

WIF 2021 Satellite Event
ICGN Governance of Sustainability Dialogue 23-24 June

Opening remarks

James Zhan
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Dear Kerrie, thank you very much for your introduction and for ICGN's partnership in setting up this event.

It is an honor today to open this 2-day online conference on the governance of sustainability in collaboration with our esteemed partners and share some thoughts with you on the topic.

Over the next two days we will have a long list of speakers and expert discussions on the governance of sustainability as part of the UNCTAD's World Investment Forum.

World Investment Forum

Some of you will know about the **UNCTAD's World Investment Forum**. For over a decade now, we have been assembling heads of state and government, ministers, CEOs of global companies, investment leaders, policy makers, industry experts and regulators in order to provide them a **global platform** for engagement and dialogue on emerging and key issues related to **investing for sustainable development**.

The Forum is usually held as a large in-person gathering, but this year and last year of course, just like everybody else, **we had to adjust to new circumstances, and we launched the World Investment Forum satellite series of events** that aim to engage the entire investment for the sustainable development community throughout the year with online sessions.

Our main World Investment Forum will take place later this year - **between 17 and 21 of October** - as a mix of in-person meetings, held in Abu Dhabi and online sessions such as this one. We will have over 100 events and I look forward to welcoming you all there.

This event

This event, put together expertly by our colleagues at ICGN and in partnership with our Sustainable Stock Exchanges team led by Anthony Miller, perfectly fits the spirit of the World Investment Forum. It brings together experts and industry leaders across the stakeholder spectrum. It emphasizes important topics related to sustainability, providing us with a deep dive into how we can fully integrate sustainability into organizational governance.

Good governance, namely appropriate structures and processes is a key foundation to support the further development of sustainable finance. Good governance that incorporates sustainable development ensures that investors can feel confident in the information they find about companies, that companies are acting responsibly and that the people in charge are being held accountable for those companies' actions.

The focus of today's markets is on ESG issues - environmental, social and governance - and of those three governances are critical. Without good governance, there can be little progress made on the E and the S in ESG.

Today and tomorrow, over the course of 7 different sessions we will explore the relationship between good corporate governance and sustainability. We have timely topics on the **agenda**: Today we will **kick off with a discussion of board accountability for sustainability, followed by a session on climate-related reporting and one on reviewing CEO incentives.**

Accountability, transparency and incentives: **these three sessions represent well the multifaceted nature of sustainability and governance.**

Boards and CEOs play a crucial role in a company's sustainability journey as they have the power to significantly influence its future strategy and its ability to create value for shareholders and society.

To do so, in an effective and sustainability-aligned manner, **Boards and CEOs need to be informed and properly educated on the challenges and opportunities** that enhancing engagement in sustainability issues holds for a company.

Additionally, **investors need to understand the decisions CEOs and Boards are taking**, regarding crucial sustainability subjects that can impact a company's financial outcomes or public standing.

This becomes especially apparent with one of the biggest sustainability challenges of our time - climate change.

Climate & the SSE

The **fight against climate change has gained momentum continuously since 2015**, the year the Paris Agreement was signed and the United Nations 2030 Agenda for Sustainable Development created the Sustainable Development Goals, or SDGs.

We are less than a decade away from 2030 now and while we have made progress in achieving some goals, **challenges remain, especially related to our climate.**

In order to preserve our environment and create a sustainable future for our children, it becomes more and more apparent that everyone in the private and public sector needs to ramp up their engagement.

That is why in the run up to **COP 26 in November**, policy makers are placing a particular emphasis on climate-related issues and so are companies.

Recently, the United Nations Sustainable Stock Exchange initiative, under the auspices of the UN special envoy on climate action and finance, Mark Carney, developed **guidance that will assist exchanges and their listed companies in implementing climate disclosure practices**, aligned with the Task Force for Climate-related Financial Disclosures' recommendations. They are also providing an "Action Plan" that allows exchanges to enhance their own, and their market's climate resiliency. The documents are going to be launched officially on the 29th of June.

As part of our guidance, we encourage exchanges to **educate their networks of listed companies, boards and other stakeholders on sustainability issues and climate issues** in particular. We also provide ideas and opportunities on how to deepen their markets - and therefore companies' climate resilience through actions.

The fight against climate change will continue to become more serious as we are trying to keep global warming below the 1.5-degree mark and **the earlier actors start to position themselves, the better they are equipped to face the challenges related to climate change.**

Not acting now may pose a material risk to companies in a climate transformation as investors are becoming more focused on climate-aligned investments.

Disclosure and sustainable investment

Companies that are well positioned to tackle the challenges of climate change will also do well in attracting investment. But this is not the only challenge we have to tackle in order to create a fair, sustainable and prosperous economy for future generations.

As global financial markets take steps to account for ESG, and in particular climate risks and opportunities, **disclosure provides the bedrock for progress in the pursuit of a more sustainable global economy.**

3 of the 7 sessions in this event are built around the issue of disclosure and reporting. This indicates the importance of the topic.

Investors demand decision-useful, climate-related financial information in annual reports and filings as they want to take into account how companies integrate ESG governance policies and practices into their strategy and overall operations.

This information can only be obtained through **high-quality and globally comparable disclosure practices** which must be standardized and made mandatory. **Since 2015, we have seen the number of stock exchanges with voluntary guidance on ESG disclosure jump from 14 to 60**, including all the biggest markets in the world. We have also seen **the number of markets covered by mandatory disclosure rules jump from close to zero a decade ago to 25 today**. Based on these trends, **we fully expect that by 2030, sustainability reporting will be mandatory in most markets around the world**, in line with the UN SDG on this topic. Investors can do their part by encouraging boards of companies to act now to produce high quality standardized ESG reports.

Going forward

Before I finish and we start the discussion rounds, I would like to take the opportunity to look with you into the future of sustainable investment.

Very few areas of finance have grown as consistently and rapidly as the sustainable finance sector over the past decade. According to Bloomberg, **ESG assets may hit 53 trillion dollars in the next 4 years**¹. That would make **a third of all global assets under management**. This is a great achievement and a step in the right direction, and it gives me hope that we can be on track for our 2030 agenda.

To ensure that this growth in sustainable finance has real meaning, **we need to be on the guard against 'greenwashing'** and other forms of superficial changes. Positive press releases and glossy corporate brochures do not remove carbon from the atmosphere or bring about sustainable development. Advocates for good corporate governance can play an important role by ensuring that the promises that Boards make to investors on ESG, are promises that are kept.

In order to provide a sustainable future for generations to come, **we need to continue working on engaging all stakeholders in the transformation to a more sustainable economy**. That includes banks, investors, insurers, exchanges, issuers and policy makers.

One CEO of a prominent stock exchange recently told me that **in the future, all investment, by default, is going to be sustainable**. That is the goal and I believe that good governance and the disclosure of such, is crucial to achieving this goal.

I am looking forward to the events of this dialogue. It is an honour for the World Investment Forum to host this event and I would like to thank the ICGN team again for their incredible organizational work and collaboration.

¹ <https://www.bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/>