

Proving Corporate Integrity with ESG

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Questions and Answers

Q. Where are you seeing the responsibilities sit within organisations for ESG?

A. ESG covers the entire business and external stakeholders such as investors, customers and third parties/supply chain and therefore has a wider remit than GRC. We see ESG as an independent department/resource that reports to executive/board level leadership. However, as ESG is still a fairly immature discipline, we would expect to see it as part of Risk, Compliance or GRC in the short term.

Q. How can SME's best gather data from far reaching supply chains that have large environmental impacts but are relatively immature on the ESG topic?

A. Try to cut down on you having to go through the entire supply chain by chaining the data requirements. Set ESG Standards for external suppliers and enforce these through your SLAs. This is often combined with independent audits of the supplier. Your SLA should require your supplier to demand the same of their suppliers. Although this may still leave you exposed to fourth and fifth level suppliers, the audit will provide you with some comfort. There will always be some residual ESG exposure from third parties.

Q. How does Operational Risk Management deal with ESG?

A. The fourth category of operational risk (external events) is of course very relevant to ESG. However, Operational Risk Management (ORM) has been dealing with all the ESG risks before ESG came along. ESG should be dealt with in the same way as ORM deals with Compliance risk, Cyber risk or Strategic risk. A software solution such as offered by RiskLogix provides a platform for managing Risk, ESG and GRC. Risks can be monitored across the entire organisation, informing ESG and Risk appetites and providing unified reporting up to the Board who can see an overall Risk and ESG position for the business.

Q. Where can ESG Libraries be sourced?

A. ESG software suppliers, such as RiskLogix will have a standard ESG library already built which will help organisations to get a fast start. Obviously over time the libraries may need to be fine-tuned to meet the individual requirements of each organisation, and even each business division within the organisation, but they are a good place to start.

Q. What is your advice to SMEs who don't have an ESG resource in place yet?

A. ESG is a journey, so be prepared for it to evolve over time as the business evolves. The key when starting out is to be realistic with your ESG goals. Begin with a few achievable goals, and set realistic timescales. RiskLogix has published a White Paper giving practical advice about getting started with ESG which is as pertinent to SMEs as for larger organisations.