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KASA, MOF hail ASEAN Taxonomy for sustainable finance

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KUALA LUMPUR, Nov 12 – The ASEAN Taxonomy for Sustainable Finance, Version 1 (ASEAN Taxonomy), released by the ASEAN Taxonomy Board (ATB), is a major milestone that demonstrates the region's collective commitment and tailored approach in transitioning towards a more sustainable ASEAN.

The Ministry of Environment and Water (KASA) and Ministry of Finance (MOF) welcome this regional initiative released in conjunction with the 26th United Nations Climate Change Conference of the Parties (COP26).

The ASEAN Taxonomy is a joint initiative by ASEAN finance sectoral bodies, whereby Malaysia is represented by Bank Negara Malaysia (BNM) and Securities Commission Malaysia (SC), as part of the 12 members of the ATB that represent all ASEAN member states.

In a joint statement today, KASA and the MoF said ASEAN Taxonomy aims to guide capital and funding towards green and transitional activities, in line with ASEAN's commitment under the Paris Agreement.

"As ASEAN is a region of diverse economies and financial systems, the multi-tiered taxonomy will promote an inclusive adoption that will benefit all ASEAN members, while incentivising members to make credible progress

towards climate goals,” they said.

Besides, it said the initiative also supports Malaysia’s aspiration to be a net-zero carbon nation as early as 2050, complementing the country’s green recovery agenda, National Investment Aspiration (NIA) and Budget 2022’s focus on sustainability and economic recovery.

“It is also aligned with the Climate Change and Principle-based Taxonomy issued by BNM early this year; and the environmental component of the Sustainable and Responsible Investment (SRI) Taxonomy for the Malaysian capital market that is being developed by the SC.

“These taxonomies, collectively, will create opportunities and spur more investment flows, including foreign funds, into the country,” they said.

Furthermore, KASA and the MoF said the role of the financial sector in driving the national sustainability agenda is paramount.

“In this regard, BNM’s Value-based Intermediation Financing and Investment Impact Assessment Framework serve as a useful reference for financial institutions to incorporate environmental, social and governance (ESG) considerations in their own risk management systems, while the SC has introduced various SRI initiatives since 2014 to develop a facilitative SRI ecosystem for the capital market,” they said.

As co-chairs of the Joint Committee on Climate Change (JC3), both regulators have intensified collaborative initiatives with the industry to strengthen the financial sector’s capacity in managing climate-related risks and building climate resilience.

“This has also been instrumental in aligning the financial sector’s response to national policies and support Malaysia’s transition to a greener economy,” it said, adding that KASA and the MoF, along with other ministries and relevant stakeholders will support the next stage of development of the ASEAN Taxonomy and its implementation.

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