

---

# ESG: The Missing R

The role of Risk and Resilience in navigating a more uncertain and turbulent world

# Introductions



**Ramya Ragavan**

VP, Customer Success



**Paula Fontana**

Sr Director, Product and  
Partner Marketing



**David Halford**

VP, Crisis and Continuity  
Solutions

# Session Agenda

- ESG and the global ecosystem of enterprise
- The role of risk and resilience in ESG
- How Fusion can help you build a more sustainable, responsible brand
- Practical steps and takeaways from Fusion's journey integrating ESG into the fabric of our organization





# ESG & the Global Ecosystem of Enterprise

# What is ESG?

## Environmental

Preservation of the natural world, sustainability:

- Climate change
- Carbon reduction
- Water scarcity
- Pollution
- Deforestation

## Social

Consideration of global community and our interdependencies:

- Customer success
- Gender and diversity inclusion
- Social obligation of enterprise
- Employee health & safety
- Data security

## Governance

The defined process of running a business:

- Board of directors
- Executive and venture partner compensation
- Political lobbying
- Hiring and employee onboarding
- Business and supplier ethics



“

In fact, from the pandemic and devastating weather events of last year to a restive and divided set of social movements, the growing pace of upheavals points to the fact that ESG measurement doesn't just need more uniformity, rigour and breadth.

**It also needs an additional variable in order to assess businesses' capacity to effectively recover, adapt and grow in the face of shocks and stress: resilience.**

Simply put, it is increasingly clear that investors can no longer outrun or ignore social and environmental problems. All evidence points to continued business and financial disruption in the years ahead."

**World Economic Forum**

June 2021



## 4 Key Trends Driving ESG in Risk and Resilience

### OPERATING MODELS

#### CHANGES IN OPERATING MODELS AFTER COVID

COVID-19 has elevated the importance of how companies operate and accelerated the growing relevance of ESG considerations to investors.

### BOARDS

#### STRUCTURAL CHANGES IN RISK & RESILIENCE

Lasting impact on their reputation and future relationships with customers, vendors and regulators. Investors are using their influence to drive behavioral changes.

### CLIMATE

#### INCREASED CLIMATE-RELATED INCIDENTS

Frequency of climate-related incidents continues to accelerate. As an example, There were 22 separate billion-dollar weather and climate disasters across the United States, shattering the previous annual record of 16 events, which occurred in 2017 and 2011. (NOAA)

### SOCIAL

#### FOCUS ON SOCIAL OBLIGATION OF ENTERPRISE

Corporate management of issues such as human rights, employee wellbeing, and community relations are under scrutiny. Their actions could have lasting impact on their reputation and future relationships with customers, vendors and regulators.

# Common ESG Questions





# Risk and Resilience: Our Role in ESG

# What are the biggest emerging risks for your organization?





# Why is ESG important for risk and resilience?



## Increased Regulatory and Investor Scrutiny

Companies are facing growing expectations and reporting requirements from regulators and investors.



## Top Short-term and Long-term Risk

Climate, political, social, and business ethics pose some of the greatest threats to organizations today. Climate, in particular, is receiving unique focus.



## Growing Number of Incidents

Growing number of climate, social, and ethics-related incidents, with greater impact to the firm and the global community.

# ESG is high on the regulatory agenda

4 blocks of activity:

1. Disclosure
2. Data
3. Vulnerability analysis
4. Regulatory & supervisory practices

Stylised overview of the FSB's roadmap for addressing climate-related financial risks<sup>1</sup>

Figure 1

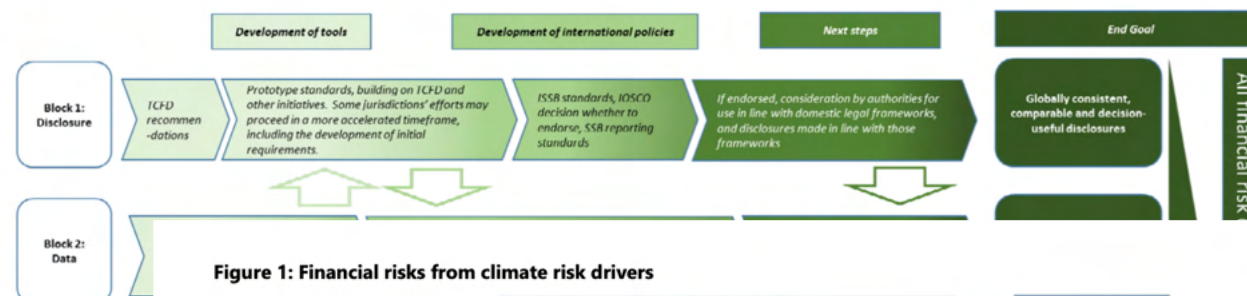
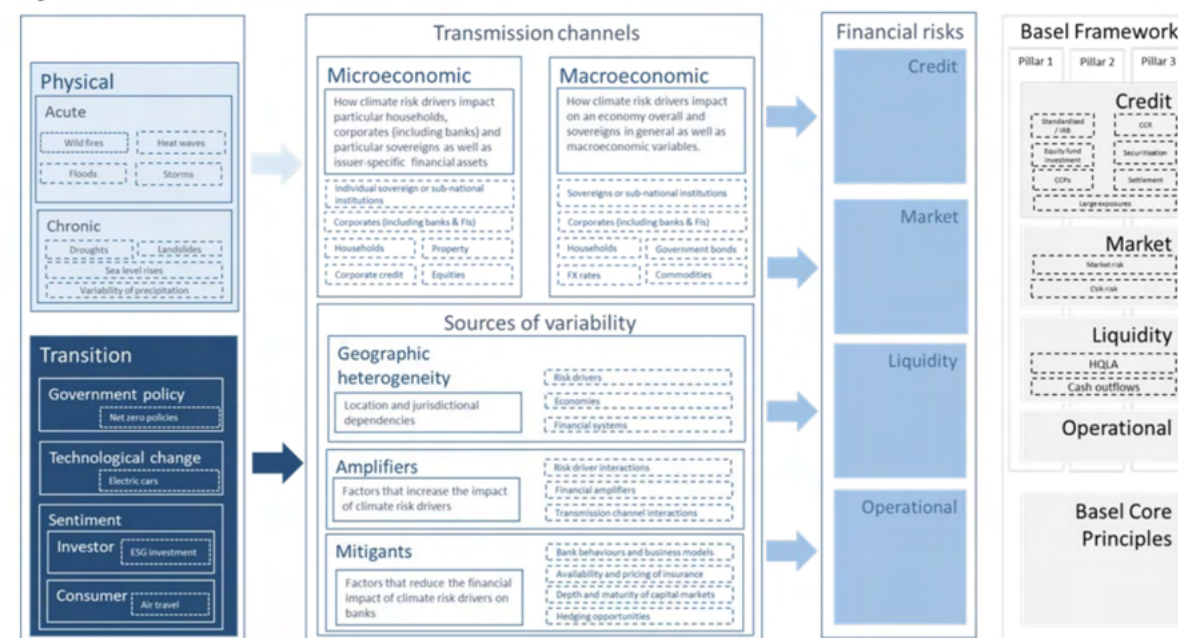


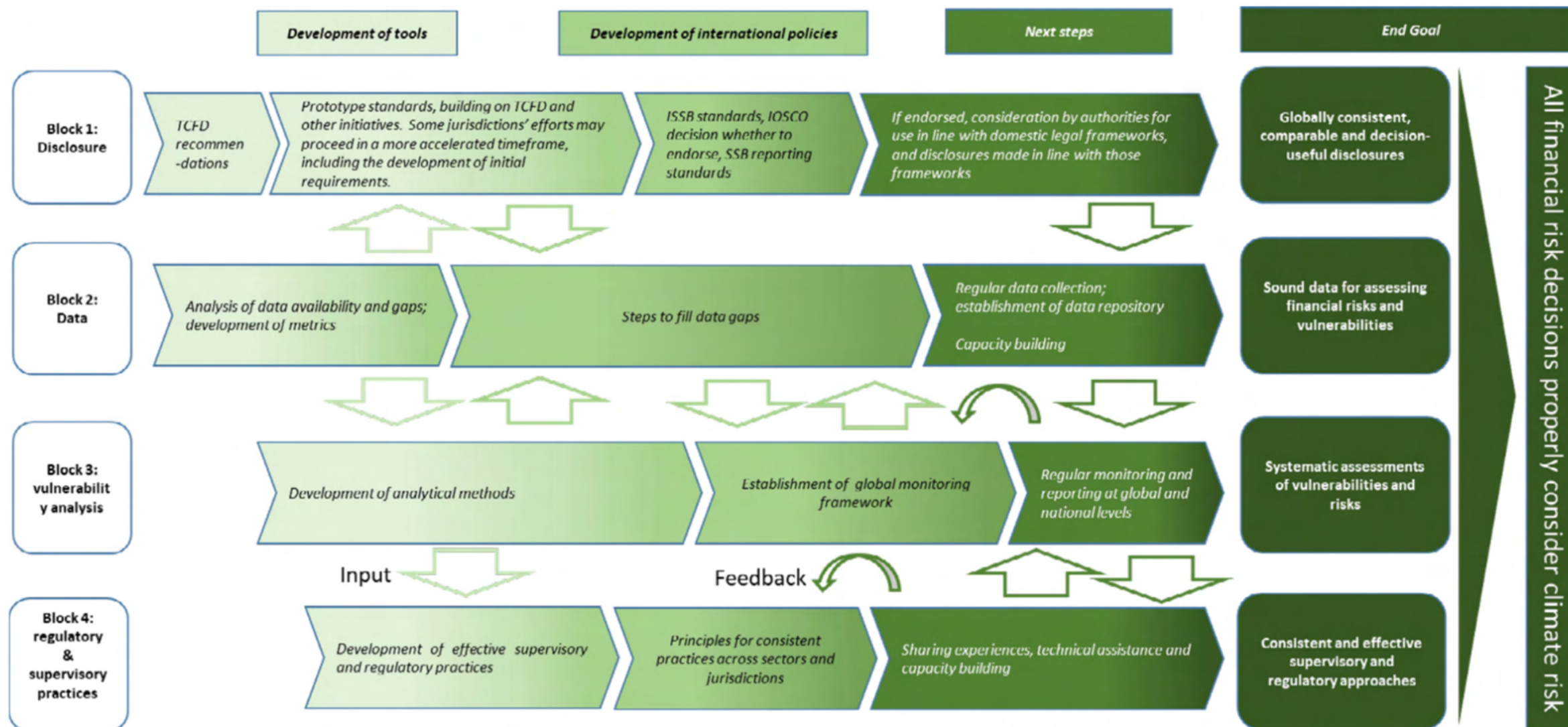
Figure 1: Financial risks from climate risk drivers





## Stylised overview of the FSB's roadmap for addressing climate-related financial risks<sup>1</sup>

Figure 1



<sup>1</sup> The steps set out in this graphic are indicative and each step described to be taken is subject to outcomes of necessary prior steps being satisfactorily completed. Given this indicative status, they do not represent commitments either by jurisdictions or by international bodies to the individual actions or dates.

# Shareholders Demand Action on ESG

- Recently, 98% of General Electric shareholders approved asking for transparency into how the organization will achieve zero net emissions in compliance with the Paris Agreement.
- Amazon stakeholders proposed a racial equality audit be conducted, garnering strong support.
- Climate activists recently won three seats on Exxon's board, zeroing in on the priority of ESG topics for board agendas.





# Major Categories of ESG Operational Risk

## Environmental

- Damage to Physical Assets

## Social

- Business Disruption & System Failures
- Clients & Business Practices
- Employment Practices & Workplace Safety
- Responsible Outsourcing
- Data Security

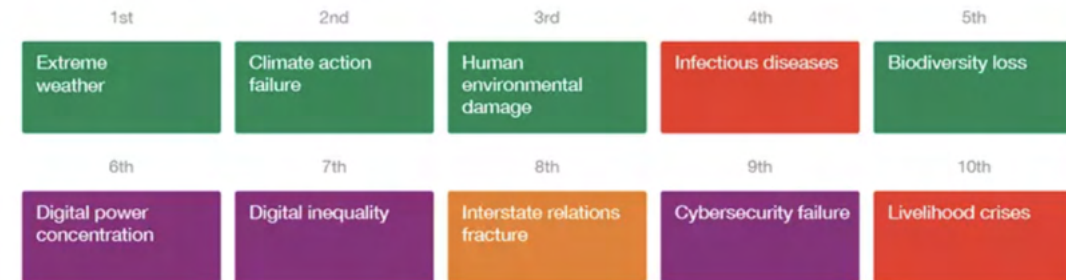
## Governance

- Internal / External Fraud
- Image & Reputational Risk
- Responsible Investment

## Global Risks Landscape 2021



### Top Global Risks by Likelihood



### Top Global Risks by Impact



■ Economic ■ Environmental ■ Geopolitical ■ Societal ■ Technological

Source: World Economic Forum Global Risks Report 2021

# Incidents are Increasing in Frequency, Severity, and Cost

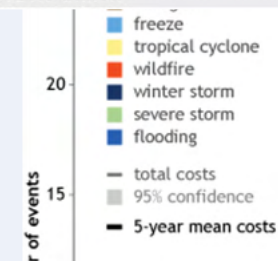
Short- and long-term impacts to financial and operational stability

Domino effect of disruption

Ambiguity around the trajectory of climate risk, in particular

2020 was a record-shattering year of billion-dollar events; 4<sup>th</sup>-highest annual costs (\$95.0 billion)

|             | Annual average cost | Average events per year |
|-------------|---------------------|-------------------------|
| • 1980-2020 | \$45.7 billion      | 7.0                     |
| • 2011-2020 | \$89.0 billion      | 13.5                    |
| • 2016-2020 | \$121.3 billion     | 16.2                    |



## Facebook, Google campuses at risk of being flooded due to sea level rise

Forecasts show that Silicon Valley is at risk even under optimistic scenarios where rapid cuts in greenhouse gas emissions avoid the most severe increases

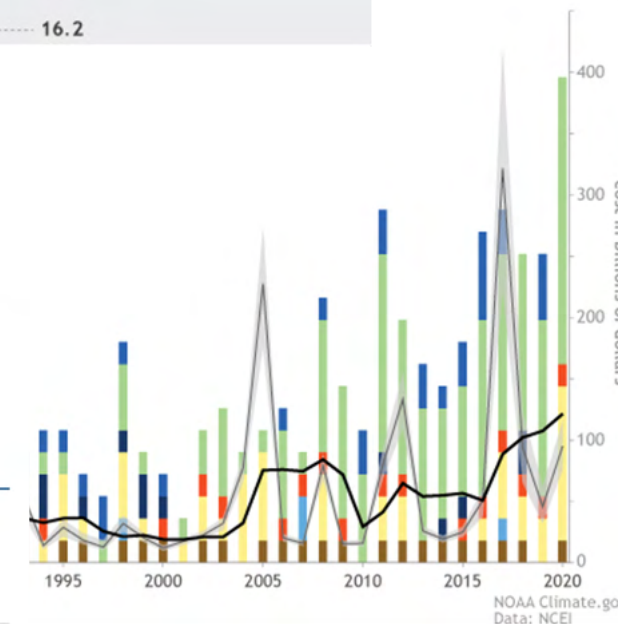
### Silicon Valley Underwater

How sea level rises would impact the San Francisco Bay Area

Current sea level



6ft sea level rise





# Fusion & ESG

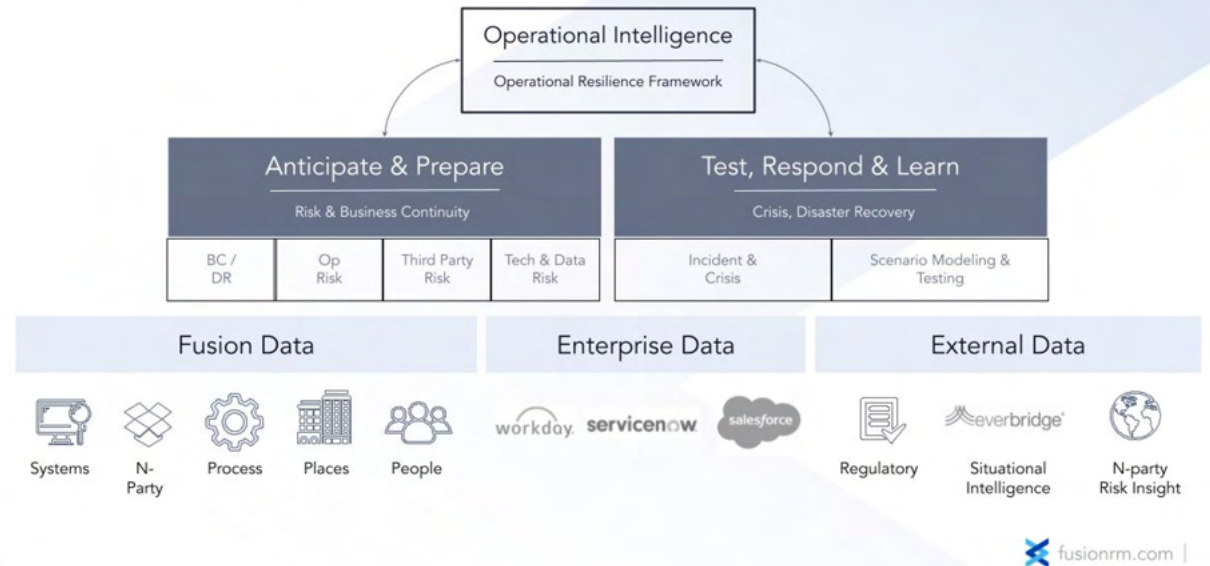
# Anticipate, prevent, prepare, and respond to ESG risks & events

Build business insights that scale across your industry and operating ecosystem.

Track emergent risks, then evaluate potential impact through scenario planning and orchestration.

Respond to risks and events with a real-time perspective of emerging events as they happen, learning over time.

Imagine having a full picture of your business operations.



# The Emerging Standard for Resilient Operations

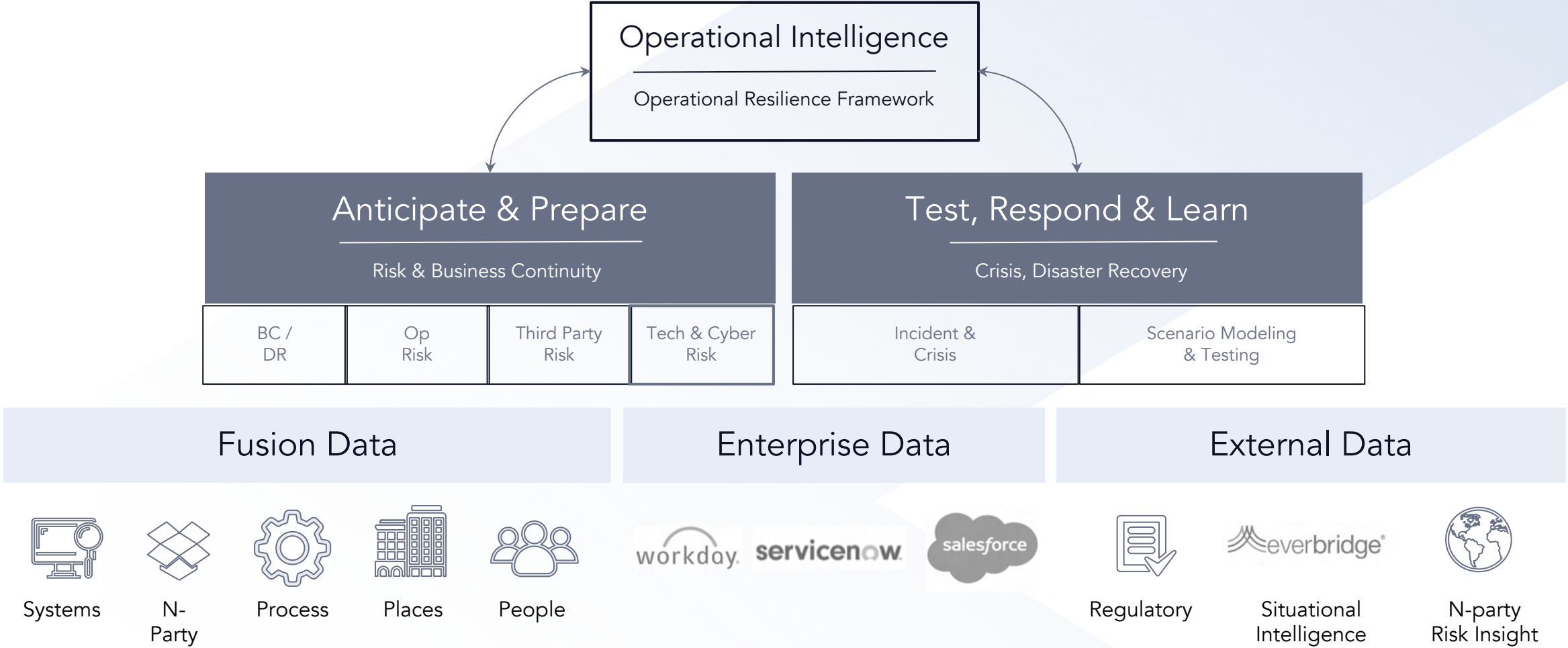




# The New Operating Model for the Modern Enterprise



# Fusion Makes Observability & Response a Reality



# Risk and Resilience teams are already using Fusion to address ESG-related concerns



## Risk sensing, registers & controls

Climate, social, and governance risks can be cataloged in Fusion, their impact measured, and controls set.



## Third party assessment & collaboration

Companies can assess their suppliers and third parties against regulatory and organizational benchmarks surrounding ESG.



## Scenario testing & incident management

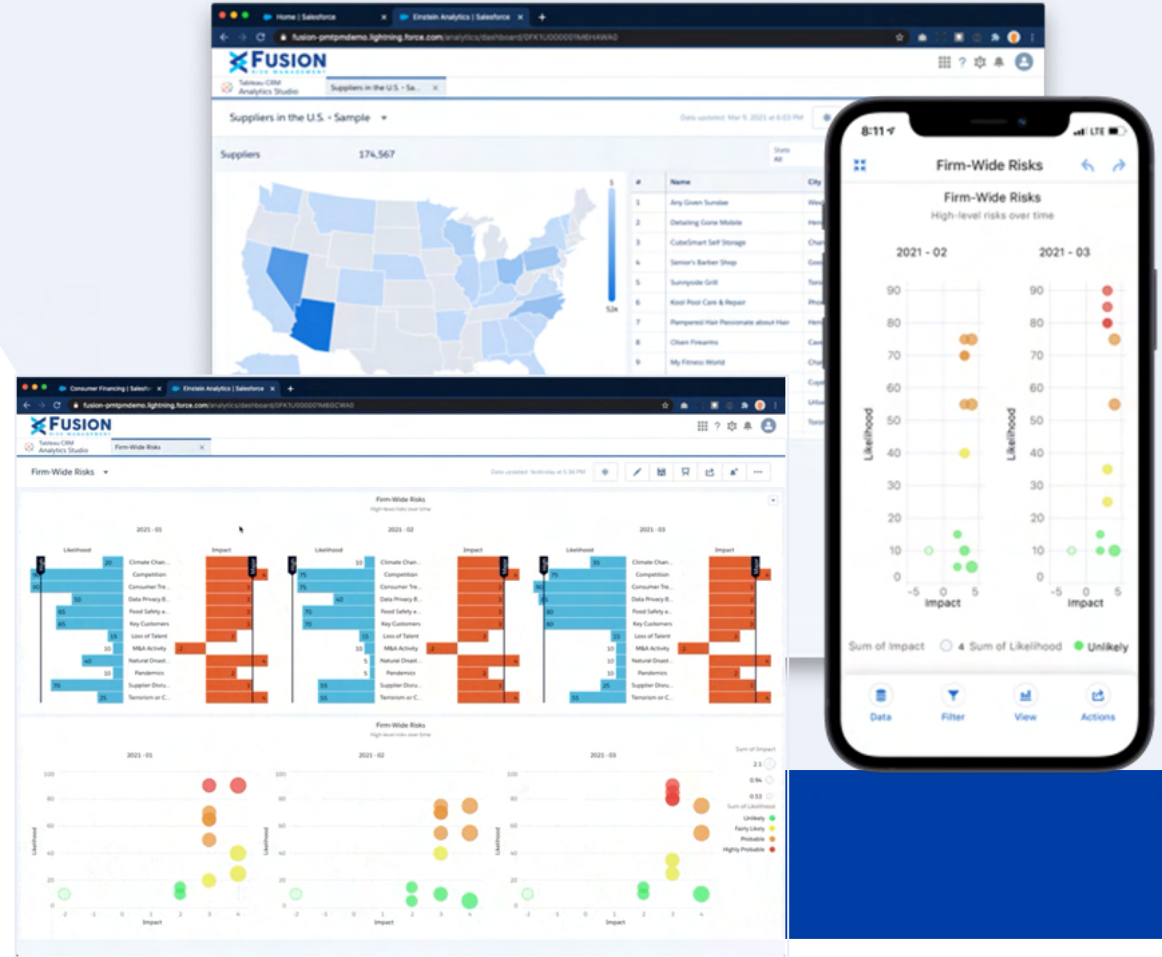
Teams have been leveraging incident management to direct teams' response to climate, political and social, and other events.



# Manage your risk

Leverage new risk integrations, scenario modeling, and role-based experiences to:

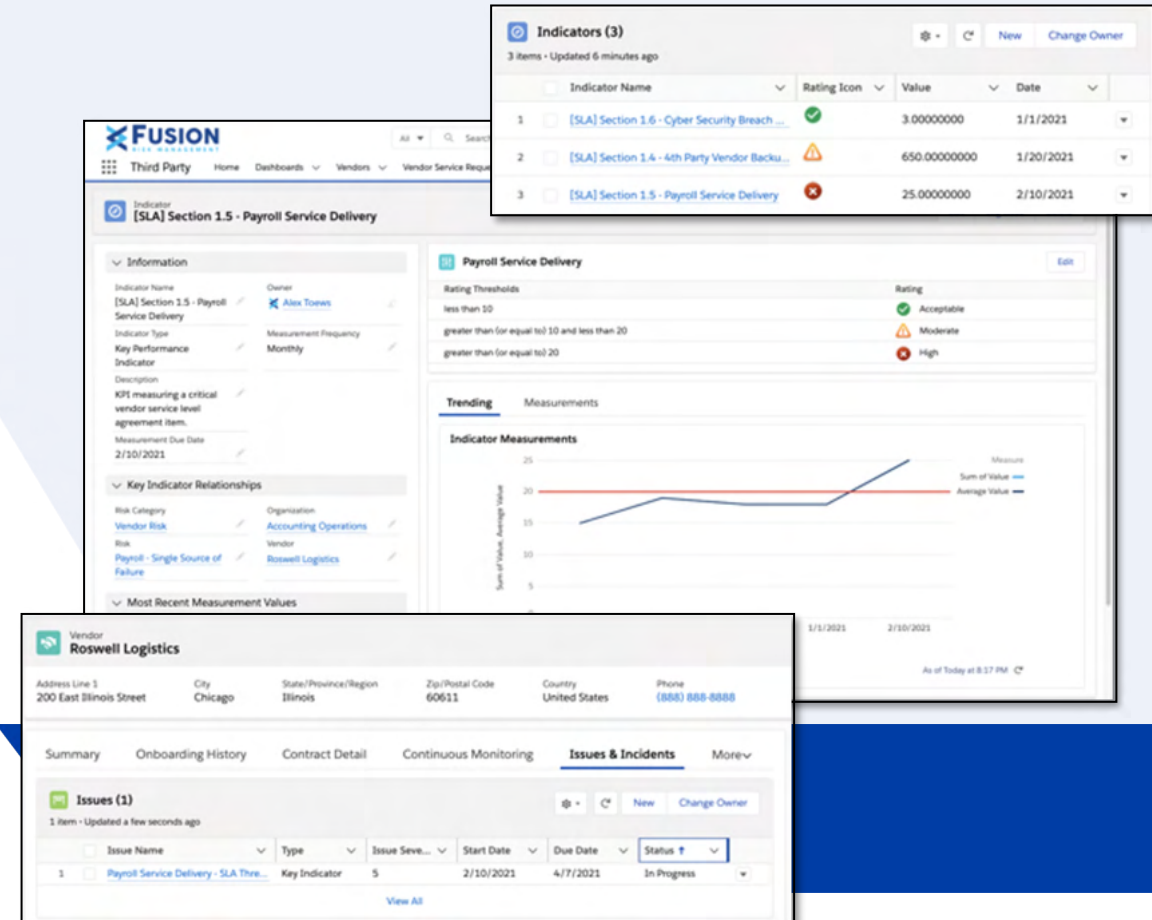
- collaborate on ESG scenarios virtually,
- intake situational intelligence and simulate conditions quickly,
- understand what-if scenarios clearly,
- predict results more accurately,
- and provide the playbooks to respond.



# Collaborate with third parties

Ensure your vendors are managing to the same standards by leveraging Fusion's assessment and collaboration tools:

- Take a proactive approach by providing real-time insight into climate, social, or governance risk
- Manage third parties as a natural extension of your crisis and incident response
- Leverage Key Indicators to continuously track the most important risk and performance metrics
- Surface key ESG risk metrics for the vendors which are most critical to your operational landscape



# Test your response and manage exposure

Define important business services and map dependencies

Specify assets lost as part of severe but plausible scenarios

Find and surface recovery gaps derived from those dependencies in your information foundation

Initiate workflows to address the gaps for stronger resilience and better compliance

The screenshot displays the Fusion Framework web application interface. The top navigation bar includes links for Home, Reports, Dashboards, Entities, Risks, Threats, Controls, Services, Incidents, and More. The main content area is titled "Incident Gulf Hurricane Scenario" and includes a search bar and action buttons (Edit, Delete, Change Owner). Below the title, a summary table shows simulation details:

| Simulation                          | Minimum Financial Impact | Maximum Financial Impact | Minimum Customer Exposure | Maximum Customer Exposure |
|-------------------------------------|--------------------------|--------------------------|---------------------------|---------------------------|
| <input checked="" type="checkbox"/> | \$25,000,000.00          | \$50,000,000.00          | 10,000                    | 20,000                    |

The left sidebar contains a form for incident details:

- Incident Number: INC-0000
- Subject: Gulf Hurricane Scenario
- Scenario: Gulf Hurricane Scenario
- Status: In-Progress
- Simulation: ☒
- Scenario Type: [dropdown]
- Description: Simulating the loss of resources in and around Louisiana
- Impacts:
  - Minimum Financial Impact: \$25,000,000.00
  - Maximum Financial Impact: \$50,000,000.00
  - Minimum Customer Exposure: 10,000
  - Maximum Customer Exposure: 20,000
- GeoMapping Details:
  - Address Line 1: [input]
  - Address Line 2: [input]
  - City: [input]
  - Country: [input]

The right sidebar displays "Detailed Findings" under the "Findings and Gaps" section:

- FND-1612**: Impacted Asset: Payment Processing; Source: Fund-X-Change; Explanation: Inadequate recovery capability - Important business service
- FND-1613**: Impacted Asset: Wire Transfer; Source: Fund-X-Change; Explanation: Inadequate recovery capability - Tier 1 process
- FND-1614**: Impacted Asset: Account Closure; Source: Call Center Agents; Explanation: Dependent on Site - Tier 3 process



# Fusion's Journey

to a more sustainable and responsible enterprise

# Fusion's ESG program goals



## Greater transparency and reporting

Provide greater visibility into Fusion's efforts in building a more sustainable, socially-conscious, and ethical world.



## Support our customer's efforts in building greater resilience

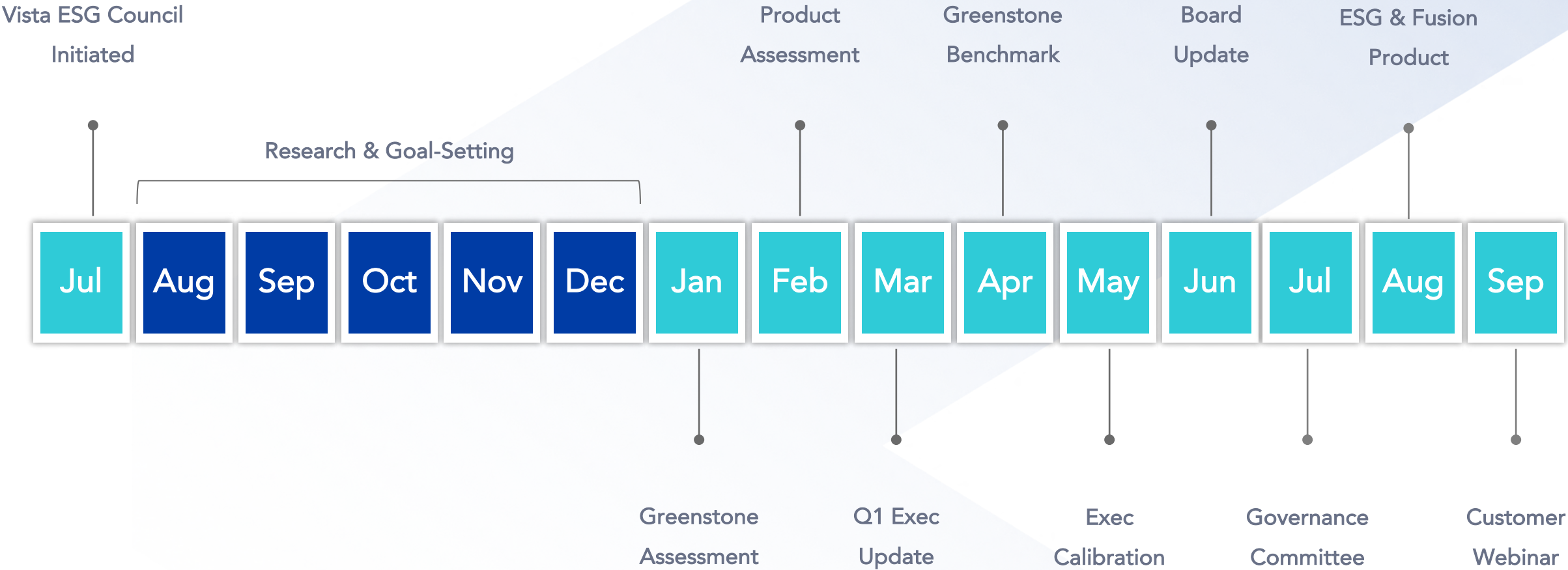
Sustainable, community-minded, and ethical enterprises are built to withstand shocks and stress, defining what it means to be a responsible brand.



## Promote the work of risk and resilience in ESG

Risk and resilience teams have been leading ESG efforts well beyond a formal definition. As ESG efforts scale, Fusion's community is a source of inspiration and learning.

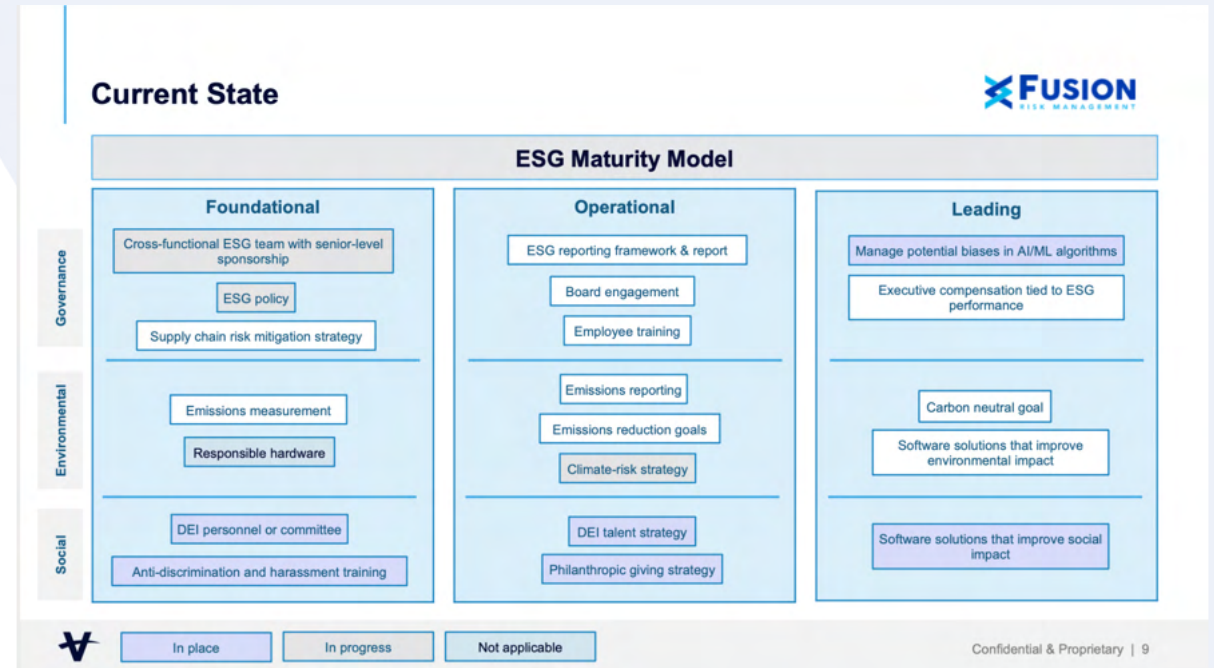
# Journey to a more sustainable and responsible enterprise





# Learnings: Benchmarking

1. Goal is not to score 100% across all categories.
2. Understand what directly influences your ability to deliver for your customer.
3. Right-size your program to your organization's size and obligations.
4. Clearly delineate where your organization is best suited to provide support.
5. Start small, measure, and build iteratively on what works.

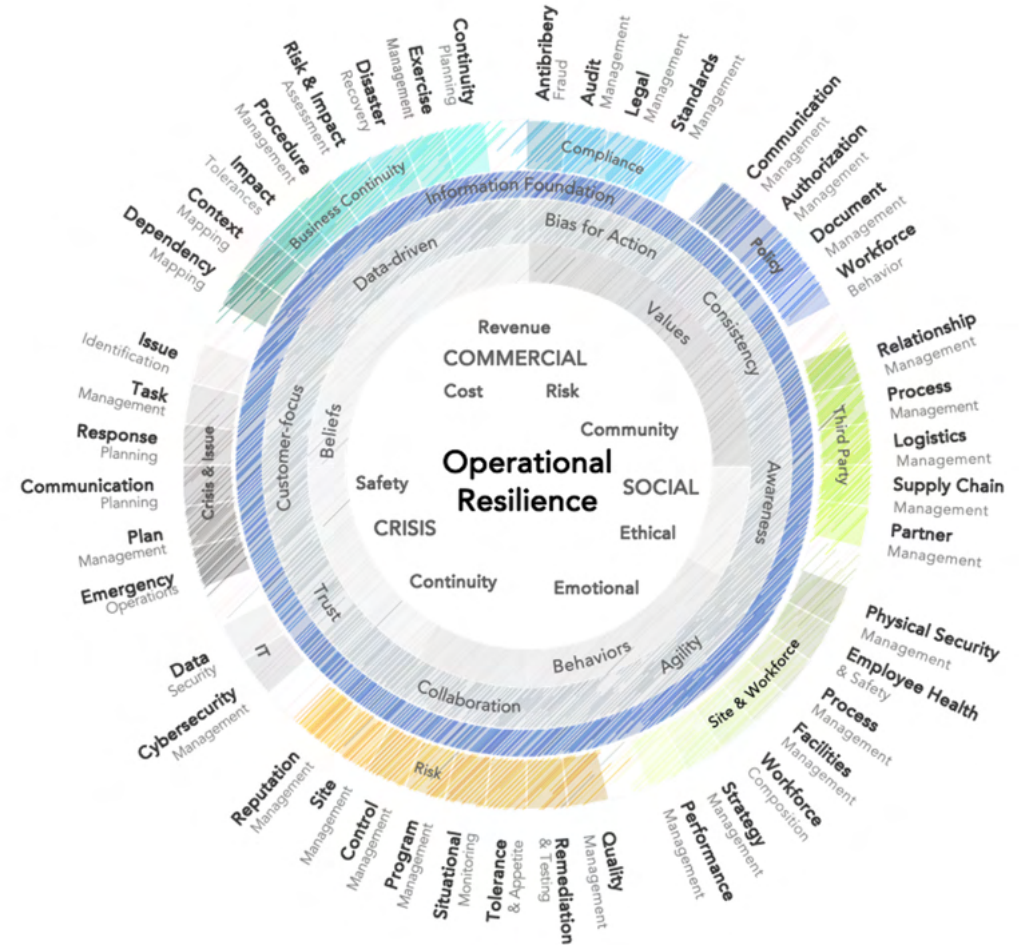


# ESG is an Integral Part of a Resilient Enterprise

Social and community is at the heart of a resilient enterprise.

A strong ESG focus not only drives more sustainable, fair, and community-minded enterprises but is also good for the bottom line.

Join us for a cross-industry ESG roundtable in November. Watch your inbox for details.





# Thank You

[fusionrm.com](https://fusionrm.com)



@fusion-risk-management



@FusionRiskManagement



@FusionRiskMgmt