

Australian Sustainable Finance Progress Tracker 2024

Fourth report on implementation of the
Australian Sustainable Finance Roadmap



September 2024

Acknowledgement of Country

The Australian Sustainable Finance Institute 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.



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

The Australian Sustainable Finance Institute's (ASFI) mission is to align the Australian financial system with a sustainable, resilient and inclusive Australia.

ASFI's creation followed an unprecedented collaborative effort by 140 representatives from across the Australian finance sector, civil society, academia, financial regulators and Government to create the Australian Sustainable Finance Roadmap.

Released in November 2020, the Roadmap sets out 37 recommendations to realign the Australian financial system by 2030, to support a more resilient, sustainable and prosperous future for all Australians.

ASFI was established in 2021 to coordinate and drive Roadmap implementation, working collaboratively across the financial sector, government, regulators, civil society and academia. Our members are Australian banks, asset owners, asset managers, insurers and financial services companies who are committed to ASFI's vision and willing to contribute to sustainable and impactful solutions.

Acknowledgements

Collaboration is core to ASFI's values, and essential for tackling the significant, complex, and inter-connected challenges of sustainability.

We acknowledge with gratitude the many financial institutions and partners across Government, industry, academia and the not-for-profit sector that work with and alongside us to achieve the broad and bold ambition of the Roadmap.

In particular, we thank the individuals and organisations that assisted with the preparation of this report including through survey responses, interviews, case studies and other input. Specifically we would like to acknowledge the insights provided by the following people:

- Kate Griffiths – Australian Council of Superannuation Investors
- Nick Burrough – Bloomberg
- Karen McWilliams and Debbie Kandaauw – Chartered Accountants ANZ
- Richard Lovell – Clean Energy Finance Corporation
- Emma Herd – Ernst & Young
- Estelle Parker and Nayanisha Samarakoon – Responsible Investment Association of Australasia

Foreword

Almost four years have passed since the Australian Sustainable Finance Roadmap – an unprecedented collaboration across the finance sector, civil society, academic, government and regulators – was released. Since then, we have seen continued progress to realign Australia's financial system with the vision of a more sustainable, resilient, and inclusive Australia.

For the second year in a row, progress has been most notable in public policy and regulation. The Government's Sustainable Finance Roadmap, released by Treasurer Jim Chalmers in June, was welcomed by Australian financial institutions as confirmation of the Government's commitment to the sustainable finance agenda.

Key reforms are already underway. Australia's first sovereign green bond was issued in June following significant oversubscription by both domestic and foreign investors. By the end of this year, development of Australia's sustainable finance taxonomy for climate mitigation will be complete, providing a common language for investors, corporates and the broader community to define green and transition activities. And Australia's mandatory climate disclosure framework will take effect from 1 January 2025, helping financial institutions and corporates to make better capital allocation decisions.

Despite this progress, growth in sustainable finance flows has been modest and there is much work still to do to achieve the ambitious goals in ASFI's Roadmap. Appetite to invest in the climate transition and support other sustainability objectives is strong but project challenges persist including approvals, supply chain constraints, labour shortages, and competition for capital is strong from other markets including the US and EU.

The Government's establishment of an investor front door, combined with incentives announced under the Future Made in Australia package, should help to address pain points for financiers and attract overseas capital. As we build the green industries of Australia's future, our First Nations must have a seat at the table and ASFI is committed to supporting this.

Mandatory climate disclosure will crystallise attention on climate risk and opportunities, and significant upskilling will be needed to ensure this can enhance organisational strategy rather than just compliance. Physical impacts of climate change remain a significant and growing financial risk to be addressed across the financial and regulatory system. Better understanding, assessing and responding to nature-related risk is also key to ensuring financial stability.

It is pleasing to see the Australian Government prioritise international engagement on sustainable finance under its Roadmap, and take steps to support Australian investor engagement in Southeast Asia. Australia has a key role to play in supporting harmonised approaches to sustainable finance and reducing barriers to investing in the region. I am excited by the prospects of Australia's co-hosting of the United Nations Climate Change conference "COP31" – an opportunity for us to demonstrate climate leadership on the global stage.

Key to all of this will be collaboration. ASFI's approach is very much grounded in an appreciation of the value of partnerships to drive systems change. I look forward to another year of hard work together with all our partners across public and private sectors in 2025.

Kristian Fok

Chair, ASFI

CEO, Cbus Super

Executive Summary

Recommendation Scores out of 5

	Average Score 2024	Change
Domain 1	3.0	▲ 0.2
Domain 2	3.6	▲ 0.3
Domain 3	2.3	▲ 0.5
Domain 4	2.4	–
Total Average	2.8	▲ 0.2

This is the fourth report on implementation of the Australian Sustainable Finance Roadmap (Roadmap), released in November 2020. The [Roadmap Scorecard for 2024](#) shows that Australia has made some progress towards achieving the Roadmap's recommendations. Further work remains, however, to realise the Roadmap's overarching vision of a realigned financial system that supports a more resilient, sustainable and prosperous Australia.

The score for 2024 across all 37 Roadmap recommendations is an average of 2.8 out of 5.0 – an increase of 0.2 from 2023. This small increase may seem surprising, especially given the evolution of Australia's sustainable finance architecture in the last 12 months. But it is also reflected in the modest increase in sustainable finance flows in Australia, a trend broadly consistent with global markets (see Part A for more). For example, sustainable debt issuance in Australia from 1 January to 31 July 2024 totalled US\$18.41 billion, slightly ahead of track compared to 2023, and represented approximately 2% of global sustainable debt issuance over that period¹ - a small fraction of overall financial flows.

In part, modest progress can be explained by the inevitable lag time between policy and regulatory reform and outcomes. It is also the case that while the aims of ASFI's Roadmap remain pertinent as ever, the context has shifted rapidly since the Roadmap's publication – some recommendations have been achieved, others have been overtaken by events (such as the launch of the International Sustainability Standards Board to drive consistent disclosures), and there are important areas of sustainable finance that were not contemplated in 2020-21 (such as the Government's Future Made in Australia agenda).

But there is also no denying that more leadership and action is required across all parts of the economy on sustainable finance. Several significant developments in the last year across policy, regulation, markets and within individual financial institutions lay a solid foundation for enhanced action. Below we set out areas of strong, moderate and limited progress, as well as quick wins and priorities for the year ahead.

Areas of strong progress

The Federal Government has continued its commitment to progressing sustainable finance in Australia, most notably through the release of its Sustainable Finance Roadmap in June. Implementation of several elements of the Government's Roadmap are underway. These include development of Australia's sustainable finance taxonomy, introduction of mandatory climate-related financial disclosures, and issuance of Australia's first sovereign green bond.

In partnership with the Government and in collaboration with a range of experts and stakeholders, ASFI is on track to deliver a six-sector sustainable finance taxonomy for climate change mitigation by December 2024. Australia's mandatory climate disclosure regime will enter into force for large institutions from 1 January 2025, following successful passage of legislation in Federal Parliament this September. The disclosure regime is a significant step forward in progressing climate-related reporting and assurance requirements (Recommendations 11, 12, 14, 15) and will support improved market transparency of, and decision making in relation to, climate related risks and opportunities. Alongside development of the mandatory regime, a growing number of listed Australian companies – including financial institutions – have been voluntarily reporting in-line with the Taskforce on Climate-related Financial Disclosures (TCFD) framework.

Areas of moderate progress

Steps have been taken to help align financial and corporate regulation with sustainability objectives (Recommendation 19) including Government consideration of reforms to the superannuation annual performance test. But there remain opportunities to bring regulatory settings more into line with sustainability objectives – including introducing a more explicit requirement for company directors to consider climate risk and opportunity; and ensuring a more supportive environment for sustainability-related collaboration. Regulators – specifically ASIC, APRA and the ACCC – have continued their focus on climate and in particular greenwashing and systemic climate risks but could be further encouraged to support sustainability outcomes by embedding this in their mandates.

The Government's Roadmap also commits to development of a sustainable investment product labelling regime in 2025 (Recommendation 27). An internationally aligned, robust and broadly applicable labelling regime will support consistency across the market, help combat greenwashing, and enable consumers to make more informed decisions. In the meantime, there has been progress on industry-led labelling initiatives, with RIAA announcing updates to its voluntary responsible investment certification scheme this year.

ASFI's own Roadmap identifies the importance of leadership and accountability from the top of financial institutions to embed sustainability across the finance sector. There has been a slight uptick in the number of organisational and Executive-level KPIs relating to climate, and a growing focus on the importance of building internal capability on climate and sustainability. Further work remains, however, to prioritise sustainability within organisational purpose, strategy and culture (Recommendations 1, 2, 3, 4).

There have been positive developments in relation to Australia's engagement and partnerships internationally on sustainable finance (Recommendation 8). The Government's Roadmap identifies international leadership as a core focus, including through forums such as the International Energy Agency (IEA), G20 and UNFCCC. ASFI has also continued to develop international partnerships, in particular to support development of harmonised approaches to taxonomies with Asian partner countries, while other industry bodies and financial institutions continue to engage in international networks and forums. Australia's bid to co-host the 31st Conference of the Parties (COP31) in 2026 is an opportunity to deepen international cooperation and coordinate action around the global transition.

Finally, there have been some encouraging developments to support better outcomes for First Nations people across the financial system (Recommendations 6 and 7). ASFI's First Nations and Finance work program has gained momentum through 2024, guided by our First Nations Reference Group. 2024 has also seen increased engagement between Government and financial system participants, including through policy reforms such as the Future Made in Australia package and consultations for a First Nations Clean Energy Strategy, to elevate First Nations voices and considerations in the financial system and foster involvement of First Nations communities in Australia's climate transition. Ongoing collaboration and focus here will be important.

Areas of limited progress

The extent to which environmental and social externalities are valued by financial institutions and embedded in financial decision-making remains limited (Recommendation 18). While there has been increasing awareness of the importance of nature-related financial risk, further work is required to understand, assess and respond to this risk, as well as opportunities. Legislative reform on nature has been delayed but should remain an area of focus to support better integration of nature in financial markets and broader business activity.

Recommendations regarding community and place-based finance, development of products that support community resilience, and collaboration to build community and individual financial capability, remain areas deserving further focus (Recommendations 22-26). While much attention from financial institutions has been on climate-related issues in the last 12 months, cost-of-living and other economic challenges will necessitate deeper focus on financial inclusion and accessibility.

As was the case last year, Australia's emissions targets and projected emissions are not yet consistent with limiting global temperature rise to 1.5°C (Recommendation 31). It will be important that the Government's next Nationally Determined Contribution (due early 2025) is aligned with a 1.5-degree pathway and sends clear signals to markets in relation to Australia's emissions trajectories. Corporate net zero commitments continue to rise, but are not always comprehensive in their coverage of material emissions or backed up by credible transition plans. The Government's plans to develop clear transition plan disclosure requirements and guidance will support improvements in this area.

Despite historical underinvestment, there has been growing recognition in the last 12 months of the need to direct more capital towards climate adaptation and resilience, and further public-private collaboration on this will be important (Recommendation 34).

Finally, progress to develop an industry-wide stewardship code for the Australian market that recognises the importance of integrating sustainability considerations in stewardship activities remains to be seen, notwithstanding progress in other jurisdictions such as Switzerland, the UK and New Zealand (Recommendation 21). This remains an important avenue for raising the quality and impact of stewardship in Australia.

Looking ahead: priorities for the next 12 months

We have identified nine priority action areas for Roadmap implementation over the next 12 months. These draw on analysis of overall Roadmap progress, contextual shifts since the Roadmap was established, and financial system participants' stated priorities as part of research for this year's Progress Tracker. They do not cover the field in terms of what is needed to realise the Roadmap's overarching vision, but we believe will go a long way to progressing key elements of the Roadmap.

First, heightened attention from Government, industry and financial institutions on ambitious, credible and science-based net zero targets – together with supporting plans and actions – is critical to ensuring economy-wide emissions reductions. This includes Australia's 2035 Nationally Determined Contribution (due in early 2025) and supporting policies, as well as businesses' transition plans (Recommendation 31).

Second, an ongoing focus on household electrification and energy efficiency is important to support decarbonisation, drive long-term energy affordability, and manage demand. This can reduce the amount of additional energy infrastructure required for the transition.

Third, there are several opportunities to lay the groundwork for increased flows of capital towards climate adaptation and resilience (Recommendations 34 and 35). These include: a robust Government-led National Adaptation Plan, development of criteria on adaptation and resilience in the sustainable finance taxonomy (Recommendation 9), improved availability of national and regional climate data, exploration of public-private financing mechanisms, and regulatory reform in relation to land use planning and development.

Fourth, guidance from Government and suitable industry and standards bodies in relation to several elements of the mandatory climate disclosure regime will ensure that reporting is not merely a compliance exercise, but will also support financial institutions' strategies and decisions in relation to physical and transition climate risks and opportunities. This includes scenario analysis and transition planning. Additionally, digitisation of financial reporting could significantly improve availability and accessibility of climate and other sustainability-related information, including aggregation of information by financial institutions (Recommendations 11-16).

Fifth, further work by financial institutions to assess their portfolios for nature-related risks and opportunities, and develop plans to respond, is of growing importance. This work should leverage existing frameworks and tools, and should be supported by cross-sector efforts to increase the availability and quality of nature-related information at national, regional and sector-levels – including through the recently established Environment Information Australia. The Government should also continue to progress nature law reform, in particular the proposed development of National Environmental Standards, to provide a more robust and consistent approach to environmental protection in Australia

Sixth, Australia's climate transition presents a significant opportunity to create more equitable partnerships with, and support economic self-determination for, First Nations communities (Recommendation 7). It will be important to accelerate momentum for industry-led initiatives seeking to elevate First Nations perspectives in the financial system (such as ASFI's First Nations Disclosures Project) and ensure the principles of free, prior and informed consent (FPIC) are embedded in the implementation of key Government policies such as Future Made in Australia.

Seventh, drawing on consultations to date with industry, as well as lessons from overseas jurisdictions, policymakers and regulators should continue to align regulatory settings with sustainability objectives (Recommendation 19). The Government and ACCC can do more to address existing regulatory barriers to sustainability collaboration, while reform to the Your Future, Your Super (YFYS) annual performance test could help unlock significant institutional capital in support of social and environmental priorities. Other areas such as bank capital weightings should also be reviewed.

Eighth, ongoing leadership and capability uplift in relation to sustainable finance remains a priority across both public and private actors (Recommendations 1-4). Integration of sustainability into financial institutions' organisational strategy, processes and culture is mixed, while capacity and bandwidth to stay abreast of developments and adopt change more broadly is an increasing challenge. More substantial internal allocation of resources by financial institutions, coupled with collaboration across the sector and with Government and regulators, will be important.

Finally, deeper international engagement sustainable finance – both by Government and the private sector – is critical to ensure interoperability of relevant policies, frameworks, standards and regulations, and further unlock flows towards shared sustainability objectives (Recommendation 8).

Roadmap Scorecard

AVERAGE SCORE ACROSS ALL RECOMMENDATIONS: 2.8 out of 5



DOMAIN 1: Embedding sustainability into leadership

3.0



1 Accountability for sustainability is led from the top of financial institutions.

3



2 Australia's financial system participants collectively build the skills and capabilities that will be necessary for Australia's financial system to support a sustainable, resilient and prosperous future for all Australians.

2



3 Financial institutions build inclusive corporate cultures that facilitate and promote the ability of employees to speak up, and strengthen personal professionalism through proactive support of industry-funded employee codes.

2



4 Financial institutions: align remuneration structures with sustainable long-term value creation; and consider embedding sustainability targets into remuneration and incentive practices, and rewarding for sustainability performance and leadership, for example through promotion decisions.

3



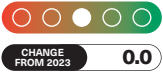
5 The Australian Sustainable Finance Initiative (ASFI) is established as a permanent body that supports Australia's financial system to deliver a sustainable, resilient and prosperous future for all Australians.

5



6 Australia's financial system participants establish, through ASFI, a First Peoples Financial Services Office. This Office would be led by an Aboriginal or Torres Strait Islander person.

3



7 In recognition of Aboriginal and Torres Strait Islander peoples' rights to self-determination, financial institutions work to codify the principle of free, prior and informed consent in decisions made by financial institutions.

2



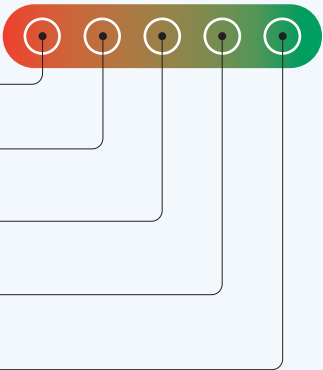
8 Australia's financial system participants establish international partnerships to support the implementation of the Australian Sustainable Finance Roadmap.

4



SCORING LEGEND

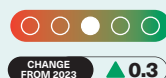
- SCORE: 1.0
Negligible progress
- SCORE: 2.0
Modest progress
- SCORE: 3.0
Moderate progress
- SCORE: 4.0
Advanced progress
- SCORE: 5.0
Recommendation implemented





DOMAIN 2: Integrating sustainability into practice

3.6



- 9** Australia's financial system participants establish a key project to explore the implementation of a sustainable finance taxonomy in Australia.

5



- 10** Australia, through a relevant public authority, joins the International Platform on Sustainable Finance (IPSF).

5



- 11** Financial institutions with annual consolidated revenue of more than \$100 million report according to the TCFD recommendations by 2023 on an 'if not, why not' basis.

4



- 12** All ASX listed companies, beginning with the ASX 300, report according to the TCFD recommendations by 2023 on an 'if not, why not' basis, and guidance is developed for ASX-listed entities to support TCFD-aligned reporting.

4



- 13** ASFI, together with CMSI and other stakeholders, develops guidance to support TCFD-aligned reporting by financial institutions and facilitates discussion on how these reporting practices can be developed and implemented.

5



- 14** Australia's financial system participants collectively play a leadership role in the development of the Task Force on Nature-related Financial Disclosures (TNFD).

4



- 15** Sustainability reporting and assurance is mandated for listed entities and for unlisted assets wholly owned by financial institutions.

4



- 16** Financial institutions undertake scenario analysis and stress test the resilience of their organisation to physical and transition risks from climate change.

3



- 17** Vulnerability assessments to be undertaken or planned by APRA are expanded to include fit-for-purpose assessments for small and medium financial institutions across Australia, as well as the superannuation and insurance sectors.

3



- 18** Environmental and social externalities are valued by financial institutions.

2



- 19** Financial institutions work with Australia's financial system regulators on an ongoing basis to embed sustainability into regulatory guidance and standards to drive systemwide practice.

3



- 20** Australia's financial system participants positively drive best practice for the benefit of the whole of the Australian economy and society, including by:

3



- embedding sustainability into outsourcing and procurement practices; and
- embedding sustainability information into products and services for households and businesses.

- 21** Australia's financial system participants develop stewardship codes to harmonise and enhance stewardship practices.

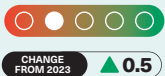
2





DOMAIN 3: Enabling resilience for all Australians

2.3



- 22

Australia's financial system participants support the establishment of community finance that can be accessed by place-based groups, including clubs and social enterprises, as part of a place-based community resilience strategy.

2

CHANGE FROM 2023 1.0
- 23

Australia's financial system participants develop income and revenue contingent loans as a mechanism to support individual and community resilience to acute shocks as well as chronic threats to climate and health.

2

CHANGE FROM 2023 1.0
- 24

Financial institutions establish Financial Inclusions Action Plans and review current practices and design of products and services to ensure financial inclusion.

2

CHANGE FROM 2023 1.0
- 25

Consistent with applicable laws and regulations, financial institutions measure and report on: financial distress for households; and financial outcomes for Aboriginal and Torres Strait Islander customers.

2

CHANGE FROM 2023 0.0
- 26

Financial institutions collaborate with regulators and the Australian Government to support networks, programs and initiatives that build individual and community financial capability.

2

CHANGE FROM 2023 1.0

- 27

Australia's financial system participants support the development of labelling standards that provide consumers with access to consistent labelling and disclosure of the sustainability of financial services products.

3

CHANGE FROM 2023 1.0

- 28

Australia's financial system participants enable Australians to make financial decisions based on their values and sustainability preferences.

2

CHANGE FROM 2023 0.0

- 29

Australia's financial system participants collaborate, through ASFI, to develop best practice principles to guide product design, delivery and disclosure to drive sustainable and community-focused outcomes.

1

CHANGE FROM 2023 0.0

- 30

Australia's financial system participants support the development and implementation of an Australian-focused well-being framework.

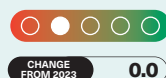
5

CHANGE FROM 2023 0.0



DOMAIN 4: Building sustainable finance markets

2.4



- 31** Australia's financial institutions collaborate, through ASFI, to establish interim science-based targets and trajectories to align and facilitate the transition to net zero emissions by 2050.

2



- 32** Australia's financial system participants work collaboratively to support development of a sustainable capital market.

2



- 33** Australia's financial system participants produce a regular report that considers whether Australia's sustainable finance markets are functioning efficiently to support the delivery of net zero emissions by 2050, consistent with science-based targets.

3



- 34** Australia's financial system participants work collaboratively to promote climate risk mitigation efforts and to ensure buildings are disaster resilient.

3



- 35** Australia's financial system participants work collaboratively to support development of sustainability impact and resilience markets including natural capital, carbon, impact investment, and climate mitigation and adaptation.

2



- 36** Australia's financial system participants back initiatives to catalyse the establishment of sustainability impact and resilience markets by supporting the formation of an independent Social Impact Investment wholesaler for Australia.

2



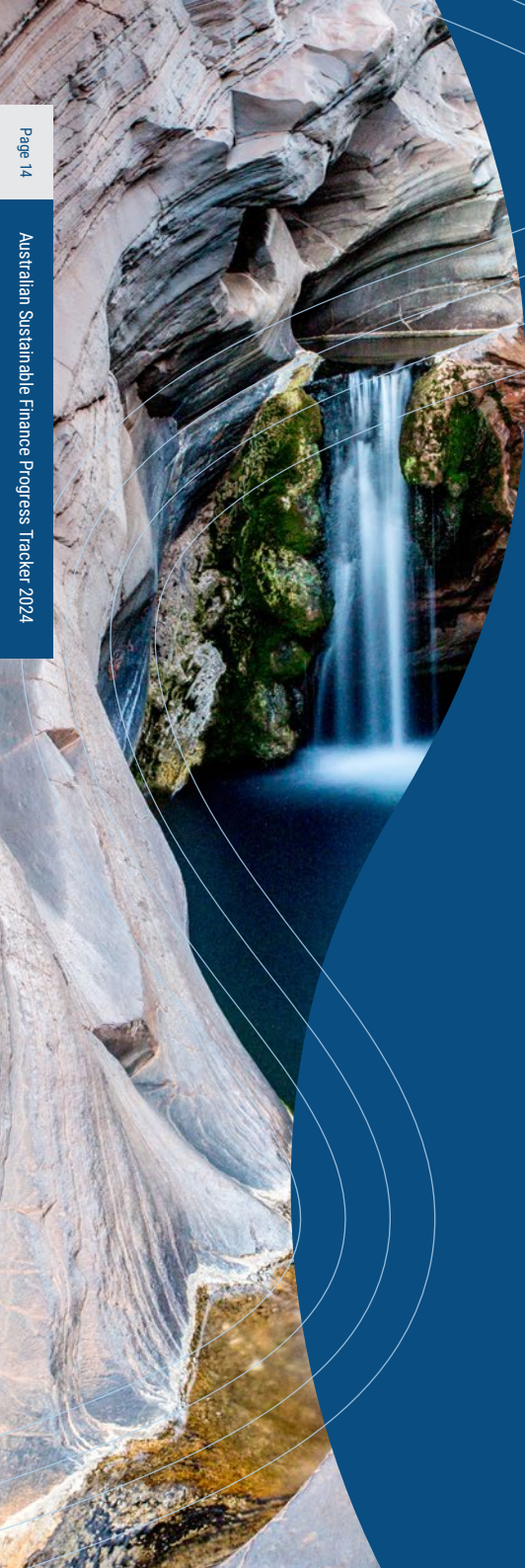
- 37** Australia's financial system participants finance the development and regeneration of real assets, including infrastructure and property (housing, industrial and commercial).

3



PART A

State of Sustainable Finance in Australia



State of Sustainable Finance in Australia: a Snapshot

Australia's sustainable finance architecture continues to take shape

The past 12 months have seen continued evolution of Australia's sustainable finance architecture, most notably with the release of the Australian Government's Sustainable Finance Roadmap in June. The Roadmap sets out the Government's plans for progressing action on ten priority areas spanning transparency, financial system capabilities, and leadership and engagement. It is a welcome and significant development in Australia's sustainable finance journey. Importantly, it also signals the Government's intention to progress reforms in areas other than climate, particularly nature.

"This Roadmap will help mobilise the significant private capital required for Australia to become a renewable energy superpower, modernise our financial markets and maximise the economic opportunities associated with net zero and our sustainability goals."

This is about creating well-designed and well-informed financial markets to help companies and investors make investments with confidence, better manage climate and sustainability risks, and help finance the transition to net zero."²

The Hon. Dr Jim Chalmers MP, *Treasurer*

Implementation of several elements of the Government's Roadmap is well in train. Legislation to mandate climate-related financial disclosures for large businesses including financial institutions (FIs) passed the Parliament in September 2024 and the disclosure regime will come into effect from 1 January 2025. Final reporting and assurance standards will be issued by the Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AUASB) following the passage of legislation.

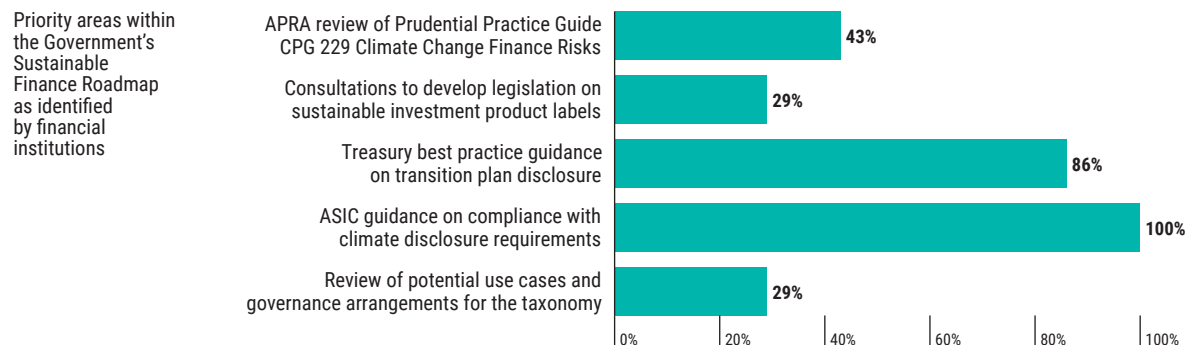
To support implementation of the disclosure requirements, the Australian Securities and Investments Commission (ASIC) will provide guidance to the market on how to comply. The first set of guidance, expected to be issued this year, will be a factual summary of the

disclosure obligations and their obligations to entities. The second set out guidance, which ASIC plans to consult on next year before finalising, will be more comprehensive and support organisations to prepare reports in-line with the disclosure obligations.

2024 has also seen the Australian Government issue \$7 billion of its inaugural green bond, marking a major milestone in terms of issuance of sustainable finance products. The Australian Office of Financial Management's (AOFM) bond issue was oversubscribed, with more than \$22 billion in bids from 105 investor institutions. Approximately 35% was allocated to offshore investors. The bond's use of proceeds will include funding for green hydrogen, community batteries, clean transport, and biodiversity conservation programs.

FIGURE 1

ASFI Progress Tracker Survey 2024



There has also been strong progress to develop Australia's sustainable finance taxonomy. ASFI is on track to deliver a six-sector sustainable finance taxonomy for climate change mitigation by December 2024. It will include 'Do No Significant Harm' (DNSH) and 'Minimum Social Safeguards' (MSS) criteria. Alongside ASFI's development of the taxonomy, we have also been working with international partners to support development of credible, interoperable sustainable finance policies and tools.

Another major policy advance in 2024 was the announcement of the Government's Future Made in Australia package, which seeks to make Australia a renewable energy superpower, support Australia's net zero transition, and strengthen Australia's long term economic prospects. The Federal Budget included A\$22.7 billion in support for investment in priority sectors such as critical minerals, renewable hydrogen and battery supply chains. It seeks to unlock significant private investment to support Australia's climate objectives.

Other real economy targets and policies will continue to have an important role in supporting flows of sustainable finance. Australia's 2035 Nationally Determined Contribution (NDC) (due in early 2025) will send an important signal both domestically and internationally regarding Australia's commitment to the climate transition. The sector pathways and plans currently under development, by the Climate Change Authority and the Australian Government respectively, are also important signals for finance and investment. Planned guidance on corporate transition plans will support firms to translate their net zero commitments into action and enable financial institutions to make informed decisions regarding allocation of capital in support of climate objectives.

Continued global progress on sustainable finance, with Australia stepping up its international engagement

Global sustainable finance frameworks have also continued to evolve in the last 12 months. There continues to be broad support from governments and financial institutions globally for the International Sustainability Standard Board's (ISSB) disclosure standards, with at least 20 jurisdictions (including Australia) having decided to adopt them³. Work to develop and harmonise standards and frameworks for nature-related financial disclosures has also continued in 2024, with increased cooperation from the ISSB, Global Reporting Initiative (GRI) and Taskforce for Nature-related Financial Disclosures (TNFD).

The World Bank reported that as of April 2024, 47 sustainable finance taxonomies had been issued globally, covering three-quarters of advanced economies and 10 percent of emerging and developing economies.⁴ As noted in last year's Progress Tracker, the proliferation of taxonomies worldwide is welcome, but also underscores the importance of achieving interoperability and ultimately harmonisation between different frameworks to support global sustainable finance flows. A lack of commonly accepted definition for 'transition finance' remains as a key barrier to allocating capital to decarbonise high emitting sectors that will be critical for a zero emissions future.

Encouragingly, the Australian Government has stepped up its international engagement on climate and sustainable finance, including through the G20, bilateral relationships in the region, and in the United Nations Framework Convention on Climate Change (UNFCCC). The Government's Sustainable Finance Roadmap commits Australia to promoting the development of global standards and high-quality interoperable frameworks. Given progress on Australia's domestic sustainable finance agenda, it is well-positioned to play this role – including on setting the standard for transition finance, driving interoperability, and standards for green mining.

Regulatory settings aligning around sustainable finance, but more is needed

Australia's corporate and financial regulators have maintained their focus on climate and sustainability issues in 2024. The Council of Financial Regulators (CFR) Climate Working Group (CWG) has continued to support coordination of regulatory responses to climate risks, while the Australian Prudential Regulation Authority's (APRA) Climate Vulnerability Assessment (CVA) for the insurance sector is ongoing.

ASIC has maintained its strong focus on sustainable finance – in particular supervision and enforcement actions in relation to greenwashing in line with the priorities outlined in its Corporate Plan. It made 47 regulatory interventions to address greenwashing misconduct during the 15-month period up to 30 June 2024, including the commencement of two Federal Court proceedings and over \$123,000 in infringement notice payments⁵. The Federal Budget included additional funding for ASIC to continue this work.

"Investors and consumers are entitled to accurate and reliable information so they can make informed and confident investment decisions. Greenwashing claims mislead investors and consumers and undermines confidence."

Kate O'Rourke, ASIC Commissioner⁶

ASIC has also published recommendations and good practice examples to avoid greenwashing and is developing guidance for the market to support compliance with the mandatory climate disclosure regime. It is also seeking to provide further clarity to market participants on its supervisory and enforcement approaches.

ASIC will take a pragmatic approach to the supervision and enforcement of the climate reporting regime. We will consider what support and guidance we can give to help entities meet their new obligations. We will also work with the Government and the other Council of Financial Regulators (CFR) agencies on supporting implementation of the climate reporting regime, including on broader initiatives that will assist entities meet their new obligations, such as ongoing work on addressing data challenges.⁷

Work is underway to address uncertainty regarding the application of Australian competition law to industry collaborations on sustainability. In July 2024, the Australian Competition and Consumer Commission (ACCC) published a draft guide on sustainability collaborations and competition law for public consultation. The draft guide is designed to help businesses understand the competition law risks that may arise when contemplating working together to achieve positive environmental outcomes. This is a welcome step, however, finance sector stakeholders including ASFI have called for more detailed guidance, as well as changes to Australia's competition law settings to better facilitate sustainability collaborations.

The Government's Competition Policy Review is an opportunity to address existing barriers to collaboration – including those barriers that are beyond the ACCC's mandate. Insights can be drawn from the approaches being taken in the EU, UK, and New Zealand where lawmakers and competition regulators are clarifying the application of law to sustainability-related collaboration, streamlining exemption processes where collaboration is in the public interest to meet sustainability-related policy goals, and in some cases, establishing a more permissive regime for climate-related collaboration between competitors, including through class exemptions⁸.

Finally, the Government's Sustainable Finance Roadmap outlines plans to consider stakeholder feedback on options to refine the Your Future, Your Super (YFYS) annual performance test to better enable sustainability-aligned investment. The Government will also work with financial regulators, governance experts and industry stakeholders to identify other priorities for mainstreaming sustainability considerations in corporate governance and financial institutions' investment decision-making.



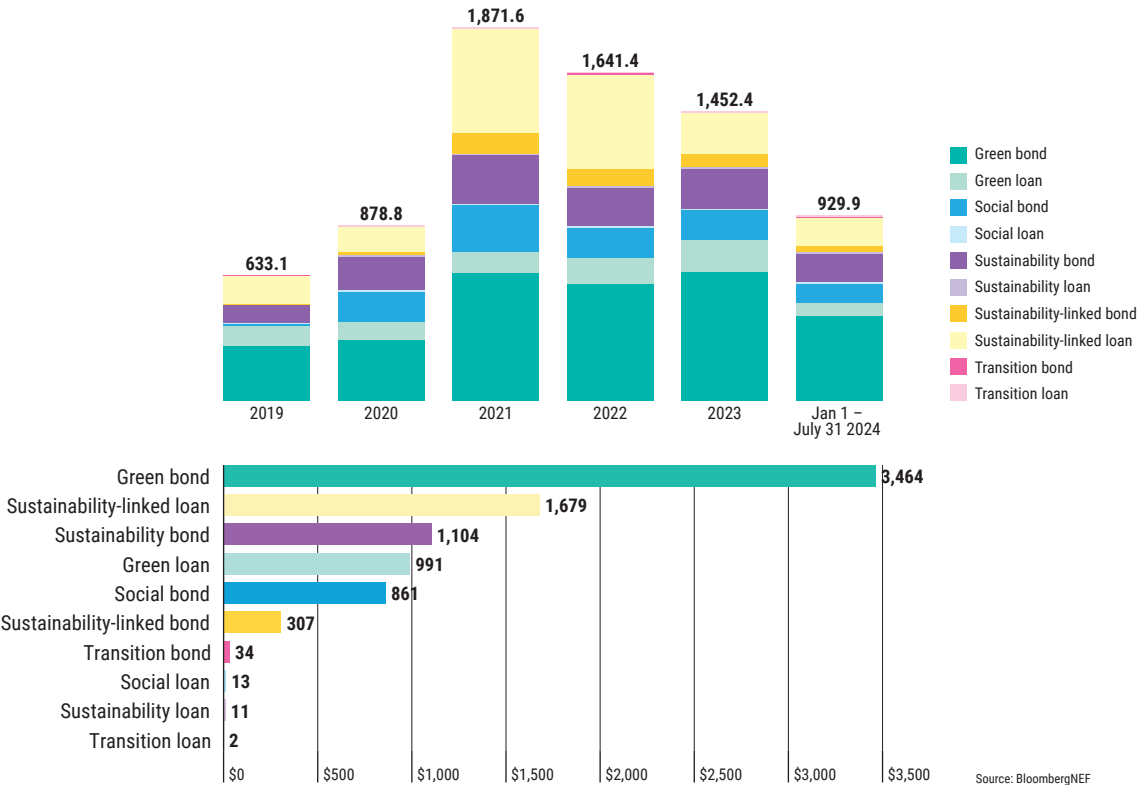
Global sustainable finance flows on par with (or slightly ahead of) previous year

Globally, flows of labelled sustainable finance in 2024 have matched (or slightly increased) those in 2023, with total sustainable debt issuance to 31 July 2024 being US\$929.9bn⁹. ‘Green’ labelled products continue to form the majority of sustainable finance, with ‘social’ products a far smaller portion. Green and sustainability bond issuance has been robust in the last year, driven in part by increasing government issuance¹⁰. Notable developments include the significant increase in transition bond issuance - including the launch of Japan’s world-first sovereign transition bond - and Australia’s successful inaugural sovereign green bond (noted above).

As per Figure 2, while these developments are positive, overall growth in sustainable finance flows remains modest – consistent with trends each year since the record-breaking 2021. Additionally, sustainable finance remains a small portion of overall financial flows. For example, issuance of sustainable debt as a portion of total debt issuance globally has hovered around the 2% mark in the last four years – see Figure 4 below. In the bond market the figures are slightly higher, with data indicating that green, social, sustainability and sustainability-linked bonds (GSSSB) have represented between 12-14% of overall global bond issuance in the last 4 years¹¹.

FIGURE 2

Sustainable debt issuance (global)



Australian finance largely reflects global trends

Consistent with global trends, growth in sustainable finance flows in Australia has also been modest in 2024.

Sustainable debt issuance to 31 July 2024 totalled US\$18.41 billion, slightly ahead of track compared to 2023¹². Compared to global markets, sustainable debt issuance in Australia represents a greater share of total debt issuance (approximately 8.4% in the first half of 2024) – see Figure 4 below. The issuance of Australia's first sovereign green bond was a major milestone, although it is worth noting that that the A\$7bn issued under the green bond is still a relatively small portion of the expected A\$90bn in Treasury bonds to be issued in FY24-25¹³.

In the investment space, there appears to be a gap between growing consumer interest in sustainability outcomes and available products. RIAA reports that 88 percent of Australians expect their super or other investments to be invested responsibly and ethically (the highest it has been since 2020, while 87% expect the money in their bank account/s to be invested responsibly and ethically¹⁴. This growing interest, however, has not been accompanied by corresponding growth in availability and volume of sustainable products. Research by Australian Impact Investments into products in the listed equities space supports this finding – suggesting that 'responsibly-positioned' products represent 18% of total products available, and only 9% of assets under management¹⁵. Similarly, RIAA's Responsible Investment Benchmark Report 2023 found that responsible investment assets under management – defined according to RIAA's evaluation framework – declined in 2022 compared to 2021 (*note: at the time of publication of this Progress Tracker, data for 2023 is not available*).

FIGURE 3

Sustainable debt issuance (Australia)

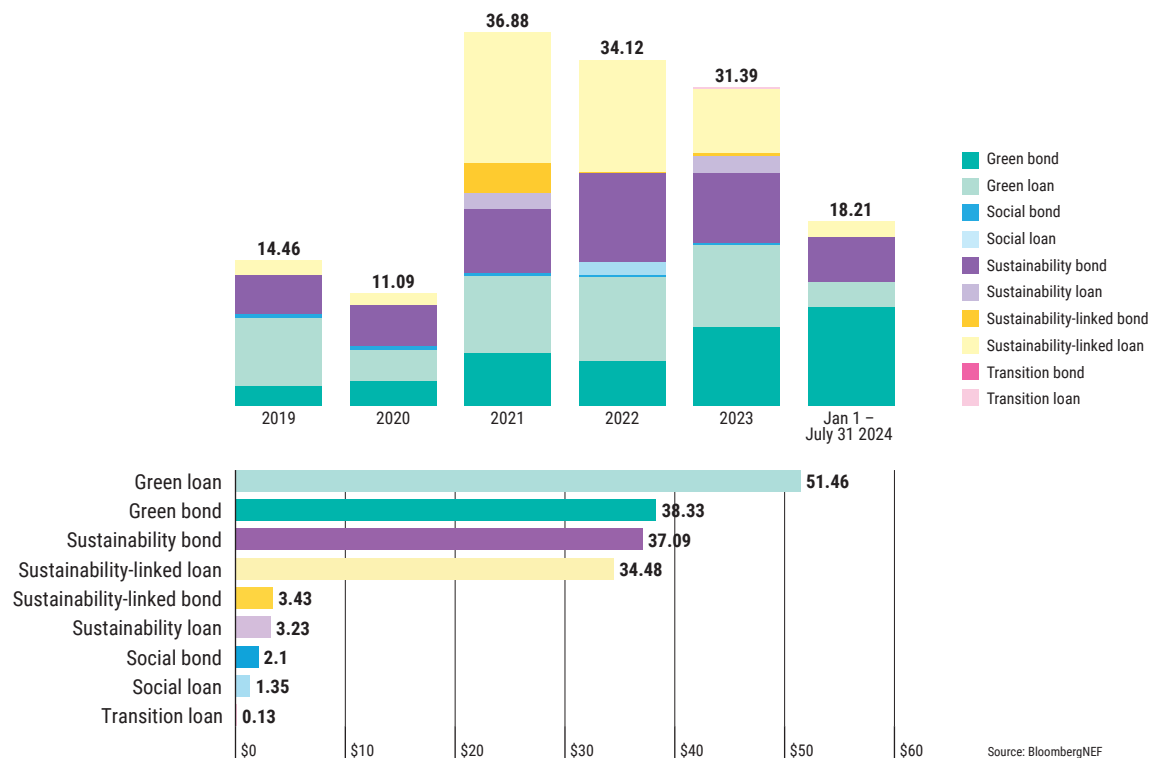
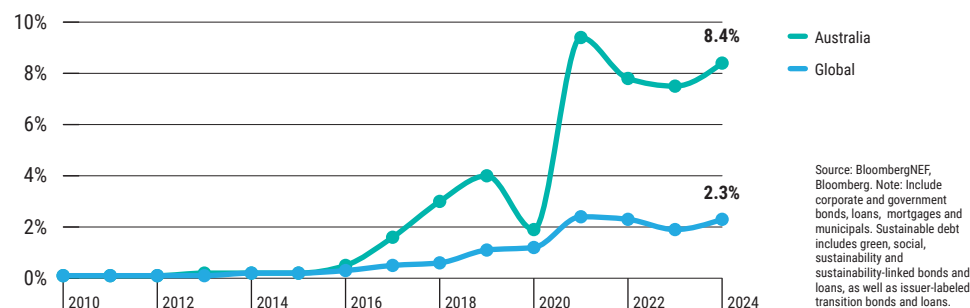


FIGURE 4

Share of labelled sustainable debt in total debt issuance



Areas requiring further improvement

Industry experts interviewed by ASFI for this report welcomed progress made by both Government and the sector to advance sustainable finance in 2024, while noting several areas for further efforts.

First, increased focus by financial institutions on climate is seen as welcome, although in some cases this focus has been narrowly concentrated on climate mitigation and preparation for forthcoming mandatory disclosures. There is a need to increase focus on the need to finance climate adaptation and resilience efforts; and also connect action on climate with action required in other domains, in particular the protection and restoration of nature. The Global Nature Positive Summit, which the Government will host in October, is an important opportunity to bolster momentum in this regard.

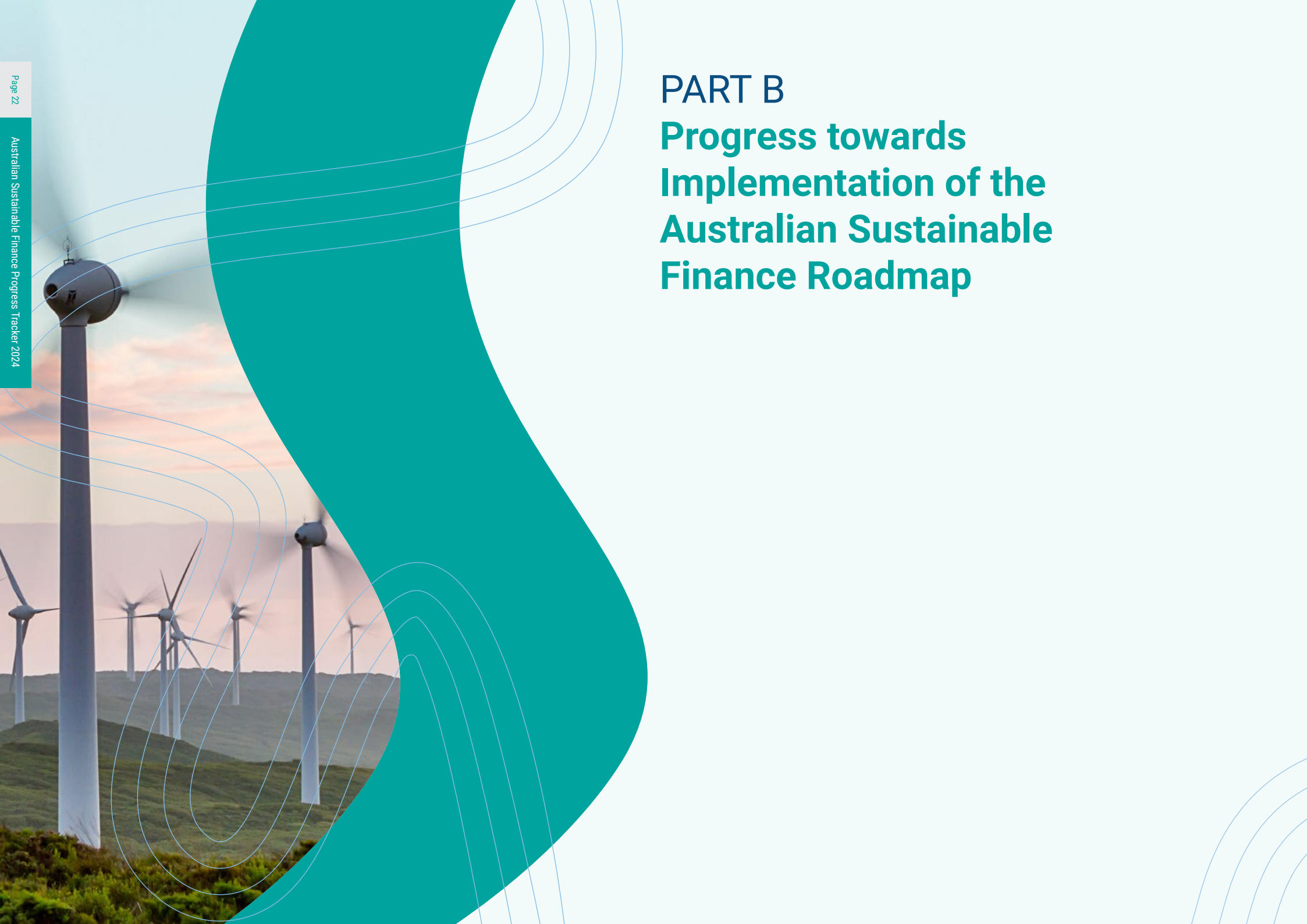
Similarly, progress to improve outcomes for Australia's First Nations has been limited. There is an opportunity to better engage and create equitable partnerships with First Nations communities as part of Australia's climate transitions. This is particularly relevant in the context of development of major renewables and nature-related projects, which will require cooperation and partnership with Traditional Owners and local communities. Embedding the principles of free, prior and informed consent (FPIC) into these partnerships will be critical.

On the policy and regulatory front, the uptick in activity to support sustainability objectives has been broadly welcomed by financial market participants, however for some financial institutions this has resulted in a greater focus on compliance and risk management at the expense of time and resources to drive innovation and implementation of other sustainability-related work. While this is a common tension that can arise when voluntary initiatives become regulated, it will be important that businesses and financial institutions approach sustainability from more than a compliance lens to maintain progress.

There also remain areas for ongoing policy and regulatory reform. Enhanced certainty and consistency in relation to Australia's energy transition – including through greater bipartisanship at the political level and coordination among Government departments and agencies – would help unlock private capital for a smooth and orderly transition. Continued focus on household electrification and energy efficiency will reduce demand for fossil fuels. Further public-private collaboration, together with efforts to simplify approval and permitting processes, will also be required to drive investment in renewables. Efforts by the Government in this regard – for example through the Energy and Climate Change Ministerial Council, the newly established Net Zero Economy Authority, and the proposed investor front door under the Future Made in Australia package – are welcome.

Finally, and as noted in last year's tracker, the fast-evolving pace of the sustainable finance landscape means that support to drive capability uplift across the financial system remains a priority. Integration of sustainability into organisational strategy, processes and culture is mixed, while capacity and bandwidth to stay abreast of developments and adopt change more broadly is an increasing challenge. More substantial internal allocation of resources by financial institutions, coupled with collaboration across the sector and support from Government, will be important.





PART B

Progress towards Implementation of the Australian Sustainable Finance Roadmap



DOMAIN 1: Embedding sustainability into leadership

AVERAGE SCORE 2024: 3.0



Overview of Domain Recommendations

The Roadmap recognised that achieving a financial system that is aligned with a sustainable, resilient and inclusive Australia would require a shift in the way that sustainability was approached across the financial sector. Sustainability should be led from the top of FIs and mainstreamed through the business' purpose, strategy, risk management framework, remuneration structures and organisational culture. Australia's financial system participants should work together to supply increasing demand for the skills and capabilities that will support this shift. Aboriginal and Torres Strait Islander rights and perspectives should be recognised and integrated. The Australian Sustainable Finance Initiative that developed the Roadmap should be established as a permanent body to support implementation of the Roadmap, including through partnerships with counterparts internationally.

Summary of Progress for Domain 1

While awareness of sustainability issues has increased through 2024, progress to mainstream sustainability across financial institutions has been mixed. There has been a slight uptick in the number of organisational and Executive-level KPIs relating to climate, but work remains to be done to prioritise sustainability within organisational purpose, strategy and culture (Recommendations 1, 3, 4).

There has been a welcome increase in attention on building skills and capability in relation to sustainable finance (Recommendation 2), driven in part by forthcoming climate reporting requirements. Together with representatives across the finance sector, ASFI led the development of Australia's first (draft) sustainability finance capability framework. The (draft) framework sets out key capabilities and proficiencies across sustainability reporting, risk management, strategy, products, planning and mindsets. Further collaboration across the finance sector and with industry will be important.

Established in 2021, ASFI has continued to grow its team, membership and impact over the past 12 months (Recommendation 5). ASFI's 2024 work program has five pillars: enabling sustainable finance; finance sector leadership; natural capital; First Nations and finance; and sustainable finance solutions all focused on driving and coordinating key recommendations of the Roadmap.¹⁶ Our First Nations and Finance work program in particular has gained momentum through 2024, guided by ASFI's First Nations Reference Group. Together with work undertaken by Government and other industry bodies, including through policy reform processes, we are beginning to see increased focus on the importance of elevating First Nations voices and considerations in the financial system (Recommendations 6 and 7).

There has also been good progress to deepen Australian engagement and partnerships internationally on sustainable finance (Recommendation 8). The Government's Sustainable Finance Roadmap identifies international leadership as a core focus, including through forums such as the International Energy Agency (IEA), G20 and UNFCCC. ASFI and other industry bodies have also continued to develop international partnerships, in particular to support development of harmonised approaches to sustainable finance. Australia's bid to co-host the 31st Conference of the Parties (COP31) in 2026 is a considerable opportunity to deepen international cooperation.

Recommendations 1, 3 & 4 have been discussed together given their inter-relationship

RECOMMENDATION 1

Accountability for sustainability is led from the top of financial institutions. This will be most successful when sustainability is integrated into purpose, corporate strategy, risk management frameworks, remuneration structures and organisational culture. Financial institutions manage and measure the impact of their activities on others.



RECOMMENDATION 3

Financial institutions build inclusive corporate cultures that facilitate and promote the ability of employees to speak up, and strengthen personal professionalism through proactive support of industry-funded employee codes



RECOMMENDATION 4

Recognising the strong link between strategy, remuneration, risk and performance, financial institutions align remuneration structures with sustainable long-term value creation; and consider embedding sustainability targets into remuneration and incentive practices, and rewarding for sustainability performance and leadership, for example through promotion decisions



Awareness of sustainability considerations among business leaders is improving, but increased prioritisation and integration of sustainability is needed

Driven in part by heightened policy and regulatory activity, senior executive and Board awareness of sustainability issues – in particular climate – is increasing. Notwithstanding, participants in ASFI's 2024 Progress Tracker Survey noted only limited progress in the last 12 months in terms of integrating sustainability into organisational strategy, risk management, governance, and culture.

This was reinforced in discussions with ASFI's 2024 Leadership Working Group - a cohort-based program that supports ASFI member organisations to adopt and drive the organisational transformation needed to set and achieve ambitious sustainability goals. The Group identified limited prioritisation of sustainability issues at the senior leadership and Board levels as a key internal barrier to progress. Dedicated roles or priorities within leadership tiers are seen as necessary to better enable sustainability outcomes and foster a culture of commitment to sustainability objectives across organisations.

Organisational and individual KPIs relating to sustainability are becoming increasingly common

Encouragingly, the Australian Council of Superannuation Investors (ACSI) reports that 54% of ASX200 companies have factored climate change into either their short or long-term executive incentive structures – a considerable improvement on the 10% figure in FY20¹⁷. Of the 26 financial institutions that ACSI surveyed, the figure was slightly lower (46%) and only 2 of the 26 had long term incentives in place. ACSI also notes substantial variation in what these targets incentivise¹⁸, the weighting placed on the incentives, and the level of detail provided to investors on how performance is assessed¹⁹.

Below the senior executive level, however, sustainability-related targets and KPIs are not common. Further integration of sustainability targets at portfolio or business unit levels would further drive progress across financial institutions.

RECOMMENDATION 2

Australia's financial system participants collectively build the skills and capabilities that will be necessary for Australia's financial system to support a sustainable, resilient and prosperous future for all Australians.

SCORE: 2   **▲ 1.0**

Good progress to develop Australia's first sustainable finance capability framework

ASFI has been working with the finance sector over the past year to identify the key skills and competencies required to drive sustainable finance. This included research of comparable frameworks internationally, and public consultation in May 2024²⁰. The Sustainable Finance Capability Framework will be released later this year.

There are increasing efforts across the sector to build community financial capability in relation to climate, sustainability and responsible investing

Recognising the importance of building sector capability on sustainability-related issues, several organisations have been developing training modules and resources over the last year. For example, the Responsible Investment Association Australasia (RIAA) has supported training for financial advisers on how to speak with clients about values-based and responsible investing. RIAA's Working Groups – and the toolkits and guides that have been developed through these groups – are also an important means through which the industry shares knowledge, broadens understanding and builds shared capability around sustainability issues²¹. Others are also leaning into this space. For example, Metrics Credit Partners has collaborated with the University of Technology Sydney (UTS) to develop an online course on Responsible Investment, with a particular focus on small to medium sized organisations across the financial services sector.

Anticipation of Australia's mandatory climate-related financial disclosures regime has been a notable catalyst for financial institutions seeking to increase their sustainable finance capability, and a key factor in the emergence of relevant training and courses. Deloitte has partnered with Royal Melbourne Institute of Technology (RMIT) Online to develop a course on climate and sustainability-related financial reporting²², while industry initiatives such as the United Nations Global Compact Network Advanced Climate Reporters Community of Practice bring together investors and companies to build collective capability in relation to climate reporting.

Information on these and other relevant courses is available on [ASFI's website](#).

A skills and capability gap remains and should be addressed

While the increasing prioritisation of capability building is welcome, there is considerable work to be done. Those who responded to ASFI's 2024 Progress Tracker survey indicated limited increases in internal capability on sustainability compared with 2023, and even less confidence about the capability of financial institutions' clients. This underscores the importance of capability uplift not just across the finance sector, but with real economy players as well. Ongoing collaboration, including through relevant industry bodies, will be important here.

RECOMMENDATION 5

The Australian Sustainable Finance Initiative (ASFI) is established as a permanent body that supports Australia's financial system to deliver a sustainable, resilient and prosperous future for all Australians.

SCORE: 5   0.0

KEY OBSERVATIONS

ASFI's growth and impact has continued over the past twelve months

ASFI was established in 2021 with 21 founding members across the finance sector, including major Australian banks, asset owners, asset managers, insurers and financial services firms, committed to aligning the Australian financial system with a sustainable, resilient, inclusive Australia. ASFI now has 43 members who collectively hold over AU\$22 trillion in assets under management and are committed to allocating capital to create positive social and environmental outcomes, demonstrating strong finance sector support for sustainable finance and ASFI as a convenor, coordinator and driver of sustainable finance in Australia.

Our 2023 Progress Tracker reported that ASFI had expanded its work program to focus on: enabling sustainable finance; finance sector leadership; connecting, convening and coordinating; First Nations and finance; and sustainable finance solutions.

ASFI is already unlocking significant progress through these work programs. Notable examples from the last year include: our development - in partnership with Treasury and with oversight from the Council for Financial Regulators of a credible and interoperable sustainable finance taxonomy for Australia; our role in contributing to the Australian Government's sustainable finance policy (in particular priority areas in the Government's Sustainable Finance Roadmap); our international program on blended finance including our partnerships with DFAT and regional partners; the public release of insights from our Valuing Natural Capital project; and the development of our First Nations and Finance work program, including increased engagement with Government and the finance sector on First Nations issues.

Further information about ASFI's work and progress is available in our 2023 Annual Report²³, and 2024 Strategy and Business Plan²⁴.

The score of 5 out of 5 is consistent with the 2023 Progress Tracker report. However, as noted last year, this score does not suggest that we have completed our mission.

RECOMMENDATION 6

Australia's financial system participants establish, through ASFI, a First Peoples Financial Services Office. This Office would be led by an Aboriginal or Torres Strait Islander person to:

- facilitate financial system participants' engagement with their communities and organisations on a range of issues related to the inclusive design and delivery of financial services;
- build genuine partnerships;
- encourage more accessible banking and superannuation services, suitable insurance products and disclosure processes;
- demonstrate respect for the rights of Indigenous peoples in the due diligence processes by investors

SCORE: 3   0.0

KEY OBSERVATIONS

ASFI's First Nations and Finance work program gains momentum

In 2023, ASFI undertook a stakeholder engagement process to scope its First Nations and Finance work program to drive progress on this and other First Nations recommendations in the Roadmap. We sought views from our members, partner organisations, First Nations organisations, government and regulators. This consultation revealed limited support for taking forward a First Peoples Financial Services Office in the form envisaged when the Roadmap was developed. This was in large part due to existing work in train, including ASIC's Indigenous Outreach Program, the Australian Banking Association's work on access to banking services for First Nations consumers, the work of the Australian Institute of Superannuation Trustees' Indigenous Super Working Group and more recently the First Nations Foundation's work on Indigenous Super.

Instead, stakeholders encouraged ASFI to focus on building genuine partnerships between financial institutions and First Nations Traditional Owners, communities and organisations, and supporting financial institutions to play their role in upholding Indigenous People's rights in line with this recommendation and where action needed to be driven with a particular focus on business and institutional rather than consumer finance.

Building genuine partnerships involves mutual value and reciprocity and ASFI is therefore focusing on meaningfully elevating Indigenous perspectives into sustainable finance across all existing ASFI's work programs, and establishing a flagship project to improve disclosures of First Nations impacts and outcomes by corporates and financial institutions. In the same way as transparency and disclosures on other sustainability issues such as climate help to drive action, better disclosures of First Nations impacts and outcomes is expected to improve corporate practice working with First Nations communities, businesses and Traditional Owners.

Over the last year, ASFI's First Nations and Finance work program has continued to develop, reflecting our commitment to fostering genuine partnerships and enhancing the financial system's responsiveness to First Nations communities. Central to this progress has been the appointment of a full-time resource dedicated to leading ASFI's First Nations and Finance work program. ASFI's First Nations Reference Group (FNRG) has also played an instrumental role, meeting quarterly to guide the ASFI team's work. Comprising Traditional Owners from across the country, First Nations professionals, and 16 ASFI Member organisations, the FNRG represents a diverse and knowledgeable advisory body. Their insights have been critical to shaping the direction and priorities of the work program.

ASFI has significantly increased its engagement with government and policy processes on First Nations affairs, particularly in the context of Australia's climate transition. Ongoing collaboration in this space will be important given Australia's road to net zero runs through Indigenous land. Other areas of policy engagement include corporate governance reform, nature reform, and the Future Made in Australia agenda.

In addition, ASFI has partnered with First Nations Affairs to develop Minimum Social Safeguard criteria relating to First Nations rights within the Australian sustainable finance taxonomy. This criteria will apply to all activities in the taxonomy, ensuring that climate mitigation efforts do not undermine other sustainability objectives, including First Nations rights and cultural heritage protection. The criteria will also provide a credible basis for embedding First Nations considerations into broader sustainability frameworks and will also form the basis of the disclosures project.

RECOMMENDATION 7

In recognition of Aboriginal and Torres Strait Islander peoples' rights to self-determination, financial institutions work to codify the principle of free, prior and informed consent in decisions made by financial institutions. This would include:

- providing finance where there has been consultation and cooperation in good faith with any Indigenous peoples concerned through their own representatives and representative institutions in order to apply the principle of free, prior and informed consent, and reconsidering projects or activities where that standard cannot be achieved;
- when providing finance to Indigenous groups, ensuring decisions align with the principle of free, prior and informed consent.

SCORE: 2   0.0

KEY OBSERVATIONS

The past year has seen mixed progress in recognising and embedding the principle of free, prior, and informed consent within financial institutions.

The Dhawura Ngilan Initiative, led by the First Nations Heritage Protection Alliance in partnership with the Global Compact Network Australia (GCNA) and RIAA, seeks to ensure that protecting First Nations heritage is a responsibility shared by all Australians, including the finance sector. Similarly, the Clean Energy Council and KPMG co-authored a guide on how to exercise meaningful engagement, consent, participation and benefit-sharing with First Nations people on renewable energy projects²⁵.

While initiatives such as these indicate growing recognition across industry and financial institutions of the importance of engaging with First Nations, systemic challenges to First Nations economic self-determination remain. For example, an ASIC report revealed that major Australian banks had systemically charged high fees to customers who could least afford them, disproportionately impacting those on low incomes, including many First Nations customers²⁶. The report indicates that over two million Australians reliant on Centrelink payments were kept in high-fee accounts. This failure to protect vulnerable consumers has led to a \$28 million refund, demonstrating the need for a more profound and consistent commitment from financial institutions to address the specific needs of Indigenous communities and uphold the principle of FPIC.

This finding also illustrates the gap between stated commitments and actual outcomes, underscoring the limited progress by financial institutions in creating an equitable financial environment for First Nations peoples. While some steps have been taken, the systemic nature of these issues suggests a deeper, more structural shift may be necessary to require and enable financial institutions to better serve First Nations consumers.

In terms of other relevant developments, a new economic partnership between financial institutions and the Coalition of Peaks (a representative body for more than 80 Aboriginal and Torres Strait Island community groups) has been announced as a promising path forward, emphasising collaboration and shared decision-making to build economic capacity and equity for First Nations communities. Details of this partnership are still being worked through and there is significant interest across the sector in this model.

Additionally, and as noted under Recommendation 6, in developing Minimum Social Safeguards criteria in the sustainable finance taxonomy and establishing a First Nations disclosure project, ASFI is seeking to embed approaches to FPIC that go beyond cultural heritage and have application to a broader range of stakeholders than just investors.

RECOMMENDATION 8

Australia's financial system participants establish international partnerships to support the implementation of the Australian Sustainable Finance Roadmap.

SCORE: 4



CHANGE FROM 2023

0.0

The Australian Government has affirmed its commitment to international leadership on sustainable finance

The Australian Government's Sustainable Finance Roadmap, released in June 2024, affirms Australia's commitment to international leadership on sustainable finance:

"The Government will continue to elevate sustainable finance as a key pillar of Australia's broader climate and nature related international engagement, to help position Australia as a regional and global leader in sustainability"²⁷.

The 2024-25 Federal Budget allocated \$76m to support Australia's engagement in international climate and energy transition issues, including through the International Energy Agency, G20 and UNFCCC, to bolster trade opportunities and enhance security relationships with key partners. This funding will also support Australia's bid to co-host COP31 in partnership with the Pacific and undertake initial planning in the event of a successful bid.

The Government's Roadmap also committed to international advocacy for strong environmental, social and governance standards for minerals and resources – particularly critical minerals. ASFI welcomes this development and sees a strong opportunity to leverage the Australian sustainable finance taxonomy's world-first criteria for sustainable mining. Promoting global uptake of credible green mining standards will help position Australia as a key supplier for critical minerals and other products critical to the global transition.

In July 2024, the Australian Treasurer Jim Chalmers and Climate and Energy Minister Chris Bowen met with their New Zealand counterparts for the second Australia-New Zealand 2+2 Climate and Finance Dialogue. This is a promising model for international engagement which recognises the important links between financial regulation and climate and energy transition outcomes. Such a model could be replicated for other important Australian relationships in the region such as Singapore, and Indonesia. It is also expected to be replicated in multilateral fora such as the G20.

The Government has also increased its efforts to support Australian institutional investment into Southeast Asian countries through implementation of the Southeast Asia Economic Engagement to 2040 Strategy. This includes establishing 'deal teams' in the region, a new \$2 billion investment facility to be administered by Export Finance Australia, and an investor Mission to Vietnam and Singapore in April 2024²⁸.

ASFI is working with the Government to support regional engagement on sustainable finance

Demand from regional partners for technical assistance and knowledge exchange on sustainable finance has increased over the past 12 months. Through our partnership with the Department of Foreign Affairs and Trade (DFAT), ASFI has held briefings and workshops with Ministry of Finance officials and regulators including from Indonesia, Cambodia, and Vietnam. There is strong interest from these and other Association of Southeast Asian Nations (ASEAN) governments to learn from Australia's approach to the taxonomy: particularly the transition finance methodology, mining sector criteria, and governance arrangements that support effective public-private collaboration.

Industry organisations part of international networks on sustainable finance

Additionally, industry bodies are continuing to engage with international partners through a range of forums and partnerships. For example, RIAA is an active member of the Global Sustainable Investment Alliance (GSIA), while

IGCC participates actively initiatives such as Climate Action 100+, the Net Zero Asset Managers Initiative and the Ceres network²⁹. ASFI has expanded its international collaboration over the last year, including through dialogue with UK-based Green Finance Institute, and engagement with industry bodies in Canada, NZ and ASEAN in relation to taxonomy harmonisation. These types of networks are important mechanisms for delivering on the Roadmap.

Playing a leadership role will require a 'Team Australia' approach

The Government's steps to deepen Australia's international sustainable finance engagement are welcome. Australia is well-positioned to play a constructive and proactive role in supporting the development of a credible global standard for green and transition finance. This would complement the development of the ISSB's global baseline standard for sustainability disclosures and help overcome the barrier to sustainable finance flows presented by the patchwork of taxonomies globally. This in turn would support global decarbonisation efforts, promoting an effective response to climate change and other sustainability challenges and enhancing demand for Australia's emerging green export industries.

Effective international engagement will require a strategic approach that is well coordinated across relevant agencies – including Commonwealth Department of the Treasury (Treasury), DFAT, Department of Climate Change, Energy, Environment and Water (DCCEEW), and the Department of Prime Minister and Cabinet. It will also require a strong Australian presence in key multilateral fora such as the G20, International Platform on Sustainable Finance (IPSF), Finance Ministers Coalition for Climate Action, ASEAN, and the Indo-Pacific Economic Framework as well as prioritisation at all levels of Australia's bilateral engagement. Current resourcing may need to be scaled up to support this, including to help Australia to deliver outcomes for a successful COP31 in 2026, should Australia host. The Government should continue to partner with external stakeholders such as ASFI and others to help provide technical expertise, industry perspectives, and additional bandwidth.





DOMAIN 2: Integrating sustainability into practice

AVERAGE SCORE 2024: 3.6



Overview of Domain Recommendations

The Roadmap sets out thirteen recommendations to integrate sustainability into the practice of financial system participants, driving stronger sustainability outcomes within FIs and across supply chains, and supporting the shift of capital towards sustainable, resilient and inclusive activities. The recommendations to develop an Australian sustainable finance taxonomy and adopt best practice sustainability-related disclosure are cornerstones of a well-functioning sustainable finance policy architecture and in line with international developments. This domain also includes recommendations to support better climate-related risk management, valuing of natural capital and social externalities, greater regulatory guidance and standards, and more effective stewardship.

Summary of Progress for Domain 2

There has been continued progress in the last year to develop Australia's sustainable finance taxonomy – an initiative identified by finance sector stakeholders upon ASFI's establishment as key to unlocking sustainable capital (Recommendation 9). In partnership with the Australian Government and in collaboration with a range of experts and stakeholders, ASFI is on track to deliver a six-sector sustainable finance taxonomy for climate change mitigation by December 2024. The initial phase will also include 'Do No Significant Harm' and 'Minimum Social Safeguards' criteria. As noted in the previous section, alongside ASFI's development of the taxonomy, we have been working with international partners to support harmonised approaches to sustainable finance definitions.

Sustainability-related disclosures have been increasingly front of mind for Australian financial institutions and the broader business community over the last 12 months. This has been driven by several factors, including continued global momentum for the ISSB disclosure standards and passage of legislation to establish Australia's mandatory climate disclosure regime. This will begin for large institutions from 1 January 2025, with assurance requirements to be phased in progressively (Recommendations 11, 12, 14, 15). In anticipation of this, a growing number of listed Australian companies are reporting against the Taskforce on Climate-related Financial Disclosures (TCFD) framework, with capability uplift to support disclosures an area of focus for many financial institutions.

Legislative and regulatory reform on nature has encountered obstacles, while momentum for nature-related disclosures continues to gradually build internationally. The ISSB announced it will work with the GRI and TNFD to harmonise and consolidate international standards for nature and biodiversity-related reporting. In Australia, several financial institutions have begun internal projects to prepare for nature-related disclosures (Recommendation 14). Work remains to better value social and environmental externalities, although ASFI and others are working with Australian financial institutions to explore what is needed in relation to environmental data and information (Recommendation 18).

Efforts to assess and increase climate resilience have continued through 2024, but require further attention. Australian businesses – including financial institutions – are increasingly conducting scenario analysis to assess their exposure to potential physical and transition risks associated with different decarbonisation pathways (Recommendation 16). Incoming mandatory disclosure requirements are expected to drive improved quality and consistency of scenario analysis, although guidance from Government or relevant standards bodies on how to conduct and report on these scenarios will be important. Relatedly, and building on the Climate Vulnerability Assessment it conducted in 2022 with major banks, APRA has continued to progress its CVA on the insurance sector – working together with the Insurance Council of Australia (ICA) and large insurers (Recommendation 17).

Meanwhile, the Government's Sustainable Finance Roadmap identifies alignment of regulatory settings with climate and sustainability objectives as a priority (Recommendation 19). Several consultation processes have been undertaken in the last year to support this, including in relation to the superannuation annual performance test, and the application of competition law to sustainability collaborations. Regulators themselves have continued their focus on climate, with ASIC's ongoing supervisory and enforcement activities in relation to greenwashing, and APRA's latest Corporate Plan identifying a number of climate-related objectives as part of its strategic objectives.

Finally, there has been some progress to further embed sustainability into financial institutions' outsourcing and procurement practices, but less observable progress in relation to provision of consumer information on sustainability (Recommendation 20). Work planned by Government to develop a sustainable investment product labelling scheme should help to drive progress here. Likewise, progress to develop an industry-wide stewardship code for the Australian market remains to be seen, notwithstanding progress in other jurisdictions such as Switzerland, the UK and New Zealand (Recommendation 21).



RECOMMENDATION 9

Australia's financial system participants establish a key project to explore the implementation of a sustainable finance taxonomy in Australia. The project should involve a broad group of key stakeholders, including civil society, asset owners, asset managers, banks, insurers, financial regulators, legal experts, industry experts, technology experts, sustainability experts, state governments, and the Australian Government.

SCORE: 5  **CHANGE FROM 2023** **0.0**

KEY OBSERVATIONS

In partnership with the Australian Government and in collaboration with a diverse range of experts and stakeholders, ASFI is on track to deliver a six-sector sustainable finance taxonomy for climate change mitigation by December 2024.

ASFI and Treasury partnered in July 2023 to develop an Australian sustainable finance taxonomy – see **Box 1**. The taxonomy is a core part of the Australian Government's sustainable finance agenda. Its development reflects shared appetite across government, the finance sector and industry for new frameworks to support sustainable finance markets in Australia.

The Australian taxonomy's initial development phase, which will conclude in December 2024, covers:

- the development of climate change mitigation criteria for six priority sectors;
- the development of a Do No Significant Harm framework and Minimum Social Safeguards; and
- associated technical work related to taxonomy implementation, including proposed longer term institutional arrangements, taxonomy use cases, data requirements and interoperability considerations.

Aligning with the Australian Government's sectoral decarbonisation plans, the six sectors covered by the initial Australian taxonomy are electricity generation and supply; minerals, mining and metals; construction and the built environment; manufacturing and industry; transport; and agriculture and land use.

The taxonomy's initial development phase is subject to governance oversight by the Australian Council of Financial Regulators' Climate Working Group, comprising of representatives from Treasury, the Reserve Bank of Australia (RBA), APRA, and ASIC.

A Terms of Reference between ASFI and the CWG sets out the Australian taxonomy's primary objectives, core design principles, governance arrangements, and the scope of its initial development.

As stated in the Terms of Reference, the Australian taxonomy's primary objectives are to:

- help drive capital into activities that will decarbonise the economy at the speed and scale required to reach our global climate goals; and
- improve the quality of information available to the market to ensure sustainability definitions are credible, comparable and usable to help promote transparency and trust and reduce greenwashing.

The four core principles informing the Australian taxonomy's design are credibility; usability; interoperability; and prioritisation for impact. These principles also informed the composition on the decision-making body for the Australian taxonomy's initial development phase: the Taxonomy Technical Expert Group (TTEG). With endorsement from the CWG, ASFI constituted the TTEG in August 2023. The TTEG comprises of 25 experts across sustainable finance, whole-of-economy decarbonisation, climate and environmental science and policy, human rights, and Indigenous rights and perspectives. The TTEG provides strategic direction over, input into, and endorsement of all Australian taxonomy products before they are provided to the CWG.

BOX 1

What is a sustainable finance taxonomy?

A sustainable finance taxonomy is a framework to classify economic activities and assets that positively contribute to key sustainability objectives. There are over forty taxonomies in place or under development globally. The Australian taxonomy will provide a common standard for green and transition finance in Australia, helping accelerate the allocation of capital towards sustainable activities to achieve Australia's net zero ambitions.

The taxonomy will:

- make it easier for financial institutions to identify investment and lending opportunities;
- provide the finance sector with greater confidence in and assurance over sustainability claims;
- support the provision of consistent and comparable information to regulating agencies that assess sustainability claims;
- enable comparability between investment products and portfolios; and
- reduce transaction costs associated with due diligence by providing market clarity, thereby increasing the attractiveness of transactions for sustainable activities.

ASFI is working with the Climate Bonds Initiative (CBI), a global standards setter, as the lead technical partner for the development of the Australian taxonomy. CBI has provided technical assistance for developing taxonomies internationally, including the European Union and Singaporean taxonomies.

In addition to the CWG and TTEG, ASFI and its technical partners draw on input from diverse experts and stakeholders, including through sector- and subject-specific taxonomy advisory groups, to inform the taxonomy's development. ASFI has also convened several taxonomy forums, including an International Taxonomy Forum and Environmental Non-governmental Organisation Taxonomy Forum, and consults with these stakeholders and relevant government departments and agencies at key intervals.

In June 2024, ASFI released the first of two public consultation papers on the draft taxonomy. ASFI sought feedback on the taxonomy's draft environmental objective headline ambitions and draft climate change mitigation criteria for the first three sectors under development (electricity generation and supply; minerals, mining and metals; and construction and the built environment). ASFI received 71 written submissions and engaged with over 1,000 individuals during the consultation period. The second public consultation paper will include all six sectors of the taxonomy and is expected to commence in October-November 2024.

More information on the Australian taxonomy's initial development phase, including all publications, can be accessed on the [ASFI website](#).

RECOMMENDATION 10

Australia, through a relevant public authority, joins the International Platform on Sustainable Finance (IPSF).

SCORE: 5   0.0

KEY OBSERVATIONS

The IPSF is a multilateral forum of public authorities responsible for developing sustainable finance policy from 20 countries (including the European Commission representing the 27 EU member states). Treasury has been a member of IPSF since December 2022³⁰.

In 2023, the IPSF focussed on social finance, transition finance, and the comparison of taxonomies. Details are available in the IPSF 2023 Annual Report along with an overview of sustainable finance policy developments in each of the IPSF member jurisdictions³¹.

In 2024, the IPSF has continued its focus on comparison of taxonomies, including through webinars to promote understanding of: the benefits and uses of taxonomies; why inter-operability is important; and the commonalities and differences between key taxonomies, with an initial focus on the EU and China taxonomies³².

The IPSF is one of several avenues through which Australia can continue to promote the development of robust, interoperable sustainable finance policy, drawing on experience with Australia's domestic sustainable finance agenda. See further discussion on Australia's international engagement under Recommendation 8.

Recommendations 11, 12, 13 & 15 have been discussed together given their inter-relationship

RECOMMENDATION 11

Financial institutions with annual consolidated revenue of more than \$100 million report according to the TCFD recommendations by 2023 on an 'if not, why not' basis.

SCORE: 4  CHANGE FROM 2023  1.0

RECOMMENDATION 12

All ASX listed companies, beginning with the ASX 300, report according to the TCFD recommendations by 2023 on an 'if not, why not' basis, and guidance is developed for ASX-listed entities to support TCFD-aligned reporting.

SCORE: 4  CHANGE FROM 2023  1.0

RECOMMENDATION 13

ASFI, together with Climate Measurement Standards Initiative (CMSI) and other stakeholders, develops guidance to support TCFD-aligned reporting by financial institutions and facilitates discussion on how these reporting practices can be developed and implemented.

SCORE: 5  CHANGE FROM 2023 0.0

RECOMMENDATION 15

Sustainability reporting and assurance is mandated for listed entities and for unlisted assets wholly owned by financial institutions.

SCORE: 4  CHANGE FROM 2023  1.0

KEY OBSERVATIONS

Sustainability disclosures have been increasingly front of mind for Australian financial institutions and the broader industry over the last 12 months. This has been driven by several factors, most notably continued global momentum for the International Sustainability Standards Board's disclosure standards and progress in relation to the introduction of Australia's mandatory climate disclosure regime.

Momentum for the adoption of harmonised global standards continues

Following the release in June 2023 of the ISSB's general sustainability disclosure standard (IFRS S1) and climate disclosure standard (IFRS S2), there has been broad support from governments and financial institutions globally to adopt the standards. According to the ISSB, as of May 2024 more than 20 jurisdictions have decided to use or are taking steps to introduce ISSB Standards in their legal or regulatory frameworks. Collectively, these jurisdictions account for more than half of global GDP and global greenhouse gas emissions³⁹.

Additionally, a key focus for ISSB in 2024 has been further harmonisation of global reporting standards and frameworks, including strategic relationships with the UK's Transition Plan Taskforce (TPT), Greenhouse Gas (GHG) Protocol, Climate Disclosures Project, Taskforce on Nature-related Financial Disclosures and Global Reporting Initiative.

Two developments are worth noting here. First, the ISSB and GRI committed in May 2024 to collaborate more closely to deliver interoperability between their standards, bringing together their respective focuses on financial and impact materiality. Harmonisation efforts will initially be centred around the development of standards for biodiversity disclosure, and the ISSB has already committed to draw on existing work by both GRI and TNFD³⁴. Second, in June 2024, ISSB announced it will assume responsibility for disclosure-specific materials developed by the TPT³⁵. The ISSB intends to develop education material - based on the TPT's disclosure guidance - to support disclosures in-line with requirements in IFRS S2.

Australia's mandatory climate disclosure framework to begin from 1 January 2025

The Federal Government has taken further steps in 2024 to mandate climate-related financial disclosures for large businesses and financial institutions.

Following Treasury-led consultations in 2023, the Government introduced the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024*, which amends the *Corporations Act 2001 (Cth)* and require large entities to report in line with standards set by the AASB. The legislation allows for broader sustainability disclosure requirements (i.e. beyond climate) to be introduced over time, with only climate-related financial disclosures mandated for the time being. The legislation also requires entities' sustainability reports be subject to mandatory audit requirements, in line with standards set by the AUASB. This legislation was passed in September 2024, with final AASB and AUASB standards to be issued shortly thereafter.

The draft legislation has received considerable support from the finance sector and the broader business community, with ASFI being one of fifteen peak bodies who signed a joint statement in April 2024 supporting the introduction of mandatory climate disclosures in Australia.³⁶ Climate disclosure requirements will begin from 1 January 2025 for entities falling into Group 1 (i.e. entities meeting two of the following three criteria: earning A\$500 million or more in revenue per year, having A\$1 billion or more in assets, and having more than 500 employees). Disclosure and assurance requirements will be phased in for other entities over several years³⁷.

The AASB received strong feedback on its exposure draft standards that they should align more closely with the ISSB's global baseline standards and has agreed to take this into account in the final draft³⁸. ASRS 1 will be voluntary and cover all sustainability-related disclosures (reflecting IFRS-S1), while ASRS 2 will become a standalone mandatory climate-only standard (reflecting IFRS-S2, with necessary arrangements to ensure that ASRS 2 can work independently of ASRS 1). The AUASB's final assurance standards are expected to phase in assurance requirements, taking into account the size of a reporting entity, and coverage of particular elements of an entity's report.

The Government has also announced that ASIC will provide guidance to the market to help preparers comply with the climate disclosure requirements, while Treasury will develop best practice guidance on transition plan disclosures³⁹. Respondents to ASFI's Progress Tracker Survey identified these as the two components of most interest to them in the Government's Sustainable Finance Roadmap⁴⁰, released June 2024. While some financial institutions who responded to the survey indicated a reasonable level of confidence in their organisation's ability to comply with forthcoming mandatory requirements, there was generally less confidence about the readiness of clients to comply. As noted under Recommendation 2, collaboration across industry will be important to support effective implementation the disclosure regime.

Digital reporting could significantly improve availability and accessibility of climate-related information

The IFRS Foundation has developed a global Sustainability Disclosure Taxonomy to support implementation of the ISSB standards⁴¹. The digital taxonomy enables companies to make their financial reports machine readable – making it easier for investors and other stakeholders to digitally access, extract, and compare information. The Sustainability Disclosure Taxonomy is a counterpart to the IFRS's Accounting Taxonomy, which was developed to enable digital consumption of companies' general-purpose financial reporting. The IFRS taxonomies provide a global standard which can be adopted by national jurisdictions with adjustments to reflect local accounting and other reporting regulations.

In Australia, ASIC's financial reporting taxonomy is based on the IFRS Taxonomy, with additional tags for Australian specific disclosure requirements. However, the lodgement of digital financial reports remains voluntary in Australia, and uptake has been limited. Meanwhile, several overseas jurisdictions, including the EU, US and Singapore, have introduced mandatory digital reporting in the last two decades. The development of digital reporting requirements for Australian sustainability standards, which could be adapted from the IFRS digital XBRL taxonomy, could significantly improve availability and accessibility of climate-related information. These requirements could be phased in over time, with appropriate Government funding to support the upgrade of regulatory IT systems.

A growing number of Australian listed companies are reporting against the TCFD framework

Consistent with trends in recent years, a greater share of the ASX200 is making climate-related financial disclosures in-line with the TCFD framework. According to research by ACSI, the TCFD framework has become the market standard, with 82% of ASX200 companies (and 85% of financial institutions among that cohort) reporting against or having committed to report against the TCFD framework. This represents a 7% increase from 2022, and a doubling in the number of ASX200 companies adopting the TCFD since 2019⁴². As set out under recommendations 1-4, building the capability required to comply with emerging disclosure obligations is an increasing area of focus for financial institutions and corporates.

RECOMMENDATION 14

Australia's financial system participants collectively play a leadership role in the development of the Task Force on Nature-related Financial Disclosures by:

- funding research that supports TNFD's working groups;
- engaging in the process to develop the TNFD reporting framework;
- establishing, through ASFI, an Australian project to develop guidance for nature related financial disclosures aligned to Australia's biodiversity challenges

SCORE: 4



CHANGE FROM 2023

0.0

KEY OBSERVATIONS

Momentum for nature-related disclosures continues to build, but adoption remains limited

As reported in ASFI's 2023 Progress Tracker, global momentum for nature action has continued since the adoption in 2022 of the Kunming-Montreal Global Biodiversity Framework (GBF) at COP15⁴³. Informed by consultation on agenda priorities, the ISSB announced in April 2024 it will commence work in relation to development of disclosure standards for risks and opportunities associated with biodiversity, ecosystems and ecosystem services as part of its 2024-2026 work plan⁴⁴.

Other relevant highlights include the publication by the TNFD of additional guidance materials by sector (including v2.0 of the *Additional guidance for financial institutions*) and strengthened collaboration with the Global Reporting Initiative, which saw the publication of the *Interoperability mapping between the GRI Standards and the TNFD Recommended Disclosures and metrics* in July 2024⁴⁵, and the release of revised guidance (version 1.1) by the Science-based Targets Network (SBTN).

Central banks and financial supervisors are also increasingly focusing on nature. The Network for Greening the Financial System (NGFS) released two reports on nature-related risks to guide policies and action and outline the key emerging trends related to nature-related litigation respectively⁴⁶. Additionally, in April 2024, the Green Finance Institute released a first-of-its-kind report quantifying the risks to the UK economy from nature loss. The report warned that damage to the natural environment could lead to an estimated 12% reduction in the UK's GDP - a larger hit to GDP than from the global financial crisis or COVID-19⁴⁷. This type of economy-wide assessment could serve as a model for adoption in other jurisdictions, including Australia.

These developments have helped to maintain momentum for consideration of nature-related risks and the adoption of nature-related disclosures. Insights from ASFI's Natural Capital Advisory Group indicate that financial institutions increasingly recognise the importance of nature to business resilience; with many having started to proactively assess their portfolios and assets using available frameworks and tools. See Box 2 in Recommendation 18 for more insights from ASFI's NCAG.

Australian financial institutions have been actively involved in the continued development of the TNFD

The TNFD has maintained support from individual organisations and industry groups across Australia's finance sector. RIAA continued its role as the Convenor of the official TNFD Consultation Group for Australia and Aotearoa New Zealand and has promoted the TNFD through its Nature Working Group (Group). The Group aims to support members in their stewardship responsibilities to protect nature and biodiversity in their business operations and portfolio companies⁴⁸.

As TNFD Forum members, ASFI and ACSI provided a joint feedback submission to the TNFD on its first version of the *Additional guidance for financial institutions* (v1.0). Feedback provided was based on insights garnered from both our members and focused on supporting the feasibility and decision-usefulness of the framework, which is critical to the TNFD achieving its objectives. The TNFD released a revised version of this guidance (v2.0) in July 2024.

Financial institutions are exploring how to consider nature in risk and reporting processes; but public commitments to adopt the TNFD are not widespread

Insights garnered through ASFI's Natural Capital Advisory Group, which supports our 'Valuing Natural Capital' work, indicate that Australian financial institutions have started to explore what is needed to implement nature-related reporting. Many are beginning to assess their portfolios and assets to identify material nature-related risks. These assessments are primarily guided by the TNFD's LEAP assessment approach and outcomes of high-level portfolio assessments using the ENCORE tool⁴⁹, which assesses exposure to nature in terms of impacts and dependencies. In some cases, financial institutions are struggling to understand the magnitude and severity of their findings, and develop responses, including in relation to integration of nature in enterprise-wide risk management systems and frameworks. See Box 2 in Recommendation 18 for more insights from ASFI's Natural Capital Advisory Group.

While this activity demonstrates continued progress since last reported in ASFI's 2023 Progress Tracker, Australian financial institutions remain hesitant to publicly commit to adopt the TNFD. Cited concerns include data and information availability, competing internal priorities (including focus on climate), and the overall complexity of integrating natural capital in their business.

While work is underway to strengthen national policies and regulation to better protect nature, progress on reforms has been slow and difficult

The Australian Government has continued efforts to progress work on the *Nature Positive Plan: better for the environment, better for business*, which aims to strengthen and streamline Australia's environmental laws⁵⁰. Progress however has been slow, in part due to difficulties finding consensus among relevant stakeholders on the appropriate level and manner of reform. In 2024, the Government announced its proposed reforms would be progressed in 3 stages:

- Stage 1, now complete, which consisted of establishing the Nature Repair Market and expanding the 'water trigger'
- Stage 2, introduced as draft legislation into Parliament, which seeks to establish Environment Protection Australia (EPA) and Environment Information Australia (EIA) (see Recommendation 18) and provide more support for faster environmental approvals
- Stage 3, which will progress reforms to the Environmental Protection and Biodiversity Conservation (EPBC) Act.

Funding to take forward these reforms was included in the 2024-25 Budget⁵¹; however, no other notable announcements relating to nature were included.

Another development has been the establishment in December 2023 of the Nature Finance Council, which aims to support the Government's efforts to align private finance and investment with nature positive outcomes. It brings together senior leaders across finance, conservation, science and First Nations.

In October 2024, Australia will host the first Global Nature Positive Summit in Sydney. The Summit will bring together leaders from government, corporate and finance sectors, research, environmental organisations and Indigenous groups to explore effective ways to realise global commitments under the GBF⁵². The Summit is an opportunity to highlight the urgency of national and global efforts to restore and protect nature. The Government has said it will use insights from the event to inform development of national level targets and policies that further the goals agreed in the GBF.



RECOMMENDATION 16

Financial institutions undertake scenario analysis and stress test the resilience of their organisation to physical and transition risks from climate change.

To support this, the industry creates a bottom up, industry-led stress-testing framework that includes processes, frameworks, data and tools sufficient for an organisation to stress test its business.

SCORE: 3



CHANGE
FROM 2023

0.0

KEY OBSERVATIONS

Some progress has been made in the last twelve months in relation to financial institutions' assessment and integration of physical and transition climate risks.

Majority of ASX200 companies are assessing business resilience against Paris-aligned scenarios, but analysis lacks comparability, transparency and completeness

ACSI research shows 122 companies (61%) of the ASX200 have undertaken and disclosed scenario analysis identifying both physical and transitional climate risks – a slight increase on the previous year. The rate was broadly similar for financial institutions surveyed within this cohort. 35 ASX200 companies (18%) have tested their business resilience by integrating carbon prices into climate scenario analysis or have used a carbon price to budget for their carbon offset strategy – a 9% increase from the previous year⁵³.

ACSI's research also reveals that 46% of the ASX200 (62% of financial institutions in that cohort) use Paris-aligned scenario analysis (less than 2 degrees) to stress-test the resilience of their business, unchanged from the prior reporting period. A smaller portion, 25% (40% for financial institutions) have also tested their business resilience to a faster transition, aligned to a 1.5°C-aligned outcome⁵⁴. The Representative Concentration Pathways scenarios developed by the Intergovernmental Panel on Climate Change are the most cited by ASX200 companies, but many also cite scenarios developed by International Energy Agency. As was noted in last year's Progress Tracker, inconsistencies in approaches by disclosing entities make it difficult for investors and other interested stakeholders to compare relative exposure to climate risk.

Assessment of physical risks remains a weakness in existing disclosures

A shared understanding of physical risks – particularly across financial markets – is essential to unlock private capital for adaptation and resilience. Although sixty-six percent of the ASX200 (132 companies) have undertaken and disclosed analysis of their exposure to physical risks arising from climate change (a 7% increase on the previous year), ACSI reports that improvements are needed in terms of disclosures on the depth of this analysis, scope (i.e. asset level and portfolio level risk) and examples of resilience building to adequately prepare for physical impacts of climate change.

Similarly, Investor Group on Climate Change (IGCC), via its 2024 survey of investors, found that collectively investors have made little headway on physical risk and resilience over the past two years⁵⁵. Only 16% of IGCC's survey respondents report conducting whole-of-portfolio physical risk analysis, with a mere 3% translating analysis into action across the portfolio. Moreover, just 32% of investors said they have undertaken scenario analysis, with only a quarter publishing their approach and subsequent actions. Investors in real assets were most advanced when it came to conducting and responding to scenario analysis of physical risk.

Policy reforms should drive improvements in assessments and disclosures

Several policy initiatives should help to drive improved assessment and disclosure of climate risks. DCCEEW, in partnership with the Australian Climate Service, is delivering Australia's first National Climate Risk Assessment (NCRA). The NCRA has an important role to play in providing consistent, transparent, and easy-to-access physical risk information for a range of stakeholders. The first pass assessment report was released in 2024 and identified 56 nationally significant climate risks⁵⁶.

Additionally, the forthcoming mandatory climate disclosure regime is expected to require scenario analysis against at least two scenarios – a higher warming scenario and a lower warming scenario. This will support entities to engage with potential risks and opportunities under both a rapid decarbonisation scenario as well as one in which physical risks are likely to be more profound. To support quality, consistency and comparability of information, further guidance on how to conduct and report on scenario analysis (including explaining assumptions and limitations) will be important particularly for smaller entities with less experience in undertaking scenario analysis. This guidance could be developed by relevant standard-setting bodies such as the AASB and build on existing introductory guidance available in the market⁵⁷.

RECOMMENDATION 17

Vulnerability assessments to be undertaken or planned by APRA are expanded to include fit-for-purpose assessments for small and medium financial institutions across Australia, as well as the superannuation and insurance sectors.

SCORE: 3  **CHANGE FROM 2023** **0.0**

KEY OBSERVATIONS

As was reported in last year's Progress Tracker, APRA published in November 2022 key insights and challenges identified from its inaugural Climate Vulnerability Assessment conducted throughout 2021-2022 on behalf of the Council of Financial Regulators.⁵⁹ The CVA was designed to assess the long-term financial risks of climate change for the five largest Australian banks. Insights included:

- Physical and transition risks would increase overall bank lending losses in the medium-long term, but there was significant variability in lending losses across the banks.
- Climate risks are likely to be more concentrated in specific regions or industries.
- Banks' responses to increasing physical and transition risks included adjusting their risk appetites and lending approach, i.e., reduced lending in some areas.
- Climate-related data quality and accessibility were a challenge, but not a reason not to do climate risk analysis.

Building on the CVA, and Prudential Practice Guide CPG 229 Climate Change Financial Risks, throughout 2024 APRA has completed a second climate risk assessment survey of all APRA-regulated entities⁶⁰. APRA first ran its climate risk self-assessment survey in 2022 and invited Tier 1 and Tier 2 APRA-regulated entities to participate. The 2024 survey was made available to all banking, insurance, and superannuation entities under APRA supervision. Results are expected to be published in the coming months. These are important exercises that have supported improved understanding across the finance sector of systemic climate-related risks.

Climate vulnerability assessment for insurance sector underway

Meanwhile, APRA is conducting a CVA to assess the impact of climate risk on access and affordability of general insurance⁶⁰. The CVA brings together regulators, the Insurance Council of Australia, and the five largest general insurers in Australia to gain a better understanding of how affordability may change into the future under two climate scenarios. It will also examine flow on impacts to the banking sector. Insights garnered from this initiative will be relevant for insurers, the broader financial sector, policymakers and the Australian community in responding to the challenges of general insurance affordability⁶¹. APRA has also indicated it will consider extending this exercise to superannuation and the broader banking sector in the future⁶².

RECOMMENDATION 18

Environmental and social externalities are valued by financial institutions. To support this, Australia's financial system participants help to compile national and state-level data sets by developing general principles and guidance to allow financial system participants to measure and assess multiple capitals including soil, water, education levels and gender diversity. Guidance would address how common metrics can be integrated into investment decisions and risk analysis, including, for example, determining impacts and dependencies, and materiality.

SCORE: 2



CHANGE FROM 2023

0.0

KEY OBSERVATIONS

The Australian Government has progressed steps to improve the access and quality of environmental data

As detailed under Recommendation 14, the Australian Government has been seeking to reform Australia's environmental laws as part of its Nature Positive Plan. Stage 2 of its proposed reforms include the establishment of the EIA, the country's first independent, national environmental data and information office, which is mandated to improve the access and quality of national environmental data and information and ensure there is independent reporting and accountability for our environment.⁶³

The 2024-25 Federal Budget included funding of \$63.8 million to reduce emissions in the agriculture industry. This funding includes \$28.7 million over 10 years to improve greenhouse gas accounting in the agriculture and land sector.⁶⁴ This is a welcome step to support the development of robust methodologies to calculate greenhouse gas emissions for the sector and build the capacity of Australian farmers and advisors to respond to information requests from financial institutions and other businesses as part of implementation of mandatory climate-related disclosures. This also has potential to also support better assessment and management of nature-related risks, inform decision making and support the achievement of net zero targets.

Difficulty obtaining fit-for-purpose environmental data and information remains a barrier to integrating nature in financial and business decision making

Over the last 12 months, ASFI's 'Valuing Natural Capital' partnership with Macdoch Foundation's Farming for the Future has continued to support the integration of natural capital into financial and business decision making. A key focus for our Natural Capital Advisory Group has been addressing gaps in the provision of high-quality nature-related data that can support financial institutions' decision making, risk assessment and management and transparent disclosure and reporting.

Specifically, challenges include:

- Consistency, availability and robustness of data at individual entity levels
- Misalignment between local and federal data sets and systems.
- Cost and resourcing constraints to collecting and storing data

These insights have informed ASFI's policy work in the nature space, including our submissions to the Australian Government on the Agriculture and Land Sectoral Plan (December 2023) and Australia's nature laws reform (May 2024), and to the TNFD on its first version of the Additional guidance for financial institutions(v1.0) (April 2024).

More could be done to integrate gender considerations into financing activities

Desktop research and engagement with sector stakeholders indicates that, for the most part, application of a gender lens to financing activities is not a priority for most major financial institutions and remains a relatively niche focus area. The Government's Workforce Gender Equality Agency publishes data annually on pay and equity performance in Australia across the public and private sectors, with comparisons across individual sectors and employers available⁶⁵. This could be a valuable basis for fuller integration of gender considerations in financing decisions and strategies.

The Australian Government has continued to apply a gender lens to its development policy and finance, most notably through Investing in Women and Australian Development Investments. Both initiatives seek to support women's empowerment – including supporting women entrepreneurs – through investment. Lessons can be learned for application in Australia's domestic finance sector.

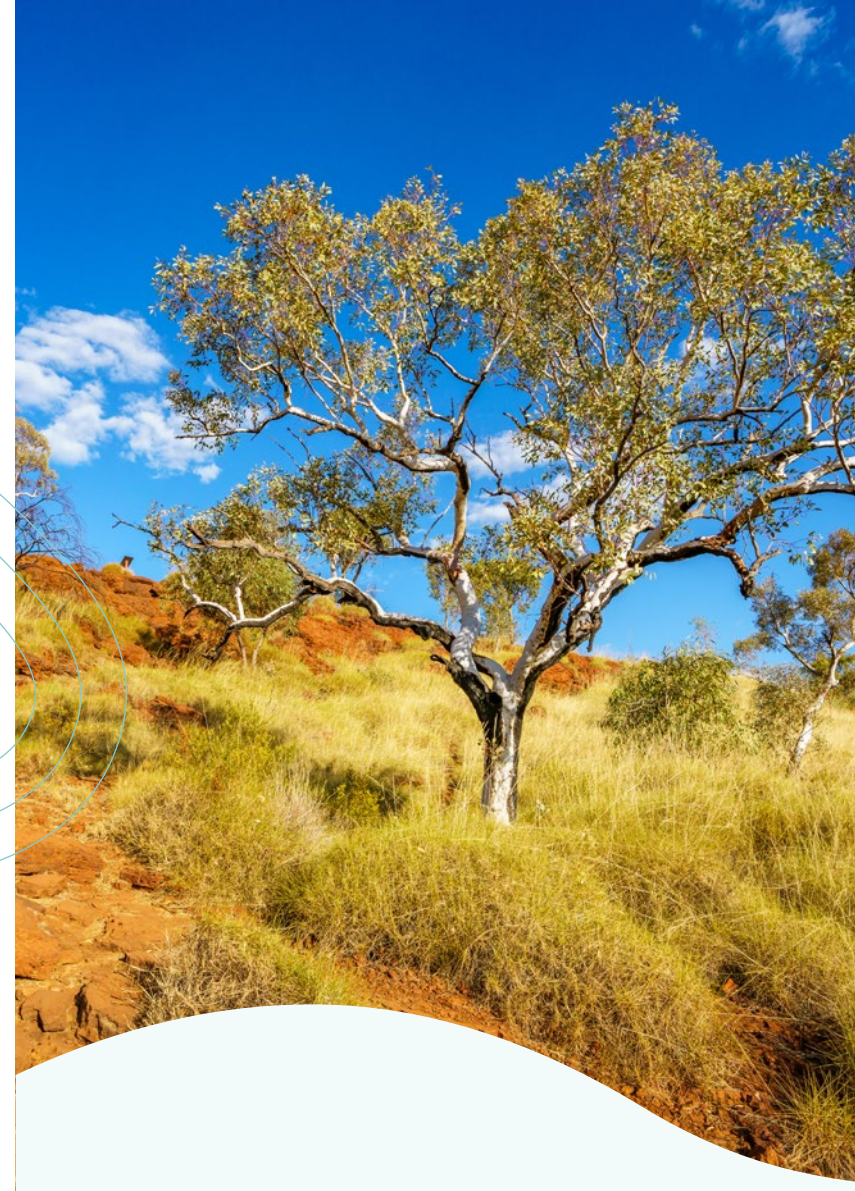
BOX 2

Insights from ASFI's Natural Capital Advisory Group

To support and shape the outcomes of the Valuing Natural Capital partnership, ASFI interviewed members of the NCAG to understand their unique perspectives regarding ambitions, needs and challenges integrating natural capital considerations in decision making. Key insights are set out below.

- While financial institutions' motivations to understand, engage with and/or invest in natural capital are varied, common motivations include the need to find solutions to reduce financed greenhouse gas emissions in the agriculture sector and increase resilience to physical climate change risks.
- There is growing appetite to deploy capital to nature assets and activities and manage nature-related risk but the current demand for these opportunities and level of understanding on how to do this is low.
- The journey to identify nature-related risks, opportunities, impacts and dependencies has started, but as yet there are no clear solutions on how best to understand, address and manage them.
- There are significant internal and external barriers to integrating natural capital considerations into business and financial decision making; including difficulties obtaining data and information, competing interests within financial institutions, diversity of clients and evolving standards and expectations.
- Government has an enabling role to play in helping to facilitate investment in natural capital and drive uptake of good land management practices in the agriculture sector; by providing the architecture for financial institutions and farmers to understand, measure, act and report on natural capital, and identify and de-risk opportunities for investment.

The insights from these interviews inform ASFI's ongoing work across the finance sector on natural capital, but they are also relevant to a broader audience – including financial institutions, actors across the agriculture value chain, and policy makers – to support economy-wide efforts to restore and regenerate nature and increase economic resilience. These insights are compiled in the 'How financial institutions are approaching nature' report, which was published in June 2024 and is available on [ASFI's website](#).



RECOMMENDATION 19

Financial institutions work with Australia's financial system regulators on an ongoing basis to embed sustainability into regulatory guidance and standards to drive systemwide practice

SCORE: 3



CHANGE FROM 2023

0.0

KEY OBSERVATIONS

More efforts needed to align regulatory mandates, guidance and standards with climate objectives

In November 2023, the Government's draft Sustainable Finance Strategy consultation paper sought stakeholder views on what more is required to align finance sector policy and regulation with climate and sustainability objectives. The Government's Sustainable Finance Roadmap, published in June 2024, states:

"Australia's principles-based approach to corporate governance obligations and financial regulation has effectively adapted to incorporate evolving understanding of material sustainability risks. Both ASIC and APRA have sent strong expectations around disclosing and managing the financial risks associated with climate change within their existing mandates."⁶⁶

There is, however, more that could be done to align financial regulation with Australia's objectives to support climate transition and sustainability. One example, which was recognised in the Sustainable Finance Roadmap, is the Your Future Your Super performance test framework (see more on this below). Additionally, ACSI and others have recommended a review of directors' duties to assess whether directors should be required to take certain sustainability matters into account (rather than the current approach, under which directors are permitted to take them into account). An example of this approach can be found in the UK's Companies Act (s172). ACSI notes that:

"The introduction of such a duty and reporting requirement could reinforce that a wider set of stakeholders and factors are of importance to a company's long-term success. A clearer articulation would also reduce any market uncertainty"⁶⁷

Other opportunities to align financial regulation include exploring the potential for adjustments to bank capital requirements to recognise the lower risk of green or sustainable assets and encourage green and sustainable finance (see Recommendation 32), and in the medium term, introducing requirements for financial advisors and superannuation funds to solicit the sustainability preference of clients (see Recommendation 28).

Regulators have continued their focus on climate

With increased funding in the 2023-24 and 2024-2025 budget specifically targeted towards greenwashing, ASIC has stepped up its enforcement action. As of 30 June 2024, ASIC had made 47 regulatory interventions to address greenwashing misconduct during the preceding 15-month period. In 2024, ASIC conducted several high-profile investigations into companies' climate disclosures, resulting in enforcement actions against those found to be non-compliant⁶⁸. The ACCC has also launched a major campaign to crack down on misleading environmental claims, resulting in several legal actions.

APRA's 2024-25 Corporate Plan, released in August 2024, identifies the following strategic responses and regulatory activities:

- *increasing gradually expectations for regulated entities to consider climate related risk in financial (e.g. lending, underwriting, and investing) decisions and aligning them with emerging best practice globally;*
- *increasing industry and supervisory awareness of the impact of nature risk on the resilience of entities, the financial system, and the community;*
- *incorporating climate risk in the prudential framework by consulting on amendments to include climate risk in Prudential Standard CPS 220 Risk Management (CPS 220)*
- *undertaking a Climate Vulnerability Assessment (CVA) to develop an understanding of climate risk drivers of insurance affordability challenges across the five largest household insurers – covering approximately 80% of the household insurance market (see Recommendation 17).*

This increased focus is welcome, however amending the mandates of corporate and financial regulators to include an express role in managing climate risk and promoting the net zero transition would further support a more proactive and holistic approach on sustainability. For example, while promotion of prudent practices and transparency in relation to climate-related financial risks is included in the Government's 2023 Statement of Expectations for APRA, to provide long-term clarity, references to climate could be embedded in relevant legislation establishing APRA's role and functions. There is recent precedent for such an approach. For example, the Government's *Climate Change Act (2022)* and *Climate Change (Consequential Amendments) Act (2022)* amended the mandates of a number of Commonwealth entities – including ARENA, CEFC and EFA – to ensure contributions to Australia's emissions reductions targets across Government.

The Your Future, Your Super performance test continues to inhibit sustainable investment

As noted in the Government's recent Sustainable Finance Roadmap, 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-making⁶⁹. While the test has been successful in identifying under-performing products and encouraging industry consolidation, the current design of the test is also seen as having had several unintended consequences. These include:

- encouraging short-term decision making and benchmark hugging, including where benchmark indices do not factor in sustainability risks or opportunities,
- discouraging investments in innovative and potentially higher-risk or longer-term assets and portfolios, including renewable energy and green infrastructure, and
- reducing member choice, product diversification and active management⁷⁰.

The above have been cited as factors constraining fund managers' abilities to adopt green or sustainable finance investment strategies at scale. This is at odds with Australia's national transition goals and could inhibit appropriate management of systemic climate and other sustainability risks.

Treasury has announced it will consider stakeholder feedback on options to refine the performance test, and will work with financial regulators, governance experts and industry stakeholders to identify policy priorities for mainstreaming sustainability considerations in corporate governance and financial institutions' investment decision-making. One potential way to do so would be through introduction of alternative sustainability indices that superannuation funds could use as benchmarks. Climateworks Centre is working with Government and industry to develop an optional framework for this purpose. The framework includes climate indices with forward-looking metrics – allowing superannuation funds to align their investments to the 1.5°C goal of the Paris Agreement and to existing and emerging sustainable finance taxonomies⁷¹.

In addition to this, Government should continue to monitor and assess the test for unintended consequences and, if need be, consider moving towards a qualitative approach to regulating super fund performance that empowers APRA to make forward-looking assessments of fund capability and risk management.

Competition law is inhibiting public interest industry collaboration on sustainability

Collaboration will be critical to achieving the scale and pace of economic transformation required to address climate and other sustainability challenges. In many cases, collaboration is needed between entities who are natural competitors.

UK Competition and Markets Authority CEO, Sarah Cardell, said:

*"Given the scale of the challenge to address environmental sustainability and particularly climate change concerns, and the degree of public concern about it, ...it is important that firms are not unnecessarily or erroneously put off collaborating in this space by fears about competition law compliance. This is particularly important because industry collaboration is likely to play an essential part in delivering net zero ambitions."*⁷²

Currently, uncertainty regarding the application of Australian competition law to collaborations on sustainability is creating challenges for a range of collaborative initiatives and this is likely to grow as more organisations seek opportunities to work together to overcome barriers to taking action on climate and sustainability. Examples include:

- Joint development of consistent climate reporting methodologies for use in a particular industry or sector;
- Co-design of public-private partnerships and investment structures and products that support sustainability outcomes;
- Participation in alliances that support entities to set and achieve credible net zero targets.

In July 2024, the ACCC published a draft guide on sustainability collaborations and competition law for public consultation.⁷³ The draft guide is designed to help businesses understand the competition law risks that may arise when contemplating working together to achieve positive environmental outcomes. While this was welcome, the guide was not sufficient to provide confidence to the market about when and how it can legitimately collaborate.

ASFI and various other peak bodies provided feedback to the ACCC on how the guide could be improved to send a stronger signal that competition law should not impede public interest collaboration for sustainability objectives⁷⁴. Broadly, ASFI has proposed that Australia should draw from the approaches being taken in the EU, UK, and New Zealand where competition regulators are clarifying the application of law to sustainability-related collaboration; streamlining exemption processes where collaboration is in the public interest to meet sustainability-related policy goals; and in some cases, establishing a more permissive regime for climate-related collaboration between competitors, including through class exemptions⁷⁵. This may go beyond the ACCC's existing mandate and require legislative reform, which should be taken up as part of the Government's Competition Policy Review being led by the Australian Treasury⁷⁶.

RECOMMENDATION 20

Australia's financial system participants positively drive best practice for the benefit of the whole of the Australian economy and society, including by:

- embedding sustainability into outsourcing and procurement practices
- embedding sustainability information into products and services for households and businesses.

SCORE: 3  CHANGE FROM 2023  **1.0**

KEY OBSERVATIONS

Both financial institutions and Government have sustainable procurement standards and policies in place

A growing number of Australian financial institutions (including major banks, insurers and superannuation funds) have sustainable or responsible procurement policies in place. These commonly cover environmental issues (including emissions, waste and pollution) and social issues including human rights, Modern Slavery, and Indigenous procurement objectives. Whole-of-sector data on the effectiveness of these policies is not readily available.

Additionally, in 2024, DCCEEW introduced a procurement policy and reporting framework to support the Australian Government to buy products that minimise greenhouse gas emissions; are safe for the environment; and retain their value for longer⁷⁷. The policy aims to build demand for these products and support Australia's transition to a net zero, circular economy. These types of Government action can support growth in demand for sustainable products and services across the economy.

The emerging Australian sustainable finance regulatory framework – in particular, mandatory climate disclosure, and the Australian taxonomy– is expected to encourage firms to identify and address sustainability related risks and opportunities in their supply and distribution chains.

Financial product sustainability information and labelling could be improved

RIAA reports that customer demand for transparency and information in relation to sustainability is increasing, with three-quarters of Australians saying it is important to them to know which companies their super fund, banking and other investments are invested in⁷⁸. Fewer than two-thirds of Australians happy with the information they receive⁷⁹ indicating there is significant scope for improvement in provision of information. The Government led development of a sustainability product labelling scheme for finance products (see more under Recommendation 27) should support increased market transparency to individual customers.

RECOMMENDATION 21

Australia's financial system participants develop stewardship codes to harmonise and enhance stewardship practices

SCORE: 2  CHANGE FROM 2023 **0.0**

Stewardship continues to be a leading responsible investment strategy globally, but is yet to be codified in Australia

Global adoption of stewardship codes continues, with Switzerland releasing the Swiss Stewardship Code in late 2023⁸⁰. The UK Stewardship Code continues to see strong adoption, with over 250 signatories⁸¹, while the Aotearoa New Zealand Stewardship Code now has 20 signatories, collectively managing the majority of assets under management in New Zealand⁸². These codes can support disclosure consistency and transparency, while also establishing an accepted baseline for responsible and/or sustainable investment management practice.

Responsible investment stewardship has become an increasing priority among Australian asset owners and managers, with RIAA reporting that the AUM covered by corporate engagement and other stewardship practices increased from \$726 billion in 2021 to \$790 billion in 2022⁸³.

Notwithstanding this, there has been limited progress in Australia in the last 12 months to develop a harmonised stewardship code across the finance sector. The Asset Owner Stewardship code, coordinated by ACSI, was updated in March 2024 and took effect from 1 July⁸⁴, while the Financial Services Council launched a mandatory stewardship code for asset managers in 2017. APRA has also made signals recognising the importance of stewardship, including in relation to Environment, Social and Governance (ESG) factors⁸⁵. Beyond this, however, Treasury's Sustainable Finance Strategy Consultation Paper⁸⁶ flagged stewardship as a potential area of focus, but the Sustainable Finance Roadmap released in June 2024 did not include stewardship in its forward work program⁸⁷.





DOMAIN 3: Enabling resilience for all Australians

AVERAGE SCORE 2024: 2.3



Overview of Domain Recommendations

Domain 3 of the Roadmap focuses on actions that support increased financial resilience, financial inclusion and financial capabilities, especially for vulnerable individuals and communities. FIs should establish Financial Inclusion Action Plans (FIAPs), and improve reporting on financial distress for households, and financial outcomes for Aboriginal and Torres Strait Islander customers. Consistent labelling standards should be developed for financial products to support consumers to understand how sustainability is considered and managed in those products. Australia should develop and implement a wellbeing framework, inspired by New Zealand's Living Standards Framework.

Summary of Progress for Domain 3:

As was the case last year, progress in relation to Domain 3 continues to lag other areas of the Roadmap.

Recommendations 22-26 in this domain relate to financial wellbeing and inclusion. While important, these have not been a major focus of ASFI's work to date and there is limited data available to support an over-arching analysis of broader sector progress. Notwithstanding, some positive developments are worth mentioning. A number of financial institutions have community finance mechanisms in place. The banking sector has collaborated with ASIC on a new Banking Code to be launched in 2025. Innovating financing mechanisms are being trialled. And ASFI is working with partners across the finance sector to develop momentum for First Nations disclosures.

Other notable developments include the Australian Government's commitment in its Sustainable Finance Roadmap to develop a sustainable investment product labelling regime in 2025, and updates to RIAA's voluntary responsible investment certification scheme with the introduction of three classifications (Recommendation 27). Work is also underway by industry bodies such as RIAA to support Australians to make financial decisions based on their values and sustainability preferences, including through delivery of training to financial advisers. The development of consistent standards and definitions, coupled with regulatory guidance, will strengthen these efforts (Recommendation 28).

Finally, additional funding to expand and enhance the Australian Bureau of Statistics' (ABS) annual General Social Survey will enable reporting on national wellbeing across each of the Wellbeing Framework's five themes.

Recommendations 22 - 26 have been discussed together given their interrelationship

RECOMMENDATION 22

Australia's financial system participants support the establishment of community finance that can be accessed by place-based groups, including clubs and social enterprises, as part of a place-based community resilience strategy.

SCORE: 2  

RECOMMENDATION 23

Australia's financial system participants develop income and revenue contingent loans as a mechanism to support individual and community resilience to acute shocks as well as chronic threats to climate and health.

SCORE: 2  

RECOMMENDATION 24

Financial institutions establish Financial Inclusions Action Plans and review current practices and design of products and services to ensure financial inclusion.

SCORE: 2  

RECOMMENDATION 25

Consistent with applicable laws and regulations, financial institutions measure and report on:

- financial distress for households to bring greater focus on individual impact and measures being taken by the institution to address financial vulnerability;
- financial outcomes for Aboriginal and Torres Strait Islander customers. This would involve working in partnership with Indigenous peoples on the approach to measurement and evaluation of outcomes for Indigenous customers. The tools used to collect relevant data should be culturally appropriate.

SCORE: 2  

RECOMMENDATION 26

Financial institutions collaborate with regulators and the Australian Government to support networks, programs and initiatives that build individual and community financial capability

SCORE: 2  

KEY OBSERVATIONS

Recommendations 22-26 aim to support individuals and communities' wellbeing, financial inclusion and/or financial capability, especially vulnerable or marginalised groups. These recommendations have not been a focus of ASFI's work as they are being progressed by individual financial institutions, ASIC and some industry organisations including the Australian Banking Association (ABA) and the Insurance Council of Australia. Limited data is available to support an analysis of overarching progress, but the sections below detail notable activity in select areas.

Some community and place-based finance initiatives are in place, but more could be done

Information on coordinated sector-led initiatives to develop community and place-based financial services and products is limited, however a number of organisations are doing work in this space. For example: several major banks have community-based grants programs in place⁸⁸; others (such as Bendigo Bank) have developed community bank branch models⁸⁹; and others are partnering with organisations such as Good Shepherd to provide no interest loans to vulnerable customers⁹⁰. In the investment space, there are examples of innovative financial arrangements to support local communities emerging (see Kullilli Bullo River case study in Box 2 overleaf), while the Paul Ramsay Foundation has identified the seeding of new community-led fund managers as a strategic priority in its impact investing program⁹¹.

Additional FIAP commitments in 2024

As reported in previous Progress Trackers, a growing number of organisations across sectors (including finance) have developed financial inclusion action plans to improve the financial inclusion, resilience, and wellbeing of their customers, employees, suppliers, and communities. As of August 2024, 13 finance sector organisations (covering superannuation, banking, insurance, and financial services) have FIAPs in place, with Bendigo and Adelaide Bank launching its first, and QBE launching its second, FIAP in the last 12 months⁹².

BOX 3

CASE STUDY: Kullilli Bulloo River Aboriginal Corporation purchase of Thargomindah Station

In the second half of 2023, the Kullilli Bulloo River Aboriginal Corporation (KBRAC) completed a landmark acquisition of the pastoral lease to Thargomindah Station, a 47,100-hectare property located within the traditional lands of the Kullilli people in Southwest Queensland.

The acquisition was supported through an innovative financing partnership involving impact investor Conscious Investment Management (CIM) and carbon farming service provider Climate Friendly. CIM structured a unique loan arrangement with KBRAC to facilitate the purchase of the pastoral lease. The loan is based on projected income from KBRAC's management of a carbon farming project on the station, which will be delivered together with Climate Friendly.

In addition to facilitating the Kullilli people's return to their land, the collaboration provides a useful example of innovative, community-based finance mechanisms that could be replicated elsewhere.

Sector collaboration on financial inclusion and security

The ABA has an active policy agenda on financial inclusion. In the past year this has included working with ASIC on a new Banking Code⁹³ (which will be launched February 2025 and seeks to provide customers with safeguards and protections not set out in laws), updating its Financial Assistance Hub⁹⁴, working with First Nations communities and state governments on accessibility of community ID cards⁹⁵, and support for prison staff and financial counsellors for customers in prison⁹⁶.

ASIC has also continued in the last year its engagement with financial institutions on its Indigenous Financial Services Framework⁹⁷.

Initiatives to drive disclosures on First Nations outcomes

In 2024, ASFI began scoping its flagship First Nations Disclosures Project. This initiative aims to develop a transparent and consistent framework that financial institutions can use to improve their engagement practices with First Nations communities. The focus is creating standards for clearer, culturally appropriate reporting on how institutions interact with and impact outcomes for Aboriginal and Torres Strait Islander communities.

The project is rooted in the belief that genuine and effective engagement starts with a framework that reflects First Nations perspectives and ensures financial institutions' accountability. By establishing a framework, the project seeks to guide financial institutions toward more meaningful and respectful partnerships with First Nations communities. It will be an important step toward embedding principles of trust and transparency in financial practices, setting the stage for better long-term engagement and outcomes.

RECOMMENDATION 27

Australia's financial system participants support the development of labelling standards that provide consumers with access to consistent labelling and disclosure of the sustainability of financial services products to provide clarity to consumers on the quality of, and how sustainability is considered and managed within, products. The development of labelling standards should link to the implementation of a sustainability classification system (taxonomy).

SCORE: 3   **1.0** 

Federal Government to develop labelling standards and disclosure requirements in 2025

In its Sustainable Finance Roadmap released June 2024, the Australian Government committed to establish consistent labels and disclosure requirements for investment products marketed as 'sustainable' or similar, including for managed funds and within the superannuation system⁹⁸. This commitment is supported with funding in the Government's budget.

Treasury has commenced work to develop the regime and will launch public consultations in early 2025. As part of its policy work, Treasury will consider:

- existing industry approaches to sustainable investment product marketing
- interactions with other relevant sustainable finance frameworks (such as the taxonomy) and broader climate and sustainability policy settings (such as emissions reduction targets)
- labelling developments in other markets, particularly in the United States, United Kingdom, and the European Union.

It will be important that the labelling regime is aligned with those in key international jurisdictions, is credible, has broad application, and is supported by complementary measures such as naming and marketing rules. The Government is targeting 2027 for regime commencement.

Updates to industry-led voluntary labelling schemes

In the meantime, and building on its voluntary Responsible Investment Certification Program, in 2024 RIAA launched a Sustainability Classifications Initiative. The initiative introduces three voluntary classifications: Responsible, Sustainable, and Sustainable Plus, which differentiate RIAA certified funds based on their responsible investment approaches, claims, processes, stewardship programs and disclosures⁹⁹.

Notable international developments

Further abroad, the UK's sustainability disclosure and labelling scheme (developed by the Financial Conduct Authority (FCA)) came into effect from 31 July 2024. The labelling scheme is principles-based and allows firms to use four specific labels for their sustainable funds (Sustainability Improvers, Sustainability Impact, Sustainability Focus, Sustainability Mixed Goals). The scheme is accompanied by an anti-greenwashing rule that applies to all FCA-authorised firms who make sustainability-related claims about financial products and services. Firms must notify the FCA when using an investment label and have until December 2, 2024, to ensure the labelling of their funds complies with the new scheme¹⁰⁰.

RECOMMENDATION 28

Australia's financial system participants enable Australians to make financial decisions based on their values and sustainability preferences including;

- ensuring financial advisers (human and robot), superannuation funds, accountants and platforms consider the sustainability preferences of consumers. The client fact-find process should be conducted in a way that is simple for consumers to understand and include a standard set of sustainability preference questions;
- for ASIC to consider strengthening its Regulatory Guide 65 to facilitate meaningful disclosures on the extent to which product issuers disclose whether and how labour standards, environmental, social or ethical considerations are taken into account for investment products;
- for trustees of registrable superannuation entities and responsible entities of other publicly available funds to voluntarily disclose their portfolio holdings within 90 days of each half year;
- for financial institutions to collaborate and develop best practice guidelines for the disclosure of portfolio holdings by superannuation entities and other publicly available funds (in the absence of regulations being passed by the Australian Parliament);
- for the Australian Parliament to pass regulations to prescribe the content and format of disclosure of portfolio holdings by superannuation entities.

SCORE: 2



CHANGE FROM 2023

0.0

KEY OBSERVATIONS

Proactive steps are needed to accommodate increasing consumer sustainable investment preferences

Australian customers are increasingly interested in the sustainability-related impacts of their financial assets. RIAA's Consumer Sentiment report 2024 found that it is important for three-quarters of Australians to know which companies their super funds, banks and other investments are invested in, and three-quarters would consider changing providers if these did not align with their values. Seventy-three percent of Australians want to see their superannuation funds support environmental and social goals (up 3% from 2022)¹⁰¹.

Given this growth in sustainability interest, it is increasingly important that financial institutions and financial advisors proactively seek clients' preferences to support product development and capital allocation. However, and as was the case last year, our survey of financial institutions to inform this Progress Tracker revealed limited practice to actively solicit customers' sustainability preferences

There are some industry-led initiatives that seek to encourage better practice in this area. For example, RIAA's Sustainable Investment Advice Course (launched in May) is designed for Australian and Aotearoa New Zealand financial advisers to integrate ESG and sustainability into financial advice¹⁰². It seeks to empower advisers to confidently engage, research and advise clients with ethical values and sustainable investing objectives.

Requiring financial institutions and financial advisors to seek clients' sustainability – as is the case in the EU – could significantly increase allocation of capital for sustainable activities.

Consistent definitions will support customer confidence and support decision making

As reported in last year's Progress Tracker, lack of agreed definitions for commonly used terms such as 'responsible', 'sustainable' or 'ethical' investment continues to challenge confidence in sustainable finance claims and creates greenwashing risks. According to RIAA, seventy-eight percent of Australians are increasingly wary of greenwashing – an increase from 72% in 2022¹⁰³.

Work is underway to respond to this challenge. For example, once developed, the Australian sustainable finance taxonomy will be a robust tool to help assess the sustainability credentials of financial products. As noted under recommendation 27, the Government has also committed to developing a sustainability product labelling regime, while ASIC has published further guidance on how to avoid greenwashing¹⁰⁴.

In terms of voluntary initiatives, RIAA has partnered with the Global Sustainable Investment Alliance and UN Principles for Responsible Investment to support global alignment of definitions of responsible investment approaches via the *Definitions for Responsible Investment Approaches* document¹⁰⁵.

RECOMMENDATION 29

Australia's financial system participants collaborate, through ASFI, to develop best practice principles to guide product design, delivery and disclosure to drive sustainable and community-focused outcomes.

SCORE: 1   **0.0**

KEY OBSERVATIONS

As reported in ASFI's 2023 Progress Tracker, there is little evidence of progress against this recommendation, with product design and delivery principles not currently being developed. It has also not been an area identified by ASFI members or other partners as one that is critical to achieving the most progress towards the ambition of the Roadmap. There has however been significant progress on disclosures (see Recommendations 11, 12, 13, 15), which will support better access to information. The Government has also committed to introducing a sustainability product labelling regime, with consultation due to commence in early 2025 (see Recommendation 27).

RECOMMENDATION 30

Australia's financial system participants support the development and implementation of an Australian focused wellbeing framework.

SCORE: 5   **0.0**

KEY OBSERVATIONS

Additional funding for the ABS support assessment of wellbeing indicators

The release of Australia's first national wellbeing framework, *Measuring What Matters*, was a significant milestone which marked the achievement of this Recommendation in 2023. ASFI welcomed the framework and its aim to provide a more holistic assessment of Australia's wellbeing and progress towards national goals rather than traditional economic assessments, as well as the inclusion of a sustainability pillar.

In June 2024, the Government transferred reporting of annual progress against the framework from Treasury to the Australian Bureau of Statistics, including increased investment of \$14.8 million to expand and enhance the ABS' annual General Social Survey¹⁰⁶. This will embed the framework alongside other indicators, and improve the quality and timeliness of the Measuring What Matters dashboard.

Assessment across Australia's first national wellbeing framework, *Measuring What Matters*, commenced in August this year.

Since its release, the Government has launched a Dashboard to assess national wellbeing across each of the Framework's five themes: health, security, sustainability, cohesiveness, and prosperity¹⁰⁷. In August 2024, the Dashboard was updated with data across 42 of 50 indicator pages, with headline metrics updated in 30 of these. The expanded General Social Survey will increase the number of indicators and metrics updated annually, with data available from this survey in 2026.

National assessment which recognises the importance of social and environmental wellbeing to Australia's progress and prosperity will underpin better policymaking, and enable financial institutions to understand the relationship between their operations and social and environmental factors. The Government has outlined that *Measuring What Matters* is a living framework which will be refined and improved over time in response to ongoing feedback, research and data¹⁰⁸.

Wellbeing considerations should be integrated across policy and practice

The Centre for Policy Development's (CPD) "Wellbeing Government Initiative" promotes the integration of wellbeing considerations into mainstream decision making to advance the wellbeing of people, communities and the environment. CPD underscores the need for Government to develop explicit practical guidance for public servants to make decisions that optimise well-being; to embed wellbeing across its institutions; and establish accountability mechanisms with governments for progress on wellbeing indicators. CPD has also proposed some concrete steps to take the wellbeing agenda forward, including:

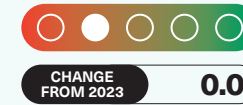
- the Government lead a 'national conversation' on wellbeing to gain perspectives from a broad and diverse range of voices; foster a shared understanding of and support for wellbeing approaches; and build trust within communities and in government;¹⁰⁹
- Amending the Government's Budget Process Operational Rules – which guide Australian Government decision-making on policies and programs – to better capture secondary benefits of government actions and their long-term impacts. CPD's analysis suggests this would incentivise government action that promotes early intervention and prevention, and promote better coordination across policy portfolios, supporting long-term wellbeing and flourishing of Australia society.¹¹⁰





DOMAIN 4: Building sustainable finance markets

AVERAGE SCORE 2024: 2.4



Overview of Domain Recommendations

Domain 4 sets out a range of recommendations designed to catalyse private finance and investment to support the net-zero transition, increase climate resilience, protect and restore Australia's natural capital, and promote better social outcomes. Australia's financial system participants should develop science-based targets and trajectories for the transition to net-zero emissions by 2050. Measures are proposed to support capital flows for innovative climate solutions, increase disaster preparation and resilience of buildings and communities, increase investment in social enterprises, and support low emissions real property and infrastructure.

Summary of Progress for Domain 4:

While work by both Government and the finance sector throughout 2024 indicates growing attention to the issues covered in Domain 4, tangible progress to advance outcomes set out in the Recommendations has been limited.

Leadership by financial institutions and organisations such as ASFI remains essential to move the sector towards net zero, however the Government is now taking a strong role in setting targets and putting in place policies to support decarbonisation across Australia's economy. Notable work underway in 2024 includes the development by the Government of sector decarbonisation plans for six priority sectors, and work by the Climate Change Authority (CCA) on technology transition, emissions pathways and recommendations on Australia's 2035 emissions reduction target.

Encouragingly, a growing number of Australian businesses have net zero targets in place, although the extent to which they are science-based, and supported by credible transition plans, is varied (Recommendation 31). Reporting on the extent to which financial markets are supporting the transition is increasing, with various leading industry bodies conducting and publishing research (Recommendation 33).

Both industry and the Government are also seeking to catalyse private investment in climate technologies. Venture capital, industry collaboration, and policies and funding arrangements such as those part of the Future Made in Australia package, and existing vehicles such as the CEFC and National Reconstruction Fund are all playing an important role. Other steps to reform regulatory frameworks– for example through green capital weightings – could be helpful in incentivising sustainable finance markets (Recommendation 32).

There has been growing recognition in the last 12 months of the need to address existing and historical underinvestment in climate adaptation and resilience. Efforts by Government to address physical climate risk include the National Climate Risk Assessment and development of the National Adaptation Plan (NAP), while industry-led initiatives include the continued rollout of the Resilient Building Council's home self-assessment tools. Further work will be required to increase resilience to climate risk across the economy, in particular for buildings (Recommendation 34).

There has been limited observable progress to advance Australia's impact investing market or establish a social impact wholesaler, however the Government remains committed to development of a nature repair market. Detail on how this will operate remains to be seen. This detail will be important to ensure the market's credibility and effectiveness (Recommendations 35 and 36).

Finally, there has been some progress on the development of a national energy ratings and disclosure framework for existing homes, and investments in energy efficiency for homes under the Government's Home Energy Upgrade Fund (HEUF). State, Territory and Commonwealth government coordination on climate and energy is improving, while the National Energy Performance Strategy released in April 2024 contained little by way of concrete initiatives to drive the upgrades to residential properties required to help meet Australia's 2035 emissions reduction target and reduce reliance on fossil fuels (Recommendation 37).

RECOMMENDATION 31

Australia's financial institutions collaborate, through ASFI, to establish interim science-based targets and trajectories to align and facilitate the transition to net zero emissions by 2050.

SCORE: 2  **CHANGE FROM 2023** **0.0**

KEY OBSERVATIONS

As reported in the 2023 Progress Tracker, ASFI is not seeking to coordinate targets and trajectories of Australian financial institutions. While industry leadership – both by individual financial institutions, and through organisations such as ASFI – remains essential, Government is now taking a strong role in setting targets and putting in place policies to support decarbonisation. Key developments over the past 12 months are outlined below.

Despite significant progress, world is falling short of Paris goals

We are starting to see a significant shift away from fossil fuel financing. The major five European banks' fossil fuel financing reduced by 42% between 2016 and 2023, while the big four banks in Australia reduced their fossil fuel financing by 55% over the same period¹¹¹.

More broadly, however, the 'Global Stocktake' of climate action that took place in 2023 in the UNFCCC highlighted that while progress has been made over the past two decades, emissions reductions are not on track to reach the Paris Agreement goals. If net zero targets are fully implemented, global temperature increases could be contained to 1.7–2.1°C. Every tenth of a degree reduced will also see a reduction in physical climate impacts. However, there is a large gap between what countries have committed to and what they are on track to achieve¹¹².

Australia is almost on track to meet its 2030 target, but the target is not Paris-aligned

The Australian Government's 2023 emissions projections demonstrate stronger progress towards Australia's 2030 emissions target than the previous year's projections. Taking into account policies that have been announced but not yet implemented, Australia's emissions are projected to be at 42% below 2005 levels by 2030¹¹³. This compares to 40% below 2005 levels in the Government's 2022 projections¹¹⁴.

As reported in ASFI's 2023 Progress Tracker, Australia's 2030 target to reduce emissions by 43% on 2005 levels by 2030 is not consistent with limiting global temperature rise to 1.5°C. Credible analysts have suggested that a 1.5°C consistent pathway for Australia requires a reduction of at least 48%, and ideally 68%, relative to 2005 levels by 2030¹¹⁵.

Government continues to develop sector decarbonisations plans and Australia's 2035 NDC

Work continues by multiple Australian Government departments to develop sector decarbonisation plans for electricity and energy; industry; resources; the built environment; agriculture and land; transport¹¹⁶. Sector plans will consider the emissions reductions impacts of existing policies relating to a sector and will propose new policies to further drive emissions reductions¹¹⁷. It is expected that the plans will become more ambitious over time. Figure 5 provides further information regarding the sector plans.

The sector decarbonisation plans are due to be finalised in 2024, and will feed into the Government's Net Zero 2050 Plan and 2035 Nationally Determined Contribution including a 2035 emissions reduction target. The Paris Agreement requires all countries to announce their next NDCs in 2025 ahead of the UNFCCC's COP30 meeting to be held in Brazil, 10-21 November 2025.

FIGURE 5

Australia's sector plans

Sector plan	Relevant Minister/s	Relevant Department/s
Electricity and Energy	Climate Change and Energy	Climate Change, Energy, the Environment and Water (DCCEEW)
Agriculture and Land	Agriculture, Fisheries and Forestry Environment and Water Climate Change and Energy	Agriculture, Fisheries and Forestry (DAFF) Climate Change, Energy, the Environment and Water (DCCEEW)
Transport and Infrastructure	Infrastructure, Transport, Regional Development and Local Government Climate Change and Energy	Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA) Climate Change, Energy, the Environment and Water (DCCEEW)
Resources	Resources and Northern Australia Climate Change and Energy	Industry, Science and Resources (DISR) Climate Change, Energy, the Environment and Water (DCCEEW)
Industry	Industry and Science Environment and Water Climate Change and Energy	Industry, Science and Resources (DISR) Climate Change, Energy, the Environment and Water (DCCEEW)
The Built Environment	Industry and Science Climate Change and Energy	Industry, Science and Resources (DISR) Climate Change, Energy, the Environment and Water (DCCEEW)

Source: DCCEEW (Net Zero - DCCEEW)

The Government's Net Zero 2050 plan and 2035 NDC will draw on two pieces of advice from the Climate Change Authority. The first is the CCA's sector technology decarbonisation pathways (published in early September) while the second is the CCA's recommendations on the 2035 target (due before the end of 2024).

On the former, the CCA's sector pathways report urges increased focus from Government, business and investors to support economy-wide decarbonisation, including through greater deployment of mature technologies (e.g. solar, wind and batteries) and rapid development of emerging technologies (e.g. hydrogen and carbon removal). On the latter, the CCA published an Issues Paper in April 2023 proposing a 2035 emissions target of between 65% and 75% below 2005 levels. This is consistent with analysis by Bloomberg New Energy Finance that finds for Australia to remain aligned with a 1.75 degree temperature rise, it needs to target at least 71% emission reduction from energy-related sectors by 2035 relative to its 2005 baseline¹¹⁸.

Finance sector groups including ASFI, ACSI, ICA, and IGCC have called for Australia's 2035 target to be Paris aligned or specifically 1.5 degree aligned¹¹⁹. Updated modelling by Climateworks Centre released in November 2023 indicates that to be 1.5 degree aligned, Australia's target 2035 target should be 85% and that this is technically feasible¹²⁰. Other credible analysis suggests a 2035 target of 90% is needed¹²¹. In 2035, Australian emissions are projected to be 53% below 2005 levels indicating significant further measures are required for a 1.5 degree pathway.

Climate targets by Australian businesses

The Australian Council of Superannuation Investors' 2024 report on climate-related disclosures by ASX200 companies found that 131 ASX200 companies (66%) have made a net zero commitment, an 8% increase on last year. This includes 19 of 26 financial institutions surveyed (73%). Larger listed companies appear to be leading the way, with 94% of ASX50 companies having set a net zero commitment.

"82% of the market capitalisation of the ASX200, representing approximately \$2.2 trillion, is invested in companies that have set net zero ambitions – mostly by 2050 or before."

Positively, most of these companies (93%) have also set some sort of interim targets. The Investor Group on Climate Change found that that 57% of investors interviewed for its "The State of Net Zero Investment 2024" report have set interim targets for their entire portfolio or for specific asset classes, up from 40% in 2022¹²².

However, detail on how businesses intend to meet their emissions targets remains variable and is a key source of uncertainty about the credibility of corporate targets. For example, only 30% of companies with net zero commitments refer to science-based methodologies in their approach to setting emissions reduction targets.

As previously noted, the introduction of mandatory climate related financial disclosures in Australia is expected to drive greater quality and comparability of reporting on corporate emissions targets and progress towards them. A key component of this will be the requirement to report any transition plans that entities have in place. The Government has committed to consulting next year on guidance for transition plan disclosure. Taxonomy-aligned metrics are recognised in best practice transition plan guidance - including by GFANZ, SBTi and TPT - as a credible way to anchor targets addressing transition-related opportunities. Key metrics include percentage of taxonomy alignment of an entity's capital expenditure, operational expenditure and/or revenue. A growing number of firms, particularly in the EU are adopting such metrics to underpin investment targets¹²³.

RECOMMENDATION 32

Australia's financial system participants work collaboratively to support development of a sustainable capital market by:

- working with financial system regulators to develop guidance for financial institutions on treatment of green and resilience or sustainable assets related to risk weightings and capital treatment of such assets;
- removing roadblocks to commercialising impactful technologies and developing investment models that align with liquidity requirements of financial system participants;
- working with financial system regulators to develop guidance on sustainable benchmarks and indices;
- supporting sustainability-focused businesses across the Asia-Pacific region to raise capital and issue bonds through Australia's capital markets;
- supporting sustainability-focused businesses in the Asia-Pacific to list on ASX or other Australian stock exchanges, including clean technology businesses that deliver products and services throughout this region.

SCORE: 2  CHANGE FROM 2023 0.0

KEY OBSERVATIONS

Growing cross-sectoral efforts to drive climate technologies and industries

Australia's climate tech industry has continued to develop over the last 12 months. Climate Salad's 2024 Australian Climate Tech Industry Report identified 689 climate tech companies operating in Australia, with a collective \$1.8bn raised to date¹²⁴. Collaborations such as Greenhouse are contributing to collaboration and growth across the climate tech space in Australia. A notable development in the last 12 months was the announcement by Virescent Ventures – Australia's largest dedicated climate tech venture fund – of its plans to raise a second, \$200m fund¹²⁵.

The Australian Government has also taken positive steps this year to incentivise private finance and investment for Australia's climate transition, including through the Future Made in Australia (FMIA) package and the Sustainable Finance Roadmap. FMIA is an important step forward for driving finance, technologies and initiatives for the net zero transition. In the 2024-25 Federal Budget, the Government announced \$22.7 billion in support for investment in priority sectors to enable Australia's renewable energy superpower vision – particularly critical minerals, renewable hydrogen and battery supply chains¹²⁶. The package includes investment of \$3.2 billion through the Australian Renewable Energy Agency (ARENA) to support the commercialisation of technologies that are critical to the net zero transformation. ARENA will also administer a \$1.7 billion Innovation Fund to invest in early-stage renewable energy technologies, and funding to support battery manufacturing.

Additionally, the National Reconstruction Fund Corporation (NRFC), established in September 2023, will support seven priority areas of the Australian economy, including renewables and low emission technologies. The NRFC will provide finance in the form of debt, equity and guarantees to support Australian industries to decarbonise. NRFC's investment in commercial opportunities for manufacturing products includes renewable energy generation, transmission, distribution, or storage, reducing greenhouse gas emissions, energy efficiency, recycling, and waste reduction.

Steps could be taken to signal green capital weightings and align other regulatory settings

Notwithstanding the above progress, regulatory barriers to sustainable finance remain, and are limiting flows of capital in support of the transition at the pace required. Among the areas identified by finance sector stakeholders for potential reform are and capital weightings for banks, and the Your Future, Your Super performance framework.

Some jurisdictions, notably the EU, have explored potential adjustments to prudential frameworks, including through green capital weightings¹²⁷. The rationale for doing so is two-fold: first, recognition of the likely increasing materiality of climate and other environmental risks to the financial system; and two, recognition that flows of capital to address climate change are not occurring at the pace required. Exploring adjustments to weightings to recognise the lower risk of green or sustainable assets could potentially unlock significant finance while supporting the long-term stability of the Australian finance system¹²⁸. Additionally, integrating ESG criteria into the risk assessment frameworks used under Basel III could provide a more nuanced understanding of the risks and benefits of sustainable investments. Doing so would support banks to better evaluate the long-term stability and profitability of assets and investments.

On the superannuation performance framework, and as noted above under Recommendation 19, work is underway to develop sustainability aligned indices. For example, Climateworks Centre is working with Government and industry to develop an optional framework that includes climate indices with forward-looking metrics – allowing superannuation funds to align their investments to the 1.5°C goal of the Paris Agreement and to existing and emerging sustainable finance taxonomies.

Government has stepped up efforts to encourage Australian investment in Southeast Asia

The Government's Southeast Asia Economic Strategy, released in late 2023, affirms that Southeast Asia is a major opportunity area for Australian business and finance. Implementation has begun on several recommendations that focus on supporting Australian institutional capital to help finance and invest in the region's green transition. This includes increased engagement with regional partners on the development of high-quality and interoperable sustainable finance definitions, and the establishment of investment 'deal teams' for the region, which blend private sector and Australian Government capabilities to provide outward investment (including financing) services.

RECOMMENDATION 33

Australia's financial system participants produce a regular report that considers whether Australia's sustainable finance markets are functioning efficiently to support the delivery of net zero emissions by 2050, consistent with science-based targets.



KEY OBSERVATIONS

Information regarding market progress on net zero continuing to develop

Part A of this Progress Tracker provides a brief snapshot of sustainable finance in Australia. It is informed by desktop research, interviews with representatives across the finance sector, and a survey of finance sector professionals.

As set out under Recommendation 31 (above), several other industry and peak bodies are also reporting on progress in relation to climate action across the finance sector. ACSI's *'Measuring and Rewarding Climate Progress'* report¹²⁹ looks at the extent to which climate-related metrics and targets are integrated into organisational and Executive performance frameworks. IGCC's *'State of Net Zero Investment 2024'* report¹³⁰ looks at institutional investors' progress in developing and monitoring climate-related targets, assessing and responding to climate risks, and integrating climate-related considerations in portfolio development, corporate engagement, policy and advocacy, disclosures and governance. The ICA's *'Climate Change Roadmap (2023 Update)'*¹³¹ outlines progress in the insurance sector on development and monitoring of climate targets. Key findings from these reports are set out in Part A of this Progress Tracker.

In recent years, the Progress Tracker has also drawn on research and data in the Responsible Investment Association Australia's 'Responsible Investment Benchmark Report', however at the time of writing updated data for 2024 is not available.

RECOMMENDATION 34

Australia's financial system participants work collaboratively to promote climate risk mitigation efforts and to ensure buildings are disaster resilient by:

- implementing a framework for assessing the cost of mitigation investment that factors in the broader social costs and benefits;
- supporting, through credit guarantees and other measures, banks/lenders to lend for mitigation retrofits through issuance of resilience bonds;
- supporting household-level risk mitigation for owners and renters through education and incentives for those who cannot afford to implement retrofitting.



KEY OBSERVATIONS

Impacts of climate change continue to increase financial pressures on households

The increasing prevalence of climate-related events presents sizable challenges to Australia's financial stability. Estimates put the expected costs of extreme weather events in Australia as being between \$35 billion¹³² and \$38 billion¹³³ per year by 2050, making it increasingly challenging to provide insurance to households and businesses, reducing the mortgage value of assets, and slowing investment in the net zero transition. Additionally, national data shows that between 2008/09 and 2022/23 there were 240,828 incidents of displacement (i.e. forced movement) due to extreme weather events in Australia¹³⁴.

As the cost and frequency of natural disasters increase, the risk profile of businesses and individual households in many parts of Australia is increasing, driving up the cost of insurance premiums. The risk that a growing proportion of Australians could seek to abandon insurance cover or underinsure is leading to credit risk adjustments for households and businesses. Given that insurance is a pre-condition of home mortgages, finance may increasingly become unavailable for higher risk residential areas.¹³⁵

Growing policy and sector attention on adaptation and resilience

Encouragingly, there appears growing recognition of the need to address existing and historical underinvestment in climate adaptation and resilience. At the Commonwealth level, the first pass report of the National Climate Risk Assessment was released earlier this year and includes a focus on infrastructure and the built environment, including risks to building resilience and life expectancy¹³⁶. Consultations on the Government's National Adaptation Plan Issues Paper took place in March-April 2024. The NAP will be further developed following completion of final National Climate Risk Assessment report (expected by December 2024)¹³⁷.

The Australian Government is also seeking to shift the focus from disaster recovery to preparedness via the \$1 billion Disaster Ready Fund, with successful projects from the fund's second round expected to be announced later this year, and a third round of funding in 2025¹³⁸. The Federal Budget 2024-2025 provided additional funding to uplift the National Emergency Management Agency's capacity to support Australians before, during and following disasters, and to the Department of Social Services to support Australians experiencing financial distress in times of crisis and natural disasters.

At a sector level, the Resilient Building Council's free Bushfire Resilience Rating Home Self-Assessment App provides a useful example of public-private collaboration. In the last year, several insurers and banks, including NRMA, NAB and Suncorp, announced customers could be eligible to receive discounts to their household insurance premiums by using the self-assessment¹³⁹. This follows the development of the app with support from the Australian Government in 2023.

Spotlight on insurance challenges

There has been considerable attention in the last 12 months on the challenges relating to insurance and reinsurance availability and affordability in the context of climate change and weather-related disasters. Research by the Actuaries Institute revealed increasing reinsurance rates through 2023, which contributed significantly to home insurance premiums¹⁴⁰. Additionally, following a reference from the Federal House of Representatives in 2023, the House of Representatives Standing Committee on Economics commenced an inquiry into insurers' responses to 2022 major floods claims and is scheduled to report by 18 October 2024¹⁴¹. Similarly, the Senate established a Select Committee on the Impact of Climate Risk on Insurance Premiums and Availability, with a report due by 19 November 2024¹⁴².

These inquiries build on existing initiatives underway across the insurance sector in partnership with the Insurance Council of Australia, governments and regulators, such as the APRA-led Climate Vulnerability Assessment and the Hazards Insurance Partnership, which is being led by the National Emergency Management Agency.

Need for further integration, coordination and cooperation on adaptation and resilience

Effectively managing the physical impacts of climate change could be better supported by better integrating resilience into existing climate-related policy and mechanisms. For example, reviewing land use and planning frameworks, as well as building standards, to properly account for resilience considerations would be beneficial.

Developing criteria for adaptation and resilience in the Australian sustainable finance taxonomy could identify activities, assets and measures that drive adaptation and resilience outcomes, and help unlock private capital in support of those outcomes. This is particularly relevant for the built environment, infrastructure, and agriculture sectors.

Finally, there is some support for expanding the mandates of the Australian Renewable Energy Agency and the Clean Energy Finance Corporation (CEFC) to include resilience as well as emissions reduction. This would help crowd in private finance in support of adaptation measures.

RECOMMENDATION 35

Australia's financial system participants work collaboratively to support development of sustainability impact and resilience markets including natural capital, carbon, impact investment, and climate mitigation and adaptation, with a focus on:

- building market architecture through the establishment of common platforms for information disclosure, trading and intermediary services, with strong governance rules and enforcement;
- development of standardised documentation to reduce transaction costs, and
- support for credit guarantees and other measures that reduce the risk of financing and investing;
- developing social enterprises and impact investments that focus on Asia-Pacific countries.

KEY OBSERVATIONS

Limited development of domestic sustainability markets

As noted under recommendation 36 (below), there has been limited progress in the last 12 months to develop domestic sustainability markets, in particular relating to impact investment. The Government has taken some steps to progress its proposed Nature Repair Market, including by appointing a Nature Repair Market Committee and launching public consultations on initial policy development¹⁴³. Further consultation and detail on the proposed market will likely be needed. The Government has also pursued further minor reforms to the Safeguard Mechanism, which has market elements, including amended guidelines in relation to emissions intensity determinations¹⁴⁴.

Good progress to build sustainability and impact markets in the region

As noted in last year's Tracker, the Government announced in 2023 an expansion of its impact investing efforts in Asia-Pacific through Australian Development Investments (ADI).

In the last year, the Government also announced a \$2 billion Southeast Asia Investment Financing Facility (SEAIFF) to be managed by Export Finance Australia. The fund is part of the Government's implementation of its Southeast Asia Economic Strategy to 2040. SEAIFF will provide loans, guarantees, equity and insurance for projects that will boost Australian trade and investment in Southeast Asia, particularly in support of the region's lean energy transition and infrastructure development objectives¹⁴⁵. This is a welcome development.

SCORE: 2



CHANGE
FROM 2023

0.0

RECOMMENDATION 36

Australia's financial system participants back initiatives to catalyse the establishment of sustainability impact and resilience markets by supporting the formation of an independent Social Impact Investment wholesaler for Australia.

SCORE: 2

CHANGE FROM 2023

0.0

KEY OBSERVATIONS

Limited progress in the last 12 months on establishment of an Australian social impact investment wholesaler

On 18 December 2023, the Final Report of the Australian Social Impact Investing Taskforce was released by the Australian Government (the report is an update of the Taskforce's 2020 report). One of the report's key recommendations was the establishment of an impact investing wholesaler for Australia.

Neither the Federal Government nor financial institutions are yet to commit to establishing a wholesaler, but the 2024-2025 Budget did include two announcements of note in this space. First, \$14.1 million in funding will be provided to state governments to trial social impact investments, which aim to assist vulnerable priority groups and people at risk of homelessness. This builds on work already underway by some state governments, in particular the NSW Government's Office of Social Impact Investment¹⁴⁶.

Second, an additional \$4.7 million will be provided over three years (and an additional \$0.8 million from 2028–29 to 2033–34) to establish, manage, and evaluate the Government's \$100 million Outcomes Fund. The Outcomes Fund will be established from 2024–25 to fund projects that support communities experiencing entrenched disadvantage.

RECOMMENDATION 37

Australia's financial system participants finance the development and regeneration of real assets, including infrastructure and property (housing, industrial and commercial), through:

- aligning Australia's Infrastructure Priority List produced by Infrastructure Australia with the objective of achieving net zero emissions by 2050;
- efficient and streamlined regulatory requirements for investment into essential assets, including energy network, transport concessions and social infrastructure, with the aim of substantially reducing the time/cost/effort involved to invest and finance critical infrastructure;
- working with the Australian Energy Market Operator (AEMO), Australian Energy Market Commission (AEMC), Australian Energy Regulator (AER), Energy Security Board (ESB) and COAG Energy Council to expedite an actionable Integrated System Plan with the objective of unlocking critical investment into transmission, interconnection, renewables and distribution;
- developing infrastructure investment across the Asia-Pacific region that is focused on delivering social and environmental outcomes;
- integrating environmental, social and governance (ESG) factors into the investment decision-making process for new infrastructure projects, and for expansions to existing assets, using broadly accepted standards and frameworks relevant to the specific category of infrastructure assets, such as GRESB's Infrastructure Asset Assessment, Infrastructure Sustainability Council of Australia's (ISCA) Infrastructure Sustainability rating and the Green Building Council of Australia's Green Star Rating System;
- using a national rating scheme for the energy performance of homes such as the Nationwide House Energy Rating Scheme (NatHERS)

- and establishing mandatory disclosure of performance at the point of sale and lease;
- supporting an industry approach to adopt the three major rating tools (National Australian Built Environment Rating System (NABERS), Green Star and ISCA's Infrastructure Sustainability rating scheme) as measurement benchmarks, provided they implement a net zero emissions pathway consistent with a 1.5°C trajectory across operational and embodied carbon, and minimum standards for new and existing assets to become more climate change resilient and socially responsible;
- integrating built environment ratings into consumer and business lending and investment valuations, including infrastructure projects; and
- working with stakeholders, including the construction sector, to update the National Construction Code so that future residential properties are built to be resilient to climate change and broader climate and geological risks, and ensure energy efficiency as well as use of sustainable materials.

SCORE: 3

CHANGE FROM 2023

0.0

KEY OBSERVATIONS

Residential energy performance remains an important lever for decarbonisation and cost of living relief

As reported in ASFI's 2023 Progress Tracker, the Australian Government made significant commitments to improving residential energy efficiency in 2023 including establishing a \$1 billion Home Energy Upgrade Fund under the Clean Energy Finance Corporation. The HEUF has begun to deploy and will support piloting of green home finance approaches (see Case Study in Box 3 below). There has also been important progress on the development of a national energy ratings and disclosure framework for existing homes, with the publication of the Disclosure Framework Version 2 for consultation in July 2024¹⁴⁷ and Consultation Paper on NatHERS for existing homes in August 2024¹⁴⁸.

However, the National Energy Performance Strategy released in April 2024 contained little by way of concrete initiatives to drive the millions of upgrades to residential properties required to help meet Australia's 2035 emissions reduction target. This is a missed opportunity to reduce emissions, lower energy bills for Australian households, and avoid adverse social outcomes that are already occurring as households seek to transition off gas¹⁴⁹. Supporting households to disconnect from the gas network in an orderly way can also contribute to closing the gap between projected demand and supply in the Australian gas market, and ensure the most vulnerable consumers aren't left paying increasingly high fees for remaining connected to the gas network in the future¹⁵⁰.

In some areas, state governments are leading the way. The Victorian Government has required new homes to be all electric from 1 January 2024, introduced new minimum energy efficiency standards for rental properties, expanded its Victorian Energy Upgrades program to support a wider range of electric appliances, and is considering or implementing a range of other measures to support household electrification and energy efficiency¹⁵¹. Electrification and energy efficiency has also been a focus area for the Energy and Climate Change Ministerial Council which represents state and territory energy ministers – see below.

State, Territory and Commonwealth coordination on climate and energy is increasing

The federal nature of Australia's energy policy and regulation makes cooperation between governments critical for progress on key areas such as the built environment, energy generation and transmission infrastructure, and National Electricity Market rules. In July 2024, the Energy and Climate Change Ministerial Council progressed cooperation across a range of issues including: endorsing a National Consumer Energy Resources (CER) Roadmap to support equitable rollout of CER including solar, batteries, and grid-interactive devices such as water heaters and air-conditioners, releasing national guidelines for community engagement for transmission infrastructure, releasing a national

statement of intent for regional and remote EV charging infrastructure, approving a new Greenhouse and Energy Minimum Standards package, including expediting Minimum Energy Performance Standards for heat pump hot water systems.

The Council also agreed their response to the Australian Energy Infrastructure Commissioner's Community Engagement Review published in February 2024. This review identified recommendations to materially improve community engagement effectiveness, supporting better outcomes for communities and social licence for essential roll out of transmission and generation infrastructure particularly in regional Australia¹⁵². The ECMC response agreed or agreed 'in principle' to each of the Review's nine recommendations¹⁵³.

AEMO publishes 2024 Integrated System Plan (ISP)

The ISP (published in June 2024) is a plan for investment in the National Electricity Market (NEM) to ensure a reliable and secure power system through Australia's transition to a net zero economy¹⁵⁴. AEMO carried out engagement to inform the development of the 2024 ISP regularly from September 2022 to May 2024, with input from more than 2,100 stakeholders.

The 2024 ISP notes that the energy system transition in Australia is essential, and the shift to renewables is well underway. With Australia's coal-fired generators reaching the end of their service life, new investment is urgently needed particularly in new renewable generation, storage, and firming to meet Australia's growing demand for electricity. It recognises that all NEM governments are supporting the transition but that there are complexities that require careful management.

BOX 3

CASE STUDY: Home Energy Upgrades Fund makes first commitment

In 2023, the Australian Government allocated \$1 billion to the CEFC to create the HEUF and fast-track sustainability improvements in existing housing by providing discounted consumer finance through a broad range of co-financiers.

During a three-month Request for Proposal process for HEUF capital, the CEFC received proposals from a wide range of financiers, including major banks, mutual banks, non-banks and fintech innovators. The CEFC received proposals for investment opportunities worth more than \$850 million. These covered green mortgages, green personal loans and other innovative green finance products to improve home energy performance for homeowners, renters and strata properties.

The CEFC has now announced two investments under the HEUF. The first, in May 2024, was for fintech lender Plenti. The \$60 million CEFC commitment will support cheaper finance for eligible customers for solar PV, home batteries and other energy efficiency upgrades via discounts on Plenti green loans of up to 2.74% annually. In addition, eligible customers can get a further 0.6% discount on the green loan if they sign up to a Virtual Power Plant through Plenti's point-of-sale platform, GreenConnect, taking the eligible total discount available up to 3.3% annually.

In August 2024, the CEFC committed \$160 million towards the Westpac Sustainable Upgrades Home Loan product that is expected to support at least \$320 million in discounted loans to eligible Westpac home loan customers.

Through the product, Westpac owner-occupier and investor home loan customers with an existing or approved eligible loan can apply to borrow up to \$50,000 with a loan term of up to 10 years to install new features or technology at their property to improve its sustainability. The features and technologies covered through the product include energy-efficient appliances, solar batteries, EV chargers, double-glazed windows and insulation.

The CEFC is continuing to work with a range of lenders to develop products with the potential to be financed through the HEUF, with further commitments expected in 2024.



Approach & Methodology

This report covers the progress made by participants in the Australian financial system against the Australian Sustainable Finance Roadmap, released in 2020. Research conducted to inform the report consists of four components:

- ASFI member and industry partner surveys
- Interviews with key market participants
- Open call and targeted collection of case studies
- Desktop research and analysis

Surveys

ASFI's 2024 Progress Tracker survey was distributed to ASFI member organisations. 16 responses were received. The survey consisted of fifteen questions designed to solicit information useful for assessing progress against key Sustainable Finance Roadmap recommendations, particularly where other data is limited.

Interviews

Semi-structured interviews were held by ASFI with 5 representatives from industry bodies and the finance community to ascertain views on the state of sustainable finance in Australia, progress towards Roadmap implementation, and what the critical barriers and opportunities are to achieving progress. ASFI also incorporated insights from its many conversations with members and other stakeholders carried out in the course of our work.

Collection of case studies

Case studies that demonstrated good practice against specific recommendations were requested through an open call, and also identified through ASFI's work. Case studies were selected based on their relevance to specific recommendations, an assessment of the value of showcasing particular examples of leadership or innovation. In particular, we looked to highlight examples of industry collaboration that could unlock progress on sustainable finance.

Desktop research and analysis

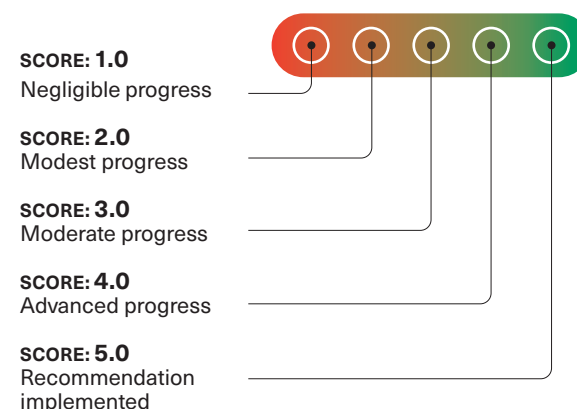
ASFI's research team conducted desktop research, including FI's public reports and websites, industry body reports, academic research, news articles, government policy, announcements and legislation, and guidance.

Limitations

The survey research from this study relies on self-reported data from FI respondents. The small sample size of responses limited the conclusions that could be drawn from the survey but will be built on over time. Desktop research and analysis was limited by the information made publicly available by FIs and other sources.

Approach to scoring

Progress against each recommendation was qualitatively assigned a score on a scale of one to five. One being the least amount of observable progress and five being the most. Definitions of the scale are detailed in the following legend. There were at least 2 industry experts scorers for each recommendation.



The Australian Sustainable Finance Roadmap and Progress Tracker in 2025

The Australian sustainable finance landscape has evolved rapidly since the Roadmap was published in 2020. A number of Roadmap recommendations have been achieved, others have been overtaken by current developments or are less relevant in today's context. At the same time, new priorities are arising as frameworks and practices continue to develop in Australia and internationally.

The framing of Roadmap recommendations reflect the context in which they were developed – where the most feasible path to progress relied on industry leadership and recognised the need for industry collaboration in achieving progress. With Government now demonstrating a firm interest in the Sustainable Finance Agenda, there is a strong case for industry to work with Government and to support the development of policy and regulation alongside industry initiatives, drawing on the capability, expertise, and execution capacity in industry as well as the leadership, convening power and regulatory role of Government.

In this context, ASFI will continue to adapt the way that we work to achieve the overall ambition of the Roadmap. As part of this we will consider options to refine our approach to annual reporting on implementation of the Australian Sustainable Finance Roadmap.

ASFI will also coordinate a process during the second half of 2024, to 'refresh and refocus' collective industry attention on the priority actions required achieve the vision and ambition of ASFI's Roadmap by 2030. This will form a 'Sustainable Finance Action Plan' to support alignment and coordination of industry, government and broader system efforts to support sustainable finance.

Glossary

Abbreviation	Name		
AASB	Australian Accounting Standards Board	DCCEEW	Department of Climate Change, Energy, the Environment and Water
ABA	Australian Banking Association	DFAT	Department of Foreign Affairs and Trade
ABS	Australian Bureau of Statistics	DFI	Development Finance Institute
ACCC	Australian Competition and Consumer Commission	DNSH	Do No Significant Harm framework
ACCU	Australian Carbon Credits Unit	EEA	Environmental Economic Accounting
ACSI	Australian Council for Superannuation Investors	EIA	Environment Information Australia
AEMC	Australian Energy Market Commission	EMIIF	Emerging Markets Impact Investment Fund
AEMO	Australian Energy Market Operator	EPA	Environment Protection Australia
AER	Australian Energy Regulator	EPBC	Environmental Protection and Biodiversity Conservation
AOFM	Australian Office of Financial Management	ESB	Energy Security Board
APRA	Australian Prudential Regulation Authority	ESG	Environmental, Social and Governance
ARENA	Australian Renewable Energy Agency	EU	European Union
ASEAN	Association of Southeast Asian Nations	FAST	Finance Against Slavery and Trafficking
ASFI	Australian Sustainable Finance Institute	FCA	Financial Conduct Authority
ASIC	Australian Securities and Investments Commission	FftrF	Farming for the Future
ASX	Australian Stock Exchange	FI	Financial Institution
AUASB	Auditing and Assurance Standards Board	FIAP	Financial Inclusion Action Plan
AUM	Assets Under Management	FINSIA	Financial Services Institute of Australasia
BCSDA	Business Council for Sustainable Development Australia	FNF	First Nations Foundation
CBI	Climate Bonds Initiative	FPIC	Free Prior and Informed Consent
CA ANZ	Chartered Accountants Australia and New Zealand	G²⁰	Group of Twenty
CCA	Climate Change Authority	GBF	Global Biodiversity Framework
CEFC	Clean Energy Finance Corporation	GCNA	Global Compact Network Australia
CER	Clean Energy Regulator	GDP	Gross Domestic Product
CFA	Chartered Financial Analyst	GFANZ	Glasgow Financial Alliance for Net Zero
CFR	Council of Financial Regulators	GHG	Greenhouse Gas
CMSI	Climate Measurement Standards Initiative	GISD	Global Investors for Sustainable Development
COAG	Council of Australian Governments	GRESB	Global Real Estate Sustainability Benchmark
COP³¹	31st Conference of the Parties	GRI	Global Reporting Initiative
CSIRO	Commonwealth Scientific and Industrial Research Organisation	HEUF	Home Energy Upgrade Fund
CVA	Climate Vulnerability Assessment	IAASB	International Auditing Assurance Standards Board
CWG	Climate Working Group	IAST APAC	Investors Against Slavery and Trafficking Asia Pacific
		ICA	Insurance Council of Australia
		IEA	International Energy Agency
		IFRS	International Financial Reporting Standards
		ISCA	Infrastructure Sustainability Council Australia
		ISP	Integrated System Plan
		IPSF	International Platform on Sustainable Finance
		ISSB	International Sustainability Standards Board
		KPI	Key Performance Indicator
		NABERS	National Australian Built Environment Rating System
		NAP	National Adaptation Plan
		NatHERS	Nationwide House Energy Rating Scheme
		NCAG	Natural Capital Advisory Group
		NCRA	National Climate Risk Assessment
		NDC	Nationally Determined Contribution
		NEM	National Electricity Market
		NGFS	Network for Greening the Financial System
		NGO	Non-Government Organisation
		NSW	New South Wales
		NZAOA	Net-Zero Asset Owner Alliance
		PRI	Principles for Responsible Investment
		RBA	Reserve Bank of Australia
		RBC	Resilient Building Council
		REIP	Renewable Energy Industrial Precinct
		RIAA	Responsible Investment Association Australasia
		RMIT	Royal Melbourne Institute of Technology
		RSE	Registrable Superannuation Entity
		SBTN	Science-based Targets Network
		SDG	Sustainable Development Goal
		SME	Small and Medium Sized Enterprise
		TAG	Technical Advisory Group
		TCFD	Task Force on Climate-Related Financial Disclosures
		TNFD	Task Force on Nature-Related Financial Disclosures
		Treasury	Commonwealth Department of the Treasury
		TTEG	Taxonomy Technical Expert Group
		UK	United Kingdom
		UN	United Nations
		UNFCCC	United Nations Framework Convention on Climate Change
		US	United States
		UTS	University of Technology Sydney
		YFYS	Your Future, Your Super

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