

What should I consider when engaging suppliers on ESG?

POSITIONING

- How is each supply chain member positioned? What do they represent within your supply chain and ability to deliver your products or services? In what ways do they contribute to the success of your total business?
- What are the risk profiles of your suppliers? What are their climate-related transitional and physical risks? What are their social risks?
- How are their risks related to yours? What risks have a material impact on your operations and the products or services you provide?
- Approach these questions from multiple angles. For example, consider that non-movement on certain ESG issues or regulatory noncompliance of a supplier may pose a reputational risk to your organization.

MANAGING

- Does each supply chain member fulfill or mitigate risk for your company? How are you tracking and addressing that?
- How can you help bring awareness of these risks to your supplier? What actions can you take to help educate your supplier and support them in addressing their risks—and consequently, your own?
- Thinking about tracking performance and improvements over time, what KPIs make the most sense for this supplier or category of suppliers?

REPORTING

- What ESG frameworks are a part of your reporting program? Do these frameworks—and any stakeholders—specifically call for information on supplier engagement? If so, how much weight do these sections carry and what are their requirements?
- What other ways do you report on sustainability (e.g. annual reports), and how can supplier engagement be integrated into these reporting methods?