

Submission – Future Made in Australia Front Door

4 October 2024

Overview

The Responsible Investment Association Australasia (RIAA) thanks the Australian Treasury for the opportunity to comment on the proposed Investor Front Door, a key component of the Government's Future Made in Australia (FMIA) plan.

RIAA welcomes the Government's focus on efforts to facilitate private investment in important projects, many of which will be required as the Australian economy transitions to net-zero. In addition, it underscores the government's vital role in shaping a sustainable finance agenda, a perspective long championed by RIAA. It is also an opportunity to ensure the finance sector and government work hand-in-hand to harness capital towards more sustainable outcomes for the Australian economy, environment and society, and ensure that the energy transition is a just one. The transition to a sustainable economy is a complex and urgent undertaking requiring creativity and a systems outlook to achieve shared goals.

In recognition of the coverage of its membership and the engagement of its members in the RIAA Working Groups,¹ RIAA has provided submissions in relation to the investor-led and focused guidance which will mitigate potential risks of not addressing non-climate sustainability factors in such a significant framework. Broadly, the submissions would be relevant to the section 'Identifying and prioritising major, transformational projects' in the consultation paper.²

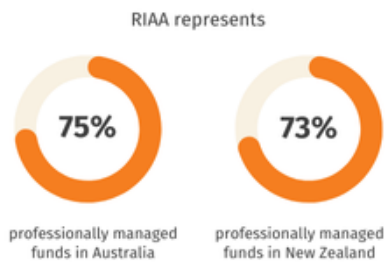
RIAA relied on the following submissions for this feedback:

- [Draft Sustainable Finance Strategy](#); and
- [First Nations Clean Energy Strategy](#).

¹ [Working Groups - Responsible Investment Association Australasia \(RIAA\)](#)

² [c2024-571335-consultation-paper.pdf \(treasury.gov.au\)](#)

About RIAA



A\$
76
trillion

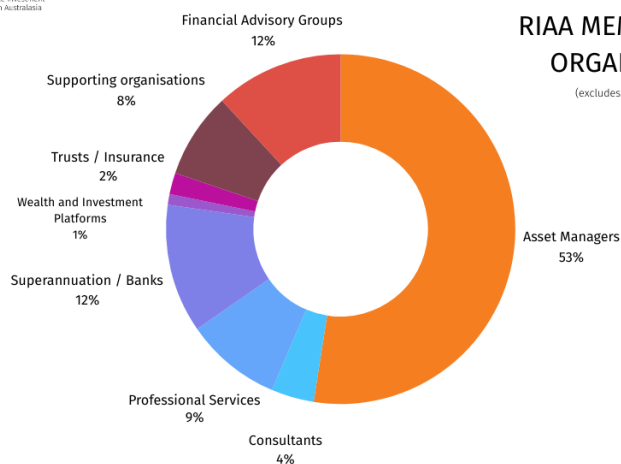
managed by our members in
assets globally

10

largest super funds by members
and asset under management in
Australia are RIAA members

**9 out
of 10**

largest KiwiSaver Funds by
members are RIAA certified
products



Our journey so far



CERTIFIED BY RIAA

World's longest running
certification program for
responsible investment products

340+ RIAA certified
products

Summary of recommendations

1. Coordinate efforts across Government to ensure the success of the Investor Front Door, including harnessing all available policy levers, such as removing existing regulatory barriers and removing incentives for unsupported projects.
2. Implement minimum standards for non-climate sustainability factors to the assessment and prioritisation process, leveraging industry guidance provided such as the RIAA investor toolkits and guides issued under Dhawura Ngilan Business and Investor Initiative.

Context for RIAA's submissions

Long-term projects require long-term certainty on norms

Investors require policy and regulatory certainty to inform their investment decision making, which in a large part is based on an assessment of risk. Where long-term investments under a long-term policy initiative are being considered, the impact of uncertainty on decision making is more pronounced. This requires both policymakers and industry to not narrowly focus on the norms of today to determine social licence. Particularly for long-term projects, a lack of policy certainty in relation to social and governance areas of ESG could result in a lack of appetite from investors on projects with the potential to impact social license, global obligations (e.g. under the United Nations) etc.

The focus on non-climate sustainability factors recognises that, increasingly, major global economies are looking beyond climate to other sustainability factors such as human rights,³ nature⁴ and the rights of indigenous people.⁵ This translates to institutional investors incorporating non-climate sustainability factors into investment decision-making as well as making public commitments which must be measured and achieved. Where global investors have reporting or compliance obligations relating to non-climate sustainability factors, to have a policy framework which does not allow for transparency and consistent access to information may be a barrier.

In Australia, investors are already looking to non-climate sustainability factors. For example, RIAA's 2023 Australian *Responsible Investment Benchmark Report* (2023 Benchmark Report) found that:⁶

- a. 34% of respondents are specifically screening against the UN Declarations of the Rights of Indigenous Peoples (up from 14% in 2021);
- b. norms-based screening overall grew by 85% when compared to 2021, representing \$255 billion AUM; and
- c. more than half (56%) of surveyed investment managers incorporate norms-based screening into their investment processes.

In addition, nature and biodiversity risk are fast becoming a necessary consideration for many businesses and investors – this acknowledges the interrelatedness of the climate and other sustainability factors.

³ Institutional investors have a responsibility to respect human rights through a set of policy and process requirements, as set out in the United Nations Guiding Principles (UNGPs) on Business and Human Rights: see [An introduction to human rights for responsible investors | PRI \(unpri.org\)](#)

⁴ Through the Taskforce for Nature-related Financial Disclosure, which can be applied at the project level..

⁵ UN Declaration on the Rights of Indigenous Peoples [Nature in responsible investments | Introductory guide | PRI \(unpri.org\)](#)

⁶ [Benchmark Report - Responsible Investment Association Australasia \(RIAA\)](#)

Definition

Norms-based screening refers to the screening of investments based on minimum standards relevant to business practices. Standards applied are based on international norms and conventions, such as those defined by the United Nations (UN).

In practice, norms-based screening may exclude companies that contravene standards such as the UN Convention on Cluster Munitions. It may also include positive screening, based on ESG criteria developed through international bodies such as the United Nations Global Compact, International Labour Organization, the United Nations Children's Fund and the UN Human Rights Council.

Investor stewardship provides guidance and a framework for industry uplift

There is industry guidance material (see below) which breakdown the ways in which investors can engage and influence investee companies on a number of non-climate sustainability factors, in line with their stated investment strategies. Much of this is to support good stewardship.

Stewardship is defined as the deliberate deployment of rights and influence (beyond capital allocation) to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social, and environmental assets on which their interests depend. The ability to exercise influence spans asset classes, although the means to do so vary depending on the context.⁷

Examples of ways in which investors can exercise their rights and influence include the following:

- Serving on or nominating directors to a company's board
- Filing shareholder resolutions or statements
- Voting on proposals at shareholder meetings
- Engaging with investees and potential investees
- Litigating
- Providing input into industry research, market standards, public discourse, or policy and lawmaking
- Actively participating in third-party or collective initiatives that undertake any of the above.

Investor influence does not constitute stewardship unless it is used to protect and enhance overall long-term value for clients and beneficiaries. Using influence to promote short-term performance or the performance of individual companies, industries, or markets, without regard to overall value, does not constitute stewardship.

Stewardship goes towards continued engagement to influence better practice – as such, it is well positioned to be utilised by government to ensure that the focus on transition to net-zero is not so myopic as to introduce other risks.

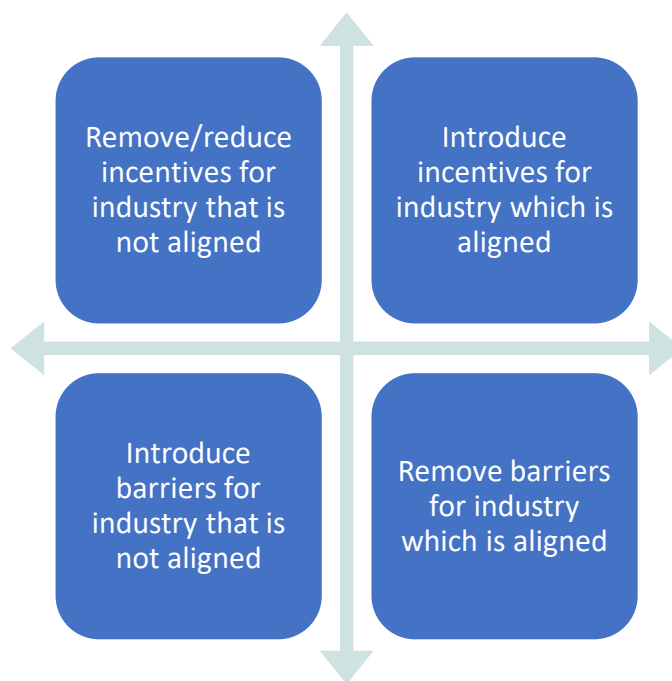
⁷ GSIA, RIAA website

Detailed submissions

1 – Whole-of-government approach to support the success of the Investor Front Door

At present, the consultation paper does not provide details about the framework preferred by Government to implement the Investor Front Door, including the role of existing government agencies and departments. For example, the Net Zero Economy Authority (NZEA) has enabling legislation which overlaps substantially with the objective of the Investor Front Door. If the NZEA takes a central role in implementing the Investor Front Door, it is unclear the degree to which the legislated objectives of the Authority will take precedence. Further clarity on how the Investor Front Door will be situated within the structure of Government will be useful for investors.

RIAA also encourages the use of all available policies levers across Government to support the success of the Investor Front Door.



A coordinated effort to prioritise the review and update outdated policies and legislation that may be contrary to the ambition of the Investor Front Door and, more broadly, the FMIA. For example:

- in accordance with the Government's commitments under the Paris Agreement and Global Biodiversity Framework, eliminate subsidies for harmful activities and remove incentives such as tax breaks that insulate high-emitting industries;
- address the use of offsets to meet climate targets at the national or company level which can obscure true progress towards that goal;
- strengthen existing financial product requirements such as expanding portfolio holdings disclosure to managed investment schemes to support transparency for the new projects to be funded in Australia with the aid of public resources from domestic and international capital;
- remove regulatory barriers, not just adding new regulatory policies to aid facilitation. This will ensure domestic investors and consumers are on an equal playing field. For example, at present superannuation funds and their members may be limited in the degree to which it can invest in products through the Investor Front Door due to the structure of the annual performance test.⁸

⁸ See [RIAA's submission](#) to Treasury consultation *Annual Superannuation Performance Test – Design Options*

2 – Harness existing industry guidance to mitigate risks of non-climate sustainability factors

RIAA submits that the Investor Front Door presents a key opportunity for the Australian Government to set a minimum standard for the projects which can avail themselves of this policy benefit, particularly so for non-climate sustainability factors. Without proper safeguards, a streamlined pathway focused on project delivery may increase the risks in these areas which have varying legal obligations and quality of engagement and adoption.

RIAA Working Groups

RIAA hosts several member-only working groups as important communities of practice for members to collaborate and share leading practices and knowledge and as a means of building the capacity of members to be more effective in their work.

One of the objectives of the working groups is to involve members in addressing some of the challenges in the responsible investment industry and working to achieve a constructive pathway forward.

To date, this has resulted in the publication of toolkits to assist investors in navigating complex areas in responsible investment and effectively engaging with investees and/or project proponents.

RIAA submits that incorporating relevant aspects of RIAA's toolkits (determined through engagement with industry and interested groups) to the assessment and prioritisation phase would provide a practical and efficient method through which this standard can be set. The RIAA toolkits are developed to assist institutional investors to engage with investee companies to ensure management of key non-climate sustainability factors, in line with their stated investment strategy. In addition, the toolkits support stewardship activities by ensuring investors have necessary information ahead of undertaking stewardship activities.

In building out the Investor Front Door, the government is investing in the facilitation of private investment and making decisions as to the degree to which projects meet the requirements of the strategy of the Front Door (e.g. being 'major and transformational' projects). As such, RIAA submits that the Government should consider the questions set out in the toolkits as a useful metric to incorporate into the assessment and prioritisation process.

Further, where minimum requirements are set at the assessment and prioritisation phase, there is flexibility to support proper transition to best practice. For example, baseline requirements for non-climate sustainability factors can be set for all prospective project proponents and investors. Additional requirements can then be included for those projects that have, or are likely to have, material impacts or dependencies on the relevant sustainability factor (or factors), and therefore having a higher exposure to related risks. Similarly, where the projects are of national importance and addresses a serious public interest issue, the framework could be sufficiently flexible to demonstrate that the proponent/investor has started the process to become compliant and has resourced the pathway to becoming compliant with the non-climate sustainability factors.

Finally, RIAA supports the Investor Front Door providing light-touch guidance materials. Much of the industry guidance at present can be reworked to be a useful starting point for prospective applicants.

Set out below are the specific non-climate sustainability factors with existing industry guidance.

First Nations Peoples' Rights and Cultural Heritage Protection

RIAA submits that it is vitally important that all project proponents and investors who benefit from the Investor Front Door should meet minimum standards for engaging with First Nations Peoples and cultural heritage protections, the degree increasing with the degree to which the project interacts with Indigenous Australians. First Nations expertise in looking after Country has the capacity to provide a significant advantage to the implementation of the Investor Front Door (and FMIA) (even where a 'climate-first' approach is taken).

For example, incorporating Indigenous knowledge into how nature is measured will improve nature-related financial disclosures. And protecting Indigenous cultural heritage and legislating for Free, Prior and Informed Consent in relation to renewable energy projects through national law reform will provide greater certainty, a level playing field and baseline requirements. This will reduce operational and reputational risk in investing in clean energy.

Crucially, First Nations land title covers more than 50% of the Australian land mass, and more than 80% in northern Australia. It is recognised that a high proportion of renewable energy, critical minerals and biodiversity conservation and restoration projects are, and will be, located on First Nations peoples' lands. RIAA submits that it is therefore critically important that First Nations people are treated as equity partners in the policy framework to support Australia's decarbonising economy. If First Nations interests are not accorded this status, the risks at a national level are twofold;

- a historic opportunity to generate sustainable wealth for First Nations communities in regional and remote Australia will not be achieved;
- inevitable tension between proponents and First Nations groups could delay or prevent approvals for development projects.

The Investor Front Door can be a key measure through which the Government can use different drivers to both mandate and encourage better protection of First Nations Peoples.

Investor Toolkit: An Investor Focus on Indigenous Peoples' Rights and Cultural Heritage Protection⁹

Published in October 2021, the Investor Toolkit was developed by RIAA's Human Rights Working Group (Corporate Engagement subgroup) and the First Nations Peoples' Rights Working Group in response to the tragic and avoidable destruction of cultural heritage at Juukan Gorge in the Pilbara in Western Australia. While undertaken by institutional investors, the toolkit was endorsed by Indigenous groups such as the First Nations Heritage Protection Alliance and National Native Title Council. Noting that the Juukan Gorge incident was entirely legal, it put a spotlight on the cumulative failures at the company and legislative level to uphold the rights of Indigenous Peoples, as well as highlighting risks in the broader industry.

The Investor Toolkit outlines 'red flags' investors should look out for in companies' disclosure and engagement practices on First Nations Peoples' rights and describes what good looks like. It also suggests detailed questions which investors can ask in their engagement with companies and explains the importance of fundamental concepts such as FPIC and self-determination.

Dhawura Ngilan Business and Investor Initiative (DNBII or the Initiative)¹⁰

In October 2021, the DNBII was established to bring together First Nations, business and investor communities to focus on strengthening Australia's First Nations Peoples' heritage laws and standards for the private sector to uphold the human rights of First Nations Peoples. Led by the First Nations Heritage Protection Alliance in partnership with the Global Compact Network Australia (GCNA) and RIAA, this Initiative sees protecting cultural heritage as the responsibility of all Australians, including the finance and business sectors.

⁹ <https://responsibleinvestment.org/wp-content/uploads/2021/10/Investor-Toolkit-An-Investor-Focus-on-Indigenous-Peoples-Rights-and-Cultural-Heritage-Protection.pdf>

¹⁰ [Dhawura Ngilan Business and Investor Initiative - Responsible Investment Association Australasia \(RIAA\)](#)

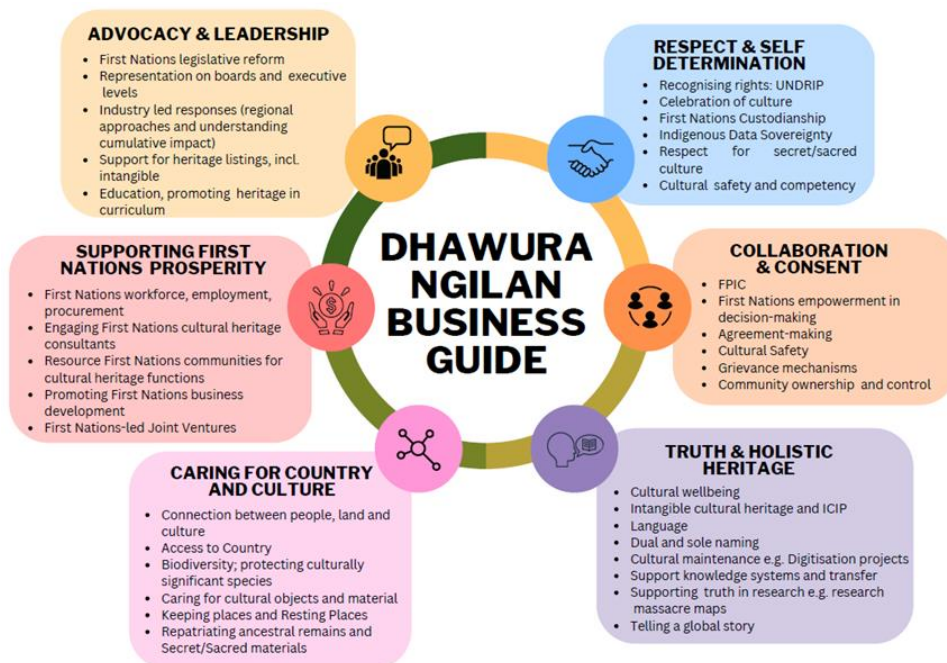
The DNBII launched two documents in March 2024 by Minister Tanya Plibersek in Canberra:

- Principles for Businesses and Investors; and
- Business and Investor Guide.

These guides provide:

- a set of twenty standards which collectively illustrate the expectations of First Nations peoples for how the private sector will interact with First Nations cultural heritage;
- how to operationalise the Dhawura Ngilan Principles;
- six sections outlining a series of Key Actions associated with each Dhawura Ngilan Principle for different types of businesses; and
- tailored guidance to assist investors to integrate cultural heritage considerations into decision-making, including during due diligence, assessing disclosures, corporate engagement, and stewardship.

The Dhawura Ngilan principles for the private sector are as follows:



Additionally, RIAA submits that First Nations engagement in developing appropriate avenues for building awareness and knowledge of clean energy is paramount. Existing prescribed bodies corporate could be involved as an important conduit between community, industry and government. RIAA notes that further resourcing support and capacity building of these groups must be provided to have a likelihood of success.

Examples of Canada's approach to First Nations participation in energy transition

Canada's Nationally Determined Contribution under the Paris Agreement has a specific outline and section on Indigenous Climate Leadership, recognising the expertise and insight First Nations Peoples bring to addressing climate change. Furthermore, Canada has adopted UNDRIP into parliament, and subsequently created an action plan in partnership with First Nations communities.

First Nations Major Projects Coalition¹¹ is a First Nations run organisation, which works with First Nations communities by providing them with advice, tools, and relevant knowledge to make decisions about large infrastructure projects, mostly energy related, on their lands with FPIC. It is a membership-based system, so communities can choose to join, and they have partnerships with relevant industry players.

¹¹ <https://fnmpc.ca/>

Canadian federal and state governments have a variety of government funded programs that support renewable energy deployment in First Nations communities, including:

- *British Columbia's First Nations Clean Energy Business Fund*,¹² which provides options for capacity funding, equity funding, and also provides revenue sharing where relevant;
- *Wah-ila-toos*:¹³ Clean Energy Initiatives in Indigenous, rural and remote communities, a program providing funding and support to rural and remote First Nations communities to transition to renewable energy.

Options for minimum standards on First Nations Peoples' rights and cultural heritage protection

RIAA recommends engagement with the Working Group members and relevant First Nations leads of the DNBII to finalise the minimum standards.

1. Require demonstration of a majority of the Dhawura Ngilan principles by applicant to the Investor Front Door.
2. Set minimum expectations on cultural heritage management such as:
 - investment and programs to support the development and growth of Indigenous-owned and operated energy assets with the potential to export power as well as provide for community needs. This incentivises an entrepreneurial approach and the growth of intergenerational wealth;
 - incentives for projects in regional/remote areas which would assist with the financial sustainability of renewable energy assets in these communities;
 - developing job training/mentoring programs for First Nations Peoples in the renewable energy space, focused in remote and regional areas where clean energy projects and infrastructure will be created;
 - a requirement for renewable energy assets on First Nations land to have First Nations representation on the board;
 - setting minimum standards for projects such as:
 - those consistent with the Investor Toolkit and the DNBII Guide (see above)
 - first supplying energy to local communities being a non-negotiable aspect of any renewable energy development, in order to provide equity, energy security and reduce the current energy poverty experienced by many First Nations communities;
 - education of First Nations groups as a first step, and gaining buy-in from First Nations Peoples about building renewable energy assets on their land. Australia has committed to net-zero targets, and it is important that First Nations communities are equally supportive of this strategy and willing to utilise their land to support the transition;
 - best practice co-ownership and ownership models should be developed by the government in conjunction with industry and incentivized, including through developing grant and project funding programs. Direct or co-ownership with the First Nations Peoples on whose land the renewable energy project is situated being the goal in all project development; and
 - industry and the government could also consider a requirement for renewable energy assets on First Nations land to have First Nations representation on the board; and
3. Incorporate funding mechanisms into the framework of the Investor Front Door to ensure First Nations organisations are resourced to participate in the transition.

Human rights, including modern slavery

Investor toolkit: Human Rights Due Diligence¹⁴

This toolkit focuses on risk to people rather than risk to business and provides practical guidance for investors to engage in investees to ensure:

- they conduct/ have conducted meaningful consultation with potentially affected groups and other key stakeholders;
- assess the adequacy of investor and investee company structure so that findings from the process can be integrated and effective responses formulated;

¹² [First Nations Clean Energy Business Fund - Province of British Columbia \(gov.bc.ca\)](https://www2.gov.bc.ca/gov2/first_nations_clean_energy_business_fund/)

¹³ [News & Updates - Community Climate Funding \(gov.bc.ca\)](https://www2.gov.bc.ca/gov2/news_updates_community_climate_funding/)

¹⁴ <https://responsibleinvestment.org/wp-content/uploads/2021/12/KPMG-RIAA-Human-rights-and-climate-change.pdf>

- gauge the capacity of investor and investee company to track the effectiveness of the human rights due diligence process in terms of reducing impact or potential impact on affected stakeholders; and
- communicate the results of the process externally in annual reporting, sustainability reporting and disclosure to regulators

Investor toolkit: Human rights with a focus on supply chains¹⁵

The purpose of this toolkit is to help investors engage constructively with companies in order to encourage better practice thereby reducing human rights risks in supply chains. The toolkit provides practical guidance for investors on how to engage with investees on:

- Knowing your supply chain: transparency, traceability, complexity and risks;
- Adopting a robust ethical sourcing/responsible procurement policy or and demonstrating senior management buy-in and a focus on key underlying issues;
- Knowing your supplier and building closer relationships with suppliers, including incentives;
- Adopting a unified and thoughtful auditing approach and increase presence on the ground in key locations;
- Providing training on human rights to staff and suppliers; and
- Collaborating with peers and other stakeholders

Options for minimum standards on Human rights, including modern slavery

RIAA recommends engagement with the Working Group to finalise the minimum standards.

1. Determine the existence of appropriate governance structure and personnel to monitor procurement and supply chains.
2. Set expectations for due diligence process required to address human rights/modern slavery concerns.

Nature and biodiversity risk

Nature Investor Toolkit

Released in September 2024, one of the aims of the Nature Investor Toolkit is to prepare investors to hold constructive conversations with investees about impacts and dependencies on nature. The section on investor stewardship (company engagement, voting, and policy) and communication provides guidance on how investors can influence portfolio companies to reduce nature-related risk, including how best to engage with companies and setting investor expectations and metrics, collaborative engagement and leveraging existing engagement themes.

Taskforce for Nature-based Financial Disclosure (TNFD)

The TNFD has developed a set of disclosure recommendations and guidance that encourage and enable business and finance to assess, report and act on their nature-related dependencies, impacts, risks and opportunities. The recommendations and guidance will enable businesses and finance to integrate nature into decision making. The TNFD seeks to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes, aligned with the Global Biodiversity Framework.

In response to calls for accessible guidance from market participants, the TNFD developed an integrated approach for the assessment of nature-related issues called the LEAP approach, or 'LEAP' for short:¹⁶

¹⁵ [INVESTOR TOOLKIT Human rights with a focus on supply chains](#)

¹⁶ [Guidance on the identification and assessment of nature-related issues The TNFD LEAP approach v1.pdf](#)

- *Locate* your interface with nature;
- *Evaluate* your dependencies and impacts on nature;
- *Assess* your nature-related risks and opportunities; and
- *Prepare* to respond to, and report on, material nature-related issues, aligned with the TNFD's recommended disclosures.

Nature Action 100 (NA100)

NA100 outline six actions that investors will call on companies to take related to the following six areas below. These are able to be applied to various nature impacts of the project:

- **Ambition:** Publicly commit to minimise contributions to key drivers of nature loss and to conserve and restore ecosystems at the operational level and throughout the value chain by 2030.
- **Assessment:** Assess and publicly disclose nature-related dependencies, impacts, risks, and opportunities at the operational level and throughout the value chain.
- **Set time-bound, context-specific, science-based targets** informed by risk assessments on nature-related dependencies, impacts, risks, and opportunities. Disclose annual progress against targets.
- **Implementation:** Develop a company-wide plan on how to achieve targets. The design and implementation of the plan should prioritise rights-based approaches and be developed in collaboration with Indigenous Peoples and local communities when they are affected. Disclose annual progress against the plan.
- **Governance:** Establish Board oversight and disclose management's role in assessing and managing nature-related dependencies, impacts, risks, and opportunities.
- **Engagement:** Engage with external parties including actors throughout the value chain, trade associations, policy makers, and other stakeholders to create an enabling environment for implementing the plan and achieving targets.

Options for minimum standards on nature and biodiversity risk

RIAA recommends engagement with the Working Group members to finalise the minimum standards.

1. Require a governance and risk framework that supports disclosure against the TNFD framework. At a minimum, this may be disclosure of a LEAP assessment, with a timeline for full implementation of TNFD.
2. Demonstrated commitment to manage nature-related risks of the project.
3. Provide information at application to demonstrate the six areas of the NA 100 have been addressed.