

National Ethical Investment Week

House of Commons, 10 November 2009

Thanks to Michael. I am delighted to be here and to be helping celebrate the second *National Ethical Investment Week*.

Responsibility in investment

It is over ten years now since I became Pensions Minister. Hugh, our host, and I were colleagues in the Department for Social Security, and we announced that all pension scheme trustees would have to state: ‘*The extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.*’ It was a light touch intervention – it did not require that such considerations should be taken into account. It merely required that the extent to which they were taken into account should be stated. But it has become a landmark regulation, effectively catalysing ethical investment in the UK.

And I hope that the designation of this week – the first such designation anywhere – will also, as momentum develops,

provide a big boost, just as the annual *Fairtrade Fortnight* has for the fair trade movement.

I welcome the way in which this week is bringing together financial institutions and independent financial advisers who support green and ethical investment with leading charities: World Wildlife Fund; Oxfam; RSPB.

Adam Smith himself, in *The Theory of Moral Sentiments*, recognised the economic importance of values, and of motivations other than merely profit. “*Humanity, justice, generosity, and public spirit, are the qualities most useful to others,*” he wrote. And today, in green and ethical investment, we recognise and celebrate motivations which go beyond simply profit seeking – recognising a broader purpose for investment.

Your research shows that 87% of independent financial advisers will offer advice on investing ethically, and that that proportion has been increasing. I hope it will continue to grow, so that the values and motivations celebrated this week can serve our economy, and our society, and the environment.

The timing of the week is very appropriate because we are at a turning point in two crucially important respects:

- **first, as the UK Presidency of the G20 this year comes to an end, we are at an important point in rebuilding the global financial system; and,**
- **second, we are in the run up to the Copenhagen summit.**

Let me comment on both those points.

A turning point for the world economy

The UK is one of the world's leading financial centres, and a centre for sustainable finance. A year ago the global financial system teetered on the brink of collapse. Today, confidence is returning, and we need to plan for the future. The extraordinary economic events of the past two years have presented us with challenges and opportunities.

We have been building, through the UK G20 Presidency, a more resilient financial sector. At the weekend, at the final ministerial event of our Presidency when finance ministers and central bank governors met in St Andrews, the communique recognised that we must maintain momentum

**towards consistent, global implementation of the G20
blueprint.**

A healthy financial sector is a prerequisite for a prosperous future. The G20 blueprint should secure that, so now we need to build strong, sustainable and balanced growth. We agreed in St Andrews on a new G20 Framework process of mutual assessment of countries' policies, and now we need to work out how this translates for the UK. We need a solution which serves the long-term interest of the economy, and of society, and of the environment.

A turning point on climate change

This week is also timely given that the Copenhagen summit is now just a month away. We have set in the Budget the world's first carbon budgets, and committed additional support to tackle climate change. Environmental goals remain a high priority for us, notwithstanding current economic problems.

And Copenhagen is hugely important. The discussion at St Andrew's on financing climate change initiatives underlined how muchy still has to be done before the summit meets. But it presents us with a chance for a global agreement.

And that is what we need – an ambitious, effective and fair global deal that ensures global emissions peak in the coming decade, and fall to half their current levels by 2050.

As the Chancellor said at the weekend it took a crisis to get us to act in the G20 to deal with weaknesses in the global financial system. We can't afford to wait for another – far worse – crisis before we take global action on climate change.

In St Andrew's, Finance Ministers committed to to tackle the threat of climate change, and had a good discussion about options for climate change financing. We agreed we must significantly increase the scale and predictability of climate finance. We recognised that by taking action and increasing financing, governments can leverage significant private investment.

Investors must play a key role in financing transition to a low carbon economy. In the UK we reckon our policies will drive at least £50bn of public and private investment in the low carbon sector by 2011. And this very day, in a scheme supported by the Government and the European Investment Bank which could enable some £1.4 bn of onshore wind

projects to move to construction over the next 3 years, banks will start offering new loans to wind farms.

So we are at a key turning point. The economic environment in which investors will be operating over the next decade will be very different to the one we have become familiar with over the past decade. And our decisions now will determine whether signals to investors will enable them to address effectively the dangers posed by climate change.

So I would congratulate UKSIF, and the four sponsors of National Ethical Investment Week (*Aviva Investors, CCLA Investment Management, Co-operative Financial Services, and Henderson Global Investors*) and everyone who has helped organise activities for this week. I hope we can all work together in the period ahead to maximise the opportunities of ethically responsible investment – for our economy, for our society, and for the environment.

Thank you.

I shall now handover to Peter Michaelis to bring the formal proceedings to a close.