

## **“Science based and credible”- what’s needed for an Australian sustainable finance taxonomy**

A new report outlines the key considerations that will inform the development of an Australian taxonomy to advance sustainable finance and drive investment in the transition to a net zero economy using credible, science-based definitions.

In November 2020 the Australian Sustainable Finance Roadmap called for a taxonomy to urgently shift new and existing capital into activities that create and better support sustainable and equitable outcomes for Australia.

After its establishment in July 2021, the Australian Sustainable Finance Institute (ASFI) prioritised the development of Australia’s sustainable finance taxonomy, recognising the need to mobilise more capital towards the country’s energy shift away from fossil fuels.

Executive Officer Kristy Graham says:

“The strongest and most consistent messaging from our research and consultation is that the taxonomy must be science-based and credible. This is critically important for international interoperability, to ensure community confidence, and to give investors, banks and insurers confidence in their sustainability claims as they design products, make sustainability commitments and prepare their disclosures.”

“There is also strong consensus that a transition category should be included to ensure a mechanism to guide capital in credible sectoral decarbonisation pathways in Australia, given the high carbon intensity of the Australian economy, which is at the early stages of the path to net zero.”

To provide technical input to the taxonomy project, ASFI brought together an expert group of 55 members and observers from across the finance sector including from banking, consulting, superannuation, asset management, private equity, ESG market specialists, academics, and international taxonomy experts, as well as key financial industry peaks and Australian governments and regulators.

ASFI has received strong engagement and support from the Federal Treasury and government regulators- Reserve Bank of Australia, ASIC, APRA, all of whom are observers in the process.

“This report provides the basis for the development of a taxonomy which meets the needs of Australia, without replicating work done overseas.”

“We are confident we will be able to achieve international interoperability while considering Australia’s unique economy circumstances and starting position. ASFI is not

looking to recreate the wheel but learn from what exists globally and build on it”, Graham says.

ASFI are collaborating with jurisdictions across the region and in Europe and North America and are having open and ongoing conversations with them to share information, approaches and lessons learned. The Report outlines globally there are 12 taxonomies in place, and 15 currently under development– collectively representing more than 55 per cent of global GDP.

As part of the release of this paper ASFI will be surveying a broader range of finance sector stakeholders to further inform and validate the initial findings.

The next deliverable, planned for release by the end of the year is a recommendations paper for an Australian taxonomy, which will set out the proposed framework and design elements of an Australian taxonomy and will be open for broad public comment and feedback.

To arrange an interview with Kristy Graham or any other media inquiries please contact David Imber on 0413 274 204 or at [david@mountainmedia.com.au](mailto:david@mountainmedia.com.au)

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