

Australian Sustainable Finance Roadmap

A Roadmap to connect capital to a sustainable and prosperous Australia

Creating a bridge between research and practice for sustainable finance in Australia

December 2021



www.sustainablefinance.org.au

The Australian Sustainable Finance Roadmap

A Bold Plan to Reshape Australia's Financial System

The Roadmap sets out recommendations for financial services sector participants, as well as regulators and government, for realigning the financial system to a sustainable future.

The Roadmap is the collective output of a broad-based collaboration over nearly two years involving more than 140 participants from over 80 organisations across the financial services sector, civil society, academia, regulators (APRA & ASIC) and government.

Australian Sustainable Finance Initiative Objectives

The Australian Sustainable Finance Initiative (ASFI) was established with four primary objectives, to ensure that the financial system is:



Critical challenges

Phase 1 of ASFI identified six critical challenges to delivering a financial system that supports a more resilient, sustainable and prosperous future for all Australians. To achieve the objectives of ASFI, a Sustainable Finance Roadmap would need to address each of these challenges.¹

THE CHALLENGES
TO ADDRESS



The Australian Sustainable Finance Roadmap

The vision

The Roadmap's vision for Australia is a financial system:

-  That is sustainable, resilient and stable, and can manage systemic risks and other shocks and strains
-  That meets both the present and long-term needs of all Australians, the environment and the economy
-  Where financial decisions are informed and consider sustainability risks, impacts and opportunities
-  That enhances financial inclusion and well-being, and informed choice
-  Where capital flows support Australia in delivering on sustainable development goals, including facilitating an orderly transition to a net zero emissions, resource-efficient and socially inclusive economy

The Australian Sustainable Finance Roadmap: Commitments

The Australian Sustainable Finance Roadmap is a roadmap for aligning the financial system to support a more resilient, sustainable and prosperous future for all Australians.

Achieving this alignment will require commitment by financial system participants to:

Support the
delivery of
SDGs, Paris,
Sendai,
Biological
Diversity

Support the
transition to
net zero by
2050

Embed
sustainability
into purpose,
strategy,
leadership and
practice

Enable
adoption of
Roadmap
through cross
sector
collaboration

The Australian Sustainable Finance Roadmap: Recommendations

Four key areas of recommendations

With a total of 37 recommendations

With actions required at multiple levels for system change

A decade of action



Embedding sustainability into leadership



Integrating sustainability into practice

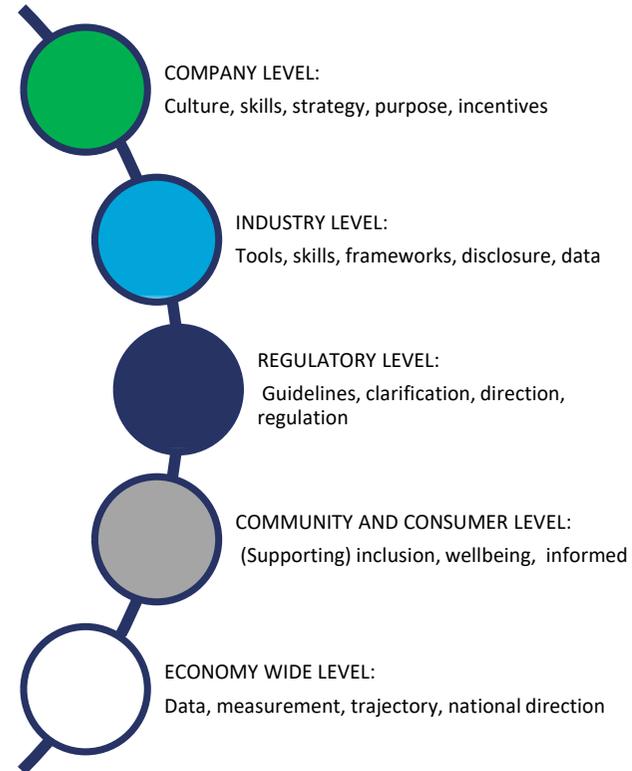


Enabling resilience for all Australians



Building sustainable finance markets

→
37 recommendations



2020 – 2030

The Australian Sustainable Finance Roadmap: Recommendations

Four key areas of recommendations:



Embedding sustainability into leadership

Include a focus on:

Culture, targets, commitments and goals

Specific examples of recommendations:

Net Zero commitments, sustainability embedded in strategy, remuneration



Integrating sustainability into practice

Practices, frameworks, standards, guidance, regulation

TCFD, taxonomy, sustainability disclosures, scenario testing, Stewardship Code



Enabling resilience for all Australians

Better disclosure and transparency, consistent labelling, financial inclusion, to protect, enable and support Australians

Consistent labelling and transparency, Financial inclusion action plans, community finance



Building sustainable finance markets

Allows capital to flow, by building markets and market infrastructure, for capital to flow to where it is needed

Sustainable bond markets, impact investment, natural capital, pipeline of sustainable infrastructure assets, sustainable benchmarks

The Australian Sustainable Finance Roadmap: Recommendations



1. Embedding sustainability into leadership

- Rec. 1: Sustainability to be integrated into purpose, strategy, risk management, remuneration and culture
- 2: Build skills and capabilities necessary for the financial system participants to support sustainability and resilience
- 3: Build inclusive corporate cultures that promote employees to speak up, and strengthen personal professionalism through support for employee codes
- 4: Align remuneration structures with sustainable long-term value creation
- 5: ASFI to be established as a permanent body to support delivery of Roadmap
- 6: Establishment of a First Peoples Financial Services Office
- 7: In recognition of First People's rights to self-determination, financial institutions to codify the principle of free, prior and informed consent in decisions made by finance
- 8: Establish international partnerships to support implementation of the Roadmap

The Australian Sustainable Finance Roadmap: Recommendations



2. Integrating sustainability into practice

- 9: Establish project to explore implementation of sustainable finance taxonomy in Australia
- 10: Australia, through relevant public authority, joins International Platform on Sustainable Finance (IPSF)
- 11: Financial institutions with >\$100m revenue to report according to TCFD on an 'if not, why not' basis from 2023
- 12: ASX listed companies beginning with ASX300 to report according to TCFD on an 'if not, why not' basis from 2023
- 13: Develop guidance collaboratively to support TCFD-aligned reporting
- 14: Play leadership role in development of Task Force on Nature-related Financial Disclosures (TNFD)
- 15: Sustainability reporting and assurance be mandated for listed entities and unlisted assets wholly owned by financial institutions
- 16: Undertake scenario analysis and stress test the resilience to physical and transition risks from climate change

The Australian Sustainable Finance Roadmap: Recommendations



2. Integrating sustainability into practice (continued)

- 17: Vulnerability assessments to be undertaken or planned by APRA are expanded to include fit-for-purpose assessments for small and medium financial institutions, as well as superannuation and insurance sectors
- 18. Compile national- and state-level data sets to support environmental and social externalities to be valued by financial institutions
- 19. Sector to work with regulators to embed sustainability into regulatory guidance and standards
- 20: Embed sustainability into outsourcing and procurement practices and embed sustainability information into products and services
- 21: Develop Stewardship Codes to harmonise and enhance stewardship practices

The Australian Sustainable Finance Roadmap: Recommendations



3. Enabling resilience for all Australians

- 22: Support the establishment of community finance that can be accessed by place-based groups
- 23: Develop income and revenue contingent loans as a mechanism to support resilience to acute shocks such as climate and health for vulnerable groups
- 24: Establish Financial Inclusion Action Plans and review current design of products and services to ensure financial inclusion
- 25: Measure and report on financial distress for households and financial outcomes for Aboriginal and Torres Strait Islander People
- 26: Collaborate with government and regulators to build individual and community financial capability
- 27: Develop consistent labelling and disclosure standards on the sustainability of financial products
- 28: Enable Australians to make financial decisions based on their sustainability preferences
- 29: Develop best practice principles to guide product design to drive sustainable outcomes
- 30: Support development of an Australian focused well-being framework

The Australian Sustainable Finance Roadmap: Recommendations



4. Building sustainable finance markets

- 31: Collaborate to establish interim science-based targets and trajectories to align and facilitate transition to net zero emissions by 2050
- 32: Support the development of a sustainable capital market
- 33: Produce a regular report considering whether finance markets are functioning efficiently to support the delivery of net zero by 2050
- 34: Collaborate to promote climate risk mitigation efforts and ensure buildings are disaster resilient
- 35: Collaborate to support development of sustainability impact and resilience markets including natural capital, carbon, impact investment, and climate mitigation and adaptation
- 36: Support the formation of an independent social impact investment wholesaler in Australia
- 37: Finance the development and regeneration of real assets, including infrastructure and property

Figure 2: Australian Sustainable Finance Roadmap – Suggested timeframes for implementation of the recommendations*

	2022 →	2025 →	2030 →		
1. Embedding sustainability into leadership 	1. Accountability for sustainability led from top 3. Support employee codes 5. Establish permanent ASFI	6. Establish a First Peoples Financial Services Office 7. Work to codify free, prior and informed consent	1. Manage and measure impact on others 2. Build skills and capabilities 3. Build inclusive cultures 4. Align remuneration structures with sustainable long-term value creation and consider embedding sustainability targets	5. Establish special projects and forums to provide guidance on Roadmap implementation 8. Establish International partnerships to support Roadmap implementation	
2. Integrating sustainability into practice 	10. Join International Platform on Sustainable Finance 12 & 13. Develop TCFD reporting guidance 14. Play leadership role in development of TNFD	16. Create stress-testing framework and develop guidance 19. Embed sustainability into regulatory guidance and standards 20. Embed sustainability into outsourcing and procurement	9. Establish Taxonomy project 11. Financial institutions report according to TCFD on 'if not, why not' basis 12. ASX 300 report according to TCFD on 'if not, why not' basis 14. Fund research and develop TNFD guidance 15. Mandate sustainability reporting and align with international developments	16. Undertake scenario analysis and stress testing for climate risk 17. Expand vulnerability assessments 18. Value environmental and social externalities 19. Embed sustainability information into products and services 20. Develop stewardship codes	16. Expand scenario analysis and stress tests to include other sustainability risks 17. Facilitate compilation of national- and state-level data sets
3. Enabling resilience for all Australians 	24. Establish FIAPs, review current practices and design of products and services 26. Build financial capability	28. Enable financial decisions based on values and sustainability preferences 29. Develop product design principles	22. Support establishment of community finance 23. Develop income and revenue contingent loans 25. Measure and report on: financial distress for households; financial outcomes for Aboriginal and Torres Strait Islander peoples	27. Develop labelling standards 30. Develop Australian-focused well-being framework	
4. Building sustainable finance markets 	31. Establish targets and trajectories to support net-zero-aligned decisions	34. Promote climate risk mitigation efforts and ensure buildings are disaster resilient 35. Support development of sustainability impact and resilience markets 37. Finance development and regeneration of real assets (infrastructure and property)	32. Support development of a sustainable capital market 33. Report on functioning of sustainable finance markets 36. Support the formation of Social Impact Investment wholesaler		

*The numbers within the table refer to the Roadmap recommendation number

Key for timeframes

Short-term 2021–2022



Medium-term 2023–2025



Long-term 2026–2030



Small group discussions

Move into breakout rooms focused on different domains of the Roadmap

- What research are you or your institution involved in that could contribute to implementation of the Roadmap recommendations?
- What research gaps are there in each of the domains?
- How could the link between research and practice be strengthened, particularly in the domain you are discussing?

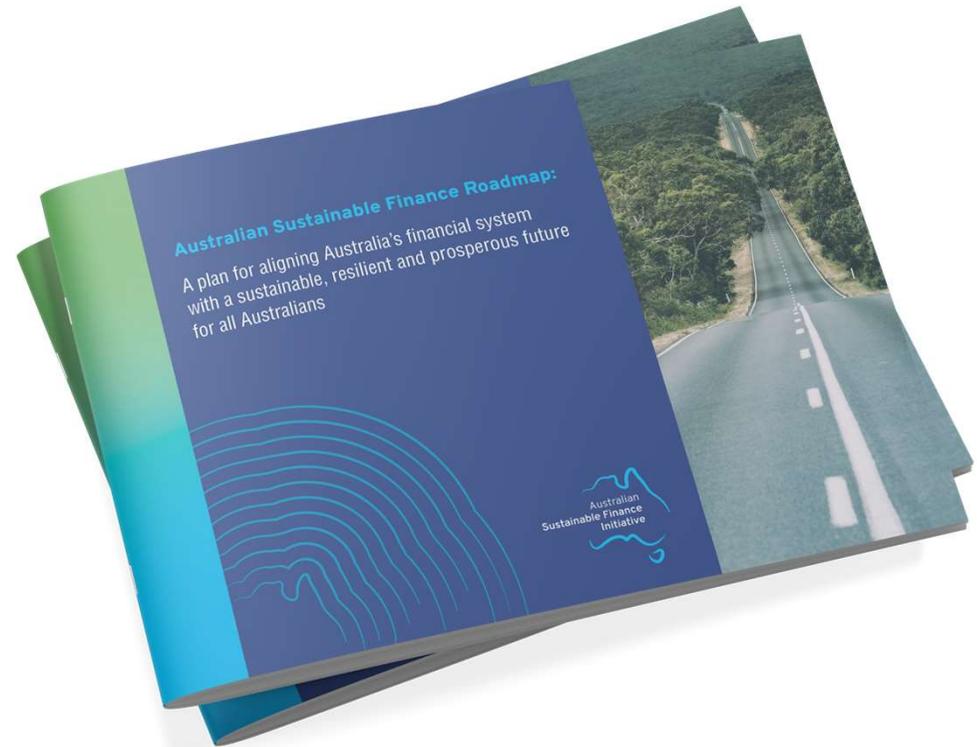
Read the full Roadmap

Read more:

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