

# PRI RESPONSE

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## AUSTRALIA'S STRATEGY FOR NATURE 2019-2030

April 2024

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### PRI Association

Registered office: 25 Camperdown Street  
London, UK, E1 8DZ Company no. 7207947  
T: +44 (0) 20 3714 3220 W: [www.unpri.org](http://www.unpri.org) E: [info@unpri.org](mailto:info@unpri.org)



**United Nations**  
Global Compact

## ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Australian Government's consultation on the update of Australia's Strategy for Nature 2019-2030.

## ABOUT THIS CONSULTATION

In December 2022, the [Kunming-Montreal Global Biodiversity Framework](#) ("GBF") was adopted at the fifteenth meeting of Conference of Parties to the Convention of Biological Diversity. The GBF is a historic framework which sets out an ambitious pathway to reach the global vision of a world living in harmony with nature by 2050. Among the framework's key elements are 4 goals for 2050 and 23 targets for 2030. Australia has ratified the Convention on Biological Diversity and contributed to the development of the GBF.

Ahead of the next Conference of Parties to the Convention of Biological Diversity in October 2024, countries, including Australia, are required to submit revised National Biodiversity Strategies and Action Plans, taking into account the goals and targets of the GBF. As such, the Department of Climate Change, Energy, the Environment and Water is [updating Australia's Strategy for Nature 2019–2030](#).

The strategy guides the Australian Government, non-government organisations, communities, and individuals on what can be done for the environment. It focuses on the priority biodiversity topics for Australia, as well as the enablers for change to support the delivery of national priorities and GBF targets.

### For more information, contact:

Margarita Pirovska

Director, Global Policy

[Margarita.Pirovska@unpri.org](mailto:Margarita.Pirovska@unpri.org)

Jonathan Ho

Specialist, Environmental Policy

[Jonathan.Ho@unpri.org](mailto:Jonathan.Ho@unpri.org)

# KEY RECOMMENDATIONS

The PRI welcomes Australia's update of its Strategy for Nature 2019-2030 to align with the goals and targets of the Kunming-Montreal Global Biodiversity Framework ("GBF"). The PRI welcomes the proposals to develop national targets for priority biodiversity topics for Australia, based on the GBF targets. Furthermore, the PRI also welcomes the strategy's additional focus on the enablers of change. If designed and implemented effectively, the enablers will be instrumental to support the delivery of the national biodiversity priorities and other GBF targets.

The PRI's key recommendations are:

- It is important to take a holistic approach when integrating climate change considerations into biodiversity policies. Climate mitigation, adaptation and disaster risk reduction factors should all be embedded into decision making. A holistic and integrated approach to nature and climate will help to ensure synergies are amplified and trade-offs successfully managed.
- Nature-based solutions bring co-benefits to both nature and climate objectives and should be prioritised. An enabling policy environment is critical to scale up private investments into nature-based solutions.
- In line with Target 14 of the GBF mandating all financial flows to be aligned with the goals of the framework, policy reforms are necessary to enable investors to effectively address nature-related risks and pursue positive outcomes, and to incentivise companies and capital markets actors to align with the goals of the GBF. A key need is for regulators to clarify investor duties and showcase financial materiality of nature-related risks. Other policy instruments on disclosure, due diligence, stewardship, taxonomies, and transition strategies should also be pursued.
- ESG disclosure of sufficient quality is a prerequisite and an enabler for responsible investment. PRI welcomes steps taken to adopt the ISSB Standards in Australia. At the same time, investors increasingly require information beyond what ISSB Standards enable disclosure of. In line with the International Financial Reporting Standards Foundation's "building blocks" approach, and as mandated by Target 15 of the GBF, regulators should consider adopting additional disclosure requirements based on the TNFD disclosure recommendations.
- Governments can play a role in generating and maintaining state-of-nature data, to complement businesses' due diligence and disclosure. Governments can also play a role in providing guidance and support to the understanding and interpretation of nature data, especially relative to national or regional contexts.

# DETAILED RESPONSE

## DISCUSSION QUESTIONS FOR THE CLIMATE CHANGE TARGET

Proposed Australian Target: Embed climate change adaptation into decision-making by 2030, to support increased resilience of biodiversity.

### QUESTION 2: WHAT ARE KEY CONSIDERATIONS FOR EMBEDDING CLIMATE ADAPTATION INTO DECISION-MAKING?

GBF Target 8 takes a holistic approach to reducing climate impacts on nature through action on mitigation, adaptation and disaster risk reduction. The focus on adaptation here, whilst critical, could lead to a siloed policy approach. The policy environment should support solutions that maximise synergies between adaptation, mitigation, and disaster risk reduction.

When embedding climate adaptation into decision-making, there are many engineered solutions that can provide climate adaptation benefits. However, nature-based solutions bring added co-benefits of supporting climate mitigation, adaptation and nature targets. It is therefore important to emphasise to businesses and investors to prioritise investment in nature-based solutions over grey infrastructure solutions to build resilience from climate hazards.

It is also important to improve the enabling environment to incentivise the mobilisation of private finance for nature-based solutions. This includes stimulating and ensuring a robust universe of investable nature-based solutions projects.

### QUESTION 3: WHAT CHALLENGES DO YOU FORESEE IN INTEGRATING CLIMATE CHANGE AND BIODIVERSITY POLICIES, AND HOW MIGHT WE OVERCOME THESE?

A complexity of integrating climate change and biodiversity policies is the need to ensure that any interventions or initiatives concurrently and suitably address both climate and biodiversity objectives, to avoid any unintended outcomes such as maladaptation.

While the integration of climate change and biodiversity policies should lead to the pursuit of win-win opportunities such as nature-based solutions, industry players observe the following barriers to scaling up private investments into nature-based solutions:

First, there is often insufficient financial de-risking for nature-based solutions projects. Tools such as blended finance, insurance-type mechanisms, and direct interventions to support the design and operation of nature-based solutions help to overcome this barrier.

Second, the delivery risk of nature-based solutions is at times perceived to be higher than that of grey infrastructure. In other words, the functioning and outputs of grey infrastructure solutions are perceived to be easier to predict and control. To address this barrier, there is need to educate the

market about nature-based solutions, to build capacity for the management and monitoring of nature-based solutions, and to showcase successful delivery and lessons-learned.

#### **QUESTION 4: WHAT OPPORTUNITIES DO YOU FORESEE IN INTEGRATING CLIMATE CHANGE AND BIODIVERSITY POLICIES?**

Integrating climate change and biodiversity policies will enable coordinated action across the climate and nature agendas, amplifying synergies and improving management of trade-offs. Particular attention should be given to forest loss and land degradation, a key driver of both climate change and biodiversity loss. Implementing policies addressing forest loss and land degradation will bring co-benefits to both agendas and ensure resilience of ecosystems.

If pursued in silo, policies that address one issue may be detrimental for the other issue, for example policies relating to biomass and biofuels failing to account for competing land-use priorities or negative impacts on biodiversity. An integrated approach should enhance synergies, for example prioritising win-win solutions such as nature-based solutions over grey infrastructure where appropriate, and plans to address bushfires that consider both resilience and biodiversity factors.

An integrated approach to policy will also provide clearer signals to investors on which projects and assets are most impactful to both climate and nature agendas, and therefore improved clarity on how to conduct responsible investment towards climate and nature objectives.

## **DISCUSSION QUESTIONS FOR THE MAINSTREAMING BIODIVERSITY CONSIDERATION INTO GOVERNMENT AND BUSINESS DECISION-MAKING, INCLUDING IN FINANCING, POLICIES, REGULATIONS, AND PLANNING PROCESSES ENABLER**

### **QUESTION 1: WHAT ARE THE CURRENT BARRIERS TO MAINSTREAMING BIODIVERSITY CONSIDERATIONS INTO DECISION-MAKING ACROSS GOVERNMENT, FINANCIAL INSTITUTIONS AND BUSINESS?**

Investors have raised two key barriers to mainstreaming biodiversity considerations into their decision-making process.

First, the need to clarify investor duties and showcase financial materiality of nature-related risks.

Economic growth and financial returns depend on the viability and stability of environmental and social systems. The worldwide deterioration of nature creates system-level risks that threaten the functioning of the economic, financial, and wider systems on which investment performance relies. System-level risks cannot be mitigated simply by diversifying investments in a portfolio – they affect the performance of a portfolio as a whole and all portfolios exposed to those systems. Accordingly, investors are increasingly focused on how to protect value from system-level risks, including risks from the declining state of the natural environment. PRI's [A Legal Framework for Impact](#) project makes the case that investors should feel empowered to invest for sustainability impact.

Second, the insufficient availability of meaningful data to track and measure impact of decision-making on nature is also a key barrier.

### **QUESTION 1A: WHAT ARE THE SOLUTIONS AND HOW CAN THESE BE IMPLEMENTED ACROSS AUSTRALIA'S PRIORITY AREAS?**

The following policy instruments would be instrumental to enable institutional investors to effectively address nature-related risks and pursue positive outcomes, and to incentivise companies and capital markets actors to align with the goals of the GBF.

**Corporate ESG Disclosures:** mandatory and standardised corporate disclosure regimes that include the nature thematic, aligning with the ISSB Standards and based on the TNFD disclosure recommendations. The design of such regimes should consider investors' data needs to generate meaningful information.

**Due Diligence:** mandatory human rights and environmental due diligence requirements in line with international standards, including the mitigation hierarchy, and accompanied by a civil liability regime, encompassing nature-related issues.

**Investor Duties:** clarify that the fiduciary duties of investors require them to incorporate ESG issues into investment analysis and decision-making process, encourage high standards of ESG

performance in investee companies, and understand and incorporate beneficiaries' sustainability-related preferences. This will clarify investors' mandate to consider nature-related issues, in line with Target 14 of the GBF.

**Stewardship:** Through regulation or guidance, encourage stewardship on ESG issues, including on nature, especially given the financial materiality of nature-related issues. Furthermore, regulators should clarify that collaborative stewardship activities do not conflict with competition or antitrust law.

**Taxonomies:** In the design of taxonomies, regulators should include nature as an objective of the taxonomy. Nature-related criteria should also form part of the do no significant harm requirements for sustainable activities under other objectives. Relevant technical screening criteria should align with the ambition and goals of the GBF. PRI welcomes existing efforts from Australia in setting out clear criteria for its Nature Repair Market.

**Transition Strategies:** Governments should ensure that the nature agenda is integrated into economic transition strategies, adopting a "whole-of-government" approach so that nature objectives are pursued in an integrated manner along with other objectives.

### **QUESTION 3: ARE YOU (OR YOUR ORGANISATION) TAKING ACTION TO CONTRIBUTE TO THE ENABLER?**

PRI's programme of activities on nature aims to align investor action with the goals and targets of the GBF, including contributing to halting and reversing biodiversity loss by 2030.

PRI activities cut across three broad categories of action:

**Capital allocation:** support investment practices that align financial flows with the conservation and restoration of nature. PRI supports investors in integrating nature-related considerations in their investment policies and practices through capacity-building and peer-learning.

**Policy engagement:** call for the implementation of public policies that are aligned with the GBF and drive positive outcomes for nature. PRI engages with policymakers and standard setters to promote an enabling environment, including through consultation responses, letters, and policy briefs. PRI is also actively supporting global efforts to increase nature-related disclosure and reporting, and ensure harmonisation and interoperability of asks across markets.

**Stewardship:** mainstream sustainable corporate practices through active ownership. PRI has initiated a stewardship initiative for nature, Spring, with a specific focus on addressing forest loss and land degradation in key geographies through systemic policy alignment. As part of the initiative, investors will engage with target companies on their business operations, supply chain management, and political engagement.

## **DISCUSSION QUESTIONS FOR THE ENSURING ENVIRONMENTAL DATA AND INFORMATION IS WIDELY ACCESSIBLE AND SUPPORTS PLANNING ENABLER**

### **QUESTION 1A: WHAT ARE THE SOLUTIONS AND HOW CAN THESE BE IMPLEMENTED ACROSS AUSTRALIA'S PRIORITY AREAS?**

ESG disclosures by corporates and financial institutions of current and forward-looking data and analysis on key ESG issues should provide investors with decision-useful information on ESG performance to inform investment strategy and stewardship activities. ESG disclosure of sufficient quality is a prerequisite and an enabler for responsible investment.

Responsible investors need information to inform their assessment of companies' nature-related risks and opportunities. In this regard, the PRI welcomes steps taken to adopt the ISSB Standards in Australia. At the same time, investors also increasingly need information to assess and interpret a company's nature-related impacts and their alignment with goals and thresholds. While the ISSB Standards are expected to enable disclosure of some of this information, it is unlikely they will provide investors with all the information they need on a company's impacts and dependencies on nature. In this context, in line with the International Financial Reporting Standards Foundation's "building blocks" approach, and as mandated by Target 15 of the GBF, regulators should consider adopting disclosure requirements additional to the ISSB Standards that capture further information on organisations' material risks, opportunities, dependencies and impacts, based on the TNFD disclosure recommendations.

Given the characteristics of nature-related issues, and based on PRI's engagement with investors, the following types of data are critical to meet investor data needs on nature: 1) Information across value chains, both upstream and downstream, 2) Location-specific data, ideally at an asset level, subject to any commercial sensitivity, 3) Contextual information that are critical for the interpretation of the disclosed information, and 4) more generally information on governance, strategy, risk management and metrics and targets relating to nature.

### **QUESTION 2: TO EFFECTIVELY ASSESS, DISCLOSE, AND REDUCE BIODIVERSITY RISKS, WHAT SPECIFIC DATA DO BUSINESSES NEED FROM REGULATORS TO OVERCOME DATA LIMITATIONS?**

While businesses can, and are increasingly, generating data on their impacts and dependencies on nature to facilitate risk assessment and mitigation; there remains a significant gap in state-of-nature data availability. Regulators and competent authorities have an important role to play in generating and maintaining such data, both for national planning purposes (for example in the context of natural capital accounting) as well as to complement businesses' due diligence and disclosure.

State-of-nature data should be underpinned by transparent methodological details and metadata, clear terms of use or data licenses, and data sharing incentives, to facilitate access by businesses.

Importantly, data should be paired with the provision of complementary information to support the interpretation of the data, for example benchmarks or other contextual information. Governments could play a role in providing guidance to support the understanding of data, both state-of-nature and impacts and dependencies data, especially relative to national or regional contexts.

*The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Department of Climate Change, Energy, the Environment and Water further to refine Australia's Strategy for Nature 2019-2030.*

*Please send any questions or comments to [policy@unpri.org](mailto:policy@unpri.org).*

*More information on [www.unpri.org](http://www.unpri.org)*