



ecovadis

Return on Sustainability

The Value of Responsible Procurement

Table of Contents

Procurement as the Key to Sustainable Value Creation 3

How do they do it? 5

Making Business Sense of Sustainability..... 6

Investing in Sustainable Procurement..... 8

Commitment and Diligence Pay Off 10

Return on Sustainability:
Better Risk Mitigation and Improved Resilience13

Return on Sustainability:
Better Procurement Metrics14

Return on Sustainability:
Profitability and Cost Reduction 15

Return on Sustainability:
Increased Sales..... 16

Return on Sustainability:
Innovation17

Return on Sustainability:
Talent Attraction and Retention..... 19

Procurement as the Key to Sustainable Value Creation



Corporate sustainability initiatives continue to evolve. A decade ago, the focus was regulatory compliance, managing risks and reducing the carbon footprint of internal operations. Within a few years, this had broadened out, as companies came to realize that their supply chains accounted for up to 90% of their impact. The drive for sustainability across the entire product lifecycle accelerated further once Covid-19 drove home the need to make supply chains more resilient – and when it turned out that sustainability boosts resilience.

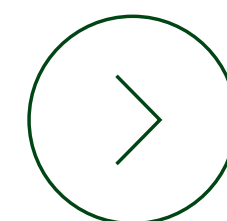
Today, companies are increasingly recognizing how these initiatives can create value throughout their business. Regulatory compliance continues to play an important role, particularly with increasing pressure imposed by new laws, including the EU's Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CSDDD) and Canada's and Australia's Modern Slavery Acts, to name a few.

However, if implemented correctly, sustainability efforts, including those linked to compliance, can create significant value. In fact, a 2024 study by Morgan Stanley found that more than 80% of companies see sustainability as a revenue and profitability driver.

This is consistent with the findings in our most recent [Sustainable Procurement Barometer](#): making supply chains sustainable is no longer seen as a peripheral activity. This was especially apparent among the Leader cohort (top 10% of sustainable procurement programs), who are investing in best practices as a central strategy to drive operational excellence, efficiency, innovation and competitive advantage.

In fact, the report found that the role of procurement is evolving and moving away from just driving compliance and risk mitigation. It's becoming a function that is fostering a culture of innovation and championing strategic, sustainable growth over merely pursuing cost efficiencies.

Contact us to see how we can help you build sustainable supply chains and create value.



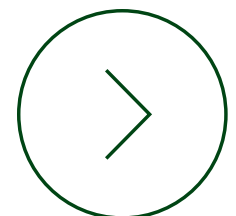
How do they do it?



Managing a successful sustainability initiative is a company-wide endeavor, and for maximum impact, it has to encompass your entire value chain. Thus, the role of procurement teams is unique.

Acting as a bridge between external and internal stakeholders, procurement professionals are the ones who can fulfill the sustainability requirements in the supply chain. Procurement teams are also among the first to see how sustainability practices in the supply chain help boost organizational resilience. That means they need to be equally skilled at making the case for sustainable practices to suppliers and building support within the company. There are countless examples of how companies have translated their sustainability performance into cost savings. Plus, sustainability makes business sense regardless of market conditions. Hundreds of studies have shown that sustainable equities outperform in a bull market and are also more resilient in a bear market.

See the formula for success used by some of the most advanced procurement teams.



Making Business Sense of Sustainability

In 2023, as many as



of business executives agreed that the business case for sustainability was clear, according to the Capgemini Research Institute – triple the number who believed that just one year earlier.

IBM found that organizations that embed sustainability are



more likely to attribute great improvement in revenue to their sustainability efforts, and are 52% more likely to outperform their peers on profitability.

Among large U.S. companies,



acknowledge the material risks posed by climate change, while 92% of boards have a formal mandate to address climate change, the SustainAbility Institute by ERM found.

”

Consumers care about sustainability—and back it up with their wallets,”
McKinsey says.

56%

The global consultancy finds that over the five years to 2023, products highlighting their sustainability commitments accounted for 56% of all growth, more than would be expected based on their position at the beginning of the period.

Companies that focus on ethics, environmental and labor practices within their supply chains are more profitable. These companies have margins 3 to 4 percentage points above those that don’t focus on their suppliers’ ESG credentials, a joint EcoVadis and Bain & Company study found.

”

When asked how sustainability impacts long-term corporate strategy, 85% say it is primarily (53%) or partly (32%) a value creation opportunity. Value creation is also the top reason that companies are pursuing their sustainability strategy, with half rating it a very significant reason,”
according to Morgan Stanley (2024).

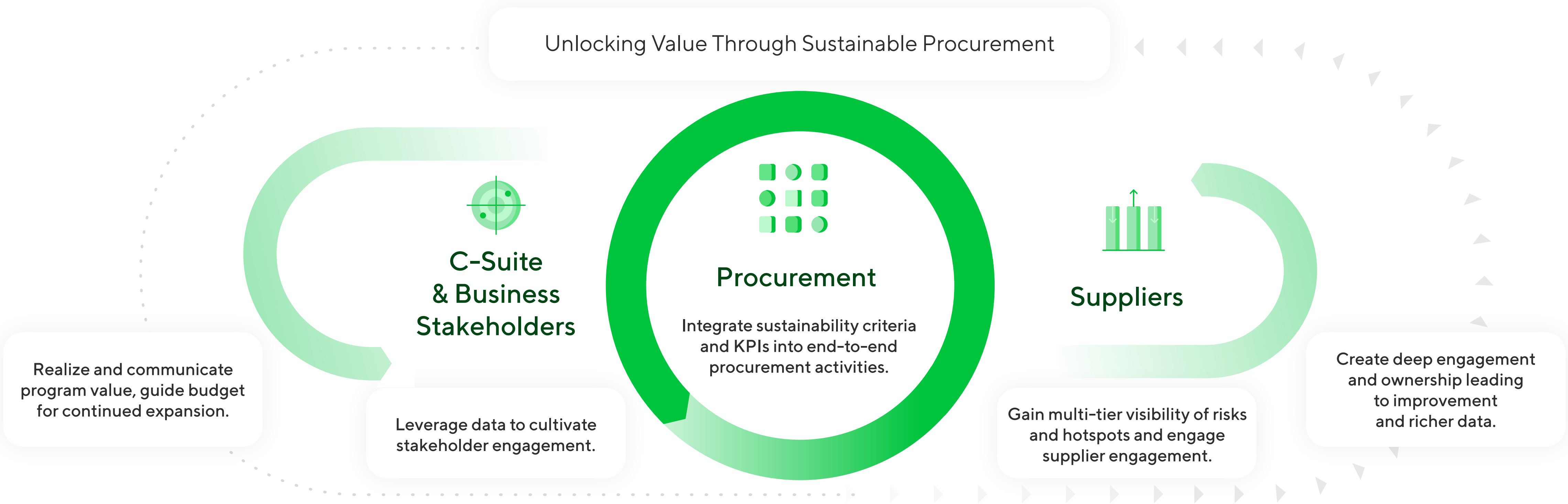
Investing in Sustainable Procurement

Given the vast sustainability impact that's caused by the supply chain, businesses are increasingly eager to transform their procurement practices and implement structured sustainable procurement programs. Like any major business initiative, adopting such a program requires time, diligence and a significant amount of upfront investment. For many companies, particularly those with large and complex supply chains, this transformation may only be possible with a fundamental shift in perspective. However, the right effort in the right place will definitely pay off.



In the [Sustainable Procurement Barometer](#), which surveyed 592 purchasing organizations and 1,087 suppliers from 65 countries, we identified best practices used by some of the most successful procurement teams, to unlock value through sustainable procurement. These teams invest in the right tools to gain visibility

and deepen ESG engagements, integrate the resulting KPIs broadly across P2P processes, align team skills and incentives to outputs and showcase their success within the company. This helps secure additional support from business stakeholders and enable further expansion.



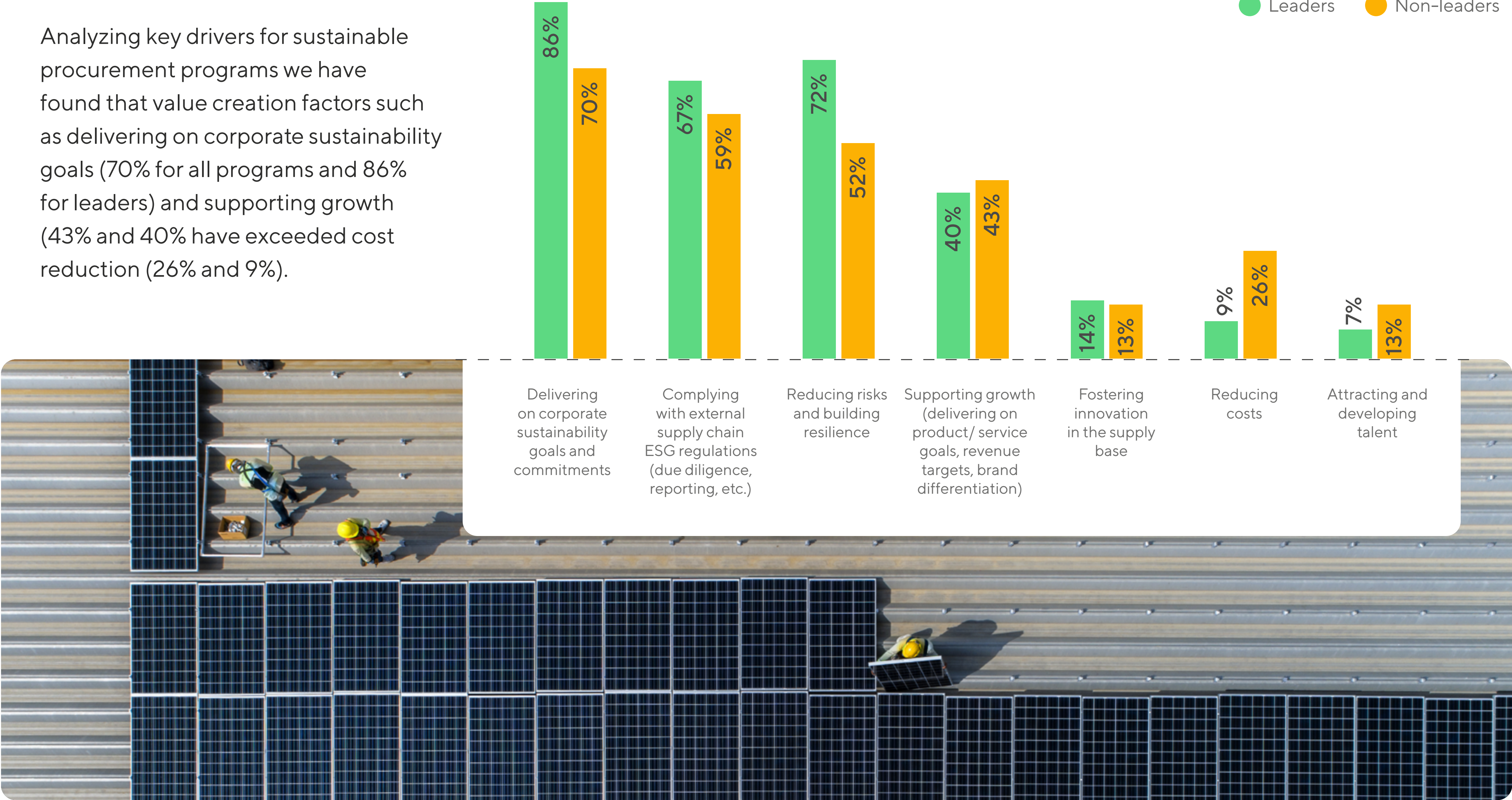
Commitment and Diligence Pay Off

The Sustainable Procurement Barometer identified about 10% of the purchasing organizations surveyed as leaders: companies that stand out for the maturity of their sustainable procurement programs, which meet criteria for a range of aspects of value chain management.

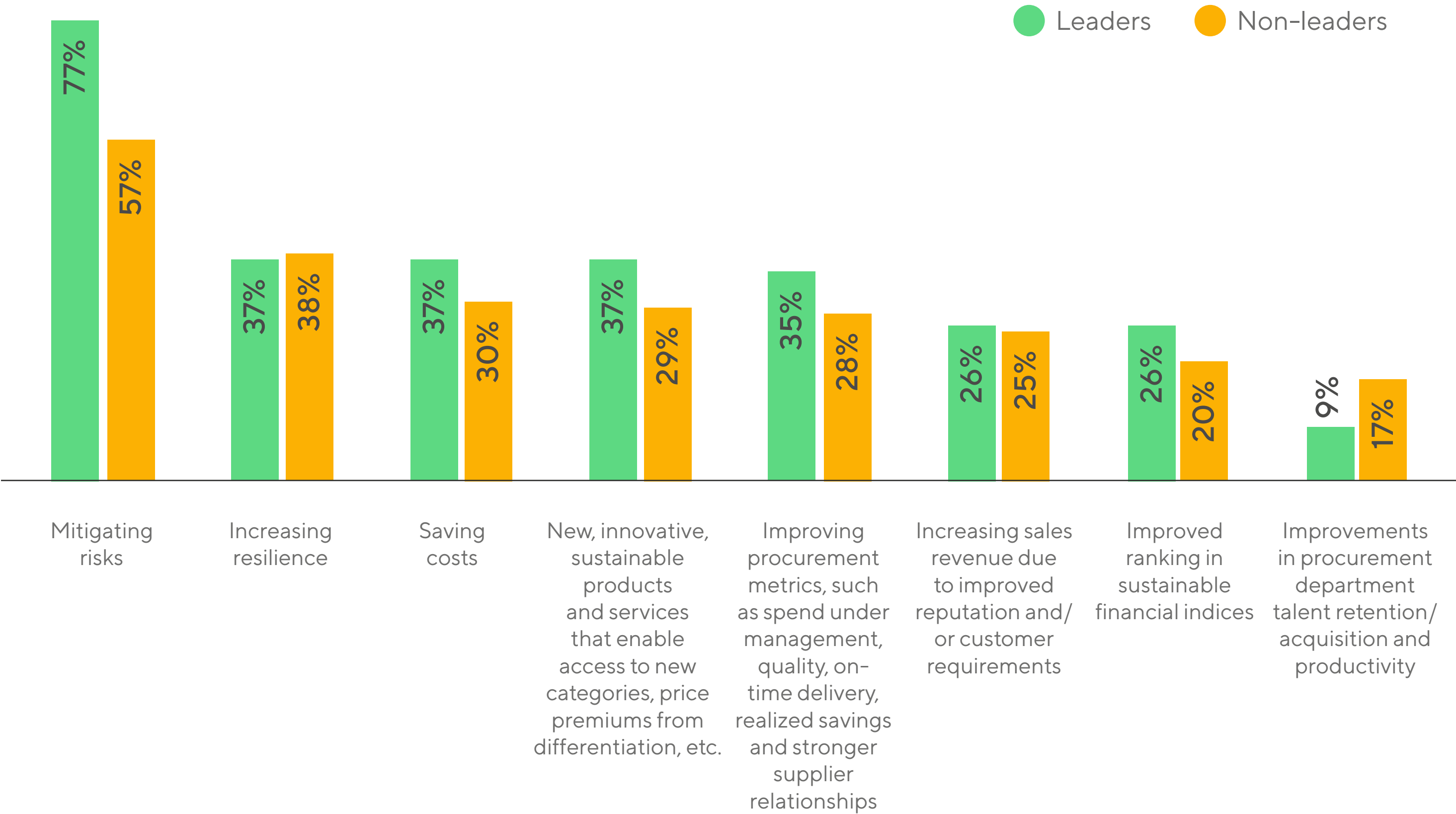


Analyzing key drivers for sustainable procurement programs we have found that value creation factors such as delivering on corporate sustainability goals (70% for all programs and 86% for leaders) and supporting growth (43% and 40% have exceeded cost reduction (26% and 9%).

● Leaders ● Non-leaders



In terms of the benefits they actually received from sustainable procurement, a higher percentage of leaders than non-leaders reported positive outcomes in seven out of nine areas. The gap was most pronounced in the area of mitigating risks, with 77% of leaders identifying this benefit, compared with 57% of the entire sample. With the right tools and strategies, these investments will produce an exponentially positive return.



See how we've helped more than 1000 companies with their sustainable procurement programs.

Return on Sustainability: Better Risk Mitigation and Improved Resilience

77%

It's hard to think of an event that shook the supply chains as much as the pandemic, highlighting their vulnerability, causing massive disruptions and exacerbating key sustainability risks that impact supplier operations. But it also became clear how businesses with robust supplier-monitoring systems — which are typically part of larger sustainability initiatives and responsible procurement programs — were better able to manage those risks.

Today leading companies are turning to sustainable procurement to help future-proof their supply chains against potential risks including further pandemics, geopolitical tensions and failures of critical infrastructure around the globe.

of sustainable procurement leaders say their sustainable procurement program has helped mitigate risks, with 37% identifying an increase in resilience.

Return on Sustainability: Better Procurement Metrics

Traditional metrics such as cost, quality and delivery remain the key indicators used by procurement teams when developing supply chain strategies.

However, businesses with robust sustainable procurement programs in place find that these metrics improve when they factor the sustainability performance of their suppliers into the equation. These gains come in a variety of ways, from cutting transportation costs to a vast array of benefits resulting from supplier consolidation.

A large, stylized green outline of the number '35' followed by a percentage symbol '%'. The text is positioned in the center-right of the slide, set against a light green background that features a diagonal gradient.

of sustainable procurement leaders say their organization's procurement metrics have improved thanks to their responsible purchasing practices.

Return on Sustainability: Profitability and Cost Reduction

A large, stylized green outline of the number '37' followed by a percentage symbol '%'. The text is positioned on the left side of the slide, partially overlapping a light green diagonal background element.

Studies have consistently shown that businesses are seeing an ROI from embedding sustainability practices into their procurement processes. Not only do these practices lead to cost savings, but they also enhance profitability.

Companies that prioritize ethics, environmental and labor practices within their supply chains enjoy profit margins 3 to 4 percentage points higher than those that don't focus on their suppliers' ESG credentials, according to an [EcoVadis and Bain & Company study](#). Plus, our latest Barometer shows that companies' emphasis on cost reduction continues to fall: just 26% of companies listed this as a priority, down from 36% in 2021 and 56% in 2019. However, by shifting their focus to "mitigating risks" and "increasing resilience," companies are setting themselves up to realize cost savings in the longer term.

of sustainability leaders surveyed in our 2024 Barometer say their sustainable procurement programs have helped reduce costs.

Return on Sustainability: Increased Sales

Winning more business and increasing sales revenue is another way businesses benefit from integrating sustainable practices into the procurement function.

This can happen in several ways. A reliable reputation for sustainability can boost brand reputation and differentiation, making companies more attractive to customers, not only driving client acquisition and opening up access to new categories, but also providing the ability to charge a price premium.

25%

of companies report increased sales revenue due to improved reputation and/or customer requirements.

Return on Sustainability: Innovation



The need to change norms, mindsets and the ways we do business is common across all industries. Businesses must innovate to stay at the cutting edge – and to secure our future on this planet.

More and more successful companies are viewing sustainability innovation as a key strategic and tactical advantage. And innovation may come in a variety of forms, such as new applications for existing products, new ways of sourcing and delivering materials or new technologies that help businesses with their sustainability endeavors.

Sustainable procurement requires companies to work closely with their suppliers, investing in building relationships. Sustainability leaders are finding that this closer communication has a knock-on effect: suppliers gain greater insight into clients' needs, and buyers learn more about their suppliers' capabilities, opening up opportunities to create new products and services.

”

We're seeing a trend around procurement being a hub of innovation, the opportunity to really hear from suppliers what's possible.

Divya Demato,
GoodOps

”

Working with trusted partners along the supply chain... allowed us to really move at rapid speed and come to market faster than our competitors with key innovations.

Aurelia Figueroa
Global Director of Sustainability,
Breitling



Return on Sustainability: Talent Attraction and Retention

Sustainability is a key value for workers of all ages, and particularly for members of the millennial generation. Studies have shown that 70% of millennials would stay with a company if it had a strong sustainability plan and 75% of them would take a lower salary to work for a company more in line with their values.

Plus, a Bain & Company and EcoVadis study found that ESG leaders have higher employee satisfaction, and companies with the most satisfied employees grow faster and are more profitable.

”

ROI is better if you have the best people. The best people are attracted to sustainable companies, so not being sustainable will have a negative impact on ROI.

Federico Introvigne
Head of Procurement Excellence
and Governance, A2A

How EcoVadis Can Help: From Risk & Compliance to Resilience & Impact

EcoVadis provides sustainability ratings and intelligence used in more than 1,200 global value chains, with detailed insights into environmental, social and ethical risks across more than 220 industry categories and 180 countries.

Risk Mapping

IQ Plus with Vitals: Fast, contactless ESG risk identification for 100% of suppliers, now with Vitals, a lightweight, free-for-suppliers disclosure tool. Gain visibility in days and set priorities for the next steps in your due diligence project. The Carbon Heatmap, part of our Carbon Action Manager, is an easy-to-use tool for prioritizing high-risk and high-opportunity trading partners for engagement on decarbonization.

Sustainability Ratings & Monitoring

Engage suppliers to measure, benchmark, monitor and mitigate risk and improve their sustainability performance. Robust methodology covering 21 criteria, yielding globally trusted ratings that integrate easily into procurement strategies and decisions.

Engagement & Improvement Tools

Detailed scorecards provide feedback and guidance for improvement. **The Carbon Action Manager** engages deeper on measuring, reporting and reducing GHG emissions. Corrective Action Plans help you prioritize and collaborate on improvements. Our **EcoVadis Academy** provides self-guided e-learning courses to build knowledge and drive performance.

Reporting

Extensive templated reports as well as flexible filters and configuration for regulations, standards and internal initiatives.

Service, Support and Ecosystem

Enterprise offerings include program management support, with options for strategy, deployment, acceleration and training. Ecosystem includes API integration to every step of the procure-tech workflow from SAP-Ariba to Xycus, Microsoft Cloud and Celonis. Our global network of certified partners, including names like Accenture, offer services including strategy consulting and supplier training.

Ready to get started?
Request a consultation.

