

Opinion on the supervision of the management of environmental, social and governance risks faced by IORPs

1. Legal basis

- 1.1. The European Insurance and Occupational Pensions Authority (EIOPA) provides this Opinion on the basis of Article 29(1)(a) of Regulation (EU) No 1094/2010¹. This article mandates EIOPA to play an active role in building a common Union supervisory culture and consistent supervisory practices, as well as in ensuring uniform procedures and consistent approaches throughout the Union by providing opinions to competent authorities.
- 1.2. EIOPA delivers this Opinion on the basis of Directive (EU) 2016/2341² (the IORP II Directive), in particular in relation to Articles 25, 28 and Article 49 thereof.
- 1.3. This Opinion is addressed to the competent authorities (CAs), as defined in point (i) of Article 4(2) of the Regulation (EU) No 1094/2010.
- 1.4. The Board of Supervisors has adopted this Opinion in accordance with Article 2(7) of its Rules of Procedure³.

2. Context and objective

- 2.1. The IORP II Directive requires IORPs⁴ to take into consideration environmental, social and governance (ESG) factors and risks in the following areas:
 - the system of governance, as set out in Article 21;
 - investment policy, as set out in Articles 19 and 30;
 - the risk-management system and the own-risk assessment, as set out in Articles 25 and 28;

¹ Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC, OJ L 331, 15.12.2010, p. 48.

² Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs), OJ L 354, 23.12.2016, p. 37.

³ Decision adopting the Rules of Procedure of EIOPA's Board of Supervisors, https://eiopa.europa.eu/Publications/Administrative/EIOPA-BoS-11-002_EIOPA-BoS-Rules%20of%20Procedure-Rev3.f.pdf.

⁴ Including the occupational retirement provision business of life insurance undertakings subject to Article 4 of the IORP II Directive.

- information to be provided to prospective members, as set out in Article 41.
- 2.2. Directive (EU) 2017/828⁵ introduces in Article 3g(1) new requirements for institutional investors, including IORPs, to publicly disclose their engagement policy on how they integrate shareholder engagement in their investment strategy and its implementation.
 - 2.3. Whereas especially larger IORPs already have considerable experience with the incorporation of ESG factors in investment decisions, for many CAs and IORPs this is a relatively new practice. The assessment of ESG risks is an even more unexplored area, with risk assessment methodologies and tools still evolving. Moreover, the quality and availability of data for metrics on ESG risks needs to improve.⁶ The Task Force on Climate-related Financial Disclosures (TCFD), established by the G20's Financial Stability Board, issued recommendations to encourage companies to disclose climate-related information.⁷ In line with the TCFD recommendations, the European Commission published Guidelines on reporting climate-related information under the Directive 2014/95/EU (Non-financial reporting Directive).⁸
 - 2.4. In the supervisory review process CAs assess the risks IORPs face and IORPs' ability to assess and manage those risks. The objective of this Opinion is to promote consistent supervisory practices by providing CAs with guidance on the supervision of IORPs' management of ESG risks through their risk-management system and own-risk assessment.
 - 2.5. The management of ESG risks cannot be considered in isolation from the consideration of ESG factors in the system of governance, investment policy and information provision to members and beneficiaries. A proper system of governance is essential for sound risk management. A key element of risk management is the mitigation of risks, which in the case of ESG risks may entail taking into account ESG factors in investment decisions and managing expectations with members and beneficiaries through appropriate communication.
 - 2.6. This Opinion concerns the assessment and management of ESG risks IORPs face and further aims to facilitate risk-based and proportionate supervision of IORPs. In this context, CAs may take into account the national specificities of the IORP sector to determine the requirements necessary for implementing this Opinion considering a risk-based and proportionate approach⁹.
 - 2.7. IORPs may also want to take into account the long-term impact of their investment decisions on ESG factors, in accordance with Article 19(1)(b) of the

⁵ Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, OJ L 132, 20.5.2017, p. 1.

⁶ For example, carbon emission data of companies (Scope 1) are usually available, also when including emissions from the generation of energy consumed by companies (Scope 2), but not when considering all emissions occurring in the value chain of companies (Scope 3). The three scopes relate to accounting and reporting standards developed under the Greenhouse Gas (GHG) Protocol to delineate direct and indirect emission sources and to improve transparency: <https://ghgprotocol.org/standards>.

⁷ TCFD, Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures, 15 June 2017, <https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf>.

⁸ Guidelines on reporting climate-related information, 8 June 2019, http://ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines_en.pdf.

⁹ For further guidance on risk-based and proportionate supervision: EIOPA (2017) A common supervisory culture, <https://eiopa.europa.eu/Publications/Speeches%20and%20presentations/A%20Common%20Supervisory%20Culture.pdf>

IORP II Directive. Taking into account ESG factors to reduce the risk exposure of IORPs toward ESG risks is also likely to help IORPs in the pursuit of sustainability goals. Conversely, considering the long-term impact of investment decisions on ESG factors can contribute to mitigating IORPs' exposures to ESG risks. Annex 1 to this Opinion provides illustration of this interaction.

- 2.8. Taking into account that ESG risk assessment and management is still maturing, this Opinion contains high-level principles for the supervision of IORPs' assessment and management of ESG risks. Once there is more experience and knowledge on these fields, the high-level principles may have to be further elaborated and detailed.
- 2.9. CAs should take account of changes resulting from new EU legislation in the area of sustainable finance, notably on low carbon benchmarks and positive carbon impact benchmarks, on the establishment of a framework to facilitate sustainable investment, and on disclosures relating to sustainable investments and sustainability risks¹⁰, which seeks greater transparency on the integration of sustainability risks in written policies such as remuneration policies.

3. IORPs' ESG risks

Common understanding of E, S and G

3.1. CAs should understand the meaning of environmental (E), social (S) and governance (G) factors to include the examples of ESG issues put forward by the United Nations-supported Principles for Responsible Investment (UNPRI)^{11,12} in the table below. ESG risks constitute the possibility of loss driven by the ESG factors.

| | |
|--------------------------|--|
| Environmental (E) | Issue relating to the quality and functioning of the natural environment and natural systems. These include: biodiversity loss, greenhouse gas (GHG) emissions, climate change, renewable energy, energy efficiency, air, water or resource depletion or pollution, waste management, stratospheric ozone depletion, change in land use, ocean acidification and changes to the nitrogen and phosphorus cycles. |
| Social (S) | Issues relating to the rights, well-being and interests of people and communities. These include: human rights, labour standards in the supply chain, child, slave and bonded labour, workplace health and safety, freedom of association and freedom of expression, human capital management and employee relations; diversity; relations with local communities, activities in conflict zones, health and access to medicine, HIV/AIDS, consumer protection; and controversial weapons. |
| Governance (G) | Issues relating to the governance of companies and other investee entities. In the listed equity context these include: board structure, size, diversity, skills and independence, executive pay, shareholder rights, stakeholder interaction, disclosure of information, business ethics, bribery and corruption, internal controls and risk management, and, in general, issues dealing with the relationship between a company's management, its board, its shareholders and its stakeholders. This category may also include matters of business strategy, encompassing both the implications of business strategy for environmental and social issues, and how the strategy is to be implemented. |

In the unlisted asset classes governance issues also include matters of fund governance, such as the powers of Advisory Committees, valuation issues, fee structures, etc.

¹⁰ Although the IORP II Directive and new EU legislation refer to 'ESG risks' and 'sustainability risks' respectively, both terms are being used interchangeably.

¹¹ PRI, PRI Reporting Framework Main definitions 2018, November 2017: <https://www.unpri.org/download?ac=1453>

¹² Recital (58) of the IORP II Directive makes explicit reference to the United Nations-supported Principles for Responsible Investments: "Environmental, social and governance factors, as referred to in the United Nations-supported Principles for Responsible Investment, are important for the investment policy and risk management systems of IORPs."

Manifestation of ESG risks in traditional risks

3.2. CAs should recognise that ESG risks tend to manifest themselves as traditional prudential risks, such as:

- market risks;
- counterparty default and liability risks;
- operational, reputational and strategic risks,

with a view to obtaining a holistic view of the exposure of IORPs to ESG risks.

3.3. Annex 2 to this Opinion provides an illustrative mapping of how ESG risks may arise in traditional prudential risks¹³. Annex 2 explains how ESG risks – with environmental risks broken down by physical and transition risks and subsequent sub-risks – translate into the traditional prudential risk categories, and provides examples of them. The examples should not be interpreted as an exhaustive list but rather as illustrations, also recognising that ESG factors and risk evolve over time.

3.4. ESG risks may not only affect companies included in the investment portfolio but also IORPs themselves as well as counterparties of IORPs, including the sponsoring company. Furthermore, ESG risks may affect the liability side of the IORP's balance sheet. For example, climate change may result in more frequent and/or severe natural catastrophes and it cannot be excluded that an IORP's liabilities are exposed to such risk¹⁴.

Forward-looking supervision of IORPs' management of ESG risks

3.5. CAs should consider IORPs' management of ESG risks as an integral part of their supervisory activities taking a forward-looking and risk-based approach.

3.6. CAs should use a range of supervisory techniques to assess IORP's management of ESG risks, like reviewing the ESG risk management documents and reports and challenging the IORP on its ESG risk management policy during conversation with its management. CAs should use the tools most suited to the particular circumstances of the IORP and ensure that deficiencies in IORP's management of ESG risks are addressed in a proportionate manner.

3.7. CAs should verify that the outsourcing of key functions and other activities does not prevent an effective implementation of the ESG risk management policy.¹⁵ For example, when the management of ESG risks involves external service providers, CAs should assess whether IORPs have taken the necessary steps to ensure a proper functioning of the outsourcing arrangement through a proper due diligence, a written agreement clearly defining the rights and obligations and the ongoing monitoring of the service provider.

¹³ The mapping and argumentation is similar to the internal DNB report on integrating climate-related risks in the supervisory frameworks (report called 'New Frontier').

¹⁴ For example, an IORP may have a risk exposure towards an increase in mortality rates (due to a catastrophe). This would be the case if the IORP does not provide life-long annuities with a risk exposure to lower mortality rates, but does provide cover for survivor benefits with a risk exposure to higher mortality rates.

¹⁵ EIOPA Opinion on the supervision of the management of operational risks faced by IORPs, EIOPA-BoS-19-247, 25 June 2019.

3.8. CAs should encourage IORPs to continually improve their management of ESG risks as the IORPs gain knowledge and experience and the field of ESG risk management develops. CAs are in a position to identify best practice and to provide the IORP with useful feedback.

Integration of ESG risks in risk-management system

3.9. CAs should review whether IORPs have adequately integrated ESG risks in their risk management system¹⁶. When requesting the governance documents, CAs should review information on IORPs' assessment of ESG risks contained in their own-risk assessment (ORA)¹⁷.

3.10. In conjunction with relevant written risk-management policies, CAs should encourage IORPs to include ESG risks in their overall risk tolerance statement¹⁸.

3.11. CAs' review of the risk management policies, including the risk tolerance statement, should be aimed at continuous learning ensuring that the IORP has identified the relevant ESG risks and makes use of the latest best practices in the assessment and management of ESG risks.

Adequacy of IORPs' methods to identify and assess ESG risks

3.12. CAs should review the adequacy of methods used by IORPs to identify and assess ESG risks, including the quality of data underlying the analysis.

3.13. CAs should pay attention to IORPs' identification of ESG risks, which should not be confined to market risks, but also include other relevant risk categories in which ESG risks manifest themselves, i.e. counterparty default, liability and operational, reputational, and strategic risk.

3.14. Since the assessment of ESG risks is still very much evolving, it will usually not be feasible to measure ESG risks directly as the traditional prudential risks. CAs should therefore recognise that IORPs may resort to indirect measures of risk, like the (relative) scores of companies on the large number ESG factors, which are available on the market through (non-financial) performance data providers.

3.15. CAs should expect more direct quantifications of risk exposures by means of scenario analysis with respect to climate change and, in particular, the possible transition paths to a low-carbon economy, being an area where advances have been made.¹⁹ Information from such scenario analysis allows for a quantitative assessment of some of the new and emerging risks explicitly mentioned in Article 28 of the IORP II Directive on ORA, like risks related to climate change, use of

¹⁶ See Annex 3 for a stylised overview of the risk management rules within the system of governance in IORP II, EIOPA Opinion on the use of governance and risk assessment documents in the supervision of IORPs, EIOPA-BoS-19-245, 25 June 2019.

¹⁷ EIOPA Opinion on the use of governance and risk assessment documents in the supervision of IORPs, EIOPA-BoS-19-245, 25 June 2019.

¹⁸ See for further elaboration on the risk tolerance statement paragraph 3.21 of EIOPA Opinion on the supervision of the management of operational risks faced by IORPs, EIOPA-BoS-19-247, 25 June 2019.

¹⁹ See for example DNB, An energy transition risk stress test for the financial system of the Netherlands, Occasional Studies 16-7, 9 October 2018, https://www.dnb.nl/binaries/OS_Transition%20risk%20stress%20test%20versie_web_tcm46-379397.pdf and the work of The 2°C Investing Initiative: <https://2degrees-investing.org/>.

resources and the environment, [...] ²⁰ and risks related to the depreciation of assets due to regulatory change.

Effectiveness of IORPs' mitigation of ESG risks

3.16. CAs should review the adequacy and effectiveness of techniques to mitigate ESG risks.

3.17. ESG risks related to investment assets can be mitigated by taking into account ESG risks in investment decisions. This is in line with the 'prudent person' rule, which requires IORPs to invest assets in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole.

3.18. NCAs should encourage IORPs to take into account the potential long-term impact of investment decisions on ESG factors ²¹ in order to support society's sustainability goals. This may also contribute to mitigating ESG risk exposures of IORPs. It does not mean that IORPs would have to make sustainable investments or accept lower risk-adjusted returns. Acting as responsible, long-term investors through engagement with companies and the exercise of voting rights will also contribute to improving ESG practices of the companies into which IORPs invest. A concerted effort of institutional investors, including IORPs, in engaging with investee companies on ESG issues would enhance the effectiveness.

3.19. CAs should encourage IORPs to take into account ESG risks in their overall contingency planning. For example, by considering its communication strategy in the event of a public controversy involving a company included in the IORP's investment portfolio.

Transparency of assessment and management of ESG risks

3.20. CAs should encourage IORPs to publicly disclose a description of their management of ESG risks, in a transparent and comprehensible manner that allows members and beneficiaries, sponsors, other stakeholders and the public to assess the approach taken.

3.21. IORPs are already required to publicly disclose:

- the statement of investment policy principles (SIPP), including a description on how the investment policy takes into account ESG factors ²²;
- the engagement policy, prescribed by the Shareholders Rights Directive, containing a description of how the IORPs engages with investee companies, for example, through the conduct of dialogues with the management of these companies and the exercise of voting rights.

3.22. Upon application of new EU legislation in the area of sustainable finance, IORPs are required to disclose, through their websites and annual reports, the

²⁰ The assessment of "social risks" mentioned in Article 28.2(h) would not benefit from advances in scenario analysis relating to climate change and transition risk.

²¹ IOPS supervisory guidelines on the integration of ESG factors in the investment and risk management of pension funds (2019) also encourage supervisory authorities to clarify that the explicit integration of ESG factors into pension fund investment and risk management process is in line with their fiduciary duties; www.iopsweb.org/principlesguidelines/#d.en.192277

²² EIOPA Opinion on the use of governance and risk assessment documents in the supervision of IORPs, BoS-19-245, 25 June 2019.

integration of sustainability risks and the consideration of adverse sustainability impacts in their investment and risk management processes.

Proportionality

3.23. CAs should determine the frequency and depth of their supervision of IORPs' management of ESG risks, taking into account their supervisory priorities, as well as a proportionate application of the rules relating to the management of ESG risks.

4. Monitoring by EIOPA

4.1. Two years following the publication of this Opinion, EIOPA will look into the supervisory practices of the CAs with a view to evaluate supervisory convergence.

4.2. This Opinion will be published on EIOPA's website.

Done at Frankfurt am Main, 25 June 2019

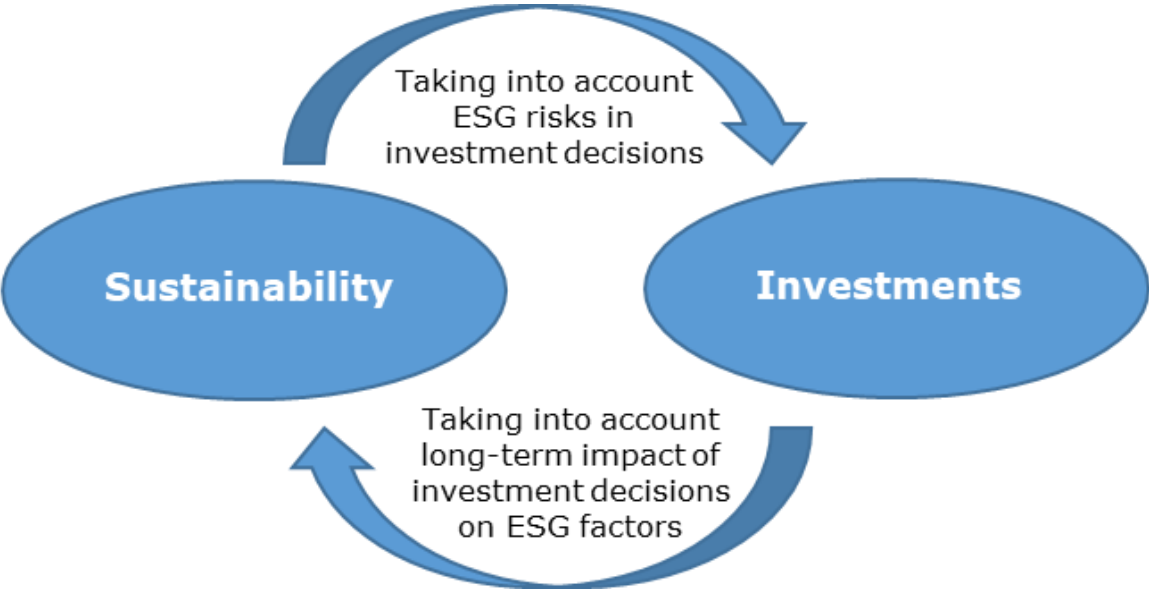
[signed]

Gabriel Bernardino

Chairperson

For the Board of Supervisors

Annex 1: Interaction between ESG risks and factors



Annex 2: Mapping ESG risks to prudential risks

1.1. ESG risks present prudential risks for IORPs. Environmental risks arise through two primary channels. The physical effects and the impact of changes associated with the transition to, for instance, a low-carbon economy. Physical risks are driven by acute events in case of climate risks (such as droughts, floods and storms) or chronic risks, which may result from the gradual effects of climate change like rising temperature and sea level. Transition risk is driven by developments such as new climate policy, new disruptive technology, shifting investor sentiment or a deteriorated reputation.

1.2. ESG risks do not constitute new categories of risk, but translate into existing prudential risk categories, such as market risks, counterparty default risk, pension liability risks, operational risk, reputational risk and strategic risk.

1.3. The impact of these risks may vary across IORPs depending on their characteristics or type of exposures. Physical risks may result in large financial losses for insurance firms through their liabilities. However, if losses are uninsured, the burden can also impact asset values of IORPs, for example, through (direct) real estate investments. As IORPs are mainly exposed through bonds and equities, they are more vulnerable to market fluctuations.

1.4. The geographical distribution of assets can be a good indicator of how vulnerable IORPs are to the physical risks. Mostly for physical risks, the geographical distribution of exposures is relevant as this may indicate how vulnerable a financial institution is to climate trends and events.

1.5. The transition channel can be more cross-border driven, as transition risk drivers like technological developments, regulatory changes and market sentiment are also cross border. Investments in carbon-intensive sectors and carbon producers (oil, gas and coal) are likely to be most exposed to a (sudden) transition to a low-carbon economy ("stranded asset risk").²³ However, some new climate policies are national and might therefore only affect assets based in a certain country.

1.6. The academic literature can also provide useful information to the mapping of ESG risks. For instance, academic work indicating a positive relation between corporate governance practices and stock price performance²⁴ may provide useful context in relation to governance risks.

1.7. The risk mapping below shows how environmental (through the physical and transition risk channels), social and governance risks may materialise in prudential risks of IORPs.

²³ See for example DNB, Time for transition – an exploratory study of the transition to carbon-neutral economy, Occasional Studies 14-2, 2016; https://www.dnb.nl/en/binaries/tt_tcm47-338545.pdf

²⁴ See for example Paul Gompers, Joy Ishii and Andrew Metrick, Corporate Governance and Equity Prices, Quarterly Journal of Economics, Vol. 118, No. 1, February 2003, pp. 107-155.

| ESG Risk channel | Sub Type | Market Risks | Counterparty & Liability Risk | Operational, Reputational & Strategic Risk |
|--------------------------------------|------------------------------|--|--|--|
| Environmental transition risk | Political & legal | <ul style="list-style-type: none"> - Climate policy can result in write-downs of carbon-intensive investments or sovereign bonds of countries dependent of fossil fuel incomes. - New climate policy can drive certain assets to lose value (e.g. ones below minimum requirements CRE energy label). -If Government introduces measures to counter deforestation and land use change, the value of a business's land held for development (stranded land) can sharply decline. -Collateral backing of commercial and residential mortgage portfolio decline in value e.g. due to government policy with regards to the energy efficiency of real estate. -Prioritisation by government of demand for water, scarcity will put pressure on non-essential business activities and can lead to government decision to close down business. - Change in consumer environmental concerns and preferences hurt the share price of companies and sectors that do not adapt. - Companies/sectors invest in new low carbon technologies, some of which may not prove to be successful. | <ul style="list-style-type: none"> -Climate-related risk for the sponsor impact the continuity of the pension plans operations. | <ul style="list-style-type: none"> - Operating costs increase by new environmental policies requiring changes to the investment process or disclosure standards. - Failing to comply with revised environmental regulations leads to compliance breach. - Management and systems do not adapt to, or integrate new environmental policies, increasing operational risk. - Fund may be unable to deliver on its pension promise if fails to take into account new environmental policy into operational and strategic planning. - Unexpected costs if fails to take into account new environmental policy into operational and strategic planning. |
| | Technology | <ul style="list-style-type: none"> - Rapidly advancing carbon neutral technology lead to market value losses of carbon-intensive investments or sovereign bonds of countries dependent of fossil fuel revenues ("Stranded assets"). -New segmentation and separate "non-ESG" spread; Low ESG scores implies higher credit spreads. | | <ul style="list-style-type: none"> - Risk of failing to take into account rapidly advancing carbon neutral technology into operational and strategic planning. |
| | Market sentiment | <ul style="list-style-type: none"> - Current under-pricing of carbon and climate risk may, due to changing market conditions, result in market value losses of investments in carbon-intensive companies. | | |

| ESG Risk channel | Sub Type | Market Risks | Counterparty & Liability Risk | Operational, Reputational & Strategic Risk |
|--------------------------------------|-------------------|--|---|---|
| Environmental transition risk | Reputation | -Market value losses of investments in companies due to litigation or shift in consumers' preference. | | <ul style="list-style-type: none"> - Consumer preferences / public opinion towards carbon-intensive sectors may change, causing potential reputational risks. - Risk of failing to find enough green investment opportunities. - Fund accumulation (growth) strategy may not be feasible if climate strategy is deemed insufficient. |
| Environmental physical risk | Acute | <ul style="list-style-type: none"> -Loss in market value of businesses in the equity portfolios with facilities located in extremely water-stressed regions are subject to the highest risk of scarcity turning into shortages, which result in a facility's operations being blocked or restricted. - Investments in businesses that depend on critical raw materials face increased market and credit risks as soon as businesses have to deal with raw materials supply issues. | <ul style="list-style-type: none"> - Pension funds that reinsure (part of) their risks may suffer if the insurer is unable to deliver (e.g. due to insolvency from climate events). - Climate event leads to sudden change of composition of fund participants. | <ul style="list-style-type: none"> - Disruption in the distribution of electricity, caused by severe weather, volcanic eruption and flooding, can harm operations of IORPs. - A big climate event lead to a sudden change of composition a fund's participants. |
| | Chronic | <ul style="list-style-type: none"> - Increase in extreme weather events leads to higher foreign currency risks for vulnerable countries. - Investments in countries that are vulnerable to climate change: investments incur losses following a major disaster if insurers and/or the government do not provide full compensation. -Some materials used in generating renewable energy have a high long-term supply risk. Mitigating one risk, such as climate-related risk, results in an unintended increase in another risk. | <ul style="list-style-type: none"> - Uncertainty about the impact of climate change on life expectancy and disability leads to risks for technical provisions. | <ul style="list-style-type: none"> - Changing weather conditions, temperature and sea level rise lead to lower life expectancy and disability, which may lead to risks for technical provisions. |

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|--|--|---|--|--|
| | | For example, if carbon emissions are reduced exclusively by using sustainable technologies, the supply risk of specific scarce raw materials increases. | | |
|--|--|---|--|--|

| ESG Risk channel | Sub Type | Market Risks | Counterparty & Liability Risk | Operational, Reputational & Strategic Risk |
|-------------------|----------|--|-------------------------------|---|
| Social | | <ul style="list-style-type: none"> - Association to violations of human rights or labour rights result in reputational damage, which might lead to negative change of stock prices. -Investments in businesses listed in a controversies database are an indicator of reputational risk. Increased awareness of institutional investors to exclude controversies result in increased market volatility. -Situation of uncertainty results in increased interest rates during times of no collective wage agreements in place. -Slave labour in South East Asia lead to claims. | | <ul style="list-style-type: none"> -Systems/staff not being able to act on previous signals on social risks in their investments and not able to manage ESG risk management. -Adverse working/health/safety conditions and low diversity within IORP may lead to lower motivated employees, loss of customers and lower market share. -IORP has a concentration in a sector or state with poor working conditions, which is struck by public stigmatisation or a governmental ban. -Poor human capital management results in strategic risks. |
| Governance | | <ul style="list-style-type: none"> -IORPs' capacity to pay future benefits may be significantly affected if governance factor tied risks significantly disrupt capital markets. -Risk measured as Beta is lower for listed companies with good governance rules in place. -Moody 's research indicate that excessive bonus payments, which are not in accordance with the size of the companies, increases the probability of default. -Required transparency in the value chain of a company may result in reputational risks. | | <ul style="list-style-type: none"> -Inadequate governance around risk management results in unawareness of ESG risks, which has a significant impact on the viability of sectors, the companies business or its value chain. -IORP fails in achieving its strategic objectives from failure to respond to changing governance landscape. -IORP fails in achieving its strategic objectives from losses resulting from an inappropriate strategy relating to governance tied objectives and risks associated with poor management of future plans. |