

PRINCIPLES OF SUSTAINABLE FINANCE

Chapter 12: Transition management

Overview of the book

Part I: What is sustainability and why does it matter?

1. Sustainability and the transition challenge

Part II: Sustainability's challenges to corporates

2. Externalities - internalisation
3. Governance and behaviour
4. Coalitions for sustainable finance
5. Strategy and intangibles – changing business models
6. Integrated reporting - metrics and data

Part III: Financing sustainability

7. Investing for long-term value creation
8. Equity – investing with an ownership stake
9. Bonds – investing without voting power
10. Banks – new forms of lending
11. Insurance – managing long-term risk

Part IV: Epilogue

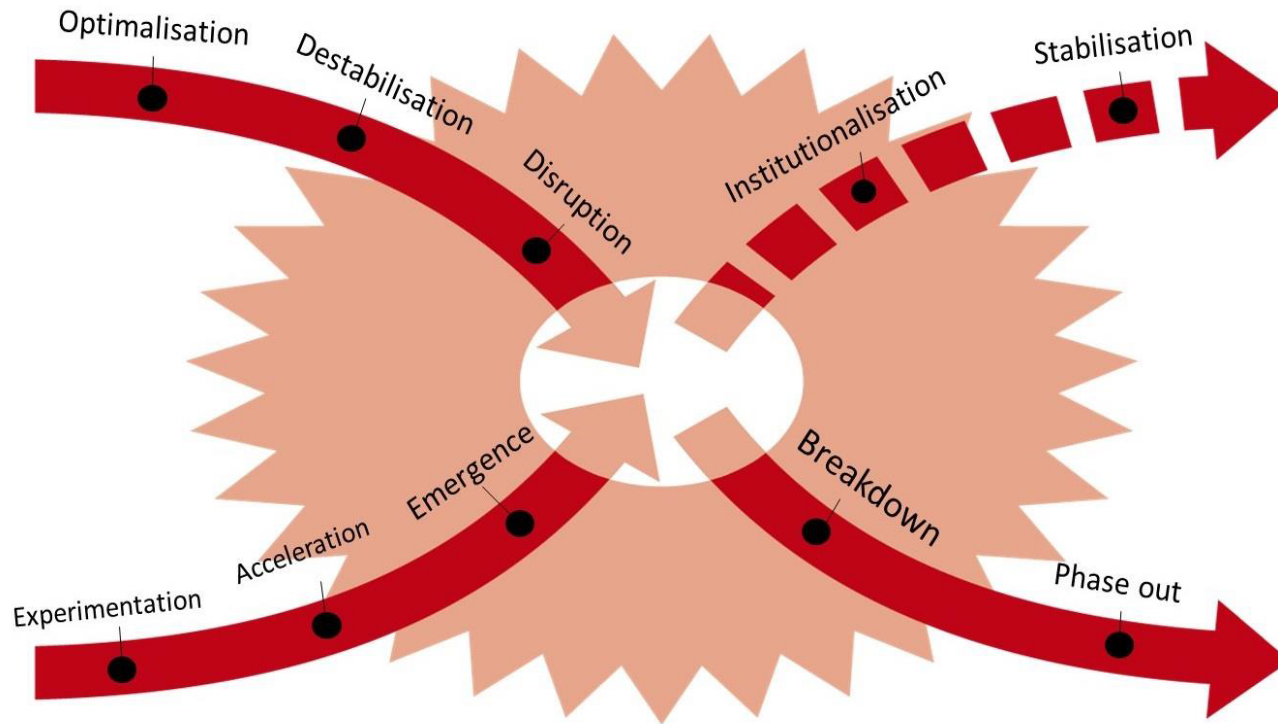
- 12. Transition management and integrated thinking**

Learning objectives – chapter 12

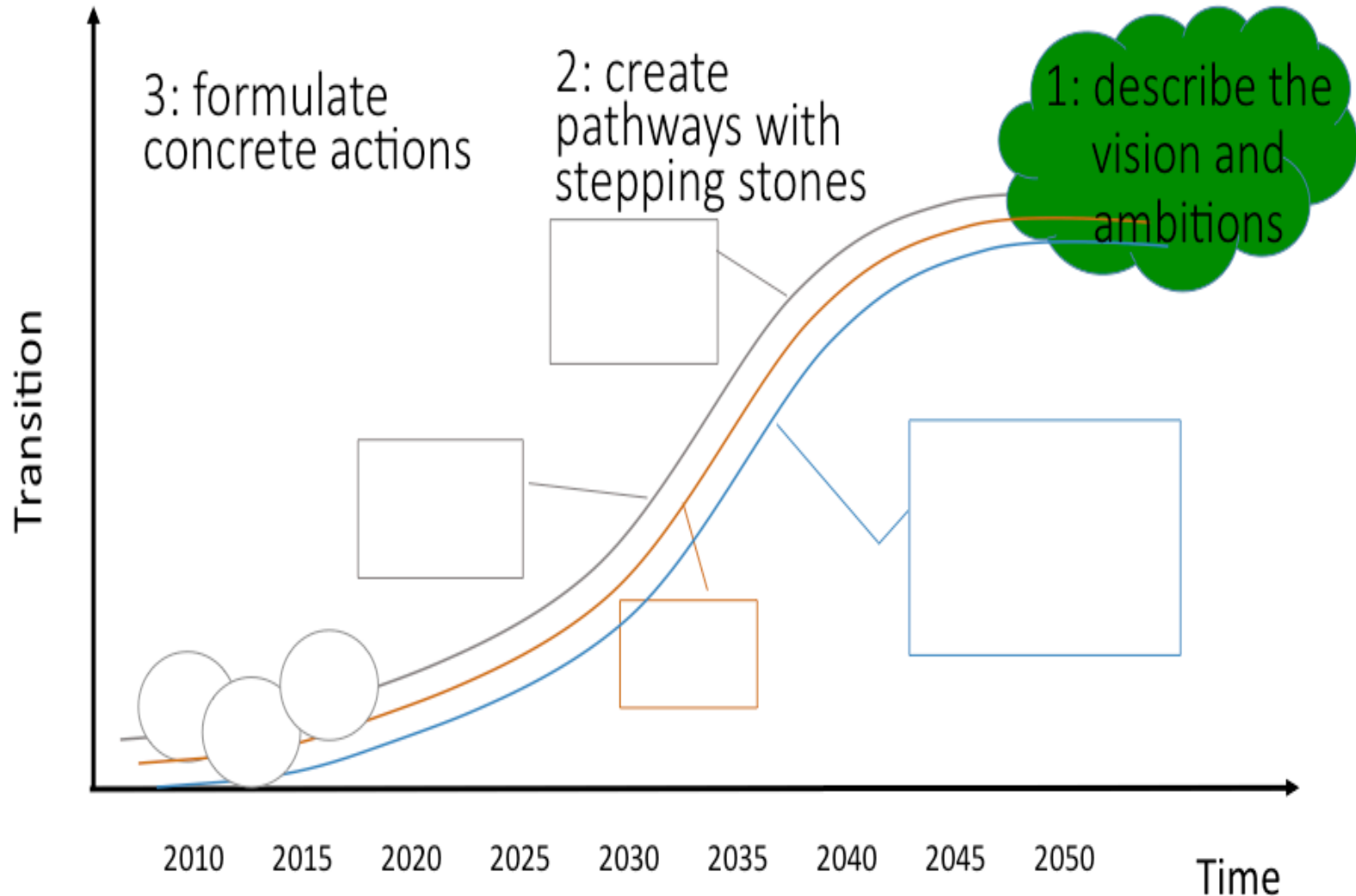
- ▶ understand the dynamics of transition management
- ▶ explain a new vision and approaches in the financial sector
- ▶ understand the need for an interdisciplinary approach
- ▶ apply the concept of integrated thinking

Transition governance

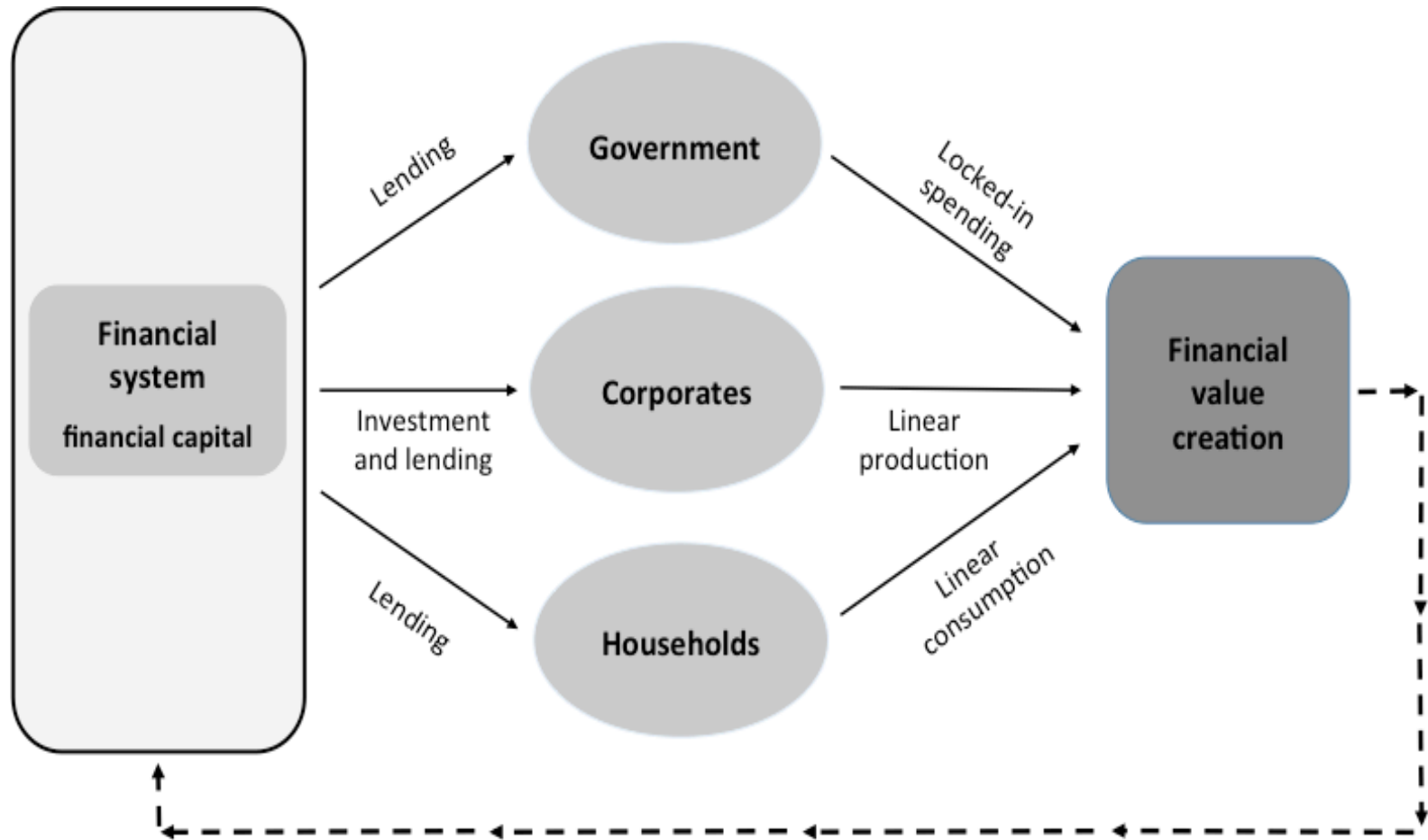
The x-curve of transition dynamics



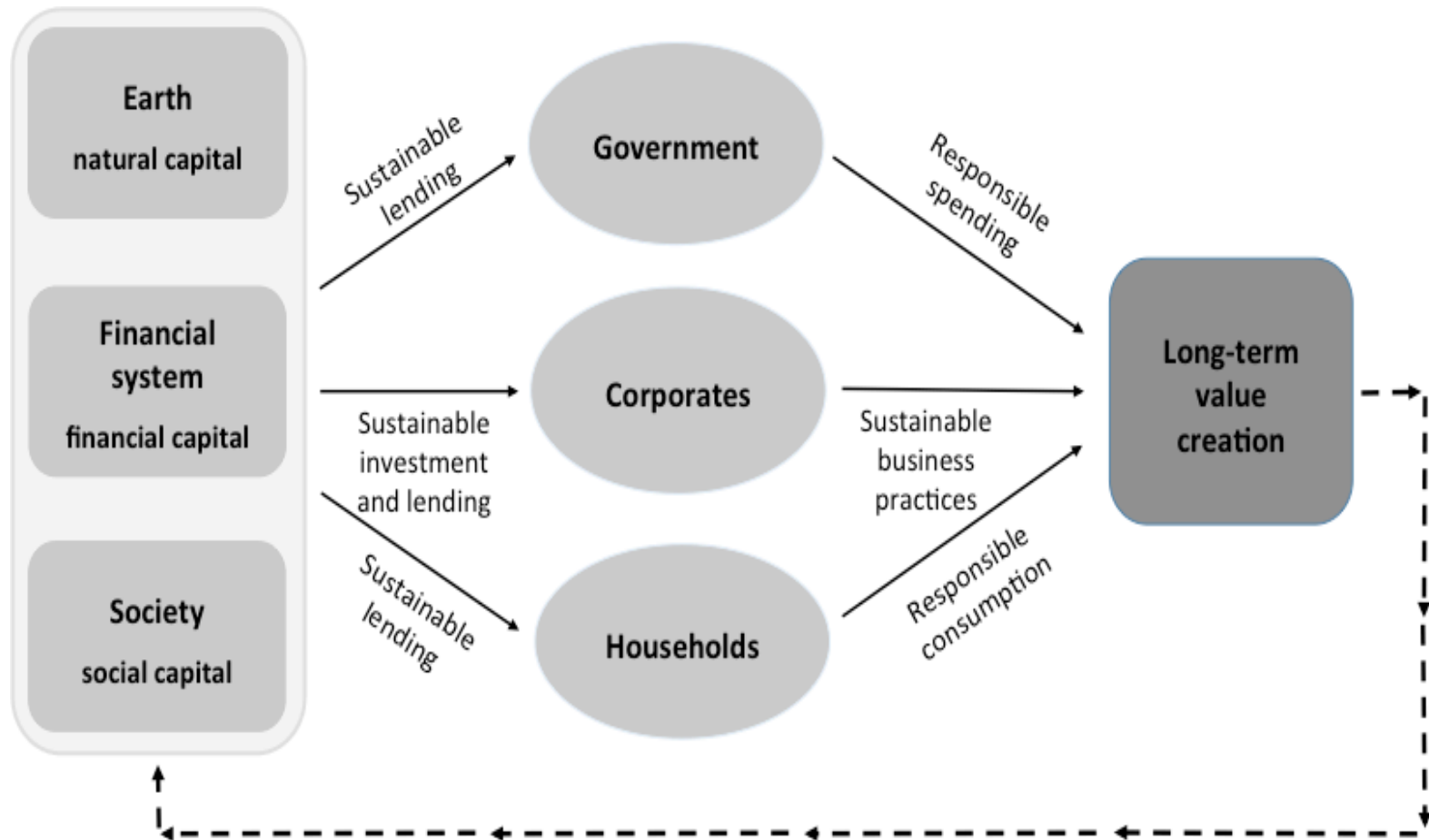
Backcasting



From an old vision



To a new vision for the financial sector



Transition management

Transition management framework

incl. transition management instruments

Transition Arena:

Transition analysis
Problem structuring
Envisioning
Backcasting

Transition Agenda:

Coalition building
Strategy development
Institutionalization
Financing



Transition monitoring:

Evaluation
Adaptation
Transitional potential
Ethics

Transition Experiments:

Empowerment
Community engagement
Business case

Transition of the financial system

Current dominant practices and beliefs

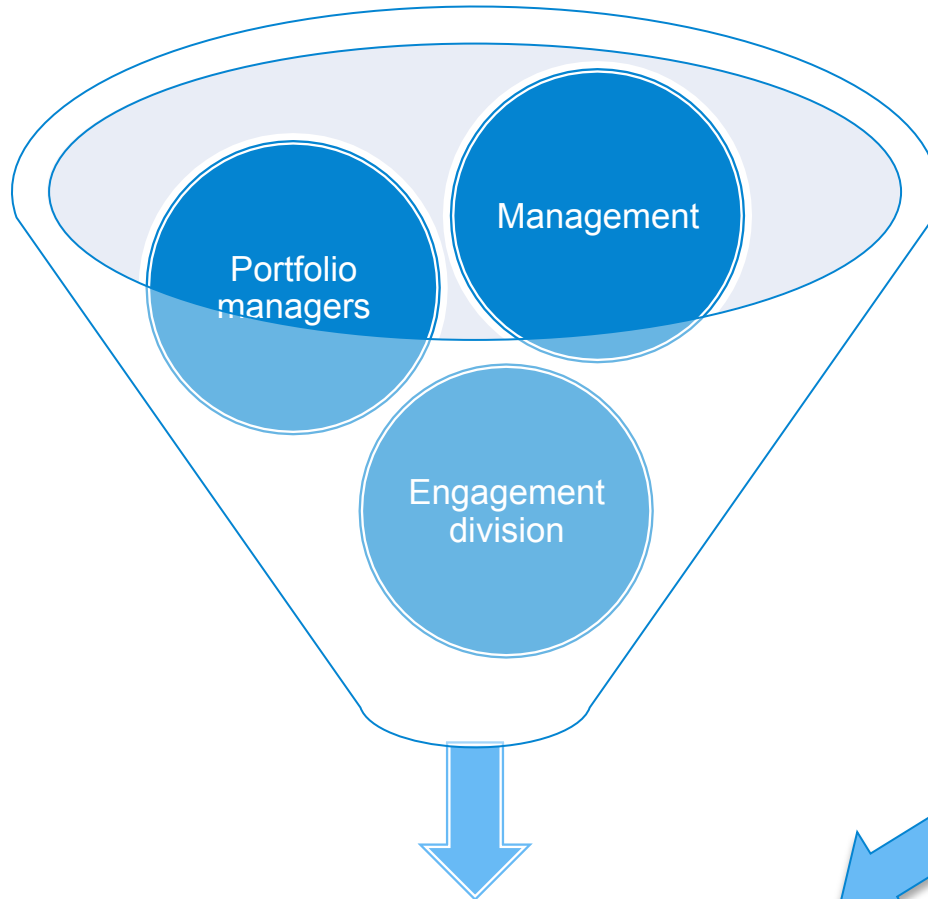


- ▶ Investing in market benchmarks (financial risk – return thinking)
- ▶ Sustainability comes at the expense of financial return
- ▶ Fear of entering uncharted waters

A new regime

- ▶ Need for leadership and changed mindset (Theory U)
- ▶ Integrated thinking

Integrated thinking

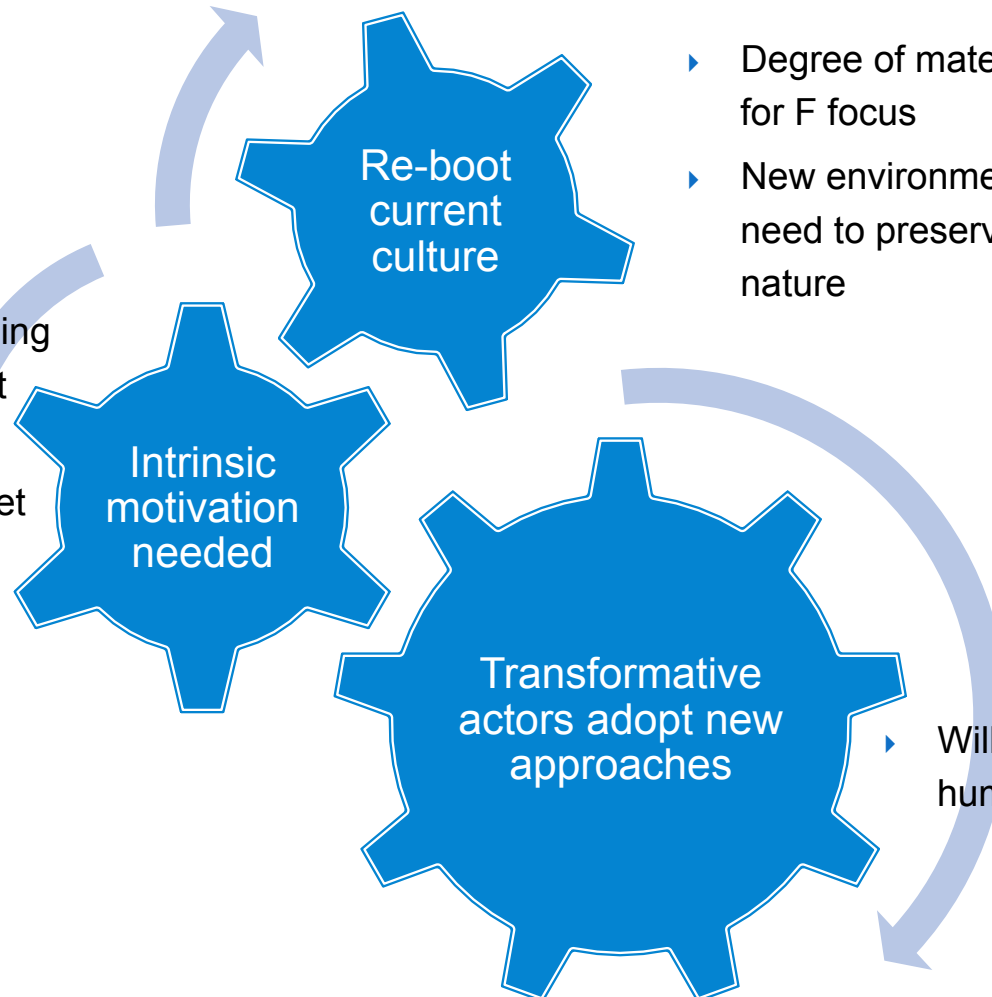


Interdisciplinary teams

Integrated approach

$$I = F + S + E$$

Personal change



- ▶ Degree of materialism is indicator for F focus
- ▶ New environmental paradigm: need to preserve balance of nature

- ▶ Incentives (financial) / nudging can steer behaviour, but not sufficient for real change
- ▶ Theory U: change of mindset
- ▶ Responsible management education

- ▶ Will also attract human talent

Conclusion - transition dynamics

