

## Preliminary settings

### Context

A foundation for any of the next steps is first establishing the context in which you operate. A good way of looking at this is to consider both internal and external factors confronting your organisation.

#### Internal factors to consider

##### Map your internal stakeholders

*Is there a sustainability colleague or department?  
Who else would be good to involve?  
Who needs to be involved?*

##### Consider your governance structure

*Is there an important committee to influence/be part of? What are your reporting lines? Who are the key influencers or sponsors of risk and sustainability?*

##### Consider organisational culture

*Do you have to push this, bottom-up? Is the direction coming from the top management?*

#### External factors to consider

##### Map your external stakeholders

*Suppliers, customers, investors, but also since sustainability is broader this also means considering the communities you operate in*

##### Local, national, and international environment

*Rules and regulations, cultures and norms, etc.*

##### Your organisations industrial sector

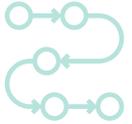
*For instance, if in energy is there a heightened scrutiny on environmental performance?*

Most of the risk managers we have spoken to have emphasised the enterprise-wide perspective they can take as being a foundational part of their sustainability approach. It is good to analyse and map out the key elements to your own organisation before looking outside of it. Risk should be aligned with the other sustainability related functions.

In several instances, we have spoken with risk managers who are also the head of their sustainability function. Wearing these two hats may be a good strategy. However, it also can come with pitfalls. Potentially the advantage of having a risk manager 'independent' from sustainability is that they can offer a different perspective.

We have also heard risk managers regularly mention the importance of 'culture', which is difficult to define but also – and crucially – hard to change. This is why it is important to establish the context and analyse the key people in your organisation to effect change in the realm of sustainability.

For external matters, the effect of changes in public opinion and policy, with EU and international goals for carbon neutrality, sustainable investments and social responsibility, are less specific. The effect on the business may be gradual or could happen all of a sudden (as in the case of the COVID-19 pandemic). These unforeseen events could be more serious in the long term.



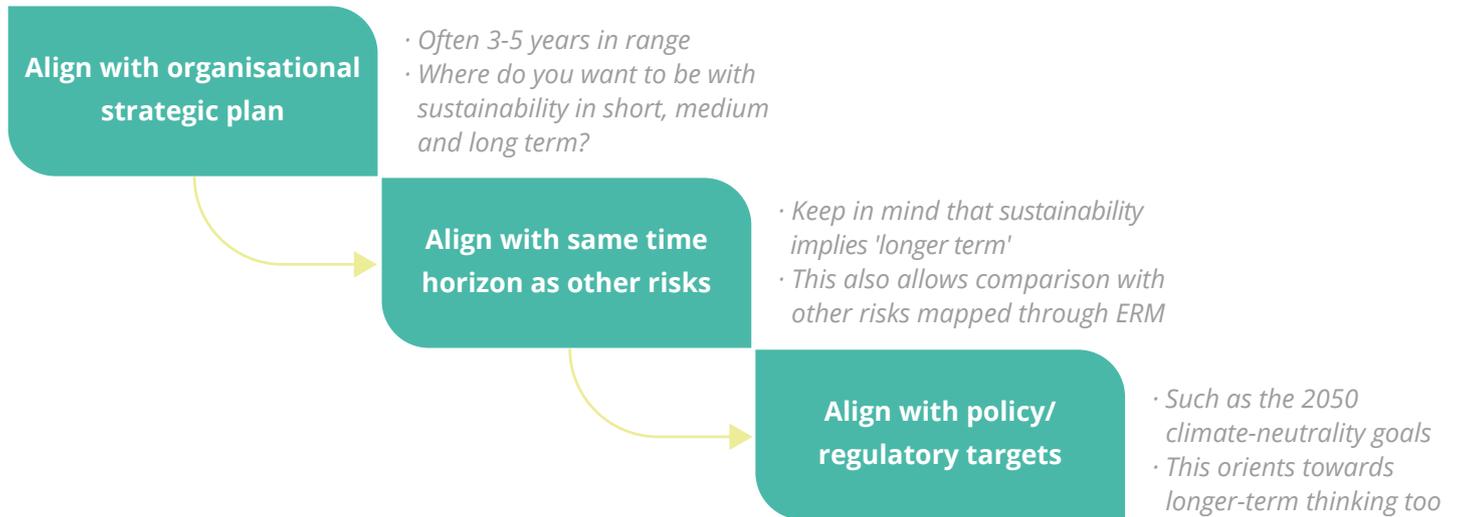
The impact of external factors – difficult to map and estimate - could be a 'reputational' risk for the company to be qualitatively evaluated by the management.

### Time horizon

It is important to analyse sustainability risks by their potential impacts on operations and strategic goals while applying a time scale. This is standard risk management practice, but for sustainability, the time element is likely to be more important

than for most fortuitous risks. This means a strong case for resource allocation will need to be made.

In the diagram below, we provide a visual idea of areas for consideration in setting the time horizon. Fundamentally, the sustainability approach should be aligned with the overall strategic plan of the organisation. You can try setting your horizon on sustainability risks the same as for other risks. The longer-term risks will likely be part of the company risk profile, but may not currently fall into the heat-map due to not being as immediate as other risks.



The time horizon is a necessary clarification to address the management discussion on which topics to focus attention and balance the expected impacts.