

2025 Sustainable Finance Progress Tracker

First Progress Report on the 2025-2027
Sustainable Finance Action Plan



November 2025

Acknowledgement of Country and Thanks

The Australian Sustainable Finance Institute (ASFI) acknowledges the Traditional Custodians of Country throughout Australia and recognises their continuing connection to land, waters, 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.

ASFI values the perspectives, knowledge and experience provided by First Nations Peoples to the development and implementation of the Australian Sustainable Finance Taxonomy and thanks those who have contributed to this work.



Artwork Story: 'Unity in Diversity'

'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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Australian Sustainable Finance Institute

ASFI is a not-for-profit organisation committed to mobilising capital for climate, nature and social impact, and the peak body for the sustainable finance sector in Australia.

ASFI's members are large Australian financial institutions – including major banks, superannuation funds, insurers, asset managers, and financial services firms – that collectively hold over AU\$16.5 trillion in assets. ASFI and its members are committed to allocating capital in ways that create positive social and environmental outcomes to secure future prosperity and sustainable economic growth for Australia.

Acknowledgements

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ASFI would like to thank the industry experts from across our member and partner organisations who contributed insights and analysis for this report.

This report is ASFI's first annual assessment of progress under the **2025-2027 Sustainable Finance Action Plan**, launched in May 2025 to support economy-wide action to mobilise sustainable capital. The Action Plan builds on the foundations of the 2020 Sustainable Finance Roadmap and sets out 26 priority actions across eight domains to ensure Australia's financial system supports a sustainable, resilient and inclusive economy.

In a year marked by geo-political turbulence and a reversal of US climate leadership, sustainable capital flows have shown resilience. Global capital is surging into clean energy, with investment hitting US\$2.2 trillion in 2024 – twice the spend on oil, gas and coal. China's ongoing dominance in clean energy – responsible for nearly one-third of global investment in clean energy, and half of global EV sales – is a clear signal that the world's economic direction of travel remains green.

While US volatility and Europe's sustainable finance recalibration have unsettled global sentiment, the vast majority of countries remain committed to net zero by 2050. Updated Nationally Determined Contributions (NDCs) ahead of COP30 are expected to bend the projected global temperature trajectory toward 1.8–2.3°C, far below the 3.5°C path projected at the time of the Paris Agreement. This is unmistakable progress.

Yet every fraction of a degree carries escalating climate risks, and decarbonisation faces significant challenges. Global renewable energy investment needs to almost triple to achieve global net zero by 2050. Slow permitting, grid bottlenecks, transmission delays, and organised opposition campaigns are driving up costs, eroding investor confidence, and slowing capital deployment in many countries.

In Australia, the Albanese Government has staked its position on decarbonisation. Announced in October 2025, Australia's 2035 emissions target of 62-70 per cent below 2005 emissions is widely viewed as is generally seen as credible. The Government's Net Zero Plan and sector decarbonisation plans, also released this year, provide greater clarity on pathways. Treasury modelling of economic impacts shows clear economic benefits accrue to Australia from acting decisively on emissions.

But decisive national action on emissions is not yet assured. The Net Zero Plan shows an 11 per cent gap to even the *lowest* bound of Australia's 2035 target. Heavy reliance on land-based sequestration in 2050 and generous access to carbon credits under the Safeguard Mechanism pose major delivery risks. Future policy reforms are uncertain, with mixed signals on gas and no bipartisan targets adding to investor uncertainty. A stronger, more coherent policy suite across all levels of government is needed to unlock private capital.

Globally, competition to decarbonise harder to abate industrial sectors such as steel, aluminium, and cement is accelerating, with more than 1,000 clean industrial projects now in development and US\$142 billion in investment-ready projects awaiting final financing. Australia has strong natural advantages but currently hosts only six of the 70 investment-ready projects outside China. Without a step change in effort, Australia will fall further behind other “sunbelt” countries – risking future export revenue.

Adaptation is under-invested globally leaving serious exposures and fuelling an impending under-insurance crisis. The Government's 2025 National Climate Risk Assessment lays bare the scope and severity of potential physical impacts in Australia. The investment case is compelling: the Insurance Council of Australia's proposed AU\$2 billion resilience program would deliver more than AU\$19 billion in savings by 2050. Australia's National Adaptation Plan recognises the need to mobilise private capital, but does not take concrete steps toward doing so.

Nature finance is also lagging, despite UK analysis showing nature shocks could cut GDP more than the Global Financial Crisis or Covid-19. Current policy settings do not incentivise financial institutions to address nature risks. In Australia – where half of GDP depends on natural systems and more than 2,100 species are threatened – the new Nature Repair Market will struggle to protect or restore nature without stronger baseline environmental regulation. Ongoing reforms to Australia's federal environmental law need to improve nature outcomes *and* fast-track key projects.

Amid anti-ESG pressure and litigation risk, financial institutions have become more cautious in their public sustainability commitments and messaging. This is evident in the unravelling of major net-zero alliances. The move away from global alliances also reflects a shift to the next phase of the climate transition: from high-level pledges to technical, context specific implementation, and underscores an ongoing role for government in enabling the transition.

Yet core climate practice continues. Climate risk and opportunity remain central to good governance and long-term success, driving financial institutions to integrate climate risks, support their customers and portfolio companies to decarbonise, and invest in fast-growing clean industries. The long-term economic trend toward decarbonisation is unchanged, with capital continuing to flow toward low-carbon growth markets. In Australia, new mandatory climate disclosure rules are a key focus for financial institutions and other reporting entities.

Progress against the Action Plan

Reflecting these complex global and national dynamics, and the short time since Action Plan release, progress against the Action Plan this year has been mixed.

Good progress

- (Action 1.1) Launched in June 2025, Australia's sustainable finance taxonomy has been well-received by the market and ASFI is actively supporting market uptake through industry pilots, development of guidance, and international engagement.
- (Action 1.5) The Australian Government has also advanced product-labelling reforms and transition plan guidance which will help to strengthen market integrity and reduce greenwashing.
- (Action 3.1) The Government's 2035 NDC is credible, and supporting sector plans have provided important clarity on Australia's transition pathway, but need to be backed up by more coherent and effective policies.
- (Action 4.7) There have been some strong examples of multi-sector partnerships on sustainable finance – notably the delivery of the Australian taxonomy, and work by the First Nations Clean Energy Network to produce practical tools and champion genuine partnership in clean-energy projects.

Some progress

- (Action 1.4) Mandatory disclosure implementation is progressing in Australia, and Internationally the ISSB has announced plans to develop nature disclosure standards.
- (Action 2.1) ACCC guidance has clarified the application of Australian competition law to sustainability related collaboration, but introduction of a class exemption would further support essential industry cooperation.
- (Action 4.1) Improvements to national sustainability data – including the National Climate Risk Assessment and ABS ecosystem accounts – are gradually strengthening the information base for decision-making.

- (Action 4.2) The Government has reopened the Your Future, Your Super performance test for review as part of its economic reform agenda. But broader reforms – including aligning banking rules with climate risk – are not yet being considered.
- (Action 4.6) Momentum is growing across government, industry and education providers to build sustainable finance capability, with expanded training on ESG governance and climate-disclosure.
- (Action 4.7) Progress on First Nations equity partnerships includes establishment of the First Nations Economic Empowerment Alliance and its national Partnership Agreement with government, as well as Victoria's Treaty framework.
- (Action 5.1) Momentum in blended finance continues through increased Clean Energy Finance Corporation capital, the establishment of a Net Zero Fund under the National Reconstruction Fund, and new commitments to Southeast Asia.

Limited progress

- (Action 2.3 and 2.4) Regulator mandates and directors' duties still lack explicit sustainability responsibilities, limiting clarity and consistency for market participants.
- (Action 3.3) Capital is still not flowing at scale into adaptation and nature reflecting weak baseline environmental protections and lack of enabling frameworks required to unlock private finance.
- (Action 4.2) Digitisation of sustainability disclosures has not progressed, despite the Productivity Commission identifying digital reporting as a key area for productivity gains.
- (Action 6.1 and 6.3) Against a backdrop of anti-ESG political sentiment, there has been limited moves by financial institutions to formally embed sustainability into corporate purpose statements or develop sustainability targets beyond climate.

Priorities for the year ahead

Strengthen climate policy and move toward effective carbon pricing.

Australia must close the gap to its 2035 target. Clearer, more comprehensive carbon-pricing signals – through an expanded Safeguard Mechanism, tighter offset rules and broader sector coverage – are essential to unlock private investment in line with the Net Zero Plan.

Expand the taxonomy and deepen international leadership on transition finance.

Extending the taxonomy to adaptation, resilience and nature will support capital allocation to a broader range of sustainability outcomes beyond climate mitigation. Stronger international engagement is needed to help shape global transition finance definitions in ways that supports Australia's interests.

Expand blended finance for adaptation and nature.

Blended finance should be deployed to de-risk capital allocation to emerging markets, accelerate commercialisation and support First Nations ownership and economic participation in the transition.

Strengthen environmental protections and streamline approvals.

Environmental Protection and Biodiversity Conservation Act reforms must deliver stronger baseline protections to underpin nature investment, while also providing clearer, faster pathways for renewable, transmission and clean-industry projects.

Consider tools to tilt the cost of capital in favour of green investment.

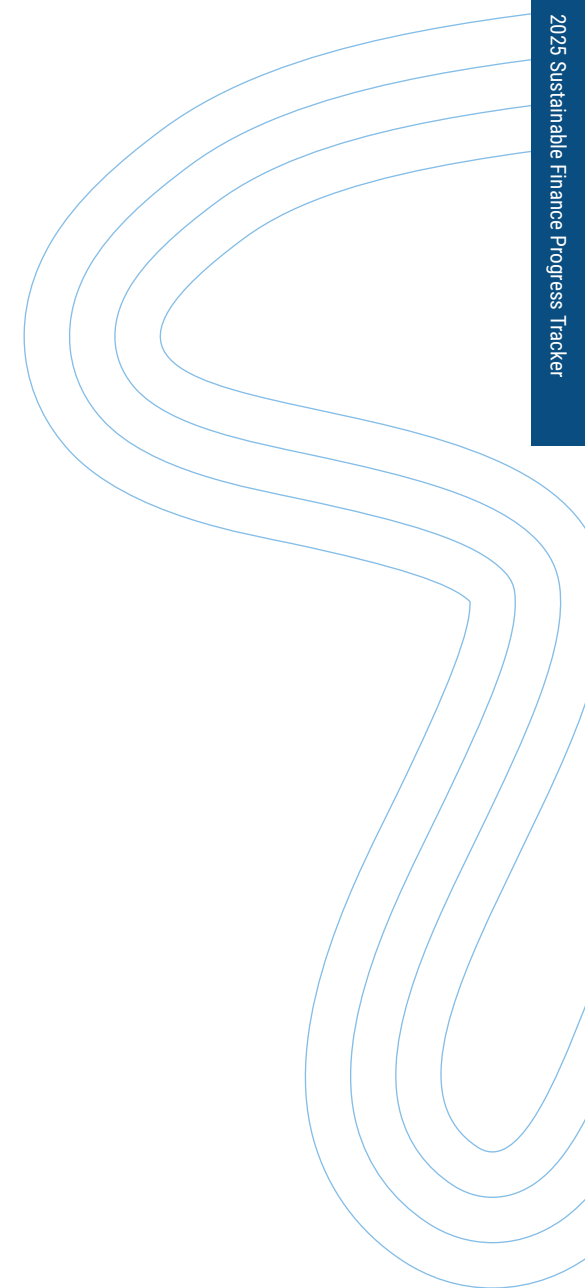
Reform the Your Future Your Super performance test to remove barriers to super fund investment in decarbonisation, and explore adjusting prudential capital weightings to better reflect long-term climate related risk.

Lift capability across the financial system.

Financial Institutions have more work to do to integrate sustainability into organisational culture and performance frameworks including through sustainability-linked remuneration, and sustained capability-building to mainstream climate and nature considerations across lending, investment and risk.

Develop a coordinated clean-export strategy with strong demand-side measures.

Australia risks losing ground in the global race for green markets. A national strategy centred on offtake agreements, green procurement and enabling infrastructure is needed to secure investment and compete internationally.



Action Plan Scorecard

Action Area 1: Sustainable finance policy and regulation	1.1 Voluntary taxonomy adoption by financial institutions	Good progress
	1.2 Expansion of taxonomy to other sustainability objectives	Some progress
	1.3 Integration of taxonomy in policy and regulation	Some progress
	1.4 Expansion of mandatory climate disclosures to sustainability	Some progress
	1.5 Sustainable financial product labelling	Good progress
Action Area 2: Alignment of regulatory settings with sustainability	2.1 Competition law reform	Some progress
	2.2 Reform of YFYS performance test and other regulation preventing capital flows to sustainability	Some progress
	2.3 Inclusion of sustainability in Directors' duties	Limited progress
	2.4 Inclusion of sustainability in regulator mandates	Limited progress
Action Area 3: National targets, plans and policies	3.1 Ambitious 2035 NDC and supporting policies	Good progress
	3.2 Progress towards carbon pricing	Some progress
	3.3 Stronger baseline environmental protections	Limited progress
	3.4 Industrial policy to support the transition	Some progress
Action Area 4: Data and reporting	4.1 National, accessible datasets across sustainability issues	Some progress
	4.2 Digitisation of sustainability reporting	Limited progress
Action Area 5: Financial innovation	5.1 Scale up blended finance for sustainability objectives	Some progress
	5.2 Development of innovative financial products focused on sustainability	Some progress
	5.3 Community finance vehicles	Not Rated in 2025
Action Area 6: Leadership and culture	6.1 Integration of sustainability in corporate purpose statements	Limited progress
	6.2 Sustainability-linked executive remuneration	Some progress
	6.3 Organisational sustainability targets and KPIs	Limited progress
Action Area 7: Capability	7.1 Sustainable finance training across public and private institutions	Good progress
	7.2 Multi-stakeholder uplift on partnerships and engagement	Good progress
	7.3 Capability building for First Nations equity partnerships	Some progress
Action Area 8: International engagement and collaboration	8.1 Interoperable sustainable finance standards and policies	Good progress
	8.2 Build sustainable export markets to support investment in Australia's clean energy future	Some progress



1 Introduction

1.1 From Roadmap to Action Plan

In Australia, the sustainable finance landscape has changed remarkably over the past five years. In 2020, the Australian finance sector came together and developed the Australian Sustainable Finance Roadmap – a vision for a financial system supporting a more sustainable, resilient and inclusive Australia. Since then, the clear establishment of a sustainable finance policy agenda and ecosystem within Australia means that the Roadmap needed to evolve to take account of developments, and in 2025 ASFI was proud to launch the 2025-2027 Sustainable Finance Action Plan.

The new Action Plan uses the vision of the 2020 Roadmap as its north star. Through a collaborative and consultative process with the sustainable finance sector, the Roadmap's original recommendations have been updated to include revised and renewed actions and priorities to take account of the significant progress made since 2020.

The Action Plan prioritises action across eight domains – sustainable finance policy and regulation; alignment of regulatory settings with sustainability; national targets, plans and policies; international engagement and collaboration; financial innovation; data and reporting; leadership and culture, and capability. It outlines 2027 and 2030 goals in these domains, which are pillars of the overall sustainable finance vision (see figure 1)

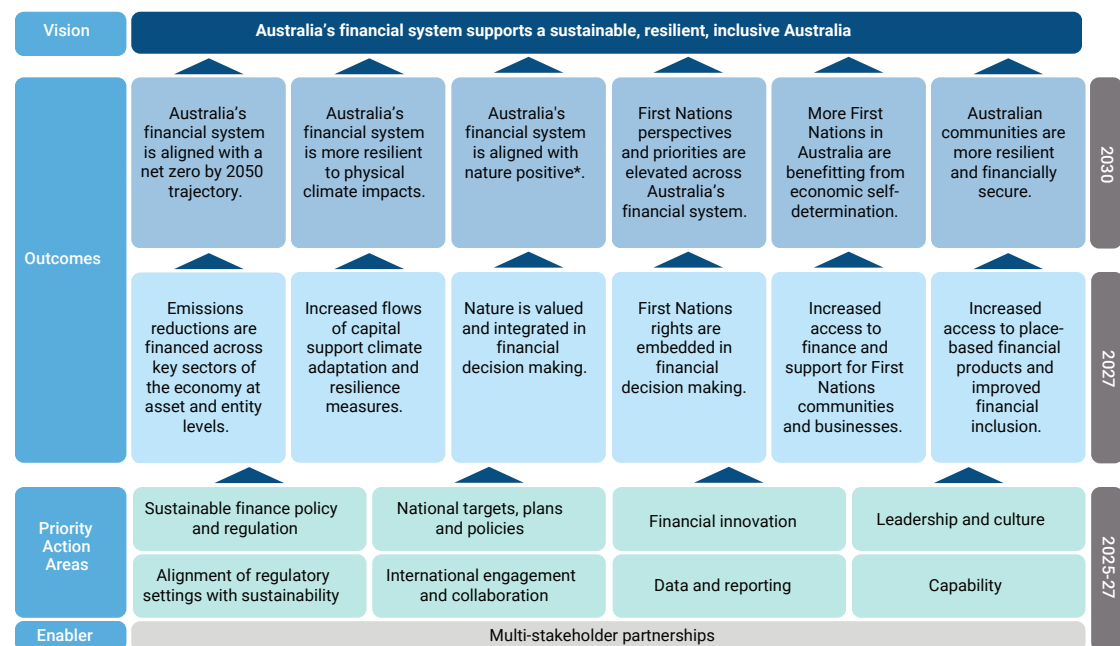
The Plan articulates 26 priority actions to progress towards these goals. Many of these actions carry forward work started under the Roadmap, with updates for progress that has occurred. Important milestones –

such as implementation of mandatory climate-related financial disclosure in the Australian economy, and development of the initial phase of the Australian sustainable finance taxonomy – meant that the ambition of the sustainable finance sector can be lifted, and new areas of progress were contemplated through the Action Plan process.

The Action Plan belongs to the finance sector, with ASFI as its custodian. The achievements of the past four years have only been possible through the collaborative and collegiate spirit of not only financial institutions, but also of industry and government. This year, ASFI is delivering the first progress tracker report that outlines progress against the 26 priority actions agreed in the Action Plan.

FIGURE 1

The Sustainable Finance Action Plan 2025-27 Vision, Outcomes and Priority Areas



*Consistent with Australia's commitments under the Kunming-Montreal Global Biodiversity Framework

1.2 From ideation to implementation

Australia's sustainable finance agenda has made a clear transition since 2020. At the time of publication of the original Roadmap, Australia had yet to make a commitment to pursuing net zero emissions, and had not begun to understand how the finance sector could support its achievement. The then-Australian Sustainable Finance Initiative created an impetus for change by demonstrating finance sector support for a range of policies and other initiatives that would support the growth and credibility of sustainable finance in Australia.

Since then, the Australian Government has committed to the development and implementation of a sustainable finance framework. The government's own Sustainable Finance Roadmap, released in 2024, committed to implementing a range of policies in pursuit of *'...mobilising the significant private capital required to achieve net zero, modernising our financial markets and maximising the economic opportunities associated with energy, climate and sustainability goals.'*¹ This roadmap commits to implementing many recommendations from the 2020 ASFI Roadmap.

In this light, the work of the finance sector has evolved from bringing ideas to enable sustainable finance into public discourse and policy, towards ensuring their successful implementation. ASFI and partner organisations are working collaboratively with governments and industry to help refine and implement these policy initiatives. While there remains a significant amount of work ahead, the focus of the sector is now on ensuring that reforms underway are implemented and embedded in how financial institutions operate, particularly capital allocation.

1.3 A new Progress Tracker

The Sustainable Finance Progress Tracker has been a feature of ASFI's work since establishment. The Tracker allows us to understand where progress on sustainable finance has been made, where efforts across the system have borne fruit, and where further action is required. It provides an opportunity for the sustainable finance sector to reflect on progress made and to consider where to focus efforts in the year ahead.

Given the maturation of sustainable finance agenda, and the transition from the 2020 Roadmap to the 2025 Action Plan, ASFI will streamline and simplify our reporting on progress. As ASFI has matured as an organisation, we have benefited from deepening our own capability and capacity, as well as strong partnerships across the sector. There is also reporting fatigue within financial institutions, in particular given the significant effort and resources being channelled into mandatory climate reporting. In light of this, ASFI will be reporting on the progress of the Action Plan using a framework of assessed progress against each action but will not be relying on quantitative estimates of progress derived from a sector-wide survey this year. We have again drawn on expert insights from across the financial system to inform the progress tracker.

It is our hope that this report remains useful to our stakeholders, and continues to be an invitation to the sustainable finance sector to reflect on our efforts, to celebrate our success, and to renew our commitment to achieving a financial system that supports a sustainable, resilient and inclusive Australia.



2 The state of sustainable finance in 2025

2.1 As politics shift, climate risk and opportunity remain fundamental to capital allocation decisions

Political commitment to net zero remains despite US anti-climate stance

The past year has seen significant shifts in political rhetoric and policy affecting the energy transition. Under the second Trump Administration, the US has withdrawn from the Paris Agreement,² wound back green incentives under the Inflation Reduction Act,³ cancelled or paused major renewable energy projects,⁴ and enacted legislation to restrict ESG-related investment decisions.⁵ These developments have had a chilling effect on global sentiment.

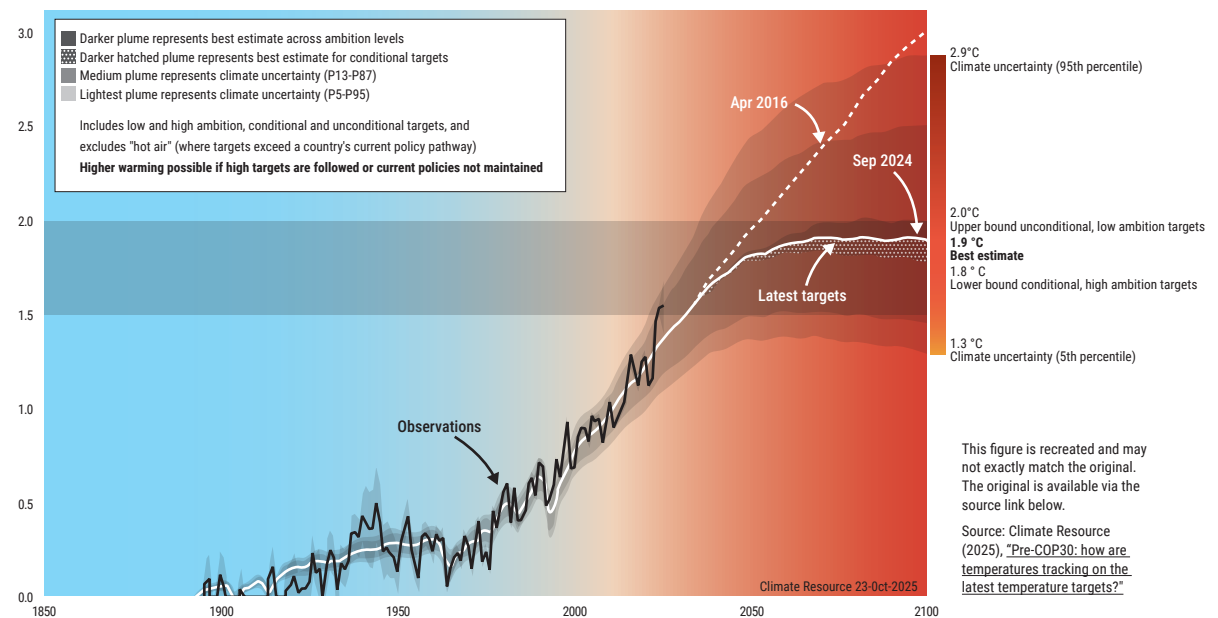
In Europe, sustainable finance regulation has become entangled in broader political debates around growth, competitiveness, and 'green tape'. The "Omnibus" package currently before the EU Parliament purports to simplify sustainability disclosure requirements and due diligence rules. The reform could remove around 80 per cent of covered companies from climate reporting requirements under the Corporate Sustainability Reporting Directive.⁶ This may do little to ease reporting burden⁷ but is a way for EU member states to demonstrate responsiveness to domestic concerns about cost-of-living pressures and sluggish economic growth.

More broadly, the vast majority of countries remain committed to reaching net zero emissions by 2050.⁸ Ahead of the United Nations Framework Convention on Climate Change COP30 conference in Belem, Brazil (November 2025), parties are required to bring forward updated Nationally Determined Contributions (NDCs) to the Paris Agreement. Estimates of the impact of NDCs brought forward to date vary, with credible analyses showing

that the resultant global temperature increase would be between 1.8-1.9 degrees at the low end, and 2.3-2.5 degrees at the high end (see figure 2).⁹ These temperatures are correlated with severe climate impacts,¹⁰ and every increment of temperature increase matters. But there is no doubt that mitigation efforts have significantly bent the curve of projected temperature increase from 3.3-3.8 degrees since the Paris Agreement was adopted in 2015.

FIGURE 2

Global mean temperature projections based on latest NDCs & LT-LEDs
°C above 1850-1900 average



Financial institutions are less vocal, as global alliances unravel

In response to mixed political signals, many financial institutions are more cautious in how they communicate their decarbonisation and broader sustainability efforts. The practice of ‘greenhushing’ has become more common, where institutions choose not to publicly discuss their climate related activities to avoid political backlash including costly court proceedings, particularly in the United States.¹¹

This shift has naturally affected international alliances of financial institutions committed to net zero collaboration. The Net Zero Banking Alliance (NZBA)¹² has been discontinued, while the Net Zero Asset Managers initiative (NZAM) first suspended its activities and subsequently dropped its target of achieving net zero emissions by 2050.¹³ The move away from global alliances also reflects a shift to the next phase of the low carbon transition – moving from high level targets and pledges, to technical implementation which is context specific. It may also reflect that achieving net zero for financial institutions is reliant on strong policy settings to drive emissions reductions in the real economy, particularly for those financial institutions that are universal asset owners or banks that bank across the economy.¹⁴

Under the hood, core climate practice continues

Despite shifting political rhetoric, there is little evidence that financial institutions globally have fundamentally altered their approach to climate and sustainability. The long-term economic trend toward decarbonisation continues, while climate impacts from historical emissions become more severe. This means progressive decarbonisation of portfolios and loan books, capitalising on emerging low-carbon growth markets, and proactively managing exposure to physical climate risk are critical.¹⁵ Sustainability risk integration – especially for climate risk – remains an important element of good governance and investment strategy, to ensure that transition and physical risks are properly understood, priced, and mitigated.¹⁶ Investment and lending to low-carbon industries – particularly solar and electric vehicles – continues to scale rapidly, outpacing capital flows to legacy energy sectors (see below).

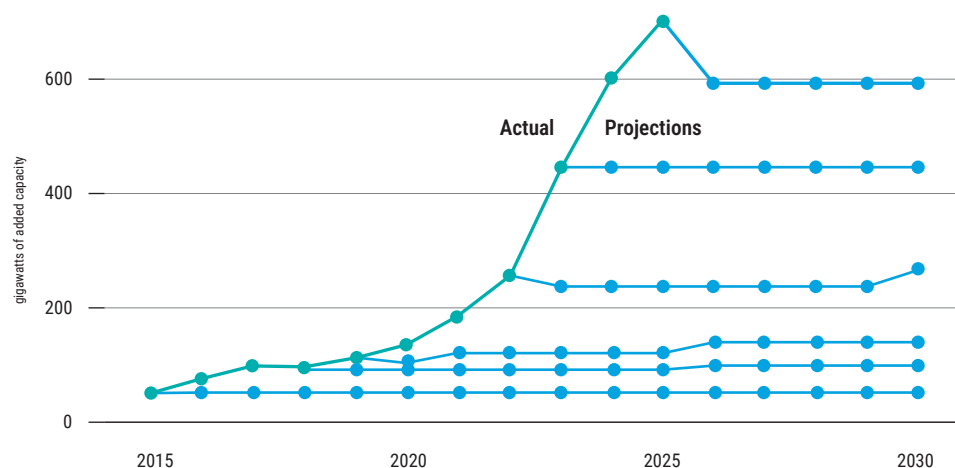
2.2 Global sustainable capital flows maintain direction of travel

Renewables and electric vehicles lead the way

Global investment in key low-carbon industries continues to grow, driven by compelling business cases and consumer demand. Renewable energy investments such as wind and solar have reached a price point making them the fastest growing sources of electricity in history (see figure 3), and investors are strongly backing projects across the globe. In 2024, global investment across the clean energy supply chain was around US\$2.2 trillion, double the amount invested in oil, natural gas and coal. Clean energy accounted for 10 per cent of global GDP growth in 2023 and Foreign Direct Investment (FDI) in clean energy accounted for 40 per cent of total greenfield FDI in 2022.¹⁷

FIGURE 3

Forecasts keep underestimating solar growth



Source: Sengupta (2025), 10 Years After a Breakthrough Climate Pact, Here's Where We Are, New York Times.

China is spurring the global clean energy investment boom, committing US\$625 billion to clean energy in 2024 alone which accounted for nearly one third of global funding.¹⁸ China also accounted for over half of global electric car sales with its dominant industry surging into new markets (see figure 4). Driven by this strong Chinese supply and demand, global EV sales reached 20 per cent of the new car market in 2024.¹⁹

Australia is likewise experiencing positive investment momentum towards the energy transition. Clean energy investments in 2024 reached their highest levels on record at AU\$12.7 billion, including AU\$9 billion for new large-scale generation projects and 3.2GW of new capacity added in rooftop solar (see figure 5).²⁰

Sustainable debt markets favour green over other labels

Overall global sustainable capital flows have been mixed. Total sustainable debt issuance reached US\$1,209 billion in the first nine months of 2025, down 9 per cent from the same period in 2024. Sustainable bonds remained dominant, making up 77 per cent (US\$929 billion) of total issuance, led by green bonds at US\$564 billion - on track to surpass the 2024 record. In contrast, sustainable loans moderated, with US\$280 billion issued 25 per cent below 2024 levels. Green loans held steady at US\$150 billion, while sustainability-linked loans declined to US\$106 billion, the lowest since 2020.²¹

The data shows a clear pattern: green bonds and green loans continue to draw strong interest, reflecting investor demand for decarbonisation projects and the strength of the green debt market and supporting frameworks, which have matured since the Paris Agreement.²² In contrast, issuance of sustainability-linked loans and other instruments has fallen, likely reflecting market uncertainty and the lack established standards and frameworks (and higher greenwashing risk). Overall, issuance trends indicate that investors are concentrating on proven green instruments, while less defined labels are struggling to gain traction (see figure 6).

FIGURE 4

Global EV sales are growing rapidly

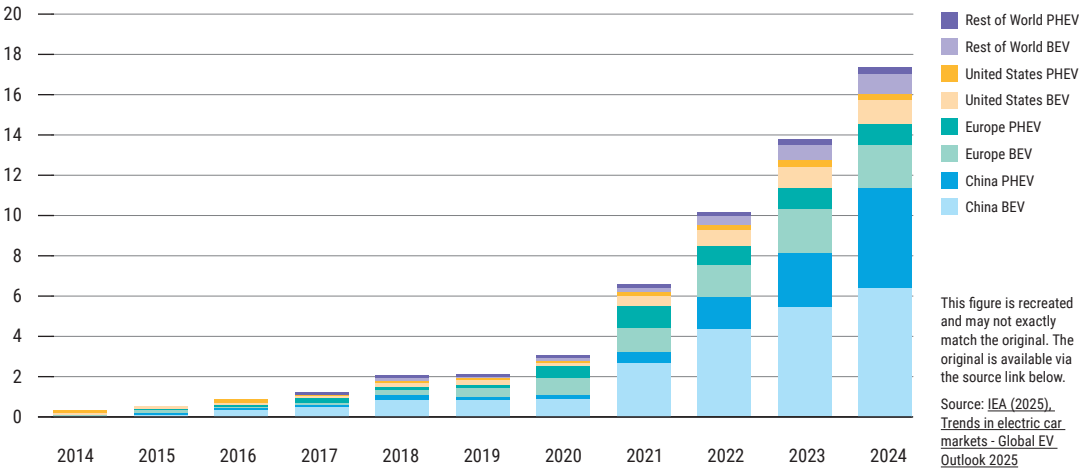
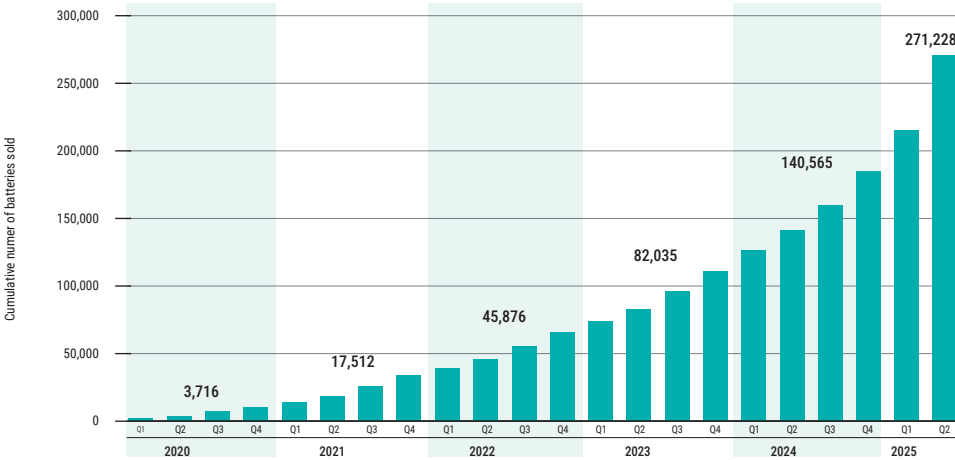


FIGURE 5

Home battery sales in Australia continue to accelerate



In Australia (as per Figure 7), sustainable bond issuance has aligned with global trends, reaching US\$28 billion by September 2025. This was driven by strong sustainability bond activity, contributing US\$12.5 billion. The market has shown resilience, with sustainable loan issuance hitting a record US\$42 billion in the September quarter, up 22 per cent from 2024 despite global headwinds. Green loans led this growth, with US\$12 billion issued - more than double the same period last year. While Australia's green bond market is growing, it still represents only five per cent of total bond issuance.²³ In contrast, sustainability-linked loan issuance has softened, reflecting global patterns.

FIGURE 6

Sustainable Debt Issuance (Global)

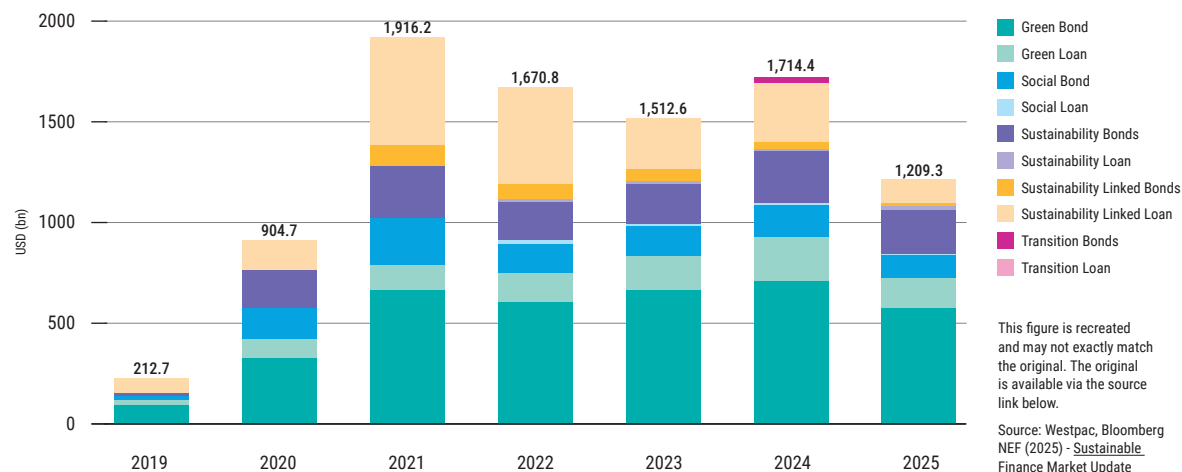
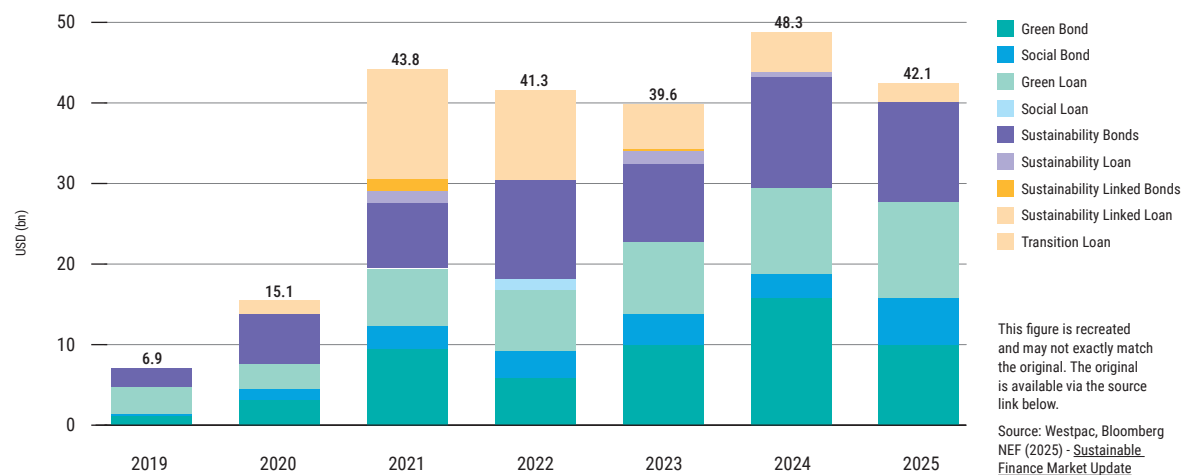


FIGURE 7

Sustainable debt issuance (Australia)



2.3 Faster deployment and more innovation is needed

Deployment of commercial solutions must accelerate

Despite strong renewable energy investment, there is still a large gap in the level of global capital needed to achieve decarbonisation targets under the Paris Agreement. The latest available data from 2023 show a continuing AU\$10.7 trillion gap in annual global climate finance, while the global economic cost of protecting nature has been put at AU\$1.07 trillion per year compared with only AU\$153 billion being spent.²⁴

The gap exists even in established sectors. Global renewable energy investment, reaching US\$728 billion in 2024, needs to almost triple to achieve global net zero by 2050.²⁵ In Australia, renewable energy investment must increase substantially to meet the Government's 82 per cent renewables by 2030, and 2035 emissions reduction target of 62-70 per cent below 2005 levels (see figure 8).²⁶

In Australia – as in many other countries – slow planning and permitting, along with delays and congestion in transmission and interconnection infrastructure, remain major barriers to renewable energy deployment.²⁷ These factors can significantly increase project timelines and costs, undermining investor confidence and slowing capital deployment.²⁸ Other persistent barriers include community opposition, in some cases deliberately spurred by special interest groups seeking to slow projects.²⁹

Competition is heating up for industrial decarbonisation

Decarbonising hard-to-abate sectors is one of the most pressing challenges in achieving global net zero.³⁰ Momentum is building worldwide across industrial sectors such as steel, cement, aluminium, chemicals, and heavy transport. According to the Industrial Transition Accelerator and Mission Possible Partnership's Global Project Tracker, over 1,000 clean industrial projects are now in development worldwide, with 144 projects having reached Final Investment Decision (FID), a milestone that reflects nearly a decade of technological improvement, corporate leadership, and policy development.³¹

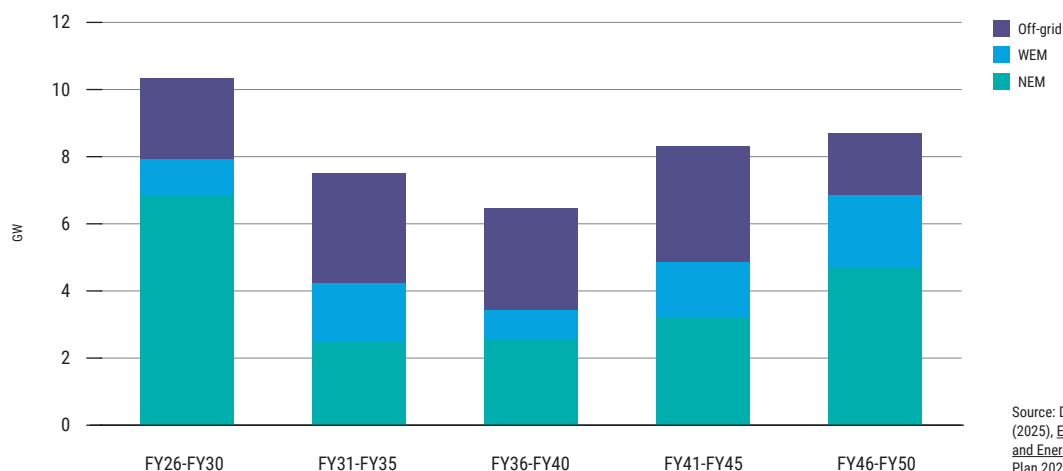
Analysis shows that around 70 additional projects are "poised" to secure financing. Bringing these projects to FID would expand the global clean industrial project base by almost 50 per cent, representing an estimated US\$142 billion in new investment.³² However, unlocking this potential depends on effective policies to drive demand and streamline permitting, and access to critical infrastructure such as grid connections.

Australia holds significant comparative advantages in emerging green industries such as green iron, green aluminium and critical transition minerals.³³ But other countries are moving rapidly, with China a clear leader. Outside of China there are currently 70 investment-ready clean industrial projects, of which 30 are in 'sunbelt' countries sharing Australia's natural surplus of renewable energy potential. Only six of the 70 projects are in Australia, with the remainder shared across Latin America, India, Sub-Saharan Africa, Middle East, and Southeast Asia.³⁴

Capturing a greater share of this global opportunity for Australia will require coordinated national and state-level effort to accelerate project approvals; develop common-use infrastructure; create demand certainty through offtake mechanisms; and provide public financing particular for commercialisation of technologies to support them through the valley of death,³⁵ and fill the gap between ARENA and CEFC mandates.³⁶

FIGURE 8

Annual Renewable Capacity Growth through 2050 under Australia's Net Zero Plan



Net Zero Plan implies major investment in land-based sequestration

The Australian Government's Net Zero Plan projects that, even after deep decarbonisation across energy, industry, and transport, Australia's residual emissions in 2050 will be about 167 megatonnes CO₂e.³⁷ These emissions are expected to be offset by land-based carbon removals. Under the Plan's Baseline Scenario, the land sector's carbon sink would increase by 126 per cent by 2050, driven mainly by reforestation, soil carbon improvements, savanna fire management, and blue carbon ecosystems.³⁸

Uncertainty about where this sequestration will come from, how much land will be required, and whether landholders will have sufficient incentives to deliver it poses a major risk to Australia's net zero pathway.³⁹ Supporting land restoration should be an immediate priority, and could yield benefits for nature restoration and farm productivity. Alongside this, Australia should consider supporting early stage innovation for non-land based carbon removals.⁴⁰

2.4 Finance for sustainability beyond climate mitigation is lagging

Adaptation and resilience

Adaptation world-wide is dramatically under-funded, especially by the private sector with around 98 per cent of existing funding comes from the public sector.⁴¹ There are clear social and economic benefits from investing in resilience, but benefits often accrue to society generally as a public good, rather than to the investor.⁴² Returns may also be hard to quantify, or accrue over a long time period that is difficult to factor into investment analysis ex-ante.⁴³ It can also be difficult to access reliable information on the investment opportunities most aligned with positive adaptation outcomes.⁴⁴

In Australia, the Government's National Climate Risk Assessment – published in October 2025 – lays bare the scope and severity of climate impacts in Australia under different warming scenarios.⁴⁵ The Insurance Council of Australia (ICA) estimates that by 2050, the cost of climate-related extreme weather events will reach AU\$35.2 billion per annum.⁴⁶ The case for investment in Australia's resilience (alongside emissions reductions) is strong. The ICA has proposed a five-year AU\$2 billion government funded resilience program that would save governments and households over AU\$19 billion by 2050 – a 10-fold return on investment.⁴⁷

The Government's National Adaptation Plan, also released in October 2025, emphasises the need for greater private sector investment in resilience. It undertakes to consider options to mobilise private capital for resilience, including expansion of the Australian sustainable finance taxonomy, and of the Clean Energy Finance Corporation's mandate.⁴⁸ Policy measures – including improved planning regulation and building codes should also be a key area of focus for Commonwealth, State and local governments across Australia.

Nature finance

The case for scaling finance for nature is urgent. Analysis led by the Green Finance Institute, with input from UK regulators and the Taskforce on Nature-related Financial Disclosures (TNFD), found that nature-related shocks could reduce the UK's GDP by an estimated 12 per cent – an impact larger than the Global Financial Crisis or the Covid-19 pandemic.⁴⁹ If these risks remain unpriced, they will cascade through supply chains, credit markets, and insurance portfolios, making nature loss systemic – meaning banks, insurers and investors have both an exposure and a role in underwriting solutions.⁵⁰

Despite this, global investment in nature is lagging. The United Nations Environment Program (UNEP) estimates only US\$200 billion per year flows into nature-based solutions, whereas US\$7 trillion per year of “nature-negative” investment fund activities that degrade ecosystems.⁵¹ To achieve biodiversity goals under the [Kunming-Montreal Global Biodiversity Framework](#), will require a fivefold increase in nature finance by 2030 – nearly US\$1 trillion more each year.⁵²

Financial institutions engagement with nature-related risk lags climate. Bloomberg analysis of 1,784 financial institutions found only 1 per cent discuss nature risks and opportunities in their annual report.⁵³ Adoption of the Task-force for Nature-related Finance Disclosures remains modest.⁵⁴

Australia's economy and wellbeing are deeply tied to nature, with around half of national GDP dependent on natural systems.⁵⁵ Meanwhile, biodiversity loss is accelerating, with more than 2,100 species threatened and ecosystems under severe pressure.⁵⁶ Investment in nature is not evident at scale.

A number of commitments by the Clean Energy Finance Corporation over the last 12 months focus on nature restoration in the land and agriculture sectors where improving natural capital can also increase farm productivity and reduce emissions.⁵⁷ In September 2025, ASFI released a research commissioned by the Department of Climate Change, Energy, Environment and Water, which illustrates how the Australian sustainable finance taxonomy could support investment in nature in the land and agriculture sectors.

2025 also saw the Australian Government establish the Nature Repair Market and the associated Biodiversity Credit, as a potential avenue to facilitate investment into nature repair.⁵⁸ However, development of markets for nature and biodiversity will be challenging in the absence of clearer and more robust baseline regulation for nature protection. Investment in Australia's natural capital would also be aided by expanded use of blended finance (through the CEFC or another public finance mechanism), and expansion of the Australian taxonomy to cover nature.

Social finance and investment

A comprehensive assessment of social finance flows is beyond the scope of this report. However, two areas stand out in the Australian context: First Nations economic empowerment and housing affordability.

First Nations Finance

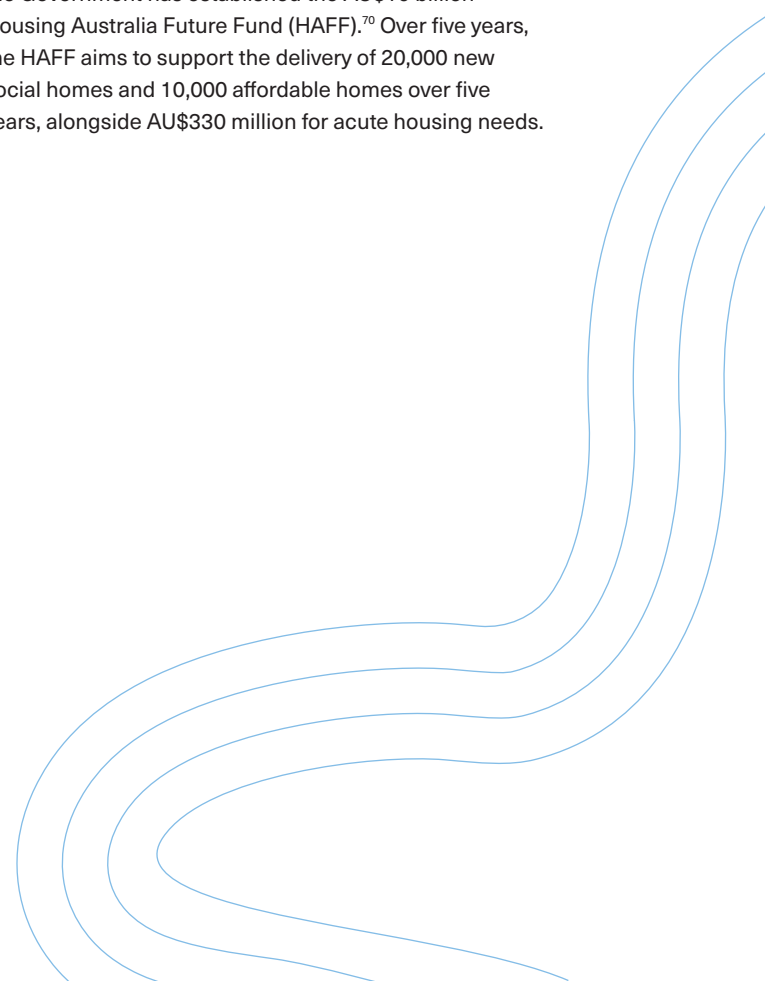
The Indigenous economy in Australia, valued at approximately AU\$16 billion, generates more than AU\$42 billion in social value, underscoring its importance to community wellbeing.⁵⁹ Key organisations like Indigenous Business Australia (IBA)⁶⁰ and major banks such as NAB,⁶¹ ANZ,⁶² and Westpac⁶³ are increasing financial commitments and developing strategies to support First Nations businesses. IBA alone plans to mobilise between AU\$5 billion and AU\$7 billion over the next five years to advance the commercial and economic interests of Indigenous peoples, including through new financial products co-designed with Indigenous entrepreneurs, Traditional Owners, and chambers of commerce.⁶⁴

Released in December 2024, the Australian Government's First Nations Clean Energy Strategy establishes a national framework to ensure First Nations peoples are centred in Australia's clean-energy transformation, recognising that access to reliable, affordable clean energy and meaningful economic participation are rights not privileges. Partnerships in clean energy highlight the potential for new ownership models in transition projects to deliver lasting benefits for First Nations communities. For example, the Junja Solar Project – reported to be the first renewable energy project in the Pilbara with First Nations equity share.⁶⁵

Housing Affordability

The housing affordability crisis in Australia remains severe. In 2021, around 122,000 experienced homelessness, and 640,000 households lacked appropriate housing.^{66, 67} Even with more than one million new dwellings projected by 2030, supply will fall short of demand, keeping the housing pressure high.⁶⁸ Structural barriers persist, with incentives poorly aligned to attract private capital into affordable housing models such as build-to-rent. Many investors continue to favour traditional home ownership pathways over long-term rental and social housing options.⁶⁹

In an effort to build more social and affordable housing, the Government has established the AU\$10 billion Housing Australia Future Fund (HAFF).⁷⁰ Over five years, the HAFF aims to support the delivery of 20,000 new social homes and 10,000 affordable homes over five years, alongside AU\$330 million for acute housing needs.





Action Area 1: Sustainable finance policy and regulation

Action 1.1

Good progress

Voluntary taxonomy adoption by financial institutions

Following completion of development of its first iteration, the taxonomy will be available for voluntary use by financial institutions. Such adoption would help institutions to familiarise themselves with and test the taxonomy, serve as a stepping-stone to integration in policy and regulation (1.3) and mainstream sustainability objectives and criteria within financial decision making.

Version 1 of the Australian sustainable finance taxonomy was launched in June 2025. Produced by ASFI, in partnership with the Australian Government, the Taxonomy is now available for voluntary use.⁷¹ Since then, ASFI has taken on the role of taxonomy custodian including market outreach, education, and pilot programs to drive market uptake of the taxonomy. Successful uptake is critical to mobilising private capital into activities that will decarbonise the Australian economy in line with the Government's 2035 emissions reduction target.

The taxonomy was identified as one of ten priority areas in the Government's Australian Sustainable Finance Roadmap (released in 2024). Funding and partnership from the Australian Government for the taxonomy development reflected shared appetite across government, finance, and industry for new frameworks to support sustainable finance markets in Australia. The Australian taxonomy has strong value as a classification and definitions tool that offers a science-based, consistent assessment of whether an economic activity is aligned with the objectives of the Paris Agreement or is on a pathway to alignment.

Market reception of the Australian taxonomy

The taxonomy is already having an impact. In October, the first second-party opinion examining alignment of a proposed green bond and loan with the Australian taxonomy was published.⁷² In its *Sustainable Investment Report 2024-25*, the Australian Retirement Trust superannuation fund noted that the taxonomy is used to guide its investment approach for climate-related green investments, targeted to be 4 per cent of funds under management by 2030.⁷³ The taxonomy was also used by the Western Australian Treasury Corporation do their annual green bond impact reporting.⁷⁴

In Q3 2025, ASFI commenced a voluntary adoption pilot with eleven Australian organisations (at time of writing), including banks, superannuation funds, a credit ratings agency and the Clean Energy Finance Corporation.⁷⁵ Early insights from the adoption pilot have confirmed that the taxonomy has strong market value, and potential for wide market uptake. Pilot participants plan to use the taxonomy in the immediate term to:

- inform use of proceeds selection for labelled debt instruments
- classify reporting of aggregate allocation to climate solutions
- screen the alignment of real assets or projects against taxonomy criteria
- augment portfolio strategy, including capital allocation frameworks or sustainable funding frameworks.⁷⁶

"The release of the Australian sustainable finance taxonomy is a key moment in the journey to a net zero economy. The taxonomy facilitates investors and business to work in concert, and to channel capital into credible net zero-aligned and transition activities. It is an important step in building further confidence in Australia's transition to net zero in international markets, helping to mobilise investment into Australia's decarbonised future."

Ian Learmonth, CEFC CEO

A need for market guidance

While the taxonomy is achieving early success, widespread uptake (in particular for use cases beyond labelled debt) requires further market guidance and involvement of the regulator, where appropriate. Support from regulators, for example to clarify evidentiary requirements and assurance expectations for taxonomy-aligned instruments, would significantly enhance institutional confidence and unlock capital flows. This is especially true for labelled debt products and broader voluntary uses where perceived regulatory risk currently inhibits uptake.

ASFI is working with state and Commonwealth government central financing agencies and consulting with pilot participants to produce market guidance for taxonomy aligned debt instruments and other uses. Release of the guidance is targeted by Q1 2026.

International engagement

Improving international interoperability of the Australian taxonomy with international taxonomies is also important to maximise the value of the taxonomy to the market. ASFI has been proactively engaging with international peers to support taxonomy interoperability.

In some areas, such as criteria for green mining, the Australian Taxonomy is a world leader and can inform taxonomy development in other countries. ASFI is working to bolster the influence of the Australian taxonomy in these areas. Similarly, working towards multilateral interoperability through such initiatives as the [Multi-Jurisdictional Common Ground Taxonomy \(MCGT\)](#) will help lower barriers to international finance flows towards green economic activity (see further section 3.8.1)

Long-term governance for the Australian taxonomy

Critical to the enduring success of the taxonomy across market implementation, expansion and international engagement, will be retention and strengthening of the shared public-private governance model of the taxonomy. The model, which requires close involvement of both government and industry, has been key to developing shared confidence in the credibility and usability of the taxonomy.

“The shared government–industry model is important for ensuring both credibility and usability. Government involvement provides legitimacy, regulatory alignment, and policy continuity, while industry participation ensures the taxonomy remains practical and grounded in investment and corporate contexts”

Asset owner survey respondent

Insights and recommendations from pilot program

In October 2025, ASFI released a report capturing early insights from the pilot of the taxonomy.⁷⁷ The report made three recommendations to build on the initial success of the taxonomy, and maximise its value to the Australian finance sector and economy more broadly:

- *Expand the taxonomy to adaptation and resilience as an immediate priority* (See further, section 3.1.2)
- *Step up international engagement to shape emerging standards in Australia’s interests, particularly for key sectors as mining and agriculture* (see further, section 3.8.1)
- *Establish enduring taxonomy governance arrangements that enable ongoing public-private cooperation for taxonomy implementation, expansion, and international engagement.*

ASFI will continue to work towards achievement of these actions to ensure the Australian taxonomy continues to be a valuable tool for financial institutions and other businesses, financial regulators, and policy-makers.

Action 1.2

Some progress

Expansion of the Australian taxonomy to other sustainability objectives

Taxonomies provides a credible basis for identifying and assessing whether activities support sustainability objectives, giving financial institutions confidence to make capital allocation decisions. Broadening the scope of the taxonomy beyond climate mitigation is in line with the Australian Government's stated objective to establish a sustainable finance policy framework in a way that allows other sustainability-related issues to be incorporated or added over time.

Published in June 2025, the first version of the Australian sustainable finance taxonomy provides clear, usable guidance on economic activities to support decarbonisations in line with the Paris Agreement temperature goals. But climate mitigation is only one element of sustainability. Expansion of the taxonomy to other environmental objectives would support capital allocation for broader sustainability objectives such as adaptation, nature and social wellbeing.

A taxonomy for adaptation and resilience

Industry bodies such as the Insurance Council of Australia and the Actuaries Institute have underscored the pressing need for investment in adaptation and resilience as climate impacts intensify.^{78, 79} Governments have an essential funding and policy role. But there are many areas that are suitable for private investment either directly or through blended finance models that de-risk private investment with public capital.

There is broad support from Australian financial institutions and broader industry stakeholders to expand the Australian taxonomy to adaptation and resilience as a priority.⁸⁰ This would help investors and lenders to identify and prioritise the most effective ways to increase resilience, particularly in key sectors such as the built environment, agriculture, small and medium businesses, and infrastructure.⁸¹

The National Adaptation Plan, released in 2025, identifies “exploring options for expansion of the taxonomy to adaptation and resilience” as a future action for the Australian Government to increase resilience in the real economy.⁸² This should be prioritised in the 2026-27 federal budget.

Initial steps towards a taxonomy for nature

There have also been developments to underpin expansion of the taxonomy to cover nature-related objectives. In 2025, ASFI released a report commissioned by the Commonwealth Department of Climate Change, Energy, Environment and Water, which illustrates how the Australian sustainable finance taxonomy could support investment in nature in the land and agriculture sectors.

The report found that creating technical screening criteria and application of safeguards to these sectors was a feasible way to ‘*drive greater adoption of holistic natural capital practices that mitigate climate change, protect biodiversity and ecosystems, build landscape resilience, and improve productivity and profitability.*’⁸³ This finding underscores the inter-connected nature of climate and nature objectives, and lays the ground for taxonomy expansion to nature.

Action 1.3

Some progress

Integration of the Australian taxonomy into policy and regulation

Integration of elements of the taxonomy in relevant policy and regulation (e.g., as a common metric in disclosures, transition plan guidance, green bond frameworks and sustainable investment product labelling) will support widespread taxonomy adoption, enabling it to achieve its purpose of supporting increased private capital allocation towards Australia’s transition.

While the Australian taxonomy was developed primarily as a voluntary tool for use by the finance sector, it has broader value for policy and regulatory uses. Incorporating the taxonomy into relevant policy frameworks can support robust policy outcomes, and enable greater market use of the taxonomy.

Early progress

There are already examples of the Australian taxonomy being integrated into Australia’s policy and regulatory architecture:

- The Australian Government’s consultation paper on sustainable investment product labelling asked whether a potential labelling scheme should have evidentiary requirements linked to other parts of the Government’s Sustainable Finance Roadmap, such as the taxonomy.⁸⁴
- The Government’s draft guidance on climate-related transition planning noted the potential for the taxonomy to support entities in undertaking transition planning as part of their climate-related financial disclosure activities. Specifically, the draft guidance noted that organisations can use the taxonomy to understand how their economic activities align with climate change mitigation.⁸⁵
- The Australian Securities and Investment Commission noted the release of the taxonomy in its submission to the Australian Senate’s continued inquiry into greenwashing.⁸⁶

Future opportunities

There is significant potential for the taxonomy to further support policy and regulation as understanding and adoption of the taxonomy grows. Further potential uses for the taxonomy in policy and regulation include:

- Using the taxonomy as a guidance for investment mandates for Special Investment Vehicles of the Australian Government with a purpose of supporting achievement of net zero emissions, such as the Net Zero Fund of the National Reconstruction Fund and the Clean Energy Finance Corporation, as well as other agencies required to have regard to achievement of net zero emissions as part of their legislated functions under the *Climate Change (Consequential Amendments) Act 2022*.
- ASIC and other regulators providing clear guidance on the use of the taxonomy to support evidentiary requirements and assurance expectations to minimise perceived regulatory risk and enhance uptake.
- Inclusion of advice in transition planning guidance from the Government on how using taxonomy-alignment metrics to assess capital expenditure can support high quality, decision-useful transition planning.⁸⁷

ASFI will continue to advocate for the taxonomy to be used as a source of credible information to support the effective functioning of markets and, where appropriate, as a tool to guide policy development.

Action 1.4

Some progress

Expansion of mandatory climate disclosures to sustainability

The establishment of Australia's mandatory climate disclosure regime is a welcome development that will support provision of credible and comparable information across capital markets. Both the legislation establishing the regime and standards released by the AASB allow for broader sustainability disclosure requirements (i.e., beyond climate) to be introduced over time. Phasing these in over time would be an important development to support deeper integration of sustainability issues (including nature, First Nations and social considerations) in corporate and financial institutions' strategy, risk management and governance.

Climate reporting in mandatory for large Australian entities

Australia's mandatory climate-related disclosure regime took effect at the beginning of 2025, following a comprehensive consultation and development process which saw significant support for the framework from across the corporate and financial sectors.⁸⁸ Mandatory reporting will help financial institutions to make more informed investment decisions, firms to understand and manage climate risk and opportunity, and regulators to combat greenwashing.

A key pillar of the Australia's sustainable finance policy architecture, climate disclosures will strengthen the management of climate risk across the financial system. It will also help guide capital allocation toward activities aligned with Australia's national emissions reduction and climate adaptation goals.

Importantly, Australia's sustainability reporting regime is closely aligned with the International Sustainability Standards Board (ISSB) disclosure standards. This helps Australia to remain internationally competitive for sustainable investment and minimises burden on companies with reporting obligations in multiple jurisdictions.

Implementation of climate disclosures

The introduction of mandatory climate reporting is absorbing significant attention and capacity across covered entities. Pressure is particularly acute in the assurance sector, which must rapidly scale its workforce and expertise to meet surging demand as climate reporting and assurance requirements are phased in across more businesses over the next three years.⁸⁹

Over time, mandatory disclosures should support productivity by standardising information disclosure and providing decision-useful information to the market. Entities that take a strategic approach to climate disclosures will benefit from deeper preparedness for climate risk and an enhanced ability to capture future climate opportunities.⁹⁰

Built for future expansion

Under the Australian scheme, covered entities are required to report annually against the Australian Accounting Standards Board S2 standard on climate-related risk and opportunity.⁹¹ They can also voluntarily report against broader sustainability objectives using the Australian Accounting Standards Board's S1 standard, which provides a generic framework for reporting sustainability-related risks and opportunities. While the Australian Government has not outlined plans to expand reporting to other sustainability objectives, the framework permits ongoing evolution and expansion of sustainability reporting coverage over time.

Global developments on nature reporting

Broader sustainability reporting – beyond climate change risks and opportunities – remains an important goal to incorporate sustainability risk and opportunity into capital allocation decisions. In November 2025, the ISSB announced plans to proceed with the development of new disclosure requirements on nature-related risks and opportunities that aren't yet covered in its existing sustainability and climate standards (IFRS S1 and S2).⁹²

The ISSB will draw on existing resources including the Taskforce for Nature-related Financial Disclosure (TNFD) framework and other frameworks, covering all aspects of nature rather than sub-topics. ISSB is targeting release of an exposure draft by October 2026. Meanwhile the TNFD will complete its current technical work and pause commencement of any further technical guidance.

Voluntary market adoption of the TNFD framework for nature disclosures now stands at 733 organisations, over US\$9 trillion in market capitalisation among listed companies and over US\$22 trillion in assets under management (AUM).⁹³ 27 Australian organisations, including six financial institution or services companies, have signed up as TNFD adopters.⁹⁴ Development of an ISSB standard should over time support more mainstream adoption of nature reporting.

Frameworks for environmental and social disclosure beyond nature-related financial disclosures are limited. ASFI is undertaking work as part of its First Nations work program to consider how disclosures of First Nations impact and engagement could work.

Action 1.5

Good progress

Sustainable financial product labelling

Australians are increasingly seeking to align their investments with sustainability objectives, but financial institutions' concerns around greenwashing risk is impeding development and expansion of products labelled as 'sustainable' or similar. A clearer articulation of requirements for product labeling – developed together by industry and Government – would clarify expectations and lift standards for sustainable financial products, while increasing consumer transparency of how sustainability is considered and managed within products.

Sustainability labelling for investment products is expected to foster integrity and confidence in sustainable investing. Achieving a credible sustainable investment product labelling regime would provide clear information to investors and act as a lighthouse to direct capital towards sustainable outcomes. A potential product labelling scheme in Australia could help to reduce confusion about sustainability claims of retail investment products and bolster the policy suite to address risks of greenwashing in the market.

In 2025, the Australian Government commenced work towards the development of an Australian sustainable investment product labelling scheme, through the release of a consultation paper on possible directions for a scheme in July 2025.⁹⁵ A second consultation paper is anticipated in early 2026, with implementation of a labelling scheme is expected by 2027. This is in line with the timeline laid out in the Australian Government's Sustainable Finance Roadmap.⁹⁶



Action Area 2: Alignment of regulatory settings with sustainability

Action 2.1

Some progress

Competition law reform

Finance sector stakeholders have called for the ACCC to more proactively support sustainability collaborations, as well as changes to competition law to better facilitate sustainability collaborations. Insights can be drawn from the EU, UK, and New Zealand where competition regulators are clarifying the application of law to sustainability-related collaboration, streamlining exemption processes, and establishing a more permissive regime for collaboration. Industry organisations have a role to play in seeking test case authorisations to enable industry collaboration and using this experience to inform regulatory reform and financial institution and regulator practice.

Making it easier for companies to collaborate on sustainability is a win-win. By creating larger economies of scale, the cost of sustainability initiatives can be decreased, accelerating deployment of sustainable technologies, practices and finance. However, businesses – particularly large financial institutions – can be reluctant to engage in industry collaboration due to fears of breaching competition law. This presents a significant barrier to sustainability collaborations.

ACCC guidance on sustainability collaborations

In December 2024, the Australian Competition and Consumer Commission (ACCC) released final guidance on sustainability collaborations. It outlined how competition law applies to business collaborations, gave examples of low-risk collaborations unlikely to infringe competition law and provided guidance of how businesses may seek exemption from competition law to pursue sustainability collaboration.⁹⁷

While the development of guidance is welcome and has the potential to allay perceived competition risks, further work is needed towards to ease barriers to collaborating on sustainability. The current process for seeking an exemption from the ACCC for collaborations where there is a significant public benefit is time-consuming and costly, and only permits a single, specified exemption from competition law.

Push for sustainability class exemption

A range of organisations including ASFI, the Australian Institute of Company Directors, the Insurance Council of Australia, and the Responsible Investment Association of Australasia have proposed the ACCC use its class exemption power to authorise sustainability collaborations between competitors that pursue a genuine sustainability objective, without requiring specific authorisation.^{98,99,100}

Action 2.2

Some progress

Reform of YFYS performance test and other regulation preventing capital flows to sustainability

Some finance sector stakeholders have expressed concerns about the current design of the annual superannuation performance test acting as a barrier to integrating climate and other sustainability considerations in investment decision-making. Potential reforms, including the introduction of alternative sustainability indices that could be used as benchmarks, would increase funds' ability to make sustainability-aligned investments. Similarly, there may be equivalent regulatory settings for banks and insurers that are preventing capital flowing towards sustainability objectives. Industry and other organisations have a role to play by coordinating and aligning industry views and providing technical expertise to inform any reform.

Another reform process underway for the performance test framework

In April 2023, the Australian Government released its response to a review of the Your Future, Your Super framework. At that time, the Government committed to implementing minor reforms of the performance test.¹⁰¹ Further government consultation occurred in 2024 but did not lead to reform.

ASFI and other sustainable finance stakeholders have continued to raise the constraints that the performance test places on investing sustainably, particularly in directing capital to investments that will accelerate the transition to clean energy.¹⁰² In the remarks subsequent to the Government's 'Economic Reform Roundtable' held in August 2025, the Treasurer committed to again reviewing the performance test. It is not yet clear what form this review will take.¹⁰³

Effective reform of the Your Future Your Super performance test will provide superannuation funds with greater flexibility to invest outside of narrowly defined benchmark indices. However, there are a range of other drivers that incentivise short term returns over longer term climate risk reduction for financial institutions.¹⁰⁴ Further policy reform – whether through financial regulation or real economy policies – is needed to ensure that investment ultimately reflects the long-term risks and opportunities that climate change poses to the economy.

Incorporating climate risk into the banking system

Internationally, there have been developments to attempt to inject a clearer climate risk signal into banking systems. In 2025, the European Central Bank committed to implementing a new collateral assessment framework to incorporate transition risks into its lending. The 'climate factor' will de-rate the value of assets pledged as collateral against refinancing, based on assessment of their vulnerability to climate change-related uncertainty.¹⁰⁵ While the scope and impact of this change will initially be limited, it is nonetheless expected to introduce a transition risk price signal into the European system.

This type of approach provides an indication of strategies that the Australian Government could consider to better align investment activity with management of long-term risks to financial system stability. Adjusting prudential capital weightings for banks to reflect climate risk to the financial system could lower the relative cost of debt-finance for green assets – supporting investment in decarbonisation. This would help to correct market failures that mis-align lending and longer-term risk.

Action 2.3

Limited progress

Inclusion of sustainability in Directors' duties

In Australia, directors have duties under the Corporations Act 2001 (Cth) to act with reasonable care, skill and diligence, and in good faith in the best interests of the company. While climate and/or sustainability-related issues are not explicitly mentioned as required considerations, legal opinions suggest they are covered implicitly. Additional legislative and/or regulatory guidance would provide clarity and reduce market uncertainty about the relationship between directors' duties and sustainability. In the absence of regulatory change or guidance, industry organisations have a role to play in educating members on how existing legal requirements enable and encourage the consideration of sustainability.

The specific inclusion of sustainability in the duties of company Directors has not substantially progressed in 2025. However, the introduction of mandatory climate-related financial disclosure is focussing the attention of Boards to ensuring compliance with the new requirements, meaning that Directors are becoming more conversant with climate-related risks and opportunities to their business.¹⁰⁶

Regulatory guidance prepared by the Australian Securities and Investment Commission to support the introduction of mandatory climate reporting in Australia noted that reporting requirements directly activate the duty of directors to act with care and diligence in respect of the reporting, and that directors should have an understanding about the climate-related risks and opportunities that could reasonably be expected to affect their company's prospects.¹⁰⁷

Guidance on transition planning from the Australian Institute of Company Directors and the Australian Council of Superannuation Investors also sets out how directors' duties of due care and diligence extend to ensuring that financial risk factors relating to climate change and the transition to net zero are reflected in the short, medium and long-term financial objectives of a company.¹⁰⁸

Action 2.4

Limited progress

Inclusion of sustainability in regulator mandates

While there has been increased focus from regulators on sustainability (especially climate), amending the mandates of corporate and financial regulators to include an express role in managing sustainability-related risks would further support a more proactive and holistic approach on sustainability. It would also provide clarity to market participants on regulator expectations and approaches beyond their current statement of expectations and corporate plans.

Australia's financial regulators are provided with mandates by their enabling legislation, the legislation they administer, and statements of expectation from the Australian Government. Together, these provide the objects and functions of each regulator, which largely relate to supporting the effective functioning of financial markets and systems.

Regulator mandates have an important role in setting out matters that regulators should pay attention to. At present, sustainability is not a significant feature of these mandates. For example, under its Act, ASIC must *'maintain, facilitate and improve the performance of the financial system and the entities within that system in the interests of commercial certainty, reducing business costs, and the efficiency and development of the economy.'*¹⁰⁹ Other regulators have similar statements of their functions and powers.

Regulator mandates remain unchanged

There have not been significant amendments to financial regulator mandates in relation to sustainability since publication of the Action Plan. In 2023, the Treasurer's Statement of Expectations issued to APRA included reference to promoting *'prudent practices and transparency in relation to climate-related financial risks and the adoption of climate reporting standards by regulated entities.'*¹¹⁰ This reference was made in support of the Government's policy position to introduce a mandatory climate-related financial disclosure regime, but does not encourage the regulator to consider sustainability more broadly. In 2024, the Government issued a Statement of Expectations for the Board of Guardians for the Future Fund directing it to ensure that climate risk is included into investment strategy, decision-making and oversight.¹¹¹

Regulator activities on climate

In recent years we have seen a significant step-up in regulator activity in relation to climate change.¹¹² The Australian Prudential Regulation Authority is finalising its Climate Vulnerability Assessment of the insurance industry, exploring how the affordability of general insurance may change between now and 2050, as physical and transition risks of climate change take hold. This builds on its earlier Banking Climate Vulnerability Assessment.¹¹³ ASIC has also been directed and funded to take a more proactive role in addressing greenwashing, and supporting implementation of mandatory climate related disclosures.¹¹⁴

Formally incorporating sustainability considerations into regulator mandates would support ongoing prioritisation of climate and other sustainability factors in regulator activities – helping to manage sustainability-related risks across Australia's financial system.



Action Area 3: National targets, plans and policies

Action 3.1

Good progress

Ambitious 2035 NDC and supporting policies

Ambitious, credible and science-based net zero targets at both government and business levels, together with supporting plans and actions, are critical to ensuring economy-wide emissions reductions. This includes Australia's 2035 Nationally Determined Contribution (due early 2025), which will have an important signalling effect. The sector pathways of the Climate Change Authority and sector decarbonisation plans currently under development by Government are also important signals and investment frameworks for financial institutions and corporates, as well as being a basis for entities' own transition plans.

Government commitments to net zero, backed by credible interim emissions targets and effective policy settings, are essential to unlock finance for the transition to a prosperous low-emissions economy. Banks and investors need confidence that decarbonisation will deliver competitive returns,¹¹⁵ while insurers' ability to manage risk will depend on collective action to reduce physical and transition climate risks.¹¹⁶

2035 Nationally Determined Contribution

In September 2025, the Australian Government announced Australia's next Nationally Determined Contribution to the Paris Agreement setting a target of 62-70 per cent below 2005 levels by 2035¹¹⁷ in line with advice from the independent Climate Change Authority (see figure 9).¹¹⁸ This commitment represents a middle ground between the ranges advocated by environmental and some business organisations, and larger business and resource interest groups.¹¹⁹ The alignment of Australia's 2035 emissions reduction target with limiting warming to 1.5°C above pre-industrial levels is contested.¹²⁰ Achieving the upper end of the range would place Australia in a strong position to support global climate action, attract international capital, and capture the opportunities of the transition.

The Government also announced its Net Zero plan, supported by six sector emissions reduction plans covering electricity and energy; agriculture and land; industry; resources; the built environment, and transport. These plans set out the Australian Government's intended framework for reducing emissions, which relies on:

- Increasing the penetration of renewable energy across the economy
- Using energy efficiency and electrification to lower emissions
- Using low-carbon alternative fuels for activities for hard-to-electrify activity
- Continuing R&D and innovation to expand emissions reduction technologies
- Increasing land sector carbon removals, and continuing carbon capture and storage R&D.¹²¹

Managing physical risk

In the same week, the first National Climate Risk Assessment¹²² was released, along with the Australian Government's National Adaptation Plan.¹²³ The risk assessment described increasing physical risks from ten climate hazards to eight functional systems, across Aboriginal and Torres Strait Islander Peoples; communities (regional, urban and remote); defence and national security; economy, trade and finance; health and social support; infrastructure and the built environment; natural environment, and primary industries and food. The assessment illustrated rising risks to functional systems right across the economy and underscores the need to limit global warming as far as possible.¹²⁴

The Government's National Adaptation Plan sets out how the federal government will plan for adaptation and considers areas where the federal government has responsibility for adaptation. It also considers how sustainable finance could be used to drive adaptive activity through expanding the sustainable finance taxonomy to adaptation and resilience and potentially developing an adaptation finance strategy. The plan also raises the possibility of expanding the mandate of the Clean Energy Finance Corporation to adaptation and resilience activities.¹²⁵ These would be practical reforms that would support increased finance sector involvement in adaptation and could be implemented quickly and at low cost.

Policy settings not yet adequate

While the Government has emphasised the need for private finance and investment to support Australia's climate goals,¹²⁶ current policies are insufficient to support the investment required to achieve Australia's emissions targets or to safeguard Australia from climate impacts. The Government's own modelling projects that on current policy settings, emissions will be 51 per cent below 2005 levels by 2035 – 11 per cent shy of the lowest range of Australia's 2035 NDC.

The Climate Change Authority's advice on setting targets noted that while technology exists to achieve the 62-70 per cent target, this is contingent on rapidly increasing deployment of clean technologies such as renewable energy and electrified transport and further reducing emissions from industry. The rate of decarbonisation to achieve the 2035 remissions reduction target is more than double the rate of decarbonisation needed to achieve the 2030 target of a 43 per cent reduction on 2005 (see figure 9 below).

Current and forthcoming reviews of the National Electricity Market and the Safeguard Mechanism are expected to provide some indication of policy directions. For Australia's emissions reduction target to translate from credible ambition to credible action and investment, a significantly enhanced suite of policy measures will be needed across federal, state and territory governments. Likewise, the National Adaptation Plan largely lacks concrete policy or funding commitments.

Actions to support achievement of the target could include:

- Streamlining and expediting approval processes for renewable energy infrastructure to accelerate deployment.
- Providing clear regulatory guidance to enable an orderly phasedown of reticulated gas networks as a shift to electrification occurs.
- Removing incentives for continued fossil fuel production and use that exist throughout the economy, and ensure government policies are consistent with a phasedown of fossil fuel use.

- Expanding carbon pricing in the economy through the Safeguard Mechanism and other policy instruments.
- Accelerating deployment of electrification and other commercially-available technologies through regulation and incentives.

Benefits of stronger action

To assess the economic impacts of different transition pathways, Treasury modelled three scenarios:

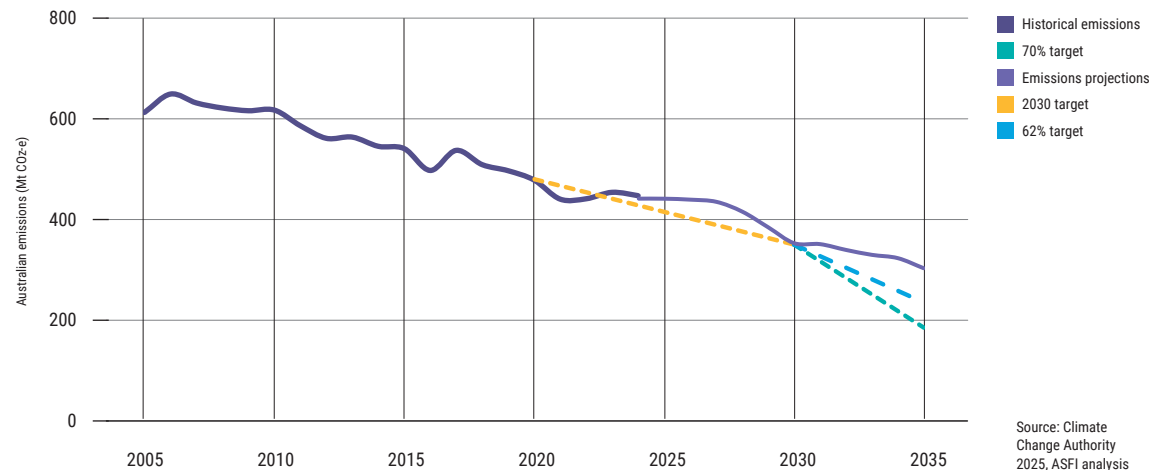
- a 'Baseline Scenario' to meet Australia's emissions target,
- a 'Disorderly Transition Scenario' with delayed policy action, and
- a 'Renewable Exports Upside Scenario' in which Australia accelerates its transition and captures emerging opportunities from the global shift to net zero.¹²⁷

Under the Renewable Exports Upside Scenario Australia leverages its comparative advantages in renewable energy resources to build new clean industries and export value-added green commodities such as green hydrogen, critical minerals, and low-emissions metals. This path delivers significant economic benefits - including AU\$85 billion higher annual GDP by 2050, AU\$68 billion in additional green export revenues by 2050, and real wages more than 4 per cent higher in 2025 than in a Disorderly Transition Scenario.

By contrast, delayed or uncertain action could reduce GDP by AU\$1.2 trillion by 2050 and increase electricity costs by 54 per cent in the 2040s. Treasury's analysis underscores that credible, coordinated policy settings are critical to unlock private investment, lower energy costs, and secure Australia's competitiveness in a decarbonising global economy. With sustained action, Australia can position itself as a renewable energy and low-carbon export leader, driving productivity, investment, and long-term economic growth.

FIGURE 9

Australia's emissions reduction target pathways



Action 3.2

Some progress

Progress towards carbon pricing

Carbon pricing, potentially through expansion of the Safeguard Mechanism, would play an important role in incentivising the transition away from fossil fuels to net zero across the economy. Steps towards a more effective and broad carbon pricing mechanism in the next 3 years would be significant.

The pricing of emissions remains an effective tool to influence the allocation of capital towards activity that is consistent with a net zero economy.^{128,129} Since the introduction and repeal of an economy-wide carbon pricing mechanism at the start of the 2010s, Australia's approach to carbon pricing has been piecemeal and varied.

The Safeguard Mechanism reductions largely about offsets

The Safeguard Mechanism was reformed in 2023 to require Australia's largest emitters, covering around 31 per cent of Australia's emissions, to reduce their emissions by 4.9 per cent per annum to 2030. Covered facilities must either reduce their emissions – measured through a declining, production-adjusted emissions baseline – or surrender carbon credits (in the form of Australian Carbon Credit Units (ACCUs) or Safeguard Mechanism Credits).

Data released in 2025 covering the first compliance year of the reformed mechanism (2023-24) showed that although net emissions under the scheme fell by 10.9 million tonnes, only 2.6 million tonnes of this abatement reflected actual emissions reduction, with the balance coming through the surrender of offsets.¹³⁰ Land sector sequestration has an important role in reducing emissions. However, wide availability of low-cost carbon offsets mutes signals for industrial and other emitters to invest in internal decarbonisation.

ACCU prices are rising but remain low by international standards. Prices have increased from under AU\$20 per tonne when the government was the primary buyer to around AU\$37.50 per tonne in 2025, driven by private sector demand under the Safeguard Mechanism (see figure 10).¹³¹ Despite this growth, the price signal is still well below European carbon permits, which trade at roughly AU\$125–143 per tonne,¹³² indicating limited incentive in Australia for deep decarbonisation.

The 2026-27 review a crucial moment

The Government has committed to review the Safeguard Mechanism in 2026/2027. This represents an important opportunity to increase the coverage and stringency of the policy. For example, the Productivity Commission has proposed reducing the threshold for inclusion in the mechanism from 100,000 tonnes of emissions per annum to 25,000.¹³³ The Grattan Institute has proposed including electricity generation facilities in the mechanism.¹³⁴

A range of groups across the finance sector have endorsed consideration of an expansion of the safeguard as a practical and implementable way to drive down Australia's emissions at least cost, by expanding the role of carbon pricing in the economy.¹³⁵

The forthcoming review of the Safeguard Mechanism should reassess the ability for liable entities to surrender unlimited amounts of carbon credit units to discharge their obligations.¹³⁶ Simultaneously, efforts by the Australian Government to implement recommendations of the Chubb Review into Australian Carbon Credit Units should continue so that there is greater confidence that ACCUs represent genuine emissions reduction.¹³⁷

FIGURE 10

Australian Carbon Credit Unit spot price



Action 3.3

Limited progress

Stronger baseline environmental protections

Environmental law reform, including but not limited to proposed development of National Environmental Standards, would provide a more robust and consistent approach to environmental protection. Doing so would send a strong signal to project proponents and financial institutions regarding the value of nature, and more detailed, localised information on sensitive areas will be important to enable financial institutions to integrate nature into financial decisions.

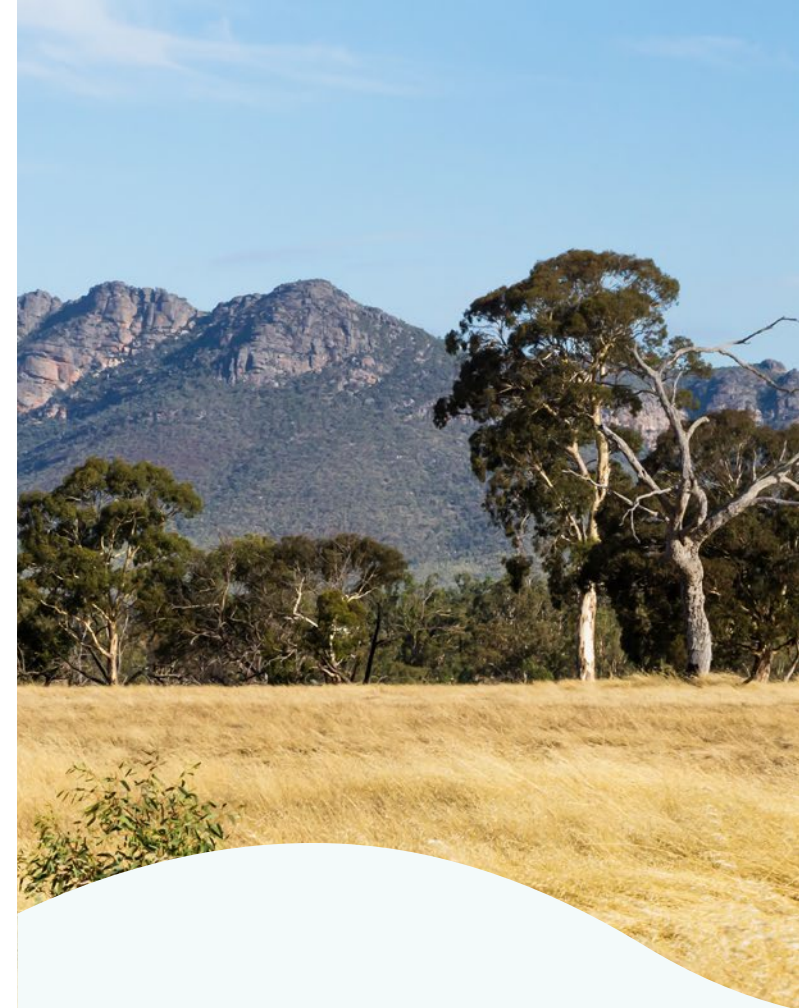
Reforms to the federal *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act) to modernise environmental approvals and improve environmental outcomes has had only limited progression since the completion of the Second Independent Review of the EPBC Act in 2021 (the 'Samuel Review').¹³⁸

Implementation of the Australian Government's 2023 *Nature Positive Plan*¹³⁹ – its response to the Samuel Review – did not materially progress during the previous Parliament. Key elements of that plan, including National Environmental Standards and an independent environmental protection regulator, are still yet to be implemented. In April 2025 ahead of the federal election, the Australian Government moved quickly to advance legislation through Parliament to limit the ability for previous environmental approval decisions to be reconsidered, in order to preserve fishing operations in Tasmania that were implicated in the decline in an endangered species.¹⁴⁰

One measure of the Plan that has been implemented has been the creation of a voluntary Nature Repair Market.¹⁴¹ This provides the framework for the creation, trade and surrender of Biodiversity Certificates that are designed to create a revenue stream for protection and regeneration of areas to improve biodiversity conservation. The first method on the market allowing creation of certificates by replanting native forest and woodland ecosystems is now available for use.¹⁴²

At the time of writing, a set of bills to reform the EPBC Act have been introduced into the federal Parliament.¹⁴³ Their passage and their final form remains subject to negotiations with the federal opposition or the cross-bench to achieve passage through the Senate.

Scaling finance and investment for Australia's natural capital requires stronger baseline environmental protection laws, and would be aided by expanded use of blended finance (through the CEFC or another public finance mechanism), and expansion of the Australian taxonomy to cover nature.



Action 3.4

Some progress

Industrial policy to support the transition

Industrial and real economy policies such as those under the Future Made in Australia vision play an important role in complementing climate policy, environmental policy, trade policy and sustainable finance policy and regulation. Effective implementation of the Future Made in Australia vision should emphasize public-private collaboration, elevate the perspectives of First Nations communities (including embedding the principles of Free, Prior and Informed Consent) and seek to address barriers to private investment in the transition.

Maximising Australia's opportunities in the net zero transition is a core pillar of the Government's Future Made in Australia agenda.¹⁴⁴ Announced in 2024, the policy suite is coupled to budgetary commitments in excess of AU\$25 billion to support development of green commodity production, including production tax credits, funding for R&D and innovation and attracting investment into Australia.

Future Made in Australia implementation

Over the past 12 months, the Government has taken a number of steps to implement this agenda:

- Passage of legislation to enable production tax credits¹⁴⁵
- Passage of legislation to enable the suite's National Interest Framework, community benefits principles and provision for sector assessments¹⁴⁶
- Standing up of a new 'Investor Front Door' scheme to accelerate project development¹⁴⁷
- Passage of legislation to establish a guarantee-of-origin scheme to certify renewable energy and products like hydrogen.¹⁴⁸

The Government has also progressed steps to invest in production of green metals, such as aluminium and iron powered by renewable energy.¹⁴⁹ At the same time, more than AU\$3.1 billion has been directed towards supporting high-emitting legacy industrial facilities facing difficult operating environments and at risk of closure.¹⁵⁰

Gaps in Australia's industrial policy

While the Future Made in Australia agenda has the potential to catalyse development of new industries that are compatible with a net zero economy, the current policy suite is likely insufficient to build Australia's nascent green industries.¹⁵¹ The agenda also lacks a coherent, whole-of-government focus with responsibility for the program split across multiple portfolios, including Treasury; Foreign Affairs and Trade; Industry, Science and Resources; Climate Change, Energy, the Environment and Water; Infrastructure and Transport, as well as state, territory and local governments.

The government should consider the following actions to help de-risk the massive investments needed include:

- Further targeted Australian Government support to enact the priorities outlined in the six Sector Decarbonisation Plans, in particular utility-scale renewables deployment and industrial decarbonisation
- Development of demand-side mechanisms such as green procurement commitments or a government offtake guarantees to help build bankable business cases for projects¹⁵²
- Alignment of Australia's foreign and trade policies with the agenda (see section 3.8.2)
- a clear and navigable intergovernmental framework for progressing implementation¹⁵³

Community Benefit Principles and First Nations interests

The newly legislated Community Benefit Principles under the *Future Made in Australia Act 2024* aim to ensure publicly supported investments deliver community benefits, with specific reference to First Nations participation and benefit-sharing. By explicitly referencing First Nations participation and benefit-sharing, the legislation acknowledges the essential role of First Nations stakeholder in the transition to a net-zero economy and in shaping Australia's resilience industries.

This marks an important policy milestone, as it places First Nations inclusion within the broader economic transformation agenda and aligns with contemporary approaches to sustainable finance, corporate responsibility and inclusive growth. The introduction of a dedicated clause on First Nations participation demonstrates a growing recognition of the need for equitable access to opportunity, as well as the importance of self-determined economic development for First Nations peoples.¹⁵⁴

However, the practical strength and impact of these provisions remain uncertain. The language is broad, implementation detail is still emerging, and monitoring and enforcement mechanisms appear limited at this stage. Stakeholders have called for a stronger, standalone First Nations benefit-sharing principle, clearer metrics and reporting, and explicit pathways for First Nations ownership and decision-making in relevant projects.¹⁵⁵ Without clear metrics, transparent reporting and culturally informed monitoring frameworks, there is a risk that First Nations engagement will remain symbolic and limiting rather than structural.¹⁵⁶

Beyond the legislative framing, there remains a critical need for targeted enablers such as improved access to finance, culturally informed capability-building initiatives and tailored investment readiness support that address long-standing structural barriers faced by First Nations communities and businesses.

Action Area 4: Data and reporting

Action 4.1

Some progress

National, accessible datasets across sustainability issues

The collection and open-source distribution of national and regional datasets covering a range of sustainability themes (including environmentally sensitive and significant areas, climate risk and resilience, First Nations and community wellbeing) would allow financial system participants to have baselines for comparing entity and asset level data across their portfolios. It would also support financial product development and innovation for sustainability.

Access to high-quality sustainability data in Australia remains patchy. Data is held by disparate agencies and governed by different legislation. Over the past 12 months, some progress has been made towards increasing the availability of relevant sustainability data:

- The Australian Government released its first National Climate Risk Assessment in 2025, which provides high-level information about the likely physical, human and economic impacts of climate change.¹⁵⁷ The release of this information is a significant statement of the hazards that climate change presents to the community, environment and economy.

- The government has established an Environmental Information Australia web portal, which acts as a single reference page for a range of data sets held or sponsored by the Australian Government.¹⁵⁸ Efforts to create Environmental Information Australia as a standalone agency stalled in the previous Parliament.
- The Australian Bureau of Statistics (ABS) released a first set of National Ecosystem Accounts, which provides experimental estimates of a small number of indicators of the value of ecosystem services.¹⁵⁹
- The first update of the *Measuring What Matters* framework – designed to monitor a range of indicators of wellbeing across health, security, sustainability, cohesion and prosperity – was released by the ABS in 2025.¹⁶⁰ While the framework is agreed by the Department of the Treasury and is designed to inform holistic policy making, it is not clear that the framework is yet being incorporated into policy development processes.
- Indigenous Business Australia outlined an intention to direct resources towards collation and publication of data on the size, shape and trends of the Indigenous economy, and to appoint a Chief Economist.¹⁶¹

Action 4.2

Limited progress

Digitisation of sustainability reporting

Broad adoption of digital reporting could significantly improve availability, accessibility and useability of sustainability-related information. This will be important for the aggregation of information by financial institutions and its integration into financial decisions. While digital reporting is currently enabled for financial reports in Australia, uptake has been limited given the absence of a mandate requiring entities to do so. Guidance can be drawn from overseas approaches such as the IFRS Foundation's Sustainability Disclosure Taxonomy and jurisdictions such as the EU, US and Singapore, have introduced mandatory digital reporting in the last two decades. Requirements to digitise sustainability-related information requirements could be phased in over time, with appropriate funding to support the upgrade of regulatory IT systems.

Digitisation of sustainability reporting significantly increase the utility of reported information for financial markets, reduce costs, and support improved capital alignment with sustainability outcomes.¹⁶² In Australia, digital financial reporting is currently optional while reporting entities are required to provide regulators with legacy paper-equivalent reports. This means there is little incentive for reporters to also provide machine readable digital reports.

In the last year, the Productivity Commission's interim report on harnessing data and digital technology recommended mandatory digital financial reporting, and removal of requirements for reporters to provide PDF reports.¹⁶³ The Government should adopt this recommendation and ensure that digital reporting extends to disclosures made under Australia's mandatory climate reporting framework.

Action Area 5: Financial innovation

Action 5.1

Some progress

Scale up blended finance for sustainability objectives

Blended finance, a financial structuring approach where public or other concessional capital is combined with commercial capital, is increasingly being used to reduce perceived or actual risk or enhance returns for commercial capital entering new sectors, markets or financial structures with social or environmental outcomes. The growth of blended finance, and increased collaboration among financial system participants is an increasing focus of Australia's finance sector, both domestically and in the southeast Asia region. Intermediaries will have an important role in facilitating co-design processes to ensure effective implementation.

Blended finance continues to gain recognition as a powerful tool to enable private investment for climate and broader sustainability outcomes. By using limited public resources to (partially) de-risk investment opportunities, blended finance can make public finances stretch further and support the development of new markets.

New commitments from the Australian Government for blended finance mechanisms over the past 12 months include:

- The Australian Government provided an additional AU\$2 billion in capital to the Clean Energy Finance Corporation (CEFC), bringing the total capital available to the CEFC to AU\$33.15 billion.¹⁶⁴
- AU\$5 billion of capital previously allocated to the National Reconstruction Fund's general budget has been earmarked for a 'Net Zero Fund' to support investment in the transition.¹⁶⁵
- Expansion of Indigenous Business Australia's (IBA) mandate – In February 2025, IBA was granted, through amendments to the Aboriginal and Torres Strait Islander Act 2005, the authority to borrow and raise capital.¹⁶⁶ IBA is now actively seeking to scale up its ambition (see further, section 3.5.2).
- Export Finance Australia has made various commitments under its Southeast Asia Investment Financing Facility including a total of AU\$175 million to *Financing Asia's Transition Partnership* (FAST-P) initiative launched by the Monetary Authority of Singapore;¹⁶⁷ AU\$175 million commitment to IFM Investors' Asia-Pacific Debt Fund; and US\$50 million into a fund established by Australian infrastructure specialist Plenary¹⁶⁸

While blended finance is finding increased use in climate mitigation, the use of blended finance instruments for other sustainability objectives lags behind.¹⁶⁹ In particular, public and private financial co-investment in adaptation is an urgent priority as the impacts of climate change take hold. The Government should expand the CEFC's mandate to explicitly include adaptation and resilience, as contemplated in its National Adaptation Plan. There is also significant scope to introduce blended finance mechanisms for nature, and to use blended finance to further First Nations economic empowerment including through IBA and other mechanisms.

Action 5.2

Some progress

Development of innovative financial products focused on sustainability

There is a need for development and further uptake of financial products (across lending, investment and insurance) that embed sustainability objectives into their design. This includes products to finance climate adaptation and resilience, nature and social impact, Indigenous-designed and/or Indigenous-focused financial products, scaling up of sustainability-linked loans, and innovative insurance products. The taxonomy provides a valuable framework for structuring new products focused on climate mitigation outcomes.

Sustainability-bonds and Sustainability-linked Loans

Deployment of existing innovative financial products has been mixed in 2025, with a noticeable decline in issuance of sustainability-linked loans in Australia occurring over the past two financial years, offset by an increase in green, sustainable and sustainability-linked bonds.¹⁷⁰ In October, Victoria Power Networks successfully issued the first Australian taxonomy-aligned green bond, in a significant first for taxonomy adoption.¹⁷¹

Household clean energy finance

Through its Home Energy Upgrade Finance program, the Clean Energy Finance Corporation has provided six commitments for wholesale funding to banks, green lenders and fintechs to lower the cost of retail loans for household energy upgrades.¹⁷² These facilities underpin discounted green home loans, personal loans and vendor finance for solar, batteries, insulation and efficient appliances.

The program's innovative features include tailored wholesale structures that pass on interest rate savings to consumers and integration with vendor finance and accreditation systems to ensure genuine energy performance outcomes. Expanding the program into more innovative models, such as on-bill financing (in partnership with energy retailers) and property-linked finance (where repayments are managed through council rates and attached to the property rather than the borrower) may require complementary policy and regulatory reform.

First Nations finance

There has been some promising progress in development of First Nations financial solutions. In 2025, ANZ announced that its program of guarantees for First Nations businesses had reached AU\$150 million in asset lending. The program assists smaller Indigenous businesses to secure assets to enable them to create provide services into larger businesses.¹⁷³ This is triple the program's original goal of lending up to AU\$50 million.

Indigenous Business Australia (IBA) has announced ambition to significantly scale up its ambition, aiming to mobilise between AU\$5-7 billion to 2030 to advance commercial and economic interests of Indigenous peoples. IBA has flagged that as a deployer of patient capital, it is likely to need to develop new financial products in partnership with Indigenous entrepreneurs, Traditional Owners and Indigenous chambers of commerce to achieve its goals.¹⁷⁴

Internationally, Addenda Capital, the First Nations Major Projects Coalition and the First Nations Financial Management Board are facilitating a project to develop an Indigenous Bond Framework. The framework would embed the United Nations Declaration on the Rights of Indigenous (UNRIP), Free Prior and Informed Consent (FPIC), and Reconciliation as foundational principles, and would be led by Indigenous Rights Holders or their delegates. If development of the framework is successful, it could create new pathways for Indigenous entities to access finance to support economic empowerment.¹⁷⁵

Blended finance co-design authorised by the ACCC

In a move that will support future development of innovative products, ASFI received authorisation from the ACCC to support collaboration between financial institutions on the development of blended finance structures that contribute to the energy transition or other environmental and/or social objectives.¹⁷⁶

Action 5.3

Not Rated in 2025

Community finance vehicles

Community finance is an outcome area that has not had the same level of focus as other areas of the Roadmap. Both public and private sector financial institutions should support the establishment of community finance mechanisms that can be accessed by First Nations groups, place-based groups and vulnerable customers. This should include collaboration with community partners, review of existing risk assessment processes to account for different customer circumstances, and development of products such as community bonds, loans, shared equity or other innovative products.

At this stage, ASFI does not have enough evidence available to make a comprehensive assessment about progress towards development of community finance vehicles. However, there are some encouraging signs. For example, the First Nations Clean Energy Network has compiled a set of resources on investors, loans and financial opportunities available to support First Nations communities' involvement and in clean energy projects.¹⁷⁷ The Indigenous Business Australia 2030 Strategy envisions developing new ways to work with communities and Traditional Owners.¹⁷⁸ ASFI hopes to be able to report more comprehensively on progress against this action in 2026.

Action Area 6: Leadership and culture

Action 6.1

Limited progress

Integration of sustainability in corporate purpose statements

Corporate purpose statements articulate an organization's reason for existing and the value it seeks to deliver. Emerging research and practice emphasises the importance of integrating sustainability into purpose statements to unlock commitment at the organisational level to integrating sustainability beyond risk management. These statements flow through to organizational strategy, decision-making and investment. They also have an important role in communicating and building trust with stakeholders (both internal and external) and driving accountability.

2025 has seen a trend towards limiting public statements about sustainability and other types of ESG action among companies including financial institutions (see section 2.1). Ipsos has noted a move towards 'strategic silence', in contrast with previous years when it was seen as desirable for companies to speak out on social and environmental issues.¹⁷⁹

Set against this backdrop, there has been limited movement among financial sector institutions towards formally embedding sustainability into their corporate purpose statements.¹⁸⁰ While sustainability, responsible investment, and transition finance have become central themes within strategy documents, annual reports, and stewardship statements,¹⁸¹ few organisations have updated or rearticulated their stated corporate purpose within the past 12 months to explicitly include sustainability language.

ASFI member purpose statements

Across ASFI's membership, most purpose statements continue to emphasise traditional notions of trust, community prosperity, and long-term value creation, with sustainability objectives addressed in accompanying strategies rather than the purpose itself.

Where sustainability is present in purpose statements such as those referencing "impact," "responsible investment," or "resilience" these appear to reflect ongoing alignment rather than recent refreshes. This suggests that, despite deepening operational integration of sustainability principles, formal purpose redefinition has not been a primary mechanism for signalling this shift, potentially reflecting both reputational caution in the current political environment and the enduring stability of existing corporate purpose frameworks.

Action 6.2

Some progress

Sustainability-linked executive remuneration

In recent years there has been a slight increase in the number of Executive-level remuneration targets relating to sustainability and climate among ASX listed corporates and financial institutions. The quality and comprehensiveness of these targets remain varied. Further development of both short- and long-term incentives for Executives will help to sharpen attention on sustainability among senior leaders and flow down into organisational strategy, performance frameworks and culture. These targets should cover a range of sustainability objectives (i.e., not just climate) including nature, First Nations, and social considerations.

Recent evidence indicates that companies are taking the risks and opportunities faced by climate change seriously by starting to link executive remuneration to climate indicators. For example, a study by the Investor Group on Climate Change examining fourteen high-emitting Australian companies found that most had incorporated a climate-specific short-term incentive in executive remuneration, with a minority including a long-term climate-specific metric. However, the same study found that only 10 per cent or fewer of these companies were highly aligned with best-practice criteria for climate-linked remuneration such as including measurable targets and credible linkages to transition strategies.¹⁸² This research reinforces findings from the Australian Council of Superannuation Investors' 2024 study which showed that the proportion of companies in the ASX200 including a climate-related incentive metric had increased to 54 per cent, up from 10 per cent in FY20.¹⁸³

Investors are also using stewardship to apply pressure to companies to ensure that executive remuneration is at least partially contingent on sound policies to deal with climate change. For example, a growing number of investors have voted against the executive remuneration report of petroleum company Woodside several years in a row, in part as a reaction to climate transition plans that are perceived to be inadequate.¹⁸⁴

Inclusion of broader sustainability metrics in remuneration also appear to be becoming mainstream. Around 68 per cent of companies in the ASX have short-term ESG incentives integrated into executive remuneration, with a higher penetration in the resources sector.¹⁸⁵ Fewer companies have sustainability-linked long-term incentives for executive remuneration. The types of metrics covered by incentives are across a broad spectrum of sustainability issues, including environmental outcomes, worker health and safety, and governance issues.

Within Australia's financial sector, recent prudential reforms¹⁸⁶ have strengthened expectations that variable remuneration should reflect both financial and non-financial performance, including the effective management of sustainability and climate-related risks. In response, many institutions have begun setting financed-emissions targets and broader sustainability commitments to support their transition strategies.

However, transparent disclosure of how these targets influence executive remuneration remains uncommon, indicating that integration of sustainability performance into incentive frameworks is still at an early stage. Embedding at least foundational sustainability metrics across executive remuneration frameworks particularly within large and listed entities will be essential to ensure that climate, nature, and social risks and opportunities are managed effectively over the long term.

This shift is likely to be accelerated by Australia's forthcoming climate-related financial disclosure regime, which will require entities to report whether and how executive remuneration is linked to climate-related objectives,¹⁸⁷ creating an additional regulatory driver for large companies and financial institutions to strengthen these linkages.

Action 6.3

Limited progress

Organisational sustainability targets and KPIs

While many organisations have climate-related targets in place, there is a need for further development of credible and ambitious targets on other sustainability issues, including nature, First Nations and social considerations. These targets should flow through to different portfolios, business units and individual functions below the senior executive level, and be embedded in organisations' performance frameworks

Net zero targets and strategies

In 2024, the Australian Council of superannuation Investors found that 66 per cent of companies listed in the ASX200 had set net zero targets. This was clustered towards larger companies, with 94 per cent of the top 100 companies in the index having a target, compared with 49 per cent of the ASX101-200 companies.¹⁸⁸ The number of ASX200 companies with a net zero commitment increased from 14 in 2019 to 131 in 2023.

Despite the progress in the proportion of companies having a target, there remains a large gap between the commitments made by companies and implementation of strategies to achieve targets. Research from the Investor Group on Climate Change has showed that while companies have made commitments, capital allocation within companies is not strongly aligned with emissions reduction strategies.¹⁸⁹

Corporate transition plans

Following the development and introduction of Australian sustainability reporting standards in 2023-24, attention has turned towards the development of transition planning guidance. Transition plans provide important information for investors and other financial stakeholders to understand how well-placed a company is to manage its climate-related transition risks, and is an important internal document to help companies translate commitments into strategies, plans, actions, metrics and processes. Currently there is no positive obligation on Australian businesses to produce a transition plan. Entities covered by mandatory climate-related financial disclosure are required to disclose information about its transition plan, if they have one.¹⁹⁰

In 2025, several organisations have developed guidance to support the development of corporate transition plans, including [Climateworks Centre](#) and the [Australian Council of Superannuation Investors and the Australian Institute of Company Directors](#). In addition, the Australian Government has consulted on draft guidance for companies to support transition planning, and aims to publish final voluntary guidance by early 2026.¹⁹¹

Nature targets

As discussed in section 3.1.5, engagement with target setting for nature remains in a very early stage of adoption in Australia, with little advance in companies setting targets and KPIs for sustainability outside of climate change. In part, this may be due to the uncertain state of baseline environmental protection reform, which may make companies not wish to make broader sustainability commitments before reforms to national environmental protection law are finalised, or earlier stage of market guidance understanding and therefore ambition on nature.

Broader sustainability targets

Other elements of implementing sustainability considerations into business practices continue slowly. For example, the Australian Government is consulting on proposed reforms to the Modern Slavery Act, based on a review conducted in 2022, which found that while businesses are taking modern slavery reporting seriously, there was no clear evidence that the operation of the Act had improved conditions for people living in conditions of modern slavery.¹⁹²

As of late 2025, the Government is consulting on reforms that would include introducing penalties for non-compliance with the regime, and introducing due diligence requirements for the regime. These reforms would have the effect of ensuring companies are better incentivised and prepared to manage modern slavery risks within their business, but progress in improving the regime remains slow.



Action Area 7: Capability

Action 7.1

Good progress

Sustainable finance training across public and private institutions

There is strong support for a continued focus on upskilling functions across organisations (both public and private sector) on sustainability and the role of capital in the sustainability transition. This includes development of training and resources in collaboration with academia, learning institutes and industry bodies, as well as allocation of internal resources to encourage and/or require professional development.

Momentum continues to build around the need to upskill individuals and teams across both the public and private sectors in sustainable finance. Over the past year there have been positive steps through the growing availability of open-access foundational learning offerings, as well as stronger collaboration between academia, industry bodies, and training providers.¹⁹³

The finance sector continues to scale up efforts to build competency and knowledge on sustainability. The training and certification programs of the Responsible Investment Association of Australia continue to help build capability among financial advisers and investment product issuers. Short courses focused on ESG and climate-related governance are available from institutions such as the Australian Institute of Company Directors and the Governance Institute of Australia.

Industry bodies such as Chartered Accountants Australia and New Zealand have responded to emerging need for accountants skilled in preparing climate-related financial disclosures with bespoke CPD training specialising in the subject^{194 195} Finally, higher education providers are also responding with more generalised micro-credentials and short courses available to help upskill professionals in sustainable finance.

In 2025, ASFI also delivered a new course entitled Mobilising Private Capital for Sustainability: Tools for Policymakers.¹⁹⁶ The one-day course was interactive blended finance training for 26 participants from 10 federal and state government agencies. The program covered sustainable finance frameworks, blended finance fundamentals, and case studies on unlocking private investment for climate, nature and equity outcomes, delivered by ASFI leaders and industry experts. ASFI also released a short course on the Australian Taxonomy.¹⁹⁷

Looking ahead, there is an increasing need for more targeted and applied training that enables practitioners to embed sustainable finance principles into decision-making, investment, and policy design.

Action 7.2

Good progress

Multi-stakeholder uplift on partnerships and engagement.

Collaboration and partnerships are key to driving sustainability outcomes. In addition to development of technical knowledge, there is a need to equip a range of stakeholders to engage and partner with others. There is a role here for industry and peak bodies to connect and facilitate, as well as to develop and promote standards and guidance on engagement practices.

Collaboration is a key focus of the Sustainable Finance Action Plan. As with its predecessor Roadmap, the priority actions in the Plan are shared across the finance sector, with strong collaboration critical to realise its goals. Collaboration between industry, NGO partners and government agencies remains strong, even under a more challenging set of global dynamics.

Public-private partnership for the Australian taxonomy

The development of the Australian sustainable finance taxonomy is a clear example of the value of strong collaboration and partnership. Taxonomy development relied on contributions from industry, specialist experts, regulators and other stakeholders, coordinated through a clear and transparent governance structure.

The close involvement of a wide range of stakeholders has been crucial in the widespread acceptance of the taxonomy, and has enabled the taxonomy to be seen as a credible source of information to help guide finance to Australia's economic transition, and inform standards internationally.¹⁹⁸

First Nations partnerships

Strong examples of productive partnerships are evident right across the transition. The [First Nations Clean Energy Network](#) is emerging as a leading voice and platform for collaboration between First Nations people, community organisations, land councils, unions, academics, industry groups, technical advisors, legal experts, renewables companies and others who work in partnership to ensure that First Nations communities share in the benefits of the clean energy boom.¹⁹⁹

The Network has quickly earned the respect of stakeholders, and has been able to make rapid impact with its development of a range of toolkits and guides for renewable energy project proponents to help them engage with First Nations communities meaningfully, early, and on equal terms. The Network also partnered with other bodies such as the Clean Energy Council to create training and resources designed to support genuine partnership, and the Network champions First Nations involvement, equity and ownership in clean energy projects.

Industry body collaboration

Many parts of the finance sector continue to work together to advocate meaningfully for effective reforms that will support the continued development of finance. In early 2025, twelve finance sector and business groups came together to reinforce the need for climate change policy certainty to maintain investment in a prosperous and sustainable Australia, demonstrating strong corporate support for continued policy ambition and certainty.²⁰⁰

The sector will continue to work together around areas of common interest and illuminate the shared pathway to sustainability across the finance sector and real economy.

Action 7.3

Some progress

Capability building for First Nations equity partnerships

Australia's transition to a more sustainable, resilient and inclusive society and economy necessitates better engagement and equitable partnerships with First Nations communities. This is particularly relevant in the context of development of major projects, which will require cooperation and partnership with Traditional Owners and local communities. There is a need to better enable First Nations groups, as well as project proponents and financial institutions, to partner with each other. This includes through access to advisory services and capital.

First Nations' economic self-determination requires that Indigenous communities are equal partners in developments that occur on Country. There is increasing understanding of the need for First Nations people to not only be consulted and engaged, but to be driving and taking equity stakes in major project development.^{201 202}
^{203 204 205} There are encouraging signs of the move towards these goals.

First Nations Economic Empowerment Alliance

The establishment of the First Nations Economic Empowerment Alliance – a group of First Nations-led organisations and experts committed to advancing First Nations economic rights and interests in Australia – is an important step towards economic self-determination. The Alliance is led by a board of respected Indigenous men and women with deep experience across business, finance and government. It has started work toward shifting the narrative, and structural change to create:

*'...lasting reform that embeds First Nations leadership and participation in economic policy, investment, and decision-making, driving tangible outcomes for First Nations people through increased economic autonomy, wealth creation, and opportunities for self-determined growth.'*²⁰⁶

The Alliance is one of three partners in the newly established First Nations Economic Partnership – the other partners being the Coalition of Aboriginal and Torres Strait Islander Community-Controlled Peak Organisations and the Australian Government. The Partnership Agreement, signed by the Treasurer and Minister for Indigenous Australians, as well as the Lead Convener of the Coalition of Peaks and the Chair of the Alliance, is a national commitment to fundamentally shift how governments and First Nations peoples work together to achieve economic empowerment, prosperity, and lasting economic security.

Unlike previous initiatives, the Partnership is intended to centre Aboriginal and Torres Strait Islander leadership, embed shared decision-making, and recognise the significant role of community-controlled organisations in driving economic development.²⁰⁷

First Nations Treaty in Victoria

The recently enacted Treaty between the State of Victoria and the First Peoples' Assembly of Victoria embodies the need to build partnerships with equal standing, and has as its guiding principles '*self-determination and empowerment; fairness and equality; partnership and good faith; mutual benefit and sustainability; and transparency and accountability.*'²⁰⁸ Embedding these principles in decision making at the highest levels will foster genuine, equal partnership building between First Nations peoples and non-Indigenous groups, supporting economic self-determination.

Action Area 8: International engagement and collaboration

Action 8.1

Good progress

Interoperable sustainable finance standards and policies

Deeper international engagement on sustainable finance, both by Australian Government and industry partners is important to ensure interoperability of relevant policies, frameworks, standards and regulations, and further unlock capital towards sustainability objectives. Now that Australia has made significant progress on sustainable finance standards domestically, international engagement is also important to shape global standards and rules in line with Australian interests. This includes collaboration and representation through forums such as the G20, ASEAN, UNFCCC, international standards bodies, industry collaborations, and bilateral relationships. Australia is particularly well-positioned to play a constructive and proactive role in supporting development of a credible global approach to transition finance, and green mining standards. This in turn would support global decarbonisation efforts, while enhancing demand for Australia's emerging green export industries.

International engagement on taxonomy interoperability

Deep engagement with a broad set of countries was crucial to the initial development of the Australian taxonomy, particularly to work towards interoperability of the taxonomy globally. Since the taxonomy's release

in June 2026, there has been considerable activity to support international interoperability of sustainable finance standards. ASFI has taken a leadership role in engaging with international partner organisations and governments to explore where Australia's emerging transition finance standards could complement and support global developments.

Highlights have included:

- Close engagement, information exchange and support for ASFI's counterpart organisation in New Zealand, the Centre for Sustainable Finance: Toitū Tahua as they develop the New Zealand taxonomy.
- Engaging with government and civil society stakeholders in Canada, Brazil, Chile, South Africa and ASEAN with ASFI sharing our experiences of taxonomy development
- Technical guidance and engagement with Indonesia on updates to their taxonomy.
- Exploring alignment with the Singapore Sustainable Finance Association, a key player in the development of sustainable finance in the ASEAN region
- Engaging with stakeholders in China on their sustainable finance agenda.

Additionally, ASFI has been working with the Australian Government on exploring options to join the Multi-jurisdictional Common Ground Taxonomy (MCGT),²⁰⁹ which seeks to establish a common language for identifying and labelling sustainable investment activities.

Deeper engagement is in Australia's interests

The Australian taxonomy is already setting a leading precedent internationally, especially in areas of economic importance to Australia such as green mining and agriculture. As governments and global standard setters continue to deepen interoperability of sustainable finance frameworks, more proactive engagement from the Australian Government will help ensure emerging international standards reflect Australia's strategic and economic priorities, rather than being shaped elsewhere.

ASFI's October 2025 report *Unlocking Private Capital for the Transition: Market insights from the practical application of the Australian Sustainable Finance Taxonomy*²¹⁰ recommends stepping up international engagement. Priorities for deeper international engagement, in addition to the MCGT, include bilateral cooperation with key countries such as:

- Canada, which will develop its national taxonomy in coming months
- China, to influence and align transition standards for green mining and metals as China develops those over coming months
- the European Union, to take steps towards mutual recognition of the EU and Australian taxonomies
- Singapore to support alignment between Singapore and Australia's approach to transition finance

There is also the opportunity for cooperative efforts between market bodies and standard setters to set a credible global standard for transition finance.

Action 8.2

Some progress

Build sustainable export markets to support investment in Australia's clean energy future

Australia has a considerable opportunity to contribute to global decarbonisation while strengthening its economy through the development of new green export industries. These will require large amounts of finance and investment over a sustained period. Strong and consistent domestic policy settings will be critical, as will shoring up demand with existing and new trade partners, particularly in the Asia-Pacific. To support finance to flow to Australia's future industries, Australia should align its international trade and climate finance strategies with its clean export agenda. Establishing a new international green bank for climate finance in Southeast Asia, as well as cooperation with international partners on policy, standards and investment settings will help to underpin future Australian prosperity.

Over the past year, the Australian Government has outlined its Future Made in Australia (FMA) agenda, aiming to establish clean, value-added commodity manufacturing industries. The package includes over AU\$22 billion in incentives and investment to support production of green metals, critical minerals, hydrogen, low-carbon fuels, and other value-added resources.

To date, the agenda has focused on the supply side - through incentives, legislative reforms such as guarantee of origin schemes, and initiatives to attract inbound investment such as the Investor Front Door. But the success of Australia's green industrial agenda also depends on strong demand for these commodities. Demand-side measures – including through partnerships with Australia's major trading partners – will be essential to unlock private sector investment into Australia's nascent green industries.²¹¹

Strengthening strategic partnerships

There are signals that the Government intends to strengthen international collaboration on climate technologies. The Government's Net Zero Plan states it will explore: *"Strengthening strategic partnerships with governments, industry and international partners to progress important climate technologies with the potential to drive down emissions beyond 2035."*²¹²

This aligns with the Climate Change Authority's (CCA) advice, which notes: *"It will be crucial to complement domestic abatement with new partnerships with key trading partners to decarbonise transnational supply chains, particularly iron and steel production. Northeast Asian trading partners should be the priority focus for these endeavours."*²¹³

The CCA's recommendations – that Australia should collaborate with trade partners to scale up green exports, reduce fossil fuel exports, and support decarbonisation in Southeast Asia through climate finance (see figure 11)

- are supported by independent analysis.²¹⁴ ASFI's 2025 report, *Maximising Australia's Green Growth*, calls for the Government to develop a comprehensive green exports strategy, focused on:

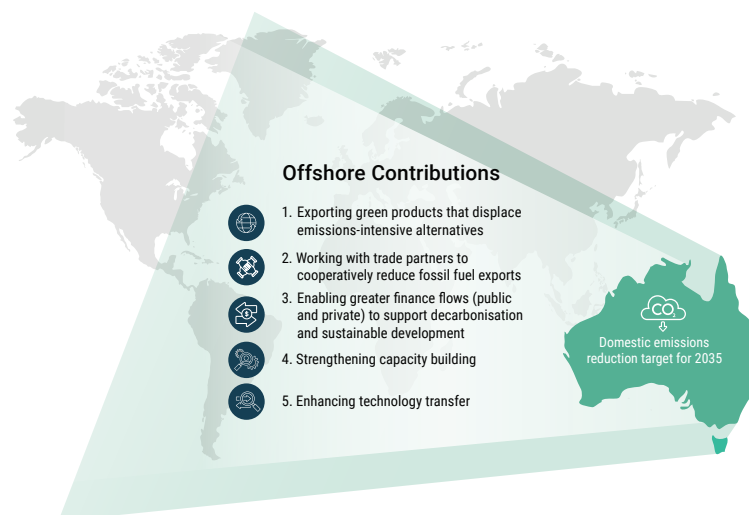
- Transitioning trade relationships with major partners to green commodities
- Using Australia's climate finance strategically to build demand in Southeast Asia for Australia's future green exports

Options to build Australia's clean export markets

The Government should develop a coherent, cross-portfolio strategy for scaling up green exports – including aligning its foreign, trade, and development activities with this goal. Options to be considered, alongside domestic measures (see section 4.3.4), include clean trade transition plans with major trading partners such as China and Japan,²¹⁵ and a international green bank to accelerate green manufacturing in Southeast Asia,²¹⁶ and bilateral offtake support mechanisms building on Australia's H2Global Partnership for Green Hydrogen with Germany.²¹⁷

FIGURE 11

Australia's offshore contributions to the goals of the Paris Agreement - Climate Change Authority findings



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