



Advancing resilience, prosperity and wellbeing through sustainable finance

Australian Sustainable Finance Centre 2020



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The challenge and opportunity

Australia faces major social, environmental and economic challenges: climate change, biodiversity loss, poverty, inequality, technological disruption, and in 2020 the COVID-19 public health crisis and resultant economic recession.

The financial services sector has an important role to play in responding to these challenges and supporting the opportunities that arise in building a more sustainable and resilient Australian economy and society.

The financial services sector can advance **resilience, prosperity and wellbeing** by allocating capital efficiently and effectively to address these current challenges. The sector faces a commercial imperative to transition to a lower carbon economy and has a key role to play in meeting Australia's commitments to the [UN Sustainable Development Goals](#) (SDGs) and the Paris Agreement.

Addressing the challenges also presents significant opportunities for the financial services sector, including financing companies and projects that support the decarbonisation of the energy, agriculture,

industrial and transport sectors, and social impact financing in areas such as social housing, health and education to support creating a more just and inclusive Australian society.

A key goal of the Australian Sustainable Finance Initiative (ASFI) is to align the financial services sector – including banking, investment and insurance – to support better social, environmental and economic outcomes for Australia. Reaching this goal is also crucial in facilitating the rebuild and recovery of the Australian economy following the disruption caused by COVID-19.

Australian Sustainable Finance Centre

- UTS proposes to establish a collaborative **Australian Sustainable Finance Centre** to provide:
- **Research:** a program of research to advance resilience, prosperity and wellbeing through sustainable finance, in particular where there are research gaps
- **Capacity building:** learning, professional development and capacity building programs to build critical sustainable finance knowledge, skills and leadership
- **Collaboration:** between the financial services sector, academia, business, civil society and government.

Through collaboration, research and capacity building, the Centre will accelerate sustainable finance innovation in Australia.

“ In the future there will not be sustainable finance and other finance, all finance will need to be sustainable. Ultimately there will only be one form of finance, and that will be green finance. ”

Geoff Summerhayes, [Australian Prudential Regulation Authority](#)



Why sustainable finance?

“ I believe we are on the edge of a fundamental reshaping of finance. The evidence on climate risk is compelling investors to reassess core assumptions about modern finance. ”

Larry Fink, CEO, [BlackRock](#)

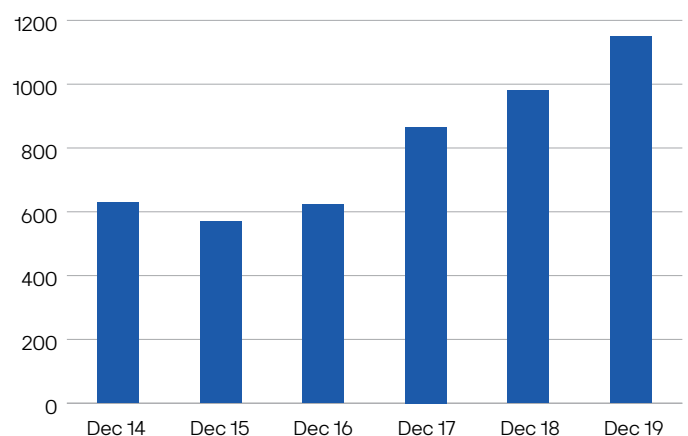
The relevance and uptake of sustainable finance is growing for all aspects of the market – including responsible investment, banking and insurance – both globally and in Australia. In 2019, assets under management (AUM) categorised as ‘responsible investment’ in the Australian market stood at A\$1,149 billion, or 37% of total professionally managed AUM.¹

Global sustainable debt issuance has also seen significant growth, with US\$465 billion issued in 2019, an increase of 78% over the previous year, for total cumulative issuance of over US\$1 trillion³. This growth, driven by increasing sustainability focus by corporates, governments and banks, is also being experienced in the Australian debt market with growing issuance of debt products including sustainability linked loans, green bonds and social bonds. Project financing of solar, wind and other renewable energy projects has also grown significantly both globally and in Australia in recent years.⁴ More recently since the onset of COVID-19, social bond issuance to address health and recovery efforts as well as demand for responsible investing has increased significantly.⁵

Sustainable finance also delivers performance benefits. Australian superfunds that apply responsible investment strategies outperform their peers over five-, three- and one-

year time frames. ESG and responsible investments have proven to perform well in challenging times, often outperforming mainstream funds, including during recent market volatility due to COVID-19.^{6,7}

Annual Growth of Responsible Investment in Australia – Assets under Management (A\$ billion)



Source: RIAA Responsible Investment Benchmark Report 2020 Australia²

Addressing risks

- Climate change and other sustainability issues are identified as significant risk factors for assets and are expected to become increasingly apparent over the coming decades. The physical impact of climate change as a result of extreme weather events on financial sector assets, as well as risks arising from the global transition to a low carbon economy will become increasingly important to the financial sector in coming years.⁸
- Central banks and financial regulators, including the RBA, APRA and ASIC, are increasingly focused on climate risks. The Network of Central Banks and Supervisors for Greening the Financial System is focused on forward looking climate risks assessment and the potential impact of climate change on monetary policy.⁹
- Climate change is already impacting significantly on the insurance sector globally and in Australia. In Australia, the insurance bill from four natural disasters in the summer of 2019/20 exceeded A\$5 billion¹⁰. Globally, economic losses from disaster events totalled US\$146 billion in 2019, of which US\$60 billion was covered by insurance, with the majority due to weather-related natural catastrophes.¹¹

“Environmental concerns dominate the top long-term risks by likelihood among members of the World Economic Forum’s multi-stakeholder community”

[WEF Global Risks Report 2020](#)

Realising opportunities

“ Attracting...sustainable private capital can fund growth, decarbonisation and climate change resilience of NSW businesses and public infrastructure. This presents economic opportunities for NSW to provide the sustainable finance services necessary to attract this capital, direct it towards promising local and international sustainable industries and infrastructure, and provide the professional services to manage these investments. ”

[NSW Chief Scientist and Engineer](#)

- Sustainable finance can fuel economic recovery and meet significant green infrastructure, energy, building and business funding needs. There is considerable momentum behind initiatives to “build back better” and for a sustainable and low emissions economic recovery post COVID-19, both globally and in Australia. Sustainable finance can be used to facilitate a more sustainable recovery.^{12,13,14}
- There are significant investment and job creation opportunities including in energy efficiency, renewable energy, clean transport/electric vehicles, green buildings and social housing, sustainable water and waste management/recycling/circular economy, low carbon industrial processing/advanced manufacturing, sustainable agriculture/forestry and land management. Australia is well placed to prosper from growing demand for renewable energy due to our abundance of clean energy. Financing green infrastructure in the transition to a low carbon economy will provide opportunities for the sustainable finance sector.^{15,16}
- There is growing demand from customers, regulators, business and investors both globally and in Australia for the financial sector to meet environmental and social outcomes. Australian companies are increasingly being required to consider sustainability aspects in their business, which sustainable finance can support.¹⁷
- It is estimated that US\$6.9 trillion per annum. is required globally to meet current climate and development objectives under the UN SDGs and Paris Agreement.¹⁸ Transitions in three socio-economic systems (food, land and ocean use; infrastructure and the built environment; energy and extractives) could deliver US\$10.1 trillion in business value and 395 million jobs by 2030.¹⁹ Both public and private sector financing will be critical to support the transition.
- There is an opportunity for Australia to become a sustainable finance hub in Asia-Pacific and globally, given expertise in the responsible banking, investment and insurance sectors, infrastructure finance capability and access to significant superannuation funding.

Why a Sustainable Finance Centre?

There is currently no authoritative research and capacity building body in Australia specialising in sustainable finance.

The Australian Sustainable Finance Centre will convene Australia's leading educators, researchers and thinkers in the field of sustainable finance to collaborate and co-design innovative solutions with finance sector stakeholders. It will provide a one-stop-shop for cutting edge research and educational opportunities.

ASFI's work highlights the need for research and capacity building to advance the Australian sustainable finance agenda. Australia needs a platform for ongoing collaboration between the financial services sector, the business community, civil society and academia to take forward ASFI's agenda. A dedicated Centre will provide a consistent, coordinated and comprehensive approach to sustainable finance research and capacity building.

Similar initiatives are already underway in other markets, including in Asia, North America and Europe. These include Canada's [Institute for Sustainable Finance](#), [Swiss Sustainable Finance](#) and various related initiatives in EU member countries, such as Germany's [Sustainable Finance Research Platform](#). Many other sustainable finance initiatives incorporate research and capacity building components – for example the [UK Green Finance Institute](#) has launched a green finance education charter with UK financial peak bodies for green recovery.

Similar to an ARC Centre of Excellence, the Australian Sustainable Finance Centre would be a focus of expertise through which researchers and educators would respond to the needs of the sector, while developing solutions to complex problems and enhancing Australia's international standing in sustainable finance.



Overview

Objectives

The Centre aims to:

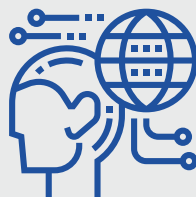
- partner with ASFI members and other sustainable finance sector stakeholders to co-design and deliver research and education programs aimed at advancing resilience, prosperity and wellbeing
- provide exceptional sustainable finance education programmes
- undertake innovative research to significantly advance sustainable finance capabilities and knowledge and develop solutions to complex problems
- connect Australian researchers and educators and develop new capacity for transdisciplinary, collaborative research on sustainable finance
- support knowledge and data sharing to enhance market transparency and improve decision making
- develop networks with related international centres as well as education and research programs and initiatives
- enhance Australia's international reputation in sustainable finance and contribute significantly to the global agenda in the sector
- attract high calibre researchers, educators and research students
- engage with the community on sustainable finance
- host and coordinate conferences and workshops to facilitate dialogue and interaction between industry and academia

Principles

In keeping with the principles of ASFI, the Centre would:



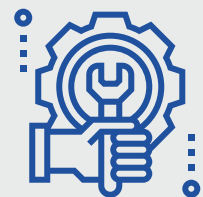
Be **inclusive** of stakeholders (including government, regulators, business and civil society)



Provide **informed, robust, evidence-based** research and education programs



Develop outputs that are **practically relevant**



Be **independent and objective** in its activities and outputs

Overview

Continued

Benefits of the Centre



For finance sector stakeholders

- Access cutting edge learning opportunities to build sustainable finance capacity and education
- Ensure investment decisions are underpinned by high-quality, rigorous academic research informing the theory and practice of sustainable finance and investment
- Collaborate with Australia's leading researchers to address Australia's sustainable finance challenges and develop solutions
- Access bespoke services to assist in navigating the risks and opportunities of transition to a low carbon economy and in meeting the needs of shareholders, stakeholders and consumers
- Access the latest research and thought leadership through domestic and international partnerships with leading academic institutions



For researchers and educators

- Build capability, critical mass and prominence in the sustainable finance sector
- Deliver cutting edge learning and capacity building programs
- Contribute to the advancement of sustainable finance and investment theory and practice through research aligned to areas of expertise
- Access valuable industry and government networks
- Collaborate with researchers at the forefront of their field



For Government

The Centre will contribute to achievement of the Australian Government's goals, initiatives and priorities including Australia's commitments under the following international agreements:

- The UNFCCC Paris Agreement
- the UN Sustainable Development Goals

- The Sendai Framework for Disaster Risk Reduction

The Centre will also support State Government sustainable finance initiatives such as the NSW Government's plan to establish Sydney as a major global sustainable finance hub and the development of a Green Investment Strategy.²⁰



For other stakeholders

- Regulators: increasing the resilience and sustainability of the financial system
- Consumers: addressing expectations around responsible investment
- Civil society: supporting resilience, prosperity, wellbeing and sustainability through the financial system
- Business: support for CSR and corporate sustainability strategies

Programs and offerings

The Centre would have a core scope to undertake research and education programs on sustainable finance. Additionally, the Centre would play a role in monitoring and evaluating finance sector progress towards core sustainability goals such as 2050 net zero emissions, and in stakeholder engagement.

The Centre aims to provide data, expertise, solutions and capacity-building for sustainable finance. Outputs and activities will include practical guidance and recommendations, knowledge-sharing events and capacity building programs and initiatives.

Core capacity building

To address identified issues with leadership, culture and education in the financial services sector, the Centre would offer a program of activities to build capacity in sustainable finance.

It would build knowledge, skills and expertise in sustainability, climate change, human rights, the SDGs and other ESG issues and how these issues translate to risks and opportunities. Capacity building offerings would be based on market research on training and education gaps, and could provide a central point for various offerings.

Courses would be offered from undergraduate level through to CEOs/CFOs/Directors and would be developed in partnership with financial sector peak bodies and/or international sustainable finance organisations, including:

- professional development training for all levels of financial sector participants – Board members, executives and employees including targeted training for groups such as intermediaries

- micro-credentials – short courses to upgrade existing and learn new skills
- online training modules
- undergraduate degrees, masters and PhDs
- bespoke executive training

Potential subject areas include:

- Understanding sustainability, climate change, human rights and other ESG issues for the financial services sector
- Sustainability in banking, investment and insurance
- Sustainable finance products
- Impact assessment
- ESG tools and frameworks
- TCFD and other disclosure standards
- Environmental economics and models that incorporate natural and human capital
- Circular economy



Core research

Proposed Research Framework

To address the core challenges and opportunities identified through the ASFI process, the Centre will conduct research in five main themes. Within these themes, potential research topics have been identified, with additional topics expected to be added as research continues.



Core research

Continued

Potential research topics

1 Leadership and culture

Roles and responsibilities

- Factors impacting on the execution of roles and responsibilities of trustees, fiduciaries, directors, executives and regulators
- International trends in fiduciary/director duties to incorporate broader stakeholders, sustainability/climate risks and long-term perspectives
- Alignment of the roles and responsibilities of trustees, fiduciaries, directors, executives and regulators with long-term sustainable outcomes.
- Solutions to short-termism, particularly remuneration structures e.g. embedding sustainability goals in remuneration systems

2 Data, disclosure, tools and standards

Consumer guidance

- Consumer-focused guidance on sustainability credentials of financial products and providers
- Effective consumer communications on sustainable finance.

Tools and frameworks to:

- assess sustainability risks and impacts
- aid investment in ESG outcomes

Disclosure

- Australian approach to implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).
- ESG reporting requirements and policies

Taxonomy and definitions

- Development of benchmarks and taxonomies, building on the EU taxonomy work.
- Definitions, labels and standards for key sustainable investment or product terms for the Australian market aligned with emerging international standards.

Standards and ratings

- Review of sustainability standards and ratings used in Australia, building on the EU review of sustainability ratings and research.
- CSR benchmarking

Impact assessment

- Tools, frameworks and practices for ESG impact/outcomes assessment, measurement and tracking

3 Decision-making, valuation and risk management

Climate risk

- The impact of climate change risk on pricing and availability of consumer financial products and returns
- Climate-related risks to the macroeconomy and the financial system including the insurance sector
- Risk assessment tools and methods, data and scenario analysis methodologies for climate change and other ESG risks.

Valuation and pricing

- Tools for valuation and pricing of climate and other ESG risks
- Methods and tools for valuing externalities and natural and human capital and incorporating into standard financial and economic models
- Methods/frameworks for sustainability accounting based on

whole system approaches – mapping qualities of sustainable systems (diversity, adaptation, self-organisation) rather than quantities.

ESG integration into decision-making

- Tools to value, integrate and prioritise ESG risks, natural and human capital in decision-making
- Integration of ESG tools into broader investment decision-making processes
- Integration of ESG considerations into infrastructure planning

Indices

- Measures to expand index criteria to include more sustainable finance products and integrate ESG risks and opportunities or new standard sustainability indices

Core Research

Continued

Potential research topics continued

4 Allocation of capital, regulation and policy

Incentives

- Mechanisms for rewarding consumers for making decisions based on sustainability considerations
- Potential for green tax reform and investment policy to incentivise consumption of low-carbon goods.
- Measures to support innovation including potential fiscal incentives (such as green tagging, green supporting factor) and alternative funding models such as crowdfunding

Regulation and policy

- Regulatory guidance on treatment of green or sustainable assets related to risk weightings and capital treatment of such assets.

- Policies for incorporating a price on externalities e.g. tax, trading schemes

Scaling ESG innovation

- Innovative tools and mechanisms to overcome barriers to scale and direct capital flow towards areas of critical social and environmental need and opportunity, including aggregation and outcomes measurement
- Incentives to support scaling of projects (commercial solutions to ESG issues) to the level of institutional investment

5 Macroeconomics

Economic futures

- Implications of macro-trends impacting on economic futures in Australia and responses to ensure resilience, prosperity and well-being
- Alternative economic models
- Environmental, economic and social issues such as equity, equality, inclusion, casualisation of work, fair and decent work and living wages

Financial inclusion

- Understanding barriers to financial inclusion
- Measures to enhance financial inclusion and overcome barriers to financial inclusion such as the changing definition of work, the gig economy, socio-economic factors etc

Just transition

- Re-skilling for sustainability
- Transitioning to green jobs

Role of the financial services sector

- Role of the financial services sector in supporting a more sustainable and resilient economy and society in a post-Covid 19 world
- Transitioning to a circular economy – the role of the financial services sector
- The human impact of financial services (impacts on human wellbeing – positive, negative and potential)

“High-quality, rigorous academic research can inform necessary developments in the theory and practice of sustainable finance and investment. Doing so will help align the financial system with global environmental sustainability.”

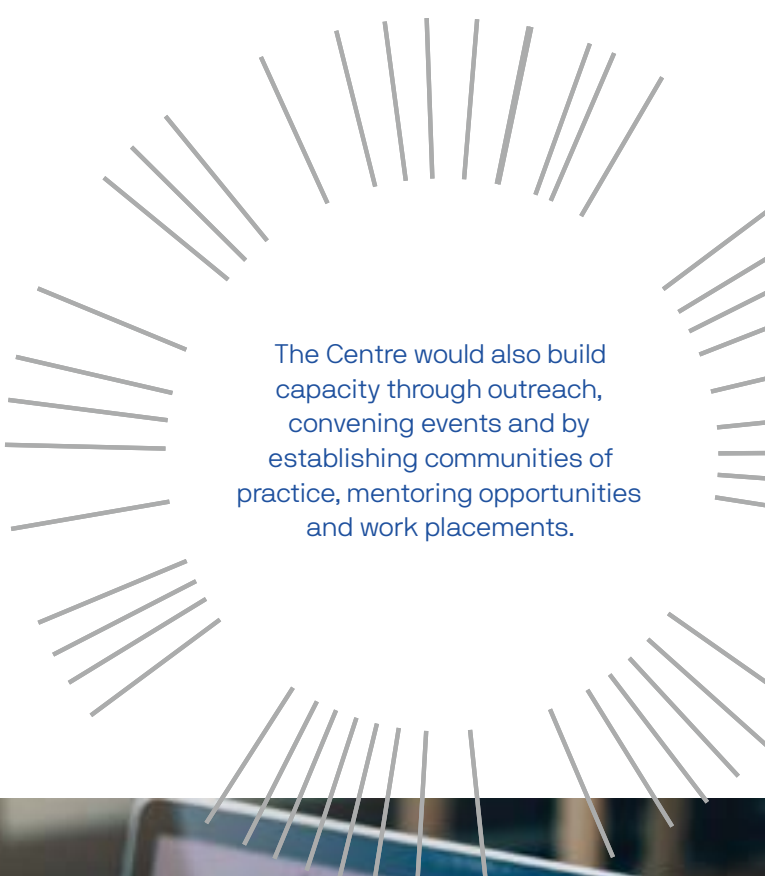
[Global Research Alliance for Sustainable Finance and Investment](#)

Other activities

The Centre would also build capacity through outreach, convening events and by establishing communities of practice, mentoring opportunities and work placements.

The Centre would host and co-ordinate conferences and workshops that would bring together industry representatives, policymakers, practitioners and academics to discuss the implementation and advancement of sustainable finance in Australia.

The Centre would build capacity and knowledge beyond the finance sector through communication and dissemination of research outputs. It would also support sustainable finance sector leadership to increase public financial literacy and knowledge of sustainable finance through research, education and provision of resources such as consumer-focused information on the role of the financial system in addressing sustainability issues.



The Centre would also build capacity through outreach, convening events and by establishing communities of practice, mentoring opportunities and work placements.



Supporting the Australian Sustainable Finance Centre

The Centre requires funding to support core research and capacity building activities and a lean administrative function.

UTS is seeking a minimum of \$2 million annual funding over five years to carry out core research and capacity building activities.

In addition, the Centre would undertake bespoke research and training on a fee for service basis.

- The Centre would be headquartered in and administered by UTS.
- The core activities of the Centre would be guided by an Advisory Committee representing ASFI members, researchers, educators and other key stakeholders.
- The Centre would initially comprise a group of foundation universities to be expanded over time. The core research and capacity building activities would be undertaken by a core team of researchers in partnership with researchers and educators from the other foundation universities, under the central management of the Centre.

Companies, organisations, universities and government agencies are invited to join as partners.

To discuss your involvement with the Australian Sustainable Finance Centre please contact:

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