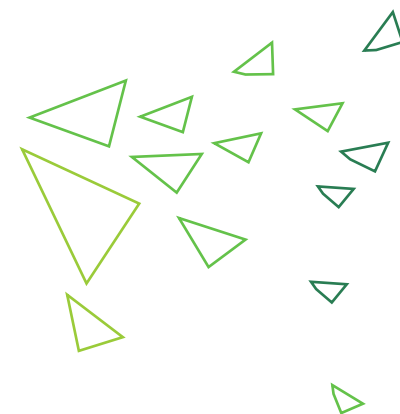


ResponsibleRisk in 2026

ResponsibleRisk helps financial institutions translate climate, nature, and transition complexity into decision-useful risk insight, trusted data, and practical action.



Sustainable Finance risk and transition briefing

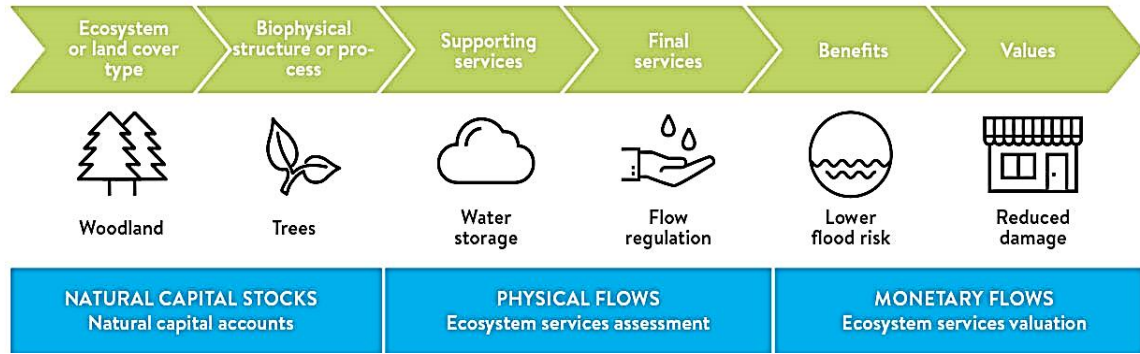
Richard Peers
Founder ResponsibleRisk Ltd

Strategic advisor across sustainable finance, transition risk, nature data
and market innovation

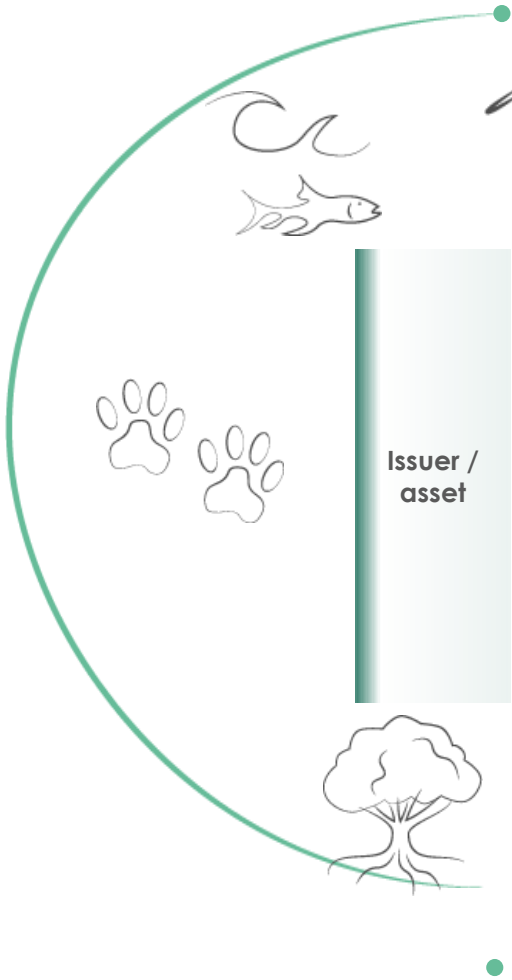
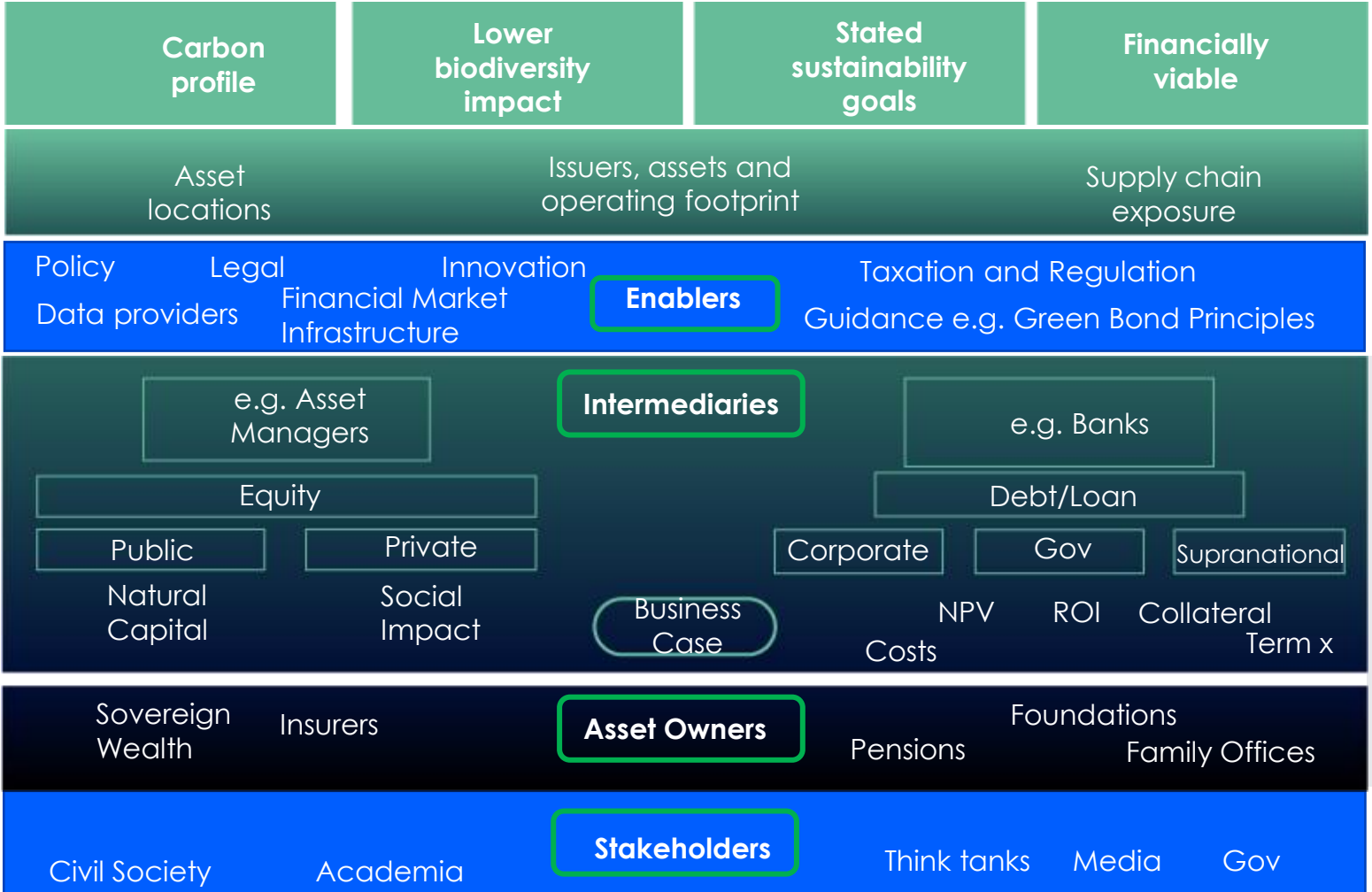
ResponsibleRisk

1

NATURAL CAPITAL IN ACTION



Issuer / asset



Climate Risk Is Now Mainstream Financial Risk 2026

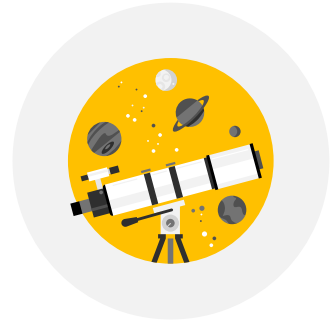


SFDR & ESG backlash



Why SFDR Is Under Review

In Nov 2025, the European Commission proposed SFDR amendments, aiming to simplify and better align EU financial product transparency rules with market realities.



What The 2026 Review Is Trying To Fix

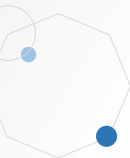
Current framework is too complex, hindering investor understanding/comparison. Review seeks more retail-friendly, usable rules for companies. EESC warns simplification must not weaken greenwashing safeguards.



Why This Matters Now

ESG debate now focuses on usability, comparability, transition credibility, and EU climate/energy alignment. EESC urges stronger transition-plan rules, including credible fossil fuel (esp. coal) phaseout per Paris Agreement.

Review focus: simpler disclosures, better comparability, stronger anti-greenwashing and transition credibility.



From COP26 Commitments to 2026 Execution

- The COP26 capital-commitment story showed that capital supply was not the only constraint. By 2026, the challenge is credible deployment at scale, with institutions expected to turn commitments into financed activity, resilient portfolios and evidence-based transition decisions.

(Source <https://www.gfanzero.com/press/amount-of-finance-committed-to-achieving-1-5c-now-at-scale-needed-to-deliver-the-transition/>)

- In 2026, the bottleneck is execution quality: comparable data, credible transition pathways, product design that channels capital effectively, and evidence that sustainability claims can withstand anti-greenwashing scrutiny from regulators, investors and clients.

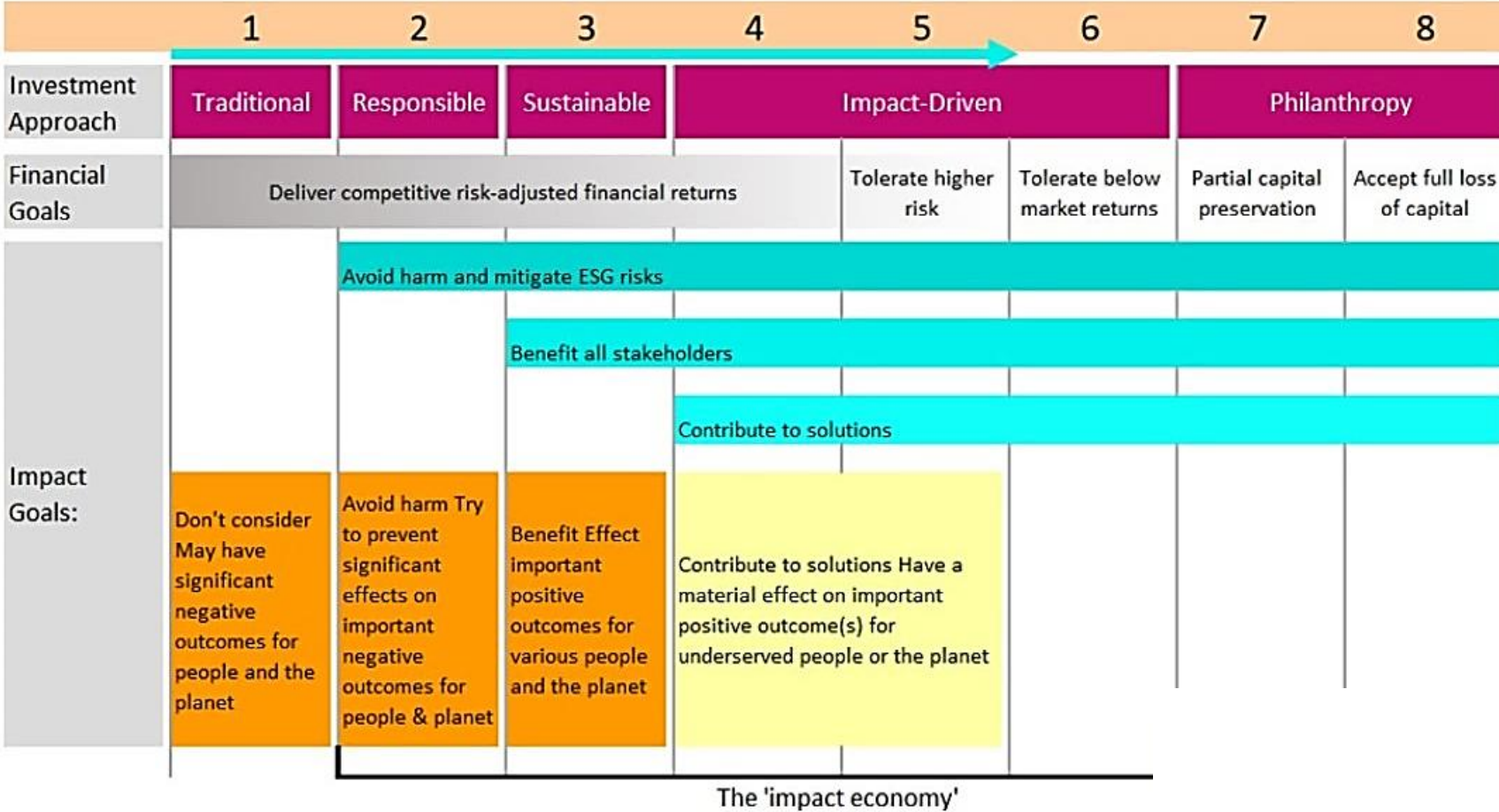


SFDR 2026

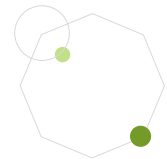
- **SFDR in practice:** Greater scrutiny of sustainability claims, with disclosures expected to be clear, consistent, and supportable.
- **ESG backlash effect:** Firms face higher legal, reputational, and regulatory sensitivity around vague terminology.
- **Implications:** Align product language with real data, governance, and investment process.
- **Bottom line:** In 2026, credibility matters more than branding.



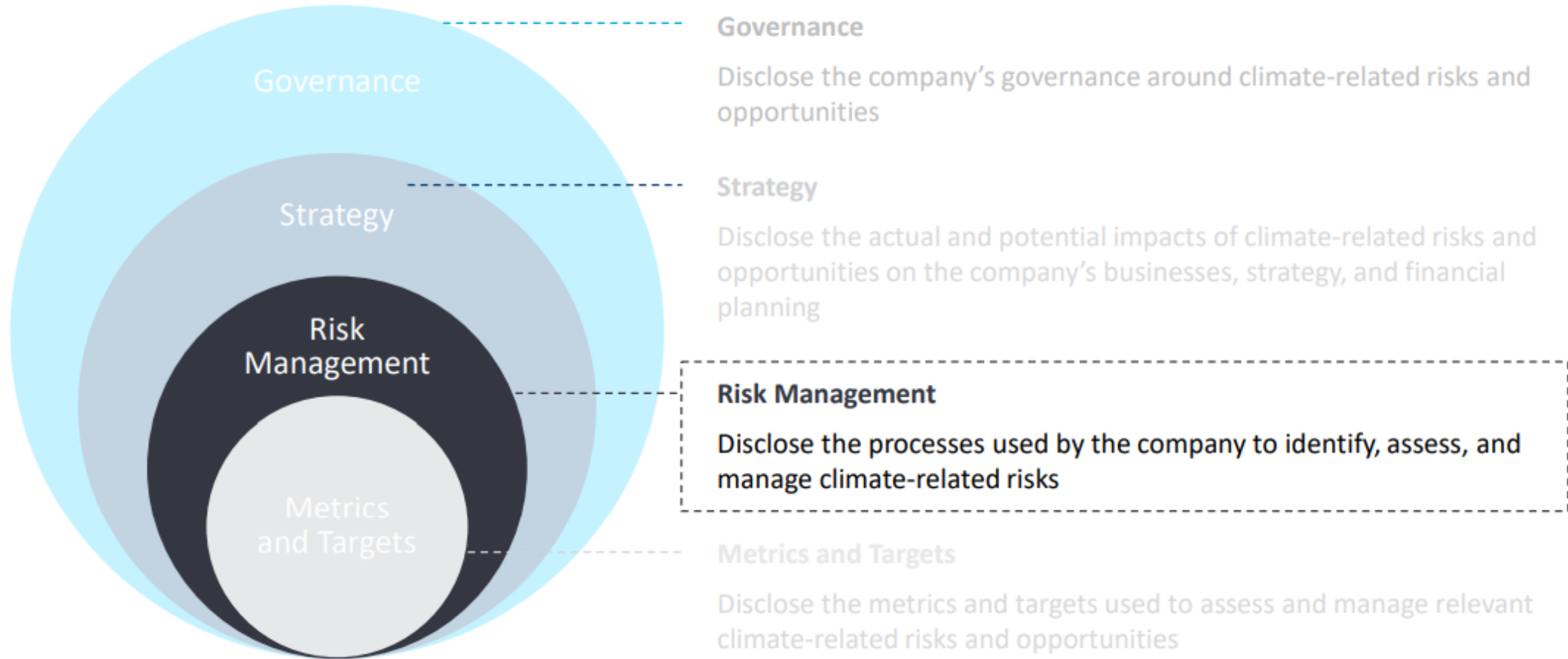
The Spectrum of Capital in 2026



Source: *The rise of Impact: Five steps towards an inclusive and sustainable economy.*
 UK National Advisory Board on impact investing 2017 &
 Impact Management Project 2017



From TCFD to a Broader Reporting Landscape



A Focus on Financially Material Risk and Opportunity

Governance

Board oversight should make climate- and nature-related risk and opportunity visible in governance, strategy and executive decision-making.

Governance should support enterprise risk integration, financial reporting discipline and oversight of policy, controls and regulatory expectations.

Strategy

Strategy should show how climate and nature affect value creation, resilience and value-at-risk.

Capital allocation should reflect transition pathways, portfolio resilience and risk-adjusted returns.

Financial planning should incorporate scenario analysis, management actions and changing cost of capital.

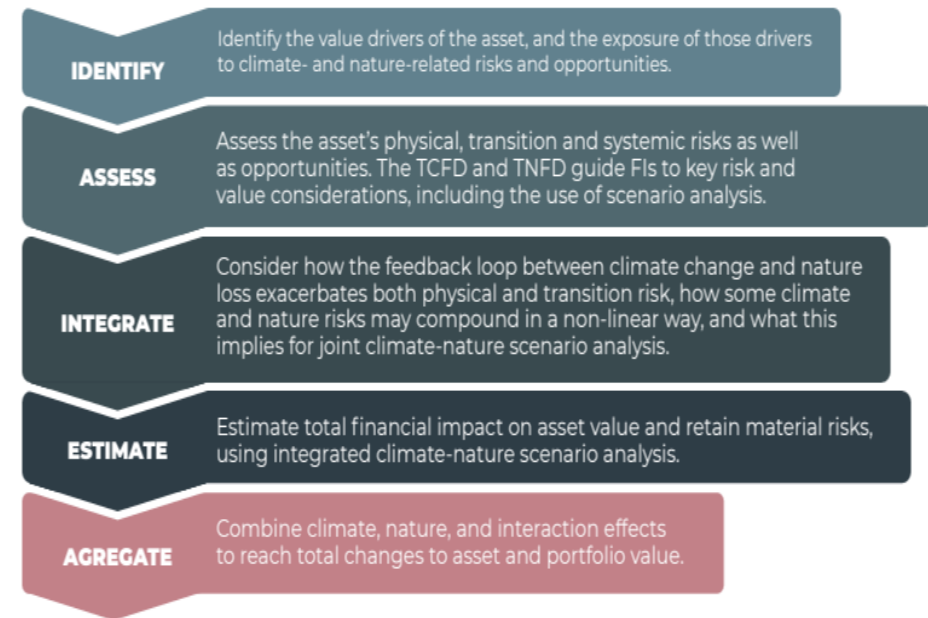
Corporate strategy should connect product design, research, acquisitions and transition execution to real-economy outcomes.

Risk

1. **Identify value drivers and exposures**
 2. **Assess financially material risk**
 3. **Integrate climate and nature into enterprise risk management**
 4. **Estimate total financial impact**
 5. **Aggregate and Monitor retained material risk**
- Show how climate and nature interact with financial, legal, operational and reputational risk

F4B TRANSITION FRAMEWORK: A CURRENT EXAMPLE OF DISCIPLINED TRANSITION PLANNING FOR FINANCIAL INSTITUTIONS

Figure 1 | Five-step process to assess climate-nature opportunities and risks



Source: Adapted from Accounting for Sustainability (A4S, 2021). Essential Guide to Valuations and Climate Change, and NGFS (2021) Biodiversity and Financial Stability: Building the Case for Action

Why Historic Models Alone Are No Longer Enough

Actuaries

Historic data remains valuable, but on its own it is no longer sufficient for 2026 risk assessment.

Physical and transition risk are reshaping loss patterns with greater speed, correlation, and uncertainty than historic datasets alone can capture.

Forward-looking scenarios, exposure data, and dynamic signals now need to sit alongside actuarial history.

Risk Managers

Risk managers still use actuarial models, but 2026 decisions require them to be complemented by forward-looking transition and physical risk analysis.

Where models rely too heavily on known historical risk, transition exposure can be mispriced, and resilience investment can be penalised.

Decision-useful risk management now depends on integrating scenarios, location intelligence, and changing policy and market signals.

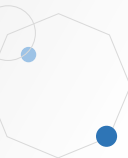
Compliance

2026 compliance functions should help institutions challenge stale assumptions and strengthen decision quality.

Better governance means aligning policy, evidence, and controls with current climate and transition realities.

Supervisory expectations increasingly favour transparent methodology, robust challenge, and decision-useful documentation.

The objective is not more process for its own sake, but better decisions and more credible risk management.



From disclosure adoption to decision-useful sustainability intelligence

The spectrum of data

Figure 12

Implementation Path (Illustrative)



2018
No data

Financial Only

Missing ESG/Impact

2020-24
Self Reported historical data

Potential Green washing

Low number of firms reporting annually

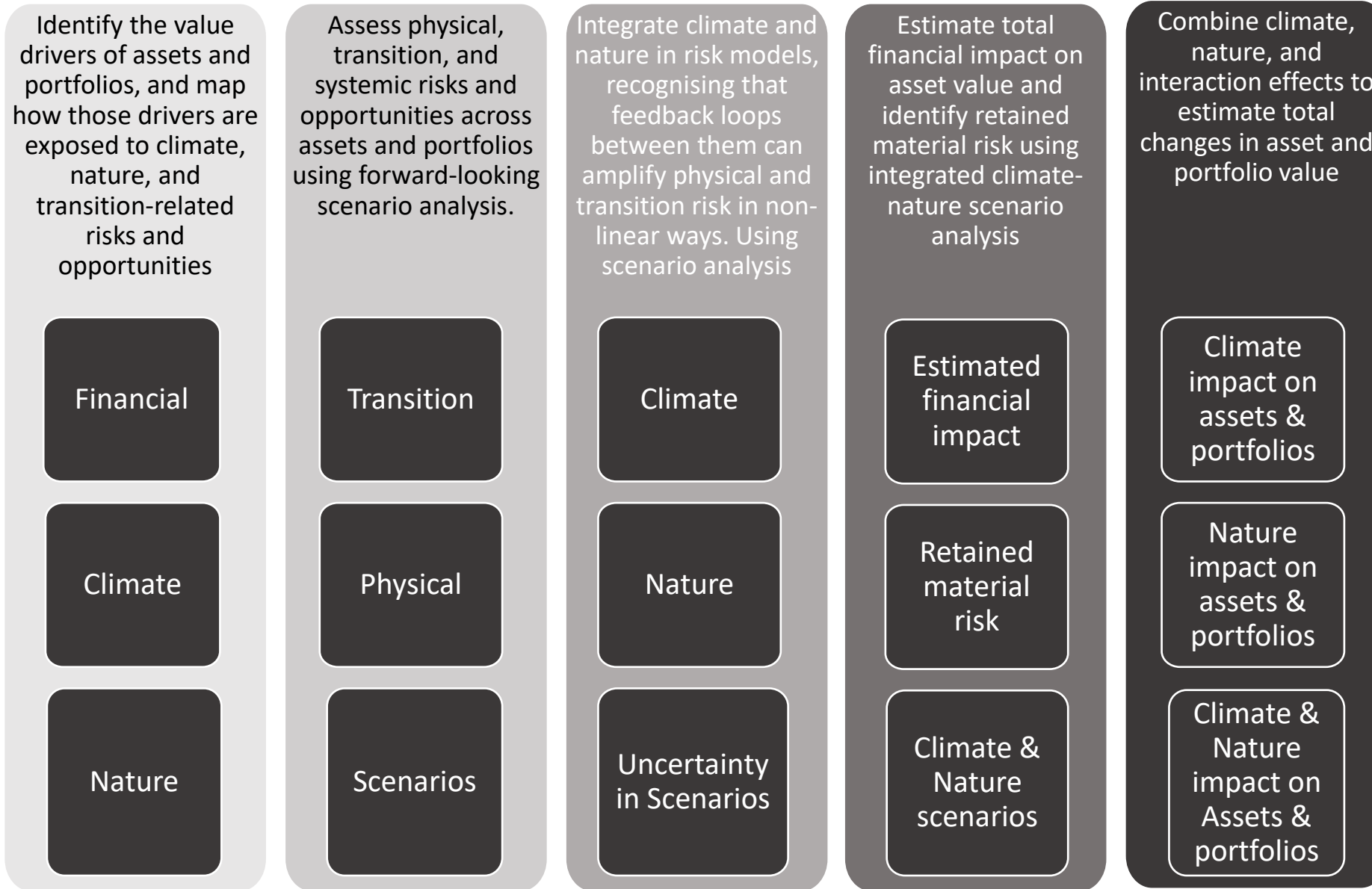
2025/Future
Independent Real time and predictive data

Potential to scale and verify claims

High number of firms with high frequency

From Disclosure Maturity to Decision Maturity

Risk Management



The Solution: Insight + Trusted Action = Impact

Insight +

Data must become decision-useful, actionable insight.

Digital transformation turns fragmented inputs into usable intelligence.

Shared data and metadata create comparability and context.

Metadata makes results traceable, explainable, and reusable.

Trusted actions

Insight must support actions that users, regulators, and markets can trust.

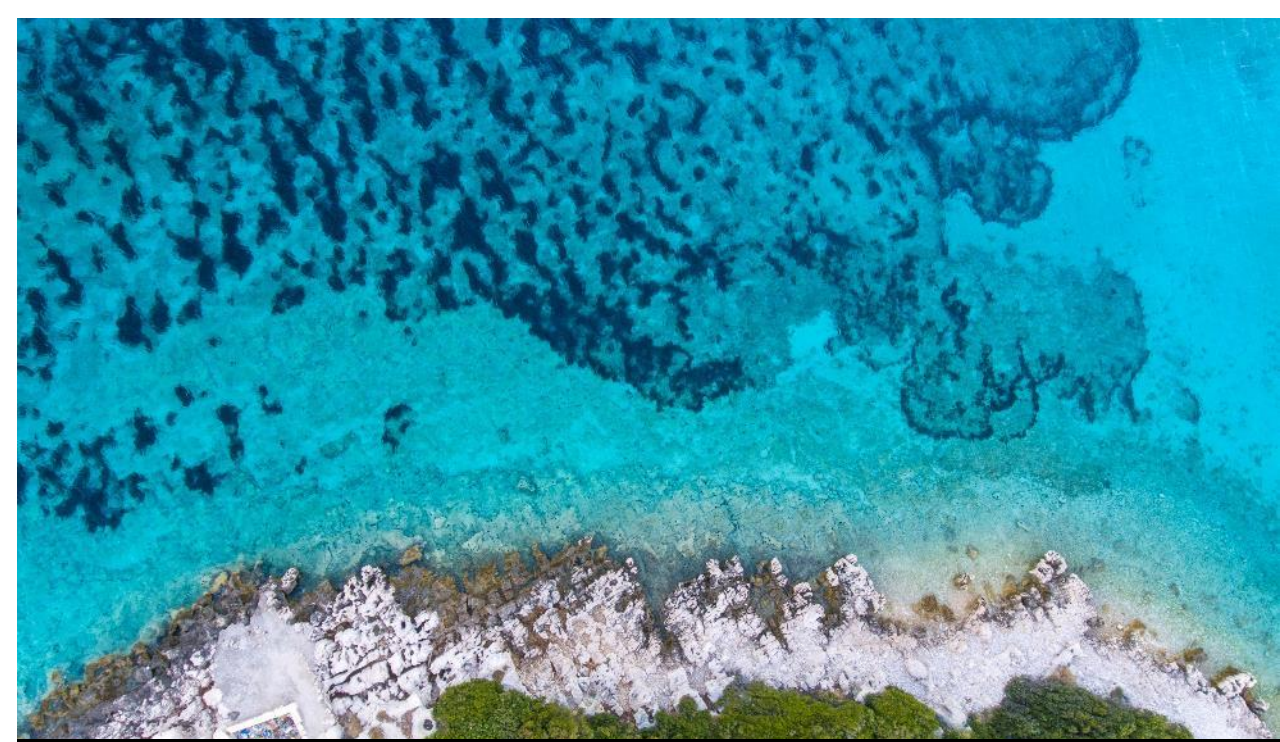
Transparency of methodology, regulatory oversight, and science-based evidence build confidence.

= Impact

Trusted action must drive measurable real-world change and transition outcomes.

Forward-looking risk pricing, capital allocation, and circular economy decisions turn trust into impact.





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- Finextra:

Appendix

A Focus on Financially Material Risk and Opportunity



Reporting

EU amendments will cut companies reporting in 2028-2029.



Liability

Late-2025: EU CS3D amendments narrow liability, compliance scope.



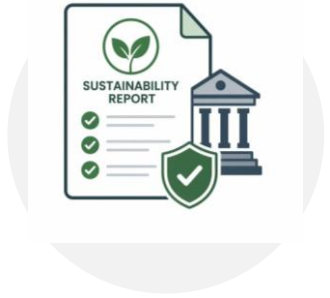
Operational exposure

Affects EU, non-EU firms, financials, global supply chains.

Assess thresholds, exemptions, applicability, reporting, due diligence.



2026 Risk, Transition, and Nature Snapshot



CSRD

Amendments simplify reporting.



CS3D

Agreed amendments narrow scope and change due diligence expectations.



SFDR

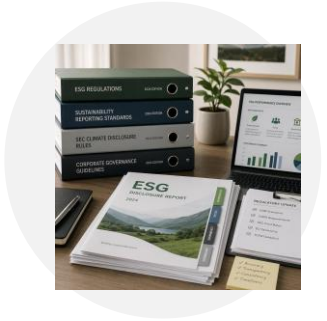
Proposal simplifies framework; aligns w/ market.

Deforestation:
Implementation of the EU Deforestation Regulation was delayed.

Carbon border measures: The UK introduced new legislation governing carbon border adjustments.



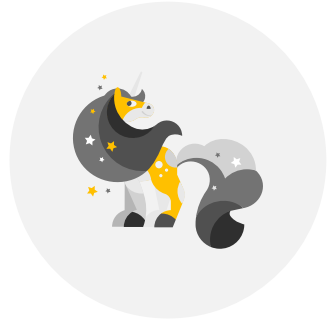
Why Historic Models Alone Are No Longer Enough



Historic approach

Static ESG frameworks assumed steady disclosure/classification expansion. Historic models expected more disclosure to improve decisions.

Disclosure alone no longer delivers clarity.



2026 reality

The current framework has often proved to be too long and complex.

It is difficult for investors to understand and compare products.

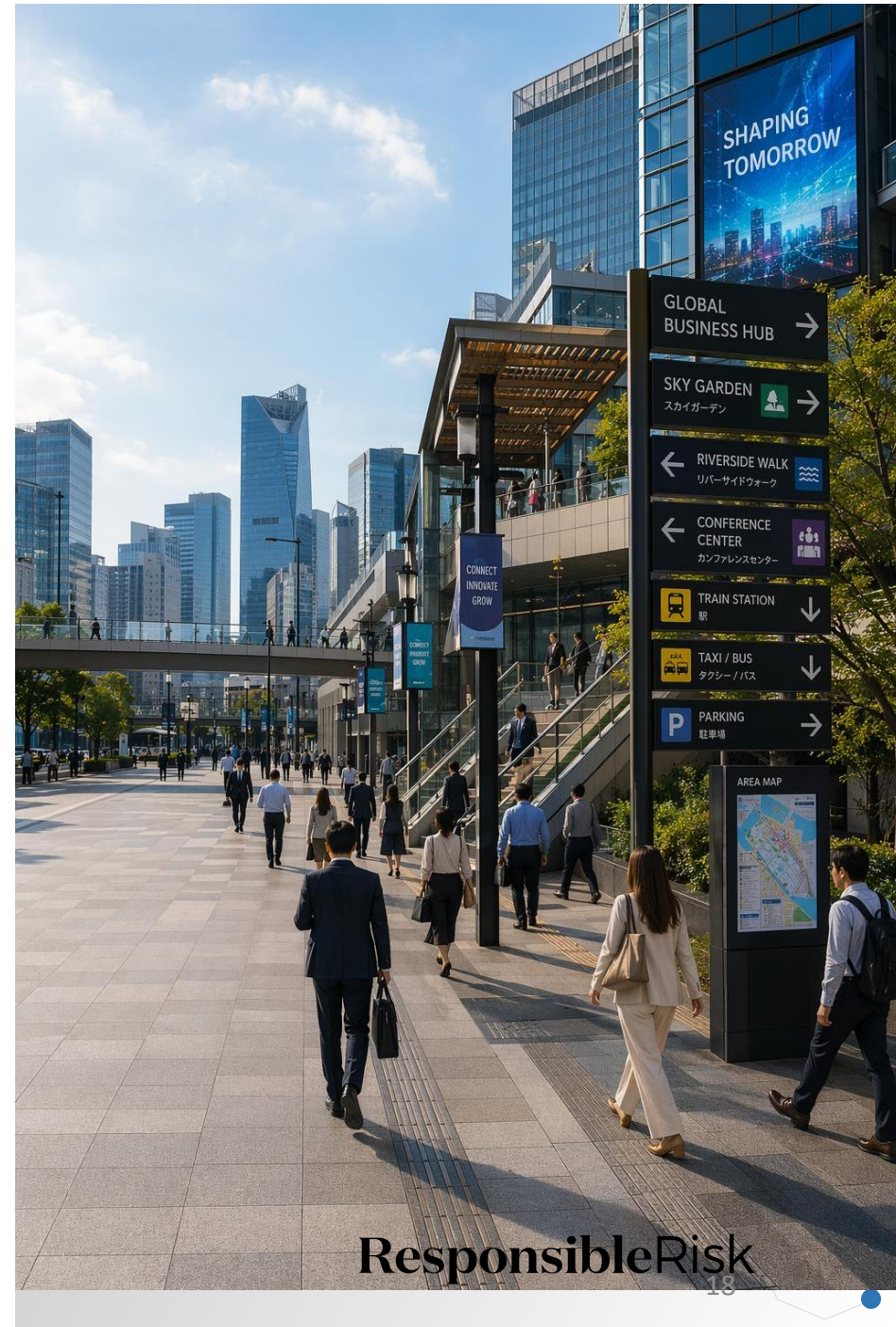
Complex rules reduce comparability for investors.



2026 reality

Rules: efficient, transparent

Simplicity and accountability now matter more.

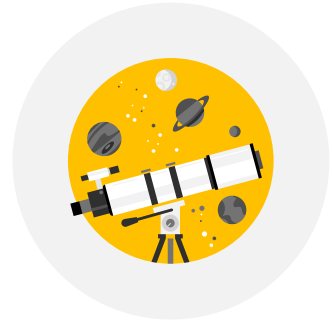


Integrated Climate & Nature Risk



Climate

Climate-related reporting for listed companies continues to expand across jurisdictions.



Nature and Supply Chains

The delayed implementation of the EU Deforestation Regulation and the continuing evolution of due diligence regimes show that nature, sourcing, and supply-chain exposure remain part of the sustainability risk agenda.



Integrated Management

In practice, companies need to assess reporting, due diligence, carbon border adjustment requirements, and global supply-chain exposure together rather than treating them as separate workstreams.

An effective response links climate disclosure, nature risk, trade measures, and supply-chain due diligence in one management view.

