



AUCKLAND CENTRE FOR
FINANCIAL RESEARCH

AUT

2024 New Zealand Capital Markets Symposium

Tuesday 24 September

12 – 6 pm

AUT City Campus

WG308 Sir Paul Reeves Building

Navigating Climate Risk: Impacts and Strategies in Financial Markets

Organisers:

Olga Dodd

Alireza Tourani-Rad

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**CFA Society
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Institute of Finance Professionals NZ Inc.

2024 New Zealand Capital Market Symposium Programme

12:00 - 13:00 Light lunch and registration

13:00 - 13:15 Welcome to the 8th New Zealand Capital Market Symposium
Alireza Tourani-Rad, Faculty of Business, Economics and Law, Auckland University of Technology

13:15 - 13:45 **Greg Munford**, NZ Super Fund
The NZ Super Fund's Climate Change Investment Strategy

The New Zealand Super Fund developed a Climate Change Investment Strategy in response to the substantial market and policy failures and material physical risks posed by climate change. As a forward-looking investor, the NZ Super Fund recognises the necessity of reducing exposure to uncompensated climate risks and seeking exposure to emerging opportunities. The NZ Super Fund has reduced climate risk exposure by shifting systematic equity portfolios into Paris Aligned Benchmarks, analysed climate risk exposure across the entire investment portfolio, engaged with portfolio companies to ensure that they are developing strategies for mitigating and adapting to climate change, and searched for climate change solutions to invest in. The talk will provide detailed insights into the NZ Super Fund's strategy and experience in deploying this strategy over the years.

13:45 - 14:15 **Henk Berkman**, University of Auckland
Firm-level Climate Risk Exposure and Firm Valuation

This talk is based on our recent research to improve the measurement of firm-level climate risk exposure. We find that our proposed measure based on 10-K disclosures of climate risk has incremental explanatory power for firm valuation over climate risk-related measures currently used in the literature. Notably, this new measure is broadly available, enabling a wider scope of investigation into firm-specific climate risks. Corroborating its usefulness, we find that relative to hedge portfolios based upon other existing measures, the return on a hedge portfolio that is long (short) on firms with high (low) values of our climate risk measure has the strongest negative association with a US-news based measure of climate change concerns. By exploiting the broad climate-related disclosures in 10-Ks, our measure provides a tool to better understand the valuation implications of climate risk for firms.

14:15 - 14:45 **Katie Beith**, Forsyth Barr
Forsyth Barr's Carbon & ESG Ratings of New Zealand Companies

The shift to a more sustainable economy is underway despite geopolitical tensions, volatile market conditions and greenwashing allegations. From an investment perspective, understanding how companies are navigating the risks and opportunities associated with the transition can help augment understanding of the potential for long-term success. Forsyth Barr has been assessing the Carbon & ESG (C&ESG) performance of New Zealand companies over recent years. This talk will discuss ways to tackle the well-known challenges associated with ESG ratings. It will also cover the different ways that investors are using C&ESG information within investment decisions.

14:45 - 15:15 Coffee Break**15:15 - 15:45 David Kandziora**, Russell Investments & CFA Society of New Zealand
Russell Investments' Portfolio-level Climate Risk Reporting and Management

Russell Investments continues to develop and offer leading climate change reporting for risk management, investment strategy development and client reporting. This talk will showcase the practical considerations of climate risk management and reporting by Russell Investments at the portfolio level and discuss what investors are looking for. The talk will cover client preferences for carbon neutral vs net zero vs temperature-aligned products and portfolios; development of climate metrics and insights such as Weighted Average Carbon Intensity (WACI), Financed Emissions and Implied Temperature Rise; climate risk considerations for portfolio management; greenwashing and future developments.

15:45 - 16:00 CFA Society of New Zealand**16:00 - 16:30 Nhut (Nick) Nguyen**, Auckland University of Technology
Greenwashing: Impacts on Firms and Shareholders

We leverage earnings conference call transcripts and the FinBERT machine learning model to measure greenwashing intensity. We document an increase in greenwashing following the 2015 Paris Agreement, especially in fossil fuel and stranded asset industries. Higher greenwashing intensity correlates with more environmental incidents and EPA enforcement actions, and higher carbon emissions, but not with increased green innovation. Greenwashing is also associated with weaker stock returns and operating performance and reduced risk-taking behaviours. At the same time, greenwashing firms receive higher environmental ratings. The findings suggest an agency motivation for greenwashing, where managers engage in greenwashing to enhance job security and compensation at the expense of shareholders.

16:30 - 17:00 Q&A and Concluding Remarks
Olga Dodd, Auckland Centre for Financial Research, Auckland University of Technology**17:00 - 18:00 Networking Drinks**

AUT Wi-Fi
Username: guest@conf
Password: 4306j40yt7

Speakers

Greg Munford, NZ Super Fund

Greg Munford is a Senior Strategist with the Sustainable Investment team at the Guardians. Greg has collaborated on dozens of successful sustainability-related strategies, policies, projects and investments with local, national and international partners - including local/national government agencies, corporations, the EU, World Bank/IFC, and Asian Development Bank. With deep experience across the infrastructure, real estate and natural resources sectors spanning Asia, Pacific, UK and the Americas, Greg brings his expertise and cross-disciplinary training in physical and social/policy sciences to bear for the NZ Super Fund - addressing risks, opportunities and reporting requirements across the climate, nature and broader ESG spectrum.

Henk Berkman, University of Auckland

Henk Berkman is a Professor of Finance at the University of Auckland and is an honorary professor at the University of Sydney. He completed his PhD at Erasmus University Rotterdam and has published extensively in leading finance journals. He was an adjunct director at Arthur Andersen Global Corporate Finance and has acted as a consultant for a number of multinationals and market regulators around the world. Henk has served on several boards and is currently on the board of the New Zealand Superfund and is president of the Dutch language school in Auckland.

Katie Beith, Forsyth Barr's Carbon & ESG Ratings of New Zealand Companies

Katie Beith has been in the Responsible Investment industry for almost 20 years, with the first part of her career spent overseas, predominantly in the UK. After returning to New Zealand in 2015, she spent 6 years with the New Zealand Super Fund and then moved to become the Head of ESG at Forsyth Barr in 2021. Amongst other things, Katie currently serves as the Deputy Chair of the NZ National Advisory Board for Impact Investing, is a member of New Zealand's Stewardship Code Governing Committee, is part of the External Reporting Board's Stakeholder Advisory Panel and is also on the Investment Committee for NZ impact investor, Purpose Capital.

David Kandziora, Russell Investments & CFA Society of New Zealand

David Kandziora, CFA, CAIA, has multi-sector, multi-asset consulting expertise gained from delivering a wide range of investment solutions to government, pension, and non-profit organisations. David's role at Russell Investments centres on shaping investment strategies to enhance financial security, where he collaborates with clients to navigate asset allocation, manager selection, and the integration of ESG principles into their portfolios. Prior to joining Russell Investments in 2020, David worked in a variety of consulting and advisory roles focused on mergers and acquisitions, corporate finance and economic analysis. David is also Chair of the CFA Society of New Zealand.

Nhut (Nick) Nguyen, Auckland University of Technology

Nick Nguyen has been a Professor of Finance at Auckland University of Technology (AUT) since 2019. From 2020 to 2023, Nick also served as the Director of the Auckland Centre for Financial Research. Before joining AUT, Nick held academic positions at Massey University and the University of Auckland, where he directed several postgraduate programmes. His teaching covers Financial Management, Financial Modelling, Corporate Finance, Investment Analysis, and Risk Management. Nick's research interests include corporate governance, market microstructure and liquidity, and behavioural finance. His work has been published in numerous internationally renowned finance journals.

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