

UN ENVIRONMENT PROGRAMME FINANCE INITIATIVE CONFERENCE

FINANCING A RESILIENT AND SUSTAINABLE ECONOMY

JULY 23 & 24, 2018
SYDNEY

Conference Summary Report, November 2018

This report provides an overview of the key topics covered at the UNEP FI Financing a Resilient and Sustainable Economy conference held in Sydney on 23 and 24 July. Outcomes and recommendations for the development of a Sustainable Finance Roadmap in Australia and New Zealand are covered in this paper.

Authored by IAG, Investor Group on Climate Change, NAB and Responsible Investment Association Australasia with the generous input from KPMG, EY and PWC.



Investor Group on
Climate Change



Responsible Investment
Association Australasia

CONTENTS

EXECUTIVE SUMMARY	1
PART ONE: SETTING THE SCENE	2
PART TWO: CONTEXT AND PRESSING URGENCY FOR MEANINGFUL ACTION	3
PART THREE: COMPONENTS OF A SUSTAINABLE FINANCE ROADMAP	7
PART FOUR: OUTCOMES FROM THE CONFERENCE	11
PART FIVE: NEXT STEPS	13

EXECUTIVE SUMMARY

On 23 and 24 July, 2018 representatives from academia, government, the finance sector, industry bodies, regulators and civil society met in Sydney for the conference on *Financing a Resilient and Sustainable Economy*¹. This event was initiated by United Nations Environment Programme Finance Initiative (UNEP FI) members IAG and NAB and supported by the Principles for Responsible Investment (PRI) and peak regional groups the Investor Group on Climate Change (IGCC) and Responsible Investment Association Australasia (RIAA).

The two-day event blended interactive cross-sectoral discussions focused on the need to align the finance sector in Australia and New Zealand with the delivery of resilient and sustainable economies, which includes a focus on the Paris Agreement on Climate Change and UN Sustainable Development Goals. The conference aimed to launch a discussion on the components of and need for a sustainable financial system in our region drawing on international developments in the European Union, United Kingdom, China, Norway and Canada and regionally in Indonesia and Fiji.

Four key conclusions emerged from the conference:

1. **Broad support exists for the finance sector to lead a Sustainable Finance Roadmap (SFRM) initiative in Australia**
2. **The most important components of such a SFRM, based on the experience from other countries' SFRMs, and tested with conference delegates, are as follows:**
 - a. Aligning finance with the long term
 - b. Embedding appropriate culture and skills in leadership in finance
 - c. Setting standards for sustainable investments
 - d. Clarifying investor and director duties
 - e. Agreeing on a sustainable finance taxonomy
 - f. Pulling the right (policy and price) levers to reward social/sustainable products and services
 - g. Enabling consumers to align their finances with sustainability

- h. Building consideration of sustainability into the role of the regulators
- i. Improving disclosures and transparency
- j. Involving governments in building the sustainable infrastructure pipeline
- k. Supporting impact investment

3. **Strong support exists from 40+ organisations for ongoing involvement in the SFRM development process**
4. **International and regional peak bodies pledged commitment to help deliver the SFRM.**

Since August, a group comprising representatives from the organisations involved in delivering the conference, has continued to collaborate to develop next steps. A key initial next step involves an invitation to interested parties seeking commitment for participation in an inclusive SFRM development process.

In Australia, discussions with the Australian Government and APRA² and UNEP FI have secured their support for the concept, and a Steering Committee. There is general agreement that a Steering Committee should be representative of the Australian financial sector and comprise members with appropriate expertise, influence, capability and commitment. Once established, the Steering Committee would work with various working groups to develop recommendations as part of the Sustainable Finance Roadmap.

It is anticipated that the SFRM development process will occur over the 2019 calendar year, with a consultation draft of the SFRM released in December 2019.

This report provides a summary of the outcomes and industry inputs arising from the conference and creates a launch point for the development of SFRMs in Australia and New Zealand. Specifically, this report launches the process that Australia is following to develop a SFRM; a primarily bottom up, industry-led approach. New Zealand is addressing this same process via the Government and the business-backed Aotearoa Circle³ which was launched in October in Auckland. Refer to the Report authored by Aotearoa Circle for more details⁴.

1 UNEP FI Conference, 2018.

2 APRA UNEP FI, 2018

3 The Aotearoa circle, 2018

4 The Aotearoa Circle Report, 2018

PART ONE: SETTING THE SCENE

1. Background about the UNEP FI Conference

The Sydney conference on *Financing a Resilient and Sustainable Economy*⁵ included presentations from international and regional stakeholders with discussion and input from delegates. The latter was achieved through inclusion of dedicated feedback sessions incorporated into the program using the conference event app and through Q&As following panel discussions, including those that took place in conference breakout streams targeted at each the key finance sub-sectors – banking, insurance and investment.

In advance of the conference, RIAA led the preparation of a briefing paper – *Sustainable Finance Roadmaps: Aligning finance with a resilient and sustainable economy*⁶ – to provide delegates with background information including the building blocks of a SFRM, and examples of relevant ongoing Australia and New Zealand-specific activities.

The agenda-setting event helped to inform recommendations around the development of SFRMs for Australia and New Zealand. It explored how banking, insurance and investment practice and policy and regulatory frameworks can support the transition to a resilient and sustainable economy. It also examined how the financial sector can implement the Financial Stability Board’s recommendations for climate-related financial disclosure and contribute to achieving the aims of the Paris Agreement on Climate Change, the Sendai Framework for Disaster Risk Reduction and the UN Sustainable Development Goals (SDGs).

2. Purpose of this report

A key milestone following the UNEP FI conference is the release of this conference summary report. The report highlights the context and pressing urgency for meaningful action and identifies the growing number of regions and countries globally that have already started to develop SFRMs to pivot the finance system, so it is aligned with development of a sustainable economy – one that prioritises human well-being, social equity and environmental protection and conservation.

This report specifically provides a summary of the outcomes and input from that event and creates a launching point for the development of SFRMs in both Australia and New Zealand. Specifically, this report commences the process that Australia is following to develop a SFRM: a primarily bottom up, sector-led approach.

3. The collaborating organisations

The *Financing a Resilient and Sustainable Economy* conference was initiated by UNEP FI members IAG and NAB and supported by the PRI and peak regional groups such as the IGCC and RIAA. Over 300 delegates from over 140 organisations representing insurance, banking, investment as well as industry bodies, academics, NGOs, regulators and government from across Australia and New Zealand attended the conference.



⁵ UNEP FI Conference, 2018
⁶ UNEP FI Briefing paper, 2018

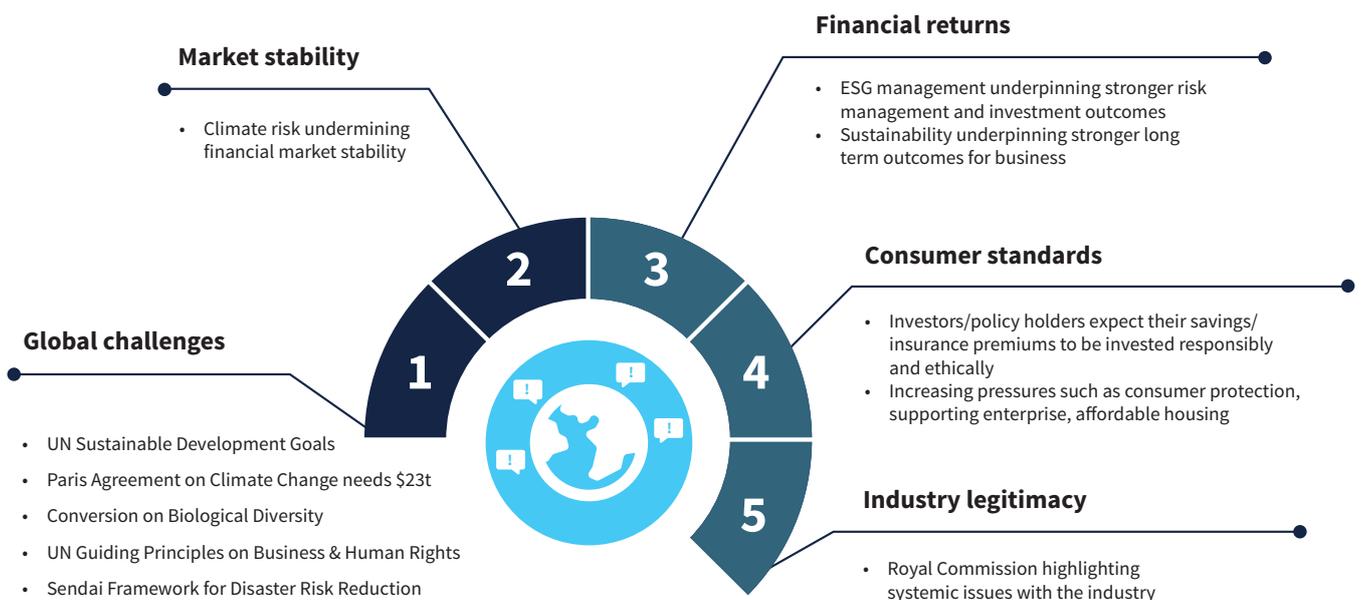
PART TWO: CONTEXT AND PRESSING URGENCY FOR MEANINGFUL ACTION

This conference was inspired by the outcomes of the UN Environment Inquiry into the Design of a Sustainable Financial System and work that the European Union and several countries have already undertaken to develop SFRMs. There was acknowledgment that this multi-stakeholder discussion on the design of the financial system to support resilient and sustainable economies was yet to occur in Australasia; the conference was key to kick-starting a local process to address this.

1. Drivers for a SFRM

Globally, momentum is building to better align the financial sector with the sustainable development needs of the 21st century. Key drivers of this momentum are illustrated in Figure 1. The 21st century economy is evermore aligned with the goal of sustainable economic development – one that operates ethically and prioritises human wellbeing and operates within the social foundation and ecological boundaries of our planetary system.

Figure 1: Main drivers for the SFRM



2. What is the role of the finance sector in this?

The development of sustainable finance roadmaps, and other similar initiatives around the world is building to address societal expectations of the finance sector to help meet the need for the estimated trillions of dollars required to achieve the SDGs, in addition to the estimated US\$1.5 trillion a year required to meet commitments made under the Paris Agreement on Climate Change.

The finance sector is directing ever-greater amounts of capital to help tackle society's urgent social and environmental challenges. In 2017 alone, US\$156 billion was issued globally in green bonds⁷, over US\$255 billion was invested in renewable energy, and US\$228 billion was invested in impact investment⁸. Over \$US21 trillion of capital was also invested using a responsible/sustainable investment approach, with consideration of sustainability issues embedded in investment and lending decision-making⁹.

To truly achieve sustainable development, trillions more will be needed to protect and transform our economies and societies, to strengthen social capital and conserve and preserve natural capital. Eric Usher, Head of UNEP FI said: "The financial sector is providing a clear signal that national roadmaps are needed to unlock financing for sustainable development".¹⁰ This sentiment was reiterated by Mark Croweller, Head of National Resilience Taskforce who explained how SFRMs could contribute to Australia's national risk reduction framework and delivery of the SDGs.

IAG's experience as an insurer and its research as part of the Australian Business Roundtable for Disaster Resilience and Safer Communities has shown the vulnerability of communities to weather events. Nine million Australians have been impacted in some way by an extreme weather event over the last 30 years. The total cost of these events over the 10 years averaged \$18.2 billion; this equates to 1.2% of Australia's GDP. The total costs of natural disasters in Australia is forecast to more than double in real terms to \$39 billion per year by 2050. This does not account for the non-financial costs which are significant and include education, business and health will all be disrupted.

Leading countries have identified this as an opportunity and are developing SFRMs that provide pathways and policy signals and set frameworks to enable the finance sector to contribute systematically to the transition to a more resilient and sustainable economy, consistent with global, national and regional goals.

3. Objectives of a sustainable finance sector

RIAA prepared a summary of key country SFRMs that have been developed to date, including their drivers, underlying beliefs about finance, objectives and key components. Based on this work and the outcomes of engagement with attendees at the *Financing a Resilient and Sustainable Economy* conference, it became evident that developing SFRMs in Australasia can:

- Improve financial resilience and stability in the face of shocks and strains of significant climate change impacts and facilitate the transition to a low-carbon, resource efficient and socially inclusive economy;
- Underpin improved risk management and financial performance through explicit consideration of environmental, social and governance risks and opportunities in lending, insurance and investment analysis and decision-making;
- Increase alignment with consumer expectations showing that savings, premiums and investments are being managed responsibly; and
- Enhance the resilience and competitiveness of the Australasian finance sector in the context of global financial markets.

RIAA's research also found that the following are key principles referenced in some or all the SFRMs:

- Finance and its investment, lending and insurance practices affect the health and wellbeing of the environment, society and the economy;
- Regardless of whether they are intended or not, the positive and negative direct and indirect impacts of finance confer on practitioners in the finance sector significant stewardship and capital allocation responsibilities. Financial sector actors have a duty to act in the best long-term interests of their beneficiaries, the economy, environment and society;
- Insuring, lending, investment and ownership practices can and should align with society's needs and objectives, such as those set out in the SDGs; and
- Demonstrating appropriate and effective capital allocation stewardship is necessary to earning and protecting society's trust which is the foundation of the finance industry and economy.

⁷ Green Bond highlights, 2017
⁸ Annual Impact Survey Report, 2018

⁹ Global Sustainable Investment Review, 2016
¹⁰ The Environment Report, 2018

4. Sustainable Finance Roadmap examples from around the world and local action to date

A growing number of diverse economic regions and countries are aligning policy signals and setting frameworks to enable the financial system to deliver a resilient and sustainable economy, and to help achieve global goals on sustainable development and climate

change. Countries around the world are working to establish themselves as leaders in green and sustainable finance. Figure 2 contains examples of activity in other jurisdictions.

Figure 2: SFRM activity in other jurisdictions

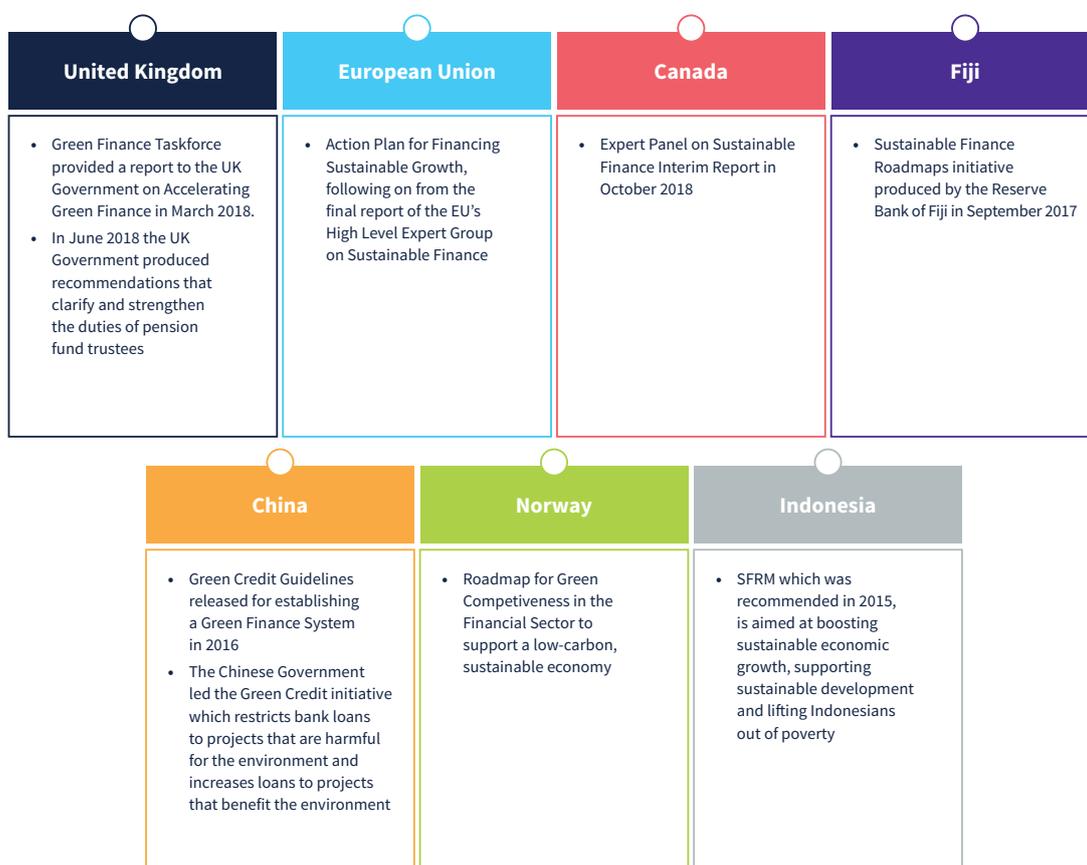


Figure 3 highlights just some of the current and past activity happening in Australia and New Zealand that can make a contribution to the development of local SFRMs. The coordination of initiatives under the umbrella of SFRMs would likely deliver a more efficient and effective approach to implementing change.

Figure 3. Current and past activities related to sustainable finance

AUSTRALIA	NEW ZEALAND
<ul style="list-style-type: none"> Regulators APRA and ASIC have climate change and other extra-financial risks on their radar (see ASIC’s John Price speech of June 2018 on assessment of climate risk disclosure¹¹; APRA’s Geoff Summerhayes speech¹² to the Insurance Australia Council of 2017; and to Centre for Policy Development, November 2017¹³). The need to clarify investor duties is on the agenda through APRA’s review of SPG530. The ASX Corporate Governance Council’s draft 4th edition of Corporate Governance Principles and Recommendations continues to propose strengthening of corporate reporting of ESG disclosures¹⁴. Australia has in place the world’s longest running responsible investment standards and certification program – the RIAA’s Responsible Investment Certification Program. Infrastructure Australia has in place a strong infrastructure project prioritisation process that looks at environmental and social benefits and costs in its cost benefit framework. Clean Energy Finance Corporation plays a role of facilitating co-investments with private sector capital. Stewardship codes are emerging (see Financial Services Council and the Australian Council of Superannuation Investors). Australian Government has acknowledged the emerging role of impact investment in delivering private capital to social outcomes. 	<ul style="list-style-type: none"> The Productivity Commission’s low emissions economy draft report noted that to effectively align capital to deliver New Zealand’s low-carbon commitments, a low emission investment strategy is required. Treasury is working to establish a Living Standards Framework. NZX Corporate Governance Code has required reporting of material ESG issues by listed companies. NZD \$100m is committed to establish a Green Investment Fund to stimulate private-sector investment into low-emissions projects. Reserve Bank Act Review is considering changes to the Reserve Bank’s supervisory role with respect to addressing the risk that climate change poses to financial stability. A recently established National Advisory Board on impact investing. Surging consumer interest in sustainable investment. Auckland Council raised NZD \$200 million from its green bond share issue in June 2018, the first in New Zealand. Aotearoa Circle was launched in October 2018 – a business-led and government supported group to develop a SFRM for New Zealand with a focus on environmental sustainability.

11 ASIC Financing a Sustainable Economy - Climate Change 2018

12 APRA: Australia’s New Horizon, 2017

13 APRA: The Weight of Money, 2017

14 ASX Corporate Governance Council, 2018

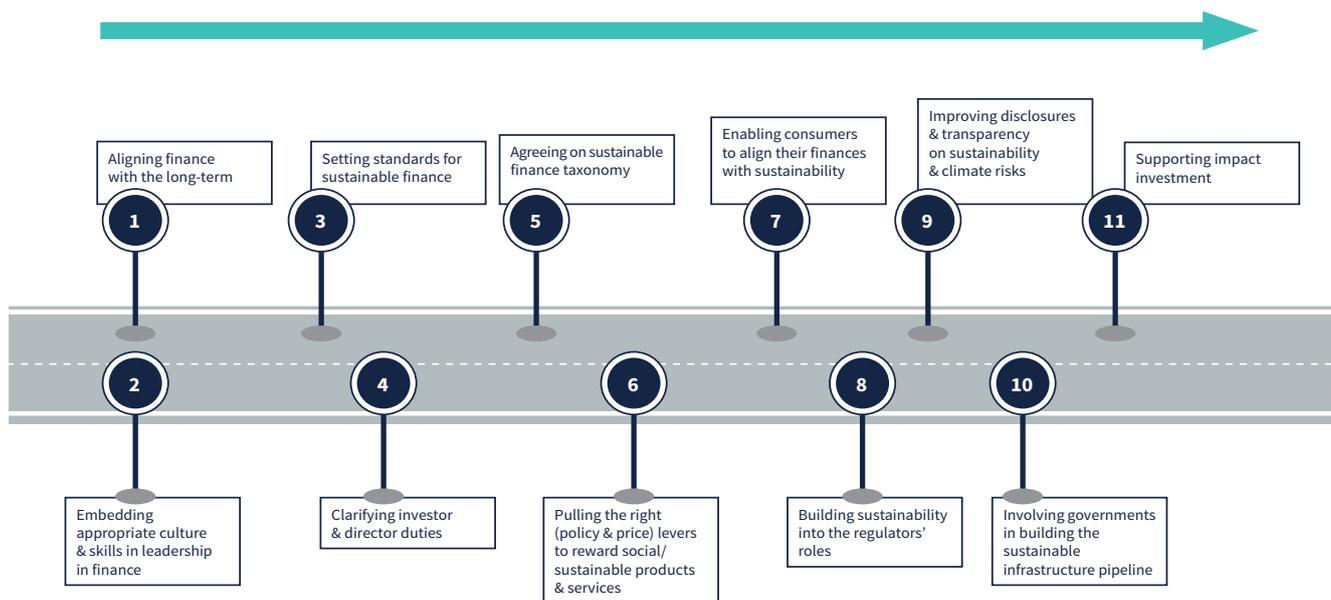
PART THREE: COMPONENTS OF A SUSTAINABLE FINANCE ROADMAP

In developing the pre-conference Briefing Paper - *Sustainable Finance Roadmaps: Aligning finance with a resilient and sustainable economy*¹⁵, RIAA undertook an analysis of SFRMs developed by other countries/regions and found that although models are designed specifically for their respective jurisdictions, there are common components of each. This finding was validated at the conference by international speakers, such as those from the European Union, the United Kingdom and Fiji.

5. Common components of a SFRM

The components or recommendations contained within these SFRMs require action at multiple levels, from changes in national laws and regulatory guidance, to commitments by the finance sector to change practices. It is the full implementation of the recommendations, and joint commitments from government, regulators, civil society, academia and the finance sector, that will ensure the success of these SFRMs in delivering their outcomes.

Figure 4: Common components of a SFRM¹⁶



¹⁵ UNEP FI Briefing paper, 2018

¹⁶ Note, component 6 “pulling the right levers to reward social/sustainable products & services” was added after the conference to reflect feedback from delegates

6. Priority components for Australian and New Zealand SFRMs

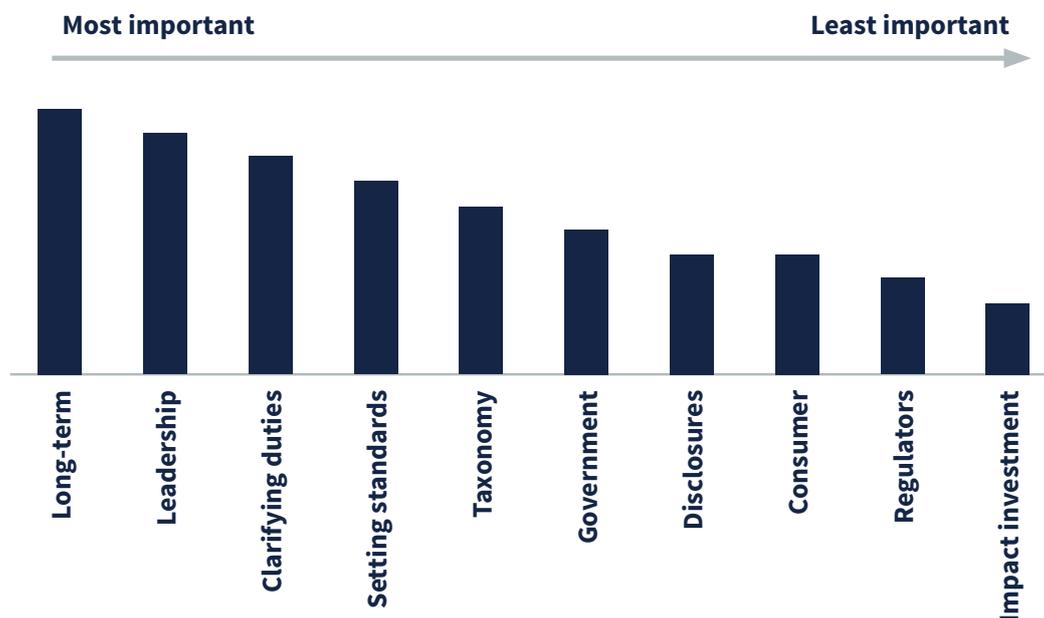
To test the SFRM components for salience in an Australian and New Zealand context, conference attendees were asked the following questions:

1. What is the highest priority component we need to focus on?
2. Which is the component that would be the easiest to tackle?
3. Which is the component that would be the most difficult to implement?
4. Rank the 10 components.
5. Is anything missing that should be considered in a SFRM?

No components were deemed “unimportant”; but a key finding was that possible SFRM components were deemed to be more urgent to address than others. Conference delegates considered focusing on the long term as the most important component, followed by leadership, clarifying director duties, setting standards and developing a taxonomy for green finance.

Figure 5: SFRM component ranking of importance by conference delegates

SFRM Component	Abbreviation
Aligning finance with the long-term	Long-term
Embedding appropriate culture & skills in leadership in finance	Leadership
Setting standards for sustainable finance	Setting standards
Clarifying investor & director duties	Clarifying duties
Agreeing on sustainable finance taxonomy	Taxonomy
Enabling consumers to align their finances with sustainability	Consumer
Building sustainability into the regulators' roles	Regulators
Improving disclosures & transparency on sustainability & climate risks	Disclosures
Involving governments in building the sustainable infrastructure pipeline	Government
Supporting impact investment	Impact investment



The conference app was used to survey whether there was a change in prioritisation of these key SFRM components from day one to day two based on delegates' exposure to additional information during the conference.

The findings showed that the highest priority SFRM components ('long termism' and 'leadership') remained consistent as the first and second priorities, while components ranked third and fifth swapped positions but remained in the top five from day one to day two – ie 'taxonomy' and 'setting standards'. Similarly, the lowest

ranking component, 'supporting local impact investing', remained the same over the two days. However, overall the differences in rankings between the components were not considered significant, which further supports the finding that all components were considered important for development of a SFRM.

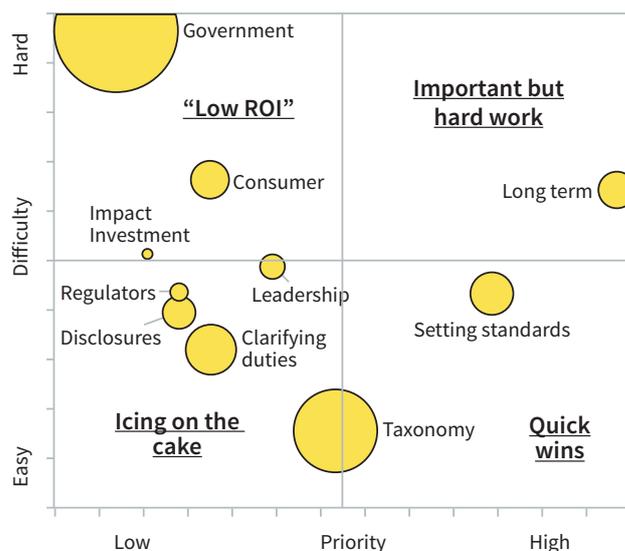
Figure 6: Changing ranking of SFRM component importance between day one and day two^{17,18}

Day 1 Weighted Priority	Day 2 Weighted Priority	Change in Priority from Day 1
Long-term	1. Long-term	Constant
Leadership	2. Leadership	Constant
Taxonomy	3. Setting standards	Two up
Clarifying duties	4. Clarifying duties	Constant
Setting standards	5. Taxonomy	Two down
Disclosures	7. Consumer	Three up
Government	8. Regulators	One up
Regulators	9. Disclosures	Two down
Consumer	10. Government	Two down
Impact Investment	11. Impact Investment	Constant

7. Perceived difficulties in implementing priority components

When polled about the relative level of difficulty associated with implementing a SFRM, delegates indicated that 'setting standards' and 'developing a taxonomy' are the easiest, higher priority elements to tackle. Rolling out 'factors to align finance with the long-term' was deemed of highest importance but challenging to deliver. Not surprisingly, a large proportion of delegates (as indicated by the size of circles in Figure 7 and comprised mostly of finance sector agents) considered defining government's role in building sustainable infrastructure to be the most difficult to achieve.

Figure 7: SFRM components – Level of difficulty versus priority for implementation



¹⁷ Note, component 6 as seen in Figure 4 "pulling the right levers to reward social/sustainable products & services" was added after the conference to reflect feedback from delegates.

¹⁸ Note, "Government" refers to "government's role in building the sustainable infrastructure pipeline", however it is likely that delegates did not consistently interpret this in their prioritisation of components; this would benefit from a retest as part of the development of the white paper.

8. Additional and cross-cutting components for consideration in the local context

The final input received from delegates via polling at the conference related to items omitted from these common components, and their relevance for the Australian and New Zealand contexts. These include the cross-cutting issues identified from day one of the conference.

Other key factors to consider include People and Environment context and views:

- ✓ **Timeframe:** urgency, pace and timeframes
- ✓ **Our neighbours:** Trans-Tasman and Pacific neighbours' views
- ✓ **Culture and society:** cultural factors, including Indigenous views
- ✓ **Community:** civil society, community, beneficiaries, customers
- ✓ **A just transition:** a just transition and workforce considerations
- ✓ **Environment:** giving a voice to environment, planet and nature

Also, to be factored in Commerce and Finance direction and enablers:

- ✓ **Metrics:** metrics for measuring progress/success- what we're aiming to achieve (milestones)
- ✓ **Business models:** role for stimulating new business models

Finally, Figure 8 contains a summary of concepts discussed by conference speakers that should be built into the development of the SFRMs.

Figure 8: Concepts to underpin the development of the SFRMs

- I. **The Finance sector provides a service to its beneficiaries/customers/policy holders;** beneficiaries/customers/policy holders entrust their resources to finance sector practitioners to provide prudent, aligned stewardship services.
- II. **Beneficiaries/customers/policy holders** want and **expect** the finance sector to manage and invest **their resources responsibly**.
- III. **Ambitious, meaningful commitments and activities** that prioritise human well-being and operate on the social foundation and ecological boundary of our planetary system.
- IV. **A sense of urgency** - acknowledging that to act early is cheaper; delaying adds to the cost of action.
- V. **New risk and opportunity lens** that views finance as broader than direct financial returns, and recognises its impacts and indirect returns - acknowledging that some lending and investments lift the entire system and contribute to the sustainability and performance of other, inter-dependent assets (e.g. riparian revegetation projects that improve bank stability, manage salinity issues and provide fresh drinking water for cities).
- VI. **Capital must be patient** and **objectives long-term** to most effectively manage sustainability risks and opportunities and enable positive and negative impacts to be appropriately assessed.
- VII. **New and appropriate performance** indicators are required to effectively measure, track and help in the reporting of the sector's progress.
- VIII. **A culture of evidence-based decision making** is required to be built on quality inputs, transparent processes and balanced reporting of progress.
- IX. **Bold leadership styles** that recognise the value in embracing new ideas and energy from wherever they originate - not just from the top down.
- X. **Partnerships** and collaborations with government, academia, business and civil society that build **stronger outcomes** through improved understanding, fostering respect and trust and being critical friends (to deliver natural checks and balances in the system).
- XI. **A SFRM must be anticipatory** so that the financial institutions get to play a role in a new collaborative and distributed ownership system of power, knowledge and resources.
- XII. **A SFRM must retain flexibility** acknowledging that the only thing constant is change.

PART FOUR: OUTCOMES FROM THE CONFERENCE

The two-day long 2018 UNEP FI Conference provided an important platform for establishing the case and need for a SFRM for our region, supported by the views of leading experts, information exchange and networking.

Attendance at the conference by over 300 delegates from more than 140 organisations shows that strong support exists to drive progress in the development of the SFRMs.

The delegate polling (see Part Three) validated that the common components borrowed from other SFRMs are also relevant and important to consider in the development of the local SFRMs, but also that there are additional aspects particularly social, cultural and environmental contexts and cross cutting issues to be factored in.

The key components of the SFRMs as identified and prioritised by delegates (see Part Three, Figure 4) are:

1. **Aligning finance with the long-term:** shifting incentives to align with beneficiaries and the long-term societal goals, including establishing stewardship principles against which investors and companies report.
2. **Embedding appropriate culture and skills in leadership in finance:** ensuring governance and leadership in finance are appropriately skilled and competent to navigate complexity and ambiguity characteristic of managing social and sustainability risks and opportunities within longer timeframes.
3. **Setting standards for sustainable investments:** to build minimum requirements and consistency.
4. **Clarifying investor and director duties:** with a positive duty to consider sustainability, ESG and climate risks, which is consistent with delivering long-term value creation for consumers, communities, the economy and contributing to the SDGs.
5. **Agreeing on a sustainable finance taxonomy:** to enable clarity and consistency around the language typically used to explain sustainable financing and sustainable financial products. Adoption of this taxonomy will deliver greater credibility to sustainable financing and be an influential factor in directing investor capital towards sustainable investments.
6. **Pulling the right levers:** to reward social/sustainable investment and penalise anti-social/unsustainable investment certain regulatory, tax and other levers should be used.
7. **Enabling consumers to align their finances with sustainability:** by requiring bankers, investors and financial advisers to take into account the sustainability preferences and performance of their clients, as well as catalysing more retail sustainable finance offerings.
8. **Building sustainability into the role of the regulators:** by clarifying how sustainability considerations should be better integrated into the oversight of financial regulators.
9. **Improving disclosures and transparency:** reporting for companies and investors on approach to ESG integration, climate and other sustainability due diligence (such as the TCFD, modern slavery, board diversity); and greater transparency (such as on portfolio holdings, shareholder voting reports) etc, to inform superior decision making.
10. **Involving governments in building the sustainable infrastructure pipeline:** incorporating sustainability considerations across government departments and programs such as infrastructure investment.
11. **Supporting impact investment:** including clarifying board and trustee duties as consistent with social impact investment, or by direct government support for co-investment in social and environmental impact opportunities.

At the conclusion of the conference there was the release of a *Joint Statement in Support of a Sustainable Financial System for Australia and New Zealand*¹⁹ signed by peak bodies from the banking, insurance and investment industries representing a collective number of approximately 300 financial institutions responsible for assets valued at over \$10 trillion.

The Joint Statement by the signatories calls others together to support the development of Sustainable Finance Roadmaps in Australia and New Zealand.

The Joint Statement was signed by:

Emma Herd
Chief Executive Officer
Investor Group on Climate Change



Matthew McAdam
Head of Australasia
Principles for Responsible Investment



Butch Bacani
Programme Leader
UN Environment's Principles for Sustainable Insurance Initiative



Simon O'Connor
Chief Executive Officer
Responsible Investment Association Australasia



Eric Usher
Head
United Nations Environment Programme Finance Initiative



The Joint Statement sets out key aims of the SFRMs:

- l) Define the long-term objectives of the Australian and New Zealand financial sectors in the context of sustainable development challenges and opportunities (including climate change).
- m) Set out opportunities to direct and incentivise lending, insurance and investment to support resilient and sustainable economies.
- n) Draw from leading global thinking on how to better align the financial sector with goals of a resilient and sustainable economy.
- o) Establish approaches and methods to assess and disclose ESG risks, opportunities and impacts arising from or affecting the finance sector.

Together with the conference and its engaged delegates, this Joint Statement has kick-started the movement to create a more sustainable financial sector; this gives rise to the opportunity to help Australia and New Zealand on the path to developing their own SFRMs, with activity already taking place in support of this initiative.

The signatories have also agreed to come together and work with leading financial institutions across banking, insurance and investment and other key stakeholders, such as government, regulators, consumers and civil society, to commence development of SFRMs in Australia and New Zealand, to help achieve national, regional and global goals on sustainable development.

PART FIVE: NEXT STEPS

Following on from the UNEP FI conference, the Aotearoa Circle was launched in Auckland on October 19, 2018 to kick start the New Zealand SFRM and next steps that involves formalising the partners of the Circle and inviting others to participate in the process (send an email to info@theaotearoacircle.nz).

The next steps in progressing the development of an Australian SFRM are set out below:

November – December 2018

Paramount to the successful development of a SFRM is a process that is inclusive and that delivers a SFRM that is informed and implementable. Involvement of a broad range of stakeholders will be key to this, as will an influential, expert group to lead and govern the initiative.

- **Interested parties will be invited to pledge their participation** in developing an inclusive process. Pledges of support are sought from organisations who want to help deliver an Australian SFRM and seek out specific expressions of interest from individuals who can contribute expertise to the working groups. Register your interest by email to: sustainablefinance@responsibleinvestment.org
- The **Sustainable Finance Roadmap initiative will be launched** including a plan that sets out the process for engaging stakeholders, building the evidence-base and delivering the SFRM recommendations.
- **A Steering Committee will be established** which is representative of the Australian financial sector and comprises members with appropriate expertise, influence, capability and commitment. The Steering Committee will appoint a Chair, identify Secretariat needs, funding options, required working groups and finalise the overall approach to the process.

January – November 2019

A key deliverable of the forward process is a white paper that provides the evidence-based analysis and recommendations for an Australian SFRM. This white paper will be similar in form to the High-Level Expert Group Report to the European Commission and it will be coordinated with the process being undertaken in New Zealand. The terms of reference for the white paper will give reference to conference feedback and will seek technical expert contributions as input for development of key sections and components of the SFRM.

- **Working groups will be set up** drawing in strong industry collaboration, expertise and support. Working groups will be tasked with collecting evidence that is the basis of the white paper.
- The Secretariat will administer the process and **involve key stakeholder groups at strategic milestones** throughout the process. The draft white paper, including preliminary recommendations for the SFRM will be tested with the involvement of key stakeholders.

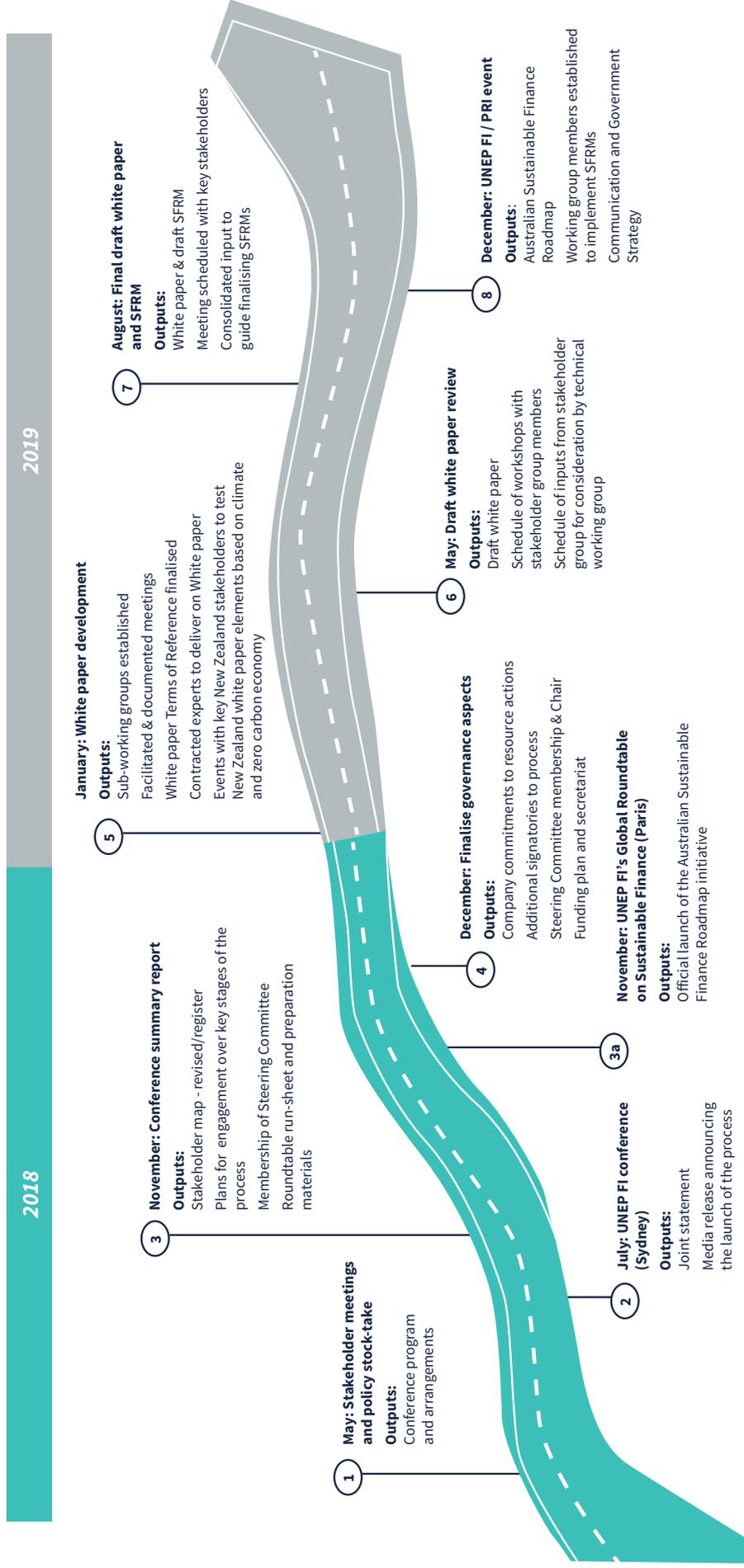
December 2019

The Australian Sustainable Finance Roadmap is launched towards the end of 2019.

The Steering Committee will also contribute industry support to the Aotearoa Circle Sustainable Finance initiative and harmonisation where beneficial.

Figure 10 over page provides a more detailed timeline over 2018/2019 for the outputs at each stage within the development process of an Australian SFRM.

Figure 10: Indicative timeline of key steps in the SFRM building process



References

- Annual Impact Survey Report*. (2018). Retrieved from <https://thegiin.org/research/publication/annualsurvey2018>
- Australian Securities and Investment Commission* (2018, June 18) Centre for Policy Development: Financing a Sustainable Economy – Climate Change, Sydney Australia, <https://asic.gov.au/about-asic/news-centre/speeches/climate-change/>
- ASX Corporate Governance Council*. (2018, May 02). Retrieved from Review of the ASX Corporate Governance Council's Principles and Recommendations : <http://www.unepfi.org/fileadmin/events/2018/sydney/consultation-paper-cgc-4th-edition.pdf>
- APRA: Australia's New Horizon*. (2017, February 17). Retrieved from Climate Change Challenges and Prudential Risk: <http://www.unepfi.org/fileadmin/events/2018/sydney/5-ICASpeechGeoffSummerhayes17Feb2017.PDF>
- APRA: The Weight of Money*. (2017, November 29). Retrieved from A Business Case for Climate Risk Resilience: <http://www.unepfi.org/fileadmin/events/2018/sydney/4-The%20weight%20of%20money%20-G%20Summerhayes%20Speech%2029Nov2017.pdf>
- ASIC* (2018, June 18) Centre for Policy Development: Financing a Sustainable Economy – Climate Change, Sydney Australia, <https://asic.gov.au/about-asic/news-centre/speeches/climate-change/>
- Global Sustainable Investment Review*. (2016) Retrieved from <http://www.gsi-alliance.org/members-resources/trends-report-2016/>
- Green Bond highlights*. (2017). Retrieved from <https://www.climatebonds.net/resources/reports/green-bond-highlights-2017>
- The Aotearoa circle*. (2018). Retrieved from <https://www.theaotearoacircle.nz/>
- The Aotearoa Circle Report*. (2018, October 19). Retrieved from https://static1.squarespace.com/static/5bb6cb19c2ff61422a0d7b17/t/5bc80c48e79c70fc53b2b105/1539837001104/MENV1002+A4+Info+Sheets_AW_SustainableFinances_V2.pdf
- The Environment Report*. (2018). Retrieved from Finance sector to develop Sustainable Finance Roadmaps: <https://www.environmentreport.com.au/single-post/2018/08/02/Finance-sector-to-develop-Sustainable-Finance-Roadmaps>
- APRA UNEP FI*. (2018). *UNEP FI*. (2018). Retrieved from Geoff Summerhayes address on the UNEP FI Conference: <http://www.unepfi.org/fileadmin/events/2018/sydney/3-GeoffSummerhayes%20doc.pdf>
- UNEP FI*. (2018). Retrieved from Joint Statement in support of a Sustainable Financial System for Australia and New Zealand.: <http://www.unepfi.org/fileadmin/events/2018/sydney/1-Statement%20for%20a%20Sustainable%20Finance%20Roadmap%20July%202018.PDF>
- UNEP FI Briefing paper*. (2018). Retrieved from Authored by RIAA for the conference in Sydney: <http://www.unepfi.org/fileadmin/events/2018/sydney/2-Sustainable%20Finance%20Roadmap%20BRIEFING%20PAPER.pdf>
- UNEP FI Conference*. (2018). Retrieved from Financing a resilient and sustainable economy: <http://www.unepfi.org/events/regions-events/asia-pacific-events/unep-fi-conference-on-financing-for-a-resilient-and-sustainable-economy-in-australia-sydney/>
- <http://www.unepfi.org/events/regions-events/asia-pacific-events/unep-fi-conference-on-financing-for-a-resilient-and-sustainable-economy-in-australia-sydney/>

NOTES

This paper is prepared as a summary of the UNEP FI conference held in Sydney on 23rd and 24th July 2018. This paper is intended to provide a summary of developments in sustainable finance globally. The recommendations on policy, regulation and finance sector practices that have been included in this paper are a summary of the various SFRMs around the globe and do not constitute recommendations for policy, regulatory or finance sector practice changes in Australia or New Zealand by the authors nor the conference organisers or supporting organisations.



DES3194 REV0 10/18



Investor Group on
Climate Change



Responsible Investment
Association Australasia