






Assessing company readiness for ESG-related risks

Taking the following actions can help an entity identify and manage environmental, social and governance (ESG) related risks. For detailed guidance on implementing each of these actions and for help incorporating ESG-related risks into overall enterprise risk management, please see [Enterprise Risk Management - Applying enterprise risk management to environmental, social and governance-related risks](#) published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the World Business Council for Sustainable Development (WBCSD).

Chapter	Actions
1	Governance and culture for ESG-related risks
	<ul style="list-style-type: none"> <input type="checkbox"/> Map or define the organization's mandatory or voluntary ESG-related requirements <input type="checkbox"/> Consider opportunities for embedding ESG in the entity's culture and core values <input type="checkbox"/> Be informed of the ways to increase board awareness of ESG-related risks <input type="checkbox"/> Map the operating structures, risk owners for ESG-related risks, reporting lines and end-to end ERM and strategic planning process to identify areas for improved oversight and collaboration <input type="checkbox"/> Create opportunities for collaboration throughout the organization <input type="checkbox"/> Embed ESG-related skills, capabilities and knowledge in hiring and talent management to promote integration
2	Strategy and objective-setting for ESG-related risks
	<ul style="list-style-type: none"> <input type="checkbox"/> Examine the value creation process and business model to understand impacts and dependencies on all capitals in the short, medium and long term. To assist with this understanding, conduct: <ul style="list-style-type: none"> - Megatrend analysis to understand the impact of emerging issues in the external environment - Strengths, weaknesses, opportunities and threats (SWOT) analysis - Impact and dependency mapping for all types of capital - An ESG materiality assessment to describe significant ESG issues - Engagement with internal and external stakeholders to understand emerging ESG trends - Analysis leveraging ESG-specific resources <input type="checkbox"/> Throughout the risk management process, align with the entity's strategy, objectives and risk appetite <input type="checkbox"/> Consider the ESG-related risks that will impact the entity's strategy or objectives
3	Performance for ESG-related risks
3a	Identifies risk
	<ul style="list-style-type: none"> <input type="checkbox"/> Examine the entity's risk inventory to determine which ESG-related risks have or have not been identified <input type="checkbox"/> Involve ESG risk owners and sustainability practitioners in the risk identification process to leverage subject-matter expertise <input type="checkbox"/> Convene meetings with both risk management and sustainability practitioners to understand ESG-related risks <input type="checkbox"/> Identify the ESG-related risks that may impact the organization's strategic and operational plans <input type="checkbox"/> Define the impact of ESG-related risks on the organization precisely <input type="checkbox"/> Use root cause analysis to understand drivers of the risk
3b	Assesses and prioritizes risk
	<ul style="list-style-type: none"> <input type="checkbox"/> Understand the required output of the risk assessment (e.g., the impact in terms of the strategy and business objectives) <input type="checkbox"/> Understand the entity's criteria for prioritizing risks <input type="checkbox"/> Understand the metrics used by the entity for expressing risk (i.e., quantitative or qualitative) <input type="checkbox"/> Select appropriate assessment approaches to measure risk severity <input type="checkbox"/> Select and document data, parameters and assumptions <input type="checkbox"/> Leverage subject-matter expertise to prioritize ESG-related risks <input type="checkbox"/> Identify and challenge organizational bias against ESG issues
3c	Implements risk responses
	<ul style="list-style-type: none"> <input type="checkbox"/> Select an appropriate risk response based on entity-specific factors (e.g., costs and benefits and risk appetite) <input type="checkbox"/> Develop the business case for the response and obtain buy-in <input type="checkbox"/> Implement the risk response to manage the entity's risk <input type="checkbox"/> Evaluate risk responses at the entity level to understand the overall impacts to the entity risk profile
4	Review and revision for ESG-related risks
	<ul style="list-style-type: none"> <input type="checkbox"/> Identify and assess internal and external changes that may substantively affect the strategy or business objectives <input type="checkbox"/> Review ERM activities to identify revisions to ERM processes and capabilities <input type="checkbox"/> Pursue improvements in how ESG-related risks are managed by ERM
5	Information, communication and reporting for ESG-related risks
	<ul style="list-style-type: none"> <input type="checkbox"/> Identify relevant information and communication channels for internal and external communication and reporting <input type="checkbox"/> Communicate and report relevant ESG-related risk information internally for decision-making <input type="checkbox"/> Communicate and report relevant ESG-related risk information externally to meet regulatory obligations and support stakeholder decision-making <input type="checkbox"/> Continuously identify opportunities for improving the quality of ESG-related data reported internally and externally