

# Three Steps Towards Your ESG Strategy

A Practical Guide for  
Risk Management Teams

# ESG and Risk Management Today



Being investor and climate driven, Environmental Social Governance (ESG) is fundamentally a forward-looking Integrated Risk Management (IRM) approach to discerning which companies are likely to thrive and which most likely will decline in a world growing in environmental and social uncertainty. It is more concerned about the ability to sense and anticipate what is needed to prosper without doing harm to people and planet than it is about backwards looking control frameworks.

In this eBook, we examine the pillars of Operational Resilience and why it's essential to align the silos of internal teams responsible for risk management, business recovery, IT

disaster recovery, and third-party risk management. We also present a five-phase plan to guide you in assessing your internal factors so you can begin to build Operational Resilience.

For risk management teams, ESG is a major opportunity to elevate the strategic focus of the risk management function from “avoid trouble” (defensive posture) to “increase corporate value” (opportunity posture). Risk management leaders can directly influence the ESG strategy, lending expertise towards this major business imperative. To get started, it is important to put in motion actions that lay a solid foundation for your strategy.

## Understand the Context

- Research the evolution of ESG and related standards boards.
- Connect with internal stakeholders to understand the current state of ESG efforts.

## Plan for the Effect on Corporate Reporting

- Familiarize yourself with the existing ESG reporting.
- Map out your key stakeholders and what information is most relevant for each group.

## Navigate the Standards

- Research the emerging standards related to ESG.
- Outline the basic industry and geographical requirements for your company.

ESG fundamentally a forward-looking Integrated Risk Management (IRM) approach to discerning which companies are likely to thrive and which most likely will decline in a world growing in environmental and social uncertainty.

With knowledge of the business operations and the potential risks to strategic objectives, risk management functions can provide insight into critical issues but more importantly, can provide the experience in executing broad programs.

Therefore, it is helpful to understand three fundamental components of an ESG Strategy.

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## Materiality Mapping

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## Tracking and Tracing

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## Reporting and Automation

# 1

## Materiality Mapping

Materiality Mapping starts with the identification of stakeholders and what matters most to them. Management then assesses topics affecting stakeholders relative to organizational imperatives, influenced by good governance principals, and the long-term viability of the business model. Once formally established, a Materiality Map influences the selection of ESG frameworks, topics, and industry initiatives.

The Materiality Mapping exercise is an enterprise-wide assessment that lays the foundation for the organization's environmental, social, and governance programs. This work should deliver to business leaders a complete and aggregated view of the organization's value chain's ability, including its supply chain, to meet its environmental, social and governance responsibilities. As the organization evolves, this process must become routine as part of an ongoing view into the key ESG topics for the organization.

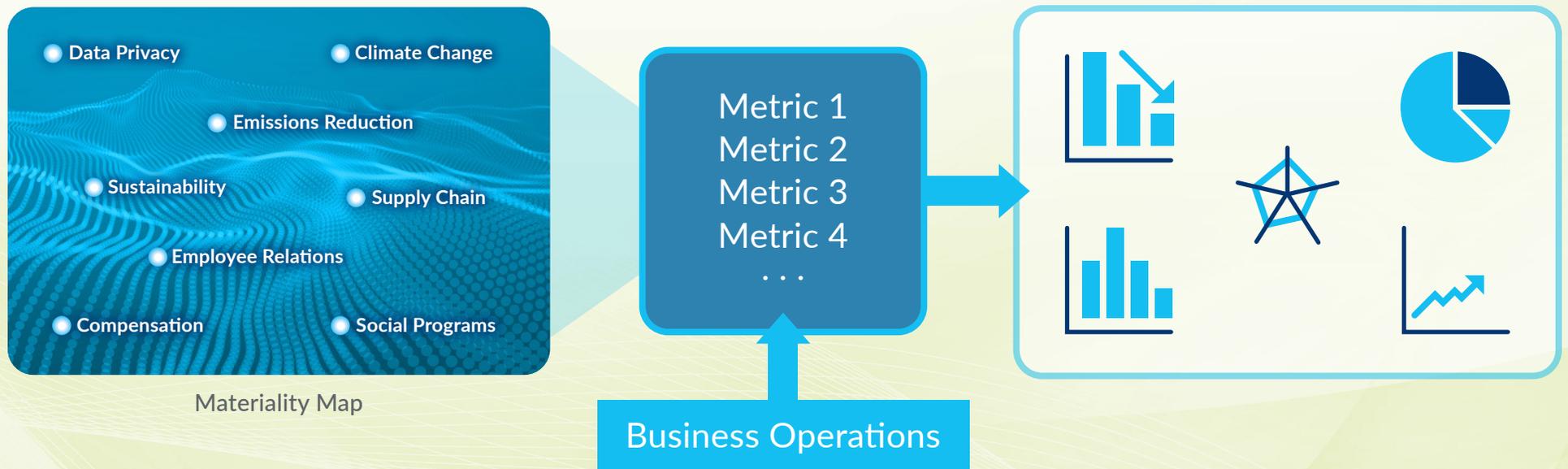
### Stakeholders



# Tracking and Tracing

Once you have worked out 'What ESG Topics Matter Most' and set target metrics across E, S and G topics, the organization must gather data about how the business is performing on these metrics. This tracking and tracing of metrics from business objectives to operations can be a complex task but necessary to monitor progress towards ESG objectives.

By centralizing ESG data, you can help the company prepare for annual reporting. More importantly, executives and Board members need graphical, real-time reporting and dashboards to view and evaluate compliance, environmental impact, and supply chain risk with quantifiable data and metrics. This actionable data helps inform better decision-making and achievement of corporate goals while mitigating risk and ensuring the business takes steps to ensure its success.

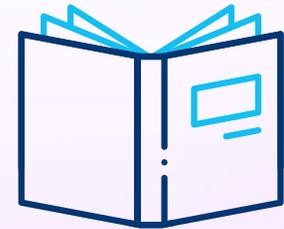


# 3

## Reporting and Automation

**Reporting** across the various ESG frameworks and standards follows a common pattern of telling the story of the application of internationally proven and accepted risk methods and practices to business. The pressure to deliver ESG reports is high now. Shareholders and investors are calling for this information and it could affect your ability to raise capital and continue growth. Therefore, there is an imperative to get started as the stakes will only get even higher.

**Automation** will be a key element of dealing with the ongoing change inherent in managing ESG efforts. Manual processes, which may meet tactical needs, will simply not be able to keep up - especially with the flux expected as ESG requirements evolve. You should be targeting efforts now to remove complexity and deliver solutions which meet your business requirements.



### Key elements of an automation strategy:

- Plan for generating, collecting, monitoring and reporting ESG metrics & standards.
- Strategy to centralize tracking, tracing and managing of data including objectives, stakeholders (internal & external), materiality assessments and metrics.
- Support for ongoing materiality mapping assessments.
- The ability to easily gather ESG metrics from systems and stakeholders, and identify compliance/noncompliance of thresholds for ESG metrics.
- The ability to manage issues and gaps identified during metrics collection.
- Scenario analysis capabilities to identify potential routes to reduce risk and manage action plans.
- Quantification methods to calculate risk exposures including the ability to measure costs of mitigation vs. costs of exposure.



## Environmental

By implementing responsible social and sustainability policies and programs that help lessen corporate environmental impact, organizations can better deal with global crises such as rising energy prices, access to resources, and enact better operational resilience programs. Organizations that embrace and implement robust and effective ESG programs benefit society, investors, stakeholders and ultimately assure the organization's ability to thrive and survive long into the future.

## Social

Archer enables ESG data to be gathered in a centralized Integrated Risk Management (IRM) platform alongside other risk and compliance data. By implementing Archer within their broader risk management program, business leaders and executives have access to quantifiable risk data providing the insight and tools needed to protect the business while adhering to their ESG policies.

## Governance

In addition, Archer allows your ESG and risk teams to look at their data in a new way. You can use modeling and risk quantification to dig into the data, run scenarios and identify the impact of risks and the necessary investments to reduce or mitigate business disruptions and meet ESG objectives.

## About Archer

Archer is a leader in providing integrated risk management solutions that enable customers to improve strategic decision making and operational resiliency. As true pioneers in GRC software, Archer remains solely dedicated to helping customers understand risk holistically by engaging stakeholders, leveraging a modern platform that spans key domains of risk and supports analysis driven by both business and IT impacts. The Archer customer base represents one of the largest pure risk management communities globally, with over 1,500 deployments including more than 90 of the Fortune 100.



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Archer Integrated Risk Management