

# Understanding Australia's Sustainable Finance Strategy

Friday 10 November 2023



Responsible Investment  
Association Australasia



# Disclaimer

The information included in this presentation (written and verbal) is not a recommendation to invest in any investment products. It does not take into account your particular investment objectives, financial situation or investment needs, all of which should be considered prior to making an investment decision. You should seek professional financial advice before making any investment decision.



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**Estelle Parker**, Executive Manager at RIAA

# Outline

- Overview & key insights
- RIAA's initial thoughts
- Consultation process
- Member input



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# Sustainable Finance Strategy



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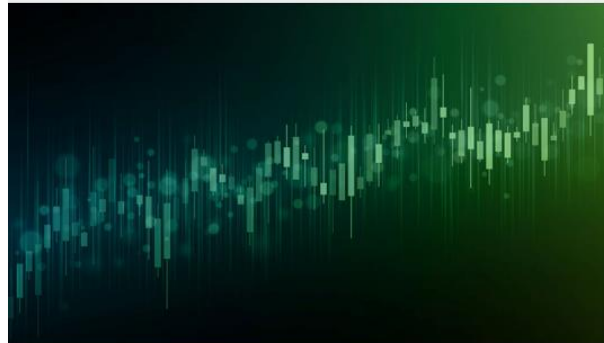
Australian Government  
The Treasury



# Sustainable Finance Strategy

Consultation paper

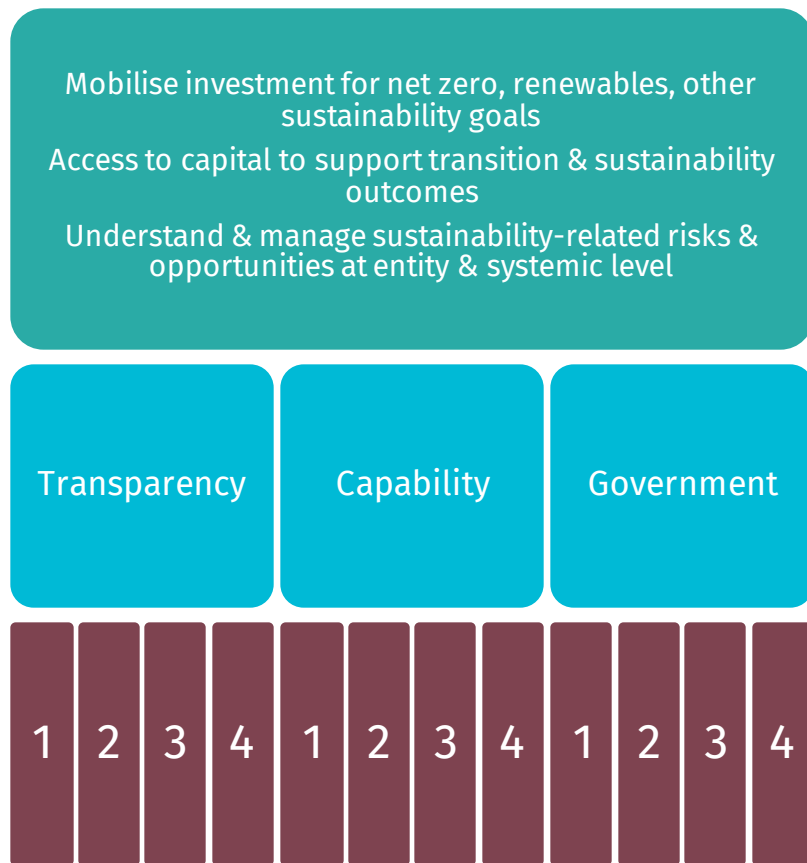
November 2023



[treasury.gov.au](https://treasury.gov.au)

# Overview

- How did we get here?
- Objectives, pillars and priorities
- Defines “sustainable finance” as *financial flows that integrate consideration of impacts on society and the natural environment*
- Combination of previously announced & new initiatives
- Public + private
- Opportunities, impacts + risks
- “Climate first” approach



# Key insights

- Recognises that the energy transition will “reshape financial markets, economies and societies, and impact the financial prospects of companies”
- Aims to position Australia as a “renewable energy superpower” and a “global sustainability leader”
- Supports investment in “transition activities”
- Acknowledges systemic risks & opportunities
- Believes regulations should be proportional to need
- Foreshadows a staged approach
- Includes a “Do no significant harm” principle



# Key insights

- Focuses on nature-related risks and opportunities
- Foreshadows incorporation of First Nations perspectives and support for positive social & economic outcomes for First Nations Peoples
- Refers to “other sustainability issues”, but does not mention e.g. modern slavery or DE&I directly
- What’s missing?

# Key areas for RIAA

- Disclosures
- Investment product labelling
- Your Future, Your Super
- Stewardship
- Regulation of ESG ratings providers
- Systemic risk
- Other?

# Questions for members

- Of the 12 priorities outlined in the consultation paper, which do you consider to be the top 3?
- What's missing?



**Nayanisha Samarakoon**, Head of Policy & Advocacy at RIAA

# RIAA's initial views



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# RIAA's Policy & Advocacy Program

- Australian Policy Platform published May 2022
- Approach to this submission:
  - Aligned to RIAA's mission and practical implementation
  - Informed by strong relationships with Government
  - Directed to the role of Treasury
  - Member input to provide valuable industry insight
  - Ongoing engagement with key policymakers and stakeholder bodies

*To promote, advocate for, and support approaches to responsible investment that align capital with achieving a healthy and sustainable society, environment and economy.*

# Priority 1: Establish a framework for sustainability-related financial disclosures

## Early thoughts:

- Aligned to previous submissions
- Consistent with RIAA's call to foreshadow flexibility
- Careers for Net Zero

## Member questions:

- What are the main capability gaps ahead of the introduction of mandatory climate reporting?
- Are there any quick fixes for these gaps that government could easily implement?

## Priority 2: Develop a Sustainable Finance Taxonomy

### Early thoughts:

- Aligned to previous submissions
- New announcement: focus on regulatory use case - important to Treasury

### Member questions:

- Do you have specific insights from your experience with navigating a sustainable finance taxonomy in other jurisdictions? From an operational perspective, what should Australia do differently as it seeks to integrate taxonomy into the market and regulation?
- Which governance arrangement should be used (legislation, guidance for regulation or voluntary)? Which government agency or department should have ongoing oversight of the taxonomy? Please explain.



# Priority 3: Support credible net zero transition planning

## Early thoughts:

- Aligned to previous submissions
- Measures already announced: Net Zero Authority
- Based on ISSB transition planning and UK Transition Planning Taskforce

## Member questions:

- What are your top 3 priorities for transition planning?
- Do the ISSB standards and taxonomy provide appropriate foundations for credible transition planning and target setting? What are the gaps in the ISSB's coverage of transition planning? What additional disclosures or guidance would be useful?
- Should transition plans be introduced for nature and/or other sustainability issue?

# Priority 4: Develop a labelling system for investment products marketed as sustainable

## Early thoughts:

- New announcement
- Key priority for RIAA, relevant to Certification Program
- Labelling vs classification vs taxonomy

## Member questions:

- Do you have any specific experience or examples vis a vis labelling in other jurisdictions? What are pitfalls for Australia to avoid?
- What model should be used for a legislated product labelling regime? How can RIAA's long-standing Certification Program, as the industry-led labelling standard, be involved or support this?

# Labels vs disclosure vs classification

## Disclosure requirements

Requirements for companies (incl institutional investors) to report on their sustainability performance.

### Examples

ISSB, TCFD, taxonomy alignment, CFA ESG disclosure standard, transition plans, ESG processes, stewardship reports, voting records, etc.

## Classification systems

Requirements for consistent classification of the sustainability characteristics of investment products.

What do you need to meet certain terms such as “impact”?

### Examples

EU SFDR, US SEC’s ESG discl. rules , UK SDR, GSIA definitions of ESG approach, CFA/PRI/GSIA definitions

## Product labels

Requirements for consistent labelling based on the sustainability characteristics of investment products.

Verification of truth in labelling and quality of practices.

### Examples

UK SDR, RIAA Certification, LuxFlag, Nordic Swan, SRI Label (France)

*Disclosures are qualifying requirements of most product labels*



# Priority 5: Enhancing market supervision and enforcement

## Early thoughts:

- Measures already announced: Funding for ASIC
- New announcement: Regulation of ESG ratings as financial services

## Member questions:

- Which would be preferable: specific laws covering sustainable finance and greenwashing, or general disclosure obligations combined with laws related to misleading and deceptive conduct?
- What kind of regulatory regime should ESG rating agencies sit under? Would registration of rating agencies and/or requirements for their operation assist industry?

# Priority 6: Identifying and responding to potential systemic financial risks

## Early thoughts:

- New announcement
- Acknowledgement of systemic risk
- Opportunity to influence government

## Member questions:

- What are the gaps in the information required to understand non-climate-related ESG risk?

# Priority 7: Addressing data and analytical challenges

## Early thoughts:

- Aligned to previous submissions
- Environment Information Agency
- Climate data efforts

## Member question:

- Which data gaps must be addressed as a priority?

# Priority 8: Ensuring fit for purpose regulatory frameworks

## Early thoughts:

- New announcement
- “Effective and transparent” investor stewardship
- Key priority for RIAA: Your Future, Your Super (YFYS)

## Member questions:

- What kind of regulatory frameworks would support the integration of sustainability-related issues in financial decision-making?
- What is vital for a successful stewardship framework?
- Should Australia develop a formal Stewardship Code? If yes, what should the governance arrangements be and who should oversee the Code?

## Priority 8: Ensuring fit for purpose regulatory frameworks (cont.)

- Your Future, Your Super: revision of benchmark to ensure investment in sustainable assets is not disincentivised.
- Solutions could include: widening the tracking error for sustainable funds; carveouts for certain assets; and separate benchmarks for sustainable funds. RIAA is working constructively with members and Treasury on possible solutions.

### Member questions:

- Would you like to be consulted on which option to improve YFYS would be viable? Let us know and more detail on the options will be provided directly.



# Priority 9: Issuing Australian sovereign green bonds

## Early thoughts:

- Measures already announced: 2024 issue of sovereign green bond
- Scope for other social bonds

## Member question:

- What is your experience of green bonds and green capital markets in other jurisdictions? What are the benefits, challenges, risks, unintended consequences?

# Priority 10: Catalysing sustainable finance flows and markets

## Early thoughts:

- Specifically related to expanding CEFC's remit

## Member question:

- How important is catalytic government financing for supporting biodiversity objectives? Is this feasible?

# Priority 11: Promoting international alignment

## Early thoughts:

- Primarily through diplomatic and development engagement
- Aligned with RIAA's Australian Policy Platform

## Member question:

- Do you have any general views on this priority?

# Priority 12: Position Australia as a global sustainability leader

## Early thoughts:

- New announcement: Positioning Australia as a “sustainability leader”
- Overall positive

## Member question:

- Do you have any general views on this priority?

# Member survey

Australian Sustainable Finance Strategy consultation - RIAA member input

Thank you for taking the time to contribute to RIAA's submission.

Where possible, please provide examples or case studies to illustrate your response. These can be invaluable in explaining a response.

\* Required

1. Please provide:  
a) Name of organisation  
b) Full name of contact person \*

Enter your answer

2. Of the 12 priorities outlined in the consultation paper, which do you consider to be the top 3? \*

Please select 3 options.

☐ Priority 1: Establish a framework for sustainability-related financial disclosures

☐ Priority 2: Develop a Sustainable Finance Taxonomy

Australian Sustainable Finance Strategy consultation - RIAA member input

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2. Of the 12 priorities outlined in the

# Next steps



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# Consultation and member input

- **10 November (today):** Member webinar; member survey released
- **17 November:** RIAA member survey/feedback due
- **1 December:** Submissions due
  
- **Early 2024:** Government to release Implementation Roadmap

# What's coming up at RIAA

**TNFD workshop #4** Tuesday 14 November, 10am - 12:30pm AEDT / 12pm - 2:30pm NZDT, online via Zoom Meeting

**RIAA Certification Masterclass** Wednesday 29 November, 12pm - 1pm AEDT / 2pm - 3pm NZDT online via Zoom Meeting

**Responsible Investment Super Study 2023** Monday 4 December, 10am - 11:30am AEDT online via Zoom Webinar

**RIAA's AGM** Tuesday 5 December, 5:30pm - 6:30pm AEDT / 7:30pm - 8:30pm NZDT, in-person Sydney & online via Zoom Webinar

**RIAA Conference Australia 2024** Wednesday 1 & Thursday 2 May 2024, in-person at the ICC Sydney & online

Register for [RIAA events here](#)



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