

Opening Address by Chair, Adrian Orr

Tena kotou, tena kotou, tena kotou katoa

Those are words of welcome in te reo Māori, the language of the first people of Aotearoa New Zealand.

Talofa Lava, Kia Orana, Malo e Lelei, Bula Vinaka.

These are words of welcome in some of the other languages of the Pacific.

It gives me great pleasure and pride to welcome you here to our part of the world, this small corner that sits under the southern skies.

You have all travelled a long way to get here, over the great oceans of the Pacific. People travelled enormous distances over vast oceans to settle these islands, in tiny waka and sailing ships. Those were heroic journeys.

This is a region with a powerful tradition of voyaging, a powerful tradition of navigation and a special relationship with the Southern Cross, the constellation that early voyagers used to find the direction to the South Pole.

I would like to give a special welcome to our friends from the Southern Hemisphere who are members of IFSWF: Australia, Chile, Angola, Botswana, Timor Leste and our new associate member, Rwanda.

I welcome all our colleagues from the Forum and to the guests and observers who have joined for these public sessions of the meeting. You have come from far and wide, from organisations big and small.

This meeting is a big deal for New Zealand. We are the last bus-stop on the planet, a country of just 4.5 million people and a small, but dynamic, economy.

For the last century, our relative isolation has been a disadvantage. The biggest dream of most young Kiwis was to head overseas for the big OE – overseas experience – for culture, work and life experience.

The world feels more uncertain now. Many Kiwis are returning home and many see this country as a safe haven.

It's a place of great opportunity. Auckland, in particular, has a diverse and multi-cultural population, globally connected. We have an open economy and an open democracy, where people are free to express their opinions and politics is very accessible. We are open to the world and we are proud of our place in it. We have a great tradition of egalitarianism. This allows us to be inventive, innovative and energetic.

We don't stand on formality, but people here are welcoming and we do hope you enjoy your visit here.

Before I look ahead to what we will discuss over the next few days, I will take a moment to look back at what IFSWF has achieved as an organisation in the last year.

At the last meeting in Milan, I set out the roadmap for the way ahead – the navigation chart set out in the new strategic plan. The checklist was to:

- Promote the Santiago Principles through case studies and improved levels of self-reporting;
- Have more frequent opportunities to share knowledge, both face-to-face and through on-line platforms;
- Encourage collaborative research with academic institutions;
- Engage governments and international institutions where we can make a meaningful contribution.

We have made progress on all of these. Case studies are being launched at this meeting. Self-assessments on implementation of the Santiago Principles are more robust.

Knowledge exchange has ramped up this year, with excellent workshops hosted in Azerbaijan in March and another set of workshops held before the start of this meeting. These workshops are substantial and will become the core benefit that IFSWF can deliver to its members.

We now have on-line platforms for knowledge sharing through the IFSWF website. I urge members to get actively involved in these discussions and forums.

In research, we have established partnerships with the Bocconi University's Sovereign Investment Lab, Milan, the Fletcher School at Tufts University, Boston, and the London School of Economics. A joint workshop with Bocconi was held in Milan in June.

We have established relations with the Commonwealth Secretariat and the Hedge Funds Standards Board in the past few months, as well as the relationships we already in place with the International Monetary Fund, World Bank and the OECD.

IFSWF has moved from a development phase to action. The Forum was set up in 2009 and until now we have spent a lot of time on internal matters – getting the craft ship-shape.

This year we have strengthened the secretariat so that it has the capacity to carry out the work that we want done. We welcome Duncan Bonfield to the role of Chief Executive. He has excellent experience for this role and I have every confidence that he will be the right leader for the secretariat as we steer the course set out in the strategic plan.

Sub-committees of members looking at practical topics of common interest have been a feature of IFSWF for some years now. I thank all members involved for participating, and the research partners that have supported their efforts. I appreciate that carving time for these in addition to our everyday work is not easy, but it is essential for the vitality and relevance

of the Forum. We meet as a group but once a year. Energised sub-committees are central to bridging gaps of both time and distance between our institutions.

I can't overstate how important the role of the secretariat will be in the future of this organisation. The secretariat will become a clearing house of data and information on sovereign wealth fund practices. It will supply improved co-ordination and input to the work of the sub-committees. It needs to facilitate peer-to-peer exchange, without agency risk. It needs to assist newer and smaller member funds, as well as encouraging and leading improvements in the management and investment practice of sovereign wealth funds more generally.

All these are steps along the road. The ultimate destination for the Forum is to achieve better global understanding of the purpose of SWFs and increased trust in their activities. That is the reason this organisation was set up.

If this organisation is able to fulfil its potential, just think of what we will be able to achieve:

- Collaboration on investment opportunities;
- Increased investment in infrastructure and emerging markets;
- Deeper knowledge about the characteristics of long-term investment opportunities; and
- Better understanding of good investment practice - including environmental, social and governance practices.

With commitment and effort, these goals are certainly achievable. But let's be honest, it's not easy. It's not easy for anyone.

The single, most fundamental commitment that IFSWF membership entails is commitment to transparency, accountability and good governance, as expressed through the Santiago Principles. Membership of the Forum means a commitment to those principles.

As I said in my speech to the Forum last year, each member of the Forum has different domestic circumstances and is at a different stage in the journey, so our framework is couched in terms of self-assessment and voluntary disclosure.

But this is not a licence to stand still. IFSWF is not an acronym for poor practice to hide behind. It is a moniker to be earned and respected over time by operating with investment integrity.

As I said last year, we told the world that the Santiago Principles are a benchmark against which we can be measured. We cannot be surprised if the world measures us against them.

I am repeating those words because they are important.

In my view, our progress on this front has not been fast enough, and IFSWF's relevance as a Forum of sovereign peers is threatened.

The onus is on us, as IFSWF members, to ensure our organisation lives up to its promise. That **we** live up to **our** promises.

That calls for commitment from every one of us - commitment that can be difficult and uncomfortable.

Transparency isn't easy. Accountability isn't easy. People ask questions. People criticise what you do, even when you're trying to do the right thing. Good governance isn't easy. It's time-consuming, inconvenient. It requires a lot of thought about what you should be doing and how.

None of it is easy, but it is right. It is the right thing to do because the result will be better understanding of our activities and stronger support for them through both good times and bad. The results will also include more efficient access to opportunities, better performance by each member fund and a stronger financial system overall.

The theme of this year's Annual Meeting is Investing in a Climate of Uncertainty: The Sovereign Wealth Fund Response.

These are times of uncertainty – of that there is no doubt. 2016 has been a year of political uncertainty, from the Brexit vote in Britain, the immigration crisis in the Middle East and Europe, terrorism, to the Trump phenomenon in the United States

The global economy is in uncharted territory, with negative interest rates becoming a reality and the traditional central bank target and levers being sorely tested.

These uncertainties create some strong head winds: low growth, low yields, and an eroding capital base.

We have two great speakers who will discuss what has happened in the global economy and where these head winds might steer us.

John Lipsky is now at Johns Hopkins University and had a prestigious career at the IMF, including through the years of the global financial crisis.

John was there right at the birth of IFSWF, so he has had a keen interest in our work for years. I am keen to hear John's assessment of IFSWF to date as well as his views on the world economy. Welcome, John and thank you for travelling so far to be with us.

We also welcome Glenn Stevens, who has just stepped down after a 10-year term as Governor of the Reserve Bank of Australia. This year he was appointed a Companion in the Order of Australia for service to the financial and central bank sectors and to the community. Glenn has served on leading international organisations in the world's financial system, including the Financial Stability Board.

Returning to our theme, Investing in a Climate of Uncertainty, the word **climate** is in there for a reason. There is no part of the world that will avoid climate change.

Climate change has already had an impact in this region. Whole island states are at risk of disappearing under the sea. This is already the reality for a country such as Kiribati in the central Pacific, where two uninhabited islands disappeared in 1999 and the main islands are already affected by sea level rise. Sea level rise does not only mean a reduction in land area. It means soils become salty and crops won't grow. What land remains is unproductive.

We've moved on from debate about science. The reality is that Governments adopted the Paris Agreement on climate almost a year ago. Governments around the world are taking action to limit greenhouse gases.

There will be an inevitable shift towards a less carbon-intense economy.

The financial sector is now caught in this tide. Our investment strategies must necessarily address this, either actively – looking at opportunities in carbon-friendly energy – or reactively, in terms of dealing with the consequences, such as failed investments and stranded assets. Relative prices throughout the economic value chain will change.

There are very practical questions around this issue for long-term investors. How do you accurately measure the carbon exposure in a portfolio? Does divestment really work as a strategy? Is it better to engage as a business owner? And what investment opportunities will be the winners in a rapidly changing energy sector?

We will discuss the investment implications of climate policy over the next couple of days. We are privileged to have Mats Andersson with us to lead that discussion. Mats Andersson was Chief Executive of one of Sweden's largest and one of the most forward-looking pension funds globally, AP4.

Mats serves on the Global Challenges Foundation and was a co-founder of the Portfolio Decarbonisation Coalition.

Under his leadership, AP4 announced it will benchmark its entire equity portfolio on an MSCI low-carbon index by 2020 and arguably became the greenest pension fund in the world.

Earlier this year Mats was awarded Chief Investment Officer's Lifetime Achievement Award for his leadership of AP4 and his contribution to international projects on sustainable investments and climate.

We also have Bob Prince, Co-Chief Investment Officer Bridgewater, who will give a lunchtime talk tomorrow about the investment implications of climate policy from the investor perspective.

Finally, on our programme, we will spend some time looking at the New Zealand economy. I'm mindful of the fact that if the funds represented in this room did a whip-round, you could probably buy New Zealand outright. But we are not here to sell you New Zealand.

There are two aspects of the New Zealand story that are relevant to the Forum members. In the 1980s we went through a very rapid transition from a closed economy to an open one. Few countries are more committed to free trade and open capital flows than us. We learned some interesting lessons.

About the same time, we entered a period of closure, beginning a process of admitting and resolving grievances related to the colonisation of the Māori, the indigenous people of Aotearoa New Zealand. This Māori renaissance, in part assisted by a financial settlement

process, has led to economic empowerment. Not solutions to every problem – far from it – but progress. Again, we will share our lessons of reinvigorating collective business.

This year's meeting is more ambitious than previous annual meetings. One reason is that since everyone had to travel so far, we wanted to make the programme substantial.

We were committed to holding technical workshops before the meeting, because they are such an important way of knowledge sharing and information exchange. They allow for more in-depth discussion and greater technical detail than is possible in the meeting format.

We are delighted to host the meeting here in Auckland.

As managers of the New Zealand Superannuation Fund, we are mindful that the Fund is the property of the taxpayer and for the benefit of current and future New Zealanders. As a result, we are grateful for the partnership of several commercial enterprises in helping us defray some of the costs associated with conference sessions today and tomorrow.

I thank these partners for their support. These domestic partners are the BNZ, Commonwealth Bank, Deloitte, KPMG, PwC and Westpac. Our international partners include BlackRock, BNP Paribas, Goldman Sachs Asset Management, Investec, JP Morgan, Morgan Stanley, Northern Trust and State Street.

I remind you all that the spirit of this meeting is to share ideas and knowledge, to encourage the free and open exchange of ideas, and to respect all views. These are the open sessions of the meeting and the media is here. We welcome journalists from around the world.

We have a busy few days ahead and I do hope each and every one of you get something out of this meeting.

My colleagues from the New Zealand Superannuation Fund are very excited to have you here. Many of them will be in and out of the sessions and social activities. They will be pleased to help you. So if you need anything, please just ask.

Straight to business. To set the scene for us, I invite John Lipsky to the stage...