

Climate Justice for Banks Dialogue Guide

Why we need more than a just transition

A guide for bankers and bank-adjacent stakeholders

BANKING ON CLIMATE JUSTICE

AN INITIATIVE OF THE CLIMATE SAFE LENDING NETWORK

November 2023



ABOUT BANKING ON CLIMATE JUSTICE

The current dialogue on 'Just Transition' is an incredibly important one: it elevates the social risks inherent to the climate transition. Our 'Climate Justice' initiative challenges financial institutions to consider: Is solely addressing transition risks sufficient for achieving the broader goals of social equity, environmental resilience, and economic stability?

The Banking on Climate Justice initiative is a collaborative engagement launched in April 2023 with members of the Climate Safe Lending Network. Since then, participants from a variety of geographies and sectors have come together in hopes of raising the sector's ambition to incorporate justice into its inevitable transformation during the climate crisis.

The goals:

- Explore why climate justice should be integrated into all strategic decisions for stability
- Illuminate practical ideas that can serve as inspiration for how the banking sector might begin making systemically impactful shifts

Ahead of the Initiative's full report due to be published early 2024, we invite others to join us in discovery and dialogue.

ABOUT THIS GUIDE

This Dialogue Guide features reflection questions and a decision map exercise aimed at supporting bankers and bank-adjacent stakeholders (incl. other finance, policy, civil society, etc.) to hold conversations that genuinely examine the role of the banking system in contributing to the exacerbation of the environmental, economic and societal crises, and raise ambitions for its role in advancing climate justice.

Find questions to prompt dialogue and reflection in orange call-out boxes



Climate Justice is an approach to addressing **past, present and future causes and impacts** of climate change by recognising the **right to climate resilient, healthy and flourishing environments in which all people can thrive** regardless of race, class, gender or other discriminatory factors.

There is no single, perfect definition of climate justice. This working definition and its principles are based on feedback from participants and adapted from a variety of sources.¹ The goal is to stimulate ongoing dialogue and exploration of the true nature of justice, especially in the context of the climate crisis.

- *What stands out for you in this definition?*
- *What aspects of justice do you think are the most critical to consider?*



These principles provide a practical framework for implementing the definition of climate justice. They apply to all actors, regardless of what specific actions they take.

- *How does your work currently align with these principles? (e.g. what is your bank able to provide to those most impacted by the effects of climate change?)*
- *Which principles brings up discomfort or questions in you? Why?*
- *What other principles are important to add?*



Addressing the inequitable impacts of climate change by **prioritising the needs of people and the ecosystems** historically taken advantage of and currently most impacted by the effects of climate change



Approaching challenges as systemic and intersectional in order to find solutions that do not replicate the old patterns that created our challenges in the first place, but rather address the root causes of racial, environmental and social injustices



Equitably sharing costs and benefits with consumers and stakeholders in recognition that achieving the goal will require paradigm shifts away from old economic models of continuous growth and profit maximisation



Recognising sovereignty and self-determination of all peoples by **working in solidarity and relationship with people and place** to prioritise local efforts and innovations, especially from indigenous communities with intimate knowledge and relationship with earth systems



ABOUT THE DECISION MAP

This simplified decision map aims to showcase a few questions around climate justice to help you and your team assess your organisation's commitment to climate justice.

We've integrated common thoughts and narratives along the way, in the hope that it can provoke more candid reflection and conversation.

The map aims to explore the underlying rationale for why banks should go beyond (just) transition planning and incorporate a climate justice lens into their all their strategic discussions and decisions, given its implications for institutional and broader stability and sustainability.

Instructions Start with the blue question box in the top left-hand corner. Choosing the orange diamond most closely related to your own answer, follow the thread to the next question. Repeat until you reach a "decision."

Reflection Once you've reviewed the map, reflect on the following:

- *What surprised you in doing this exercise? What narratives resonate? What new insights have you gained?*
- *What might prompt or enable a different pathway for those in your organisation?*

'Why Climate Justice?' Decision Map



Start

Do you believe the **impacts** of global climate change are going to **disproportionately** affect marginalised communities, increasing inequality within and between countries?

Yes

Well...

We haven't given it much thought...

To what extent do banks have a **responsibility to serve the needs of everyone** regardless of race, class, gender or other discriminatory factors on the basis of everyone's **right to thrive in flourishing economies and environments?**

Our client base does not reflect all the communities we ultimately impact. Mainstream finance disenfranchises marginalized communities, and we have a responsibility to address this.

A lot

A little

Check out our CSR and Sustainability Reports to see all our philanthropic giving!

None

Shareholders and customers who can access our services are the priority; Social issues are for governments...

Does this mean you need to address the **social risks** within the climate **transition** (e.g. employment shifts, consumer access)?

If climate change leaves **communities abandoned** by the financial sector, doesn't that lead to greater societal risks, and, in turn, make both **societal and environmental risks material** to your own business?

Not really

Continue current notions of **Transition Planning** (or even Business-as-Usual)

We must solve climate first.

Maybe

Can we address environmental instability *without* addressing **foundational structural inequalities** in society and building community-scale resilience?

Or at least we'll die trying

Will I engage others in **dialogue** about how the foundations of our operations exacerbate risk & injustice (e.g. linear, not systemic; transactional, not relational; competitive, not collaborative)?

Yes

Engage in practices of **Just Transition** (read more from LSE)

Yes

No

The current system is too precarious

Yes, and

Even if I'm not entirely sure how

Yes

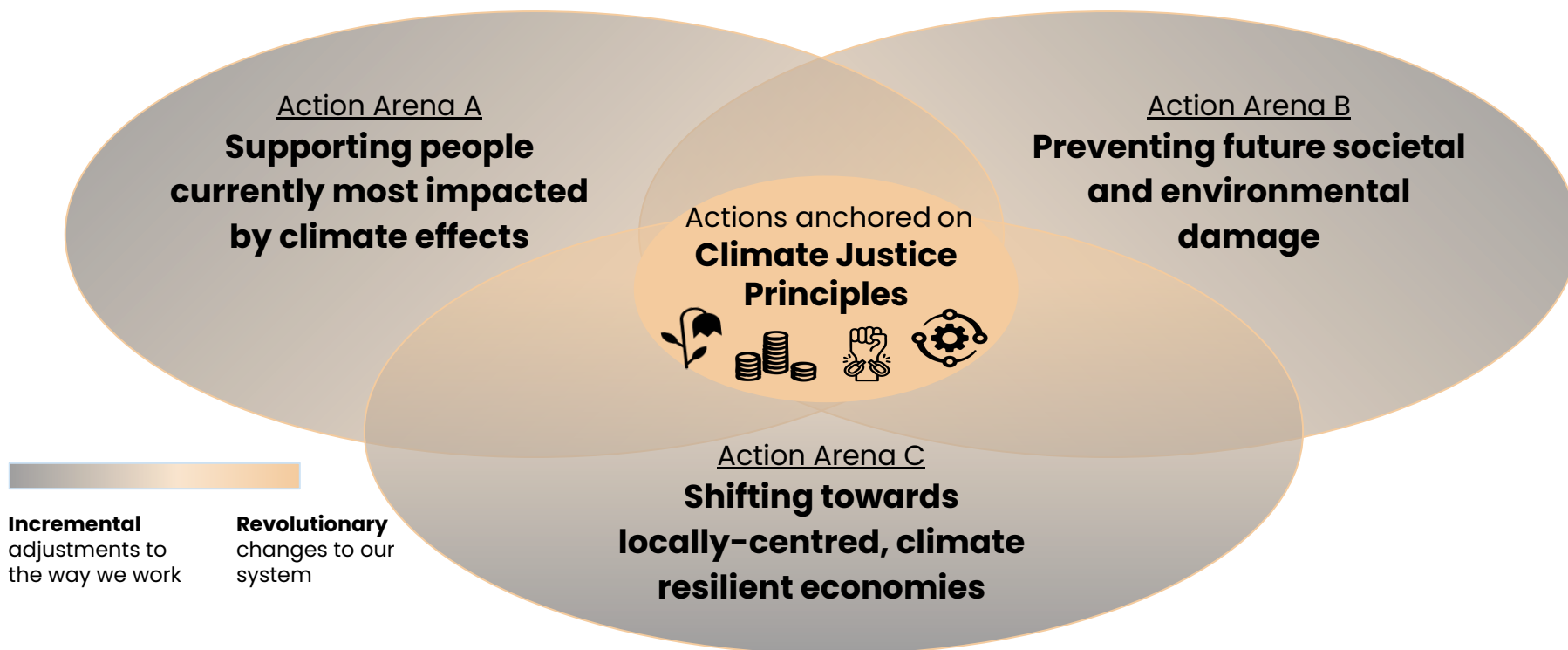
Incorporate the lens of **Climate Justice** into all strategy and operations

I don't have time or energy to rock the boat

No

Focusing on the future may overlook the past & present: There are historic structural inequalities to address as well as people currently suffering from the impacts of climate change

Ways Lending Institutions can Advance Climate Justice



Climate justice requires a revolutionary approach to our financial system. But with a bias for action, many institutions can start with incremental improvements to intentionally shift towards true systems change. This framework highlights three starting arenas where urgent action on climate justice is needed in order to help guide efforts rooted in climate justice principles.

- *Where do you see potential to act for climate justice?*
- *What other action arenas would you suggest?*

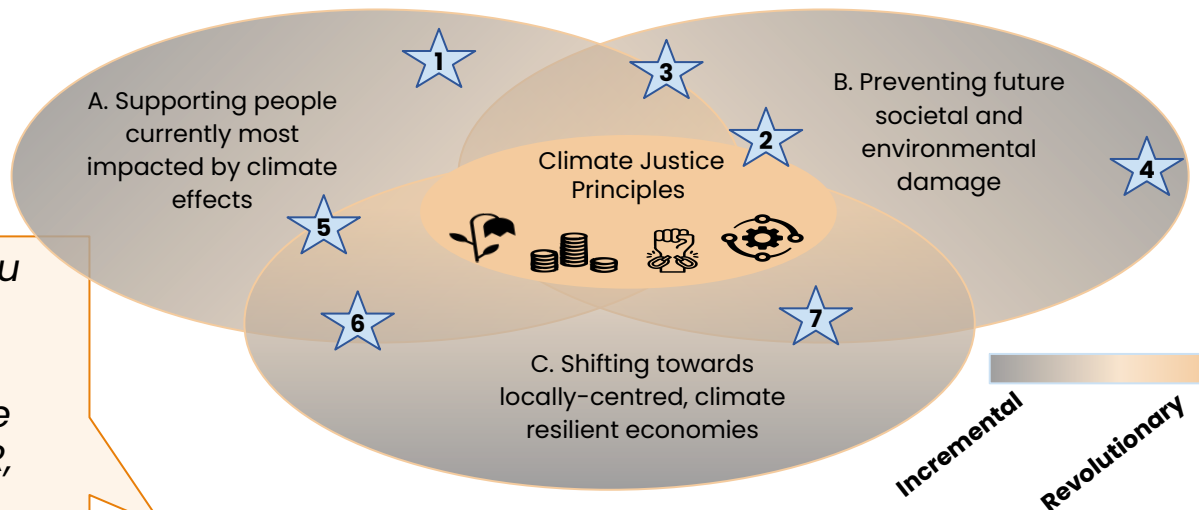
Climate Justice in Practice



These case studies help illuminate the nature of action towards climate justice. Through case studies, we can find inspiration for and understanding of what action might look like.

- *What other case studies are you aware of? (Share them [here](#).)*
- *How might you apply the principles to other areas of core strategy beyond innovation (HR, Front Office, Finance, etc.)?*

Ways Lending Institutions can Advance Climate Justice



Geopolitical / Globally Systemic Regional / Institutional Place-based

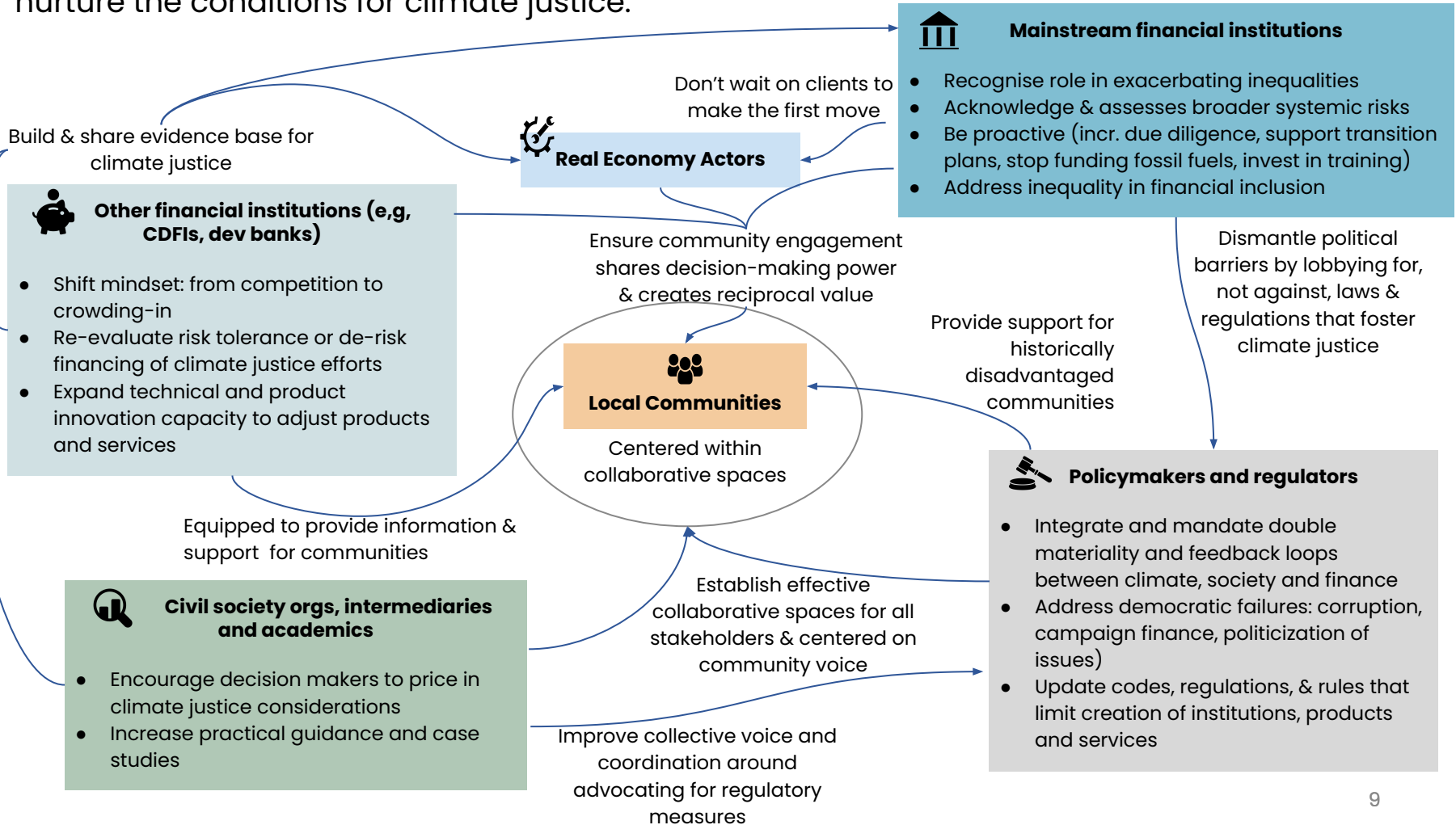
- 1** Advocacy and support of key initiatives such as the [Bridgetown 2.0 initiative](#) that will help **restructure global financial architecture**
- 2** As **double-materiality** gains traction, financial institutions can engage in their own assessments, as [NIBC](#) and others have done, and advocate for inclusion of [double materiality in disclosure standards](#).
- 3** Financial institutions help address distressed sovereign debt within economically poor countries by engaging in **debt-for-nature swaps**, such as when the UK's largest asset manager financed a [debt deal with Ecuador](#), expecting the debt write-off to free up capital for environmental conservation
- 4** Lloyd's [proposed insurance-linked loan packages](#) can help achieve resilience infrastructure development goals while managing the associated financial risks
- 5** **Pay for Success models** redistribute risk across public and private sectors to address social issues in underprivileged communities, such as the [education](#) sector does
- 6** Banks that increasingly engage in **Community Benefits Agreements (CBAs)**, such as [TD Bank's community benefits plan](#), can continue to meet the needs of communities by ensuring resilience infrastructure projects include communities
- 7** [Westpac's 1996 acquisition](#) of a group of regional savings banks in New Zealand enabled the associated community trusts to receive enough capital from the sale to invest the money, and use the returns to provide grants to community projects to this day. In other words, Westpac helped **finance community trusts** endowments that has enabled decades of stable community investment.

Leveraging the Ecosystem



Banks do not operate in a vacuum; different actors each play key roles in systems change. Understanding our current roles, and raising ambitions for how we might improve coordination and engagement with others – as illustrated below – can nurture the conditions for climate justice.

- *What role do you play well?*
- *Where might you improve?*





Thank you for engaging in this dialogue with us.

To access more resources and to sign up for updates when the full report launches, **visit the Banking on Climate Justice webpage at www.climatesafelending.org/climate-justice**

We are grateful to all of our Banking on Climate Justice participants to date. We will be providing specific acknowledgments in our full report, but we want to express our sincere appreciation for all past, present and future written and verbal conversations and comments in support of this important initiative.

To find out more or to get involved, get in touch at connect@climatesafelending.org

