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Agriculture & Forestry

Minimum social safeguards framework

Draft for first public consultation

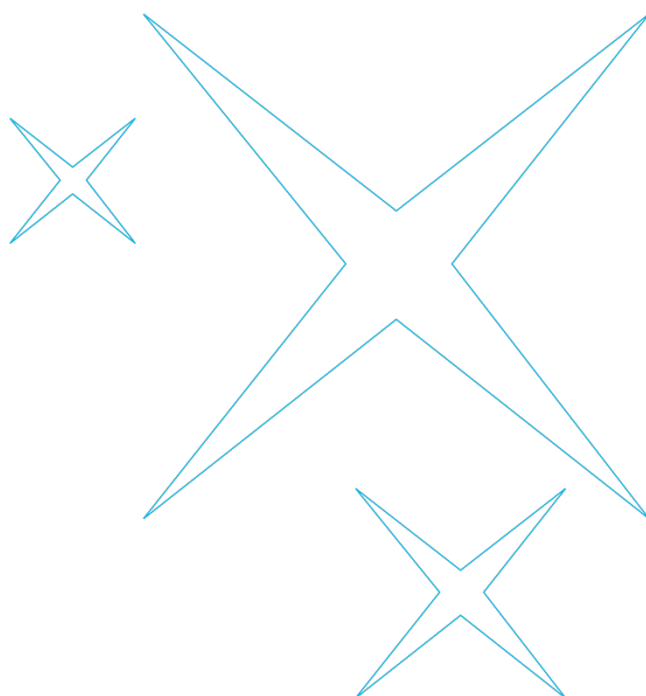
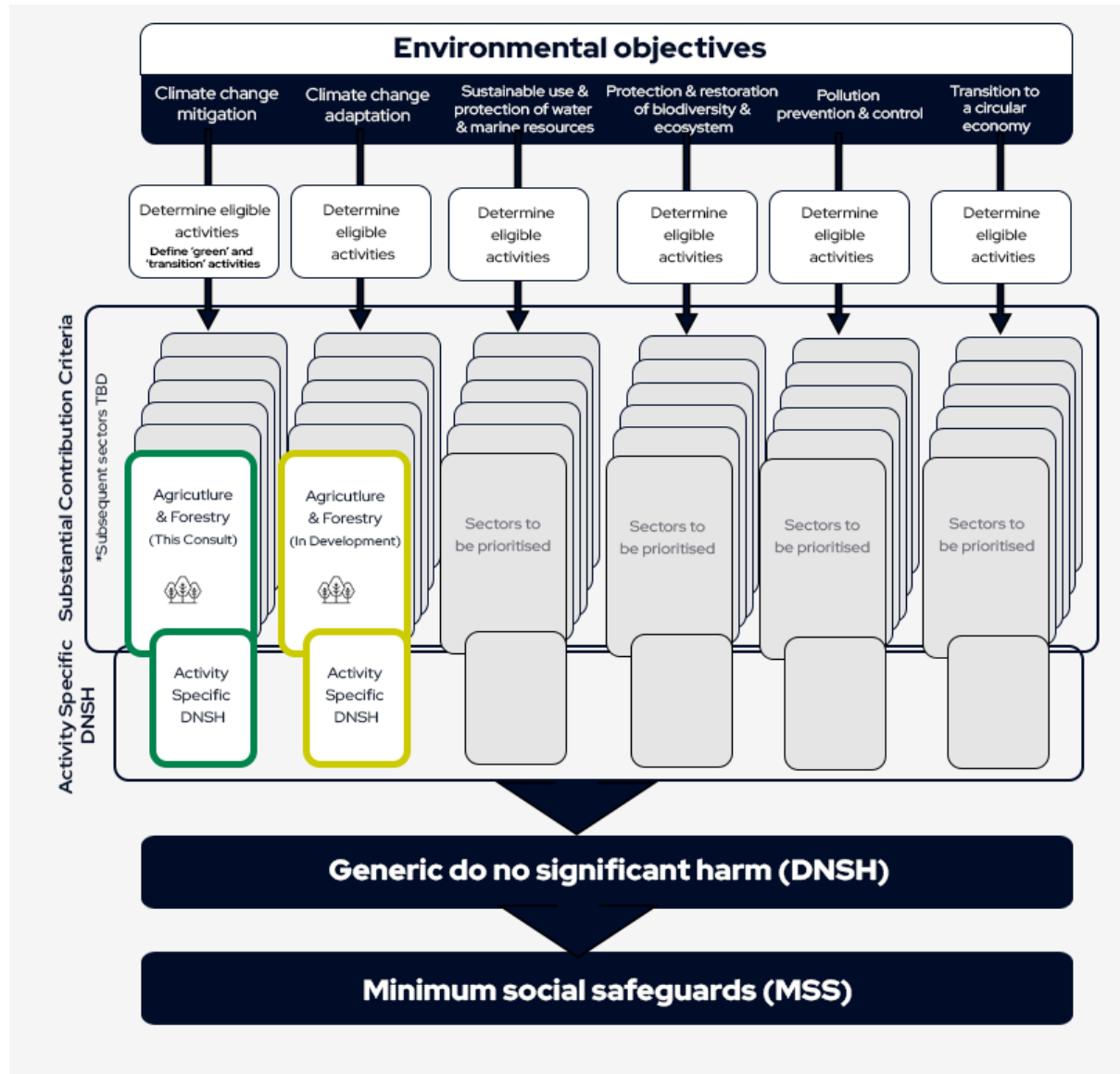


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Structure of the NZ Taxonomy





Minimum social safeguards framework

Aotearoa New Zealand Sustainable Finance Taxonomy (NZ Taxonomy)

Purpose of this document

This document presents the draft minimum social safeguards (MSS) criteria, along with supporting guidance for how proponents can demonstrate compliance with MSS under the Aotearoa New Zealand Sustainable Finance Taxonomy (NZ Taxonomy). It is intended for review as part of a broader consultation package.

What are MSS criteria?

The MSS criteria ensure that economic activities making a substantial contribution to one of the Taxonomy's environmental objectives – such as climate change mitigation – do not result in adverse social outcomes. They do so by requiring the entities undertaking these activities to meet minimum social and/or responsible business conduct standards.

Like the do no significant harm (DNSH) criteria, the MSS function as a safeguard – they are not designed to deliver net-positive social outcomes, but to prevent harm. Opportunities to support positive social change may be addressed in future through the development of substantial contribution (SC) criteria for social objectives.

Why are these criteria important?

The MSS criteria are essential to Taxonomy alignment. They help ensure that activities are not considered green or transition when the performing entity creates negative social impacts. This ensures the Taxonomy promotes truly sustainable activities that respect both environmental and social standards.

How have these criteria been developed?

Please refer to the DNSH/MSS Methodology paper for more information about the approach and design of these criteria.

How to use this document?

Taxonomy alignment is assessed through a four-step process:

- Activity eligibility and categorisation: The activity must fall within an overall category deemed eligible for inclusion under the green or transition classifications of the Taxonomy.
- SC: The activity must demonstrate a substantial contribution to at least one environmental objective – in this case, climate change mitigation.
- DNSH: The activity must not significantly harm any of the other environmental objectives, as assessed against the generic and activity-specific DNSH criteria.
- **MSS: The entity undertaking the activity must comply with the requirements set out under each of the core MSS pillars.**
- All four conditions must be satisfied for an activity to be deemed Taxonomy-aligned.

This document is intended to support technical review and targeted feedback from stakeholders and sector experts. It should be read in conjunction with the following accompanying consultation materials, which provide essential context and explain the methodology underpinning the broader Taxonomy framework:

- Introduction– which outline the overarching purpose and structure of the NZ Taxonomy, as well as key decisions which have shaped the direction and design [here](#).
- Methodology for classification of activity categories as green or transition [here](#).
- DNSH framework – sets out environmental safeguards at the activity level [here](#).
- MSS framework – defines minimum social and governance standards at the entity level [here](#).

MSS pillars and core topics

Social pillars	Core topics
Corporate governance	Good corporate governance; taxation; anti-corruption and bribery; fair competition; consumer protection; community engagement; anti money laundering
Human rights	Employment; labour and working conditions; occupational health and safety; modern slavery; procurement practices; gender equality; non-discrimination; equal opportunity
Iwi/Māori rights and cultural heritage	Iwi/Māori rights; cultural heritage; data sovereignty

MSS criteria

Note: There is a proposal open to consultation that would allow smaller organisations to undertake a streamlined version of the MSS criteria.

Corporate governance

1. The entity demonstrates a commitment to implementing high quality corporate governance, including for environmental and social matters.
2. The board and/or management is qualified and adequately structured to oversee the entity's strategy, management and performance.
3. The entity's internal controls, systems and training are sufficient to support a culture of acting ethically and in compliance with relevant laws and regulations, including those related to anti-bribery and corruption; fair competition and taxation; money laundering; and consumer protection.
4. The entity has policies and mechanisms in place to enable effective stakeholder engagement. This includes engagement with potentially affected people in relation to potential and actual impacts to iwi/Māori rights and cultural heritage, as discussed further below.
5. The entity discloses whether the entity, its board or management, including the board or management of any subsidiaries, has been convicted of corruption or bribery, breach of competition law, tax evasion, money laundering or tax avoidance.

Human rights

1. The entity has a public policy in place that outlines the entity's commitment to respect human rights in line with the expectations of the UN Guiding Principles on Business and Human Rights (UNGPs).
2. The entity has a human rights due diligence process or processes to identify, prevent, mitigate and account for how they address their actual and potential adverse human rights impacts through their operations and supply or value chains, that is appropriate to the entity's size, circumstances and operating context.
3. The entity has processes in place to enable the remediation of adverse human rights impacts in line with expectations of the UNGPs.

Iwi/Māori rights and responsibilities

1. The entity has processes in place to recognise the rights of iwi/Māori in line with te Tiriti o Waitangi (Treaty of Waitangi). The United Nations Declaration of the Rights of Indigenous Peoples (UNDRIP) can be used to provide detailed guidance and a framework for interpreting and developing processes that align with te Tiriti o Waitangi.
2. The entity has processes in place for Free, Prior and Informed Consent, inline with the UNDRIP principles and local guidance where available.
3. The entity has processes in place to uphold the rights of Māori to control data about their people, culture, and resources.

Cultural heritage

1. The entity has processes in place to identify and manage historic and cultural heritage sites.

MSS guidance

Corporate governance

1. The entity demonstrates a commitment to implementing high quality corporate governance, including for environmental and social matters.

Indicators	Guidance	Alignment with existing standards and frameworks
The entity develops and applies good corporate governance principles and effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between the entity and the societies in which it operates.	The entity publicly commits to respecting the OECD Guidelines and/or UNGPs.	OECD guidelines, chapter 2, general policies 6 and 7 UNGP 11, 12 UNGPRF A1 GRI 103-2

2. The entity's board and/or management is qualified and adequately structured to oversee the entity's strategy, management and performance.

Indicators	Guidance	Alignment with existing standards and frameworks
The entity has a board and/or management of effective composition and size with clearly delineated roles and responsibilities to adequately implement its corporate governance policies.	<p>The entity has one or more documents setting out:</p> <ul style="list-style-type: none"> A. the roles and responsibilities of its board and/or management, including in relation to the oversight of climate, environmental, and/or social issues that materially affect the entity; B. those matters expressly reserved to the board and those delegated to management; and C. its process for periodically evaluating the performance of its board and/or management. <p>For listed entities, this document is a board charter or similar.</p>	<p>IFC corporate governance methodology</p> <p>UNGP 19</p> <p>UNGPRF A2, A2.1</p> <p>GRI 102-19, 102-20</p> <p>NZX Corporate Governance Code</p>

3. The entity's internal controls, systems and training are sufficient to ensure compliance with relevant laws and regulations, including those related to anti-bribery and corruption; fair competition and taxation; money laundering and consumer protection.

Indicators	Guidance	Alignment with existing standards and frameworks
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<p>The entity has developed and adopted adequate policies and procedures for preventing, detecting and addressing bribery and other forms of corruption.</p>	<p>The entity has an anti-bribery and corruption policy and procedures in place that are tailored and proportionate to the entity's size, operations and risk exposure and overseen by the entity's directors and/or management.</p> <p>The entity's anti-bribery and corruption policy can be a standalone policy or form part of its code of conduct. The policy acknowledges the serious criminal and civil penalties that may be incurred and the reputational damage that may be done if the entity is involved in bribery or corruption, and prohibits conduct that could amount to bribery or corruption. It also outlines appropriate controls around political donations and/or offering or accepting gifts; and requires breaches of the policy to be reported to the appropriate person or body within the entity.</p> <p>The entity's anti-bribery and corruption procedures enable it to prevent, track, investigate and respond to allegations or incidents relating to bribery and corruption, and may include risk assessment and due-diligence processes, whistleblowing mechanisms and investigative procedures, as well as regular communication and training.</p> <p>The entity's anti-bribery and corruption policy and procedures are periodically reviewed for effectiveness.</p>	<p>SASB topic: Business ethics & transparency (mining industry) EM-MM-510a.1 (description of the management system for prevention of corruption and bribery throughout the value chain).</p> <p>ESRS G2 28, 30</p> <p>NZX Corporate Governance Code</p> <p>Organised Crime and Anti-corruption Legislation Bill (2014)</p>
<p>The entity has robust systems in place to ensure compliance with the letter and spirit of the tax law and regulations of the countries in which it operates.</p>	<p>The entity treats tax governance and tax compliance as important elements of its oversight and broader risk management systems.</p> <p>In particular, the board or senior management has tax risk management strategies and/or systems in place – including assurance processes where applicable – to ensure that the financial, regulatory and reputational risks associated with taxation are fully identified and evaluated.</p>	<p>OECD guidelines, chapter XI.1, XI.2</p> <p>GRI 207-2</p> <p>ESRS 2 31 (a)</p>

The entity incorporates sustainability considerations into its guidelines/criteria for sourcing goods and services, to account for significant risks associated with environmental and social externalities created by suppliers through their operational activities.	The entity has a process for screening, selecting, monitoring, and engaging with suppliers on their environmental and social impacts that is proportionate to the entity's size, operations and risk exposure.	GRI 414 SASB: Labour conditions in the supply chain; raw materials sourcing
The entity regularly implements communication and training programs to raise awareness of, and support compliance with, anti-bribery, corruption and fair competition laws and policies among employees and persons or entities linked by a business relationship.	The entity delivers communication and training on anti-corruption, bribery and fair competition to its management and employees in a form and frequency that the entity deems necessary to build capacity. Training promotes employee awareness of the importance of compliance with all applicable laws and regulations and covers the entity's commitments and expectations for employees and other business relationships.	NZX Corporate Governance Code OECD guidelines, X.4 GRI 205 ESRS G3 40, 42 Organised Crime and Anti-corruption Legislation Bill (2014)
The entity protects consumer privacy by ensuring it collects and uses consumer data in a lawful manner and takes all reasonable measures to safeguard the personal data it collects, stores, processes and disseminates.	Where an entity collects or uses consumer data, the entity has a system for identifying and addressing data security risks, including regular risk assessments of its data security systems, and takes necessary actions to mitigate any identified risks. The entity also discloses any incidents of violation of customer protections that have been reported or confirmed, including the remedial action(s) taken.	OECD guidelines VIII.6 SASB topic: Data security GRI 418

4. The entity has policies and mechanisms in place to enable effective stakeholder engagement.

Indicators	Guidance	Alignment with existing standards and frameworks
The entity's board and/or management recognises that the entity is dependent on its social licence to operate and therefore relies on a range of stakeholders (including communities, consumers, suppliers, employees, governments, investors, regulators and suppliers) to operate and succeed.	The entity has clearly identified its key stakeholders and has a strategy or processes in place to engage with them and report material issues to the board and/or management.	NZX Corporate Governance Code
The entity's board or management ensures the entity provides stakeholders with access to an operational grievance mechanism(s) or mechanisms that allows them to raise and seek resolution or remedy for grievances that may occur in relation to the entity's operations or actions.	<p>The entity has an operational grievance mechanism(s) in place for stakeholders to address complaints and provide appropriate resolutions.</p> <p>The grievance mechanism(s) is legitimate, accessible, predictable, equitable, transparent, rights-compatible and a source of continuous learning in line with the UNGPs. The mechanism addresses a range of grievances, including human rights issues and whistleblowing, while ensuring access to other judicial or nonjudicial mechanisms is not impeded.</p> <p>Refer to the Human Rights and iwi/Māori criteria and indicators for further guidance on grievance mechanisms concerning human rights issues and iwi/Māori peoples.</p>	<p>UNGP guiding principle 31</p> <p>OECD guidelines, chapter VIII</p> <p>OECD/LEGAL/-356</p>

5. The entity discloses whether the entity, its board or management, including the board or management of any subsidiaries, has been convicted of corruption or bribery, breach of competition law, tax evasion, money laundering or tax avoidance.

Indicators	Guidance	Alignment with existing standards and frameworks
The entity discloses, without prejudice to national laws and requirements, any misconduct related to bribery and other forms of corruption, and measures adopted to address cases of suspected bribery and other forms of corruption.	<p>The entity discloses any confirmed incidents of bribery or corruption during the relevant reporting period, including sanctions or legal cases brought against the entity, its directors or employees and the remedial steps taken by the entity including any disciplinary action taken against offending directors or employees.</p> <p>The entity discloses all activities it undertakes in countries that rank among the 20 lowest on Transparency International's Corruption Perception Index.</p>	<p>OECD guidelines</p> <p>GRI 205</p> <p>ESRS G2 41, 43</p>
The entity discloses any instances in which it has been found guilty of tax evasion or tax avoidance through aggressive tax planning.	The entity discloses any instances where the entity, its directors or management are convicted of violating the tax laws of the countries in which they operate, and the remedial actions taken, including any disciplinary action taken against offending directors or employees in the last five years. The entity provides a description of the mechanisms it has in place to raise concerns about the entity's business conduct and integrity in relation to taxation.	<p>OECD guidelines</p> <p>GRI 207-2</p> <p>ESRS 2 7</p>
The entity discloses, without prejudice to national laws and requirements, any misconduct related to anti-trust and fair competition, as well as the measures adopted to address such cases.	The entity discloses any confirmed violations of competition laws where the entity or its subsidiaries were named as a participant by a legal authority during the relevant reporting period. The disclosure includes information on legal proceedings and remedial actions implemented to prevent future breaches of anti-trust and fair competition laws and policies including any disciplinary action taken against offending directors or employees.	<p>OECD guidelines</p> <p>GRI 206</p> <p>SASB topic: Pricing integrity & transparency</p> <p>ESRS G2 45, G3 47</p>

Human rights

Indicators	Guidance	Alignment with existing standards and frameworks
The entity publicly commits to respect all internationally recognised human rights, in line with the expectations outlined in the UNGPs.	The entity publicly commits to respecting all internationally recognised human rights as outlined by the UN Declaration on Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights and the ILO Declaration on Fundamental Principles and Rights at Work. The entity also commits to aligning with the UNGPs. This commitment can be made in a standalone Human Rights Policy or integrated into other policy documents.	UNGP 11, 12, 16 OECD guidelines, chapter IV, commentary para 49 GRI 2 2021, disclosure 2-23 UNGC CoP G2 CHRB A1.1
The policy commitment is signed off at the most senior level of the entity.	The entity's highest governance body (e.g., Board) or most senior executive (i.e., the CEO) signs off on the policy commitment.	UNGP 16 OECD guidelines, chapter IV, commentary para 49 GRI 2 2021, disclosure 2-23 UNGC CoP G2 CHRB A.2.1
The policy commitment sets out expectations for workers, officers and directors and its business relationships.	The policy commitment clearly outlines expectations for workers, officers and directors and its business relationships (e.g., suppliers, joint venture partners, franchisees, customers) to respect human rights.	UNGP 16 OECD guidelines, chapter IV, commentary para 49 GRI 2 2021, disclosure 2-23 UNGC CoP HR2.1

2. The entity has a human rights due diligence process to identify, prevent, mitigate and account for how they address their actual and potential adverse human rights impacts through their operations and value chains, that is appropriate to the entity's size, circumstances and operating context.

Indicators	Guidance	Alignment with existing standards and frameworks
The entity identifies and assesses its actual and potential adverse human rights impacts across its operations and value chain.	<p>The entity maintains detailed records of its operations, including location, activities, and interactions with iwi/Māori communities.</p> <p>Records specifically track the potential and actual impacts on iwi/Māori communities. Records include information about suppliers, their operations, and potential impacts on iwi/Māori communities. The entity reports on its impacts to relevant authorities, iwi/Māori communities, and stakeholders at regular intervals.</p> <p>Reports are clear, concise, and accessible to all relevant parties.</p> <p>Reports include feedback and input from iwi/Māori communities.</p>	IFC performance standard 7 UNPG 20
The entity adheres to measures that monitor impacts of activity on iwi/Māori and maintains compliance standards to minimise risk.	<p>The entity conducts regular assessments to identify and evaluate potential and actual impacts on iwi/Māori communities.</p> <p>Iwi/Māori communities are involved in the assessment process.</p> <p>Assessments lead to the development of mitigation plans to address negative impacts.</p> <p>The entity undergoes regular independent audits to assess compliance with the criteria.</p> <p>There are clear mechanisms for reporting non-compliance or concerns.</p> <p>The entity promptly addresses any identified non-compliance issues.</p>	IFC performance standard 7

3. In ongoing consultation and collaboration with iwi/Māori, the entity shall seek to demonstrate effective stakeholder engagement in a structured and culturally appropriate manner to collaborate with iwi/Māori on mechanisms that are implemented to monitor and control business activity that impacts iwi/Māori.

Indicators	Guidance	Alignment with existing standards and frameworks
The entity embeds community engagement practices that develop and maintain ongoing relationships.	<p>The entity maintains open and ongoing communication with iwi/Māori communities.</p> <p>The entity seeks input from iwi/Māori communities on its operations and decision making.</p> <p>The entity explores opportunities for benefit-sharing with iwi/Māori communities.</p> <p>The entity has embedded a culturally considered grievance mechanism. See Human Rights criteria.</p>	<p>IFC performance standard 7</p> <p>IFC sustainability performance standards</p> <p>Te Tiriti o Waitangi (Treaty of Waitangi)</p>
The entity embeds protocols that facilitate collaborative decision making with iwi/Māori on business activity that impacts them and their communities.	<p>The entity involves iwi/Māori communities in decision-making processes related to relevant business activities.</p> <p>The entity strives to build consensus among iwi/Māori communities and other stakeholders.</p> <p>The entity respects the rights of iwi/Māori communities to self-determination and cultural integrity and incorporates free prior and informed consent processes into business practice.</p> <p>The entity and iwi/Māori communities develop joint monitoring mechanisms to track the impacts of business activities.</p> <p>Mechanisms are in place to identify and address potential negative impacts early on. The entity is prepared to take corrective actions if necessary to mitigate negative impacts.</p>	<p>Self-determination principle of UNDRIP</p> <p>IFC performance standard 7</p> <p>IRMA 2.2</p> <p>Regional iwi management plans (available through regional councils)</p>

Iwi/Māori rights, and cultural heritage

Indicators	Guidance	Alignment with existing standards and frameworks
<p>The entity consults and collaborates with iwi/Māori to identify cultural heritage sites, artifacts and landscapes within its operations and avoids impacts on cultural heritage sites.</p> <p>Measures are taken to preserve sites.</p>	<p>The entity has processes to work with local iwi/Māori and where available iwi management plans to identify cultural heritage sites, artifacts, and landscapes within its operations.</p> <p>Iwi/Māori communities are involved in the identification process to ensure cultural significance is accurately recognised. Traditional knowledge is used to inform the identification of cultural heritage sites.</p> <p>The entity seeks to avoid or minimise impacts on cultural heritage sites.</p> <p>Measures are implemented to preserve and conserve cultural heritage sites.</p> <p>Mitigation measures are monitored and evaluated to ensure their effectiveness.</p>	<p>IFC performance standard 1, 8</p> <p>IRMA 3.7 cultural heritage</p> <p>Regional iwi management plans (available through regional councils)</p> <p>Cultural impact assessment guidance</p>

Through ongoing consultation and collaboration, the entity incorporates traditional knowledge into management plans that protect cultural heritage.	<p>The entity maintains ongoing consultation with iwi/Māori on cultural heritage management.</p> <p>The entity consults the National Heritage List to understand any sites of significance on the site.</p> <p>Traditional knowledge is incorporated into cultural heritage management plans.</p> <p>The entity maintains detailed records of cultural heritage both tangible and intangible activities.</p> <p>Access to cultural heritage sites is managed to protect their integrity.</p> <p>Iwi/Māori communities are involved in the management of cultural heritage matters relevant to them.</p> <p>The entity conducts regular monitoring to ensure compliance with cultural heritage management plans.</p> <p>Independent audits are conducted to assess compliance. Any non-compliance issues are addressed promptly.</p>	New Zealand heritage list/rārangī kōrero
Data sovereignty.	<p>The entity has processes in place to uphold iwi/Māori data sovereignty by ensuring that all data pertaining to indigenous cultural values and sites (where applicable) are the sole ownership of those that have provided it.</p> <p>The entity has processes to securely manage the data.</p> <p>The entity has processes in place to request access for any future uses of the data to the individual that provided it.</p>	CARE principles (as a best practice guide)
Cultural Heritage	<p>The entity has processes in place to identify and manage historic and cultural heritage sites.</p> <p>The entity seeks to avoid or minimise impacts on cultural heritage sites.</p> <p>Measures are implemented to preserve and conserve cultural heritage sites</p>	New Zealand Heritage list/Rārangī Kōrero

	Mitigation measures are monitored and evaluated to ensure their effectiveness	
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The consultation is open from June 16 – July 13.

Please contact taxonomy@sustainablefinance.nz for any questions or assistance.