

# Banking on Climate Justice

26 July 2023

Session 2 Outputs

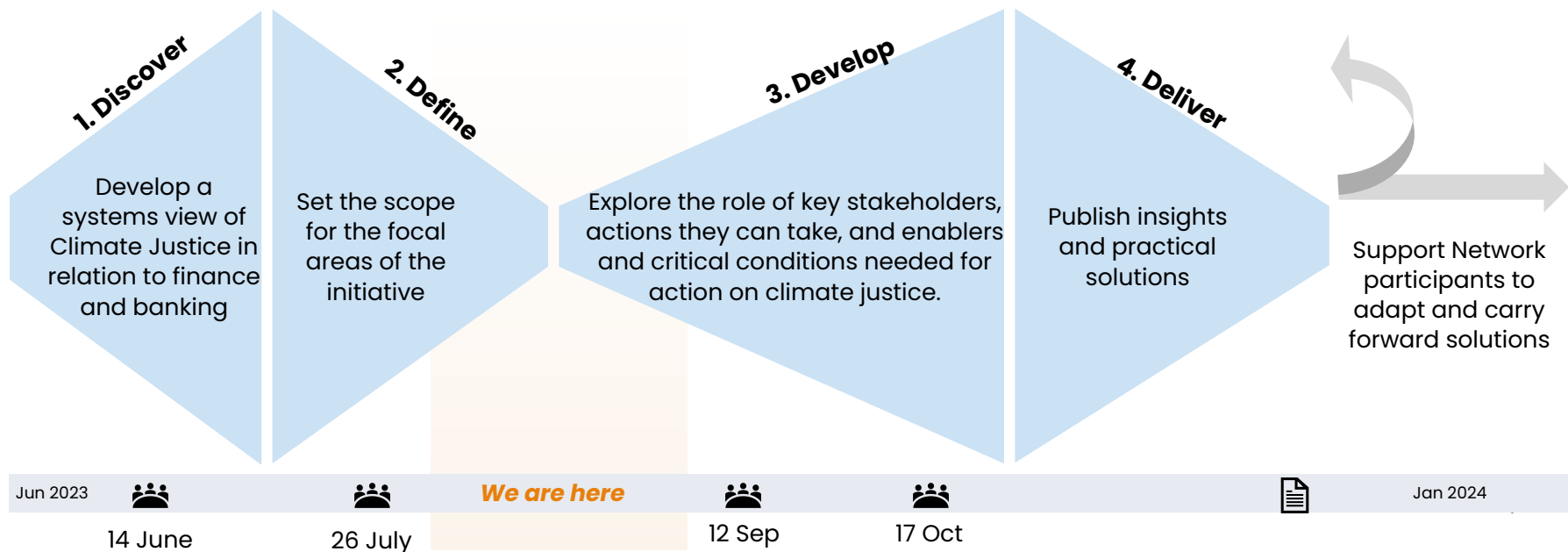
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# Banking on Climate Justice Initiative Overview



Through the Initiative, we hope to **transform the frames** around economic inclusion, social equity, and environmental resilience *from* an either-or with profit → *to* a necessary integration into core strategic designs for societal and financial stability by:

- Defining some of the systemic shifts needed for the finance/banking sector to meaningfully contribute to climate justice
- Analysing the key enablers and critical conditions needed for these systemic shifts to take place



\*Initiative Framework builds on [Design Council's Double Diamond Methodology](#)

# Discover Session 1 Recap



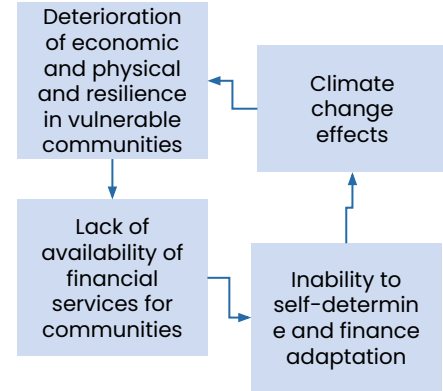
In our [first discussion](#) we engaged in a systems approach to broaden and deepen our understanding of how finance and climate both influence and are influenced by economic inclusion, social equity, and environmental resilience

**Systemic Relationships**

If **financing** was distributed and accessible **across a wider variety of geographies**, the ripple effects would be significant.



- **Disparities** in physical effects of climate change and capital **preferences towards affluence** leave communities in vicious cycles that prevent adaptation and resilience
- Sufficiently financing **local solutions** could increase innovation for environmental resilience, job creation and economic productivity



**Barriers & Enablers to Systemic Change**

Currently, internal practices and products only adjust given a **data-driven business case**



- Narrow **decision frames** exclude factors that have real & often detrimental impact on climate, society and financial stability
- Key challenges: **data credibility**, **inability to quantify** indirect impacts, and showing the **business case** for community investment

**Policies** are essential to creating a supportive environment.



Democratic coordination within **multilateral organisations** can help ensure national policies are not inadvertently creating barriers to resilience and growth in low- and middle-income countries

# Define Session 2 Grounding Frameworks



The insights from Session 1 created the foundation for 3 **inquiry areas** introduced and explored in our second discussion. The objectives of this session were to (1) gain a deeper understanding of the complexity of underlying issues elevated in the first session, and (2) gather input in further defining the scope of our collaboration.



## Inquiry Areas

What does it look like to foster climate justice by enabling a shift...

*From Status Quo (X)*

*To Future State (Y)*

**1** Climate-induced cycles of localised debt and destruction      Financial support for localised innovation and adaptation

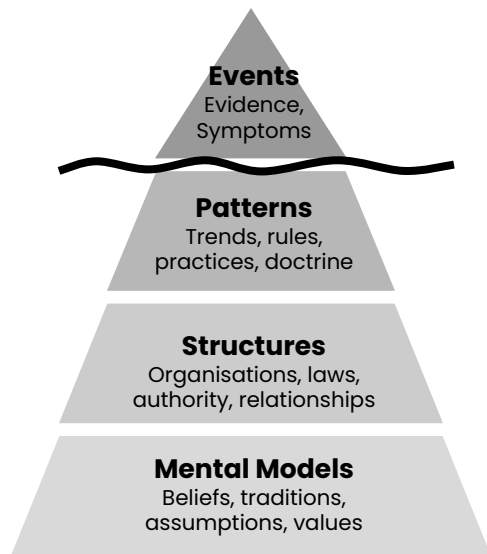
**2** Global cycles of resource extraction      Capital redistribution from the Global North to the Global South

**3** Old business models applied to new problems      Business models focus on maximising positive impacts for climate, nature and society

## The Iceberg Model

Participants interrogated the inquiry areas using Iceberg Model in order to explore:

- The root causes behind the Status Quo (X)
- Possible Future State (Y) visions
- Emerging questions to help think about getting from (X) to (Y)



Ellis, David & Black, Charles. (2018). Complexity, Organizational Blinders, and the SOCOM Design Way.

# Define Session 2 Common Themes

## Evolving our definition of Climate Justice

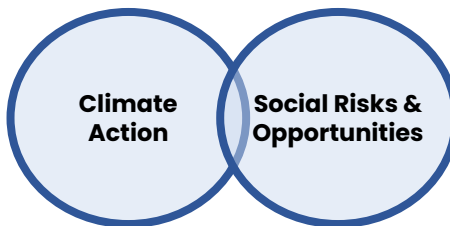


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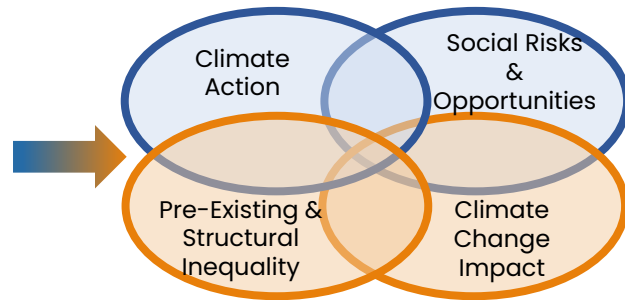
In launching our Banking on Climate Justice initiative, we began with a stated desire to broaden the current conception of Just Transition by extending thinking to include factors affecting social justice like the unequal impacts of climate change and the historical and structural inequalities that determine the ability to adapt successfully.

When participants were asked in our first session "What does climate justice mean to you?" specific definitions varied across individuals but one theme ran clear: Climate Justice is about **a responsibility to prioritise empowerment**. The current approach to the climate crisis is leaving people behind, and climate justice reverses that notion by **prioritising the needs and interests of communities directly impacted by climate change** and serving as allies to affected communities in implementing their own solutions.

FROM Current Conception of **Just Transition** within Finance Sector



TO **Climate Justice** within Finance Sector

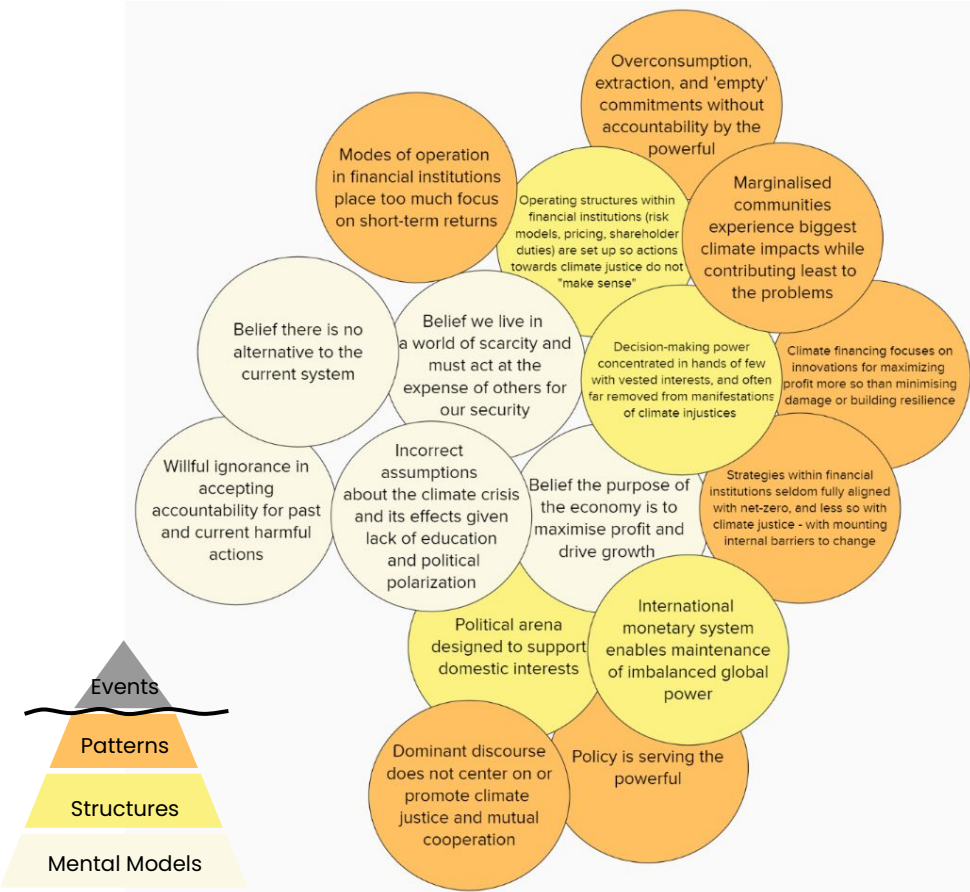
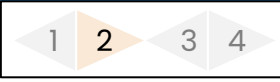


In this second session, the question again was raised - 'What is Climate Justice?' - indicating a need to revisit and ensure alignment on what we are working towards. One participant offered their own working definition: "*Climate Justice **recognizes the disproportionate impacts of climate change on low-income communities and communities of color** around the world, the people and places least responsible for the problem. It seeks solutions that **address the root causes** of climate change and in doing so, simultaneously address a broad range of social, racial, and environmental injustices.*" These solutions can be organized into [Six Pillars of Climate Justice](#)<sup>1</sup>.

1) Definition for Climate Justice & Six Pillars from [UC Center for Climate Justice](#)

# Define Session 2 Common Themes

## Interrogating the status quo



During our brainstorming and discussion using the Mural board, **common themes** emerged across the three inquiry areas. These themes have been clustered to help demonstrate what enables the current status quo: Financial practices are not aligned to climate justice.

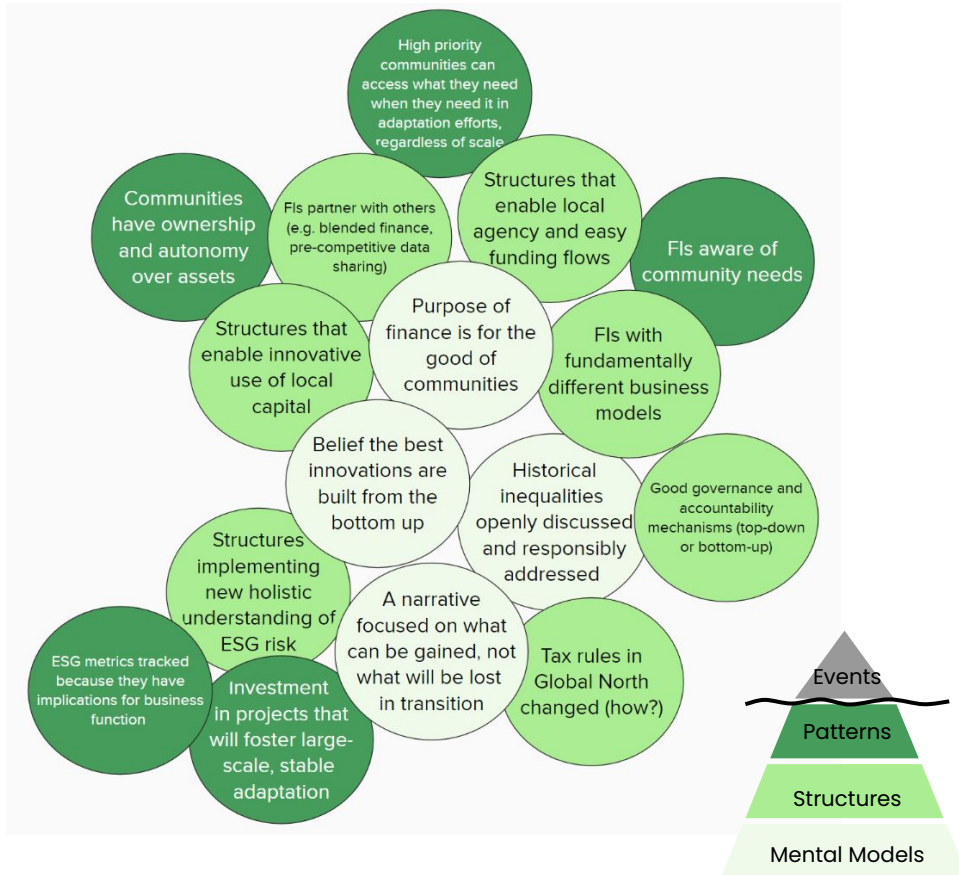
Whilst this mapping is not fully comprehensive, it helps to build a **collective understanding** of some of the key mental models and structures that drive the events and patterns we are seeing in our world today.

For example, we can start to make connections that one of the reasons our system unyieldingly focuses on **overconsumption** and **short-term returns** at the expense of climate and our communities is because we hold beliefs that the role of the economy is to **drive profit and growth**, and that we live a **world of scarcity** so must act at the expense of others for our own security.

An adequate response to climate justice will require us to address both the supporting structures and underlying mental models that uphold the status quo. Ongoing work is also needed to identify further mental models and structures that work to keep the status quo in place.

# Define Session 2 Common Themes

## Defining the future vision



We also began to define what the future vision of banking and finance aligned with climate justice might look like. Using our three initial inquiry areas as a prompt, various themes percolated reflecting our desires to:

- **Shift Mental Models** to allow for new understandings of the purpose of finance, our roles and responsibilities within it, and our understanding of the innate value and ability among local communities to determine and bring about their own future
- **Implement New Structures** so our policies, governance systems, business models, and organisational practices can support new ways of working that is aligned with climate justice
- **Enable Alternative Patterns** that move away from the concentration of power, wealth and decision-making towards more equitable distributions and autonomy within and across communities

We will continue to build this picture of what the future vision looks like and crucially, the mental models and structures that can enable this future vision to take root.

# Define Session 2 Common Themes

## Emerging questions



After sitting with the status quo and future state, we asked: 'What questions are emerging?' While not all are possible to answer in this initiative, they provide insight into what remains to be explored, and where energy to focus lies at this point in the process...



### Understanding **systemic forces** How do...

- banks support or repress social movements for climate justice?
- political arenas & backlash get navigated?
- these issues get moved above politics?
- current mental models influence the status quo? Influence our framing of the future vision?
- other sectors think about Climate Justice?
- we cultivate something transformative under radical uncertainty?
- we cultivate common global values (e.g., inclusive, sustainability, diversity, other) to assist in overcoming structural disparities?
- we share resources among all people, rather than allow some people to take as much as they want and leave everyone else behind?



### Defining **opportunities** How might we...

- raise expectations for business models to incorporate climate justice?
- increase reputational risk to rich countries governments for lack of financial backing of climate just finance in LMICs?
- restrict the license to operate in and with the People of the Global Majority to those who build climate-friendly and climate-just banks?
- neutralise the anti-ESG backlash?
- incentivize non-carbon market funding arrangements to benefit SIDS and other developing countries in their adaptation funding?
- learn from other models? Other sectors?



### Understanding **structures** What...

- are decision-making processes?
- new skills and capacities are needed?
- regulations might be obstacles to changes in the flow of funds?



### Taking **action** How might we...

- center communities in conversations and allow different voices to be heard?
- identify where we can make progress at the local level?
- leverage existing events or fora to make real progress?
- generate or find evidence to measure progress towards the 'future vision'?
- pilot opportunities without losing sight of the global system change needed?



# Define Emerging participant insights



*In addition to emerging questions, at the very end of the session participants were asked what other thoughts were emerging for them. These thoughts gives us insight into what, and more importantly how, the group should focus their energy moving forward.*



## Continue to **build trust between diverse perspectives** within the process

- **inclusion** is a constant design process
- share with **courage**
- **safe spaces** for conversation will generate better solutions
- **collaboration** is key - safe spaces to explore these issues are vital if we are to solve the challenge
- there are **diverse voices** and thinkers across the world thinking about the challenges I'm also grappling with
- the **many perspectives** allow us to strategise interventions in consideration of the various realities and where each stakeholder finds itself

## Refine our focus towards defining mutually reinforcing solutions at more local levels (while acknowledging the concurrent need for global change)

- **local** makes folks more comfortable than global
- concentrate on **community and collective solutions**
- transform **employee engagement** to drive this change in their **communities** and institutions
- increase investment in **learning**
- spend as much if not more time on **solutions** than challenges
- the conversation reflects the fact that required changes are at different phases and therefore require **different strategies** and combination of stakeholder

# Develop Where we go from here



Moving forward, **we propose focusing on an evolution and expansion of the first inquiry area (local innovation and adaptation) to explore tangible, meaningful applications of climate justice in banking and lending.** We acknowledge the systemic connections between all three inquiry areas and the natural integration of elements between them. We welcome feedback on the proposed scoping question below.

This recommendation is based on:

- Follow-on conversations with participants
- Our analysis of session input and common themes across inquiry areas
- Reflections on potential for impact given participants in the room and our role in the ecosystem of other conversations in other spaces
- Realities of our time frame limitations (end year 2023) and the window of opportunity available

