

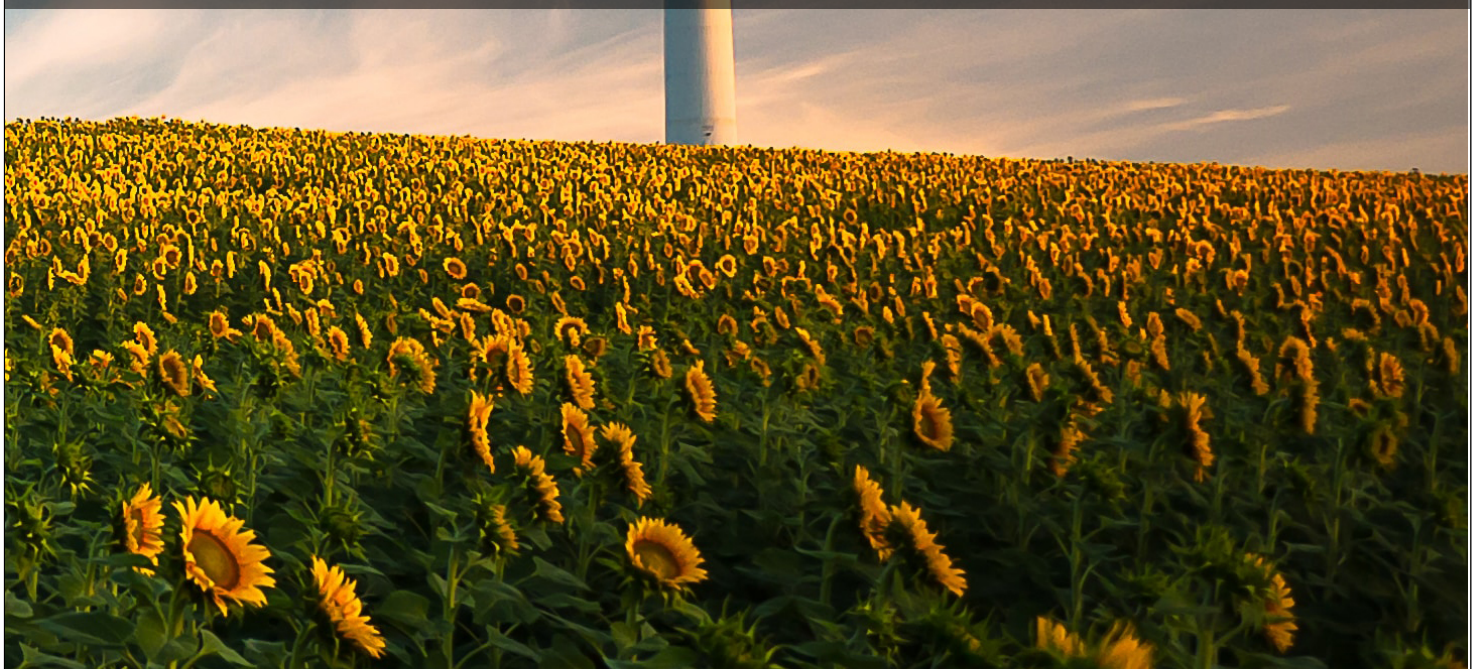


**Climate Safe  
Lending Network**

**Climate Safe Learning Lab  
Insight Report**

September 24, 2019

*An initiative of the Climate Safe Lending Network*





## **Climate Safe Lending Network**

# **Climate Safe Learning Lab Insight Report**

September 24, 2019

*An initiative of the Climate Safe Lending Network*

### **INTRODUCTION**

On 24 September 2019 the Climate Safe Learning Lab was convened in New York City, coinciding with the UN General Assembly, the launch of the UN Principles for Responsible Banking and New York Climate Week. Alongside the plethora of events occurring at the time, the Climate Safe Learning Lab aimed to provide a space for a different type of conversation for banking professionals leading the climate finance agenda.

This document shares key insights from the conversation and valuable learning about the barriers and enablers when driving change within a financial institution. The Lab was conducted under the Chatham House Rule so what is presented here reflects themes of discussion without attribution.

The objective of the event was to launch a series of such peer-to-peer Learning Labs to facilitate and strengthen the work of those working on sustainability and climate policy inside banks.

## ABOUT THE CLIMATE SAFE LEARNING LAB

The Climate Safe Learning Lab (the Lab) is an initiative of the Climate Safe Lending Network – an international collaboration now housed and managed by the Center for Sustainability Solutions, a project of the US not-for-profit organization Green America. The Network is dedicated to the following goal:

***By 2025 bank lending in North America and Europe is aligned with the goal of staying well below a 2°C global temperature increase.***

The Lab works toward this goal through supporting banking professionals who are leading the climate finance agenda within their institutions and creating spaces for peer-to-peer learning, solution development and action planning.

Together we explore:

- The organizational, behavioral and cultural changes banking professionals must influence internally in order for climate finance strategies to embed in business as usual.
- The personal leadership dimension of driving the transition to a low carbon economy from within a financial institution.

The first Climate Safe Learning Lab on 24 September 2019 was designed, project-managed and facilitated by the Finance Innovation Lab – a UK-based charity working for a financial system that serves people and planet.

Over the past 10 years the Finance Innovation Lab has incubated the people and projects with the potential to transform finance, specializing in purpose-driven financial innovation and developing collaborative leaders. In designing and facilitating the initiative, the Finance Innovation Lab drew on their work supporting banking professionals to lead positive change within their institutions, through peer learning and leadership development.

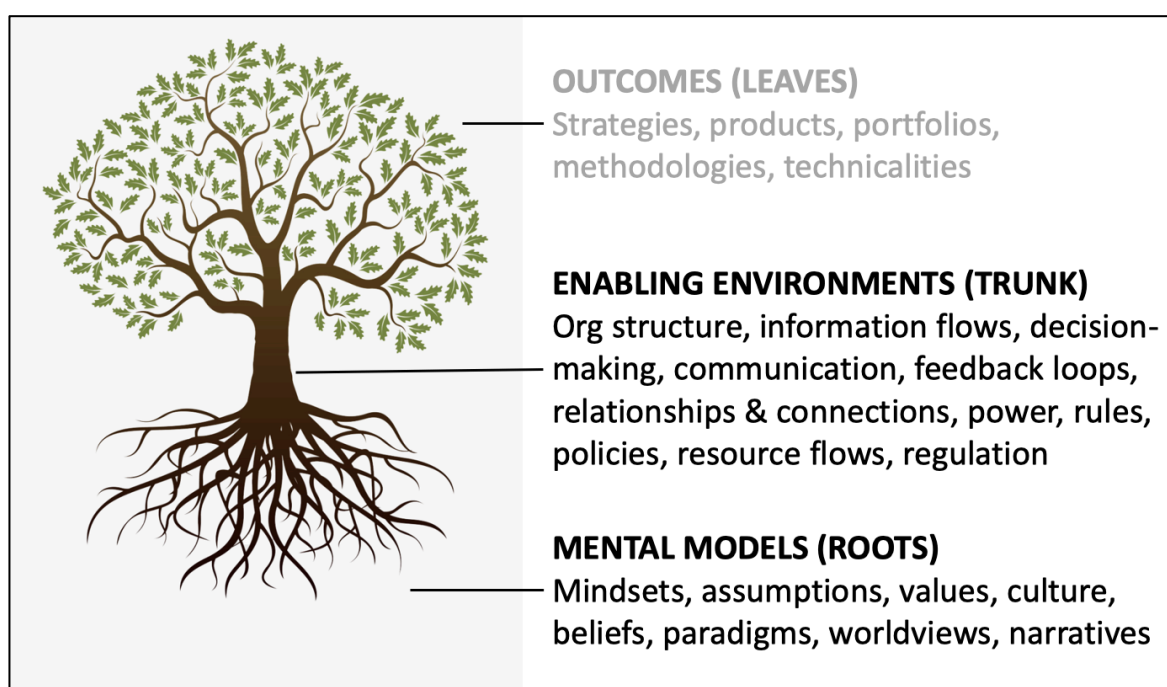
## NATURE OF THE CONVERSATION

The Climate Safe Learning Lab conversation was centered on four key questions, using an action inquiry approach:

1. What is working well to advance the climate finance agenda within your bank?
2. What challenges are you facing in advancing climate finance in your bank?
3. What solutions can be developed to overcome a key challenge?
4. What steps will you take to advance climate finance in your bank?

In exploring these questions, a specific frame was set for the nature of the conversation which can be depicted using the metaphor of a tree (see Figure 1).

Figure 1: The nature of the conversation



In order to deeply transform bank lending at a systemic level, we need to look beneath our technical strategies and explore the structural factors and mental models that hold the status quo in place, making it feel difficult to shift.

The leaf canopy represents the technical conversation hosted in many other forums – this is not the focus of the Climate Safe Learning Lab though we understand how it influences the conversation.

The trunk represents the structural factors which create enabling environments for certain technical strategies to embed over others.

The roots represent the mental models – mindsets, worldviews, assumptions – that fundamentally shape views of what is possible and what strategies are appropriate and valued.

In exploring the above questions, participants were encouraged to focus on the level of the trunk and the roots and avoid conversations directly about the leaf canopy. This is a countercultural modus operandi as the culture of banking institutions most often gravitates toward technical expertise, strategies and tactics and less often acknowledges the systemic dynamics (trunk and roots) that inform these things.

## GUIDING PRINCIPLES

The Climate Safe Learning Lab seeks to embed the following principles in the conversation:

- **Break down silos:** No single institution is going to solve the climate crisis on its own
- **Your personal views matter:** Speak what has personal heart and meaning
- **The soft stuff is the hard stuff:** The leadership, relationship and communication dimensions are the most difficult part of the work
- **Lean into uncertainty:** Embracing what we don't know is key to moving forward
- **Honor diverse opinions:** Everyone is an expert in their own experience
- **Speak courageously:** Say what needs to be said.

## PARTICIPANTS

We were honored to be joined for the day by 21 banking professionals representing a wide range of North American, European, and African banks including some of the largest global banks.

The majority of individuals in the room work in the banking industry as sustainability officers, risk officers, and policy experts, with responsibilities that include directing and advising the bank on climate and ESG targets. They are change agents who straddle the internal world of the bank and the larger stakeholder community interested in the impacts, positive and negative, that their institutions have in the world at large.

The framing question for the day was: "How might we identify and transform the underlying dynamics that impede the transition to low carbon bank lending?"

Participants were assured that the conversation was pre-competitive, collaborative, confidential, and the report of the meeting would provide the themes addressed without attribution.

In order to begin the exploration, during the introductions, participants were asked to share their sense of personal connection to the climate crisis and a question they were holding or bringing to the room for the day.

Participants' personal connections revealed a motivation to work on climate change because of their love for their family, especially their children; their academic or professional experience and expertise; their love of nature; seeing the impact of climate change first hand in their home countries; or a specific connection to the natural landscape (e.g. living in a rural area or coming from a farming background).

Many expressed concerns that the future their children or grandchildren would inherit has been made worse through the actions or inaction of their generation, and most especially, by the institutions where they are employed.

Their desire to create change is deep and profound. Many expressed a combination of determination to shift the banking sector for the sake of the future, whilst also feeling overwhelmed by the enormity of the problem, saddened by the pace of change, and fearful that their action now may not be 'enough.'

The questions that participants brought to the day included:

- What would it look like to think of ourselves as an interconnected system rather than silos?
- Where is the common ground on matters of climate and lending when all banks are 'different'?
- Is there an intrinsic motivation in the finance sector to be the change for the future or are we only about funding companies and GDP growth?
- How do we help our banks along on their journey faster?
- How do we work with those creating incentives inside banks to motivate change?
- How do we shift from data collection and CSR positioning to action? How do we avoid getting stuck with trying to build the perfect argument or perfect model when what is needed is immediate action?
- How do we develop the tools to present the argument for changing bank lending? How do we get better data, better analyses so that the argument for change looks like more than a statement of belief?
- How do we reconcile the UN Sustainable Development Goals with climate change and are banks really part of the solution?
- How do we not leave people behind in the transition?
- What is our special role as CSR/ESG specialists? What are our unique tactics to promote change?
- How do we convey urgency without sounding alarmist?
- What does the future of bank transactions need to look like if we are serious about climate change?
- Is it too late? Will our action now be 'enough'?

While the group clearly expressed concern about the pace of change and need for more urgent action, they also expressed hope that there is a palpable sense of NOW being the moment. There is a sense that change is possible now in ways that it has not been in recent years.

As one participant reflected, "We are now debating HOW to change bank lending. This is a lot better place to be than debating IF or WHY to change."

### ***What is working well to advance the climate finance agenda within your bank?***

To address the first focus question, participants worked in smaller, more intimate groups to discuss what is working well to advance the climate finance agenda within their bank.

Participants felt that working internally to set a "tone from top" is having positive impact throughout the institution. Getting the CEO to reinforce the commitment to climate policies and frameworks is key to getting action aligned internally.

Further, getting their CEO time on the stage publicly to reinforce bank commitments is important for advancing institutional commitment and preventing backsliding. As one participant noted, "all external speaking engagements should have climate in the talking points. I see it as my job to make sure that happens."

Finding ways to celebrate success of the bank or the sector for hitting milestones or making deeper climate commitments helps to reinforce commitment to the goals. The celebrations help create opportunities for learning in the bank, and reinforce that part of the bank culture is tied to its action on climate.

Participants also felt as if they are getting a better understanding of the internal decision-making calculus - the data that matters to those making decisions about transactions or loans. Subsequently, those tasked with advising on climate risk are able to prepare better models or better arguments for how climate risk can play out in a wide range of scenarios.

*"In the past, it felt like we were being asked to guess which arguments or which data was important for the decision making process. Now there is more willingness to share information and insight."*

Making personal connections seems to be important for building internal alignment on climate targets. Several participants reflected that they are working on engaging "the person" in decision making authority, rather than engaging "the role." In the process they are discovering more alignment, shared concern about climate, desire to make changes and forging a community inside their institutions.

At the same time there is a certain orthodoxy in banks about how decisions "should" be made and whose voices/views have weight. While this can at times deeply

frustrate sustainability professionals (e.g. “I am always being asked to look for more and better data to demonstrate the specific climate risk in a sector or in a deal”), some noted that the orthodoxy can be useful in helping to advance internal learning and action.

Clients, shareholders, employees and regulators all have significant influence. They in many ways set the agenda, and so their influence reaches the right decision makers including those at the C-level and board of directors. Sometimes hearing about climate urgency from one of these stakeholders is more important than hearing it from someone inside CSR or Sustainability teams. Building allies internally to convey the right message to the right person is an effective tool that many participants discussed.

One participant noted that “flipping” the paradigm can help convincingly portray the climate-related risk in a sector or a deal. For example, if the conversation is being framed as an opportunity loss to move away from a loan or investment due to climate risk, reframing the analysis to look at avoided risks in past declined transactions in similar sectors can prove successful in making the case.

### ***What challenges are you facing in advancing climate finance within your bank?***

As the conversation shifted to challenges, participants explored the limits to their success or what holds them back from making change happen within their institutions.

Many participants expressed that institutional learning on climate is slow. Having a competent understanding of climate change, the science, and the risks is not a focus of many bankers so there is an enormous amount of work to bring people along on the journey.

Reporting or disclosure regimes can be significant drivers of change inside banks. However, many participants expressed frustration. They felt as if the range of concerns stakeholders want banks to report on is too diffuse. There was also a feeling that some reporting regimes fail to drive desired outcomes in terms of changes in bank lending.

Some participants feel a tension between their desire to create a sense of urgency while feeling as if they are perceived as alarmist. They felt that their rational calls for action based on climate science are met with demands for more data, and more “practical” analysis.

It was also suggested that climate risk is diffuse. By contrast currency risk, well understood in banks, is integrated into broader risk analysis. Climate risk is not well embedded in the same way. This leads to feelings of further frustration amongst participants because it feels impossible to meet the design criteria for the analysis the bankers desire.



In particular, there is concern about the data and models used to assess risk. Banks primarily look at financial performance history, but much of the analysis around climate risk is being modeled using future-looking scenarios. This breaks with how data is conventionally used in banks, so it is considered less reliable.

Some participants felt as if it was better to take the heads of credit risk on a journey, to help them understand the limits of current approaches to data collection and analysis when it comes to measuring climate risk. Focused work with heads of credit risk was deemed more effective than working across many individual bankers to get alignment. Nevertheless, data is perceived as a limited factor for creating change inside banks on climate risk.

Yet without sufficiently acceptable data models, many participants felt they risk being perceived as irrational or somehow marginalized inside bank culture. They feared losing their “seat at the table”. One participant reflected that the risk of losing one’s seat at the table, or even losing one’s job, is high. “It’s dangerous to be the person calling for change, to be telling a senior oil banker they have to change.”

Some feel strongly that the banking model, based on seemingly endless growth, is fundamentally broken. “We need to completely reorient how banking works. We need to leave behind the comfortable idea that we are going to have all the data available to make prudent decisions. We won’t have that on climate.”

### ***What solutions can be developed to overcome a key challenge you are facing?***

The third stage of the Lab created a space for small group peer-to-peer learning sessions to develop solutions to a specific challenge identified by each individual. Since the Lab was designed only for banking professionals, this was a unique opportunity for participants to work closely with their peers and discuss professional challenges and opportunities. Participants were split into triads where they used the GROW coaching model to support each person in turn to explore a particular challenge in depth and formulate potential solutions with the intensive support of two peers.

GROW stands for:

- **G**oal
- **R**eality (Current Reality)
- **O**pportunity / Options
- **W**ay Forward

Participants were prompted to engage in active listening and to be empathetic rather than instructive. Rather than provide advice from their own experience participants used strategic questioning to foster new insight and identify opportunities for the way forward.

In order to respect the process and honor the peer-to-peer nature of the sessions, facilitators were not engaged in the clusters, therefore not privy to the entirety of the conversations. Afterwards, participants revealed that they explored challenges and opportunities across a range of areas including:

- Building internal allies to gain C-level buy in
- Advancing education agendas across teams inside the bank
- Identifying low-hanging fruit to move forward in certain sectors that may be more open to taking action
- Overcoming the “hierarchy of knowledge” problem inside banks where sustainability officers are marginalized and not seen as experts with respect to the needs of their clients, despite being subject matter experts
- Overcoming a sense of knowledge failure – the perceived need to be an expert in the permutations of climate risk in every sector that an institution serves
- Dealing with the “show me the data” mindset.

Participants also helped each other work through how their own mindsets and mental models may interfere with their ability to effectively engage across teams in their institutions.

### ***What steps will you take to advance climate finance within your bank?***

The day’s work concluded with practically translating the intent to act on opportunities identified in the small group peer learning sessions into tangible action plans. These action plans were not shared with the group as a whole. Rather, the intent was to provide supported space for using planning tools to set milestones in this area.

## KEY TAKEAWAYS

Participants then shared some of their key takeaways and action areas with the large group as we concluded the day. These included:

- Leverage allies in my own back yard
- Be more self-aware - use advocacy when needed and also use data
- Focus on the enthusiasm that others share for our climate goals, even if there isn't immediate practical action
- Learn how to manage conflict better. In risk management there is more conflict because the job is to say "no" or "not quite"
- Develop a plan to get the CEO more involved. Make it clear how climate policy and action aligns with the CEO's interests
- Show up less like an alarmist and more like a guide or with suggestions
- Make more time for strategy and the big picture view
- Use windows of opportunity as they arise

Participants expressed gratitude for the opportunity the Climate Safe Learning Lab provided to join with peers in a community of practice:

*"My take away is that I am not alone and I have peers that can help me."*

*"I don't often get to talk to people outside my bank region.  
The global perspective was really useful."*

*"This gives me a lot of hope. We each have our own networks and institutions that we can leverage as part of the change agenda."*

*"There are lots of convenings about content. There is little support for the praxis of CSR / ESG / climate professionals in banking.  
It would be useful for this sort of support to continue."*

*"If there were another one of the many large conferences I am asked to attend hosted at the same time as this type of peer lab, I would skip the conference and drive, walk, take the bus to this Lab.  
This is so much more relevant to me and my work."*

## NEXT STEPS

Participant feedback on the day has been overwhelmingly positive. In post event surveys, participants unanimously asserted the importance of peer-to-peer learning and felt that the Learning Lab offered a unique and invaluable resource for banking professionals. Many felt that others inside their institutions would benefit from participation in a future Lab event. There was significant interest in having a follow-on event in 2020 tied to one of the USA and European bank convenings focused on banking and climate.

The Climate Safe Lending Network is honored to have been able to provide this unique opportunity and is currently exploring dates and locations for a future event in 2020.



## Climate Safe Lending Network

### CONTACT US

If you are interested in learning more about the Climate Safe Lending Network or future Climate Safe Learning Labs, please contact Erin Gorman, Director for the Center for Sustainability Solutions at [egorman@greenamerica.org](mailto:egorman@greenamerica.org).