



Dear Mr Todd,

Thank you for the opportunity to provide a submission to assist the Australian Government in negotiations with Singapore on the Green Economy Agreement.

ASFI and our role in the financial system

The Australian Sustainable Finance Institute (ASFI) was established following an unprecedented collaborative effort across the Australian financial system to develop the [Australian Sustainable Finance Roadmap](#) (the Roadmap). Released in November 2020, the Roadmap sets out a plan to realign the Australian financial system by 2030, to support a more resilient, sustainable and prosperous future for all Australians, and contribute to resilience of the financial system in a period of significant change, elevating risks and a rapidly shifting global context.

With strong support from Australia's biggest asset managers and asset owners, banks, insurers and other financial services providers, the Roadmap was developed with involvement from 90 organisations across the financial services sector, civil society, academia, financial regulators and government.

To drive forward implementation of the Roadmap, ASFI was established in July 2021, to create the system wide change required in the financial services system, by coordinating, driving and facilitating Roadmap implementation. ASFI was established with 21 founding members, complemented by a growing number of additional members, supporters and partners across the finance sector, government, regulators, universities and think tanks. ASFI brings deep knowledge and networks on sustainable finance, a collaborative approach to working across the industry and with government, regulators and others, and the ability to draw on its network of members from right across the finance sector who collectively manage more than \$6.5 trillion in assets and are leaders in sustainable finance in Australia and globally.

The role of international partnerships in implementing the Roadmap

Capital markets are global in nature, and the Australian financial services sector, and the Australian economy, depend on global capital. While international shifts towards sustainable finance mean that Australia needs to take action on sustainable finance in order to retain our international competitiveness ([RBA 2021](#)), international partnerships also enable Australia to shape global sustainable finance architecture and how it is applied domestically. By working with like-minded countries, such as Singapore, Australia can ensure emerging international rules and norms support our finance system to shift, adapt and support the transition of the real economy needed to achieve global climate, sustainable development, biodiversity and resilience goals. The Roadmap calls out the establishment of international partnerships as critical to achieving the financial system changes required to grow sustainable finance and its impact, and is an area ASFI will continue to grow.

The Australia-Singapore Green Economy Agreement (GEA) provides one vehicle through which to strengthen Australia's international partnerships around sustainable finance, to ensure harmonisation and international interoperability of emerging sustainable finance standards and markets. If the GEA is to provide a starting point for other regional agreements, it is important that it builds and strengthens not only government to government partnerships, but industry-led and cross-sectoral initiatives to support and build the sustainable finance market. This could for example include a more formal partnership between ASFI and the Green Finance Industry Taskforce.

Key areas of sustainable finance for collaboration with Singapore

Two critical areas of sustainable finance that should be included in any discussions with Singapore are disclosures and taxonomies. These are foundations of sustainable finance architecture in many countries ([IPSF 2021](#)) and have been identified as critical to the growth of sustainable finance in Australia ([ASFI 2020](#)). International harmonisation of disclosure requirements and taxonomies is being explored in a number of multilateral forums such as the G20 Sustainable Finance Working Group and the International Platform on Sustainable Finance, and this should be complemented by bilateral discussions in the Australia-Singapore GEA.

Sustainable Finance Taxonomies

Developing a proposal for an Australian Sustainable Finance Taxonomy is a key priority for ASFI during 2022. Both solutions and capital are required to support the transition to a net zero economy, and taxonomies help to make it easier to identify opportunities, to create sustainable assets and activities and guide capital to support the achievement of Australia's climate and environmental objectives. A taxonomy would guide the transition of the economy, financial portfolios, companies and economic activities by providing clear and consistent definitions of what is classified as a sustainable activity and, given the commitment to net zero by 2050, how economic activities will need to transition over time to continue to be classified as sustainable.

Building on work done on sustainable finance taxonomies internationally, including by the EU, the Common Ground Taxonomy, Japan and in Singapore, this project will work with experts and stakeholders across the Australian financial system to determine what a sustainable finance taxonomy should look like in Australia to ensure international credibility and inter-operability while reflecting the Australian economy and context. In addition to industry support, this work has strong support from the Council of Financial Regulators ([CFR 2021](#)), recognising the risks to Australia and our financial system if we are not actively shaping emerging international norms in this area to suit Australia's interests.

ASFI's ongoing interest in the GEA

We would be happy to participate in ongoing stakeholder consultations to inform the sustainable finance pillar of the Singapore GEA and look forward to further discussions.

Yours sincerely



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