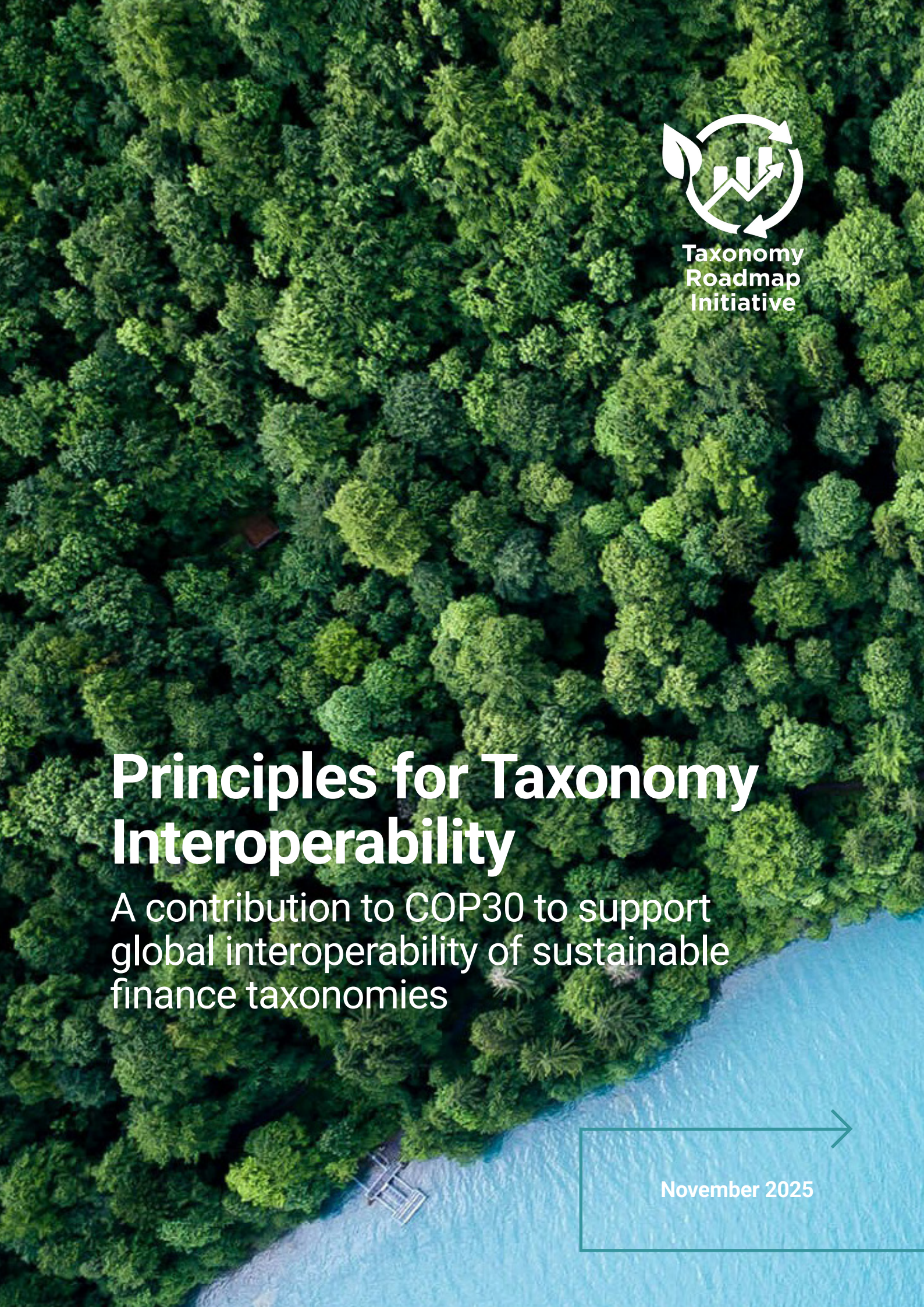

Taxonomy Roadmap Initiative

Principles for Taxonomy Interoperability

A contribution to COP30 to support global interoperability of sustainable finance taxonomies

November 2025

Disclaimer

The Roadmap for Advancing Interoperability and Comparability of Sustainable Finance Taxonomies expects all potential users to comply with all laws and regulations applicable to them. This includes, amongst others, antitrust and other regulatory laws and regulations, as well as the restrictions on information exchange and other collaborative engagement they impose.

This document does not create binding obligations on any person or jurisdiction. The content set out within this paper does not constitute advice. Further, any views expressed in this paper do not necessarily represent the views of each individual Partner, including those that assisted in the preparation of these principles. This paper is intended to guide for emerging practices and is not prescriptive as to actions or decisions.

About the Roadmap for Advancing Interoperability and Comparability of Sustainable Finance Taxonomies

The Roadmap for Advancing Interoperability and Comparability of Sustainable Finance Taxonomies ("The Taxonomy Roadmap Initiative") was launched at COP29 in 2024. It calls for a shared classification system, as well as technical approaches and guidelines for transition activities for consistent alignment in collaboration with other partners.

In April, Brazil's Ministry of Finance joined the initiative, linking it with Brazil's broader framework of the "Baku to Belém Roadmap" to the USD 1.3tn of public and private climate finance needed to support developing countries each year by 2035.

Taxonomy Roadmap Initiative Partners: Central Bank of Azerbaijan (CBAR), International Finance Corporation (IFC), Sustainable Banking and Finance Network (SBFN), International Platform on Sustainable Finance (IPSF), United Nations Development Programme (UNDP), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (technical support), United Nations Environment Programme Finance Initiative (UNEP FI), Climate Bonds Initiative (Climate Bonds), the EU Sustainable Finance Advisory Hub, Principles for Responsible Investment (PRI) and the Ministry of Finance of Brazil.

For more information: TaxonomiesRoadmap.org

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Acronyms and abbreviations

ANZSIC	Australian and New Zealand Standard Industrial Classification
ASEAN	Association of Southeast Asian Nations
BRICS	Intergovernmental organization comprising ten countries: Brazil, Russian Federation, India, China, South Africa, Egypt, Ethiopia, Indonesia, Iran (Islamic Republic of) and the United Arab Emirates
Climate Bonds	Climate Bonds Initiative
CGT	Common Ground Taxonomy
CNAE	National Classification of Economic Activities
COP	Conference of the Parties
CSRD	Corporate Sustainability Reporting Directive
FSC	Forest Stewardship Council
DNSH	"Do No Significant Harm"
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
G20 SFWG	G20 Sustainable Finance Working Group
IFC	International Finance Corporation
IMF	International Monetary Fund
IPSF	International Platform on Sustainable Finance
ISIC	International Standard Industrial Classification of All Economic Activities
LAC	Latin American and the Caribbean
LEED	Leadership in Energy and Environmental Design
M-CGT	Multi-jurisdictional Common Ground Taxonomy
MSS	Minimum social safeguards
NACE	Statistical Classification of Economic Activities
OECD	The Organisation for Economic Co-operation and Development
PRI	United Nations-supported Principles for Responsible Investment
RMT	Remedial Measures to Transition
SBFN	Sustainable Banking and Finance Network
SDG	Sustainable Development Goal
SFDR	Sustainable Finance Disclosure Regulation
SFWG	Sustainable Finance Working Group
SME	Small- and medium-sized enterprise
UNDP	United Nations Development Project
UNEP FI	United Nations Environment Programme Finance Initiative
UNFCCC	United Nations Framework Convention on Climate Change

Contents

Executive summary

Sustainable finance taxonomies have emerged from across a range of economic contexts in developed and emerging markets. While a local taxonomy is an essential building block for market growth, for taxonomies to enable the flow of cross-border capital requires "interoperability"—the ability to compare taxonomies based on common principles and/or a scientific baseline.

Interoperability will require global collaboration with input from emerging and developed market contexts. It is a collective pursuit of a global objective in line with the COP30 Presidency's call for collaboration as well as leadership from the Global South.

The "Roadmap for Advancing Interoperability and Comparability of Sustainable Finance Taxonomies" (Taxonomy Roadmap Initiative) was launched at COP29 through the CBAR in response to the global need for interoperability. It is a voluntary initiative with global partners[1] aiming to collectively make technical progress on taxonomies and interoperability.

The Principles for Taxonomy Interoperability outlined are for use by sustainable finance taxonomy developers and policymakers in creating, governing and implementing taxonomies. They aim to support the effective use of taxonomies by financial and non-financial companies.

By covering both design and implementation of taxonomies, they aim to enhance interoperability at different phases of maturity. They also aim to reinforce best practices in usability and credibility, the other two pillars of taxonomy development and implementation. Each principle is intended to enhance interoperability in a unique way and therefore each is valuable independently and not necessarily contingent on all principles being adopted.

The seven principles, discussed further within this guide, are presented on the following page.

1 Partners are: SBFN, IFC, CB of Azerbaijan, IPSF, UNDP, Climate Bonds Initiative, UNEP FI, UN PRI, GIZ, Ministry of Finance Brazil, EU Sustainable Finance Advisory Hub

Principles for Taxonomy Interoperability

1. Build the foundation of the taxonomy on jurisdictional environmental, economic and social priorities and on existing principles of best practices such as the G20 Principles.[2]
2. Apply common taxonomy design features and terminology such as sector classification, shared objectives, screening criteria, minimum safeguards and transition approaches.
3. Define use cases and users in the development and review process, prioritizing straightforward use cases with the highest market demand internationally and domestically. This may include a pathway for small- and medium-sized enterprise (SME) adoption in line with national priorities.
4. Ensure that regular review and expansion of taxonomy coverage takes account of activities more common in taxonomies as well as activities with high impact within national contexts.
5. Seek to reduce complexity of the taxonomy by providing clear science-based criteria and implementing the taxonomy in a way that interoperates with national and international frameworks.
6. Send a clear market signal and foster market ownership through early user support, stakeholder engagement, pilots, peer-to-peer learning, capacity building and the sequencing of taxonomy implementation in consultation with users.
7. Join international collaborative efforts by engaging taxonomy developers through platforms and fora, conducting comparison studies, leveraging international proxies to close criteria gaps and exploring the legal and operational feasibility of cross-border recognition.

2 G20 Sustainable Finance Working Group, 2022. G20 Sustainable Finance Roadmap. g20sfwg.org/roadmap/

Taxonomy Interoperability Principles

Context

More than ever, finance is needed to achieve our global sustainability goals. The outcomes of the United Nations Framework Convention on Climate Change 29th session of the Conference of the Parties (COP29), with a New Collective Quantified Goal on climate finance, require billions of private finance to flow, particularly into emerging markets.

Markets can achieve scale when they are transparent and consistent. The financial system is built on architecture to help standardize reporting, transactions and processes. The sustainable finance market has recognized the need for standardization of "green" or social definitions through the creation and implementation of sustainable finance taxonomies. To date, more than fifty jurisdictional taxonomies are in development or in use around the world.

The term "sustainable finance taxonomy" is a broad term to cover any taxonomy or set of definitions aiming to address environmental or social objectives, or both. A taxonomy can enable financial and non-financial actors as well as policymakers and regulators to share a common understanding of which economic activities are contributing to achieving global goals, such as the Paris Agreement. In doing so, a taxonomy can also act as the building block for the standardization of other frameworks and policy tools. When associated with companies' financial accounting such as capital expenditures and/or equity instruments, or used in conjunction with sustainable debt proceeds, taxonomies can serve to channel and monitor capital towards projects that will have a substantial impact on environmental and social objectives.

In the lead-up to COP 30, Brazil's COP30 president, André Corrêa do Lago, has called on global leaders to mobilize and collaborate in the face of climate urgency: "Global Mutirão," a joint effort of everyone and anyone at different levels of engagement, expertise, and perspectives.[3]

The challenge is one of scale—how to channel the trillions of dollars into the places which will achieve the most impact?

3 COP30, 2025. Mutirão COP30. cop30.br/en/brazilian-presidency/mutirao-cop30

Problem

Central to the value of a taxonomy is that the implementation of standardized definitions can reduce barriers to cross-border capital flows support risk analysis and facilitate the coherence of climate targets and disclosures. However, with over fifty national or regional taxonomies in use or development around the world, the prospect of a single taxonomy is not the reality. The multitude of taxonomies available creates a challenge for corporates, banks and investors to understand how each taxonomy is aligned with the science and/or international norms, and where taxonomies are similar and different.

Solution

Each country has its own sustainable development priorities that influences its productive structure and role in local, regional and global value chains. This means that definitions, criteria or technological routes for decarbonizing inevitably differ across taxonomies.

For taxonomies (and their associated tools, frameworks and policies), to enable the flow of capital into green, social and sustainable projects, major stakeholders need to reach consensus on "interoperability".

Interoperability describes how taxonomies relate to one another as based on common principles, and/or a scientific baseline (e.g. the Paris Agreement). Taxonomies that are interoperable are not the same as one another but share a common language, principles, structure/methodologies and objectives to allow them to be compared and understood across borders.

Taxonomies have emerged from across all economic contexts in both the Global North and Global South. As such, interoperability will require South-North as well as South-South and North-North collaboration with input from developed, emerging and developing market contexts. It is a collective pursuit of a global objective in line with the COP30 presidency call for collaboration as well as leadership from the Global South.

Interoperability also goes hand in hand with credibility and usability which are also central to the value of taxonomies. Taxonomies that are interoperable but not usable or credible have no value in shifting capital flows in the direction needed and vice versa. Therefore, it is important to focus on all three at the same time. This means that the principles outlined, while focused on interoperability, also promote usability and credibility. For example, the need for taxonomies to expand to small- and medium-sized enterprises (SMEs) is not directly linked to interoperability, but expanding use by SMEs is an important driver to enhance taxonomy adoption which is, in turn, also important for interoperability.

Interoperability initiatives underway

Recognizing the role of common definitions, in 2021 the G20 Sustainable Finance Working Group released voluntary principles for alignment approaches which included taxonomy development.[4] The principles serve to foster interoperability at the development stage—with the understanding that taxonomies that are developed using similar processes will also be more interoperable.

4 G20 Sustainable Finance Working Group, 2022. G20 Sustainable Finance Roadmap. g20sfwg.org/wp-content/uploads/2022/01/RoadMap_Final14_12.pdf

During COP29 in Baku, Azerbaijan, the interoperability of sustainable finance taxonomies was brought to the forefront of global discussions for the first time. Under the leadership of the CBAR, in partnership with international institutions the Roadmap for Advancing Interoperability and Comparability of Sustainable Finance Taxonomies ("Taxonomy Roadmap Initiative") was launched. The Taxonomy Roadmap Initiative was initiated by the International Finance Corporation (IFC), Sustainable Banking and Finance Network (SBFN), United Nations Development Programme (UNDP), and the International Platform on Sustainable Finance (IPSF) and further joined by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, United Nations Environment Programme Finance Initiative (UNEP FI), Climate Bonds Initiative (Climate Bonds), the EU Sustainable Finance Advisory Hub, Principles for Responsible Investment (PRI) and the Ministry of Finance of Brazil (MF).

In parallel, in June 2024 CBI, PRI, and UNEP FI announced[5] a collaboration to foster global interoperability and support the financial market with the operationalisation of taxonomies globally. It was supported and joined by The Taskforce on Net Zero Policy—a group of leading international agencies that have convened to advance net zero-aligned policies by encouraging the sharing of knowledge, practices and insights among policymakers and regulators. It has also prioritized interoperability of sustainable finance policy instrument and has endorsed these principles. This work started with the development of these principles and has subsequently merged with the Taxonomy Roadmap Initiative.

The Taxonomy Roadmap Initiative aims to enhance interoperability through three core pillars, each designed to address different aspects of taxonomy development and alignment. The first pillar emphasizes the identification of a common core set of taxonomy economic activities, establishing a unified framework for categorizing sustainable economic activities. The second pillar focuses on developing common technical approaches to ensure alignment with essential taxonomy principles and criteria, creating a standardized set of guidelines to facilitate comparison. The third pillar aims to formulate common approaches to finance the transition through taxonomies, ensuring that financial flows are directed in a way that supports the sustainable transition of various economies.

In addition to three pillars, the Taxonomy Roadmap Initiative also highlights two key areas for further alignment: the need for inclusivity in alignment approaches to ensure that all regions, economies, and sectors are represented and considered in the taxonomy development process, and the establishment of verification and assurance mechanisms to ensure the credibility and integrity of the taxonomies and their applications across markets.

Since its launch, the Taxonomy Roadmap Initiative has become the key international platform for coordinating, collaborating and communicating global efforts to advance the interoperability of sustainable finance taxonomies. This publication aims to support the implementation of the Taxonomy Roadmap Initiative through high-level common principles.

5 UNEP FI, PRI, Climate Bonds Initiative. 2024. UNEP FI, PRI and Climate Bonds Initiative join forces to support taxonomy efforts around the world. unepfi.org/news/unep-fi-pri-and-climate-bonds-initiative-join-forces-to-support-taxonomy-efforts-around-the-world

Through its COP 30 presidency, Brazil is also driving the interoperability agenda through its Activation Group 20 on climate and sustainable finance and the Super Taxonomy which will develop a package of solutions to deliver on taxonomy interoperability including these Principles.

At a regional level, other initiatives to increase interoperability include the development of regional frameworks such as the ASEAN Taxonomy (2021) and LAC Common Framework for Sustainable Finance Taxonomies (2023).

At an international level, the IPSF published the Common Ground Taxonomy (CGT) in 2021 to identify commonalities between the EU and China taxonomies; updates were published in 2022 and 2024. It was expanded in 2024 to include Singapore based on an updated the methodology to enable additional taxonomies to be included in the new Multi-jurisdictional CGT (M-CGT).

Additional international tools are being created to help users of taxonomies to navigate similarities and differences, such as the forthcoming Sustainable Finance Taxonomy Mapper (the Mapper). The Mapper is a is a global public-good tool that enables users to compare, navigate, and analyze sustainable finance taxonomies across jurisdictions. It aims to support interoperability, transparency, and informed decision-making by mapping taxonomy criteria, structures, and objectives in a consistent, accessible format.

All these efforts have been important, particularly in enhancing interoperability at the technical level in the development phase.

Purpose of the Principles for Taxonomy Interoperability

The Principles for Taxonomy Interoperability is published under the umbrella of the Taxonomy Roadmap Initiative and forms one of the knowledge products released by the Taxonomy Roadmap Initiative in the lead-up to the COP30, which are:

- Principles for Taxonomy Interoperability
- Taxonomy Roadmap Initiative's Progress Report: details the progress of the Taxonomy Roadmap Initiative and wider taxonomy landscape supported by the EU
- Sustainable Finance Taxonomy Mapper: a global public-good tool that enables users to compare, navigate, and analyze sustainable finance taxonomies across jurisdictions. It aims to support interoperability, transparency, and informed decision-making by mapping taxonomy criteria, structures, and objectives in a consistent, accessible format.
- Website for the Taxonomy Roadmap Initiative: the website will promote coordination, transparency, and global alignment by sharing roadmap updates, facilitating partner engagement and fostering collaboration among key stakeholders.

As part of the Taxonomy Roadmap Initiative's role to make collective technical progress on taxonomies and interoperability, the next step is to facilitate interoperability in the development phase and the implementation of taxonomies through the use of common principles.

The Principles for Taxonomy Interoperability outlined here are intended for use by taxonomy developers and policymakers in developing, governing and implementing

taxonomies. They aim to enhance interoperability at different phases of maturity of taxonomies (i.e. design, adoption and implementation) and aim to reinforce best practices.

The Principles build on best practices, initiatives, emerging approaches and work already advanced on interoperability. As such, Principle 1 is to build on the work that has been done to date, including the G20 SFWG principles published in 2021.

Principles 2–7 provide a baseline for taxonomy design, usability, implementation and adoption building are based on the wealth of taxonomy development that has taken place to date, drawing on and highlighting foundational features. For new taxonomies, these commonalities can facilitate taxonomy interoperability from Day 1. For existing or expanding taxonomies, the principles can facilitate and enhance further interoperability as dynamic taxonomies continue to optimize design features in line with other jurisdictions and best practice. Each principle is targeting interoperability in different ways, and each is intended to be valuable on its own, and not necessarily contingent on all principles being adopted.

The Principles are intended as a practical means to support the Taxonomy Roadmap Initiative by providing a high-level interoperability framework. They serve as a bridge between the strategic vision outlined in the COP29 Roadmap and the operational actions required by jurisdictions and other stakeholders to achieve interoperability in practice. They will also serve as a contribution to the COP30 Presidency's Super Taxonomy agenda, proposed by the Brazilian Ministry of Finance for COP 30 and part of the Activation Group 20 of the Action Agenda, to raise the ambition for interoperability through a renewed effort to agree on and utilize the High-Level Principles for Taxonomy Interoperability proposed by the Taxonomy Roadmap. The main objective of the initiative is to advance the acknowledgment of taxonomies as a crucial element of the sustainable finance agenda for economic policymakers, including both Ministries of Finance and Central Banks.

Principle 1

> Build the foundation of the taxonomy on jurisdictional environmental, economic and social priorities and on existing principles of best practices such as the G20 Principles.

Description:

Given the specificity of jurisdictional economic and sustainable development priorities, criteria or technological routes for decarbonizing will differ across taxonomies. It is important, therefore, that at its foundation, the taxonomy is a tool to support jurisdictions in meeting their sustainable development objectives.

Another foundational element for taxonomy development is the consideration and use of global best practices. The G20 voluntary principles on alignment approaches provide the baseline for understanding best practice in taxonomy development. These have been widely used since their release in 2021[6] and are:

6 G20 Sustainable Finance Working Group, 2022. G20 Sustainable Finance Roadmap.g20sfwg.org/roadmap/

- To ensure positive contribution,
- To avoid negative contribution,
- Be dynamic,
- To reflect good governance,
- Be science-based, and
- To address transition considerations.

These remain the baseline and starting point for the development of taxonomies globally.

This includes the need to define a governance structure based on best practices such as the designation of a lead agency as the institutional home, regular timelines for revision and political leadership to foster autonomy in the technical and scientific fields to ensure its credibility.

Regional frameworks, such as the *LAC Common Framework for Sustainable Finance Taxonomies*[7] and *ASEAN Taxonomy for Sustainable Finance*[8] also provide a starting point for jurisdictions to build on.

Principle 2

> Apply common taxonomy design features and terminology such as sector classification, shared objectives, screening criteria, minimum safeguards and transition approaches.

Core design features to enhance interoperability include:

- **Sector structure:** Use of a sector classification structure (including granular division and class) to organize the taxonomy in a way that allows the mapping of comparable information across taxonomies (e.g. local classification with ISIC as a parent structure).
- **Objectives:** Adoption of environmental and/or social objectives that are already expressed in other taxonomies. To date, the six most common objectives are: climate change mitigation, climate change adaptation, biodiversity protection, sustainable use of water and marine resources, pollution control and circular economy. There are fewer examples of taxonomies with stated social objectives, but themes include health, indigenous communities, gender, education and equality.
- **Clear and usable screening criteria:** Quantitative criteria or other binary pass/fail criteria to define substantial contribution are comparable across borders and therefore interoperable.
- **Transition:** Facilitate the transition of all taxonomy activities with a specific priority on hard-to-abate activities by using the approaches to facilitating transition already pioneered by other countries (see **Guidance note 1**).
- **Terminology:** Harmonize use of foundational taxonomy concepts and terminology including:

7 United Nations Environment Programme, 2023. Common Framework of Sustainable Finance Taxonomies for Latin America and the Caribbean. Latin America and the Caribbean. Available unepfi.org/publications/common-framework-for-sustainable-finance-taxonomies-for-latin-america-and-the-caribbean/

8 ASEAN Taxonomy Board. 2024. ASEAN Taxonomy for Sustainable Finance. sfinstitute.asia/asean-taxonomy/

- **Substantial contribution and "Do No Significant Harm" (DNSH):** Incorporation of and clear separation of the concepts of DNSH and substantial contribution.
- **Terminology:** Eligible, aligned, safeguards, measures, etc.

- **Social Safeguards:** Incorporation of safeguards to act as an important minimum baseline to safeguard people and communities. Alignment with international standards such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights will ensure the robustness of the process. Noting that social safeguards do not replace social objectives and alone are not sufficient to ensure a just transition.

Guidance note 1 at the end of this document provides more granularity.

Principle 3

Define use cases and users in the development and review process, prioritizing straightforward use cases with the highest market demand. This may include a pathway for small- and medium-sized enterprise (SME) adoption in line with national priorities.

Description:

Many jurisdictions have focused primarily on the technical aspect of the taxonomy, resulting in interoperability efforts also being focused on the level of taxonomy design and criteria development. However, the way that taxonomies are used is equally important: taxonomy interoperability increases when taxonomies are intended for similar purposes across borders. The most common use cases noted to date are corporate disclosure and the labelling of debt.

Taxonomies can have a broad range of use cases, which also correspond with different levels of complexity and different levels of market development required to implement them. Regulators and taxonomy owners should consider the matrix within Guidance note 2 in designing use cases that are appropriate to the local market conditions.

In some economies small-and medium-sized enterprises (SMEs) account for a significant proportion of GDP and may also be associated with very high environmental impact, particularly in middle-and low-income countries. It may therefore be important for the taxonomy design to support usability for SMEs, e.g. by having simplified activity-specific criteria for SMEs and/or a simplified alignment approach for SMEs, e.g. different rules or timeline for complying with DNSH criteria. Similarly, leveraging existing governmental data on SMEs can improve compliance, while limiting compliance burdens.

Use case examples:

- China: green bonds, indices, green loans, green funds.
- EU: corporate reporting, investment product labels, green bonds.
- Singapore: recommended for green bonds.

Guidance note 2 references use cases identified to date.

SME examples:

- Colombia Taxonomy: Agriculture criteria are specifically designed to accommodate both small- and large-scale farmers.
- Sri Lanka Green Taxonomy: Agriculture activities are based on the best local practices.
- EU Platform on Sustainable Finance: Report on streamlining sustainable finance for SMEs.[9]

Principle 4

Ensure regular review and expansion of taxonomy coverage takes account of activities more common in taxonomies as well as activities with high impact within national contexts.

Description:

It is only possible to compare and use taxonomies across borders when they are similar in scope in terms of economic sectors and objectives. Interoperability can continue to be enhanced after initial development if jurisdictions review and expand taxonomy coverage with coverage in mind.

Sector coverage may initially enhance interoperability if it is based on what is already common in taxonomies (if relevant to the local context), as this leads to a greater comparable overlap. The 2025 Taxonomy Roadmap Initiative report *Global Status and Taxonomy Roadmap Implementation Report: Advancing Sustainable Finance Taxonomies & Interoperability* identifies activities in energy, transport and buildings to be common across most taxonomies.

To facilitate capital flows to a broad spectrum of economies, however, it is necessary for this comparable overlap to grow over time. This requires expansion of activity coverage to those that may be less common in taxonomies but have high impact in some national contexts. The 2025 Taxonomy Roadmap Initiative report[10] identifies agricultural and mineral commodities as being potentially high impact but less common to date.

9 Platform on Sustainable Finance. 2025. Streamlining Sustainable Finance for SMEs. finance.ec.europa.eu/publications/platform-sustainable-finance-report-streamlining-sustainable-finance-smes_en

10 *Ibid*, 2025. Advancing Sustainable Finance Taxonomies: Global Status and Taxonomy Roadmap Implementation. TaxonomiesRoadmap.org

Principle 5

Seek to reduce complexity of the taxonomy by providing clear, science-based criteria and implementing the taxonomy in a way that interoperates with national and international frameworks.

Description:

Taxonomies can be comparable and effective if they are clear and simple and the implementation process is integrated into national market frameworks either through guidance or regulation. This could include entity-level corporate disclosure standards or regulation, loan classification, labelled debt or other investment products as well as explicit linkages to transition plan guidance and international conventions.

Integration can be achieved through both voluntary and mandatory approachesand can be phased over different time horizons depending on the maturity of the market and other factors.

The integration of taxonomies into national frameworks should be facilitated by clear guidance at the international level—such as the International Sustainability Standards Board (ISSB) guidance on transition plans.[11] International standards should also reflect the emerging consensus that financial metrics and targets derived from taxonomies are material to understanding an entity's implementation of sustainability commitments and transition plans.

Examples:

- The EU Taxonomy regulation connects to several other regulations including the Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD).
- China regulatory approvals of green bonds are based on the Green Bond Endorsed Project Catalogue.

Principle 6

Send a clear market signal and foster market ownership through early user support, stakeholder engagement, pilots, peer-to-peer learning, capacity building and the sequencing of taxonomy implementation in consultation with users.

Description:

Successful implementation and interoperability of implementation approaches is only possible if taxonomy users have the capacity to understand, value and use the taxonomy.

Particularly in voluntary contexts, it is essential for taxonomy take-up and use that users place value in the taxonomy which, in turn, requires user consultation early on within the

11 IFRS, 2025. Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2. ifrs.org/news-and-events/news/2025/06/ifrs-publishes-guidance-disclosures-transition-plans/

development and implementation process. The local context may also require broader stakeholder ownership via engagement with communities and representative institutions in the design phase.

By providing or participating in user support and engagement programmes such as pilot studies, guidance documentation, tools for mapping taxonomies and or studies, jurisdictions can support users to adopt and taxonomies both internally and across borders.

Examples:

- Colombia Green Taxonomy pilots
- Rwanda capacity building
- EU Taxonomy pilot[12]

Principle 7

> Join international collaborative efforts by engaging taxonomy developers through platforms and fora, conducting comparison studies, leveraging international proxies to close criteria gaps and exploring the legal and operational feasibility of cross-border recognition.

Description:

Interoperability can be facilitated at different levels via different mechanisms, not all of which will be appropriate in all contexts.

At the framework level, taxonomy developers can also facilitate interoperability through informal and non-binding collaboration between countries through international for a and platforms. This may, in turn, also require strengthening internal collaboration to secure support of government institutions to provide weight to international collaborative efforts.

At the technical level, proxies can be leveraged to close gaps where standards/laws do not exist. Proxies include pre-existing certifications, labels and standards and will be particularly important for DNSH criteria, which tend to be locally specific and often based on local norms, standards or regulation. Existing standards such as the IFC Performance Standards[13] or Equator Principles[14] could act as a starting point for proxy development.

In some voluntary or specific national contexts, agreements regarding mutual recognition may also be possible or desirable although no formal agreements have been made to date. This may include jurisdictions accepting other countries' taxonomies. Mutual recognition could include bilateral or multilateral recognition of taxonomies based on careful consideration between jurisdictions. While this may be one avenue to explore to further enhance interoperability, interested jurisdictions should start by exploring the legal and operational feasibility of cross-border recognition.

12 UNEP FI, European Banking Federation. 2022. EU Taxonomy – Practical Approaches to Applying the EU Taxonomy to Bank Lending. unepfi.org/banking/initiatives/eu-taxonomy/

13 IFC. 2012. Performance Standards on Environmental and Social Sustainability. ifc.org/en/insights-reports/2012/ifc-performance-standards

14 Equator Principles Association. n.d. Equator Principles. equator-principles.com/

Examples of platforms: International Platform on Sustainable Finance (IPSF)

Examples of comparison studies and collaboration: The IPSF M-CGT is a technical comparison study between the EU, China, and Singapore-Asia taxonomies. It identifies commonalities and differences between key features of the three frameworks and is the result of collaboration among China, the EU and Singapore under the IPSF. The CGT, or M-CGT, is not a label or a regulatory framework.

The EU Sustainable Finance Advisory Hub's bilateral taxonomy comparison studies help investors understand how sustainability criteria compare across jurisdictions and identify ultimately navigate the complexities of cross-border sustainable investing. Examples include: EU- South Africa comparison study[15] and Colombia-EU comparison study.[16]

Examples of comparison proxies: IFC Edge building criteria used as a proxy for alignment with buildings criteria in Singapore and other taxonomies

15 National Treasury, 2022. A Comparison of South Africa's Green Taxonomy to the EU Taxonomy. sustainablefinanceinitiative.org.za/working-groups/taxonomy-working-group/

16 Climate Bonds Initiative, Ambire Global, 2023. Comparison Study Between the Colombian and EU Taxonomies. climatebonds.net/data-insights/publications/comparison-study-colombian-eu-taxonomies

Guidance note 1: Core pillars of taxonomy design

Sector structure

The sector structure is the organizing framework of the taxonomy. Most taxonomies have utilized a sector structure that is based on their own national sector classification which is, in turn, based on the International Standard Industrial Classification of All Economic Activities (ISIC). Taxonomies that are based on similar organizing sector structures are easy to compare and use even across jurisdictions with very different economic contexts. Given that most national classification systems are already based on ISIC as a parent structure, this pillar has already been well implemented around the world.

Examples: NACE in the EU, ANZSIC in Australia and New Zealand and CNAE in Brazil are all based on ISIC.

Environmental/social objectives

Evidence from the Taxonomy Roadmap Initiative 2025 report[17] shows six common environmental objectives (although noting that wording differs): climate change mitigation, climate change adaptation, biodiversity protection, water, pollution control and circular economy.

The use of these environmental objectives as a starting point provides a fundamental building block for interoperability. Jurisdictions looking to be interoperable should look to adopt some/all of these as a starting point, proposing/ adding others where necessary based on the context. While many jurisdictions have already addressed climate mitigation, adaptation is a key priority for the flow of climate finance going forward.

There is less consensus on social objectives to date, but this can emerge if taxonomy developers analyse and, where possible, use social objectives as expressed by the globally adopted Sustainable Development Goals (SDGs).

The *Taxonomy Roadmap Initiative 2025 report*[18] provides detailed analysis on the percentage of taxonomies including different objectives.

Examples of countries using the same defined environmental objectives: South Africa, Singapore, EU, ASEAN, Colombia and Panama.

17 *Taxonomy Roadmap Initiative*, 2025. Advancing Sustainable Finance Taxonomies: Global Status and Taxonomy Roadmap Implementation. TaxonomiesRoadmap.org

18 *Ibid*.

Clear and usable screening criteria

Criteria that have a clear pass/fail outcome are easier to align and compare with other jurisdictions as there is very little room for subjectivity or differences in assessment. Pass/fail criteria include technical thresholds based on a quantitative metric, use of proxy labels/schemes (e.g. LEED Gold level in buildings) or automatic qualification.

Principles-based or other criteria using language such as "minimize" or "reduce" are subjective in nature and can be interpreted differently across and within borders. These types of criteria should be low priority and used only if no other options are available.

Examples: While all taxonomies employ a mix of criteria types, taxonomies which prioritize pass/fail outcomes include: EU, Singapore, Thailand, Colombia and Hong Kong SAR.

Clear distinction of substantial contribution and "Do No Significant Harm" concepts

Description: The well-established concepts of substantial contribution, DNSH and MSS are the foundation of a taxonomy and can help to ensure harmonization of ambition and concepts of alignment across taxonomies. The concept of substantial contribution is generally well integrated into taxonomies, with most taxonomies using criteria to demonstrate substantial contribution.

Most taxonomies also incorporate the principles of DNSH into the taxonomy design, although not all approaches to testing DNSH are integrated. Some have fully fledged numerical criteria, while others intend to develop and phase in criteria over time, and others adopt a more principles-based approach (see below).

Examples (non-exhaustive):

- Substantial contribution concept embedded: Colombia, Rwanda and ASEAN.
- DNSH principles/guiding questions: Malaysia and Philippines.
  - DNSH criteria voluntary in the early phases of implementation: Singapore.
- Fully fledged DNSH criteria required for compliance: South Africa and EU.

Transition approaches

Taxonomies have utilized different approaches to encourage the transition of sectors over time/towards net zero. The most common approaches are:

a. **Binary approach**, used for example in the EU, where transition over time is facilitated through the use of binary thresholds for transitional activities that reflect best in class and will ratchet down over time, or

b. **Traffic light approach**, used for example in the ASEAN taxonomy, which may include different methodologies for amber activities/criteria for example the Indonesia approach of lower carbon activities.

c. **Merged:** The Australian approach merges these two approaches by providing a separate list of decarbonizing measures that aim to recognize, as taxonomy-aligned, the incremental steps/investments of a transition over time.

All approaches have pros and cons, and all taxonomies should seek to facilitate the transition, particularly of hard-to-abate sectors, utilizing the most appropriate approach for their circumstances. Transition approaches should also seek to take account of a just transition taking into consideration a pace of transition that does not leave people behind and ensuring that there are mechanisms in place to support communities impacted by the transition (which may fall outside of the taxonomy).

For the selected approach, any criteria aimed at identifying activities/investments that are undertaking a credible transition over time should be guided by recognized and credible scientific pathways and research.

Examples: ASEAN (traffic light), Indonesia (traffic light), South Africa (binary), Colombia (binary), Australia (combined) and Hong Kong SAR (merged)

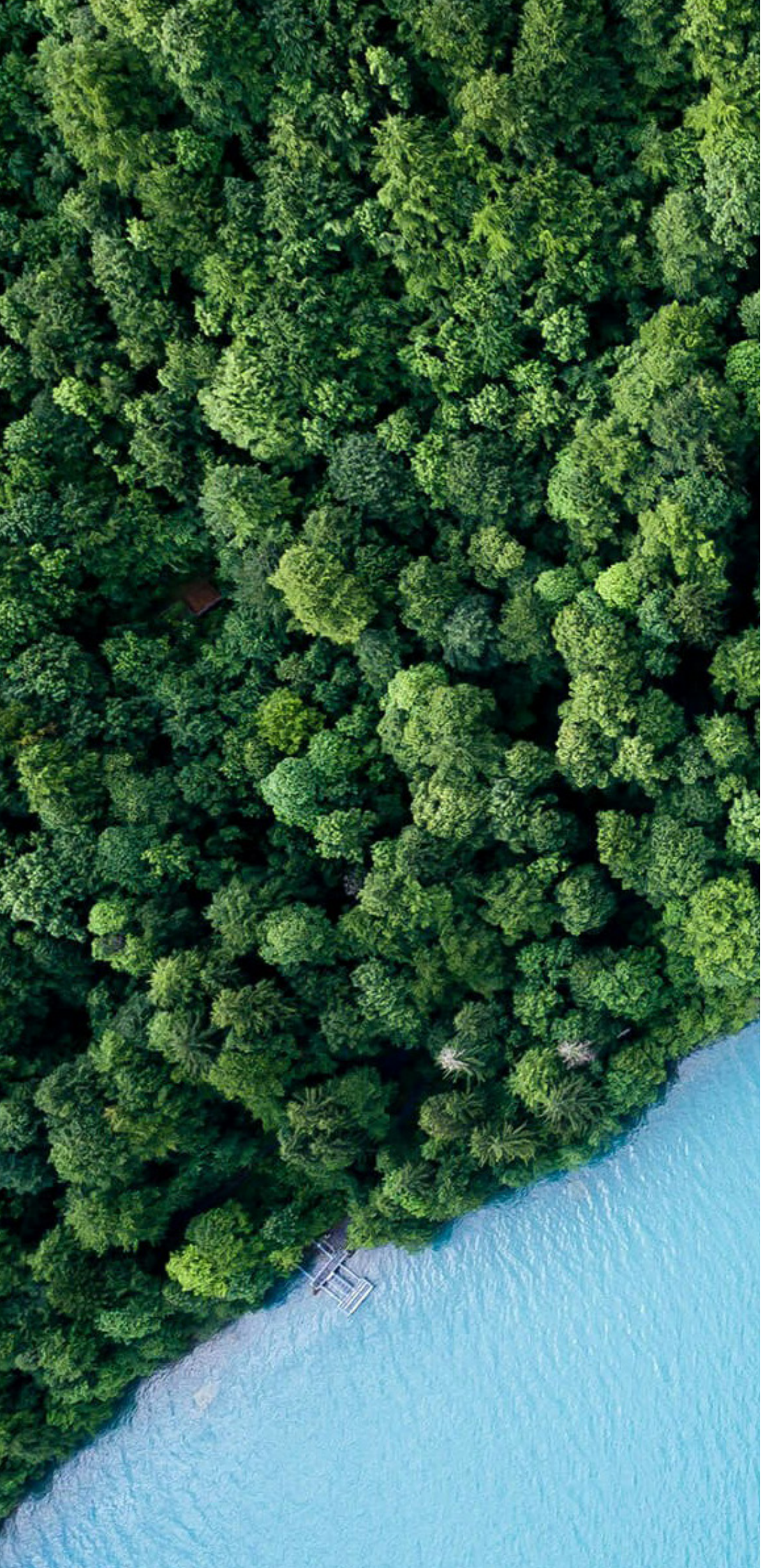
Guidance note 2: Use case examples for Principle 3

Defining the use case for a taxonomy can be guided by the use cases already underway. The following matrix outlines a broad range of use cases of low, medium and high complexity to guide taxonomy developers in defining short-, medium- and long-term use cases for a taxonomy.

This is a generalized analysis applicable across a broad range of context although it is noted that there will be differences in complexity depending on local conditions, infrastructure and market development.

Maturity	Use Case
Short-Term/Low Complexity	1. Green bond regulations/guidance
	2. Green origination (banks)
	3. Corporate climate disclosure
Medium-Term/Moderate Complexity	4. Green labels for financial products
	5. Climate-financial benchmarks/indices
	6. Stress-testing & scenario analysis
	7. Green public procurement
	8. Export credit programs
	9. Risk-weight adjustments (banks)
	10. Green budget tagging
Long Term/High Complexity	11. Taxonomy-linked asset purchases
	12. Green quantitative easing
	13. Collateral policies (haircuts)

Source: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)



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