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*This thesis is one of the few to study environmental responsibility in procurement. The results of this thesis increased the awareness on how environmental responsibility issues are taken into consideration in the procurement of the case company. The results can be used as a ground for creating green procurement practices for the case company as well as other companies. In the thesis it was also studied how companies can improve their environmental performance and image as well as gain economical benefits by controlling also the beginning of the supply chain. This way the thesis combines both financial and environmental responsibility issues.*

## 1. Introduction

In today's world, corporate responsibility is an essential part of business. Companies face, in addition to all the time tightening legislation, pressure to act more responsible from other stakeholder groups such as customers and investors. Today many companies are concentrating on their core businesses and outsource other functions of the company. As companies procure products and services all around the world, supply chains become more complex and more difficult to handle.

A case company that has over 20 000 suppliers globally and the procurement functions form an essential part of the company's turnover, was chosen for this study. The main objective of this study was to investigate how the case company takes environmental issues into account in its procurement and how the environmental data related to suppliers' operations is being collected and followed. The study was accomplished by investigating three delivery projects that were chosen from the case company's three different business areas. By studying all the three business areas, very important information on how the procurement practices and the environmental issues taken into account vary between the business areas and how these practices could be improved. Also the environmental management practices of nine suppliers chosen from the three delivery projects were studied.

## 2. LITERATURE REVIEW

The literature review of this thesis was divided into three parts. The first part of the literature review began with an introduction the three dimensions of the corporate responsibility. After this the first part of the review concentrated on the different elements of the environmental responsibility such as drivers for the environmental responsible business, environmental management system and methods, environmental accounting and

environmental auditing and reporting. The second part of the literature review first introduced the concept of supply chain management and then concentrated on different procurement functions. The third part combined the first two parts of the literature review by studying how environmental issues should be taken into account in different phases of the procurement.

### **3. RESULTS AND CONCLUSIONS**

The results of this study indicate that the weight of environmental issues in the case company's procurement should be increased. There aren't any established practices for taking environmental issues into account in procurement and the practices vary between the different business areas. In most cases suppliers' environmental performance is controlled in a very general stage and environmental requirements as well as object setting for the suppliers on environmental issues are insufficient.

The most significant reasons why the environmental issues are not taken into account in larger extent in the case company's procurement were among others the lack of resources and know-how. Environmentally responsible procurement was considered to be important and worth developing. Also most of the interviewed suppliers considered that environmental issues should have more weight in the supplier-buyer relationship and for example environmental audits were seen as a positive occasion to show environmental know-how. In the case company there is a need for guidelines that define the stage in which the environmental issues should be taken into account in procurement and in what ways the environmental data should be collected and handled.

The scientific importance of this study can be considered to be relatively significant because only limited number of studies has been conducted on the subject and the results can be utilized in developing possible further studies and actions in the case company. In order to improve the environmental performance of the case company as well as other companies, it is essential to be aware how the environmental issues are handled in the beginning of the supply chain. By controlling the beginning of the supply chain, a company can communicate a positive message to its suppliers, customers, investors and other stakeholders and this way not only improve its overall environmental performance, but also its image as an environmentally friendly company and also this way gain economical benefits.