



# Sustainable finance taxonomy & climate reporting:

Australia & Latin America



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## Introduction

[Sustainable investment](#) is a growing trend with more than USD 21.9 trillion invested across Europe, Canada, Japan Australia and New Zealand<sup>1</sup> as of 2022. While to date, no comprehensive global review on sustainable investment figures in Latin America and the Caribbean (LAC) has been published, according to the Interamerican Development Bank (IDB), LAC's sustainable capital markets expanded to \$32.4 billion in 2022<sup>2</sup>. Consumers are increasingly demanding sustainable products, and a significant number of employees wants to work for companies aligned with their sustainability values<sup>3</sup>. In brief, sustainability is a key [global institutional trend](#), and it affects companies both in Australia and Latin America. In this article, we highlight the importance of considering sustainability issues to enhance trade and investments between these two regions.



**Dr. Damien Lambert**  
Head of Sustainability Services  
Forvis Mazars in Australia



**Maximiliano Leon**  
Sustainability and ESG Manager  
Forvis Mazars in Chile



**Mirko Vlahovic**  
Senior Sustainability & ESG  
Consultant  
Forvis Mazars in Chile

## Responsible investments as a growing trend

As defined by the Responsible Investment Association Australasia (RIAA), “responsible investment, also known as sustainable or ethical investment, is a broad-based approach to investing which factors in people, society and the environment, along with financial performance, when making and managing investments.”<sup>4</sup> It is driven by multiple factors such as individuals seeking better alignment between their investment portfolio and their personal values or reducing risks by considering a broader scope of environmental, social and governance (ESG) risks.

Besides, governments have also set goals to achieve a transition to a more sustainable world such as Net Zero targets. In Australia, the Climate Change Act 2022 set “a greenhouse gas emissions reduction targets of a 43% reduction from 2005 levels by 2030 and net zero by 2050”<sup>5</sup>. In Latin America, Colombia and Chile have set net zero targets by 2050, backed by national policies and regulations, leading the region's climate efforts. Chile submitted its latest NDC to the UNFCCC in 2020, which includes an emissions reduction target of up to 45% net GHG emission by 2030, conditional on international finance<sup>6</sup>. On the other hand, Colombia's net zero strategy considers mitigation actions for all sectors with the intention to reach by 2050 a 90% GHG emissions reduction compared to 2015.<sup>7</sup> Governments recognise the importance of responsible investments to enable the transition and have set a number of regulatory initiatives to support investments in sustainable activities. Among others are initiatives aiming to require companies to disclose more sustainability information to meet the information needs of investors and other stakeholders. In this publication, we present two initiatives that will affect significantly both Australia and Latin America: Sustainable Finance Taxonomy and Climate reporting.

<sup>1</sup> [GSIA-Report-2022.pdf \(responsibleinvestment.org\)](#)

<sup>2</sup> [Common framework for sustainable finance taxonomies for Latin America and the Caribbean](#)

<sup>3</sup> [Engaged employees are asking their leaders to take climate action \(harvard.edu\)](#)

<sup>4</sup> [Responsible investment explained - Responsible Investment Association Australasia \(RIAA\)](#)

<sup>5</sup> [Australian Government climate change commitments, policies and programs \(aofm.gov.au\)](#)

<sup>6</sup> [Climate action tracker: Chile](#)

<sup>7</sup> [Climate action tracker: Colombia](#)

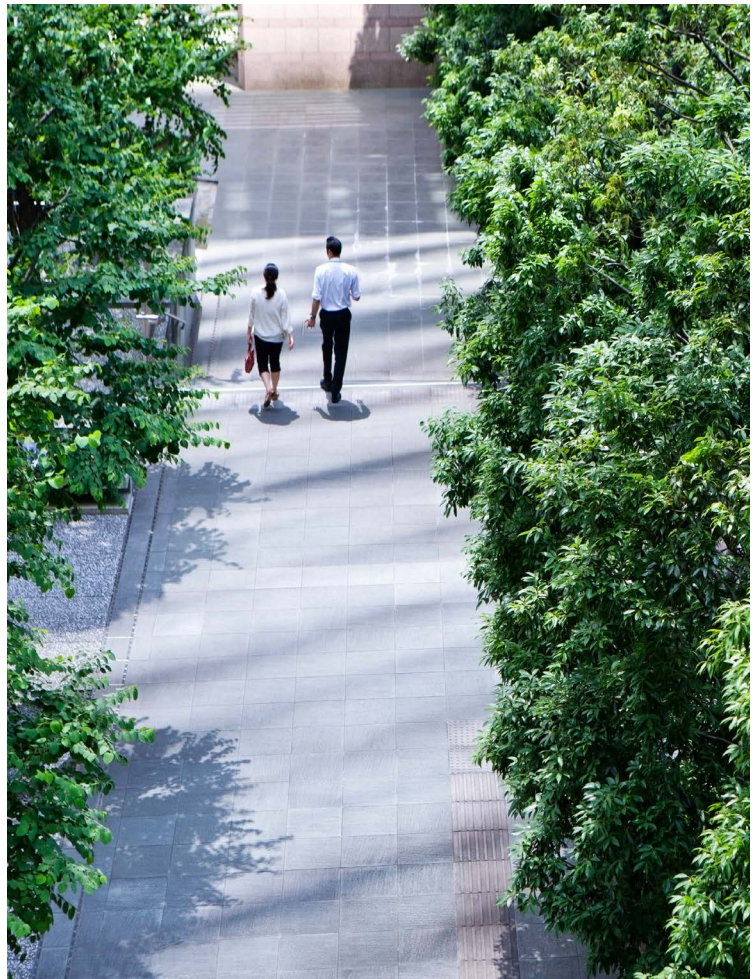
## Looming sustainable finance taxonomies

The European Union has led the way by introducing the Taxonomy Regulation in 2020. Sustainable finance taxonomy aims to drive investment flows toward activities considered sustainable. It is “a common toolbox for market participants to assess whether investment projects have a substantial positive impact on the climate or the environment.”<sup>8</sup> Taxonomy requires companies to categorise their current activities as eligible (or not) activities as per the list defined in the Climate Delegated Act. An eligible activity is an activity that makes a significant contribution to one of the EU environmental objectives. Then companies need to quantify how much of their eligible activities can be considered as aligned with the Taxonomy (i.e., environmentally sustainable) based on four main criteria: substantially contribute to one or more of the six environmental objectives, meet the technical screening criteria, do no harm to other environmental objectives, comply with minimum social safeguards. Responsible investors can then use this information to make informed investment decisions. In turn, companies are forced to reflect on their current business model and strategy and encouraged to consider increasing their investment in sustainable activities to meet the demand of investors and drive share price up.

In Australia, the Australian Sustainable Finance Institute (ASFI) in collaboration with the Australian Government is currently developing a Sustainable Finance taxonomy<sup>9</sup>. This taxonomy is aligned with the Net Zero strategy set by the Australian Government and accordingly focuses on six sectors to decarbonise as a priority: electricity generation and supply (energy); minerals, mining and metals; construction and the built environment, manufacturing/ industry; transport; and agriculture.

In Colombia, a Finance taxonomy has been introduced in 2022, the first one in Latin America<sup>10</sup>. Other countries in Latin America have plans to implement a Finance taxonomy. Mexico launched its own Sustainable Taxonomy in 2023<sup>11</sup>, and Panama followed in March 2024, being the first in Central America to launch a Sustainable Finance Taxonomy<sup>12</sup>. Similarly, in June 2024, the Dominican Republic introduced its Green Taxonomy, becoming the first in the Americas to focus specifically on water resources as its primary objective<sup>13</sup>. Chile is developing a Green Taxonomy, for which it has already released a Taxonomy Structure. It sets a general framework for the categorisation of eligible activities and definition of technical selection criteria. According to UNEP FI 2023 data, there are more than 35 taxonomy projects worldwide.

In brief, it is important for companies planning to develop new projects in Australia and/or Latin America to factor in sustainability in their investment plans.



<sup>8</sup> [Taxonomy regulation: Approved EU taxonomy climate delegated Act under Art. 10\(3\) and 11\(3\) of the Taxonomy Regulation \(europa.eu\)](https://european-council.europa.eu/media/en/press-operations/infographic-123446.pdf)

<sup>9</sup> [About the Australian taxonomy – ASFI](https://www.asfi.gov.au/)

<sup>10</sup> [Colombia unveils new taxonomy guidelines to accelerate green finance | Climate bonds initiative](https://www.climatebondsinitiative.com/en/initiatives/colombia-unveils-new-taxonomy-guidelines-to-accelerate-green-finance)

<sup>11</sup> [Gobierno de Mexico: Taxonomía sostenible de México](https://www.gob.mx/gobierno/acciones-taxonomia-sostenible-de-mexico)

<sup>12</sup> [Superintendencia de bancos de Panamá: Panama takes a crucial step with the launch of its sustainable finance taxonomy.](https://www.superintendencia.gub.ve/actualidad/panama-toma-un-paso-crucial-con-el-lanzamiento-de-su-taxonomia-sostenible-de-finanzas)

<sup>13</sup> [El Gobierno publica la Taxonomía Verde de la República Dominicana | Ministerio de Medio Ambiente y Recursos Naturales](https://www.mamr.gub.ve/actualidad/el-gobierno-publica-la-taxonomia-verde-de-la-republica-dominicana)

## The rise of climate reporting obligations

A second major initiative is the progressive introduction of mandatory climate reporting in Australia and Latin America. Following the launch of IFRS Sustainability Disclosures Standards (SDS) in June 2023 (specifically IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures), countries around the world are considering endorsing (a modified version of) these standards. These standards require companies to report on the sustainability and climate-related risks and opportunities, to calculate and disclose their carbon footprint as well as the emission reduction targets eventually set and to perform climate scenario analysis to test the resilience and adaptation of their current business model.

In Australia, a [climate reporting law](#) has become effective on 18 September 2024 and introduces mandatory climate reporting obligations as of 1st January 2025 for the largest companies, with a progressive expansion to smaller companies. Companies have to prepare a climate statement prepared in accordance with a slightly modified version of IFRS S2. Countries in Latin America are following the move. Brazil is planning to introduce mandatory use of IFRS SDS from 1 January 2026<sup>14</sup>. The Brazilian Committee of Sustainability Pronouncements (CBPS) has consulted stakeholders on its draft standards<sup>15</sup>. Likewise, the Superintendence of Accounting and Auditing Standards (SNC) of the Brazilian Securities and Exchange Commission (CVM) has launched an overlapping consultation process on the two standards. If approved, listed entities would be required to apply the standards from 1 January 2026<sup>16</sup>. Similarly, the Chilean Financial Market Commission (CMF) has issued in October 2024 a norm that requires listed and supervised entities to prepare sustainability disclosure in accordance with IFRS S1 and S2 for the financial year 2026.<sup>17</sup>

Other Latin American countries have taken significant steps toward sustainability-related financial disclosures. Colombia has mandated the adoption of the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and SASB Standards. These standards serve as a foundation for the International Sustainability Standards Board (ISSB)'s own standards.

Additionally, Mexico's national standard-setters are actively considering the implementation of the ISSB's Standards.

## Embedding sustainability and climate considerations into Australia – Latin America investment decisions

Overall, the introduction of Finance taxonomies and IFRS SDS in both Australia and Latin America first require companies planning to set up entities in these regions to consider the sustainability disclosure requirements they may have to comply with. Second, investors will scrutinise climate-related disclosures. The negative impacts of climate change become increasingly visible with extreme weather events becoming more frequent (flood, storms, drought, etc) and both Australia and Latin America are not spared. Therefore, the choice of location for setting up a new facility requires careful considerations of climate physical risks over the short, but also medium and long term. Last, investors increasingly engage with companies on ESG issues and scrutinise whether companies effectively manage climate-related risks and opportunities. Thus, the Australian Council of Superannuation Investors (ACSI) “supports the provision of a ‘Say on Climate’ vote whereby companies that are materially exposed to climate risk provide investors with an advisory vote on the company’s management of” these risks and opportunities.<sup>18</sup> Similarly, the Chilean Superintendence of Pensions establishes a series of instructions for pension fund administrators (AFP) and the Unemployment Fund Administrator (AFC), with the goal of incorporating climate risks and ESG factors into their investment policies and processes, as well as in their risk assessment and management activities.<sup>19</sup>

<sup>14</sup> [IFRS - Brazil adopts ISSB global baseline, as IFRS Foundation Trustees meet in Latin America](#)

<sup>15</sup> [Em Andamento \(facpcs.org.br\)](#)

<sup>16</sup> [Aberta consulta pública que torna obrigatória divulgação de informações financeiras relacionadas à sustentabilidade](#)

<sup>17</sup> [CMF publica normativa que perfecciona las instrucciones impartidas para la confección de la Memoria Anual integrada - CMF Chile - Prensa y Presentaciones](#)

<sup>18</sup> [Governance-Guidelines-December-2023.pdf \(acsi.org.au\)](#)

<sup>19</sup> [Superintendencia de Pensiones publica nueva norma que incorpora el riesgo climático y los factores denominados ASG en las políticas de inversión y de gestión de riesgos de las administradoras](#)

## Co-authors

Damien Lambert, Forvis Mazars in Australia

Maximiliano Leon, Forvis Mazars in Chile

Mirko Vlahovic, Forvis Mazars in Chile

## Contacts

### Dr. Damien Lambert

Head of Sustainability Services

Forvis Mazars in Melbourne, Australia

[damien.lambert@forvismazars.com](mailto:damien.lambert@forvismazars.com)

### Kim Prior

Chief Executive Officer

Australia-Latin America Business Council

[ceo@alabc.com.au](mailto:ceo@alabc.com.au)

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