

NAVIGATING DILEMMAS AROUND CLIMATE- AND NATURE-RELATED RISKS: GARP's fashion scenario game



 12 minute read

Imagine:

You are on the board of a global fashion brand. Over the next five years, you will be asked to vote on major dilemmas the company is facing as they move towards a sustainable future.

Can you steer this board through a climate- and nature-positive transition?



Julie Baddeley, Chair,
Chapter Zero Alliance

“Working with scenarios is particularly important today, as boards try to navigate the complexities of geopolitical upheavals, economic uncertainties and the ever-increasing impacts of climate change and nature loss.

Predicting the future is increasingly hard, and decisions based on the status quo are likely to come undone. So, companies need to be agile, to test the boundaries of what might happen, to mitigate risk and capitalise on the opportunities of the transition. Scenarios are a way of testing plans against possible future events and looking at what might knock you off course. They should reflect radical but realistic possibilities. They do not attempt to predict what will happen but set out some best estimates of what might.

Scenarios allow boards to test their strategies against not just linear pathways, but future contexts where effects come together with, sometimes, unexpected outcomes, and to debate the best responses to ensure resilience and protect and enhance value.”

Climate scenario analysis

Climate scenario analysis is a vital way for boards to assess their strategy and support organisational resilience. Forward-looking non-executive directors (NEDs) can use scenarios to drive meaningful future-focused conversations about the implications of different warming outcomes, different paths for future decarbonisation, and different directions for policy and technology developments.

Alongside the strategic value of conducting robust scenario analysis, incoming regulatory shifts are likely to require organisations to do so. The International Sustainability Standards Board (ISSB) requires companies to use climate-related scenario analysis to assess their resilience to climate risks, as mandated by IFRS S2 Climate-related Disclosures; while banks and insurers are expected to do so under the Prudential Regulation Authority's (PRA) Supervisory Statement (SS5/25) on enhancing approaches to managing climate risks.



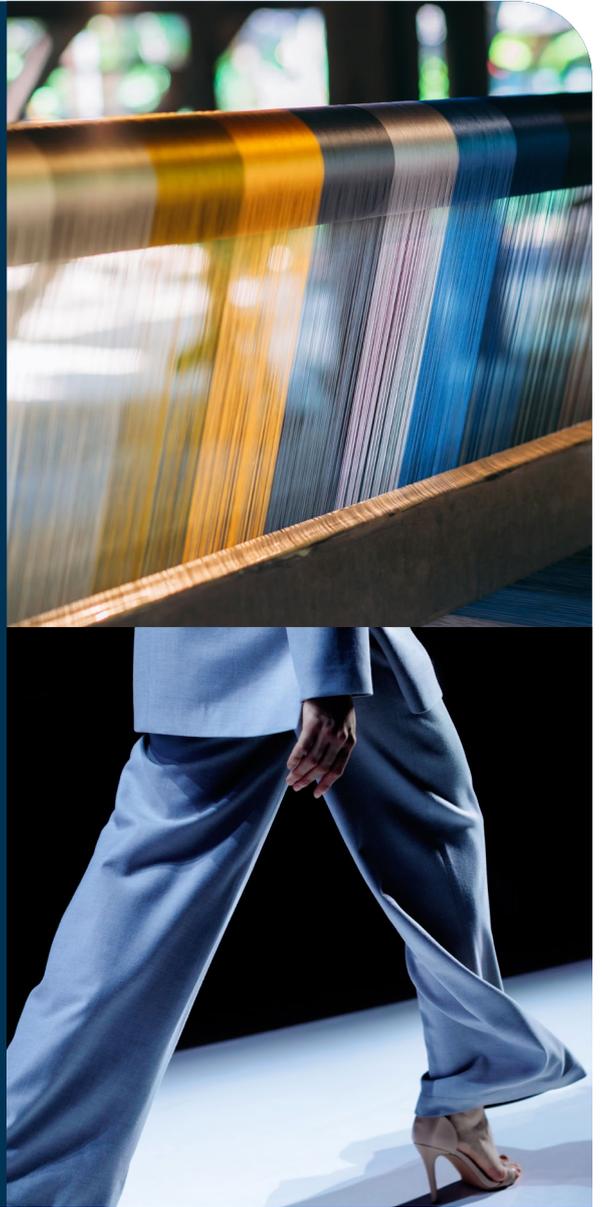
Interactive global fashion scenario game

On 26th February global non-executive directors participated in an interactive global fashion scenario game, a webinar organised by Chapter Zero and GARP (the Global Association of Risk Professionals) Risk Institute. Attendees acted as the board of a fictional fashion company – Blink, Plc. voting on three critical future dilemmas the company might expect to encounter over the next five years. Expert panellists (Nigel Brook Co-lead, Resilience and Climate Risk Practice, Clyde & Co; Catherine David CEO, WRAP; and Julie Baddeley, Chair, Chapter Zero Alliance) provided decision-making insights and observations on the outcomes of each dilemma within the overall scenario.

In each case, the nature of the dilemma, its ramifications, and the risks and opportunities inherent in the board's response are resonant beyond the fashion industry and are relevant to all sectors of the economy – as such these dilemmas can be a useful springboard for discussion in every boardroom.

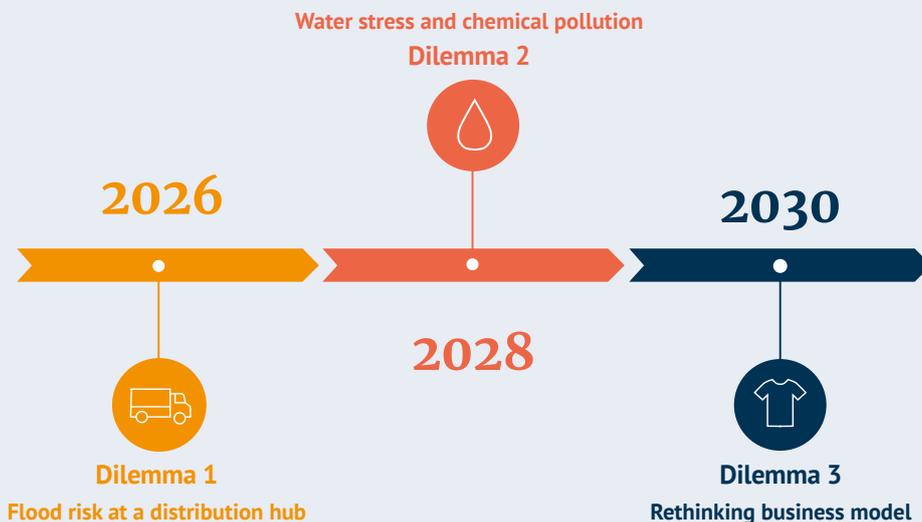
The session began with an introduction from Julie Baddeley and Jo Paisley, President of the GARP Risk Institute, narrated and moderated the scenario game.

For further details on all the dilemmas outlined below, you can review the full workshop on [Chapter Zero's knowledge hub](#).



Timeline for the whole scenario

Starting in 2026, ending in 2030



Dilemma 1: MATERIAL RISKS



It is 2026 and Blink, Plc. has a new distribution hub under construction in Guangzhou, China. In the middle of construction, estimated flood risk (originally, 1-in-100 years) was reassessed and shown to be 1-in-25 years, doubling insurance costs and now there is uncertainty about future insurance coverage and premiums. The board has to decide whether to continue with construction or delay for further assessments.

Poll results:

Dilemma 1 – The Vote



Panel reflections:

Along with fundamental shifts in weather patterns, climate whiplash – fast and severe shifts in extreme weather – is becoming more frequent, worsening impacts across global supply chains. Directors' Duties compel NEDs to provide adequate challenge on the risk profile and climate vulnerabilities of all their physical assets and operational sites, from new acquisitions to existing ones.

Boards will benefit from:

- **Questioning the robustness of climate models and scenarios.** Backward-looking data is not sufficient for decision-making given the speed at which the climate is changing.
- **Consulting widely with experts in the field and on the ground, as well as insurers and other stakeholders, to stress-test their risk management.** Doing so, will ensure they are providing the stewardship needed for long-term resilience.

Opportunity: Organisational resilience is emerging as a strategic asset

Early investment in adaptation, supplier diversification, and operational resilience can help organisations maintain continuity during extreme events, protect revenue streams and reduce long-term disruption. As climate and nature impacts intensify, these capabilities become increasingly valuable sources of competitive advantage.

Dilemma 2:



During the December 2028 Board Meeting of Blink, Plc., a new issue is uncovered from the results of an environmental and supply chain risk assessment: hazardous dyes are being used by one of the company's textile partners. The pollution is contaminating rivers and harming ecosystems, and the situation risks becoming an environmental PR crisis. The board has to decide whether to cut ties with the supplier or work with them to improve practices.

Poll results:

Dilemma 2 – The Vote



Panel reflections:

Nature risk has long been recognised as financial risk – it is now increasingly emerging as a legal risk. Ensuring contracts are robust and reference global standards, sustainability regulatory requirements and expectations is key to establishing best practices and guardrails from the outset.

Boards will benefit from:

- **Understanding their supply chain dependencies and vulnerabilities**, particularly in resource-intensive sectors. By taking a strategic view of the supply chain end-to-end, boards can help guide how best to support suppliers to work in line with the organisation's objectives, addressing and guarding against poor practices and their environmental and financial impacts.
- **Showing commitment and clear understanding** of how engagement is going to happen and over what time frame, and how success is going to be measured. Supply chain transformation may also require innovative approaches in financing, supplier contracts, and transition to more sustainable materials and business models – all of which require boards to take a long-term horizon approach.

Opportunity: Trust and reputation are becoming differentiators

Companies that demonstrate credible leadership on climate and nature stewardship can benefit from stronger brand loyalty, improved employee engagement and more constructive relationships with regulators and communities. These intangible assets increasingly influence long-term corporate performance.

Dilemma 3:

It is 2030. Blink, Plc. concludes its current business model is incompatible with its long-term sustainability goals. There is a proposal to shift Blink's business model towards producing fewer, high-quality garments. Such a shift comes with significant risks, such as upfront costs, shareholder resistance and the possibility that Blink is moving faster than its customers. The board has to choose between committing to the new business model or maintaining the current one.

Poll results:

Dilemma 3 – The Vote



Panel reflections:

Imagine there is a climate and nature global stocktake in 2030 – could a tipping point emerge in which sustainability becomes a core customer demand? If so, those firms that have acted early could stand to gain trust and market advantage. It is hard for boards to predict how customer behaviour is going to change. This requires organisations to be very close to customers, understanding what they want and when they want it.

Boards can cultivate a multidisciplinary perspective in the boardroom by ensuring voices from across all business functions and 'the shopfloor' are heard regularly and fed into strategic decision-making.

Boards will benefit from:

- **Challenging themselves to consistently reflect on**
– what questions do I need to ask of who in the executive and wider organisation, and who else needs to be involved in this conversation?
- **Finding clear evidence of how a proposed major business model transformation will protect and enhance value, before undertaking any shifts.**
Considered understanding of the transition risk, impacts on the value chain, potential greenwashing risks of new products and models, and contractual risks as new workforce demands and talent needs arise is imperative.
- **Understanding the risks of inaction** – the costs and challenges of maintaining a business-as-usual approach in a changing world may be higher than first appreciated, given the dilemmas discussed are real and happening now.
- **Deciding if they want to be leaders or followers.**
Ultimately, boards need to ask themselves: is the biggest risk moving too early or not moving soon enough?

Dilemma 3 (continued):

Opportunity: Business model innovation is becoming a board-level priority

Transitions create opportunities to redesign products, services and operating models in ways that were not previously viable. Boards that support experimentation and long-term strategic thinking are more likely to stay ahead of regulatory change and evolving market dynamics.

Opportunity: Access to capital increasingly reflects environmental performance

Investors are placing growing emphasis on credible transition strategies, transparent disclosure and strong governance. Firms that demonstrate leadership in this space often benefit from improved access to financing and stronger investor confidence, while those that lag behind may face higher capital costs and tighter financing conditions.



Final reflection:

Throughout the dilemmas, a common thread has been that the past is no longer a good guide to the future – given the pace and scale of changes. As climate and nature risks continue to manifest in mainstream supply chains, it is crucial that boards have the right expertise in the room – both for the 12-month view and the 5-10-year view. This will enable boards to have better commercial, strategic discussions and to stress-test assumptions and scenarios.

“Perhaps it is time to go beyond incremental decisions based on the past and stretch the envelope of thinking to come up with solutions for the future.”



Board Discussion Prompts



 1 minute read

Climate scenario analysis is a vital way for boards to assess their strategy and support organisational resilience. Forward-looking non-executive directors (NEDs) can use scenarios to drive meaningful future-focused conversations about the implications of different warming outcomes, different paths for future decarbonisation, and different directions for policy and technology developments.

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Good climate governance is all about asking the right questions within and beyond the boardroom. Chapter Zero's Board Discussion Prompts equip non-executive directors to provide robust oversight and challenge. These questions will ignite discussions that inspire your fellow board members and executive teams to dig deeper into the issues, building climate resilience and enhancing value together.

- What are the main risk categories (physical, transition, reputational, etc.) that pose the greatest threat to our organisation?
- Have we considered how our key identified risks interact and the outcome of intersecting risks possibly amplifying each other?
- What are the long-standing assumptions the organisation has made about asset resilience, consumer behaviour and supply chain stability? How frequently are we asking experts or carrying out surveys/focus groups to test these assumptions?
- Are we organised to keep our assumptions and oversight frameworks up to date? Do we have a designated champion?
- Have we assessed our risks across multiple time horizons, using forward-looking data? At what point/in what scenario do the markets impose higher costs of capital?
- Are we restricting our future strategic mobility by not revisiting early capital allocation choices?
- How will delaying the creation/enactment of governance mechanisms for assessing supplier relationships affect our long-term resilience?
- How much of our spend is allocated to suppliers who meet sustainability criteria or minimise risks in the categories we are most exposed to?
- Are we proactively considering ways in which our approach to near-term financial performance can be aligned with long-term resilience? What is the strategic potential of doing so, and how does this interact with shareholder expectations?
- How do we build flexibility to evolve the business in line with the clean energy transition as we receive better customer and market information?



Additional resources:



 GARP's Climate and Nature Risk Scenario Game packs offer a ready-to-use resource for non-executive directors to continue exploring the real-world strategic and risk implications of climate and nature challenges within their own boards. These can be downloaded here: [How to Host a GARP Climate & Nature Risk Scenario Game](#)

 Chapter Zero held a webinar on FS scenarios in 2025 and the insights can be explored here: [Navigating tomorrow today: Scenario analysis for financial sector boards – Chapter Zero](#)

 The UK Government published a paper on [Getting started with climate scenario analysis](#)

 Accounting for Sustainability published a guide on [TCFD climate scenario analysis](#), while ISSB has replaced TCFD since the paper was published the steps outlined are still relevant.

 Rolls Royce have used climate scenarios since 2016 and published this example: [climate-scenario-planning-for-publication.pdf](#)

 Nestlé use climate scenarios to help identify what shifts might occur in the global economic, social and regulatory landscapes under varying climate outcomes and the necessary adaptation and mitigation strategies to undertake, as shown in their [Non-Financial Statement 2025](#) pp. 35-59.

 Unilever has undertaken scenario analysis to assess the potential financial effects under different climate scenarios of risks and opportunities assuming they take no action (gross risk) and assuming they take action (net risk) to mitigate the risks, as shown in their [Annual Report 2024](#), pp. 235-238.
