

Understanding *Sustainability Risk* in a Complex World



True.



True Limited is a **technology-led** sustainability consulting and reporting business offering insight and partnership for all firms for wherever they are on their sustainability journey.

We enable businesses to create value through better sustainability outcomes for them, their investments and the planet.

Why We're Here Today

We live in a world defined by **uncertainty** and **transition**.

- Sustainability risks are reshaping markets — from climate shocks to shifting regulation and client expectations.
- **Finance** sits at the **centre**: exposed to ecological disruption, but also capable of driving resilience and opportunity.

Our purpose is not *prediction*, but *preparation*.

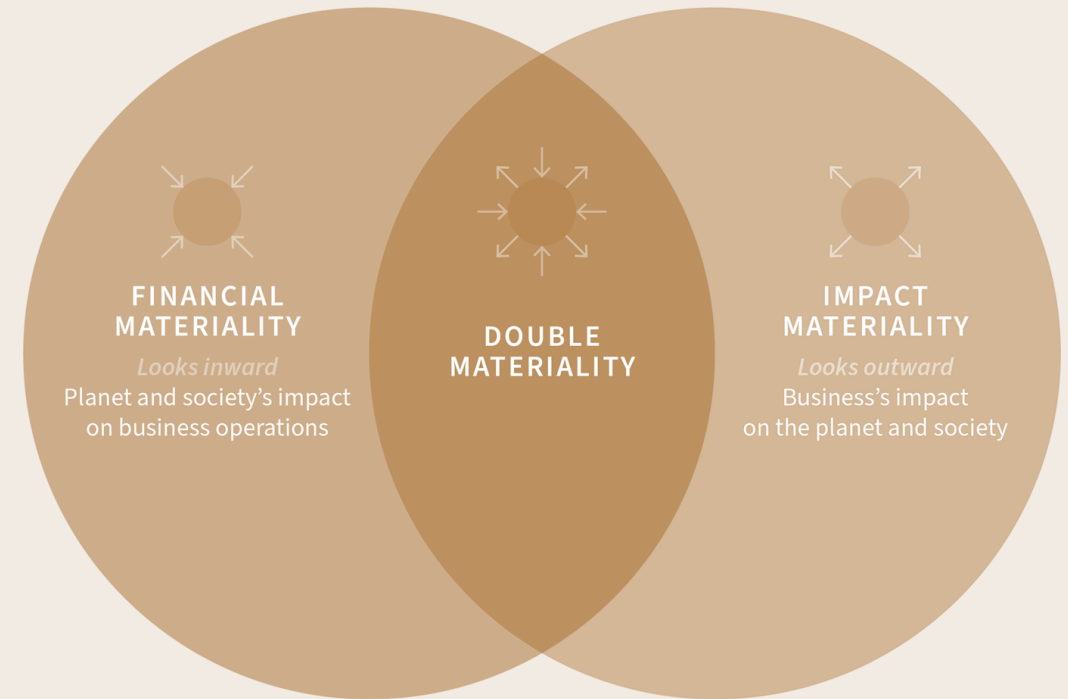


What Do We Mean by Sustainability Risk?

Sustainability risk arises when ecological or social disruption translates into financial exposure.

1. **Impact materiality** — how business activities affect people and planet.
2. **Financial materiality** — how those impacts return through regulation, markets, or trust.

The two are inseparable: ignoring impact today plants the seeds of tomorrow's financial risk. In practice, sustainability risk is about feedback loops between society, ecology, and enterprise value.

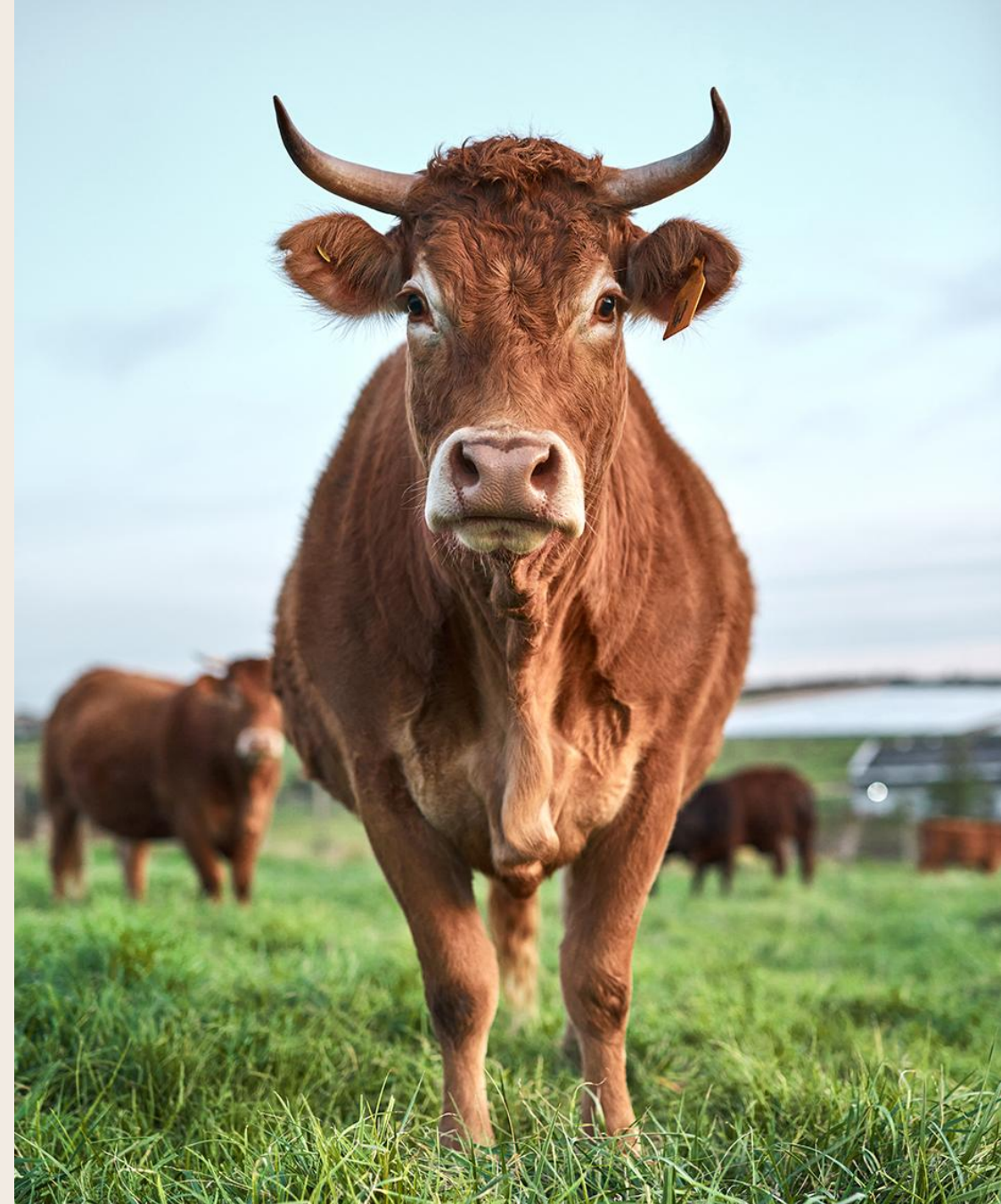


Jersey Context

Jersey's finance sector is **globally connected** and therefore globally vulnerable.

- Recent Jersey Finance Council risk reports highlight sustainability as a **material** concern for reputation, competitiveness, and long-term viability.
- Globalisation means shocks elsewhere — drought, litigation, or abrupt regulation — **transmit quickly** to Jersey's financial system.

Resilience here depends on **anticipating** those global-to-local linkages and acting before they crystallise.



The Science – A World Under Pressure

Our economic system is embedded in Earth's life-support systems.

- 2023 was the hottest year on record, at 1.45 °C above pre-industrial levels.
- Once-in-20-year storms are now hitting roughly every five years.
- Seven of nine planetary boundaries — including biodiversity and land use — are already breached.

Resource stress is accelerating: water scarcity, soil degradation, and declining fisheries.

When nature falters, business models, markets, and societies follow.

Finance cannot insulate itself from the cascading shocks of a stressed biosphere.



From Ecological Strain to Social Disruption

Environmental stress quickly translates into social instability:

- **Food insecurity** — crop failures drive price spikes and unrest.
- **Water scarcity** — competition fuels conflict and migration.
- **Health risks** — air pollution, pandemics, and heat stress.
- **Inequality** — shocks hit the most vulnerable, deepening divides.
- **Political volatility** — resource stress fuels populism, litigation, and policy swings.

These pressures reverberate through financial systems, shaping risk, resilience, and trust.



Globalisation and Business Dependencies

- Modern business depends on **long, fragile global chains**.
- Interdependence means resilience is no longer local — it is **systemic**.
- Finance must **map** these hidden **dependencies** or be blindsided by distant events.



Likelihood and Frequency

Once-rare shocks are becoming routine:

- Insured losses from extreme weather have tripled since the 1980s.
- Extreme weather now causes more than \$300 billion in global economic damages each year, of which around \$100 billion is insured.
- Food and energy shocks that were once exceptional are becoming regular features of markets.

This is not an outlier future — it is the new **baseline** for financial risk management.

Ignoring probabilities that are shifting under climate stress is **ignoring reality itself**.



Why This Matters for Business

Sustainability risks reach the heart of enterprise value:

1. **Viability** — operations and supply chains face physical and social disruption.
2. **Resilience** — compounding crises test adaptive capacity.
3. **Profitability** — unmanaged risks increase costs and erode investor trust.

But the same pressures create opportunity for early movers: efficiency, innovation, reputational advantage, and long-term loyalty.

Risk and **opportunity** are two sides of the same system shift.

Three Practical Responses

Organisations can respond decisively:

1. **Understand materiality** — identify which sustainability issues are financially critical in your sector.
2. **Integrate into governance** — embed sustainability into enterprise risk and board oversight.
3. **Engage and prepare** — with regulators, suppliers, clients, and investors to anticipate disruption.
Failing to act on sustainability risk is failing to act on financial risk — and breaching fiduciary duty.



SASB and Materiality

The Sustainability Accounting Standards Board (SASB) defines financially material risks by industry.

- Investors use SASB for comparable, decision-useful data.
- Boards are accountable for oversight of these issues.

Double materiality reminds us: environmental and social impacts today can become tomorrow's financial shocks. SASB bridges ecological signals and financial decision-making, turning complexity into clarity.



**SASB
STANDARDS**

Now part of IFRS Foundation

SASB's Five Dimensions of Materiality

Sustainability risk manifests across SASB's five dimensions:

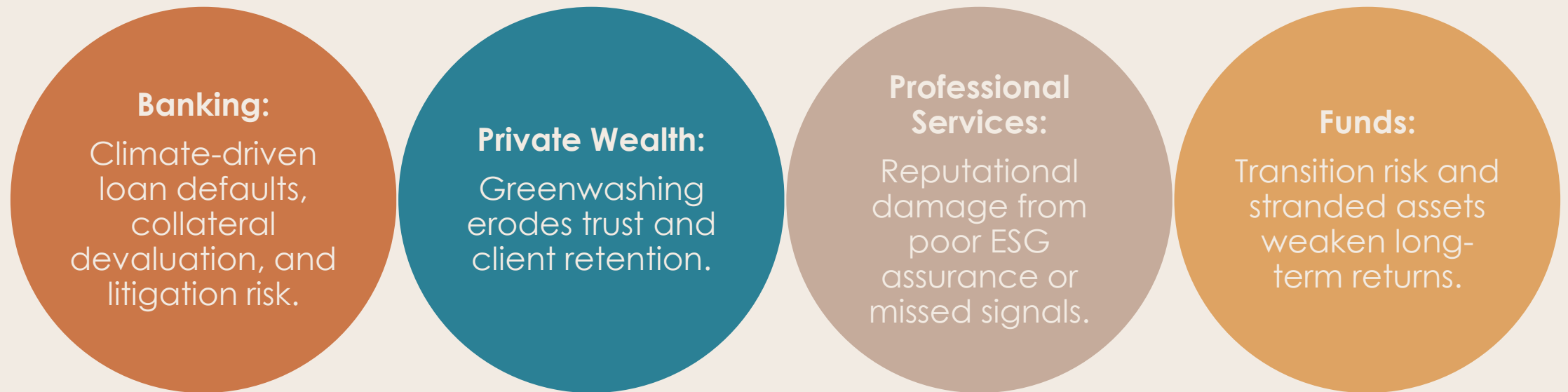
- **Environment** — climate change, extreme weather, water scarcity.
- **Social capital** — community trust, food and health access.
- **Human capital** — worker safety, wellbeing, and adaptability.
- **Business model & innovation** — fragile supply chains, need for circular design.
- **Leadership & governance** — oversight of systemic, interconnected risks.

Understanding these dimensions helps translate ecological and social signals into financial terms.



Sector Examples of Risk

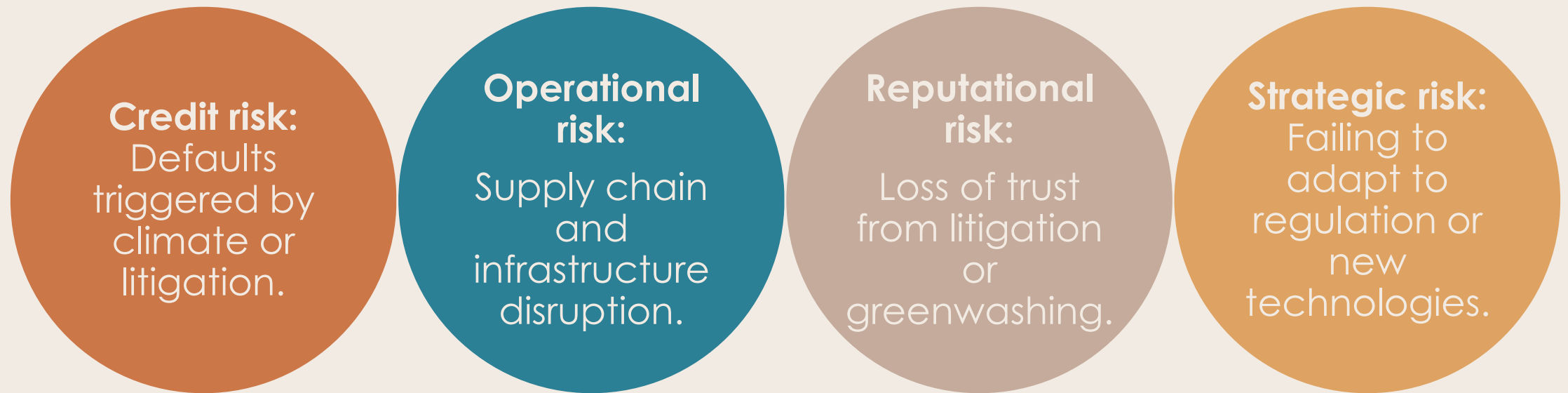
Sustainability risks manifest differently across finance:



Each shows how ecological and social disruption flows into balance sheets and trust.

Folding Sustainability Into Risk Frameworks

Sustainability risk is not separate — it belongs within existing risk categories:



By folding sustainability into enterprise risk, firms move from siloed reporting to real resilience.

The Time To Act Is Not Tomorrow — It Is Now.

Finance leaders can act today:

1. **Conduct a sustainability materiality assessment.**
2. **Integrate sustainability into board governance and enterprise risk.**
3. **Build strategic and transparent reporting aligned with relevant frameworks.**
4. **Upskill your people — sustainability is now part of every role.**

True partners with organisations to navigate complexity and turn sustainability risk into resilience and opportunity.

The time to act is not tomorrow — it is now.



Takeaway messages

Sustainability risks are:

- Non-linear and compounding.
- Interconnected across geographies, markets, and sectors.
- Material to business continuity, trust, and returns.

Embedding these insights into governance and reporting is foundational for resilience. This is not a parallel agenda — it is central to enterprise value.



True.

Thank You

Addendum – Sources

1. **WMO (2024)** – *State of the Climate 2023*: hottest year, +1.45 °C, ocean heatwaves, sea-level rise.
2. **IPCC AR6 (2021–23)** – Extreme event attribution, storm frequency, physical risk.
3. **Stockholm Resilience Centre (2023)** – Planetary Boundaries: six of nine breached.
4. **Munich Re (2023)** – \$100bn+ insured losses per year, tripling since 1980s.
5. **Jersey Finance Council (2024)** – Sustainability risk definitions and risk reports.
6. **SASB / ISSB (2023)** – Materiality Finder, IFRS S1/S2 standards.
7. **Bank of England (2015–19)** – Mark Carney’s *Tragedy of the Horizon*, stranded assets.
8. **World Economic Forum (2020–24)** – Global Risks Reports, GDP nature dependency (~\$44 trillion).
9. **OECD & FAO (2022–23)** – Food shocks and price volatility data.
10. **Potsdam Institute for Climate Impact Research (2025)** – *Seven of nine planetary boundaries now breached – ocean acidification joins the danger zone.*