

Navigating ESG and Climate Headwinds

Strategic Narratives for Financial Sector Boards

Navigating ESG and Climate Headwinds: Strategic Narratives for Financial Sector Boards

The net zero transition and the sustainable finance agenda are facing [mounting ideological challenges and growing regulatory uncertainty](#).

Companies and investors are navigating disruptive policy rollbacks, both real and proposed, across the US and EU, as well as increasing political fragmentation in these markets and the UK.

This is reflected in [populist rhetoric framing net zero as “impossible” without unacceptable public cost](#), proposed US legislation aimed at “keeping politics out of your portfolio,” and operational disruptions—such as Spain’s recent energy blackout—being used to question the viability of renewables.

In response, companies are withdrawing from net zero alliances and climate engagement initiatives, [including Climate Action 100+](#) and the Glasgow Finance Alliance for Net Zero (GFANZ), and are actively reassessing their positioning. This is happening despite financially material climate and nature risks continuing to grow in severity and frequency.

For financial institutions, these signals matter. They influence public sentiment, investor expectations, and internal strategic alignment. More critically, they challenge the social licence and clarity boards need to steer long-term, sustainable value creation.

This guide is for finance sector NEDs who want to sharpen and communicate their strategic, business-focused approach to climate and ESG.



“With growing challenges and complexity in the climate debate across business, regulatory, political and societal audiences, it’s very valuable to give practical guidance to financial services NEDs, so they can be more effective contributors to that debate.”

– Non-executive director, international bank

The Case to Hold Firm

When navigating contested territory like ESG and climate finance, holding firm starts with clarity. Unless leadership teams and boards share a clear understanding of which specific ESG, climate, and sustainability frameworks, tools, and strategies are in use—and why—it becomes harder to show strategic direction when pressures mount.

Take ESG as an example: does it refer to environmental, social, and governance factors affecting corporate performance?

A strategy aimed at positive sustainability outcomes? A dataset, a rating, or a framework encompassing all the above?

For financial services boards, clarity around the approaches being applied—whether in investment, lending, risk management, or disclosure—equips directors to focus on what matters: building long-term resilience and maintaining strategic intent.

The material risks of retreating from ESG and climate commitments are substantial:

- Supervisory pressure: [Financial regulators](#) increasingly expect climate and nature risks to be integrated into core business strategy and risk management.
- [Re-energised stakeholders](#): From asset owners and NGOs to [climate-conscious retail customers](#), demand for meaningful climate action remains strong.
- Missed market opportunities: Green lending, sustainability-linked credit, and climate tech are [growing revenue streams](#) as companies innovate to meet evolving standards such as [energy-efficient buildings](#). The greater opportunity, however, is building long-term resilience in a secure economy.

Many financial institutions recognise this. While some continue to lead, others are grappling with how to express their strategies in ways that stay focused and credible. This is where clear strategic narratives come in.

Why Narratives Matter

Narratives underpin all communications. They are strategic assets. Repeated messages, shared across departments, leaders, and platforms, which create coherence and credibility. They help institutions hold firm in uncertainty and signal long-term strength to investors, regulators, and the public. Leading to coherence between institutions, creating enough stability to underpin sector-wide momentum.

Non-executive directors are well-positioned to question, challenge, and clarify. They can also champion a future-ready vision, rooted in resilience and strategic opportunity. Defining the narrative can help solidify this for all stakeholders, both within a board, organisation, and beyond.

From Defence to Strategic Positioning

Embedding climate and nature into business strategy is a prudent risk management imperative and shock resilience opportunity. But to make that case, boards and their leadership teams need a strong, individually tailored, business-focused narrative.

Narratives do not emerge on their own. They need to be developed and agreed. It can help to use a simple framework to form and structure a robust narrative, focusing on the following elements:

1. Common Cause

Articulate shared values and interests across diverse stakeholders. E.g. align climate strategy with long-term prosperity, competitiveness, and national interest.

2. The Problem

Be specific and honest about the problems the company is currently facing, including the risks of inaction—from stranded assets to regulatory breaches to social instability. Remember why you set out on this path in the first place—you identified a business need based on evidence, go back to that original need, re-examine it in the current context, and build from there.

3. The Solution

Outline positive, concrete, and realistic visions of success. You might focus on resilient business models, trusted brands, and future-fit talent. To do justice to this element, the board will need to engage in some foresight activities and agree a future destination that resonates with the organisation's goals and strategic direction.

4. The Call to Action

Create clarity around what comes next, offering ideas and pathways—whether it's enhancing disclosures, refreshing the strategy, or creating new products or partnerships.

5. Action

Incorporate time-frame details, including how action can or must sustain into the future. Extend the core narrative to demonstrate how it holds firm over that time-frame.

Realities in the Boardroom

During a recent workshop, board directors practised shaping narratives using fictitious case studies and the five narrative-building elements shown above. Abstract but relatable scenarios enabled bold, strategic thinking rooted in real boardroom tensions. This method encouraged expansive, open discussion—vital for shaping resilient, shared narratives that support long-term corporate action. Insight into that discussion follows.

Case Study: Too Green, Too Soon?

*At **ABC Bank** a leading UK lender, bold climate finance plans have sparked backlash. Shareholders accuse the board of “activism.” Politicians denounce “woke banking.” Carbon-intensive clients are leaving. NGOs allege “greenhushing.”*

*The risk? **Overreach**—advancing climate goals ahead of stakeholder readiness. The board must reframe its narrative to link climate action to core banking value, avoiding isolation on either flank.*

Through this fictitious challenge, board members explored and debated authentic, realistic, and robust building blocks for a strategic narrative in the financial sector. The following insights emerged:

Common Cause

- Climate strategy is not activism—it’s long-term stewardship.
- Green assets perform; brand trust matters—especially to younger generations.
- UK banks face a regulatory and market shift that can’t be ignored.

Problem

- Mixed signals: shareholders push back, politicians lash out, clients exit.
- Internal misalignment on strategy and risk horizons.

Solution

- Reconnect climate action to financial value—balance sheet resilience and lending growth.
- Tailor narratives to each audience: investors, regulators, clients, staff.
- Align internal teams via cross-committee dialogue and practical frameworks.
- Reference real-world success stories to ground ambition.

Call to Action

- Reaffirm commitment to long-term sustainable growth grounded in fiduciary duty.
- Equip the CEO to unify messaging and direction.
- Speak confidently—cautious ambition reflects the UK’s economic reality.

Action

- Host strategy sessions across Audit, Risk, Sustainability, and Commercial.
- Reframe investor conversations around UK-focused opportunity.
- Focus on 5–7 year horizons to demonstrate near-term value.
- Embed sustainability into talent, incentives, and product design.
- Strengthen internal and external messaging to reduce confusion and resistance.

The workshop focused on developing internal alignment around a strategic narrative to support clear, consistent and robust external communication.

It was a great opportunity to build NEDs' confidence and credibility to shape climate and sustainability actions across financial services businesses"

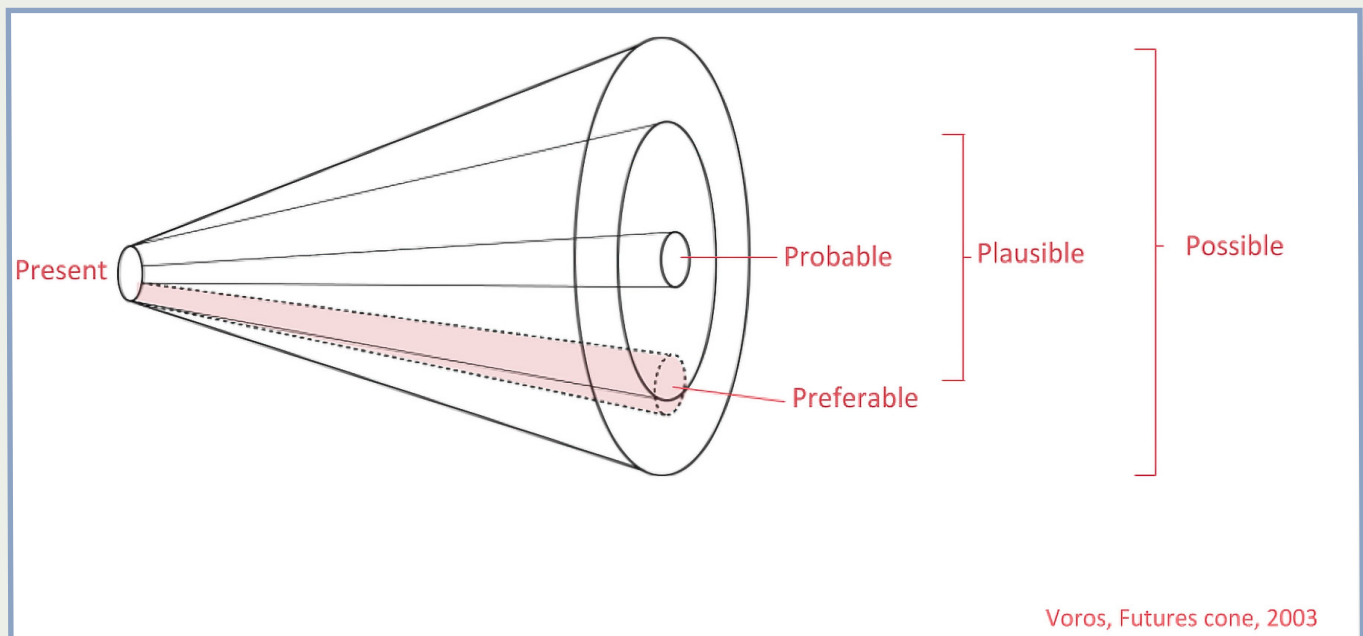
– **Non-executive director, international bank**

"NEDs have an important role to play in helping their firms effectively navigate the current regulatory environment. By understanding evolving regulatory developments, NEDs can provide critical strategic steering and support to the executive team."

–**David Carlin, Chapter Zero Fellow**

Building Resilience in Complexity

What can financial sector boards do now?



- Use the cone of possible futures for scenario planning: Anticipate different future scenarios and pathways, from climate policy and green industry acceleration to backlash escalation. Which future does your board want for your organisation? How do you make this future 'real' in the present, in a way that gives clarity to your executive teams and other stakeholders?
- Develop response plans: How will your institution adapt if certain regulations are paused—or accelerated? If ESG is politicised further? If stakeholder trust is lost? If physical climate risks accelerate faster than anticipated?
- Build internal alignment: Use scenario planning and narrative development to get boards, execs, and staff pulling in the same direction. This is about staying true and transparent about why you are acting, the rationale behind your responses, and the pathway you are on.
- Tell your story: Use every opportunity—reports, AGMs, public statements, transition plans—to position climate and nature action as good for your business, specifically how and why.

Nature Narratives for Financial Institutions

An example to help bring narrative to life is nature.

The business case for nature regeneration isn't always immediate or obvious—especially in financial services, where direct exposure can seem less tangible. But reframing it through the lens of core financial priorities—such as credit risk, insurance losses, asset value stability, or regulatory expectations—makes its relevance clearer.

For example:

“If soil degrades and biodiversity collapses, agricultural productivity declines. Insurance losses rise. Food price volatility increases. Nature loss isn't an externality—it's a material financial risk.”

This positions nature as essential economic infrastructure, rather than solely a moral cause or optional ESG commitment. Particularly where legal duties or supervisory mandates don't yet explicitly require action, and where nature-related data is still emerging.

Not every board member or stakeholder will be persuaded by environmental science or ethical arguments. But a strong narrative connects to shared concerns:

“We might not all agree on why biodiversity loss matters—but we do agree we don't want to be blindsided by new regulation, asset repricing, or reputational and legal damages linked to financing the destruction of critical ecosystems”

Framing the issue this way opens space for strategic alignment—even amid ideological differences.

While the financial case isn't “proven” in every line item today, a well-shaped narrative helps boards view early action as financial prudence, not just risk. It ties action to fiduciary duties: *“We're stewards of long-term value—not short-term optics.”*

Reflect on your company's narrative: do you know it? Is it clear? Does it express future-readiness?

If not, it's worth taking the time to ensure it is clarified and aligned with your company's purpose, strategy, and long-term priorities. A clear narrative is a key feature of long-term resilience—helping your company stand firm and rooted as political, cultural, and market winds shift around you.



Join your local Climate Governance Initiative Chapter for further events and support



The guide draws on insights from a narrative building workshop delivered during London Climate Action Week 2025 by Suzy Glass, Co-CEO of BRAE for non-executive board directors in partnership with the Climate Governance Initiative and Chapter Zero. Thank you also to Chapter Zero Fellow David Carlin and Lucy Parker, Senior Advisor, Brunswick Group, for their contributions.

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