

# Environmental, Social, and Governance Risk Performance

Environmental, social, and governance (ESG) criteria are increasingly being used to inform strategic goals, operational execution, and the reporting of sustainable business practices to key stakeholders. There is, however, considerable uncertainty surrounding the associated emerging risk implications, which could lead to areas of opportunity or threat, both requiring analysis, management, and reporting aligned with enterprise risk management (ERM) practices.

Whilst some organisations have developed sustainability strategies and started to report initial performance, others are seeking guidance, particularly with regard to the integration with risk analysis, controls, resilience, and insurance. Establishing ESG objectives and performance criteria is informed by mandatory reporting requirements, such as the Taskforce on Climate-related Financial Disclosure (TCFD) as well as guidance from various organisations including the United Nations Sustainable Development Goals (UN SDGs), Global Reporting Initiative (GRI), and the Sustainability Accounting Standards Board (SASB).

## How Marsh Advisory can help

Marsh Advisory is working with clients to develop ESG risk performance and analyse and control the physical, transition, and reputational risks associated with achieving objectives.

Our expert consultants and analysts determine the ESG implications to your organisation through utilising industry data, risk indices, physical climate models, and key stakeholders' perspectives. Our advice leads to better-informed risk decision-making, the execution of ESG objectives in line with risk appetite, the integration of practices within proven ERM and resilience frameworks, as well as meeting the increasing requirement for external reporting.

## QUESTIONS WE HELP OUR CLIENTS TO ANSWER

- What are the main ESG considerations we need to be aware of for target setting and how will these vary internationally?
- What are our key ESG risks and how do we determine our financial exposure?
- What controls and resilience measures should we have in place?
- How do we determine the vulnerability of our assets and supply chain to physical climate risks?
- What are the insurance reporting and programme coverage implications of ESG?
- How do we ensure that we monitor and report our ESG risks in accordance with TCFD and market listing requirements?

### Our approach

Marsh Advisory has developed a risk-based approach to ESG, through the five-phased methodology shown below, which can help organisations develop robust and transparent measurement and reporting processes. The approach identifies relevant ESG criteria, assesses risks across a comprehensive risk taxonomy, develops mitigation and reporting strategies, and reports findings and management information.

This approach can be applied to organisations who are starting out on their ESG journey as well as those who have already made progress on their strategy. Our methodology is scalable and modular to integrate with your organisation's existing practices.

### BENEFITS OF WORKING WITH US

- Benchmarking of current practices versus best practice informed by international guidance and Marsh repositories.
- Emerging risk expertise across ESG themes
- Integration of risk analysis and risk management advice through strategic, operational, and financial risk experts.
- Independent expertise on physical risk models and financial risk analysis.
- Alignment of risk and insurance management in terms of coverage response and renewal information.

### Marsh Advisory's ESG Risk Performance Approach





## PRISON SERVICE OFFENDER REHABILITATION

### The project

This client organisation helps ex-offenders transition into the workplace through outreach programmes, matching of candidates to employers, and ongoing support.

### How we supported the client

Development of social performance criteria, associated risk analysis, and governance documentation. Consultative process with the client to develop bespoke material.

### The value we delivered

The client can now manage ESG threats and opportunities effectively via a new suite of risk tools.

The risk approach is formalised and mandated through a Risk Policy and the provision of training.



## WASTE PROCESSOR AND POWER PROVIDER

### The project

This client organisation undertakes waste management services, transportation of waste, and produces electricity through an Energy from Waste (EfW) plant.

### How we supported the client

Created an ERM approach which incorporated ESG risks and associated controls. Sustainability was a key performance indicator, therefore metrics were incorporated into risk reporting and oversight.

### The value we delivered

The latest environmental risk information is incorporated into an ERM tool to aid active management.

Leadership and staff opinions have been determined as part of a risk culture phase and change paths identified to achieve goals.

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## About Marsh

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