

Sustainability risk management

Dr Sarah Gordon
Satarla





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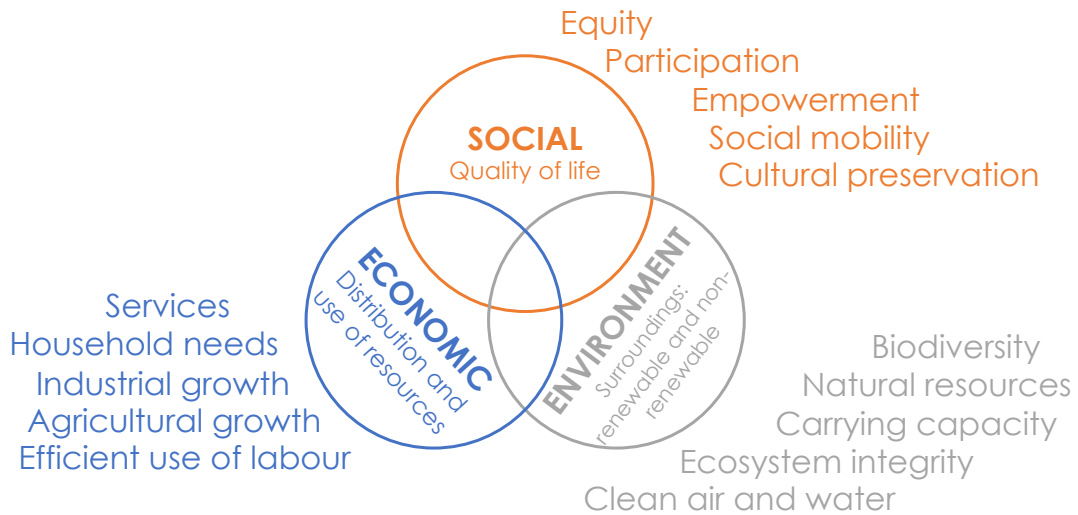


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SUSTAINABLE DEVELOPMENT (1980'S) CONSISTS OF:



www.worldbank.org/depweb

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People, Planet, Profit

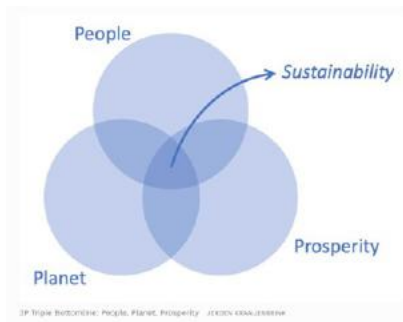
John Elkington, 1994

- **People:** the positive and negative impact an organization has on its most important stakeholders. These include employees, families, customers, suppliers, communities, and any other person influencing or being affected by the organization.
- **Planet:** the positive and negative impact an organization has on its natural environment. This includes reducing its carbon footprint, usage of natural resources, toxic materials and so on, but also the active removal of waste, reforestation and restoration of natural harm done.
- **Profit:** the positive and negative impact an organization has on the local, national and international economy. This includes creating employment, generating innovation, paying taxes, wealth creation and any other economic impact an organization has.

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People, Planet, Profit / Prosperity



But, as Elkington further explains, “the TBL wasn’t designed to be just an accounting tool. It was supposed to provoke deeper thinking about capitalism and its future, but many early adopters understood the concept as a balancing act, adopting a trade-off mentality.” Its goal was “*system change*—pushing toward the transformation of capitalism. It was never supposed to be just an accounting system. It was originally intended as a genetic code, a triple helix of change for tomorrow’s capitalism, with a focus was on breakthrough change, disruption, asymmetric growth (with unsustainable sectors actively sidelined), and the scaling of next-generation market solutions.”

<https://www.forbes.com/sites/jeroenkraaijenbrink/2019/12/10/what-the-3ps-of-the-triple-bottom-line-really-mean/?sh=2f7d73f95143>

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SUSTAINABLE DEVELOPMENT GOALS (SDGs) (2015):



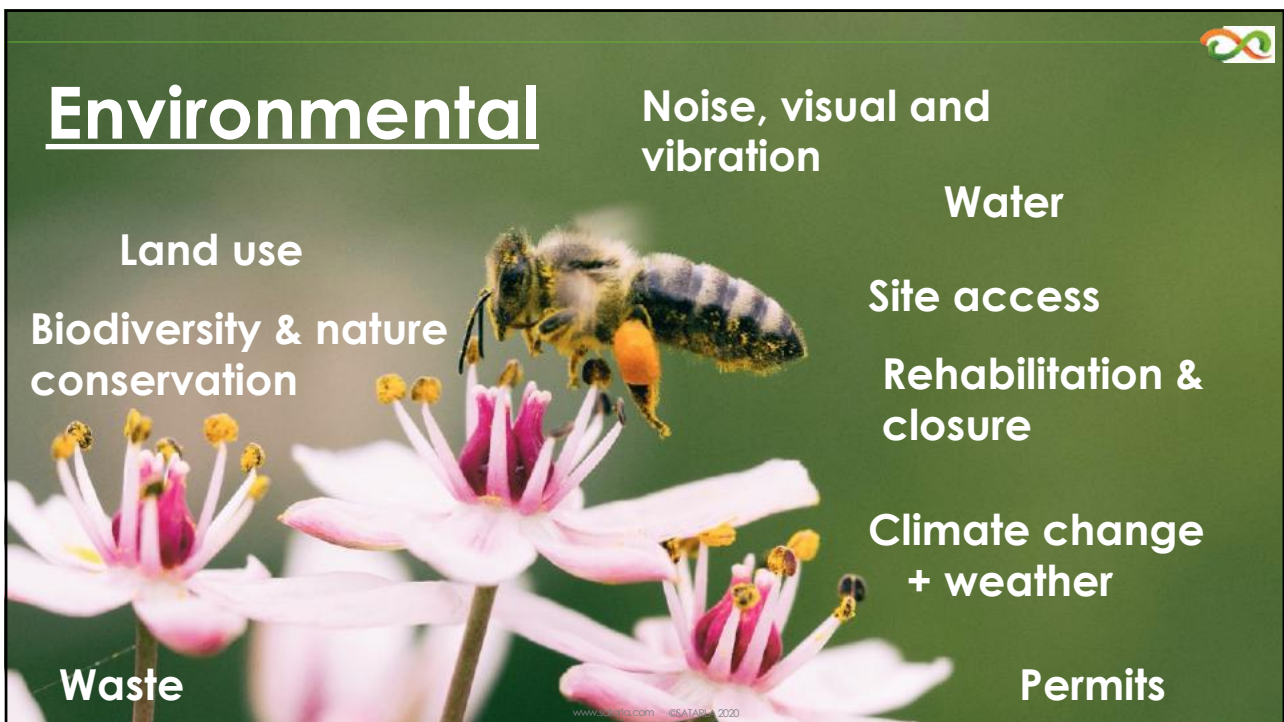
www.globalgoals.org/

<https://www.youtube.com/channel/UCRfuAYy7MesZmgOi1Ezy0ng/>

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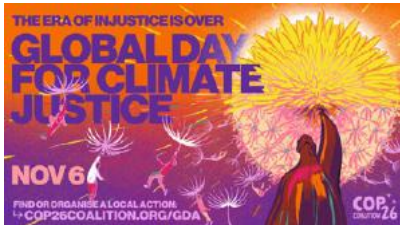
Sustainability is interconnected



https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Multi-purpose_indicators_within_the_EU_SDG_indicator_set.qif

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= The “just” transition



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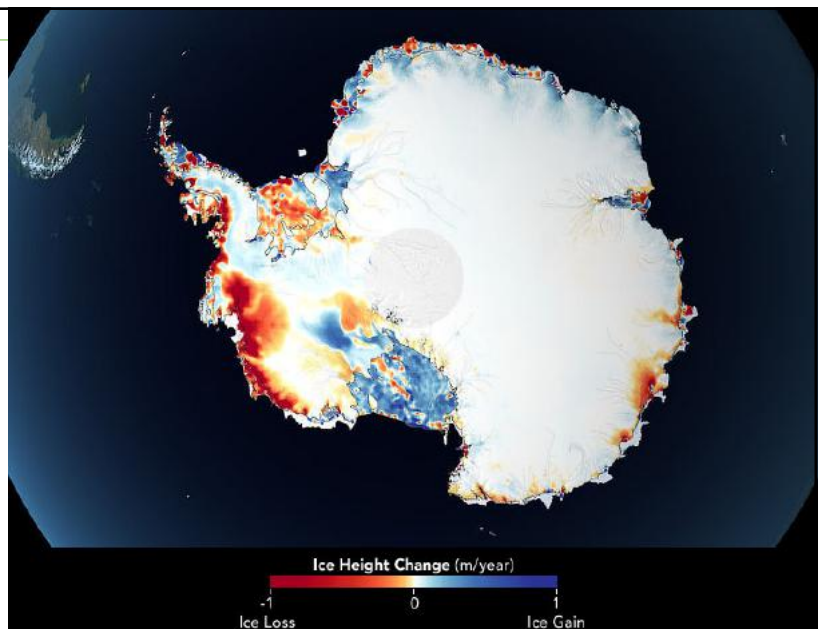
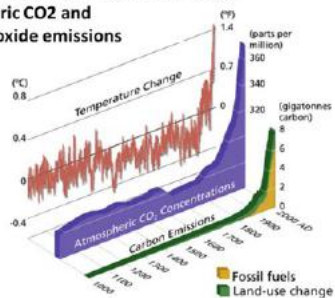
Integration =
everyone's
personal "so
what?" / "what
does it mean for
me?"

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For some people
it is the science.

Past 1000 years of temperature change,
atmospheric CO₂ and
carbon dioxide emissions

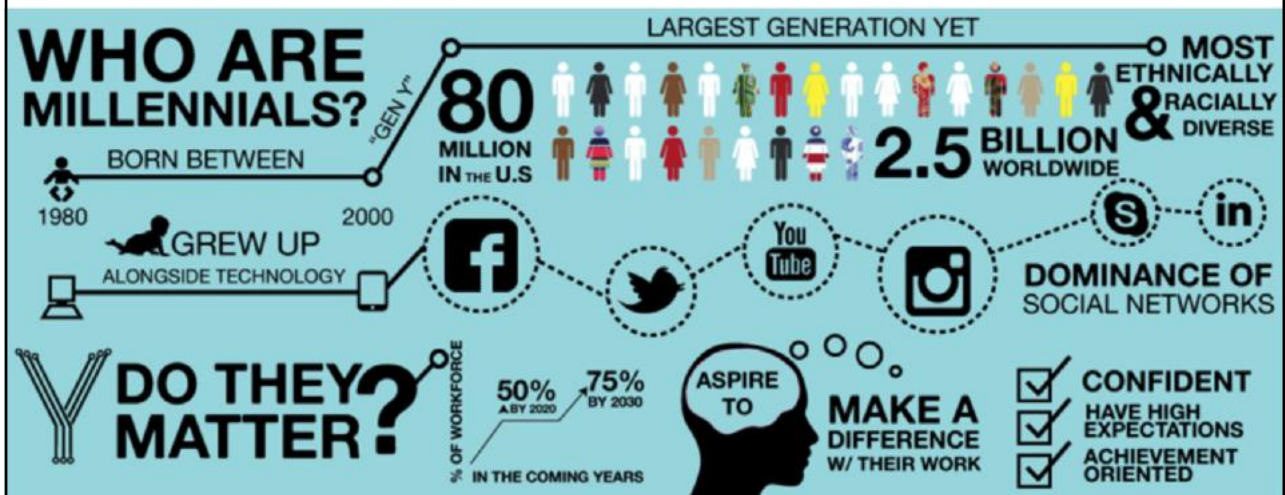


Prof Martin Siegert, Grantham Institute of Climate Change, Imperial College

Climate Parliament 12/06/15

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For some people it is society...



<https://medium.com/scout-design/millennial-driven-design-292c3328c72>

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For some people it is the money...



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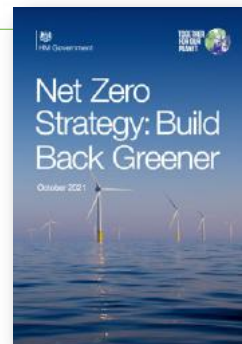
For some people it is the rules

https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1026655/net-zero-strategy.pdf

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/936567/10_POINT_PLAN_BOOKLET.pdf

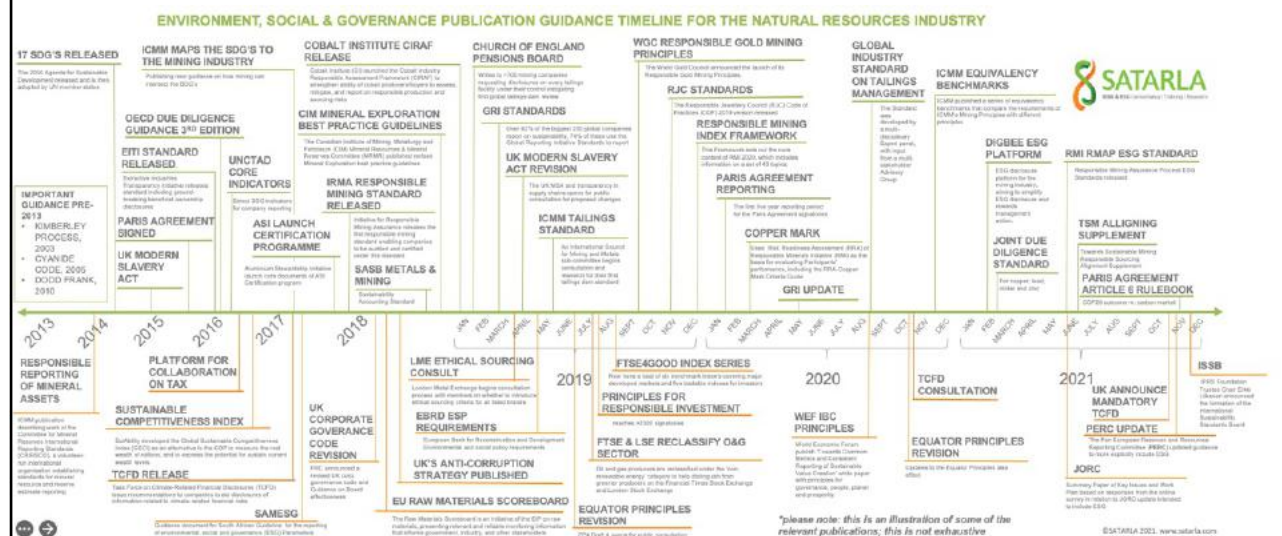
https://www.epa.gov/sites/default/files/2020-10/documents/srip_fv20_508.pdf



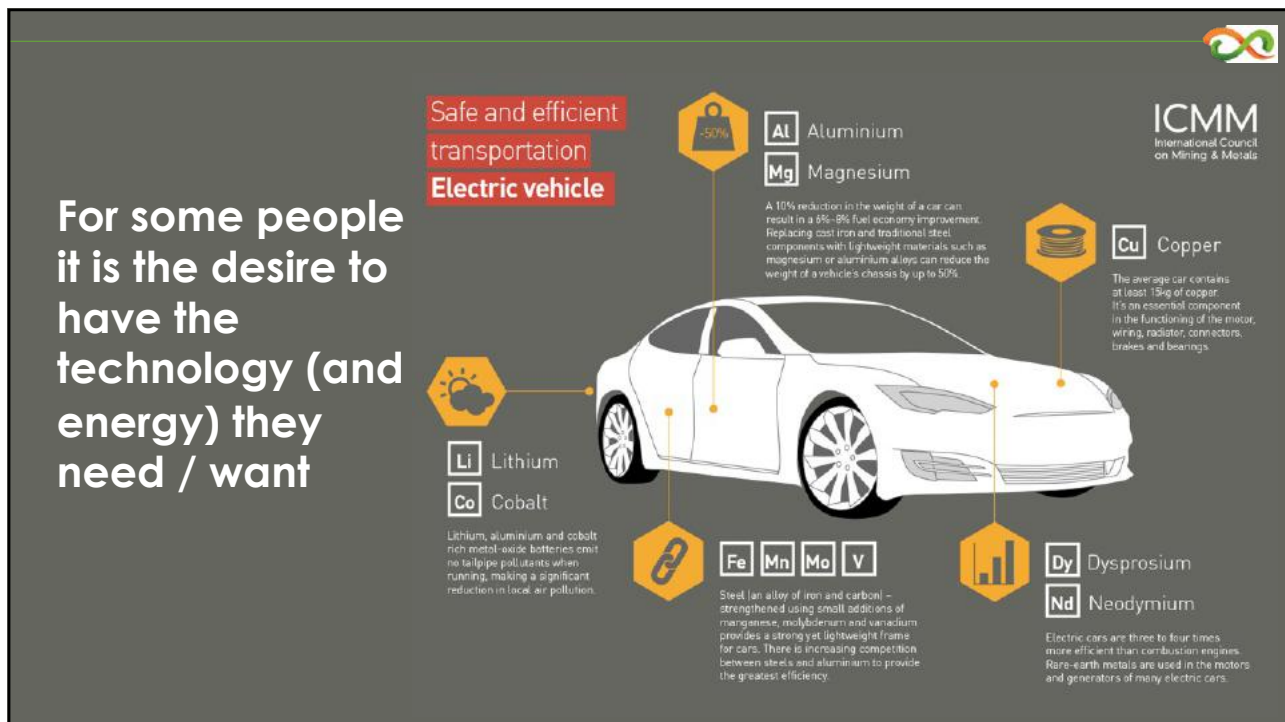
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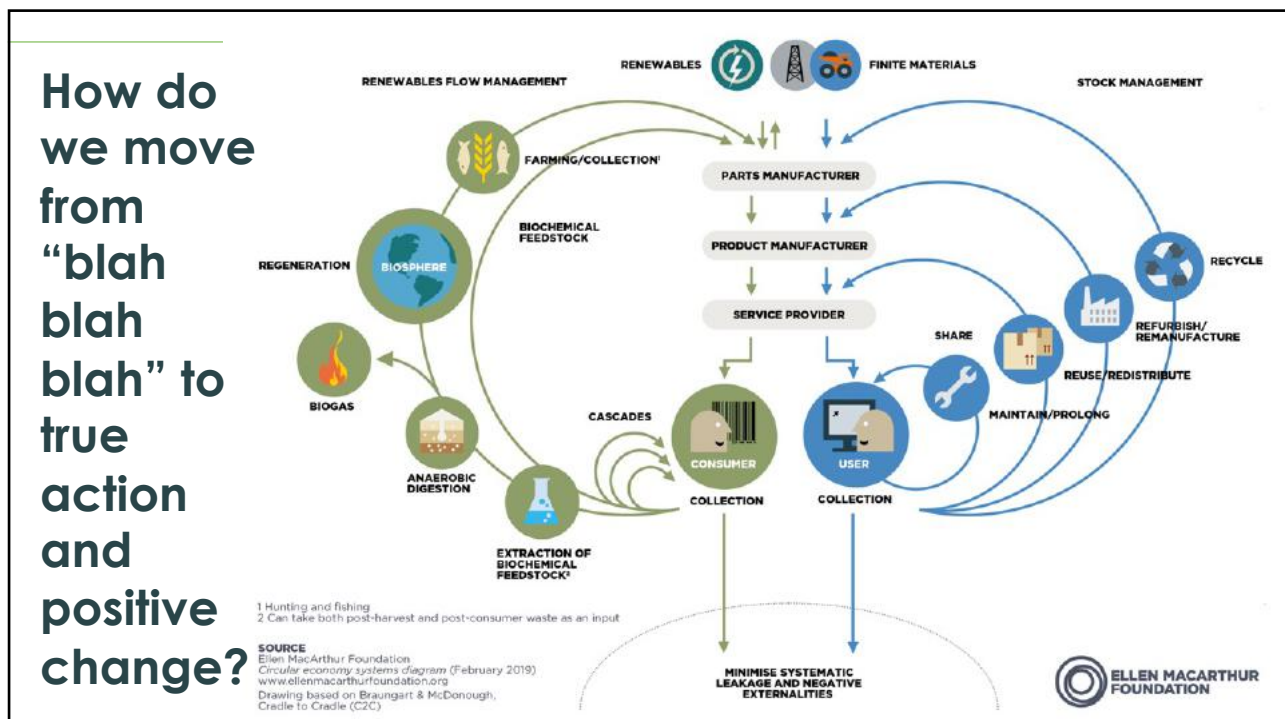
(and by the way – the rules are changing all of the time...)



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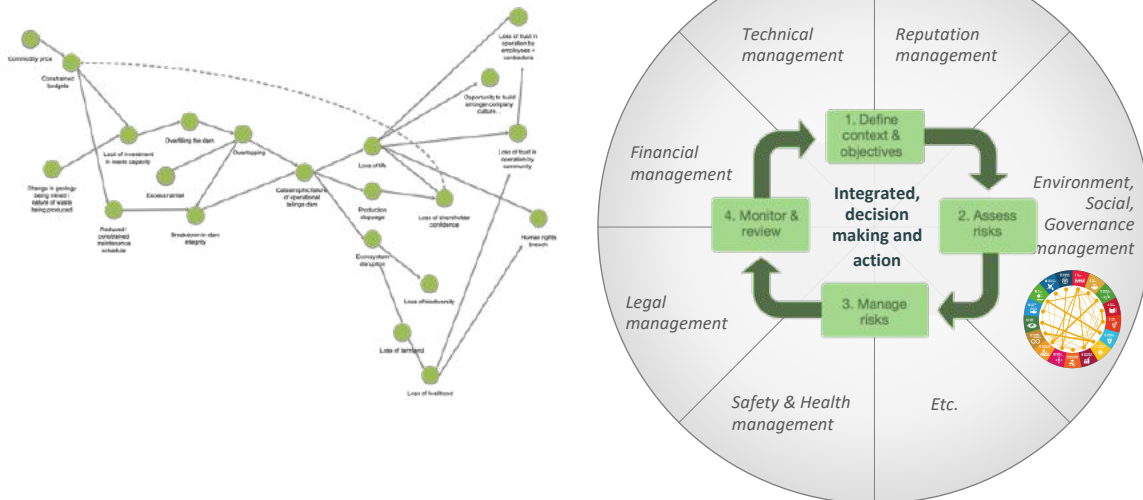


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How do we manage a complex, interconnected web of uncertain opportunities and threats??



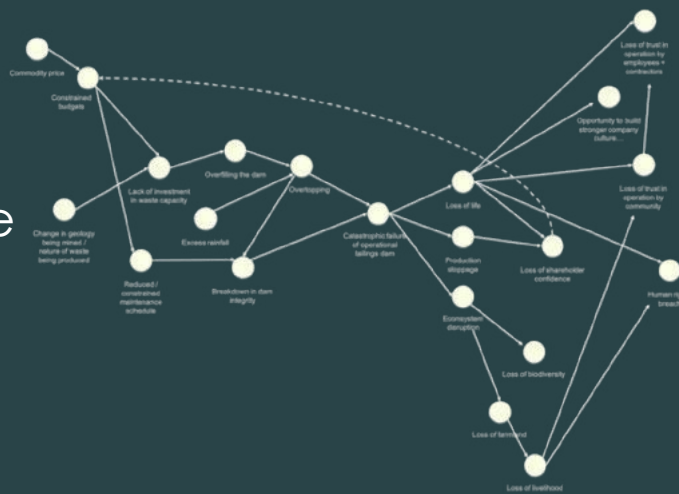
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Enterprise-wide, integrated risk management

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Enterprise Risk Management is the taking charge of positive and negative uncertainties within a network that matters to you.

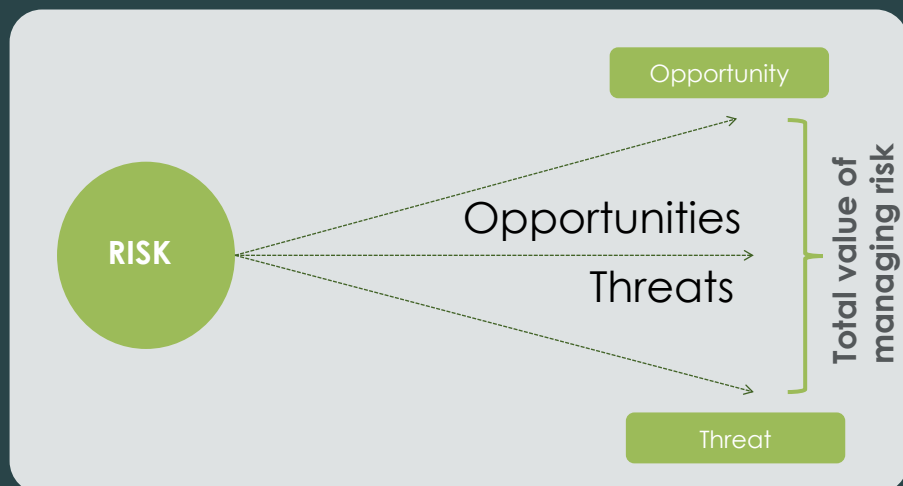


Risk = Effect of uncertainty on objectives (ISO31000:2018) OR An uncertainty that matters (Anon)

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Risk = both opportunities and threats



Risk = Effect of uncertainty on objectives (ISO31000:2018) OR An uncertainty that matters (Anon)

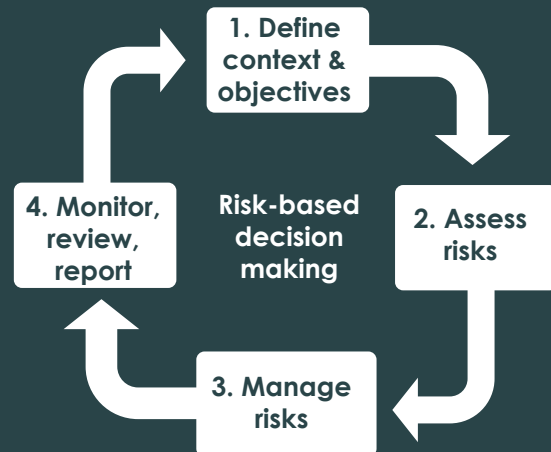
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HOW?

Simple process.

ERM is just aligned risk-based decision making across the organisation



Risk Management = the process of doing something about your risks. (Many standard definitions available) satarla.com ©SATARLA 2021

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Your risk profile is not complete without ESG



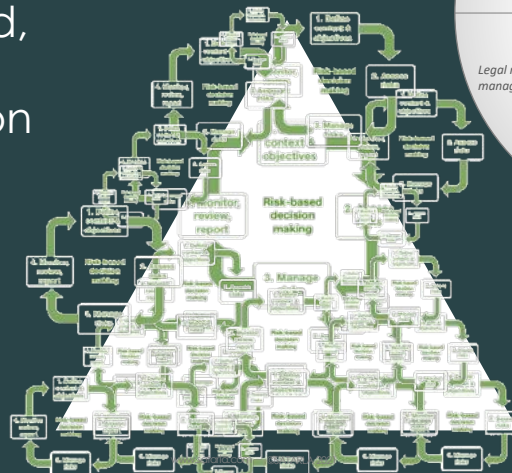
ESG = Environment, Social, Governance

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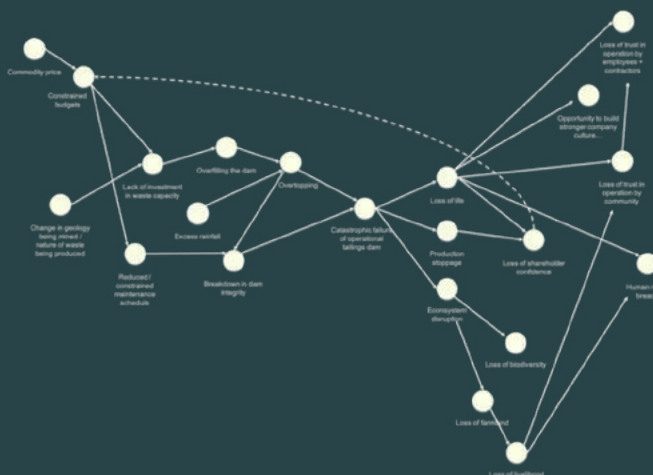
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Enterprise Risk Management

— interconnected, through out the entire organisation



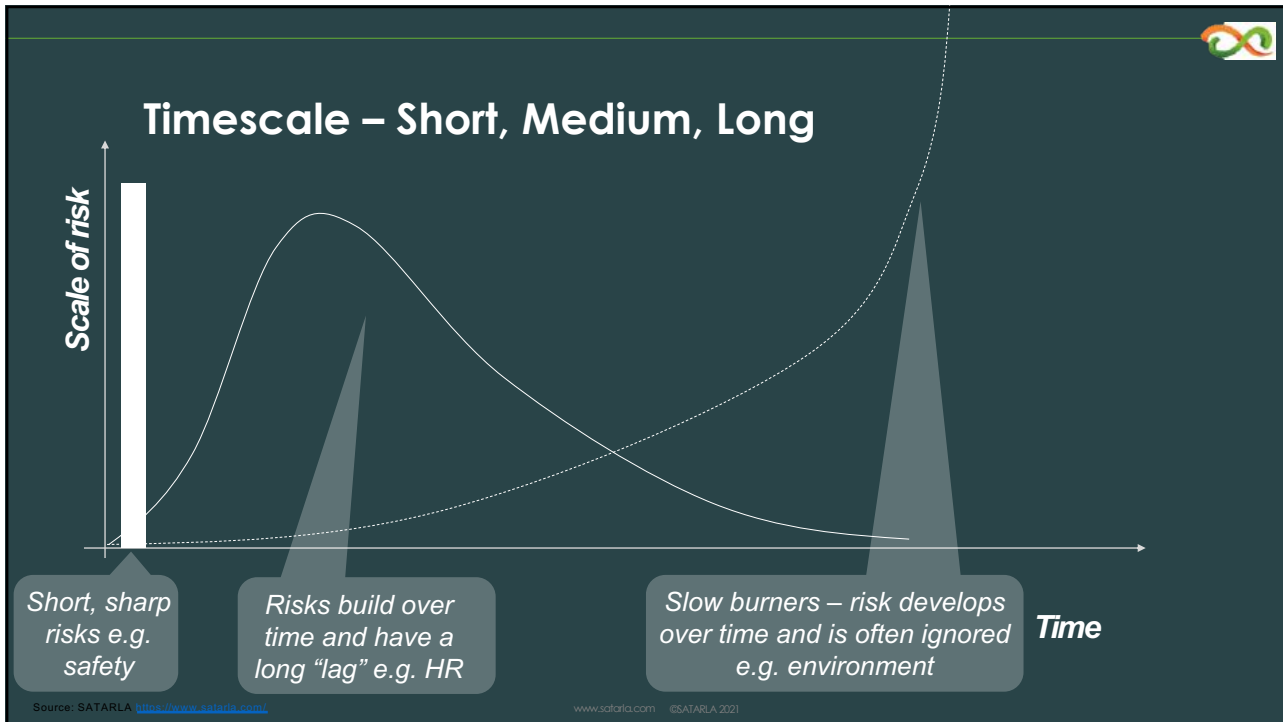
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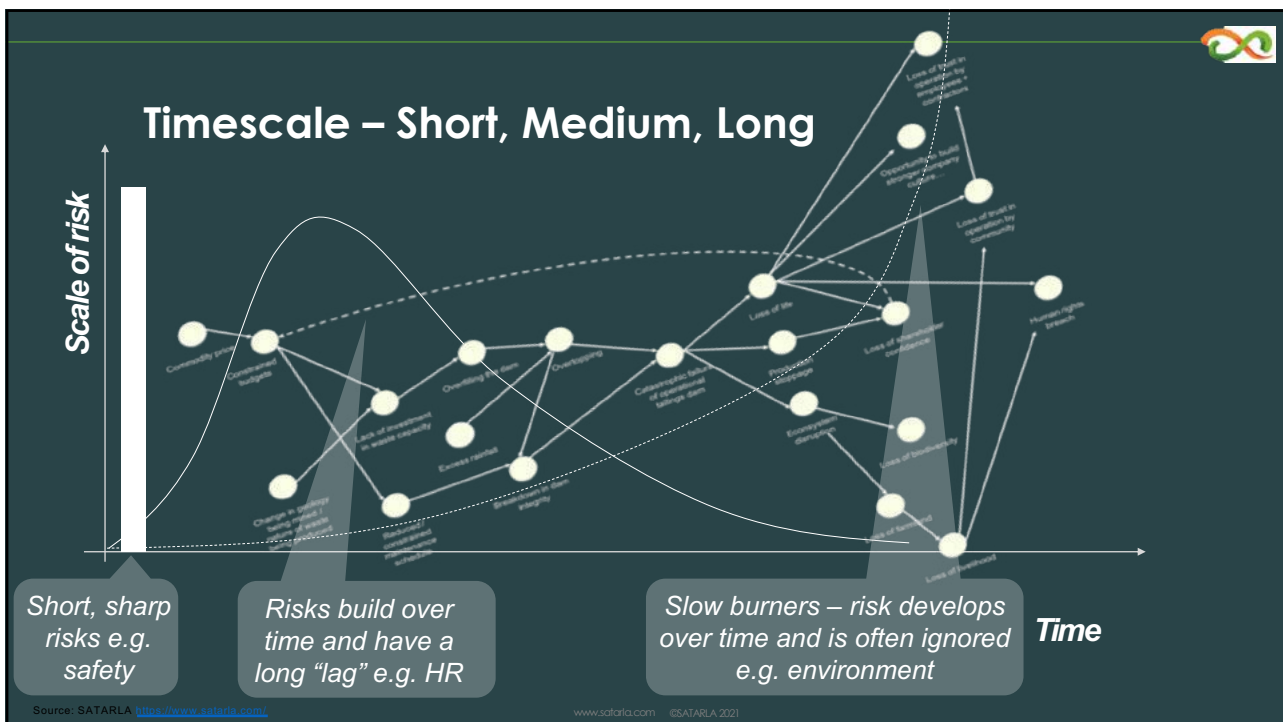
ESG is therefore critical if balanced decisions are to be made.

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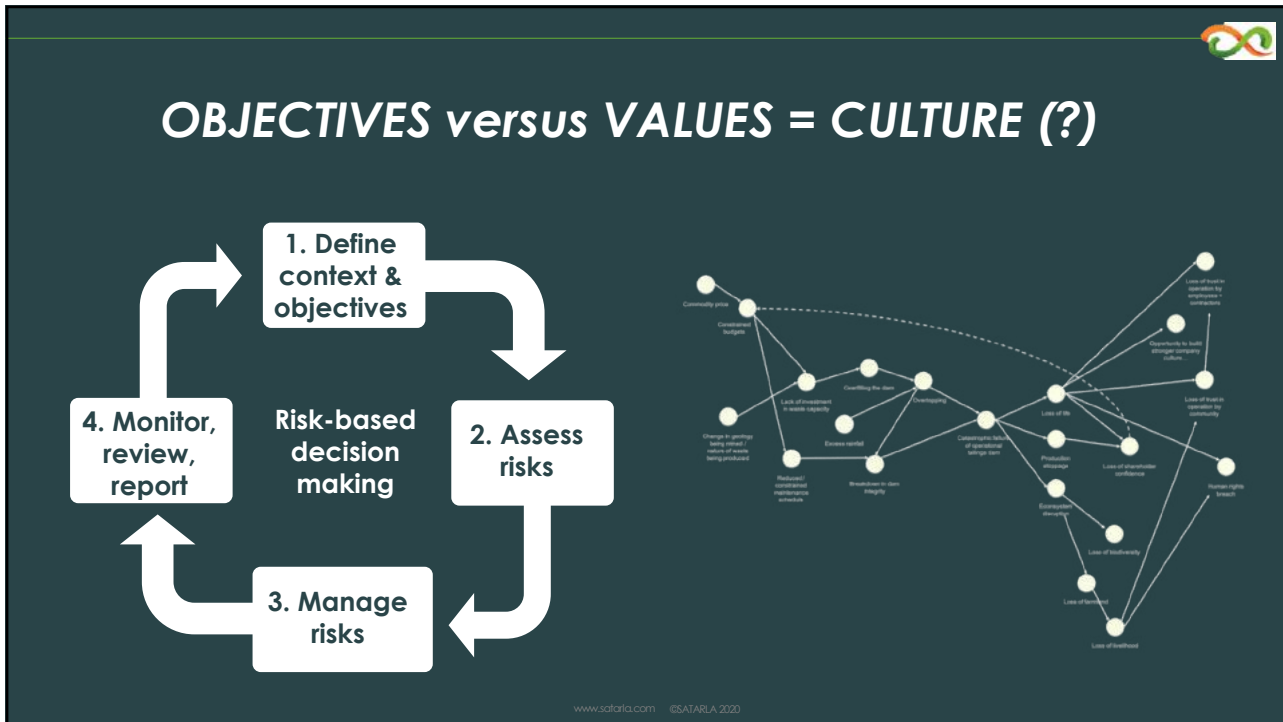
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Your risk profile is not complete without ESG

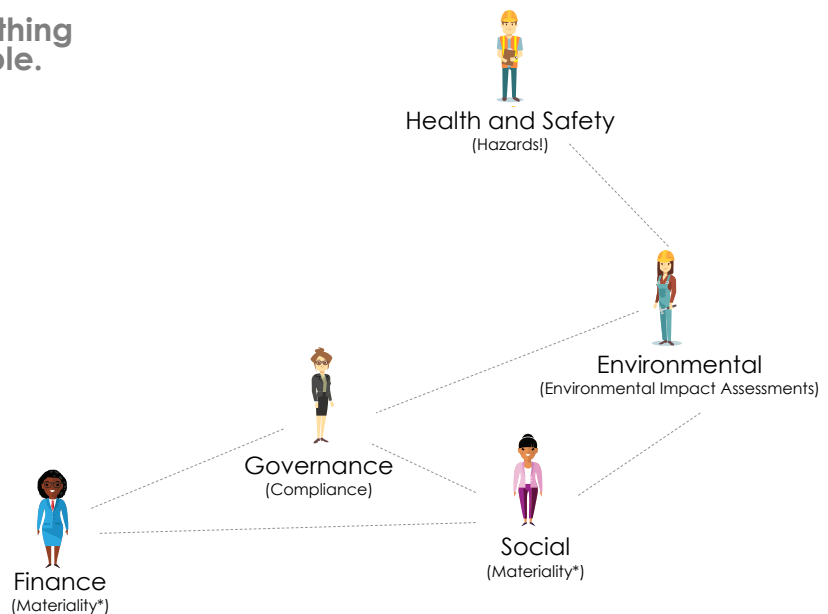


ESG = Environment, Social, Governance

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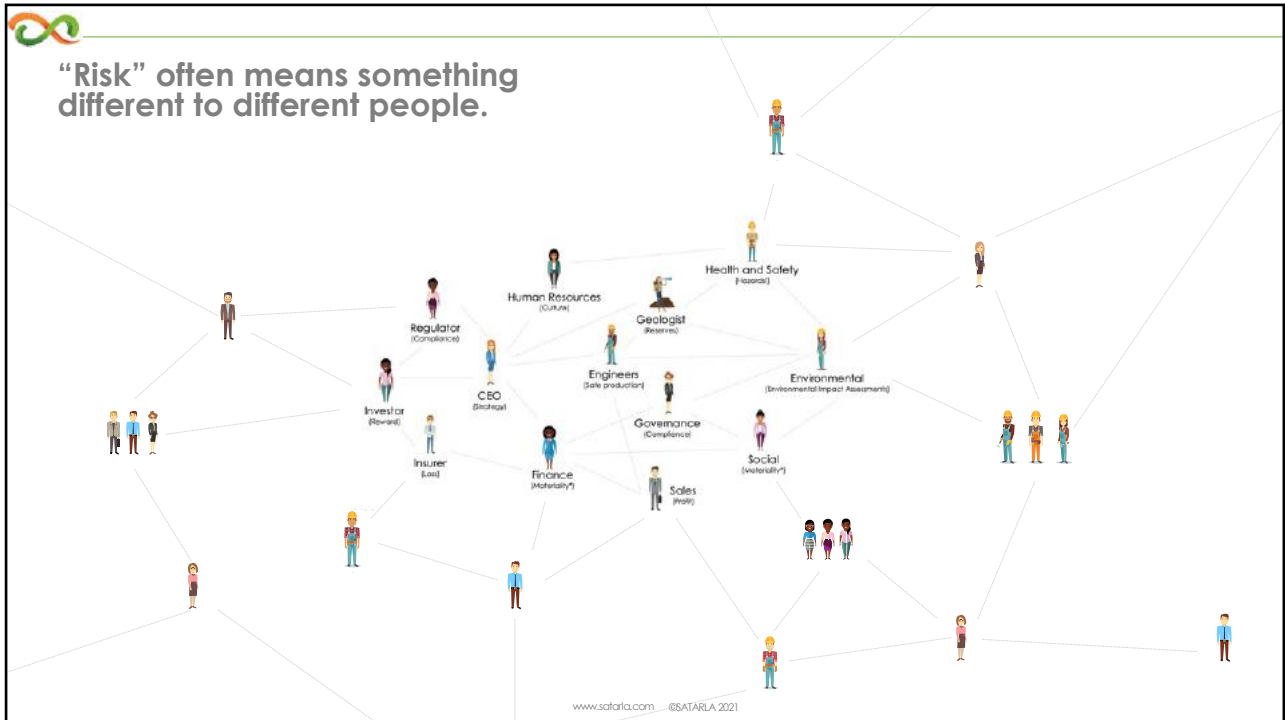
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“Risk” often means something different to different people.

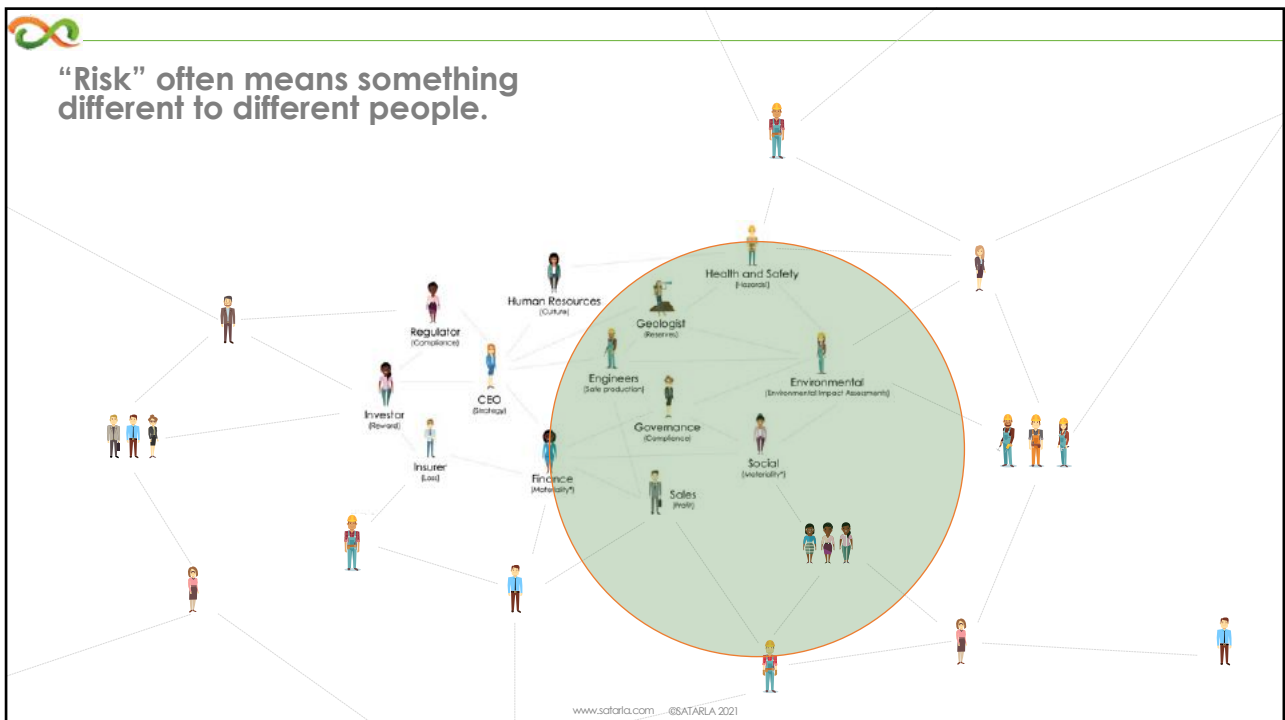


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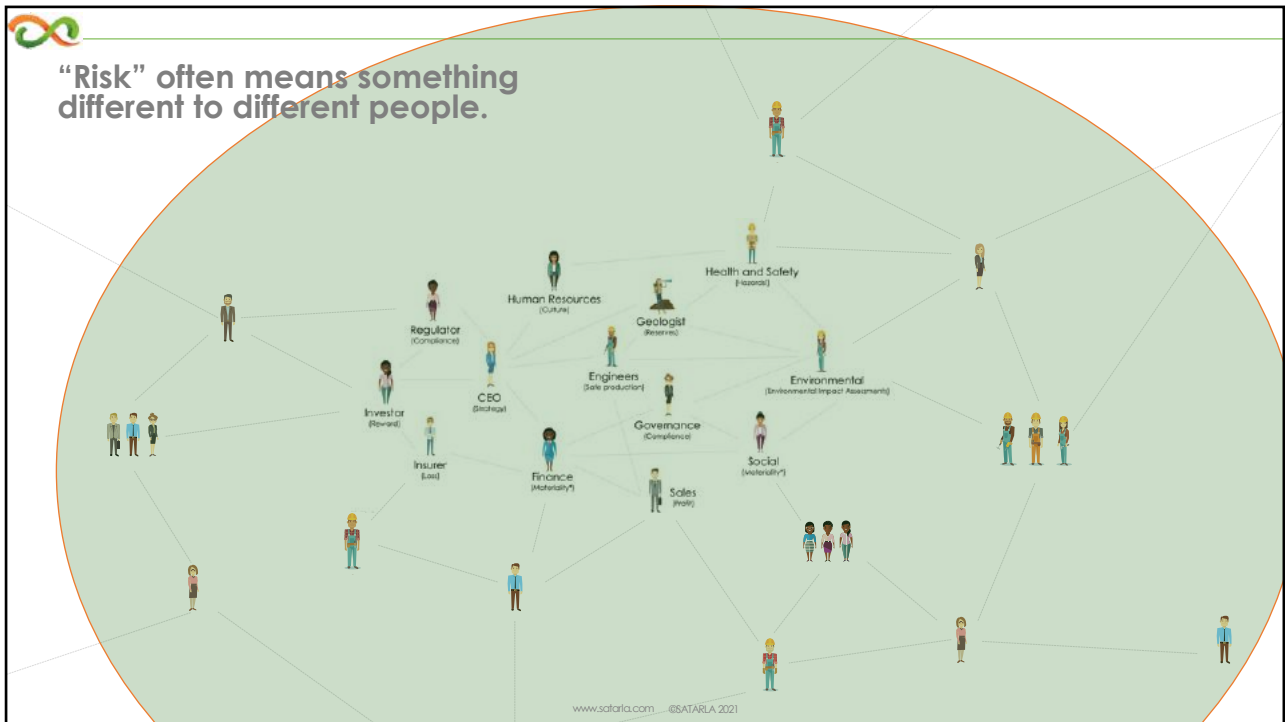
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So:

1) Environmental experts talk about risk in a different way compared to Social or Governance experts.... who talk about it in a different way compared to accountants etc.

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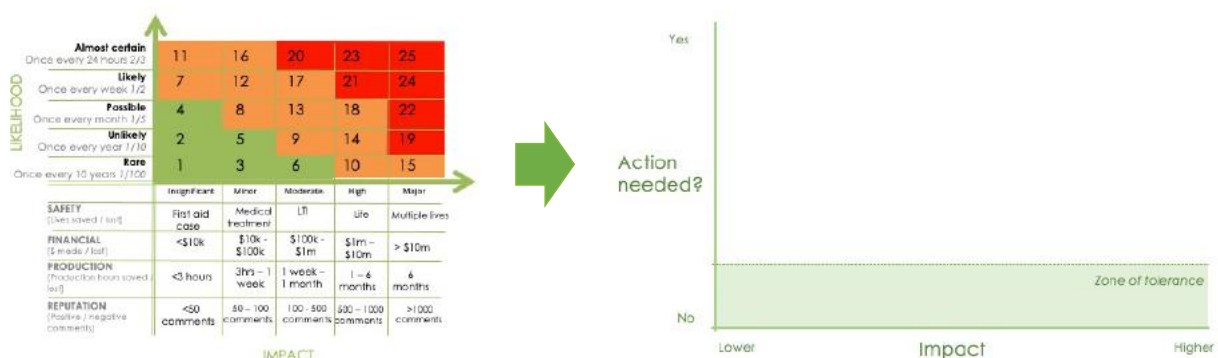
So:

- 1) Respect the different terminology used.
- 2) Different approaches to risk management are used by the different disciplines.

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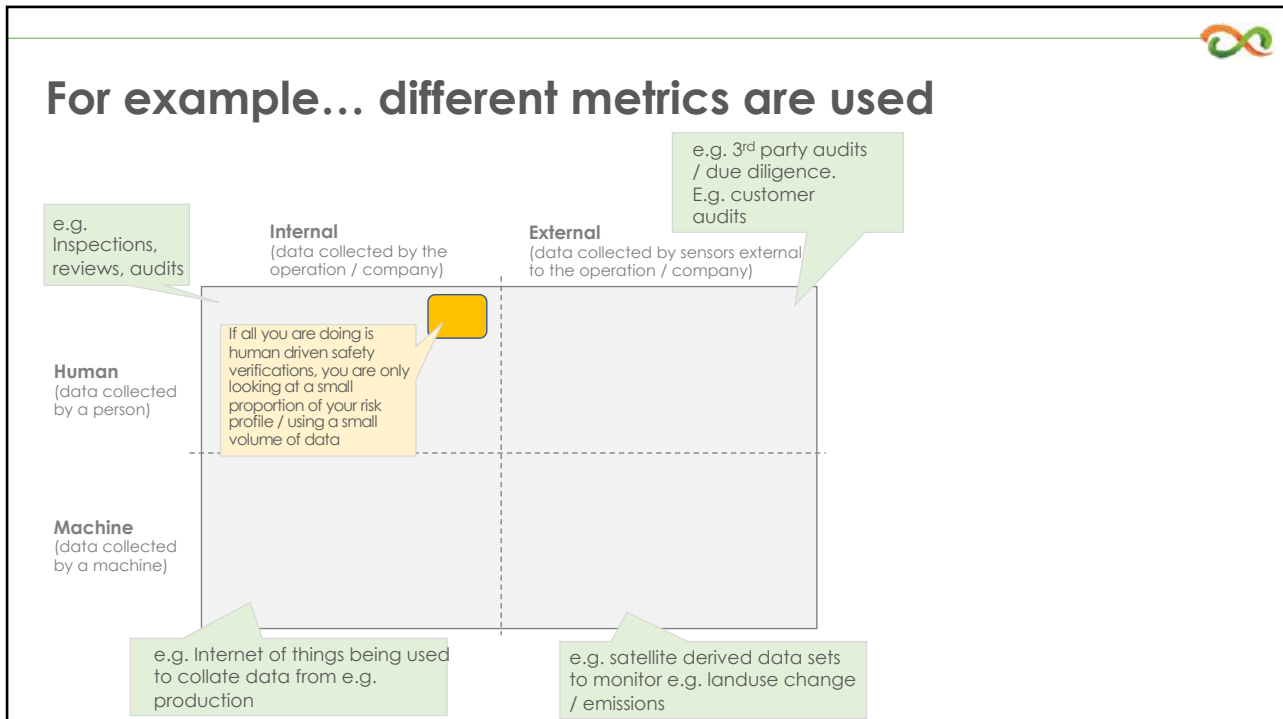
For example.... “likelihood”..... Really difficult



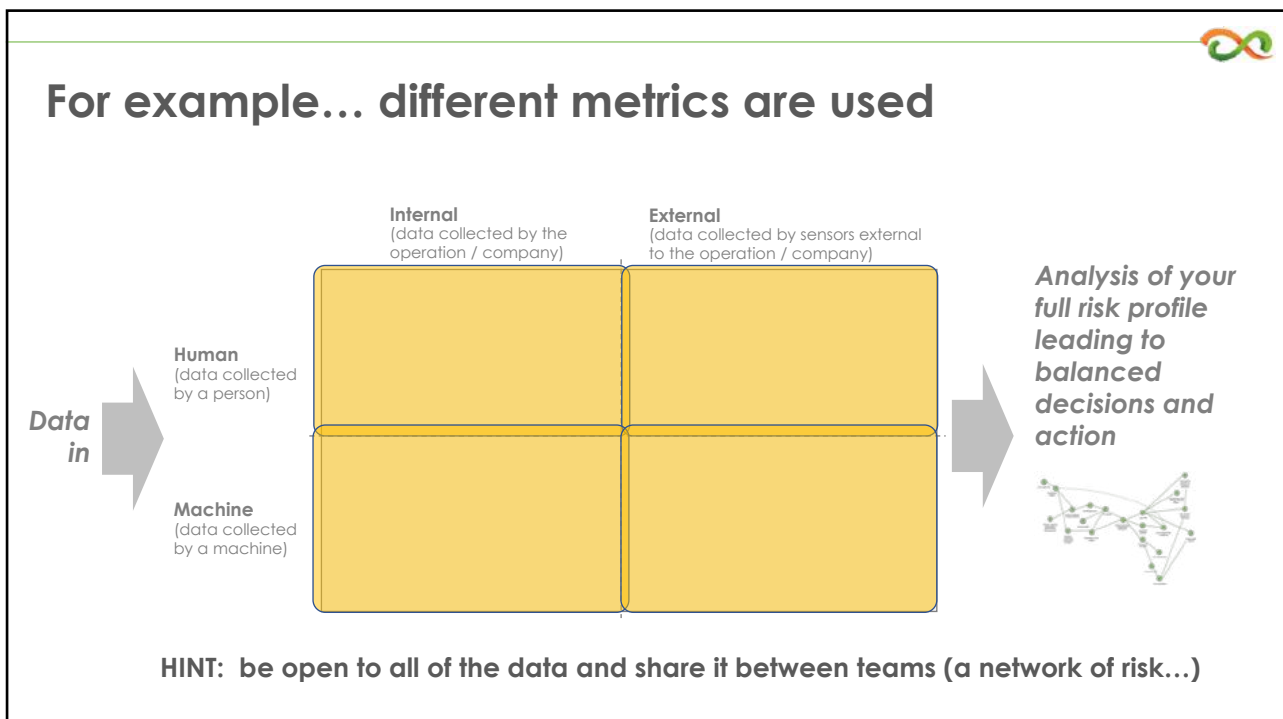
Hint: Simplify down to where is action needed...

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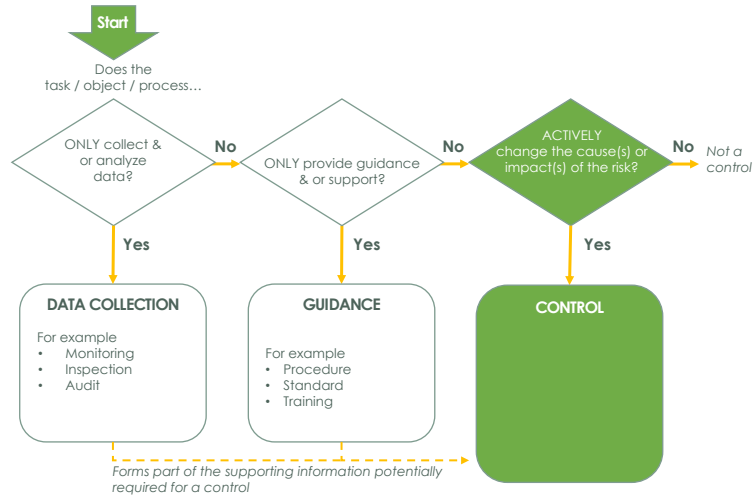


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For example.... What is a control?



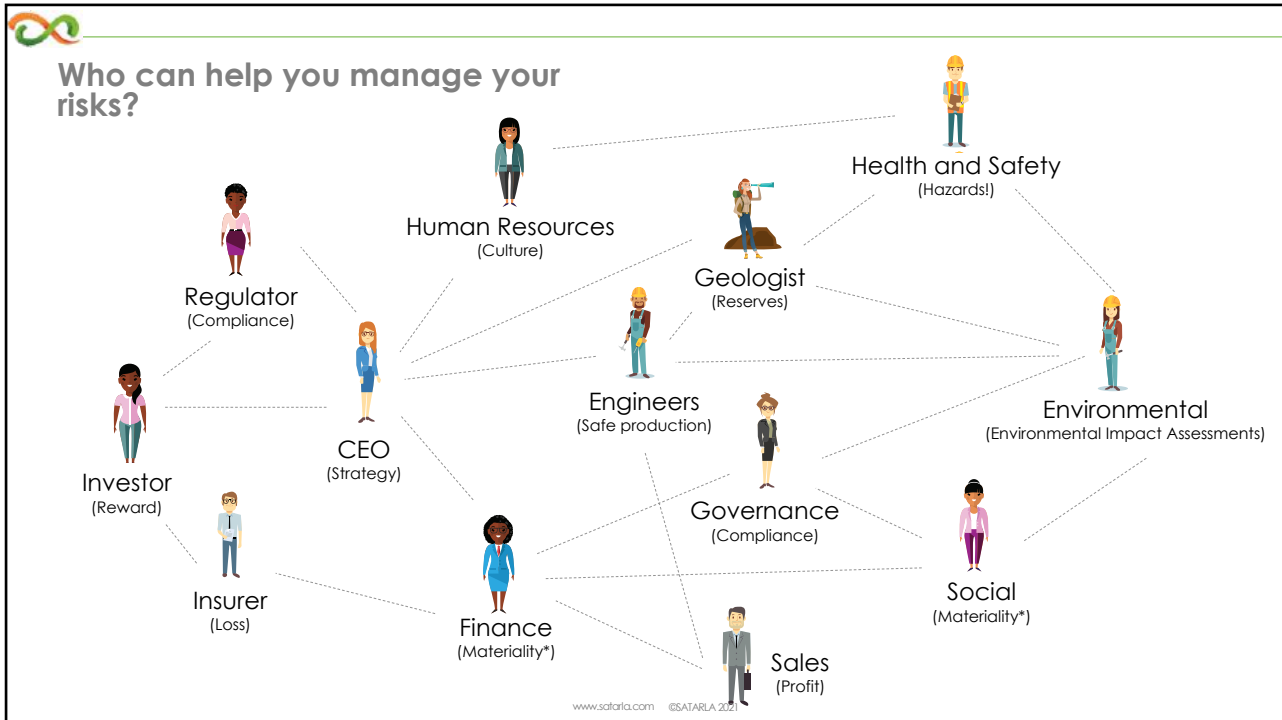
Hint: Focus on the task / object / system that will modify a risk

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- 1) Respect the different terminology used.
- 2) Different approaches to risk management are used by the different disciplines.
- 3) Often, an environmental risk cannot be controlled by the environmental team.

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For example.... TCFD

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

About Recommendations Publications Support TCFD News Knowledge Hub

Task Force on Climate-related Financial Disclosures

Hint: Facilitate the discussions between finance and environment / engineering / social / etc...

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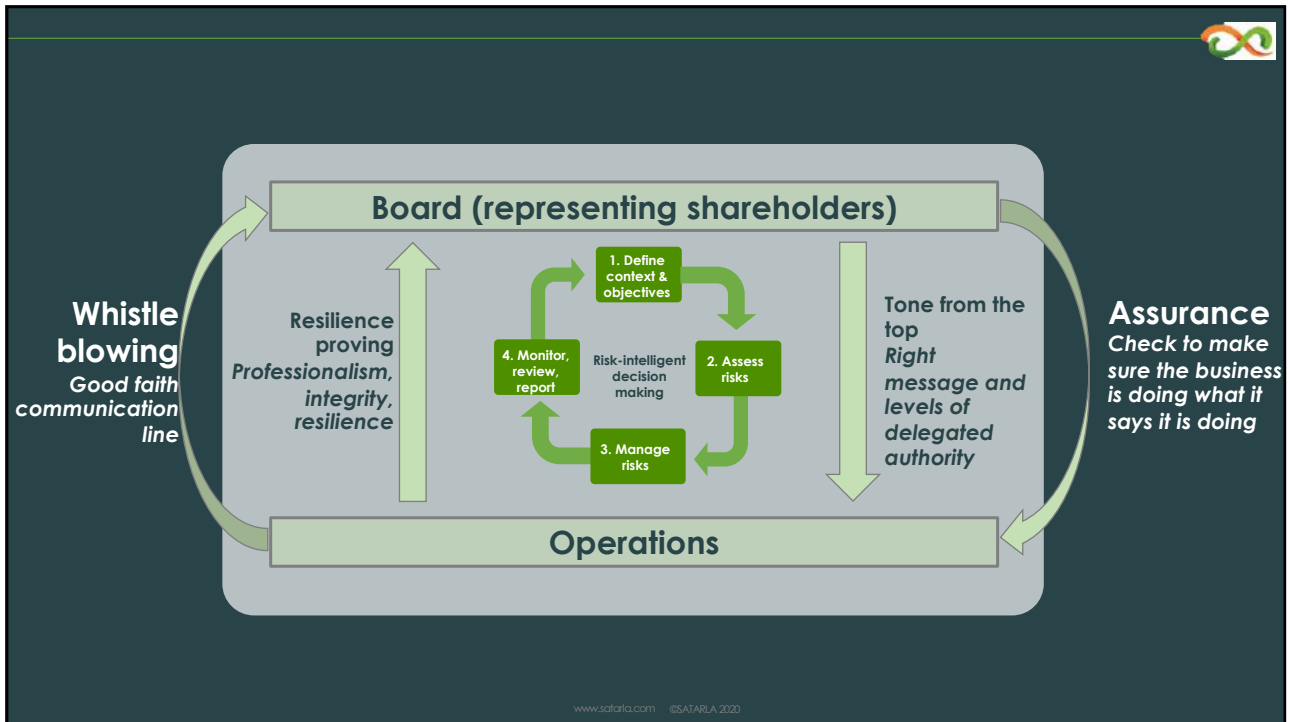
- 1) Respect the different terminology used.
- 2) Different approaches to risk management are used by the different disciplines.
- 3) Often, an environmental risk cannot be controlled by the environmental team.
- 4) Often the E and the S have been buried at the bottom of an organisation – risk can help to elevate them.

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- 1) Respect the different terminology used.
- 2) Different approaches to risk management are used by the different disciplines.
- 3) Often, an environmental risk cannot be controlled by the environmental team.
- 4) Often the E and the S have been buried at the bottom of an organisation – risk can help to elevate them.
- 5) ESG can elevate risk management.

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In summary...

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In summary:

- ESG is just the latest term* for sustainability / CSR / Licence to Operate etc.
- The latest changes to regulations and society expectations means that even if you don't believe in anthropogenic climate change... you are going to have to take the regulations surrounding it seriously.
- The focus is increasingly on action, impact and positive change.
- Your Enterprise Risk Management is not complete without ESG.
- You cant do ESG (as successfully as you could do) without ERM.

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Sustainability risk management

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