

## FREQUENTLY ASKED QUESTIONS

### 1. What is a sustainable finance taxonomy and why does Australia need one?

A sustainable finance taxonomy is a set of definitions of economic activities and assets that contribute to key sustainability objectives.

A sustainable finance taxonomy makes it easier to identify investment opportunities, create sustainable assets and activities, and helps guide capital to support the achievement of Australia's climate, environmental and social objectives.

It also provides the finance sector with greater confidence in and assurance over sustainability claims, enables comparability between investment products and portfolios, and reduces transaction costs.

### 2. Why is the taxonomy focused on transition categories in addition to green categories?

Transition finance aims to mobilise capital toward initiatives that facilitate the decarbonisation of hard-to-abate sectors. Decarbonising these sectors will play a crucial role in reducing Australia's national emissions, greening financial portfolios, and reducing systemic risk exposure across the economy.

It is imperative that financial institutions have access to credible and consistent transition criteria that progressively steer economic activities toward taxonomy alignment and assist in mitigating the risk of greenwashing.

### 3. What will be achieved in the initial phase of the Australian taxonomy development?

The first phase of the taxonomy's development will run for the next 12 to 18 months. It will encompass the development of climate change mitigation technical screening criteria for between three and five priority sectors, and associated technical work on data requirements, ensuring minimum social safeguards and a Do No Significant Harm framework.

The selection of priority sectors is underway, with input and final endorsement from the Council of Financial Regulators' Climate Working Group.

### 4. Why is ASFI partnering with Government on the development phase of the Australian sustainable finance taxonomy and what is its role?

ASFI's mission is to realign the Australian financial services system so that more money flows to activities that will create a sustainable, resilient and inclusive Australia. ASFI does this by coordinating, facilitating and driving implementation of the [Australian Sustainable Finance Roadmap](#). The development of a sustainable finance taxonomy is a key recommendation (Rec. 9) under the roadmap.

ASFI's membership spans the full breadth of the finance sector, including banking, investment, insurance, assurance and other intermediaries, such as data and ESG information. This means we are well placed to work at a system level to address systemic challenges across climate, environment and social aspects of the sustainable finance agenda.

ASFI is not a peak body representing particular industry interests, rather it is an institute backed by representatives across the finance sector to drive implementation of the roadmap recommendations.

As secretariat of the taxonomy's development, ASFI will work with an international consortium of taxonomy and sustainability specialists led by global standard setter, the [Climate Bonds Initiative](#), to prepare the technical products for the TTEG's consideration, input and endorsement.

**5. What role did the ASFI Board play in appointment the TTEG?**

The ASFI Board had no direct or indirect involvement in the appointment of the TTEG.

**6. What role will the ASFI Board play in relation to the taxonomy's development?**

The ASFI Board does not have decision-making powers in respect of the Taxonomy Project. Decision-making powers are vested in the TTEG, with oversight from the Council of Financial Regulators' Climate Working Group.

As a governance board, the ASFI Board has responsibility for strategy, budgets, organisational level risk and oversight of ASFI and is not involved in management decisions, such as the selection of the TTEG or the work that will be undertaken on the taxonomy's development.

More information on ASFI's governance arrangements is set out in our [Constitution, Board Charter and Code of Conduct](#), [mission, vision and values](#) and [strategy and business plan](#).

**7. How have the TTEG candidates been selected?**

The Council of Financial Regulators' Climate Working Group decision minute on the constitution of the TTEG sets out the basis on which candidates were selected.

The TTEG comprises a balanced cross-section of experts, including in sustainable finance; climate and environmental science and policy; circular economy; human rights; and Indigenous perspectives. All of these voices will play a critical role in the development of a fit-for-purpose taxonomy.

Drawing on international experience, it is crucial that representatives from the financial sector provide input on usability and impact at the taxonomy's design stage. If the taxonomy is not usable or fit-for-purpose, it risks not being adopted and could thereby fail to achieve its intended impact.

**8. Will there be opportunities for stakeholder input and how can people stay up to date with the process as it develops?**

There will be opportunities for broad stakeholder feedback and engagement throughout the taxonomy's development, including through an open public consultation process, to ensure a diversity of views are heard and accounted for.

ASFI will run a public consultation process on the taxonomy's development. Submissions received through this process will be made publicly available. There will also be sector and subject specific advisory forums through which key stakeholders, including representatives from industry, can provide input. ASFI will provide more information on ways to engage with the taxonomy development process soon.

Decisions made by the TTEG and a Register of Interests will be published on a ASFI's website.