



The Australian Sustainable Finance Institute (ASFI) taxonomy project is an industry-led initiative to develop an Australian sustainable finance taxonomy. ASFI is leading this project with support from EY to engage with technical experts and other stakeholders.

This survey seeks feedback on the recommendations provided in the Australian Framing Paper (linked below). Feedback on these consultation questions will be anonymised and reported to the ASFI SteerCo and Board, and will inform the next stage of taxonomy development.

We would be grateful if you could please complete this survey and support us in ensuring we have wide consultation on taxonomy development.

This survey will be open from Wednesday, 14 December 2022 to Friday, 17 February 2023.

Please refer to the Australian Framing Paper while responding to this survey. The link is provided below.

[ASFI - Designing Australia's sustainable finance taxonomy - December 2022](#)

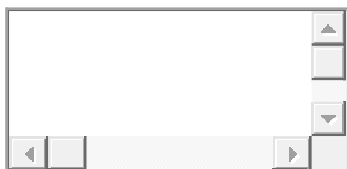
## Principles and purpose

**Recommendation 1: The guiding principles in the development and implementation of an Australian taxonomy should be: credibility, usability, interoperability, prioritisation and impact.**

Do you agree with this recommendation?

- ☒ Agree
- ☐ Agree in part
- ☐ Disagree

Please explain your response.  
(500 word limit)



Most investors tend to look at investment opportunities across jurisdictions and not just locally. The multiplication of different taxonomies is therefore not helpful to them as it adds to the proliferation of standards already in place and fails to provide a common language which can be considered when building geographically diversified portfolios.

Interoperability of taxonomies is therefore crucial for investors who need/want to measure and track and report on taxonomy alignment in a consistent way.

The EU Taxonomy is the only taxonomy that needs to be reported against by investors and issuers on a mandatory basis. Efforts put by stakeholders to report against this science-based framework are already considerable.

We therefore encourage to: (1) align the Australian Taxonomy with the EU Taxonomy's Technical Screening Criteria on climate mitigation and adaptation as first step and (2) seek out a mutual recognition or equivalent regime with the EU as second step.

From a usability point of view, deviations with the EU Taxonomy should however be envisaged to alleviate incompatibility from a legal/technical standpoint. And when it comes to financial product disclosures, a more pragmatic approach could also be considered to alleviate potential data gaps (e.g. DNHS criteria: use of proxies and estimates at activity level).

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**Recommendation 2: The primary purposes of the Australian taxonomy should be to:**

- 1. direct capital flows into economic activities that substantially contribute to climate change mitigation and other sustainability objectives;**

2. **help guide an orderly and just transition to a sustainable economy; and**
3. **address greenwashing.**

**Do you agree with this recommendation?**

- ☒ **Agree**
- ☐ Agree in part
- ☐ Disagree

Please explain your response.

*(500 word limit)*

Word count: 0

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## Objectives

**Recommendation 3: The Australian taxonomy should cover the key sustainability objectives of climate change mitigation; climate change adaptation; environmental management (i.e. protection and restoration of health ecosystems and biodiversity, sustainable use and protection of water and pollution prevention and control); resource resilience and the transition to a circular economy, and social objectives.**

**Do you agree with this recommendation?**

- ☒ **Agree**
- ☐ Agree in part
- ☐ Disagree

Please explain your response.

*(500 word limit)*

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**Recommendation 4: The Australian taxonomy should initially prioritise the development of criteria for climate change mitigation, with a view to incorporating other environmental and social criteria over time in accordance with the design principles.**

Do you agree with this recommendation?

- ☒ Agree
- ☐ Agree in part
- ☐ Disagree

Please explain your response.

(500 word limit)

Word count: 0

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## Sector prioritisation

**Recommendation 5: The following should be considered when deciding which sectors should be prioritised for development under the Australian taxonomy:**

- **contribution to the sustainability objectives;**
- **contribution to the national economy by share of gross domestic product (GDP); and**
- **potential economic growth and global competitiveness opportunities.**

Do you agree with this recommendation?

- ☒ Agree
- ☐ Agree in part
- ☐ Disagree

Please explain your response.

(500 word limit)

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**Recommendation 6: The taxonomy design should adopt existing criteria from other international taxonomies or reporting standards that are credible and can be readily adapted to meet the needs of the Australian taxonomy.**

Do you agree with this recommendation?

- ☒ Agree

- ☐ Agree in part
- ☐ Disagree

Please explain your response.

(500 word limit)

Ensuring that the Taxonomy meets Australian needs/economy should not lead to substantially departing from the EU Taxonomy criteria. However, there is an opportunity for Australia to build on top of the EU Taxonomy and consider additions that are essential to its economy. For instance, some sectors like mining have been left out of EU Taxonomy. Furthermore, we agree that, even though there are some 'transitional activities' under the EU Taxonomy, a complementary Transition Taxonomy setting credible intermediary targets could be helpful to achieve climate neutrality by 2050. Although work has started in the EU on the Transition Taxonomy, they have not yet fully formed their views on the matter (Platform on Sustainable Finance's report on environmental transition taxonomy (europa.eu)). Australia has therefore the opportunity to be a thought leader in that space.

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**Recommendation 7: The Australian taxonomy's sector framework should align with the Australian and New Zealand Standard Industrial Classification (ANZSIC), where possible, but be flexible to include key sustainable activities that are not clearly captured in the existing codes.**

Do you agree with this recommendation?

- ☐ Agree
- ☐ Agree in part
- ☐ Disagree

Please explain your response.

(500 word limit)

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**Recommendation 8: The Australian taxonomy should undertake a process of mapping the ANZSIC framework with the classification systems used in international taxonomies that Australia may seek to align with (e.g. International Standard Industrial Classification of All Economic Activities (ISIC) and Nomenclature Statistique des Activités Économiques dans la Communauté Européenne (NACE)).**

Do you agree with this recommendation?

- ☒ Agree
- ☐ Agree in part
- ☐ Disagree

Please explain your response.

*(500 word limit)*

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## Taxonomy eligibility and alignment

**Recommendation 9: The Australian taxonomy should use internationally recognised, credible, science-based technical screening criteria, complemented by principles-based criteria where necessary.**

Do you agree with this recommendation?

- ☒ Agree
- ☐ Agree in part
- ☐ Disagree

Please explain your response.

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**Recommendation 10: The Australian taxonomy should include criteria to demonstrate taxonomy alignment by:**

- Evaluating funding recipients against entity-level criteria, where finance is issued to an entity for general use of proceeds.

- **Evaluating an activity or asset against activity-level criteria, where finance is issued to a funding recipient for specific use of proceeds.**

Do you agree with this recommendation?

- ☒ **Agree**
- ☐ Agree in part
- ☐ Disagree

Please explain your response.

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**Recommendation 11: Australia should adopt a traffic-light colour coding framework to communicate and distinguish between:**

- **Green activities:** aligned to the taxonomy objectives;
- **Transition activities:** on a pathway to alignment with the taxonomy objectives; and
- **Excluded activities:** unsustainable or do no significant harm and/or have no credible pathway to alignment with the taxonomy objectives

Do you agree with this recommendation?

- ☒ **Agree**
- ☐ Agree in part
- ☐ Disagree

Please explain your response.

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**Recommendation 12: The Australian taxonomy should adopt a clear, transparent methodology for categorising transition activities, endorsed by the Taxonomy Board.**

Do you agree with this recommendation?

- ☒ **Agree**

- ☐ Agree in part
- ☐ Disagree

Please explain your response.

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**Question: What methodology for categorising transition activities would be most suitable for use in the Australian taxonomy?**

- ☒ Pathway differentiation approach
- ☐ Transition risk and opportunity approach
- ☐ Activity categorisation approach
- ☐ Other

Please explain your response.

(750 word limit)

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**Recommendation 13: The Australian taxonomy should include further qualifying criteria assessment of “do no significant harm” that meets the unique needs of Australia, including but not limited to standards for respecting Indigenous rights and heritage and supporting workers and communities in relation to an equitable and just transition.**

Do you agree with this recommendation?

- ☐ Agree
- ☒ Agree in part
- ☐ Disagree

Please explain your response.

(500 word limit)

Overall, we believe the DNSH should mirror the EU criteria. Deviations should be possible to alleviate incompatibility from a



legal standpoint (when DNSH TSC refer to specific regulation for alignment but there is no local equivalent regime) and some additions should be possible to meet Australian needs/context. Furthermore, some flexibility needs to be granted on the use of proxies and estimates to address data gaps in context of financial product disclosures.

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## **Governance**

**Recommendation 14. For the development phase of the Australian Taxonomy, we recommend the implementation of a three-tier governance model administered by ASFI and comprised as follows:**

**Tier 1) Taxonomy Board:** Includes government, peak representation across the financial sector (banking, insurance, investors and superannuation), climate and specialist expertise, and social and Indigenous representation. Sets the objectives, design principles, methodology to establish the taxonomy criteria, and priorities for development, and approves the taxonomy proposals. Consideration to be given to the appropriate role of Australia's key economic and regulatory agencies: APRA, the RBA and ASIC.

**Tier 2) Financial Industry Technical Group:** Fixed term transparent membership from experts covering climate, environment, social, regulatory, data and taxonomy relevant expertise. Responsible for the development of taxonomy proposals and convening of sector- and subject-specific working groups.

**Tier 3) Sector- and subject-specific working groups and forums:** Established as needed to provide sector- and subject-specific advice to inform the Finance Industry Technical Group's work and provide a forum for stakeholders to provide views on specific areas of the taxonomy affecting them.

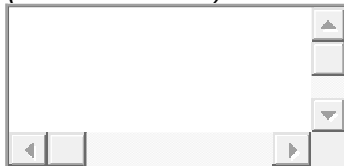
Independent expertise on science-aligned sectoral pathways should be provided to tier 1 as key input to the Taxonomy Board's priorities and utilised by tier 2 in the development of technical criteria for taxonomy aligned activities.

Do you agree with this recommendation?

- ☐ Agree
- ☐ Agree in part
- ☐ Disagree

Please explain your response.

*(500 word limit)*



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**Recommendation 15: To assist with addressing greenwashing, reporting on taxonomy alignment should be mandatory where users are seeking to make claims around the sustainability objectives covered by the Taxonomy in relation to their activities, financial instruments, products and/or the development of sustainability labels and standards.**

Do you agree with this recommendation?

- ☐ Agree
- ☒ Agree in part
- ☐ Disagree

Please explain your response.

*(500 word limit)*

## Final thoughts

**Do you have any further feedback on the Australian Framing Paper or ongoing development of an Australian taxonomy?**

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