

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.*