

JBA comments on the Second GFIT Taxonomy Consultation Paper: *“Identifying a Green Taxonomy and Relevant Standards for Singapore and ASEAN”*

Questions	Comments
<p>1. GFIT seeks general feedback on the environmental objectives identified.</p>	<ul style="list-style-type: none"> • We support the proposed environmental objectives which are aligned with both the international and regional context. International interoperability between taxonomies is one of the most important considerations for international companies and financial institutions (FIs), as it minimizes the implementation cost and compliance burden and enables FIs to focus on supporting the transition toward a low carbon economy. The transition towards a low carbon economy in ASEAN will require trillions of dollars of investment. International interoperability is also an important aspect to provide a transparent and comparable investment environment for global investors. • We understand that the five environmental objectives are identified based on the Singapore policy, including the Singapore Green Plan 2030 and, we support that it is designed to be consistent with other taxonomies such as the EU Taxonomy. We believe, however, that it is particularly important to recognize the differences from the ASEAN context for the environmental objectives, given that most Singapore-based FIs, including foreign banks, are providing finance in Singapore and ASEAN. We recognize that not all ASEAN countries necessarily have clear environmental objectives and transition plans in place and that the transition pathways and nuances of the plans may differ among ASEAN countries. We therefore hope that the GFIT will ensure consistency of the environmental objectives with other ASEAN countries over time, while highlighting country-specific priorities to make them more comparable.
<p>2. GFIT seeks general feedback on the sectors identified.</p>	<ul style="list-style-type: none"> • We agree with initially focusing on three key sectors for Singapore and ASEAN, namely Energy, Transport and Real estate, and then expanding to the remaining focus sectors.
<p>3. GFIT seeks feedback on this proposed approach – ease of navigation and usability.</p>	<ul style="list-style-type: none"> • We welcome the proposal to further develop the "traffic light system" approach following the previous consultation paper. We believe that the "traffic light system" is a useful framework for transition finance to support Singapore and ASEAN's transition towards a low carbon economy. • Regarding the "Approach to metrics and thresholds for activities," as for the shipping sector, there seems to be some differences between the "Transition Pathway Initiative" mentioned in Paragraph 102 and the MRV (Measurement, Reporting and Verification) methodology adopted by the Poseidon Principles. To avoid cascading the additional burden on the ship-owners, we would like the GFIT to communicate with the Poseidon Principles Association for greater

Questions	Comments
	<p>harmonization with the Poseidon Principles.</p>
<p>4. GFIT seeks feedback on the level of ambition for each criterion, whether TSC are clear, usable, or any other alternative metrics, policies and documents should be used as reference?</p>	<ul style="list-style-type: none"> • With regard to standards in the energy sector, thresholds (Table 1 on page 55) are presented along with time horizon. Given that the economic development status and energy mix differ among ASEAN countries, we would like to request that due consideration be given in setting quantitative targets for use in ASEAN countries so that there is no inconsistency with the energy transition policies of ASEAN countries. • Regarding "Bioenergy power generation" on page 63, bioenergy produced from waste is classified as amber-eligible, but there are various views on the use of bioenergy. As described in NOTE on page 110, detailed criteria should be considered in the "DNSH requirements", which would be discussed henceforth. • Regarding "Energy production from natural gas" on page 68, it is stated that the "Conversion of natural gas plants to use green hydrogen leading to an emission intensity of less than 100gCO₂e/kWh measured during the life cycle" as green-eligible. Since there would likely be other technologies that reduce CO₂ emissions besides the use of green hydrogen, it would be desirable to list more technologies as examples. • Regarding the criteria for the real estate sector, the adoption of LEED (Leadership in Energy & Environmental Design), which is also commonly used in Singapore, is worth considering. • On page 87, the statement "Buildings are dedicated to extraction, storage, manufacturing, transport of fossil fuels. For the avoidance of doubt, the above does not include buildings providing office space to fossil companies for administrative or trading activities." describes "red" activities, it can be read as buildings for administrative purposes are excluded from the "red" consideration. On the other hand, in "Case study: Construction of new buildings, debt financed" on page 122, it is stated that "The construction of new buildings for the purpose of occupation by fossil fuel extraction, transport of fossil fuels or manufacturing of fossil fuels activities (either for actual extraction, transporting, manufacturing and/or administrative purpose) are excluded." It can be read as buildings for administrative purposes also fall under "red" consideration. We would like to request that the criteria for fossil fuel related buildings be defined more clearly.
<p>5. a) The transition process from amber to green for economic activities</p>	<ul style="list-style-type: none"> • Section 5 "Taxonomy in Practice" provides the overview on how FIs could use the GFIT Taxonomy, but we would appreciate it if practical guidance could further be developed to support transitions. Given the diversity of ASEAN countries, any requirements for FIs should not be prescriptive in a way that restricts financing, but rather should be as flexible as possible to encourage FIs to support a just transition.
<p>5. b) The aggregation of activities by category at a fund/portfolio level</p>	<ul style="list-style-type: none"> • We appreciate that the proposal recognizes the importance of disclosures from companies for FIs reporting on Taxonomy alignment. • In Singapore, the Association of Banks in Singapore (ABS) is currently developing an Environmental Risk Questionnaire (ERQ), but there are still challenges in terms of availability of reliable and comparable data disclosed to FIs, including in

Questions	Comments
	<p>other ASEAN countries. When introducing some requirements to FIs based on the GFIT Taxonomy, a framework should be designed with full recognition that there are still large data gaps in the ASEAN region. We would like to request that a framework be developed to encourage harmonized disclosures from companies, in order to enhance data disclosure in the ASEAN region.</p> <ul style="list-style-type: none"> In addition, we would like to request detailed descriptions of portfolio reporting on various types of bonds, for example, convertible bonds (where bonds and equity are interchanged upon conversion) and sustainability-linked green bonds (which combine features of both general corporate bonds and Use of Proceeds Bonds).
<p>5. c) The requirements for disclosure from both companies and financial institutions</p>	<ul style="list-style-type: none"> Paragraph 168 states that corporate disclosures are "not currently" regulatory requirements, but are referred to as future mandatory regulatory disclosures. However, there is still unclear area especially regarding the criteria and scope of each signal in the "traffic light system", and a more in-depth discussion for disclosure framework is necessary. We are concerned that using the GFIT Taxonomy solely to judge compliance based on the current technology and output may limit the potential for future technology development and innovation, and may eventually impede the transition towards a low-carbon economy rather than supporting an environmentally responsible transition and innovation. We believe that this approach should be the same when incorporating the GFIT Taxonomy into the disclosure framework. Although we understand the concept of reporting on the GFIT Taxonomy alignment, we would like the GFIT to make sure that it will not be used as a tool for penalizing FIs whose alignments lower than other FIs. At this stage, sufficient data has not yet been accumulated on the financial risks of transactions aligned with the GFIT Taxonomy. If regulations are imposed on market participants beyond voluntary disclosures, we would like to request that careful consideration be given based on the accumulation of sufficient data and analysis. In disclosures based on the GFIT Taxonomy, it is extremely difficult for FIs to collect data from companies and to verify the data reliability without clear disclosure requirements. In particular, companies operating across jurisdictions would have to meet disclosure requirements under multiple taxonomy regulations. In order to avoid confusion, we would like to request that guidance be provided on the establishment of boundaries and scope.
<p>5. d) Any other feedback on the proposals contained within this section?</p>	<ul style="list-style-type: none"> We welcome that the proposal maintains interoperability with other taxonomies in other jurisdiction as an important principle, following the previous consultation paper (Paragraph 69: Overarching principles). Efforts to harmonize taxonomies across jurisdictions will be more important and appropriate hereafter. We support that the GFIT Taxonomy would be consistent, compatible, and interoperable with the ASEAN Taxonomy, and that the GFIT Taxonomy would be primarily applicable to "the provision of finance to Companies in ASEAN member

Questions	Comments
	<p>states". We would like the GFIT to continue to work with the ASEAN Taxonomy Board to consider how both taxonomies will be used in combination.</p> <ul style="list-style-type: none"> • For example, there are differences in the level of economic development and national decarbonization strategies among ASEAN countries, and there may be cases where a company's activities are compliant with the ASEAN Taxonomy and/or local taxonomy but not fully compliant with the GFIT Taxonomy. It should be clarified what taxonomy should be applied to these cases. • We believe that a certain degree of flexibility should be allowed particularly for financing for ASEAN countries other than Singapore, for example, by prioritizing local taxonomy. • We also would like to request the GFIT to clarify the gaps between the GFIT Taxonomy and ASEAN Taxonomy to minimize burden and confusion for companies and FIs to assess them by themselves. • We would like the GFIT to clarify its policy on whether it expects to set a deadline for responding to the GFIT Taxonomy against all sectors and/or economic activities in the future, or each company and FI can set their own individual deadlines.

(End)