UKiFC

Hosted by:

BAILLIE GIFFORD

Welcome to the

Edinburgh Ethical Finance Round Table Series

Governmental Strategies for Sustainable Finance

Monday 18th June 2018

www.ukifc.com

Supporting Scotland's financial services sector

Karen Rodger
Financial Services & Fintech Policy

Scottish Government
Riaghaltas na h-Alba
gov.scot

Our purpose

To focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing and sustainable and inclusive economic growth.

What is inclusive growth?

Growth that combines increased prosperity with greater equity; that creates opportunities for all and distributes the dividends of increased prosperity fairly

National Performance Framework

Our Purpose, Values and National Outcomes

'To focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and ***sustainable and inclusive economic growth****.'*

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… central to our vision for Scotland

"This Programme for Government is our plan to shape the kind of Scotland we all seek – an inclusive, fair, prosperous, innovative country"

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Programme for Government actions targeting inclusive growth

- Actions on **education, skills and economic** development are designed to exploit every available job opportunity and ensure that as many people as possible can capitalise on them

- The creation of a **new enterprise agency for the South of Scotland** to drive inclusive growth in the area.

- **City deals** and other types of regional growth deal must prioritise and evidence their impact on driving inclusive growth to ensure that all regions and communities can prosper and fully contribute to Scotland's overall economic growth.

- A **new unitary fund to invest in rural, marine and coastal enterprise** as part of dealing with Brexit. The fund will ensure that future investments in the rural economy are aligned to business needs, key sectors and government priorities for sustainable and inclusive growth.

Scottish National Investment Bank

- SG will establish a Scottish National Investment Bank
- Public body with mission-based approach to investment, aligned to wider economic strategy and priorities
- Investment s on a commercial basis, delivering sustainable inclusive growth
- SG committed to invest £2 billion over 10 years.
- Bringing in additional capital from private sector investors

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Investment – Due diligence

- SG has published new guidance on Human Rights Due diligence for investments
- Guidance is primarily for SG, public bodies and agencies who engage with potential inward investors
- Intended to enhance existing due diligence checks
- Supports SG's aim to be a Good Global Citizen

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Working with the financial sector

- Financial Services Advisory Board
- Partnership between public sector and industry
- Supporting sector's High Level Strategy
  - New framework for sector engagement
  - Promote and manage ecosystem – Scotland FS
  - Collaborate for innovation
  - Build and attract future skills and talent
  - National partnership for social impact

FinTech

- Identified as key opportunity and challenge for the financial sector in Scotland
- SG working with sector – launched FinTech Scotland
- Our aim - Scotland as top 5 global centre for FinTech
- Also interested in fintech's potential for social impact

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Support for ethical finance

- SG has been a long term supporter of UKIFC and now the Ethical Finance Hub's activities to support Scotland's capabilities in ethical finance and raise the profile of ethical finance within the wider industry.
- Supporter of Hub activity, of the interfaith discussions and of major events.

Thank you

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Edinburgh Ethical Finance Roundtable – Scottish and Irish Government initiatives in Financial Services

Baillie Gifford, Edinburgh | 18th June 2018

Sustainable NationIreland

GREEN & SUSTAINABLE FINANCE DEFINED

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Green Finance	• Finance and financial services that provide environmental benefits within the context of environmentally sustainable development, such as action on climate change
Sustainable Finance	• Finance and financial services that are aligned with the SDGs, including the implementation of the Paris Agreement on Climate Change
Global policy drivers	• Paris agreement • UN Sustainable Development Goals (SDGs) • On green finance specifically: UN, OECD, G20, G7, most recently the EU
The Financial Services Opportunity	• Globally: $90 trillion to 2030 (G20 estimate) • Ireland: €50 billion to 2027 (Deloitte estimate, May 2018) • Financial service centres key to mobilising the capital required

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Sustainable Finance – the Detail

- Banks
- Institutional Investors
- Retail investors
- Public Finance

Financial Instruments and Vehicles

- Green Bonds/Sustainable Bonds
- Sustainable Infrastructure Funds
- Traditional Funds with a Sustainable Strategy
- Green/Sustainable Loans
- Green Equities (private & Listed)

Financial Service Providers

- Asset management
- Fund Service Providers
- Banks
- Insurance
- Private Equity
- Corporate Finance Consultants
- Legal Advisers
- Accounting/Tax Advisers
- Consulting Services
- Stock Exchange

The Investments

Investments in Sustainable Infrastructure, Products and Services & Innovation

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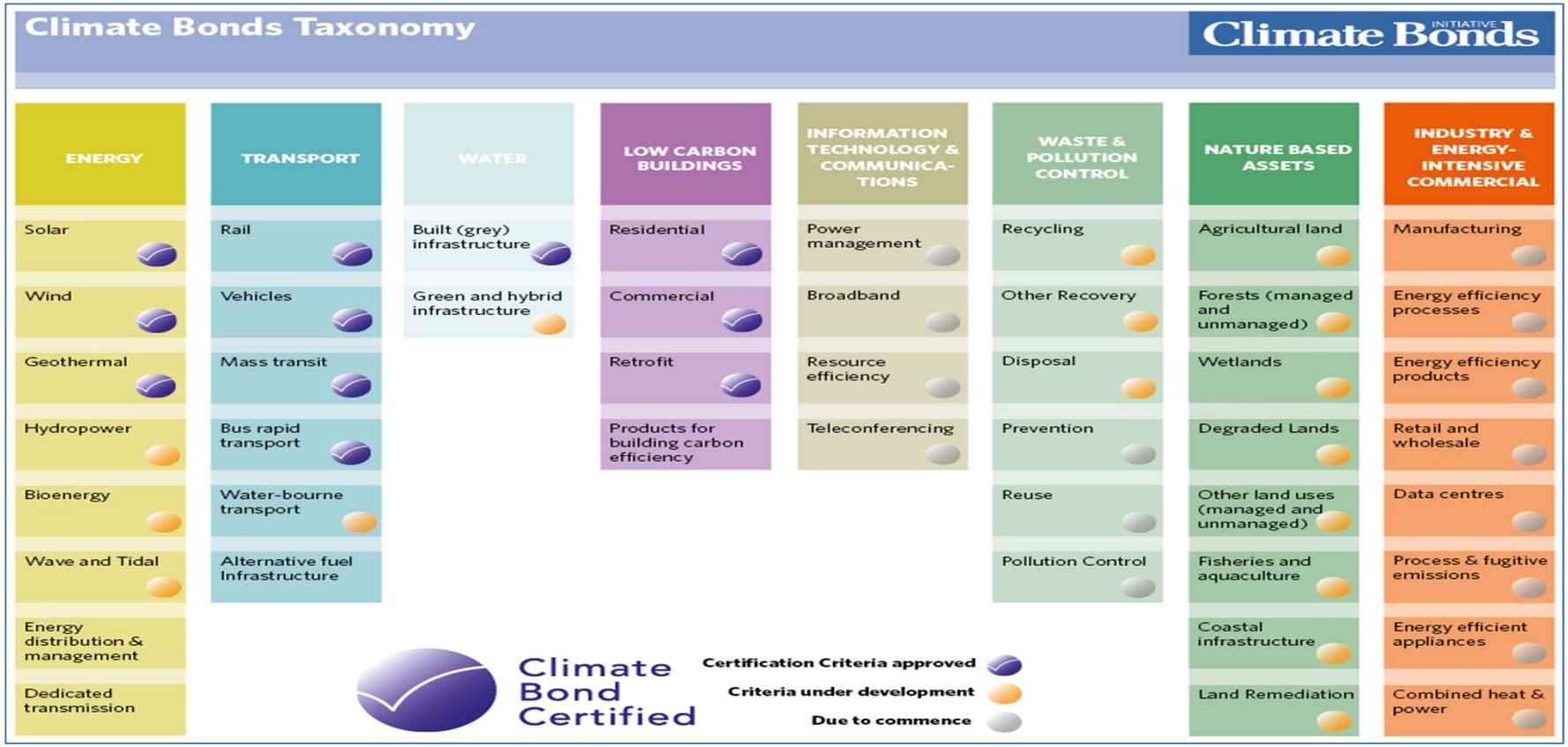

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A GROWING MOMENTUM

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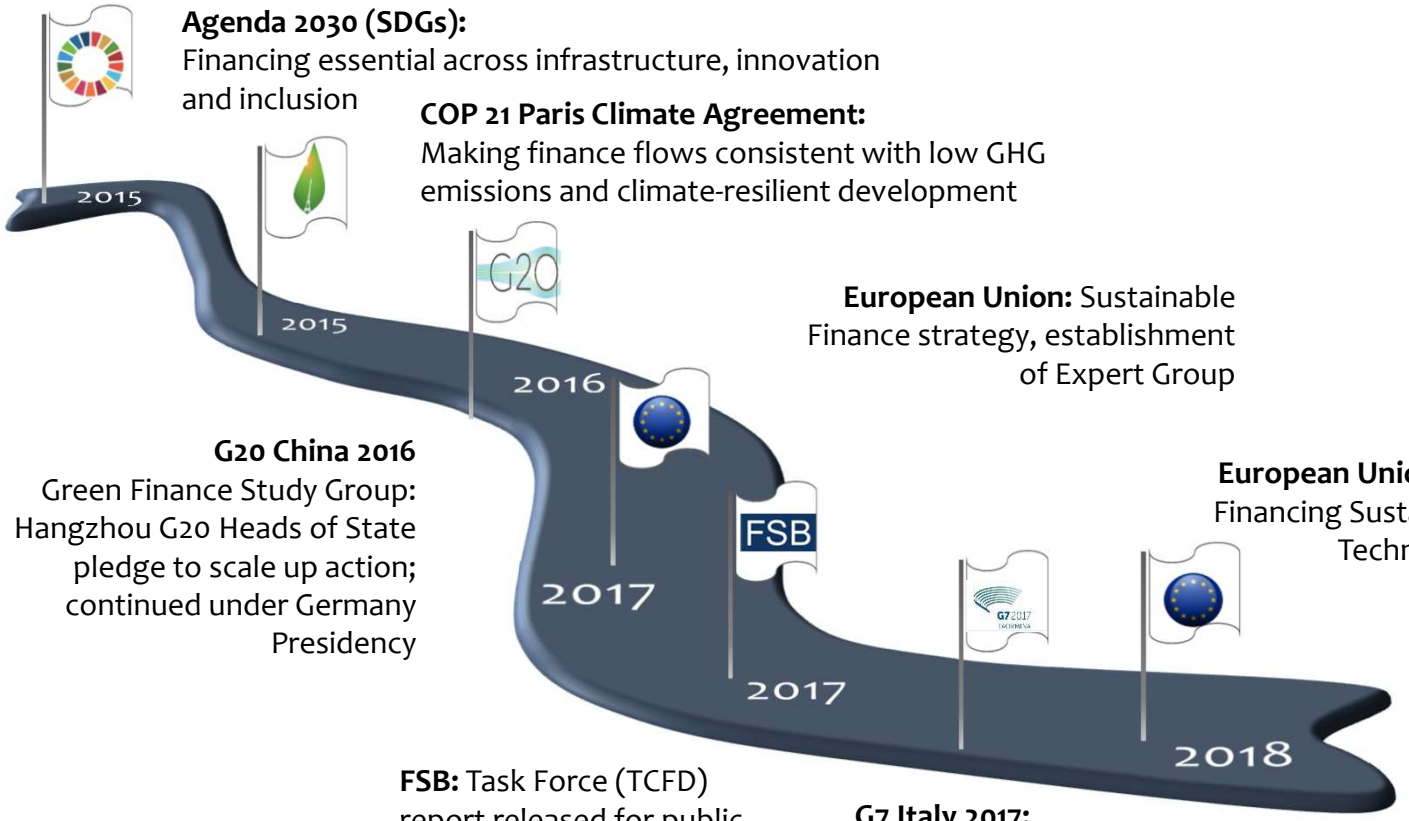

Agenda 2030 (SDGs):
Financing essential across infrastructure, innovation and inclusion

COP 21 Paris Climate Agreement:
Making finance flows consistent with low GHG emissions and climate-resilient development

European Union: Sustainable Finance strategy, establishment of Expert Group

G20 China 2016
Green Finance Study Group: Hangzhou G20 Heads of State pledge to scale up action; continued under Germany Presidency

European Union: Action Plan on Financing Sustainable Growth & Technical Expert Group

FSB: Task Force (TCFD) report released for public consultation

G7 Italy 2017:
Sustainable Finance – focus on Financial Centres & SMEs

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FINANCIAL CENTRES ARE MOBILIZING

Canada – Toronto
Green bond issuance, cleantech listings, government push (2018)

France – Paris
Paris Europlace. Finance for Tomorrow (2017)

Germany – Frankfurt
Deutsche Boerse. Accelerating Sustainable Finance Initiative (2017)

Italy – Milan
Italian National Dialogue (2016), Financial Centre Working Group (2017)

Japan – Tokyo
Global Finance City Initiative, Tokyo Green Bond planned

UK – London
City of London Corporation, Green Finance Initiative (2016)

USA – New York
State Green Bank, Wall Street – but no shared approach

Action in G7 Countries

Ireland:
SNI promoting Dublin as intl. green finance hub, under IFS 2020 Action Plan

Casablanca:
CFCA tasked to develop as an African green finance centre

Hong Kong:
Green bonds & certification

RoW

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HOW ARE FINANCIAL CENTRES IMPORTANT?

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Over 100 international financial centres around the world – many now being harnessed to scale up finance for sustainable development

1. **Clustering:** Building on the concentration of interlocking financial activities: banking, capital markets, investment, insurance, professional services, public finance and regulation.

2. **Centre Competitiveness:** Financial centres themselves are interested in how sustainability factors could create new opportunities & risks – and began establishing dedicated initiatives in 2016

3. **Policy Interface:** Local and national governments are interested in how their financial centres are mobilizing capital to deliver key environmental, climate and sustainable development targets.

4. **Real Economy:** Significant interest building in understanding how financial centres are serving the real economy as it makes its sustainability transition

5. **Activities:** cut across …

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10 DIMENSIONS OF
SUSTAINABLE FINANCIAL CENTRES
1
BANKING
2
DEBT CAPITAL MARKETS
3
EQUITY CAPITAL MARKETS
4
INSURANCE
5
INVESTMENT
6
SPECIALIST
7
POLICY AND PUBLIC FINANCE
8
LOCAL GREEN INITIATIVES
9
PROFESSIONAL SERVICES
10
KNOWLEDGE

NEW UN FOUNDED FINANCIAL CENTRES FOR SUSTAINABILITY NETWORK ESTABLISHED TO FURTHER MOBILISE ACTION

Astana AIFC Astana International Financial Centre

Casablanca CASABLANCA FINANCE CITY القطب المالي للدار البيضاء

Dublin Sustainable NationIreland

Frankfurt Accelerating Sustainable Finance Initiative

Geneva sustainable finance geneva

Hong Kong Hong Kong Green Finance Taskforce

London CITY OF LONDON Green Finance Initiative

Luxembourg LuxembourgforFinance Relying on Expertise, Building on Innovation

Milan

Paris

Qatar

Shanghai

Shenzen

Stockholm

Toronto

Zurich

IRELAND'S RESPONSE

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In the context of existing IFS activities, position Ireland as a green & sustainable finance hub, while working to ensure Ireland is attractive as possible for capital to co-invest along government funding in Ireland's national decarbonisation efforts

1. **Political:** recognition of opportunity
2. **Policy:** green & sustainable finance priority area no.2 in government's IFS 2020 Strategy
3. **Assessment:** baseline data, TF establishment, set priorities, resource allocation and execution
4. **Eco-system:** regulatory, policy enablers, capacity-building, marketing
5. **Government investment:** National Development Plan 2018 - 2027
6. **International collaboration:** UN FC4S, EHFC4S

Today…

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Green Finance in Ireland. Companies and Numbers.

€28bn

€7bn
Green Infrastructure Funds

€6bn
Listed Green Equities

€11bn
Listed Green Bonds

€4bn
Green UCITS Funds
Investment Funds based in the European Union

Source: KPMG Ireland

Part of IFS|IRELAND
DELIVERING GLOBAL FINANCIAL SERVICES

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EUROPEAN HUB – FINANCIAL CENTRES FOR SUSTAINABILITY

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Europe's 30+ financial centres crucial in channelling capital to enable the transition to a low-carbon, inclusive and sustainable economy. The EU-FC4S Hub is the mechanism to make this happen:

i. At the local/national level: Accelerating green and sustainable finance **within** Europe's financial centres, to finance sustainable growth at city-level and in local economic hinterland

ii. At the regional level: Building connectivity **across** Europe's financial centres, enabling peer learning, shared activities and innovation, through 'collaboration for competition'

iii. At the global level: Strengthening engagement **between** Europe's financial centres and other global leaders, and exporting European innovation to the world (i.e. Benchmarking and Assessment)

i. Supported by the EU's EIT Climate-KIC, the world's largest innovation platform

ii. Six steps …

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i. Assess Positioning: Level 0 - 5

ii. Set Priorities: establish a Centre public-private working group to realise ambition

iii. Build Capacity: support eco-system development across policy makers, regulators and capital market participants

iv. Catalyst Action

v. Dissemination of Best Practice

vi. Refine & Review

Edinburgh chosen as the first city to engage with…

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Thank you!

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Discussion

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