



## Maritime Union of Australia

### Submission to Treasury

#### Response to its Sustainable Finance Strategy Consultation Paper of November 2023

7 December 2023

#### The MUAs interest

The Maritime Union of Australia (MUA) is a Division of the 120,000-member Construction, Forestry, Maritime and Energy Union (CFMEU), an affiliate of the 2-million member Australian Council of Trade Unions (ACTU) and an affiliate of the 20-million-member International Transport Workers' Federation (ITF).

The MUA plays an active role in the ACTU Centre for Workers Capital and in its Workers Capital governance bodies. The ACTU is a key member of the Global Unions Committee on Workers Capital (CWC), which involves a network of some 700 pension fund trustees and trade union officials whose unions nominate directors on pension fund governance boards. The ITF is also an active participant in the CWC.

In that context, the MUA plays a role in policy development regarding the global sustainable finance strategy and accordingly is keenly interested in Australian developments.

#### General comments on the Discussion Paper

We are pleased that the Discussion Paper recognises that the developments identified in Para 2 of the *Introduction* are part of a growing global focus on 'sustainable finance' – a term which describes financial flows that integrate consideration of impacts on society and the natural environment. We want to emphasise the importance of the reference to impacts on society, where working people, the agents of production and consumption, and the communities in which they live and work, are the 'heart' of society and the sorts of sustainable societies that people all across the globe are calling for.

In that context we are concerned that the Discussion Paper largely sidelines the agents of production and consumption – the place and role of the workforce or labour in the investment chain and their role in sustainability.

We think that the role and impact on the workforce and communities could have been better recognised in three of the Key principles listed, being

#### **Principle 3: Australia's strategy should support Australia's emissions reduction plan and transition pathway**

- We say that investment in transition activities must have a core focus on the impact on workers and communities – workers and communities are central to transition planning.

The impacts on the workforce and communities should be fully integrated, not be an afterthought or somehow peripheral, to the main game of addressing global warming.

**Principle 4: The approach should be carefully staged and sequenced**

- While we accept the need for staging and sequencing, there needs to be a stronger articulation of, and commitment to, integrate impacts on the workforce and communities in the building block approach being advocated.

**Principle 6: Efforts should begin with climate and progress to other environmental and social priorities**

- Again, while we accept that climate should be the first priority for sustainable finance in the sequencing approach proposed, that should not be articulated in a way that workforce and labour impacts are somehow a 'second order' priority, but rather in sequencing manageable chunks of work in developing a sustainable finance strategy, climate is the initial priority in the sequence. So in addition to mentioning a focus on natural capital and biodiversity, and supporting positive social and economic outcomes for First Nations people, there should in our view be a specific reference to a holistic social factor agenda that includes the workforce and labour (or described another way, a reference to human rights and labour standards).

**Response to selected consultation questions**

**Pillar 1: Improve transparency on climate and sustainability**

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

*Q: How should the Government, regulators and industry prepare for global developments in sustainability-related financial disclosure frameworks and standards, including the TNFD?*

- Our view is that as far as possible Australia should seek to adopt the standards being developed by the International Sustainability Standards Board (ISSB), which has now emerged as the global preeminent sustainability standards setting body.

**Priority 2: Develop a Sustainable Finance Taxonomy**

We wish to make two points about the development of a Sustainable Finance Taxonomy:

- First, the Australian Sustainable Finance Institute (ASFI) process has not included a single representative of the workforce or labour, notwithstanding that climate transition will materially impact on the workforce, human rights and labour standards. This must surely bring into question the objectivity of the work of ASFI:
  - It is not too late to rectify that omission, but it will require a direction from Government.
- Secondly, we do not endorse the 'Do No Significant Harm' principle, which in our view is a low 'bar'. We believe the principle should be articulated in the affirmative, so it is focussed on 'doing good' for society.

*Q: What are priorities for expanding taxonomy coverage after the initial focus on climate mitigation objectives in key sectors?*

- Again, while we accept that a Sustainable Finance Taxonomy should focus on climate objectives first, social factor objectives are by necessity closely integrated with climate objectives and wherever relevant to climate related taxonomy, should be incorporated.
- Further we strongly advocate for a foreshadowing that other sustainability objects will include social factor sustainability.

*Q: What are appropriate long-term governance arrangements to ensure that the taxonomy is effectively embedded in Australia's financial and regulatory architecture?*

- It is our submission that the Australian Sustainable Finance Taxonomy be incorporated in legislation as soon as possible.

### **Priority 3: Support credible net zero transition planning**

We are pleased that *“Treasury will consult with industry and other stakeholders to consider broader priorities and options for strengthening transition planning. The intent will be to develop high quality, internationally-aligned transition planning practices and reporting requirements, to better inform markets and support the flow of transition finance.”*

The MUA and the International Transport Workers Federation (ITF) of which MUA is an affiliate, is actively involved in global transport decarbonisation transition planning and the sustainable finance agenda and we look forward to being a part of Treasury’s consultation.

It is critical that net zero transition planning incorporate a ‘just transition’ piece, as acknowledged by the Paris Agreement. A ‘just transition’ by definition must focus on the impacts (risks and opportunities) for affected workers and communities. Net zero transition planning will not be credible unless it addresses impacts on workers and communities, not just in the energy sector but across all sectors that need to decarbonise to address global warming.

We believe the ACTU publication entitled *Securing a Just Transition: Guidance to assist investors and asset managers support a just transition* of February 2021 is a useful reference guide on what is required of investors in delivering a just transition.

*Q: What are key gaps in Australian capability and practice, including relative to ‘gold standard’ approaches to transition planning developed through the TPT and other frameworks?*

- The key gap as we have outlined in the preceding sections of this submission is the lack of acknowledgment of social risk/opportunity and the lack of recognition of the workforce and communities and their representatives.
- We note that the UK Transition Planning Taskforce (TPT) framework fully encompasses social risk/opportunity and the need to engage with the social partners such as trade unions, and with civil society.
- We urge Treasury to adopt the holistic approach used in the TPT.

*Q: To what extent will ISSB-aligned corporate disclosure requirements improve the transparency and credibility of corporate transition planning? What additional transition disclosure requirements or guidance would be most useful in the medium-term?*

- Separately, the MUA and the Global Unions Committee on Workers Capital (CWC), in which we are actively involved through both the ACTU and ITF, has advocated for the ISSB to continue with and heighten its focus on human rights and what it calls human capital (we prefer the term ‘workforce’) and move towards developing a social factor disclosure standard.
- We would encourage the Australian Government to also support that objective.

## **Pillar 2: Financial system capabilities**

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

*Q: Are there specific areas where the Government or regulators could further contribute to market-wide understanding of systemic sustainability related risks, including climate-related financial risks?*

- We believe there needs to be greater clarity and better alignment around the concept of fiduciary duty, materiality and the operation of the best financial interest performance test under the *Your Future, Your Super* provisions so that the finance sector and those on governance boards, investment committees as well as those providing advice to investors with statutory obligations better understand the opportunities given the imperatives to

contribute to the financing of the transition to net zero to meet the major environmental and social challenges of this juncture in history.

- A better informed finance sector, greater flexibility on the part of regulators and stronger collaboration efforts between the issuers and users of capital, and the impacted parties (like the workforce) coordinated by Government will be required if we are to systematically address the environmental and social challenges we currently face, while mitigating risk and taking advantage of opportunity.
- In that context, we advocate adoption of the double materiality concept as introduced by the January 2023 European Union (EU) Corporate Sustainability Reporting Directive (CSRD). The CSRD requires, from 2024 onwards, companies in the EU to provide detailed non-financial information in their management reports regarding environmental, social, and governance aspects.

### **Priority 7: Addressing data and analytical challenges**

*Q: What key sustainability data gaps or uncertainties faced by financial institutions in Australia should be prioritised by the CFR?*

- An important data gap is consensus on the metrics against which to disclose social risk, especially those derived from the core ILO Labour Conventions and the ESG obligations codified in the UN Guiding Principles on Business and Human Rights.
- At present there are a multitude of frameworks and opaque proprietary methodologies and standards which are uncoordinated, unregulated and confusing. This chaotic situation is costly for capital owners, managers and users, and should no longer be tolerated.
- We urge Government to provide funding and leadership to bring the finance sector together with the social partners and selected civil society actors to begin work on developing a single set of social factor metrics applicable across every industry which might then be advocated to ISSB as a body of work to help drive towards a globally coordinated social factor disclosure standard. Australia's well organised labour and business organisations and finance sector is well placed to initiate global leadership in this much needed and long overdue endeavour.

## **Pillar 3: Australian Government leadership and engagement**

### **Priority 10: Catalysing sustainable finance flows and markets**

*Q: What role can the CFEC play to support scaling up of sustainable investment in Australia, as part of a more comprehensive and ambitious sustainable finance agenda?*

- We believe the Clean Energy Finance Corporation (CFEC) may, in conjunction with the Net Zero Agency, which is tasked with (i) Helping investors and companies to engage with net zero transformation opportunities; (ii) Coordinating programs and policies across government to support regions and communities to attract and take advantage of new clean energy industries and set those industries up for success; and (iii) Supporting workers in emissions-intensive sectors to access new employment, skills and support as the net zero transformation continues be well placed to perform the role of catalysing stakeholders and developing risk-reward models to unlock institutional capital for co-investment with Government to fund the economy wide transition that is underway.
- Current market based signals are not translating capital into sustainability projects quickly enough and stronger intervention/coordination by Government is required to address that market failure.

### **Priority 12: Position Australia as a global sustainability leader**

*Q: What are other key near-term opportunities for Australia to position itself as a global leader in sustainable finance and global climate mitigation and adaptation?*

*Q: What are some longer-term international sustainability goals for Australia where sustainable finance can play a role?*

*Q: What are the key market, regulatory and institutional barriers to increasing private sector engagement in blended financing opportunities? How can these barriers be overcome?*

- See our response to Priorities 7 and 10 above.