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Media Release

DRAMATIC INCREASE IN CLIMATE SCIENCE CAPABILITY NEEDED IN FINANCIAL SERVICES

While CoP26 debates climate change targets, [FINSIA](#) - the professional membership body for financial services - has called for a dramatic increase in the climate science capability of financial services organisations and professionals.

FINSIA CEO Chris Whitehead, Chartered Banker F FIN, said: “The CoP26 brings home how crucial climate science skills are for financial services organisations. Without them, financial services organisations risk being, for example, unable to properly evaluate green projects and, just as bad, being left holding stranded assets.”

“These capabilities are not at the level they need to be, and this poses a risk to the financial system and the community as well as the probability of significant lost opportunities as we face a structural realignment of Australia’s economy. This realignment relies upon the astute allocation of capital and finance. These skills need to be developed swiftly and on a large scale.”

Mr. Whitehead noted that this kind of risk is very much recognised in the last [Quarterly Statement by the Council of Financial Regulators](#) calling for the use of scenario analysis to quantify the exposure of the financial system to climate-related risks; setting supervisory expectations for the management of climate-related risks; and improving the quality, consistency and breadth of climate risk disclosures.

The Chartered Banker Institute gave similar warnings. Simon Thompson CEO of the [Chartered Banker Institute](#) and Chair of the [Green Finance Education Charter](#) said:

“Looking forward, to mobilise green and sustainable finance at and beyond COP26, global financial services organisations must pay heed to the education and development of finance professionals. This will require detailed planning by firms to build the capacity and capabilities required, and through this ensure that best practice becomes standard practice. It will also require the development of a global coalition of educators, regulators, policymakers and financial institutions working to support the upskilling and reskilling of finance professionals at the scale and speed required.”

Ross Buckley, [KPMG Law – KWM Professor of Disruptive Innovation at UNSW](#) noted, “Just as Australia leads the world in terms of vulnerability to climate change, so do our finance professionals need to lead the world in understanding the science, and its implications for our economy. Climate changes threaten many sectors from agriculture to insurance to mining. Financial professionals need to upskill urgently to respond well to the complexity of these threats”.

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The need for new frameworks and skills was supported by Professor Christopher Wright, of the University of Sydney Business School who noted:

“Humanity faces no greater threat than climate change. As the world urgently seeks to reinvent itself for a low-carbon future, business leaders and managers now need new frameworks and skills in redesigning their organizations for a radically different and increasingly climate-challenged future.”

Unless strong action is taken there is a real likelihood that much of Australian industry will be caught unprepared for the rapid shift to a low-carbon economy.”

Dr Tanya Fiedler, Lecturer in Accounting at the University of Sydney, researches the translation of models and outputs of scientists and engineers into decision-making information to manage the financial impacts of climate change. Dr Fiedler said: “The open-source nature of climate projections and the relative immaturity of the financial sector in understanding what climate data can provide will make risk quantification difficult.”

“The numerical precision of models may create over confidence in decision-makers and independent auditors in its reliability. Application of models without the application of expertise to the individual decision can either exaggerate financial implications or provide false reassurance. Multiple layers in the financial system may become exposed to the risk of misinformation.”

“This highlights the importance of climate service providers disclosing their methods and of lenders, investors, regulators, auditors and insurers understanding enough about the technical underpinnings of the method used by the climate service provider to judge the reliability of its output.”

FINSIA Senior Fellow Giles Gunsekera, CEO of [Global Impact Initiative](#) joined the call for increased climate science skills. “Those who do not adapt to climate change risk will also lag on environmental and social factors. Investors must use a number of lenses, including climate, to increase value and generate improved results. This will ensure long-term benefits. Consideration of climate change is vital for businesses to obtain a sustainable competitive edge in products, technology, innovation, personnel, supply networks and leadership. We must ensure that the financial services sector is fully aligned to this.”

Mr. Whitehead added: “FINSIA is aware of the emerging concerns of regulators and economists. We are performing our role as a connector between financial services professionals, the industry and the regulators to highlight climate science skills as a critical requirement in the professionalism, education and performance of those working in financial services. FINSIA will be increasing its focus on this issue and looking for opportunities for constructive collaboration with other stakeholders in the months and years ahead.

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FINSIA — the Financial Services Institute of Australasia — is the professional membership body in Australia and New Zealand for the financial services industry.

FINSIA's heritage is over 130 years of progressing financial service knowledge and conduct to high standards. More importantly than ever FINSIA is the connector of key stakeholders, industry regulators, government, and education providers to help deepen trust in financial services by raising standards of professionalism. FINSIA enables the advancement of competence and integrity for the benefit of professionals, consumers and society.