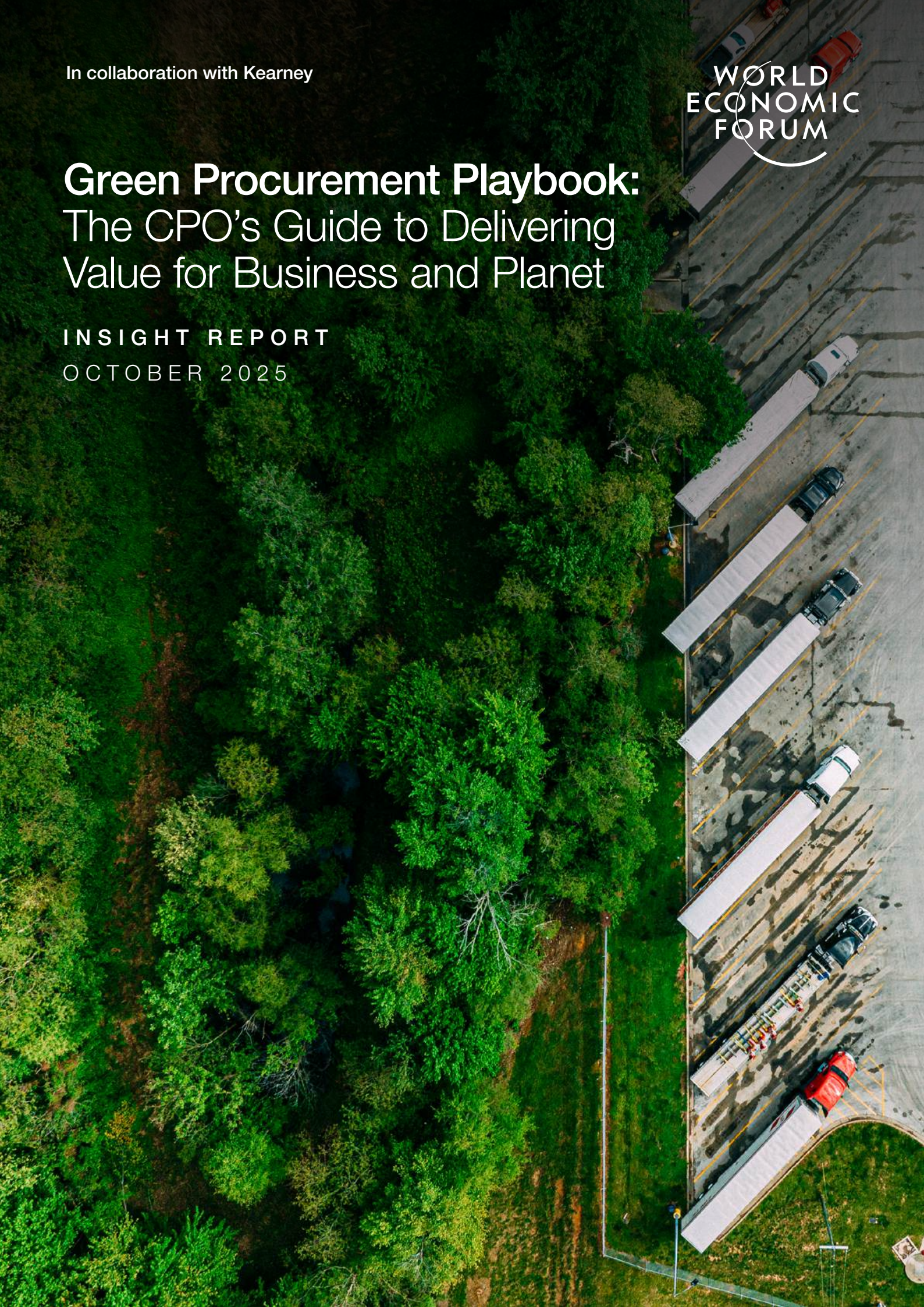
In collaboration with Kearney

WORLD ECONOMIC FORUM

Green Procurement Playbook: The CPO's Guide to Delivering Value for Business and Planet

INSIGHT REPORT

OCTOBER 2025



Images: Getty Images

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Foreword

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For years, Chief Procurement Officers (CPOs) have focused primarily on quality, cost and delivery. However, today expectations have evolved – and so have demands on the procurement function. Supply chains are tested almost daily by geopolitics, economic volatility, extreme weather and more. At the same time, stakeholders are asking harder questions. Boards, for example, are looking for risk protection through resilience and transparency, while still seeking progress on both economic returns and climate goals. Chief executives are under increasing pressure to act.

Organizations may have little control over global disruptions, but they can shape how they respond. In many of these situations, procurement has a critical role to play. Rather than remaining a cost-driven, transactional function, procurement holds a growing strategic influence over a company's success – however it is measured.

Leveraging procurement to turn sustainability ambitions into business results is an effective strategy. CPOs are central to driving sustainability because of four unique strengths: their reach across multiple internal teams; their visibility into data on products, demand and supply; the relationships they maintain with suppliers; and their credibility as a key function with a seat at the table.

When done well, sustainable procurement does not compete with growth, but strengthens it. It also reduces exposure, unlocks innovation and helps future-proof the business.

We have designed this playbook to support CPOs and their teams in the transition towards sustainable procurement. The report draws on expert practitioner voices, lessons from leading organizations and practical tools to assess where organizations stand and what they can do next. The Stages of Excellence Assessment (Chapter 2) helps identify what to prioritize and where to focus, while the building blocks offer concrete ideas to move from ambition to action.

However, frameworks alone will not create change. Leadership will.

We believe it is imperative to actively discuss sustainable procurement with the Chief Executive Officer (CEO) and the Board – otherwise, progress towards business and climate goals risks stalling. "Procurement talking to procurement" has a limited runway. The organizations making the most significant progress are those where CPOs have driven successful change within their function and are now informing strategy, shaping investments and helping define what sustainability looks like beyond procurement alone.

Given impending corporate targets and regulatory milestones, the procurement leaders of today have the opportunity and duty to shape the future.

We have included a brief note below for CEOs, introducing the playbook's core messages and purpose. We encourage its broad use to support conversations with executive leaders – to spark alignment, secure support, build momentum and help strengthen the position of procurement as a key enabler of any organization's sustainability journey.

It is time to move from discussion to impact – and to continue building momentum.

Note to Chief Executive Officers

Procurement has made progress in promoting sustainability, but meeting organizational and regulatory commitments requires action from a broad span of leaders.

Over the past year, the World Economic Forum and Kearney have engaged with more than 100 CPOs across sectors and regions to understand what is working and what is holding companies back. The findings are clear: further progress depends not just on ambition, but also on alignment. Procurement can deliver real, material sustainability impact, but only if it is empowered with the structures, mandates and investments to fully address the challenges and opportunities – which only CEOs can approve.

Procurement decisions shape the vast majority of a company's environmental footprint. In many sectors, upstream activities such as materials, components and services represent over 90% of total emissions. That makes procurement not just relevant to sustainability, but essential. It can also unlock innovation, strengthen resilience and differentiate your business in a changing market landscape, with truly sustainable growth.

This playbook outlines a path forward. It includes a practical Stages of Excellence Assessment that gauges maturity and eight building blocks of green procurement, covering supplier engagement, governance, data, capability building and more. These tools are for your CPO and leadership teams, but the shift starts with you.

Why? After initial progress, many of the barriers to further progress are not technical – they are organizational and beyond the remit of procurement. Already, many purchasing offices have made valuable gains, but have a long way to go. Meeting publicly committed targets and regulatory requirements becomes incrementally harder and requires whole-organization thinking and action.

Changing what and how your company buys means changing incentives, processes, culture and priorities. It means creating space for procurement to lead and ensuring sustainability is embedded into investment decisions, product design and performance metrics. These elements cut across the entire organization, requiring broad thinking and action.

This is a significant opportunity.

By elevating procurement to the strategic agenda, CEOs can accelerate progress on climate goals, reduce supply chain risk and future-proof the business. The companies moving fastest are those where sustainability is not a side project, but built into how decisions are made across the enterprise.

We hope this playbook equips your teams to take the next step, and encourages you to champion the changes only you can facilitate. The time has come to launch a dialogue on shaping progress towards green goals. You can include green procurement on the CEO agenda, elevate the role of procurement, encourage cross-functional action, and release resources and investments. The legacy of your climate ambition will come from what you enable today.

Executive summary

Top executives increasingly recognize that procurement can help achieve corporate sustainability goals while driving long-term business value. Regulators, customers, investors and employees expect companies to deliver on sustainability without compromising the business's value, and procurement leaders are in a unique position to turn ambition into action.

The World Economic Forum, in collaboration with Kearney, has created this playbook to support CPOs and senior executives ready to take that step. It brings together contributions from over 100 leaders at global events, as well as 30 interviews with CPOs from companies operating in a variety of industries and regions.[1] The guidance contained in this report is general, rather than industry- or sector-specific.

To help procurement leaders identify where they stand and where to go next, Chapter 2 includes a Stages of Excellence Assessment. The aim is not to prescribe, but to guide – helping teams reflect on their current maturity, uncover gaps and focus on the initiatives that matter most in their context.

There is no single path forward for sustainable procurement. While a linear green procurement journey may seem intuitive, the reality is complex. Success requires progress across multiple dimensions, often simultaneously.

The playbook identifies eight building blocks critical to embedding sustainability into procurement. Chapter 3 describes each in detail, supported by practical examples and lessons from leading organizations. The first building block is not necessarily the first step organizations must take; instead, the choice and sequence can be based on the current situation.

All eight building blocks emphasize the following points:

Focus on environmental impact – While sustainable procurement encompasses social and governance dimensions, this playbook intentionally focuses on the environmental aspect, or "green procurement". It looks in detail at the challenges and actions related to decarbonization, resource efficiency and environmental impacts across the supply chain.

Relevance beyond procurement – Although the primary audience for this playbook is CPOs, it is designed for any executive helping to shape how their organization buys, from sustainability and operations to finance and strategy. Driving this change is not the job of one function alone; it takes leadership across the business. Sustainability is everyone's responsibility.

Executive-level guidance – Companies can already draw from a wealth of material on the operational aspects of green procurement. This playbook instead centres on the leadership needed to mobilize senior stakeholders, influence decisions and elevate procurement as a strategic function within the organization, ensuring environmental priorities are fully embedded.

Whether organizations are just beginning or already advancing efforts on green procurement, this playbook is designed to spark ideas, strengthen alignment and provide a clear view of what is next. It seeks to encourage CPOs to keep championing this agenda and amplifying the impact it can have, both for their organizations and for the planet.

1 The green procurement imperative

For most companies, environmental impact does not start within their own walls – it begins in the supply chain.

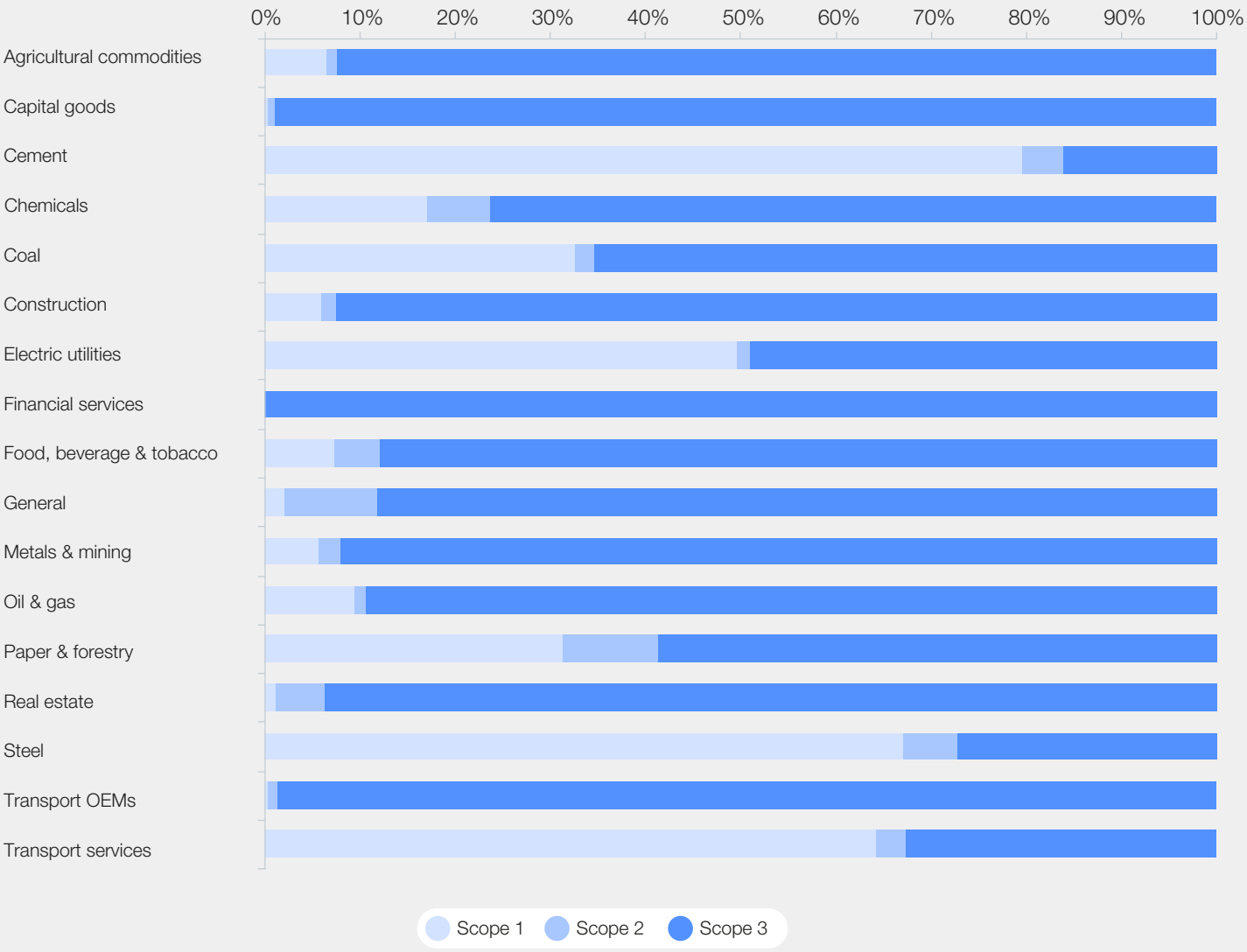
Procurement sits at the centre of a company's environmental footprint. While emissions discussions often focus on operations or product use, most of the impact lies beyond an organization's direct control. As Figure 1 below shows, in many sectors – such as transport, food and beverage, capital goods and construction – scope 3 emissions account for over 90% of the total.[2] A significant share comes from upstream activities such as purchased goods and services – areas that procurement directly influences. These emissions are not marginal; they represent a critical opportunity for impact – and fall squarely within the CPO's remit.

That reality gives procurement a unique ability to contribute to goals on sustainability. Decisions about what to buy, how to source it and which suppliers to engage, will shape the company's carbon footprint, material intensity and resource impact.[3] Embedding environmental considerations into procurement can reduce the company's risk, increase transparency and identify opportunities to do things differently – without compromising business outcomes.

New tools, data and partnerships are making this shift feasible. Companies are beginning to adopt internal carbon pricing, introduce environmental criteria in sourcing and work closely with suppliers. Cross-functional collaboration, such as between procurement, sustainability and finance teams, builds the alignment needed to move from ambition to action. While execution is still uneven across industries, the path forward is increasingly clear.

Green procurement also promotes innovation. By rethinking material choices, supply models and supplier relationships, companies can explore lower-impact alternatives and build more resilient supply networks. In a world of evolving regulation and growing stakeholder expectations, greener procurement can position companies for long-term success, where sustainability is not an afterthought but part of how value is created.

FIGURE 1 | **Scope 1, 2 and 3 emissions by sector**



Source: CDP, 2023.

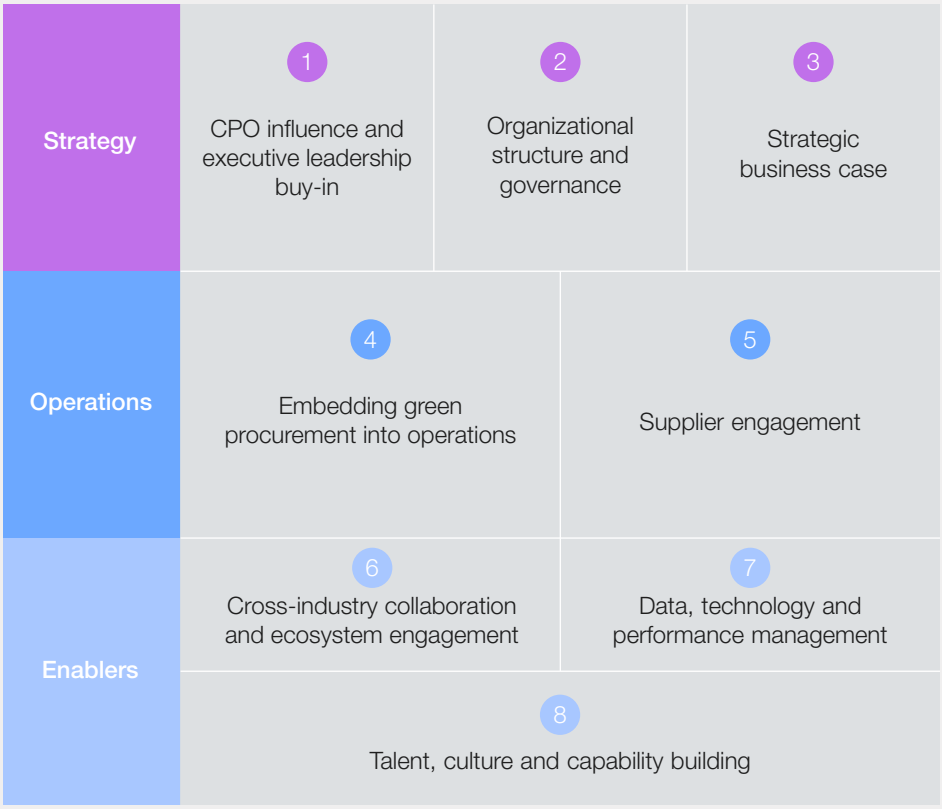
2 Stages of Excellence Assessment

Eight building blocks across three broad areas of strategy, operations and enablers provide the foundation for an organization to assess how to advance its green procurement practices.

This chapter introduces the eight building blocks that define the dimensions which CPOs and other executives must address – often in parallel – to advance measurable and scalable green procurement efforts. These building blocks represent the core areas where action is needed, from governance and supplier engagement to data, incentives and cross-functional collaboration.

Figure 2 outlines these eight building blocks, which serve as the foundation for the Stages of Excellence Assessment.

FIGURE 2 **Eight building blocks for green procurement**



Source: Kearney, 2025.

The Stages of Excellence Assessment is a practical tool for assessing a company's maturity with green procurement, helping them to understand where they stand and where to focus. It outlines typical practices observed across four levels of maturity, from early compliance-driven efforts to full strategic leadership. Figure 3 is an overview of each maturity level.

FIGURE 3 **Stages of Excellence overview**

	I	II	III	IV
Not yet started	Compliance driver	Risk manager	Value creator	Sustainability leader
	— Green procurement actions are reactive, limited to meeting basic regulatory or reputational expectations. — Sustainability is not integrated into procurement strategy, structures or decision-making. — Initiatives are fragmented and dependent on individual champions or external pressure. — No clear ownership, targets or incentives for sustainability within procurement.	— Procurement supports company-wide sustainability through risk mitigation and foundational practices. — Selected tools, standards or processes are used to address sustainability risks in operations and supply chain. — Leadership and cross-functional support are emerging but not yet consistent or embedded. — Sustainability is acknowledged as important, but not yet positioned as a driver of value.	— Procurement is aligned with corporate sustainability goals and contributes through structured, measurable initiatives. — Sustainability is embedded in key procurement processes, governance and decision-making frameworks. — Collaboration across functions, suppliers and partners generates shared value. — Clear performance targets and KPIs link green procurement to business and sustainability outcomes.	— Procurement is recognized as a strategic driver of the company's sustainability transformation. — CPO and team proactively shape ambition, influence enterprise-wide priorities and lead innovation. — Sustainability is institutionalized across tools, incentives, partnerships and culture. — Procurement decisions consistently deliver environmental and social impact alongside business results.

Source: Kearney, 2025.

BOX 1 **Instructions for completing the Stages of Excellence Assessment**

The Stages of Excellence Assessment consists of a series of descriptions across the eight building blocks. For each one, review the options carefully and select the one that most closely reflects your organization's current practices. The descriptions are broad enough to apply across industries and geographies, yet specific enough to prompt meaningful reflection.

If your organization operates differently across regions or business units, choose the response that best represents your typical or average approach. Don't worry about being at an early stage – this tool is not designed to evaluate performance, but to help you identify practical opportunities for improvement. The goal is not to fit into a single category, but to determine the stage that best reflects your current position – so you can prioritize the actions that will drive the greatest impact.

The assessment should take approximately 20-30 minutes to complete.

Once completed, use the results of this assessment to navigate Chapter 3 of the Playbook. It provides targeted guidance, tools and case studies to help you move from where you are today towards becoming a leader in green procurement.

The Stages of Excellence Assessment in eight building blocks

Building block 1

CPO influence and executive leadership buy-in

	I	II	III	IV
Focus area	Compliance driver	Risk manager	Value creator	Sustainability leader
CPO influence and executive leadership buy-in	— CPO has limited visibility with executive leadership; sustainability seen as operational, not strategic. — No formal involvement of procurement in corporate sustainability or business strategy discussions. — Green procurement is perceived as a cost or compliance issue, not discussed at CEO/ Board level. — No sustainability KPIs reflected in leadership performance evaluation or incentives.	— CPO occasionally engages with CSO or COO on supply chain sustainability risks. — Some support from senior executives, but seen as a tactical initiative without strategic priority. — Procurement function highlights regulatory or reputational risks to gain leadership attention. — Isolated discussions of KPIs, but no formal linkage to executive compensation or governance.	— CPO is recognized as a strategic contributor and actively engages CEO, CFO or Board on green procurement. — Sustainability KPIs are partially integrated into executive scorecards and business performance reviews. — Executive sponsors (e.g. CSO, COO) advocate for procurement's sustainability agenda. — Green procurement is regularly discussed in cross-functional leadership forums or steering committees.	— CPO co-owns sustainability strategy with other C-level leaders; part of core decision-making forums. — A portion of executive compensation is tied to sustainability metrics directly influenced by procurement (e.g. scope 3 emissions, responsible sourcing). — Green procurement has dedicated time in Board/CEO-level reviews; CPO presents progress and priorities. — Senior leaders publicly champion procurement's role, linking it to growth, resilience and innovation.
Alignment to corporate sustainability strategy	— Procurement is aware of the corporate sustainability strategy but not actively involved in shaping or implementing it. — Focus remains on meeting external compliance requirements, with no link to broader sustainability ambitions. — Procurement plans and decisions are not informed by corporate sustainability objectives. — Sustainability is not considered a strategic priority within the procurement function.	— Procurement supports corporate sustainability goals through a risk lens (e.g. due diligence, reputational risk). — Some procurement activities reflect sustainability considerations, but there is no formalized alignment. — If corporate guidance is unclear, procurement may adopt its own basic sustainability principles. — Engagement with the corporate sustainability team is ad hoc or operational in nature.	— Procurement strategy is clearly aligned with corporate sustainability objectives and cascaded into functional plans. — Sustainability goals are embedded into sourcing strategies for high-impact categories. — Procurement collaborates with corporate sustainability teams to co-own targets and report progress. — Internal stakeholders view procurement as a key contributor to delivering corporate sustainability outcomes.	— Procurement is a strategic advisor, influencing the direction of sustainability strategy through data and insights. — Sustainability targets are actively co-created with C-suite, and procurement contributes to enterprise-wide sustainability ambition. — Procurement's performance is evaluated based on its contribution to corporate sustainability outcomes. — Procurement is seen as a driver of innovation and transformation aligned with long-term business and sustainability goals.

Note: CSO = Chief Sustainability Officer, COO = Chief Operating Officer, CFO = Chief Financial Officer.

	I	II	III	IV
Focus area	Compliance driver	Risk manager	Value creator	Sustainability leader
Cross-functional collaboration and governance mechanisms	— Procurement works in isolation on its sustainability initiatives, with limited input from other areas. — Sustainability topics are not regularly discussed across functions; no shared ownership. — No forums or governance bodies exist to support cross-functional coordination. — Sustainability criteria are applied inconsistently and without broader business validation.	— Ad hoc collaboration occurs with functions such as legal or sustainability, mainly to manage risks. — A few champions in other functions may support specific sustainability efforts. — Procurement may be invited to working groups but with limited influence or continuity. — Early steps to introduce sustainability considerations into cross-functional decisions.	— Cross-functional governance forums (e.g. sustainability councils, sourcing committees) guide decisions with sustainability trade-offs. — Procurement collaborates regularly with key departments (e.g. product, finance, sustainability) on high-impact categories. — Clear responsibilities (e.g. RACI models) and decision frameworks are in place for shared sustainability outcomes. — Shared goals are increasingly aligned to green procurement targets and timelines.	— Integrated governance structures with executive sponsorship actively oversee green procurement decisions. — Procurement, sustainability, operations, product and finance work as one team toward shared sustainability goals. — Real-time collaboration is embedded in sourcing, product development and investment decisions. — Governance mechanisms (e.g. dual-approvals, escalation paths, carbon pricing reviews) are formalized and institutionalized.
Green procurement ownership	— No formal team or defined roles for green procurement within the organization. — Sustainability is addressed informally or ad hoc by category managers or sustainability teams. — Lack of clarity on responsibilities leads to duplicated or missed efforts. — No structural link between procurement and sustainability functions.	— A point of contact or informal champion handles sustainable procurement alongside other duties. — Basic coordination exists with sustainability or compliance teams, but roles are not clearly defined. — Some support activities (e.g. supplier screenings) are centralized, but responsibility remains fragmented. — Unclear governance on who owns decisions tied to green procurement sourcing risks.	— A dedicated green procurement role or small team is established with a clear mandate and reporting line. — Role definitions and responsibilities are formalized and documented (e.g. for risk, innovation, supplier engagement). — The team collaborates closely with category managers and acts as an internal competence centre. — Governance ensures accountability and integration across the broader procurement organization.	— A fully embedded sustainable procurement team operates as a strategic enabler across business units. — Structure includes clear ownership at global and regional levels, with defined decision rights and escalation paths. — The team supports strategy, category execution, supplier collaboration and governance processes. — The team interacts with the CPO and C-level executives and is empowered to influence major sourcing decisions.

Note: A RACI model, or responsibility assignment matrix, is a project management tool that defines roles and responsibilities within a project team (Responsible, Accountable, Consulted, Informed).

	I	II	III	IV
Focus area	Compliance driver	Risk manager	Value creator	Sustainability leader
Business case development and framing	— No formal business case built for green procurement; sustainability is seen as a cost, not a value driver. — Procurement lacks frameworks, data and support to quantify sustainability impact. — Sustainability benefits are loosely referenced but not part of investment criteria or sourcing logic. — No shared language or ownership for developing or endorsing sustainability cases.	— Business cases are developed reactively, focused on cost premiums and risk avoidance. — Procurement may include basic sustainability facts but lacks robust financial translation. — Limited collaboration with finance or sustainability teams; cases often lack credibility. — Green options are prepared but not promoted due to uncertainty about acceptance.	— Business cases integrate financial, risk and sustainability metrics into a structured narrative. — Procurement co-develops cases with finance and sustainability, leveraging internal carbon pricing or lifecycle costing. — Cases are adapted for different decision-makers (e.g. CFO, commercial, product) to gain buy-in. — Emphasis is placed on both operational impact and strategic alignment (e.g. brand, resilience).	— Framing of green procurement is proactive, strategic and standardized. — Procurement uses advanced tools to translate sustainability into business value (e.g. abatement cost, avoided risk, future cost of inaction). — Clear messaging connects procurement actions to corporate goals (e.g. SBTi, licence to operate, customer value). — Business cases shift perception of sustainability from "premium cost" to "strategic investment".
Governance and investment decision-making	— Sustainability is not included in investment or procurement decision-making frameworks. — Green options are evaluated on cost alone, with no formal mechanism to elevate trade-offs. — No central budget or pathway to fund sustainability-related premiums. — Approvals are siloed, with little visibility of long-term environmental impact.	— Sustainability enters investment conversations when tied to compliance or reputational risk. — Project teams must escalate green trade-offs to get leadership support – often inconsistently. — Decisions to pay a premium are made ad hoc, without guiding principles or escalation paths. — Procurement teams act as advisors but lack decision-making authority or investment tools.	— Governance requires sustainability to be explicitly considered in relevant sourcing and investment decisions. — Cross-functional reviews assess financial viability alongside sustainability impact. — CO_2 impact and carbon-adjusted cost are included in approval templates for large projects. — Dedicated review forums or escalation mechanisms help resolve cost-sustainability trade-offs.	— Sustainability is fully embedded in governance processes for procurement and capital allocation. — Strategic projects can access dedicated funds, adjusted ROI thresholds or corporate-level backing. — Decision-makers are equipped to evaluate sustainability and cost trade-offs holistically. — The C-suite and board champion green procurement as critical to long-term business success.

Note: SBTi = Science Based Targets initiative, ROI = return on investment.

	I	II	III	IV
Focus area	Compliance driver	Risk manager	Value creator	Sustainability leader
Procurement process	— Sustainability is not considered at any step of the sourcing or supplier selection process. — RFPs and contracts include only basic compliance clauses (e.g. legal or environmental regulations). — Award decisions are made solely on cost, quality and delivery criteria. — No tools, templates or procedures support sustainability in procurement decisions.	— Sustainability risks are considered in select sourcing events, mainly to avoid disruption or reputational issues. — RFPs may include general sustainability language, but without consistent weighting or evaluation methods. — Contracts include optional sustainability clauses, used inconsistently. — Sustainability is treated as a secondary or tie-breaking factor in supplier selection.	— Sustainability criteria are embedded into sourcing processes with formal weighting in evaluation templates. — Award decisions include structured trade-offs between sustainability performance and other business priorities. — Contracts include clear requirements (e.g. emissions targets, reporting obligations, improvement plans). — Tools such as carbon-adjusted cost models or internal carbon pricing, help teams make more informed decisions.	— Sustainability is a required and decisive factor in all major sourcing decisions. — End-to-end procurement processes – from planning to contract management – integrate sustainability at each stage. — Tailored templates and decision tools are used across categories to ensure consistent application of sustainability standards. — Procurement tracks supplier performance against sustainability targets and integrates results into future decision-making.
Category management	— Category strategies do not reflect sustainability goals or priorities. — Any sustainable sourcing is reactive and compliance-driven (e.g. meeting legal or reputational requirements). — Category managers are not expected to consider environmental or social impact in their decisions. — Cost, quality and delivery remain the sole focus in category planning.	— Category managers are encouraged, but not required, to address sustainability risks (e.g. emissions, reputational concerns). — Strategies may include basic sustainability actions, especially if aligned with savings or risk mitigation. — Sustainability-related decisions are made on an ad hoc basis, often limited to high-profile categories. — There is no accountability for delivering on sustainability within category plans.	— Sustainability targets are cascaded to the category level and owned by category managers. — Strategies include actionable initiatives, such as switching to lower-impact materials or responsible suppliers. — Award decisions that do not align with sustainability goals must be justified. — Category strategies vary based on spend impact and risk (e.g. supplier collaboration in strategic categories, demand management elsewhere).	— Each priority category has a defined sustainability roadmap, aligned with corporate targets (e.g. scope 3 emissions, circularity, biodiversity). — Advanced levers such as product redesign, lifecycle optimization and joint innovation are core to strategy. — Sustainability targets take precedence when critical thresholds are at stake – cost is considered, but it is not the only factor. — Cross-functional category teams are accountable for performance.

Note: RFP = request for proposal.

	I	II	III	IV
Focus area	Compliance driver	Risk manager	Value creator	Sustainability leader
Supplier segmentation and prioritization	— No segmentation: all suppliers are treated equally regardless of impact or maturity. — No formal mapping of supplier sustainability risks or contributions. — Engagement decisions are reactive and based on cost or availability. — Limited visibility into which suppliers matter most for environmental performance.	— Suppliers are segmented informally based on perceived sustainability risks or criticality. — Some efforts focus on high-risk or high-spend suppliers, but criteria are inconsistent. — Limited use of structured tools to assess emissions impact or maturity. — Prioritization is largely static, with little ability to adapt to supplier progress.	— Supplier base is segmented using clear criteria (e.g. emissions, maturity, strategic importance). — Prioritized suppliers receive tailored levels of engagement, based on their segment. — Criteria and segmentation are updated periodically, based on new data or performance. — Segmentation informs internal resource allocation and guides supplier strategy.	— Dynamic segmentation model links supplier maturity and impact to custom engagement pathways. — Strategic suppliers co-develop roadmaps; transactional suppliers are supported at scale. — Segmentation integrates internal business priorities (e.g. product decarbonization, category strategy). — Segmentation data is embedded in dashboards and used in performance reviews.
Supplier engagement and communication	— Sustainability expectations are generic, passive and communicated one-way (e.g. code of conduct). — No formal process for engaging suppliers on sustainability topics. — Contact points are unclear; follow-up is rare or reactive. — No mechanisms in place to capture or act on supplier feedback.	— Supplier communication includes some sustainability updates, mainly during contract onboarding. — Expectations may be included in RFPs or scorecards, but not discussed regularly. — Top suppliers may receive one-off communication or questionnaires on environmental topics. — Ad hoc forums or surveys are used for limited feedback.	— Clear sustainability expectations, targets and timelines are shared with suppliers. — Dedicated points of contact exist on both sides (e.g. supplier sustainability champions). — Engagement includes regular business reviews with sustainability updates. — Feedback is gathered systematically to improve programmes and identify collaboration areas.	— Engagement is proactive, two-way and embedded in supplier relationship management routines. — Strategic suppliers participate in joint planning, quarterly reviews and innovation sessions. — Buyer-supplier forums, sustainability summits and peer-learning platforms foster shared learning. — Communications are tailored to supplier segments, maturity levels and regional contexts.
Supplier support and enablement	— Sustainability is the supplier's responsibility; buyer provides little to no support. — No tools, training or incentives offered to help suppliers improve. — Focus remains on compliance with minimum standards, not progress or capability building. — Buyers lack internal resources to guide or assist suppliers.	— Select suppliers receive training or materials (e.g. toolkits, policy documents). — Efforts are mostly limited to top-tier suppliers or high-risk categories. — Capability-building is offered reactively or through third-party channels. — Support is not embedded into broader supplier programmes or incentives.	— Tailored support is provided to suppliers based on their segmentation (e.g. webinars, toolkits, 1:1 coaching). — Buyers invest in supplier training, resource guides or knowledge-sharing platforms. — Joint innovation or co-investment opportunities begin with key partners. — Clear link between supplier enablement and category/ sustainability strategies.	— Supplier support is formalized and strategic: includes co-investment, R&D partnerships and financing tools. — Supplier enablement programmes scale up through regional training hubs or digital platforms. — Leading suppliers are engaged in pilot programmes to co-develop low-carbon or circular solutions. — Support is framed as a shared journey: empowering suppliers to succeed and scale up their sustainability efforts.

Cross-industry collaboration and ecosystem engagement

	I	II	III	IV
Focus area	Compliance driver	Risk manager	Value creator	Sustainability leader
Participation in collaboration efforts	— No formal participation in industry or multi-stakeholder sustainability collaborations. — Procurement acts in isolation, relying on internal practices and bilateral supplier interactions. — Hesitation to share data or practices due to competitive or legal concerns. — Sustainability efforts focus only on internal operations and direct suppliers.	— Limited engagement in cross-industry forums, mostly to monitor trends or manage compliance risks. — Participation in industry associations or working groups is passive or informational. — Concerns about antitrust, resource burden or free-riding inhibit deeper collaboration. — Data sharing is minimal; collaborative standards or tools are rarely adopted.	— Actively participates in selected coalitions, alliances or consortia to co-develop sustainability standards or share supplier data (e.g. TfS, PSCI, FMC). — Contributes to development of shared tools (e.g. PCF guidelines, assessment frameworks, supplier academies). — Collaborates to strengthen supplier capability building and reduce duplication of effort. — Leverages shared infrastructure (e.g. audit platforms, standardized codes) to streamline and scale up impact.	— Shapes industry-wide practices and policy through active leadership in coalitions and advocacy platforms. — Co-invests with other companies to accelerate innovation and supplier decarbonization (e.g. pooled procurement, joint funds, early buyer alliances). — Acts as a "system orchestrator" – sharing knowledge, setting joint targets and coordinating across peers, suppliers and policy-makers. — Drives regulatory alignment, fair market conditions and sector-wide transformation through unified voice and strategic partnerships.

Note: TfS = Together for Sustainability, PSCI = Pharmaceutical Supply Chain Initiative , FMC = First Movers Coalition, PCF = product carbon footprint.

	I	II	III	IV
Focus area	Compliance driver	Risk manager	Value creator	Sustainability leader
Supplier data quality and transparency	— No structured process to collect or validate supplier sustainability data. — Reliance on spend-based estimates or industry averages to assess impact. — Data collected manually, if at all, with no supplier accountability. — Limited awareness of supplier data maturity or reporting gaps.	— Data is collected from suppliers reactively or for specific audits and disclosures. — Information is inconsistent, mostly self-reported and difficult to verify. — Focus on tier 1 suppliers, with limited visibility into deeper supply chain. — Fragmented templates and unclear expectations create supplier fatigue.	— Supplier-specific sustainability data collected regularly for priority suppliers. — Data validation begins through audits, third-party platforms or certifications. — Emphasis on product-level carbon data in high-impact categories. — Clear expectations communicated to suppliers to standardize methodologies.	— Product-level and factory-specific data integrated across key supply chains. — Shared platforms (e.g. CDP, EcoVadis) used to enable consistent data flow. — Supplier segmentation determines granularity and frequency of reporting. — Procurement drives cross-industry alignment on standards to reduce burden and improve data quality.
Performance management	— No sustainability KPIs tracked within procurement or included in scorecards. — Focus remains on cost, quality and delivery without sustainability integration. — Reporting limited to annual sustainability disclosures or external requirements. — No visibility on progress towards procurement-related sustainability goals.	— Sustainability targets exist but are not cascaded to procurement teams. — Metrics focus on risk avoidance or compliance (e.g. supplier code adherence). — Performance tracked in silos, often with low data quality or frequency. — Limited link between KPI tracking and decision-making or incentives.	— KPIs on emissions, supplier performance or sustainable spend embedded in procurement scorecards. — Regular internal reviews and dashboards track progress against targets. — KPIs aligned with category strategies and supplier segmentation models. — Progress informs sourcing priorities and resource allocation.	— Procurement KPIs aligned with corporate sustainability goals and reviewed at C-suite level. — Sustainability metrics integrated into team and individual performance evaluations. — Incentives and recognition tied to outcomes. — KPI framework supports continuous improvement and accountability across the function.
Technology and systems enablement	— No digital tools in place to support sustainability data collection or analysis. — Manual processes (e.g. spreadsheets) used inconsistently across regions. — Data stored in disconnected systems with no linkage to sourcing workflows. — Limited visibility for procurement teams on sustainability metrics.	— Basic sustainability or risk modules used within legacy procurement platforms. — Some digital tools applied to sustainability but not fully integrated. — Systems focus on data collection, with minimal analytics or visualization. — Tools used mainly for compliance tracking, not to guide decisions.	— Procurement systems integrate sustainability fields into sourcing, contracting and performance reviews. — External platforms (e.g. carbon calculators, risk engines) connected to internal workflows. — Dashboards and alerts support data-driven decisions. — Digital tools enable proactive identification of hotspots and improvement opportunities.	— Advanced digital ecosystem enables real-time tracking, forecasting and automated reporting. — Tools integrate internal and external data (e.g. PCF, energy mix, financial impact). — AI and advanced analytics used for supplier prioritization and scenario modelling. — Procurement is a key user and shaper of sustainability tech architecture.

Talent, culture and capability building

	I	II	III	IV
Focus area	Compliance driver	Risk manager	Value creator	Sustainability leader
Skills and training	— No formal training on sustainability for procurement teams. — Sustainability knowledge seen as optional or delegated to experts. — Occasional mentions in company-wide sustainability sessions, but not role-specific. — No tracking of training completion or impact on decision-making.	— Advanced digital ecosystem enables real-time tracking, forecasting and automated reporting. — Tools integrate internal and external data (e.g. PCF, energy mix, financial impact). — AI and advanced analytics used for supplier prioritization and scenario modelling. — Procurement is a key user and shaper of sustainability tech architecture.	— Mandatory role-specific training for buyers and category managers. — Content tailored to procurement levers (e.g. supplier selection, specifications). — Refresher courses and learning modules updated annually. — Training linked to functional priorities such as decarbonization or circularity.	— Structured capability frameworks define sustainability learning by role. — Category-specific training co-developed with sustainability, legal and other teams. — Buyers trained to independently evaluate claims and guide supplier conversations. — Internal and external knowledge-sharing platforms promote continuous learning.
Hiring, onboarding and career development	— Sustainability not reflected in procurement job descriptions or hiring profiles. — Onboarding excludes sustainability topics or tools relevant to procurement. — Talent development priorities remain focused on cost and compliance.	— Sustainability capabilities considered in hiring for select roles. — New hires receive basic sustainability context during onboarding. — Internal sustainability experts support development through informal coaching.	— Job descriptions for key roles include sustainability responsibilities. — Onboarding includes modules on procurement's role in corporate sustainability. — Career paths include sustainability KPIs and development goals.	— Sustainability criteria embedded in recruitment, evaluation and promotion. — Career progression tied to demonstrated sustainability impact. — Talent strategy aligns with corporate sustainability goals and market expectations.
Culture and mindset	— Cost and compliance dominate procurement's decision-making culture. — Sustainability seen as a burden or the responsibility of other functions. — No internal messaging or leadership emphasis on green procurement. — Little or no recognition for sustainable behaviour in teams.	— Procurement promotes responsible sourcing, mostly for risk mitigation. — Sustainability discussed occasionally in team forums or newsletters. — Sustainability initiatives depend on passionate individuals, not culture. — Recognition of sustainable efforts is informal and inconsistent.	— Sustainability positioned as a core part of procurement's value contribution. — Functional messaging, events and leadership behaviour reinforce priorities. — Sustainable behaviour rewarded through awards or performance reviews. — Culture of curiosity encourages buyers to explore greener alternatives.	— Sustainability is embedded in procurement's identity, values and rituals. — Leaders role-model sustainable decisions and link them to purpose and performance. — Procurement helps shape a company-wide culture of sustainability.

3 Building blocks for green procurement

This chapter expands on the insights of the eight building blocks to help organizations become leaders in green procurement.

For each building block, the following key points are highlighted:

- **Common challenges** that organizations face.
- **Practical approaches** and frameworks for implementation.
- **Best practices** from leading organizations.
- **Real-world case studies**, including direct quotes and insights from CPOs.

Building block 1

CPO influence and executive leadership buy-in

Green procurement has become a critical part of achieving corporate sustainability, especially with pressure to address scope 3 emissions. Yet in many organizations it remains sidelined – often delegated to sustainability teams – while procurement overall is viewed as purely tactical, focused on reducing costs. This is a missed opportunity. With its reach across suppliers, internal stakeholders and decision points, procurement is uniquely positioned to make a difference within an organization and across supply chains.[4] It deserves a seat at the table.

The challenge lies in changing perceptions and building internal credibility. CPOs must translate sustainability into business terms, showing how it boosts resilience, mitigates risk and unlocks value. Without that link, executive buy-in remains shallow and initiatives and investments stall. Leaders put resources into other priorities. The companies making the most progress are those where CPOs step up – not just as buyers, but as leaders of change.

Link executive compensation to green procurement goals

As many CPOs acknowledge: what gets incentivized gets done. In interviews conducted for this report, two-thirds of companies reported some linkage between sustainability goals and C-suite-level compensation. Tellingly, many CPOs identified compensation as the single most effective catalyst for securing leadership support. When executives are personally accountable for sustainability outcomes, green procurement quickly moves up the list of priorities.

Approaches vary, but most companies tie incentives to long-term variable compensation, often using metrics such as CO_2 reductions – ideally scope 3.[5] Some go further, tracking supplier engagement or the percentage of suppliers with metrics aligned to the Science Based Targets initiative (SBTi). The structure may differ, but the impact is consistent: once sustainability enters the executive scorecard, action follows.

CPOs should seize the opportunity to shape incentives that reflect the contribution of procurement. Partnering with HR and compensation committees can help embed procurement into the metrics that matter to leadership.

Of course, these incentives presume that a foundation is already in place. Otherwise, executives will not know how to respond and may end up frustrated, their compensation affected without clear direction. Incentives must be aligned with enabling conditions, such as having an overall corporate sustainability agenda and targets, building a procurement team to drive this agenda and segmenting suppliers according to impact.

> **Green procurement requires change management. People resist change unless it is embedded in their KPIs, dashboards and performance reviews… The biggest catalyst for change? Linking sustainability performance to executive bonuses. That changed everything for us.**
>
> Iberdrola

Speak the language of the C-suite

To build momentum, CPOs must seek internal alignment. Each executive in the C-suite brings a unique perspective and set of priorities and can help CPOs along the way; but it is the CPO's task to translate the sustainability agenda into terms that resonate with each executive. Many leaders will not become sustainability champions, yet identifying and encouraging one or two strong allies can create a ripple effect across the organization. Governance structures vary, but outlined below are the most common centres of influence and potential allies.

Board members

Boards are increasingly concerned with long-term risk, regulatory compliance and reputation. Green procurement speaks directly to these concerns by reducing supply chain risk, ensuring compliance and strengthening the company's licence to operate. With risk assessments tied to sustainable suppliers, scenario planning based on regulatory and geopolitical shifts, and strategic growth opportunities linked to green procurement, CPOs can elevate procurement as a strategic lever, not just an operational function.

Chief Executive Officer (CEO)

CEOs are under pressure to deliver both business growth and progress on sustainability. Green procurement can provide support through innovation in sustainable materials, accelerating shifts in energy sources and influencing the specifications and quantities of materials demanded across the business. When CPOs position procurement as a lever to meet growth targets while advancing sustainability, they speak directly to the CEO's dual agenda – and open the door to strong executive support.

Chief Financial Officer (CFO)

CFOs focus on cost, risk and capital allocation. To gain their support, CPOs must build credible, data-backed business cases that articulate the required investments and expected financial benefits. They must work closely with finance teams to model ROI, cost avoidance and long-term value creation – while also factoring in regulatory risks. In some markets, failure to meet sustainability requirements could lead to fines or restrictions that directly erode profitability. When framed strategically, green procurement becomes not just about costs, but enterprise value.

Chief Operating Officer (COO)

COOs seek supply chain continuity while building resilience and optimizing operations. Green procurement supports these goals by diversifying suppliers while strengthening collaboration and transparency across the supply base. It also helps monitor and mitigate risks from climate disruptions, through enhanced supplier assessments and more agile supplier engagement. By linking sustainability to supply stability and operational agility, CPOs position procurement as a strategic partner in advancing the COO's objectives.

Chief Human Resources Officer (CHRO)

CHROs are navigating evolving workforce expectations, culture and talent. A visible sustainability agenda strengthens employer branding, attracts purpose-driven talent and ensures the workforce builds the capabilities needed for future roles. Partnering with HR also enables CPOs to embed sustainability into recruiting criteria, onboarding programmes, incentive structures and leadership development – making it a tangible part of how the organization operates and grows.

Chief Sustainability Officer (CSO)

A CSO, or whoever leads the company's agenda on sustainability, is the natural partner of the CPO, but integration is not automatic. Successful CPOs actively co-create strategies, share supplier data and align on reporting cycles. By embedding procurement into sustainability governance and aligning it to the corporate sustainability strategy, CPOs move it from a support function to co-owner of the sustainability agenda.[6]

> **Green procurement is discussed at board level three times a year. They challenge me on spending, ROI, pipeline and risk – it's intense but necessary.**
>
> BASF

Case study 1

Embedding sustainability at the core of Iberdrola's procurement

Iberdrola is a Spanish company that operates in many countries, promoting and building renewable energy and electricity networks. Sustainability has long been a core element of its corporate strategy, with procurement playing a leading role.

Since 2004, Iberdrola has been measuring supplier practices and, in 2019, it introduced a new sustainability standard to assess supplier performance across environmental, social and governance dimensions. A key move along the way was linking 10% of long-term incentives for its top executives – including the CEO – to supplier sustainability.

How?

Iberdrola's green procurement is anchored in governance, data systems and cross-functional collaboration, with these enablers:

- **Executive alignment through incentives:** Long-term compensation is tied to the percentage of spend with sustainable suppliers among top vendors.
- **Structured sustainability supplier assessment:** The company evaluates suppliers across 47 criteria via an external platform. Those falling below the defined thresholds receive tailored improvement plans and are given a period of time to improve.
- **CPO-led internal alignment:** The procurement team tracks sustainability at the individual buyer level, reviewing metrics weekly alongside cost, financial and strategic indicators.
- **Cross-functional collaboration:** Procurement works closely with the sustainability and finance teams to align targets (such as scope 3 emissions) and promote procurement of low-carbon alternatives (such as green steel).

Impact

By integrating sustainability into procurement, Iberdrola has achieved both broad organizational buy-in and strong supplier engagement. Practically, that has meant tying sustainability to executive incentives, embedding new KPIs into decisions and providing suppliers with clear improvement pathways. Iberdrola has thus transformed procurement into a lever for achieving corporate goals. Even suppliers that initially fell short of expectations have responded positively – many crediting Iberdrola for pushing them to strengthen their sustainability practices and future-proof their business.

Building block 2

Organizational structure and governance

Even the strongest green procurement strategies falter without supportive internal structure and governance systems. One message from CPOs came through clearly: progress requires structure and resources. Every company interviewed for this report has at least one dedicated employee, often a small team, on sustainable procurement. These teams usually cover broad topics, from environmental impact to human rights, and serve as both subject-matter experts and PMO coordinators, while also developing internal guidelines, managing stakeholder engagement, facilitating training and tracking KPIs.

Building the right structure is far from straightforward. Green procurement often falls between functions and is either left to corporate sustainability teams with little influence over sourcing or added informally to overstretched category managers. In many companies, the absence of a clear owner confuses teams about priorities and decision rights.

These gaps are compounded by weak cross-functional alignment. Procurement, finance, operations and product teams often operate with competing incentives, making it difficult to embed sustainability into decisions. Add to those shortcomings limited sustainability expertise within procurement and it is no surprise execution lags behind ambition. To advance, companies must build the structure and governance to turn intent into action.

Embed collaboration across the organization

Cross-functional collaboration is not a nice-to-have. No matter how strong the procurement team, it cannot deliver on sustainability goals alone. CPOs leading in this space are moving beyond alignment workshops into structural integration, ensuring that sustainability becomes part of how decisions get made across the business.

Start by building coalitions

CPOs should identify the two or three functions most critical to green procurement outcomes, typically sustainability, finance and product or R&D, and formalize collaboration through structures such as cross-functional sustainability committees with clear decision rights, or task forces focused on specific goals (e.g. reducing packaging emissions or increasing supplier compliance). One CPO, for example, created a carbon value committee with procurement, operations and finance to align on internal carbon pricing and investment priorities.

Embed procurement into product and planning

Leading CPOs ensure their teams have a seat at the table early, during product design, budgeting and demand planning. Procurement can thereby influence specifications, flag sustainability trade-offs and shape sourcing strategies before these are locked in. Embedding category managers into product development teams, even on a rotating basis, has proven effective. At one manufacturer, procurement and engineering functions co-own decarbonization targets for key materials, tracked through a joint dashboard reviewed monthly.

Make sustainability metrics visible and shared

Too often, procurement tracks supplier sustainability data in isolation. CPOs are now working with finance and operations to develop shared metrics reviewed together, whether in quarterly business reviews or joint supplier evaluations. For instance, one pharma company interviewed for this playbook has reviewed procurement alongside sustainability progress in executive-level committees, to make decisions with a view of both cost and impact.

Bring procurement close to the market

As sustainability becomes a differentiator in competitive bids, especially in B2B sectors, CPOs are embedding procurement teams in sales to understand what clients value, from low-carbon materials to supply chain transparency and traceability. This collaboration helps translate customer expectations into sourcing criteria and supports the business case for investment. In some organizations, procurement helps prepare tender responses, aligning supplier capabilities with bid requirements to strengthen the company's commercial offer.

> **If sustainability is treated as an add-on, it is much harder to make progress. We integrated it into procurement and product design from the start.**
>
> Microsoft

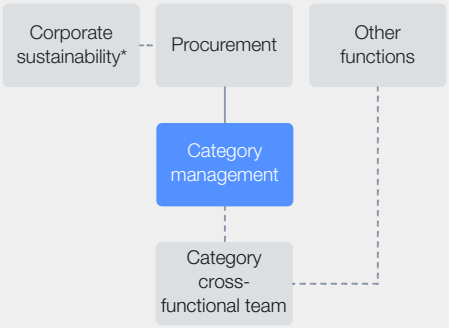
Build a dedicated team with governance

Establishing an ongoing green procurement team is often the north star, and for good reason. All of the leading companies interviewed for this report have built some form of dedicated capability and consistently highlighted it as an enabler of progress. These teams serve as internal experts, coordinators and change agents, ensuring sustainability is not an afterthought, but a core part of procurement decisions.

That said, many companies are not ready to establish a full team from day one. In the early stages of maturity, with limited resources or evolving leadership buy-in, other models deliver better results. As shown in the figure below, there are three common approaches. Where the expertise is housed – whether in procurement, corporate sustainability or distributed across category teams – matters less than how accessible and embedded it is in everyday decisions.

FIGURE 4 **Organizational models for embedding sustainability in procurement**

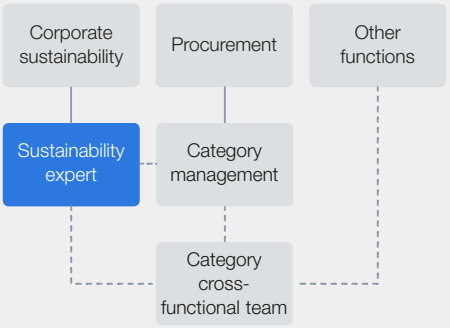
Decentralized ownership model



Category managers lead sustainability integration with limited coordination, supported by ad hoc cross-functional teams, external experts or internal upskilling.

- ✓ Embeds accountability in day-to-day decisions, enabling faster adoption across categories. Lean set-up avoids added layers and reduces overheads.
- ✗ Success depends on individual capabilities. Lacks consistency or centralized oversight. Requires ongoing investment in training or support.

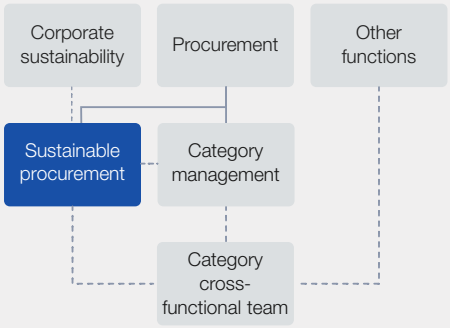
Central support model



Sustainability experts sit in corporate sustainability and advise category managers. Procurement leads sourcing, but guidance may lack relevance to procurement realities.

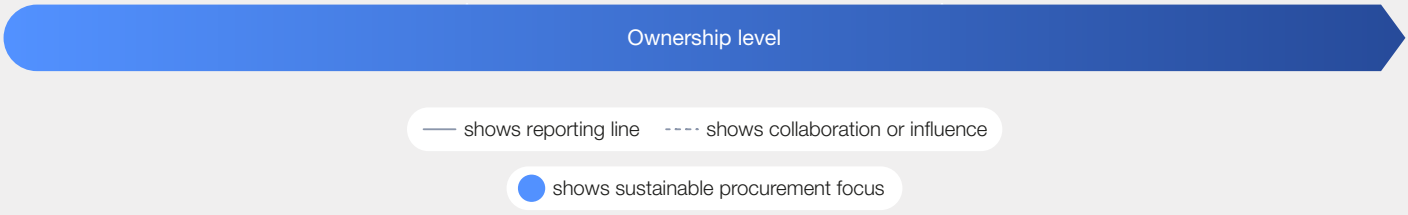
- ✓ Provides access to deep sustainability expertise and ensures alignment with corporate sustainability goals.
- ✗ Limited procurement-specific knowledge and lack of ownership can hinder practical integration into sourcing.

Dedicated team model



Dedicated team within procurement drives sustainability integration across sourcing, providing tools and guidance to category managers and reporting to CPO.

- ✓ Brings focus, consistency and procurement-specific expertise to drive sustainable sourcing at scale.
- ✗ Requires additional investment, clear mandate and strong leadership support to be effective.



* Corporate sustainability sets direction but has limited influence on procurement execution.

Source: Kearney, 2025.

To ensure these models are effective, leading companies establish clear structures around roles, governance and oversight, with well-defined responsibilities and accountability. Examples include category managers integrating sustainability into sourcing, or functional leads from sustainability, finance, or operations supporting implementation. Formal checkpoints ensure that decisions incorporate sustainability, such as requiring joint approval from procurement and sustainability leads for high-risk suppliers. Escalation paths help resolve trade-offs between cost and sustainability, preventing tensions from stalling progress.

Crucially, executive visibility reinforces accountability. Several companies now report green procurement progress in quarterly reviews or to Board-level committees, helping secure support and resources at the highest level.[7]

> **We have a dedicated team focused on sustainable procurement, around 15 people globally, working on decarbonization, human rights and supplier diversity. That central team is really the enabler of the category leads for them to deliver on the goals we set.**
>
> Bayer

Case study 2

Structuring for impact at Bayer through a dedicated sustainable procurement team

Bayer's dedicated team, set within the procurement organization, leads the integration of sustainability priorities, particularly decarbonization, into sourcing decisions and category strategies. It provides expertise, tools and coordination to support implementation across the business.

Bayer also plays a leadership role in Together for Sustainability (TfS), a global chemicals industry coalition that advances these practices, helping members boost impact, reduce duplication and drive continuous improvement across global supply chains.

How?

Bayer's success stems from structural enablers and broader practices:

- **Dedicated team and integrated governance:** Procurement works with legal, finance and HR in sustainability councils to align direction and resolve trade-offs.
- **Board-level endorsement and accountability:** Progress boosts both short- and long-term compensation for all employees, reinforcing shared accountability.
- **Tools and data embedded into decisions:** Internal carbon pricing and related thresholds go into evaluating suppliers, with digital systems for carbon footprint tracking and scoring. Those lacking emissions data face penalties, while strong performers gain an edge.
- **Ecosystem platforms for scale and alignment:** TfS resources help to train teams, align on shared standards and scale up supplier engagement. Collaborating with peers, rather than developing standalone systems, accelerates implementation and ensures consistency across the industry.

Impact

Bayer's structured approach has enabled procurement to lead on sustainability. A dedicated team with clear governance mechanisms embeds sustainability into strategies and decisions. At the same time, Bayer's industry-wide effort has amplified its influence, shaping standards and accelerating the adoption of sustainability practices.

Building block 3

Strategic business case

CPOs are increasingly expected to integrate sustainability into procurement. Yet translating these expectations into a compelling business case remains a persistent challenge. While sustainability is gaining visibility in boardrooms, investment decisions are still driven largely by cost and short-term financial metrics. Procurement teams often face pressure to justify premiums, where they exist, for green alternatives in markets where customers are unwilling to pay more. As one CPO put it, “Every decision must be cost-neutral or backed by a strong business case.”

The benefits of sustainability – such as resilience, innovation and brand equity – are real, but hard to quantify. Without consistent data or shared evaluation frameworks, these intangible benefits often carry less weight than immediate cost savings. And where customers are willing to pay “green premiums”, procurement leaders may find themselves caught between ambitious sustainability goals and commercial teams hesitant to pass higher costs to customers. Internal alignment becomes particularly difficult when responsibility for absorbing additional costs is unclear, a recurring challenge for organizations without centralized funding mechanisms. Who will communicate across the value chain about the green advances?

Approval processes also remain a hurdle. Even in companies ambitious for sustainability, procurement decisions must often pass through conventional capital expenditure or investment committees that prioritize return on investment (ROI), internal rate of return (IRR) and a short payback period. Unless companies deliberately embed sustainability into these processes, green options too often lose out.

Despite these challenges, leading companies have developed robust approaches to framing green procurement as a strategic investment. They blend rigorous financial modelling with sustainability logic to influence both internal and external decision-makers.

> **Our job in procurement is to provide options with a lower environmental impact, present clear business cases and support decision-making.**
>
> Alfa Laval

Frame the full value of sustainability

Best-in-class organizations go beyond conventional ROI models to capture the multidimensional value of green procurement.[8] Figure 5 illustrates a holistic value map that leading CPOs should use to structure business cases across four dimensions: cost reduction, revenue generation, indirect value creation and risk mitigation. This framework enables companies to position sustainability benefits alongside, rather than in opposition to, traditional metrics.

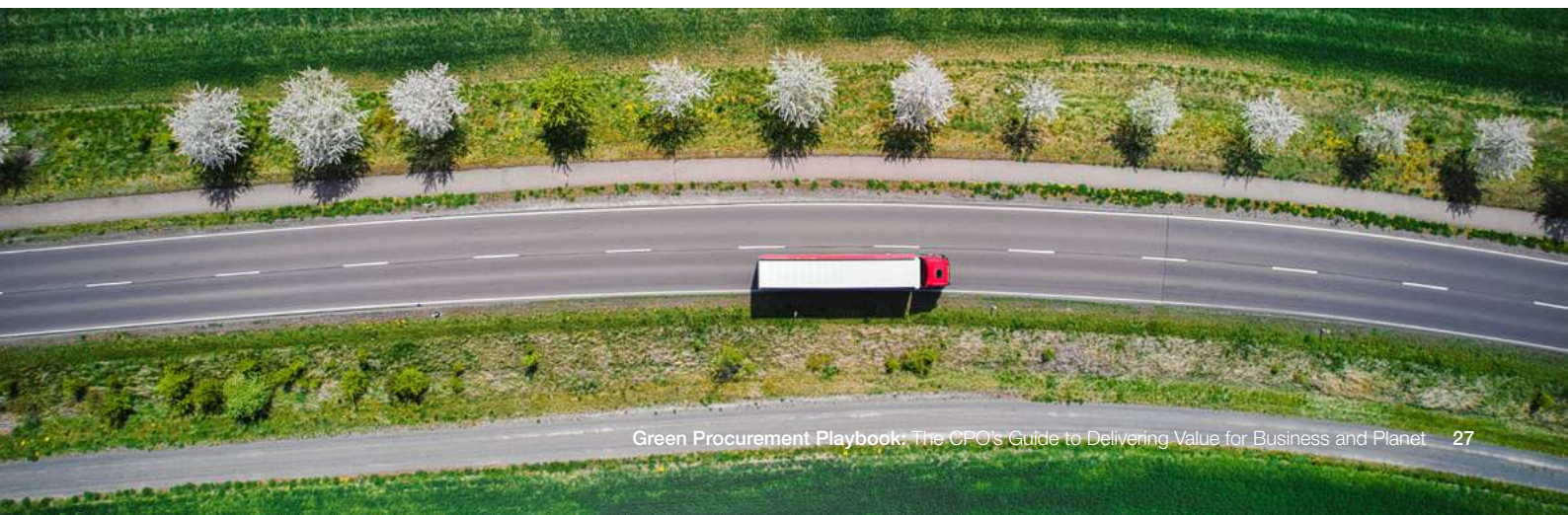
FIGURE 5 **Holistic value map for green procurement**

Cost reduction	Revenue generation	Indirect value creation	Risk mitigation
— **Operational cost savings:** Achieve savings through reduced waste, energy consumption and optimized resource use.	— **Sales of existing products:** Increase sales through differentiated offerings that meet customer demand.	— **Enhanced brand loyalty:** Enhance brand reputation and loyalty among customers who prioritize sustainability.	— **Regulatory changes:** Proactively adapt to evolving rules, avoiding fines, penalties and compliance costs.
— **Emissions compliance costs:** Reduce or avoid carbon taxes, permit costs and other emissions-related regulatory fees.	— **New offerings:** Develop products and services that cater to the growing demand for sustainable solutions.	— **Enhanced employer brand:** Attract and retain talent seeking purposeful, sustainable employers.	— **Secure supply chain access:** Diversify suppliers, reducing reliance on high-risk sources, strengthening ethical partnerships.
— **Preferred financing terms:** Gain lower interest rates or favourable terms on loans specifically for sustainable investments.	— **Premium pricing:** Charge a premium for certified or eco-labelled products, due to higher willingness to pay.	— **Improved investor relations:** Attract sustainability investors and potentially improve ratings and valuation.[2]	— **Reputational risk mitigation:** Avoid negative press and backlash from unsustainable or unethical supply chain practices.
— **Leverage incentives:** Access green subsidies, tax credits and rebates for sustainable sourcing investments.	— **Product innovation:** Differentiate by adopting emerging tech, securing patents and forging co-innovation partnerships.	— **Positive PR and media coverage:** Gain recognition for genuine sustainability efforts, enhancing brand equity.	— **Reduced litigation risk:** Minimize likelihood of lawsuits related to environmental damage in the supply chain.
	— **Market access:** Meet sustainability requirements to retain or expand access to regulated markets (e.g. EU CBAM, CSDDD).[1]	— **Meeting internal and external commitments:** Deliver on sustainability goals and meet stakeholder expectations.	— **Climate change resilience:** Reduce disruption risk through low-exposure sourcing and resilient practices.

Notes:

1. EU CBAM = European Union's Carbon Border Adjustment Mechanism; CSDDD = Corporate Sustainability Due Diligence Directive.
2. See source in endnote.[9]

Source: Kearney, 2025.



Embed sustainability into investment governance

Leading companies treat investments in green procurement with the same rigour as other strategic initiatives, but tailor approval processes to the impact of sustainability. These companies:

- Require procurement proposals to include a CO_2 impact assessment alongside financial metrics.
- Integrate internal carbon pricing into cost comparisons to reveal the true cost of high-emission alternatives.
- Establish sustainability steering committees or investment review boards with cross-functional C-level participation.

Some companies apply internal carbon fees to business units based on scope 3 emissions, creating both a funding mechanism for decarbonization and a financial incentive to pursue low-carbon options.

Build joint ownership across functions

The strongest business cases are not built in isolation by procurement. These are co-created with sustainability, finance and commercial teams, ensuring alignment with corporate strategy, market dynamics and customer priorities. Several companies have established cross-functional working groups to shape procurement investments, often co-sponsored by the CPO, COO or CSO.

Finance teams, in particular, play a critical role. They can help translate CO_2 reductions into cost avoidance, assess risk-adjusted returns and validate long-term financial impacts. Engaging CFOs early in the process increases credibility and smooths the path to approval. In one interviewed company, for instance, the CPO works closely with the finance function every quarter to plan and budget for sustainability-related procurement costs.

Customize the approach by investment type

Sustainability-related procurement decisions require different degrees of rigour. Leading companies adapt to context:

- Routine purchases (e.g. switching to greener packaging) may rely on pre-approved standards or internal pricing assumptions.
- Strategic investments (e.g. long-term contracts for green steel or sustainable aviation fuel) require robust business cases and are often escalated to executive committees.
- Transformational bets (e.g. co-investing in renewable energy or introducing a new product) may draw from innovation budgets or dedicated sustainability funds.

Some companies adjust their internal financial thresholds, such as hurdle rates or required ROI, for sustainability investments. This approach recognizes that projects with long-term payback periods or intangible benefits (such as brand value or risk reduction) may not meet standard financial criteria but are still strategically important. In some cases, sustainable options may require higher upfront capex but lead to long-term opex savings, yet annual budgeting cycles often prevent procurement teams from capitalizing on these opportunities.

Secure dedicated funding mechanisms

To avoid case-by-case conflicts, several organizations have established centralized sustainability funds or internal carbon budgets. These mechanisms help absorb green premiums and reduce friction between project teams and procurement. For example, DHL centrally funds investments in sustainable aviation fuels while offering customers the option to purchase lower-emission services, effectively monetizing the sustainability investment over time.

This approach minimizes the burden on operational P&Ls and enables bold, long-term commitments. While dedicated budgets for green procurement are becoming common, these are not yet standard practice. Their suitability depends on an organization's maturity, sector and internal budgeting structure. Other forms of sustainability finance and collaboration, such as green bonds, preferential loans and blended finance, may also help here.

Use business cases as an engagement tool

Beyond approval, a well-crafted business case can be a powerful internal alignment tool. It creates shared language across functions, surfaces trade-offs and clarifies decision rights. Procurement leaders increasingly see their role not just as buyers, but as translators and facilitators, bringing forward green options, structuring trade-offs and enabling informed decisions. Business cases also serve as instruments for engagement, accountability and tracking, ensuring that sustainability commitments are clearly documented, tied to ownership and revisited as projects evolve.[10]

> **We don't build business cases for every green decision. The Board approved the roadmap and its cost when we committed to SBTi. It's part of our licence to operate.**
>
> Bayer

Case study 3

Advancing decarbonization at DHL

DHL has positioned green procurement as a core enabler of its climate strategy, committing over €370 million to decarbonization in 2023 alone. With sustainability targets in executive compensation and tracked monthly across business units, DHL is investing in next-generation solutions, from sustainable aviation fuels (SAF) to electric vehicle fleets. Despite limited customer willingness to absorb green premiums, the company funds long-term decarbonization, anchored in structured business cases and cross-functional governance.

How?

- **Clear targets and performance-linked incentives:** In 2021, DHL replaced its distant 2050 goals with concrete 2030 sustainability targets tied to executive bonuses. These are cascaded through the organization, with procurement progress tracked monthly to ensure visibility and accountability across business units.
- **Structured business case governance:** Procurement is central to decarbonization investments, building business cases assessed by steering committees with the CEO and CFO. Decisions rely on abatement cost analysis and emphasize long-term impact. While procurement leads the case development, divisions own the budgets and approvals.
- **Strategic investments despite green premium gaps:** DHL has made early, large-scale investments in green technologies, already reaching 3.5% SAF usage. It has electrified 41% of its fleet and targets 66% by 2030. With these investments, DHL relies on scale and long-term supplier deals to drive adoption.
- **Enabling commercial innovation through GoGreen Plus:** To recoup some of its investment in decarbonization, DHL launched GoGreen Plus, where clients pay a premium for low-carbon services. Though uptake is gradual, the programme monetizes sustainability and aligns with growing customer demand for lower-emission supplies.

Impact

DHL's green procurement model demonstrates how strategic investment, performance tracking and governance can enable climate leadership even when market signals lag. By focusing on abatement and by embedding sustainability into business planning and procurement operations, DHL has transformed its supply chain into a lever for decarbonization, supported by leadership, measured with rigour and built to scale up.

Building block 4

Embedding green procurement into operations

Turning green corporate goals into procurement action remains a persistent challenge. While nearly all large companies have set environmental targets, embedding these into procurement is a different story. Most companies still rely on traditional sourcing criteria, quality, cost and delivery, making it difficult to resolve trade-offs between cost, resilience and sustainability. Without deliberate integration into operational processes, sustainability commitments often fail to reach the categories and contracts where they matter most.

Part of the challenge is structural. In many companies, procurement processes, templates and tools were never designed with sustainability in mind. Category strategies often omit environmental considerations and supplier selection rarely prioritizes sustainability. Buyers lack visibility into sustainability data, whether emissions, land use, or material efficiency, making it hard to assess trade-offs or identify good partners. Even when policies exist, enforcement is uneven, contract clauses go unused, sustainability questions in common sourcing tools (RFx)[11] are generic and post-award tracking is limited. Compounding these issues are inadequate process ownership and operational clarity, where sustainability responsibilities are unclear or inconsistently applied across sourcing workflows, and where communication across the supply chain is often fragmented or insufficient.

To overcome these barriers, leading companies are embedding sustainability into the full procurement lifecycle. They treat it not as a one-time initiative, but as a fundamental shift in how procurement operates, supported by updated category strategies, redesigned RFx templates and robust supplier qualification and monitoring practices.

Leading companies structure their approach around five key steps in the standard sourcing cycle (summarized in Figure 6):

1. Pre-RFQ phase.
2. RFQ design and launch.
3. RFQ analysis and negotiations.
4. Awarding and contracting.
5. Supplier management.

> **If you wait for the procurement process to implement sustainability, it's already too late. You need to define your sustainability roadmap years in advance to ensure solutions are in place when sourcing decisions need to be made.**
>
> Ørsted

FIGURE 6 | **Sustainability considerations for the procurement process**

Source: Kearney, 2025.

1 Pre-RFQ phase

Internal carbon pricing: Assign a notional internal price to carbon emissions within the organization to influence procurement and investment, shift the behaviour of business units, guide sourcing strategy and elevate the environmental cost of high-emission options.

Sustainability in supplier prequalification: Introduce sustainability-related questions into the onboarding process, supported by structured self-assessment questionnaires. These help identify gaps in supplier readiness before sourcing begins.

Preferred sustainable supplier lists: Identify prequalified pools of suppliers that meet defined sustainability criteria. This reduces sourcing cycle time and allows buyers to focus on partnerships with proven performers.

Supplier sustainability ratings: Draw on third-party platforms to evaluate suppliers based on independent metrics, such as emissions transparency and environmental management systems. These scores support supplier comparisons and segmentation.

2 RFQ design and launch

Sustainability criteria in RFQ: Formalize sustainability sections in RFQ templates, covering topics such as emissions data, life-cycle impact, circularity and energy use. Use scoring guidelines to ensure these inputs influence evaluations.

Minimum entry requirements: Establish sustainability prerequisites, such as ISO 14001, relevant EN standards, or verified GHG inventories, to ensure baseline performance and simplify evaluations across suppliers.

Carbon-adjusted pricing models: Include an internal carbon price to calculate a "true cost" that includes emissions across the full lifecycle of the product or service. Assign a high estimated carbon cost to suppliers that fail to provide credible data.[12]

Communicating expectations: Present sustainability expectations clearly. Provide toolkits or templates to support understanding and standardization of emissions data submissions.

3 RFQ analysis and supplier negotiations

Scoring methodology: Apply weighted models where sustainability has a quantifiable share (e.g. 10–30%) in award decisions, to elevate sustainability's role from a mere tie-breaker.

Supplier dialogue on emissions: Engage suppliers during negotiations to clarify expectations on decarbonization. Request formal commitments to improve performance over time.

Data standardization tools: Use digital platforms to automate the collection of carbon data and comparisons across suppliers. Integrate with enterprise resource planning (ERP) systems to ensure consistency and support real-time analysis.

4 Awarding and contracting

Sustainability-linked awards: Prefer suppliers that demonstrate superior sustainability, even if their base cost is marginally higher. Suppliers see sustainability becoming a competitive differentiator.

Sustainability clauses in contracts: Incorporate obligations for regular emissions reporting, science-based targets, corrective actions and consequences for non-compliance.

Supplier code of conduct: Formalize expectations, communicate them during onboarding and monitor them over time. Codes should have escalation procedures, corrective action plans and support to address non-compliance.

5 Supplier management

Ongoing carbon and sustainability monitoring: Enforce structured data collection cycles, supported by dashboards that combine spending and emissions data.

Sustainability audits: Conduct focused audits for high-risk or high-impact suppliers, to detail operational practices and inform corrective actions or future deselection.

Penalty and incentive mechanisms: Reward strong sustainability performance while applying penalties for non-compliance.

Governance alignment: Embed sustainability into scorecards and other elements of supplier relationship management.

> "Every category strategy must include a position on sustainability, circularity and risk. It's non-negotiable for approval."
>
> DHL

Case study 4

Microsoft – embedding sustainability into supply chain operations

Building on its 2030 commitments to be carbon negative, water positive and zero waste, Microsoft's Windows and Devices business unit transformed its sourcing by integrating sustainability requirements into contracts, using internal carbon pricing leveraging data to trace environmental impact down to components.

How?

- **Embedded sustainability across functions:** Sustainability is not siloed at Microsoft, but is a shared responsibility across procurement, supply chain, engineering and finance. Each function has targets aligned with product milestones, including carbon and waste metrics.
- **Supplier requirements and segmentation:** Carbon-free energy targets and waste reduction goals are embedded in supplier contracts. Microsoft segments its suppliers by impact (Tier 1, 1.5 and 2) to prioritize interventions and ensure progress where it matters most.
- **Internal carbon tax:** Microsoft applies a quarterly updated internal carbon fee to all business units, creating a direct financial incentive to reduce emissions. The cost hits business unit margins, encouraging lower-carbon sourcing choices and efficiency.
- **Data and traceability:** Two-thirds of Microsoft's bill of materials is traceable to supplier- and component-level carbon data. The company must therefore precisely track scope 3 emissions and facilitate supplier-level accountability.
- **Supplier enablement and industry collaboration:** Microsoft supports suppliers through training, validation tools and partnerships. For small suppliers, the company assists directly in tracking and reporting emissions.

Impact

Microsoft grew the number of suppliers using 100% carbon-free electricity from six to 89 in just two years and achieved over 90% waste diversion across 82 factories through its Zero Waste Program. Procurement teams use product-level carbon data to drive sourcing decisions. Sustainability is now a competitive advantage as commercial customers are increasingly embedding green requirements into RFPs. Microsoft tracks deal wins linked to sustainability in order to understand which procurement practices deliver the most value, so it can replicate success and continually refine its strategy.

Building block 5

Supplier engagement

For many companies, the bulk of their environmental impact lies within the supply chain. Yet engaging suppliers on sustainability remains difficult, particularly as supplier maturity, capabilities and incentives vary widely. While some large suppliers view sustainability as a differentiator, many small or regional vendors lack the expertise, data or resources to act, so procurement struggles to apply consistent expectations or to scale up decarbonization.[13]

Reliable emissions data is another persistent hurdle. Most companies still depend on spending-based estimates or generic averages for scope 3 reporting, as supplier-specific data, especially at the product level, is scarce and costly to collect.[14] Suppliers often resist new reporting demands, citing limited capabilities, unclear value or data privacy concerns.[15] Many also note that buyers request information in inconsistent formats, creating friction and duplicate work.

Regional and category-specific constraints further complicate efforts. In some regions, limited access to low-carbon materials or cheap green energy can slow progress even when suppliers are willing.

This problem is acute for materials not globally traded. Adding to the complexity, large companies often work with thousands of suppliers, making it impractical to engage all of them in depth.

Figure 7 outlines five steps to be taken towards building an effective supplier engagement programme. It is based on the *Net-Zero Value Chain Support Hub*, a publicly available resource developed by the World Economic Forum to support scope 3 upstream decarbonization. While this playbook focuses on strategic guidance for executive leaders, the support hub offers practical tools for operational teams. This framework has been used to structure the best practices that follow. The relative difficulty of each step is also mapped, based on insights from interviews and engagement with CPOs undertaken as part of this report.

This approach can also be applied to other environmental priorities such as water use, deforestation or waste.

> **We don't just impose sustainability requirements on suppliers; we work with them, provide guidance and ensure they have the tools to meet our expectations. A collaborative approach is more effective than a purely compliance-driven one.**
>
> Ørsted

FIGURE 7 **Supplier engagement programme – standard approach**

1 Establish emissions baseline and identify hotspots	2 Segment and prioritize suppliers	3 Launch programme and define interaction model	4 Engage with suppliers and explore decarbonization levers	4 Support suppliers and monitor progress
— Define data requirements and sources.	— Assess supplier sustainability maturity.	— Develop detailed supplier engagement plan.	— Identify category-specific levers and best practices.	— Offer training, resources and tools to support implementation.
— Create initial baseline via spend-based or average-data methods.	— Segment suppliers by sustainability and business criteria.	— Reach out to suppliers to align on targets and expectations.	— Conduct joint workshops to explore abatement strategies.	— Establish incentives and recognition programmes.
— Identify emission hotspots plotting supplier/category emissions.	— Define supplier archetypes and tailor engagement strategies.	— Secure supplier commitment to advance decarbonization efforts.	— Outline decarbonization roadmap (e.g. levers, milestones, targets).	— Set up reporting and monitoring systems to track progress.
— Improve accuracy over time by collecting direct supplier data.		— Define interaction model (e.g. resources, meetings, tools, point of contact).	— Develop business case to assess cost-benefit and impact.	— Share knowledge and best practice across suppliers.
			— Secure buy-in from key sponsors (e.g. CFO, leadership team).	— Communicate progress on goals throughout the organization.
			— Launch pilots to test feasibility, refine and scale up programmes.	

Challenge intensity: Critical · Moderate · Regular

Source: Net-Zero Value Chain Support Hub, 2024; Kearney, 2025.

1 Establish emissions baseline and identify hotspots

Start with spending-based estimates, then increase granularity: Leading companies go further than spending-based or industry-average emissions categories. As relationships mature, they improve accuracy by collecting primary data from key suppliers, aiming for product-level carbon footprints.

Prioritize data collection by emissions: Rather than seek full visibility, companies follow a Pareto approach[16] and concentrate on categories and suppliers representing the top 30-40% of emissions.

2 Segment and prioritize suppliers

Use a dual-lens segmentation model: Effective segmentation frameworks evaluate suppliers on two dimensions: their contribution to emissions (impact) and their willingness or ability to act (maturity). Segmentation enables procurement teams to set tailored engagement strategies: deep co-development for impactful, mature suppliers; capability building for impactful suppliers that are still maturing; and standard tools for the many other suppliers.

Incorporate business criticality and risk factors: Go beyond climate impact by considering operational dependency and risk exposure, such as sole-source status or regulatory sensitivity. This ensures supplier engagement also supports continuity and resilience as sustainability risks increasingly carry financial and reputational consequences.

3 Launch the programme and set the interaction model

Develop a formal engagement plan with clear governance: Launching a supplier engagement programme requires not just good intentions but also structured engagement plans with clear internal ownership, aligned sustainability targets and practical mechanisms for supplier collaboration.[17]

Secure supplier commitment with clear expectations: Gain early buy-in from strategic suppliers through formal letters of intent or target-alignment sessions, clarifying expectations for emissions disclosure, reduction roadmaps and participation in trainings or pilots.

Establish a scalable interaction model: Focus efforts where they drive the most value. Strategic suppliers may get one-on-one support, while others engage through group workshops, knowledge hubs or standard tools, helping teams manage resources effectively.

4 Engage with suppliers and explore sustainability levers

Co-create decarbonization roadmaps with strategic suppliers: Top-performing companies partner with priority suppliers to develop long-term plans, including targets, milestones and investment plans. These joint efforts foster trust, uncover operational realities and align incentives.

Conduct joint workshops to explore category-specific levers: Rather than issue generic sustainability requirements, organize deep-dive workshops by category to identify tailored emissions-reduction levers. Build relationships to encourage innovation and collaborative thinking.

Build the business case for each engagement pathway: While engaging suppliers, procurement and finance can work together to assess the cost/benefit of initiatives to reduce emissions.

Secure buy-in from key sponsors to enable supplier engagement: Executive-level backing is critical to unlock funding, mobilize internal resources and send a signal, including the risks of inaction.

Incentivize green innovation: This is one of the most powerful levers to drive supplier action, ranging from commercial incentives such as green premiums for low-carbon products to non-commercial incentives such as preferential payment terms or long-term partnerships.

5 Support suppliers and monitor progress

Provide targeted support through toolkits and trainings: Companies increasingly act as enablers, offering suppliers modular trainings, guidance documents, emissions calculators and even technical experts, especially helpful for suppliers in low-maturity markets or segments.

Use recognition and incentives to drive improvement: Offer rewards such as improved payment terms, preferred supplier status or access to new opportunities. Public recognition, supplier awards or leaderboard rankings can also create healthy competition and reinforce accountability.

Establish monitoring routines: Companies can track progress through structured performance reviews, often integrated into existing supplier relationship management (SRM) frameworks. Monitor indicators such as the intensity of emissions, progress toward targets and data completeness.

> **In the beginning, many suppliers didn't fully grasp what we were asking for. But as expectations became clearer, they started to see sustainability as a competitive advantage, a way to stand out and strengthen their position with us.**
>
> Volvo Group

Case study 5

Volvo Group – driving supplier collaboration for decarbonization

With over 50,000 suppliers, Volvo Group recognized early that meeting its net-zero commitment by 2040 would require deep collaboration with suppliers, not just internal action. Sustainability is a core part of procurement, with expectations, joint initiatives and targeted support embedded across the supplier base. The company shifted from broad asks to structured engagement, partnering with suppliers in its decarbonization journey.

How?

- **Co-developing lower-carbon solutions:** Volvo works closely with suppliers to find practical ways to cut emissions, such as using recycled resin in a component. Volvo backed the idea, helped test it and brought it into production. Giving suppliers room to bring ideas forward can lead to real, scalable results.
- **Supplier summits and peer learning:** Volvo's annual global supplier summit has become a platform for leadership in sustainability, where suppliers share real-world best practices.
- **Capability building and digital tools:** Suppliers receive tailored support through Volvo's knowledge hub, offering decarbonization guides, emissions calculators and playbooks. An online platform simulates emissions scenarios and explores reduction levers.
- **Tailored engagement models:** The company co-develops long-term roadmaps with high-impact, mature partners. Other suppliers receive standard tools and trainings. In hard-to-reach tiers, Volvo partners with upstream players to align and scale up impact.

Impact

Volvo's supplier engagement has turned expectations into action. More suppliers are offering green solutions, leveraging shared tools and participating in collective innovation.

Collaboration is now embedded across the supply chain, with procurement as both enabler and catalyst.

Building block 6

Cross-industry collaboration and ecosystem engagement

While leaders can initiate green procurement within a company, they can unlock its full potential only through collaboration beyond corporate boundaries. Yet translating this imperative into cross-industry action remains difficult. A commonly-cited barrier is the lack of consistent expectations across companies and regions. When each buyer imposes its own sustainability standards, suppliers face a fragmented landscape, leading to inefficiencies, duplicated audits and confusion.

Competitiveness is also important. Without supportive regulation or widespread industry alignment, companies that move first risk being penalized in the market. Sustainability investments, especially in low-carbon materials or infrastructure, are hard to justify unless demand signals are clear and shared. “Either you have regulation, or you need everyone to move together,” said one CPO.

Even when companies are willing to collaborate, partnerships often falter due to misaligned goals, lack of trust or governance gaps. Data sharing is particularly sensitive. Organizations hesitate to disclose emissions data or supplier performance, even when such transparency could benefit the entire ecosystem. Legal concerns, particularly around antitrust, also slow down collaboration. Without safeguards, even well-intentioned initiatives risk being derailed by compliance fears.

Despite these challenges, CPOs increasingly embrace partnerships as a strategic necessity. Those who succeed focus on value creation, neutral governance and trust-based collaboration.

> **Collaboration is key. If every company sets different sustainability baselines, it creates inefficiencies for suppliers. Standardization will accelerate progress.**
>
> LyondellBasell

Why collaboration pays off

Creating unified demand signals and standards: Initiatives such as Together for Sustainability (TfS), in chemicals and Drive Sustainability in automotive, have enabled companies to harmonize supplier assessments, co-develop product carbon footprint standards and avoid audit duplication. Suppliers benefit from a single, consistent expectation, freeing up resources to act rather than report.[18]

Demand aggregation and cost-pooling to de-risk innovation: Collaborative platforms such as the World Economic Forum’s First Movers Coalition (FMC) enable companies to pool demand and commit to purchasing low-carbon products (e.g. green steel, SAF) by 2030.[19] This sends a powerful pre-competitive market signal that reduces risk for suppliers and accelerates the scale-up of breakthrough technologies.

Strengthening supplier support: Many collaborations help build supplier capabilities at scale, such as TfS’s training academy.

Enhancing credibility and influence: Collaborative platforms such as Sustainable Procurement Pledge (SPP), Pharmaceutical Supply Chain Initiative and The Climate Pledge help companies speak with a unified voice, whether engaging with regulators, shaping industry norms, or driving collective action.[20]

Accelerating organizational learning: Successful alliances operate as learning communities. Members share not only best practices but also lessons learned from setbacks.

How to make collaboration work

Start with a focused, shared mission: The strongest alliances begin with a clear scope, often solving a specific, shared problem. Over time, as trust builds, initiatives can expand their scope.[21]

Set up neutral governance and clear expectations on contribution: Effective partnerships require structures such as steering committees and working groups, with membership according to specific criteria. To avoid free-riding, they establish explicit resource commitments.

Ensure legal safeguards from the outset: Many initiatives rely on anonymized data, third-party facilitation, clear legal guidance and even engaged regulators.

Create shared tools and metrics: Standard platforms, templates and scoring systems reduce friction and enable scale.

Build trust incrementally: Transparency and mutual accountability are essential. Peer review and recognition mechanisms, such as the Sustainable Procurement Pledge's (SPP) League of Champions, keep the momentum going.

Don't forget supplier voices: The best collaborations engage not only buyers but also suppliers, especially those who bear the brunt of shifting expectations. Co-creating roadmaps, conducting pilot projects or offering shared training helps lead suppliers to action, not just compliance.

> **It started at Davos in 2011. Our CEO came back saying: 'We've committed to sustainability, but how do we actually do it?' That's when we started TfS.**
>
> Bayer

Case study 6

TfS – standardizing collaboration across the chemical industry

Together for Sustainability (TfS) is a pre-competitive alliance of over 50 major chemical companies working to harmonize sustainability standards across the supply chain. Founded in 2011, TfS enables members to share audits, align expectations and co-invest in suppliers' capabilities. It reduces duplication, accelerates improvements in sustainability and offers a unified platform for industry-wide action. What began as a solution to audit fatigue has evolved into a global ecosystem driving measurable impact at scale.

How?

- **Shared supplier assessments:** TfS uses a common framework of audits and assessments, shared across members via a secure platform, to reduce the burden on suppliers.
- **Standardized tools for emissions tracking:** To enable consistent carbon measurement, TfS co-developed *The Product Carbon Footprint Guideline for the Chemical Industry*.
- **Capability building at scale:** TfS provides multilingual e-learning modules on topics such as responsible sourcing and emissions reduction, as well as workshops and forums.
- **Strong governance and executive ownership:** A CPO-led council governs the initiative, supported by a dedicated secretariat. Members commit resources and are held accountable for participation, with regular reporting and peer reviews.

Impact

By aligning requirements and scaling supplier engagement, TfS simplifies implementation, improves outcomes and raises the bar across the industry. It shows how shared infrastructure and trust-based collaboration boost impact and efficiency.

Building block 7

Data, technology and performance management

For many companies, the push to embed sustainability into procurement has outpaced their ability to track and manage progress. Despite growing expectations from stakeholders and regulators, few organizations have a clear line of sight into the environmental performance of their suppliers. In interviews with procurement leaders, one challenge stood out: data quality. Information is often incomplete, outdated or based on averages. Even where data exists, it rarely extends beyond Tier 1 suppliers or provides product-specific granularity, leading to decisions with limited insight.

Integrating sustainability into procurement systems is another barrier. Most companies still rely on legacy enterprise resource planning (ERP) platforms or spreadsheets that were not designed with sustainability in mind. Doing so creates fragmented processes, manual workarounds and limited automation. Without seamless integration, procurement teams struggle to embed sustainability into day-to-day workflows or make green performance visible at the point of decision.

Despite these hurdles, companies are making significant strides. Those leading the way are rethinking how they collect, manage and use data, shifting from a compliance mindset to one focused on improving performance and creating value.

Embed sustainability into procurement scorecards and decisions

Improvements in procurement can be quantified by CPOs and their teams. Figure 8 shows a non-exhaustive list of common metrics, which should be aligned with corporate goals.

Start with available data and improve over time: Instead of waiting for product-level data from every supplier, use spending-based estimates, third-party ratings, or self-declarations to begin. As capabilities grow, increase accuracy first on high-emission categories and strategic suppliers.

Translate ambition into measurable procurement KPIs: Leading companies break down broad corporate goals into procurement-specific metrics. Figure 8 shows a non-exhaustive list of common metrics.

Set clear mandates and implications: Leaders often require periodic disclosures, as well as creating uniform disclosure guidelines for suppliers and supporting training programmes. Not only do they help improve data sharing and accuracy over time, but also they create a ripple effect in encouraging suppliers to take sustainable action.

Tie performance incentives to sustainability outcomes: Some companies link variable compensation to progress. Others embed sustainability objectives into individual development plans or appoint internal champions to drive change.

Embed sustainability into regular business reviews: Companies making the most progress report sustainability metrics with the same cadence as financial KPIs.

Verify supplier data through trusted sources: While self-reporting plays a role, leading companies require documentation and third-party validation. Many use platforms to assess supplier performance and benchmark results. For high-risk or high-value suppliers, complement this data with audits or certifications, ensuring accuracy and enabling confident sourcing.

> “We should favour action over accuracy. You can spend years debating the perfect baseline, but what matters is taking steps to reduce emissions now.”
>
> Volvo Group

FIGURE 8 | **Common green procurement KPIs**

% of total spend with certified or sustainable suppliers	% of suppliers disclosing scope 1, 2 and 3 emissions	% of suppliers aligned with CDP or SBTi reporting	% of suppliers completing training or capability-building programmes
% of buyer performance reviews including sustainability KPIs	Total scope 3 emissions by procurement category	Average sustainability score across supplier base	% of RFx with sustainability criteria
% of awarded contracts with sustainability-linked clauses	% of key suppliers in decarbonization programmes/plans	% of procurement staff with sustainability training	% of supplier data entries verified through audits or third-party platforms
% of sustainably sourced and deforestation-free commodities	% of suppliers disclosing on waste and water performance	% of suppliers offering greener alternatives to materials	% of suppliers using renewable energy or green fuels for production

Source: Kearney, 2025.

> **We want to avoid the trap of manually collecting supplier data in spreadsheets. AI and digital tools can help streamline supplier engagement and sustainability reporting.**
>
> LyondellBasell

Use technology to scale up visibility, engagement and action

Centralize supplier sustainability data through digital platforms: Supplier assessment platforms consolidate questionnaires, certifications, risk alerts and emissions data in one place. Tools can streamline data collection while enabling supplier benchmarking and segmentation.

Consolidate and standardize questionnaires: AI and digital platforms can simplify supplier questionnaires at an industry level and even enable some pre-filling based on published sources.

Integrate sustainability fields into core procurement systems: Modern e-sourcing and contract management tools now offer features to embed sustainability into standard workflows.

Leverage carbon tracking tools to support scope 3 management: Some tools allow for supplier-specific or product-level reporting, enabling abatement planning and scenario modeling.

Use supplier portals to drive two-way engagement: Collaboration platforms allow suppliers to share performance data, access training and track feedback.

Use technology for strategic planning: Many digital tools offer scenario planning to visualize how supplier raw material choices affect cost as well as emissions. Predictive modelling and digital twins go further to help plan big sustainable transformations.

Automate monitoring and enable proactive management: Technology can flag when sustainability scores drop, emissions are off-track or documentation is missing.

Case study 7

Ørsted – using data and digital tools to drive sustainable procurement

Ørsted, a global renewable energy leader with a strong focus on building offshore wind turbines, has embedded sustainability into procurement. From supplier transparency and risk screening to digital workflows and scenario modelling, procurement plays a central role in delivering Ørsted's 2040 net-zero goals, with a focus on data integrity, technology integration and performance tracking.

How?

- **Standardizing supplier data and disclosures:** Ørsted partnered with CDP (a global non-profit organization monitoring disclosure) to require emissions reporting from key suppliers, achieving 90%+ coverage. It also conducts asset-level lifecycle assessments for each offshore wind project, enabling precise emissions tracking and transparent external reporting.
- **Embedding sustainability in performance management:** The company tracks supplier compliance, conducts risk-based assessments and enforces improvement plans.
- **Digitizing procurement systems and workflows:** Ørsted's supplier portal manages onboarding, tendering and performance tracking. The system flags high-risk suppliers, triggers assessment workflows and integrates data directly into sourcing processes.
- **Using analytics to inform decisions:** Procurement models scenarios to guide sourcing choices, such as between transport routes or material options. These insights inform category strategies and feed into climate-risk assessments.

Impact

Ørsted's data-driven procurement model ensures supplier performance is monitored, improved and aligned with corporate climate goals. With clear targets, verified data and fully digital workflows, procurement has become a key driver of decarbonization.

Building block 8

Talent, culture and capability building

Shifting from traditional sourcing models to sustainable procurement requires more than just new tools or targets, it requires new mindsets, skill sets and cultural norms. For many procurement teams, this is a profound transformation. Historically evaluated on cost savings and efficiency, procurement professionals are now being asked to integrate environmental goals, supplier engagement and regulatory compliance. Few have been trained to do so.

The capability gap is real. Many organizations have limited fluency in core sustainability concepts, along with a general lack of clarity on including them in day-to-day procurement. Where training exists, it is often optional, fragmented or disconnected from sourcing. Short-term pressures take priority and without sustained investment or leadership, upskilling remains low on the agenda.

The challenge goes beyond skills to culture. Cost-driven organizations often perceive green procurement as a distraction or burden, rather than a strategic enabler. Teams may resist changing long-standing practices, particularly when incentives remain anchored to price and delivery. Even motivated individuals can struggle to prioritize sustainability.

Overcoming these barriers requires a deliberate, system-wide approach, one that rethinks how companies hire, train, incentivize and recognize procurement talent.

> **Five years ago, hardly anyone knew what scope 1, 2, or 3 meant. Now, everyone is learning, we're building knowledge to support decision-making.**
>
> Alfa Laval

Build skills and capabilities

Start with a procurement-specific skills assessment: Conduct a baseline evaluation of competencies, including specific abilities such as lifecycle costing, carbon data interpretation and engaging suppliers on emissions or circularity. Prioritize training needs accordingly, by role and category.

Develop category-specific learning modules: Instead of generic training, create tailored content that reflects the real decisions that managers face. A team sourcing metals, for example, might learn about embodied carbon, circularity and certifications; a logistics team might focus on fuel types and route optimization.

Make sustainability training mandatory, and ongoing: Move from optional webinars to structured training requirements embedded in performance goals. Set annual completion targets (e.g. "100% of sourcing managers complete modules each year") and include refresher courses.

Integrate sustainability into onboarding: From day one, communicate that green procurement is a core expectation. Include modules on sourcing policies, supplier standards and practical examples. Pair new hires with peers who exemplify sustainable procurement practices.

Enable expert support: Create a sustainability support hub within procurement, a small team or digital channel where buyers can ask questions, access templates, or get quick feedback. Complement this with a network of trained "sustainability champions" embedded across categories.

Track uptake and impact: Go beyond completion rates. Measure the effect of training through procurement outcomes, with dashboards.

Shape culture and accountability

Create clear expectations and escalation protocols: Require sourcing managers to document sustainability considerations in all major sourcing events. If a team excludes environmental criteria, require justification and formal escalation, ensuring accountability and cultural reinforcement.

Celebrate wins and normalize ambition: Use internal platforms, newsletters, town halls and dashboards to recognize teams or individuals driving sustainability outcomes, with specific examples.

Encourage team-led initiatives and innovation: Dedicate space for local innovation, such as allowing procurement teams to test supplier decarbonization pilots or launch circularity challenges. Offer small budgets or executive sponsorship to promising ideas. These initiatives help build ownership and surface scalable solutions.

Signal expectations through leadership behaviour: Ask executives to visibly lead sustainability reviews, attend learning sessions or join supplier meetings. When they model sustainability as a core business concern, it reshapes team priorities and builds belief.

Monitor culture shifts: Use surveys or interviews to assess how well sustainability is integrated into procurement culture. Are teams confident in applying the criteria?

Tie sustainability to performance evaluations and incentives: Include clear sustainability goals in annual performance plans and link variable compensation to their achievement.

> **Younger generations care deeply about sustainability. If you want to attract and retain talent, you need to embed sustainability into the way the organization works day to day.**
>
> Microsoft

Case study 8

Alfa Laval – making green procurement a shared responsibility

Alfa Laval, a global industrial company specializing in products for energy and heavy industry, has taken significant steps in recent years to integrate green procurement into its broader corporate agenda. With more than half of its scope 3 upstream emissions linked to steel, the company prioritized decarbonizing its upstream supply chain, while also embedding sustainability in internal culture, supplier relationships and operational decision-making.

How?

- **Activating teams through project-based goals.** The company tasked its procurement teams with identifying five sustainability projects per year, ranging from packaging redesign to supplier solar panel adoption, driving broad engagement and ownership.
- **Securing green materials through supplier partnerships.** Alfa Laval formed long-term collaborations with leading producers of green steel and low-carbon metals to ensure early access and joint decarbonization targets.
- **Embedding carbon pricing into decision-making.** Teams use internal carbon-cost benchmarks in business cases to justify sustainable choices, helping category managers present alternatives with quantified trade-offs.
- **Improving supplier data through collaboration.** To close scope 3 data gaps, Alfa Laval combines direct supplier training with automated tools. It also participates in a Swedish cross-industry initiative (MASSIV+) to standardize data collection.

Impact

Alfa Laval's approach demonstrates how large industrial companies can drive progress even amid complexity and limited data. The company has seen increasing engagement from suppliers, some of whom have invested in decarbonization based on Alfa Laval's encouragement and growing recognition from customers for offering low-emission alternatives.

Internally, the procurement organization has matured from basic awareness to structured processes, active training and performance tracking. While challenges remain, particularly in supplier transparency and downstream demand, Alfa Laval continues to advance toward its 2030 targets, proving that pragmatic, shared ownership can drive real progress.

4

Future trends and innovation

As green procurement matures, the next frontier lies in navigating disruptions while staying ahead of innovation curves.

Over the coming decade, procurement leaders will face a rapidly evolving landscape shaped by breakthrough technologies, shifting geopolitical realities, varying government commitments to sustainability and the growing imperative for decarbonization. The most effective CPOs will not only respond, they will anticipate and shape these transformations.

Procurement powered by intelligence

Artificial intelligence, automation and blockchain are redefining procurement. Transactional tasks – such as supplier onboarding, RFx design and contract monitoring – are increasingly delegated to intelligent systems. Procurement teams are focusing on strategic areas such as supplier innovation, risk management and sustainability outcomes. Generative AI tools will help evaluate supplier sustainability claims, draft sustainability clauses and simulate sourcing scenarios with environmental trade-offs.

Resilient and localized supply networks

Recent global shocks have exposed the fragility of extended supply chains. Over the coming years, procurement leaders will prioritize resilience, diversifying supplier bases, increasing regional sourcing and embedding contingency into supply strategies. This reconfiguration is also a sustainability lever. Shorter supply chains can help reduce emissions from transport and improve traceability, while also reducing vulnerability to tariffs. Natural disasters are expected to rise sharply by 2030, a milestone for many global climate targets, adding urgency to build climate-adaptive, future-ready networks.

Circular models and breakthrough materials

With rising demand for resource efficiency, procurement will enable circular business models. Leaders are shifting from linear “take-make-waste” systems toward closed-loop supply chains that include recyclability, reuse and product-as-a-service models. At the same time, a wave of innovation in materials, from bio-based polymers to novel production methods of green steel and low-carbon cement, is opening new pathways for decarbonization.

Decarbonization as a procurement mandate

As regulatory pressure mounts and 2030 commitments near, companies will increasingly tie procurement to decarbonization. Internal carbon pricing, supplier engagement on emissions targets and sustainability-linked contracts are moving from experimentation to implementation. Procurement must show measurable impact, with CPOs accountable for progress.

Building the future-ready function

This transformation requires more than technology. It demands a reimagining of procurement’s role to be lean, digitally fluent and highly collaborative. Procurement will be embedded in product design, business planning and sustainability governance.

The decade ahead will be decisive: 2030 marks a milestone for many corporate climate goals and global sustainability frameworks, accelerating pressure to act. While the full transformation will take time, leading organizations are already setting the pace. This playbook offers a starting point, with future publications diving into emerging innovations, helping CPOs turn foresight into action.

Conclusion

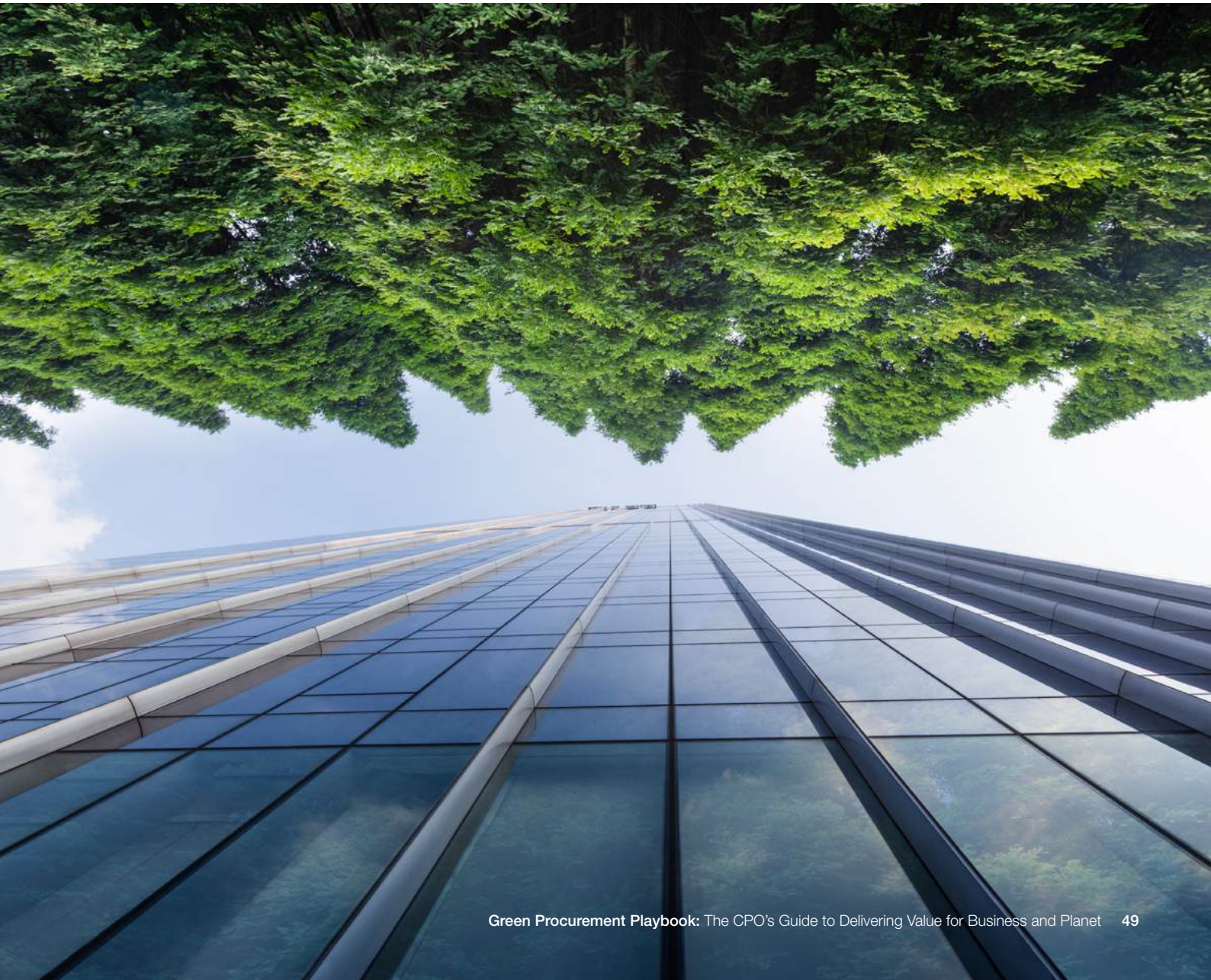
Sustainability is a legacy that today's leaders have the chance, and the responsibility, to build.

Procurement leaders have a unique opportunity to accelerate green progress by reshaping how their organizations buy, invest and collaborate. But this transformation does not happen through intention alone, it requires structure, capability and sustained leadership.

The companies making the most progress are those that embed sustainability into core processes, linking procurement to decarbonization, redesigning workflows and holding teams accountable. They are reimagining supplier relationships as partnerships for innovation and impact, and building new capabilities to act decisively, even in the face of imperfect data or evolving standards.

Progress also depends on redefining how success is measured and funded. Leading CPOs are reshaping investment decisions, integrating internal carbon pricing and building business cases that align financial performance with environmental outcomes. They are shaping markets, sending demand signals and mobilizing peers to move faster together.

This is not a challenge to be deferred or delegated. The systems and decisions put in place today will set what is possible tomorrow. CPOs who act now will deliver on short-term goals – and leave behind the processes, partnerships and capabilities that make green procurement the default.



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Endnotes

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