White Paper

SUSTAINABILITY UNDER PRESSURE: INSIGHTS FROM ISM'S *2024 SUSTAINABILITY SURVEY*

Presented by

ISM
INSTITUTE FOR SUPPLY MANAGEMENT

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Institute for Supply Management® (ISM®) is the first and leading not-for-profit professional supply management organization worldwide. Its community of more than 50,000 in more than 100 countries manage about US$1 trillion in corporate and government supply chain procurement annually. Founded in 1915 by practitioners, ISM is committed to advancing the practice of supply management to drive value and competitive advantage for its members, contributing to a prosperous and sustainable world. ISM empowers and leads the profession through the ISM® *Report On Business*®, its highly-regarded certification and training programs, corporate services, events, the ISM Supply Chain Capability Model and assessments. The ISM® *Report On Business*®, Manufacturing, Services and Hospital, are three of the most reliable economic indicators available, providing guidance to supply management professionals, economists, analysts, and government and business leaders. For more information, please visit: **www.ismworld.org.**

How the Survey Was Conducted

The Institute for Supply Management® (ISM®) conducted the 2024 Sustainability Survey between December 19, 2023, and February 21, 2024, garnering insights from 235 professionals. The data sets include a balanced split between respondents from manufacturing (53 percent) and services (47 percent), with notable representation from chemical products (10 percent), machinery (6 percent), and educational services (5 percent). Managers (28 percent) and directors (18 percent) dominate the roles surveyed, while organizations range widely in size, with 53 percent generating less than $500 million in revenue and 28 percent booking revenue of US$4 billion or more.

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Sustainability Under Pressure: Insights from ISM's *2024 Sustainability Survey*

Survival and sustainability are deeply interconnected, though they are often framed as being at odds. Do companies feel they must choose between "survival" and "sustainability" because of the tension between short-term pressures and long-term goals? Or is the real challenge in prioritizing actions that drive measurable impact over those that are merely symbolic? When viewed holistically, sustainability emerges as an essential component of not only survival, but also long-term success. The *2024 Sustainability Survey* explores this critical issue, examining how companies navigate competing demands while striving for tangible sustainability outcomes.

This year's findings reveal a growing focus on Scopes 1, 2, and 3 emissions reporting, with supply management playing an increasingly central role in driving sustainability initiatives. Yet, the data also highlights significant gaps, including limited supplier engagement and a persistent disconnect between corporate sustainability goals and actionable supply chain strategies.

This white paper provides an in-depth analysis of the *2024 Sustainability Survey* findings, offering insights into supply chains' role in sustainability, common barriers and bridging the gap between goals and measurable benefits. By pairing survey insights with expert perspectives, this white paper clarifies how organizations can align sustainability with measurable business success.

Supply Chain's Expanding Role in Sustainability Leadership

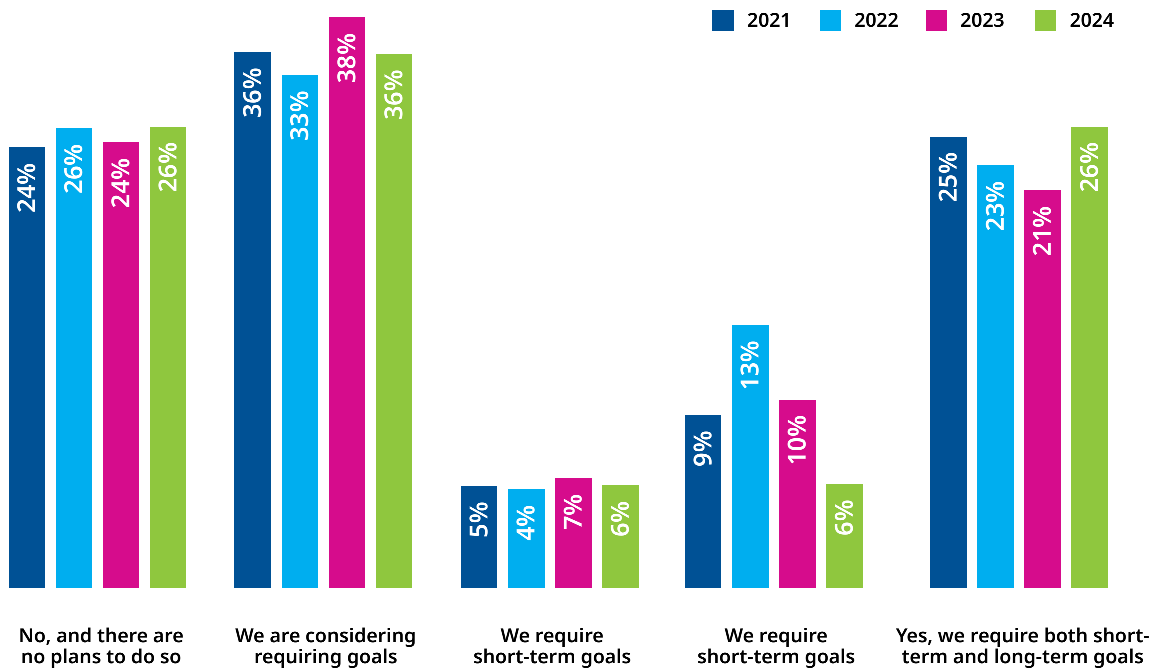
For the past four years of our sustainability survey, respondents steadily reported only 40 percent of their organizations have dedicated resources focused on sustainability efforts. Judy Pines, C.P.M., A.P.P., sustainable procurement lead at Allstate Insurance Company, stresses the importance of dedicated resources for aligning sustainability goals with the company's overall strategy. "Achieving sustainability goals requires engagement and shared accountability for managing risks and opportunities, leveraging technology for the collection, management and reporting of sustainability data, and understanding regulatory compliance across the business, all of which are critical to achieving sustainability goals," she says. However, the survey suggests that most organizations prefer to rely on sustainability efforts to be carried out as time allows or as an aspect of regular duties.

This lack of dedicated resources has led organizations to increasingly rely on supply chain to support and take the lead in sustainability efforts. The survey supports this trend, with more than half (55 percent) of this year's respondents reporting supply chain leads the charge for executing sustainability measures, a notable increase of 11 percent since 2021. Supply chain again leads corporate responsibility in thought leadership for sustainability, solidifying its dual role in both strategy and execution.

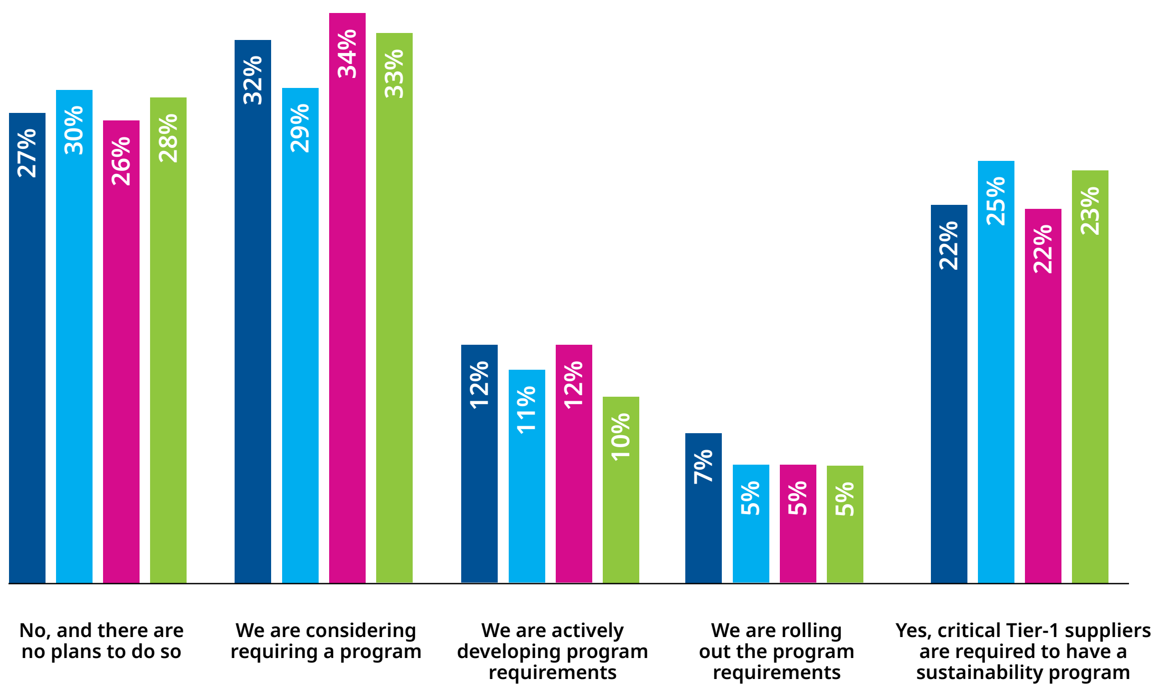
Three-fifths (61 percent) of respondents indicate their organizations have established short-term (10 percent), long-term (13 percent), or a combination of both long-term and short-term sustainability goals for supply management (38 percent). The remaining 39 percent of respondents either have no plans, are considering adopting goals, or don't know. For organizations that have yet to establish goals, Matt Esper, director of sustainability and social impact at Direct Travel, suggests engaging procurement teams early: "Your procurement team needs to be with you from the beginning so that you can align sustainability initiatives with their goals," he says.

While 38 percent of respondents indicate they require critical Tier-1 suppliers to establish sustainability goals, only 23 percent require these suppliers to have a structured sustainability program in place (Figure 1). The lack of widespread goal setting and structured supplier programs reveals a need for stronger frameworks, accountability mechanisms and resource allocation. Esper explains the best-case scenario" "Organizations have both longer-term commitments and interim targets." he says. "Long-term commitments make sense because transforming an organization to a low-carbon economy or meeting net-zero targets takes significant time and effort. But you also need interim goals to ensure progress."

Figure 1: Does your company require critical Tier-1 suppliers to establish long-term sustainability goals?



Does your company require critical Tier-1 suppliers to establish a sustainability program?



Esper adds how mandates and incentives play a critical role in driving sustainability efforts, with Europe favoring regulatory enforcement ("the stick") while North America leans on voluntary initiatives, with incentives ("the carrot"). "For a long time, many sustainability initiatives conflicted with business goals," Esper says. "Only in recent years have we started seeing companies demonstrate the return on sustainability investment, showing that sustainable business can also be good business. It's important for companies to do good because it's the right thing, but that has to balance with remembering why the company exists — profit."

IBM's *The State of Sustainability Readiness Report 2024* reinforces that embedding sustainability into core business strategies not only addresses environmental and social challenges — it also drives profitability. According to IBM's findings, organizations that integrate sustainability into their operations are 52 percent more likely to outperform their peers in profitability. However, despite the clear potential for measurable benefits, our survey data reveals that only 35 percent of respondents report realizing tangible outcomes from their sustainability initiatives. This gap suggests that while the business case for sustainability is evident, many organizations struggle to translate goals into tangible results visible to the rest of the organization.

Gaining Clarity by Closing the Knowledge Gap in Sustainability

Over the past few decades, pivotal moments like the *Brundtland Report* in 1987, the film *An Inconvenient Truth* in 2006 and the *Paris Agreement* in 2015 have shaped how the world understands climate change and sustainability. However, it's not the "why" but the "how" where companies face the biggest hurdles in embedding sustainability into corporate strategy. According to Jim Fleming, CPSM, CPSD, manager, product development and innovation and senior faculty member at ISM, "There aren't a lot of answers in certain areas just yet." He adds, "I'm getting a sense (companies) don't even know what they need to train themselves on." This degree of confusion may explain why many organizations are slow to emphasize internal supply chain and supplier training.

While internal staff training is more common, organizations lag considerably in extending sustainability initiatives and expectations to their suppliers, particularly lower-tier suppliers. Two-thirds of respondents indicate that sustainability training is available to at least some of their team members. Specifically, 36 percent say training is available to all team members, while 31 percent say it's only provided to those working directly on sustainability initiatives. However, 32 percent of organizations do not offer any internal sustainability training.

One of the most critical hurdles is equipping teams and suppliers with the knowledge and tools to turn sustainability objectives into measurable actions. Only about one-quarter (27 percent) of respondents report that their organizations provide sustainability training for critical Tier-1 suppliers, with just 18 percent extending this training to all Tier-1 suppliers. Even more concerning, most (56 percent) organizations do not provide sustainability training to their suppliers. When considering lower-tier suppliers, the data is even more sobering. Only 16 percent of organizations include critical lower-tier suppliers in their sustainability strategies, while 66 percent state they are either considering adding them (31 percent) or have no plans to include them (35 percent).

Are Organizations Suffering from Sustainability Fatigue?

Our survey data suggests that organizations struggle to maintain momentum toward sustainability efforts. Limited resources, slow progress on measurable outcomes, and underinvestment in training suggest that some organizations may be experiencing sustainability fatigue. Fleming says, "Organizations are grappling with sustainability … trying to fit it into their priorities. It's an ongoing struggle to balance everything else on their plates while making progress."

The survey highlights a subtle but consistent decrease in organizational attitudes and actions toward sustainability over the past four years. While these declines are not dramatic, they indicate potential signs of eroding enthusiasm or shifting organizational priorities. If this trend continues, it could hinder the momentum required to meet ambitious sustainability goals, especially if organizations fail to re-engage leadership and employees in meaningful ways.

Pines emphasizes the role of clear communication in combating these challenges: "The companies that do the best have clear communication and consistent messaging of sustainability goals, expectations of suppliers and why these expectations are important to the company, and how a supplier's support is critical to a company achieving their sustainability objectives." This alignment between internal teams and suppliers can help reinvigorate sustainability initiatives and bridge the gap between ambition and action.

The Complexity of Emissions Reporting

The U.S. Environmental Protection Agency (EPA) defines Scope 1 emissions as direct greenhouse gases from owned or controlled sources, Scope 2 as indirect emissions from purchased energy, and Scope 3 as all other indirect emissions across the value chain, including production, transportation, and product use. While Scopes 1 and 2 are relatively straightforward, Esper says, "Scope 3 is like boiling the ocean — it's so much. It encompasses everything, especially purchased goods and services. It's incredibly broad."

Our survey shows that only 25 percent of responding organizations have begun or will continue reporting Scope 1 greenhouse gases (GHGs), 24 percent have begun or will continue reporting Scope 2 GHGs, and 20 percent have begun or will continue reporting Scope 3 GHGs. Among those reporting for Scope 1, 75 percent of organizations have set Scope 1 targets for 2030. Among those reporting for Scope 2, 63 percent aim to achieve their Scope 2 targets by 2030, with 22 percent

Figure 2: We have Scope 1 targets to achieve by ...

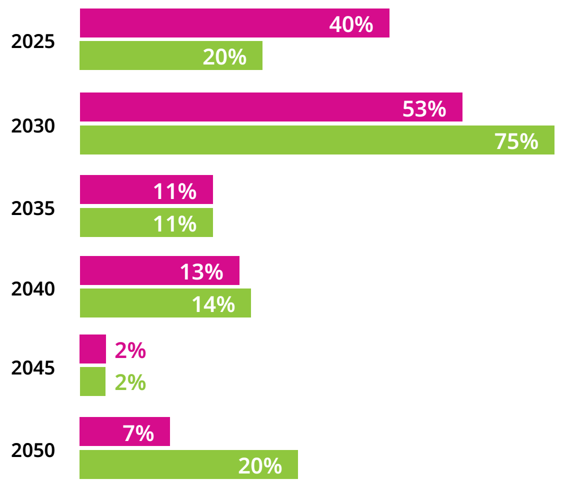


Figure 3: Which function is/will be primarily responsible for Scope 1 reporting?

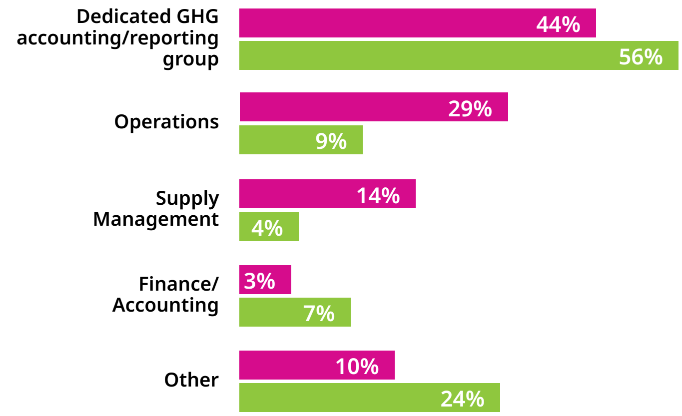


Figure 4: We have Scope 2 targets to achieve by ...

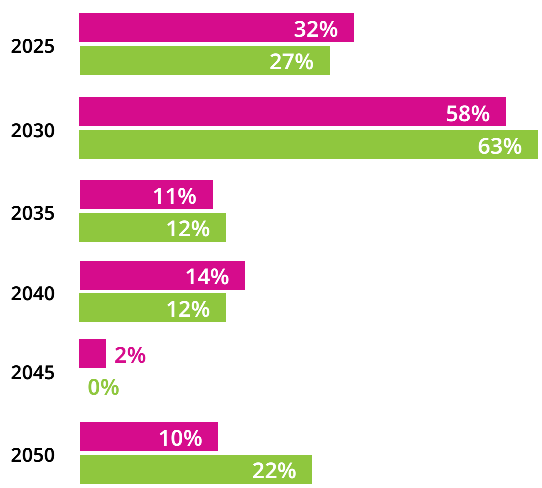


Figure 5: Which function is/will be primarily responsible for Scope 2 reporting?

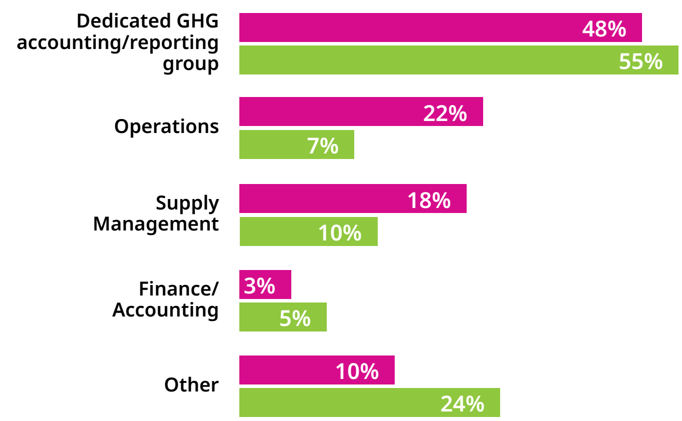


Figure 6: We have Scope 3 targets to achieve by ...

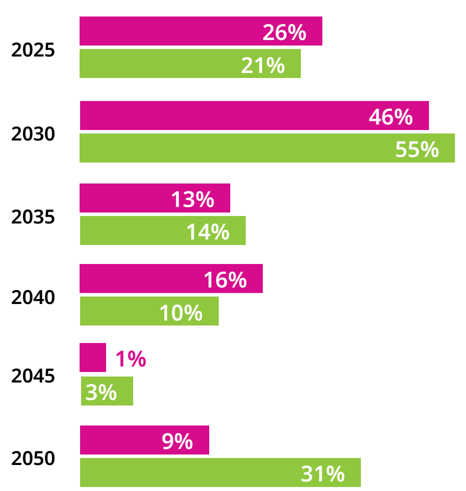
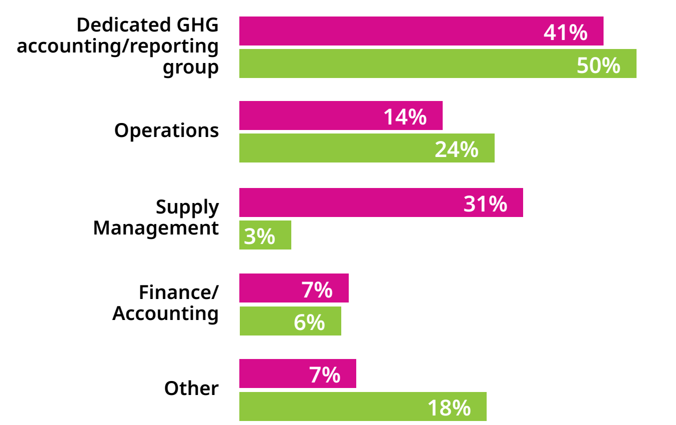


Figure 7: Which function is/will be primarily responsible for Scope 3 reporting?



2023 2024

extending to 2050 (Figures 2-4). Targets for Scope 3 emissions lag considerably behind Scope 1 and Scope 2. Among those reporting for Scope 3, only 55 percent of organizations have set 2030 targets, while a notable 31 percent have deferred their goals to 2050 (Figures 6 & 7).

Pines emphasizes supplier engagement to reduce supply chain emissions, saying, "We have developed a strategy targeting Scope 3 category one emissions (purchased goods and services), which account for the second largest emission source for Allstate." Survey data reflect a similar focus among respondents, with 90 percent reporting on purchased goods and services, 74 percent addressing waste generated in operations, and 66 percent including fuel- and energy-related activities as part of their Scope 3 emissions efforts.

Esper suggests taking a category or product-level approach. "The key to Scope 3 decarbonization is looking at the most important product categories and trying to focus on them," he says. "Instead of trying to decarbonize your entire supply chain at once, focus on a specific category. If you take it too broad, it might seem flexible, but it can also overwhelm your procurement teams."

Reinvigorating Momentum Amid Sustainability Fatigue: Turning Challenges into Action

This year's sustainability survey underscores the challenges organizations face — limited resources, unraveling the complexity of Scope 3 emissions, and achieving meaningful results. But it's not all uphill. These challenges present an opportunity to refocus and reimagine what's possible. Pines and Esper recommend these best practices for organizations to bridge the gap between ambition and meaningful progress in their sustainability journeys:

Provide procurement teams with tools for impact. "To empower your sustainability teams to meet the goals your boardroom sets, you need to give them the tools and resources to do it. When procurement has a clear understanding of the sustainability strategy, they are better equipped to make informed decisions that align with company goals." — Esper

Link executive compensation to environmental, social and governance (ESG) goals. "Linking executive compensation to your ESG goals and targets — how could that not be powerful? Start broad and flexible, such as with implementation of the sustainability strategy, then evolve to focus on specific targets." — Esper

Clarify sustainability expectations for suppliers. "The companies that do the best have clear communication and consistent messaging of sustainability goals, expectations of suppliers, and why these expectations are important to the company." — Pines

Simplify supplier engagement. "Simplify your requests to suppliers — send them five to 10 meaningful questions rather than 50. You'll likely get better results with less complexity."— Esper

Adapt regional strategies. "North America tends to rely on voluntary initiatives ('the carrot'), while Europe leans on regulatory enforcement ('the stick'). Understand the regional context and tailor strategies accordingly." — Esper

Leverage technology for better reporting. "Companies need to invest in digital tools to streamline Scope 3 data collection and reporting— this will allow them to track progress more effectively." — Pines

Emphasize supplier diversity. "Sustainability isn't just about emissions; promoting diverse supplier relationships helps create a more resilient and equitable value chain." — Pines

The *2024 Sustainability Survey* highlights the complexities of embedding sustainability into a company's DNA. As sustainability evolves, procurement and the entire supply chain will play a primary role in driving successful sustainability results that help the environment and produce meaningful returns for the organization.