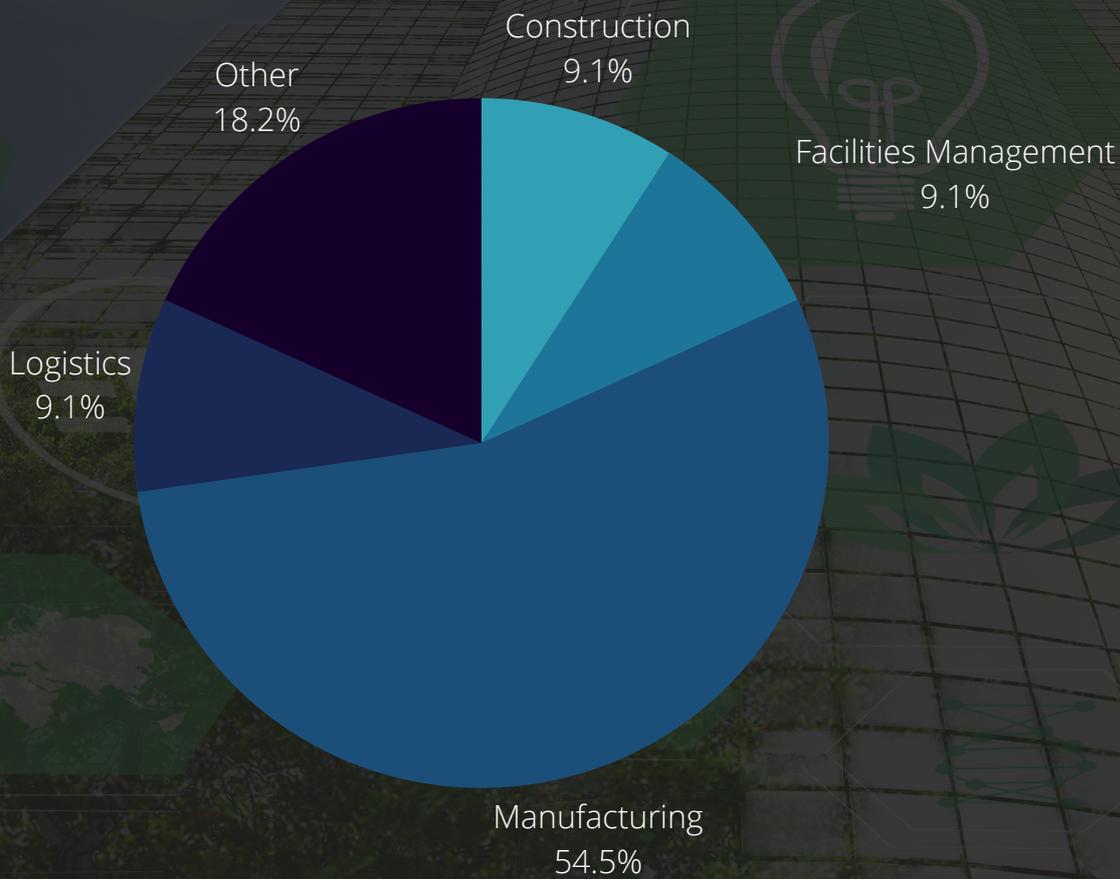
There are many reasons why they must adhere to these policies and regulations - both from a business and a social responsibility standpoint.

From a business perspective, they want to satisfy the needs of their customers. To maintain these customers, they must align their sustainability values with their customers. More and more consumers are putting social responsibility right at the top when choosing suppliers in almost every industry. It's right up there with costs and reliability.

McKinsey & Company have noticed the real positive impacts that companies are receiving from their ESG schemes. "Our colleagues' analysis shows that top ESG performers enjoy faster growth and higher valuations than other players in their sectors, by a margin of 10 to 20 [sic] per cent in each case. Strong ESG credentials drive down costs by 5 to 10 per cent, as these companies focus on operational efficiency and waste reduction. Furthermore, ESG excellence reduces transition risk by helping companies stay ahead of changes in regulation and stakeholder sentiment".



"WHAT INDUSTRY DO YOU SPECIALISE IN?"

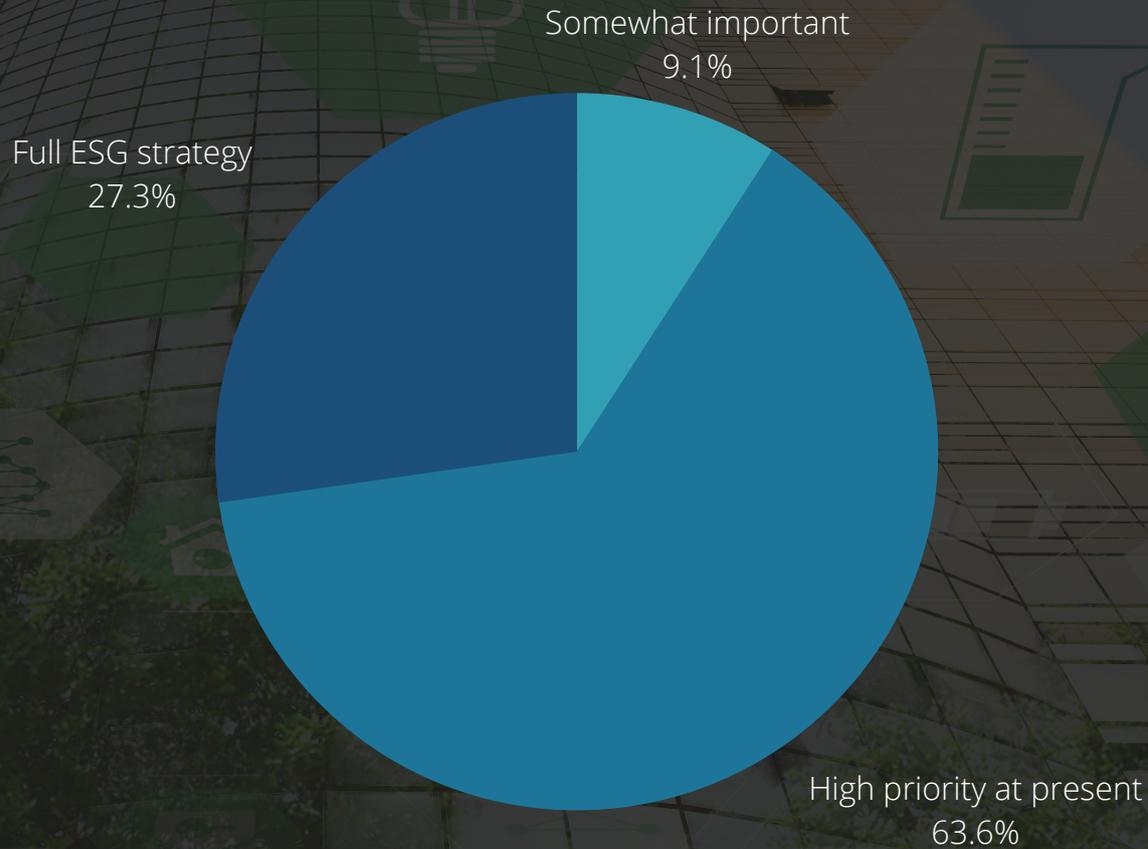


For our report, ENG was keen to collate data that was most relevant to our core sectors so we can best understand how our clients are transforming their businesses through sustainability initiatives - with the majority of respondents representing industries such as; Manufacturing, Logistics, Construction, and Facilities Management.

The majority of those surveyed were within the Manufacturing sectors, with the "other" option made up of smaller networks consisting of; Energy & Utilities, Financial Services, Hospitality, Retail, and Leisure.

We gathered this anonymous data via an in-depth survey and through a social media campaign - we also dissected the data by job titles with responses from Procurement Directors, Senior Buyers, Category Managers, and Heads of Sourcing.

"HOW IMPORTANT ARE ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INITIATIVES TO YOUR ORGANISATION?"

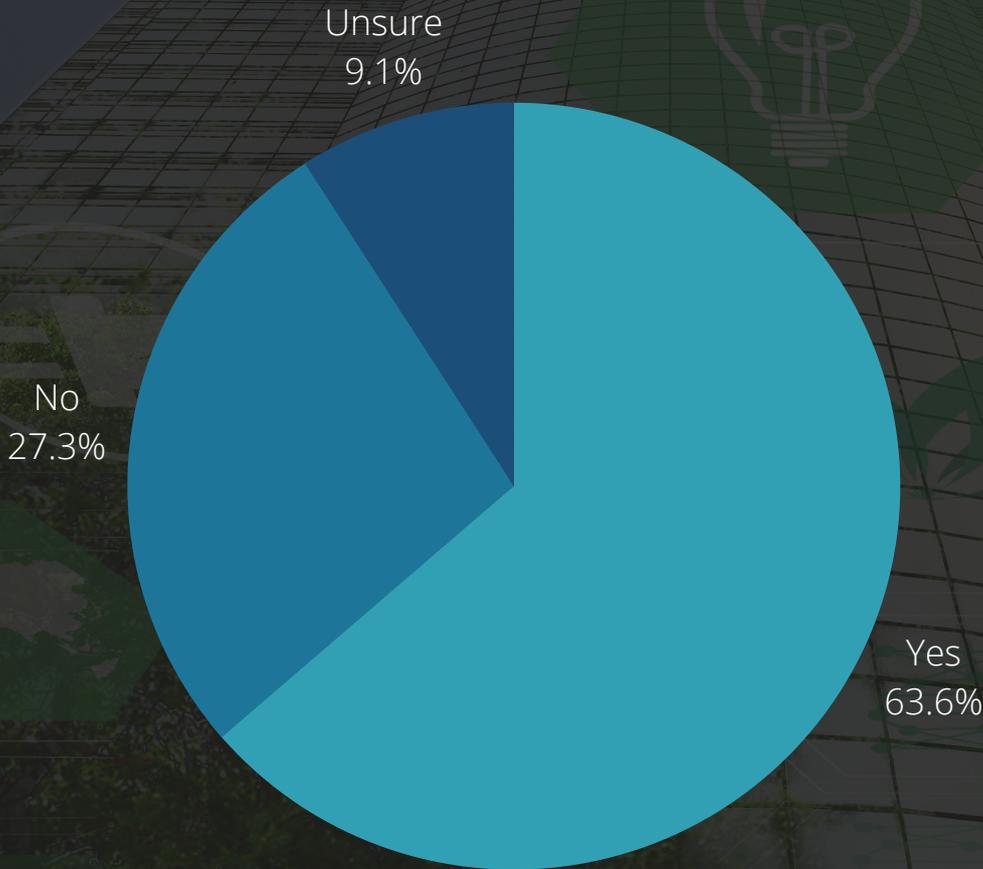


Unsurprisingly, none of our respondents thought that ESG initiatives were unimportant to their employers. Most responses informed us that ESG are high priority initiatives within their organisations - with more recipients stating that their employers currently incorporate full ESG strategies with quantifiable ESG performance targets within their business plans.

Only 9.1% believed their current organisations think ESG schemes are "somewhat important".

These responses clearly show the level of commitment to sustainability initiatives throughout different sectors - most notably the manufacturing industry, where over half of our responses originated.

"HAVE ESG INITIATIVES BEEN RESPONSIBLE FOR POSITIVE CHANGE WITHIN YOUR ORGANISATION?"



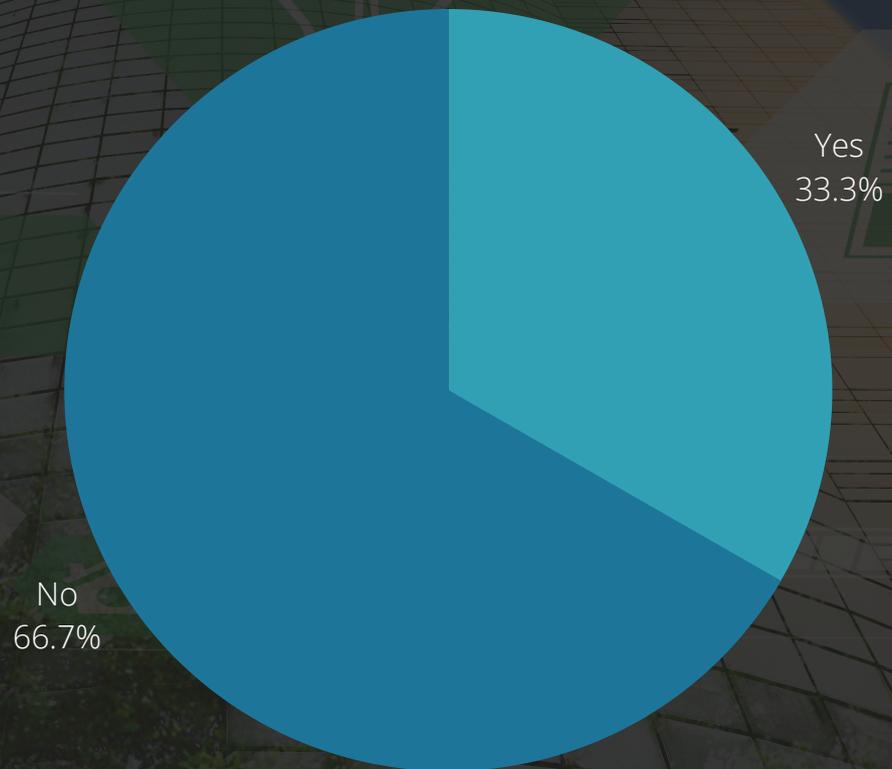
We asked our recipients if they felt that ESG initiatives have been responsible for positive change within their organisation - to which 63.6% of our data audience believed that sustainability schemes have provided a positive change to their business plans and companies as a whole.

However, 27.3% believed that it has instead been a deterrent to positive change - with a further 9.1% remaining unsure.

A Category Manager within the Manufacturing sector told us that their company "reports positive change, but doesn't drive it". While a Facilities Management Director of Procurement states that their organisation currently holds "piecemeal priorities that set no policy or goals" when it comes to sustainability.

Alternatively - a Logistics Senior Buyer tells us that their "buying team assesses potential suppliers based on our ESG targets and how sustainable that supplier is, as opposed to just cost and budgets". Stating it's allowed them to make a positive impact within the business.

"HAS YOUR ORGANISATION'S ESG JOURNEY BEEN IMPACTED BY THE PANDEMIC?"

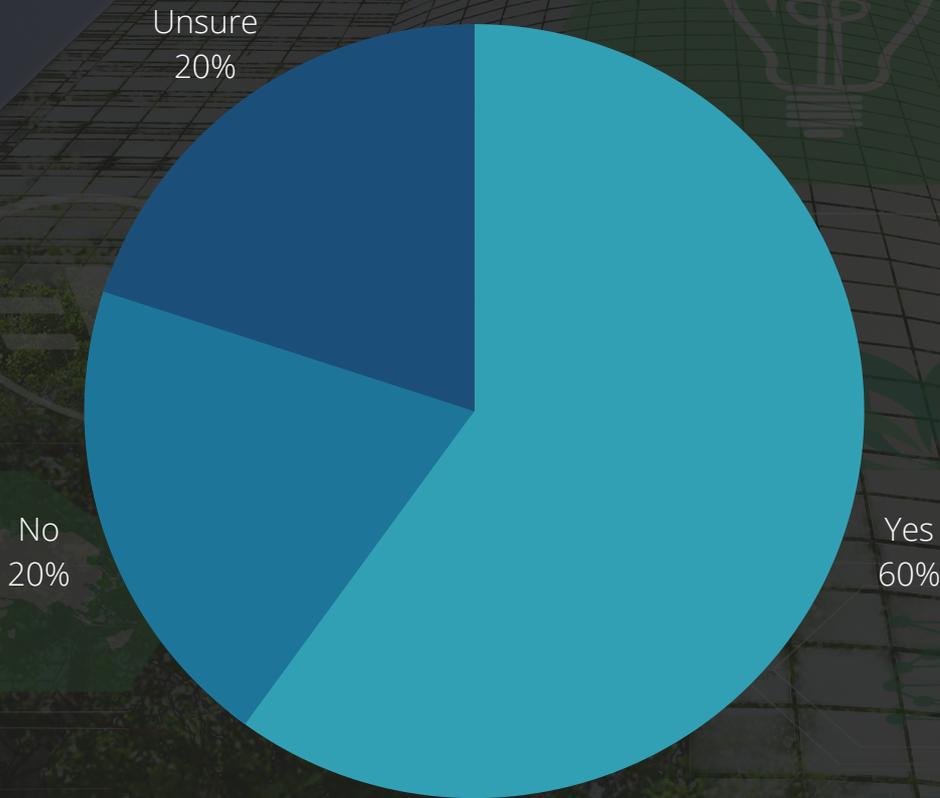


The Covid19 Pandemic has been a major obstacle in every aspect of our lives. We asked our recipients if they felt that the pandemic had impacted their organisation's sustainability journey.

There can be no surprise that some felt that the pandemic had halted some ESG schemes with 33.3% feeling this way. One Procurement Director within the Facilities Management industry felt there were a "lack of resources" and a shift in priority when it came to funding.

However, a Group Procurement Director, this time in the Construction sector, told us that Covid19 "has probably accelerated our progress" when it comes to ESG. A Senior Buyer in Logistics echoes this - "If anything, with the rise of E-Commerce - logistics was booming during the pandemic. It was all focused around carbon footprint, sustainable packaging and how we can offset carbon".

"IS YOUR BUSINESS TRACKING ESG METRICS AND MEASURES AROUND SUSTAINABILITY?"

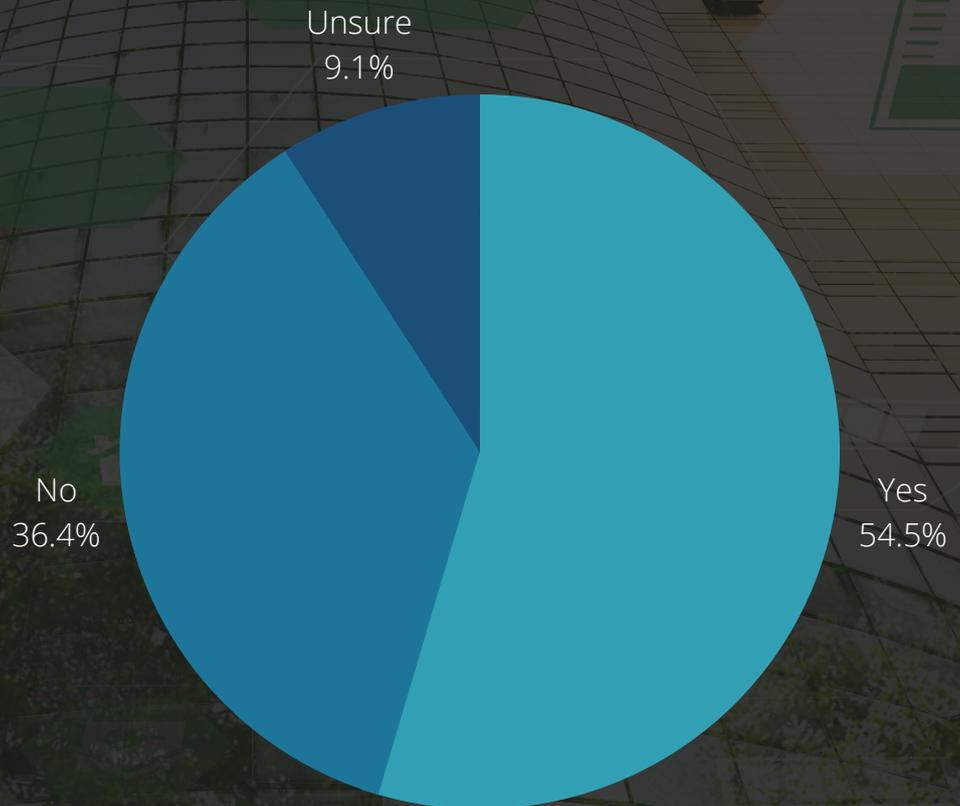


60% of respondents said that their businesses were tracking ESG metrics and measures based on their sustainability schemes.

This matches up with the data around positive change for organisations and the importance of sustainability - companies who take an interest in ESG and see it as high priority initiatives are far more likely to track their metrics and keep tracking portfolios.

The other percentage of responses were split between 'no' and 'unsure'. We understand that some people in certain roles may not see the tracking of metrics so some responses siding with 'unsure' is to be expected.

"HAVE YOU RECENTLY STRENGTHENED YOUR PROCUREMENT & SUPPLY CHAIN FUNCTION TO ASSIST WITH YOUR ESG INITIATIVES?"



The last multiple-choice question from this survey asks about the strengthening of procurement and supply chain functions. We enquired whether strengthening has assisted with ESG and sustainability schemes.

Over half the responses (54.5%) told us that their employers had strengthened their functions to increase their sustainability initiatives.

36.4% hadn't felt that improvements had been made to improve functions. We must remember that some of these will come from respondents whose employers have not outlaid plans for ESG development, while some may have plans in place but have not improved them over time.

A small number (9.1%) were unsure of any improvements.

"SHIFTING THE DIAL TOWARDS BECOMING A SUSTAINABLE BUSINESS IS A HUGE CHALLENGE, WITH ORGANISATIONAL, SYSTEMATIC, AND FINANCIAL BARRIERS.

HOW CAN PROCUREMENT/SUPPLY CHAIN PROFESSIONALS HELP TO GET THIS ON THE AGENDA?"

We posed a question to our recipients, asking them: how can procurement and supply chain professionals help get ESG at the forefront of business plans.

An Employability Manager from an unspecified sector stated - "Simplify the procurement process and have clear ESG criteria which are scored. Eliminate tokenism". This is an important take. Having clear and decisive ESG criteria is important but must be tailored to the business and the sector it inhabits - and must cut out "tokenism" sustainability schemes that don't resonate with the organisation.

A Senior Buyer in the Logistics market gave a lengthy response to this question by urging businesses to view the importance of sustainability concerning the customers and clients they keep. "By demonstrating the importance around a sustainable supply chain, this influences whom we work with, bid and tender purposes and clients want to know we prioritise ESG in particular sustainability and getting to Net-Zero. Procurement has a huge opportunity to shape the way businesses view ESG and heavily assist with meeting our commitments and targets.

Other answers focused on visibility and transparency, educating top-level stakeholders, and attaining this goal through SCM.

CONCLUSION

In conclusion, it's encouraging to see such high data around positive initiatives around ESG and sustainability schemes.

In particular, when you see that over half the percentage voted positively in the majority of the polls and questions, we asked our network. It can not be ignored that there is still work to be done. When you see some of the responses we got from individuals who felt their employers and organisations weren't doing enough in the way of sustainability growth - with one in particular branding their organisation's ESG initiatives as "piecemeal".

However, the overwhelmingly positive responses from individuals in procurement positions clearly show that many organisations take their ESG responsibilities incredibly seriously. We were slightly disappointed that there was an overwhelming majority of responses from the manufacturing industry as we would have preferred there to be a more equal amount of data from all of the sectors.

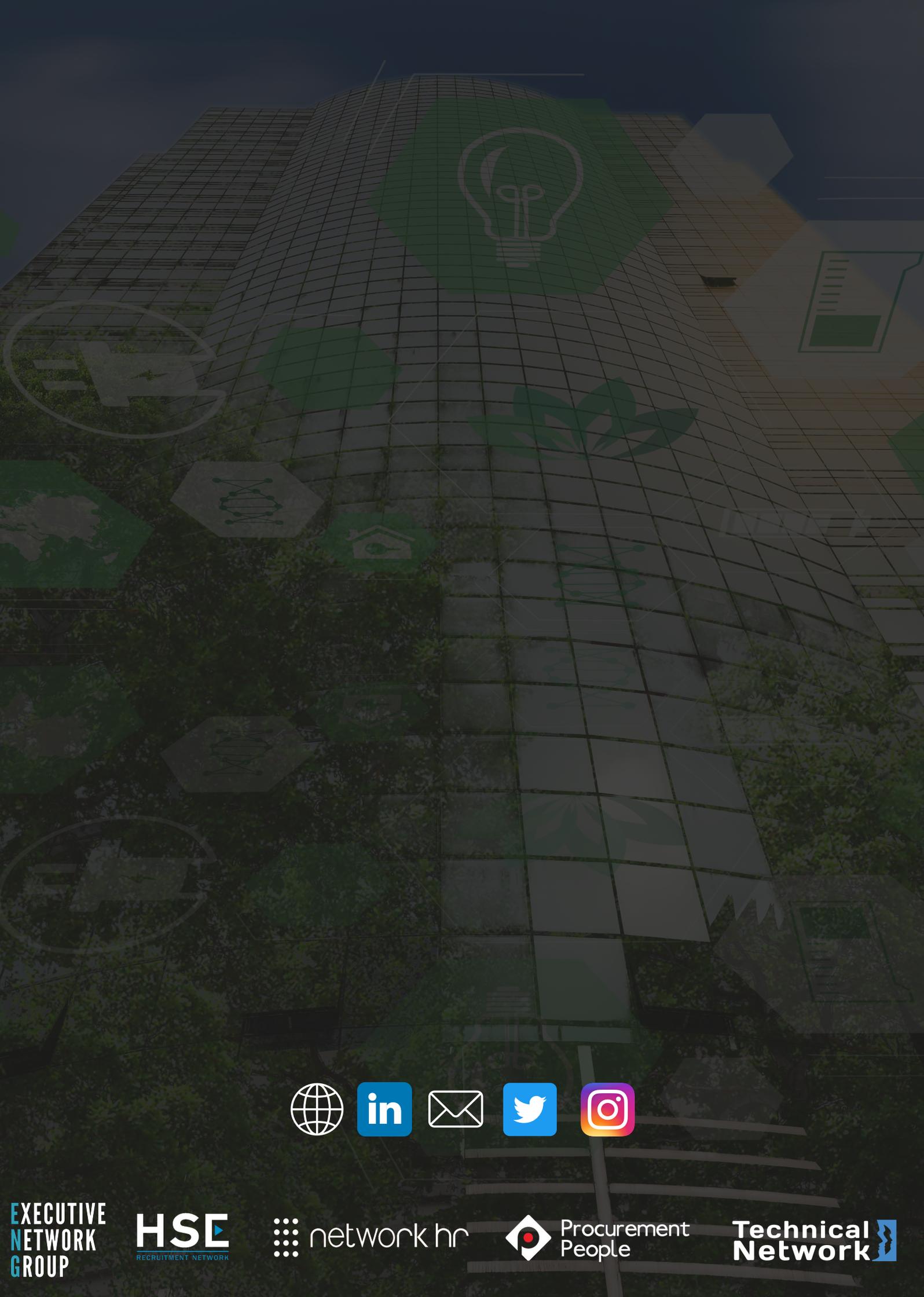
We were also thrilled with the diversity of the roles our recipients held. That allowed us to get viewpoints from a multitude of angles from many businesses.

EXTERNAL RESOURCES

<https://www.cips.org/knowledge/procurement-topics-and-skills/sustainability/>

<https://www.mckinsey.com/business-functions/operations/our-insights/buying-into-a-more-sustainable-value-chain>

https://www.achilles.com/industry-insights/sustainable-procurement-much-more-than-ticking-boxes/?utm_term=what%20is%20sustainable%20procurement&utm_campaign=SGM-ASSURE-ETHICAL&utm_source=adwords&utm_medium=ppc&hsa_acc=9051022080&hsa_net=adwords&h_sa_grp=122678487527&hsa_ver=3&hsa_kw=what%20is%20sustainable%20procurement&hsa_tgt=kwd-902631347664&hsa_mt=e&hsa_ad=504495455680&hsa_src=g&hsa_cam=12499715275&gclid=EAlaIQobChMIzeqYxKyE9gIVCYBQBh3FewCBEAAYAiAAEgKAC_D_BwE



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