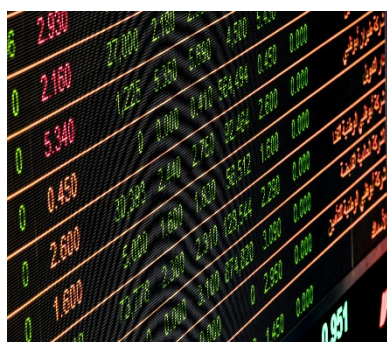


# Making Finance Sustainable: Practical Solutions for Ecological Problems

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Over the last decade or more the image of global finance has taken something of a battering. Examples include excessive corporate pay, short term speculation, and the mis-selling of pensions. The culmination of such hubris was the global financial crisis of 2007/8 when the illicit acts of some of the world's biggest banks and financial institutions brought the global economy to its knees, inflicting misery and hardship on millions of people.



But just as global finance has been a big part of the problem in creating a more socially just and sustainable world, so it also has the potential to be an important part of the solution. How does this work you may well ask? Well for one thing, as from 2020 all financial advisers will have to ask their clients if they want to invest in ethical products to tackle the climate emergency and help shape a more sustainable world. Failure to do so could constitute mis-selling.

On a broader level, a key aspect of making finance work for the common good is through much greater transparency on the workings of what is an opaque system. It might seem a strange thing to say but the solution for the future is to go back to the past. In the nineteenth century, if you went to the London Stock Exchange then you would have a good idea of who owned what company, what was their main source of business, and what they invested in. If we fast forward to the twenty-first century, the world of finance is more akin to a labyrinth of complex patterns of ownership and investments which can be very difficult to penetrate. However, a number of initiatives are out there which are seeking to address this challenge.

One such initiative is the Partnership for Carbon Accounting Financials or [PCAF](#).

The PCAF has estimated that since the Paris Climate Agreement, the largest global banks have invested some \$2 trillion dollars in fossil fuels. The PCAF is a global partnership of financial institutions which have worked together to create a standardised way to capture their carbon footprint, both direct and indirect. Banks and other financial institutions supporting the PCAF include ABN Amro, Amalgamated Bank, ASN Bank and the Global Alliance for Banking on Values. Such innovative approaches have the potential to make the finance sector a key player in creating a more sustainable world and taking effective action to tackle the climate emergency.

Another important initiative is that of the [World Benchmarking Alliance](#) or WBA. Its main aim is to build a movement to measure and incentivise business impact towards a sustainable

future that works for everyone. One of its principal aims is to scale up and redirect private capital towards the successful implementation of the Sustainable Development Goals (SDGs) and climate investment. The WBA brings together a broad range of stakeholders from the world of finance (including Aviva, ABN Ambro, Allianz Global Investors, and Bridges Fund Management, NGOs (including Oxfam and WWF) and government. Its strategy is to develop a benchmark index that will compare private sector companies and financial institutions progress on the SDGs across a range of policy areas including financial systems, decarbonisation and energy, and agriculture and food.



[Corporate Citizenship](#) has argued that if the benchmark index takes off it could shake up the investment community. And indeed the investment community does need to be shaken up rapidly if we are to tackle the climate emergency and build a more sustainable world. Data from the Menzies Australia Institute [Menzies Australia Institute](#) shows that 93 per cent of institutional investors report that climate change has still not been priced into key global financial markets as an investment risk. This includes investments in fossil fuel companies whose balance sheets contain [stranded assets](#) such as oil and coal reserves which can never be realised if we are to meet the agreed global agreements on greenhouse gas emissions.

To sum up, there is no doubt that the global financial system has a key role to play in efforts to tackle the climate emergency and build a more sustainable world. We have noted some promising initiatives with regard to this. But there is still so much that needs to be done. The United Nations Environment Programme ([United Nations Environment Programme](#)) has spoken out on the limited progress on sustainable finance to address the climate emergency. What is required is a cultural change away from short term financial gain, what the outgoing Governor of the Bank of England Mark Carney has called *the tragedy of the horizon*. What is needed is a more holistic and systems approach to the relationship between finance and the world we live in.

We need an end to investment that damages both people and planet. To put it simply: the first rule of capitalism is ***Do not kill your customers!***