

# Towards the Triple Bottom Line: How Procurement and Suppliers can work together to deliver on ESG Goals

April 2023

## Preamble

A marked shift has occurred in the global business landscape during the last few years. Embracing Environmental, Social, and Governance (ESG) sustainability frameworks is now a critical aspect of strategy and operations. This shift in thinking reflects the growing realisation among corporate leaders that their financial performance should align with ESG goals to sustain long-term success. Procurement plays a crucial role in helping organisations deliver on these ESG goals, as suppliers are often responsible for a significant portion of a company's Scope 3 environmental footprint. Companies striving for sustainability must work closely with their suppliers, leveraging digital solutions to track, deliver, measure, and report their progress.

BDO Digital, a leading provider of digital transformation solutions in Singapore, has made a commitment to helping organisations across industries achieve their sustainability goals. In line with this mission, BDO Digital has launched a new service line called Digital Procurement Advisory, which aims to assist companies with digital procurement transformation and to implement sustainable procurement practices.



As part of this strategy, BDO Digital has collaborated with The Procurement Council of Supply Chain Asia and Chartered Institute of Procurement and Supply (CIPS), two established not-for-profit professional bodies that connect the supply chain community in Singapore and beyond, as well as our knowledge partner, The ESG Institute. Together, we have launched a procurement community networking event series called Procurement igNite. Held quarterly, our aim is to cultivate a sustainable community of trust, dialogue, and knowledge sharing in the procurement sector.



## FOR MORE INFORMATION



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## Introduction

Environmental, Social, and Governance (ESG) sustainability considerations are gaining importance in the business world as companies are held to increasing accountability for their impact on the environment and society, and indeed even for parts of their corporate governance. To address these new demands on businesses, collaboration across all departments, including procurement, and suppliers is required. In this article, we explore how procurement officers and suppliers can work together to incorporate sustainability throughout their entire supply chain—including Scope 3 emissions—and deliver on ESG goals. We will also share pertinent highlights from the industry experts who participated in our first igNite panel event.

## Understanding Scopes 1, 2 and 3

Understanding and addressing your impact in all three scopes (Scopes 1, 2 and 3) is crucial to meeting your ESG goals. Using the Greenhouse Gas Protocol as a foundation: Scope 1 refers to impact from sources owned or controlled by the company, while Scope 2 includes key assets for profit making (for example, indirect emissions from purchased electricity, heat, or steam), and Scope 3 covers impacts resulting from a company's value chain.

Scope 3 impacts come from a company's supply chain—as far back as extraction, production, and transportation of raw materials, all the way through to manufactured goods and the use of and disposal of products. Scope 3 impact can be up to 97% of a company's overall carbon footprint, making it critical for companies to understand and influence beyond their corporate boundaries. This is where procurement comes in.

## The Role of Procurement

Procurement is an ideal starting point for incorporating ESG goals into your supply chain. It is a key function in any sustainability strategy, given how significantly it impacts the supply chain and therefore influences the environmental and social impact of your company's products. Selecting suppliers, negotiating contracts, and managing supplier relationships are all procurement concerns.

Procurement officers can help deliver on ESG goals by working with suppliers to develop sustainability criteria for supplier selection. This can include environmental and social impact assessments, as well as performance metrics that are tied to sustainability targets. By integrating sustainability into supplier selection criteria, companies can ensure that they work with suppliers who share their values and are committed to sustainability.

## Sustainability is Culture

Tiow Wei Yeong, Procurement Head at Mondelez and panelist at our recent igNite event, emphasised the importance of company culture in achieving sustainability goals. When sustainability is part of the organisation strategy and driven from the top of the house, it gets embedded into the implementation more effectively, touching every part of the organisation, be it sourcing, commercial or supply chain. This

focus also means everyone has a role to play in contributing to sustainability efforts.

## Collaborative Efforts

For bigger impact, procurement departments can work with suppliers to identify areas for improvement and collaborate on sustainability initiatives. This can include joint projects to reduce carbon emissions, improve social and environmental impact, and increase transparency throughout the supply chain, as outlined by igNite panelist Joanne Flinn, Chairperson of The ESG Institute and author of Greensight, the Sustainability Guide for Company Directors. Joanne highlights achieving ESG goals requires procurement teams to lead collaboration between companies and their suppliers to address the Scope 3 impact for each side. This may require rebalancing the power dynamic to give suppliers a bigger say in the conversation. To help accelerate action and facilitate productive conversations with suppliers, the ESG Institute provides courses for procurement teams to build their understanding of ESG elements and leadership.

To effectively address Scope 3, procurement officers and suppliers should work together to set ambitious targets for reducing Scope 3 impact and implement strategies to measure, report, and reduce their impact. This can be done by using tools and systems that help track supply-chain impact, such as the Carbon Disclosure Project (CDP) for carbon, the Sustainability Accounting Standards Board (SASB), or the upcoming ESG Standard that is specifically designed for where we are in Asia.



## Working with Suppliers

The real question is how procurement departments can form bridges and work with suppliers to make sustainability a broader objective. Implementing such practices is a challenging task. Panelist David Fogarty, Head of ESG Consulting and Sustainability Services at CBRE, noted that engaging suppliers and building better relationships with them requires continuous engagement and ongoing education for the company and its suppliers. It is a collaborative effort that involves companies making procurement selections based on ESG criteria and suppliers educating themselves about sustainability.

The panelists also agreed that the mapping out of suppliers' carbon emissions footprint is crucial for identifying those with the highest carbon footprint and prioritizing efforts to achieve better environmental results. It is essential to involve smaller suppliers in the sustainability journey, as many may need to become more familiar with sustainability concepts. Providing training and clinics for these suppliers can help them understand the impact of their manufacturing processes and supply chain on the environment.

David also reminded us of the importance of auditing to ensure suppliers meet the company's sustainability standards. For example, the uniforms worn by employees may come from manufacturers in other countries. Visiting these suppliers' factories and reviewing their certificates and CSR policies can help ensure they meet the company's sustainability standards. This process involves tracing back to the raw materials used in the manufacturing process to understand their impact on the environment.



## Digital Enablement

The role of digitalisation and digital solutions in tracking, delivering, measuring, and reporting ESG results cannot be overstated. As noted by panelist Andrew Stafford, Head of Ivalua Asia Pacific, technological sophistication is essential for taking collaboration with suppliers to the next level. Manual collection and analysis of supplier data analysis is insufficient to manage ESG goals effectively. With the help of technology, companies can assemble and analyse all the data they collect from suppliers in an integrated and comprehensive manner to ensure they source only from sustainable organisations.

Intelligent use of technology also allows for extensive discussions and debates within the company on the transparency of the data provided by suppliers. This level of transparency is essential to safeguard that suppliers are meeting the necessary ESG standards set by the company. For example, digital solutions can help identify suppliers with the highest carbon footprint and ensure they are held accountable for reducing their Scope 3 emissions. By working with suppliers to increase transparency throughout the supply chain, companies can identify areas where emissions can be reduced and ensure that suppliers adhere to sustainability standards by implementing traceability systems, such as blockchain technology, that provide visibility into the entire supply chain.

Tiow Wei Yeong also noted the importance of tracking supplier data to ensure transparency—stressing, however, that this can be a delicate issue, as tracking suppliers' performance sometimes creates tension. Digital solutions can help alleviate this tension by making the process of data tracking and reporting more efficient, transparent, and accessible to all parties involved.

Furthermore, companies can use technology to monitor their entire supply chain, ensuring they meet their ESG goals at every level. As more companies adopt ESG-compliant practices, the demand for sustainable products and services will increase. By monitoring their supply chains, companies can ensure that they are meeting their ESG goals and this increasing demand for sustainable products and services.



## Wrapping up

Companies are increasingly responsible for addressing their environmental and social impact, as well as their corporate governance—moving towards a triple bottom-line approach. Procurement and suppliers are critical in delivering ESG goals, especially in addressing Scope 3 impact. Digitalisation and digital solutions are essential for companies to meet their ESG goals. Collaboration with suppliers is key, and technology can take ESG initiatives and activities to the next level by ensuring transparency, facilitating data tracking, and reporting, and monitoring the entire supply chain.

Delivering ESG goals requires a long-term commitment from both procurement departments and suppliers. Companies need to invest the necessary resources and tools to support sustainability initiatives, and suppliers need to be willing to make essential changes to their operations. Collaboration, transparency, and communication are key to achieving success in this area. By integrating sustainability throughout the entire supply chain, companies can reduce their environmental impact and achieve their ESG goals while building stronger relationships with their suppliers and enhancing their reputation with customers and stakeholders.

As the world becomes more conscious of sustainability, demand for sustainable products and practices will only increase and companies that embrace digital solutions to meet their ESG goals will be the ones that thrive.

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Thank you to the following knowledge contributors who made this Procurement igNite Event successful.



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