

Australian Sustainable Finance Roadmap

A Roadmap to connect capital to a sustainable and prosperous Australia

November 2020



www.sustainablefinance.org.au

Australian Sustainable Finance Roadmap:

A plan for aligning Australia's financial system
with a sustainable, resilient and prosperous future
for all Australians



The Australian Sustainable Finance Roadmap

A Bold Plan to Reshape Australia's Financial System






The Roadmap sets out recommendations for financial services sector participants, as well as regulators and government, for realigning the financial system to a sustainable future.

The Roadmap is the collective output of a broad-based collaboration over nearly two years involving more than 140 participants from over 80 organisations across the financial services sector, civil society, academia, regulators (APRA & ASIC) and government.

The Australian Sustainable Finance Roadmap

The vision

The Roadmap's vision for Australia is a financial system:

-  That is sustainable, resilient and stable, and can manage systemic risks and other shocks and strains
-  That meets both the present and long-term needs of all Australians, the environment and the economy
-  Where financial decisions are informed and consider sustainability risks, impacts and opportunities
-  That enhances financial inclusion and well-being, and informed choice
-  Where capital flows support Australia in delivering on sustainable development goals, including facilitating an orderly transition to a net zero emissions, resource-efficient and socially inclusive economy

The Australian Sustainable Finance Roadmap: Recommendations

Four key areas of
recommendations

With a total of
37 recommendations

With actions required at
multiple levels for system
change

A decade of action



Embedding
sustainability into
leadership



Integrating
sustainability into
practice



Enabling resilience for
all Australians



Building sustainable
finance markets



37 recommendations



COMPANY LEVEL:
Culture, skills, strategy, purpose, incentives



INDUSTRY LEVEL:
Tools, skills, frameworks, disclosure, data



REGULATORY LEVEL:
Guidelines, clarification, direction,
regulation



COMMUNITY AND CONSUMER LEVEL:
(Supporting) inclusion, wellbeing, informed



ECONOMY WIDE LEVEL:
Data, measurement, trajectory, national direction



2020 – 2030

Developing an Australian Sustainable Finance Roadmap



Australian Sustainable Finance Summit,
July 2018



Developing sustainable finance roadmaps to support a resilient and sustainable economy and help achieve national, regional and global goals on sustainable development

As an outcome of the 2018 United Nations Environment Programme Finance Initiative (UNEP FI) Conference in Sydney on financing a resilient and sustainable economy, organisations representing participants in the banking, insurance and investment industries, comprising approximately 300 financial institutions in this region, and responsible for over \$10 trillion in assets have come together to support the development of Sustainable Finance Roadmaps for Australia and New Zealand.

Sustainable Finance Roadmaps provide pathways and policy signals and set frameworks to enable the finance sector to contribute more systematically to the transition to a more resilient and sustainable economy, consistent with global goals through UN policy frameworks such as the UN Sustainable Development Goals (SDGs), the Paris Agreement on Climate Change, and the Sendai Framework for Disaster Risk Reduction.

An opportunity Australia and New Zealand cannot afford to miss

The 21st century economy needs to be aligned with sustainable development—a prosperous economy that prioritises human well-being, social equity, and environmental protection. The finance sector has an important role to play.

There is a recognised need for trillions of dollars of financing to deliver the SDGs, to increase the resilience of our communities and to deliver on the goals of the Paris Agreement on Climate Change.

Momentum in sustainable banking, insurance and investment (collectively “sustainable finance”) is building worldwide.

Drivers in Australia and New Zealand include the adverse impacts of climate change and natural disasters on households, businesses, cities and government; and rising civil society demand for the finance sector to play a more active and responsible role in promoting economic, social and environmental sustainability.

A sustainable financial system in Australia and New Zealand can:

- Improve financial system resilience and stability in managing shocks and strains such as climate change impacts, and facilitate the transition to a low-carbon, resource efficient and socially inclusive economy
- Underpin improved risk management and financial performance through explicit consideration of environmental, social and governance risks and opportunities in lending, insurance and investment analysis and decision-making
- Increase alignment with consumer expectations that their savings, premiums and investments are being invested responsibly
- Enhance the resilience and competitiveness of the finance sectors of Australia and New Zealand in global financial markets.

Sustainable finance is becoming the norm internationally

A growing number of diverse economic regions and countries around the world are aligning policy signals and setting frameworks to enable the financial system to deliver a resilient and sustainable economy, and to help achieve global goals on sustainable development.

Recent examples include:

- European Commission: Action Plan for Financing Sustainable Growth, following on from the final report of the EU’s High-Level Expert Group on Sustainable Finance
- UK: Green Finance Taskforce
- Canada: Expert Panel on Sustainable Finance
- China: Green Credit Guidelines
- Norway: Roadmap for Green Competitiveness in the Financial Sector
- Indonesia: Sustainable Finance Roadmap

These stand alongside many other national, regional and global initiatives to develop a financial system that supports economic, social and environmental sustainability.

It is now time for Australia and New Zealand to develop their own Sustainable Finance Roadmaps.

The Australian Sustainable Finance Roadmap

The Objectives

The Australian Sustainable Finance Initiative (ASFI) was established with four primary objectives, to ensure that the financial system is:

Meeting
community
and
consumer
expectations

Ensuring
better
informed
financial
decisions

Sustainable,
resilient and
stable

Mobilising
capital to
deliver on
our
Sustainable
Development
Goals

And supports Australia to deliver on international commitments:

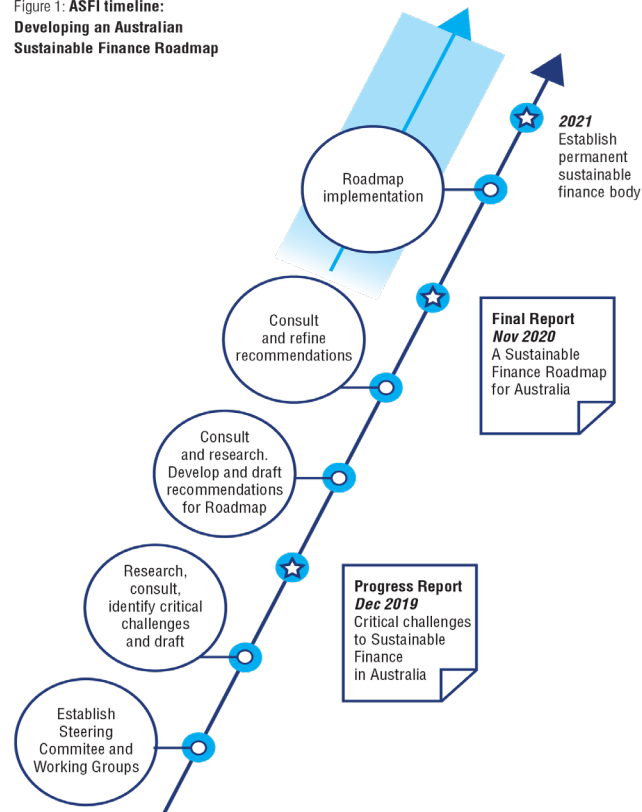


Developing an Australian Sustainable Finance Roadmap

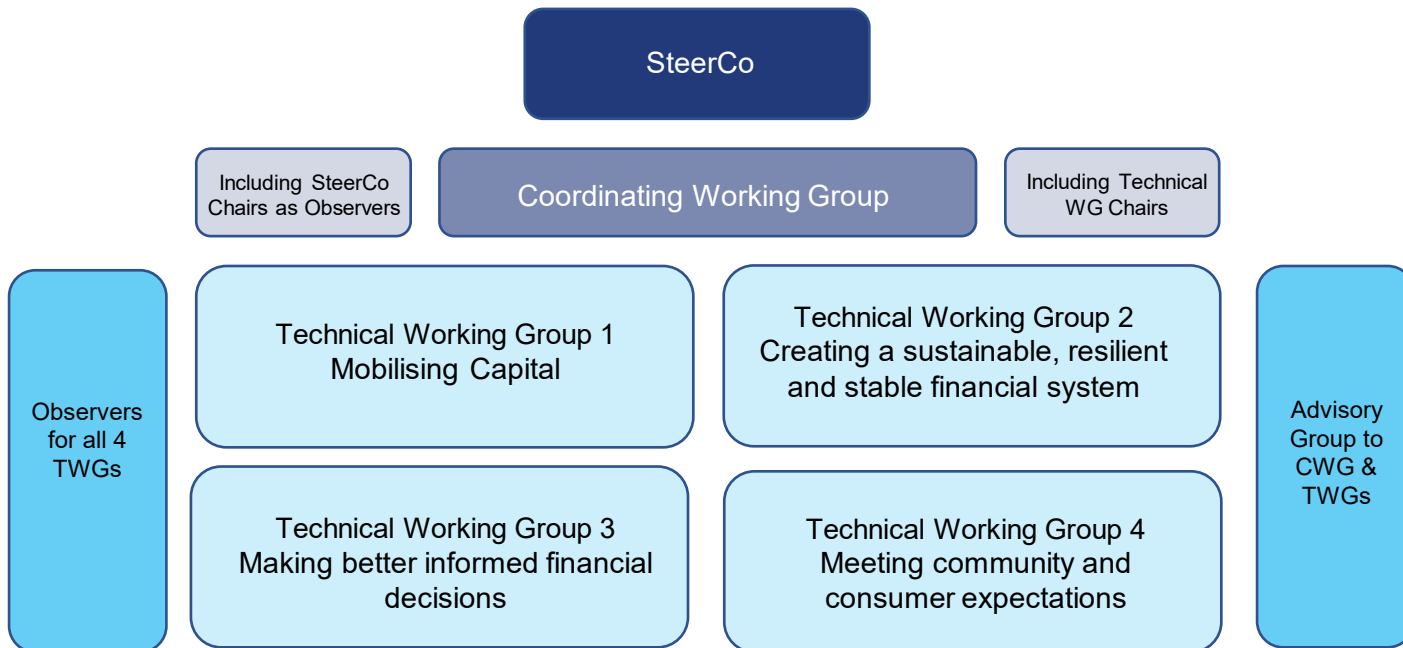
- Australian Sustainable Finance Summit – July 2018
- ASFI Launched – March 2019
- Progress Report Launch - December 2019
- ASFI Roadmap Launch Nov 2020



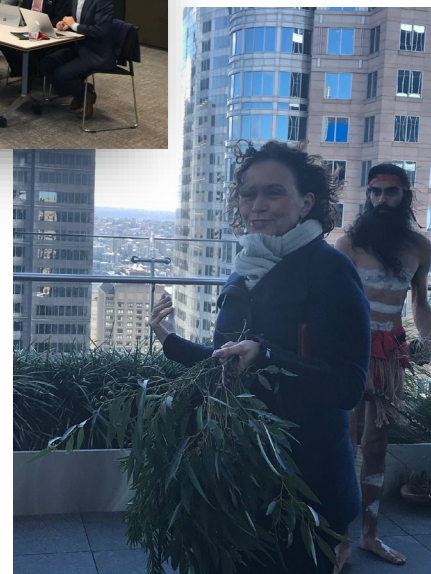
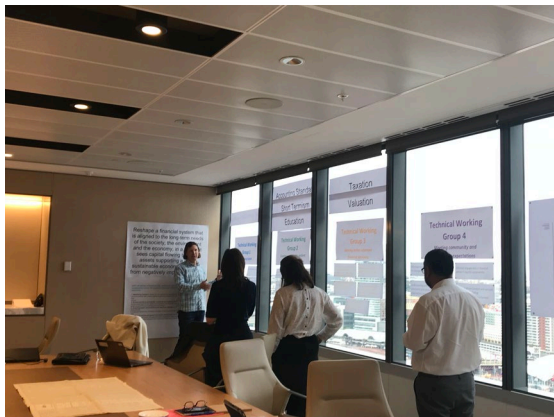
Figure 1: ASFI timeline:
Developing an Australian
Sustainable Finance Roadmap



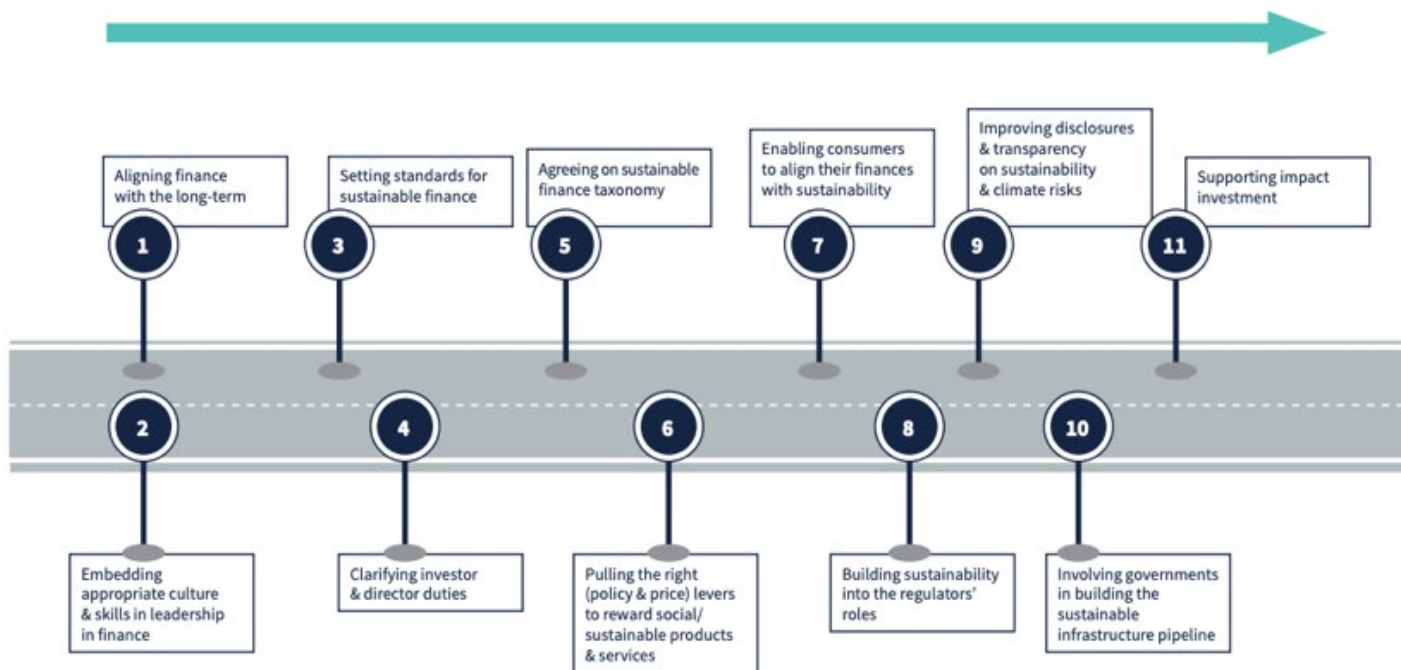
Developing an Australian Sustainable Finance Roadmap



Developing an Australian Sustainable Finance Roadmap



Key components of a sustainable finance roadmap



Australian Sustainable Finance Initiative Objectives

The Australian Sustainable Finance Initiative (ASFI) was established with four primary objectives, to ensure that the financial system is:

Meeting
community
and consumer
expectations

Ensuring better
informed financial
decisions

Sustainable,
resilient
and stable

Mobilising
capital to deliver
on our sustainable
development
goals

Critical challenges

Phase 1 of ASFI identified six critical challenges to delivering a financial system that supports a more resilient, sustainable and prosperous future for all Australians. To achieve the objectives of ASFI, a Sustainable Finance Roadmap would need to address each of these challenges.¹

THE CHALLENGES
TO ADDRESS

1

Leadership, culture and
institutional structures

2

Community and consumer
interests and expectations

3

Frameworks tools
and standards

4

Decision making
and valuation

5

Unlocking sustainable
finance & allocating capital
to where it needs to go

6

Policy, regulation
and supervision

Australian Sustainable Finance Roadmap:

A plan for aligning Australia's financial system
with a sustainable, resilient and prosperous future
for all Australians



The Australian Sustainable Finance Roadmap: Commitments

The Australian Sustainable Finance Roadmap is a roadmap for aligning the financial system to support a more resilient, sustainable and prosperous future for all Australians.

Achieving this alignment will require commitment by financial system participants to:



Support the
delivery of
SDGs, Paris,
Sendai,
Biological
Diversity

Support the
transition to
net zero by
2050

Embed
sustainability
into purpose,
strategy,
leadership and
practice

Enable
adoption of
Roadmap
through cross
sector
collaboration

The Australian Sustainable Finance Roadmap: Recommendations

Four key areas of
recommendations

With a total of
37 recommendations

With actions required at
multiple levels for system
change

A decade of action



Embedding
sustainability into
leadership



Integrating
sustainability into
practice



Enabling resilience for
all Australians



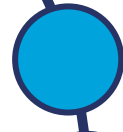
Building sustainable
finance markets



37 recommendations



COMPANY LEVEL:
Culture, skills, strategy, purpose, incentives



INDUSTRY LEVEL:
Tools, skills, frameworks, disclosure, data



REGULATORY LEVEL:
Guidelines, clarification, direction,
regulation



COMMUNITY AND CONSUMER LEVEL:
(Supporting) inclusion, wellbeing, informed



ECONOMY WIDE LEVEL:
Data, measurement, trajectory, national direction



2020 – 2030

The Australian Sustainable Finance Roadmap: Recommendations

Four key areas of recommendations:



Embedding sustainability into leadership

Include a focus on:

Culture, targets, commitments and goals

Specific examples of recommendations:

Net Zero commitments, sustainability embedded in strategy, remuneration



Integrating sustainability into practice

Practices, frameworks, standards, guidance, regulation

TCFD, taxonomy, sustainability disclosures, scenario testing, Stewardship Code



Enabling resilience for all Australians

Better disclosure and transparency, consistent labelling, financial inclusion, to protect, enable and support Australians

Consistent labelling and transparency, Financial inclusion action plans, community finance







Building sustainable finance markets

Allows capital to flow, by building markets and market infrastructure, for capital to flow to where s it needed

Sustainable bond markets, impact investment, natural capital, pipeline of sustainable infrastructure assets, sustainable benchmarks

Figure 2: Australian Sustainable Finance Roadmap – Suggested timeframes for implementation of the recommendations*

	2022 →	2025 →	2030 →
<p>1. Embedding sustainability into leadership</p> 	<p>1. Accountability for sustainability led from top</p> <p>3. Support employee codes</p> <p>5. Establish permanent ASFI</p>	<p>6. Establish a First Peoples Financial Services Office</p> <p>7. Work to codify free, prior and informed consent</p>	<p>1. Manage and measure impact on others</p> <p>2. Build skills and capabilities</p> <p>3. Build inclusive cultures</p> <p>4. Align remuneration structures with sustainable long-term value creation and consider embedding sustainability targets</p> <p>5. Establish special projects and forums to provide guidance on Roadmap implementation</p> <p>8. Establish International partnerships to support Roadmap implementation</p>
<p>2. Integrating sustainability into practice</p> 	<p>10. Join International Platform on Sustainable Finance</p> <p>12 & 13. Develop TCFD reporting guidance</p> <p>14. Play leadership role in development of TNFD</p>	<p>16. Create stress-testing framework and develop guidance</p> <p>19. Embed sustainability into regulatory guidance and standards</p> <p>20. Embed sustainability into outsourcing and procurement</p>	<p>9. Establish Taxonomy project</p> <p>11. Financial institutions report according to TCFD on 'if not, why not' basis</p> <p>12. ASX 300 report according to TCFD on 'if not, why not' basis</p> <p>14. Fund research and develop TNFD guidance</p> <p>15. Mandate sustainability reporting and align with international developments</p> <p>16. Undertake scenario analysis and stress testing for climate risk</p> <p>17. Expand vulnerability assessments</p> <p>18. Value environmental and social externalities</p> <p>19. Embed sustainability information into products and services</p> <p>20. Develop stewardship codes</p>
<p>3. Enabling resilience for all Australians</p> 	<p>24. Establish FIAPs, review current practices and design of products and services</p> <p>26. Build financial capability</p>	<p>28. Enable financial decisions based on values and sustainability preferences</p> <p>29. Develop product design principles</p>	<p>22. Support establishment of community finance</p> <p>23. Develop income and revenue contingent loans</p> <p>25. Measure and report on: financial distress for households; financial outcomes for Aboriginal and Torres Strait Islander peoples</p> <p>27. Develop labelling standards</p> <p>30. Develop Australian-focused well-being framework</p>
<p>4. Building sustainable finance markets</p> 	<p>31. Establish targets and trajectories to support net-zero-aligned decisions</p>	<p>34. Promote climate risk mitigation efforts and ensure buildings are disaster resilient</p> <p>35. Support development of sustainability impact and resilience markets</p> <p>37. Finance development and regeneration of real assets (infrastructure and property)</p>	<p>32. Support development of a sustainable capital market</p> <p>33. Report on functioning of sustainable finance markets</p> <p>36. Support the formation of Social Impact Investment wholesaler</p>

Key for timeframes

Short-term 2021–2022



Medium-term 2023–2025



Long-term 2026–2030



*The numbers within the table refer to the Roadmap recommendation number

The Australian Sustainable Finance Roadmap: Recommendations



1. Embedding sustainability into leadership

- Rec. 1: Sustainability to be integrated into purpose, strategy, risk management, remuneration and culture
- 2: Build skills and capabilities necessary for the financial system participants to support sustainability and resilience
- 3: Build inclusive corporate cultures that promote employees to speak up, and strengthen personal professionalism through support for employee codes
- 4: Align remuneration structures with sustainable long-term value creation
- 5: ASFI to be established as a permanent body to support delivery of Roadmap
- 6: Establishment of a First Peoples Financial Services Office
- 7: In recognition of First People's rights to self-determination, financial institutions to codify the principle of free, prior and informed consent in decisions made by finance
- 8: Establish international partnerships to support implementation of the Roadmap

The Australian Sustainable Finance Roadmap: Recommendations



2. Integrating sustainability into practice

- 9: Establish project to explore implementation of sustainable finance taxonomy in Australia
- 10: Australia, through relevant public authority, joins International Platform on Sustainable Finance (IPSF)
- 11: Financial institutions with >\$100m revenue to report according to TCFD on an 'if not, why not' basis from 2023
- 12: ASX listed companies beginning with ASX300 to report according to TCFD on an 'if not, why not' basis from 2023
- 13: Develop guidance collaboratively to support TCFD-aligned reporting
- 14: Play leadership role in development of Task Force on Nature-related Financial Disclosures (TNFD)
- 15: Sustainability reporting and assurance be mandated for listed entities and unlisted assets wholly owned by financial institutions
- 16: Undertake scenario analysis and stress test the resilience to physical and transition risks from climate change

The Australian Sustainable Finance Roadmap: Recommendations



2. Integrating sustainability into practice (continued)

- 17: Vulnerability assessments to be undertaken or planned by APRA are expanded to include fit-for-purpose assessments for small and medium financial institutions, as well as superannuation and insurance sectors
- 18. Compile national- and state-level data sets to support environmental and social externalities to be valued by financial institutions
- 19. Sector to work with regulators to embed sustainability into regulatory guidance and standards
- 20: Embed sustainability into outsourcing and procurement practices and embed sustainability information into products and services
- 21: Develop Stewardship Codes to harmonise and enhance stewardship practices

The Australian Sustainable Finance Roadmap: Recommendations



3. Enabling resilience for all Australians

- 22: Support the establishment of community finance that can be accessed by place-based groups
- 23: Develop income and revenue contingent loans as a mechanism to support resilience to acute shocks such as climate and health for vulnerable groups
- 24: Establish Financial Inclusion Action Plans and review current design of products and services to ensure financial inclusion
- 25: Measure and report on financial distress for households and financial outcomes for Aboriginal and Torres Strait Islander People
- 26: Collaborate with government and regulators to build individual and community financial capability
- 27: Develop consistent labelling and disclosure standards on the sustainability of financial products
- 28: Enable Australians to make financial decisions based on their sustainability preferences
- 29: Develop best practice principles to guide product design to drive sustainable outcomes
- 30: Support development of an Australian focused well-being framework

The Australian Sustainable Finance Roadmap: Recommendations



4. Building sustainable finance markets

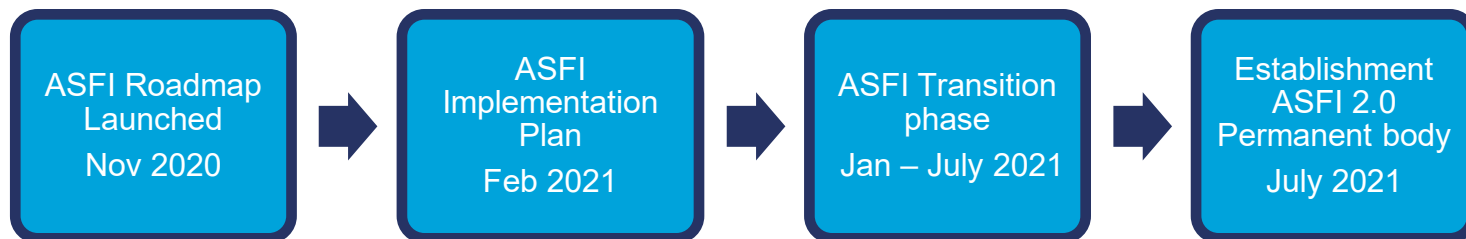
- 31: Collaborate to establish interim science-based targets and trajectories to align and facilitate transition to net zero emissions by 2050
- 32: Support the development of a sustainable capital market
- 33: Produce a regular report considering whether finance markets are functioning efficiently to support the delivery of net zero by 2050
- 34: Collaborate to promote climate risk mitigation efforts and ensure buildings are disaster resilient
- 35: Collaborate to support development of sustainability impact and resilience markets including natural capital, carbon, impact investment, and climate mitigation and adaptation
- 36: Support the formation of an independent social impact investment wholesaler in Australia
- 37: Finance the development and regeneration of real assets, including infrastructure and property

The Australian Sustainable Finance Roadmap: Action plan

Recommendation	Action required by:	Action required by:				Short-term	Medium-term	Long-term
		Financial institutions	Financial regulators	Government	Others			
EMBEDDING SUSTAINABILITY IN LEADERSHIP								
1	Lead accountability for sustainability from board level	■						
	Integrate sustainability into purpose, corporate strategy, risk management frameworks, remuneration structures and organisational culture	■						
	Manage and measure impact of activities on others	■						
2	Build the necessary skills and capabilities by:							
	• working with existing industry training organisations to deliver new skills and training in sustainable finance across all levels of an organisation	■	●	◆	i. Industry Training Organisations ii. Industry bodies iii. Accounting and Auditing bodies			
	• supporting the establishment of university-hosted centres for sustainable finance	■			Universities			
	• working with the Australian university sector to ensure that core curriculum for all finance and related discipline degrees includes sustainability	■			Universities			
	• developing strategic skills partnerships with experts outside of financial institutions to build mutual understanding	■			i. Research organisations ii. Universities			
	3	Build inclusive corporate cultures that facilitate and protect employees to speak up	■					
	Support industry-funded employee codes	■			Industry bodies			

Implementation of the Australian Sustainable Finance Roadmap

Importantly, a key recommendation is to establish a permanent Sustainable Finance Body, to support collaboration on implementation of the Roadmap.



Funds have been committed to support the transition phase for 6 months next year

Next steps

- A collaborative and inclusive process to implement the Roadmap begins now
- A transition phase to establish the permanent body begins today to the middle 2021
- Early 2021, an ASFI implementation plan shall be produced, providing more detail on the permanent body
- Aim to launch the permanent ASFI body in mid-2021
- For each of us, there is a role to assess the roadmap against where our own organisations are up to, and to start our own work on the implementation

Thank you

- 140 people and their 80 organisations involved in the process across working groups
- ASFI Steering committee
- The secretariat of ASFI, Megan Pepper and Gordon Noble
- Submissions received
- Input from extensive engagements across business, finance and government

Our funders

ASFI gratefully acknowledges the financial support it has received from:

- ANZ
- Australian Ethical Investment
- Bank Australia*
- Cbus*
- Commonwealth Bank of Australia*
- Credit Union Australia
- IFM Investors
- Insurance Australia Group*
- National Australia Bank
- Principles for Responsible Investment
- QBE Insurance Group*
- Westpac Banking Corporation*

** - Denotes those who have also committed funding for the transition phase in 2021*

Disclaimer

The Australian Sustainable Finance Initiative's (ASFI) report (the Australia Sustainable Finance Roadmap) and the recommendations contained therein and restated in this presentation reflect the collective output of ASFI and its participants and do not reflect the views of any one participant or the organisation they represent or are employed by. Participation by these individuals should not be taken as endorsement of the recommendations or report by individual organisations.

ASFI and its participants have at all times been mindful of their obligations under Australian competition law. Further, ASFI, its participants and the organisations they represent or are employed by understand the need to comply with competition law in considering or implementing any recommendations or actions arising out of ASFI's report.

Individual ASFI participants may have views different to those represented in ASFI's report and this presentation.

Read the full Roadmap

Read more:

www.sustainablefinance.org.au

Stay in touch :

- LinkedIn
- info@sustainablefinance.org.au





www.sustainablefinance.org.au
info@sustainablefinance.org.au

