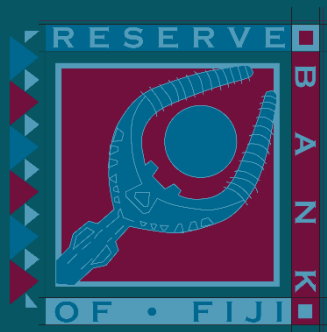




Fiji Green Finance Taxonomy

User Guidelines

2026



These User Guidelines were developed to accompany Fiji's first Green Finance Taxonomy, produced by the Reserve Bank of Fiji in partnership with the International Finance Corporation (IFC)—a member of the World Bank Group and technical partner Climate Bonds Initiative. The User Guidelines and Taxonomy were delivered under the Fiji Private Sector Development Partnership, funded by the Government of Australia.

The User Guidelines are not exhaustive and are intended as a supplementary document to the Fiji Green Finance Taxonomy, providing illustrative use case examples to support its application.

Table of Contents

1. Introduction	1
2. Target Users	2
3. Key Definitions Used in the Taxonomy	3
3.1 Financial Flows for Taxonomy Application	3
4. Taxonomy Alignment	4
5. Assessment of Activities	5
5.1 Traffic Light System	5
5.2 Assessment of DNSH and MSS Compliance	8
6. Usability Examples and Case Studies for Financial Institutions	10
6.1 Case study 1: Green loan for a new solar power plant	10
6.2 Case study 2: Green loan for electricity grid expansion	12
6.3 Case study 3: Reserve Bank of Fiji policy use case	15
7. Role of Verification and Selection of Verifiers	17
7.1 Role of Verifiers	17
7.2 What Is a Verifier?	17
7.3 Minimum Requirements for Verifiers (local and international standards)	18
7.4 Verification Process (overview)	19

List of **Tables and Figures**

Table 1: A summary of the traffic light system	6
Table 2: Assessment of an environmental objective	7
Figure 1. Illustrative example of the relationship between sectors, entities, and activities	4
Figure 2. Traffic light system	5
Figure 3. Substantial contribution checklist	7
Figure 4. DNSH and MSS compliance	8
Figure 5. Decision flowchart for determining compliance with Taxonomy	9



List of **Abbreviations and Acronyms**

A&R	Adaptation and Resilience
ASEAN	Association of Southeast Asian Nations
CapEx	Capital Expenditure
°C	Degrees Celsius
DNSH	Do No Significant Harm
EIA	Environmental Impact Assessment
ESG	Environmental, Social, and Governance
ESIAs	Environmental and Social Impact Assessments
gCO₂/kWh	Grams CO ₂ per kilowatt hour
GHG	Greenhouse gas
IFC	International Finance Corporation
ISEFF	Import Substitution and Export Finance Facility
ISIC	International Standard Industrial Classification
ISO	International Organization for Standardisation
ISSA	International Standard on Sustainability Assurance
MSS	Minimum Social Safeguards
MW	Megawatt
OpEx	Operating Expenditure
PCF	Product Carbon Footprint
PS	Performance Standard
PV	Photovoltaic
RBF	Reserve Bank of Fiji
TSC	Technical Screening Criteria

1. Introduction

This document serves as a supplementary guide designed to support users in the practical application of Fiji's first-ever Green Finance Taxonomy ("Taxonomy").

The Taxonomy, which can be downloaded [here](#), was produced to support market actors in the mobilisation of financial resources while also achieving Fiji's ambition us climate and development goals in a sustainable manner, with the overarching target of achieving net-zero emissions by 2050.

Therefore, the Taxonomy provides a framework for assessing whether an economic activity meets the substantial contribution criteria to a climate and environmental objective, as defined by the Technical Screening Criteria (TSC), while also ensuring compliance with the principles of Do No Significant Harm (DNSH) and adherence to Minimum Social Safeguards (MSS). In addition, the User Guideline provide case studies that illustrate various approaches to applying the Taxonomy in

real-world scenarios, offering practical examples to enhance understanding and implementation.

These User Guidelines and Taxonomy are aligned with international best practices while tailored to Fiji's unique circumstances, priorities, and data availability. They recognise the importance of both mitigation and adaptation and resilience (A&R) to climate change hazards.

These first versions of the User Guidelines and Taxonomy primarily focus on mitigation activities in the two key sectors of energy and transport, with the intention to expand this scope in future iterations. As such, the User Guidelines and Taxonomy are considered "living documents" and will be regularly reviewed and updated to reflect advancements in science, technology, policy, and market developments. The User Guidelines will be revised to incorporate lessons learned from its practical application following the establishment of necessary awareness and capacity building among market participants and the implementation of initial pilot use cases.



Photo: World Bank

2. Target Users

This Taxonomy is structured to provide a clear, consistent, and science-based framework for identifying and classifying economic activities that substantially contribute to Fiji's climate and environmental objectives. As such, the Taxonomy and the accompanying guidelines are designed to be a practical tool for a wide range of market participants to support the transition to a climate-resilient economy. Key users include the following:

- **Financial institutions:** Banks (commercial, investment, and retail), asset managers, insurance companies, and other financial intermediaries can use the Taxonomy to
 - Develop and structure green financial products, such as green loans, green bonds, and sustainable investment funds;
 - Align lending and investment portfolios with Fiji's national climate and environmental objectives; and
 - Manage climate-related financial risks and report to stakeholders on how the assets align with the Taxonomy and its sustainability criteria.
- **Companies and investors:** Corporations and investors can use the Taxonomy to
 - Assess whether their planned projects and ongoing activities meet green criteria and demonstrate a commitment to sustainability;
 - Align their business strategies and investment plans with Fiji's transition pathway;
 - Attract green financing from local and international sources by demonstrating their Taxonomy alignment; and
 - Make informed decisions about sustainable investments and manage climate-related financial risks.
- **Policy makers and regulators:** The Government of Fiji, relevant ministries, the Reserve Bank of Fiji (RBF), and regulatory agencies are central users of the Taxonomy to
 - Develop supportive policies, regulations, and incentives that can steer capital towards sustainable activities;
 - Monitor the progress of Fiji's transition to a low-carbon, climate-resilient economy; and
 - Create a common, credible language for sustainable finance to prevent greenwashing and enhance market integrity.
- **External reviewers and assurance providers:** Independent third-party entities such as auditors and environmental consultants can use Taxonomy as the official benchmark to
 - Provide external review and verification of green-labelled financial instruments and sustainability reports and
 - Assure the credibility of taxonomy-alignment claims made by companies and financial institutions.
- **Other stakeholders:** Researchers, civil society organisations, and the public at large can use the Taxonomy to understand and engage with Fiji's transition to a low-carbon, climate-resilient economy.

3. Key Definitions Used in the Taxonomy

In the context of the Fiji Green Finance Taxonomy, an **economic activity** is the fundamental building block for assessment. It refers to a specific process of producing goods or providing services.

The Taxonomy primarily uses the **International Standard Industrial Classification (ISIC)** system to define and categorise these activities. This approach ensures consistency with the best international practices and allows for interoperability with benchmark taxonomies in the region, such as Australia and New Zealand.

A company or entity can, and often does, undertake multiple economic activities. For example, a resort in Fiji might engage in several distinct activities:

- **Accommodation services** as its primary business (not within the scope of the current Taxonomy)
- **Wastewater management** (not within the scope of the current Taxonomy)
- **Electricity generation** via solar panels (included in the Taxonomy).
- **Operation of a vehicle fleet** for guest transport (electric and hybrid vehicles are included in the Taxonomy).

It is important to note that all economic activities can be assessed individually against the Taxonomy. In the case of the highlighted example above, two activities are included in this iteration of the Taxonomy for the first stage of the assessment as they fall under the energy and transport sectors, respectively. As such, this activity-level focus is crucial because it allows a company or entity, such as a resort, to seek financing for its “green” activities (like installing solar panels on a resort’s rooftop), even if its other operations are not yet aligned with the Taxonomy (see Section 4). This provides a clear and transparent way to effectively mobilise financial resources as well as channelling finance directly to where it can make the most positive environmental impacts.

3.1 Financial Flows for Taxonomy Application

- **Revenue (or Net Turnover):** This refers to the proportion of a company’s revenue generated from products or services associated with Taxonomy-aligned economic activities. It is a key metric for understanding the “greenness” of a company’s business model.
- **Capital Expenditure (CapEx):** This refers to investments made to acquire or upgrade physical assets for Taxonomy-aligned activities. It can provide a forward-looking indicator of a company’s transition strategy.
- Taxonomy-aligned CapEx is an investment in an economic activity that meets the Green or Amber criteria (see Section 5.1).
- **Operating Expenditure (OpEx):** This refers to the day-to-day, non-capitalised costs associated with maintaining the performance of assets for Taxonomy-aligned activities. This can include costs for research and development, maintenance, and other short-term operational expenses that support the activity’s green credentials.

4. Taxonomy Alignment

Taxonomy alignment is the process of verifying whether an economic activity, a financial product, or an investment portfolio meets the specific criteria set out in the Fiji Green Finance Taxonomy. Alignment can be determined at one of the following levels:

- **Activity level:** This is the core of the assessment. It involves checking a specific activity listed in the Taxonomy against the TSC, such as the construction of a solar farm or the energy renovation of an existing commercial building.
- **Financial product level:** A financial product, such as a **green loan** or a **green bond**, is considered “aligned” if it is exclusively used to finance or refinance Taxonomy-aligned activities. For example, a bank provides a “green loan” to a business to finance the installation of solar panels.
- **Portfolio level:** Financial institutions can also assess and disclose the alignment of

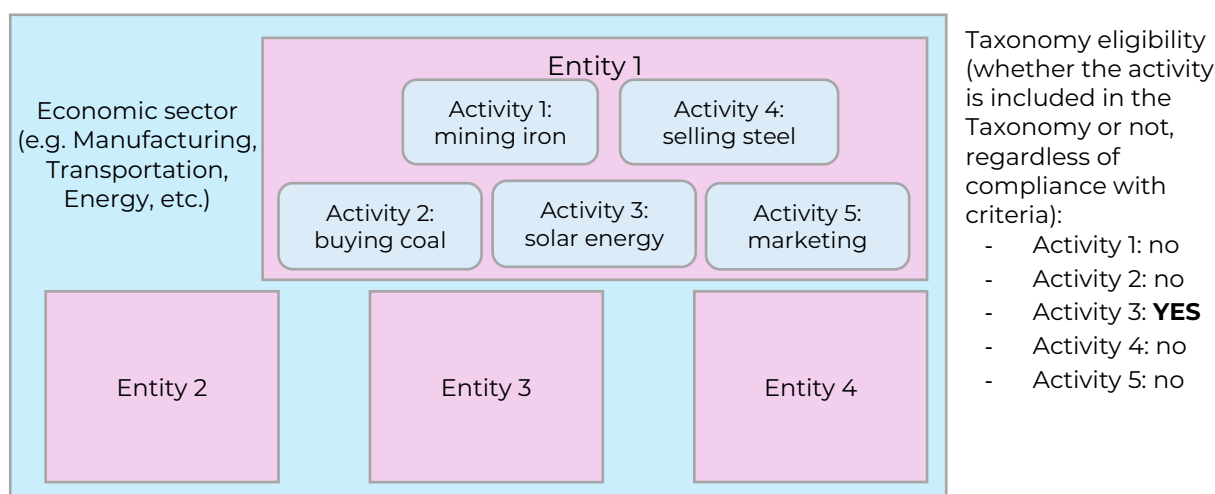
their entire loan or investment portfolio by aggregating the alignment of individual loans or entities within it.

The foundation for all these applications is assessment at the activity level (see Section 5 for a step-by-step guide on how to determine if an economic activity is aligned with the TSC).

Figure 1 illustrates how the Taxonomy is applied at the economic activity level within entities and sectors. It shows that Taxonomy assessments are conducted for individual activities undertaken by an entity, rather than at the entity or sector level. The diagram also demonstrates the concept of eligibility, which refers solely to whether an activity is covered by the Taxonomy, regardless of whether it meets the TSC or other compliance requirements.

As shown, an entity may carry out a mix of eligible and non-eligible activities, with only eligible activities proceeding to further assessment for Taxonomy alignment.

Figure 1. Illustrative example of the relationship between sectors, entities, and activities



Source: Climate Bonds Initiative.

How to determine if an activity is “Taxonomy aligned”

For an eligible economic activity to be considered “Taxonomy aligned,” it must satisfy three core principles set out in the **TSC**:

1. **Substantial Contribution:** The activity must meet specific performance thresholds to make a significant positive contribution to at least one of the Taxonomy’s environmental objectives, such as climate change mitigation. These thresholds define what it means to make a “substantial contribution.”
2. **Do No Significant Harm (DNSH):** While making a substantial contribution to one objective, the activity must not cause significant harm to any of the other environmental objectives of the Taxonomy. This ensures that environmental benefits in one area do not come at the expense of another (see Section 5.2).
3. **Minimum Social Safeguards (MSS):** The entity carrying out the activity must comply with fundamental social and governance standards, including national labour laws and key international conventions on human rights. This ensures that all “green” activities are also socially responsible (see Section 5.2).

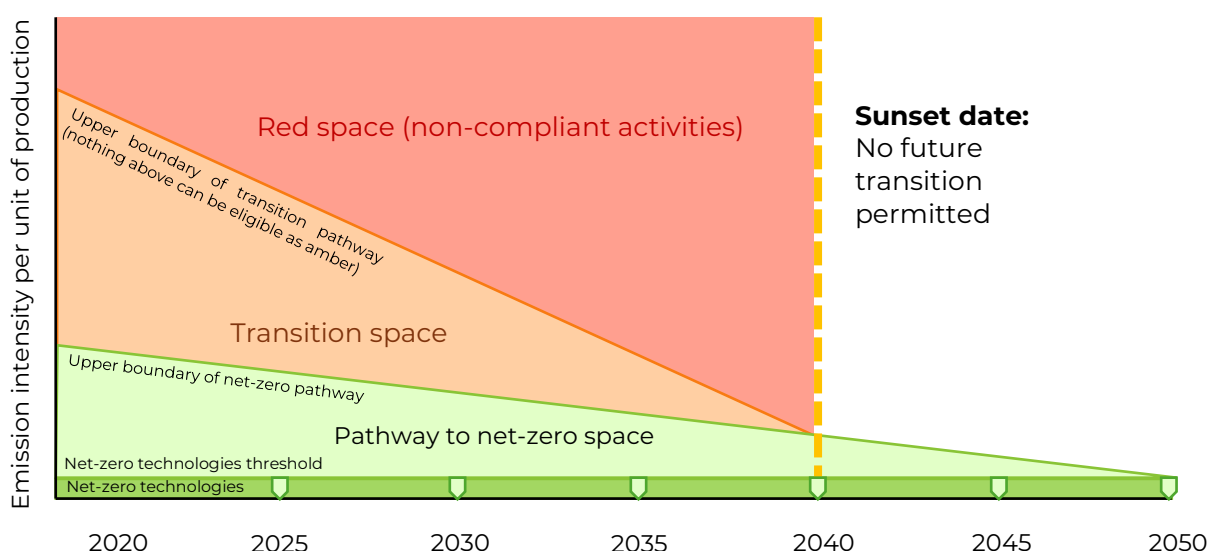
5. Assessment of Activities

5.1 Traffic Light System

The Fijian Taxonomy employs a **traffic light system** to classify and evaluate activities based on their contribution to the mitigation objective. This system categorises all activities defined in the Taxonomy into three distinct groups: Green (aligned to a net-zero pathway), Amber (transitional - on a pathway to becoming green),

and Red (not aligned, with no pathway to becoming green). This classification not only enables access to various forms of sustainable financing but also facilitates transparent disclosures. For detailed information on the traffic light system, please refer to 2.1.1 of the Taxonomy.

Figure 2. Traffic light system



Source: Climate Bonds Initiative.

By adopting this methodology, the Taxonomy provides a clear and intuitive framework for assessing the environmental impacts of activities, promoting more informed decision-making and encouraging the adoption of sustainable

practices. This means a company or entity operating in any sector included in this first version of the Taxonomy or later iterations can utilise the classification system to access various forms of sustainable financing.

Table 1: A summary of the traffic light system

Traffic light colour	Description
Green (aligned)	Substantial contribution to the specified environmental objective. For example, climate change mitigation: - Near zero: activities already operating at or near zero emissions that might require further decarbonisation but not a major transition, such as solar, wind or electric vehicle infrastructure. - Clear pathway to net-zero activities: those activities that are not net-zero currently but have a clearly defined Paris Agreement-aligned decarbonisation pathway that can be followed. - Enabling other Green activities. This can occur even when the activity itself is not Green (for example, grid infrastructure expansion). This category is applicable to both OpEx and CapEx of new facilities in compliance with the Taxonomy's requirements. Revenue obtained from such activities can be considered Taxonomy aligned for reporting. Mitigation primarily applies to activities which may provide economic benefits while simultaneously generating negligible greenhouse gas (GHG) emissions. Economic activities under the energy and transport sectors are common examples of such activities and quantitative pathways can often be defined by the relationship between their economic value and emissions (for example, gCO₂e/kWh). It is important to note that CO₂e criteria are often not defined for most waste management activities. Where they are, they are related to the effective removal and usage of potent GHGs such as methane (CH₄).
Amber (transitional)	TSC defined for Amber activities are dependent on the activity and could come in the following forms: - Decarbonisation pathways (for example, energy), which the activity must follow to be deemed transitional. Changes must lead to a decrease in the emission pathway to attract transitional finance. - A list of applicable measures referring to individual technologies that can be applied to improve the climate and environmental credentials of the activity in question. Funds raised for implementing such measures can be considered "transitional." - Best-in-class options referring to technologies that may not necessarily achieve Green criteria but are (i) an improvement on existing common practices, (ii) the best option commercially feasible at that location, and (iii) tend to support future transition to a Green activity. Specifically, regarding mitigation, Amber activities might have relatively high emissions but also - Facilitate significant short-term emissions reductions, with reliable decarbonisation pathways; - Have a sunset date, after which the Amber category ceases to exist and only the Green category is left as the only option for Taxonomy alignment; and - Critically, used only for existing projects and assets, while the Green category only applies for new ones. Note that for some activities, no Amber TSC have been set. In such cases, the activity may only be defined as Green or Red (ineligible).
Red (Ineligible)	Considered material and relevant for Fiji, these activities are still necessary in the short term. However, no matter the upgrades or adaptations, they do not have a clear pathway to reach net-zero, for example, traditional gas power plants used for the firming of renewable energy on the grid. This category is classified as Red (ineligible).

Figure 3 presents an example of the substantial contribution checklist, outlining the steps and thresholds to determine whether an activity

qualifies as making a substantial contribution to climate mitigation.

Figure 3. Substantial contribution checklist

1. Check the activity's eligibility under the Taxonomy via activity name, description or the ISIC code.

2. Check the requirements for the activity to be aligned with green, amber or red category. Collect activity-related data necessary to determine alignment.

3. Check if the activity parameters comply with green or amber category. In this case this activity is making substantial contribution to the objectives of the Taxonomy.

4. Check if the activity's parameters comply with the red category. In this case the activity is harmful to the Taxonomy's objectives.

Sector classification and activity		
Sector and activity	Geothermal power	
ISIC CODE	3510	
Description	Construction and operation of electricity generation facilities that produce electricity, heating, and cooling from geothermal power	
Scope	Construction and operation (electricity generation)	
The activity makes a substantial contribution to climate change mitigation		
Metrics and thresholds	Green	New facilities meeting declining green threshold for the Energy Sector (Table 2).
	Amber	Existing facilities meeting declining amber threshold for Energy Sector with a prescribed sunset date (Table 2).
	Ineligible	The activity does not meet green or amber criteria

Source: Climate Bonds Initiative.

It is also important to note that additional considerations are needed for Amber assets to ensure “greenwashing” is avoided:

- Transitional assets should not be permanent. The Amber activity should be adjusted—within a given time frame in the future—to be 1.5C° aligned towards a net-zero trajectory.¹
- To ensure that the transitional assets in question will be aligned towards a net-zero trajectory, “sunset dates” must be defined—after which the activity would be determined either aligned or not.

This methodology is applicable to all sectors in the Taxonomy. Additionally, it is important to note that the Taxonomy allows for the assessment of activities, not the assessment of entities with multiple separate activities. Each activity must be assessed individually for an entity with multiple activities.

Table 2 describes how the assessment of an activity's contribution to an environmental objective is conducted.

Table 2: Assessment of an environmental objective

Step	Decision/Action	Outcome/Next Step
1	Is the activity defined in the Taxonomy?	If No → Activity is out of scope and not eligible for green financing If Yes → Proceed to Step 2
2	Confirm Taxonomy eligibility of the defined activity.	Eligible activity may be assessed further
3	Identify the applicable TSC.	Relevant TSC established for assessment
4	Assess metrics and performance requirements against the TSC.	Determine alignment
5	Classify the activity based on assessment results from Step 4.	Green/Amber/Red

Source: Climate Bonds Initiative.

¹ This means GHG emissions reductions are aligned with decarbonisation trajectories compatible with the Paris Agreement goal

of maintaining global temperatures below the 2°C threshold in pursuit of 1.5°C.

Regarding the TSC assessment, it is important to note the following:

- For existing activities, robust and granular data may be required to demonstrate compliance with the TSC. For example, a life-cycle assessment may be required to demonstrate that a hydropower plant meets the 100 gCO₂e/kwh threshold as per the requirements outlined in Section 3.6.3 of the Taxonomy.
- For planned future activities, evidence may be required in the form of technical specification document(s) for the equipment or infrastructure to be used for the activity.
- Where applicable, data verification should be conducted in a manner which is consistent with industry-wide codes of conduct for external reviewers, such as ISSA 5000.² For example, a life-cycle assessment in compliance with TSC should be carried out in accordance with the standard required by the TSC (where specified).

5.2 Assessment of DNSH and MSS Compliance

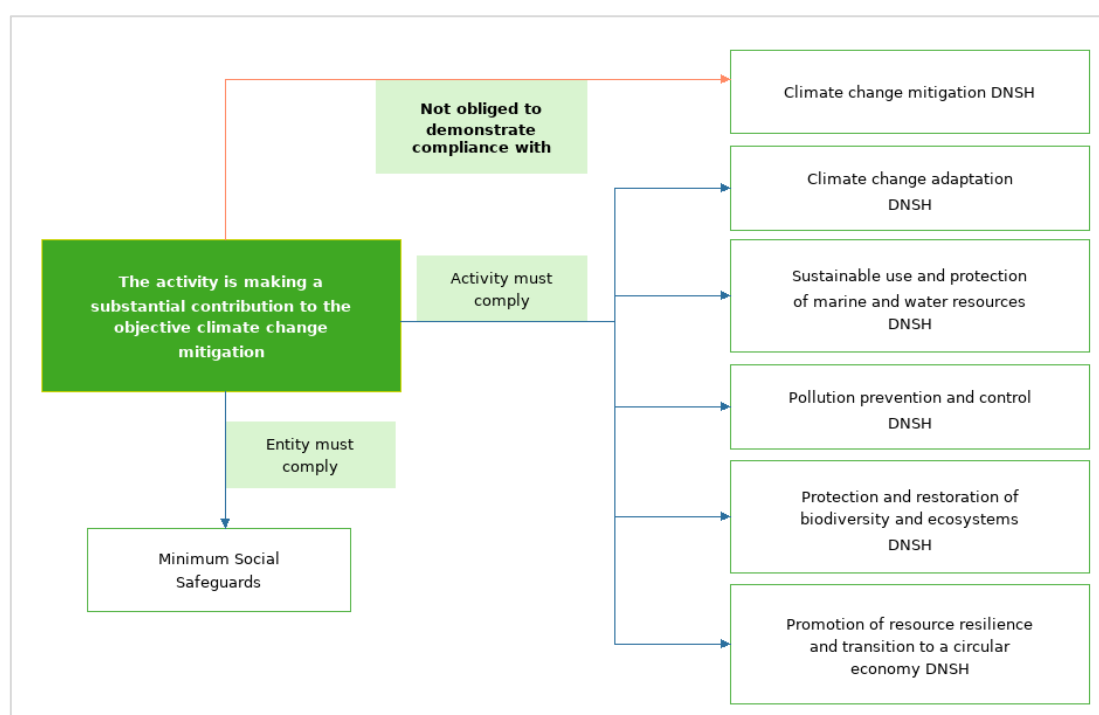
Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS) requirements are complementary criteria that establish essential safeguards for sustainable finance taxonomies, seeking to prevent undesirable negative externalities from activities aimed at supporting environmental objectives.

On one hand, DNSH criteria stipulate that an activity significantly contributing to one objective should not negatively affect any other objective.

On the other hand, MSS criteria ensure that companies and entities implementing activities must adhere to international treaties and national regulations safeguarding fundamental social and labour rights.

Figure 4 is a visual representation of a DNSH and MSS requirement assessment process.

Figure 4. DNSH and MSS compliance



Source: Climate Bonds Initiative.

² ISSA 5000 is the International Standard on Sustainability Assurance issued by the International Auditing and Assurance Standards Board (IAASB). It provides a global, principles-based framework for both limited and reasonable assurance over sustainability information (including Environmental, Social, and Governance [ESG] disclosures) and is designed to be framework neutral.

To conclude, Figure 5 is a visualisation of the process to determine Taxonomy alignment.

For an eligible activity to be deemed aligned with either the Green or Amber requirements, it must

Comply with TSC and DNSH and MSS

OR

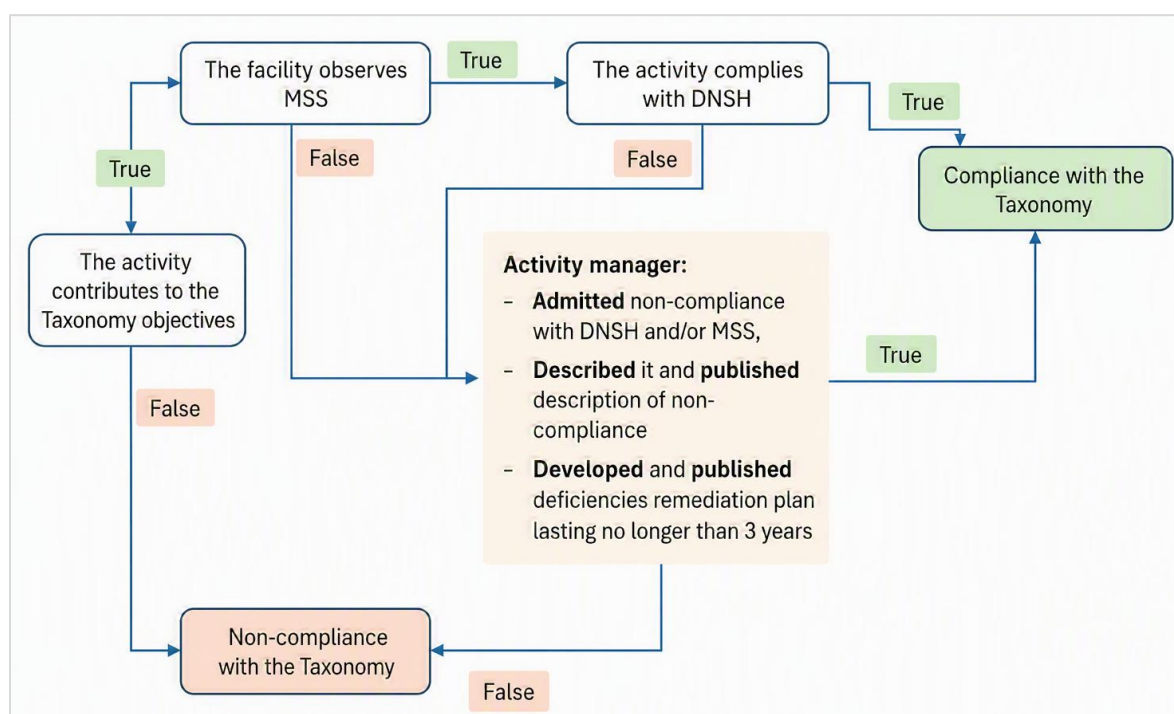
Comply with TSC, disclose non-alignment and the related deficiencies of the activity relative to DNSH/MSS, and develop and publish a

remediation plan lasting no longer than three years from the date of assessment.

Compliance with DNSH and MSS is expected for Taxonomy alignment. Where deficiencies are identified, alignment may be maintained subject to disclosure and a time-bound remediation plan. This approach ensures the Taxonomy maintains the necessary level of stringency while simultaneously enhancing usability without overcomplicating reporting.

This means that even when an activity fulfils the TSC for an environmental objective but does not comply with DNSH against other objectives, it can still be considered aligned with the corresponding Green or Amber category if a time-sensitive remediation plan is submitted.

Figure 5. Decision flowchart for determining compliance with Taxonomy



Source: Climate Bonds Initiative.

6. Usability Examples and Case Studies for Financial Institutions

This section provides illustrative case studies to guide financial institutions in applying the Taxonomy.

6.1 Case study 1: Green loan for a new solar power plant

Scenario:

Client A (the Client), a renewable energy project developer, approaches Bank A (the Bank) seeking an FJD 10 million loan to finance the construction and commissioning of a new 20 MW utility-scale

solar photovoltaic (PV) power plant in a province in Fiji. The Client wants the loan to be recognised as a “green” project and hopes it can be classified as a “green loan” by the Bank.

Bank A Taxonomy application and verification process

The Bank undertakes the following steps:

Step 1: Identify activities.

Client-provided information: The Client provides a detailed project description to the Bank, including technical specifications, site location, land use agreements, an Environmental Impact

Assessment (EIA) conducted as per national regulations, and financial projections.

Bank’s identification: The core economic activity is “**Electricity generation from solar PV.**”

Step 2: Check if the activity is within the Taxonomy’s scope.

The Bank refers to the Taxonomy.

Finding: Solar energy generation is listed under the **Energy Sector (Section 3.6.1 “Solar energy generation” in the Taxonomy, ISIC Code 3510).**

Conclusion: The activity is in scope.

Step 3: Assess for substantial contribution (apply TSC).

The Bank now assesses if the project makes a substantial contribution to climate change mitigation by applying the TSC for solar energy generation.

Reference the Taxonomy: (Page 29, Activity 3.6.1, Sector classification and activity)

- **Description:** “Construction and operation of electricity generation facilities that produce electricity, heating and cooling from Solar Photovoltaic, Concentrated Solar Power (CSP) or any other types of solar energy-based technologies.”
- **Scope:** “Construction and operation (electricity generation).”
- **Metrics and thresholds (TSC):**
 - **Green:** “All energy generation is eligible.”
 - **Amber:** “N/A.”

Bank’s verification actions and findings:

- The Bank confirms the project involves the construction and operation of a solar PV plant for electricity generation, fitting the description and scope.
- Based on the “Green” TSC (“All energy generation is eligible”), the project prima facie qualifies as Green.
- The Bank reviews the project design and purpose to verify that the solar power plant is a standalone renewable energy project. The Client provides documentation confirming connection to the national grid for general electricity supply.

Conclusion for substantial contribution: The project meets the “Green” TSC for substantial contribution to climate change mitigation.

Step 4: Assess DNSH - application by the Bank.

The Bank's internal green finance policy encourages a DNSH review for enhanced due diligence and to align with international best practices.

The Bank's DNSH review, based on general principles of the Taxonomy and potential risks for solar projects, focuses on the following:

- **Climate change A&R:** The Bank requires a physical and vulnerability climate risk assessment (which might have been included in the project's EIA) and reviews site selection studies for resilience to potential physical climate risks (such as flooding, extreme heat affecting panel efficiency. The Client demonstrates that the site is not at risk or appropriate site elevation and drainage considerations have been incorporated into the project design.
- **Sustainable use and protection of water and marine resources:** The Bank assesses water requirements for panel cleaning, ensuring the Client has a plan for water-efficient cleaning methods and sustainable water sourcing that does not negatively impact local water availability.
- **Transition to a circular economy:** The Bank enquires about the Client's plans for end-of-life management of solar panels, encouraging consideration of recycling options where feasible in the future.
- **Pollution prevention and control:** The Bank reviews the EIA for measures to manage waste during construction and operation and to mitigate any potential soil or water contamination.
- **Protection and restoration of biodiversity and ecosystems:** The Bank verifies, through the EIA and site documentation, that the project is not located in officially protected areas or critical habitats and that planning is in place to minimise and mitigate any potential impacts on local biodiversity. The Client provides evidence that the land is designated for industrial/energy use in accordance with Fijian national laws.

Conclusion for DNSH: The DNSH review indicates no significant harm is anticipated to other environmental objectives.

Step 5: Assess entity's adherence to MSS - application by the Bank.

Similar to DNSH, the Bank assesses MSS.

The Bank's MSS review is based on Section 5.2 of the Taxonomy and references local laws where applicable or equivalent international best practices:

- **Labour and Working Conditions (PS2):** The Bank reviews the Client's commitments to fair labour practices for construction and operational staff, adherence to Fijian labour laws and health and safety protocols.
- **Community Health and Safety (PS4):** The Bank assesses measures to ensure the safety of local communities during construction and operation (for example, site security and traffic management).
- **Land Acquisition and Involuntary Resettlement (PS5):** The Bank verifies that land acquisition was conducted transparently and fairly, with appropriate compensation if any resettlement occurred. In this case, the Client confirms the land was acquired on a "willing-buyer-willing-seller" basis from a private entity, with no physical or economic displacement of prior users.

Conclusion for MSS: The MSS review indicates the project is being developed in line with key social safeguards.

Step 6: Conclude on Taxonomy alignment and loan structuring.

Overall alignment: Based on the project meeting the Green TSC for solar energy generation (Step 3) and the satisfactory outcomes of the Bank's DNSH (Step 4) and MSS (Step 5) reviews, the Bank concludes that the **Client's 20 MW solar PV project is "Green"** and therefore aligned with the Fiji Green Finance Taxonomy.

Loan structuring:

- The Bank designates the FJD 10 million loan as a "Green Loan."
- Loan covenants include the following:

Use of proceeds: Funds must be exclusively used for the development, construction, and commissioning of the specified 20 MW solar PV plant.

Reporting (optional, depends on the Bank's green loan framework): The Client may provide annual reports to the Bank on the project's operational status and electricity generated.

Internal and external reporting:

- The Bank includes this loan in its internal tracking of green assets.
- The Bank can report this loan as part of its green loan portfolio in its sustainability reports or disclosures to regulators and investors, citing alignment with the Fiji Green Finance Taxonomy.

6.2 Case study 2: Green loan for electricity grid expansion

Scenario:

Client B (the Client), a national transmission system operator, approaches Bank B (the Bank) for an FJD 50 million loan. The proceeds will be used to finance the construction of new high-voltage transmission lines and a substation to

connect a newly planned 100 MW solar power park to the national grid and reinforce the grid in a rapidly developing industrial zone. The Client aims for this loan to be classified as a "Green Loan."

The Bank's Taxonomy application and verification process:

The Bank's green loan framework mandates alignment with the Taxonomy. The assessment process is as follows:

Step 1: Identify activities.

Client-provided information: The Client provides detailed plans for the grid expansion project, including

- Route and specifications of the new transmission lines;
- **Location** and capacity of the new substation;
- Technical studies on the grid impact, including connection details for the 100 MW solar power park;
- Projected load growth in the industrial zone; and

- EIAs as per national requirements.

Bank's identification: The economic activities are

- Transmission and distribution infrastructure dedicated to a direct connection or an expansion of connection between power plants (the solar power park) with energy intensities less than 100 gCO₂e/kWh (life-cycle emissions, relates to the line connecting with the solar park) and
- General transmission and distribution infrastructure (relates to reinforcement for the industrial zone).

Step 2: Check if the activity is within the Taxonomy's scope.

The Bank consults the Taxonomy.

Finding: "Transmission and distribution of electricity" (Section 3.6.14 in the Taxonomy, ISIC 3510), which encompasses grid expansion and

enabling infrastructure for renewables, are listed under the **Energy Sector**.

Conclusion: The activities are in scope.

Step 3: Assess for substantial contribution (apply TSC).

The Bank assesses each component of the grid expansion against the relevant TSC.

Component 1: transmission line and substation connecting the 100 MW solar park

- **Reference Taxonomy** (Page 36, Activity 3.6.14, Metrics and Thresholds - Green):
 - *“Transmission and distribution infrastructure dedicated to a direct connection or an expansion of connection between power plants with energy intensities less than 100 gCO₂e/kWh (life-cycle emissions).”*
- **Bank’s verification actions and findings:**
 - The Bank verifies that the primary purpose of this specific segment of the new infrastructure is to connect the 100 MW solar park.
 - **Crucially, the Bank needs to verify the “carbon intensities is less than 100 gCO₂e/kWh (life-cycle emissions)” for the solar park.** Solar PV generation itself is generally considered to have life-cycle emissions well below this threshold. The Bank requests and reviews documentation from the Client regarding the solar park’s technology, expected performance, and any available life-cycle assessment data or industry benchmarks for similar solar PV projects. For utility-scale solar, this is usually straightforward, as industry benchmarks can be used.

Conclusion for Component 1: This component meets the “Green” TSC, as it is dedicated to connecting a low-carbon (solar) generation source.

Component 2: Grid reinforcement for the industrial zone

- **Reference taxonomy** (Page 36, Activity 3.6.14, Metrics and Thresholds - Green):
 - *“Transmission and distribution infrastructure dedicated to a direct connection or an expansion of connection between power plants that meet the electricity generation criteria defined in the Fiji Taxonomy. Transmission and distribution infrastructure dedicated to an inter-country/region direct or grid connection to access existing or new power plants that meet the criteria for electricity generation defined in the Fiji Taxonomy. New or upgrades to existing infrastructure that enable the increased integration of renewable electricity into the*

system. Includes all enabling ICT systems and smart management systems for the eligible infrastructure.”

- **Bank’s verification actions and findings:**
 - This infrastructure is not dedicated solely to a new renewable plant, but it serves a general load area. Therefore, the system-level criteria apply.
 - **Option A (67 percent new low-carbon capacity):** The Bank requests data from the Client on all new generation capacity connected to this part of the grid (or the broader interconnected system it is part of) over the last five years and planned for the near future. It would need to analyse the proportion of this new capacity that is from sources with <100 gCO₂e/kWh (for example, solar, hydro meeting criteria, wind). This requires significant data from the grid operator.
 - **Option B (System grid emissions factor <100 gCO₂e/kWh):** The Bank requests the official average grid emissions factor for the relevant interconnected system, ideally on a life-cycle basis, averaged over the last five years. This data would typically come from the relevant line ministry and/or Energy Fiji Limited. If Product Carbon Footprint (PCF)-based data are not available, operational emissions data might be used as a proxy, with clear justification and acknowledgement of limitations.
 - **Data challenge:** Obtaining precise, PCF-based, five-year rolling average data for either option in the Fijian context might be challenging. The Bank may need to
 - Work with the Client to estimate these figures based on the best available data (for example, generation mix, plant efficiencies, and standard emission factors for different fuel types);
 - Use conservative assumptions where precise data are lacking; and
 - Refer to national energy plans and determine if the project can increase its renewable energy share, which can support the “decarbonisation trajectory” argument.
 - For this case, the Client can demonstrate that newly connected capacity in the relevant grid region over the last three years (projecting for a five-year window) is trending towards meeting the 67 percent low-carbon threshold.

Conclusion for Component 2: This component is determined to meet the “Green” TSC under the “decarbonisation trajectory” clause of the criteria,

supported by national plans and recent renewable energy additions to the grid. The Bank documents the data sources and assumptions used.

Step 4: Assess DNSH - by the Bank.

The Bank conducts a DNSH review, focusing on risks pertinent to grid infrastructure.

The Bank’s DNSH review will focus on the following:

- **Climate change adaptation:** Resilience of new lines and substations to extreme weather (cyclones, flooding). The Client provides EIA details on design standards and physical climate risk assessment.
- **Pollution prevention and control:** Management of any hazardous materials in substations (for example, Sulfur Hexafluoride

[SF6] gas in switchgear - plans for leak detection and end-of-life management).

- **Protection and restoration of biodiversity and ecosystems:** Route selection for transmission lines to avoid sensitive habitats, national parks, and critical biodiversity areas. EIA includes biodiversity impact assessment and mitigation measures (for example, bird diverters and re-vegetation plans).

Conclusion for DNSH: The DNSH review suggests adequate mitigation measures are in place.

Step 5: Assess MSS - by the Bank.

The Bank’s MSS review is based on Section 5.2 of the Taxonomy and references local laws where applicable or equivalent international best practices:

- **Land Acquisition and Involuntary Resettlement (PS5):** For the new transmission line right-of-way and substation land, the Bank reviews the Client’s Resettlement Action Plan (if applicable) or land acquisition process to ensure it is fair, transparent, and compliant with national laws and IFC PS5 principles.

- **Community Health and Safety (PS4):** Safety measures during construction and operation (for example, public safety around high-voltage lines).
- **Labour and Working Conditions (PS2):** For workers involved in construction and maintenance.

Conclusion for MSS: The MSS review indicates adherence to key social standards.

Step 6: Conclude on Taxonomy alignment and loan structuring.

Overall alignment: Both components of the grid expansion project are assessed as “Green Aligned.”

- Component 1 (solar connection) directly enables a Green activity.
- Component 2 (industrial zone reinforcement) is on a decarbonisation trajectory consistent with Green criteria for the grid.

The Bank concludes the overall project is “**Green Aligned**” with the Taxonomy.

Loan Structuring:

- The Bank designates the FJD 50 million loan as a “Green Loan.”
- Loan covenants include the following:
 - **Use of proceeds:** Funds must be demonstrably allocated to the specified grid expansion projects.

- **Reporting (optional):** The Client may provide annual reports on the project’s completion, operational status, and potentially on the evolution of the connected generation mix or system grid emission factor for the area served by Component 2 (as part of ongoing monitoring of the “decarbonisation trajectory” argument).

Internal and external reporting:

- The Bank includes this loan in its green loan portfolio.
- The Bank can report this as contributing to grid modernisation and renewable energy integration, aligned with the Fijian Taxonomy.

Key guidance for financial institutions from this example:

- **Disaggregation:** Grid projects may have multiple components with different justifications for Taxonomy alignment. Each needs to be assessed.
- **Data dependency:** Aligning general grid infrastructure often relies on system-level data (new capacity mix, grid emission factors). Financial institutions need to work closely with grid operators or national authorities to obtain or credibly estimate this data.
- **Trajectory argument:** For grid infrastructure not directly connected to 100 percent renewables, demonstrating it is on a “decarbonisation trajectory” is key. This can be supported by national energy plans, recent trends, and commitments from the grid operator.
- **Documentation:** The basis for assessment based on system-level criteria (like the 67 percent rule or grid factor) must be well-documented, including data sources, timeframes, and any assumptions made.

6.3 Case study 3: Reserve Bank of Fiji policy use case

This case study is presented from the perspective of the RBF as a policy maker and regulator, illustrating how an existing concessional finance facility can be operationally aligned with the Taxonomy to support sustainable development, macroeconomic stability, and credible green finance outcomes.

Scenario

To improve Fiji's balance of payments position, while also supporting national climate and development objectives, the RBF operationalises the Import Substitution and Export Finance Facility (ISEFF)—which can be downloaded [here](#)—in a manner aligned with the Taxonomy.

In this example, the ISEFF continues to provide concessional funding to approved lenders for onlending to eligible businesses. At the same time, the Taxonomy is used as the classification and verification framework to identify which ISEFF-financed activities can be credibly labelled as Green (aligned) for climate change mitigation purposes.

RBF objectives

Through the aligned use of the ISEFF and the Fiji Green Finance Taxonomy, the RBF aims to

- Support macroeconomic stability by encouraging export growth and import substitution, thereby strengthening Fiji's balance of payments;
- Promote climate-aligned investment by directing concessional credit towards activities that meet the Taxonomy's Substantial Contribution, DNSH, and MSS requirements;
- Enhance transparency and credibility in concessional lending by using a common, science-based classification system to distinguish Green and transition (Amber) activities; and
- Build financial sector capability by enabling banks to integrate sustainable finance assessments into existing credit processes without creating parallel systems.

How the ISEFF works: Application and verification process

The ISEFF operates through approved lenders, while the Fiji Green Finance Taxonomy provides the technical framework for determining whether financed activities qualify as Green.

Step 1: RBF sets the ISEFF and Taxonomy parameters.

The RBF confirms the following:

- Approved lenders may access concessional advances under the ISEFF at 0.25 percent per year and onlend to eligible businesses at a maximum rate of 3.99 percent per year, for terms of up to five years.
- All standard ISEFF eligibility criteria (exports, import substitution, renewable energy, and public transportation) remain applicable.
- For reporting and monitoring, lenders are encouraged to assess ISEFF-financed activities against the Taxonomy, including
 - Identification of the relevant sector and activity,
 - Assessment of the substantial contribution (Green classification), and
 - Confirmation of compliance with DNSH and MSS requirements.

Step 2: Bank C identifies eligible lending opportunities.

A local commercial bank (Bank C), acting as an approved ISEFF lender, reviews its loan pipeline to identify eligible transactions that meet both

- ISEFF eligibility requirements and
- Taxonomy-aligned economic activities within priority sectors.

Bank C focuses on two priority areas:

- Renewable energy (import substitution): Small-scale solar PV installations for commercial use.
- Public transportation: Financing for zero emission electric buses used in licenced urban transport services.

Step 3: Bank C assesses a specific transaction for ISEFF and Taxonomy alignment.

A public transport operator applies for an FJD 800,000 loan to purchase new electric buses for urban passenger services.

Bank C conducts the following assessment:

• ISEFF eligibility:

The activity qualifies under ISEFF as public transportation, contributing to reduced fuel imports and improved energy efficiency.

• Taxonomy activity identification:

The activity is classified under the Transport sector - Urban and suburban passenger land transport.

• Substantial Contribution:

Under the Fiji Green Finance Taxonomy, vehicles with zero direct (tailpipe) CO₂ emissions qualify as

Green (aligned). As the buses are fully electric, the activity meets the Green criteria.

• DNSH:

Bank C confirms that environmental risks (such as waste management for batteries and appropriate end of life disposal of vehicles) are identified and managed in line with applicable regulations.

• MSS:

The operator complies with Fijian labour laws and applicable health and safety standards and other laws and regulations in context of national requirements.

Based on this assessment, Bank C determines that the loan is ISEFF eligible and Taxonomy aligned (Green).

Step 4: Apply to the RBF and report.

Bank C submits the ISEFF application to the RBF in line with standard procedures. Following approval,

- The RBF disburses concessional funds to Bank C;

- Bank C onlends to the transport operator under ISEFF terms; and
- In its internal reporting and sustainability disclosures, Bank C identifies the loan as financed under the ISEFF and Green aligned under the Taxonomy.

Step 5: Overall impact and conclusion.

Through this aligned approach,

- The transport operator gains access to affordable concessional finance to deploy zero-emission vehicles;
- Fiji reduces reliance on imported fossil fuels while lowering transport sector emissions;
- Bank C strengthens its capacity to apply the Taxonomy within existing lending frameworks; and
- The RBF demonstrates how existing policy instruments such as the ISEFF can be enhanced through Taxonomy alignment to improve transparency, credibility, and contributions to national climate objectives.

This case study illustrates how the ISEFF and Fiji Green Finance Taxonomy can function together as complementary tools—one providing access to financial incentives and the other providing robust, science-based definitions that ensure mobilisation of financing towards greening of Fiji's economy.

7. Role of Verification and Selection of Verifiers

While self-assessment of Taxonomy alignment is the initial step for any user, obtaining independent, third-party verification significantly enhances the credibility, transparency, and market confidence of such claims. This section provides guidance on the role of verifiers, their selection, and the interplay with existing certifications and standards.

7.1 Role of Verifiers

Independent verification serves several crucial purposes, as it

- **Enhances credibility:** Provides an objective assessment that an activity meets the stringent criteria of the Fijian Taxonomy;
- **Prevents greenwashing:** Reduces the risk of misrepresenting an activity's environmental performance;
- **Builds market confidence:** Assures investors, lenders, and other stakeholders that financial products (like green loans or bonds) are genuinely supporting sustainable, climate-mitigating activities;
- **Facilitates access to green finance:** Verifier reports are often a prerequisite or a strong supporting document for accessing dedicated green finance pools; and
- **Supports robust reporting:** Provides a credible basis for companies and financial institutions to report on their Taxonomy-aligned activities.

7.2 What Is a Verifier?

A verifier is an independent third-party external reviewer with the necessary expertise and competence to assess and confirm whether an economic activity, project, or the use of proceeds from a financial instrument aligns with the requirements of the Taxonomy. Verifiers do not define the Taxonomy criteria but apply them to the specific case.

Selecting a qualified verifier and utilising certifications

Choosing a competent and credible verifier is critical. Users, such as project developers seeking finance and financial institutions structuring green products, should look for verifiers demonstrating the following:

A. Key competencies and expertise:

- **Understanding the Taxonomy:** Deep familiarity with its objectives, principles, the covered sectors (Energy, Transport), specific TSC, and the DNSH and MSS considerations.
- **Sector-specific technical knowledge:** Expertise relevant to the activity being verified (renewable energy technologies, transport systems).
- **GHG accounting and EIA skills:** Ability to understand and assess emissions data and broader environmental impacts.
- **Audit and assurance experience:** Proven experience in conducting third-party assessments, audits or verifications, preferably in sustainability, ESG, or environmental fields.
- **Knowledge of local Fijian context:** Familiarity with relevant Fijian environmental regulations, industry practices, and socioeconomic conditions.

B. Indicating and suggesting verifiers:

- **Global and regional examples:** Internationally, the role of a verifier is often played by specialised sustainability consulting firms, ESG rating agencies, or the dedicated sustainability services arms of major accounting firms. In the case of green bonds, for example, verification services (often called Second Party Opinions or SPOs) are provided by established companies.
- **Current landscape:** As the Fiji Green Finance Taxonomy is newly established, a formal national accreditation system or an official list of "Fijian Taxonomy Approved Verifiers" may not yet exist.
- **Interim approach:** In the interim, users should seek verification bodies that can demonstrate the competencies listed above. This might include
 - Established environmental consulting firms with audit/assurance arms;
 - International verification bodies active in the Association of Southeast Asian Nations (ASEAN) region with relevant sectoral experience;
 - Accounting and auditing firms with specialised sustainability service teams; and

- Organisations accredited under reputable international sustainable finance verification schemes (for example, Climate Bonds Standard Approved Verifiers, if their scope and expertise align).
- **Future developments:** It is anticipated that the relevant authorities may, in the future, provide further guidance on recognised verifiers or establish a domestic accreditation process. Users should stay updated on such developments.

C. Utilising existing certifications to support verification:

- While the Fijian Taxonomy has its own specific TSCs, existing local and international certifications **can provide valuable supporting evidence** to the verifier. While they do **not** automatically equate to Taxonomy alignment, they can streamline the verification process unless specified in the Taxonomy.
- **Examples:**
 - **Energy:** ISO 50001 (Energy Management) certification can demonstrate robust energy management practices.
 - **General:** ISO 14001 (Environmental Management) can indicate good environmental management systems are in place.
- **Process:** The project developer/company should provide evidence of such certifications to the verifier. The verifier will then assess how the criteria met under these certifications dovetail with the specific requirements of the Fijian Taxonomy's TSC and DNSH/MSS. **Direct alignment with the Taxonomy's specific thresholds remains paramount.**

7.3 Minimum Requirements for Verifiers (local and international standards)

Verifiers undertaking assessments against the Taxonomy should operate to high professional standards. While Fiji may develop specific local standards for verifiers over time, the following minimum requirements, drawing from international best practices, should be expected:

1. Independence and objectivity:

- Verifiers must be independent of the entity whose activity is being verified and free from any conflicts of interest that could compromise their impartiality.
- They should adhere to codes of ethics like those from the International Ethics Standards Board for Accountants (IESBA) Code or similar professional bodies regarding

integrity, objectivity, and professional behaviour.

2. Competence and due care:

- Possess and maintain the necessary knowledge, skills, and experience relevant to the Fijian Taxonomy and the specific sectors/activities being verified.
- Exercise due professional care and scepticism throughout the verification process.
- Employ staff or contractors with appropriate qualifications and experience.

3. Methodology and process:

- **International Standard Reference:** Verification engagements should ideally be conducted in line with principles of established international assurance standards, such as ISSA 5000 (Revised) - *General Requirements for Sustainability Assurance Engagements* or other relevant standards for sustainability/ESG assurance. This provides a framework for planning, executing, and reporting on verification.
- **Evidence-based:** Conclusions must be based on sufficient appropriate evidence gathered through a systematic process.
- **Transparency:** The verification process, scope, criteria applied and findings should be clearly documented and communicated in a verification report.

4. Local regulatory adherence:

- Verifiers must be aware of and, where applicable, operate in compliance with any Fijian laws or regulations governing verification, auditing, or environmental consulting services.
- If providing services within Fiji, they should comply with local business registration and licencing requirements.

5. Confidentiality:

- Verifiers must maintain the confidentiality of information obtained during the engagement, except where disclosure is required by law or authorised by the Client. By engaging verifiers who meet these indicative minimum requirements and leveraging existing relevant certifications as supporting evidence, users can significantly bolster the credibility of their Taxonomy alignment claims. The financial institution, in turn, gains greater assurance when providing green financing.

7.4 Verification Process (overview)

While the specifics can vary, a typical verification process against the Fijian Taxonomy would involve the following:

- 1. Engagement:** The user commissions a selected verifier.
- 2. Scoping:** Define the precise activity(ies) and Taxonomy criteria to be assessed.
- 3. Document review:** The verifier reviews all relevant project documentation, self-assessments, data, calculations, and evidence of existing certifications.
- 4. Evidence gathering:** This may include interviews, site visits (if necessary), and further data requests.
- 5. Assessment:** The verifier evaluates the collected evidence against the Taxonomy's TSC (and DNSH/MSS).
- 6. Reporting:** The verifier issues a formal verification report or statement outlining the scope, methodology, findings, and a clear conclusion on the alignment of the activity (Green, Amber, or Red - Not Aligned). For assurance, the report should also specify the level of assurance provided—typically “limited” or “reasonable.”

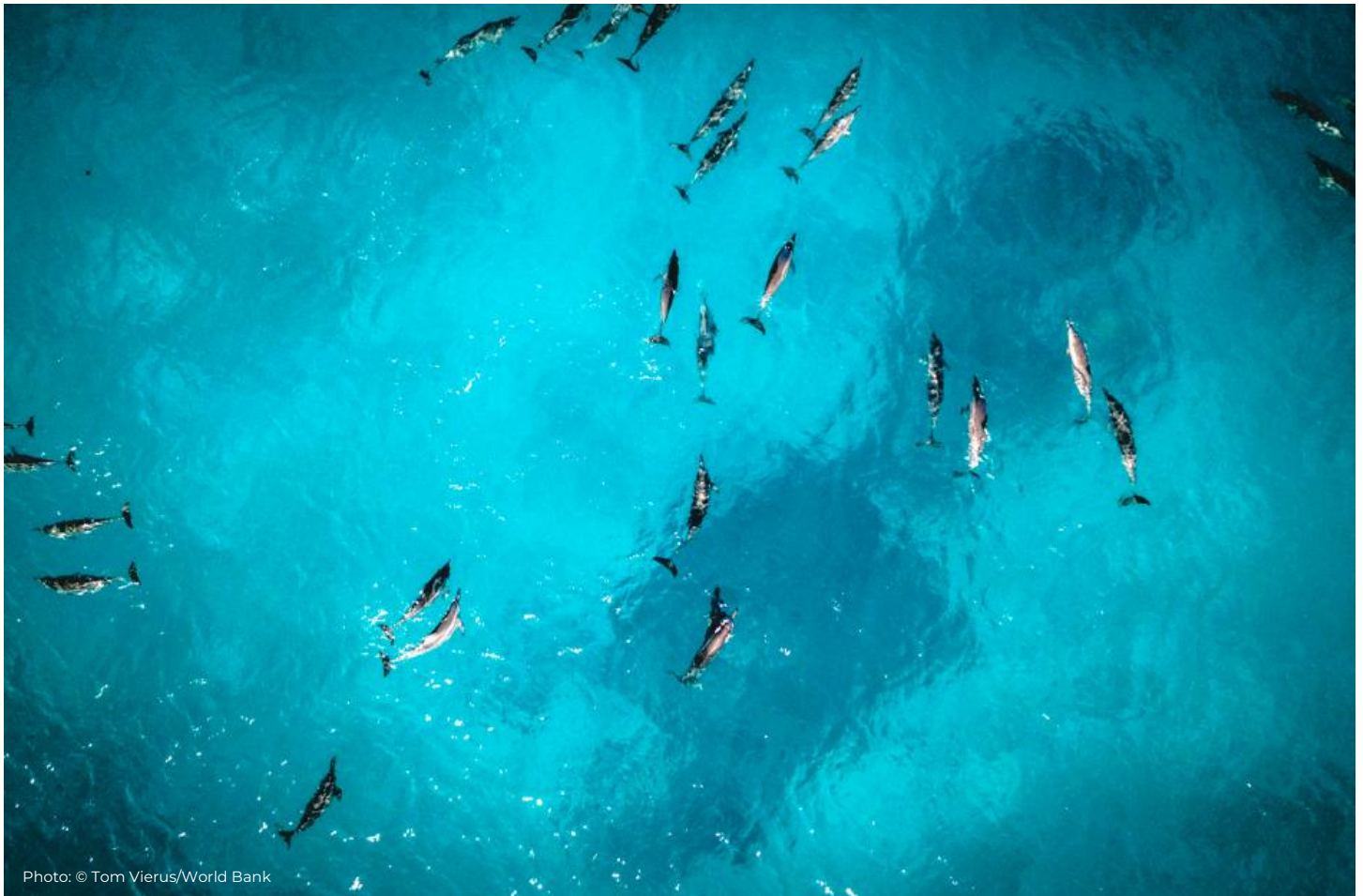
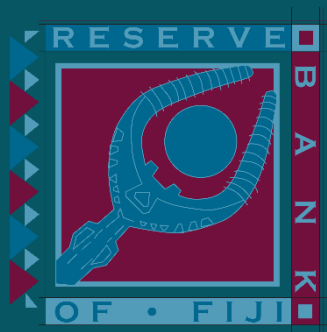


Photo: © Tom Vierus/World Bank



Private Mail Bag, Suva, Fiji | t: (679) 331 3611 | e: info@rbf.gov.fj

www.rbf.gov.fj