Statement by
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Excellencies,
Distinguished delegates,
Ladies and gentlemen,

I am pleased to welcome you to this high level dialogue on Sustainable Stock Exchanges, co-hosted by the United Nations Global Compact and the Principles for Responsible Investment.

The United Nations has long held the view that public-private sector dialogue plays a critical role in formulating a coherent policy framework for sustainable development. I am therefore very happy to see so many distinguished guests from the financial community here with us today. Thank you all for coming.

So-called ESG issues – environmental, social and governance issues - are critical for creating a world economy that is more stable, inclusive and sustainable. It is imperative that we move away from an exclusive focus on short-term profitability, not just because this is good for the environment or society, but because it is also a more accurate understanding of how business works: sustainable long-term growth is better than unsustainable short-term profitability.

Hi-risk investments, involving complex derivative products and short-term maturity profiles have not served the development of the global economy well. Today the MSCI World Index is at the same level as it was in 2005, while the Emerging Markets index stands where it did in early 2007. Several years of growth in the capital markets have been wiped out by the financial crisis and the economic recession it spawned. This has hit many of investors in this room directly, and it has had a serious impact on the prospects for developing countries to reduce poverty.

In nearly all countries today ordinary people continue to experience the very real impact of the financial crisis: unemployment, lost savings, and economic insecurity. These are the experiences of people who, up to now, had little or no say in how corporations are governed, yet who suffer as a consequence of dangerous short-term investment strategies.

Investors today are increasingly aware of the need to focus on long-term sustainable growth, taking ESG issues into greater consideration. UNCTAD research has found that among the largest 100 pension funds in the world, ESG criteria are being applied to more than 50% of the assets under management. The UN-backed Principles for Responsible Investment today includes more than 800 institutional investors with assets of over $20 trillion.

Large institutional investors, such as pension funds, are not motivated by short-term profitability, but by the need to guarantee their beneficiaries a predictable return in decades to come: they are long-term investors with distant maturity horizons. Institutional investors (as opposed to short term-traders) are thus natural partners in the effort to establish sustainable investment practices.

The two other key partners are regulators and the stock exchanges themselves. In several countries, we see pioneering work. This is especially so in developing countries, where exchanges and regulators are taking the lead in promoting new sustainability indices and new ESG reporting rules. In recent years, we have seen new sustainability indices and ESG disclosure rules being launched in Egypt, Brazil, China, India, Indonesia, Malaysia and South Africa, among others. And just last month, the Istanbul Stock Exchange announced the development of a new 'sustainability index' in Turkey as well.

This flurry of activity in many emerging markets is recognition of the need to internalize environmental and social considerations into financial markets. Internalising rather than externalising the wider social, environmental and economic costs of doing business helps promote more sustainable development.

A key aspect of this process is producing more and better ESG reporting. UNCTAD's World Investment Report highlights the current challenge in the area of climate change disclosure: here we see many companies reporting, but the reports lack standardization and comparability. Thus, their usefulness for investors and other stakeholders is reduced. This is where stock exchanges and regulators have an important role to play by promoting standardized, transparent ESG disclosure, and empowering investors through corporate governance rules to make use of that information.

Ladies and gentlemen,

This group, representing distinguished exchanges, regulators and investors, contains the knowledge, experience and imagination to make capital markets a driver of sustainable development. The purpose of this meeting is to forge this new trilateral partnership to build more responsible capital markets. This is a critically important task, and one that complements broader developments in global governance already underway.

I wish you a productive session and I look forward to the outcomes of this dialogue.