

RESPONSE TO CONSULTATION PAPER

Consultation topic	Green Finance Industry Taskforce (GFIT) - Identifying a Green Taxonomy and Relevant Standards for Singapore and ASEAN
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Question 1 – The workstream seeks comments on the useful measures of success, and whether other measures may be considered in addition when evaluating the implementation of a taxonomy.

The predominant measure of success should be how close an alignment of Singapore’s taxonomy with an array of other taxonomies. As with IFRS, it is important that a taxonomy is employed to facilitate understanding of Singapore's taxonomy. We reckon this helps with the following:

- 1) Increasing the choice of financial products available to investors in Singapore as foreign financial service providers can offer their products in their home country as well as in Singapore with minimal adaptation if the taxonomy used in various jurisdictions are similar
- 2) Conversely, should financial institutions based in Singapore originate financial products, these products can also be made available with minimal adaptation to other markets and foreign investors
- 3) Encouraging listing of firms, issuance of loans or bonds through the Singapore capital market could prove to be expedient and less costly with a similar taxonomy

Should Singapore’s taxonomy differ significantly from other taxonomies, then there should be justifiable and good reasons for doing so. And over time, there should be periodic examination if the differentiation could and/or should eventually converge.

Question 2 – The workstream seeks specific feedback on the extent to which disclosure requirements may present an ‘undue burden’ on corporates.

If Singapore’s taxonomy were to be aligned with a global taxonomy, the burden should be minimal.

Question 3 – The workstream seeks feedback on potential risk considerations around the development of a taxonomy, including other risk considerations not mentioned in this section.

There will be uneven costs to different parties whichever taxonomy Singapore adopts. The pertinent issue is to adopt a taxonomy that works for Singapore. The following are plausible and practical approaches for the workstream’s consideration:

- Perhaps set the bar lower with a roadmap on increasing the bar over time
- ASEAN economies are in different stages of development. There are also significant differences in fiscal position, debt levels, know-how, technology, infrastructure and challenges in a post Covid-19 world. Singapore could adopt a taxonomy that caters to her needs and befitting its stage of development, but at the same time ensuring the adopted taxonomy should be wide enough to not be deemed exceedingly onerous for other ASEAN countries to get onto the green bandwagon. Once other ASEAN countries are on the bandwagon, the bar can be raised over time to approach higher standards as per taxonomy of developed economies (also see risk considerations as per response to question #12 and #13)

Question 4 – The workstream seeks specific feedback on the extent to which the introduction of a taxonomy would introduce additional cost and compliance burden to Financial Institutions.

There will be minimal impact on investment management firms which are firmly on the ESG path.

Separately, we must ask if financial institutions can afford not to adopt sustainable practices given the global climate situation and the ESG wave sweeping the globe. These firms may eventually find revenue falling should they not be deemed green. Hence, the focus should be on sustaining revenues and generating new revenue streams, instead of focusing disproportionately on additional cost and compliance burden.

The above sentiment is aptly captured by the following response: “[Everything is] tough when it is new or at the initial stage. It willget tougher until it becomes a key element of conducting businesses. Firms will see it as added work, costs and risks to them but it is truly an opportunity for firms to turn it to their competitive advantage by embracing the change and lead the change in their respective industries.”

Question 5 – The workstream seeks feedback on this proposed approach. If you disagree, please comment on alternative options, including:

- 1) alternate approaches to the development of a Singapore taxonomy,
- 2) an option where Singapore does not develop a taxonomy and makes no further contribution, or,
- 3) an option whereby Singapore does not develop a taxonomy but instead provides transparency and guidance around existing taxonomies to the market.

We are inclined towards adopting option #3 for the reasons outlined in our response to question #1. As there is no one global taxonomy, Singapore can adopt areas that are common across different taxonomies and outlining where they may differ.

Should Singapore adopt option #1, there must be justifiable and good reasons to do so. Even then the difference in taxonomy should not be ‘too different’ for an eventual convergence whenever possible.

Question 8 – The workstream seeks specific feedback on four environmental objectives identified, namely:

- a) Climate change mitigation
- b) Climate change adaptation
- c) Protect biodiversity
- d) Promote resource resilience

We are supportive of the “Promote Resource Resilience” objective – mitigation and adaptation are important broad focus themes but promoting/creating awareness can also contribute to a more sustainable economy.

We are also supportive of not just the protection of biodiversity but also in favour of the proliferation of biodiversity. The fight against climate change is a long game. Targets stretch out to the year 2050 and 2100. For such an extended journey, as the world slashes carbon emissions, we should in parallel seek to increase carbon sinks. The protection of biodiversity needs to be urgently flagged out. Failure to do so will result in tremendous loss of biodiversity; and extinction of species would pass unnoticed.

Question 10 – The workstream seeks feedback on the process for identifying sectors, as well as the sectors identified.

GHG contribution of 47.4% by the Agriculture and Forestry/Land Use Sector in ASEAN appears excessive when compared to global averages. While it may be high due to land clearing activities from the roll out of massive townships, industrial parks, over-logging, and forest burning, it is double the global average of 24% as reported by the US EPA. Perhaps there should be cross checks of working back or backing out the percentages from global and regional averages to corroborate with reported data from other developed geographies like the EU or US.

Question 12 – The workstream seeks feedback on the use of a traffic-light system, including suggestions for expansion and granularity in any subsequent taxonomy.

The traffic light system is a less strict standard as compared to the EU Taxonomy Regulation (which sets out one single threshold). Given the nascent stage of ESG investing in Singapore, this framework will form a good starting point for many companies who are still at the early phase of their respective ESG journey. As the yellow group is intended to cover transition activities, it will be beneficial to develop more gradations and/or granular thresholds and requirements subsequently.

But the gradations and/or granular thresholds must be sensible, applicable to the current time, measurable, and transparent. We must guard against the influence of industry to hijack the taxonomy in an attempt to greenwash malign activities. Watered-down criteria such as allowing companies "undertaking a transition" in the Green category could allow companies such as palm and forestry companies whose practices clearly damage the environment to obtain Green status. This will undermine the legitimacy of Singapore's taxonomy.

Many investors seeking influence via ESG investing value immediacy and transparency. The Green category should be reserved for companies that meet specific criteria. The Red category should clearly call out companies whose present actions are inconsistent with the objectives of the taxonomy. Careful attention should be paid not to allow companies to obfuscate or greenwash their activities.

Question 13 – The workstream seeks feedback on this proposed approach.

The emphasis on "phased approach" gives unwarranted time to companies who are known to damage the environment. Consider companies that cause trans-boundary haze by burning down the forest. Immediate Red categorization would lead to divestment and lending restrictions, which could result in corrective action and cleaner air. A multi-year "phased approach" would instead yield the result we encounter presently: haze.

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