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ESG

The current banking environment makes a focus on ESG vital to growth

By Joe Myers | September 01, 2025

In today's dynamic banking environment, sustainability has emerged as a critical focus area for banks looking to meet evolving regulations and requirements across the globe. Once a quiet corner of corporate policy, environmental, social and governance, or ESG, initiatives have gained prominence, leading to discussions about their relevance and implementation. As banks navigate changing market conditions and look for ways to drive efficiency improvements, they face a more immediate and unyielding truth: Sustainability is no longer about optics. It's about survival. Climate risk, digital disruption, and shifting customer expectations are converging, forcing the industry to confront a sobering reality: Evolve or be eclipsed. For banks, sustainability is a blueprint for staying relevant in a rapidly transforming world.

It's essential to recognize that ESG considerations are often perceived differently across the spectrum of stakeholders. The practical challenges facing banks, from rising climate risk to resource volatility and digital disruption, demand a strategic response that transcends partisan lines. This has been made evident by the fact that companies are not dramatically changing their ESG policies despite the heightened rhetoric around the topic. A recent report from the Conference Board found that only 6% of companies are making significant changes to their ESG policies.



When banks proactively adapt to climate and societal trends, modernize infrastructure, and weave ESG into decision-making, they enhance resilience and unlock new growth, writes Joe Myers, of Diebold Nixdorf.

Chet Strange/Bloomberg

The reality is that banks are being pulled in multiple directions. Investors demand long-term stability, regulators push for transparency and customers expect purpose-driven brands. Ignoring ESG imperatives may appease one audience but alienate others critical to future growth. For banks, ESG is not just a branding exercise or political statement, but rather a strategic imperative. Sustainability is not a belief system but a set of

tools and practices that will help banks survive the next decade.

The financial sector is undergoing a profound transformation as climate risk, regulatory pressure and shifting customer expectations redefine the operating environment. Physical threats from climate change now pose tangible risks to banking infrastructure and loan portfolios, forcing institutions to reconsider how they assess and manage exposure. At the

same time, regulators around the world are demanding greater transparency and accountability in how firms address sustainability and long-term risk.

Adding to the pressure, fintechs and neobanks, unburdened by legacy systems and built on agile, cloud-native architectures, are setting new benchmarks for ESG alignment and digital-first customer experiences. As these challengers gain traction, traditional institutions face a critical inflection point. Without meaningful integration of sustainability into their core strategy, they risk not only falling behind but becoming irrelevant in a market that increasingly rewards purpose-driven, forward-looking players.

Banks today must treat sustainability as an adaptive, strategic journey, not just a compliance checkbox. Investors, regulators and customers now expect measurable progress, not just promises. In practice, this means embedding resilience into core operations. For example, banks that invest in climate-resilient infrastructure (from robust IT platforms to green buildings) can shield assets against severe weather and capture long-term value. The World Bank even estimates that every \$1 trillion invested in resilient infrastructure yields roughly \$4.2 trillion in benefits. In short, forward-looking banks are turning climate risk into an opportunity by setting clear adaptation metrics and funding sustainable projects, building robustness while unlocking new revenue streams.

At the same time, modernizing infrastructure is a sustainability enabler. Mi-

grating legacy systems to cloud-based, modular platforms greatly improves efficiency and lowers energy use. Banks that have adopted cloud platforms report up to 60% cost savings over old systems, freeing capital for innovation and greener initiatives. Similarly, deploying energy-efficient hardware and real-time monitoring tools, from servers to branch equipment, can cut power demand sharply. In practice, this means moving workloads to cloud data centers powered increasingly by renewable energy and using low-power edge devices, while tracking carbon footprints continuously. Such digital transformation not only shrinks the physical and carbon footprint (for example, through paperless processes and smart energy management) but also builds the data foundation for robust ESG reporting and risk analysis.

Looking ahead, adaptive risk and portfolio management should be among banks' key strategic priorities. They should incorporate climate and ESG factors into credit approvals, stress tests and capital planning. For example, by assigning clear resilience and transition metrics to loans and investments. Leading banks find that proactively funding climate-resilient projects and monitoring extreme-weather scenarios help safeguard portfolios and tap new lending opportunities.

Banks should also prioritize technology and operational transformation, modernizing IT and branch networks to be lean and energy efficient. Migrating to cloud-native architectures can drastical-

ly cut IT energy and costs, while digital channels reduce the need for energy-intensive branch infrastructure. They can also deploy low-energy hardware and real-time monitoring to track usage, and shift workloads to greener data centers. These steps both shrink the bank's carbon footprint and improve agility in launching innovative financial services.

Another necessity is a focus on governance and culture change by embedding sustainability in corporate governance. Banks should establish clear ESG targets (aligned with frameworks like the U.N.'s sustainable development goals or climate accords) and tie them to executive performance. According to industry surveys, the vast majority of C-suite leaders now see no conflict between business success and social purpose. Banks should view this as a mandate: Align product development, lending criteria, and reporting processes with ESG goals, reward long-term outcomes, and transparently communicate progress.

In practice, these evergreen strategies, not any single product pitch, will ensure sustainability is a lasting business advantage. When banks proactively adapt to climate and societal trends, modernize infrastructure, and weave ESG into decision-making, they enhance resilience and unlock new growth. Ultimately, sustainability becomes a strategic imperative: Those institutions that act now will build stronger portfolios, healthier balance sheets and greater stakeholder trust over the long run.