

Unlocking Private Capital for the Transition

Market insights from the practical application of the Australian Sustainable Finance Taxonomy

October 2025





Acknowledgement of Country and Thanks

The Australian Sustainable Finance Institute (ASFI) acknowledges the Traditional Custodians of Country throughout Australia and recognises their continuing connection to land, waters, species and culture.

We acknowledge their ongoing status as the First Peoples of Australia and pay our respects to their Ancestors and Elders past and present.

ASFI values the perspectives, knowledge and experience provided by First Nations Peoples to the development and implementation of the Australian Sustainable Finance Taxonomy and thanks those who have contributed to this work.

About the Australian Sustainable Finance Institute

ASFI is a not-for-profit organisation committed to mobilising capital for climate, nature and social impact, and the peak body for the sustainable finance sector in Australia.

ASFI's members are large Australian financial institutions – including major banks, superannuation funds, insurers, asset managers, and financial services firms – that collectively hold over AU\$16.5 trillion in assets. ASFI and its members are committed to allocating capital in ways that create positive social and environmental outcomes to secure future prosperity and sustainable economic growth for Australia.



About the Australian Taxonomy Market Implementation Program

ASFI is running a pilot program with major banks, investors, ratings agencies and engaging with state and Commonwealth central financing agencies to test the practical application of the Australian Sustainable Finance Taxonomy.

The pilot explores how the taxonomy can be used to support consistent, credible capital allocation toward climate and sustainability goals.

More information about the implementation program and associated labelled debt guidance can be found **on page 18 →**.

About this paper

The findings presented in this paper are informed by:

- **Early pilot insights** emerging from the taxonomy implementation pilot with 10 leading financial institutions and collaborative engagement with Australia's state and Commonwealth central financing agencies,
- **Survey data:** a Market Insights Survey was conducted in September 2025 of the 10 pilot participants, as well as ASFI's broader member base¹
- **Extensive analysis and stakeholder input/feedback** collected by ASFI during the taxonomy scoping and development phases.²

¹ ASFI received responses from 20 finance sector participants about the implementation and future evolution of the taxonomy including key barriers to uptake.
² **The taxonomy scoping phase** took place between June 2022 and July 2023. ASFI worked with a technical advisory group of 56 participants across finance, academia, civil society and international taxonomy experts. ASFI received 56 submissions on the recommendations paper for designing Australia's sustainable finance taxonomy. The **taxonomy development phase** took place between July 2023 – February 2025, led by an independent decision-making group of 25 experts, supported by 8 technical advisory groups comprising of 84 participants. ASFI received 170 submissions across two public consultations.

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Foreword

Australia's new economy-wide emissions reduction target of 62-70% by 2035 will require significant funding and investment from the private sector.

As a foundational tool to mobilise private capital for Australia's climate transition, the Australian Sustainable Finance taxonomy provides a shared reference point across government, finance, and industry of activities and assets aligned with the transition.

Released in June 2025, the taxonomy improves comparability of transition aligned opportunities across funds, banks, and bond issuers, reducing ambiguity and lowering transaction costs. However, the taxonomy's success as a capital mobilisation tool hinges on widespread market adoption, beyond its use as a green bond framework. While growing, green bonds are still only 5% of Australia's total bond market¹.

ASFI's taxonomy pilot and early market engagement indicate a strong appetite to apply the taxonomy across finance, from portfolio strategy and due diligence to capital allocation in corporate transition plans and climate-related disclosures. Yet international experience shows voluntary uptake is limited without clear market guidance, policy signals, and regulator involvement. Australia is no exception.

Early regulatory signals and support, through references to the taxonomy in disclosure, supervision and product guidance, would also have the greatest impact in building confidence and attracting the institutional capital needed to reach our 2035 climate targets.



There is also significant appetite from across the financial system to expand the taxonomy to include adaptation and resilience criteria. Without significant investment in adaptation and resilience, the costs of disaster recovery will continue to grow². Expanding the taxonomy to include adaptation and resilience is a low cost, high impact opportunity to mobilise private capital towards Australia's transition.

The Australian taxonomy is world-leading in its approach to defining transition finance – paving the way for capital to flow more easily into sectors critical for Australia's future prosperity such as green mining, metals, and agriculture. There is a clear opportunity – and need – for the Australian Government to step up its international engagement to influence the development of emerging regional and global frameworks. Proactive participation in multi-lateral and bilateral initiatives will help ensure global standards reflect Australia's strategic and economic priorities, rather than being shaped elsewhere.

The Australian Sustainable Finance Taxonomy provides the clarity and consistency that investors, lenders and businesses need to direct finance toward activities that will deliver decarbonisation, resilience and long-term prosperity.

Its success will depend on how quickly markets, regulators and government can turn these shared definitions into coordinated action and sustained investment.

Kristy Graham

Chief Executive Officer
Australian Sustainable Finance Institute

¹ Q4 2024 Sustainable Finance Market Update, Westpac IQ, 2025

² Independent Review of Commonwealth Disaster Funding (Colvin Review), 2025

Executive Summary

Insights from ASFI's market testing reveal the practical enablers that will determine whether the taxonomy fulfils its purpose as a catalyst for sustainable investment.

The Australian Sustainable Finance Taxonomy represents a critical step toward mobilising the scale of private investment required for Australia's transition to a low-carbon economy. As Australia's ability to attract capital relies on alignment across government, finance and industry, the ability to translate complex decarbonisation objectives into practical criteria is key to helping financial markets better assess risk and price opportunities.

If applied broadly, the Australian Sustainable Finance Taxonomy can help investors, lenders and businesses distinguish genuine transition activity from claims that lack substance, to reduce risk and build confidence, through clarity and consistency. In this way, the taxonomy becomes not just a technical framework, but a catalyst for the flow of private capital into more sustainable assets and activities.

Key enablers

1. Regulatory guidance and clarity, particularly in labelled debt, is critical to enhancing market confidence and unlocking capital flows

Support from regulators, particularly in clarifying evidentiary requirements and assurance expectations for taxonomy-aligned instruments, would enhance institutional confidence and unlock capital flows. This is especially true for labelled debt products and broader voluntary uses where perceived regulatory risk currently inhibits uptake.

2. Credible taxonomy criteria for adaptation and resilience is a low-cost, high impact opportunity to mobilise private capital.

Without substantial private investment in climate adaptation and resilience, the Australian Government faces increasing budget pressure for disaster recovery and publicly funded investments in community resilience. The Investor Group on Climate Change, the Actuaries Institute and the Insurance Council of Australia, among others, have consistently called for taxonomy expansion to include adaptation and resilience, particularly for buildings and infrastructure. Credible taxonomy criteria is a necessary pre-condition to unlocking private capital for adaptation and resilience.

3. Active international engagement on taxonomy interoperability is essential for global market recognition and use of the Australia's taxonomy.

Australia's ability to access favourable international green capital, including to expand our export markets for green commodities like green iron and metals depends on strong interoperability of green and transition finance standards with dominant global standards.

4. Strong governance and long-term institutional arrangements are needed to build market confidence and unlock private capital

The absence of long-term institutional arrangements for the taxonomy is hampering private sector confidence to invest in the systems and infrastructure needed to support taxonomy-aligned finance. Market participants have consistently called for a formalised public-private governance model to ensure the taxonomy's credibility, usability, and evolution.



Recommendations to Government

1. Expand the Australian Taxonomy to adaptation and resilience as an immediate priority.
2. Step-up international engagement to shape emerging international standards in Australia's interests, particularly for key sectors such as mining and agriculture.
3. Establish enduring taxonomy governance arrangements that enable ongoing public-private cooperation for taxonomy implementation, expansion, and international engagement.

To unlock these key enablers identified through the pilot and broader market engagement, ASFI recommends the establishment of a Taxonomy Governance Board or Steering Committee.

This Board, supported by Treasury, would provide strategic oversight for the implementation, expansion, and international engagement functions of the taxonomy – crucial for its successful adoption and impact.

The Taxonomy Governance Board or Steering Committee would act as a central coordination mechanism, enabling:

- **Continuous feedback loops between market and regulators:** capturing real-time insights into how the taxonomy is being applied, where challenges emerge, and what support is required.
- **Evidence-based regulatory guidance:** allowing regulators to issue targeted guidance on evidentiary requirements, assurance expectations, and appropriate use of taxonomy-aligned claims, particularly for labelled debt and other voluntary applications.
- **Responsive evolution of the taxonomy:** ensuring the taxonomy remains credible, usable, and aligned with Australia's sustainability goals by coordinating updates and expansions in line with emerging market needs and international developments.

Market Insights

from the practical application
of the Australian Sustainable
Finance Taxonomy



Market Insight 1

The Australian taxonomy has strong market value, but further guidance is needed to ensure widespread uptake

Over 50 sustainable finance taxonomies have been developed globally, but market use and uptake of taxonomies have been patchy. A taxonomy is a classification tool designed to be used in a variety of ways. Market support and guidance on how to use the taxonomy across various use cases is critical to ensuring widespread adoption. Implementation support is even more important in jurisdictions where the use of the taxonomy is completely voluntary, such as Australia and many other jurisdictions.

So called “mandatory” jurisdictions — like the European Union (EU), which mandate reporting of taxonomy alignment for some corporates and financial institutions, or China where its use to inform proceeds for labelled issuances is compulsory for domestic issuers — have experienced widespread market uptake. However, even in these jurisdictions, further guidance on how to use the taxonomy has been required to support uptake and use by the market.

In jurisdictions where there is no obligation to use the taxonomy, market uptake is generally low and user guidance is even more important to support taxonomy use, especially where market participants are making public facing determinations or claims about taxonomy alignment. Australia is no exception.

Drawing on extensive market feedback received from the taxonomy scoping, development and implementation phases led by ASFI, the Australian taxonomy offers strong value to the market. However, realising the complete value of the taxonomy through widespread uptake across multiple uses will depend on the extent to which market participants are supported through user guidance and broader market incentivisation.

” *The taxonomy provides a shared reference point across government, finance, and industry for what counts as a sustainable activity. This should reduce ambiguity and ‘greenwashing’ risk whilst also improving comparability across funds, banks, and issuers”.*

Asset owner respondent

The Australian taxonomy has strong value as a classification and definitions tool that offers a science-based, consistent assessment of whether an economic activity is aligned with the objectives of the Paris Agreement or is on a pathway to alignment. When asked in the Market Insights Survey about the highest long-term value of the taxonomy, survey participants identified the taxonomy’s potential to improve clarity and comparability, reduce greenwashing risk and direct capital towards transition aligned activities.

The taxonomy implementation pilots being led by ASFI aim to explore key uses of the taxonomy that have been identified as priorities by pilot participants and informed by broader input received during the taxonomy’s scoping phase of work, responses to the second consultation period during the taxonomy development phase, as well as ASFI’s analysis and engagement with other global jurisdictions, including Singapore and the European Union. Possible uses of the Australian taxonomy are set out in **Appendix 1** →.

When asked in the Market Insights Survey how market participants plan to apply the taxonomy in the next twelve months, the most favoured responses included using the taxonomy to:

- ▶ inform use of proceed selection for labelled debt instruments;
- ▶ classify reporting of aggregate allocation to climate solutions;
- ▶ screen the alignment of real assets or projects against taxonomy criteria; and
- ▶ augment portfolio strategy, including capital allocation frameworks or sustainable funding frameworks.

Anticipating early interest in the use of the taxonomy for labelled debt instruments, ASFI has been proactively working with the state and Commonwealth central financing agencies, and consulting with organisations in the taxonomy implementation pilot, to produce market guidance for taxonomy aligned debt instruments.

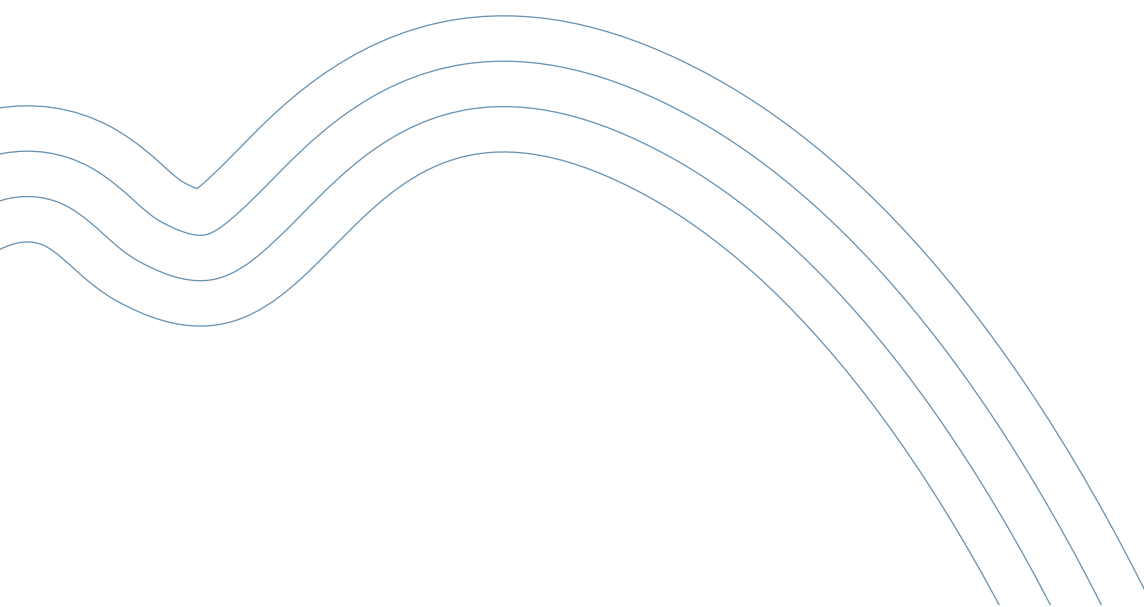
Despite the early stages of the market implementation program and the challenges identified, 40 per cent of Market Insights Survey respondents said they see current demand in the market for use of the taxonomy. However, survey respondents and ASFI's observations from the taxonomy implementation pilot indicate that widespread uptake of the taxonomy and its wider voluntary uses beyond labelled debt requires further market guidance and involvement of the regulator, where appropriate.

Challenges identified through the implementation pilots include:

- uncertainty regarding the evidentiary requirements of demonstrating full alignment with the Do No Significant Harm and Minimum Social Safeguards criteria,
- data limitations for assessing alignment with some of the Technical Screening Criteria.
- uncertainty surrounding appropriate levels of assurance required for labelled debt products and perceived regulatory risks.

” There is a view [that] there is some potential upside in claiming taxonomy alignment (e.g. to attract high ambition equity or debt investors), but where this requires significant work either to move towards alignment or evidence this, the business case is difficult at present”.

Banking sector respondent



Market Insight 2

The Australian taxonomy's coverage should be expanded to address other environmental objectives. Climate change adaptation and resilience is a first-order priority.

Consistent with the development of sustainable finance taxonomies globally, Version 1 of the Australian taxonomy addresses climate change mitigation. However, wide-ranging stakeholder feedback throughout the taxonomy scoping, development and early implementations phases has consistently pointed to the importance of expanding the taxonomy to cover other environmental objectives material to the Australian context.

Climate change adaptation and resilience, and biodiversity and ecosystem protection are two areas that have been repeatedly identified by government, industry and civil society stakeholders as priorities for the Australian taxonomy's expansion, and there are strong cases for both.

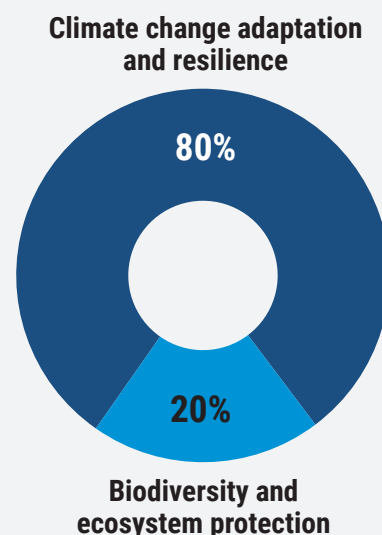
Australia's [first national climate risk assessment](#) lays bare the scope, severity and actual and potential costs of physical risks posed by climate change impacts to Australia's critical infrastructure, natural ecosystems, primary industries, real economy, and supply chains among other areas. Equally, [substantial evidence points to](#) acute nature-related risks posed by the deterioration of Australia's biodiversity and ecosystem health while the national climate risk assessment – assessing the natural environment's current exposure to climate risks as 'high-very high' and 2050's projected exposure as 'severe' – identifies early adaptation interventions as critical.

Given the interconnected nature of climate change mitigation, climate change adaptation and resilience, and biodiversity and ecosystem protection, investment in one can offer co-benefits to others, particularly in the agriculture and land sector where, commissioned by DCCEEW, ASFI published a [research report](#) in September 2025

exploring how the sector could be expanded to address environmental objectives. Expansion to these objectives would enable the Australian taxonomy to encompass a more holistic approach to identifying sustainable investment opportunities. It would help banks, investors and other businesses easily identify capital allocation measures that reduce climate and nature-related impacts.

Feedback from the recent Market Insights Survey (**Figure 1**) and from stakeholder input collected as part of the taxonomy scoping work, is weighted toward prioritising adaptation and resilience. Stakeholders have consistently identified its inclusion as the most impactful thing that government could do to unlock private capital for adaptation and resilience.

FIGURE 2 – Financial sector stakeholder views: preferred priority for the Australian taxonomy's expansion



The prioritisation of adaptation and resilience is consistent with the Australian Government's "climate first, not only" approach cited in the Sustainable Finance Roadmap and its inclusion would further enhance the Australian taxonomy's synergies with AASB S2, enabling market participants to utilise the taxonomy to identify and report on measures responding to both climate transition and physical risks.

A credible taxonomy is a necessary precondition to unlocking private finance for adaptation and resilience. Importantly, as submissions to consultations on the Australian taxonomy by [the Insurance Council of Australia](#) and [the Actuaries Institute](#) note, the inclusion of adaptation and resilience criteria for buildings and key infrastructure in particular would support the development of a low-carbon built environment resilient to physical risks, while strengthening the taxonomy's value case for the insurance sector.



Recommendation to Government

Expand the Australian Taxonomy to adaptation and resilience as an immediate priority

Expansion of the Australian Taxonomy to cover other environmental objectives – such as adaptation and nature – will support private capital to identify and fund activities that support improved resilience and nature outcomes. Stakeholders have consistently identified the expansion of the taxonomy to adaptation and resilience as the most impactful thing that government could do to unlock private capital for adaptation and resilience. When asked to prioritise expansion to adaptation or nature, stakeholders showed a clear preference for adaptation.

“The Insurance Council and its members, along with the Resilient Building Council and Investor Group on Climate Change (IGCC) has previously recommended property sector ...adaptation as a key priority for taxonomy coverage... due to the readiness of the sector to match capital with existing solutions and the interconnection between emissions reduction and disaster resilience for buildings and construction”

Insurance Council of Australia, taxonomy submission

Market Insight 3

Ongoing engagement with key international partners, to ensure the Australian taxonomy's interoperability, is important to removing barriers to cross-border investment in Australia's transition.

As part of the Australian taxonomy scoping, development and implementation phases, ASFI has actively engaged with taxonomy developers and other international market organisations around the world—including Brazil, Canada, Chile, China, the European Union, New Zealand, the United Kingdom, Singapore, ASEAN and South Africa—to ensure global interoperability of the Australian taxonomy and to showcase Australia's approach where it leads globally, like in the mining sector.

There is strong and growing interest from international jurisdictions including Australia's key trading partners and global market participants, to join multi-lateral interoperability processes like the Multi-Jurisdictional Common Ground Taxonomy (MCGT) and move toward closer global alignment on market uses and practice.

There is also mutual interest and benefit for bilateral engagement between Australia and key global trading and strategic partners on specific areas of mutual interest, for example engagement and closer interoperability to transition approaches with Singapore, Southeast Asia's key financial hub, and on green iron and steel criteria with China, Australia's largest trading partner.

As part of the taxonomy implementation program, market participants, especially those with strong international links and/or exposure have all emphasised the benefit of international interoperability and closer alignment of market uses and practice to being able to attract foreign green capital into Australia and to be able to use the Australian taxonomy to benchmark and guide offshore investments.

Active participation in these multi-lateral and bi-lateral processes would strengthen Australia's ability to actively influence the shaping of international sustainable finance standards instead of being a receiver of standards that may not suit Australia's circumstances. This was a key driver for Australia developing its own taxonomy, especially in key areas of strategic and economic importance to Australia like transition finance, mining and agriculture, where the Australian taxonomy can set a leading precedent internationally.

” *Collaboration on taxonomies and other areas are really important. I think that's the basic for sustainable finance development... Between Australia and China and other countries we need to have more understanding of green trade, green services and together develop green trade standards.*”

Wang Xin, Director General of Research Bureau, People's Bank of China speaking at the 2025 ASFI Summit

The Australian Government's Sustainable Finance Roadmap identifies Australia's international engagement to promote the development of consistent global standards and high-quality interoperable frameworks as one of its ten priorities.

A shared public-private governance model, proposed by ASFI in Insights 4, creates an effective mechanism for Australia to undertake international engagement on taxonomy interoperability in a strategic and technical way that integrates key market perspectives, so that Australian investors and businesses can reap the benefits of increased green capital flows.



Recommendation to Government

Step-up international engagement to shape emerging international standards in Australia's interests, particularly for key sectors such as green mining and agriculture

The Australian taxonomy is already setting a leading precedent internationally, especially in areas of economic importance to Australia such as green mining and agriculture. As governments and global standard setters continue to deepen interoperability of sustainable finance frameworks, proactive engagement from the Australian Government will help ensure emerging international standards reflect Australia's strategic and economic priorities, rather than being shaped elsewhere.

Market Insight 4

There is strong consensus among taxonomy users that an enduring shared public-private governance model is integral to the Australian taxonomy's long-term success.

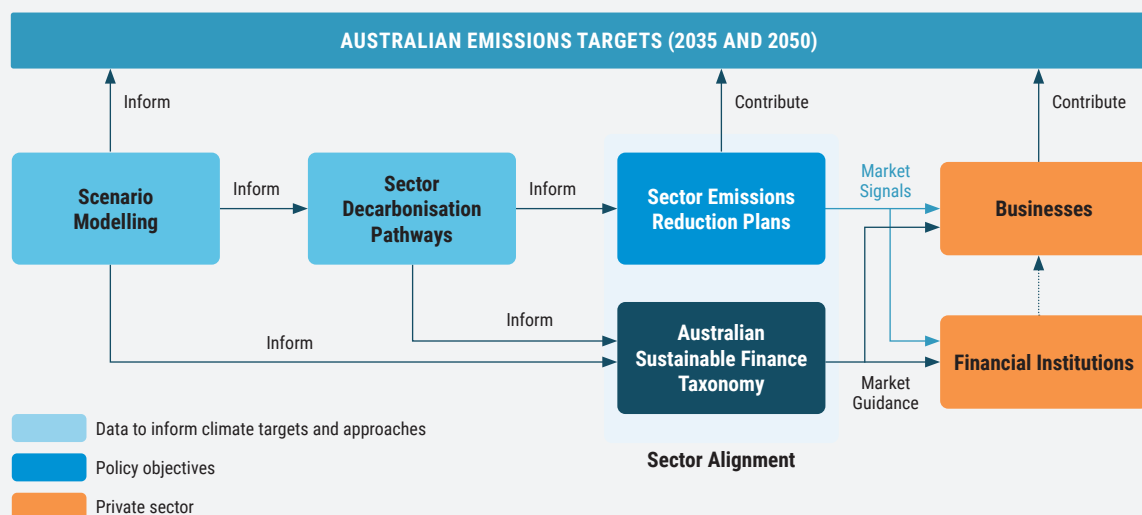
The development of the Australian taxonomy to date has relied on deep collaboration between government and the private sector.

This collaboration has been instrumental in delivering a highly credible, usable and interoperable framework that has been widely welcomed by the market and covers those sectors most critical to Australia's transition.

Government support for the development of version 1 of the Australian taxonomy reflects a shared recognition by government, financial and industry stakeholders, formalised in the Australian government's Sustainable Finance Roadmap, that the Australian taxonomy is an important tool to:

- credibly identify green and transition investments for Australia's net zero transition; and
- enhance credibility and support growth in Australia's sustainable finance markets.

How does the Australian taxonomy support Australia's climate policy objectives?



The sectors covered in the Australian taxonomy align with the Government's Sector Emissions Reduction Plans.

The Government's Net Zero Plan recognises the pivotal role of private capital in driving Australia's transition. It identifies the taxonomy as a tool that "provides a common language for green and transition finance in Australia, supporting the allocation of capital towards activities that enable Australia's net zero ambitions".

“The shared model is preferable over a unilateral approach. This model helps bridge the gap between policy and regulatory goals and financial market needs and uses of the taxonomy. It also allows for more substantial input from industry into the ongoing design of the taxonomy.”

Asset manager respondent

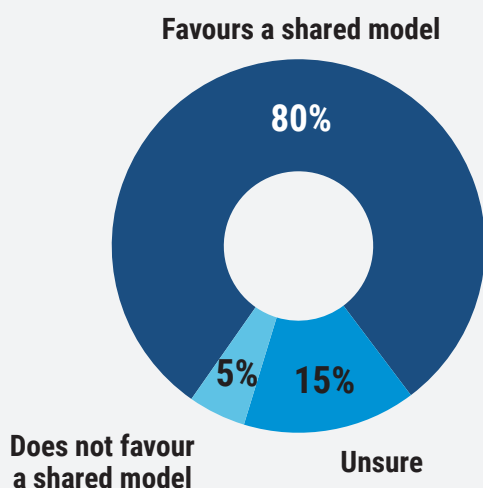
The credibility provided through this partnership and its governance have been instrumental to market acceptance and adoption to date, and have been recognised internationally as a leading example of effective governance and stakeholder mobilisation.

The case for sustained government commitment to a public–private partnership as the Australian taxonomy moves into implementation and future development phases remains compelling. This will help to ensure the taxonomy is enduring, embedded in Australia’s sustainable finance markets, and can evolve to support market needs.

Among financial system stakeholders engaged in ASFI’s market development program there is strong support for a shared governance model of this kind as demonstrated in **Figure 2**. Responses to the Market Insights Survey emphasised that proactive government partnership is required to ensure:

- Legitimacy through government leadership which will encourage broad stakeholder buy-in and industry uptake of the Australian taxonomy;
- Consistency between outcomes of the taxonomy’s implementation and the objectives of the Sustainable Finance Roadmap;
- Complementarity between the taxonomy, policy objectives for Australia’s decarbonisation and international market best practice;
- Certainty regarding the taxonomy’s ongoing refinement and expansion as market needs evolve; and
- Market confidence to use the taxonomy through the ongoing engagement of key regulatory bodies.

FIGURE 2 – Financial sector stakeholder views on the importance of a shared public-private partnership



“The shared government–industry model is important for ensuring both credibility and usability. Government involvement provides legitimacy, regulatory alignment, and policy continuity, while industry participation ensures the taxonomy remains practical and grounded in investment and corporate contexts”

Asset manager respondent

There is strong international precedent for a public-private sector model. The Sustainable Finance Association of Singapore has been tasked to play a similar role, funded by and working closely with the Monetary Authority of Singapore to lead industry engagement domestically and internationally and technical work on sustainable finance.

In China, the International Institute of Green Finance and Institute of Finance and Sustainability provide technical analysis and stakeholder engagement support to the People's Bank of China in the development, update and international interoperability of its Green Finance Catalogue.

The European Platform on Sustainable Finance, which comprises public and private sector experts, advises the European Commission on topics relevant to the EU taxonomy's development and uptake, while Canada is scoping a similar model through the appointment of an independent custodian to develop and implement the Canadian taxonomy.

“The big systematic changes will be channelled through public/private co investment, this coupled with the need for government sponsoring of long term governance arrangements requires a partnership model to be developed”.

Banking sector respondent



Recommendation to Government

Establish enduring taxonomy governance arrangements that enable ongoing public-private cooperation for implementation, expansion, and international engagement.

Government should remain closely involved in long-term governance of the taxonomy, including for future expansion, updates, engagement on international interoperability and to support implementation as appropriate.

Consistent with recommendations made by the Taxonomy Technical Expert Group in 2024, ASFI recommends the best way to do this is through Treasury standing up a flexible, low-cost governance structure that establishes a Taxonomy Governance Board or Steering Committee.

The Board would provide strategic oversight and demonstrate coordination and support for key areas critical to taxonomy implementation, expansion and harmonisation, namely

- a continuation of market support and implementation, currently led by ASFI through the taxonomy market implementation program, including voluntary guidance on key use cases supported by the regulator, as appropriate.
- maintenance of the taxonomy over time and expansion to other environmental objectives and a broader sectoral coverage for the climate change mitigation objective; and
- technical support for international engagement on taxonomy interoperability.

About the Australian Sustainable Finance Taxonomy

The Australian sustainable finance taxonomy (version 1) was released in June 2025. Its development was a joint industry-government initiative, led by the Australian Sustainable Finance Institute (ASFI) in partnership with the Australian Commonwealth Department of the Treasury, which ran from July 2023 to February 2025.

Funding and partnership from the Australian Government to develop Version 1 of the taxonomy reflected the shared appetite across government, finance, and industry for new frameworks to

support sustainable finance markets in Australia. The taxonomy is one of ten priority areas in the Government's 2024 Australian Sustainable Finance Roadmap.

The taxonomy's development built on ASFI's prior taxonomy scoping work (October 2022-May 2023), which drew on a wide range of experts, stakeholders, and on sustainable finance taxonomies internationally to recommend a fit for purpose Australian taxonomy that is credible, usable and globally interoperable (see **Figure 3** overpage).

What does the Australian Sustainable Finance Taxonomy do?

Version 1 of the Australian taxonomy helps financial institutions and other businesses to identify and allocate capital towards economic activities that have a stable or growing role in an Australian transition to net zero consistent with our commitments under the Paris Agreement.

It translates credible pathways to net zero, including the IEA's Net Zero 2050 scenario and Australian 1.5C-aligned pathways, into 71 clear investible activities across the following six sectors that align with the Australian government's sector emissions reduction plans:

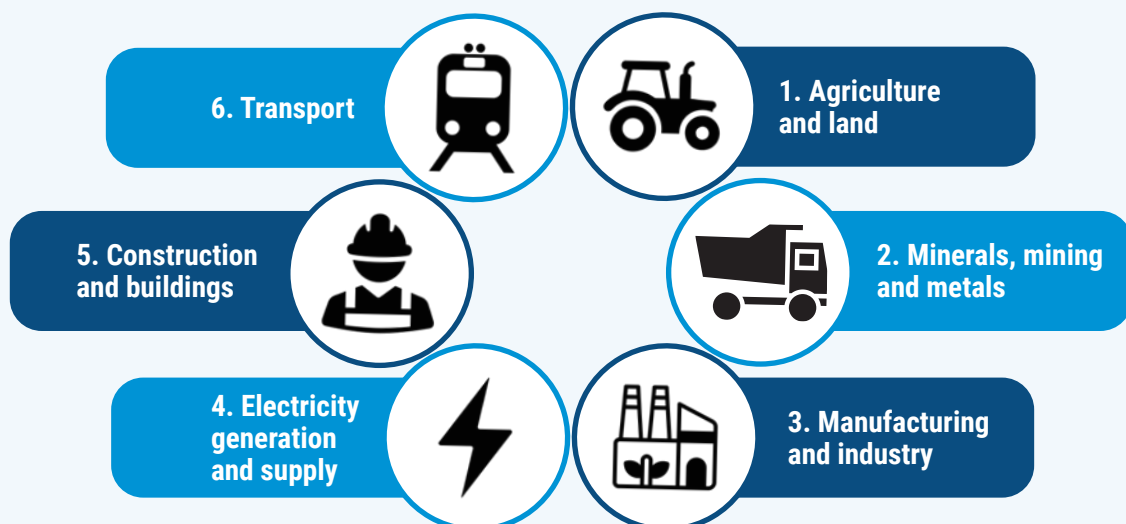
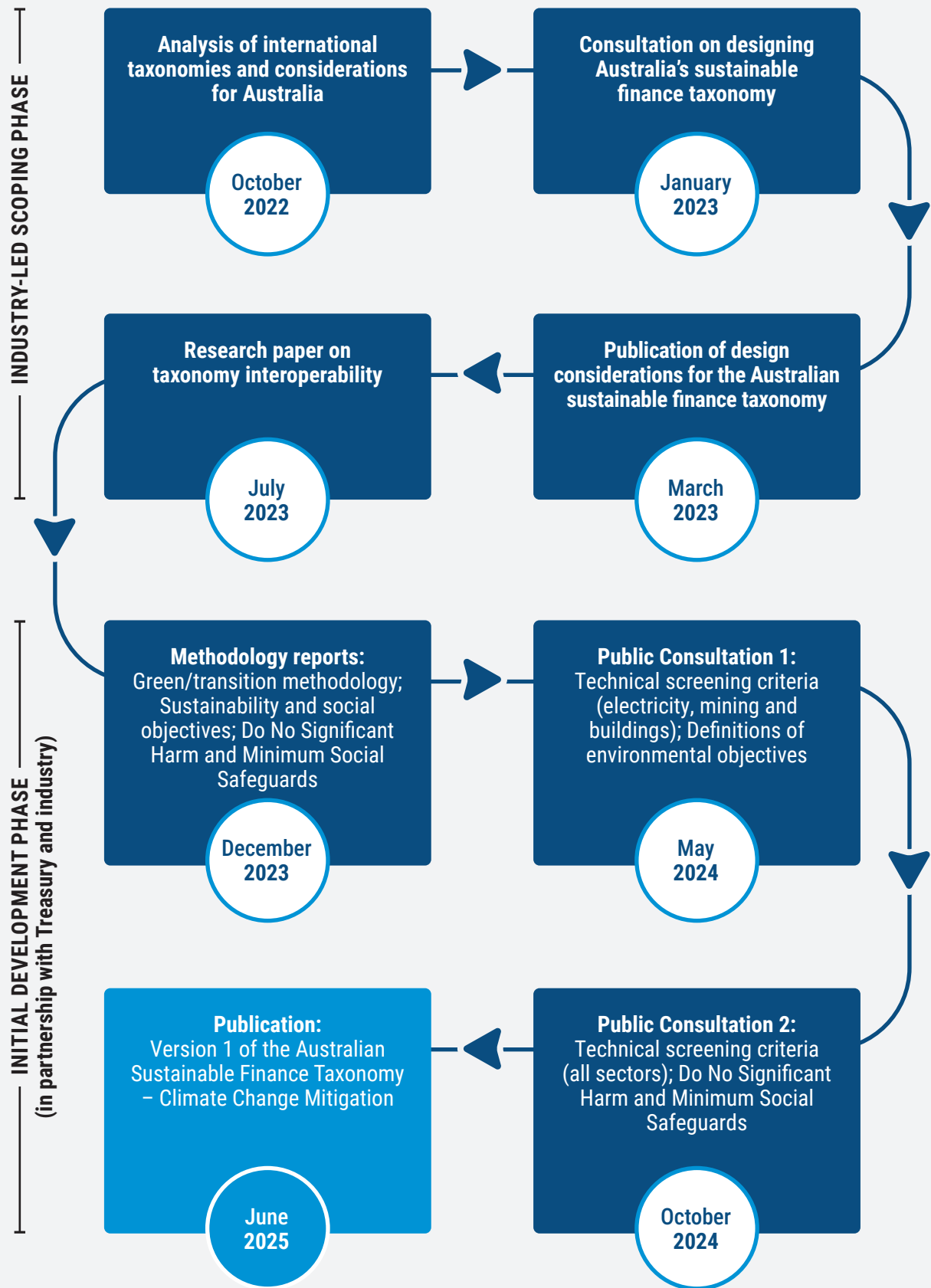


FIGURE 3 – Timeline of the Australian sustainable finance taxonomy’s development



About the taxonomy market implementation program

Since the Australian taxonomy was published in June 2025, ASFI has taken on the role of taxonomy custodian and is currently undertaking market outreach, education, and supporting implementation pilots to drive market uptake of the taxonomy including for labelled debt products.

This world-first taxonomy market implementation program is in response to the experience of other voluntary jurisdictions that have experienced limited market uptake and under-utilisation of their taxonomies.

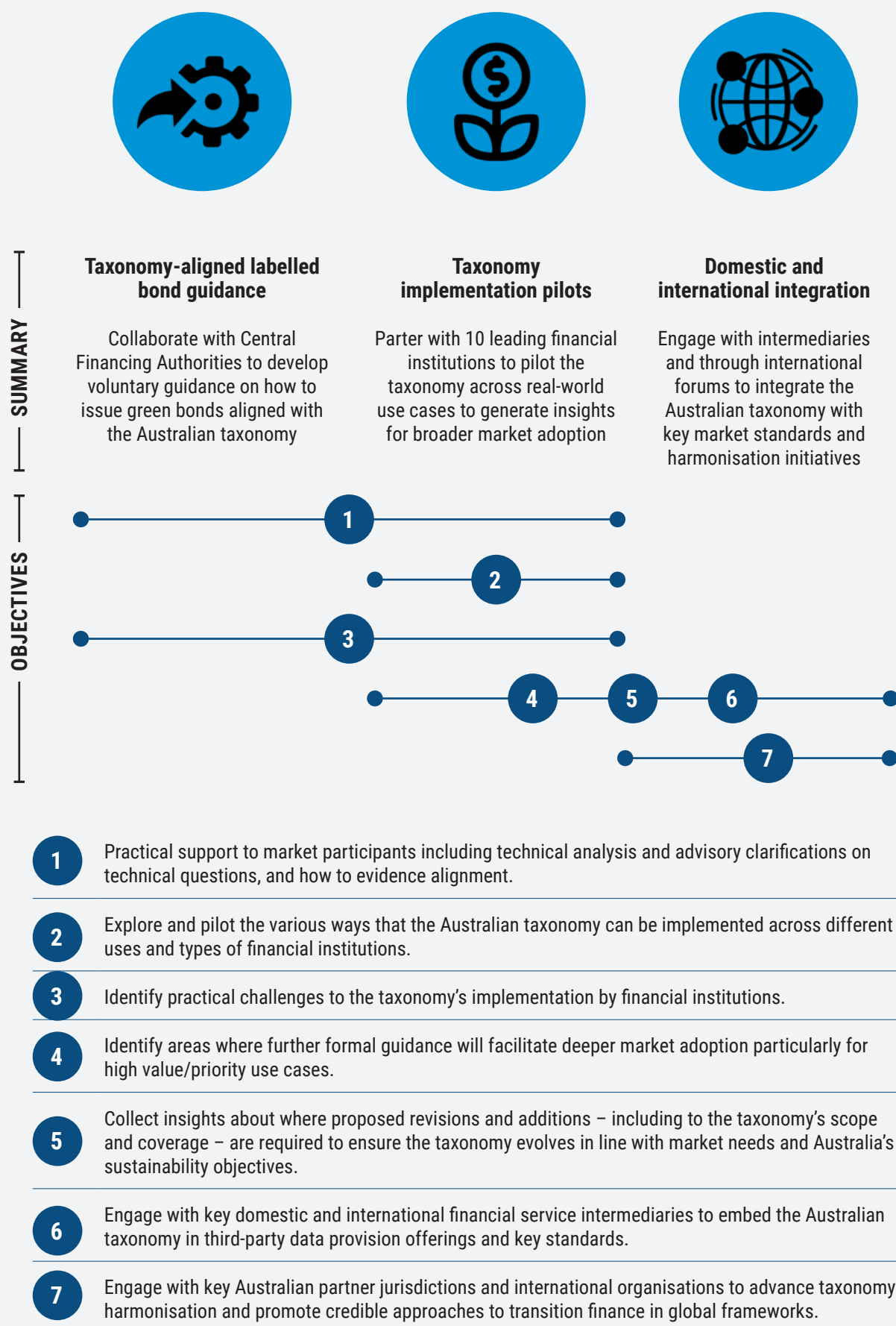
Successful market uptake of Australia's taxonomy is critical to mobilising private capital into activities that will decarbonise the Australian economy in line with the Government's recently announced 2035 emissions reduction target.

The program brings together leading financial institutions, state central financing authorities, the Commonwealth Australian Office of Financial Management (AOFM) and market intermediaries, including data providers, certifiers and assurers to pursue seven objectives through three streams, as illustrated in **Figure 4** overpage.

Objectives of the Australian Sustainable Finance Taxonomy

1. Drive capital into activities that will decarbonise the economy at the speed and scale required to reach our climate commitments under the Paris Agreement.
2. Improve the quality of information available to the market to ensure sustainability definitions are credible, comparable and usable to promote transparency and trust and reduce greenwashing.

FIGURE 4 – Taxonomy market development program – pillars and objectives



Appendix 1: Potential use cases of the Australian taxonomy

The development of the Australian taxonomy presents users with a wide range of opportunities for its application. The Australian taxonomy can be used to:

USE CASE	DESCRIPTION
Inform use of proceed selection for labelled debt instruments	The taxonomy can be used to inform the design of labelled green bonds and loans by framing the selection of eligible climate mitigation activities for use of proceed allocation.
Screen the alignment of real assets and projects	Real assets or projects can be screened prior to an investment decision or inclusion within a portfolio, by assessing their alignment with the taxonomy's criteria for climate mitigation.
Augment portfolio strategy	Economic activities identified in the taxonomy can be incorporated into capital allocation frameworks or sustainable funding frameworks.
Classify reporting of allocation to climate mitigation	The taxonomy can be used to report taxonomy aligned loans or investments on an individual basis and in aggregate, at the portfolio level.
Augment stewardship initiatives	Stewardship activities can be augmented through use of taxonomy data. This includes data on project alignment or the percentage of entity revenue and capital expenditure that is aligned with the taxonomy.
Augment due diligence practices involving environmental, social and governance issues	The Do No Significant Harm and Minimum Social Safeguard criteria can be referenced to supplement existing due diligence practices involving environmental, social and governance issues that are conducted prior to an investment decision and throughout the lifecycle of an exposure.
Assess credibility of labelled debt instruments	The Australian taxonomy can be used to assess the credibility of labelled debt instruments that are promoted as having a substantial contribution to climate mitigation.
Disclose climate-related financial information	Taxonomy-based metrics can be utilised to demonstrate how financial and non-financial entities are addressing climate-related transition opportunities in climate-related financial disclosures, relevant to sections 29(d) and 29(e) of the AASB S2 disclosures.
Disclose and assess transition plans	The Australian taxonomy can be used as a metric to support entities to understand their current exposure to transition risk and opportunity, set transition goals through capital investments in climate-related opportunities aligned to the taxonomy, and track progress against those goals.
Inform the design of new climate focused products	The taxonomy can be used to inform the design of new retail or institutional products such as sustainability linked loans (SSL) or bonds (SLB). Key performance indicators that anchor SLL or SLB issuances can be based on taxonomy-aligned targets and linked to an entity's transition plan.

