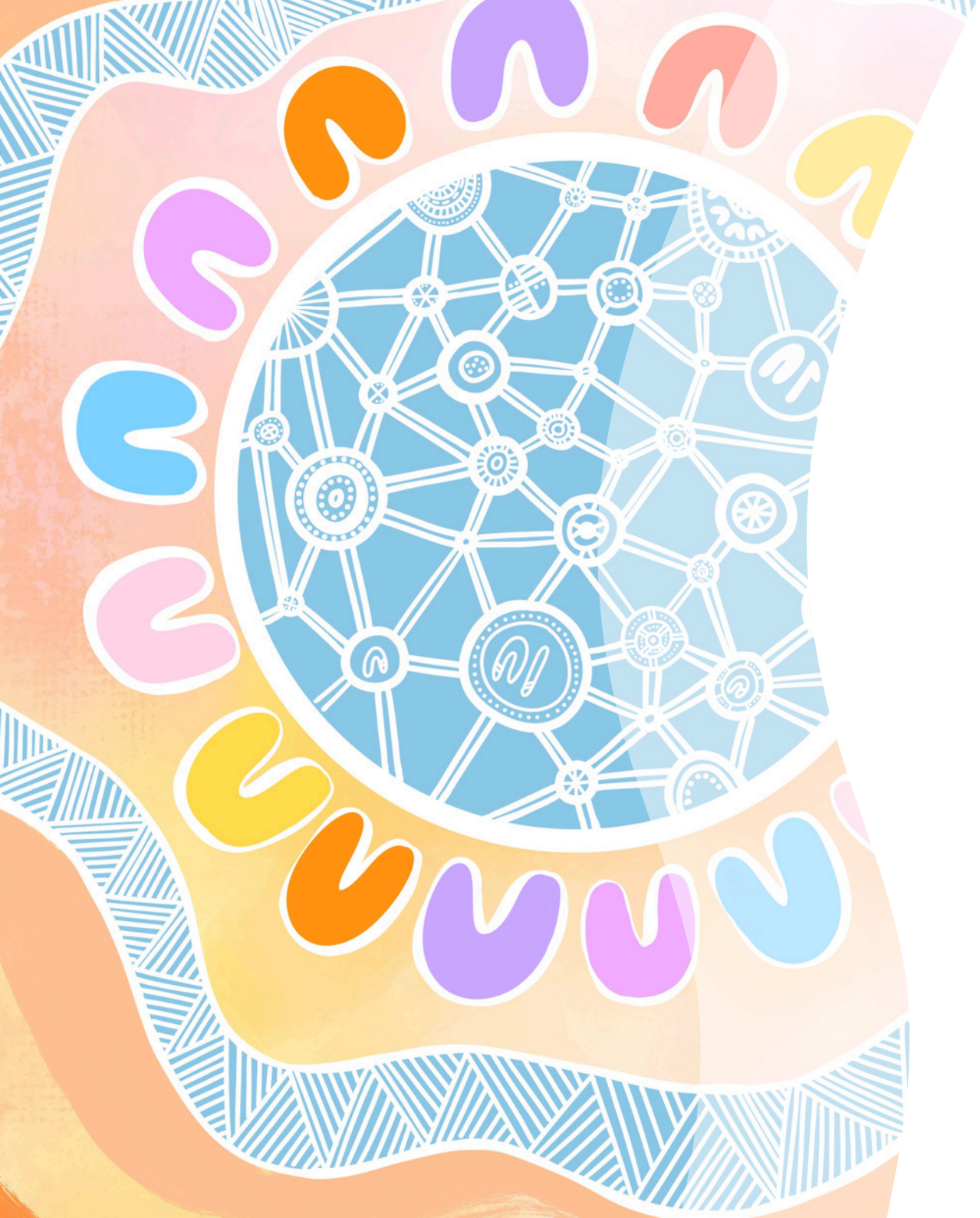
Australian Sustainable Finance Capability Framework

Revised Pilot Version



Australian Sustainable Finance Institute

May 2025



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

Artwork story

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

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

Artist: Tarni Jane Designs



Contents

Introduction — 4

Definitions, Aim and Structure — 5

Updates to the Framework — 6

Audience and Use — 6

First Nations and Finance — 7

The Framework — 8

- Sustainable Finance Capability Framework — 9
- Capability: Sustainability Mindset — 10
- Capability: Sustainability Strategy — 11
- Capability: Sustainability Risk Management — 12
- Capability: Sustainable Finance Products — 13
- Capability: Sustainability Reporting — 14

Acknowledgements — 15

Introduction

Australia needs a financial system that can properly address sustainability related risk and opportunity – supporting a prosperous and inclusive Australia now and into the future.

Sustainable finance plays a pivotal role in addressing key challenges for Australia such as climate change, just transition, nature degradation, First Nations economic self-determination, community resilience, and financial inclusion by channeling financial resources into emissions reductions, adaptation, and resilience-building efforts and by empowering individuals and groups to pursue economic opportunity.

The pace of the evolution of financial markets, the regulatory landscape, the need to navigate emerging best practice models, and the emergence of new tools to support our sustainability needs and practices all require cross industry engagement and collaboration. Against this background, upskilling and reskilling are crucial in ensuring that the workforce has the right skills to handle the rapidly changing landscape of sustainable finance, and a deeper skills base will be needed to drive sustainable finance and investment.

This Framework demonstrates key skills required for individuals to perform various roles across sustainable finance in Australia. It is intended as a guide to enable both individuals and organisations to focus their learning and development to increase their sustainable finance capabilities. It has been developed through extensive research and broad consultation both domestically and internationally, including consideration of interoperability with relevant international frameworks.

Acknowledging the swift growth of the sustainable finance ecosystem, this updated pilot version of this Framework will be open for further comments and feedback for the next 6 months. We encourage feedback to help shape and refine future versions.

Feedback can be provided by emailing info@asfi.org.au.

ASFI will track the Framework's continued use through our annual Progress Tracker report.



Definitions & Aim

Sustainability: Sustainability is the practice of meeting the needs and aspirations of the present without compromising the ability to meet those of the future.

Sustainable finance: Sustainable finance is a term which describes financial flows that integrate consideration of impacts on society and the natural environment.

This Framework sets out the common core competencies and capabilities required for sustainable finance professionals, designed to accelerate and maintain sustainable finance capability in Australia, increasing the sustainable finance talent pool and the professional competency of these practitioners.

It's intended that the Framework will play an important role in developing a capable and credible workforce, providing a foundation for job design and role description, recruitment practices, performance development practices, learning and development activities, career planning activities, and workforce planning.

Additionally, the Framework should be used to ensure that courses delivered are aligning the learning outcomes with the capabilities identified in the Framework, ensuring that education and training initiatives directly support the development of sustainable finance skills in line with industry needs.

Structure

This Framework names and defines key capabilities identified to practice sustainable finance and provides examples of knowledge and abilities required across different proficiency levels in relation to the capabilities.

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

It is also recognised that only a small number of individuals and organisations will have mastery across all aspects of the Framework. Equally, not all components of the Framework will be relevant to all roles in sustainable finance.

And, while working effectively at a proficiency level will typically require familiarity with the knowledge and abilities outlined in the lower proficiency levels for that capability, this may vary from case to case. Organisations are encouraged to use this Framework as a guide to identify which capabilities are relevant, at which level, to their various roles, and develop training programs to upskill or reskill their workforce.

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The capabilities within the Framework are intended to apply across both social and environmental aspects of sustainability. Users are encouraged to interpret it this way, rather than seeing certain capabilities as only focused on environment or social issues. For example, while transition planning is currently seen as a climate focused capability, credible transition plans should consider the social implications of climate change and how these should be factored into an orderly transition. Similarly, nature related transition planning is fast emerging as an expectation of organisations as they focus on nature related risks and opportunities and integrate those into strategy, governance and reporting.

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

Updates to the Framework

Based on feedback from stakeholders, we have made several updates to the pilot version released in October 2024.

These include:

- Incorporating the ‘Transition Planning’ pillar within the ‘Strategy’ pillar (recognizing that transition planning is a component of organisational strategy)
- Incorporating the ‘First Nations and Finance’ pillar across all four other pillars (recognizing both that First Nations considerations should form part of all organisational processes and functions that relate to sustainable finance; and that there is a need for dedicated framework for capabilities in relation to First Nations and Finance – see section below)
- Broadening the scope of desired knowledge and abilities to capture additional sustainability issues other than climate (including nature and social issues)
- Providing more detail on what a ‘Sustainability Mindset’ entails.

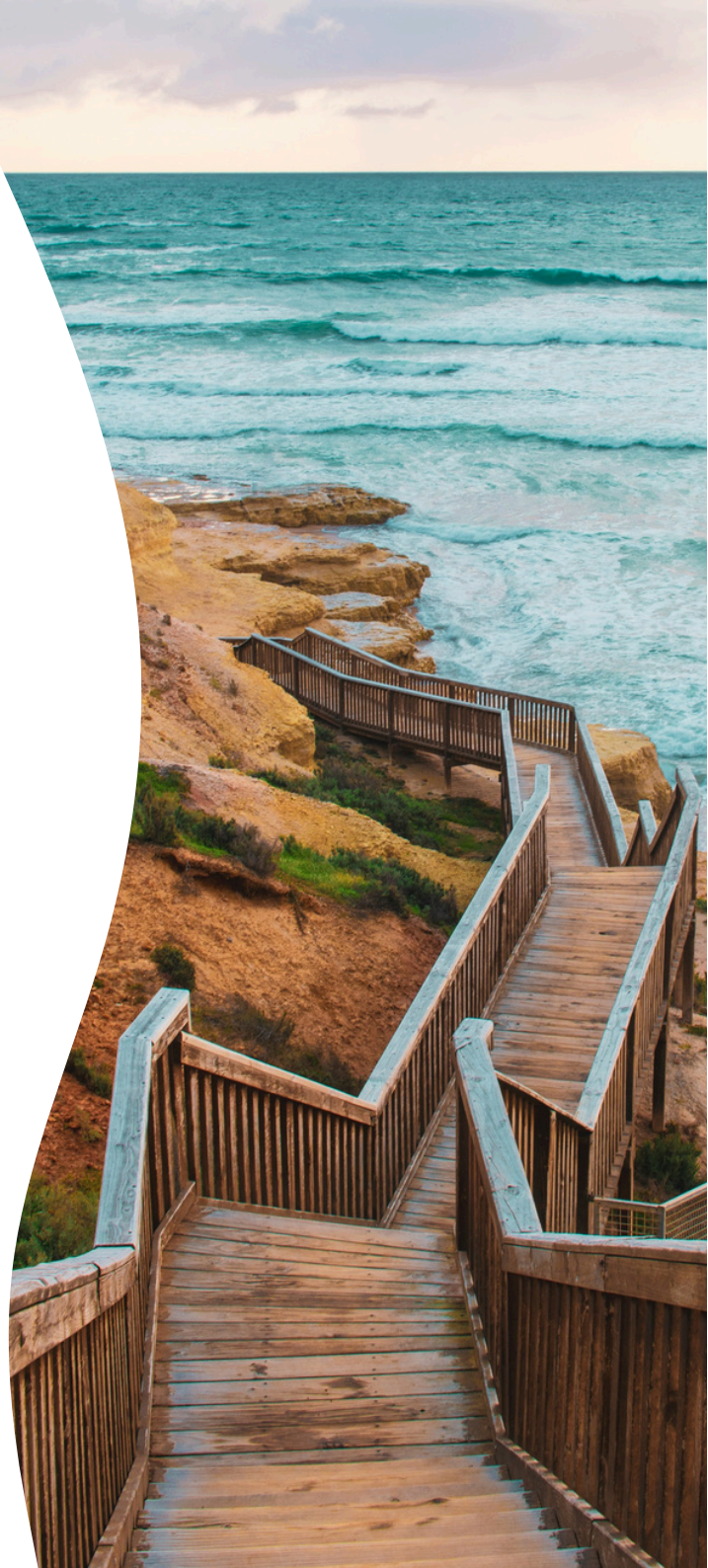
Audience and use

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

While the Framework has been developed with the finance sector in mind as the key audience, organisations seeking to attract sustainable finance (i.e. businesses in the real economy) may also find the Framework instructive.

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

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



First Nations and Finance

Consistent with ASFI's commitment to elevate First Nations perspectives and considerations in Australia's financial system, the Framework seeks to ensure that First Nations perspectives and priorities is are cross-cutting considerations across all competencies outlined in the Framework. This includes incorporating Indigenous knowledge and values, ensuring meaningful consultation and participation in decision-making processes, addressing the unique social, cultural, and environmental priorities of First Nations communities, and promoting economic opportunities that align with their traditional and sustainable practices.

Key challenges to date integrating First Nations perspectives into finance include underrepresentation of First Nations across the financial system, limited familiarity among non-Indigenous finance professionals of First Nations perspectives considerations, and a small and relatively nascent body of resources to support this capability uplift. This gap poses a risk, as those unfamiliar with First Nations cultures may struggle to acquire the necessary knowledge to inform their practices, potentially leading to misrepresentation, ineffective engagement, and financial decisions that do not align with or respect First Nations values and rights.

For example, while there is generally an alignment between sustainable practices and First Nations values and governance principles, significant differences in worldviews, particularly regarding 'sustainability,' are evident. Recognising the diversity among First Nations peoples is essential when incorporating their knowledge. Aboriginal and Torres Strait Islander communities are diverse, and a 'one size fits all' approach can be harmful to both communities and the sector.

ASFI acknowledges the need to further develop this capability and views it as a fundamental aspect to be integrated throughout the Framework. Eventually, this may involve creating a dedicated capability Framework that addresses relevant First Nations values and concepts within sustainability and finance. Key areas to cover would include knowledge of First Nations Australians' cultures, history and sustainability practices, the dynamics of economic self-determination including the principles of Free, Prior and Informed Consent (FPIC); and abilities in relation to assessment of organisational impacts on First Nations communities, engagement with First Nations groups, and incorporation of First Nations perspectives and priorities in sustainable finance strategy, products and disclosures.



The Framework

Sustainable Finance Capability Framework



Capability: **Sustainability** ***mindset***

This crosscutting capability is relevant across all areas in this Framework and plays a crucial role in shaping an effective approach to sustainability.

It encompasses a way of thinking and acting that is necessary to achieve sustainable outcomes. Core features are set out below and are both interconnected and, at times, competing. Navigating these interconnections and tensions are essential to pursuing sustainability outcomes.

- **Systems Thinking:** Recognising the interconnected nature of systems and the broader implications of decisions in other domains and for a range of stakeholders.
- **Future Focus:** Keeping a long-term perspective, considering the impact of today's actions on future generations.
- **Acting with Urgency**: Prioritising timely action to address pressing sustainability challenges.
- **Ethical Behaviour**: Ensuring decisions and actions are guided by integrity and responsibility.
- **Inclusivity**: Seeking out and incorporating diverse perspectives and ways of thinking (including First Nations thinking and values)
- **Collaboration:** Commitment to partnering with key stakeholder groups, and leveraging collective strengths and insights
- **Effective Communication**: Clearly articulating sustainability goals, actions, and their importance both internally and externally
- **Problem Solving**: Being able to approach complex problems with enthusiasm, adaptability, and willingness to engage in competing views
- **Innovation and Iteration**: Adopting an agile and forward-thinking mindset to ideate, implement, and iterate as circumstances evolve
- **Self-Reflection:** recognising biases and flaws in oneself and having a commitment to continuous learning and improvement
- **Valuing Results:** Making decisions based on robust evidence bases, and focusing on meaningful, measurable outcomes that drive sustainable change.
- **Comfort in Ambiguity**: Being able to navigate challenges, make informed decisions without complete information, and be resilient in unpredictable circumstances.
- **Perseverance:** Maintaining commitment to sustainability in the face of challenges, setbacks, and failures.

By integrating these elements, we can ensure that sustainability is not just a goal but a guiding principle across all capabilities within this Framework.

Capability: **Sustainability** ***strategy***

The approach used to manage and increase the sustainable outcomes generated by financing and investment activities.

Proficiency 1 (Emerging)	Proficiency 2 (Intermediate)	Proficiency 3 (Advanced)
Knowledge: • Strategy and goals of employers' organisation and other relevant stakeholders, and sustainability related aspects of this • Impact of climate change, nature loss and social issues (including in relation to First Nations) on organisations' operating environment • Responsible investment principles, including ESG considerations and stewardship • Core components of climate and nature transition plans • Principles of economic self-determination and Free, Prior and Informed Consent (FPIC) for First Nations	**Knowledge:** • Organisation goals, relevant policies, laws, regulations and standards to support the development and alignment of sustainable finance initiatives and policies • Climate, energy, and nature scenarios and assumptions developed by scientific bodies and organisations • Impacts of sustainability trends to assess the vulnerabilities of organisational assets and products • Impacts of sustainability factors on organisation's stakeholders • Links between transition plans and other sustainability actions including disclosures, target setting, and taxonomy alignment • Relevance of principles of economic self-determination and Free, Prior and Informed Consent (FPIC) for First Nations to the organisation's objectives	**Knowledge:** • Local and international developments in sustainable finance and implications for own organisation • Relevant policies, laws, regulations and standards to ensure any strategy complies with those • Best practice approaches to setting quantitative and qualitative sustainable finance targets and incorporating these into transition plans • Climate, nature and social models and frameworks relevant for developing and benchmarking the organisation's strategy • Integration and elevation of principles of economic self-determination and Free, Prior and Informed Consent (FPIC) for First Nations in strategy
Ability: • Support the development of a sustainability strategy by considering the interaction between social and environmental risks and opportunities and the organisation's strategic objectives • Support the development and implementation of climate and nature transition plans • Identify opportunities to support sustainability objectives aligned to the organisation's strategy	**Ability:** • Integrate materiality assessments, ESG considerations, investor stewardship and scenario analysis into strategy development across a range of products, sectors or asset classes • Lead development of sustainability strategy (including transition plans), and ensure alignment with broader organisational strategy. • Lead internal and external stakeholder engagement to inform strategy, including applying FPIC principles to support First Nations inclusion • Consider and implement appropriate measurement and governance arrangements to oversee strategy implementation	**Ability:** • Shape & oversee development, implementation, and integration of strategies that ensure finance activities meet organisation goals while influencing systems level changes • Develop partnerships with internal and external stakeholders (including First Nations) to support strategy delivery • Ensure appropriate governance arrangements are in place • Oversee monitoring of strategy and transition plan implementation and progress towards outcomes • Identify and develop partnerships with key stakeholders (including First Nations) who provide value to developing or delivering strategy

Capability: **Sustainability *risk management***

The processes used to identify, assess, prioritise and monitor material sustainability risks and opportunities to support long term business sustainability, and identifying and utilising data appropriately for that.

Proficiency 1 (Emerging)	Proficiency 2 (Intermediate)	Proficiency 3 (Advanced)
Knowledge: • Sustainability-related risks (including climate, nature and social) and their connection to the organisation, its stakeholders and broader financial stability • Risk modelling concepts and approaches • Regulatory guidelines and requirements as well as industry standards	**Knowledge:** • How to apply and measure wide range of sustainability-related risks including relating to climate, nature. modern slavery, circular economy, First Nations, social license, community impacts, and gender considerations to support decision making and organisational dealings • Ensure accurate use of terminology in internal and external documents • Industry and societal developments and their potential to manifest as risks • Good practices for avoiding, mitigating and monitoring sustainability risks	**Knowledge:** • How to influence policy and regulatory development to support sustainable outcomes • Methods to develop and implement organisational policies for avoiding and mitigating, including compensating, sustainability risks • Effective risk management processes with internal and external stakeholders (including First Nations) • Techniques to model impact of sustainability risk on different business portfolios and at the organisation-wide level
Ability: • Articulate key sustainability risks and their impact on the organisation, customer and/or stakeholders • Conduct ESG sustainability diligence and benchmarking • Collect, collate and interpret data to support assessment of sustainability risks • Consideration of how these sustainability risks can apply to relevant sectors	**Ability:** • Undertake scenario analyses to assess and evaluate the likelihood of sustainability-related risks and opportunities across the value chain • Undertake materiality assessments of sustainability risks, and assess the impact of these risks both upon and by the organisation and its stakeholders (including First Nations communities) • Identify, monitor and prioritise sustainability risks relevant to the organisation • Develop responses to effectively manage sustainability risks and regulatory compliance • Support the development and implementation of the organisation's policies and actions for avoiding and mitigating sustainability risks	**Ability:** • Shape and oversee sustainability risk analysis and strategy, including industry collaborations where relevant • Oversee integration of sustainability risk management with the organisations overall risk management and assurance processes • Ensure effectiveness of sustainability risk management framework in accordance with organisational strategies and business activities • Contribute to the development of domestic regulations and guidelines through industry feedback and engagement with policy makers on key sustainability issues (i.e. climate, nature, First Nations, community resilience, financial inclusion)

Capability: **Sustainable finance *products***

The incorporation of sustainability issues and practices into financial products and services, and measurement of their outcomes. This could include integration into general (i.e. non-labelled) products and services, or to dedicated sustainability products such as sustainability-linked loans, blended finance, natural capital financing and green bonds.

Proficiency 1 (Emerging)	Proficiency 2 (Intermediate)	Proficiency 3 (Advanced)
Knowledge: • Approaches to integrate sustainability risks and opportunities in financial product design and implementation • Sustainability-labelled products and services, including green/social/sustainability linked loans and bonds etc. • Frontline finance functions and processes	**Knowledge:** • Relevant sustainable finance standards, taxonomies and regulation • Best practice design and implementation of sustainability-focused financial products and services, including relevant KPIs, targets and data requirements • Barriers and opportunities to integrating sustainability considerations in frontline finance functions and processes	**Knowledge:** • Relevant sustainable finance standards, taxonomies and regulation • Best practice design and implementation of sustainability-focused financial products and services, including relevant KPIs, targets and data requirements • Customer / client / investee interests in relation to uptake of sustainable finance products
Ability: • Support integration of sustainability considerations in general products and services • Support the development and / or management of sustainability-focused products	**Ability:** • Analyse and apply advanced knowledge and skills in key sustainable finance and investment concepts and products, including assessing impact of products on customers and other stakeholder groups (including First Nations) • Incorporate measurable indicators into sustainability-focused products that are meaningful to stakeholders • Ensure that sustainability focused products are compliant with relevant standards and regulations • Support the monitoring, reporting and conduct of performance attribution of the sustainability factors of the product	**Ability:** • Shape and oversee the organisation's sustainable finance and investment products and strategies, including ensuring successful implementation across distribution channels and updating it in response to market developments • Oversee setting of material sustainability targets, metrics and outcomes for new products • Engage with internal and external stakeholders (including First Nations) to understand priorities and ensure products align with those • Develop, integrate and manage new sustainable finance investment approaches and innovative instruments that increase rate of achievement of desired objectives

Capability: **Sustainability** ***reporting***

Accurate measurement and disclosure of key sustainability related information based on reporting frameworks, taxonomies, disclosures, standards, and regulations relevant to the financial sector.

Proficiency 1 (Emerging)	Proficiency 2 (Intermediate)	Proficiency 3 (Advanced)
Knowledge: • Key regional and international sustainability reporting frameworks and taxonomies, disclosures, standards and regulations • The relationship between sustainability disclosures and financial risk and opportunity	**Knowledge:** • Key sustainability and impact reporting frameworks, taxonomies, disclosures, standards, and regulations • Emerging policy and regulatory developments, including in relation to disclosures and sustainability representations on a range of topics (including nature and First Nations) • Principles, standards, frameworks and techniques for impact measurement and reporting	**Knowledge:** • ·Regulatory requirements and international best practice to shape and oversee the organisation's sustainability reporting • How to critically assess accuracy of data and narratives to ensure meaningful disclosures to wide range of stakeholder groups (including shareholders, investors, regulators and broader community)
Ability: • Explain key regional and international sustainability reporting frameworks, taxonomies, disclosures, standards, and regulations • Identify relevant data sources and analyse relevant data to inform public disclosures and internal reporting • Research and support implementation of organisation's sustainability reporting	**Ability:** • Analyse and identify data, and report against required sustainability and impact reporting frameworks, disclosures, standards, and regulations • Turn activities and data into a clear narrative with accurate use of terminology that is material to stakeholders and compliant with regulatory requirements • Application of reporting to management of sustainability-related risks and opportunities • Analyse and ensure use, alignment and/or compliance of the organisation with relevant taxonomies	**Ability:** • Develop and manage the organisation's strategy and policies related to taxonomy use, impact reporting, and disclosures, ensuring that these practices are implemented and kept up-to-date with evolving standards and requirements. • Ensure accuracy and clarity of reporting, compliance with laws and statements, and robust review and signoff processes in place • Prioritise concise and consistent reporting, maximising alignment across reporting obligations • Application of reporting to management of sustainability-related risks and opportunities, and to inform broader strategy

Acknowledgements

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

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