

# The Wilderness Society submission: Sustainable Finance Strategy

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November 2023

The Wilderness Society welcomes the opportunity to comment on the objectives and three pillars of the federal government's Sustainable Finance Strategy, and what tools and policies are needed now and in the future to provide an ambitious and comprehensive framework for reducing barriers to investment into sustainable activities.

The Wilderness Society welcomes the Government addressing both climate and nature risk as part of this strategy. Climate, biodiversity, and human rights (social goals) have interdependencies that need to be collectively tackled to support communities while ensuring investment flows don't continue to impact climate and biodiversity, but instead flow towards solutions that can underpin a sustainable future for all. Nature and biodiversity are critical foundations of the global economy and human existence, and are rapidly degrading. Nature and biodiversity shouldn't be considered a secondary focus in this strategy: economic systems must address the twin crises of climate change and biodiversity loss.

Australia is a signatory of the Kunming-Montreal Global Biodiversity Framework (agreed December 2022) and has committed to ambitious goals and targets within the framework. This strategy needs to meet the ambition of the Framework in order for Australia to meet these targets. Australia is also a signatory to the Glasgow Leaders' Declaration that aims to halt and reverse forest loss and land degradation by 2030<sup>1</sup>.

## Objectives, Principles and Framework

In terms of the first of the three objectives in the strategy: "Mobilising the private sector investment needed to support net zero, Australia becoming a renewable energy superpower and other sustainability goals"; we would recommend specifically listing the 'other sustainability goals' in the framework, beyond the taxonomy project. These sustainability goals should be taken directly from international agreements and national commitments, and meet the ambition of these agreements, such as the Kunming-Montreal Global Biodiversity Framework (GBF):

1. Ecosystem protection: delivering on commitments to protect 30% of land and sea by 2030

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<sup>1</sup> [International cooperation on climate change | Australian Government Department of Foreign Affairs and Trade.](#)

2. Biodiversity: halting deforestation and ending species extinctions
3. Sustainable use and protection of water resources, Pollution prevention and control
4. Circular Economy
5. Ending the proliferation of Fossil fuels

Halting deforestation should also be a priority for this Sustainable Finance Strategy. Deforestation is a significant contributor to biodiversity and nature loss in Australia, and constitutes a material financial risks for financiers and companies without effective management<sup>2</sup>. Despite the importance of the risk, the extent of deforestation is not well understood and considered by financiers. The Government's Sustainable Finance Strategy is essential in helping financiers understand and manage their deforestation risk, from a climate and biodiversity perspective. Halting deforestation should be stated as one of the Government's priority objectives within this strategy.

## Pillar 1: Improve transparency on climate and sustainability

### Deforestation and biodiversity risk are essential in sustainability-related financial disclosures

Deforestation and forest degradation are a major contributor to Australia's emissions profile and should form part of the mandatory climate reporting. It particularly should be part of the scope three reporting for supply chains (food, agriculture) and for financed emissions of banks.

The Wilderness Society would support an extended focus on biodiversity risks as well as climate. This policy should include a mandatory review which would consider the extension of the requirements to biodiversity-related financial disclosures within two years of the entry into force of the climate-related financial disclosures requirements.

Specifically, we recommend that Treasury should:

- (a) commit to the inclusion and distinct treatment of mandatory nature-related financial disclosures in the coming year
- (b) adopt a double materiality approach for nature-related financial disclosures and begin to promote a double materiality approach in relation to climate disclosures

Any climate and biodiversity disclosure framework, in order to be credible, should require corporate entities to publicly report on their actual impacts on climate and biodiversity, as well as on human rights, to disclose complaints and grievances they might have received, and transparently communicate on their lobbying activities on climate and biodiversity issues.

The process of creating disclosure regimes must involve a balanced list of stakeholders, including an important role for civil society organisations to limit the risk of such regimes facilitating greenwashing.

The measures considered as part of any biodiversity disclosure should be appropriate for the Australian ecological context and address the most significant risks (i.e. deforestation).

The Wilderness Society considers that emissions intensive fossil-fuel reliant companies, as well as banks regarding financed land use emissions, food, agricultural and forestry organisations (including State owned forestry entities) should be immediately covered by mandatory sustainability-related financial disclosures.

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<sup>2</sup> EY (2023). Following the money: Financial services' links to deforestation and forest degradation in Australia.

[Read The Wilderness Society's submission on Climate-Related Financial Disclosures for more information.](#)

### Sustainable Finance Taxonomy: avoid greenwashing, twin focus on nature and climate

The Strategy's focus on transparency on climate and sustainability is appreciated, as transparency is key in corporate and financial efforts' on sustainability to allow for accountability and consistency of information.

The Wilderness Society welcomes the Government's intention to develop an Australian sustainable finance taxonomy. To effectively support the alignment of financial flows with the sustainability transition, any taxonomy must:

- Be developed not only with industry, but with First Nations, scientists, civil society organisations and environment NGOs. The strategy mentions that the Government will "partner with industry" to build a taxonomy. Yet the Government can't rely solely on industry to define what constitutes "industries aligned with the transition towards net zero and other sustainability goals". The development of a taxonomy in Australia must involve all stakeholders in order to be credible.
- Focus on nature risk as well as climate risk, with an emphasis on deforestation (including forest degradation).
- Be rooted in science and avoid greenwashing. The EU Taxonomy development process is of interest in that regard, and has been criticised for facilitating greenwashing by many civil society organisations. Some activities, such as fossil fuels (including sea dumping of carbon dioxide) and deforestation, are red lines that should be considered as such by any taxonomy. The standards for defining which assets, activities or industries are aligned with the transition towards net zero and other sustainability goals must be driven by the latest climate and nature science rather than by economic interests.
- Be expanded to cover other nature-related matters focusing on transgressed planetary boundaries.

### No net zero without halting deforestation

Action on deforestation is essential to achieving global climate targets. Agriculture, forestry and other land use is responsible for at least 23% of global emissions<sup>3</sup>, with these emissions mostly due to deforestation<sup>4</sup>.

Yet while thousands of companies have set out to reach net zero emissions targets, few of these aim to eliminate deforestation as part of their net zero plans—or even account for these emissions in their calculations.

The global Race to Zero campaign, which aims to build momentum around the shift to decarbonisation, recognises that organisations must pledge to halt deforestation and protect biodiversity as part of any meaningful commitments<sup>5</sup>.

The Glasgow Financial Alliance for Net Zero clearly states that "the world is unlikely to reach net

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<sup>3</sup> IPCC (2020). *An IPCC Special Report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems Climate Change and Land Summary for Policymakers WG I WG II WG III*. [online] Available at: [https://www.ipcc.ch/site/assets/uploads/sites/4/2020/02/SPM\\_Updated-Jan20.pdf](https://www.ipcc.ch/site/assets/uploads/sites/4/2020/02/SPM_Updated-Jan20.pdf).

<sup>4</sup> Ibid.

<sup>5</sup> Climate Champions (2022). *Company net-zero targets at risk without immediate improvement on deforestation*. [online] UNFCCC Available at: <https://climatechampions.unfccc.int/company-net-zero-targets-at-risk-without-immediate-improvement-on-deforestation>

zero by 2050 unless we halt and reverse deforestation within a decade” and that “transition plans that lack objectives and clear targets to eliminate and reverse deforestation are incomplete”<sup>6</sup>.

Global Canopy’s Forest 500, which tracks the policies of 500 companies and financial institutions linked to deforestation, states that “there is no net zero without ending deforestation and conversion”.

The Science-Based Targets Initiative (SBTi), that aims to enable companies and financial institutions to set emissions reductions targets in line with climate science, is increasingly focusing on deforestation. It is in the process of requiring companies in the Forest, Land and Agriculture (FLAG) sector to commit to no-deforestation as part of their net zero plans in order to have their targets validated by the initiative<sup>7</sup>.

These examples show that any credible net-zero plans must take deforestation into account. This is especially true in the context of Australia being a global deforestation hotspot. Any net zero planning for the agriculture, forestry and mining sectors in Australia can only be credible if they include plans to halt deforestation, and deal with degradation.

## Pillar 2: Financial system capabilities

### The importance of regulatory action on greenwashing

The Wilderness Society believes that most Australians want to be able to trust that corporate Australia is not adversely affecting Australia’s unique natural values in the delivery of their products and services (and pursuit of profit). Climate change, plastic waste, water pollution, human rights and wildlife conservation are among Australians’ top sustainability concerns.

However, currently, trustworthy information on sustainability is lacking. When faced with confusing general claims of “environmentally friendly” or “sustainable” products without evidence and reliable certifications, it is currently impossible for Australian consumers to know which products sold, for example in a supermarket, or which financial products they are offered may cause negative impacts on nature and harm to the climate.

Claims on biodiversity or nature impacts, and in particular on deforestation, should be an important area of focus for regulatory action on greenwashing in the Australian context, where deforestation remains prevalent. As a growing number of businesses, financial institutions and industry groups make claims related to biodiversity and deforestation, regulatory action should ensure these are trustworthy.

The Wilderness Society welcomes the engagement by ASIC and the ACCC with the environmental claims made by firms involved in the production, retailing or financing of various products and services. We however, draw attention to the fact that this regulation is carried out from the point of view of the material impact on the companies’ financial performance or competitive positioning, but not in the relative material impact of these companies on the environment. It’s a single materiality lens that is being applied.

While we understand that this is the primary purpose of the corporate regulators—that is to engage in the financial/competition implications of the claims—if regulators were also to be cognisant of

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<sup>6</sup> Glasgow Financial Alliance for Net Zero. (2022). *Statement on Deforestation Financing from the Co-Chairs and Vice Chair of GFANZ*. [online] Available at: <https://www.gfanzero.com/press/statement-on-deforestation-financing-from-the-co-chairs-and-vice-chair-of-gfanz/>

<sup>7</sup> Science Based Targets. (2023). *SBT FLAG Project: New Implementation Timelines Announced*. [online] Available at: <https://sciencebasedtargets.org/blog/sbti-flag-project-new-implementation-timelines-announced>

and acting on the double materiality consequences then the environmental upside of the regulatory interventions would be significantly strengthened. The regulators' actions would not just avoid ripoffs and unfair competitive advantage, but would be doing so in a manner that shifts the key drivers of environmental decline. It is unlikely to be possible to do this through determining what is a breach of law, but through identifying and communicating compliance and enforcement priorities.

It is the Wilderness Society's view that it is important that environmental claims made by sectors with the most significant potential environmental impacts be most highly scrutinised, including through regulatory compliance and enforcement activities.

The Wilderness Society considers that a significant focus on sectors with high greenhouse gas emissions, or links to habitat destruction or deforestation, and impacts on high integrity ecosystems should be a particular priority for attention and further policy development.

The following sectors have significant climate and nature footprints and should therefore be prioritised in both compliance and enforcement efforts:

- The food products sectors, and especially the beef sector,
- The timber products sector, including paper and cardboard packaging,
- The land development sector,
- The fossil fuel exploration, production and generation sectors, and
- The finance sector, including banking and superannuation.

Consumers need to be able to trust all claims made, but it is most important that they can trust claims made by companies and sectors that have disproportionately large potential climate and nature impacts, and contribute the most to the climate and nature crises, as their misrepresentations can result in the most significant disparity between what a customer believes and the environmental reality. This is where priority enforcement, compliance and proactive transparency and other policy measures should be focused.

### Building capacity and cooperation with civil society on greenwashing

The Wilderness Society recommends that regulators explore new consultation or advisory infrastructure (such as expert advisory panels, including scientists and environmental NGOs) to assist them to identify high risk sectors, certification schemes or types of claims that may require investigation.

Regulators need to build internal environmental expertise, and constructive relationships with the nature conservation and environmental science sectors

Currently there is a need to increase cooperation or communication between financial regulators and conservation groups or environmental scientists. Where cooperation and communication is not present and enduring, regulators risk weighing into issues without sufficient capacity to scrutinise claims and to discern issues or practices that are of higher environmental risk than others.

The way that the policing of greenwashing will be seen and understood by the public, is "will this work by the corporate regulators make our environment better off?," whether that is the purpose or intent of the work or not.

ASIC and ACCC have structural forums with consumer groups and have deep understanding of consumer issues. There is a need for them to likewise have expertise in conservation issues and

especially in relation to biodiversity. Environmental non-governmental organisations (ENGOS) are the public filter between government regulation and policy and the public perception of that government effort.

An engagement program with environment groups will increase the likelihood of this effort being well targeted, well informed or as likely to be supported and accepted as a good use of public resources as it otherwise could be.

We strongly urge regulators to build internal capacity in these areas and set up structured and transparent forums for discussing issues with environmental scientists and the ENGO sector. Likewise, setting up a framework for environment groups to highlight egregious sustainability claims would be helpful to the regulator, and would provide guidance to those in the broader NGO sector about how to make useful submissions.

Finally, the financial and competition regulators should build structural links with Australian environmental regulators to reinforce priorities and share data and expertise. The recent example of the MOU between ASIC and NOPSEMA regarding offshore oil and gas decommissioning should be broadened to all key environmental issues.

### Data gaps: the importance of national data on deforestation

There are critical sustainability data gaps that must be addressed in the context of tackling nature-related financial risk. One of them is the lack of best practice national data on the extent of deforestation. The Wilderness Society has long advocated for best practice national vegetation mapping and monitoring. This 'national SLATS' (Statewide Land and Trees Study) would use satellite data analysis and field data to monitor and report changes in woody vegetation extent and condition continentally, based on the Queensland model. This national deforestation and ecological restoration monitoring program would be based on the latest remote sensing technology that includes regular, detailed data made publicly available, and including raw GIS data, interactive maps and detailed breakdowns of vegetation extent, condition and loss by land use. It would allow financiers to adequately measure and understand their deforestation exposure across the country, rather than only in Queensland. This 'national SLATS' should be an absolute priority in the context of this strategy.

## Pillar 3: Australian Government leadership and engagement

### Urgent policy measures to protect, promote and restore Australia's environment

While the Australian Government's Sustainable Finance Strategy is welcome, it is the Wilderness Society's view that other policy areas should be prioritised and addressed as a matter of urgency to halt Australia's biodiversity crisis. This will provide a solid legislative basis upon which to build the Sustainable Finance Strategy.

There are a range of objectives that would help address these key thematic sustainability and environmental issues—some can, or will be, addressed through various reforms\*, others are directly actionable^, while others are both\*^, in no order of priority, in support of the sustainable finance strategy we recommend the Commonwealth Government:

- A. \*Adopt strong national standards and establish an EPA in the context of EPBC reform

package

- B. ^Ensure immediate and active compliance and enforcement of existing EPBC Act
- C. ^Secure a functioning and well-funded Environment Department
- D. ^Implement effective Threatened Species Recovery Plans -- that is, plans that are written, reviewed, in place and funded, including the updating and restoring the 176 that were unjustifiably removed
- E. ^Update and apply management plans for national and world heritage sites, that consistently manage for protection of Outstanding Universal Value (OUV), and support creation of specific additions to Australia's World Heritage estate
- F. ^Reset federal / state cooperation, perhaps via a Minister for the Environment Meeting, with a clear set of objectives, and as a sub-committee of COAG on biodiversity
- G. ^Immediately update the national biodiversity strategy (*Australia's Strategy for Nature 2018-2030*) with targets and outcomes, threat abatement, reserve outcomes, and funding, and commission an independent national assessment of the condition of Australia's intact ecosystems
- H. ^Redeploy water infrastructure funding as seed funding to establish an environment fund to implement recovery of Australia's ecosystems
- I. \*^Develop a national vegetation monitoring program, that uses satellite data analysis and field data to monitor and report changes in woody vegetation extent and condition continentally, based on the QLD SLATS' (Statewide Land and Trees Study) model.
- J. \*^Implement strong Community Rights in Environmental Decision-Making (CRED) in Commonwealth laws and practices
- K. \*^End offshore petroleum acreage release, support the surrendering of existing exploration and production permits, and discontinue funding for fossil fuel projects

### Discontinuing fossil fuel finance as a prerequisite to any Sustainable Finance Strategy

If the Commonwealth Government of Australia is dedicated in progressing and facilitating this sustainable finance strategy, then we strongly recommend that it facilitates it by putting an immediate pause on the expansion of fossil fuels [oil, gas and coal] industry through:

- a) **Ending the mindless acreage release:** Immediately ending the annual offshore acreage release program, limiting the footprint of offshore oil and gas exploration to its existing footprint.
- b) **Supporting surrender of permits and creating opportunities for marine protection:** Undertaking an independent review of all processes related to the surrender and cancellation of existing offshore exploration and production permits, including Australia's current 'good standing' provisions for permit surrender, to encourage a reduction in the available offshore fossil fuel exploration footprint and the surrender of unwanted exploration permits, and providing opportunities for improved marine protection.

- c) **Discontinuing Federal government finance for onshore fossil fuel projects:**  
Implementing a whole of government policy to stop public financing of any new fossil fuel expansions - exploration or production on- and off-shore - including any public funding, financing, infrastructure provision (e.g. pipelines) or government service provision (eg. exploration activities undertaken by government agencies).

### First Nations' UNDRIP rights: Self-determination and Free, Prior and Informed Consent (FPIC)

These environmental themes, and objectives to arrest environmental decline and protect and restore nature, are recommended in a context where First Nations' people have an inherent right to self-determination and free, prior and informed consent.

The Wilderness Society recognises the rights and aspirations of First Nations' peoples in all aspects of land and water management, as well as decision- making in relation to their traditional lands, regardless of current land tenure.

These rights should be recognised in Australian law and practice, as set out by the internationally recognised United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).

The Australian government endorsed UNDRIP in 2009. Since then, in international forums, Australia has committed to take actions to implement the Declaration and promote indigenous people's enjoyment of rights on an equal basis.

Australian governments have not, however:

1. Taken steps to systematically implement the UNDRIP into law, policy and practice;
2. Negotiated with First Nations a National Action Plan to implement the UNDRIP;
3. Audited existing laws, policies and practice for compliance with the UNDRIP.

We urge the Commonwealth government to address these issues as a matter of urgency.



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## About The Wilderness Society

The Wilderness Society is an independent, community-based, not-for-profit environmental advocacy organisation. Our vision is to transform Australia into a society that protects, respects and connects with the natural world that sustains us. We are committed to protecting, promoting and restoring wilderness across the continent for the survival and ongoing evolution of life on Earth. From community activism to national campaigns, we seek to give nature a voice to support the life that supports us all. We are powered by more than 150,000 supporters from all walks of life.