

RISK MANAGEMENT

As part of WBCSD's governance and internal oversight project we have collated a series of questions for both board directors and for management designed to be used as prompts for discussion. The questions are intended to be used to help organizations further integrate environmental and social issues into existing governance arrangements and decision-making.

Environmental, social and governance (ESG) in this context refers to all sustainability and non-financial considerations, including but not limited to: climate change, human rights, supply chain management, anti-corruption, ethics and compliance, water, biodiversity as well as impact on stakeholders (shareholders, employees, customers, suppliers, regulators, civil society and local communities).

The questions are in two parts, the first set of questions are intended for the board to ask itself or to consider in boardroom discussions, these cover activities and oversight responsibilities carried out by the board. This is followed by a set of questions that the board may ask management to ensure ESG considerations are properly embedded in operations and decision-making.

Questions for the board

- How does the board charter capture governance of ESG-related risks? Is there a board-level committee that is primarily responsible for oversight?
- Does the board have appropriate experience, understanding and knowledge of ESG-related matters, if not, does it seek to inform itself through education, independent advisors and experts?
- Is the board considering how potential ESG-related risks might impact the achievement of the business objectives and strategy?
- How does internal audit report to the board on material ESG-related matters?
- Does the organization have a culture that embeds ESG-related risk into the enterprise-wide risk management process?
- Does the board receive regular briefings on relevant ESG-related matters to ensure they can govern ESG-related risks and opportunities appropriately; including those in the supply chain and when performing vendor due diligence?
- What steps does the board take to ensure resilience is built into the company's business model? What stress-testing is done to assess the impact of principal ESG-related risks?
- Does the board consider resilience measures and the business' ability to withstand major external shocks such as extreme weather or a global pandemic?

Questions for management

- How does management ensure alignment and integration between risk management and sustainability departments and in managing information sharing?
- What is the process for identifying ESG risks and opportunities (i.e. people involved, use of a materiality assessment, time frame considered, frequency of assessment)?
- What criteria are being used to assess and prioritize ESG-related risks?
- How is management addressing the near and long-term ESG-related risks and opportunities?
- How is management considering potential ESG-related risks associated with the extended supply chain?
- How is management considering the potential impact of climate-related risks and opportunities?
- Is management using scenario analysis and the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to map climate-related risks?