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What makes a vendor management program ESG-compliant?

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As the entire industry is facing the shift to a more formalized reporting system for environmental, social, and governance (ESG) programs, the most important components of the programs can no longer be what companies are doing within the boundaries of their four walls to address the challenges an ESG program is meant to address. Investors and consumers have had enough of greenwashing, and they are now serious about seeing real change. Regulators are hearing their concerns and starting to address this by mandating more onerous prescriptions of what they want to see reported, how they want to see it reported, and to what extent that content must be validated by independent oversight.

It means companies can't throw an employee resource group into the employee social calendar to reduce, reuse, and recycle what is used in the office and feel like it has met the mark. It also means companies must do more than set up an employee resource group for marginalized groups of employees. Companies must look at everything they do to operate the business, to build its products, and to service its customers. It also means for-profit companies have to do more to support communities than they may have done in the past, and it means that we as compliance officers must have data at our fingertips that is credible, trustworthy, and demonstrates year-over-year progress against specific goals. For a lot of companies, that means changing the very infrastructure they have in place to design and deliver products. It also means upskilling employees to ensure that they look beyond the blueprint of a product's features into the opportunity for innovation that exists to make the world a better place, and to ensure that the product we build isn't effectively outweighing the good that we can do.

ESG mandates require us to have an intimately familiar understanding of what goes into our products and services and where that comes from, right down to the origins of the minerals with which our components are built. We must be able to frequently confirm that there has been no backstepping or deviation from the commitments our partners have made to us to ensure the highest degree of compliance to the publicly disclosed promises we have made.

Companies need to deliver better than they have in the past. This amounts to implementing exhaustive vendor management protocols with intensive oversight and a high degree of "trust but verify" procedures to be confident that what we are doing on a go-forward basis is leaps and bounds better than what we have done in the past. The elements of such a program can be summarized in five key focus areas, discussed here.

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