

We Value Nature 10-Day Challenge Event

Applying Enterprise Risk Management to manage your relationship with natural capital, 18th March 2021

Session summary & key takeaways

Summary (150-200 words max.)

This session provided insight to the business context and natural capital factors that are driving a need for enhanced risk management. It provided examples of corporate experience and thought leadership to identify, assess and manage impacts and dependencies on natural capital.

The session highlighted the importance of integrating sustainability into mainstream business practice and examined how natural capital related risks underpin a range of vulnerabilities faced by organizations. To build resilience, organizations must assess and manage natural capital risks as part of an interconnected network.

Specific considerations for corporate performance include the importance of clear natural capital-focused culture and vision and organizational clarity on how impacts and dependencies on natural capital are strategically assessed and managed.

In particular, the importance is highlighted of ongoing stakeholder engagement to enable risk management together with the emergence of the need for digitized and technological innovative solutions to provide organizations with assurance on performance measurement, reporting and disclosure.

Key takeaways:

1. ESG risk management is relevant to every risk manager. Sustainability focus, culture, vision and values need to resonate and be embedded across your organization.
2. Partnerships and collaboration with a range of stakeholders and government are key to delivering decarbonization, pricing that measures true value and effective use of natural capital.

3. Complexity and interactions across natural capital, business models and supply chains require organizations to move beyond traditional approaches to managing risks as dynamic interconnected networks

Warm thanks to the speakers for the insights shared:

- Anke Kwast , VP Climate Neutral Roadmap, Yara International
- Nancy Mancilla, CEO, ISOS Group
- Steve Godfrey, Director, Policy and External Relations, Global Alliance for Improved Nutrition

Key solutions presented / actions to take

The management of natural capital risks requires organizations to have a strong understanding of the business context and evolving risk landscape. To build resilience to ESG-related risks, including natural capital, organizations need to shift the focus of their risk assessment and prioritization from “how likely is this risk to occur?” to “how will we manage if this risk occurs?”. To manage vulnerability, risk management functions, strategic planners and senior management should integrate the horizon scanning, materiality assessment and impact and dependency assessments of sustainability departments into their day-to-day business practices.

Resiliency needs to be built into planning process which requires comprehensive understanding of the internal and external business context. To develop that understanding organizations require to engage with a wide range of internal and external stakeholders. Accordingly effective ongoing stakeholder engagement has become a key cross cutting factor across strategic risk management and sustainability initiatives. To engage this diversity of stakeholders, Boards and senior management need to build a consistent, clear corporate presentation of the organization’s natural capital vision and values, spanning and applicable to all business activities.

Get your own house in order! Focus on your people, their awareness and responsiveness to their and your sustainability impacts and dependencies. Ensure they are engaged and incentivised to

deliver sustainable, natural capital positive solutions and empowered to drive the sustainability/natural capital agenda. A resilient organization needs a resilient team!

Useful resources

Some resources you may find useful to support your application of enterprise risk management to natural capital are:

- The WBCSD and COSO guidance [Applying Enterprise Risk Management to Environmental, Social and Governance-related Risks](#).
- The report [An enhanced assessment of risks impacting the Food & Agriculture sector](#) analyzing the application of KPMG's DRA methodology to the Food & Agriculture sector - from which the examples in the presentation were extracted.

Other links that that you may find useful include:

- [Diagnostic tool for assessing the level of integration of ESG-related risks](#)
- [Reporting Exchange](#)
- [ESG Disclosure Handbook](#)