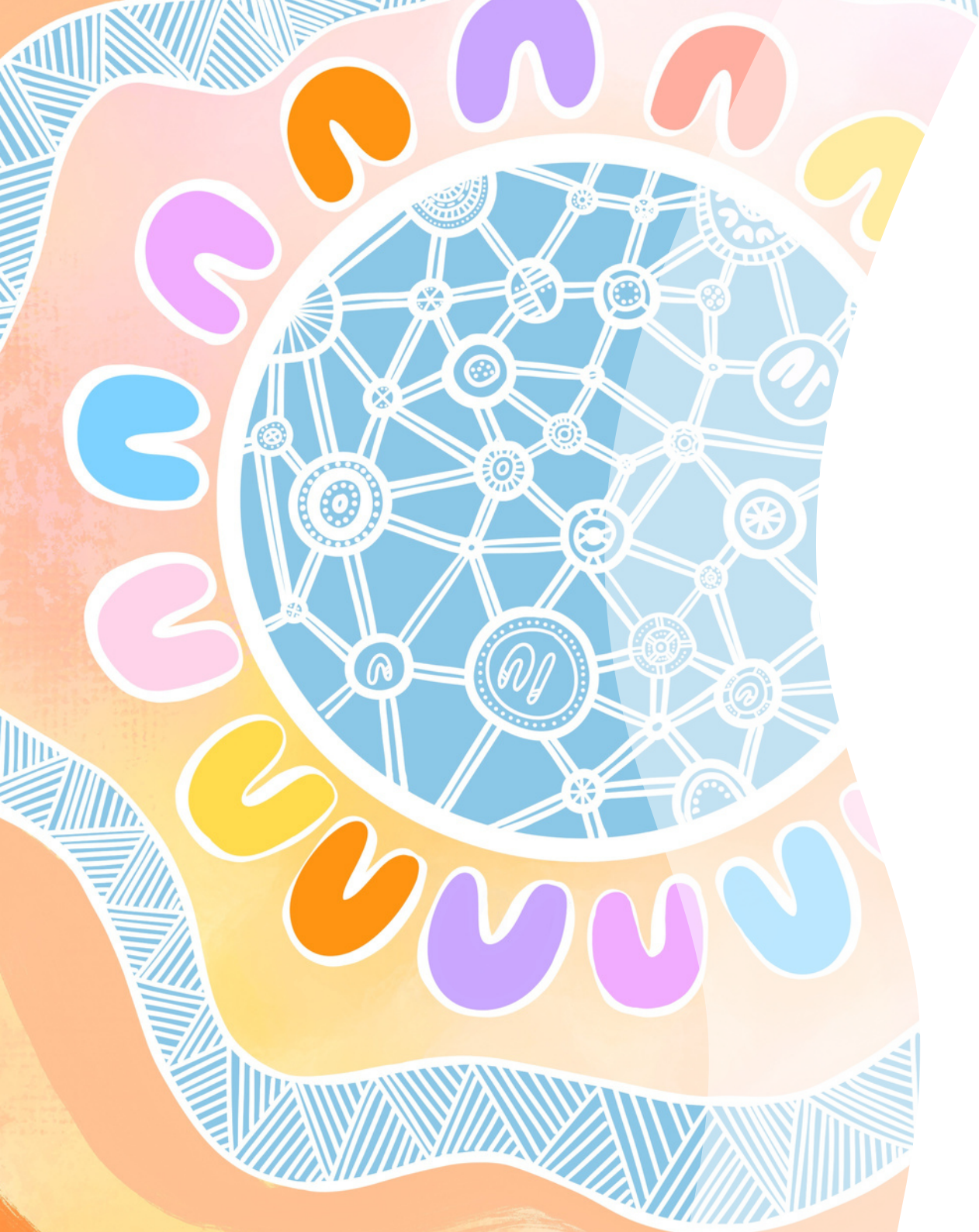


Australian Sustainable Finance Capability Framework Consultation Paper





The Australian Sustainable Finance Institute acknowledges the Traditional Custodians of Country throughout Australia and recognises their continuing connection and responsibility to land, water, species and culture. We acknowledge their ongoing status as the First Peoples of Australia and pay our respects to their Ancestors and Elders past and present.

Artwork story

"Unity in Diversity" stands as a testament to ASFI's commitment to reconciliation and collaboration. It inspires and invites viewers to recognise the beauty and strength that emerge when we acknowledge and embrace our differences, fostering a future of inclusivity, respect, and harmony.

Through this artwork, we are reminded that by taking that first step together, we have the power to create a ripple effect that extends far beyond our immediate circle, inspiring others to join us on the journey towards a better future and further improve outcomes for First Nations people.

Artist: [Tarni Jane Designs](#)



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Summary

Research indicates that as little as 7% of financial professionals have green skills, lagging other industries critical to achieving global sustainability targets. Australia also has a lower concentration of green talent in the finance sector than countries such as US, Germany, UK & Canada. Changing these statistics is a key priority for the Australian Sustainable Finance Institute (ASFI).

As part of doing so, we are leading the development of Australia's first Sustainable Finance Capability Framework (the Framework), identifying key capabilities required to develop sustainable finance workforce and leadership to accelerate the transition.

The aim of this Framework is to increase sustainable finance capability development in Australia, particularly through upskilling the finance sector in sustainable finance. In doing so, we hope to see Australia transform from a global laggard to leader in sustainable finance expertise. More information about the reason for the Framework, and its intended use, can be found within the Framework attached to this letter.

We now invite feedback on this draft Framework. This feedback will inform the final version of the Framework, which we aim to release mid 2024.

The Framework contained in this consultation is still in draft form and is subject to change.

The process so far

In 2023 we established a Capability Reference Group, made up of professionals from both the finance and education sectors, and convened this group multiple times to inform the development of this Framework. We have also conducted a variety of research and stakeholder engagements, including interviews and focus groups. The aim of these was to understand both the capabilities required within sustainable finance and the optimal structure for the Framework.



How to comment on the Australian Sustainable Finance Capability Framework

Interested stakeholders are encouraged to respond to ASFI with any feedback they have on the Framework, particularly considering:

1. What are the most important capabilities required as a sustainable finance professional?
2. How could this framework better represent the Australian sustainable finance landscape?
3. What would make this framework more usable for you and/or your organisation?

Submissions should be lodged via the online form found [here](#), or emailed in PDF or word document to info@asfi.org.au. Any enquiries about this submission should also be directed to the same address.

Submissions on this consultation close at 11.59pm on 28 April 2024.

All submissions will be carefully considered in the process of finalising this framework and we may, where necessary, seek further comments from you.

All or any part of any submission may be made public, unless specifically requested by the submitter.

We aim to release the final framework in mid-2024. We will then release a summary of the feedback received during this submission and any consequential changes to the Framework soon afterwards.

Webinar & Questions

To assist the process, ASFI will host a 30-minute webinar at 12.30pm on 15 April to discuss the framework and answer questions. You can submit a question [here](#). We will aim to answer any questions during the webinar that have been submitted by midday on 12 April. The webinar will also be recorded and posted on this webpage for those who cannot make it.

Key principles for engagement

ASFI's approach to public consultation is informed by the below principles:

Inclusivity

Identifying diverse stakeholders and the optimal format and forum to engage with those stakeholders; ensuring accessibility by identifying appropriate structures and mechanisms to enable participation.

Timeliness

Ensuring early, ongoing and timely engagement with stakeholders.

Transparency

Committing to publicly disclose who is consulted, who is providing input, what the nature of that input is and how that input is or is not being considered.

Respect

Ensuring optimal engagement settings so stakeholder engagement is enhanced and participants feel heard and respected.



The Framework



Introduction

This framework demonstrates the key skills needed for individuals to perform various roles in sustainable finance in Australia. It is intended as a guide to enable both individuals and organisations to focus their learning and development to increase their sustainable finance expertise. It has been developed through extensive research and broad consultation. It will also be reviewed every two years going forward to ensure currency and that it is fit for purpose.

Aim

The aim of this framework is to accelerate sustainable finance capability development in Australia, particularly through upskilling the finance sector in sustainable finance. This should increase the sustainable talent pool in Australia, and the professional competency of these practitioners. The Framework will also play an important role in developing a capable and credible workforce, providing a foundation for job design and role description, recruitment practices, performance development practices, learning and development activities, career planning activities and workforce planning. In doing so, we hope to see Australia transform from a global laggard to a leader in sustainable finance expertise.

The framework has been designed specifically for the Australian context, as one part of overcoming the significant sustainable finance skills shortage that Australia is facing. Much of the framework may be relevant to international sustainable finance practices also.

Structure

This framework is intended as a guide only. It names and defines key skills needed to practice sustainable finance, and then provides examples of what different proficiency levels look like in relation to that capability. The examples are not exhaustive and are necessarily high level to maximise relevance across the variety of roles within the finance sector.

The proficiencies are intended to demonstrate how each capability relates to roles within an organisation, from Emerging (or junior) roles (Proficiency level 1), through to Intermediate (Proficiency level 2) and Senior (Proficiency level 3) roles. This structure is to enable adoption of this framework within organisations.

This means that the Senior category does not necessarily require the most advanced technical expertise, as success in such roles often involves a broader range of skills, including stakeholder management and communication. The most advanced technical skills are often utilised by Intermediate roles. The examples provided within each proficiency reflect this as appropriate.

It's also recognised that individuals and organisations are unlikely to have deep capabilities across all of these skills yet, which is part of the reason this framework is necessary. Users are encouraged to progressively increase the breadth of capabilities they have from this framework, and the depth of each of these, over time.

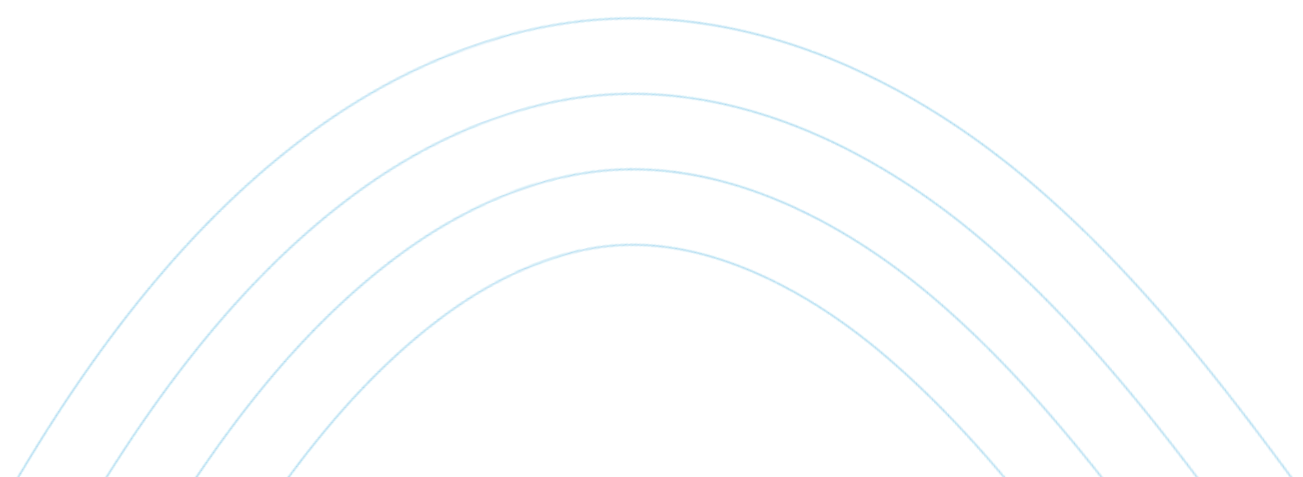
The framework is focused on capabilities specific to sustainable finance and is not intended to include core general finance skills (i.e. financial modelling). For information about general finance capabilities, other capability frameworks such as [Chartered Accountants Australia and New Zealand's Capability Model](#) and [CFA Institute's Competency Model](#) may be helpful.

Audience and use

Financial institutions are encouraged to use this to guide the development of appropriate learning and development plans and resources more specific to their organisation and requirements. Doing so will enable greater standardisation of capabilities across the finance sector.

Education institutions are encouraged to use this to inform relevant course content to build the pipeline of sustainable finance practitioners. This will enable students to be better prepared for the current and future demands of the finance sector.

Individuals are encouraged to use this to focus their own learning and development in sustainable finance. This will enable greater proficiency within relevant skills.



The Framework

Capability Definition	Proficiency level 1 (Emerging)	Proficiency level 2 (Intermediate)	Proficiency level 3 (Senior)
<p>Sustainability reporting</p> <p>Relates to accurately reporting based on key sustainability reporting frameworks, taxonomies, disclosures, standards, and regulations relevant to the financial sector.</p>	<ul style="list-style-type: none"> Understand, explain and support key sustainability reporting frameworks, taxonomies, disclosures, standards, and regulations relevant to the financial sector Understand the relationship between sustainability disclosures and financial risk Identify and analyse necessary data to integrate sustainability considerations into the organisation's reporting 	<ul style="list-style-type: none"> Analyse and apply key sustainability reporting frameworks, disclosures, standards, and regulations relevant to the financial sector Identify and analyse data appropriately for that reporting Turn activities and data into a clear narrative Awareness of anticipated relevant policy and disclosure obligations Analyse and ensure use, alignment and/or compliance of the organisation with taxonomies relevant to the organisation 	<ul style="list-style-type: none"> Shape and oversee the organisation's sustainability reporting in line with regulatory requirements and international best practice Oversee the organisation's strategy and policies in response to taxonomy use and reporting, including ensuring existing frameworks and policies are updated Ensure accuracy and clarity of reporting, compliance with laws and statements, and robust review and signoff processes in place Prioritise concise and consistent reporting, maximising alignment across reporting obligations
<p>Sustainability risk management</p> <p>Relates to the development and implementation of risk management processes relating to financially material sustainability issues, and identifying and utilising data appropriately for that.</p>	<ul style="list-style-type: none"> Basic understanding of climate science and risk Familiarity with broader ESG (environmental, social, governance) risks Consideration of how these sustainability risks can apply to the finance sector 	<ul style="list-style-type: none"> Undertake scenario analyses to assess and evaluate the likelihood of ESG related risks and opportunities across the value chain Identify and analyse the materiality of sustainability risks, and assess the impact of these risks both upon and by the organisation Apply natural capital considerations to support decision making and organisational dealings Develop responses to effectively manage sustainability risks 	<ul style="list-style-type: none"> Shape and oversee sustainability risk analysis Ensure effectiveness of sustainability risk management framework in accordance with organisational strategies and business activities Demonstrate risk management processes to stakeholders
<p>Sustainable finance strategy</p> <p>Relates to the development of strategies to increase the sustainable outcomes generated by financing activities.</p>	<ul style="list-style-type: none"> General awareness of your organisation's strategy and goals, and sustainable finance related aspects of this Understanding of climate change and the long-term changes it is expected to have on the organisations operating environment Support with monitoring and delivery of strategy 	<ul style="list-style-type: none"> Support the development of initiatives and policies that ensure sustainable finance activities meet organisation goals and comply with laws and standards Integrate environmental, social and governance (ESG) considerations and scenario analysis into strategy development where relevant Consider the organisations value chain within strategy development Assess the vulnerabilities of assets and products to the impacts of climate change 	<ul style="list-style-type: none"> Shape & oversee the development and implementation of strategies that ensure sustainable finance activities meet organisation goals Ensure accuracy of statements, and compliance with laws and standards Ensure appropriate governance arrangements are in place Oversee monitoring of strategy implementation and progress towards outcomes

Capability Definition	Proficiency level 1 (Emerging)	Proficiency level 2 (Intermediate)	Proficiency level 3 (Senior)
<p>Sustainable financial products</p> <p>Relates to the incorporation of sustainable investment concepts and practices into financial products and services, and measurement of their outcomes. This could include products such as sustainability-linked loans, blended finance, natural capital financing and green bonds.</p>	<ul style="list-style-type: none"> Understand and explain the application of sustainable investment concepts and practices to the financial products and services offered by the organisation Support the creation and management of these products Develop appropriate modelling of the product that demonstrates the likely financial and environmental/social outcomes 	<ul style="list-style-type: none"> Analyse and apply key sustainable investment concepts and products Have the ability to structure instruments and integrate sustainable factors into financial products Incorporate meaningful and measurable indicators into these products 	<ul style="list-style-type: none"> Shape and oversee the organisation's sustainable investment strategies, including updating it in response to market developments Develop, integrate and manage new sustainable investment approaches and innovative instruments that increase rate of achievement of desired outcomes Critical analysis of suitability of any included measures
<p>Transition planning</p> <p>Relates to outlining how an organisation will align with net-zero climate science recommendations and relevant organisational goals.</p>	<ul style="list-style-type: none"> Understand and support the development and analysis of net-zero transition plans Understand climate science and consider the social, environmental and economic consequences of differing climate scenarios Assist with tracking implementation metrics and targets 	<ul style="list-style-type: none"> Lead the development, analysis and credibility assessments of transition plans Understand the linkages between transition planning and other sustainability activities, such as disclosures, target setting and taxonomy alignment Ensure transition plan aligns with overall business strategy Incorporate meaningful and measurable implementation indicators into the plan 	<ul style="list-style-type: none"> Shape & oversee the organisation's work relating to transition planning, in line with international best practices Engage across the organisation and externally to ensure commitments and targets are accurate and appropriate Ensure effective governance structures are in place to oversee implementation of the plan Ensure effective reporting on implementation of transition plans, including capital expenditure allocation to achieve overall targets
<p>First Nations and finance</p> <p>Relates to understanding First Nations Australians' cultures and history, the dynamics of economic self-determination, and the process of Free, Prior and Informed Consent (FPIC) and equitable agreement-making with First Nations Australians.</p>	<ul style="list-style-type: none"> Be actively reviewing investments and projects to understand the impact on First Nations people and communities (disclosures) This could include learning about the positive outcomes of working with First Nations communities, historical economic exclusion, native title, and other barriers This could include understanding FPIC and its role in your organisation 	<ul style="list-style-type: none"> Have a sound understanding of Australian history and how it impacts First Nations outcomes today Understand the opportunities for demonstrating leadership with FPIC across both environmental and social matters that finance creates with First Nations people Actively consider how your organisations finance activities enable First Nations Australians, including what barriers your organisation creates 	<ul style="list-style-type: none"> Demonstrate to the sector the criticality of elevating First Nations lived experiences and perspectives within your organisation Demonstrate leadership of FPIC principles and agreement making by your organisation with First Nations communities Demonstrate how the activities of your organisation contribute to the economic self-determination of First Nations Australians (e.g. unlocking capital)
<p>Sustainable mindset</p> <p>Relates to the mindset required to prioritise sustainable outcomes, including thinking systemically, acting with urgency, and being ethically, results and future oriented.</p>	<ul style="list-style-type: none"> Consideration of the ethical implications and long-term consequences of activities Demonstrate critical thinking to appropriately question and analyse issues Identify relationships between sustainability activities and their consequences, both in the short and long term 	<ul style="list-style-type: none"> Utilise a systems approach to analyse the environmental and social implications of decisions Creatively problem solve long term sustainable solutions Communicate effectively across the organisation to increase understanding and importance of sustainability issues 	<ul style="list-style-type: none"> Experience in systems thinking in social and environmental contexts Ability to clearly communicate sustainable finance to increase others understanding and adoption Actively work across teams within the organisation to drive effective sustainability activity and outcomes

With thanks

ASFI would like to thank all stakeholders, both domestically and internationally, who have provided input into the various interviews, focus groups and consultations throughout the development of this framework. We also recognise sustainable finance capability frameworks in other countries, such as Singapore and Ireland, which we have sought alignment with.

We would like to particularly thank the members of the Sustainable Finance Capability Reference Group for their time and insights throughout the development, including:

- Alison Atheron, Institute of Sustainable Futures, University of Technology Sydney
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- Leanne McDonald, Clean Energy Finance Corporation
- Lisa Carroll, CFA Societies Australia
- Michelle Ryan, Chartered Accountants Australia and New Zealand
- Nicole Chung, ANZ Bank
- Ramona Meyricke, IFM Investors
- Tania Smith, Commonwealth Bank of Australia
- Victoria Whitaker, Deloitte





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