



Accelerating resilient, future-fit finance from the boardroom:

Insights from FS NEDs and
sector experts

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Summary of a group discussion held November 2024

The transition to a low carbon, climate-resilient economy is both a strategic necessity and a significant opportunity. In terms of making this transition a reality, financial services firms have significant agency as their decisions have outsized impacts across economies.

At the same time, the global financial sector faces growing climate-related risks, particularly in investment, lending, and insurance portfolios. Significant physical and transition impacts are materialising, with the Climate Policy Initiative estimating that \$8.5 trillion will be needed annually between now and 2030 to support global transition needs.

In this context, financial sector (FS) board directors are grappling with the risks, opportunities, and impacts of climate change on their companies. Given the sector's deep connections to businesses and households, its actions will significantly influence, and largely drive, wider economic and societal resilience.

It is therefore essential that financial sector boards – across investment, lending, and insurance, are equipped and feel motivated to lead on climate from the boardroom.

Launched with the support of Generation Foundation, the Climate Governance Initiative (CGI)'s Financial Sector Programme and Chapter Zero's UK Financial Sector Community Programme, are both working to support FS boards.

"I am delighted to welcome the programme, which will enable board members to better address the risks, opportunities, and impacts of climate change. The programme will continue to work closely with the CGI Financial Sector Steering Committee and help to expand the work of the Financial Sector Hub; providing further opportunities to engage and convene expertise across our networks and beyond."

Lucyna Stanczak-Wuczynska, Chair of CGI's Financial Sector Hub and Chair of the Supervisory Board of BNP Paribas Bank Polska

FS NEDs and industry leaders debate routes to change

In November last year, CGI and Chapter Zero hosted a dinner with NEDs and industry leaders from the FS community to explore barriers, enablers and opportunities for the financial sector to accelerate the climate transition and secure sector resilience. The discussions were rich and wide-ranging, drawing on perspectives from across the FS community both in the UK and internationally.

Three key routes to change emerged from the discussions: **financial, behavioral, and systemic**. CGI and Chapter Zero will continue to explore and consult on these, but here is what we heard from FS NEDs and other experts at the dinner.

Financial

Participants acknowledged the growing focus on climate risks and opportunities across the sector while also feeling that most organisations had not yet moved beyond the ‘easy to do’. Firmly entrenched corporate finance norms, including in areas such as valuation methodologies, investment and performance evaluation horizons, and remuneration practices remained critical barriers to scaling finance for the transition.

Definitional, classification and integrity concerns were also holding back transition finance (see Chapter Zero’s forthcoming briefing on ‘Transition Finance: A Strategic Imperative for Boards’ for a deeper exploration of transition finance). Some organisations have been reluctant to be the ‘first movers’ in breaking from these norms.

Many participants saw universal asset owners with significant decision-making agency, and whole-of-economy financial exposure over inherently long horizons, as candidates to lead change. They also called out the potentially catalytic roles of additional stakeholders, such as private equity firms, public financial institutions and blended finance structures.

NEDs in organisations with such outsized agency could therefore play a particularly important role in accelerating change and challenging the executive to be bold. A stronger focus on “real world” scenarios – i.e., scenarios that better capture cascading socioeconomic, political, business and financial risks as the planet warms, could help such organisations to maximise the opportunities and mitigate the risks over the longer term.

“As financial non-executive directors, we have a responsibility to leverage our expertise to address the defining challenge of our era—climate change. By sharing knowledge and best practices from across geographies and different financial institutions, we can inspire boards to integrate sustainability into their financial strategies, demonstrating that profitability and environmental stewardship go hand in hand.”

Emma Houterman, Investment Director, British International Investment; Chief Financial Officer, SolarDuck, Netherlands

Behavioural

Many participants highlighted the often-overlooked cultural and relational dimension of acting on climate change, particularly between the executive and the board. It was observed that individuals often find it difficult to visualise and engage with different possible futures, resulting in a bias towards incremental rather than transformational change.

However, it was argued that NEDs have an opportunity to lead from the front in this regard due to the duties around long-term strategy and resilience. They can do so by embedding a transformation mindset within their organisations and building the courage and knowledge to challenge the status quo. They can also work with the executive to adopt effective governance, risk, audit, remuneration structures and cultural approaches, cultivate strong decision-making, critical judgement and influencing skills within the organisation.

This will help institutions and individuals navigate the increasingly difficult influences and trade-offs that many organisations are entering as we move from plans to implementation.

“The important shift is to ensure that climate becomes embedded in investment and strategic decision-making – it’s not about regulation, but it’s about how you run your business for the future. By ensuring that every paper that comes to the board highlights how initiatives are not only performing in financial terms, but also how they are contributing to decarbonisation and net zero goals, it changes the nature of the conversation and the frame of what is possible.”

Often, as a board or as an individual director, you’ve just got to make a start as the biggest catalyst is actually doing things, and then doing more – this is the way I’ve seen behavioural change in action.”

Carol Bell, Board member, Chapter Zero; Director, Football Association Wales; formerly Senior Independent Director, BlackRock Energy and Resources Income Investment Trust plc; former Non-Executive Director, Development Bank of Wales

Systemic

The discussion often returned to the need for a systemic perspective. All parts of the chain need to be pulling in the same direction and where they are not, effective strategic, stewardship and governance tools need to be available for boards and financial institutions to engage at a system level.

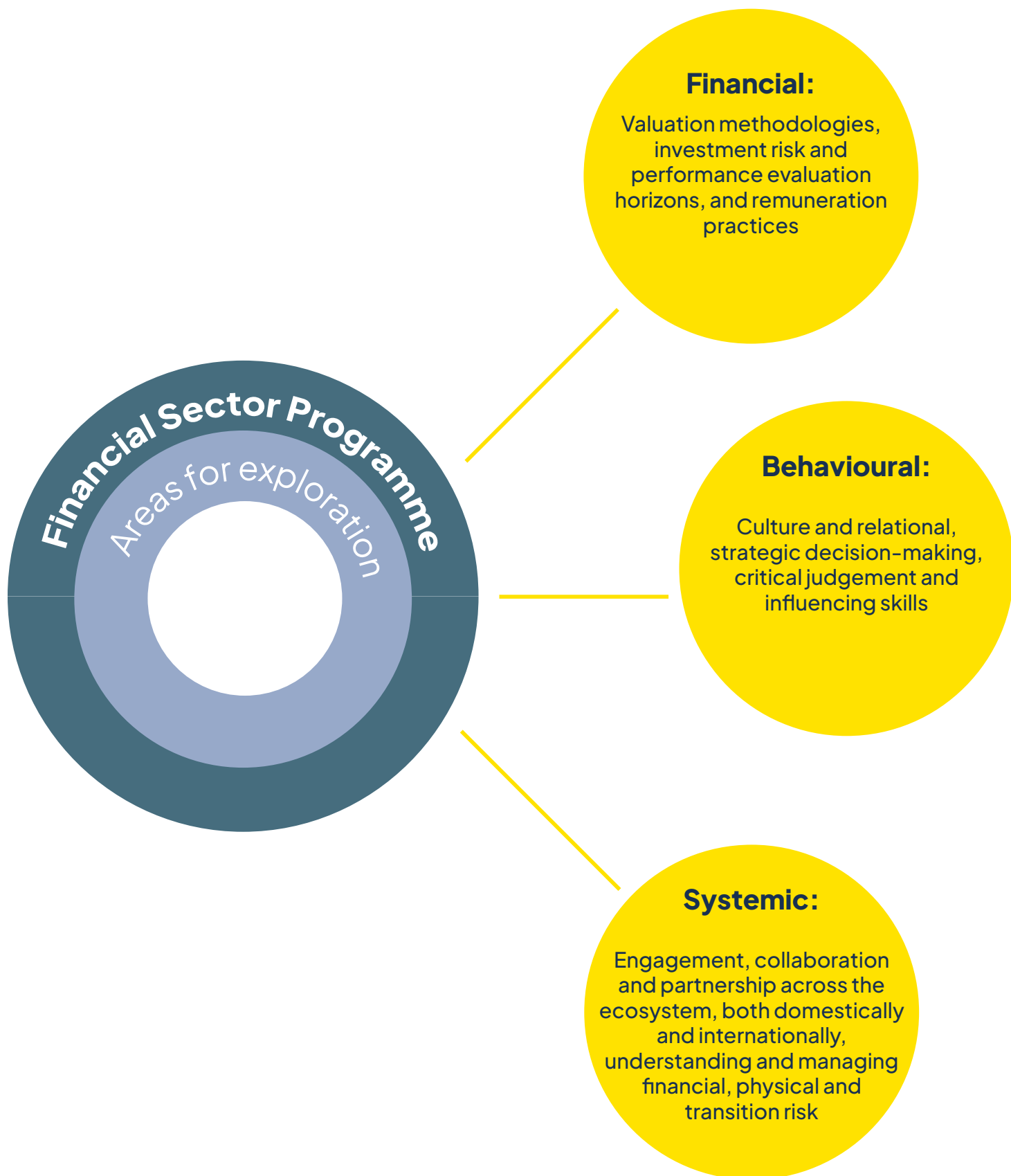
A supportive policy environment is a critical enabler, along with effective mechanisms for engagement, collaboration and partnership across the ecosystem, both domestically and internationally. Government, business, finance and civil society need to be able to come together in a trusted, constructive, conflict-free way that generates value for both shareholders and wider society.

For instance, in the UK context, the Transition Finance Market Review recommended the Transition Finance Council as a vehicle for such collaboration. NEDs can help to instil a systemic mindset within their organisations, challenging executives on how they are leveraging their agency within the ecosystem.

“The financial sector is operating in a changing ESG landscape. To ensure that momentum on climate isn’t lost, the attitude of stakeholders such as regulators is crucially important—clear regulatory expectations have been shown to help drive action forward. The Bank of England, for example, has been a real driver for change and demonstrated leadership in action—maintaining this matters.”

Similarly, individual leadership can inspire change across the wider system, with leaders at board and executive level putting their personal stamp on climate ambitions and bringing their organisations and others with them. All actors have a part to play—while government policy is crucial to enabling change, market challengers can help incentivise organisations of all sizes not to risk being left behind. Industry gatherings, like Chapter Zero’s FS Community, are ever more important in this context—providing opportunities to gather sustainability leaders together.”

Bruce Cannon, Non-Executive Director, RBS International; Non-Executive Director, The Environmental and Social Agency for Financiers



What now?

The themes set out above are a starting point for wider and deeper engagement across our communities, as we take forward the **Financial Sector Programme, launched with support from Generation Foundation.**

Globally

The Financial Sector team at CGI is in touch with several Chapter Leads and is looking forward to speaking to more of you soon. We wish to build our understanding of different regional contexts, identify which regions would benefit from a deep dive, and form impactful global partnerships.

In the meantime, we are developing content which we will continue to shape with the FS Hub Steering Committee and Chapter Network to ensure it is valuable, actionable and geographically relevant. Get in touch for a chat or keep an eye on the CGI newsletter and [FS Hub webpage](#) for more.

“The financial sector is faced with a range of complex climate risks and opportunities, as societies and economies transition towards net-zero. The pace and nature of transition and resulting impacts are manifesting differently across global markets, regional economies and sectors.

This programme presents a significant opportunity to engage both FS sector and real economy board members across the international CGI Chapter Network and beyond. The programme will enable knowledge sharing and develop practical guidance and solutions, to equip FS NEDs and trustees to navigate risks and opportunities and accelerate progress towards net-zero”.

Simon Bowen, Programme Director – Financial Sector Programme, CGI

In the UK

Launching the first financial sector regional deep dive, Chapter Zero’s UK FS Community Programme will equip and inspire NEDs representing firms across the UK financial services ecosystem to capture opportunities, minimise risks, and secure long-term resilience.

Working in partnership with the CGI FS Programme, the community will collaborate across the global network to enable peer sharing and learning. The UK FS Community is open to FS NEDs already within Chapter Zero’s membership, as well as board directors of FS firms keen to join and engage more on climate-related issues.

“Recognising the UK’s role as an international financial centre, the launch of this community in the UK can have impact beyond the UK’s borders – especially given the government’s commitment at the Chancellor’s recent Mansion House speech to deliver “a world-leading sustainable finance framework” in the UK. The launch also takes place against the backdrop of more ambitious UK decarbonisation goals, as well as innovative initiatives such as the Transition Finance Council and the National Wealth Fund and anticipated large-scale reforms to the pensions sector.”

Vicky Moffatt, CEO of Chapter Zero

Upcoming events

[Transition Planning for Banks \(14:00–13:00 CET, 12 February 2025\)](#) hosted by Financial Sector HUB and McKinsey

[Transition Planning Masterclass #1: Transition planning and your role \(14:00–18:00, 13 February 2025\)](#) hosted by Chapter Zero UK

[Transition Finance: A Strategic Imperative for Boards \(9:00–10:30 GMT, 27 February 2025\)](#) hosted by Chapter Zero UK

New events and guidance on a range of financial sector issues will be published across the year. Keep an eye on [CGI events](#), the [FS Hub](#) and follow us on [LinkedIn](#) for updates. To keep up to date with UK Financial Services Community Programme, head to Chapter Zero's [Financial Services Spotlight page](#) and [LinkedIn](#).

About The Climate Governance Initiative

The Climate Governance Initiative empowers board directors on every continent to take climate action by enhancing their knowledge and skills in climate governance. Our rapidly-growing network of Chapters in over 70 countries worldwide reaches more than 100,000 board directors.

About Chapter Zero

Chapter Zero is for non-executive directors and chairs who are integrating climate action into business strategy. Together with our network of expert partners we provide the most relevant information, stimulating events and practical toolkits to enable our members to become effective climate leaders. Our community supports each other through knowledge, challenge and inspiration.

