



30 November 2023

ASEAN TAXONOMY VERSION 2 RECEIVES BROAD AFFIRMATION FOLLOWING STAKEHOLDER CONSULTATION

The ASEAN Taxonomy Board (ATB), representing ASEAN finance sectoral bodies, is pleased to announce the completion of targeted stakeholder consultation for Version 2 of the ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy). This represents a significant milestone in validating the region's journey towards sustainability and climate resilience and demonstrates the ATB's commitment to providing crucial guidance to support environmentally responsible economic activities.

To advance the sustainable finance agenda in the region, the ATB released Version 2 of the ASEAN Taxonomy earlier this year, which featured the completed Foundation Framework, offering detailed methodologies for assessing various economic activities. It also provided Technical Screening Criteria (TSC) for the first focus sector, i.e., Electricity, Gas, Steam and Air Conditioning Supply Sector under the Plus Standard, as well as the Carbon Capture, Utilisation and Storage (CCUS) enabling sector. Following this release, the ATB embarked on a targeted consultation with key stakeholders within the ASEAN region and beyond, engaging more than 1,300 stakeholders and 250 organisations through written feedback, roundtable sessions, and interviews. The consultation was instrumental in affirming and refining the ASEAN Taxonomy's approach.

A key tenet of the ASEAN Taxonomy is to facilitate a just transition, which will continue to drive the development of the next phases of the Taxonomy. In this regard, stakeholders affirmed the Taxonomy's use of a traffic light-based system as a helpful tool in supporting companies in its transition finance journey.

Furthermore, stakeholders welcomed the Taxonomy's inclusive approach in accommodating companies at various stages of development with the sector-agnostic principles-based Foundation Framework and threshold-based Plus Standard. In particular, the Foundation Framework offers a starting point for businesses embarking on their sustainability journeys whilst the Plus Standard gives an opportunity for companies with greater data availability to demonstrate their commitment to stringent thresholds and classification requirements.

Stakeholders also welcomed the ASEAN Taxonomy as a credible, science-based tool and the Taxonomy's emphasis on interoperability, in particular, the alignment of the Plus Standard's Green Tier with the EU Taxonomy. Furthermore, the inclusion of coal phase-out as an activity in the Plus Standard was commended as a powerful tool for transition and was one of the first for a sustainable finance taxonomy. The coal phase-out criteria would help to encourage decarbonisation, by reducing dependence on coal power in the region.

The bulk of the feedback received pertained to suggestions to improve clarity in definitions and usability of Version 2 of the ASEAN Taxonomy. The more immediate points of clarification will be

incorporated in the Version that will be effective in Q1 2023. Other improvements will be rolled out over the medium and long term, in tandem with the release of future versions of the ASEAN Taxonomy.

The ATB will continue take into account the feedback received for refinement. In this regard, the ASEAN Taxonomy will be continuously updated and reviewed in line with evolving technological, scientific, and economic developments.

The ATB expresses profound gratitude to all stakeholders for their invaluable insights throughout this process. These consultations have been pivotal in shaping the ASEAN Taxonomy and ensuring its alignment with the region's sustainability goals.

The ATB has also embarked on the development of the TSC for the next two focus sectors under the ASEAN Taxonomy, namely Transportation & Storage and Construction & Real Estate. TSC for the remaining focus sectors and enabling sectors will be rolled out over the next two years. The ATB will continuously engage stakeholders throughout this process and will continue to take steps to achieve the mandate of developing, maintaining and promoting the ASEAN Taxonomy in order to orient capital towards a more sustainable and resilient future.

The ATB will be present at the 28th UN Climate Change Conference (COP28) in Dubai, and speaking at the pavilions of the following partners and ASEAN member states:

- 2 December 2023, 5.00pm – Asian Development Bank Pavilion
- 3 December 2023, 2.00pm – Malaysia Pavilion
- 4 December 2023, 11.45am – Singapore Pavilion

CHAIR

ASEAN Taxonomy Board

Background

The ASEAN Taxonomy serves as a principal reference point in ASEAN to guide capital and funding towards activities that can help promote the systemic transformation needed for the region.

The ASEAN Taxonomy is a collaborative initiative of the four ASEAN sectoral bodies that make up the ATB, namely the ASEAN Capital Markets Forum (ACMF), the ASEAN Insurance Regulators Meeting (AIRM), the ASEAN Senior Level Committee on Financial Integration (SLC), and the ASEAN Working Committee on Capital Market Development (WC-CMD). This follows previous sustainable finance initiatives by the ASEAN sectoral bodies, such as the ASEAN Green, Social and Sustainability Bond Standards and the ASEAN Sustainable Banking Principles. The ASEAN Taxonomy represents the collective commitment of ASEAN Member States (AMS) in transitioning towards a sustainable region. It is designed to be an inclusive and science-based classification system for sustainable activities and will be one of the key building blocks in attracting investments and financial flows into sustainable projects in the region.

The ATB was set up in 2021 under the auspices of the ASEAN Finance Ministers and Central Bank Governors Meeting (AFMGM) and is jointly driven by the ACMF, AIRM, SLC and the WC-CMD. Its establishment is a response to the call at the 6th AFMGM to work towards:

“...furthering a cohesive sustainable finance agenda cutting across banking, capital markets and insurance areas at the ASEAN Finance Ministers’ Meeting and AFMGM respectively, with greater coordination amongst the relevant ASEAN working committees.”

The importance of a common taxonomy for ASEAN was identified in the ACMF’s Roadmap for ASEAN Sustainable Capital Markets, the SLC’s Report on The Roles of ASEAN Central Banks in Managing Climate and Environment-related Risks and the WC-CMD’s Report on Promoting Sustainable Finance in ASEAN.

The current Board comprises representatives from all 10 ASEAN Member States, as follows:

- ***Brunei Darussalam Central Bank (Chair)***
- ***Monetary Authority of Singapore (Vice-Chair)***
- ***Non-Bank Financial Services Authority (NBFSA) of Cambodia***
- ***Financial Services Authority of Indonesia***
- ***Bank of the Lao PDR***
- ***Bank Negara Malaysia***
- ***Securities Commission Malaysia***
- ***Ministry of Planning and Finance of Myanmar***
- ***Securities and Exchange Commission Philippines***
- ***Bank of Thailand***
- ***Office of Insurance Commission of Thailand***
- ***State Securities Commission of Viet Nam***

The Sustainable Finance Institute Asia (SFIA) provides support as host of the ATB.

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