Why ESG Committees Are Failing—and Why ESG Risk Must Move into Enterprise Risk Management

For years, organizations have treated ESG as a sustainability initiative.

They established ESG committees, published sustainability reports, developed carbon reduction targets and launched various environmental and social programmes. Yet many of these same organizations continue to experience supply chain disruptions, labour-related controversies, climate-related operational impacts and governance failures.

The problem is not a lack of ESG initiatives.

The problem is that ESG is still being managed outside Enterprise Risk Management.

As someone who works closely with organizations across sustainability, governance, risk management and assurance, I continue to observe a common pattern. ESG discussions often take place separately from strategic planning, operational risk management and board-level decision making.

This separation creates a dangerous blind spot.

If climate change can disrupt operations, if human rights concerns can affect supply chain continuity, and if governance failures can destroy corporate reputation, then ESG should no longer be viewed as a reporting topic.

It should be treated as an enterprise risk issue.

ESG Is Not a Sustainability Risk. It Is a Business Risk.

Many organizations still categorize ESG as a non-financial issue.

I believe this mindset is outdated.

A prolonged water shortage can halt production. A workplace fatality can trigger regulatory scrutiny and reputational damage. A corruption investigation can destroy shareholder confidence. A cyber security breach can undermine stakeholder trust overnight.

None of these are merely sustainability issues. They are strategic, operational, financial and reputational risks.

The organizations that recognize this reality are no longer asking: How do we prepare a sustainability report?

Instead, they are asking: How do we integrate ESG risks into our enterprise risk framework?

That is a fundamentally different conversation.

Why COSO ERM Provides the Missing Link

One of the most effective approaches I have seen is the integration of ESG risks into the COSO Enterprise Risk Management framework.

Viewed through a COSO lens, climate change becomes a strategic risk, labour rights become an operational risk, corruption becomes a governance risk, energy transition becomes a market risk, and sustainability opportunities become strategic opportunities.

This shifts ESG from being a reporting function to being a decision-making function.

What ISO 31000 Teaches Us About ESG Risk

ISO 31000 provides an important lesson: risk management should be integrated into all organizational activities.

When ESG risks are managed through the ISO 31000 process, organizations gain a structured approach to risk identification, analysis, evaluation, treatment, monitoring and review.

This creates consistency across business functions and avoids the common mistake of having a standalone ESG risk register that nobody uses for decision-making.

The Next Evolution: From Sustainability Reporting to Sustainability Risk Intelligence

The introduction of IFRS S1 and IFRS S2 has accelerated a major shift in thinking.

Investors are no longer satisfied with ESG commitments. They want evidence that organizations understand what sustainability-related risks exist, how those risks are managed, who is accountable and how performance is monitored.

My View: Sustainability, ESG Managers and Risk Managers Must Start Working Together

One of the biggest opportunities I see in the market is the convergence of Sustainability and Enterprise Risk Management.

Successful organizations will be those that can translate ESG issues into board-level risks, strategic risks, operational risks and opportunities for value creation.

Final Thoughts

In my view, ESG is not a sustainability project. It is not a reporting exercise. It is not a separate management system.

ESG is a business risk and value creation issue.

Organizations that successfully integrate ESG into COSO ERM and ISO 31000 frameworks will be better prepared to navigate uncertainty, strengthen resilience and create long-term value.

The question is no longer whether ESG should be part of Enterprise Risk Management.

The question is whether your organization can afford for it not to be.

KC Teo
Founder & Principal Consultant
VeriSustain MyESG PLT

Specializing in ESG, Sustainability Reporting, Enterprise Risk Management, Internal Audit, Governance and Assurance-Readiness.

About the Author:

KC Teo is a National Quality Expert (Corporate Sustainability & ESG Frameworks) conferred by the Institute of Quality Malaysia (IQM). As Principal Consultant and Founder of VeriSustain MyESG PLT, he specializes in ESG advisory, Enterprise Risk Management, IFRS S1/S2 readiness, Governance and Assurance-Readiness.

Website: https://verisustain.my | Email: consultant@verisustain.my | Mobile: +60 13-699 6033