

Australian Sustainable Finance Summit 2022 outcomes report

Leading, Driving, Navigating, Collaborating, Financing | October 2022





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Summary

On Friday October 28th, we were thrilled to see over 250 attendees come together at the Sheraton Grand to join us at our inaugural Australian Sustainable Finance Summit. The all-day event included keynote speeches, Q&As and panel sessions with leaders from across the public, private and not-for-profit sectors, including the Hon. Stephen Jones MP, Assistant Treasurer and Minister for Financial Services.

Attendees also enjoyed hearing from other speakers and panellists, including Dr Darian McBain, previous Chief Sustainability Officer of the Monetary Authority of Singapore (MAS), and Helen Rowell, Deputy Chair of APRA and Chair of the Climate Working Group of the Council for Financial Regulators. The Summit provided an opportunity for individuals from across the sector to network, and to learn and discuss where sustainable finance markets, policy and regulation and best practice for financial institutions is heading.

The depth of insight and engagement from leaders across the financial system demonstrated just how far sustainable finance has come – from a topic reserved for corporate social responsibility teams and environmental campaigners, to the mainstream of financial institutions, governments and policy organisations. This has happened quickly, and this pace is likely to accelerate.

Across all the richness of discussion, there were three common themes.

First, a recognition of the remarkable progress and surge of momentum across the past 12-18 months driven by net zero commitments, increased disclosures, and a wave of new policy across the globe including taxonomies, disclosure rules and risk management standards

Second, the juxtaposition of progress against the sheer magnitude and urgency of the task before of

us to limit global temperature increase to 1.5 degrees, reverse the destruction of our natural ecosystems, and support a thriving society.

And third, the recognition that these are system-level challenges that require whole of system solutions.

Off the back of these discussions, ASFI looks forward to continuing to work towards achieving our vision for a sustainable, resilient, and inclusive Australian financial system for the benefit of all Australians.

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Highlights

The Hon. Stephen Jones MP, Assistant Treasurer and Minister for Financial Services

In a keynote address at the Summit, Jones expressed the government's commitment to working with the finance sector to drive a sustainable, resilient, and inclusive economy. The minister particularly expressed the need for government to update regulatory settings to respond to greenwashing; facilitate the development of an Australian sustainable finance taxonomy; and reduce climate-related risks.

"It's not just about calling out greenwashing as important is it is. It is important, and our regulators are doing it, but...with the current regulatory settings, the best they are going to be able to do is call out and catch out the most egregious examples."

"Working together with you on a green taxonomy, one that aligns with international standards, that has an Australian accent is going to be absolutely critical."

"It's the role of insurers to price the risk, it's government's role to reduce it."

Dr Darian McBain, Senior Advisor to the Monetary Authority of Singapore (MAS)

Dr McBain addressed the Summit with key insights into how Singapore has established itself as a leader on sustainable finance in our region. She provided an overview of the Singapore Green Plan 2030 and informed attendees of the country's whole-economy approach which incorporates Green Government, Green Business and Green Citizenry as key enablers.

"We're running out of time. We don't have the time to take this really slowly and spend another 10 years, another 20 years, working out how to do this. We need to accelerate the pace of change."

"We need to move beyond just talking about the 'Green Economy', and we need to talk about greening the economy, which means taking into account all sectors."

Helen Rowell, Deputy Chair APRA & Chair of the Council of Financial Regulators (CFR) Climate Working Group

Helen Rowell gave remarks on developments and challenges in the Australian sustainable finance regulatory space, the necessity for an Australian disclosure regime, and the importance of developing an Australian sustainable finance taxonomy. Her address, following the Assistant Treasurer's earlier remarks, gave further insight into the current Australian policy and regulatory environment, as well as areas for further progress.

"While it's barely possible to open a newspaper or attend a business conference without climate risk coming up, the response remains hampered by the lack of information on [climate risks]."

"We want to avoid a scenario where reams of climate-related information becomes available that is difficult to interpret or compare, and ensure we are comparing apples with apples as climate risk disclosure becomes embedded across the Australian economy."

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Hon Stephen Jones MP

Assistant Treasurer and
Minister for Financial Services
Australian Government



Australian Sustainable
Finance Summit

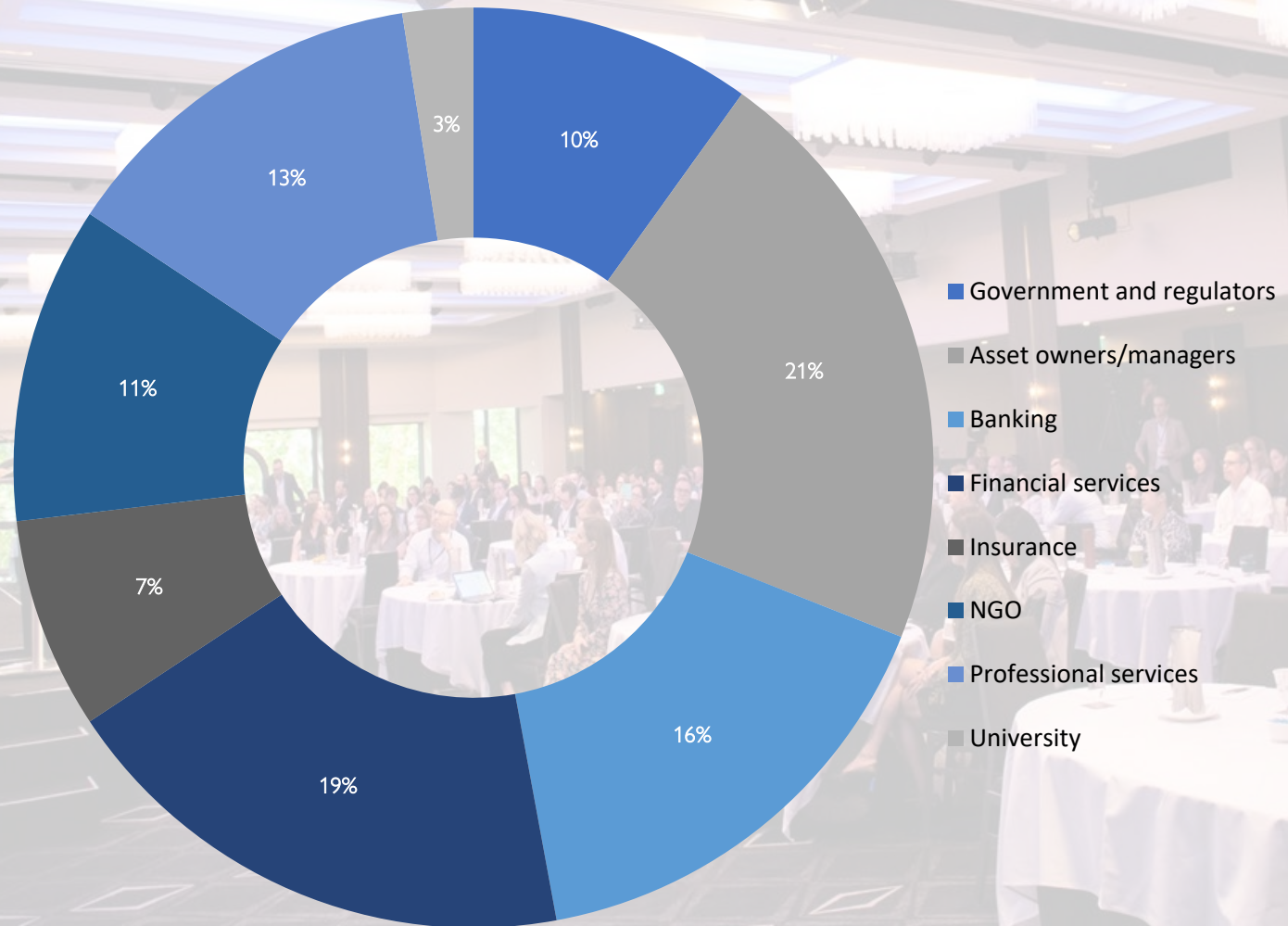


Hon Stephen Jones

Assistant Treasurer and
Minister for Financial Services
Australian Government



Attendees



Tracker Report Launch

The first panel session of the Summit opened with a presentation on the headline findings from ASFI's 2022 Sustainable Finance Progress tracker. The Progress Tracker assesses progress against the 37 recommendations set out in the Australian Sustainable Finance Roadmap which was published in 2020. It shows a remarkable acceleration of progress over the last 12 months, but a modest overall score of 2 out of 5. This demonstrates the substantial effort required to translate recent momentum into real world impacts that create a safe climate, restore Australia's natural capital, and support a thriving society.

Standout performers include the establishment of ASFI, a project well underway to develop an Australian Sustainable Finance Taxonomy, and strong Australian support for the Taskforce on Nature related Financial Disclosures (TNFD). Weaknesses include limited progress on plugging the sustainable finance skills gap, and on reflecting and protecting First Nations rights and perspectives through the financial system. There has been moderate but significant progress across a broad range of recommendations including the elevation of sustainability to the Boardroom and into risk management practices, a strong uptake in climate related risk disclosures, and a more supportive policy and regulatory environment.

The Progress Tracker calls for some 'quick wins' by Government to support Roadmap implementation including joining the International Platform on Sustainable Finance and developing a whole of government Sustainable Finance Strategy. This would signal Australia's commitment to managing climate and sustainability-related risks in the financial system and help guarantee cost-effective capital to fund transition activities, in line with Government priorities. Other recommendations include developing "transition pathways" to decarbonise specific sectors of the economy, more support for early-stage climate innovation, and the establishment of a social impact fund modelled on the UK's Big Society Capital. Financial institutions should continue to improve the quality of sustainability-related disclosures, including credible transition plans consistent with best practice guidance.

You can find the full report [here](#).





Panel sessions

With speakers ranging from across the public, private and not-for-profit sectors, our panel sessions gave a holistic view of work being done, and to be done, in the world of sustainable finance. Panellists engaged in rich discussion on the state of sustainable finance in Australia; how policy and regulatory systems are evolving in Australia and abroad; how leading financial institutions in Australian sustainable finance are navigating progress; the importance of coalitions and collaborations in supporting progress on sustainable finance; and the need to invest in a nature positive future.

Sustainable Finance in Australia – where are we at and who is leading the charge?

Following a presentation of findings from ASFI's anticipated 2022 Sustainable Finance Progress Tracker Report, our panellists discussed the latest developments in sustainable finance in Australia, as well as examples of best practice and emerging areas of focus for finance sector leadership.

Key points:

- The panel expressed that Australia is still behind its peers internationally but has made progress and agreed with Progress Tracker findings that sustainability is increasingly driving Board and CEO decisions.
- Panellists were asked what they would want to see in place in 12 months' time. Their responses were: an Australian sustainable finance taxonomy; skills development; sustainability being led from the top across the sector; agreed sector transition pathways; and mandated climate reporting.

"6 years ago, I had to bash down doors to talk about sustainability. Now my door is well and truly being bashed down." – Viv Bower, QBE

"The pace and acceleration around the regulatory support and frameworks and the work that international investors [have done] has been quite phenomenal. So, we are at risk of being left incredibly behind... We have to run very fast to keep shoulder to shoulder." – Kristian Fok, Cbus

"The only way to transition the whole economy is to support the whole economy." – Alison Chan, Metrics Credit Partners

“At first reading [of the Progress Tracker report] I was a bit shocked...If I was managing a risk issue at Westpac and I got a 2 out of 5 I would probably be fired, or if my child got a 2 out of 5 on his scorecard, I’d be pretty concerned...It really highlighted to me that we’ve got a lot of work to do.” – Michael Chen, WBC



Driving change through policy and regulatory systems

In this session, the panel examined how sustainable finance policy and regulation is evolving in jurisdictions with similar economies to Australia (Canada) and in our region (Singapore), where financial regulators in Australia are heading given the change in Government, and where collaboration across industry, Government and with other jurisdictions would enable Australia to play a leadership role.

Key points:

- There is a limit to how far Australian financial regulators, such as APRA, can drive disclosures under current regulatory settings. Helen Rowell expressed that she is pleased to hear the Government's policy in this space, following the Minister's keynote speech.
- The panel spoke to the importance of developing an internationally standardised approach, as well as how the development of taxonomies will de-risk disclosures for firms.
- Moving forward, Helen Rowell commented that there will likely be movement on mandatory disclosure, and Dr Darian McBain revealed that she would like to see how the recent Singapore-Australia Green Economy Agreement is put into practice.

"Right now, Australia is quite behind on ESG reporting. Yet as we are catching up, there is an opportunity to learn from first movers. If we resist "carbon tunnel vision" but truly address E, S and G, Australia can actually leap ahead." – Dr Darian McBain

"Right across the finance sector, [there is broad consensus that] a consistent, credible, science-based approach and framework for measuring the outcomes that sustainable finance was creating would allow, not only financial institutions to credibly report and talk about the sustainability outcomes they were achieving but would allow them to ratchet up their level of ambition because there was a certainty around their ability to meet those objectives and targets as well." – Kristy Graham, ASFI

"Where [Canada and Australia] can play a really big role is around the definition of transition...green is hard but transition will be harder." – Barbara Zvan, Candian Climate Institue

"We can't go far enough in mandating consistent disclosure under the current regulatory framework...but it seems to us that the momentum is very much building, and we'll be off and running very soon." – Helen Rowell, APRA



Leading change from the inside – navigating the journey

Panellists discussed how financial institutions are grappling with the challenges of implementing sustainability commitments and examined the different styles of leadership that are suited to making progress on sustainability issues.

Key points:

- Leadership on sustainable finance means that sustainability must be embedded across the whole organisation.
- Emerging organisational practices included: climate impact assessment across all investments; the embedment of ESG in KYC; and the integration of sustainability strategy within business strategy.
- Panellists also reflected on how their organisations have responded to push back from clients: Janie Wittey articulated that organisations need to be supporting their clients' transition; and Damian Graham expressed that Aware Super largely received positive feedback after divesting from thermal coal - "it was our fiduciary duty".

"Climate is such an obvious area that we have to focus on because we are seeing the impacts...but the S and the G [in ESG] are as important." – Janie Wittey, Natixis

"Success for me is not that we have a sustainable investment option that is 1% of our total assets, it's that we have sustainability across our total portfolio, and that our entire team have strong alignment to those outcomes...It's all [of] our jobs to make sure we're sharing the goals, the clarity, and that we're accountable to those outcomes." – Damian Graham, Aware Super

"Sustainability is so hand in hand with insurance, we see natural disasters playing out in our claims all the time...so, for us to be sustainable as an organisation going forward and to support our communities, we need to be a leader in sustainability." – Sema Musson, Allianz



"Leadership means doing it anyway and bringing people along with you." – Corin Millais

Harnessing coalitions and collaborations for change

This session explored the importance of coalitions and collaboration in supporting progress on sustainable finance, where member-based organisations are using collaboration to accelerate progress and ensure the credibility of the sustainable finance and investment market, and how organisations are using coalitions to support the growth and development of sustainable finance in Australia and globally.

Key points:

- Panellists spoke to the role of collaboration in achieving greater impact, as well as the proliferation of collaborative efforts on sustainable finance in recent years and agreed that there are increased opportunities for collaboration moving forward.
- The panel discussed the role of Government and policy in sustainable finance, and how this intersects with the work of coalitions and collaborations: Anna Skarbek expressed that the first half of a Government's term is a window for influence, presenting an opportunity for coordination that Australia must not take for granted; Louise Davidson remarked that industry has not waited for policy; and Kylie Macfarlane expressed support for the Minister's earlier admission that it is government's job to reduce climate risk.

"We need to resource [collaboration], support it, intentionally carve it out as part of what we do as a sector to solve the problems we are trying to solve." – Simon O'Connor, RIAA

"To be able to have the conversation now about nationally centralised databases that allow for appropriate disclosure, not just at an industry and government level, but at a public level as well, will allow us to take a real step towards ensuring people understand their risk, which is a way of ensuring they understand why climate change is important to them." – Kylie Macfarlane, Insurance Council of Australia

"Now is the time we need to be really careful to collaborate, and to use our resources as cleverly as we can so as not to squander this moment." – Louise Davidson, ACISI

"The debate is now squarely on the how – we've done the why and the what, and we're in the how. That is actually a technocratic realm, it's far less political than it used to be, and we are here to work out the nuts and bolts of getting it done. That is really ripe for task-oriented collaboration." – Anna Skarbek, Climateworks





“Once you measure, once you disclose it does get people’s head in the right space.”

– Connie Sokaris, NAB

Financing towards nature positive

Panellists delved into why the focus on natural capital and biodiversity protection is more than just a phase, discussed how early leaders are paving the way to a nature positive future, and explored different aspects of nature-related risks and opportunities.

Key points:

- Panellists agreed that there is a need to conceptualise nature as an asset, as well as to protect and invest in nature.
- There was a consensus regarding the importance of integrating First Nations' perspectives when responding to nature-related risks and opportunities.
- Tony Goldner closed out the panel by giving insights into the TNFD's next steps, including its intention to move towards focusing on impacts, rather than just risk.

“If you recognise the asset that [nature] is and the services that it provides, why aren’t you investing in it and protecting it like any other thing of value?” – Cherie Gray, Swiss Re

“It’s very difficult for [First Nations organisations] to approach corporates...it’s hard for us to get into the organisation, and it’s hard for us to speak to the right people...We should be able to talk to you from a business-wide perspective.” – Sean Appoo, Aboriginal Carbon Foundation

“Far too often [consulting with local communities] has been seen as a bit of a check-the-box exercise...When there’s a genuine dialogue and a real sense of working together, you end up with far better outcomes, which radically lowers the risk profile of the project.” – Tony Goldner, TNFD

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