Mapping the landscape of Sustainable Finance Instruments & Taxonomies in Emerging Markets
The ASEAN Taxonomy for Sustainable Finance is being developed to serve as a **common building block** that enables an orderly transition and fosters sustainable finance adoption by AMS.

<table>
<thead>
<tr>
<th>Principle 1</th>
<th>Principle 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>The ASEAN Taxonomy will be the <strong>overarching guide</strong> for all ASEAN Member States, providing a <strong>common language</strong> and complementing their respective sustainability initiatives.</td>
<td>The ASEAN Taxonomy will <strong>take into consideration widely used taxonomies</strong> and other taxonomies of relevance, <strong>as appropriate</strong>, and shall be contextualized to facilitate the orderly transition towards sustainable ASEAN economies.</td>
</tr>
</tbody>
</table>

**Principle 3**

The ASEAN Taxonomy shall be **inclusive and beneficial** to all ASEAN Member States.

**Principle 4**

The ASEAN Taxonomy shall provide a **credible framework and definitions**, and where appropriate, be **science-based**.

**Principle 5**

The ASEAN Taxonomy will be **aligned with the sustainability initiatives** taken by the capital market, banking and insurance sectors, or at least not be in conflict.

---

ASEAN Taxonomy Board

“We welcomed the initiative that has been jointly launched by 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) to develop an ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy). The **ASEAN Taxonomy** will be the **overarching guide for all AMS**, complementing their respective national sustainability initiatives and serving as ASEAN’s **common language for sustainable finance**.”

- Joint Statement of the 7th ASEAN Finance Ministers and Central Bank Governors’ Meeting (AFMGM) | 30 March 2021
# Why an ASEAN Taxonomy?

ASEAN has real environmental and developmental differences from other regions – e.g. with respect to Energy Efficiency and Green Buildings

<table>
<thead>
<tr>
<th>Type of economic activity</th>
<th>Technical Screening Criteria</th>
</tr>
</thead>
</table>
| Construction of new buildings | • Primary Energy Demand of new construction is **at least 10% lower** than nearly zero energy building requirements in national measures.  
• Energy performance certified by energy performance certificate.  
• For buildings > 5000m²: life cycle global warming potential calculated, and level of performance is tested post construction, both disclosed to investors and clients |

| Renovation of existing buildings | • As applicable in national regulations for major renovations  
• **Reduction of primary energy demand of at least 30%.** |

| Acquisition and ownership | • Buildings built before 12/2020: at least **EPC class A, or within top 15% of national building stock** expressed in primary energy demand  
• Buildings built after 12/2020: meet criteria for “construction of new buildings”  
• Large non-residential building with HVAC output >290kW: operated efficiently through energy performance monitoring and assessment. |

## Eligible use of proceeds under the ASEAN Green Bond Standards

- Green buildings **must meet regional, national or internationally recognized standards or certifications;** e.g. –  
  - LEED  
  - National certifications (e.g. In PH “BERDE” – Building for Ecologically Responsive Design Excellence)
Different Pathways to Paris-alignment

IEA scenarios show that Paris-aligned pathways can have different trajectories depending on region / sector.

Same objective (i.e. alignment with the Paris Agreement) and metrics, but with varying starting points and different pathways.

Source: IEA
A multi-tiered, phased & iterative taxonomy that is interoperable with other taxonomies

Multi-layered and phased approach.
A principles-based layer complemented by subsequent layers, that includes a traffic light system.

“Traffic Light” System that allows for Transition

- **Principles**
- **Metrics**
- **Thresholds**

**Environmental Objectives**
1. Climate change mitigation
2. Climate change adaptation
3. Protection of healthy ecosystems & biodiversity
4. Promote resource resilience and transition to circular economy

**Essential Criteria**
1. Do no significant harm
2. Remedial measures to transition

Source: "Traffic Light" System that allows for Transition Principles Metrics Thresholds

Foundation Framework (FF)
Qualitative based sector-agnostic screening criteria and decision flow

- Green - FF
- Amber - FF
- Red - FF

Plus Standard (PS)
Threshold-based screening criteria for 6 focus sectors and 3 enabling sectors

**Focus Sectors**
1. Agriculture, forestry & fishing
2. Electricity, gas, steam and air conditioning supply
3. Manufacturing
4. Transportation & storage
5. Water supply, sewerage, waste mgmt
6. Construction & real estate

**Enabling Sectors**
1. Information & communication
2. Professional, scientific & technical
3. Carbon capture, storage & utilisation

Tier 3
Tier 2
Tier 1

---

Source: Securities and Exchange Commission
Relevant links

- ASEAN Taxonomy: https://www.theacmf.org/initiatives/sustainable-finance/asean-taxonomy
- Development of a sustainable asset class in ASEAN: https://www.theacmf.org/initiatives/sustainable-finance/development-of-a-sustainable-asset-class-in-asean
THANK YOU!

The views and opinions that are expressed in relation to this presentation are only that of the presenter and do not necessarily reflect those of the Commission, the Commissioners, or the other staff members.
ANNEXES
Total ASEAN-labelled GSS Bonds: **USD 22.5 billion**

<table>
<thead>
<tr>
<th>Year</th>
<th>Green (USD millions)</th>
<th>Social (USD millions)</th>
<th>Sustainability (USD millions)</th>
<th>No. of Issuance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>164.29</td>
<td>0.00</td>
<td>0.00</td>
<td>5</td>
</tr>
<tr>
<td>2018</td>
<td>359.40</td>
<td>0.00</td>
<td>100.00</td>
<td>33</td>
</tr>
<tr>
<td>2019</td>
<td>2929.84</td>
<td>220.00</td>
<td>1547.77</td>
<td>66</td>
</tr>
<tr>
<td>2020</td>
<td>1894.43</td>
<td>655.71</td>
<td>2215.84</td>
<td>71</td>
</tr>
<tr>
<td>2021</td>
<td>2743.75</td>
<td>272.80</td>
<td>7566.19</td>
<td>74</td>
</tr>
<tr>
<td>2022</td>
<td>0.00</td>
<td>0.00</td>
<td>1815.40</td>
<td>3</td>
</tr>
</tbody>
</table>
## Roadmap for ASEAN Sustainable Capital Markets

| Priority Area I: Strengthening foundations | • Promoting Corporate Sustainability Disclosures  
• Promoting Institutional Investor Disclosures  
• Examining a Common Taxonomy  
• Exploring Transition Standards |
| --- | --- |
| Priority Area II: Catalysing products and enabling access to underserved areas | • Developing Sustainable and Responsible Fund Standards  
• Improving Market Access for Sustainable Products  
• Developing ESG Indices  
• Utilising Digital Technology to Facilitate Cross-border Participation in Sustainable Products  
• Exploring Incentives |
| Priority Area III: Raising awareness and capacity building | • Enhancing Technical Competence  
• Promoting Knowledge Transfer  
• Increasing Public Awareness |
| Priority Area IV: Increasing connectivity | • Developing a Public Database of Sustainable Products, Projects and Investors  
• Leveraging Multilateral and Philanthropic Efforts  
• Coordinating Efforts with Public & Financial Sectors |
**ASEAN Taxonomy Key Aspects**

### Taxonomy Principles
The Quadrilateral Joint Steering Committee that comprises representatives from the ACMF, WC-CMD, SLC and AIRM is proposing 5 principles to develop and implement the ASEAN Sustainable Finance Taxonomy.

**To use SFIA’s roundtables as industry consultation** for taxonomy development and capacity building.

**SFIA as host of the taxonomy board** will undertake coordinating and administrative functions to seek out expert assistance and funding to carry out technical work in developing the principles.

### Taxonomy Board Modality
Adopt approach of taxonomy board hosted by an existing organization (SFIA), while working towards an independent taxonomy board in the future.

### Taxonomy Components
**Multi-layered and phased approach.** A principles-based layer complemented by subsequent layers, that could include a traffic light system.

### Composition
**8 members** from the four workstreams and **4 external expert observers / advisers**

---

**“Traffic Light” System that allows for transition**

- Principles
- Metrics
- Thresholds
ASEAN’s environmental objectives apply to all AMS, players in the financial sector, as well as business enterprises. Notwithstanding this, the economic activities should also be assessed against the relevant environmental laws instituted by AMS as a minimum safeguard to ensure there is no contravention with local environmental regulations.

### Environmental Objectives

<table>
<thead>
<tr>
<th></th>
<th>Environmental Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Climate Change Mitigation</td>
</tr>
<tr>
<td>2</td>
<td>Climate Change Adaptation</td>
</tr>
<tr>
<td>3</td>
<td>Protection healthy ecosystem and diversity</td>
</tr>
<tr>
<td>4</td>
<td>Promotion of resource resilience and transition to circular economy</td>
</tr>
</tbody>
</table>

### Essential Criteria

<table>
<thead>
<tr>
<th></th>
<th>Essential Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Do No Significant Harm (DNSH)</td>
</tr>
<tr>
<td>2</td>
<td>Remedial Measures to Transition</td>
</tr>
</tbody>
</table>
ASEAN Taxonomy: Multi-Tiered Approach
Sector Agnostic Decision Tree & Stacked Approach

Sector Agnostic Decision Tree

Proposed stacked approach to designing thresholds