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SUSTAINABILITY SOLUTIONS

How businesses are making their contribution to SDGs



№7

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How businesses are making their contribution to SDGs

In previous issues of this series, we have examined in stages how a company can build a system for managing its contribution to achieving the UN Sustainable Development Goals: identifying priority SDGs and significant impacts, translating them into corporate goals and indicators, assigning responsibility, integrating sustainable development objectives into management and operational processes, evaluating the results and making the management decisions. Such system provides a foundation for effective work with SDGs, with real value being realized through implementation of specific programs and practices. This issue highlights one example of a company's contribution to achieving the SDGs through building a sustainable supply chain.

Decisions about what a company purchases, from whom, on what conditions and what requirements it places on suppliers link strategic sustainability goals with day-to-day operational decisions. Sustainable procurement can therefore be seen as a practical mechanism through which a company's principles, approaches and standards are extended beyond its own operations - to suppliers, materials, services and the wider value chain.



Why sustainable supply chains are becoming a part of the SDG agenda

For many companies, a significant portion of environmental and social impacts arise not only within their own factories and offices, but also at earlier stages of the value chain: during extraction and production of raw materials, manufacture of components, use of energy and water by suppliers, labor management, transportation of goods and handling of packaging and waste. The Organisation for Economic Co-operation and Development (OECD) notes that many of a business's most significant environmental and social impacts are in the supply chain or other business relations, rather than in the company's own operations.

The OECD cites child labor as an example: the organization estimates that 28-43% of child labor associated with export goods is indirect and occurs at earlier levels of the chain, such as raw material extraction or agriculture [1].

The scale of indirect impacts can be seen particularly clearly in indicators of greenhouse gas emissions and climate impacts. According to research by Carbon Disclosure Project (CDP) and Boston Consulting Group, in 2023, the upstream Scope 3 emissions disclosed by the companies were, on average, 26 times higher than their operational Scope 1 and Scope 2 emissions. However, only 15% of companies that disclosed data through CDP had a target to reduce supply chain emissions [2]. This does not mean that such a share of indirect emissions is typical for every industry and every company, but it clearly illustrates a general management challenge: without working with suppliers, a significant portion of impacts may remain outside of corporate programs and metrics.

The topic of sustainable supply chains is linked to several SDGs. First of all, it is SDG 12 "Responsible consumption and production": the choice of materials, requirements for resource efficiency, durability and repairability of products, waste reduction and use of recycled raw materials affect the company's material footprint. Handling of supplier emissions and energy efficiency is linked to SDG 7 "Affordable and clean energy" and SDG 13 "Climate action". Requirements for water use and pollution are linked to SDG 6 "Clean water and sanitation", and for land use, origin of raw materials and biodiversity - to SDG 15 "Life on land".

The social contour of the supply chain is directly linked to SDG 8 "Decent work and economic growth": working conditions, labor protection, working hours and prevention of forced and child labor can be well beyond the first level of suppliers. Non-discrimination and gender equality fall under SDG 5 and SDG 10, respectively, while anti-corruption requirements and business ethics fall under SDG 16. Finally, the very logic of long-term interaction with suppliers, joint development of competencies and industry cooperation supports SDG 17 "Partnerships for the goals". This link does not mean that every procurement automatically contributes to all of the listed SDGs: the set of relevant goals depends on the company's profile, procurement categories and significant impacts of a particular chain.

There are a number of international documents that set approaches and requirements for sustainable supply chains [3; 4; 6]. Among them: ISO 20400:2017 Sustainable Procurement Guidance, OECD Due Diligence Guidance for Responsible Business Conduct, OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, UN Global Compact Sustainable Procurement Implementation Framework. Recommendations of these guides can be conveniently grouped into areas.

Identification of significant risks and impacts. The starting point is to understand where in the value chain the most significant environmental, social and governance risks arise. OECD recommends identifying actual and potential negative impacts in own operations, supply chains and other business relations, and the UN Global Compact recommends focusing resources on the most significant ESG topics, procurement categories and suppliers [4; 6].

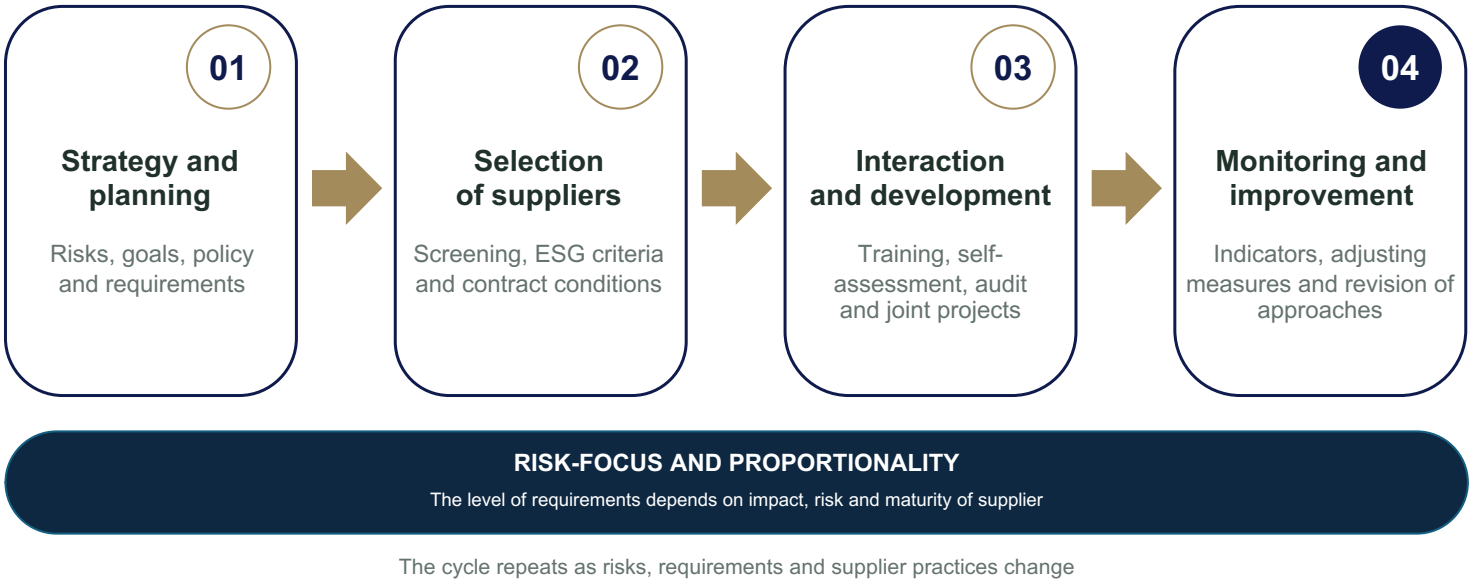
Translating priorities into procurement requirements. Once the material aspects have been identified, they should become a part of a regular procurement decision along with cost, quality and service. Requirements may relate to

[1] OECD. Due diligence for responsible business conduct; OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, 2023.
[2] CDP & Boston Consulting Group. Scope 3 Upstream: Big Challenges, Simple Remedies, 2024.
[3] ISO 20400:2017. Sustainable procurement — Guidance. The standard was confirmed by ISO in 2023 and remains valid.
[4] OECD. Due Diligence Guidance for Responsible Business Conduct, 2018.
[6] UN Global Compact. Sustainable Procurement Implementation Framework.

materials and waste, water and biodiversity, emissions and energy consumption, labor rights and labor protection, non-discrimination, business ethics and anti-corruption practices.

In practice, such approach is built as a consistent management cycle. In the UN Global Compact Framework it consists of four blocks [6].

Figure 1. Management cycle of sustainable procurement



Due diligence and handling of identified issues. International recommendations include not only the initial selection of suppliers, but also further impact management: risk prevention or mitigation, corrective plans, changes in interaction conditions, supplier development, more in-depth monitoring and tracking of effectiveness of the measures. The OECD specifically emphasizes that discovery of a problem does not automatically mean termination of the relations: the decision must take into account the nature of impact, the company's connection to it and the available leverage; responsible termination of business relations is considered as one of the possible measures when risk cannot be eliminated or mitigated [1; 4].

Proportionality of requirements to the level of risk and maturity. An equal depth of screening across the entire supplier base is rarely justified.

The UN Global Compact recommends segmenting the suppliers based on potential impact, risk and maturity: high-impact, low-maturity suppliers require more active engagement, while mature suppliers can become partners in joint projects. For companies just starting out with supply chain management, it is recommended to start with a pilot approach and then scale up the results across the entire chain [6].

Inclusiveness and maintaining a competitive environment. Increasing of ESG requirements can create unintended barriers, particularly for small and medium businesses that often lack a developed reporting system and resources to prepare it. Therefore, the Framework provides for adaptation of requirements and development of SME capabilities - training, information sessions, support in preparing the documentation and setting of realistic goals [7].

[1] OECD. Due diligence for responsible business conduct; OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, 2023.
[4] OECD. Due Diligence Guidance for Responsible Business Conduct, 2018.
[6] UN Global Compact. Sustainable Procurement Implementation Framework.
[7] UN Global Compact. Sustainable Procurement Implementation Framework — SME Enablement.

In this logic, sustainability of the chain is achieved not only by selecting the most mature suppliers, but also by consistently raising requirements and jointly developing their competencies.

Monitoring, data and disclosure. Requirements for suppliers must be accompanied by data collection, evaluation of results and adjustment of approach. This logic is also reflected in corporate disclosure standards: GRI 308 and GRI 414 require disclosure of suppliers' environmental and social impact assessment practices; IFRS S1 requires consideration of significant sustainability risks and opportunities across the value chain, and IFRS S2 requires disclosure of Scope 3 emissions that may include emissions from purchased goods and services as well as other elements of the value chain [5; 9]. Thus, work with suppliers becomes not only a procurement practice, but also a part of the risk, data and corporate reporting management system.

As a result, general corporate priorities can be translated into measurable requirements for procurement and suppliers. If climate is a priority, a company might request emissions data and consider decarbonization targets; if circularity is a priority, it might evaluate material composition, share of recycled materials, repairability, service life and recyclability; if social issues are a priority, it might include requirements for working conditions and labor protection, non-discrimination and prevention of forced labor.

This creates a practical link: from the priority SDG and significant impacts to objectives, procurement criteria, supplier actions and performance evaluation.

This approach also has an economic dimension. According to CDP, corporate buyer engagement with suppliers in 2023 resulted in a reported reduction of 43 mln tons of greenhouse gases, and companies actively managing the supply chain emissions reported savings of $13.6 bln.

At the same time, the potential financial costs of climate risks in supply chains were estimated by the disclosing companies at $162 bln, and the potential opportunities from their mitigation at approximately $165 bln [8]. This data shows that chain sustainability is increasingly viewed both as a matter of impact, risk management and business performance.

Specifics of sustainable supply chains in aviation

For aviation, the topic of sustainable supply chains is important, but at the same time it is a real challenge for the industry. An airline depends on a large number of specialized suppliers - aircraft and engine manufacturers, technical components and spare parts, fuel, airport and ground services, IT solutions, food, equipment and many other categories. At that, security, certification and a limited number of suppliers for certain critical items limit the possibility of replacing a counterparty. Therefore, sustainable criteria must be combined with strict requirements for safety, reliability, availability and continuity of operations.

To systematically address these specifics, the industry is developing specialized tools. In 2025, the International Air Transport Association (IATA) launched the Integrated Sustainability Program (ISP) that includes a Sustainable Procurement module. The sustainable procurement standard within the ISP is aligned with ISO 20400:2017 and is designed to integrate ESG approaches into tenders, supplier selection, risk assessment, contractual relations and subsequent supplier management [13].

[5] Global Reporting Initiative. GRI 308: Supplier Environmental Assessment; GRI 414: Supplier Social Assessment.
[8] CDP. Strengthening the Chain: Industry insights to accelerate sustainable supply chain transformation, 2024.
[9] IFRS Foundation. IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information; IFRS S2 Climate-related Disclosures.
[13] IATA. Integrated Sustainability Program; Sustainable Procurement.

However, existence of industry approaches is currently more like overlaps with the constraints that airlines face in practice. Shortages of components and spare parts, engine problems, production constraints and maintenance delays are slowing the production and delivery of new aircraft. According to IATA, approximately 1,254 new commercial aircraft were delivered to airlines worldwide in 2024, while the total order backlog reached a record 17,000 aircraft [10]. Delays have forced airlines to keep their existing fleets in service longer, with the average age of the global fleet rising to 14.8 years. This also has environmental implications, as older aircraft tend to be less fuel-efficient; IATA notes that shortage of new aircraft in 2024–2025 has slowed the industry's usual progress in improving the fuel efficiency. Another example is sustainable aviation fuel (SAF), which IATA sees as a key technological instrument for decarbonization: it could deliver up to 65% of emissions reduction needed to achieve net zero CO2 by 2050 [11].

However, supply of SAF is still limited: in 2025, production was about 1.9 mln tons or 0.6% of global jet fuel consumption, and the price was more than twice that of fossil aviation fuel [12]. These constraints illustrate why sustainable procurement in aviation must simultaneously consider ESG objectives, safety, availability of critical resources and actual ability of suppliers to change.

The Air Astana case demonstrates how approaches to building a sustainable procurement system can work in practice.

Air Astana case: sustainable procurement system

About the company

The Air Astana Group (the Group) specializes in passenger air transportation on domestic, regional and international routes. The Group includes two brands: Air Astana and FlyArystan.

Revenue for 2025 was $1.45 bln. As of the end of 2025, the Group employed over 7,000 people and operated in 22 countries.

Air Astana's systematic work with the UN Sustainable Development Goals began in 2022 during development of its ESG Strategy. The Group assessed its activities in terms of SDGs and identified six priority goals. One of the practical areas of implementation of the ESG Strategy was the goal "Sustainable procurement" - introduction of ESG principles into the Group's procurement processes.



[10] IATA. Aviation Supply Chain: aircraft delivery data and supply chain constraints, 2025.
[11] IATA. Sustainable Aviation Fuel (SAF); Fly Net Zero.
[12] IATA. SAF Production Growth Rate is Slowing Down, 9 December 2025; Changi Aviation Summit 2026 remarks.

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How a strategic goal is transforming the procurement system

The sustainable procurement goal was formulated by Air Astana in 2022 as part of developing the Group's ESG Strategy for 2023-2032. The Group links it to SDG 17 "Partnership for the goals" that is one of Air Astana's six priority SDGs. In this logic, sustainable procurement is seen as a tool for developing the responsible and long-term relations with suppliers and partners, as well as integrating the sustainability principles into the value chain.

The initiative was included into the ESG Initiatives Plan developed simultaneously with the ESG Strategy. At the outset, it was important for the Group to build the system comprehensively and consistently, rather than limiting itself to incorporating individual ESG criteria into the supplier selection process.

In developing its approach, Air Astana took into account the expectations of key stakeholders: passengers, employees, shareholders, suppliers and business partners, government agencies and regulators. Procurement was previously identified as a material topic within the overall materiality analysis, taking into account the stakeholder expectations and significance of economic, social and environmental impacts of the Group's activities.

Additionally, the Group examined expectations across various procurement categories and ESG criteria. The results helped to clarify which ESG factors to consider in procurement processes and during work with different categories of suppliers.

Initially, given the level of maturity of sustainability practices in the Kazakhstan's and regional markets, Air Astana planned to approve the Supplier Code by 2027. However, at the end of 2024, IATA invited the Group to become a pilot airline in development of the new Sustainable Procurement module of the ISP program. This allowed Air Astana to develop its own system based on international industry approach and simultaneously test its applicability taking into account the specifics of Central Asia and the CIS.



As part of the pilot, the Group tested elements of the standard in practice, including approaches to integrating the ESG principles into procurement activities, supplier assessment, ESG risk management in the supply chain and subsequent monitoring, and also provided IATA with feedback and regional practical insights.

In October 2025, the IATA ISP Sustainable Procurement standard was officially released. By this time, Air Astana already had practical experience of its application and was recognized by IATA for its contribution to development of the Integrated Sustainability Program at the World Sustainability Symposium in Hong Kong. In August 2026, Air Astana achieved certification to the standard, becoming the first airline in Central Asia and the CIS and the third airline in the world to achieve such certification.

As a result, the initiative has evolved into a comprehensive system in which the ESG principles are integrated into the procurement cycle and interaction with suppliers. The system includes consideration of environmental, social and governance factors in procurement, assessment of ESG practices and supplier risks, development of responsible interaction with supply chain and increase of transparency and consistency in procurement processes.

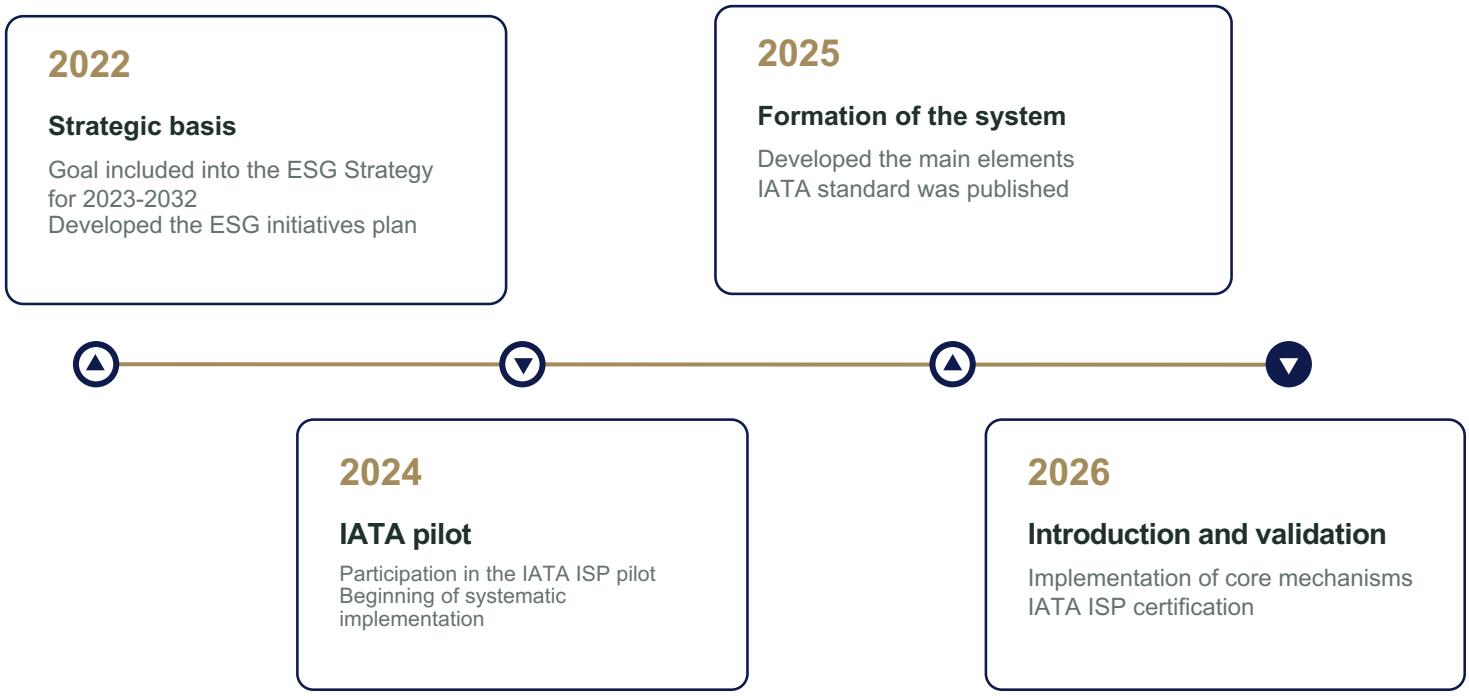
Air Astana views sustainable procurement not only as an internal transformation of the procurement function, but also as a tool for improving the supply chain sustainability. The Group's requirements and expectations become a benchmark for suppliers and form the basis for gradual development of their ESG practices.



Stages of development of sustainable procurement system

The Group identifies four main stages of the system development during 2022-2026.

Figure 2. Key stages of development of Air Astana's sustainable procurement system



Goals, KPIs and expected results

To achieve its sustainable procurement goal, Air Astana has developed a set of indicators that reflect the gradual transition from creation of system elements to changes in practices and long-term impact.

The following outputs have been implemented during 2025-2026:

- development and approval of Sustainable Procurement Policy and Supplier Code,
- establishing the responsibility of employees and the head of the Procurement Department,
- identification of stakeholders,
- introduction of ESG criteria into procurement procedures,
- classification of suppliers according to ESG risk levels,
- setting of goals for further improvement of the system,
- development of employee training plan.

Also, medium-term outcomes are being implemented:

- forming of a unified corporate approach to sustainable procurement,
- forming of uniform ESG requirements for suppliers,
- integration of responsibility for ESG factors into the functions of employees,
- assigned the process owners,
- taken into account the expectations of stakeholders,
- implementing the risk-oriented supplier management,
- developing the ESG competencies of employees.

From 2026, the system includes an audit of sustainability performance of high-risk suppliers, self-assessment of medium-risk suppliers, annual internal assessment and annual performance review at the management level. External IATA ISP Sustainable Procurement certification is conducted every two years.

In the long term, the Group expects the following results and effects:

- mitigation of ESG risks and negative impacts in the supply chain,
- increase of its transparency and sustainability,
- increasing ESG maturity of suppliers,
- anchoring of sustainable procurement in the corporate culture and corporate governance system,
- transition from one-time compliance to continuous improvement.

How the system is implemented at the operational level

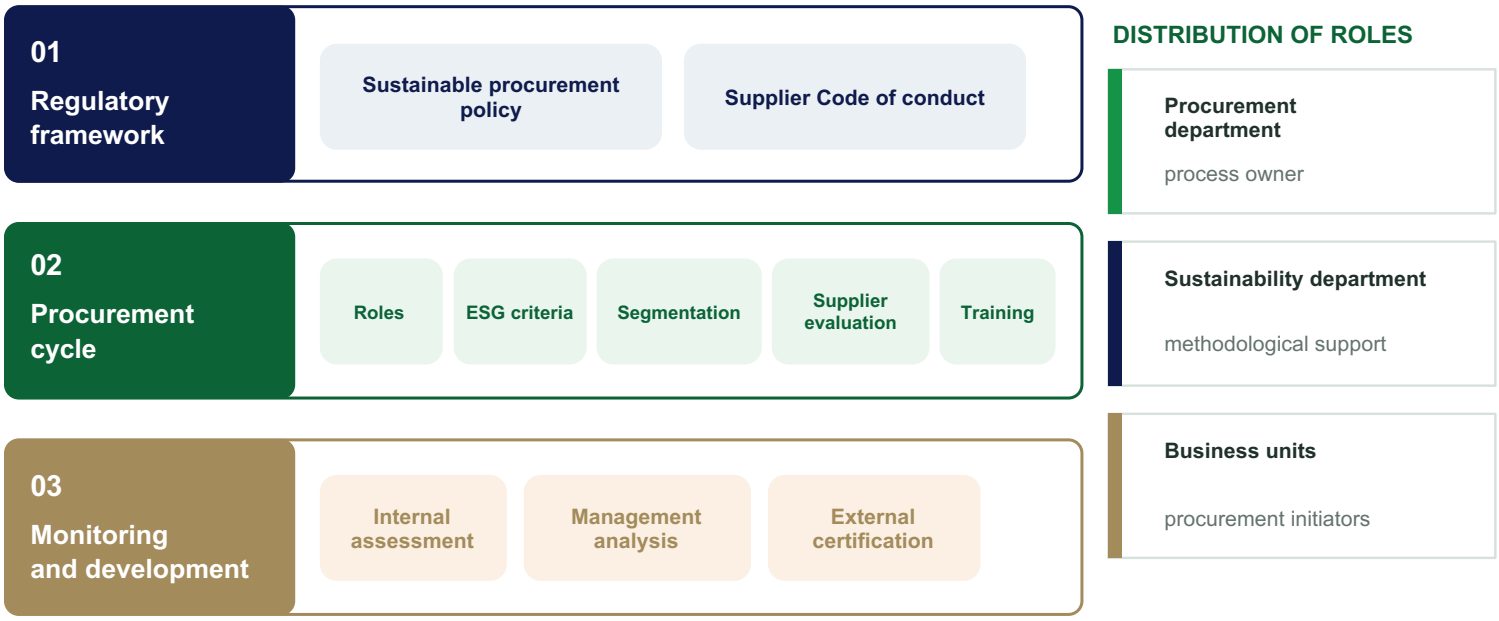
Operational introduction is structured as a phased integration of ESG principles into the existing procurement system and supplier relations management. The system covers the regulatory framework, distribution of responsibility, procurement procedures, supplier assessment, development of their ESG practices and regular performance monitoring.

The system architecture consists of three interconnected circuits:

- Regulatory and organizational framework: Sustainable procurement policy, Supplier Code, establishing the responsibility of employees and the head of the Procurement Department.
- Procurement cycle: consideration of stakeholder expectations, integration of ESG criteria into procurement procedures, risk segmentation of suppliers, audits of high-risk suppliers and self-assessment of medium-risk suppliers.
- Monitoring and development: employee training, internal system assessment, annual performance analysis, setting of goals for further improvement and external certification.

The Procurement Department plays a key role in this architecture: it is responsible for operational introduction of sustainable procurement principles, interaction with suppliers, development and monitoring of the system. The Sustainability Department and business units that initiate procurement are also involved in the work, participating in application of the requirements in specific procurement procedures.

Figure 3. Air Astana's sustainable procurement system architecture



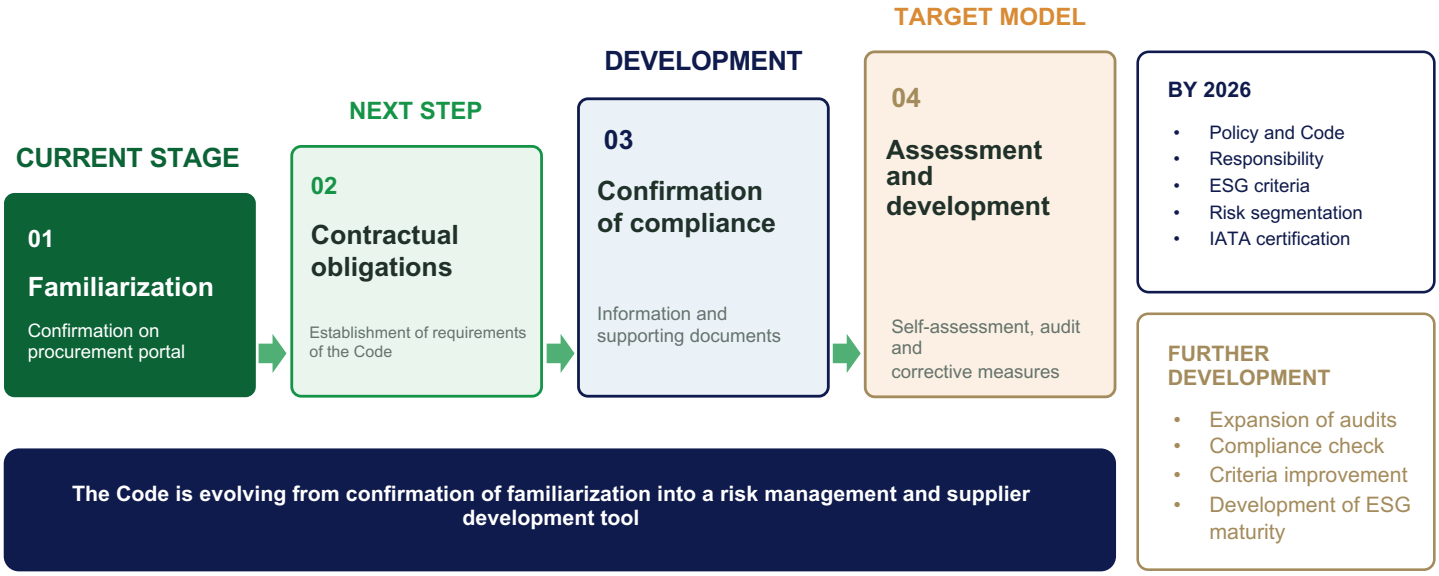
Supplier Code: from familiarization to compliance verification

The Supplier Code became one of the key elements of the system. It sets out Air Astana's expectations regarding environmental, social and governance (ESG) aspects of supplier operations and is integrated directly into the procurement portal.

At the current stage, a supplier is obliged to review the Code before participating in the procurement procedure. The portal architecture does not allow to proceed to the next steps without confirming the familiarization. Through this, Air Astana ensures that all suppliers admitted to participation in procurement are 100% familiar with the Supplier Code.

The Group views this stage as fundamental: first, common expectations are formed and information is provided. The next stage is transition to mechanisms for confirming and verifying the actual compliance with the Code provisions as well as establishing the obligation to comply with its requirements in contracts.

Figure 4. Supplier Code: from familiarization to verification



How Air Astana handles different maturity levels of suppliers

The Group cites different ESG maturity levels of suppliers as one of the main limitations. Some companies lack ESG policies, procedures, metrics and supporting documentation or they are at an early stage. An additional challenge is to increase requirements without creating excessive administrative burden and unreasonable barriers for small and medium businesses.

To achieve this, Air Astana is using a phased and risk-based approach. Suppliers are allocated into ESG risk categories, and the assessment depth depends on the potential risk level. Requirements are also increasing gradually: first, mandatory familiarization with the Code, then contractual establishing of obligations and verification of actual compliance.

In the first stage, the Group focuses on ESG principles and criteria that are already mandatory in accordance with legislation and other regulatory requirements.

As the market matures, additional ESG criteria are planned to be introduced as desirable and taken into account through additional scores. All other commercial and qualitative conditions being equal, a supplier's more advanced ESG practices may be seen as an additional advantage.

This approach, according to the Group, allows to increase requirements without sharply increasing the procurement costs or reducing the competitive environment. At the same time, development of the system requires additional resources for developing the criteria, training the employees, evaluating the suppliers and improving the processes.

Monitoring and management

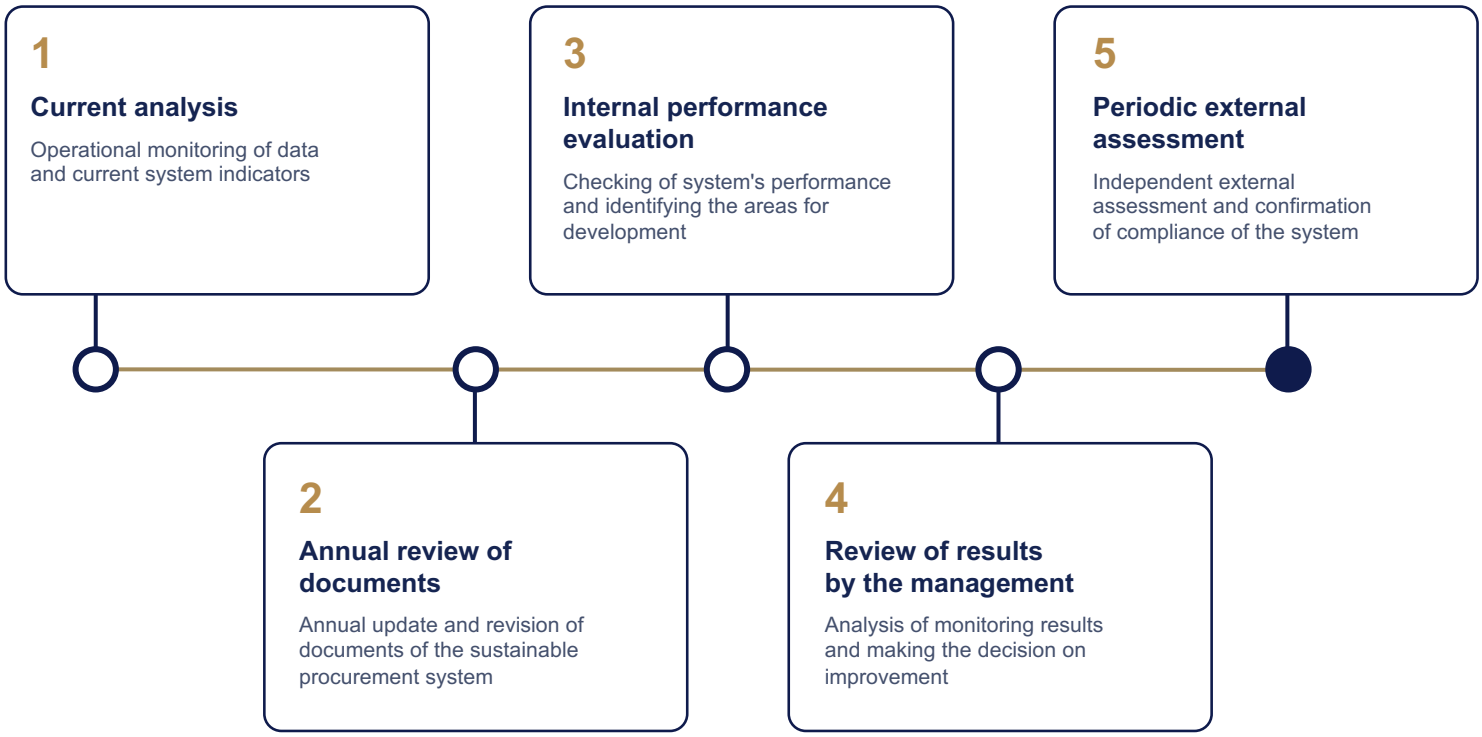
Monitoring closes the management cycle and enables comparison of established requirements with the actual operation of the system. It is carried out at several levels - from current analysis to external evaluation. The head of the Procurement Department is responsible for functioning and continuous improvement of the system.

They ensure compliance with IATA standard requirements, conduct regular monitoring and analysis and report the results directly to the CEO.

The internal control loop includes ongoing analysis, annual review of the system documents, internal performance assessment and management review of results. To ensure consistency in these processes, a Sustainable Procurement System Guide has been developed; the results of annual document review are recorded, and areas for further development are identified based on internal assessment.

Periodic external contour - IATA ISP Sustainable Procurement certification every two years. Recertification assesses not only compliance with the standard's requirements, but also how the system has been improved compared to the previous cycle.

Figure 5. Air Astana's sustainable procurement system monitoring levels



What was already achieved and what will develop further

By 2026, Air Astana has established the core elements of a sustainable procurement system and achieved external IATA ISP Sustainable Procurement certification. A number of results were achieved ahead of the original plan, including development of the Supplier Code and formation of an integrated procurement model.

At the same time, the Group views the current system as evolving. The next steps involve expanding the supplier audits and self-assessments, moving from familiarization with the Code to compliance verification, improving the ESG criteria, increasing the supplier maturity and regularly reviewing the system's effectiveness.

In terms of product and service quality, ESG criteria are used as an addition to, rather than a replacement for, traditional requirements for quality, safety, technical characteristics and commercial conditions. Looking forward, the Group aims to move from basic compliance with mandatory requirements to a more mature model in which ESG principles will be more widely adopted by suppliers and procurement procedures will be able to use more comprehensive and specialized criteria.

Partnership with suppliers and recognition of best practices

Air Astana emphasizes that development of sustainable procurement for the Group involves not only requirements and control, but also partnership with suppliers. For the second year, the Group is holding the ESG Awards, recognizing the suppliers and partners who contribute to implementation of the Group's ESG principles.

The first ceremony took place in 2024, and in 2025, 11 partners were recognized - international companies, Kazakhstan's manufacturers and representatives of small and medium businesses.

Recognition criteria include contribution to environmental and social initiatives, ethical practices, support of the Group's ESG goals and responsible partnership.

In the future, Air Astana plans to develop the ESG Awards, gradually expanding the evaluation criteria. In addition to suppliers' contribution to the Group's ESG objectives, greater attention will be paid to their own ESG performance, level of development of relevant practices, and their actual contribution to sustainable development.





Transparency

Information on development of sustainable procurement was disclosed in Air Astana's press release and a separate article "Green filter: how sustainable procurement is changing business in Kazakhstan and the world" and was also included in reports for investors. The Group plans to include information on its sustainable procurement system into the Group's 2026 Annual Report scheduled for release on April 30, 2027.

Air Astana's recommendations for building a sustainable procurement system

Air Astana's main conclusion from its own experience is to begin introducing sustainable procurement now, even if the market's ESG maturity remains low. It is recommended not to start with the maximum level of requirements, but to choose a level that corresponds to the current market readiness.

A practical approach is to first identify applicable core ESG principles, integrate them into existing procurement processes, establish common expectations and initiate dialogue with suppliers. As experience accumulates and ESG maturity increases, the requirements may gradually become more complex.

It is also recommended to take into account the differences between suppliers and, at the initial stage, avoid overly complex requirements that may unduly limit participation of smaller companies. Air Astana considers more effective a gradual transition from mandatory requirements to additional ESG criteria that initially favor more mature suppliers and may eventually become part of the standard requirements.

Air Astana views sustainable procurement as a long-term development path that must be pursued simultaneously with improvement of ESG maturity of the Group itself, its suppliers and the market in general.

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For Reference:

Kazakhstan Stock Exchange JSC (KASE) is a leading stock exchange in the Central Asian region. KASE ranks second among CIS exchanges in terms of securities trading volume and fifth in terms of equity market capitalization among FEAS exchanges (as of the end of 2024).

It is a universal trading platform for corporate and government securities, bonds of international financial institutions, foreign currencies, money market transactions – repo and swap, as well as derivative instruments. KASE is a member of the International Federation of Exchanges (WFE), the Federation of Euro-Asian Stock Exchanges (FEAS) and other international and domestic professional associations, as well as a participant in the UN's Stock Exchanges for Sustainable Development initiative.

Sustainability Solutions has been operating in the management consulting market for over 14 years. Since 2023, the company has been implementing projects on the adoption of ESG tools and practices in Central Asia. Its team members hold international certifications in corporate governance, ESG risk analysis, climate responsibility, and non-financial disclosure standards (GRI, SASB, TCFD, IFRS S1, S2). The company’s industry experience spans financial services, banking, industrial sectors, agriculture, construction, and others.

Sustainability Solutions is a partner of BCSD Kazakhstan and the Sustainable Development Academy under the Union of Banks of Kyrgyzstan.

More information: https://ssolutions.group/