

Introducing the Aotearoa New Zealand Sustainable Finance Taxonomy (NZ Taxonomy)

Why does New Zealand need a sustainable finance taxonomy?

The Aotearoa New Zealand Sustainable Finance Taxonomy (NZ Taxonomy) is a framework to support the country's long-term environmental sustainability and resilience.

By providing clear, credible and consistent criteria for identifying and classifying environmentally sustainable activities, the NZ Taxonomy is intended to enable financial market participants to more easily identify environmentally sustainable investment opportunities, mitigate greenwashing risks, reduce friction and cost, and support capital allocation decisions that can enable New Zealand's sustainable future.

A well-designed NZ Taxonomy is also intended to support New Zealand businesses in attracting capital, demonstrating alignment with global customer expectations, telling their sustainability stories, and enabling efficient access to global markets.

As a small and optional market in a global competition for capital, it is important that New Zealand aligns to international frameworks, and provides recognisable, credible and relevant definitions that can be used by investors and capital providers who want to make investments into the global transition to a low-emissions economy.

Over 50 jurisdictions are developing sustainable finance taxonomies. New Zealand's approach is to closely align to the Australian Taxonomy, adapting international definitions to fit our business, legal and policy environment.

While taxonomies don't provide a complete solution, they are vital tools that financial institutions and Government can use to direct capital towards more sustainable outcomes.

Why does New Zealand need its own taxonomy (as opposed to using the European or Australian one)?

The NZ Taxonomy prioritises interoperability and harmonisation with global standards. It will be closely aligned to the Australian approach, which also follows the principle of ensuring credibility and harmonisation. However, by developing our own criteria, we ensure that the definitions and criteria being applied are relevant to New Zealand business operations and our domestic context. We are also seeking to more fully develop criteria for sectors important to the New Zealand economy that have been underserved by global frameworks, such as agriculture.

How will the NZ Taxonomy be used?

The NZ Taxonomy is a voluntary framework. It provides decision-useful information by setting clear criteria for what effective climate change mitigation and adaptation and resilience activities look like.

It is at the discretion of any business owner whether they undertake any of the activities outlined in the criteria or whether they seek NZ Taxonomy alignment. Likewise, it is at the discretion of any financial institution or investor whether they use this framework.

The most common use of a taxonomy is to screen for eligible (Green or Transition) investments and expenditures, in order to facilitate the issuance of sovereign, sub-sovereign and corporate Green- or Transition-labelled debt by both the public and private sectors.

Taxonomies can also be used as a tool to demonstrate alignment of an entity with key environmental objectives (e.g., climate change mitigation) in a credible way that is useful to capital markets. Entities



could demonstrate alignment in a number of ways, including percentage of taxonomy-aligned revenues, or taxonomy-aligned total capital (CapEx) or operational (OpEx) expenditures.

How is the NZ Taxonomy being developed?

The NZ Taxonomy has been developed through a robust process that has been established in alignment with leading international efforts in designing local taxonomies.

This process has included the involvement of a diverse range of expertise, strong governance, regulatory oversight, transparency, opportunity for public input, and safeguards against undue political or industry interference.

The Ministry for the Environment (MfE) has provided government oversight for the development of the NZ Taxonomy. The Council of Financial Regulators (CoFR) has provided a quality assurance function, reviewing the development process at each key milestone.

The Technical Expert Group (TEG), whose membership was endorsed by MfE, has provided strategic direction, input and endorsement for all NZ Taxonomy methodology and criteria prior to public consultation(s) and publication.

Sector-specific Technical Advisory Groups (TAGs) provide technical input and feedback on the draft activity/measure selection, the Substantial Contribution (SC) criteria to assess the performance of those activities/measures, and activity-specific Do No Significant Harm (DNSH) criteria, prior to endorsement by the TEG.

In addition, direct engagement with a wide range of relevant stakeholders – including government officials, research organisations, industry bodies, real economy participants, iwi and Māori organisations, and environmental NGOs – has further supported development.

The first version of the NZ Taxonomy for agriculture and forestry has undergone two periods of open public consultation. A total of 233 submissions were received, which resulted in consequential changes to the criteria and are reflected in this Version 1 document. Criteria currently under development for the energy and construction and buildings sectors will be consulted on in mid 2026.

The **Climate Bonds Initiative (CBI)** is the technical partners for the NZ Taxonomy development. CBI has contributed to the development of more than 20 sustainable finance taxonomies globally, including in the EU, Singapore, Brazil, and Australia.

CSF provides coordination and secretariat functions for the development of the NZ Taxonomy, including coordination with the development of taxonomies in other jurisdictions internationally and particularly, with Australia.

How were TEG and TAG members selected?

The selection of TEG and TAG members is conducted through an open Expression of Interest (Eoi) process. This approach ensures a comprehensive and fair selection, aiming to create diverse groups that effectively represent both the sector(s) prioritised for criteria development and the broader financial ecosystem.

Key aspects of the TEG selection process include:

- Assessing individual skills, experience, expertise, and networks, as well as potential contributions from the candidate's organisations.
- Ensuring a balanced mix of expertise across sustainable finance, climate and environmental science and policy, circular economy, human rights, and Indigenous perspectives.
- Evaluating candidates' understanding of global and New Zealand sustainable finance landscapes.



- Considering candidates' ability to commit required time, manage potential conflicts of interest, and collaborate effectively.
- Prioritising diverse perspectives, including Indigenous knowledge and expertise.

For the TAGs, we seek experts from policy, academia, industry, finance, civil society, and iwi/Māori organisations with sector-specific knowledge. These candidates should be able to provide technical insights for developing climate mitigation, adaptation and resilience criteria in their relevant sector.

CSF makes the final selections in consultation with the lead agency, Ministry for the Environment.

Drawing on international experience, financial sector representatives play an important role – in ensuring the NZ Taxonomy is practical, usable, and impactful – at the design stage. This input is vital to create a fit-for-purpose NZ Taxonomy that will be widely adopted and achieve its intended impact.

How were environmental goals and sectors prioritised?

An Independent Technical Advisory Group (ITAG) of financial market and other relevant participants provided recommendations for the design of the NZ Taxonomy to the Minister of Climate Change. These included taking a prioritisation approach for both environmental goals and sectors.

The environmental goals of climate change mitigation, adaptation and resilience have been prioritised, beginning with development for the agriculture and forestry, energy, and construction and buildings sectors.

The prioritisation of the climate change mitigation goals reflects the urgent market need for credible and usable guidance to identify activities that are aligned with, or make a substantial contribution towards, achieving the Paris Agreement temperature goals. It also supports interoperability with international taxonomies and consistency with sustainability-related disclosure frameworks, which have similarly prioritised climate change mitigation to date.

Adaptation and resilience are crucial for New Zealand, however there is currently a lack of international consensus on what constitutes a substantial contribution in these areas, largely because these factors are often highly localised. Adaptation and resilience criteria have been prioritised in the NZ Taxonomy to provide further options for alignment and are intended to support investment in activities and measures that help New Zealand businesses to increase their adaptive capacity and build resilience in a changing climate.

The NZ Taxonomy's other environmental objectives inform the scope of the DNSH criteria, which have been included to ensure that each economic activity covered in the NZ Taxonomy does not significantly harm the other environmental objectives throughout its life cycle.

Recognising the importance of broader environmental objectives to New Zealand's long-term sustainability, the NZ Taxonomy Version 1 has been designed to ensure that its focus can be expanded in the future to include performance criteria for economic activities that make a substantial contribution to, or are aligned with, each of the other environmental objectives, as well as expansion to additional sectors.

When recommending its sector prioritisation, the ITAG considered factors such as greenhouse gas emissions, relevance to New Zealand's low-emissions transition, dependence on nature, significance to the Māori economy, contribution to exports, and share of bank lending.

Criteria are being developed one sector at a time. Agriculture and forestry, energy, and construction and buildings are the first priorities, given their vital role in New Zealand's economy, low-emissions future, and environmental resilience.

How does the NZ Taxonomy approach Green and Transition classifications?



The NZ Taxonomy has followed benchmark taxonomies – including Australia, ASEAN and Singapore - by including both Green activities and activities that are necessary for the transition towards a low-emissions, resilient economy.

Transition classifications are increasingly recognised by global finance frameworks as being critical for climate change mitigation because they support emissions reduction in sectors of the economy that are needed in a net-zero future but are currently emissions-intensive and, therefore, require investment.

Where Green activities are those that currently substantially contribute to the achievement of the relevant environmental objective, the Transition category is intended to support the emissions reduction for industries which are hard to abate currently, but are significant for social and economic wellbeing and are able to make substantial progress on emissions reduction.

The NZ Taxonomy has also followed the Australian approach and importantly, included Transition measures, which are smaller investments that can be applied to an activity to enable meaningful emissions reductions, even if the underlying activity may not yet be Green –for example, electrifying a vehicle fleet or purchasing renewable energy and associated storage. This provides more options for enabling meaningful transitions.

How are iwi/Māori perspectives incorporated into the NZ Taxonomy design process?

The members of the independent technical advisory group that made design recommendations on the NZ Taxonomy (the ITAG) unanimously recommended that it reflect New Zealand's economic advantages and context by including Indigenous rights, interests and knowledge into its design.

The development of the NZ Taxonomy has sought to incorporate iwi/Māori perspectives and knowledge by:

- Promoting equitable Māori participation and representation in NZ Taxonomy governance, and during each phase of its development.
- Engaging with iwi/Māori experts and stakeholders throughout the development process, including through formal engagement with the National Iwi Chairs Forum, to inform both the values and technical aspects of the NZ Taxonomy.

The criteria include iwi/Māori values where relevant, including:

- Consideration under the SC criteria to support/not-exclude culturally appropriate sustainability practices.
- In the DNSH criteria, where a holistic approach to sustainability has been taken by adapting environmental impact assessments to include consideration of cultural impacts.
- Iwi/Māori rights are recognised as a core pillar – alongside corporate governance and human rights – within the Minimum Social Safeguards (MSS) framework. Consideration for the cultural heritage of all New Zealanders is also included in the MSS.

What is the NZ Taxonomy development timeline?

- Jul 2024: ITAG makes design recommendations to MfE and Minister of Climate Change.
- Oct 2024: TEG established. Agriculture and forestry sector criteria development begins.
- Mar 2025: Classification methodology finalised.
- Oct 2025: Energy sector criteria development begins.
- Dec 2025: NZ Taxonomy Version 1 finalised.
- Feb 2026: Construction and buildings sector criteria development begins.
- Dec 2026: NZ Taxonomy for three sectors to be published.



If you would like more information and to stay up to date with the latest developments for the NZ Taxonomy, please visit sustainablefinance.nz/NZ-Taxonomy.