

# Third-Party Risk Management

## CSR and ESG Checklist

This checklist is for vendor risk program managers tasked with integrating their organization's corporate social responsibility (CSR) or environmental, social, and governance (ESG) program into the third-party risk management framework.

This list will be helpful when considering and planning change management necessary to do that. This checklist is a starting point to assist with implementing a framework which can be further expanded upon as necessary.

### CSR and ESG Integration Checklist

SYSTEM AND PROCESSES	
	<b>Confirm the goals, measurements, and reporting</b> defined for your organization's program and policy.
	<b>Review your vendor risk management policy</b> and consider if changes are required to reflect the new CSR or ESG requirements.
	<b>Review your vendor code of conduct</b> to consider what changes will be necessary to reflect the new requirements. If you don't have a vendor code of conduct, consult your compliance and legal teams to draft and implement one that supports the CSR or ESG program.
	<b>Determine which vendors will be in scope.</b> It's advisable to test your method to ensure effectiveness and repeatability. Document your scoping process after selecting one of the following methodologies: <ul style="list-style-type: none"><li>• <b>Industry or product type:</b> Your vendor risk management program will need to include a comprehensive list of industries and products that are at risk. The risk related to country of origin will also need to be considered.</li><li>• <b>Risk rating:</b> You'll need to categorize your vendors by risk rating to use this methodology. It's important to remember that different risk categories may vary. For example, a vendor might have low risk in compliance or information security, but high risk in ESG issues.</li><li>• <b>All vendors screened:</b> Use the information gathered from the internal inherent risk questionnaire. The first line vendor owner who completes the risk assessment should have sufficient knowledge of their vendors' risks related to country, industry, product or services, subcontractors, and supply chain.</li></ul>
	<b>Determine what kind of data you will collect from the vendors.</b> Will the required answers be yes or no? Or, will you require specific metrics?
	<b>Itemize your process dependencies</b> and determine what changes need to be made first. For example, your inherent risk assessment and vendor due diligence questionnaire provide source data for other processes such as risk ratings and monitoring schedules. As such, they should be prioritized.
	<b>Determine the ESG questions for inclusion</b> on your vendor risk and due diligence assessments or questionnaires.
	<b>Assign a risk expert.</b> This expert will review, evaluate, and document the status of vendor controls for CSR/ESG.

# Contracts

The addition of new vendor CSR and ESG requirements will need to be reflected in your standard terms and conditions for vendor contracts. While your organization must decide what contract modification is necessary to enforce your CSR and ESG standards, here are some recommended sample clauses and language:

**PLEASE NOTE:**  
Your legal department must be consulted on both the inclusion of these terms and the legal language to ensure the legality and enforceability.

CONTRACT CONSIDERATIONS	
	<p><b>Identifying Modern Slavery</b></p> <p><b>Sample Language:</b> <i>The Supplier must take reasonable steps to identify, assess, and address risks of Modern Slavery practices in the operations and supply chains used in the provision of the Goods and/or Services.</i></p>
	<p><b>Recruiting Practices</b></p> <p><b>Sample Language:</b> <i>Without limiting clause __, in performing the Contract, the Supplier must:</i></p> <p><i>(a) not require Personnel to pay fees, charges, expenses, or financial obligations incurred in order for the Personnel to secure their employment or placement (Recruitment Fees), regardless of the manner, timing, or location of the imposition or collection of these Recruitment Fees;</i></p> <p><i>(b) not destroy or exclusively possess, whether permanently or otherwise, the travel or identity documents of Personnel; and</i></p> <p><i>(c) ensure Personnel can access a Grievance Mechanism to safely report any instances of Modern Slavery in the operations and supply chains used by the Supplier in its performance of this Contract.</i></p>
	<p><b>Supplier Training</b></p> <p><b>Sample Language:</b> <i>The Supplier will ensure Personnel responsible for managing the operations and supply chains used in the performance of the Contract have undertaken suitable training to be able to identify and report Modern Slavery.</i></p>
	<p><b>Sustainability and Business Ethics</b></p> <p><b>Sample Language:</b> <i>The ABC Organization conducts its business in accordance with the principle of sustainable development and adheres to internationally recognized fundamental standards for occupational health and safety, environmental protection, labor, and human rights as well as responsible corporate governance (hereinafter “ESG Standards”). The ABC Organization has described its understanding of the ESG Standards in the Supplier Code of Conduct. The ABC Organization expects the Supplier to adhere to the ESG Standards. Furthermore, the ABC Organization calls upon the Supplier to ensure that all its temporary workers adhere to the ESG Standards likewise. The ABC Organization shall have the right to check adherence to the ESG Standards, either itself or through third parties that it commissions, with prior notice.</i></p>

	<p><b>Issue Reporting and Remediation</b></p> <p><b>Sample Language:</b> <i>If at any time the Supplier becomes aware of Modern Slavery practices in their operations and supply chains used in the performance of the Contract, the Supplier must as soon as reasonably practicable:</i></p> <p><i>a) take all reasonable action to address or remove these practices, including where relevant by addressing any practices of other entities in its supply chains; and</i></p> <p><i>(b) take all reasonable steps to remediate any adverse impacts caused or contributed to by the Supplier from these practices in accordance with the Guiding Principles on Business and Human Rights.</i></p>
	<p><b>The Right to Audit clause</b> should also cover vendor data and reporting for CSR.</p> <p><b>Sample Language:</b> <i>The Supplier shall comply with the provisions set forth in Section X - Corporate Social Responsibility and Client may periodically, with no more than ten (10) days advance notice, audit the Supplier's compliance with such provisions. If Supplier fails to remedy any material non-compliance findings with such provisions within a thirty (30) day cure period, the Supplier's breach shall be deemed material entitling Client to terminate this Agreement and any Orders in accordance with [enter Termination clause reference].</i></p>

## Communication

INTERNAL COMMUNICATIONS SHOULD INCLUDE:		INTERNAL COMMUNICATIONS SHOULD BE WITH:	
	Upcoming system and process changes and effective compliance dates		First line/vendor owners
	Who, what, when, why, and how		Subject matter experts
	Talking points and FAQs		Sourcing and procurements teams
	Contact name and email for questions		Legal and compliance
			PR and marketing
			Executive team

EXTERNAL COMMUNICATIONS FOR VENDORS SHOULD INCLUDE:			
	Who, what, when, why, and how		Sample of a completed report
	Link or a copy of the company statement		Template for the vendor reporting, if possible
	Examples of requirements		Proposed timing for all vendors to reach compliance
	CSR or ESG metrics on which they must report		Potential penalties for non-compliance
	Specific formats necessary for the reporting		Contact name and email for vendor questions
	Additional educational materials or webinars to provide details for vendors and first line/vendor owners		



## 5 Best Practices to Consider:

- 1 Organizational CSR or ESG goals must be identified first.**  
Before you can reasonably expect your vendors to participate in a new process, you must understand what your organization is trying to accomplish.
- 2 Set the right example and expectations.**  
Don't expect your vendors to collect data or deliver reporting that your organization doesn't provide as part of its own standards and goals reporting. For example, if your company isn't calculating its carbon footprint, you shouldn't ask your vendors to do so.
- 3 Begin with the end goal in mind.**  
Then, make sure you understand your organization's expectations regarding what data they'll collect and report, specific formatting and timing.
- 4 Ensure the right stakeholders are engaged.**  
For example, in organizations where procurement and sourcing are separate from vendor risk management, engaging your sourcing team upfront is advisable. The supplier selection process is the true beginning of the third-party risk management process. Third-party risk management and sourcing should collaborate to ensure potential environmental, social, or governance issues are flagged before the supplier is selected. In most cases, this will mean including ESG questions in the RFP or RFI or other screening processes.

- 5 Be realistic about timing and resources.**  
Due to the intricacies of the third-party risk management framework and its many subprocesses, careful planning is required before making significant changes. Don't underestimate the real-world complexities of effective change management across many interdependent processes. You will have your internal challenges to meet, followed by vendor communication, education, and testing. Depending on the size of your vendor population and who will be in scope for vendor ESG, your timelines may be longer than most of your stakeholders will anticipate.

**Download a free sample assessment** of vendor controls and see how Venminder can help reduce your third-party risk management workload.

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## About Venminder

Venminder is an industry recognized leader of third-party risk management solutions. Dedicated to third-party risk, the company is the go-to partner for software, high-quality assessments on vendor controls, certified subject-matter expertise, and education.

Venminder's platform provides a centralized location to execute a third-party risk management program. It enables users to store documentation, onboard a vendor, track contracts, manage SLAs, send and manage questionnaires, manage due diligence and oversight, complete risk assessments, create workflows, run reporting, and more.

Assessments performed by Venminder's qualified experts, including CISSPs, CPAs, financial risk analysts, paralegals, and more, are readily available in an online exchange library. The assessments enable customers to identify possible risks and understand areas of strength on their vendors' information security and privacy standards, SOC reports, financial viability, business continuity/disaster recovery preparedness, contractual standards, regulatory compliance, and more.

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