The Asset Management Industry
SERVING INDIVIDUAL INVESTORS
INVESTMENT COMPANY INSTITUTE

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ICI Submits Response to Singapore Consultation on a Green Taxonomy (Similar to EU Taxonomy)

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ESG Task Force
ICI Global Regulated Funds Committee - Asia SUBJECTS: ESG
International/Global RE: ICI Submits Response to Singapore Consultation on a Green Taxonomy (Similar to EU Taxonomy)

We submitted the attached response to a consultation[1] from the Monetary Authority of Singapore (MAS) convened Green Finance Industry Taskforce on a proposed taxonomy for Singapore-based financial institutions to identify economic activities that are 'green' or 'transitioning' toward certain environmental goals. The consultation paper makes clear that the Taskforce intends for regulators to use the taxonomy at some future point in time when approving 'green' products and services.

Below is a short summary of the main points in our response, followed by additional background on the proposed taxonomy for your reference:

- **Coordination with other jurisdictions**. While we appreciate the Taskforce's recognition of the importance of aligning with other taxonomies, we are concerned that the development of a Singapore taxonomy at this stage may jeopardize regional efforts in harmonizing taxonomies. In addition to MAS' current work in harmonizing taxonomies with other ASEAN countries, we urge the Taskforce to take stock of approaches that may be developing in other countries (*e.g.,* Switzerland, UK), including the work in the International Platform on Sustainable Finance (IPSF) on the EU-China 'Common Ground Taxonomy,' to ensure that any Singapore taxonomy would be harmonized and broadly compatible with taxonomies outside Asia (Q1, Q5, Q8).
- **Lack of corporate issuer data**. We express serious concerns about imposing taxonomy-related requirements on asset managers and funds in the absence of widely available data from companies, and we discuss data availability and quality issues at length (Q4). We note that imposing corporate issuer disclosure requirements will not be sufficient to address data availability issues, since asset managers invest globally, including in companies that would not be subject to Singapore regulatory disclosure requirements (Q2).

- **‘Negative requirements’ similar to EU Taxonomy ‘minimum social safeguards.’** Given the significant challenges that our members are experiencing with the overly prescriptive EU approach, we strongly urge the Taskforce to take a more high-level approach to any ‘negative requirements’ (Q9).
- **Avoid a narrow definition of ‘green.’** An overly narrow definition of ‘green’ activities would risk significantly narrowing the universe of green investments and subsequently narrow the diversity of green funds (Q3).
- **Transition activities.** We appreciate the Taskforce’s recognition of the importance of transition activities, and we agree that a taxonomy should not attempt to drive investments solely to a small universe of ‘green’ activities/companies in order to achieve Singapore’s environmental objectives (Q12).

Additional Background

Application to funds. While the proposed taxonomy would not impose any requirements on asset managers or funds at this time, the taxonomy is intended to provide a common framework for classification on which financial products and services could be built. The consultation paper suggests that regulators could use the taxonomy in approving a product as green—for example, developing a label that uses the taxonomy to demonstrate the “green” credentials of a product or service. The consultation further suggests that, in the absence of corporate disclosure requirements, regulators could require financial institutions to disclose taxonomy-related information (*e.g.*, a labeling system) and that this would drive those financial institutions to obtain taxonomy information from corporates.

EU Taxonomy. The proposed Singapore taxonomy uses the same basic approach as the EU framework, with some key differences. Similar to the EU, the Singapore taxonomy would require a ‘green’ economic activity to contribute to certain environmental objectives (*i.e.*, climate change mitigation) and ‘do no significant harm’ to the other environmental objectives.

‘Traffic light classification system.’ Unlike the EU Taxonomy, which focuses primarily on defining green economic activities, the proposed Singapore taxonomy would group activities into 3 different categories:

1. **Green** – This category includes activities / companies clearly aligned with the objectives of the green taxonomy (*i.e.*, mitigation/adaptation/biodiversity/resource resilience), or undertaking a transition consistent with emissions-reduction pathways aligned with meeting the objectives of the taxonomy.
2. **Yellow** – This category includes activities / companies with quantifiable and time-bound pathways towards either green (if the technology exists), or significant de-carbonization that will contribute to the objectives of the Taxonomy (*e.g.*, steel, cement for which no feasible alternative technologies currently exist). Activities / companies in this classification are not yet undertaking a transition consistent with emissions-reduction pathways aligned with meeting the objectives of the taxonomy.
3. **Red** – This category includes activities / companies that are inconsistent with the objectives of the taxonomy. This may include: a) activities / companies that are carbon intensive and where viable alternatives exist (*i.e.*, coal-fired power generation, thermal coal mining); and b) activities / companies that fail to meet the criteria of ‘do no significant harm’ (*i.e.*, agricultural commodity businesses that do not meet NDPE commitments).

Next steps. In its next phase of work, the Taskforce will develop metrics and thresholds for classifying a particular economic activity as green, yellow, or red. Taskforce intends to

leverage the work the EU has done to develop technical screening criteria.

As always, please do not hesitate to reach out to us with any comments or questions.

Linda M. French
Assistant Chief Counsel, ICI Global

Lisa Cheng
Research Analyst
ICI Global

Attachment

endnotes

[1] *See* Green Finance Industry Taskforce (GFIT) Taxonomy Public Consultation *available at* https://abs.org.sg/industry-guidelines/gfit-taxonomy-public-consultation/