

SCENARIO

ESG RISK MANAGEMENT



DURATION: 4 LESSON HOURS
PILOT TRAINING

PARTICIPANTS: MIDDLE MANAGEMENT
STAFF OF MSMES

DESCRIPTION

The "ESG Risk Management" training is dedicated to middle management in the small and medium-sized enterprises (MSME) sector. Its main goal is to provide participants with specialized knowledge and practical skills that will allow them to effectively manage risks related to ESG issues. This module focuses on issues related to the identification, analysis and management of ESG risks, which are key to organizations' ESG reporting obligations. Participants will gain knowledge of tools and techniques used for assessment related to ESG aspects. They will also learn how to implement effective ESG risk management strategies in their organizations. This training provides an excellent opportunity to acquire the comprehensive knowledge and skills needed to effectively manage ESG risk, which is essential in today's business environment, where sustainable activities are increasingly valued by stakeholders and investors.

GOALS

The aim of the training is to provide participants with the necessary knowledge and skills in the field of identification, analysis and management of risks related to ESG (Environmental, Social, and Governance) issues. ESG refers to three main areas that are crucial for sustainable and responsible business and investment management. The training aims to prepare participants to effectively use risk assessment tools and techniques as well as plan and implement ESG risk management strategies in their organizations.

EDUCATIONAL OUTCOMES

- Gaining knowledge about ESG concepts and their impact on business risk.
- Understand the different types of ESG risks such as climate risk, risk regarding social responsibility or risk related to corporate governance
- Understanding the tools and techniques used to identify and assess ESG risks.
- Ability to plan and implement effective ESG risk management strategies in the organization.
- Learning about examples of good practices and effective solutions in managing related risks ESG.

- Understanding the factors influencing the level of ESG risk in various industries and economic sectors.

Teaching methods:

- Lecture
- Group discussion
- Case studies
- Workcards
- Podcasts
- Infographics



FRAMEWORK TRAINING PROGRAM

- **WELCOME AND INTRODUCTION**
- **Module I:** What is ESG risk and why is it important for business
- **Module II:** ESG risk identification methods
- **Module III:** ESG risk analysis and impact assessment
- **Module IV:** ESG risk management strategies
- **Module V:** Practical ESG risk assessment tools and techniques
- **Module VI:** Planning and implementing effective ESG risk management strategies in the organization
- **SUMMARY**

SUBSTANTIVE CONTENT OF MODULES

MODULE I

What is ESG risk and why is it important for business (duration approx. 65 min)

- Definition of key concepts in the area of Environmental, Social, Governance (ESG).
- Definition of ESG risk - development of the concept of risk as the probability of undesirable events occurring and the effects that may result from these events.
- Organizational context An explanation of how organizational context influences risk identification, analysis and management.
- ESG reporting obligation and the related ESG risk area.
- Discussing the role of risk management in the context of achieving organizational goals.
- Emphasize why effective risk management is important to long-term success.
- Promoting awareness that risk management is not just a task for specialists, but for all employees.
- Discuss the benefits of effective risk management, such as improving reputation, increasing operational efficiency, and minimizing losses.
- ESG trends.



MODULE II

ESG risk identification methods (duration approx. 135 min)

- Risk categories.
- Risk management cycle including risk identification, analysis, assessment, management and monitoring.
- Risk identification as a stage – principles, techniques.
- Identify potential risk management challenges, such as lack of data, variability of the business environment, or limited resources.
- ISO 31000 standard – in the context of ESG risk management.
- Risk identification methods.

MODULE III

ESG risk analysis and impact assessment (duration approx. 110 min)

- Method risk analysis.
- Qualitative ESG risk analysis.
- Quantitative ESG risk analysis.
- ESG risk mapping.
- Risk matrix.

MODULE IV

ESG risk management strategies (duration approx. 125 min)

- Risk management process.
- Risk management plan.
- Selecting an ESG risk management strategy.

MODULE V

Practical ESG risk assessment tools and techniques (duration approx. 115 min)

- ESG risk management process for managers.
- ESG risk management techniques.
- Risk control and monitoring.

MODULE VI

Planning and implementing effective ESG risk management strategies in the organization (duration approx. 105 min)

- CSRD Directive.
- Strategic management in the context of ESG areas.
- Opportunities and threats regarding ESG risk management.
- Stages of risk management.

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WELCOME AND INTRODUCTION (15 minutes)

- Begin by greeting participants warmly and friendly. You can express your joy at their presence and emphasize how important this occasion is.
- Introduce yourself to the participants as a trainer and briefly describe your experience and competences that make you the right person to conduct this training.
- Introduce yourself using the tips below. You may want to write them on the board or display them on the screen along with your welcome message.
 - First name and last name
 - Education and professional experience
 - Interests and areas of expertise
 - Indication of locations, e.g. toilets, waste bins, emergency exits/flood alarms
- Explain why training is important and what benefits it can provide to participants. Emphasize that this training is intended to help you gain knowledge or skills.
- Provide an overall agenda for the day or participants that has a clear idea of what may happen and how the training will take place.

Available to the trainer:

Greeting and using the training is a moment that can be used in the presence of participants. It is worth paying attention and the first impression.

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MODULE I: WHAT IS ESG RISK AND WHY IS IT IMPORTANT FOR BUSINESS (DURATION APPROX. 25 MIN)

Learning objectives include:

- Discussion on ESG areas and related risks.
- Presentation of key concepts of ESG areas, risk definition.

1. **Lecture in the form of a presentation (10 minutes).** Present slides 3 to 9 to participants. Give participants the opportunity to ask questions or write them down for later response.
2. **WORKCARD 1: ESG RISK MANAGEMENT (15 minutes).** Discuss the work card with participants. This is an individual and quiet activity for 10 minutes. The remaining time should be used to share answers and allow participants to see different points of view. Invite participants to discuss.

Tips for the trainer:

Introduction: The aim of the exercise is to familiarize company managers with the basics of ESG (Environmental, Social, Governance) risk management.

Additional questions for the presenter to ask the group:

- What are the key differences between areas E, S, and G (Environmental, Social, Governance)?
- How can failure to manage ESG risks impact a company's reputation?
- What benefits can result from implementing effective ESG risk management practices?

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MODULE II: ESG RISK IDENTIFICATION METHODS (DURATION APPROX. 25 MIN)

Learning objectives include:

- Presentation of risk categories in the ESG area.
- Risk identification overview.
- Presentation of risk identification techniques and methods by managers in the organization.

1. Lecture in the form of a presentation (10 minutes). Present your slides to 10-20 participants. Give participants the opportunity to ask questions or write them down for later response.

2. WORKCARD 2: IDENTIFICATION OF RISKS (15 minutes). Discuss the workcard with participants. Group work. Risks should be defined in small subgroups of 3-4 people. Allow time to read the content, discuss in the group and work out the risks. The remaining time should be used to share your answers and allow you to present your ideas.

Tips for the trainer:

The aim of the exercise is to enable managers to identify specific ESG-related risks in the context of their companies. Based on the content, participants should define the risk for their company, at least: 10 risks in the ESG area.

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MODULE III: ESG RISK ANALYSIS AND IMPACT ASSESSMENT (DURATION APPROX. 30 MIN)

Learning objectives include:

- Presentation of the main principles of qualitative ESG risk analysis.
- Presentation of the main principles of quantitative ESG risk analysis.
- Increased knowledge regarding the risk matrix.

1. Lecture in the form of a presentation (10 minutes). Present slides 21-26 to participants. Give participants the opportunity to ask questions or write them down for later response.

2. Group work on case studies (20 minutes)

CASE STUDY 3

ESG in the context of risk management in the organization. Divide participants into groups. Participants have 20 minutes to read and discuss the content of the case study. You can move around and ask different questions, encouraging judgment and critical thinking. In the last 15 minutes, each group summarizes the case study and shares their answers with the other participants.

Tips for the trainer:

When discussing the case study, you can mention some key information and trends regarding ESG and risk management in this area. The material developed by Deloitte will help you with this <https://www2.deloitte.com/pl/pl/pages/risk/articles/zarzadzanie-ryzykiem-z-obszaru-ESG.html>

- **The evolution of ESG in the extended enterprise**

Responses to this year's Deloitte TPRM Survey indicate a significant increase in the level of awareness and focus on ESG within the expanded enterprise. The majority, as many as 82% of respondents, believe that their companies are characterized by a medium or high level of awareness/focus on ESG and related requirements. In turn,

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18% of respondents declare a low or average level in this area. The increase in awareness is observed in all industries, but the highest level was recorded in the natural resources and industrial sector (94%), followed by the financial services sector (83%), a slightly lower level of awareness was declared in the government and public sector (78%), life sciences and health care (74%) and consumer goods (73%).

The increase in awareness and interest is supported by the belief that boards of directors and management boards of companies consciously promote a culture of cooperation with bodies responsible for ESG risk management. The vast majority of respondents (80%) believe that the level of awareness of ESG risk among management staff is high, and those responsible for managing this risk know the economic context, strategies and goals of the company well. The highest level of this awareness was recorded in the biological sciences and health care sector (86%) and financial services (85%), but very low - in the government and public sector (40%).

Almost 80% of respondents believe that their colleagues responsible for ESG risk management know well the economic context, strategy and goals that constitute the basis for effective management of this type of risk. They also increasingly understand why ESG issues need to be recognized and managed also in the extended enterprise.

- **ESG maturity assessment**

Despite the significant level of awareness of ESG topics, the growing involvement of management staff in the process of managing them, as well as making commitments to comply with ESG requirements and solve problems in this area, there is still a lot to be done when it comes to assessing ESG risk and the process of giving it priorities in third party systems. The largest percentage of respondents (41%) believe that their companies currently have limited organizational capabilities, which necessitates ad hoc actions when assessing and prioritizing ESG risk factors relating to third parties.

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Another 35% believe that this assessment and prioritization is based on judgments using specialized data or other ad hoc mechanisms, rather than being a formal quantification process. Only 18% of respondents believe that their companies have a quantification methodology enabling the assessment of risk factors using specialized data and ESG tools as well as available internal and external data. The remaining 6% maintain that the company has developed fully developed processes for prioritizing ESG risk factors based on the size, importance of the corresponding operational objectives and the risk appetite of the company.

- **Data quality related to ESG governance and reporting**

Another area of challenge for many organizations is the quality of internal and external data used in the ESG management and reporting process in the extended enterprise. Without a doubt, improving the quality of internal and external data is crucial to the ESG management and reporting process across any company's third-party networks. Only 16% of respondents believe that their internal data is of high or very high quality. The same can be said about external data: only 16% of respondents consider its quality to be high or very high.

The responses and quality comments we collected indicate that there are two reasons for the lack of trust in ESG data: first, its unavailability, and second, a lack of understanding of what data can be relied on and how to transform it to provide a basis for action. These two factors slow down further progress. Despite the declared lack of trust in data, 64% of respondents regularly prepare information on ESG risk by preparing periodic reports. Organizations do this using judgment or ad hoc assessment to support decision-making processes within their own enterprise and to meet the expectations of external stakeholders.

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However, only 49% of respondents have formalized mechanisms enabling the monitoring of internal and external changes for the purpose of regular verification of ESG-related risk factors. Such internal and external changes may have a significant impact on organizational strategies or broadly understood business objectives. This evolution requires verification of risk management processes and capabilities and the search for opportunities to increase the effectiveness of ESG risk factor management. The progress of work - both in terms of information exchange/reporting and monitoring of internal and external changes - is similar in all sectors. The exception is the government and public sector, where the percentage of respondents providing information about internal and external changes and monitoring them is much lower than in other sectors (14% and 17%, respectively).

- **ESG risk factors**

The most important risk factors currently indicated by respondents are: corporate ethics and responsible behavior (69%), product liability (59%) and employment risk (59%). Less frequently mentioned risk areas included: responsible investments, natural resources, climate change, stakeholder opposition and equal opportunities. They were indicated by only 32%, 35%, 42%, 43% and 43% of respondents, respectively. At a regional level, only 28% of companies in the Americas and 39% in APAC consider climate risk, compared to 51% in EMEA. Only 21% of respondents from the Americas and 29% from APAC consider responsible investing, compared to 39% of respondents in EMEA.

Therefore, there are significant discrepancies in the approach to the issue of risk factors and considerable room for improvement in these areas. Interestingly, 24% of respondents in the Americas and 23% in APAC do not intend to consider climate change risks in the foreseeable future. For comparison: the percentage of such responses in EMEA is only 7%, which reflects the adoption of certain regulations on this issue (the level of awareness is similar in all regions). This confirms that awareness not supported by regulatory requirements will not be enough to trigger actions to prevent the climate crisis.

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MODULE IV: ESG RISK MANAGEMENT STRATEGIES (DURATION APPROX. 30 MIN)

Learning objectives include:

- Information on the risk management plan.

1. Lecture in the form of a presentation (10 minutes). Present slides 27-29 to participants. Give participants the opportunity to ask questions or write them down for later response.

Infographic

Present the infographic to participants. Read the ESG risk management steps aloud. Ask participants questions about the terms they remember.

2. WORK CARD 8: RISK MATRIX (20 min)

Tips for the trainer:

The aim of this exercise is to understand and identify risks related to the ESG area (Environment, Social, Governance) in the context of managers of tourist facilities. This exercise aims to enable tourism property managers to understand key ESG risks and develop the skills to effectively manage these risks. Regular updates and monitoring of the matrix will help maintain flexibility in the face of changing market conditions and ESG standards.

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MODULE V: PRACTICAL ESG RISK ASSESSMENT TOOLS AND TECHNIQUES (DURATION APPROX. 30 MIN)

Learning objectives include:

- Discussion on ESG risk management processes for managers.
- Introduction to ESG risk management techniques.

1. Lecture in the form of a presentation (10 minutes)

Present slides 30-34 to participants. Give participants the opportunity to ask questions or write them down for later response.

Infographic

Present the infographic to participants. Read and talk to participants about risk management techniques.

2. WORK CARD 9 (20 minutes)

Discuss the workcard with participants. This is an individual card, but depending on the group, you can also carry out group exercises.

Tips for the trainer:

Objective: The exercise will help you practically apply the concepts of risk prioritization and develop effective risk management skills in the context of projects or organizational activities. Risk prioritization is a key element of effective risk management.

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Additional material for the trainer:

A comparison of the current level of reporting on climate risks and the high requirements contained in the ESRS standard allows us to assume that few companies are ready for the new reporting obligations. A small number of companies are also prepared to face the challenges of foreign competition that is more advanced in this area.

According to the "Poles' risk map. How do insurers respond to society's needs? Polish Chamber of Insurance from 2021, also in our latitude, we consider risks related to weather and global warming to be more and more likely. Therefore, apart from reporting obligations, pressure from contractors and reputational risk, an important issue is to conscientiously secure the continuity of business activities by preparing the business for objective challenges related to the changing climatic environment and the effects of climate change, such as droughts causing an increase in food prices and directly or indirectly affecting all industries, companies and the entire economy.

Pressure from institutional and individual investors, regulations, fiduciary duties, international initiatives and consumer pressure are increasing business interest in climate change. Foreign companies are disclosing their adaptation plans with increasing transparency.

With their actions, they try to respond to current trends in this area, among others by:

- implementation of projects to prepare them for climate change,
- incorporating climate risk analysis into the adopted risk management model,
- conducting scenario analysis,
- disclosing data related to climate impact and actions taken to adapt to climate change.

In this context, the analysis of actions taken by Polish enterprises indicates the need to take urgent steps to meet many of the challenges already mentioned. The Polish economy, including enterprises and financial institutions operating on the market, will feel the real consequences of climate change if it does not take action to implement

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climate transformation in time. However, increasing energy, raw material and waste efficiency is also an opportunity for us. According to the Deloitte report "Closed loop - open opportunities", the circular economy model, which assumes a 1% reduction in the consumption of materials and energy in all sectors in Poland, creates the opportunity to obtain PLN 19.5 billion of added value for the economy.

How to manage climate risk in practice

The analysis of climate risks and opportunities, as well as a detailed explanation to investors of how to manage these risks in an integrated manner with the company's risk management system, are currently important not only from the point of view of the company's reputation, but also from the perspective of adapting to EU regulations and access to capital.

To prepare for climate change, business must look at this issue in a comprehensive way and integrate its related aspects with existing management systems. A key factor influencing the success of this process is the proper understanding and definition of climate-related risks.

MODULE VI: PLANNING AND IMPLEMENTING EFFECTIVE ESG RISK MANAGEMENT STRATEGIES IN THE ORGANIZATION (DURATION APPROX. 30 MIN)

Learning objectives include:

- Discussion of issues related to strategic management in the context of ESG areas.
- Discussion on opportunities and threats regarding ESG risk management.

1. Lecture in the form of a presentation (40 minutes)

Present slides 35-39 to participants. Give participants the opportunity to ask questions or write them down for later response.

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2.Greenwashing Podcast (20 min)

Play the podcast. Based on the podcast you listened to, conduct a group discussion on the greenwashing phenomenon. You can use questions for discussion:

- What is greenwashing and why is it becoming an increasing problem, especially in the context of sustainable development?
- Why is greenwashing considered a risk, especially in the context of ESG? What are the consequences for companies?
- What are examples of greenwashing practices that may mislead consumers and investors?
- Why has society's interest in sustainable development recently become a key factor in company development?
- How does greenwashing affect the tourism sector? Why do consumers pay particular attention to environmental practices in this industry?
- What are the main motivations for companies to use greenwashing in the ESG area?
- What are the key steps companies can take to minimize the risks of greenwashing?
- How do clear SDGs differ from vague commitments? Why does this matter to minimizing the risk of greenwashing?
- How do clear environmental criteria help companies avoid ambiguity and manipulation in the context of sustainability?
- Why is confirming data claims a key element in the fight against greenwashing? What are the benefits of transparent data sharing?
- How does independent verification help build consumer and investor confidence in a company's sustainability performance?
- What are practical steps organizations can take to implement control processes and audits to detect greenwashing?
- What are specific solutions and practices that can be used in everyday life to support companies that are truly committed to sustainable development?

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SUMMARY (5 minutes)

Learning objectives include:

- Highlighting the most important conclusions and recommendations for enterprise managers in the field of ESG risk management.
- Training evaluation and participants' comments.

TRAINING EVALUATION



EVALUATION SURVEY

Dear Participants,

We hope that today's training was interesting for you and that you had the opportunity to learn many valuable things for your business as managers. We care about your opinion, so we will be very grateful if you take a moment to complete the survey below. The survey is anonymous.

1. Did the training provide sufficient knowledge and techniques regarding ESG risk management?

DEFINITELY YES / RATHER YES / RATHER NOT / DEFINITELY NO

2. Did the training provide practical tools to help manage ESG risk?

DEFINITELY YES / RATHER YES / RATHER NOT / DEFINITELY NO

3. Were the ESG risk management tools and techniques presented during the training helpful and can they be used in your organization?

DEFINITELY YES / RATHER YES / RATHER NOT / DEFINITELY NO

4. Which part of the classes did you like the most?

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5. As a manager in an organization, do you use knowledge and techniques regarding ESG risk management in your work?

DEFINITELY YES / RATHER YES / RATHER NOT / DEFINITELY NO

TRAINING EVALUATION



EVALUATION SURVEY

6. Would you like to take part in other thematic activities?

YES / NO

7. If so, please enter topics that would be interesting to you.

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8. Additional remarks:

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Thank you for completing the survey.

DIPLOMAS FOR TRAINING PARTICIPANTS



DIPLOMA for

for participating in the workshops
entitled: "ESG RISK MANAGEMENT"
organized on the day

