Enhancing Risk Insights by Integrating ESG Perspectives: An Opportunity for ERM Leaders

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THE OPPORTUNITY

The rapidly increasing uncertainties in today’s global business environment continue to generate growing volumes of complex risks that business leaders must navigate in the pursuit of strategic objectives. In response, many senior executives and their boards of directors are investing in enterprise risk management (ERM) processes to help strengthen the overall anticipation of potential risks and opportunities before they emerge.

One area of rapid evolution involves expectations related to the management of environmental, social, and governance challenges (referred to as ESG) that business leaders must consider. With increasing global regulations and social change emerging from different parts of the world, the management of ESG related risk challenges is becoming critically important to most organizations. Many are now investing in ESG programs to help navigate the complex, but fast changing ESG risk landscape.

But, for many organizations the investments in ERM and ESG are not coordinated or integrated with one another. As a result, the emphasis on risk identification and assessment led by ERM program leaders may not be sufficiently integrated with the organization’s emphasis on ESG related challenges. The lack of integration may be leading to significant missed opportunities and possibly unneeded incremental efforts for both ERM and ESG efforts.

The objective of this thought paper is to share insights to help ERM leaders and other executives enhance their organization’s risk insights by strengthening the integration of their ERM and ESG efforts. These insights are based on our interviews of 12 ERM leaders who lead the ERM efforts for their organizations, including seven in the Fortune 500, or serve in advisory capacities. They represent a variety of industries including insurance, pharmaceutical, oil and gas, fast-food, food processing, apparel, health care, and airline industries. Interviewees were asked a series of questions to obtain an understanding of their organization’s intersection between their ERM and ESG programs and to pinpoint challenges with integrating ESG into their ERM processes. They then identified a number of opportunities for taking action to reap the benefits that can be realized through enhanced ESG considerations. We also read various thought papers and attended some webinars on the topic.

We begin by highlighting some of the challenges that currently make the integration of ERM and ESG difficult for organizations. Following these challenges, we highlight a number of value-adding opportunities for ERM leaders to consider as next steps. Throughout this paper, we include a number of relevant quotes we heard from our interviewees that add interesting insights regarding the ERM and ESG integration opportunity. Several tools and templates are included throughout the thought paper that ERM leaders can use to advance the integration of ERM and ESG.
CHALLENGES LIMITING INTEGRATION OF ESG ISSUES WITH ENTERPRISE-WIDE RISK FOCUS

The volume and complexity of ever-changing risks that may be on the horizon for an organization can be overwhelming for senior executives and boards to monitor and navigate. Challenges triggered by geopolitical shifts, the economy, disruptive innovations and new technologies, trade barriers, cyber threats, and competition for talent, to name a few, are individually difficult to understand and address. Business leaders in today’s environment must navigate a web of risks that may impact their organizations at any moment in time. Given the fast changing environment, it is hard for them to look too far into the future given disruption from a near-term risk might emerge at any point.

The expanding focus and attention on environmental, social, and governance (ESG) issues has evolved rapidly as expectations among shareholders, employees, consumers, regulators, investors, and others have shifted exponentially. Suddenly the focus on issues related to ESG is garnering increasing attention among key stakeholders that make the identification, assessment, and monitoring of ESG risks important, but difficult to accomplish without a plan.

As Chief Risk Officers (CROs) and other ERM leaders strive to help advance their organization’s focus on ESG related risks, they face a number of hurdles that can limit their ERM program’s integration of ESG risk thinking into their broader risk management discussions and oversight. Here is a brief look at some of those challenges.

Wide Variations in ESG’s Meaning

Terminology Can Vary

Many terms are being used interchangeably in regards to what is meant by ESG. Some organizations refer to the term “ESG” while others interchangeably use terms such as sustainability, environmental, climate-change, greenhouse gas emissions to refer to the “E” aspects of ESG. Others may use the term “ESG,” but their focus is mostly on the “S” aspects such as Diversity Equity and Inclusion (DEI) initiatives, social changes, shifting demographics, gender equality and more. The use of different terminology that sometimes is used to mean the same thing or to address specific aspects of ESG can ultimately lead to confusion about “What are we trying to address? What are we most focused on? What is most important to our business model?” That lack of clarity may lead to inconsistent and confusing ESG risk considerations.

What is ESG?

While the acronym of “ESG” is frequently used, different aspects come to mind, suggesting a need to clarify what is meant by the term, ESG. The three letters, which stand for Environment, Social, and Governance, were created to help organizations think about how they impact the world.

Environmental measures focus on an organization’s environmental footprint. Examples of topics addressed in the ‘E’ component include the protection of natural resources, climate change, biodiversity, energy performance, air and water quality, etc.

Social takes into account an organization’s relationships. Topics within the ‘S’ component include the entity’s relationships with its employees, customers, institutions, communities, and society. It also takes into consideration the organization’s human rights and labor standards and programs it has in place to help poor and underserved communities.

Governance examines how a company manages itself. The ‘G’ component examines executive pay structure, the organization’s compliance with laws and regulations, its emphasis on integrity and ethics, internal controls, political lobbying, whistleblower programs, and more. This component essential focuses on how an organization polices itself.

While there has been a recent push by investors to provide ESG related information, organizations should not view this as the only reason to invest in ESG programs. Having strong ESG programs can lead to long-term success, by helping entities proactively consider how ESG risks might be managed to create future value. ESG is not something that is going to go away anytime soon.
Terminology Can be Opaque

Terminology surrounding ESG can also be highly technical, unfamiliar, and confusing for those newly involved. For example, “double-materiality,” green bonds, greenhouse gas emissions, carbon neutral, etc. aren’t concepts general business leaders necessarily know and understand beyond a surface level knowledge. The lack of clear understanding can cause lack of clarity about how ESG might impact their business and what the risk issues might involve.

Terminology Can Be Too Open-Ended

The “social” aspect of the “S” in ESG is sometimes difficult to define and determine its scope for the organization. Some wonder if “social” is limited to an internal focus, such as an internal view of issues affecting employees or customers. Others see “social” as encompassing both internal and external issues, with considerations of how the organization might be impacting communities and global societies. The lack of clear boundaries makes assessing the “social” risk aspects of ESG challenging.

Lots of Voices with Fast-Changing Expectations

Differing Opinions

The topic of ESG tends to capture the attention of several voices of different stakeholders who have their own expectations regarding ESG. Investors, customers, suppliers, employees, credit rating agencies, banks and insurance companies, regulators, politicians, and the general public all have viewpoints on how the organization and ESG issues may intersect. Exhibit 1 summarizes a number of these varying voices on the importance of ESG.

Even within each of those categories of stakeholders, such as investors, there are varying expectations between institutional and retail investors. With this in mind, it is difficult to narrow down the ESG-related voices most critical to an organization and how those expectations might impact risks to the organization’s business model and strategy. The views of stakeholders may not be consistent with one another, leading to conflicting efforts about how best to proceed to address emerging ESG issues.

Uncertainties About Future Focus

There are a variety of ESG subjects that need to be addressed and ESG-related expectations and requirements are evolving rapidly. What is important to stakeholders today may not carry the same weight in the future. That leads to significant uncertainties surrounding where to focus ESG efforts and what risks might emerge.
Exhibit 1: Stakeholder Voices. There are multiple stakeholders with different motivations and incentives for an increased focus on ESG issues:

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<tr>
<th>Stakeholder Category</th>
<th>Description</th>
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<tr>
<td>Investors</td>
<td>Investors are paying more attention to where their investment dollars are going. They engage with the organizations they invest in while pushing ESG issues at shareholder meetings or asking executives for transparency regarding ESG related topics such as carbon emissions, human rights, and racial equity. These are not only millennial individual investors but also large institutional investors, including pension funds, university endowments, insurance companies, and others.</td>
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<td>Customers</td>
<td>Customers are paying close attention to ESG commitments, sometimes rewarding entities for it by paying more for environmentally and socially responsible products, as well as discontinuing patronage at organizations deemed by them as not acting responsibly towards customers, employees, or the environment. Growing numbers of customers want to see organizations engage in more ESG-focused efforts.</td>
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<td>Employees</td>
<td>Employees want to work for employers who share their values, including those that exhibit a positive social impact on the world. Growing numbers of employees and executives want to work for companies that proactively shape and respond to ESG policy.</td>
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<td>Suppliers</td>
<td>Suppliers are meeting the demands of their customers who want to understand how ESG risks are being addressed across their supply chain as a way of delivering on their own ESG demands. Suppliers are mindful of their labor practices and materials’ provenance in order to meet these needs.</td>
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<td>Credit Rating Agencies</td>
<td>Credit rating agencies consider ESG as a factor when assessing an entity’s creditworthiness, because the entity’s management of those factors may potentially impact product demand, reputation, cost of production, and financial strength of the company, which may ultimately meet its debt obligations. Several credit rating agencies score entities on ESG dimensions.</td>
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<td>Banks and Insurance Companies</td>
<td>Insurance companies are using ESG issues as indicators to help predict other risks that they insure. Like insurance companies, banks are also facing the economic risks of ESG risks. Thus, they are considering ESG issues alongside profitability when making lending decisions, especially as they face increased regulatory scrutiny on how funding is deployed by their customers.</td>
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<td>Regulators</td>
<td>Regulators are increasingly focused on ESG factors, such as human capital management practices or environmental impact, and how those factors are materially impacting financial performance. Increased disclosures and more standardized metrics of ESG issues are now expected.</td>
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<tr>
<td>Politicians</td>
<td>For federal lawmakers, ESG policy, when it is not a partisan issue, is seen as a way of furthering the common good of the nation in the same way previous monumental environmental and social laws have ushered in now permanent standards, such as the EPA or OSHA. Many states are increasingly using ESG factors in their operations, including investment of public funds. Local governments are also increasingly adopting ESG efforts, such as in creating sustainability and resiliency programs.</td>
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Emerging Guidance and Proposed Regulations

Multiple sources of principles-based guidance on how to frame thinking about ESG within an organization have been developed by various thought leaders and ESG rating agencies. That guidance is constantly evolving, creating a challenge about which guidance an organization should follow. While there is some effort to centralize best practices, there remain several authoritative voices that are providing guidance that business leaders may be using to drive their ESG conversations and processes. These include acronyms for ESG standards such as the ISSB, GRI, SASB, TCFD,
TNFD, and EU. See Exhibit 2 for brief descriptions of many of them. While currently the CDSB and SASB standards-setting activities are now evolving into the work of the International Sustainability Standards Board (ISSB) to give one set of global standards under the oversight of the International Financial Reporting Standards (IFRS), that will take time to accomplish.

In addition to these suggested best practices, numerous proposed regulations are emerging around the globe, with several prominent proposals in the U.S. and Europe surrounding disclosures of aspects of certain ESG related risks. These emerging regulations have garnered significant attention, which has helped to provide some attention and direction. However, the proposals seem to be more about measuring data to be able to provide a required disclosure about ESG related risks, and less about how to navigate and manage ESG issues before they occur. Currently, the focus for organizations is on required regulatory disclosures about results, efforts and risks tied to ESG. There is less focus on what they are doing to manage ESG issues. The result of these focus areas could create a distraction from addressing the bigger issues surrounding the broader business impact of ESG for an organization, if the company does not understand the elements of an ESG program and that could be integrated with its focus on enterprise-wide risks.

*The Politics of ESG*

ESG in the United States has become political and polarizing. Perhaps unlike other parts of the world, the United States associates an organization’s stance on ESG as having political motivation, which may impact how the organization commits to addressing ESG-related issues. The politics surrounding the topic of ESG creates a divided front within some organizations as well. This can also be impacted by the change in Executive Branch priorities after each Presidential election in the US.
Exhibit 2. Key ESG-Related Thought Leaders

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<th>Organization</th>
<th>Main Role</th>
<th>How Helpful to Business Leaders</th>
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<tr>
<td>International Sustainability Standards Board (ISSB)</td>
<td>The ISSB seeks to develop standards for a global baseline of sustainability disclosures to be provided by organizations, while meeting the demands of investors and enabling organizations to supply sustainability information to capital markets around the globe. The ISSB enhances the work performed by initiatives including the CDSB, SASB, TCFD, and World Economic Forum.</td>
<td>The ISSB standards will provide guidance to help business leaders understand the baseline of what types of ESG related disclosures are expected to meet the needs of decision makers. Leaders can integrate those ISSB standards along with jurisdiction-specific requirements to provide information beneficial to broader stakeholder groups.</td>
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<td>Sustainability Accounting Standards Board (SASB)</td>
<td>The SASB standards help to enhance financially material sustainability information with the intent that the information is decision-useful for investors and cost-effective for organizations to utilize. The SASB standards are now being consolidated into the IFRS foundation, making the SASB Standards now the IFRS Sustainability Disclosure Standards.</td>
<td>The SASB provides industry-specific environmental, social, and governance issues most pertinent to financial performance in specific industries.</td>
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<td>Climate Disclosure Standards Board (CDSB)</td>
<td>The CDSB is an international association committed to furthering the global mainstream corporate reporting model through integrating social and environmental information into financial reporting. As of November 2021, the CDSB has been consolidated into IFRS and the organization will no longer produce technical work or content.</td>
<td>The CDSB developed a framework for strengthening the disclosure of environmental and social information in mainstream reports.</td>
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<td>Task Force on Climate-Related Financial Disclosures (TCFD)</td>
<td>Created by the Financial Stability Board, the TCFD seeks to improve and increase the reporting of climate-change related risks and how that might impact financial performance. The TCFD provides a framework for entities to disclose decision-useful climate related financial information, including implications associated with transitioning to lower-carbon economy and climate-related physical risks.</td>
<td>The TCFD has created a framework of recommendations on the types of information that organizations should disclose about risks related to climate change. The recommendations are structured around four themes: Governance, Strategy, Risk Management, and Metrics/Targets.</td>
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<p>| <strong>Global Reporting Initiative (GRI)</strong> | The GRI provides comprehensive and widely used sustainability disclosures standards, which cover topics ranging from biodiversity to tax, waste to emissions, diversity and equality to health and safety. | Business leaders can use the GRI standards to communicate and demonstrate accountability for their impacts on the environment, economy, and people to comply with regulatory requirements and meet stakeholder demands. |
| <strong>Taskforce on Nature-related Financial Disclosures (TNFD)</strong> | The TNFD seeks to provide a risk management and disclosure framework for organizations to report on evolving nature-related risks with a goal to shift global financial flows towards nature-positive results. | The TNFD may assist business leaders in gaining an understanding of how nature impacts an organization’s immediate financial performance, including assessment of biodiversity loss, ecosystem harm, and species extinction. |
| <strong>European Financial Reporting Advisory Group (EFRAG)</strong> | The EFRAG seeks to make corporate sustainability reporting within the EU more accurate, common, comparable, consistent, and standardized by providing technical advice to the European Commission in the form of draft EU Sustainability Reporting Standards. | Business leaders, particularly those whose organizations are subject to EU regulations will benefit from monitoring EFRAG positions on sustainability-related standards under development. |
| <strong>Corporate Sustainability Reporting Directive (CSRD)</strong> | The CSRD modernizes and strengthens the rules regarding the social and environmental content that companies are required by the European Union to report. The CSRD was placed into law on January 5th, 2023 and is applicable to both larger corporations and SMEs reporting in the European Union. | It is important to understand the reporting requirements of the CSRD as applicable companies will be required to report CSRD required information for users. |
| <strong>SEC Climate-Related Disclosure Proposed Rules</strong> | The SEC proposed rules would require SEC registrants to include certain climate-related disclosures in their registration statements and periodic reporting, including information about climate-related risks, particularly greenhouse gas emissions, that are likely to have a material effect on the business. | Considering the SEC Climate-Related Disclosures may soon be a requirement for publicly traded companies registered with the SEC, it is critical that companies gain a thorough understanding of these disclosures and stay informed with any rule changes. |</p>
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<td>The Paris Climate Agreement (Paris Accord)</td>
<td>The Paris Climate Agreement was established between leading global powers to combat climate change and limit its impact on the planet. The main goal of the framework strives to keep global warming well below the +2 degrees Celsius level and limit climate change to a +1.5-degree level.</td>
<td>A number of countries have agreed to the Paris Climate Agreement, which sets for deadlines where countries will be expected to cut emissions by a certain date given their abilities to do so. Businesses in these jurisdictions will face mandates and regulations to ensure compliance with the Accord.</td>
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<td>Paris Climate Agreement (Paris Accord)</td>
<td>The UN 17 Sustainability Goals are intended to be an urgent call for countries to combat the impending consequences of climate change. The UN hosts the Conference of Parties (COP) to bring together almost every country for global climate summits called “COPs.”</td>
<td>ERM/ESG leaders with international presences can use the UN 17 sustainability goals to start the conversations on the how their organization plans on addressing ESG related initiatives pertinent to the communities where they operate.</td>
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<td>United Nations 17 Sustainability Goals</td>
<td>The World Economic Forum is an independent organization that works to shape business governance agendas. Leveraging various stakeholder interests, the WEF provides a platform for leaders to work together free of any potential private interests, and it generates a Global Risk Report annually.</td>
<td>Focused on a wide range of globally pressing emerging issues, the World Economic Forum provides leaders with a base line of global risks their organizations should consider both in the short-term and long-term.</td>
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<td>World Economic Forum (WEF)</td>
<td><strong>Lack of Coordinated, Clear Leadership</strong></td>
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<td><strong>Siloed Approaches</strong></td>
<td>Leadership responsible for addressing issues related to each component of ESG can be segmented across an organization creating a lack of a coordinated enterprise-wide approach to ESG. The siloed and decentralized approach to managing the “E” in ESG differently from managing the “S” and “G” makes it more challenging to coordinate ERM and ESG within organizations and it may lead to less recognition of an enterprise-wide impact of ESG risks. Although the segmentation of leadership of each component is natural, it is important to bring insights together at a higher enterprise level, with an executive sponsor of the ESG program, given the components are interrelated.</td>
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<td><strong>Still Clarifying Individual Roles</strong></td>
<td>Achieving this higher enterprise level integration can be challenging when there is no single leader of ESG. Given that the positions of both ERM and ESG leadership may still be relatively new in many organizations, ERM and ESG leaders are sometimes still working to identify and define their respective key responsibilities. That, combined with a sometimes observed frequent turnover in those leadership positions, can make it difficult to identify how ERM and ESG should intersect. Moreover, there may be an imbalance between how many people are working on ESG versus ERM in an</td>
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organization (i.e., 8-10 individuals may be involved in aspects of ESG while ERM is often led by 1-2 people). This imbalance can also make it difficult to integrate the two programs. Documents that outline roles, responsibilities, and charters may help to provide some clarity.

Lack of Awareness of Other Party

It is also possible that the two programs do not know the other exists. Or, ERM and ESG know the other exists, but still choose not to partner as they want to focus singularly on their program. They may also not be aware of potential benefits of an integrated approach to ERM and ESG. Without this communication, it is unlikely that the two programs will seek out one another, resulting in their continuing to operate as individual programs, as they do not see the value of integration.

Duplications of Efforts

While both ERM and ESG are risk-focused, failing to integrate or sync ERM and ESG functions may be unnecessarily duplicating efforts, which leads to inefficiencies. The lack of communication between both initiatives may lead to work unnecessarily performed multiple times.

What is ERM?

Enterprise Risk Management (ERM) is a process that aims to create a holistic, overarching view of the most pressing risks that could impact the achievement of an entity’s important strategic objectives. While every organization manages risks in discrete functional areas, traditional approaches tend to rely on subject matter experts managing pockets of risks in silos across individual business units. Often, the focus on risks is not viewed from an enterprise, holistic level, resulting in significant risks “falling between the cracks” unrecognized by those at the top and often risks are not explicitly linked to what strategically drives enterprise value.

A strategically focused ERM approach, begins with a focus on what drives success and then uses that strategic lens to identify, prioritize, manage, and monitor risks to drive decision making. It focuses on creating an enterprise/portfolio view of risks to help management recognize how risks are interrelated, with some risks triggering others when they occur.

ERM allows an organization to have greater awareness about risks it faces before they occur (and thus have a better understanding of how to respond proactively rather than reactively), increase its compliance legal/regulatory requirements, and benefit from the increased efficiency of operations. An effective ERM program supports a necessary governance role of the board of directors. All that helps preserve and create strategic value.

Uncertain C-Suite and Board Commitment

Unclear Top-Down Support

For risk related initiatives such as ERM and ESG to be successful, there needs to be ownership in the organization and communicated support from the board and senior management. Some C-Suite and board members may not signal an explicit embrace or strong support for the individual importance of ERM or ESG for the organization. In some organizations, leaders have articulated little, if any, support for embracing ERM. The same is true regarding the lack of explicit support for ESG. Some leaders may appear to be waiting to see whether ESG will become a bigger issue prior to giving it any attention. Other leaders may be in some form of denial regarding the shift in attention to ESG and public reporting. If there is a lack of C-Suite and board of director commitment, this will likely pose an impediment to having effective ERM and ESG programs, which in turn directly impacts the ability to effectively integrate ERM and ESG risk insights. Thus, tone at the top is critical for both ERM and ESG.

ESG Reporting Shifting from Marketing to Regulatory Roles

With the SEC’s proposed disclosure of ESG factors, risk reporting related to ESG issues is gaining greater significance and regulatory importance as it will be required
disclosure for publicly traded companies in the United States. In recent years, the focus on public reporting on ESG (particularly environmental) has been left to marketing or corporate communications. Now that the reporting of climate-related risks is shifting to a Form 10-K public filing with the SEC, the role within the C-Suite may be shifting to the CFO and General Counsel’s role. Additionally, the CSRD reporting that will be implemented in the EU will be a second required information reporting, determined by a company’s size and business activities in the EU.

**Different Time Horizons**

*Short-Term versus Long-Term Focus*

ERM processes tend to give more attention to risks that are based on short-term issues or risks that may come to fruition in the next 2-5 years, leading to ERM’s primary focus on teasing out risks that may impact the organization in a short-term horizon. In contrast, ESG issues often focus on longer-term time horizons, by considering potential risks that may not be significant until decades from now (2030, 2040, 2050), but need to be identified and initially addressed in the present.

*Long-Term Nature Means ESG Receives Less Attention*

ERM programs typically have limited focus on longer-term emerging risks that are the focus of ESG programs. Interestingly, the lack of an ESG program may be an ERM risk for an organization. The long-term nature of ESG related risks may diminish ERM’s focus on ESG related risks given the concerns may not be immediate. Even when ESG risks make an organization’s top ten list of risks, interviewees noted they often do not receive as much attention relative to other top risks. The different time horizons may initially explain why ERM and ESG programs are not integrated. But, this difference may actually highlight an advantage of integrating ERM and ESG given understanding short-term risks may inform understanding of long-term risks and vice versa.

**Lack of Strategic Value**

*Failure to Link to Strategy*

Unfortunately, in many organizations, efforts related to ERM and efforts related to ESG are often not approached from a strategic lens. As illustrated in *Exhibit 3*, a strategically-focused ERM process begins with an understanding of the organization’s current core business drivers and the initiatives in the strategic plan and uses that to identify, assess, respond, and monitor those risks. If the risk monitoring reveals escalating risk concerns, this may lead to changes in the organization’s core business and strategic initiatives, and a refreshing of the ERM process.
Often risks are not explicitly linked to the organization’s strategy. By not viewing ERM and ESG issues from the lens of how risks might impact the organization’s business model and achievement of business objectives, members of the organization fail to recognize the value ERM and ESG efforts can provide. Integrating ERM and ESG and syncing them to the strategy of the business will enhance the value of both initiatives.

**Only Looking at Negative Aspects**

One of the challenges for both ERM and ESG is that they tend to only focus on the negative impact of risks on the business or those risks that can derail the organization. They fail to look at the upside opportunity of risks. Overlooking the risk-taking opportunities, where the organization can identify ways to take more risks responsibly, limits the value of both ERM and ESG efforts. Integrating ERM and ESG may help the organization expand its focus on risks from both a threat and opportunity perspective.

**Trade-off of Higher Costs and Lower Short-Term Profitability**

One of the challenges particularly unique to ESG is that responses to ESG risks may sometimes lead to higher costs and lower profitability. For example, the push to change packaging of products to be more user-friendly may lead to more expensive packaging, yet the consumer does not allow the higher packaging costs to be passed onto them. The need to satisfy short-term performance expectations can outweigh what might be the better ESG long-term risk solution.

**Lack of Trust in Information Provided**

**Stakeholder Lack of Confidence in Reporting**

A growing number of organizations are publishing reports with disclosures about sustainability, climate-related, and social responsibility issues and actions. This information may follow several different sources of guidance and hence is often more qualitative. Some have been accused of “greenwashing,” whereby some perceive the
organization has exaggerated its environmentally friendly actions. Some stakeholders may be less trusting of sustainability-related disclosures given the lack of third-party verifiability of the information provided. Given the variability in different reporting methods, investors and other stakeholders sometimes have difficulty in trusting the reported information.

**Difficulty in Developing Relevant Measures**

Part of the challenge in gaining stakeholder trust in the information provided is the lack of standardized measures. With many sources of non-authoritative and few authoritative sources of guidance, the disclosure of climate-related information can vary greatly between businesses of a similar nature. Organizations are facing the challenge of identifying what the right measure is to link to this issue, and if they do identify the right measure, they often struggle to find the data to support the measure or with what the best way is to disclose such information. Without trustable climate-related metrics and disclosures, reporting efforts may largely fail to meet the needs of the various invested stakeholder parties an organization may have.

The diagram in Exhibit 4 summarizes all the challenges that we have discussed.

**Exhibit 4: Challenges to Enhancing ESG Risk Insights**
OPPORTUNITIES TO STRENGTHEN ESG RISK INSIGHTS

The benefits of strengthening the integration of ESG considerations with the organization’s ongoing ERM efforts can be realized by taking proactive steps to navigate around barriers that may currently be limiting the organization’s strategic focus on ESG risks and opportunities. There are several action steps that ERM leaders may want to consider to strengthen their organization’s ability to recognize and respond to issues related to ESG. That enhanced risk insight could lead to significant competitive advantage for the organization.

Exhibit 5 highlights five broad themes of opportunities for ERM leaders to enhance the integration of ERM and ESG: invest in learning about evolving ESG expectations, network with key players in the organization, use a strategic lens to integrate ERM and ESG risks, seek to strengthen C-suite and board engagement, and make the focus value-adding. The next section of this paper explores a number of action items ERM leaders can consider for each opportunity.

Exhibit 5: Opportunities to Strengthen ESG Risk Insights

Invest in Learning about Evolving ESG Expectations

Commit to Learning About ESG Now

Learning about emerging ESG issues, expectations, and regulations will increase awareness and recognition of opportunities that can be realized by integrating ERM and ESG functions within an organization. A simple way to start may be to identify and understand the external organizations setting ESG standards and guidelines (see examples in Exhibit 2 highlighted earlier), review these standards for their applicability to your organization, monitor the headlines and newsletters, and commit to understanding the various ESG-related frameworks, proposed legislation, and trends. A number of webinars and conferences are emerging that ERM leaders may find beneficial to attend, including some that are explicitly focused on ERM and ESG integration. Participation in these kinds of activities may help bring awareness or better understanding of risks that may be emerging that the organization should consider. Accept that ESG is here to stay and likely to grow and expand over time.

“Awareness is the strongest piece – you can’t fix what you don’t know.”
Seek to Understand Various Stakeholder Expectations

Invest in learning more about different ESG related thinking and expectations among the different key stakeholders. One way to accomplish this might include mapping out risk issues using different stakeholder viewpoints related to each issue. Take a look at Exhibit 6 that briefly summarizes different stakeholder points of focus on ESG. That might reveal an issue deemed of low importance for customers that may be a significant issue for investors. Utilizing this data will help an organization prioritize and address those data points where most stakeholders believe a risk is significant. ERM leaders could engage others within their organizations to address these questions for each key stakeholder group:

1. Who comprises each of these stakeholders for our organization?
2. How is their view on ESG related issues evolving?
3. How might changes in their ESG views impact our organization over both short-term (2-5 years) and long-term (10-20 years) horizons?
4. What actions might we want to take in the near term to be prepared to address those impacts?

Exhibit 6: Understanding different stakeholder viewpoints.

<table>
<thead>
<tr>
<th>Key Stakeholders</th>
<th>Who are the keys players &amp; subgroups for each stakeholder category?</th>
<th>What are these key stakeholders saying in regard to ESG?</th>
<th>How significant or how powerful is their voice for our industry and our organization’s business?</th>
<th>How might their changing voices on ESG impact our business model and strategy?</th>
<th>What opportunities might these evolving views create for us as a competitive advantage?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investors</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit Rating Agencies</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Banks and Insurance Cos.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulators</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Politicians</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Conduct a Materiality Assessment

Some organizations have engaged in a materiality assessment that looks at materiality from two over-arching dimensions: Financial impact and nonfinancial, operational impact to the overall strategy of the organization. This is often referred to as “double materiality.” While financial materiality traditionally centers on investors as the stakeholders, ESG materiality brings in nonfinancial measures and focuses on an array of stakeholders. A materiality assessment on the non-financial organizational impact may include evaluating ESG factors impacting an organization as well as the way the organization impacts the world. Both materiality measures, financial materiality and ESG materiality, affect an organization’s long-term sustainability by assessing the organization’s ability to operate. Using the risks identified from existing risk identification surveys, organizations often visualize different aspects of materiality effects by plotting them on axes of stakeholder impact and business impact, as provided in Exhibit 7 below. This helps the organization’s leaders consider the significance of a number of ESG factors along multiple impact perspectives.

Exhibit 7: Conduct a Materiality Assessment

Educate and Train

Promoting and encouraging education on growing stakeholder expectations related to both ERM and ESG may also help to ensure that what’s important to stakeholders will be communicated to members of the C-Suite and the board. Helping business unit leaders across the organization understand the growing expectations surrounding ERM and ESG will help all business leaders be more effective at identifying all kinds of risks, including those related to ESG. Prioritizing and fulfilling the needs of stakeholders will create value and may help encourage growth across your organization. Explore different avenues for educating and training such as: Prepare a reference document to store with train-
ing department resources; train employees on terminologies; host lunch-and-learn events; cross train; present ESG legal issues to scientists and present engineering breakthroughs to accountants, etc.

Assess and Work to Shift Mindset

Stakeholders are trying to sort through an organization’s real commitments to address ESG challenges and what they view as merely a marketing tactic. To better understand stakeholder expectations, the organization may need to shift its mindset from one that is resisting ESG trends to one that is focused on preparing. This will enhance coordination efforts among stakeholder groups and will play a vital role in ensuring stakeholders’ expectations are met. Consider whether there is any evidence of “greenwashing” versus real commitments to ESG and ERM and explore ways to promote awareness and learning. Exhibit 8 illustrates several questions that may provide insights about the current ESG mindset across different leaders within the organization.

Exhibit 8: Assessing the Organization’s Mindset Regarding ESG

<table>
<thead>
<tr>
<th>Assessing the Organization’s Mindset Regarding ESG</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board of Directors</strong></td>
</tr>
<tr>
<td>• To what extent is ESG on the board’s agenda?</td>
</tr>
<tr>
<td>• Has the board been educated on its ESG governance responsibilities?</td>
</tr>
<tr>
<td>• Has the board assigned ESG oversight to a board subcommittee?</td>
</tr>
<tr>
<td><strong>CEO</strong></td>
</tr>
<tr>
<td>• To what extent is the CEO embracing the need to consider ESG’s impact on the business?</td>
</tr>
<tr>
<td>• Is the CEO’s focus on all aspects of ESG, or is the focus on limited aspects of the environment or social issues?</td>
</tr>
<tr>
<td>• Does the CEO support ESG by viewing it as an opportunity rather than a nuisance?</td>
</tr>
<tr>
<td><strong>C-Suite Officers</strong></td>
</tr>
<tr>
<td>• Does any C-Suite officer have explicit ownership of ESG considerations for the organization?</td>
</tr>
<tr>
<td>• Is the C-suite focus on ESG looking enterprise-wide or is it siloed into limited aspects of the business?</td>
</tr>
<tr>
<td>• Is ESG included as an element of performance for the executive team?</td>
</tr>
<tr>
<td><strong>Middle Management</strong></td>
</tr>
<tr>
<td>• How far down from the C-Suite are the leaders for ERM and ESG located?</td>
</tr>
<tr>
<td>• What areas of the business are mostly focused on ESG issues? Is the focus limited to marketing or corporate communications or is it tied to core value drivers of the business?</td>
</tr>
</tbody>
</table>
Enhancing Risk Insights by Integrating ESG Perspectives: An Opportunity for ERM Leaders

Look Globally at What Others are Doing

While the topic of ESG is somewhat politicized in the United States of America (USA), ERM leaders may benefit from learning how organizations outside the USA, particularly in Europe, are integrating ERM and ESG activities. Many organizations, particularly those in Europe, may be ahead of the curve in recognizing the strategic value of thinking about ESG as a risk opportunity as opposed to a risk to manage. With the growing likelihood of required action on ESG-related issues, it is likely that early inaction will serve as a lost opportunity for an organization to gain competitive advantage over competitors.

Network with Key Players

Identify ESG Leadership

An important starting point is to pinpoint who the key leaders of the organization’s various ESG efforts are and where they reside functionally in the organization. Determining who they are and what their particular focus is related to environmental, social, or governance issues will help ERM leaders understand where expertise on ESG issues may reside. This will involve multiple individuals, given each component of ESG may fall under different functional leaders. Exhibit 9 highlights a template that could be used to identify the key ESG leaders in the organization and their primary points of focus.
Enhancing Risk Insights by Integrating ESG Perspectives: An Opportunity for ERM Leaders

Pinpoint an Executive Sponsor

Often ESG leadership may involve several individuals who might lead different aspects of ESG. Given the growing importance of ESG to an organization’s overall business model and strategy, boards and CEOs may want to consider identifying a C-suite level executive to serve as the executive sponsor of the ESG efforts to ensure organizational buy-in. Similarly, if there is not an executive sponsor for the ERM efforts, there is a benefit for clearly articulating C-suite level support for ERM as well. Having an executive sponsor helps signal to the rest of the organization the importance of both ERM and ESG.

Seek to Partner, Not Compete

Work to build trust between and partnerships with ERM and ESG leaders, rather than view each function as competing for resources and relevance. Each group offers a different lens on risk issues and how they might impact different aspects of the business. Both ERM and ESG leaders may benefit from the shared insights and perspectives. ERM sheds insights on near term risks, which might inform the ESG leaders. ESG sheds insights on longer-term risks, which may help trigger new thinking about short-term risks and opportunities. Banding together may lead to greater combined influence.

Connect Risk Committee and ESG Committees

For organizations that have a management-level risk committee and an ESG oversight committee, there may be opportunities to explore whether some overlapping committee members might be helpful. Think outside the box: not many risk committees have an engineer or scientist on them. Structural overlaps in members of each committee may help facilitate the sharing of perspectives related to ERM and ESG issues that benefit both functions. Synergies exist among ERM and ESG with each partner helping strengthen the understanding of key risks and how they may impact the organization’s success.
Consider Job Rotations and Cross Training

There may be opportunities to have individuals in ERM or ESG rotate through different job positions or perhaps they can shadow one another to help both sides recognize the value of integration. ERM leaders tend to be more heavily dominated by finance, legal, compliance or audit professionals. ESG tends to be dominated by engineers, scientists, statisticians, and production. ESG is becoming more of a reporting and regulatory issue that will involve finance and legal. ERM may be missing some key unknown risks by not engaging engineers and scientists in risk identification. There may be a need to expand the focus of both groups. Cross training may be beneficial.

Use Strategic Lens to Integrate ERM and ESG Risks

Position ERM and ESG Efforts Using a Strategic Lens

Applying a strategic lens to center an organization’s thinking about ERM risks and ESG risks will help ensure both ERM and ESG efforts are focused on identifying risks to the organization’s strategic goals and providing value to the organization. A strategically focused ERM process views risk management from a strategic lens. Asking what drives value for the organization will help uncover risks that might impact or hinder preservation and creation of future value. Leveraging that same strategic process to identify ESG related risks issues will help increase the collective value of ERM and ESG. That is, frame the focus of ERM and ESG risk thinking from a perspective of how each of the three core elements of ESG individually, impact strategy. Exhibit 10 illustrates how consideration of ESG risks and opportunities can be considered from a strategic lens.

Exhibit 10: Linking ESG to What Drives Value for the Organization
Seek to Connect Dots

While integrating ERM and ESG is important, emphasis needs to be placed on fostering robust discussion and conversation about emerging issues and uncertainties, whether they be related to ESG issues or other risk issues for the organization. ERM leaders who help to integrate ERM and ESG risk thinking may be in a strategically unique position to connect issues between ERM and ESG that are interrelated, but otherwise unrecognized. Being able to identify unseen but interconnected risks strengthens the value-added proposition for ERM and ESG integration by facilitating a deeper understanding and appreciation of the issues. Moreover, identifying issues that are interrelated between ERM and ESG may help elevate the conversation to the top (i.e., to the C-Suite and the board). Exhibit 11 provides an illustration of how ERM identified risks might be mapped to related ESG related risks so that both ERM and ESG begin to realize the potential connection of risks that are a point of focus for ERM and ESG, respectively.

Exhibit 11: Connecting the Dots Between ERM Risks and ESG Risks

<table>
<thead>
<tr>
<th>ERM Identified Risks</th>
<th>ESG Identified Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disruptions in Needed Supplies: Uncertainties in our supply chain leading to disruptions in key raw materials supplies.</td>
<td>Depletion of Natural Resources: There is insufficient amount of available natural resources to be able to meet long-term demand in new alternative energy environment.</td>
</tr>
<tr>
<td>Attract Talent: Organization is struggling to attract highly qualified talent.</td>
<td>Demographic Values Shift: Social changes are leading to younger generation who is uninterested or opposed to our industry and nature of our business.</td>
</tr>
<tr>
<td>Non-Compliance with Code: Growing concern about employees not complying with the code of conduct.</td>
<td>Social Resistance to Authorities: Growing social resistance to those with authority not acting with ethics and integrity</td>
</tr>
</tbody>
</table>

Leverage ESG Insights to Identify Emerging Longer-Term Risks

With the growing attention on emerging ESG issues and the devotion of resources towards addressing ESG initiatives, ERM leaders may find they can leverage that to gain momentum and management’s attention to focus more explicitly on longer-term, emerging risks, both ESG and non-ESG related risks. An organization’s focus on ESG is often viewed as having a longer time horizon compared to most ERM programs that tend to focus on shorter-term risk horizons. Promoting the integration of an ESG function’s long-term view of emerging risks with risks identified by an ongoing ERM process may help advance ERM’s view of both short-term and long-term risks.

Focus on Upside Opportunities

Often when business leaders engage in dialogue regarding potential risks an organization faces, the natural tendency of most ERM programs is to primarily focus on risks that may negatively threaten core business operations. However, value-added ERM and ESG efforts do not want to lose sight of the fact that certain risks may actually represent opportunities for the organization to take more risks. ESG may provide a great opportunity for organizational leaders to view risks from this opportunity lens (i.e., the upside of risks). For example, as they consider emerging trends related to the need to transition to more carbon neutral processes, business leaders may find ways to leverage those solutions to provide new types of services for

“Lean into the idea that there are opportunities in ESG”
their customers and clients. The longer time horizon of ESG risks may provide adequate time to think about the opportunities of integrating ESG risks into strategic opportunities.

Both ERM and ESG can be used to tease out areas where a company can strategically take more risks. Thus, if ERM and ESG tend to see similar risks, that may help generate more C-suite and board attention on a given risk. Additionally, partnering to identify common risk issues may give both ERM and ESG more visibility at the enterprise level, given there may be more recognition of the strategic value of potentially leveraging a given risk into new strategic opportunities.

**Integrate Into Existing Business Processes**

As entities seek to enhance both their ERM and ESG processes, the more they can integrate risk thinking and ESG thinking into already existing business processes, there may be greater buy-in across the organization due to increased synergies and efficiencies with core business decision-making. For example, an entity may have an existing budgeting process, business plan development, or strategic planning process, and that process could be tweaked to have the relevant function leaders address how the budget and/or the business plan considers emerging ESG risks. Integrating into existing processes may lead to quicker embrace of ESG risk thinking, given the business function leaders are familiar with an already present business process.

**Seek to Strengthen C-Suite and Board Engagement**

**Enhance Communication and Dialogue**

The growing appreciation among C-Suites and boards for considering ESG related challenges may provide a unique platform for ERM leaders to enhance risk communications with those at the top of the enterprise. Highlighting both ESG related risks along with other risks identified by an ERM process may provide ERM leaders an opportunity to foster an environment where more frequent, open, explicit, and entity-wide communications occur between the ERM leadership team and the C-Suite and the board. This might include setting time aside with members from the C-Suite and board to bring up ESG-related risk issues that may be emerging. Helping link ESG risks and other risks identified via the ERM processes to the longer-term business model may help increase the perceived value of ongoing dialogue about emerging risk issues.
Consider the Language

ERM leaders may want to be more strategic in how they communicate ERM and ESG related risk information. This may include challenging the language ERM leaders use with discussing issues with members of the C-Suite and the board. That may encompass using less risk-focused terms (e.g., risk appetite, inherent risk, residual risk, risk responses, etc.) and less ESG specific language (e.g., green-house gas emissions, Scope 1, 2, 3 risks, “double-materiality) and replacing that language with more strategic terminology that reflects the ERM leader’s understanding of the core business and the organization’s unique competitive advantage. A strategic lingo may appeal to the C-Suite and the board.

Use Emerging Regulations as a Catalyst

Proposed regulations for more ESG related disclosure are emerging. ERM leaders may be able to use this as an advantage to garner attention on ESG risk issues. ERM leaders may want to start preparing now as if the new disclosures are already a requirement by educating management on what types of metrics will be needed to meet disclosure requirements. When doing so, it will be important to help connect what is learned to the strategy of the business.

Emphasize Resiliency

Instead of viewing ESG as something that has to be done because of a shift in regulations or consumer expectations, think about ESG in terms of your organization’s resiliency. Consider how ESG may shape the future of the organization. Viewing ESG in such a manner helps bridge the risk and opportunity front, as they are different mindsets. Focusing on ESG as an opportunity to increase a company’s resiliency provides an organization the opportunity to identify risks that may impact future operations now. Addressing those issues today helps increase the overall resiliency of the organization for tomorrow.
Make the Focus Value-Adding

Simplify, Don’t Overcomplicate
For organizations that are just getting their ERM or ESG programs off the ground, it can be easy to overthink and overcomplicate the process. The best way to ensure long-lasting and value-added ESG and ERM integrated programs are in place is to keep processes simple, high-level, and strategic. The most important action is to start. Once progress has been made in strengthening the connections of ERM and ESG, improvements can evolve.

Seek to Contribute to ESG Leadership
ERM leaders have tools and skill sets that may be helpful in facilitating ESG risk conversations, such as running scenario planning or war-gaming exercises and risk workshops. For example, an ERM leader may be able to conduct wargaming or pre-mortem exercises with the ESG group to help tease out longer-term emerging risks for the organization by helping them look out 10 years or more on issues such as carbon tax legislation or higher temperatures, for example.

Provide Centralized Easily Accessed Data
It isn’t unusual for several ERM and ESG activities to be manually driven with loads of information buried in numerous spreadsheets and slide presentation decks. This decentralized and siloed approach to ERM and ESG risk considerations often means that no centralized repository of data about key risk issues exists. To overcome this challenge, ERM leaders may want to explore how they might leverage technology to create a centralized database of key risk insights from both ERM and ESG efforts. That centralization of data may help facilitate the development of key metrics related to both ERM and ESG issues and trends that may provide a basis for meeting the growing ESG risk disclosure expectations.

Look to Measure What You Can
Disclosures about ESG risks are only going to increase. With the increased demands of environmental consciousness and ESG reporting by investors and regulators, it is of great importance for an organization to begin to track ESG-related data. To do so, ERM leaders may want to start identifying things that the organization can readily measure now. Look for current measures that are available. It is important to not strive for perfection in the data measurement from the very beginning of your ESG program. Rather, it may be more productive to measure what is available today and let processes evolve over time. As the organization learns more about certain metrics, measures can be fine-tuned to provide invested parties with the right kinds of information. Begin thinking about information that your company might soon be required to measure and explore where that data might currently reside or how it can be obtained. There may be opportunities to explore how leveraging artificial intelligence and other data analytic tools can be used to measure things that currently do not exist in a database for an organization. Exhibit 12 illustrates how existing functions within the organization may have data that may lead to opportunities for measuring ESG risks.
### Exhibit 12: Examples of Existing ESG Datapoints That Could be Captured

<table>
<thead>
<tr>
<th>Business Functions Within Organization</th>
<th>ESG Related Insights Function May Have</th>
<th>Possible Data to Track</th>
</tr>
</thead>
</table>
| **Sales Function**                     | • Customers may be asking the Sales Function about the organization’s approach to ESG.  
• Customers may be asking for data about impact of products on environment. | • Number of customers asking about ESG approach.  
• Types of ESG issues that are the main concerns.  
• Kinds of data being requested. |
| **Procurement**                        | • Suppliers may be promoting their ESG efforts in regards to their product lines.  
• Suppliers may be asking whether the organization is considering certain ESG issues. | • Types of ESG issues suppliers are promoting the most.  
• Metrics that suppliers are providing to promote ESG aspects of their products. |
| **Human Resources**                    | • Potential recruits may be asking organization to explain their ESG viewpoints and strategies.  
• Candidates may be turning down opportunities or employees may be leaving due to perceived lack of ESG focus. | • Number of candidates who inquire about ESG policies and who comment on them.  
• Number of employees mentioning concerns about ESG focus as part of an exit interview. |
| **Investor Relations**                 | • Investors and other key stakeholders may be requesting more information about organization’s ESG philosophy and strategy.  
• Investors may be asking for data to demonstrate progress towards ESG goals. | • Number of inquiries on investor calls about ESG issues.  
• Nature of data requested from investors about progress towards ESG goals. |
| **Finance/Treasury**                   | • Banks and other financial services organizations may be requesting data about ESG issues as part of a financing transaction.  
• CFOs may be tracking ESG disclosures made by competitors. | • Nature of ESG data requested by banks and other financial institutions as part of finance transaction information package.  
• Types of ESG metrics disclosed in public filings by competitors. |
Explore Opportunities for External Assurance

Some stakeholders distrust the reliability and accuracy of ESG related information provided. This is sometimes due to what some describe as “greenwashing” whereby an organization makes what can be perceived as exaggerated or false claims regarding its impact on the environment. This can mislead stakeholders and it fosters a lack of trust. One method some organizations have pursued to combat this issue involves engaging third-party assurance providers to objectively evaluate the reliability of reported information. These parties are essentially reviewing and assessing the ESG related information organizations provide and are likely to base their assessments off of a specific disclosure framework (i.e., the TCFD). For instance, some entities have engaged assurance providers to review management assertions regarding ESG information (i.e., greenhouse gas emissions, carbon emission, energy consumption, water efficiency, etc.) and issue a conclusion that is included in management’s sustainability report. Stakeholder trust regarding the information provided may be improved given these external parties are independent of management, have numerous stakeholder interests in mind, and provide limited assurance over the reliability/accuracy of ESG data provided. Exploring methods of obtaining external assurance not only helps address the lack of trust organizations face regarding stakeholders and their ESG reports, but it also helps to alleviate some of the pressures organizations may face in trying to identify methods to obtain stakeholders’ trust.
CONCLUSION

We believe there is a tremendous opportunity for ERM leaders to increase the richness of risk insights through their ERM programs by integrating ESG considerations into their processes. Those organizations that have insights about both short-term and long-term ESG related risk implications will be better informed to make key strategic decisions relative to their competitors who fail to invest in ESG thinking. We hope this paper provides a number of tactics and next steps that ERM leaders can use to advance the value of risk insights for the C-Suite and board as they seek to strengthen the long-term viability of their enterprise.
AUTHOR THE AUTHORS

This thought paper was developed by recent graduate students in NC State University’s Jenkins Master of Accounting Program.

Lydia Connor  Mrinalini Garg  Ian Smith  Walter Vozzo

About the ERM Initiative

The ERM Initiative at NC State University is pioneering thought-leadership about the emergent discipline of enterprise risk management, with a particular focus on the integration of ERM in strategy planning and governance. The ERM Initiative conducts outreach to business professionals through executive education and its online ERM resources library; research, advancing knowledge and understanding of ERM issues; and undergraduate and graduate business education for the next generation of business executives. Follow the ERM Initiative at erm.ncsu.edu.