

## Risk reporting, Communication and Disclosure

How do you report, and what do you report normally? Communication and collaboration are vital. A pre-requisite is to create and use a common language. This starts with fundamental questions such as what is sustainability to your organisation and what is a sustainability risk?

These terms must then be defined within the context of a methodology and framework, such as by integrating ESG-related risk assessment into a consolidated ERM framework. To create coherence, the company's sustainability goals should be mapped with the risk framework across the enterprise.

### **The results of sustainability risk assessment can be communicated for different purposes:**

1. They can become part of regular risk reporting to top management and the board of directors
  - › *the responsible committee at working-level (which may be audit, risk, governance or CSR) will analyse sustainability topics with a view to making the sustainability risks relevant to the overall strategic direction of management and the board.*
2. Sustainability risk could be treated separately until it becomes more understood within the organisation
  - › *for consideration is to have a different report for the sustainability-type risks to raise attention to them. A pitfall here could be that it creates reporting overlap.*
3. They will be input for sustainability self-assessment questionnaires, such as for the Carbon Disclosure Project, that require companies to describe the main risks and opportunities with regard to ESG topics.
  - › *Negative events may be at the same time translated in business opportunities. For example, the development of disruptive technological innovation and a consequent loss of market share could generate an opportunity to invest in other innovations that increase volumes, margins and market share.*
4. They will be disclosed in the Non-Financial Reporting Statement and used as input to the materiality assessment process.
  - › *identified ESG risks can be associated with specific ESG aspects, then subject to a materiality evaluation in compliance with the EU Non-Financial Reporting Directive.*