



Global
Digest

Environmental, Social and Governance Programmes

Background

CASME held Environmental, Social and Governance Programmes RoundTable meetings in Asia, Australasia, the EMEA region and North America. The following main topics were discussed:

- Definition, scope and strategy
- Managing the supply chain
- Monitoring compliance
- Future trends.

This Digest provides the key points, good practices and insights into future trends identified by CASME members at the RoundTable meetings held around the world.

Definition, Scope and Strategy

- The definitions, scopes and strategies for environmental, social and governance (ESG) programmes vary between organisations, but they are closely associated and overlap with those for corporate social responsibility (CSR) programmes.
- The main difference between ESG and CSR programmes is that ESG criteria tends to focus on quantitative metrics and targets, whereas CSR objectives are generally qualitative.
- The objectives of ESG programmes include enhancing the company's brand and improving perceptions of its business practices and culture, increasing the value of the company to investors, and qualifying as a supplier by fulfilling clients' ESG requirements.
- The scope of ESG programmes includes:
 - Addressing climate change, improving environmental conservation and sustainability, and reducing carbon emissions, with targets to achieve net-zero emissions within a specific time frame
 - Participating in initiatives such as Science Based Targets and the UN Global Compact and Sustainability Development Goals (SDGs)
 - Decreasing the consumption of energy and water, and increasing the use of renewable energy
 - Improving waste management and increasing the recycling, reuse and repurposing of materials, products and equipment
 - Reducing the use of packaging, single-use plastics and harmful chemicals
 - Conducting ethical sourcing and using sustainable raw materials and ingredients
 - Introducing sustainable product designs and manufacturing operations
 - Designing or developing sustainable buildings and obtaining Leadership in Energy and Environmental Design (LEED) certification
 - Embedding diversity, equity and inclusion (DEI) values within the company and its supply chain through supplier diversity and workplace inclusion policies and practices
 - Conducting social procurement by protecting human rights and preventing child labour and modern slavery in the supply chain, and supporting small businesses, social enterprises and local communities.
- Procurement's role in ESG programmes includes:
 - Being a member of the ESG working group and a business advisor regarding ESG initiatives and targets
 - Leading the planning teams for sustainability initiatives
 - Integrating ESG requirements into category management and strategy planning activities
 - Developing a social procurement framework with defined objectives and priorities
 - Sourcing and contracting suppliers that are strategically aligned with the organisation's ESG values
 - Interacting with suppliers and requesting information from them regarding their contributions to the organisation's ESG objectives
 - Performing due diligence and risk management activities regarding ESG requirements when sourcing and contracting suppliers
 - Promoting the ESG programme when engaging with the stakeholders and suppliers, supporting them in achieving their ESG objectives and targets, and recording the targets they have achieved
 - Identifying opportunities to improve sustainability within specific categories.

Managing the Supply Chain

- Procurement is emphasising ESG criteria in the evaluation, qualification and selection of suppliers as part of its risk management responsibilities by:
 - Including ESG criteria in requests for proposals (RFPs), requiring the participating suppliers to complete an ESG questionnaire, and to agree to comply with the company's ESG requirements and code of conduct as a condition of continuing to progress in RFPs
 - Requesting evidence from tier-one suppliers of their compliance with ESG laws and the organisation's policies, as well as for their tier-two and tier-three suppliers
 - Defining the ESG criteria for evaluating potential suppliers and breaking down the ESG requirements into sub-categories with corresponding weighting
 - Segmenting suppliers based on ESG and risk management criteria, and requiring high-risk suppliers to conduct comprehensive self-assessments
 - Assisting small, local businesses to complete the RFP documentation and demonstrate compliance with the organisation's policies, in order to support local economies
 - Conducting due diligence to identify potential risks and ESG issues, and visiting suppliers' sites to develop and monitor their risk profiles
 - Identifying countries where modern slavery is prevalent and developing risk profiles for the relevant suppliers
 - Optimising the services and platforms supplied by third-party providers such as [EcoVadis](#), [Informed365](#), [Integrity Next](#) and [Sedex](#), to determine suppliers' ESG status and compliance.
- The developments in recent years that are impacting Procurement's role in implementing and managing ESG requirements in the supply chain include:
 - Consumers' expectations for companies to have high CSR and ESG standards, rather than misleading the public with 'virtue signalling' or 'greenwashing'
 - Employees becoming increasingly aware of companies' moral CSR and ESG obligations, and companies needing to demonstrate commitment to CSR and ESG values to attract and retain talent
 - Heightened public opinion regarding human rights and DEI causing companies to elevate their human rights and diversity policies and programmes, and demonstrate commitment to equality
 - Recognition within organisations of the need to avoid the reputational risk of not applying and adhering to ESG and CSR policies and standards
 - New prescriptive ESG laws and regulations being implemented resulting in due diligence and compliance governance across the supply chain being mandated
 - Climate change and natural disasters imposing pressure on companies' boards and investors to define and commit to ambitious environmental sustainability targets.
- Procurement is collaborating with suppliers to manage ESG requirements and initiatives by:
 - Engaging with suppliers to gain their buy-in for participating in ESG programmes and initiatives, develop and implement ESG strategies and practices, and support them to improve the ESG status of their businesses and supply chains
 - Requesting details from all suppliers regarding their ESG programmes and initiatives, encouraging them to offer innovative solutions, and identifying potential opportunities for collaborating in joint projects and continuous improvement programmes
 - Obtaining an understanding of suppliers' challenges in complying with the company's ESG requirements and offering them assistance to develop or improve their ESG status and programmes
 - Providing suppliers with incentives and financial assistance to invest in the certification and validation requirements to become members of international sustainability monitoring platforms
 - Motivating suppliers to achieve ESG objectives based on the benefits for them in maintaining a positive brand image and attracting customers
 - Encouraging diverse suppliers to benefit from the expertise, support programmes and grants provided by local councils and non-governmental organisations (NGOs).

Monitoring Compliance

- The approaches that are being applied by Procurement for monitoring and improving suppliers' compliance with companies' ESG requirements and policies include:
 - Applying key performance indicators (KPIs) regarding ESG criteria that are relevant to specific categories, regions and countries
 - Conducting quarterly and annual assessments, and documenting and validating data and evidence
 - Arranging compliance audits to be conducted either by the internal auditing team or by third-party specialist service providers
 - Visiting suppliers' sites to validate their ESG claims and practices; which may be conducted at short notice to limit their ability to prepare for the visits in advance
 - Developing corrective action plans with suppliers that fail to comply with the company's ESG policies and code of conduct, and obtaining their commitment to address non-compliance
 - Checking suppliers' completion of corrective action plans and achievement of continuous improvement
 - Supporting the business units to align with the organisation's ESG objectives and achieve targets
 - Increasing awareness within the business of the importance and impact of social and ethical sourcing
 - Emphasising the value and importance of compliance to the stakeholders and suppliers, as well as the potential risks and consequences of non-compliance
 - Referring to compliance reports when negotiating contract renewals with suppliers
 - Including ESG compliance in supplier relationship management (SRM) programmes.
- The metrics that are being used to monitor Procurement's ESG practices include the:
 - Number of diverse suppliers participating in RFPs and being awarded contracts
 - Percentage of the total spend placed with diverse suppliers
 - Percentage of suppliers evaluated using ESG and DEI criteria
 - Percentage of suppliers onboarded through the company's ESG platform.
- The platforms other than procurement systems that are being used by Procurement to assist with obtaining visibility of the ESG status of suppliers, their subcontractors and supply chains, and monitoring ESG compliance in the supply chain include dedicated ESG platforms such as:
 - [Alcumus](#)
 - [EcoVadis](#)
 - [Informed 365](#)
 - [IntegrityNext](#)
 - [Novisto](#)
 - [Sedex](#)
 - [SupplyShift](#)

and third-party risk management systems such as:

 - [Aravo](#)
 - [Archer](#)
 - [Everstream](#)
 - [IBM OpenPages](#)
 - [NQC](#)
 - [Prevalent](#)
 - [Venminder](#).
- Diverse suppliers and social enterprises are being identified through organisations and websites such as:
 - [Kaleida](#)
 - [MSDUK](#)
 - [supplier.io](#)
 - [Social Enterprise UK](#)
 - [Social Traders](#)
 - [Supply Nation](#)
 - [National Minority Supplier Development Council \(NMSDC\) Global Link](#).

Future Trends

- Procurement will address the increased focus on ESG in the supply chain and continue to add value to organisations' ESG programmes by:
 - Recognising Procurement's important role in supporting ESG programmes, managing governance and compliance in the supply chain, and assisting organisations to achieve their objectives and targets
 - Appointing additional ESG managers to develop and implement ESG strategies and projects
 - Establishing centralised dedicated ESG and DEI teams
 - Recruiting environmental sustainability specialists within Procurement who educate and develop the skills of procurement team members regarding sustainability
 - Actively collaborating with the relevant corporate functions to identify gaps and implement changes within procurement processes
 - Engaging external consultants to assist with managing ESG policies and suppliers' compliance
 - Leading ESG programmes and initiatives, and defining multi-year plans
 - Aligning ESG programmes with the company's values, business strategy and objectives
 - Continuing to monitor suppliers' compliance with the organisation's ESG policies and requirements and their achievement of targets
 - Ensuring that the suppliers provide documentation to the required standards to comply with the relevant laws in specific countries to avoid organisations paying penalties for non-compliance
 - Expanding the ESG, sustainability and DEI programmes across the supply base
 - Encouraging or requiring suppliers to obtain certifications for key ESG criteria
 - Managing the ESG objectives and progress of both tier-one and tier-two suppliers
 - Increasing the budget funds allocated to developing and implementing ESG projects
 - Developing the business cases for investment in ESG programmes and technology
 - Using the cost savings achieved through ESG projects to support new ESG initiatives
 - Focusing on capturing and recording the data to measure the impact of ESG programmes and initiatives
 - Researching the impact of ESG programmes on local economies, communities and job markets
 - Integrating the systems that are being used for administering ESG, SRM and risk management programmes with the procure-to-pay (P2P) system, to consolidate data and obtain insights for assisting decision-making
 - Including ratings for the sustainability status and carbon footprint of suppliers and their products in purchasing catalogues, to increase awareness and encourage users to include sustainability criteria in their purchasing decisions
 - Analysing the impact of new laws and regulations on the value chain, as well as integrating ESG and third-party risk management systems and processes in order to promptly address changes
 - Remaining up to date with ESG strategies, initiatives, policies and legislation using sources such as [The European Commission](#), [The UN Global Compact](#) website and reports, the sustainability reports published by global organisations recognised for their ESG programmes, market intelligence providers, and procurement networks such as [CASME](#).

Resource Centre Links

The following are links to the full meeting reports for each region:

- [Asia](#)
- [Australasia](#)
- [EMEA](#)
- [North America](#)

Important

This report is a summary of the facilitated discussions held between the CASME members who attended the meetings. CASME is not a consultancy and does not provide advice. The accuracy or validity of any recommendations or references, particularly to legislation and regulations, contained in the report should be verified by the reader prior to being acted upon. Any third-party organisations named in this report are not recommendations but are examples of companies mentioned during the meeting that may be considered when sourcing the relevant products or services. These are not intended to form an exhaustive list and it is likely that other organisations not listed also provide similar products or services.

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