

Meeting Minutes

Inaugural Taxonomy Technical Expert Group Meeting Minutes

Date: Thursday 31 August 2023, 3:00-6:00 pm (AEST)

Attendees:

| TTEG Members | | ASFI Taxonomy Team |
|-----------------------------|-----------------|-------------------------------------|
| Alix Pearce | Benson Saulo | Nicole Yazbek-Martin |
| Anna Skarbek | Emma Garlett | Grace Soutter |
| Bronwyn Kitchen | Kate Griffiths | Jessica Blake |
| Charles Davis | Kim Farrant | |
| Daniela Jaramillo | Lauren Zanetti | Climate Bonds Initiative and |
| Emma Herd (TTEG Co-chair) | Nadia Humphreys | Technical Partners |
| Emma Penzo | Richard Lovell | Matteo Bigoni |
| Guy Debelle (TTEG Co-chair) | Robert White | Bridget Boule |
| James Tilbury | Sarah Barker | Prateek Kumar |
| Karin Kobelentz | Steven Wright | |
| Libby Pinkard | Tennant Reed | |
| Rick Walters | Zachary May | |
| Saphira Rekker | | |

Apologies: Nil.

Record of Meeting:

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| <p>Open Meeting</p> <p>1.1. The Taxonomy Technical Expert Group (TTEG) co-chairs opened the inaugural meeting of the TTEG at 3:05pm with an Acknowledgement of Country.</p> <p>1.2. TTEG members introduced themselves and each gave a short summary of their relevant expertise and experience.</p> |
| <p>Australian Sustainable Finance Taxonomy Primer</p> <p>2.1. The Australian Sustainable Finance Institute Taxonomy Team (ASFI) provided an overview of its history and the taxonomy scoping work it undertook between early 2022 to July 2023, including key findings and recommendations.</p> <p>2.2. ASFI then provided a primer on sustainable finance taxonomies, where taxonomies sit within the broader sustainable finance architecture globally and in Australia, and the purpose of developing a taxonomy for Australia.</p> |
| <p>Governance of the Taxonomy Technical Expert Group</p> <p>3.1. ASFI explained the governance arrangements for the development of the Australian Taxonomy. ASFI focused on the oversight role of the Council of Financial Regulators' Climate Working Group (CWG); the decision-making role of the TTEG; the technical advisory role of the sector- and subject-specific advisory groups; and the project management, stakeholder engagement and secretariat functions of ASFI.</p> <p>3.2. ASFI was asked to elaborate on whether TTEG members had been appointed in their personal or organisational capacity, and what responsibilities accrued accordingly. ASFI explained that members had been selected based on their individual expertise, and were not appointed to represent their organisation. The co-chairs added that specific user, preparer and assessor perspectives will be captured through the various avenues of consultation.</p> <p>3.3. ASFI gave an overview of the TTEG governance documents, including its Terms of Reference, Charter and Conflicts of Interest Policy. ASFI also outlined how the Register of Interests and Stakeholder Engagement Register will be managed, the responsibilities of TTEG members and ASFI staff in relation to those registers, and standing agenda items for future TTEG meetings. It was agreed that, wherever possible, TTEG members should direct stakeholders to the official stakeholder engagement process.</p> <p>3.4. ASFI was asked how it would manage its responsibilities to the TTEG with its broader remit and obligations to the ASFI Board. ASFI explained it is under contract with the Australian Government to deliver the initial phase of the Australian Taxonomy's development in accordance with a Terms of Reference established between ASFI and the CWG, and that ASFI staff are bound by the same governance arrangements that apply to the TTEG. ASFI further clarified that the ASFI Board is entirely comprised of non-executive directors and its mandate is strategic in nature. It is not involved in the Australian Taxonomy's development.</p> |

3.5. TTEG members asked about the decision to include a voting threshold of 75 per cent in the TTEG Charter. ASFI and the TTEG co-chairs confirmed that the governance arrangements were informed by research into international taxonomy development processes, which had identified the importance of aiming to achieve a strong level of consensus while also ensuring there is a mechanism for decision making if full consensus cannot be reached.

ACTION ITEMS:

1. TTEG members to complete, sign and return TTEG governance documents ahead of the next TTEG meeting.

Forward Work Program and Engagement

4.1. ASFI provided TTEG members with an overview on the Australian Taxonomy Project's scope, workplan and timelines.

4.2. ASFI explained that the Australian Taxonomy Project will operate for an initial period of 12 months with a possible extension of up to 18 months. Over the initial 12 month period, three sectors will be prioritised for development: electricity generation and supply; minerals, mining and metals; and buildings and construction. Up to six sectors could be developed over the course of 18 months, dependant on resource availability. The additional priority sectors earmarked for possible development are manufacturing; agriculture; and transport. The development phase will encompass technical screening criteria for climate change mitigation and further qualifying criteria under a Do No Significant Harm (DNSH) Framework, as well as Minimum Social Safeguards (MSS).

4.3. ASFI also explained that it has contracted a consortium of technical experts, led by the Climate Bonds Initiative (CBI), to prepare technical taxonomy products for the TTEG's consideration, input and endorsement.

4.4. ASFI explained how the Australian Taxonomy's development will be split into specific workstreams and managed by groups of relevant TTEG members, referred to as 'committees'. These committees will meet out of session from September and take recommendations to the full TTEG for decision on various aspects of the taxonomy's development. The TTEG committees will be Transition Methodology; DNSH; MSS; Data, Usability and Interoperability; and sector-specific committees.

4.5. ASFI was asked how its work and the work of CBI is being funded. ASFI explained that the Australian Treasury has provided sufficient funding to operationalise the Australian Taxonomy Project, and that this funding covers the core ASFI Taxonomy Team and technical work.

Draft Methodological Framework

5.1. CBI introduced the key design features of a sustainable finance taxonomy and explained that the TTEG will need to agree on the following aspects of the taxonomy's design before climate mitigation criteria can be developed for each of the priority sectors:

- the classification of key sustainability objectives covered under the Australian Taxonomy and the approach to developing DNSH criteria;

- the approach to developing MSS; and
- the methodology for classifying green and transition activities, including the identification of which sectors or types of activities will be eligible for transition categorisation.

5.2. CBI provided an introduction to the purpose of DNSH and MSS criteria and explained that the TTEG will be asked to answer preliminary design questions and define key DNSH and MSS objectives in forthcoming meetings.

5.3. ASFI was asked why the DNSH and MSS workstreams had been separated out, and what the interaction between them is, if any. ASFI and the TTEG co-chairs clarified the relationship between DNSH and MSS, and explained that the DNSH and MSS committees would track the entire taxonomy development process, including at a sectoral level. Members also discussed how the principle of embedding the rights of Indigenous Peoples would be incorporated into the taxonomy's design. ASFI explained that the TTEG will need to deliberate and decide on such questions in due course through the MSS workstream.

5.4. TTEG members asked for clarification around the considerations for developing DNSH criteria.

- ASFI and the TTEG co-chairs explained that the DNSH criteria will be developed for the Australian context and would need to be fit for Australian purposes. Australia need not adopt another jurisdiction's approach to DNSH but should factor interoperability considerations into its design decisions.
- The TTEG co-chairs explained to members that the TTEG is not developing a ruleset for regulatory purposes and that this is ultimately the role of government. They noted that the taxonomy would need to be tested from different perspectives throughout its development, and the Taxonomy Principles serve as a guide to this end.

5.5. It was agreed that Australian societal values and priorities should be identified and reflected in the development of DNSH and MSS criteria. The importance of ensuring usability in the context of MSS was also raised and noted by the members.

5.6. CBI provided a brief overview of the draft methodology for defining green and transition criteria and, owing to time constraints, it was agreed that this would be picked up again at the next TTEG meeting and through the TTEG Transition Methodology Committee meeting.

5.7. ASFI explained next steps for the TTEG committees, including that the Transition Methodology, DNSH and MSS committees would meet ahead of the next TTEG meeting to discuss the key design questions and provide recommendations to the full TTEG at its second meeting in October.

ACTION ITEMS:

2. ASFI to allocate TTEG members into the above committees following the meeting.

Meeting Close

6.1. The TTEG co-chairs closed the meeting at 6:12 pm.