19 February 2024

ASEAN TAXONOMY VERSION 2 MADE EFFECTIVE FOLLOWING STAKEHOLDER CONSULTATION FEEDBACK

The ASEAN Taxonomy Board (ATB) is pleased to announce the updated iteration of ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy) Version 2, taking into account feedback and suggestions received from the targeted stakeholder consultation concluded and announced in November 2023.

The response to the ASEAN Taxonomy Version 2 had been largely positive, and the bulk of the feedback received pertained to suggestions on improving clarity in definitions and usability of the ASEAN Taxonomy Version 2. Where relevant, these have been incorporated in the updated iteration of Version 2, which will be effective from 19 February 2024.

Revisions made in the ASEAN Taxonomy Version 2 to address the afore-mentioned input, where relevant, include:

In the Main Report:

- Clarification of the definitions and criteria for Environmental Objectives and Essential Criteria under the Foundation Framework.
- Updated Guiding Principles for all Environmental Objectives.
- Inclusion of the list of Red Activities from Appendix J in the ASEAN Taxonomy Version 1 (now as Appendix G in the ASEAN Taxonomy Version 2).
- The Grandfathering Rules covering green bonds and other green financial instruments. These rules consider practices in other markets and the evolving landscape of sustainable finance within ASEAN to encourage the flow of capital to support decarbonisation of the region.

In Annex 1:

- Finalised criteria for Coal Phase Out.
- Inclusion of future technical screening criteria for Electricity, Gas, Steam and Air Conditioning Supply (Energy) activities as **indicative** thresholds.

In Annex 2:

- Finalised Do No Significant Harm (DNSH) Guiding Principles.
- Streamlined DNSH criteria for three Environmental Objectives namely Climate Change Mitigation, Protection of Healthy Ecosystems and Biodiversity and Resource Resilience and the Transition to a Circular Economy.

The ATB hopes that these amendments will provide greater clarity for users of the ASEAN Taxonomy. Further, consistent with ASEAN's aspirations to facilitate a just transition, 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 of the ASEAN Taxonomy.

The ASEAN Taxonomy Version 2 can be found at the following websites:

- Sustainable Finance Institute Asia – https://www.sfinstitute.asia/wp-content/uploads/2024/02/ASEAN-Taxonomy-Version-2-Effective-19Feb2024.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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