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BRIEFING

Sustainability in practice: key priorities for boards

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Clifford Chance recently hosted a discussion organised by NEDs in FS, a forum for non-executive directors in the financial services sector, on the topic of corporate sustainability. Joining the Firm's Lily Marcel, Partner and Global ESG Board Co-Chair, was Robbie Epsom, co-founder of fractional real-asset sustainability advisory business Kateria Partners, and Nina Spencer, CEO and co-founder of ESG consultancy Addidat. The panel discussed how board discussions on sustainability can be reframed to overcome ESG fatigue and what NEDs should be looking out for and prioritising.

Reframing sustainability

Despite political polarisation and weariness around ESG (for instance due to onerous reporting requirements), sustainability remains an important consideration for businesses, even if it is one that requires some reframing. It is not the first time that the language businesses use to approach these issues has evolved: before ESG there was CSR. As a piece of shorthand, ESG was far from perfect, too often conflated with purely environmental issues to the exclusion of social and governance concerns. Moving forwards, it may be that approaching decision-making through the lens of sustainability, energy security and adaptation – rather than transition – yields better long-term results.

However, frustrations run deeper than the semantics. Targets have proved more difficult to achieve than anticipated, and reporting requirements (and voluntary commitments) have in many instances been burdensome and complex. At the same time, public awareness around sustainability has been raised and, while a change of direction is needed, businesses ought to be careful not to discard the progress that has been made.

"The market probably overshot a little on commitments, targets and reporting, and did not do enough to embed it into 'business as usual', risk management, value creation and things like that," says Robbie Epsom, co-founder of Karteria Partners. "Resilience is the thing that survives the fatigue. It's about whether the business – and the people and places it depends on – is still here and thriving decades from now."

While there will be a spectrum of opinion around any board table, encouragingly, businesses still understand the importance of these issues when they are framed as business risks and opportunities.

"We're saying to the companies we work with: back away from that target, because that target doesn't necessarily make sense right now, because we don't know how to quantify getting to it," says Nina Spencer, CEO and founder of Addidat, who also holds a number of non-executive directorships.

"However, don't back away from being very clear on calculating the pass through emissions that are there, that you can implement and that will be beneficial; for example, if you have a more energy-efficient office, you are going to save money. If you understand how to make more energy-efficient products, you are going to make money from it"

Adapting to present challenges

Epsom highlights three real and present trends that businesses need to pay attention to which particularly implicate sustainability issues, namely the phasing out of fossil fuels, constraints on energy supply and the need to adapt to a more volatile climate.

"I would stop thinking about this as sustainability and ESG and instead consider this as the biggest industrial revolution we've ever gone through," he says.

"We are reinventing everything that's ever been invented into new technology, taking fossil fuels away, electrifying things. But it's also very heavily linked to the role of AI and data becoming ubiquitous. Those two things are very closely tied because energy is a big part of it. The constraint most people miss is peak demand: almost no business can tell you its peak load or how much connection headroom it has left, and that is what decides whether it can grow on a site."

Within this context, concerns such as greenwashing and greenhushing cease to be purely ESG issues and instead sit among a broader array of considerations around how businesses credibly navigate this massive change.

Regulatory landscape

Growing alignment around International Sustainability Standards Board (ISSB) standards, which more than 40 jurisdictions have now decided to use or are taking steps to introduce, ought to aid businesses as they seek to lessen the reporting burden, making disclosure a one-and-done exercise, rather than having to prepare bespoke disclosures for each jurisdiction. Regulators are increasingly focused on material risks to business, as determined by businesses.

That said, there are still important regulatory developments to be aware of. For example, the European Union is reformulating and, it is hoped, simplifying its Sustainable Finance Disclosure Regulation. The Commission published its SFDR2 proposal in November 2025 and the Council agreed its negotiating mandate on 24 June 2026. The European Parliament has yet to settle its position. "The Commission's legislative proposal for SFDR2 contains some significant changes to the existing regime. Trilogue is only expected to start later this year. However, certain market participants are considering what sort of SFDR2 planning they can undertake at this stage, for example, in the context of new product launches," says Lily Marcel, Clifford Chance Partner and Global ESG Board Co-Chair.

Another piece of regulation to watch out for is the Empowering Consumers for the Green Transition Directive (EmpCo). This entered into force in March 2024 and national transposing measures apply from 27 September 2026. Because its core provisions amend the Unfair Commercial Practices Directive, which applies to business-to-consume practices across all sectors, its scope is broad enough to encompass financial services products, necessitating careful preparation.

In the UK, the Financial Conduct Authority is expected to publish final rules and a policy statement for ESG ratings by the end of the year.

Enabling effective decision-making

Part of the challenge businesses need to overcome is getting the right data in front of decision-makers. While greenhouse gas reporting is important, it doesn't always provide the soundest basis due to uncertainties and inconsistencies around how they are calculated. Instead, Epsom recommends using a primary metric such as kilowatt hours. "That's a real KPI: it's measured, it's on utility bills," he says. "If we get the right data into the right place, it starts to drive risk committee conversations in a way that's meaningful, because the number sits in the paper the decision is actually taken from, not in an appendix behind it."

While translating this primary layer of data – into, for example, greenhouse gas emissions – can provide an important interpretive layer, it also introduces assumptions that erode the assurance the financial services sector is looking for. Using the right data is also important for interoperability between jurisdictions. "A kilowatt hour is a kilowatt hour," says Epsom. "When you go down to base units, you can have interoperability."

Epsom argues that businesses must sell sustainability, not merely report it. "Then the reporting isn't just for reporting's sake, it's reporting against a promise that I've sold to the institutional investors, and you can hold me to account," he says. "Did I do it? And where that carries value or mitigates risk, it can be priced accordingly.

Priorities for non-executive directors

With so many sustainability-related issues competing for attention, NEDs need to be aware of the risks of taking on too much. For example, the panel's view was that businesses shouldn't commit to reporting Scope 3 emissions until they've mastered reporting Scope 2 emissions.

Spencer points out that many of the rules businesses face are imposed on a 'comply or explain' basis, and that explanation is as valid a strategy as compliance. "We spend quite a lot of time saying to companies, you don't necessarily need to do that this year, nor should you be doing this as quickly, but you should be positioning yourself in a way that feels credible," she says.

"Saying 'these are the five things that matter to us, this is the stuff we're not going to do, this stuff we're going to explain why we're not doing it,' feels challenging for a board, but I think it's the right thing to do."

Marcel adds: "You've got to map where the biggest risks and opportunities are, and ask, if we bring in a new policy for example, how can we ensure it is properly embedded."

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