

The background image shows a modern architectural setting. On the left, a building with a grey, geometric-patterned facade is visible. A wide, paved walkway made of grey rectangular tiles leads from the foreground towards a lush green garden in the distance. The garden features manicured hedges, trees, and a small stone structure. On the right, a building with a large glass facade reflects the surrounding greenery. A yellow rectangular box is overlaid on the left side of the image, containing the main text.

Unveiling the potential:
How the Singapore Asia
Taxonomy empowers
financial institutions and
corporates in sustainable
finance



Building a better
working world

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Preface

The Singapore Asia Taxonomy (SAT) is emerging as a paradigm-shifting tool for financial institutions and corporates in Singapore and ASEAN, empowering them to move toward an environmentally sustainable economy.

Sustainable finance is rapidly transforming how the global financial system operates. This shift is driven by a growing urgency to address climate change and resource scarcity, while also promoting social responsibility. In Asia, this trend presents unique challenges and opportunities. The region's developing economies require significant infrastructure investment, but traditional financing methods often have a high environmental footprint. Conversely, Asia's rapid growth fosters a fertile ground for innovative financial solutions that can bridge the gap between economic development and environmental sustainability.

The Singapore Asia Taxonomy (SAT) is designed to help financial institutions and corporates navigate this complex landscape. Issued by the Green Finance Industry Taskforce (GFIT), convened by the Monetary Authority of Singapore (MAS) in collaboration with industry stakeholders, the SAT provides a clear and consistent classification system for economic activities based on their environmental impact. This framework enables financial institutions and corporations in the region to unlock the immense potential of sustainable finance, paving the way for a more prosperous and environmentally responsible future for Asia.

This paper serves as a pivotal resource, demystifying the SAT's framework and its benefits for various stakeholders. Financial institutions seeking to implement sustainable investment and lending strategies will find this paper particularly valuable, as it offers practical guidance on aligning with the SAT's green and amber (transition) criteria. Corporates can leverage the paper to understand how the SAT framework facilitates access to sustainable capital and strengthens their environmental responsibility efforts. Policymakers will gain crucial insights into the SAT's role in driving sustainable finance practices across Asia, informing their policy decisions.

The paper extends its value beyond these core groups, serving as a comprehensive resource for all stakeholders invested in a sustainable future for Asia.

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Executive Summary

This paper explores the pioneering role of the Singapore Asia Taxonomy (SAT) in reshaping sustainable finance practices across Asia, analyzing its benefits for both financial institutions and corporations.

Financial Institutions (FIs) including equity fund management, debt fund management, alternative investment management, private equity, venture capital, infrastructure financing, investment-linked insurance products, among others are intended to be the primary users of the Taxonomy. For FIs, the SAT offers a standardized guidance around categorizing and assessing environmental impact of investments and loans. This provides enhanced clarity and robustness to FIs to achieve portfolio alignment with net zero.

Beyond portfolio alignment, the SAT empowers FIs to enhance environmental risk assessment. By classifying economic activities based on their environmental impact, the SAT allows FIs to identify and mitigate potential environmental risks associated with their lending and investment decisions. This fosters a more resilient and sustainable financial system in Asia, where environmental considerations are integrated into core financial activities.

The SAT also unlocks opportunities for innovative financial product development. FIs can leverage the taxonomy to create impactful green products like green bonds and sustainability-linked loans, catering to the growing demand for sustainable investments. Additionally, the SAT fosters transparency and facilitates consistent and clear sustainability reporting by FIs. This transparency builds trust with stakeholders and strengthens the overall credibility of the financial system.

Corporates also benefit significantly from the SAT. The framework allows companies to demonstrate their green credentials and attract lower-cost capital from sustainability-focused investors. For example, a cement manufacturer can leverage the SAT to classify its production processes, highlighting its efforts to reduce emissions through green technologies. This alignment with the SAT's criteria strengthens the company's green credentials and facilitates access to favorable financing for sustainable projects.

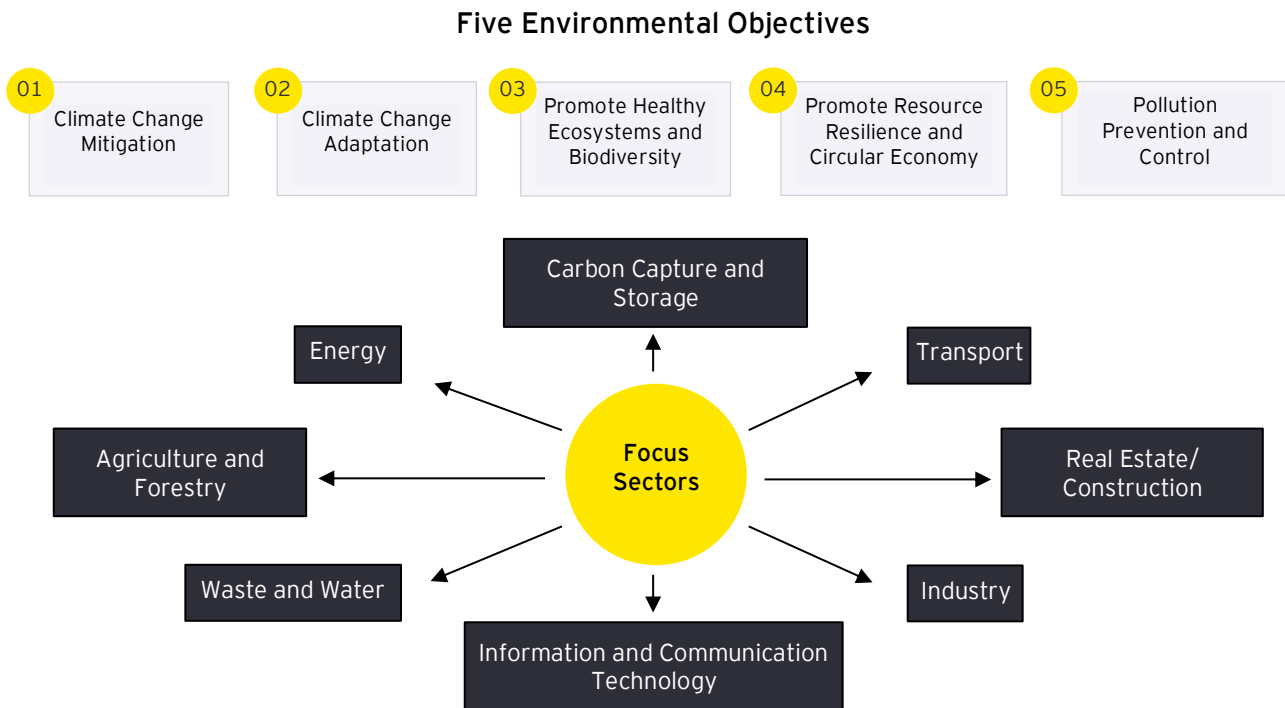
Furthermore, the SAT empowers companies to integrate sustainability considerations into their financial strategies. By mapping their activities against the SAT, companies can develop robust sustainability finance frameworks. This facilitates the issuance of green bonds and loans while also encouraging exploration of innovative sustainable finance solutions. Notably, the SAT enables companies to be transparent on their alignment with net-zero goals and Nationally Determined Contributions (NDCs) under the Paris Agreement. This strengthens stakeholder trust and ensures corporate sustainability efforts contribute to broader national climate change mitigation strategies.

By fostering transparency, mitigating risks, and unlocking innovative financial products, both FIs and corporates can leverage SAT to integrate sustainability into their core practices.



Introduction to Singapore Asia Taxonomy

The SAT establishes a standardized framework for classifying economic activities across five environmental objectives and eight key focus sectors¹, which represent 90% of Asia's greenhouse gas (GHG) emissions, based on their environmental impact. Currently, the SAT only focuses on climate change mitigation as an environmental objective.



The taxonomy uses a **traffic light system** to classify activities into three categories:

- ▶ **Green:** Activities that contribute substantially to climate change mitigation by operating at near zero emissions or are on a 1.5°C-aligned pathway.
- ▶ **Amber (transition²):** Activities that are not presently on 1.5°C pathway but are either moving toward a green transition pathway within a defined time frame; or facilitating significant emissions reductions in the short term with a prescribed sunset date.
- ▶ **Red:** Activities that are not currently eligible under the taxonomy. This means that they either do not comply with green or amber criteria, or directly unsustainable activities.

Do No Significant Harm (DNSH) Criteria

- ▶ **Alignment with Environmental Objectives:** Economic activities must meet technical screening criteria to be considered aligned with the Taxonomy. They should contribute to one of the five Environmental Objectives without causing harm to the other four.
- ▶ **Disclosure and Assessment:** Users of the Taxonomy are encouraged to disclose how DNSH requirements are met. The DNSH assessment ensures that activities do not cause potential or actual harm to other environmental objectives. Compliance with DNSH tests may become mandatory in the future, and activities without a mitigation approach could be deemed "ineligible".
- ▶ **Ongoing Due Diligence:** Investors are expected to continuously monitor indicators and engage with issuers to assess evolving materiality, probability, and risk management. They should also be aware of new and emerging risks to the issuer.

1. Powering Sustainable Finance for FIs

The Singapore Asia Taxonomy (SAT), launched in December 2023 by the Green Finance Industry Taskforce (GFIT) is an important tool for Financial Institutions (FIs) to understand how they can direct capital flows toward green activities and support the much-needed transition to a low-carbon economy. This section delves into how the SAT can be utilized to achieve portfolio alignment with net-zero goals and unlock opportunities in sustainable finance.

1.1. The Role of SAT in Portfolio Alignment with Net-Zero

Financial institutions in Asia can leverage SAT to unlock a strategic advantage in aligning their portfolios with net zero ambitions. SAT's regionally focused approach, with its emphasis on transition activities and clear future pathways, empowers FIs to make informed investment decisions while mitigating climate risks.

How can you build a Net-Zero Portfolio with SAT?

Step 1: Identify Green and Amber Opportunities: Utilize the SAT classification system to pinpoint companies demonstrably contributing to net zero (green) or with credible transition plans (amber).

Step 2: Prioritize Within Categories: While both green and amber contribute to net zero, SAT allows for further differentiation. FIs can prioritize investments within these categories based on factors like:

- **Environmental Impact:** Favor companies with the most significant positive impact on climate change mitigation.
- **Transition Credibility:** For amber companies, assess the strength and feasibility of their transition plans to allow for transition in a timely manner (sunset period).

Step 3: Engage with Portfolio Companies: The SAT framework encourages ongoing dialogue between FIs and portfolio companies. Use this to advocate for continuous improvement in environmental performance, aligning company strategies with net zero goals.

1.2. Beyond Risk Aversion: Embracing Environmental Risk Management

The SAT transcends mere risk avoidance, empowering FIs with an initiative-taking approach to environmental risk management. It enhances the incorporation of environmental risk assessment into lending and investment risk decisions through several key mechanisms:

Enhanced Risk Management through Environmental Classification

FIs can categorize loan and investment targets based on environmental impact (green, amber (transition), ineligible). This replaces subjective assessments, leading to:

- **Improved Risk Quantification:** Activities can be assigned environmental risk profiles based on the SAT classification. Green activities pose lower risk, while ineligible activities indicate higher risk. This facilitates more nuanced risk assessments compared to current methods.
- **Loan Portfolio Alignment:** FIs can leverage the SAT to assess the environmental impact of their loan portfolios and identify green lending opportunities. By aligning loan portfolios with the SAT's criteria, FIs can gain insights into potential climate-related risks embedded within their lending activities.

Integration with Existing Risk Management Frameworks

- **Diversification across Asset Classes:** SAT's environmental classifications can be integrated not only with credit rating models but also with portfolio optimization tools, and internal risk scoring systems across different credit facilities and various asset classes. For example, asset managers can utilize SAT to align real estate, infrastructure, and other asset class portfolios with environmental objectives.

¹ <https://www.mas.gov.sg/-/media/mas-media-library/development/sustainable-finance/singaporeasia-taxonomy-updated.pdf>

² "Transition" refers to activities that do not meet the green thresholds now but are on a pathway to net zero or contributing to net zero outcomes.

1.3. Cultivating Green Innovation: Opportunities through Product Development

The Singapore Asia Taxonomy (SAT) acts as a catalyst for cultivating green innovation in financial product development. By enabling tailored solutions, and attracting sustainability-conscious investors in the region, the SAT empowers FIs to design innovative products and play a leading role in mobilizing capital toward a greener and more sustainable future.

Unlocking Green Product Innovation with the SAT

STANDARDIZED LANGUAGE FOR GREEN PRODUCTS

The SAT provides a common language for FIs to define and categorize sustainable financial products. This allows them to develop green bonds and sustainability-linked loans with clear criteria aligned with the SAT's green and transition activities. Investors gain confidence in the environmental integrity of these products, knowing their capital directly supports projects demonstrably aligned with sustainability objectives.

TAILORED FINANCIAL SOLUTIONS

The SAT's comprehensive framework encompasses various economic activities across eight key sectors. This allows FIs to design a wider range of sustainable financial products beyond traditional green bonds. For instance, banks can offer green mortgages or transition loans, while asset managers can build thematic portfolios, exclude high-risk companies, or target impactful investments using SAT classifications. This fosters a wider range of sustainable financial solutions.

ENHANCED RISK-RETURN PROFILES

By focusing on green and transition activities, FIs can potentially develop sustainable financial products with attractive risk-return profiles for investors. The SAT fosters transparency around environmental impact, potentially leading to a premium for green investments as investors increasingly seek sustainable options. Additionally, by mitigating environmental risks associated with high-emitting sectors, the SAT can contribute to more stable product performance over the long term.

Attracting and Retaining Sustainability-Conscious Investors

INVESTOR CONFIDENCE AND TRANSPARENCY

The SAT provides a standardized framework for defining and categorizing sustainable financial products, including green bonds and sustainability-linked loans. This clarity, combined with the SAT's science-based criteria, instills confidence in investors by enabling them to readily assess the environmental impact of their investments. As a result, investors can be assured that their capital is contributing to genuine sustainability goals.

ALIGNMENT WITH INVESTOR VALUES

The SAT allows FIs to develop financial products that resonate with the growing pool of sustainability-conscious investors. These investors, often driven by environmental and social considerations alongside financial returns, are actively seeking investment opportunities that contribute to a sustainable future. By leveraging the SAT, FIs can cater to this growing segment and build long-term relationships with these valuable investors.

MARKET DIFFERENTIATION AND COMPETITIVE EDGE

In an increasingly competitive sustainable finance landscape, the SAT empowers FIs to differentiate themselves by offering innovative and credible green financial products. By demonstrating a commitment to the SAT's framework, FIs can attract and retain sustainability-conscious investors, solidifying their position as leaders in the green finance revolution.

1.4. Bridging the Transparency Gap: Consistent Reporting and Managing Greenwashing Risks

The Singapore Asia Taxonomy (SAT) bridges the transparency gap in sustainable finance by promoting consistent and transparent sustainability reporting by Financial Institutions (FIs). This transparency not only helps in managing the risk of greenwashing but also paves the way for robust regulatory frameworks for sustainable finance disclosure across Asia.

3
“

The Singapore-Asia Taxonomy takes an Asian perspective and offers a measures-based approach to defining transition activities, categorizing them as "amber". This framework aims to help financial institutions optimise their support for the transition of hard-to-abate sectors, particularly in Asia.

Mr. Wong Kee Joo, Chair of Green Finance Industry Taskforce (GFIT)³

Facilitating Consistent and Transparent Reporting:

01	Contributing to a Global Taxonomy Framework The SAT is a significant step toward creating a standardized framework for sustainable finance in the region. While multiple taxonomies exist globally, the SAT can contribute to the development of a unified approach by providing a robust regional benchmark and fostering collaboration with other jurisdictions. The SAT can help create a more coherent and comparable global taxonomy, ultimately benefiting FIs through increased transparency, efficiency, and investment opportunities.
02	Improved Stakeholder Communication By leveraging the SAT's standardized framework, FIs can communicate their sustainability initiatives and progress toward environmental goals more effectively. Stakeholders gain a clearer picture of the FI's commitment to environmental responsibility, fostering trust and confidence in their sustainability efforts.
03	Enhanced Comparability and Accountability The SAT facilitates consistent reporting metrics across FIs, allowing for meaningful comparisons of their sustainability efforts. This fosters greater accountability and transparency within the financial system, as investors can readily compare the environmental footprint of different FIs' portfolios.

Reducing the Risk of Greenwashing

01	Combating Misrepresentation The SAT's science-based criteria and clear definitions for green and transition activities make it difficult for FIs to misrepresent their environmental credentials. Investors and other stakeholders can be confident that activities categorized as "green" under the SAT demonstrably contribute to positive environmental outcomes, reducing the risk of greenwashing practices.
02	Promoting Transparency and Credibility The SAT encourages FIs to be transparent about their sustainability efforts and the limitations of their green portfolios. This transparency fosters trust with stakeholders and allows investors to make informed decisions based on accurate information about the environmental impact of their investments.

³ <https://www.mas.gov.sg/news/media-releases/2023/mas-launches-worlds-first-multi-sector-transition-taxonomy>

2. Corporates Go Green: The SAT Advantage

The Singapore Asia Taxonomy (SAT) can help corporations to unlock access to sustainable capital by strengthening their ability to demonstrate their green credentials.

2.1. Accessing Sustainable Capital: Lower Costs and Favorable Funding

By aligning their operations and projects with the SAT's criteria, companies can attract sustainability-focused investors seeking impactful placements for their capital, potentially lead to lower borrowing costs associated with green finance instruments, facilitate the issuance of green bonds and loans while also encouraging exploration of innovative sustainable finance solutions.

Potential for Lower Borrowing Costs

Demonstrating alignment with the SAT's green criteria can potentially translate into lower borrowing costs for companies. Green finance instruments, such as green bonds or sustainability-linked loans, often offer more favorable interest rates or loan terms compared to traditional financing options. This is because sustainability-focused investors are willing to accept a slightly lower return in exchange for the positive environmental impact associated with the investment.

01

Targeting Green Capital Providers

By leveraging the SAT framework, companies can effectively communicate their green credentials to a growing pool of sustainability-focused investors, including green investment funds and socially responsible lenders. These investors prioritize environmental impact alongside financial returns and are actively seeking investment opportunities aligned with the SAT.

02

Green Bond and Loan Issuance

Mapping activities against the SAT allows companies to identify projects and assets demonstrably aligned with the taxonomy's green criteria. This alignment forms the basis for issuing green bonds or securing sustainability-linked loans. Investors gain confidence in the environmental integrity of these instruments, knowing their capital directly supports activities categorized as green under the SAT.

03

Unlocking Sustainability-Linked Products

The SAT facilitates the development of sustainability-linked products tailored to specific sectors. For example, a manufacturing company could leverage the SAT to obtain a transition-linked loan with favorable terms contingent on achieving greenhouse gas emission reduction targets aligned with the SAT's transition criteria for the manufacturing sector. This incentivizes the company to invest in clean technologies and adopt sustainable practices.

04

Integrating SAT into Sustainable Finance Framework

Integration into Existing Sustainability Finance Framework

Map Activities: Identify green projects aligning with SAT's criteria across sectors (e.g., renewable energy in manufacturing).

Gap Analysis & Strategy: Compare projects to SAT definitions. Develop a plan to bridge any gaps (e.g., implement clean technologies).

Track & Report Progress: Monitor progress toward meeting SAT's technical thresholds. Report these metrics for transparency.

Leveraging SAT for Project Financing

Project Selection: Identify projects that contribute to environmental sustainability.

SAT Classification: Utilize the SAT to classify these projects based on taxonomy's green criteria. The technical/science-based thresholds within the SAT for each green activity provide a clear benchmark.

Green Project Documentation: Develop comprehensive documentation showcasing how your project aligns with the relevant SAT criteria and thresholds detailing the project's specific activities, and their contribution to environmental objectives.

2.2. Strategy: Demonstrating Net-Zero and NDC Alignment

The Singapore Asia Taxonomy (SAT) empowers corporations to effectively communicate their alignment with ambitious climate goals, such as net-zero emissions and Nationally Determined Contributions (NDCs), focusing primarily on Singapore and neighboring ASEAN countries. By aligning their activities and strategies with the SAT's framework, companies not only solidify their green credentials but also position themselves for long-term success in a world increasingly focused on sustainability.

01

Highlighting Net-Zero Alignment with the SAT

- **Mapping Activities to Net-Zero Pathways:** Companies can leverage the SAT to assess how their existing activities and planned projects contribute toward achieving net-zero emissions over the long term. By aligning their operations and investments with activities categorized as green or transition under the SAT, companies demonstrate a strategic roadmap toward a net-zero future.
- **Science-Based Approach for Credibility:** The SAT's foundation in science-based criteria strengthens the credibility of a company's net-zero claims. Investors and stakeholders gain confidence that the company's sustainability goals are grounded in rigorous analysis and aligned with internationally recognized pathways to achieving net-zero.

02

Demonstrating NDC Alignment through the SAT

While the SAT's technical criteria are tailored to Singapore's National Determined Contribution (NDC) and sustainability goals, it offers a framework for companies in the region to showcase their commitment to environmental progress.

Transparency and Measurable Progress on Regional Sustainability Goals:

- **Alignment with Regional Priorities:** Companies can use the SAT to demonstrate alignment with broader regional sustainability goals established by ASEAN member states, promoting a collaborative approach to environmental challenges.
- **Standardized Reporting:** The SAT framework provides a standardization for reporting on sustainability efforts, simplifying stakeholder communication across the region.

Using the SAT for Decarbonization Planning

Proxy for Decarbonization Opportunities: Companies at the outset of their decarbonization journey can leverage the SAT as a springboard to identify sectoral opportunities. By mapping their current activities against the SAT's classifications, they can pinpoint areas with high emissions within their specific industry. The SAT's categorization of green and transition activities then serves as a roadmap to explore potential decarbonization pathways within their sector. This data-driven approach equips companies to prioritize their decarbonization efforts and develop a targeted strategy for achieving net-zero emissions.

2.3. Strengthening Stakeholder Trust: Enhanced Reporting and Credibility

The Singapore-Asia Taxonomy (SAT) offers a robust framework for corporations to enhance communication of their net zero transition journey and progress to stakeholders. This transparency not only enhances corporate reputation but can also be leveraged to reduce the risk of greenwashing and fostering stronger relationships with stakeholders.

Clear and Consistent ESG Reporting with the SAT:

Defining Net-Zero Goals and Benchmarking

Companies can leverage the SAT to define and communicate their net zero goals with greater clarity. By aligning goals with the SAT's classifications, corporations demonstrate a commitment to a low-carbon and environmentally responsible future. Additionally, companies can benchmark their performance against peers using the SAT classifications, allowing industry-specific comparisons, and fostering a spirit of transparency and accountability.

01

Progress Tracking and Alignment

The SAT framework empowers companies to track progress toward their net zero ambitions in a measurable way by demonstrating their progress through the classification of activities. Additionally, taxonomy reporting can be harmonized with reporting for other frameworks, including TCFD, ISSB, CDP, and SBTi, to provide a comprehensive assessment of a company's performance on its transition to a lower carbon economy.

02

Mitigating Greenwashing Risks:

Establishing Objective Criteria

The taxonomy employs science-based criteria to define sustainable activities. This reduces ambiguity and prevents companies from making unsubstantiated claims about their environmental impact, allowing mitigation of greenwashing risks.

01

Transparency and Scrutiny

The SAT encourages increased transparency in sustainability reporting. By aligning activities with the taxonomy, companies open themselves to greater scrutiny from stakeholders, further deterring greenwashing attempts.

02

Benefits of Enhanced Stakeholder Trust:

Improved Investor Relations

Streamlined net-zero transition journey and transparent communication, facilitated by the SAT, can improve investor relations. Investors increasingly prioritize sustainability factors in their investment decisions, and companies demonstrating a commitment to net-zero goals through the SAT framework are likely to attract more capital.

01

Enhanced Brand Reputation

Consumers and other stakeholders are increasingly conscious of a company's environmental impact. By leveraging the SAT to showcase their sustainability efforts, companies can build a positive brand reputation and gain a competitive edge in the marketplace. This also helps in attracting environmentally conscious talent and customers.

02

3. Putting Theory into Practice: SAT in Action

The Singapore Asia Taxonomy (SAT) is rapidly transitioning from theory to practice, empowering FIs to offer green financing solutions, asset managers to build sustainable portfolios, and corporations to demonstrate their commitment to a sustainable future. Here is a use case highlighting the plausible application of the SAT in the real estate sector:

Use Case 1: A Singapore-based Real Estate Company's Alignment with Singapore Asia Taxonomy's Technical Screening Criteria

Objective: A Singapore-based real estate company launched its inaugural green bond, the first by a listed Singapore real estate company. The green bond raised S\$100 million which was allocated toward the repayment of a S\$100 million loan extended to its subsidiary, which owns a renowned skyscraper.

Completed in 1996, it is one of Singapore's tallest skyscrapers. Since its completion, the skyscraper has continuously been upgraded to improve the building's energy efficiency. The S\$100 million loan was used for various initiatives to enhance energy and water efficiency at the skyscraper, including the major retrofitting of chiller plants and installation of energy-efficient lightings with motion sensors.

We use the Singapore-Asia Taxonomy to determine the bond issuance's eligibility under the technical screening criteria for the real estate sector.

Indicative Assessment: Since the bond proceeds were used to repay a loan that in turn was used for renovating the skyscraper, the SAT criteria applicable to "Renovation of Existing Buildings" is used for assessment.

Criteria Type	Indicative Assessment	Criteria Met?
Activity Eligibility	Bond Proceeds were used to repay loans that were used for renovating the skyscraper, which falls within the scope of the SAT	✓
Activity Technical Screening Criteria	Since the bond proceeds were used to repay loans that in turn enabled the skyscraper to achieve the Green Mark Certification, the Activity Technical Screening Criteria for "Green" assessment is met	✓
Alignment of Capex with Environmental Objectives	Since the entire bond proceeds were used for renovating the skyscraper, 100% of Capex is aligned with environmental objective (i.e., climate change mitigation)	✓

Conclusion: Based on the available information and given that the skyscraper achieved Green Mark Certification, the financial institution investing in this bond can consider to be aligned with the SAT's technical screening criteria for the real estate sector.

✓ - Criteria is met

Use Case 2: A Singaporean Energy and Urban Development Company's Green Financing Framework and Singapore Asia Taxonomy Alignment

Objective: Analyze how a project funded by a Singaporean state-owned energy and urban development company's Green Financing Framework (GFF) aligns with the Singapore Asia Taxonomy (SAT) technical screening criteria.

In 2022, the company's wholly owned subsidiary issued a green bond equivalent to S\$400 million in Singapore. The objective of the issuance was to contribute to climate change mitigation. 100% of the proceeds were allocated within 24 months of issuance to onshore solar projects in Singapore and onshore wind projects in China. We can use this scenario to analyze alignment with SAT.

Green Financing Framework (GFF): The company's Green Financing Framework outlines eligible green projects, which include renewable energy (wind and solar). The proceeds from green loans or bonds issued under this framework are used for financing such projects.

Indicative Assessment: The SAT classifies economic activities based on their environmental impact. Renewable energy generation, like wind power and solar, falls under the "Climate Change Mitigation" objective. Since 100% of the bond proceeds were allocated to onshore solar and wind projects, the SAT technical screening criteria applicable to "Energy" sector is used for assessment.

Criteria Type	Indicative Assessment	Criteria Met?
Activity Eligibility	Constructing and operating onshore wind farm and solar projects align with the scope of the SAT's "Electricity Generation" category	✓
Activity Technical Screening Criteria	Solar projects would fall under the green criteria of SAT's "Electricity Generation" category 1.1 (Electricity generation using solar PV and CSP (including electricity, heat, cool)	✓
	*Wind power generation projects directly contribute to reducing greenhouse gas emissions, falling under the green criteria of SAT's "Electricity Generation" category 1.2 (Electricity generation from wind power)	
Alignment of Capex with Environmental Objectives	Since the entire bond proceeds were used to finance solar and wind projects (climate change mitigation), 100% of the capital expenditure (Capex) aligns with this environmental objective.	✓

*While the SAT wouldn't be the sole standard for wind projects in China, it can serve as a helpful reference point for the company to ensure their project aligns with broader sustainability principles. The primary assessment for project approval would rely on China's green taxonomy and regulations.

Conclusion: Based on the available information and the alignment with the SAT's technical screening criteria for renewable energy, the projects financed under the energy and urban development company's Green Financing Framework demonstrate a strong potential to contribute to climate change mitigation. If the financial institutions want to completely align with the SAT, they could engage with the issuer to get details including on adherence to relevant local regulations (in the case of projects outside Singapore).

✓ - Criteria is met

Use Case 3: Singapore-based IT service management company's Green Bond: Aligning Green Data Center with Singapore Asia Taxonomy

Objective: Analyze how the allocation of proceeds from a Singaporean IT service management company's inaugural €700 million Green Bond aligns with the technical screening criteria of the Singapore Asia Taxonomy (SAT).

Project Background: The IT company, which is a leading data center operator, issued a green bond to finance the development of new green data centers and improve energy efficiency at existing facilities. The net proceeds of €693 million were fully allocated.

Focus Project: Singaporean Data Center

This analysis will focus on the construction of the IT company's second data center in Singapore, as an example of how the green bond issuance aligns with the SAT. The total eligible spend for the Data Center was S\$144m with 100% of green funds allocation.

Indicative Assessment: Since the Green Bond's net proceeds are to be allocated to eligible green projects that will help fund the IT company's expansion plans by developing new green data centers and improving energy efficiency at its existing facilities, the SAT technical screening criteria applicable to "Information and Communications Technology (ICT)" sector is used for assessment.

Criteria Type	Indicative Assessment	Criteria Met?
Activity Eligibility	The construction of a new, energy-efficient data center directly falls within the scope of the SAT's ICT sector, specifically "Data processing, storage, transmission, and management."	✓
Activity Technical Screening Criteria	PUE Threshold: The data center achieved a design PUE of 1.34, which falls within the "Green" category as it surpasses the minimum requirement.	—
	Global Warming Potential (GWP) of Refrigerants: Information on the specific refrigerant GWP is not available.	
	Green Building Compliance: The data center achieved LEED Gold and BCA Greenmark Platinum certification, indicating compliance with relevant green building standards.	
	Location: Since the data center is in Singapore, it should comply with the BCA-IMDA Green Mark Scheme for New Data Centers - Platinum Rating criteria. As mentioned above, achieving BCA Greenmark Platinum certification satisfies this condition.	
Alignment of Capex with Environmental Objectives	Since 100% of green funds were allocated toward construction of the data center (climate change mitigation), 100% of the capital expenditure (Capex) aligns with this environmental objective.	✓

Conclusion: Based on the available information, the allocation of green bond proceeds to the data center showcases strong potential to align with the "Green" category of the SAT's technical screening criteria for the ICT sector. The data center's LEED Gold and BCA Green Mark Platinum certifications, along with its low PUE, demonstrate a commitment to sustainability. However, to ensure full alignment, the IT company should consider disclosing information on the GWP of refrigerants used in the cooling system.

- ✓ - Criteria is met
- - Criteria is partially met

4. Charting the Course to a Sustainable Future: Conclusion

The Singapore Asia Taxonomy (SAT) offers a clear and consistent framework for classifying economic activities based on their contribution to environmental objectives, empowering both financial institutions (FIs) and corporates to navigate the path toward a more sustainable future.

Key Takeaways and Benefits for FIs and Corporates:

- Enhanced Transparency and Credibility**
The SAT fosters transparency in sustainability reporting for FIs and corporates. This allows investors and stakeholders to make informed decisions based on a clear understanding of environmental impact.
- Unlocking Sustainable Capital**
Corporations leveraging the SAT can demonstrate their green credentials and attract capital and borrowings from sustainability-focused investors and lenders. FIs, on the other hand, can develop innovative green financial products aligned with the SAT, attracting environmentally conscious investors.
- Facilitating Green Innovation and Risk Management**
The SAT acts as a catalyst for innovation in sustainable finance products and services, benefiting both FIs and corporates. It also allows FIs to effectively manage environmental risk within their portfolios, contributing to a more resilient financial system.
- Bridging the Greenwashing Gap**
The SAT's science-based criteria mitigate the risk of greenwashing, ensuring that financial products and corporate activities demonstrably contribute to positive environmental outcomes.
- Demonstrating Net-Zero and NDC Alignment**
The framework allows FIs to align their portfolio with net zero goals, while corporates can showcase their commitment to net-zero and Nationally Determined Contributions (NDCs).

Future Potential and Growth:

- Regulatory Frameworks**
The SAT has the potential to serve as a foundation for harmonizing sustainability disclosure requirements across Asia, fostering greater regional coherence in sustainable finance practices.
- Evolving Landscape**
The SAT's dynamic nature allows it to adapt to evolving environmental considerations and best practices, ensuring its long-term relevance in guiding sustainable finance growth in Asia.

Collaboration for a Sustainable Future:

The success of the SAT hinges on continued collaboration between governments, financial institutions, corporates, and civil society organizations. By working together and fostering continuous development of the SAT framework, stakeholders can ensure its effectiveness in mobilizing capital toward a greener and more sustainable future for Asia. As the financial sector plays an increasingly crucial role in addressing climate change, the SAT stands as a powerful tool to drive positive change and chart a course toward a sustainable future for the region and beyond.



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