

ITAG Meeting 3 – NZ Taxonomy

Wednesday 6 March 2024, 7pm-9pm

via Teams

Thematic focus area per ITAG meeting schedule

1. Sector coverage
2. Useability
3. Application

Attendees:

Last	First	Organisation	Temporary	In attendance
ITAG				
Best	Pip	EY	-	Y
Broome	Jono	Sustainalytics	-	Y
Burbidge	Antonia	SBC	Y	N
Coxhead	Adam	BNZ	-	Y
Gehricke	Sebastian	Otago University	-	Y
Hall	David	Toha	-	N
Hall	Temuera	Tahito Ltd	-	Y
Margules	Jaclyn	HSBC	Y	N
Marshall	Gavin	Rabobank	Y	N
McCabe	June	NICF	-	Y
Moses-Te Kani	Fonteyn	Westpac	-	Y
Munford	Greg	NZ SuperFund	Y	N
Paterson	James	ASB	-	Y
Poujoul	Caroline	ANZ	-	Y
Reisinger	Andy	Independent	-	Y
Silver	Joanna	Westpac	-	Y



Sweetman	Frances	Milford	-	Y
Waayman	Jorge	Harbour	-	Y
Walker	Sue	BNZ	-	Y

Government observers

Aspoas	Lauren	MfE	Y	Y
Bruun-Kiaer	Isobel	MfE	-	Y
Fippard	Katherine	NZTE	-	N
Greenslade	Mela	Treasury	-	Y
Sharman	Amelia	XRB	-	Y

Secretariat & Technical lead

Bigoni	Matteo	CBI		Y
Boulle	Bridget	CBI		Y
Kelly	Jo	CSF		Y
Hu	Feng	PwC		Y
Smith	Natalie	Quadrant Solutions		Y
Zhang	Renzhu	CSF		Y
Hancock	Allison	MinterEllisonRuddWatts		Y



Agenda Items

1. Karakia

Welcome

- Thanks for feedback/input shared on purpose and objectives.
- Schedule of meetings shared.
- Crucial dates outlined.
- Communications update provided.
- Minutes from previous meetings included with request to read these as they need to be confirmed at next meeting.
- Reminders to observe confidentiality and competition law protocol provided by CSF and MinterEllisonRuddWatts.

2. Summary of meeting of working group on Sustainable Agriculture Finance Initiative (SAFI)

J Silver provided summary of SAFI working group meeting which discussed whether and how to incorporate SAFI into the taxonomy noting:

- SAFI group is aligned that more detailed criteria than the current version of SAFI does need to be developed and incorporated into the taxonomy.
- Need to factor in regional variances and regulations to support the sector in accessing sustainable capital.
- Summary provided re application and collaboration.

3. Presentation

B Boule spoke to the focus for this meeting as being sector coverage, usability and rule set noting a decision may be reached re sector coverage today however it is likely that ongoing discussions will need to be had re usability and rule set.

Sector Selection

- Covered how various jurisdictions have made sector selection.
- ASFI recommendations presented outlining 3 key considerations in deciding on sectors and covering taxonomy design, alignment and mapping.
- Outline provided of:
 - Sector selection factors.
 - Sector selection methodologies for Chile.
 - Taxonomy sector coverage in EU, Australia, Singapore and CBI with an outline of how work is being done re agriculture and the main subsectors within agriculture.
- NZ emission inventory presented as data that may be used to identify sector selection.

Discussion points presented by CBI:

- Recommended sector prioritisation – High/medium/low.
- Factors for selecting sectors.
- Code for comparison: ANZSIC (Australia and New Zealand Standard Industrial Classification).



- Factors for consideration in NZ.
- Not constrained by sectors – eg Agriculture criteria for the Australian taxonomy likely to be grouped by climate zones as well as subsectors.

Comments provided verbally and via Chat including:

- Some members advocate for a more prescriptive approach to selection criteria, emphasising clear guidelines and benchmarks for decision-making.
- Others argue for an intuitive approach, suggesting flexibility and the ability to adapt to unique circumstances.
- There's a shared view that adaptation needs to be a key consideration in New Zealand's context, given its vulnerability to various environmental and economic changes.
- Members express a need to explore measures that would be applicable by institutional investors, possibly through incentives or clearer investment pathways.
- The social impact of sectors is highlighted as important, with suggestions to consider factors such as a sector's contribution to GDP, emissions, job creation, trade, and alignment with other taxonomies when prioritising sectors.
- Members emphasise the importance of examining sectors with the potential for high change or transition, alongside those with high emissions.
- Indigenous perspectives and priorities, particularly those of Māori communities, are deemed essential in the discussion, with suggestions to prioritise sectors significant to Māori culture and livelihoods.
- There's a debate surrounding the grouping of agriculture sectors, with considerations ranging from climate zones to types of crops or livestock, reflecting the diversity within the sector.
- The group discusses whether to prioritise sectors needing access to capital, international markets, or those that support community resilience, acknowledging the various dimensions of sectoral support and development.
- Current lack of data to support decision making and general alignment across members on the need to balance data and pragmatism in decision making while more data becomes available over time to support taxonomy alignment and transparency.

Usability

- Of global debate with 3 concerns noted as:
 - DNSH
 - Substantial contribution criteria
 - Rule-set/Regulations

Presentation of types of criteria – usability lessons from UE and spoken to with examples.

Usability challenges – DNSH in EU noting types of DNSH criteria in EU.

Recommendations from Platform Report presented in summary.

Interoperability: usability across and within borders criteria presented.

Discussion points presented by CBI:

- Application of DNSH criteria
- How can we test for usability?



- International and trans-Tasman usability
- Who are key stakeholders to test with?
- Factors for consideration in NZ

Comments shared by participants both verbally and via Chat including:

- Members stress the importance of clarity in coverage decisions, advocating for quantitative criteria to enhance accessibility rather than vague language.
- Concerns are raised regarding the potential pitfalls of pseudo-binary criteria, urging for assessments that are truly measurable and not oversimplified.
- Suggestions are made to test criteria for usability with intended end users at an early stage to ensure effectiveness.
- The challenges of estimating alignment for international companies if the taxonomy is mandated for disclosure, prompting consideration of practical implementation issues.
- Members debate the potential application of additionality criteria at a secondary level to refine activities within eligible sectors, aiming for greater impact.
- The idea of implementing look-back periods is considered to strike a balance between vintage assets and incentivizing new investments, ensuring ongoing relevance.
- Drawing from the EU experience, members highlight the importance of usability, as issues in this regard can impede uptake despite regulatory frameworks.
- Suggestions include transparency around decision-making processes and room for revisions based on feedback to enhance accountability and effectiveness.

Rule Set

Points to be considered:

- Overarching governance
- Who needs to use taxonomy – investors; green bond issuers; corporate
- For what purpose?
- Mandatory or voluntary?

Noted taxonomy is a building block for a range of applications and examples provided of EU taxonomy throughout financial value chain including:

- Investors
- Retail investors
- Labels
- Companies
- Public use

Flow chart presented of requirements of large listed companies in EU taxonomy was provided together with comparisons/differences in China, Singapore and Colombia.

Discussion points presented by CBI:

- Likely application in NZ
- Appetite for mandatory/voluntary
- What is needed now?
 - Steer on bonds/corporate disclosure



- Helps with developing criteria
- Other factors for consideration in NZ.

Comments shared by participants both verbally and via Chat including:

- Members engage in a discussion regarding the mandatory nature of the taxonomy, weighing the pros and cons while acknowledging the potential risk of over-regulating capital flow. There's a consensus on the importance of simplicity and ensuring that regulations are 'fit for purpose'.
- Concerns are raised about the accessibility of capital if rules are mandated, prompting considerations about potential barriers to entry and the impact on market dynamics.
- The impact and involvement of institutional investors are highlighted, with suggestions on how the taxonomy can facilitate their engagement and decision-making processes.
- Members explore where the taxonomy can offer the most value within New Zealand, considering its applicability to various sectors and industries.
- There's agreement on the necessity of applying the taxonomy to both equity and debt instruments to ensure comprehensive coverage.
- Emphasis is placed on aligning the taxonomy with existing regulations rather than creating new ones, particularly in areas such as climate disclosures, to streamline compliance efforts and avoid duplication.
- Suggestions are made for clear guidance, equivalencies, proxies, and pathways over time to facilitate understanding and implementation of the taxonomy.
- Considerations include the incorporation of look-back periods, additionality criteria, and other relevant factors into any rules governing green bonds or investment products, aiming for robust and effective standards.

Process from here for coming weeks outlined by J Kelly.

Next meeting 20 March 2024.

4. Karakia

Meeting closed at 9.05pm

Confirmed as a true and correct record:

Jo Kelly
Chief Executive
CSF

15 April 2024

Date