

Speech Notes for Matt Whineray, Co-Chair Sustainable Finance Forum Launch event with Ministry for the Environment

Friday, 19 October 2018

Kia ora, Sir Jonathon.

Tēnā koutou, tēnā koutou, tēnā koutou katoa.

I am delighted to be here with Karen today as Co-Chairs of the Sustainable Finance Forum. We look forward to working together and with other representatives from finance, business and Government on this very important initiative.

It is appropriate that the first workstream coming out of the Aotearoa Circle relates to the financial system – because the financial system underpins and influences so many other parts of our society.

The aim of the Sustainable Finance Forum is to identify genuine, practical ways to ensure the financial system is supporting, not hindering, the very significant economic transition that will be needed if New Zealand is to meet its international commitments under the Paris Agreement and the Sustainable Development Goals.

The 21st Century sustainability challenges laid out by these global initiatives require us to think hard about how to make our future economic prosperity long lasting, socially inclusive and environmentally sound.

Why do we need changes to the financial system to align with society's long term needs?

Mark Carney, the Governor of the Bank of England, puts it best when he describes climate change as a tragedy of the horizon – this generation is using natural capital to produce financial capital, when future generations will need both kinds to survive and thrive. As a result of this focus on the short term, companies – and this isn't unique to New Zealand by any means – are encouraged by their shareholders and lenders to focus on short-term value. They are incentivised to trade off long-term growth for short-term success. There is a lack of urgency in addressing business practices which are, ultimately, unsustainable.

Sustainable finance is about the long-term – it's about bringing the long term consequences of financial practices into today's investment and lending decisions and making investment commitments where the value will be realised over the long term. This is a big issue for New Zealand - significant expenditure and business expertise is needed if we are to find lasting solutions to the very significant challenges facing our country – climate change, environmental degradation, poverty and homelessness.

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Banks, investors and insurers play a vital role in facilitating the flow of capital to the projects and innovations needed to achieve our sustainable development goals. That's why the scope of this Forum includes not just support for sustainable finance products like green bonds – which are just one part of the solution – but the opportunity to address the systemic settings in the capital markets – to realign the very large existing pools of capital with these sustainability imperatives.

Our aim is to ensure capital is being allocated sustainably and for the long term. So we ask questions like: How do we get the incentives right to increase the flow of capital into solutions to issues such as climate change? What is stopping this from being done now? And how do we make better progress in addressing business practices that are unsustainable, over the long run?

I know from the Super Fund's international relationships that New Zealand is not alone in thinking about whether the financial system is helping or hindering efforts to solve significant social and environmental challenges. It's a focus among our peers and contacts in Europe, North America and Asia. We will be looking to draw on their global expertise and thinking about sustainable finance as we come up with recommendations that fit the New Zealand context.

This is important work – for proof of that just look at last week's IPCC report. Frankly, it's frightening and if anything is a call to action, it is that report. I ask the finance leaders in the room to get involved and help support this initiative. If done well, the transition to a more sustainable economy will benefit companies and the country as a whole. If done exceptionally well, it has the potential to give New Zealand a lasting competitive advantage, as both an exporter and an investment destination.

The realignment of the New Zealand financial system towards these sustainable long term goals is an ambitious task, and we need the help of all of the actors in the system – banks, asset managers, asset owners, regulators, stock exchanges, insurance companies and the like, to ensure that we come up with an actionable response to the challenge.

Our intention is to deliver a recommendations report and an action plan for implementing those recommendations to Government and the private sector within 18 months.

Thank you and I'll hand over to Karen for her thoughts.