

ASEAN TAXONOMY BOARD

27 March 2024

ASEAN TAXONOMY BOARD RELEASES ASEAN TAXONOMY FOR SUSTAINABLE FINANCE - VERSION 3 FOR TRANSPORTATION AND CONSTRUCTION SECTORS

The ASEAN Taxonomy Board (ATB) today released Version 3 of the ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy), a significant milestone in the development of its overarching taxonomy to advance sustainable finance practices across the region. The ASEAN Taxonomy adopts a multi-tiered framework which allows assessment of sustainable activities through either the principles-based Foundation Framework, or the Plus Standard with a more detailed methodology using application of technical screening criteria (TSC).

Having published TSC for Electricity, Gas, Steam and Air Conditioning Supply (Energy) sector in ASEAN Taxonomy Version 2, the ASEAN Taxonomy Version 3 introduces TSC for two more focus sectors, namely Transportation & Storage and Construction & Real Estate. The new focus sectors cover activities including construction and renovation of buildings, demolition and site preparation, and acquisition and ownership of buildings, as well as urban and freight transport, and infrastructure for land, water, and air transport, among others.

The Green tiers for these new focus sectors have been aligned, where appropriate with relevant sectoral guidelines and regulations (e.g. International Maritime Organisation (IMO) 2023 GHG Emissions strategy, International Green building certifications), to ensure that the ASEAN Taxonomy remains credible, interoperable, and inclusive while reducing regulatory fragmentation. The Green tier of the ASEAN Taxonomy continues to make reference to widely used international taxonomies such as the EU Taxonomy and where relevant, will be tailored according to ASEAN's unique circumstances. The Amber tiers serve as a transition category, providing a useful stepping stone for companies to learn and make adjustments to their activities in pursuit of the Green tier.

In addition to the new TSC, the ASEAN Taxonomy Version 3 also includes refinements to the Annexes that provide more clarity to the user. The changes include:

- Annex 2: Additional clarification and worked examples for the Life Cycle Assessment (LCA) checklist.
- Annex 3: Additional clarification and worked examples for the Climate Risk and Vulnerability Assessment (CRVA) checklist.
- Annex 5: Updated national social regulations for Indonesia, Malaysia and the Philippines.
- Annex 6: Updated national environmental regulations for Indonesia and Malaysia.

Commenting on the release of the ASEAN Taxonomy Version 3, Mdm. Noorrafidah Sulaiman, Chair of the ATB, emphasized the significance of this achievement: *“The release of Version 3 marks a significant step forward in our collective efforts to accelerate sustainable development and responsible investment practices in the ASEAN region. The issuance of the TSC for Transportation & Storage and Construction*

& Real Estate underscores our unwavering commitment to fostering sustainability. We look forward to engaging with stakeholders to ensure the rigour and practicality of the Taxonomy.”

The ATB hopes that this latest version will provide greater clarity for users of the ASEAN Taxonomy. Further, consistent with ASEAN’s aspirations to facilitate a just and orderly transition, the ASEAN Taxonomy will continue to be reviewed and updated in line with evolving technological, scientific, and economic developments. Following this release, the ATB will conduct targeted consultations with key stakeholders and users of the ASEAN Taxonomy. This approach ensures the ASEAN Taxonomy remains robust, relevant, and responsive to the evolving needs of the ASEAN community. TSC for the remaining focus and enabling sectors covered under the Plus Standard will be released next year.

The ASEAN Taxonomy Version 3 is now available for download on the following websites:

- Sustainable Finance Institute Asia – <https://www.sfinstitute.asia/wp-content/uploads/2024/03/ASEAN-Taxonomy-Version-3.pdf>
- Association of Southeast Asian Nations – <https://asean.org/>
- ASEAN Capital Markets Forum – <https://www.theacmf.org/sustainable-finance/publications>

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***
- ***State Securities Commission of Viet Nam***
- ***Insurance Supervisory Authority of Ministry of Finance Viet Nam***

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

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