

Governance in the Age of AI: Guiding Responsible Adoption in Procurement

Chapter Insights

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Executive Summary

AI is entering the procurement function through multiple pathways—internal experimentation, vendor platforms, and most notably, through suppliers deploying AI in their own operations. This decentralised adoption brings powerful opportunities, from automation and insight generation to supplier innovation. But it also introduces serious governance risks: opaque decision-making, embedded bias, data misuse, and unshared value.

This document outlines the key governance considerations for procurement leaders navigating AI adoption across their teams and supply base. Drawing on insights from the Sustainable Procurement Pledge's Emerging Technology AI Governance series and recent market developments, it highlights the need for scope-based risk framing and supplier collaboration. AI governance is not just about risk avoidance—it is a mechanism to unlock trust, shared value, and strategic advantage in a transforming supply chain.

The Strategic Urgency for AI Governance in Procurement

Procurement sits on the frontlines of enterprise AI adoption. Unlike centralized IT rollouts, AI is rapidly entering supply chains and supplier ecosystems through indirect adoption. Smaller and midsize suppliers are often faster adopters than their enterprise customers. Without governance, this asymmetry risks unintended data use, service variability, bias, or reputational exposure.

AI governance must now address three scopes of risk:

- Scope 1: AI built in-house (e.g., proprietary models)
- Scope 2: Employee use of external AI tools (e.g., ChatGPT, Copilot)
- Scope 3: Supplier or third-party use of AI on the buyer's behalf—often without disclosure

Most procurement teams primarily operate in Scope 2 and 3 contexts. These are where transparency, contractual clarity, and supplier collaboration become essential—especially as generative AI tools accelerate across service categories like call centers, logistics, and pricing platforms

Shifting the Procurement Operating Model

AI is no longer a distant innovation topic; it's already embedded in sourcing tools, supplier analytics, and operational workflows. As suppliers begin to use AI to automate functions like invoice processing, customer service, sales, or route optimization, procurement teams must ask: who benefits? If the supplier reduces its costs with AI, does the buyer see improved value? Are decisions being made transparently, or by black-box systems with hidden risk?

Internally, AI is also transforming how procurement teams work. Intelligent agents help build category strategies, clean spend data, and recommend suppliers. But their use also raises questions. How do we

ensure explainability? How do we validate that their outputs reflect company priorities, not training data bias? Without clear governance, teams may overtrust or misapply AI insights as they still sometimes get it wrong, eroding procurement's credibility.

AI changes the very nature of value delivery and accountability in procurement. Governance is the only way to ensure these shifts create equitable, efficient, and ethical outcomes.

Defining Governance Across the Lifecycle

To meaningfully govern AI, procurement must embed oversight throughout the sourcing lifecycle.

In the **sourcing phase of AI or service providers leveraging AI**, RFxs should explicitly ask suppliers how AI is used in their service delivery. Companies should understand where and how automation is applied, and whether appropriate human oversight exists.

During **contracting**, procurement teams must include AI-specific clauses—defining boundaries for usage, outlining escalation paths, and enforcing ethical standards such as fairness, non-discrimination, and explainability. These contract elements are becoming as standard as cybersecurity clauses.

Supplier onboarding and segmentation should include AI maturity assessments. Not all suppliers pose the same governance risk. By aligning oversight with potential AI exposure, procurement can avoid overburdening low-risk partners while ensuring adequate scrutiny for high-risk use cases.

Finally, **supplier reviews and QBRs** should regularly cover AI use, updates, and outcomes—ensuring governance evolves as tools mature and applications scale.

Governance as a Lever for Competitive Advantage

While governance can feel like a constraint, forward-thinking procurement leaders are treating it as a source of differentiation. Responsible AI governance offers a unique opportunity to build trust with suppliers, assure stakeholders, and strengthen resilience.

By requiring transparency from suppliers, procurement becomes a channel for raising standards across industries. By responsibly deploying intelligent agents, procurement increases its own strategic agility. And by collaborating to develop shared ethical frameworks, procurement reduces complexity for suppliers, especially small and midsize ones struggling to keep up.

Embedding governance also prepares organizations for coming regulation. As the EU AI Act, US federal guidelines, and national frameworks emerge, organizations with proactive AI governance will avoid disruption—and influence the standards being written.

Five Strategic Imperatives for Procurement Leaders

First, embed AI governance as a core capability within procurement. Equip teams to recognize where AI is being used, how decisions are made, and what questions to ask suppliers and stakeholders.

Second, deploy AI agents in support—not in place—of procurement professionals. Agents should surface insights and propose options, while final decisions remain accountable to trained individuals guided by clear protocols.

Third, co-create governance frameworks with suppliers. Engage them in defining ethical boundaries, risk ownership, and use-case appropriateness. This builds trust and avoids compliance-driven friction.

Fourth, contribute to cross-industry efforts to standardize AI risk scoring, audit readiness, and supplier declarations. Shared tools and protocols reduce duplication and simplify compliance across supply chains.

Fifth, elevate procurement’s role as a steward of responsible AI. Procurement leaders have the chance to shape not just sourcing policy, but how AI operates across global business systems. Governance, when embraced, becomes a vehicle for both innovation and impact.

Chapter Voice

What inspired this paper?

This brief emerged from the recognition that AI is already reshaping how suppliers deliver services, how procurement makes decisions, and how value is measured. Rather than waiting for regulation to catch up, procurement leaders have an opportunity—and responsibility—to lead AI governance practices grounded in transparency, ethics, and supplier collaboration.

Who was involved in creating it?

This chapter brief was authored by Mat Langley, Co-Chair of the SPP Emerging Technology Chapter, with contributions from discussions and transcripts shared during the AI Governance webinar series, and drawing on real-world practices from the SPP and Procurement Leaders community.

What’s next?

We’ll be continuing the conversation through upcoming events, including an interactive workshop using Replit (no code coding) to create your own Procurement SaaS solution.

Join our [LinkedIn group](#) and visit the [Chapter page](#) to stay connected or express interest in contributing to the next chapter brief on **Agentic AI – two scenarios of future development**.