

# Exploring Frontiers in Sustainability: Bringing Futures Literacy to Financial Services in Ireland and the World

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The world is facing an unprecedented climate crisis. Despite the scientific evidence and warnings over decades about the devastating consequences and the need for systemic changes to counter these threats, we have been slow to act. Why is this? Why are we so slow to act in the face of overwhelming data that a man-made catastrophe is approaching and our future survival depends on us taking action now.

Due to our collective “poverty of imagination” we are unable to imagine a fundamentally different future, and therefore unable to imagine, let alone envisage, the full impact of climate change. This inability to anticipate the future contributes to our collective pretence that climate change may not happen, and feeds into our complacent lack of action.

We need tools to help us overcome this “poverty of imagination” and help society, organizations and individuals shift their perspective from short term gain to long-term sustainability – or in more mundane terms, making potentially difficult choices today that will likely “only” benefit future generations.

Anticipation is an idea that helps us deal with this and it is on this foundation that futures literacy as a capability has been developed (Miller, 2018).

*“The future does not exist in the present but anticipation does. The form the future takes in the present is anticipation.”*

## What is Futures Literacy? And why finance?

Futures literacy as a capability aims “to reveal the anticipatory assumptions (AA) that determine why and how futures are imagined”. In this process, over the last seven years UNESCO has developed the Futures Literacy Lab (FLL) methodology which represents the latest advances in bringing together design, anticipation, and innovation thinking. Its network of futures practitioners have run different kind of futures literacy labs over this period. Becoming aware of and understanding these anticipatory assumptions is fundamental if we are to become aware of the underlying beliefs that govern our ability to imagine the future. By making these assumptions explicit, we gain the capacity to tap into the full potential of anticipation. In other words, FLLs build our capability to cure our “poverty of imagination” that otherwise constrains our ability to imagine a fundamentally different future.

Nurturing this capability in the finance sector is pivotal. Firstly, finance plays a critical role in the climate crisis – its allocative function can release the much needed capital for climate initiatives that can help strengthen resilience and mitigate the impacts of climate change. Secondly, the financial markets and economic paradigms on which they operate have excluded and externalised the environmental goods and services that cannot be valued or monetised, such that the costs of caring for our planet will continue to represent an additional financial burden to society that is neither valued nor integrated into the economic, social and political actors’ operations or financial analysis. However, if the financial sector is to again play the central role it played in contributing to the economic and social progress the world has witnessed globally over the past couple of centuries, it must learn to challenge the traditional models and assumptions at its core, as they are no longer adequate to face the challenges ahead. Bringing futures literacy to the financial sector is therefore an attempt to demonstrate the central role and impact that the financial sector must play in shaping a more sustainable and inclusive future

It is with this objective in mind that, in the fall of 2019, two parallel and complementary initiatives in futures literacy in the financial sector were run:

- A Futures Literacy Lab leading up to the 47th Global Congress on Banking Transformation that took place in Paris on 17 and 18 October 2019
- A Futures Literacy Lab as part of Climate Finance Week Ireland that took place in Dublin from 4 to 8 November 2019

The co-design of these labs involved a wide range of cross-disciplinary and international actors, including UNESCO, EIT Climate KIC, Ecole des Ponts Business School, Efma, Finland Futures Research Centre, among others. This experienced and high-level team of experts was led by Riel Miller, Head of Futures Literacy at UNESCO.

The Futures Literacy Labs took participants through 4 phases specially designed to implement collective intelligence methods that “use the future” to enable participants to understand key assumptions underlying their ability to imagine the future.

The goal was to invent new images of the future to guide their efforts to address the roles and responsibilities of the financial sector in contributing to shape a sustainable future.

In this case, the labs were structured around 4 phases:

Phase 1, Reveal– Participants start the conversation by sharing their images of probable and preferable futures of the financial services sector in 2050. This allows participants to reveal the underlying, and often limiting, assumptions that govern their ability to exercise a truly creative vision of the future.

Phase 2, Reframe – Participants engage with a transformative context, encouraging creativity and invention related to the functioning of the financial services sector in 2050. The invitation in this phase is to play with the future. To let go of the familiar images and, most importantly, to suspend their habit of imagining the future either as something that is likely.

Phase 3, Reflect – Arising out of the collective effort to specify the assumptions that shape images of the future, participants explore new questions and consider aspects of the present of the financial services sector that were either invisible or marginal but now offer unexpected potential.

Phase 4, Next steps – Reflecting on the process and the content of the conversations, the participants sketch out avenues for moving forward with the financial sectors' efforts to step-up to the challenges of our times.

The outcomes of the Futures Literacy Labs were to:

- Generate new knowledge, meanings, concepts, and framings for the financial services sector.
- Cultivate participants' expertise, developing their capability to use Futures Literacy through a tested design in 'learning by doing'.
- Establish key directions for next steps in the financial sector's ambition in general, and Ireland's in particular, to ensure that it meets the challenges of the 21st century and the needs for Ireland and the world.

## Paris, France

With over 3 000 members worldwide, the European Finance and Marketing Association (Efma) has become the largest association of banks and insurance companies in the world. One of Efma's principal missions is to identify and explore the fundamental trends, opportunities and challenges faced by the financial sector and identify the sector's best practices in terms of transformation.

Over the last few decades and in the face of the growing challenges being faced by the traditional banking and insurance business models, coupled with the global challenges related to rising inequality, inclusion, climate change and sustainability, Efma has decided to partner with UNESCO, Ecole des Ponts Business School, and Wavestone to initiate a joint research initiative to explore the social responsibilities of financial institutions in shaping a sustainable future for themselves – and society at large.

As part of this research initiative, Efma, UNESCO and Ecole des Ponts Business School organized a Futures Literacy Lab that brought together 20 participants from banks around the world to explore topics such as the future of societal inequality and the role of the financial sector; the reframing of societal systems of value creation, including rethinking wealth and credit; and mobilizing the collective intelligence of the sector for its transformation in creating a sustainable future.

## Dublin, Ireland

Over the last few decades, financial services in Ireland have played an indispensable role in fostering innovation and adaptation to opportunities and threats at home and in the global economy. Today and looking forward, the challenges and potential for the financial sector appear to be at least as significant as in the past. The question is how can the sector best prepare for what promise to be major changes – both positive and negative?

2019 is the Year of Sustainable Finance in Ireland, and Ireland holds a unique position as an internationally competitive location for the financial services sector. This also means that having the ability to change and adapt the economy is key to moving forward, highlighted in the Ireland for Finance strategy to 2025 for the financial services sector. A key vision in Ireland's strategy is for Ireland to be a top-tier location of choice for international financial services (IFS), and enhance and protect future competitiveness.

EIT Climate KIC and Sustainable Nation Ireland (SNI) are working under the auspices of the Ireland for Finance strategy to drive collaboration and to mobilize the financial centres in support of the sustainability agenda. Moreover we will work towards a Sustainable Finance Innovation programme to support the development of new IFS products and services in support of the Environmental, Social and Governance (ESG) agenda.

Through Futures Literacy capabilities, the goal is to enable key decision makers to be able to anticipate the conditions of change, be that in terms of the global economic trends or the physical climate risks facing the economy. Moreover, it will help attune leaders to use this foresight to be open to new emergent business opportunities that will allow them to be agile in their decision making and pace of change to new challenges.

As part of an effort to prepare for, as well as take advantage of, the transformations of a complex evolving world, EIT Climate-KIC and UNESCO in collaboration with Sustainable Nation Ireland, organised a Futures Literacy Laboratory as part of EIT Climate-KIC's cutting-edge Deep Demonstration initiative. Deploying the latest advances in anticipatory systems thinking and collective intelligence processes, the Lab brought together 30 experts from across the sector for a day on November 7, 2019.

## Insights and opportunities

The Futures Literacy Labs in Paris and Dublin allowed participants to identify and challenge the underlying, limiting assumptions that effectively prevent individuals and organizations from generating genuine novel visions of the future. The Labs led to knowledge-creation and collective intelligence that contributes to creating a shared understanding of how change might be effected in the financial sector.

The fundamental insights and opportunities the Labs generated can be grouped in four broad categories or areas:

- The need for systemic intervention
- The need to challenge the very definitions of value and value-creation
- The need for the regulatory bodies to play a proactive role
- The need for the sector to generate disruptive innovation

### **The need for systemic intervention**

The Futures Literacy Lab in Paris brought to light a shared conviction among the participants that the current incremental approach, largely limited to individual initiatives of marginal product and service innovation, would not be enough to face the global challenges facing the industry – and the world. In addition, despite the wide-range of initiatives, products, and standards in support of green finance, the overall impact was still marginal, at best. In fact, the very KPIs used to measure and drive the change seem inadequate, when they are not an obstacle to imagining novel ways of operating. However to achieve the necessary degree of impact, a systemic approach would be necessary, bringing together as many of the system's stakeholders as possible: banks, insurance companies, government, regulatory bodies, citizen advisory boards, etc.

Closely related to this came a sense from the Dublin Futures Literacy Lab, that behavioural change at the individual level also plays a critical role, both to achieve positive results in terms of climate impact, but also as a driver of change for the institutions – both private and public.

Awareness raising efforts might include: A) stimulating behavioural change through financial literacy for the public, in a government-led public awareness campaign around how the financial sector might contribute to mitigating climate change; B) consumer visibility of carbon footprints through online spending that could lead to behavioural changes at the consumer level; C) citizens assemblies to understand and encourage systems change in Ireland – and elsewhere.

## **Notions of value**

Questioning of the underlying limiting assumptions of the current model, the Paris Futures Literacy Lab also surfaced some of the deeper questions that the sector needs to address. As we seem to be moving from an “input/output” model to a “knowledge/experience”-based model of value creation, the validity of some of the sector’s bedrock assumptions have been clearly emphasised as points to be revisited. In a context in which new and fundamentally different approaches to value-creation are multiplying, how does the current system account for them? How does one measure social capital? Human capital? Knowledge capital? Shared resources, including natural resources? Or the direct and indirect impact of an activity on the wellbeing of its extended ecosystem?

The belief of the participants in Paris is that if the sector can play a leading role in addressing these fundamental questions, then it could naturally regain some legitimacy as the trusted third party of value assessment and allocation over time – and again play a transformative role for itself and society in shaping a sustainable future, like it has done in the past.

In Dublin, similar questions exploring possible new definitions of value emerged as participants presented key opportunities and directions for the Irish financial services sector to pursue, which included measuring and capturing new types of value that underpin nature, happiness, human capital through e.g. natural capital accounting, development of new KPIs and incentives, and supported by data to help create visibility amongst consumers on the social impact and value created, and to generate capabilities to invest in the long-term.

## **The role of regulation**

At a more granular level, both Labs emphasised that current financial regulation was not enough. In fact, regulation was often seen as protecting and perpetuating the present system, rather than a driver of change in the face of the systemic challenges being faced by the sector. Regulation was seen as evolving too slowly and as being disconnected to the changing market realities, as evidenced by shifting consumer behaviour and expectations.

Echoing the need for a systemic approach, the proactive participation of regulatory bodies in any initiative to adapt the existing financial model was seen as essential. This role should include contributing to the definition of the shared standards, data protection and the definitions of value to contribute to the adoption of new measures of value.

The Dublin Lab also suggested the development of independent and timebound regulatory sandboxes to help the sector experiment. This could include new ideas to test, as well as links to green finance initiatives in Ireland and internationally, and business development opportunities with a significant component of learning from experiments put in place. These initiatives would build on other similar initiatives being developed around the world.

### **The role of innovation**

Finally, both the Dublin and Paris Labs identified the fundamental role of innovation to drive the ambition and action of the finance sector in the face of climate change and inclusion. However, traditional incremental innovation will not suffice. What is required is for banks to develop their ability to support fundamentally disruptive – even systemic – innovation, which implies adapting their current models of R&D, as well as looking beyond the traditional boundaries of the sector to source new ideas.

The Labs identified several initiatives in this domain. One example was setting up climate innovation labs that can help to nurture latent capacity within organisations, freeing up the time and space for innovative ideas to be scaled up. Another pointed to the role of frontier technologies that facilitate the exploration of new spaces going beyond money and value, bringing together the Irish Financial Services, and stakeholders who want to see change in today's financial system. A third initiative imagined creating a robot-advisor to evaluate the impact of externalities on investment projects, using big data and AI as a complement to internal tools.

### **EIT Climate KIC's mission on Long-termism**

Over the past four years, EIT Climate KIC has supported the development of a suite of tools to mainstream climate in the financial markets. We are now looking towards how we may transform the financial markets through challenging the fundamental narratives to create an economic and financial system that is fit-for-purpose to our addressing our climate challenges and designing interventions that can adjust the way we invest.

Overcoming short-termism is one of the critical barriers to ensure the adequate investment in sustainability and climate action. Together with innovators across the EIT Climate-KIC community, we are embarking on designing interventions that will promote long-termism across society, across all of the above mentioned topics, to catalyse systems change and impact needed to meet the broad and complex challenges posed by climate change.

For more information please visit the [Deep Demonstrations Long-termism section](#) on our website.