

Sustainable Finance Unit
Climate and Energy Division
The Treasury
Langton Crescent
PARKES ACT 2600

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AUSTRALIA'S SUSTAINABLE FINANCE STRATEGY

Fortescue commends the Government for its Sustainable Finance Strategy (the Strategy) and welcomes the consultative approach being adopted to policy development regarding sustainable finance flows and markets.

Fortescue is strongly supportive of the ambition of the Strategy as well as the proposed approaches outlined within the consultation paper.

As an ASX major, a heavy emitter, and now a leading global green metals, energy and technology business, Fortescue is acutely aware of the contribution industry must make to Australia's net zero pathway – both in terms of practical decarbonisation initiatives, and in helping to drive the green energy transition through innovation and investment.

From an environmental and emissions reduction perspective, policy settings which incentivise proactive corporate decision making to reduce climate-related financial risk, prioritise corporate transparency and disclosure, and standardise practical targets and criteria for corporate reporting will serve to educate the market, empower investors, increase Australia's standing internationally as a destination for sustainable investment, and most importantly, drive action and change.

From a finance perspective, policy settings which attract the investment required to underpin the development of Australia's capital-intensive renewable energy sector and incentivise the take-up of green alternatives to fossil fuels will make or break our ability to reach our emissions targets, compete on the global stage, and seize the opportunity before us in terms of the energy transition.

PILLAR 1

Fortescue supports the introduction of an agreed, uniform baseline and practical targets against which climate and nature-related progress and performance can be measured and disclosed, potentially reflective of the Paris Agreement.

A consistent template which guides corporate disclosure, potentially tailored to sectoral approaches outlined in the Government's emissions-reduction strategy, would help to:

- improve corporate transparency through the standardised provision of publicly accessible information about climate-related risk.
- reduce discrepancies across the current standard of reporting in this regard.
- ensure information is accessible and relevant to audiences of all kinds, including retail shareholders, to help inform investment decisions.
- empower the market and regulators to compare and track action among peer groups and sectors.

Fortescue supports sustainable finance taxonomy criteria becoming a medium-term baseline for such reporting requirements, including for sustainable investment products, and as such would support this taxonomy being formally adopted as a standard or framework to guide supervisory activities.

The approach of Singapore's Green Finance Industry Taskforce in having such taxonomy serve as the basis for ESG ratings and standard metrics for companies to report against, as well as underpin an investment product labelling system, is a useful example for Australia.

A sustainable finance taxonomy should not just be about mitigation. While mitigation may be the immediate objective, consideration should also be given to taxonomy as a mechanism to enshrine proactive sustainable behaviours and investments as standard practice across corporate Australia and reflect and shape global best-practice.

Fortescue supports transition planning being included in a disclosure regime. Again, we believe a uniform baseline and practical targets would assist in consistent planning outcomes.

PILLAR 2

Fortescue broadly supports efforts to improve market-wide education around climate-related financial risk as it pertains to corporate decision making and outcomes, regulation, and the broader financial system. Better coordination and consolidation of available data sources across agencies could underpin regular benchmarking of corporate performance by sector and on a national scale and would help to identify existing gaps in data collection.

A consistent understanding of decarbonisation pathways by sector, again potentially in line with the sectoral approaches outlined in the Government's emissions-reduction strategy, would lead to more informed decision making from an investment perspective and help direct finance to products, projects and companies which provide the most benefit from a climate and emissions-reduction perspective.

Improved international alignment on sustainable finance should serve to facilitate expanded bilateral and regional relationships based on shared climate objectives, with a focus on reducing impediments to the trade of green products and services. Central to this focus is ensuring Australia's competitiveness in terms of attracting investment flow, skills and capabilities required for energy transition.

Australia's abundance of renewable resources and critical minerals, our record as an exporter of resources commodities to the world, and our economic strength means we are uniquely positioned to play a leading role in the green energy transition globally. An effective sustainable finance framework will be a key enabler of Australia's success in this regard.

Fortescue would welcome the opportunity to engage with the Government in more detail on the Strategy and associated policy design.

Yours sincerely



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