

Are you an organisation or an individual?

**Organisation**

What is your name?

**Radhika Biwalkar**

What is the name of your organisation?

**MSCI ESG Research LLC**

Which one of these best describes your organisation?

**Company**

Do you consent to your response to this consultation being published?

**Yes**

## DEMONSTRATING TAXONOMY ALIGNMENT

1. As a voluntary tool, do you think further guidance is required to clarify how the taxonomy can be used under existing and emerging regulations? If so, what taxonomy uses do you consider to be a priority to enhance the taxonomy's voluntary adoption?

Yes,

Comments:

We welcome the release of the second public consultation of the Australian Sustainable Finance Taxonomy. We will provide high-level responses as we had staff involved in the drafting of the technical criteria, hence do not need to comment further on the sector specific elements of this consultation. As a leading provider of climate risk data and analytics to the global investment community, MSCI has collected climate- and ESG-related disclosures from thousands of companies globally for over two decades and developed tools to assist investors in their analysis of climate and ESG risks and opportunities to their portfolios. \*\*\* We would welcome additional guidance to support uptake of the taxonomy by financial institutions. The primary use case seems to be for use-of-proceeds bonds. However, taxonomy-related metrics are also relevant for informing investment decisions more broadly, including for equity investments and bank loans. Such broader use cases may, however, require mandating top-line metrics to be disclosed to ensure that data is comparable, consistent and timely with a view to inform investment and lending decisions. Even if the taxonomy remains voluntary, disclosure templates could support such broader application, focusing on a handful of key indicators and include clear explanations, ideally calculation formulas, to ensure comparability across reported data points. We would be happy to share experience and lessons learnt from data collection of taxonomy-reported data for approximately 2000 financial and non-financial institutions in the EU. In terms of uptake, fund managers in the EU have been rather cautious in integrating taxonomy aligned metrics into Article 8 and 9 funds as illustrated in our research in "Funds and the European Sustainable Finance Landscape 2024". However, the numbers have seen a slight upward trend from last year. For a Taxonomy to become a meaningful compass for investors, simplicity and usability are critical. <https://www.msci.com/www/research-report/funds-and-the-european/05050571835>

2. Should the taxonomy provide guidance to lenders and users on the approach and expectations for evidencing alignment with the Do No Significant Harm (DNSH) and Minimum Social Safeguard (MSS) criteria? If so please provide suggestions on what guidance is needed.

**Yes,**

Comments:

Additional Guidance would help align expectations between lenders and users. However, the data supporting both DNSH and MSS applications may be limited initially. Key principles for informing both DNSH and MSS should be simplicity for users which means keeping the number of constraints manageable and linked to widely available data. Another principle would be global applicability, i.e. references to international standards and norms, as proposed here e.g., for assessing an environmental impact assessment. For MSS, we value the inclusion of due diligence indicators. However, we recommend strengthening the language around key requirements, e.g.: - 'commitment to implementing a high-quality corporate governance incl. E/S matters' could be replaced with 'corporate governance of high quality including on E/S matters'. - Adding a requirement to disclose non-compliance or violations of human rights. For estimating alignment with the EU taxonomy's Minimum Safeguards, MSCI ESG Research has implemented an approach that builds on different data points leveraging social policy indicator (e.g., availability of human rights policy or labor due diligence policy), risk indicators (e.g., companies flagged for risk of child labor in their supply chains), remediation indicators (e.g., availability of monitoring or grievance-handling mechanisms), ESG controversies that are mapped to OECD and UNGP principles and social SFDR principal adverse impact indicators (e.g., board diversity).

---

**FOR CONSULTATION: AGRICULTURE AND LAND**

Credibility

3. Are the proposed Technical Screening Criteria (TSC) credible? In this context, credibility of criteria refers to whether a transparent scientific approach aligned to the Paris Agreement temperature goal was used, informed by the latest technological understanding.

Comments:

N/A

Usability

4. Are the proposed TSC usable? In this context, usability of criteria refers to whether they are comparable, clear, objective and easy to understand. If not, please explain how they could be improved.

Comments:

N/A

---

Specific

5. Are there additional decarbonisation measures or activities that meet the taxonomy qualifying methodology for the agriculture and land sectors, which should be included in the taxonomy? Please provide specific information to justify your recommendation.

Comments:

N/A

6. Please provide any further feedback on specific activities here and provide evidence to support any recommendations.

N/A

**FOR CONSULTATION: MINERALS, MINING AND METALS**

Credibility

7. Are the proposed TSC credible? In this context, credibility of criteria refers to whether a transparent, scientific approach aligned to the Paris Agreement temperature goal was used, informed by the latest technological understanding.

Comments:

MSCI ESG Research contributed to the development of these criteria and hence does not provide additional comments here.

Usability

8. Are the proposed TSC usable? In this context, usability of criteria refers to whether they are comparable, clear, objective and easy to understand. If not, please explain how they could be improved.

Comments:

MSCI ESG Research contributed to the development of these criteria and hence does not provide additional comments here.

Specific

9. Is the ore processing boundary usable for emissions intensity thresholds?

Comments:

MSCI ESG Research contributed to the development of these criteria and hence does not provide additional comments here.

10. Does the percentage reduction option provide a usable and useful alternative to accommodate for varying boundaries comprising mine sites?

Comments:

MSCI ESG Research contributed to the development of these criteria and hence does not provide additional comments here.

11. Is there an alternative approach that has not been considered for demonstrating alignment for the green criteria? Please provide evidence to justify recommendation.

Comments:

MSCI ESG Research contributed to the development of these criteria and hence does not provide additional comments here.

12. Do the revised downstream criteria adequately balance and enhance usability and credibility? Please provide evidence if suggesting an alternative approach.

Comments:

MSCI ESG Research contributed to the development of these criteria and hence does not provide additional comments here.

13. Please provide any further feedback on specific activities here and provide evidence to support any recommendations.

MSCI ESG Research contributed to the development of these criteria and hence does not provide additional comments here.

---

**FOR CONSULTATION: MANUFACTURING AND INDUSTRY**

Comments:  
N/A

Credibility

14. Are the proposed TSC credible? In this context, credibility of criteria refers to whether a transparent, scientific approach aligned to the Paris Agreement temperature goal was used, informed by the latest technological understanding.

---

Usability

15. Are the proposed TSC usable? In this context, usability of criteria refers to whether they are comparable, clear, objective and easy to understand. If not, please explain how they could be improved.

Comments:  
N/A

---

16. Please provide any further feedback on specific activities here and provide evidence to support any recommendations.

N/A

---

**FOR CONSULTATION: ELECTRICITY GENERATION AND SUPPLY**

Comments:  
N/A (MSCI ESG Research responded to these questions for the first consultation)

Credibility

17. Are the proposed TSC credible? In this context, credibility of criteria refers to whether a transparent, scientific approach aligned to the Paris Agreement temperature goal was used, informed by the latest technological understanding.

---

Usability

18. Are the proposed TSC usable? In this context, usability of criteria refers to whether they are comparable, clear, objective and easy to understand. If not, please explain how they could be improved.

**Respondent skipped this question**

---

Specific

19. Does the firming advice adequately address the entity and system-level interactions related to firming activities in transition plans? Please provide any additional feedback on the advice, and where providing recommendations please include evidence.

Comments:  
N/A (MSCI ESG Research responded to these questions for the first consultation)

---

20. Please provide any further feedback on specific activities here and provide evidence to support any recommendations.

N/A

(MSCI ESG Research responded to these questions for the first consultation)

---

**FOR CONSULTATION: CONSTRUCTION AND BUILDINGS**

Comments:

N/A (MSCI ESG Research responded to these questions for the first consultation)

Credibility

21. Are the proposed TSC credible? In this context, credibility of criteria refers to whether a transparent, scientific approach aligned to the Paris Agreement temperature goal was used, informed by the latest technological understanding.

---

Usability

22. Are the proposed TSC usable? In this context, usability of criteria refers to whether they are comparable, clear, objective and easy to understand. If not, please explain how they could be improved.

Comments:

N/A (MSCI ESG Research responded to these questions for the first consultation)

---

Specific

23. Please provide any further feedback on specific activities here and provide evidence to support any recommendations.

N/A

(MSCI ESG Research responded to these questions for the first consultation)

---

**FOR CONSULTATION: TRANSPORT**

Comments:

N/A

Credibility

24. Are the proposed TSC credible? In this context, credibility of criteria refers to whether a transparent, scientific approach aligned to the Paris Agreement temperature goal was used, informed by the latest technological understanding.

---

Usability

25. Are the proposed TSC usable? In this context, usability of criteria refers to whether they are comparable, clear, objective and easy to understand. If not, please explain how they could be improved.

Comments:

N/A

Specific

26. Do you agree with the inclusion of the decarbonisation measures for hard-to-abate activities, and the sunset dates? Where providing recommendations, please provide evidence.

Comments:

N/A

27. Does the proposed Sustainable Aviation Fuel blend for air transport adequately balance usability and credibility? Where providing recommendations, please provide evidence.

Comments:

N/A

28. Please provide any further feedback on specific activities here and provide evidence to support any recommendations.

N/A

**FOR CONSULTATION: DO NO SIGNIFICANT HARM**

Credibility

29. Are the proposed generic DNSH criteria aligned to Australian environmental laws and regulations and relevant international standards and practices? If your answer is no, please provide suggestions on how they could be improved. Which environmental objective(s) does your answer relate to? (Select one or multiple)

Comments:

Yes, we believe the proposed DNSH criteria are both targeted and adequate to respond to the dual need of usability and environmental stringency. We also value the efforts to provide for international applicability.

30. Are the proposed specific DNSH criteria aligned to Australian environmental laws and regulations, relevant international standards and industry best practice? If your answer is no, please provide suggestions on how they could be improved. Please state which activity, sector, and/or environmental objective your answer relates to.

N/A

Usability

31. Are the proposed generic DNSH criteria and guidance clear, relevant and usable? If your answer is no, please provide suggestions on how they could be improved. Which environmental objective(s) does your answer relate to? (Select one or multiple)

Comments:

N/A

32. The generic DNSH criteria for circular economy go beyond existing regulatory requirements in Australia and have been framed around best efforts compliance accordingly. Does this approach give rise to any additional usability challenges, particularly in relation to demonstrating compliance? If so, how could their usability be improved?

Comments:  
N/A

33. Are the proposed specific DNSH criteria clear, relevant and usable? If your answer is no, please provide suggestions on how they could be improved. Please state which activity, sector, and/or environmental objective your answer relates to.

N/A

Other

34. Is there any other feedback you would like to provide on the proposed DNSH framework?

Respondent skipped this question

**FOR CONSULTATION: MINIMUM SOCIAL SAFEGUARDS**

**Yes**

General

35. Are the proposed MSS criteria, indicators and guidance clear and usable? If your answer is no, please provide suggestions on how they could be improved.

36. Would additional guidance for SMEs on a proportionate approach to aligning with the MSS criteria and guidance be useful? If so, how should the existing guidance be modified?

Comments:  
N/A

Human rights

37. Should the human rights criteria apply across the entity's operations and whole value chain or just the entity's operations and supply chain? Why/why not?

Comments:  
The human rights criteria should apply across the entity's operations and whole value chain and human rights due diligence should follow a risk-based approach. For some industries, the most salient risks may be present outside of the company's operations and supply chain. Therefore, due diligence should be focused in these areas. This is aligned with the EU Corporate Sustainability Due Diligence Directive, which introduced due diligence requirements across global value chains.

38. Should the taxonomy include negative indicators on human rights? For example:

- A finding by the Australian National Contact Point for Responsible Business Conduct (AusNCP) based in the Treasury Department, that an entity has failed to engage in 'good faith' in the AusNCP's complaint process or that the entity has failed to implement recommendations made by the AusNCP to improve the entity's observance of the OECD Guidelines.
- The entity fails to provide a response within 3 months to a request for response to a civil society allegation via the Business & Human Rights Resource Centre's (BHRRC) Company Response Mechanism.

**Yes,**

Comments:

We are supportive of including negative indicators in the human rights and First nations categories, but only in addition to and not in lieu of due diligence and other governance-related indicators. There should be an incentive for companies to show improvement and good practices despite being involved in negative events due to the nature of their business and supply chains.

First Nations rights and cultural heritage

39. How do we ensure that the MSS criteria for First Nations rights and cultural heritage does not place an additional burden on communities?

**Respondent skipped this question**

40. Should the MSS criteria for First Nations rights include an explicit reference to Free, Prior and Informed Consent? Please explain the reason for your answer.

**Respondent skipped this question**

41. How can an entity consider First Nations heritage in its practices?

**Respondent skipped this question**

Other

42. Is there any other feedback you would like to provide on the proposed MSS framework?

**Respondent skipped this question**