



**DRAFT MEDIA RELEASE**

**Embargoed until 5am Thursday 31 October 2019**

## **The Aotearoa Circle's Sustainable Finance Forum names three top priorities for sustainable finance system**

Leadership is called for to achieve a sustainable finance system says the high-powered Sustainable Finance Forum (SFF) in its interim report released today.

This along with improving the availability and quality of environmental and social data, and pricing natural and social capital are proposed as the three top priorities.

The Forum's report names the priorities among 11 challenges that must be addressed to move to a financial system that supports desirable environmental, social and economic outcomes.

The Forum is an initiative of The Aotearoa Circle, a unique partnership of public and private sector leaders, unified and committed to the pursuit of sustainable prosperity by reversing the decline of our natural resources. The Aotearoa Circle co-chair Sir Rob Fenwick says the interim report is the first step towards designing a roadmap to 2030, which will be produced by mid-2020.

"The financial system is the engine of the economy and we need to scale up and re-direct capital to enable the transition to a sustainable economy," says Sir Rob.

The interim report is the result of 12 months of research and collaboration from a leadership group of 12 people and a 33-strong technical working group. More than 100 stakeholders were interviewed or surveyed, of whom 95 percent said the current financial system is not sustainable or fair.

### **Leadership**

The SFF has prioritised leadership with its first commissioned work. It engaged Circle Partner, Chapman Tripp – with peer review from Alan Galbraith QC – to clarify the legal obligations of directors and fund managers, specifically to look at the extent to which directors and professional scheme managers in New Zealand are permitted or required to take account of climate change in their decision making. Chapman Tripp's opinion, also issued today:

- Highlights the move from climate change being recognised as a solely an environmental issue, to a discrete – and foreseeable - financial risk to business. The foreseeable consequences of climate change, arising both from direct physical impacts and the second order effects of transitioning to a low carbon economy, present financial risks to business. Directors and investment professionals should manage these as they would any other financial risk.
- Confirms directors may take climate change into account in their decision making and must do so to the extent that climate change presents a foreseeable risk of financial harm to their companies. Directors of certain companies with public disclosure requirements (e.g. listed companies) may also have a duty to ensure that material climate risks are disclosed to the public.



- States for fund managers (including managers of KiwiSaver and superannuation schemes), the duty to act in the best interests of their investors now requires managers to take climate change risk into account when designing investment policies, where to do otherwise could pose a material financial risk to the investment portfolio. Fund managers may also need to implement a climate change investment strategy to future-proof their funds for their investors.

Chapman Tripp partner Daniel Kalderimis says, “Climate change has evolved from being a mere environmental or ethical concern to a financial business and investment risk. It will not pose a material financial risk for every business and investment, but where it could do, that risk needs to be into account in decision-making. Where a material climate-related financial risk is identified, directors and fund managers should formulate strategies to address it. This is the same advice that would apply for other material financial risks, such as projected company performance, domestic economic forecasts, global trade disruption or cyber-security concerns.”

#### **Improving environmental and social data**

Regarding its priority of improving the availability and quality of environmental and social data, the Forum’s interim report noted having accurate and comparable data is a key element in valuing assets and investments. The report claimed environmental and social data needs improved accuracy, comparability and availability to become integral to financial decision making.

#### **Pricing natural and social capital**

For the pricing natural and social capital priority the report noted the global financial system is built on models, norms and rules that do not reflect the full cost of business or respond to changing societal expectations. Integrating environmental and social impacts would improve the accuracy of valuations, accounting and capital adequacy models and internalise social and environmental costs.

The Sustainable Finance Forum is co-chaired by Matthew Whineray, CEO of the New Zealand Superannuation Fund and Karen Silk, Westpac GM Commercial, Corporate & Institutional Bank and Sustainable Business Council Chair.

Mr Whineray said jurisdictions around the world are setting out sustainable finance roadmaps that realign their regulatory and financial policies to enable the financial system to contribute to, rather than hinder, the transition to a low-emissions, resource efficient, just and inclusive economy. The financial sector is influential and can catalyse sustainability improvements in the business sector if participants adopt the right long-term strategies.

New Zealand’s sustainable finance agenda is running in parallel with Australia’s. Both countries, however, trail Canada, the European Union and the United Kingdom, who have begun designing and implementing roadmaps to sustainable financial systems.

“There is significant global momentum around this shift. If large existing capital bases do not direct finance towards more sustainable investments, the outcomes being sought for people and the planet will have little chance of being realised.”

Ms Silk said to effect systemic change collaboration and leadership were required. “We need to urgently align the New Zealand financial system with the task of meeting our 21<sup>st</sup> century sustainability challenges and, in the process, produce better outcomes for all New Zealanders.



“Government and business will need to work with our financial system participants to enable this shift and it will require leaders to lead, not manage to the minimum, if we are to see truly impactful change.”

#### **The Aotearoa Circle’s Sustainable Finance Forum**

The Sustainable Finance Forum is an initiative of The Aotearoa Circle, a unique partnership of public and private sector leaders, unified and committed to the pursuit of sustainable prosperity by reversing the decline of our natural resources.

#### **ENDS**

For more information please contact:

Tim Marshall

Wright Communications

Phone +64 21 902 850

Email [tim@wrightcommunications.co.nz](mailto:tim@wrightcommunications.co.nz)

For technical enquiries please contact:

Pip Best

Sustainable Finance Forum Secretariat

NZ Director, Climate Change and Sustainability Services

EY

Phone +64 27 263 9045

Email [pip.best@nz.ey.com](mailto:pip.best@nz.ey.com)

For comment from Matthew Whineray please contact:

Conor Roberts

Senior Communications Strategist

New Zealand Superannuation Fund

Phone +64 21 124 6004

Email [croberts@nzsuperfund.co.nz](mailto:croberts@nzsuperfund.co.nz)

#### **About The Aotearoa Circle – [www.theaotearoacircle.nz](http://www.theaotearoacircle.nz)**

The Aotearoa Circle is a unique partnership of public and private sector leaders, unified and committed to the pursuit of sustainable prosperity by reversing the decline of New Zealand’s natural resources. It is enacting a shared responsibility for long-term investment in the country’s natural resources. The Aotearoa Circle acknowledges the support of EY in providing the Sustainable Finance Forum secretariat.

Additional quotes from members of the Sustainable Finance Forum’s Leadership Group are attached.