

**Terms of Reference**  
**Taxonomy Technical Expert Group for the Australian Sustainable Finance Taxonomy**  
**Project**

July 2023

## **Background and Purpose:**

Embedded in our Constitution, ASFI and its Board are committed to realign the financial services system so that more money flows to activities that will create a sustainable, resilient, and inclusive Australia. We do this by coordinating, facilitating, and driving implementation of the Australian Sustainable Finance Roadmap. An early priority for ASFI has been work to support the development and implementation of a Sustainable Finance Taxonomy in Australia, given its critical role in supporting ASFI's mission.

### **Scoping phase:**

As part of this commitment, the ASFI Taxonomy Project was initiated in June 2022 as an industry-led initiative, working closely with government and regulators to explore the development of an Australian Sustainable Finance Taxonomy.

Building on work done on sustainable finance taxonomies internationally, including by the EU, the Common Ground Taxonomy, Japan, Canada, New Zealand, the UK, ASEAN and in Singapore, the ASFI project has worked with experts and stakeholders across the Australian financial system and internationally to determine what a sustainable finance taxonomy should look like in Australia to ensure international credibility and inter-operability while reflecting the Australian economy and context.

The industry-led scoping phase focused on the key framework design elements for an Australian sustainable finance taxonomy. Deliverables under this phase included:

- A [scoping paper of international taxonomies](#), released in mid-October 2022, which analysed Australia's economic and environmental context, key international taxonomies, and implications for taxonomy development in Australia.
- A [recommendations paper on the key design elements](#) for an Australian taxonomy finalised in March 2023.
- Analysis and case studies to inform the methodology for integrating transition activities in an Australian taxonomy (June 2023).

### **Initial development phase:**

As part of laying the foundation for its Sustainable Finance Strategy, the Australian Government has announced that it will support ASFI to undertake the initial development phase for an

Australian sustainable finance taxonomy over the next 12 – 18 months starting on 1 July 2023. This taxonomy will serve to support the mobilisation of private finance toward sustainable activities and could provide a foundation for further regulatory measures to address greenwashing and promote transparency.

ASFI will convene a Taxonomy Technical Expert Group (TTEG) to oversee the development of technical screening criteria and other products with input from ASFI's technical expert team of taxonomy and sustainability specialists.

The Australian Council of Financial Regulators Climate Working Group (the CWG) will oversee this phase of Australia's taxonomy development, as part of its role supporting the development and implementation of the Government's Sustainable Finance Strategy. The relationship between ASFI and the CWG is governed by a separate Terms of Reference between those parties and in accordance with the Grant Agreement between the Treasury (representing the Commonwealth) and ASFI.

## **Taxonomy Principles**

There are four key principles to guide the initial phase of taxonomy development:

- The taxonomy should be credible and science-based
- The taxonomy should be usable for a range of different users
- The taxonomy should be interoperable and broadly compatible with international approaches to sustainable finance taxonomies
- The taxonomy should be tailored to Australian priorities
  - These include: supporting the allocation of capital towards transition activities; supporting the Government's broader climate policy objectives aligned to the global Paris Agreement goals; supporting the foundation for broader regulatory frameworks on sustainable finance; adaptable to incorporating other climate and sustainability objectives such as nature in the taxonomy.

## **Role of ASFI:**

ASFI will play the following roles in the initial development phase of the Australian Sustainable Finance Taxonomy:

- be responsible for the development of the initial phase of the Australian Sustainable Finance Taxonomy in accordance with the Grant Agreement between the Treasury and ASFI;
- establish, convene and manage this TTEG, which will provide industry expertise and insights and endorsement of key deliverables of the initial phase of taxonomy development by ASFI and its technical team;
- provide secretariat support to this TTEG, which includes preparing technical deliverables including reports, research, and associated outputs for TTEG input and endorsement to the CWG;
- prepare and present deliverables considered and endorsed by the TTEG to the CWG for consideration;
- contracting experts to carry out the technical work, organising meetings, all project communications and stakeholder engagement, coordination, and management;
- liaise with industry and garner their engagement in this phase of work.

In carrying out its role, ASFI will have due regard to the importance of safeguarding the independence and credibility of the taxonomy development process.

## Role of the TTEG:

The TTEG is an expert group established and convened by ASFI to support the initial development phase for an Australian sustainable finance taxonomy.

The TTEG will provide expertise and insights to inform and review draft deliverables of the initial phase of taxonomy development, as deliverables are prepared by ASFI and its technical team. Following any adjustments required based on TTEG input and comments, the TTEG will endorse deliverables which will then be presented to the CWG for its consideration.

The TTEG's role is confined to this initial development phase of taxonomy development, within the scope of work set out in this Terms of Reference unless otherwise determined by ASFI in consultation with the CWG as a result of further decisions and agreements between the Treasury and ASFI.

The TTEG will replace the current governance arrangements set up by ASFI for its taxonomy scoping project, including the Taxonomy Technical Advisory Group and the Taxonomy Steering Committee.

## Obligations of the TTEG:

Appointment of members to the TTEG will be for an initial period of appointment until 30 June 2024, with an option to extend the term until 30 December 2024 if determined by ASFI in consultation with the CWG because of an agreement between ASFI and the Treasury to extend the term of the initial taxonomy development phase. Over this period the TTEG will:

- meet every 6 weeks, unless otherwise agreed, with a minimum of 8 meetings over 12 months;
- consider and provide input to the technical deliverables by ASFI including reports, research and associated outputs;
- Ensure all its taxonomy outputs are aligned with the four key principles to guide the initial phase of taxonomy development;
- Consider input from consultation with interested and affected stakeholders for each sector under consideration and provide input and recommendations on how feedback from stakeholders was incorporated/ considered or not;
- Consider any feedback from the CWG on draft taxonomy outputs, and recommendations on how that feedback was incorporated/considered or not;
- In line with the reporting requirements in the Grant Agreement, provide input, review and endorsement of a draft report, a final report, and should the initial phase of taxonomy development be extended, an updated final report;

## How the TTEG will work

### Membership:

Members will have demonstrated leadership, skills, experience and expertise across one or more of the following:

Taxonomy Usability:

- Financial services sector users - from banking, investment, insurance and ESG and sustainability data providers.
- Sustainable finance perspectives across - capital allocation (finance and corporate sectors), benchmarking sustainability performance (finance and corporate), the development of taxonomy aligned products, the preparation, assessment and reporting of climate and sustainability related risks and opportunities.

Taxonomy Credibility:

- Climate science and policy expertise and the ability to translate that to financial systems, tools and processes.
- Excellent understanding and strong linkages with science based international initiatives to drive transition .
- Expertise in human rights supply-chain risk management, disclosure and reporting.
- Indigenous perspectives on finance and investment, and knowledge and understanding of free, prior and informed consent in relation to Indigenous rights, heritage and participation.
- Technical knowledge and understanding of a broad range of nature, biodiversity, and environmental considerations as they relate to the finance sector.

Taxonomy Inter-operability

- Strong understanding of the development of and experience using multiple taxonomies globally.

Taxonomy prioritisation and impact

- Climate and energy policy design, industry and energy sector dynamics, and whole of economy perspectives on driving decarbonisation.

Selection of TTEG members will be done by ASFI in consultation with the CWG. The selection process will consider the following when selecting TTEG Members:

- Ensuring the TTTEG Members have a balanced mix of all the skills, experience and expertise identified in the skills matrix. When assessing the skills mix, consideration will be given both to the Members' skills as an individual, and the organisation they are associated/employed with.
- The candidates understanding of the global and Australian sustainable finance landscape and how their skills and expertise will inform the Australian taxonomy development.
- Candidates' ability to commit the time required to discharge the duties of the TTEG.
- The candidates other positions or commitments (including potential conflicts of interest)
- The candidates track record of achieving strong outcomes in a collaborative environment in their workplace, profession and/or field of expertise.
- Candidates' commitment and willingness to positively contribute to the work of the project.
- The overall diversity of the TTEG.
- Ensuring Indigenous perspectives, knowledge and expertise on the TTEG.

The Chair of the TTEG will be selected as part of the membership appointment process from those candidates who specifically nominate to be considered for the role of Chair.

The TTEG will be composed of no less than 20 and no more than 25 experts representing a cross section of

- Technical experts
- The financial sector
- Real economy representatives
- Scientific and policy experts (including in government, academia and civil society)

Membership of the TTEG is voluntary and unpaid. Members will not be remunerated or reimbursed for participating on the TTEG. ASFI may at its sole discretion, provide limited support to select Members that have the skills, experience and expertise required of the TTEG but who do not have the resources to discharge the specified duties set out in this TORs, without additional assistance.

Members may resign at any time on written notice to ASFI.

The confidentiality obligations of this Terms of Reference will continue to apply after resignation.

#### **List of Members:**

A list of TTEG Members and their organisational affiliations will be published on the ASFI website.

## **Governance arrangements**

ASFI, will provide the secretariat services to the TTEG including:

1. organising the timing and logistics of meetings
2. preparing the agenda and accompanying meeting papers in accordance with the technical work plan
3. minute taking and distribution
4. establishing and maintaining a register of Members' interests

Previous meeting minutes, capturing key meeting outputs will be distributed prior to the next meeting. Adoption of previous meeting minutes will be listed as a standing agenda item.

Approved Minutes of TTEG meetings and the register of Members' interests will be published on the ASFI website together with this Terms of Reference.

#### **Confidentiality**

To encourage open participation, discussions during TTEG meetings are intended to be confidential, unless otherwise stipulated or agreed by all TTEG Members.

All Members will be required to sign a Confidentiality and non-Disclosure Agreement and adhere to its provisions.

#### **External Communications**

ASFI reserves the right to publish updates and high-level summaries of TTEG activities. ASFI will not publicly attribute any specific advice to individual TTEG Members.

ASFI will only attribute published materials to the TTEG once it has been approved and endorsed by the TTEG.

All reports and technical outputs approved and endorsed by the TTEG will be shared with the CWG and the Treasury and will be made available on the ASFI website.

## **Representation**

Members agree not to make any public representations or opinions on behalf of the TTEG.

Deliberations and day-to-day operations including meetings and draft documents of the TTEG should be treated as confidential unless otherwise advised.

Members must not use confidential information other than for the purpose of performing their functions as a member of the TTEG.

All public expressions of opinion in relation to this taxonomy project or related matter should only be made in Members' personal or organisational capacity.

## **Declaration and management of interests**

A conflict of interest occurs when a person's personal interests' conflict with their responsibility to act in the best interests of the TTEG. Personal interests include direct interests, as well as those of family, friends, or other organisations a person may be involved with or have an interest in (for example, as a shareholder).

It also includes a conflict between a member's duty on the TTEG and another duty that the member has (for example, to another organisation). A conflict of interest may be actual, potential, or perceived and may be financial or non-financial.

Members will be obliged to declare all interests prior to commencement of their duties on the TTEG and to update their interests prior to every TTEG meeting.

Members must:

- disclose any actual or potential conflict of interest or duty that might reasonably be thought to exist as soon as the situation arises;
- take necessary and reasonable action to resolve or avoid any actual or potential conflict of interest or duty.

If a conflict exists, it is expected that any member to whom the conflict relates will leave the room when the TTEG is discussing any matter to which the conflict relates, unless permitted to remain in attendance under the Corporations Act.

## **Process for decision making on Taxonomy Project Outputs and consideration of TTEG advice**

All Members commit to providing their technical and expert advice, input and recommendations for endorsement on Taxonomy reports and deliverables in a respectful and collegial manner.

Members should strive to make recommendations on key issues—including on the taxonomy project reports and outputs—by consensus.

ASFI and Members recognise that Members may have differing points of view on key issues, which may not be resolved by consensus. Where genuine attempts to reach consensus have failed, Members will vote on the issue at hand, with a majority vote required for approval and endorsement of all outputs to the CWG.

### **Amendments, variations, and disqualification of Membership**

ASFI reserves the right, in consultation with the CWG to disqualify an individual's TTEG Membership, for one or more of the following reasons:

- breaching the Governance Arrangements set out in this Terms of Reference, including any agreed confidentiality and non-disclosure commitments;
- if a Members' employment or professional affiliation changes in such a way that the member no longer represents or possesses the expertise required for the TTEG.

ASFI may seek to amend or vary this Terms of Reference at any time in consultation with the CWG to reflect any changes in the scope or duration of the agreement between ASFI and the Treasury regarding the initial development phase of the taxonomy.