

Aotearoa New Zealand  
Sustainable Finance  
Taxonomy – Approach to  
development of the Do  
No Significant Harm and  
Minimum Social  
Safeguards criteria

March 2025





# Table of Contents

<i>Executive summary</i>	3
<i>Background</i>	4
<i>Do No Significant Harm introduction</i>	5
<i>Global perspective</i>	6
<i>Approach to developing Do No Significant Harm</i>	9
<i>Minimum Social Safeguards introduction</i>	11
<i>Approach to developing Minimum Social Safeguards</i>	12
<i>Appendices</i>	14
Appendix 1 – Principles	14
Appendix 2 – NZ Taxonomy governance structure	15
Appendix 3 – ITAG recommendations relevant to Do No Significant Harm and Minimum Social Safeguards	16



## Executive summary

This report outlines the approach taken for developing the Do No Significant Harm (DNSH) and Minimum Social Safeguard (MSS) components of Aotearoa New Zealand's Sustainable Finance Taxonomy (hereafter the "New Zealand Taxonomy"). The New Zealand taxonomy is a collaborative effort between the New Zealand Government and the Centre for Sustainable Finance: Toitū Tahua (CSF), designed to align investment decisions with environmental objectives and promote sustainable economic activities.

The DNSH component ensures that economic activities contributing to one environmental objective do not harm others. This approach is aligned with international best practices, drawing from the European Union and Australian taxonomies, while incorporating local perspectives, particularly those of Iwi Māori.

Key aspects of the methodology include:

- **Alignment with International Standards:** The criteria builds on the Australian Taxonomy's DNSH criteria to ensure interoperability and usability, while tailoring them to New Zealand's specific needs. The Australian DNSH and MSS development was developed from an extensive global review and closely aligns with the EU and other global benchmark taxonomies.
- **Holistic Environmental Assessment:** The DNSH criteria ensures that activities making substantial contributions to one particular environmental objective of the taxonomy do not inadvertently cause significant harm to other environmental objectives outlined in the taxonomy
- **Clear and Consistent Criteria:** The methodology emphasises the use of clear, quantitative criteria, especially in the sector specific criteria, to enhance verification and reduce ambiguity where possible.
- **Integration of Local Perspectives:** The approach integrates iwi/ Māori knowledge and aligns with New Zealand's environmental policies and international commitments.

By adopting this methodology, New Zealand aims to strengthen its sustainable finance ecosystem, enhance transparency, and position itself as a leader in integrating indigenous perspectives into sustainable finance solutions.



## Background

The development of the New Zealand Taxonomy is managed in partnership between the New Zealand Government and the Centre for Sustainable Finance: Toitū Tahua (CSF) with input from experts through the formal Taxonomy governance structure and public consultation.

A green or sustainable taxonomy is a standardised framework for classifying economic activities according to their environmental performance. This classification system, in particular and foremost, allows investors to identify and invest in green activities. It helps to align investment decisions with environmental objectives and can direct capital flows towards new green technologies and increase the overall transparency of the financial sector through more transparent reporting. It enables market participants to mobilise and direct capital flows towards:

- Building a low-emissions, Paris-aligned future
- Restoring nature
- Upholding the rights and interests of indigenous people of the land.

New Zealand will join other jurisdictions including Australia, Europe, Singapore and Canada in developing taxonomies. Within the region, Prime Ministers of Australia and New Zealand have committed to a Trans-Tasman Roadmap to 2035, which features climate as a priority for alignment between the two countries. A key focus of this roadmap are sustainable finance frameworks to position the region as an attractive green finance hub. It is the intention of the New Zealand and Australian Governments to align the respective taxonomies closely, to the extent possible.

Through the New Zealand Taxonomy, New Zealand aims to strengthen its sustainable finance ecosystem, provide clarity for investors and stakeholders, and establish itself as a leader in integrating indigenous perspectives into sustainable finance solutions. The guiding principles for the Taxonomy are outlined in Appendix 1.

To guide the New Zealand Taxonomy development process, an independent Technical Expert Group (TEG) has been appointed with a focus on usability and interoperability. In addition, sector-specific Technical Advisory Groups (TAGs) have also been appointed to provide technical input into the development of practices and technical screening criteria for each sector. The governance structure for the New Zealand Taxonomy is outlined in Appendix 2.

The TEG and TAG appointment follow an Industry Technical Advisory Group (ITAG) that developed [a clear set of recommendations for the design of the New Zealand Taxonomy](#) in July 2024, that was subsequently endorsed by the Minister for Climate Change.

Relevant to the development of the Do No Significant Harm (DNSH) and Minimum Social Safeguard (MSS), the ITAG report included the following key recommendations:

- The New Zealand Taxonomy should also include broader environmental objectives as risk mitigants through the development of the DNSH component. More specifically, the DNSH makes sure the design of substantial contribution criteria to one environmental objective does not cause harm to other environmental objectives.
- In addition, based on the experience of the EU with the development of DNSH criteria, this component of the New Zealand Taxonomy should be designed in a way that is easy to implement, in order to avoid ambiguity and lack of applicability. As much as possible, the New Zealand Taxonomy should draw from and align with international substantial objectives and incorporate Iwi/Māori understanding and knowledge to ensure local relevance.
- It should promote interoperability with Australia (Trans-Tasman) as well as with New Zealand's main trading partners (EU, UK, China) and other benchmark taxonomies in the Asia Pacific Region (APAC) such as Singapore.

The ITAG report also provided several other recommendations that are particularly relevant to the development of DNSH and MSS methodologies as outlined in Appendix 3.

## Do No Significant Harm introduction

The Do No Significant Harm (DNSH) component of a taxonomy is a set of qualitative or quantitative criteria and process-based requirements ensuring that activities making substantial contributions to one particular environmental objective of the taxonomy do not inadvertently cause significant harm to other environmental objectives outlined in the taxonomy.

Applying a Do No Significant Harm (DNSH) assessment is a crucial step in evaluating economic activities within the framework of the taxonomy. The DNSH principle operates as follows:

1. **Primary Objective:** An economic activity must first meet the Substantial Contribution (SC) criteria for climate change mitigation
2. **Additional Requirements:** The activity must then demonstrate compliance with both general and specific (where applicable) DNSH requirements for each of the other applicable environmental objectives in the taxonomy.

This two-pronged approach ensures that, while pursuing one of the taxonomies environmental objectives, for example climate mitigation, that other environmental goals are not compromised. This creates a framework for sustainable economic activities, balancing the primary objective of climate action with ensuring there are not perverse outcomes for a spectrum of environmental issues. By implementing the DNSH assessment, the taxonomy promotes a balanced approach to achieving the environmental objectives, preventing unintended negative consequences. Initially spearheaded by the European Union's (EU) Taxonomy, the DNSH criteria are now commonly included in many benchmark taxonomies including Australia and the ASEAN taxonomies so that, in practice, the incorporation of the DNSH component is considered best practice. The following are examples of the environmental (including climate) objectives addressed across different taxonomies, from a "substantial contribution" (SC) and DNSH approach.

Objective	Australia	EU	ASEAN	South Africa	Colombia	Mexico
Climate Change	SC + DNSH	SC + DNSH	SC + DNSH	SC + DNSH	SC + DNSH	SC + DNSH
Climate Adaptation and resilience	DNSH	SC + DNSH	SC + DNSH	SC + DNSH	SC + DNSH	SC + DNSH
Circular Economy	DNSH	SC + DNSH	DNSH	DNSH	DNSH	DNSH
Pollution prevention	DNSH	SC + DNSH	DNSH	DNSH	DNSH	DNSH
Protection of water resources	DNSH	SC + DNSH		DNSH	SC + DNSH	DNSH
Biodiversity and ecosystem protection	DNSH	SC + DNSH		DNSH	SC + DNSH	DNSH
Soil management					SC	

Therefore, in order to align itself with reference taxonomies and to boost interoperability, the New Zealand Taxonomy will incorporate DNSH criteria to protect against broader negative environmental impacts of activities.

Most taxonomies use a dual approach (e.g., Australia and the EU) with both generic and activity-specific criteria, whilst others follow a simplified approach where the taxonomy only includes generic criteria that apply to all activities (e.g. Singapore).

As with other benchmark taxonomies, the New Zealand Taxonomy will be structured in two main categories:

1. **Generic DNSH criteria:** Applied across all taxonomy objectives and activities
2. **Specific DNSH criteria:** Tailored for individual activities and their material impacts

DNSH criteria will consider the lifecycle impacts of assets, activities, or projects, including associated supply chain effects. This approach ensures a more holistic evaluation of sustainability.

Where feasible, the criteria will be developed for each of Taxonomy's six environmental objectives as defined by ITAG Recommendation 4. The ITAG selected the six environmental objectives of the taxonomy based on international taxonomy design best practices and on a mandate to guarantee a high degree of interoperability with New Zealand international trade partners in particular Australia and the EU.

## Global perspective

Based on the EU experience, the implementation and verification of DNSH criteria have presented challenges and efforts are underway to streamline and simplify the DNSH criteria globally. Historically, the main hurdles of DNSH criteria can be subdivided into four main categories:

- Limited data availability to meet the criteria
- Insufficient capacity for verification
- Lack of objective language in criteria definition
- Vague or overly localised standards

Consequently, the EU Platform on Sustainable Finance (PSF) proposed the following set of recommendations to improve the language of the DNSH criteria of the EU Taxonomy whilst also seeking to boost their usability:<sup>1</sup>

1. Ensure that all testing criteria are binary and have clear Yes/No outcomes that can be objectively determined.
2. Minimise subjective language in technical screening criteria (for instance, avoid the use of terms such as "minimise" or "reduce" and opting instead for a quantitative measure such as "decrease by 20%")
3. Ensure guidance is given on what a suitable Yes/No outcome is for process-based tests, in the form of supplementary guidance.
4. Allow for international application of EU legislation referenced in the Climate Delegated Act through e.g. establishing equivalence with international standards or quantitative and / or process-based criteria

The PSF recommended the use of quantitative and/or process-based criteria whilst also increasing the use of internationally recognised standards and certification schemes in order to boost interoperability. Table 2 below provides examples of DNSH quantitative and process-based criteria as well as the use of international standards in the EU Taxonomy:<sup>2</sup>

1. [https://finance.ec.europa.eu/document/download/a16d1111-dbf6-4316-a05f-3cb76d86d407\\_en?filename=221011-sustainable-finance-platform-finance-report-usability\\_en\\_1.pdf](https://finance.ec.europa.eu/document/download/a16d1111-dbf6-4316-a05f-3cb76d86d407_en?filename=221011-sustainable-finance-platform-finance-report-usability_en_1.pdf)
2. ibidem

Type	Example	Assessment
<b>DNSH threshold</b>	The direct GHG emissions of the activity are lower than 270g CO <sub>2</sub> e/kWh	Quantitative
<b>Process measure</b>	Where relevant, maintenance of vegetation along road transport infrastructure ensures that invasive species do not spread.  Mitigation measures have been implemented to avoid wildlife collisions.	Quantitative and qualitative
<b>International standards &amp; relevant legislation</b>	Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887(368) or other standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.	Quantitative and qualitative

Building on the work of the PSF report, the Green Technical Advisory Group (GTAG) for the UK Taxonomy was established in 2021 provided non-binding technical advice on the development and implementation of a green taxonomy for the UK. The GTAG has undertaken significant work to improve the usability of DNSH as it relates to the UK Green Taxonomy, supporting the objective of developing a usable UK Green Taxonomy without compromising the science-based robustness of the criteria, learning from some of the challenges experienced in the EU Taxonomy reporting process.

The UK GTAG's DNSH recommendations were integrated in the Australian taxonomy and provided the foundations for the design of its DNSH criteria. The key lessons and recommendations of the GTAG for DNSH were:

- The key challenges of DNSH implementation are represented by the design and definitions of the EU's DNSH criteria
- There should be alignment with the EU's classification of environmental objectives
- Whilst the market is supportive of the idea of DNSH, the criteria should be simplified to improve usability and the clarity of the language used

Therefore, the Australian Sustainable Finance Institute (ASFI) published a methodological approach for the DNSH of the Australian Taxonomy that sought to adopt the recommendations of the UK GTAG and to streamline the EU's approach. In addition, the methodology also intended to contextualise the DNSH criteria for Australia whilst also seeking to reference international best practices and standards as much as possible. The methodology was based on 5 points:

1. *Determine the classification and ambition for environmental objectives to be addressed through DNSH*
2. *Assess different DNSH approaches globally from a selection of reference taxonomies*
3. *Contextualise design principles and define scope*
4. *Finalise a list of generic and specific DNSH criteria based on global and local assessment*
5. *Discuss with TTEG to contextualise and finalise the list of DNSH criteria for consultation*

In practice, the approach sought to acknowledging the scale of the usability challenge associated with the DNSH criteria whilst seeking solutions to further support the implementation and usability of the DNSH component. This is ensured by:

- Similarly to the substantial contribution criteria, adopting common best practices identified across taxonomies. This includes aligning definitions of environmental objectives, using to common metrics and establishing the same level of ambition
- Adopting international proxies to allow for a higher level of interoperability across taxonomies and
- Removing any ambiguous language from the criteria, for instance by replacing terms such as “minimise” or “reduce” with binary values and numeric thresholds

In light of the Trans-Tasman roadmap and in accordance with the New Zealand Taxonomy Recommendations report, the New Zealand Taxonomy will build on the approach of the Australian Taxonomy and will seek to align with its methodology to the extent possible, whilst also tailoring the DNSH criteria for the needs of New Zealand.

This approach aims to enhance usability, credibility and interoperability of the New Zealand Taxonomy, particularly with key trading partners, including Australia and the EU. Therefore, building on the principles incorporated by the Australian Taxonomy, the New Zealand Taxonomy will:

1. Define DNSH criteria with clear and consistent structure
2. Balance local applicability with international interoperability
3. Integrate existing standards and benchmarks as references
4. Ensure consistency between generic and specific DNSH criteria

## Approach to developing Do No Significant Harm

In 2023 in preparation for the Australian taxonomy development a comprehensive global review of DNSH was undertaken, including reviewing the UK GTAG evaluation. Given this extensive work already conducted by the ASFI for the Australian Taxonomy and based on the need ensuring a high degree of interoperability, the New Zealand Taxonomy use the Australian Taxonomy's DNSH criteria as an initial proposal to be tailored for the specific needs of New Zealand. The methodology for adapting the Australian DNSH Criteria for New Zealand will be based on the 4 following steps:

1. Establish DNSH design principles based on global best practises
2. Define DNSH level of ambition
3. Assess the Australian DNSH criteria and adapt for New Zealand context
4. Finalise a list of generic and specific DNSH for the New Zealand Taxonomy
5. Integrate input from public consultations

### Step 1: Establish DNSH design principles based on global best practices

Consistent with the recommendations of the EU PSF and the approach used by Australia to enhance clarity and usability of the content of the DNSH criteria, the following consistent style and structure should be implemented for New Zealand:

1. Principle-based approach for **generic criteria**
  - Utilise non-specific, general principles for avoiding harm across activities
  - Focus on overarching guidelines applicable to multiple sectors
2. Quantitative criteria for **activity-specific** DNSH
  - Provide clear references for binary thresholds or process-based requirements for activity-specific criteria
  - Ensure quantitative criteria can be objectively measured by using numeric thresholds as much as possible
  - Include detailed pass requirements for each criterion to enhance verification against the criteria
3. Minimise subjective language
  - When using qualitative criteria, provide:
    - Detailed justifications
    - Specific alignment conditions
4. Adapt/adopt approach for increased interoperability
  - Streamline criteria from reference taxonomies
  - Adapt existing criteria to fit the New Zealand context drawing on the expert knowledge of TEG and TAG members as well as iwi/Māori groups
  - Adopt existing relevant criteria directly when appropriate especially the use of established international standards, best practices and certification or labelling schemes

Effectively, the intention is to allow the DNSH content to maintain consistency, improve clarity, and enhance usability across different sectors and activities. At the same time, it is envisioned that both the TEG and TAGs will provide guidance on the generic DNSH and level of ambition, which will be aligned with existing national policies and legislation of New Zealand (please see the following steps below).

## **Step 2: Define DNSH level of ambition for each of the environmental objectives of the New Zealand taxonomy**

Following the example of Australia and the EU, it is important to establish the ambition statements for the achievement of the six environmental objectives of the New Zealand Taxonomy in order to guide the development of its DNSH component. The ambition statements will be based on the existing statements elaborated by Australia to enhance interoperability but also tailored specifically for New Zealand by integrating both New Zealand-specific policies and targets as well as iwi/Māori knowledge.

Therefore, drawing on the methodological approach adopted by Australia, the following principles will guide the development of the ambition statements of the six environmental objectives of the New Zealand taxonomy:

- Be based on international environmental and climate agreements supported by New Zealand such as the Paris Agreement or the Kunming-Montreal Global Biodiversity Framework;
- Be underpinned by evidence-based information including alignment to a Paris emissions reduction trajectory
- Be informed by local commitments and strategies on environmental objectives, including New Zealand's response to international agreements
- Define clear goals and targets, both short and long term where applicable
- Where feasible, determine timelines to achieve the defined targets

## **Step 3: Assess the Australian DNSH criteria and adapt to New Zealand**

As mentioned above, New Zealand's process will leverage the analysis performed by the Australian Sustainable Finance Institute (ASFI) whilst also integrating New Zealand-specific requirements, standards and definitions to tailor the Taxonomy's criteria for the use and applicability to the New Zealand context. The aim is to balance New Zealand-specific contextualisation with the need of interoperability especially with Australia.

In particular, New Zealand will integrate iwi/Māori understanding and knowledge in the design of DNSH component to ensure local relevance. This key design feature will propel New Zealand as a leader in the recognition of indigenous rights and knowledge in the taxonomy development process.

## **Step 4: Finalise a list of generic and specific DNSH criteria for New Zealand**

The draft DNSH criteria will be reviewed by the TEG, drawing on consultation and advice from TAG to ensure the criteria are streamlined and reflect the New Zealand context. Input from both the TEG and the TAG will be used to further contextualise the criteria and to receive feedback on the usability and relevance of international standards, best practices and labelling schemes to be used in the DNSH to improve interoperability. This review may include standards such as the Equator Principles, IFC guidelines, ISO Standards, existing certification or labelling schemes, and Environmental and Social Risk Systems, among others.

Furthermore, when providing input for the DNSH criteria design, the TEG and TAG will be asked to consider existing business disclosure frameworks and data availability in New Zealand. This consideration will ensure usability of the criteria within the existing context of sustainable finance reporting and assessment in New Zealand.

The final output of this process will be a comprehensive list of DNSH generic criteria for all sectors and specific criteria for the initial sectors of agriculture and forestry for public consultation.

## **Step 5: Integrate input from public consultations**

The draft DNSH criteria will then be published for public consultations in order to obtain feedback and input from different international and national stakeholders including the private sector, civil society, government agencies and investors. On one hand, it will be important to gather input on the usability of the DNSH component of the New Zealand Taxonomy in light of the existing challenges faced by international investors with the existing set of DNSH criteria in other benchmark taxonomies. On the other hand, it will be key to receive input from domestic stakeholders on the applicability of the criteria in particular from iwi/Māori groups to enhance the local relevance of the criteria.



## Minimum Social Safeguards introduction

Sustainable finance taxonomies globally have primarily addressed social objectives through Minimum Social Safeguards (MSS). These safeguards aim to ensure that taxonomy-aligned activities do not result in adverse social outcomes by requiring entities to comply with certain minimum social standards. MSS in taxonomies typically expect alignment with various social and responsible business conduct standards related to core themes such as:

1. Governance standards
2. International human rights (including labour rights)
3. Anti-bribery and corruption measures

The purpose of MSS provisions is to prevent activities from being labelled as 'sustainable' if the entity is not acting in accordance with these minimum safeguards. The EU Taxonomy's approach to MSS has served as a reference point for other international taxonomies. In the EU Taxonomy, compliance with MSS is mandatory for activities to be considered aligned. The EU Taxonomy's MSS provision requires entities to ensure alignment of their economic activities with internationally recognised standards, including:

- OECD Guidelines for Multinational Enterprises on Responsible Business Conduct
- UN Guiding Principles on Business and Human Rights
- Eight fundamental conventions identified by the International Labour Organisation
- International Bill of Human Rights

Companies must implement MSS procedures to ensure alignment with these Key International Standards. The EU PSF has identified four key social pillars for evaluating MSS compliance:

1. Human rights (including labour and consumer rights)
2. Bribery, bribe solicitation, and extortion
3. Taxation
4. Fair competition

Based on these pillars, the EU PSF has recommended two key MSS compliance criteria:

1. The existence of adequate corporate due diligence processes and measures for each of the four MSS pillars
2. Avoidance of negative impacts and legal convictions related to the four MSS pillars

While the EU approach has been influential, other global approaches to defining MSS compliance exist and are discussed in various reports on sustainable finance taxonomies.

In the EU, implementation of Minimum Social Safeguards (MSS) still faces some uncertainty. The EU PSF has recommended preliminary indicators of non-compliance with MSS, which include:

1. Inadequate or non-existent corporate due diligence processes on:
  - Human rights (including labour rights)
  - Bribery
  - Taxation
  - Fair competition
2. Final liability of companies for breaches of any of the four MSS pillars
3. Lack of collaboration with an OECD National Contact Point (NCP), and an assessment of non-compliance with OECD Guidelines by an OECD NCP
4. Failure to respond to allegations by the Business and Human Rights Resource Centre (BHRRC) within a specified timeframe

These indicators serve as guidance for assessing an entity’s adherence to MSS requirements, though their practical application may still evolve as the EU refines its approach to sustainable finance taxonomy.

As with DNSH, the NZ Taxonomy development of MSS will also refer to the detailed analysis undertaken by ASFI on MSS in 2023.

## Approach to developing Minimum Social Safeguards

The steps for developing MSS criteria for NZ are:

1. Define the MSS core pillars for New Zealand
2. Develop a list of MSS criteria for the NZ Taxonomy
3. TEG review and contextualise the criteria for New Zealand context
4. Integrate revisions based on public consultation feedback

### Step 1: Define the MSS core pillars for New Zealand

As with DNSH, the MSS assessment undertaken by ASFI in 2023 will be reviewed and considered based on global taxonomy experts advice on updates since this assessment. The 2023 report included a detailed review of the EU approach to MSS, including a review of the EU approach by the EU Platform for Sustainable Finance. The analysis also:

- Identified international treaties, standards and declarations and the various legislation, policy, commitments and strategies in Australia that aligned with the proposed pillars.
- Cross-reference the priority social objectives and topic areas with disclosure expectations for corporates and investors, including a review of finance and corporate sector environmental, social, and governance policies and risk management systems.

The social pillars and core topics that the Australian taxonomy adopted are:

Social pillars	Core topics
Corporate governance	Good corporate governance; taxation; anti-corruption and bribery; fair competition; consumer protection; community engagement
Human rights	Employment; labour and working conditions; occupational health and safety; modern slavery; procurement practices; gender equality; non-discrimination and equal opportunity
First Nations people’s rights and cultural heritage	First Nations rights; First Nations cultural heritage

These pillars and core topics will be assessed for New Zealand and proposed amendments put forward to the TEG. The TEG will advise on adapting to NZ’s legal, policy and regulatory landscape that relate to proposed pillars.

Given the significant challenges with activity-level disclosure, MSS should be applied across entities or assets rather than at an activity level.

## **Step 2: Develop list of MSS criteria for NZ Taxonomy**

Based on the prioritised sectors and activities selected for the NZ Taxonomy, the MSS compliance requirements will be defined at the entity level for each MSS core pillar. In developing these requirements, the following factors will be considered:

- Business disclosure frameworks
- Corporate expectations
- Data availability

By taking these elements into account, the NZ Taxonomy aims to create a robust and practical framework for assessing social safeguards in sustainable finance activities.

## **Step 3: Discussion with TEG to contextualise and agree final list of MSS for consultation**

The MSS criteria development will be developed under the guidance of the TEG, drawing on guidance and input from the TAG and technical experts.

The TEG will approve the draft MSS for public consultation.

## **Step 4: Integrate revisions based on public consultation feedback**

Following public consultation the TEG will review the feedback and make appropriate revisions to the criteria.



# Appendices

---

## Appendix 1 – Principles

---

NZ Taxonomy principles

### **Credibility – Mana.**

Applying an evidence-based approach together with international best practices and standards to attract and direct the flow of international capital towards green solutions. The NZ Taxonomy needs to be transparent in its governance structure and content, especially in how the TSC are designed to give effect to the NZ Taxonomy's purpose and reflect the needs not only of the finance industry but also of investors (including KiwiSaver and retail investors) and civil society. Strong safeguards need to be in place to ensure political and industry influence is limited.

### **Usability – Whakamahi.**

The NZ Taxonomy should be easy to use and fit-for-purpose. The TSC need to be easily understood by a spectrum of different end users and promote data and metrics that are easy to report against.

### **Interoperability – Tuhono.**

As much as possible, the NZ Taxonomy should align with international standards and best practices for the design of its structure, the components of the TSC, DNSH and MSS. It should promote interoperability with Australia (Trans-Tasman) as well as with NZ's main trading partners (EU, UK, China) and other benchmark taxonomies in the Asia Pacific Region (APAC) such as Singapore.

### **Culture – Ahurea.**

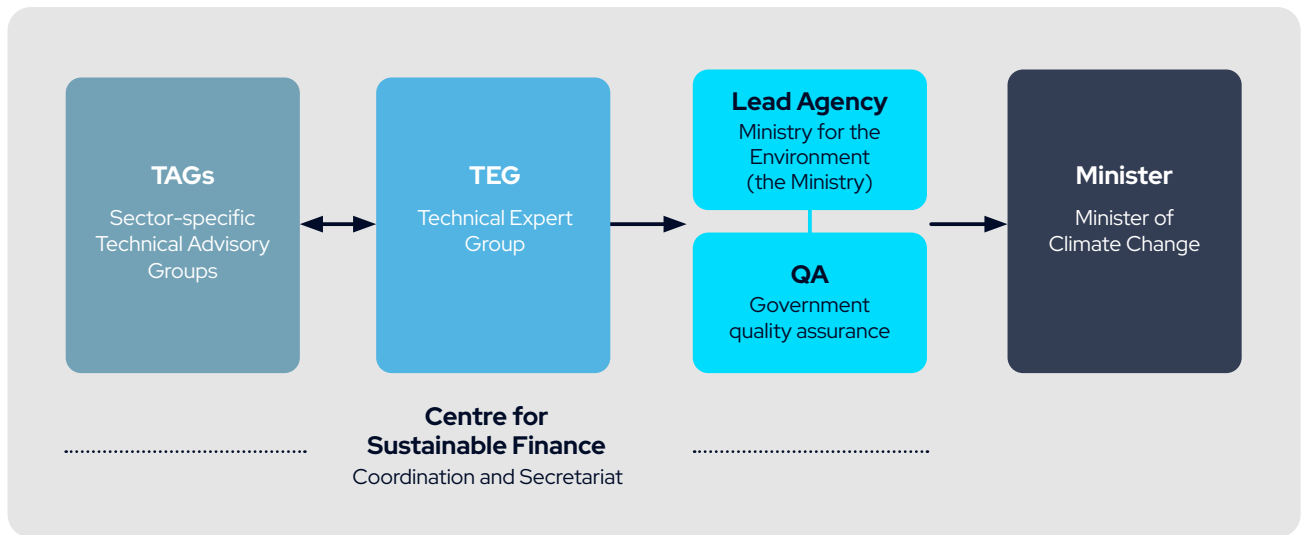
Human society depends on nature. We need to establish and learn from cultures in which nature is not seen simply in monetary terms. Indigenous cultures and rights are a core principle underlying the entire NZ Taxonomy.

Iwi and Māori leaders will be represented in all governance tiers, and indigenous views of nature will be integrated in the design of the TSC.

### **Prioritisation – Whakarite.**

Prioritisation should determine both the selection of environmental objectives the NZ Taxonomy should focus on at first and the sequencing of the design of the TSC, based on which sectors of the economy are a priority for the NZ Taxonomy.

## Appendix 2 – NZ Taxonomy governance structure



### TAG

*Provides technical input*

- Technical/sector experts from finance, industry, academia, civil society, iwi & Māori
- Provides technical input into taxonomy definitions for TEG endorsement
- Feeds back on TEG technical methodologies for TEG consideration and endorsement

### TEG

*Oversees taxonomy development for usability and interoperability*

- Expert representation from across the Government, the finance sector, industry, academia, civil society and te ao Māori
- Responsible for the technical taxonomy documents
- Provides endorsement of all technical taxonomy methodologies and definitions before they are provided to the Ministry and Government QA function
- Ensures technical components align with Ministerial direction on taxonomy design (principles, objectives, priorities, etc.)
- Provides strategic direction, reviews, inputs and provides final endorsement of outputs from the TAGs

### Government

*Provides oversight and strategic direction*

- Lead agency, the Ministry
  - Oversees taxonomy development
  - Advises the Minister on strategic direction and taxonomy use cases
  - Responsible for oversight of the strategic partnership with CSF
- Government quality assurance (QA) function
  - Council of Financial Regulators: Provides regulatory quality assurance on the process
  - Other agencies: Provide insights on strategic alignment across broader policy objectives

### Minister

*Sets strategic direction for sustainable finance system*

- Receives final advice from the Ministry and independent advisory functions
- Sets strategic direction for the sustainable finance system, including how taxonomy will be used and alignment with Australia
- Endorses the technical definitions for these uses and provides legitimacy to the taxonomy

---

## Appendix 3 – ITAG recommendations relevant to Do No Significant Harm and Minimum Social Safeguards

---

### **ITAG Recommendation 4**

In line with international best practices, the environmental objectives of the NZ Taxonomy will include iwi/ Māori understanding and knowledge related to each objective, initially prioritise climate change mitigation, adaptation and resilience, and include (not in order of priority):

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water resources and marine resources
- Protection and restoration of biodiversity and ecosystem
- Pollution prevention and control
- Transition to a circular economy

### **ITAG Recommendation 5**

The priority sectors for developing the NZ Taxonomy are:

- Agriculture, Forestry & Fishery
- Transport
- Construction & Real Estate activities
- Energy
- Industrial Manufacturing

### **ITAG Recommendation 7**

To enhance usability in NZ, it is important to connect to existing data, national and international labels and criteria while also growing relevant capacity and increasing the availability of new information over time.

### **ITAG Recommendation 8**

The NZ Taxonomy should be linked to disclosure requirements – e.g. disclosure standards and guidance issued by the External Reporting Board.



CENTRE FOR  
**Sustainable  
Finance**  
TOITŪ TAHUA

**Climate Bonds** INITIATIVE

[sustainablefinance.nz](https://sustainablefinance.nz)