



CPAs & ADVISORS

The Road to Sustainability

Linking FAR Compliance with ESG and SDG Goals

Contact Us

Melissa Musser

CPA, CIA, CITP, CISA

Partner and Director, Risk & Advisory Services

mmusser@grfcpa.com

Paul Calabrese

Principal, Outsourced Accounting & Advisory Services

pcalabrese@grfcpa.com

The increasing emphasis on Environmental, Social, and Governance (ESG) standards by the U.S. government is transforming federal procurement practices and is progressively being integrated into the Federal Acquisition Regulation (FAR).

As concerns about sustainability, climate risk, and responsible supply chains grow, federal contractors must adapt to requirements related to environmental impact, human rights, and governance practices. This transformation is evident in the FAR, where regulations regarding energy efficiency, greenhouse gas emissions, and sustainable procurement increasingly align with ESG objectives. Consequently, companies engaged in federal contracts are encouraged to adopt ESG practices not merely for compliance but as a strategy for achieving long-term success in government contracting.

This evolving landscape positions ESG as a central theme in future federal procurement, promoting accountability and sustainability across supply chains. Organizations, particularly those working with the U.S. government, often utilize NIST standards when available to ensure compliance with federal



regulations and enhance their cybersecurity posture. In instances where NIST standards are absent or as an opportunity for additional cross-mapping of best practices, government contractors can benefit from benchmarking against specific Sustainable Development Goals (SDGs) and the relevant International Organization for Standardization (ISO) standards. ISO provides valuable guidance for government contractors seeking to benchmark their policies, processes, and procedures effectively and have also dedicated a section of their website to this.



The following pages present an example cross-mapping of example FAR rules to their most pertinent SDGs and ISO standards, categorized into Environmental (E), Social (S), and Governance (G) segments. This is intended to serve as a practical example of how your organization can begin aligning with the SDGs while benchmarking against ISO standards. By doing so, you can develop a robust ESG strategy and establish a clear pathway toward achieving and staying ahead of compliance with the FAR.

For each of the following FAR rules from FAR Subpart 23, there are specific contract clauses that are inserted into the contract that becomes the terms and conditions

Example FAR Rules categorized into ESG Segments

<p>E</p>	<p>FAR Subpart 23.1: Sustainable Products and Services</p> 	<p>FAR 23.2: Energy and Water Efficiency and Renewable Energy</p> 	<p>FAR Subpart 23.5 Greenhouse Gas Emissions</p> 
<p>S</p>	<p>FAR Subpart 22.1: Basic Labor Policies & FAR Subpart 22.17 - Combating Trafficking in Persons</p> 	<p>FAR 22.8: Equal Employment Opportunity</p> 	<p>FAR 22.15: Employment of Workers with Disabilities</p> 
<p>G</p>	<p>FAR 3.1: Safeguards Against Improper Business Practices & FAR Subpart 9.1: Responsible Prospective Contractors</p> 		



Environment (E)

In ESG, “E” stands for “Environmental,” which refers to the assessment of a company’s impact on the natural environment. This includes considerations related to climate change, resource depletion, waste management, pollution, and biodiversity conservation.



Example FAR Rules that fall under the E umbrella:

FAR Subpart 23.1: Sustainable Products and Services

This subpart advocates for the procurement of sustainable products and services within federal contracts, underscoring the importance of minimizing adverse environmental impacts. It includes specific directives aimed at carbon reduction and promoting environmental stewardship across federal operations.

This subpart can be mapped to **Sustainable Development Goal (SDG) 12: Responsible Consumption and Production**, which emphasizes the significance of adopting sustainable practices and minimizing waste throughout the supply chain. Furthermore, it aligns with several ISO standards, including **ISO 14001: Environmental Management**



Systems, which provides a comprehensive framework for organizations to effectively manage their environmental responsibilities and enhance overall performance. Additionally, **ISO 20400: Sustainable Procurement** offers valuable guidance on implementing sustainable procurement processes, ensuring that purchasing decisions align with environmental and social criteria.



FAR 23.2: Energy and Water Efficiency and Renewable Energy

This subpart promotes the adoption of energy and water-efficient practices while emphasizing the importance of renewable energy sources. It establishes mandatory requirements for energy and water efficiency, urging contractors to implement strategies that significantly reduce carbon footprints. Federal agencies are required to prioritize the acquisition of products and services that enhance energy efficiency, conserve water, and utilize renewable energy, all in alignment with sustainable acquisition policies.



FAR 23.2 can be mapped to **Sustainable Development Goal (SDG) 7: Affordable and Clean Energy**, which is particularly relevant for many reasons. Firstly, it stresses the importance of acquiring energy-efficient products and services, directly aligning with SDG 7's promotion of energy efficiency as a fundamental aspect of sustainable energy practices. Secondly, this subpart mandates the utilization of renewable energy sources, encouraging their integration into federal projects, while SDG 7 emphasizes the need to increase the share of renewable energy in the global energy landscape. Lastly, both FAR 23.2 and SDG 7 advocate for transitioning to



sustainable energy systems, reducing carbon emissions, and achieving clean energy goals.

FAR 23.2 aligns with **ISO 50001: Energy Management Systems**, which assists organizations in improving energy performance and optimizing energy use. It also corresponds with **ISO 14001: Environmental Management Systems**, which supports the pursuit of energy efficiency through sustainable practices and environmental responsibility.



FAR Subpart 23.5 Greenhouse Gas Emissions

This subpart emphasizes the federal government’s commitment to reducing greenhouse gas emissions in its procurement processes. It mandates that federal agencies assess and manage the greenhouse gas emissions associated with their contracts and operations. Agencies are encouraged to incorporate sustainability considerations into their purchasing decisions and engage with contractors who demonstrate effective strategies for minimizing their emissions. The overarching goal of this subpart is to promote environmentally responsible practices among federal contractors, aligning government procurement with broader climate change initiatives. Ultimately, it contributes to the reduction of the government’s overall carbon footprint while supporting national goals for climate resilience and sustainability.



FAR Subpart 23.5 can be mapped to **Sustainable Development Goal (SDG) 13: Climate Action**, which focuses on taking urgent action to combat climate change and its impacts. This goal promotes strategies to reduce greenhouse gas emissions and enhance resilience to climate-related hazards, directly supporting the objectives of FAR Subpart 23.5 by

emphasizing the importance of sustainable practices in reducing emissions within federal procurement.

FAR Subpart 23.5 aligns with **ISO 14064: Greenhouse Gases**, which provides a framework for organizations to quantify and report their greenhouse gas emissions and removals. This standard includes guidelines for designing and implementing greenhouse gas inventories, helping federal contractors measure and manage their emissions. The proposed rule cites the **Greenhouse Gas Protocol**, the leading international standard-setter, as the emissions accounting standard that federal contractors must adhere to in the reporting process. While ISO 14064 and the GHG Protocol have different focuses and structures, they can be used together to create a comprehensive greenhouse gas accounting and reporting framework for organizations, including government contractors.

Additionally, **ISO 14001: Environmental Management Systems** sets out criteria for an effective environmental management system (EMS), aiding organizations in improving their environmental performance through more efficient resource use and waste reduction, including greenhouse gas emissions. Implementing ISO 14001 can support contractors in aligning their operations with the sustainability goals outlined in FAR Subpart 23.5.

While slated for change with more involved mandates in the future, the current contract clause to this subsection is **FAR 52.223-22** Public Disclosure of Greenhouse Gas Emissions and Reduction Goals-Representation. This clause is a part of the “reps and certs” section within a contract solicitation.



Social (S)

In ESG, “S” stands for “Social,” which encompasses the evaluation of a company’s impact on society, including its relationships with employees, customers, suppliers, and the communities in which it operates. This aspect addresses issues such as labor practices, diversity and inclusion, human rights, community engagement, and overall social responsibility.



Example FAR Rules that fall under the S umbrella:

FAR Subpart 22.1: Basic Labor Policies

This subpart ensures compliance with labor laws for government contracts, focusing on promoting fair labor practices, wage protections, and safe working conditions. FAR Subpart 22.1 aims to safeguard the welfare of employees involved in government contracts, fostering a work environment that respects labor rights and promotes equitable treatment.

This subpart can be mapped to **Sustainable Development Goal (SDG) 8: Decent Work and Economic Growth**, which emphasizes the importance of fair wages, safe working conditions, and sustainable economic growth.



FAR Subpart 22.1 aligns with **ISO 45001: Occupational Health and Safety Management Systems**, which focuses on improving employee safety and working conditions. Additionally, it corresponds with **ISO 26000: Social Responsibility**, which provides guidance for organizations on social responsibility and fair labor practices.



FAR 22.8: Equal Employment Opportunity & FAR 22.15: Employment of Workers with Disabilities

These regulations mandate equal employment opportunities and non-discriminatory practices in federal contracts, ensuring that all individuals have fair access to employment regardless of their background or abilities.



FAR 22.8 and FAR 22.15 can be mapped to **Sustainable Development Goal (SDG) 5: Gender Equality**, which encourages equal opportunities regardless of gender. They also align with **SDG 10: Reduced Inequalities**, which focuses on reducing inequality in the workplace.

In terms of relevant ISO standards, these regulations correspond with **ISO 30415: Human Resource Management – Diversity and Inclusion**, which offers guidance on fostering workplace diversity and inclusion. Additionally, they align with **ISO 26000: Social Responsibility**, providing guidance on ethical practices and equal opportunities.

FAR Subpart 22.17 - Combating Trafficking in Persons

This subpart establishes requirements for federal contractors and subcontractors to prevent and combat human trafficking in government contracts. It mandates that contractors implement robust policies and procedures to avoid engaging in trafficking activities, including the use of forced labor, and to report any instances of trafficking or related offenses. Additionally, it requires contractors to provide training to employees and subcontractors on the dangers of human trafficking and the company's policies against it.



This subpart is relevant to **Sustainable Development Goal (SDG) 8: Decent Work and Economic Growth**, which focuses on promoting inclusive and sustainable economic growth, full and productive employment, and decent work for all. It emphasizes measures to end forced labor and human trafficking.

In terms of ISO standards, this subpart aligns with **ISO 26000: Social Responsibility**, which supports inclusive and fair employment practices.



Governance (G)

In ESG, “G” stands for “Governance,” which refers to the system of rules, practices, and processes by which a company is directed and controlled. This aspect focuses on corporate governance practices, including board diversity, executive compensation, shareholder rights, transparency, and ethical conduct in business operations.

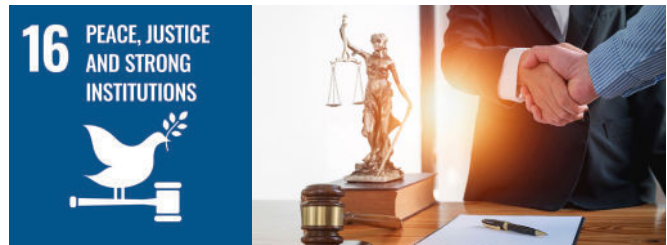


Example FAR Rules that fall under the G umbrella:

FAR 3.1: Safeguards Against Improper Business Practices

This section regulates conflicts of interest, bribery, and improper business practices in government contracts, emphasizing the importance of maintaining high ethical standards. It seeks to avoid even the appearance of unethical behavior while ensuring compliance with laws and regulations. Safeguards are established to promote transparency and fairness in the acquisition process, thereby reinforcing trust in the contracting system.

This section is mapped to **Sustainable Development Goal (SDG) 16: Peace, Justice, and Strong Institutions**, which supports transparent and ethical business practices.



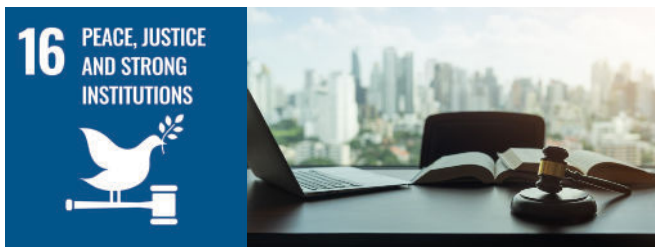
In terms of ISO standards, it aligns with **ISO 37001: Anti-Bribery Management Systems**, which is designed to prevent, detect, and mitigate bribery and corruption. Additionally, it corresponds with **ISO 31000: Risk Management**, which provides a framework for identifying and managing various risks, including ethical risks.



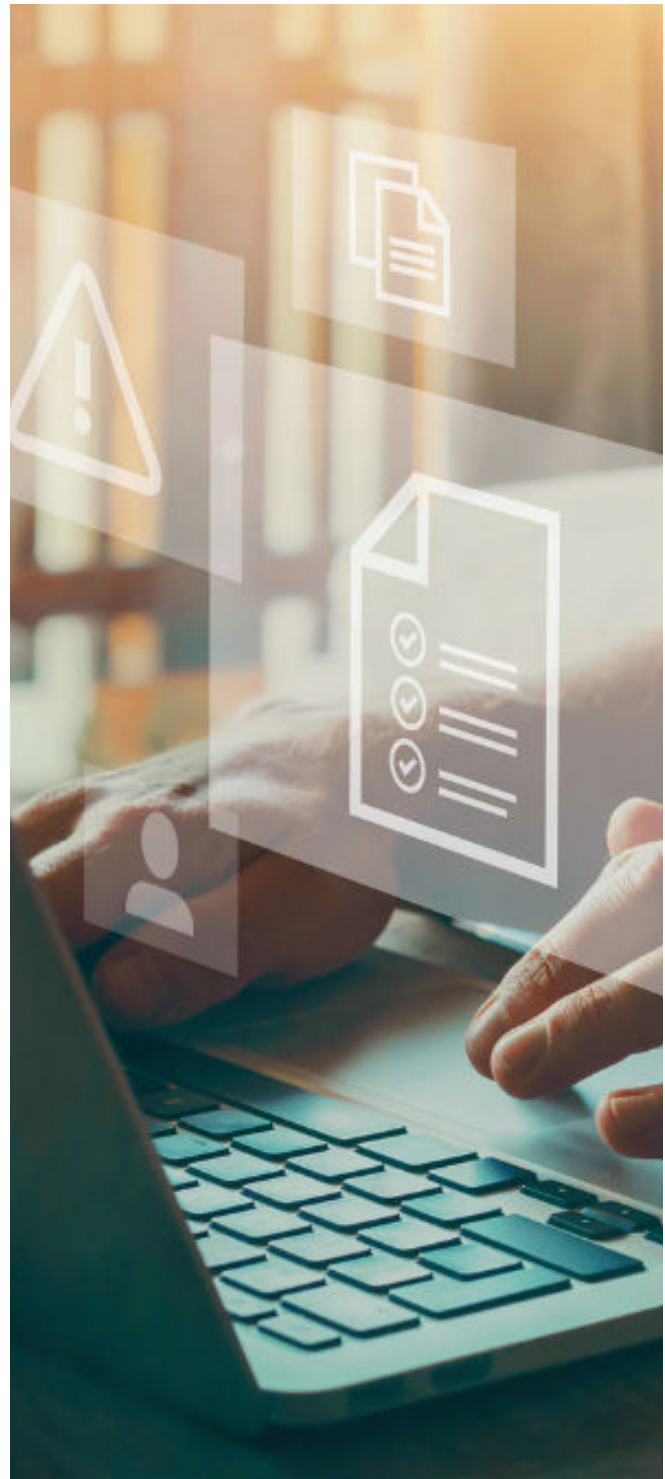
FAR Subpart 9.1: Responsible Prospective Contractors

This subpart outlines the criteria that federal contractors must meet to be deemed responsible for government contracts. It includes requirements for contractors to demonstrate a satisfactory performance record, integrity, and the necessary financial and technical resources, while also ensuring compliance with ethical standards.

This subpart is relevant to **Sustainable Development Goal (SDG) 16: Peace, Justice, and Strong Institutions** that aligns well with the integrity and accountability measures established within FAR Subpart 9.1.



FAR Subpart 9.1 aligns with **ISO 37001: Anti-Bribery Management Systems**, which helps organizations establish controls to detect and prevent bribery, emphasizing ethical practices and integrity. Additionally, it corresponds with **ISO 20400: Sustainable Procurement**, which offers guidelines for incorporating social and environmental sustainability into procurement practices, thereby aligning with the broader responsibilities outlined in FAR 9.1. Finally, **ISO 26000: Social Responsibility** supports responsible business practices, encouraging contractors to operate ethically and transparently, which is critical under the requirements of FAR Subpart 9.1.



Conclusion

This cross-mapping aligns FAR rules with relevant SDGs and ISO standards, providing government contractors with an example for benchmark that aligns their practices with ESG principles. To achieve this alignment, government contractors should conduct an ESG materiality assessment to identify and prioritize the most important ESG issues. From there, they can develop a tailored ESG strategy and a clear pathway forward.



Join your peers for GRF's second annual ESG Summit.

This half-day virtual summit is designed to offer valuable advice on right-sizing ESG initiatives for your organization; developing effective measurement, monitoring commitments; and developing strategic approaches to communication. You'll learn from ESG professionals, industry experts, and organization leaders who will provide their real-world experience and advice for your ESG program. Visit grfcpa.com/events/esg-summit-2025/ to learn more and register.



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Melissa Musser
CPA, CIA, CITP, CISA
Partner and Director, Risk & Advisory Services
mmusser@grfcpa.com



Paul Calabrese
Principal, Outsourced Accounting & Advisory Services
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