

MEMO# 35057

March 2, 2023

Asia ESG: Third and Final Consultation on Singapore Taxonomy

[35057]

March 02, 2023

TO: ICI Members

ICI Global Members

ESG Task Force

Global Regulated Funds Committee

Global Regulated Funds Committee - Asia SUBJECTS: ESG

International/Global RE: Asia ESG: Third and Final Consultation on Singapore Taxonomy

On February 15, 2023, the Green Finance Industry Taskforce (GFIT),[\[1\]](#) convened by the Monetary Authority of Singapore (MAS), published its third and final consultation on the proposed taxonomy for Singapore-based financial institutions ("Singapore Taxonomy"),[\[2\]](#) seeking views on thresholds and technical screening criteria to classify green and transition activities in certain covered sectors. The consultation also seeks views on the technical criteria for potential "Do No Significant Harm (DNSH)" assessments of the impact of climate-related activities on other environmental objectives under the Singapore Taxonomy.

The GFIT intends to publish the final Singapore Taxonomy in the first half of 2023. However, the GFIT has clarified that the application of the taxonomy, including any taxonomy-related disclosure regulations and the voluntary or mandatory nature of such disclosures, has not yet been decided and is beyond the scope of the current consultation.

The consultation will close on March 15, 2023. ICI Global does not intend to submit comments on this consultation. However, ICI Global has engaged on a regular basis with the MAS on the potential implications for global asset managers and investment funds of climate-related financial disclosures and the Singapore Taxonomy, including previously submitting the attached position paper, and will continue to remain engaged.

Background

First proposed in January 2021,[\[3\]](#) the Singapore Taxonomy draws on the structural underpinnings of the EU Taxonomy, and seeks to adapt them to the context of Singapore and the ASEAN region. The five environmental objectives under the Singapore Taxonomy are mostly aligned with those from the EU Taxonomy.[\[4\]](#) One notable difference is that the Singapore Taxonomy aims to capture transition activities using a "traffic light" approach

(i.e., green, amber, and red) based on the level of alignment with environmental objectives.

Key proposals of the March 2023 Consultation

Following the second consultation in May 2022,^[5] which sought feedback on activity-level thresholds for energy, transport, and real estate sectors for the climate change mitigation environmental objective, the March 2023 Consultation seeks views on the relevant thresholds for the remaining five covered sectors, namely, (i) agricultural and forestry/land use, (ii) industrial, (iii) waste and water, (iv) information and communications technology, and (v) carbon capture and sequestration. A separate consultation document seeks views on proposed DNSH criteria.^[6] The GFIT notes that the application of the DNSH criteria has not yet been decided at this stage.

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Notes

^[1] The GFIT describes itself as an industry-led initiative to accelerate the development of green finance through four key initiatives: (i) develop a taxonomy (ii) enhance environmental risk management practices of financial institutions (iii) improve disclosures, and (iv) foster green finance solutions. Under the first focus area, the GFIT is exploring the development of a taxonomy for Singapore-based financial institutions, with particular relevance to those active across ASEAN.

^[2] See Third GFIT Taxonomy Consultation Paper ("March 2023 Consultation"), February 15, 2023, available at <https://www.abs.org.sg/industry-guidelines/gfit-taxonomy-public-consultation>. Also See MAS Media Releases: Industry Taskforce launches Third Consultation on Green and Transition Taxonomy, dated February 15, 2023, available at <https://www.mas.gov.sg/news/media-releases/2023/industry-taskforce-launches-third-consultation-on-green-and-transition-taxonomy#>.

^[3] See First GFIT Taxonomy Consultation Paper, January 28, 2021, available at <https://www.abs.org.sg/industry-guidelines/gfit-taxonomy-public-consultation>. Also See ICI Memorandum [33188], dated March 12, 2021, available at <https://www.ici.org/memo33188>.

^[4] The five environmental objectives under the Singapore Taxonomy are: (i) climate change mitigation, (ii) climate change adaptation, (iii) protect biodiversity, (iv) promote resource resilience and circular economy, and (v) pollution prevention and control. See March 2023 Consultation, *supra* note 2 at p.5, Environmental objectives.

The objectives under the EU Taxonomy are: (i) climate change mitigation, (ii) climate change adaptation, (iii) sustainable use and protection of water resources, (iv) transition to a circular economy, (v) pollution prevention and control, and (vi) protection and restoration of biodiversity ecosystems. See EU taxonomy for sustainable activities, at Taxonomy Regulation and delegated acts, available at https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en.

[5] See Second GFIT Taxonomy Consultation Paper, May 12, 2022, available at <https://www.abs.org.sg/industry-guidelines/gfit-taxonomy-public-consultation>. Also See ICI Memorandum [34194], dated June 24, 2022, available at <https://www.ici.org/memo34194>.

[6] See Proposed DNSH Criteria, February 15, 2023, available at <https://www.abs.org.sg/industry-guidelines/gfit-taxonomy-public-consultation>.

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