Making ESG part of your risk management

About these guides

These practical guides explain important sustainability topics for businesses. Share them with the people in your organisation who are working together to meet your environmental, social and governance goals.

Your business faces environmental, social, and governance (ESG) risks and opportunities every day. Boards, investors, audit committees and other stakeholders expect you to manage these effectively - and the best way to do that is by embedding ESG into your existing enterprise risk management (ERM) system.

As views on ESG shift due to changes in global politics, regulation and public opinion, it's important to focus on what matters to your business. Understanding your key risks and opportunities - and having clear plans to manage them - helps you reduce risk, unlock value and build resilience.

As ESG issues evolve, your ERM system will help you stay ahead of new regulations and shifting stakeholder expectations. It makes it easier to include ESG in your strategy and planning, and to check whether you need to adjust your business model or financial planning to stay on track.

Guiding principle: Pono

To be righteous in the way you operate (and communicate).

To be pono in the way you operate and communicate runs deeper than internal and external communication. Being pono requires you to look at your organisations fairly and truthfully - understanding the impact on the environment, communities and economy and ensuring the balance is kept right. It can be easy to "drink the Kool-Aid" at governance and management level, so applying an objective lense is important. Be sure to report honestly to the Board and stakeholders, even if it may be challenging.

What are ESG-related risks and opportunities?

Environmental	Social	Governance
Risks: • **Climate change**, disrupting operations. • **High emissions**, leading to regulatory and reputational risks. • **Resource scarcity**, affecting costs and supply. • **Pollution and waste**, causing legal and community concerns. • **Biodiversity loss and ecosystem degradation**, threatening supply chains and license to operate	**Risks:** • **Talent attraction** and retention challenges. • **Health, safety and wellbeing issues** affecting productivity and compliance. • **Lack of diversity and inclusion**, limiting innovation and harming reputation. • **Human rights or modern slavery risks** in supply chains. • **Poor engagement with Māori and Treaty obligations**, creating legal and social risks.	**Risks:** • **Poor policies and processes**, leading to non-compliance. • **Lack of connection to management**, reducing the value of governance and the benefit of support to management. • **Financial mismanagement**, reducing stability. • **Inadequate risk management systems**, increasing regulatory and reputational risk as risks are not well managed.
Opportunities: • **Circular economy practices**, improving efficiency and innovation. • **Renewable energy adoption**, reducing emissions and costs. • **Low-carbon leadership**, opening access to green finance and market edge.	**Opportunities:** • **Inclusive and equitable workplaces**, boosting engagement and performance. • **Wellbeing investments**, enhancing resilience and productivity. • **Strong partnerships** and cultural engagement. • **Supporting a just transition**, building trust and long-term value.	**Opportunities:** • **Integrated ESG finance planning**, enabling sustainable growth. • **Proactive risk strategies**, building resilience and long-term success. • **Strong ethics and governance**, improving trust and transparency.

How your business will benefit

Business opportunity	Business results
• Identify and manage your risks and opportunities • Improve your strategic planning • Show your investors and insurers best practice • Comply with regulations • Protect your brand and reputation • Build relationships with your team, suppliers and community	• Lower risks and costs • More revenue • A more resilient organisation • Access to loans, capital and insurance • Stronger relationships • Social licence

How to manage different timeframes for ESG risks

Sustainability risks often unfold over the long term, but your business decisions are made over shorter timeframes. Here's how to bridge that gap:

- Treat sustainability risks like any other risk and include them in your ERM system.
- Align ESG risks with business planning timeframes - even long-term risks can be broken down into short- and medium-term actions.
- Use existing financial and capital planning cycles to track and respond to ESG risks.

Planning type	Typical timeframe	What to consider
Operational planning	1 year	Immediate ESG risks (e.g., supply chain ethics, extreme weather events)
Strategic/financial planning	3 years	Medium-term trends (e.g., emissions targets, regulation changes)
Capital planning	5+ years	Long-term risks and opportunities (e.g., climate scenarios, energy transitions)

This approach keeps ESG risks relevant and manageable - helping your organisation take action now while planning for the future.

A roadmap to bring it all together

How to get started

Taking the first steps toward embedding ESG in your business doesn't have to be complicated. Here's how you can begin:

Identify what matters: Understand which ESG issues are relevant to your business strategy and industry.

Example: A tourism company may focus on protecting natural ecosystems and engaging with local iwi, while a manufacturer might prioritise reducing their emissions and look at how efficiently they use their resources.

Pinpoint key ESG risks and opportunities: Consider the biggest challenges and advantages for your business, such as climate risks, supply chain ethics or changing regulations.

Make it a whole-organisation effort: ESG isn't just a sustainability team project. Bring in leaders and staff from all departments to make it part of your entire business.

Example: Finance teams can assess the financial impact of ESG risks, while procurement can ensure suppliers meet ethical and environmental standards.

Integrate ESG into existing processes: Don't treat ESG as a separate issue. Embed it into your risk management framework just like your financial or operational risks.

Apply a te ao Māori perspective: Strengthen partnerships with Māori communities to enrich your sustainability approach. Navigate potential risks with cultural sensitivity, transparency and respect.

Example: A forestry business could work with iwi to integrate kaitiakitanga (guardianship) principles into land management practices.

Use the tools you know

Your business probably uses a matrix to assess risks already. This matrix works, it's familiar and complies with the ISO standard - so use it!

Guiding principle: Pono

Look at risks honestly. Plan, organise, and where possible, control the activities of your organisation to minimise any harmful effects of your operations. This also includes risks to capital and earnings without sacrificing other working parts of the organisation.

Risk management is more than just understanding risks and looking at the way the organisation operates from a transparent and truthful position. Good risk management will support social licence, positive employee engagement and satisfaction, and trust.

Shareholders are evolving in their expectations and want to see fair and just operations that don't cost future generations.

What you need to do:

Aspect to tackle	Example: Responsible procurement	Example: Climate change risk
Risk framework	Type, size of risks to be managed, where along your value chain	Type, size of risks to be managed, and timeframes involved
Governance (e.g. roles and responsibilities)	Who, what, when, how often	Who, what, when, how often
Policies	Supplier code of conduct Procurement policies	Climate transition plans
Processes and procedures	Modern slavery statement Annual review	GHG emissions reduction targets and plans Financial and capital planning
People: skills, knowledge, behaviours	Train your team on how to spot risks and opportunities in the supply chain	Engage and educate on climate related risks and opportunities
Data	Supplier risk assessments, screening, engagement	GHG emissions Climate risks and opportunities
Controls	Initial or changing risk ratings over time trigger responses	Initial or changing risk ratings over time trigger responses
Reporting	Monthly, quarterly, annually depending on level of risk/opportunity	Annually, depending on level of risk/ opportunity

Making progress

To stay ahead in a changing business landscape, take practical steps to manage ESG risks and seize opportunities:

- **Take targeted action:** Develop strategies that directly address your key ESG risks and opportunities.
  Example: A construction company might switch to more sustainable timber to reduce emissions and meet client expectations.
- **Keep your risk assessments up to date:** Regularly review and adjust your ESG risk management as market conditions, regulations, and stakeholder expectations evolve.
- **Use established frameworks:** Follow guidance like the Aotearoa New Zealand Climate Standards to ensure your reporting and practices meet best-practice standards.
- **Make ESG part of performance reviews:** Set clear sustainability goals for employees and track progress.
  Example: A logistics company could link fuel efficiency targets to driver performance incentives.
- **Build a culture of accountability:** Encourage leaders and teams to take ownership of ESG initiatives and embed sustainability into everyday decisions.
- **Stay informed:** Keep up with emerging ESG trends, new regulations, and industry shifts to maintain a competitive edge.

Why this matters to your business

Treat ESG like any other business risk or opportunity by making it a core part of your strategy. Integrating ESG into your operations improves decision-making and builds long-term resilience.

Leading the way

Go beyond compliance and turn ESG into a driver of long-term value:

- **Redefine business priorities:** Health and safety (H&S) is evolving into a broader focus on wellbeing, diversity, equity and inclusion.
  Example: A professional services firm could implement flexible work policies to support employee wellbeing and attract top talent.
- **Turn risks into opportunities:** Anticipate ESG challenges and create market-leading solutions.
  Example: A food producer could invest in plant-based product lines to meet growing consumer demand for sustainable choices.
- **Set bold targets:** Commit to ambitious goals, such as science-based emissions reduction targets, to demonstrate leadership and accountability.
- **Invest in regenerative practices:** Look beyond minimising harm and actively restore ecosystems and communities.
  Example: An agriculture business might adopt regenerative farming methods to improve soil health and biodiversity.
- **Engage transparently with stakeholders:** Openly communicate ESG progress, challenges, and solutions to build trust and credibility.
- **Fully integrate ESG into enterprise risk management:** Strengthen your resilience, enhance reputation and position your organisation as a sustainability leader.
- **By embedding ESG into your strategy, you can future-proof your business and create meaningful impact.**

About us

The **Sustainable Business Council (SBC)** is a CEO-led membership organisation that mobilises over 130 ambitious businesses to build a thriving and sustainable future for all.

thinkstep-anz is an independent trans-Tasman sustainability firm. We offer a full range of sustainability services and specialise in plain English sustainability communications and design. thinkstep-anz's sustainability communicators have written this guide.

Kaitiaki Collective promotes transformational thinking through sustainability, environmental and stakeholder engagement. We reflect whakaaro me mātauranga Māori in everything we do.

More information

You'll find the other guides in this series here: sbc.org.nz/sustainability-toolkit

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