

For Immediate Release:

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Capacity building for climate change – finance sector must work together

- Industry sector analysis released -

Senior finance industry representatives agree that an alarming knowledge gap exists between climate change experts and Australia's financial services sector, according to research released today by Finsia – the Financial Services Institute of Australasia and Griffith University's Sustainable Business Research Initiative.

In this first sector analysis, financial planners and advisors; brokers and sell-side analysts; fund managers; and bankers, have raised serious concern about this disconnection, which has resulted in a lack of action across the greater financial services industry in Australia with regards to climate change.

The study, which will inform the Finsia-Institute of Actuaries of Australia – *The Low Carbon Economy: Risks and Opportunities for the Financial Services Industry* – Symposium today, builds on preliminary research released by Finsia and the Griffith Business School in May 2008.

The results suggest that significant action across the industry is needed to manage the risks that climate change presents, to capitalise on the opportunities, and to position the industry as a global leader in this arena.

Commenting on the results, Dr Martin Fahy, Chief Executive Officer of Finsia, stated: "This sector analysis suggests that despite the education and training efforts of climate change professionals, considerable confusion continues to surround the terms of debate and the significant role the financial services industry can play in transferring to a low carbon economy."

"By extending this sector analysis, Finsia and Griffith University intend to narrow the knowledge gap, by providing a capacity building framework to enable the industry to become a leader in allocating capital to low carbon solutions," Fahy continued.

Key findings of the study include:

- Uncertainty as to government regulation, particularly in relation to the ETS and whether the government can effectively design and implement the scheme.
- The short term, return driven nature of the industry in terms of performance measurement and reporting, and remuneration structures and incentives.
- Excessive risk and low return. A perception that sustainable investment products are too high risk and lack robust returns to be recommended to and demanded by clients.
- Limited client demand. In most sectors demand by clients for products is low, and while there is growing interest, this is not transitioning into investments or purchase of products. Some even suggest that they are advising clients against such products.
- A lack of leadership at the national and global level and few institutions prepared to be early movers.
- A general lack of expertise, skills, knowledge and understanding across the sector.

- A lack of government incentives for investment in new technologies and sustainable products (tax, depreciation, grants and rebates for example) which would offset risk.
- Differing levels of sub-sector engagement. Financial planners appear to be the least engaged. While bankers are quite aware, in most cases this has not filtered through to core policy and practice (i.e. lending and investing processes) and staff training. In addition the banks appear to be the most pro-active in reducing their own carbon footprint.

“Clearly there are passionate leaders, experts and early movers already working towards a low carbon economy, but at the wider institutional level, mainstream buy-in has been inadequate. We must deepen the engagement of all financial sector professionals across the value-chain and at all levels of responsibility,” concluded Fahy.

ENDS

Notes to Editors:

Finsia – the Financial Services Institute of Australasia – has a combined wealth of experience in the financial services industry dating back to 1886.

As the only professional association representing the entire spectrum of financial services throughout Australia and New Zealand, its reach extends to more than 20,000 professionals working across the broad categories of banking, wealth management and capital markets.

Finsia plays a vital role in protecting the industry’s strength and competitiveness in today’s evolving global marketplace through its core purpose of helping members succeed in their careers and supporting the growth and development of the financial services industry.

This is achieved through the provision of relevant and high quality professional development programs, a comprehensive suite of career support services and an extensive range of industry-leading information resources and publications. Finsia’s leadership, advocacy and policy-setting initiatives also play a critical role in promoting industry growth both regionally and around the world.

For further information about Finsia, visit: www.finsia.com

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