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ASEAN TAXONOMY VERSION 3 COVERING TECHNICAL SCREENING CRITERIA FOR THE CONSTRUCTION AND TRANSPORTATION SECTORS TAKES EFFECT; ASEAN TAXONOMY BOARD (ATB) UNVEILS FREQUENTLY ASKED QUESTIONS (FAQ) & USE CASES TO DRIVE REGIONAL ADOPTION AND IMPACT

The ASEAN Taxonomy Board (ATB) releases today the updated iteration of the ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy) Version 3, which considers feedback and suggestions received from stakeholder consultation exercises that concluded in October 2024. The ASEAN Taxonomy Version 3, which includes technical screening criteria for the Construction & Real Estate and Transportation & Storage sectors had been first published in March this year. This updated ASEAN Taxonomy Version 3 takes effect on 20 December 2024.

The ATB is encouraged by the positive responses from stakeholders, which mainly centered on refining the definitions, improving the usability of ASEAN Taxonomy, and strengthening awareness and capacity-building initiatives for its implementation. Stakeholders also emphasised the importance of mutual recognition and credibility of taxonomies, calling for greater interoperability amid the growing number of taxonomies and guidances in existence. Where appropriate, these have been incorporated in the updated iteration of Version 3.

Key revisions made to the ASEAN Taxonomy Version 3 include:

- Terminologies used in the Technical Screening Criteria (TSC) for Construction & Real Estate; namely:
    - Clearly defining levels of recognition required to achieve the Green tier; and
    - Providing a non-exhaustive list of local and global green building certifications (GBCs) to enhance clarity.
- Terminologies used in the TSC for Transportation & Storage, namely:
    - Clarifying the terms related to technological and economical feasibility, the transport of fossil fuels, infrastructure, and alternative fuels
    - Emphasising the current basis of water transport activities

The ATB believes that these amendments provide greater clarity for users of the ASEAN Taxonomy. Further, the ASEAN Taxonomy will continue to be reviewed and updated in line with evolving technological, scientific, and economic developments and in consultation with key stakeholders and users.

The ATB has also developed a Frequently Asked Questions (FAQ) document in response to stakeholder feedback to promote understanding and adoption of the ASEAN Taxonomy. This FAQ serves as a practical guide to address common queries, clarify the taxonomy's purpose and application, and

support its socialisation and uptake across the region. The FAQ is designed as a living resource, regularly updated to incorporate the latest developments, insights, and feedback from stakeholders.

Alongside the FAQ, the ATB has published new SME Use Cases for the ASEAN Taxonomy, covering the construction, agriculture, and manufacturing sectors to enhance usability and adoption, building on findings from stakeholder consultations and earlier versions. These use cases serve as practical references, designed to facilitate and encourage greater adoption and application of the Taxonomy by SMEs.

The effective iteration of the ASEAN Taxonomy Version 3 adds to the TSC for the Energy sector, Carbon Capture, Utilisation & Storage and Coal Phase-Out made effective earlier this year, and together with the FAQ and new SME Use Cases, contributes to the ASEAN Taxonomy's usability as a regional guide and classification system for sustainable activities.

The ASEAN Taxonomy Version 3, FAQ, and Use Cases for SMEs can be found at the following websites:

- Sustainable Finance Institute Asia – https://www.sfinstitute.asia/asean-taxonomy/
- 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 orientate capital flows and funding towards sustainable activities and investments.

The ASEAN Taxonomy is a collaborative 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). 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. 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. It is a multi-tiered taxonomy that will take into account ASEAN's needs, as well as international aspirations and goals. We believe that such a multi-tiered ASEAN Taxonomy is inclusive and will be beneficial to all AMS, and facilitate an orderly and effective transition towards a sustainable ASEAN.

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)***
- ***Bangko Sentral ng Pilipinas (Vice-Chair)***
- ***Insurance Regulator of Cambodia***
- ***Non-Bank Financial Services Authority 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***
- ***Monetary Authority of Singapore***
- ***Bank of Thailand***
- ***The Securities and Exchange Commission, Thailand***
- ***State Securities Commission of Viet Nam***

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

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