

SBFN Toolkit

Sustainable Finance Taxonomies

Developed by the IFC-facilitated Sustainable Banking and Finance Network (SBFN) in cooperation with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Version 1.0 (2024)

In cooperation with



**SUSTAINABLE
BANKING and
FINANCE NETWORK**



IFC

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Creating Markets, Creating Opportunities



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A high-angle photograph of a person's legs and feet as they carefully step across a series of large, flat, grey stones in a shallow stream. The water is clear and reflects the surrounding greenery and the person's legs. The scene is bathed in a soft, golden light, suggesting a sunrise or sunset. The overall mood is one of careful navigation and progress.

Acknowledgements and acronyms

Acknowledgements

This Toolkit was produced by IFC as the **secretariat of the Sustainable Banking and Finance Network (SBFN)** on behalf of the **SBFN Working Group on Sustainable Finance Instruments** in cooperation with the **Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ) GmbH**, which acts on behalf of the **German Federal Ministry for Economic Cooperation and Development (BMZ)**.

The contents in the Toolkit are current as of February 2024 and are based on extensive desk research, collaboration with World Bank Group and IMF colleagues, as well as direct insights provided by SBFN members, experts, and partner institutions. Research and drafting was carried out by the **SBFN Secretariat staff** Louise Gardiner, Jerome Lavigne-Delville, Eleni Petri, Yi Yang, and Ephyro Amatong, and under the overall guidance of Rong Zhang and Martine Valcin. The Toolkit benefitted from the expertise of **GIZ staff** Angela Saul, Charlotte Waldraff, and Makaio Witte.

Special thanks go to the following **World Bank and IMF staff** for their invaluable technical inputs and guidance: Aaron Levine, Berit Lindholdt **Lauridsen**, Boris Janjalía, Charlotte Gardes-Landolfini, Farah Imrana Hussain, Fiona Stewart, Francisco Avendano, GianLeo Frisari, Gonzalo Martinez Torres, Huong Thien Nguyen, Isabel Mantilla Naranjo, Marcela Ponce, Mariana Escobar Uribe, Nomindari Enkhtur, Quyen Nguyen, Rahajeng Pratiwi, Swee Ee Ang, Wei Yuan, and Wei Zhang.

The Toolkit is further informed by country-level technical support provided by **IFC's Green Bond Technical Assistance Program (GBTAP)** in Colombia, Georgia, South Africa, Sri Lanka, and Vietnam; **IFC Advisory Projects** in Cambodia, Lao PDR, and the Philippines; **World Bank Advisory Projects** in Cambodia, Indonesia, the Philippines, Serbia; **World Bank, IMF, and IFC** support to the development of the Common Framework of Sustainable Finance Taxonomies for Latin America and the Caribbean; and **GIZ** support in Indonesia, Mexico, Rwanda, Vietnam, and the ASEAN region.

SBFN is supported by the Facility for Investment Climate Advisory Services (FIAS). FIAS supports World Bank Group projects that foster open, productive, and competitive markets and unlock sustainable private investment in business sectors that contribute to growth and poverty reduction. Supported by nearly 20 Development Partner countries and donor institution, co-financed by the Bank Group, and managed and implemented by IFC, FIAS is one of the oldest and largest multi-donor trust funds in the World Bank Group.

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Acknowledgements



About SBFN

Established in 2012, the Sustainable Banking and Finance Network (SBFN) is a voluntary community of ministries of finance, central banks, capital market regulators, ministries of environment, and industry associations from emerging markets committed to advancing sustainable finance for national development priorities, financial market deepening, and stability. Members' approaches draw on international good practices, reflecting national contexts and priorities. As of April 2024, SBFN represents 70 countries, 91 institutions, and at least USD 68 trillion (92 percent of the total banking assets in emerging markets). IFC, part of the World Bank Group, hosts the Secretariat of SBFN and helps mobilize information, resources, capacity building, and practical support for members to design and implement national initiatives that advance sustainable finance at national, regional, and global levels. For more information, visit www.sbfnetwork.org.



About IFC

IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2023, IFC committed a record \$43.7 billion to private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity as economies grapple with the impacts of global compounding crises. For more information, visit www.ifc.org.



About GIZ

GIZ is a German public-benefit federal enterprise that works jointly with governments, international organizations, businesses, civil society actors and research institutions worldwide to foster international cooperation for sustainable development. On behalf of the BMZ and other commissioning parties, GIZ supports sustainable development in emerging markets and developing countries. In the field of sustainable finance, GIZ's approach is to help create enabling framework conditions through policy and reform processes, support the implementation of ambitious practices in the financial sector, and to raise awareness and capacities through training, research, and peer learning. For further information, visit <https://www.giz.de/en> and <https://transforming-finance.de>. To find out more about GIZ's work on sustainable finance email transforming.finance@giz.de.

About the SBFN Sustainable Finance Instruments Working Group

The **SBFN Sustainable Finance Instruments Working Group** is co-chaired by

- **Indonesia Financial Services Authority (OJK)**
- **National Treasury of South Africa**, and
- **The Latin American Banking Federation (FELABAN).**

Working Group members include:

- **Africa and Middle East:** Central Bank of Egypt, Bank of Ghana, Ghana Association of Banks, Central Bank of Iraq, Moroccan Capital Market Authority (AMMC), Central Bank of Nigeria, Supervisory Committee of the Central African Financial Market (COSUMAF), The Banking Association South Africa, Prudential Authority within the South African Reserve Bank;
- **Asia:** The Association of Banks in Cambodia, China Banking Association, Reserve Bank of Fiji, Maldives Monetary Authority, Mongolian Sustainable Finance Association, Central Bank of Philippines, Central Bank of Samoa, Central Bank of Sri Lanka, State Bank of Vietnam;
- **Eastern Europe and Central Asia:** Central Bank of Armenia, National Bank of Georgia, The Union of Banks of Kyrgyzstan, National Bank of Moldova, Association of Serbian Banks, Banking Regulation and Supervision Agency of Türkiye, National Bank of Ukraine, National Securities and Stock Market Commission of Ukraine;
- **Latin America and the Caribbean:** The Brazilian Federation of Banks (Febraban), Colombia Banking Association (Asobancaria), Financial Superintendence of Colombia (SFC), Costa Rica General Superintendence of Financial Institutions, Eastern Caribbean Central Bank, Honduras National Commission of Banks and Insurance (CNBS), Central Bank of Panama, Central Bank of Paraguay, Sustainable Finance Roundtable of Paraguay.

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Acronyms

ASEAN	Association of Southeast Asian Nations	IMF	International Monetary Fund
CBI	Climate Bonds Initiative	IPSF	International Platform on Sustainable Finance
DNSH	Do No Significant Harm	MSS	Minimum Social Safeguards
EHS	Environmental, Health & Safety	RMT	Remedial Measures to Transition
ESG	Environmental, Social, and Governance	SBT	Science Based Targets
ESRM	Environmental and Social Risk Management	SDGs	Sustainable Development Goals
EU	European Union	SLB	Sustainability-linked Bond
G20 SFWG	G20 Sustainable Finance Working Group	SLL	Sustainability-linked Loan
GSS	Green, Social, and Sustainability	SPO	Second Party Opinion
ICMA	International Capital Market Association	UoP	Use of Proceeds
IFC	International Finance Corporation	WB	World Bank

A high-angle photograph of a person's legs and feet as they carefully step across a series of large, flat, grey stones in a shallow stream. The water is clear and reflects the surrounding greenery and the person's legs. The scene is bathed in a soft, golden light, suggesting a sunrise or sunset. The overall mood is one of careful navigation and a connection with nature.

About this Toolkit

About this Toolkit

The **SBFN Toolkit on Sustainable Finance Taxonomies** is part of a series of Toolkits developed by the IFC-facilitated **Sustainable Banking and Finance Network (SBFN)** to support member countries to develop national enabling frameworks for sustainable finance. It responds to the accelerating trend in global, regional, and national taxonomies being introduced by financial sector regulators, banking associations, ministries, and international organizations to support sustainable finance.

The Toolkit is designed for financial sector regulators and banking associations in emerging markets that are in the process of developing regional or national taxonomies or have already done so and would like to update their taxonomies leveraging international good practice and lessons learned from other jurisdictions. It includes:

- Practical findings and examples of unique approaches from SBFN members that have introduced taxonomies.
- Emerging common elements of taxonomies.
- Guidance on the steps that countries can follow to strengthen i) governance, ii) design, and iii) implementation of their taxonomies.
- Practical ideas around “levels of interoperability” that can be used to guide the discussion going forward.
- High-level country profiles for 12 SBFN countries and three regions.

The Toolkit reflects emerging collective insights and questions. Many questions, particularly those that relate to implementing and expanding taxonomies, are yet to be fully answered, and this Toolkit will evolve over time as new knowledge and solutions become available. For more information, contact [SBFN Secretariat@ifc.org](mailto:SBFN_Secretariat@ifc.org) or visit www.sbfnetwork.org

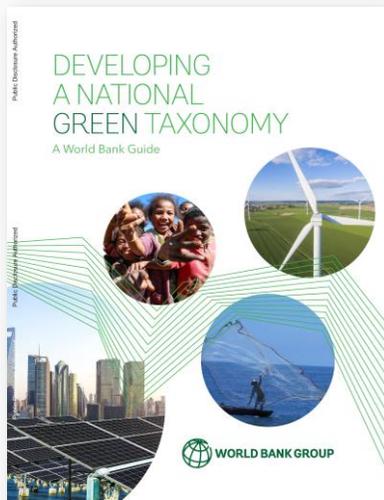
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Leveraging knowledge of the World Bank, IMF, IFC, SBFN and GIZ

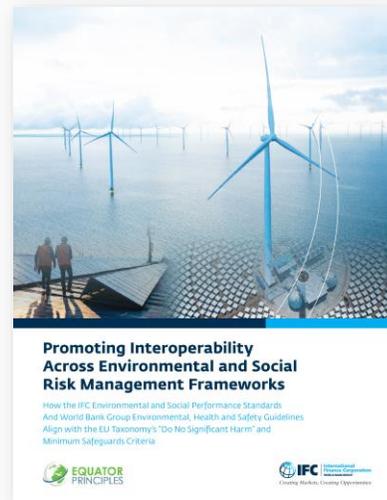
This Toolkit builds on the following resources that capture combined knowledge of SBFN, IFC, WB, IMF, and GIZ.

Developing a National Green Taxonomy: a World Bank Guide



June 2020

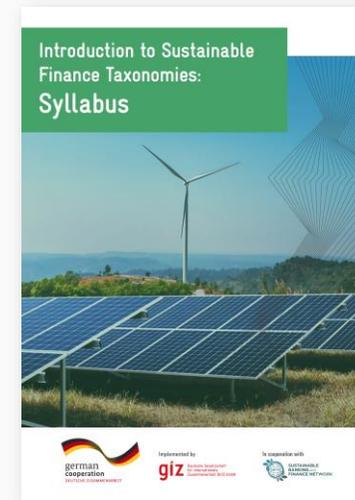
Promoting Interoperability Across Environmental and Social Risk Management Frameworks



May 2023

Research by IFC and the Equator Principles Association

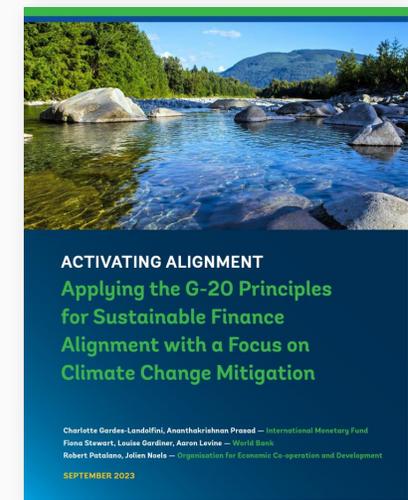
Introduction to Sustainable Finance Taxonomies



June 2023

E-learning course developed by GIZ in cooperation with SBFN
UN CC: e-Learn

Activating Alignment: Applying the G-20 Principles for Sustainable Finance Alignment with a Focus on Climate Change Mitigation

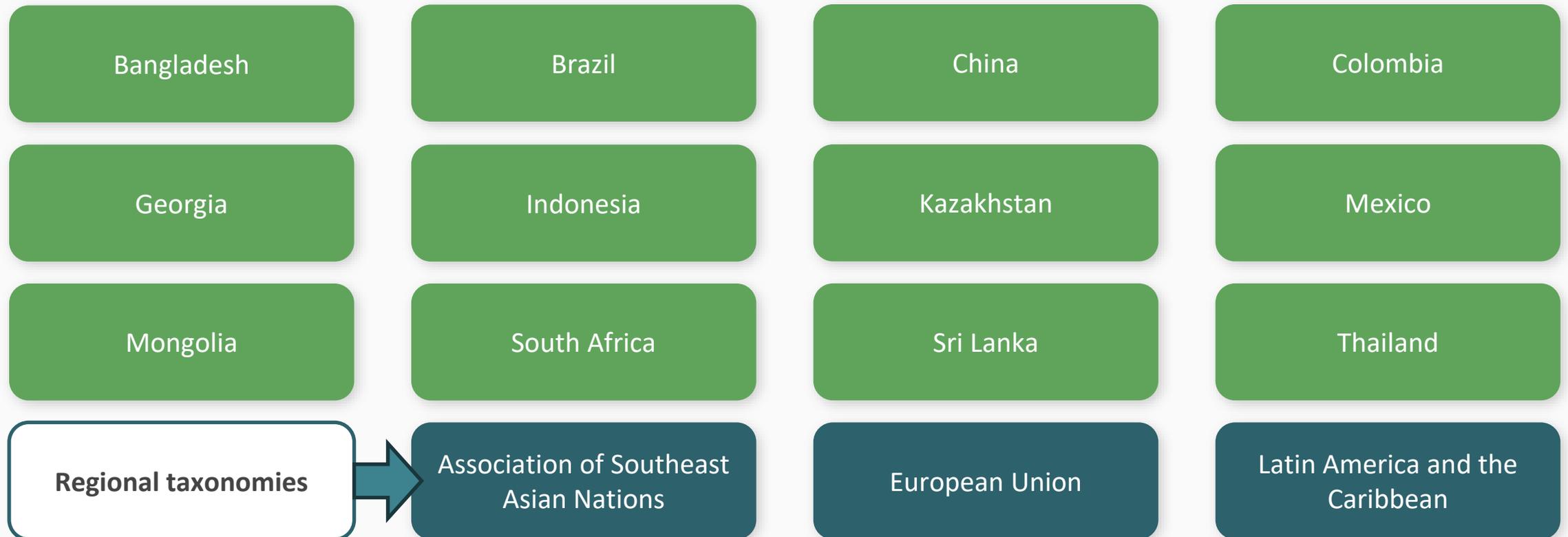


September 2023

Paper by IMF, WB, OECD, and BIS staff

Comparing taxonomy developments across 12 SBFN member countries

In 2022 and 2023, SBFN undertook benchmarking research to compare 12 national taxonomies issued by SBFN member countries as well as 3 regional taxonomies. This toolkit builds on the experience from the 12 member countries as well as insights from members that are still in the process of taxonomy development. Snapshots for each taxonomy are included in section 9 of this Toolkit and in a detailed benchmarking spreadsheet provided separately.



All taxonomies published to date (part 1)

 SBFN member countries

Year	Country/region	Lead Agency	Taxonomy title
2012	Global	Climate Bonds Initiative	Climate Bonds Taxonomy
2013	China	China Banking and Insurance Regulatory Commission (CBIRC)	Green credit statistical form
2014	Global	International Capital Market Association	Green Bond Principles
2015	China	People's Bank of China (PBOC)	Green Bond Endorsed Projects Catalogue (2015)
2015	Global	MDBs and IDFC	Common Principles for Climate Mitigation Finance Tracking
2015	Global	MDBs and IDFC	Common Principles for Climate Change Adaptation Finance Tracking, Version 1, 02 July, 2015
2017	Global	International Capital Market Association	Social Bond Principles
2019	China	National Development and Reform Commission (NDRC)	Green Industry Guiding Catalogue (2019)
2019	Mongolia	Financial Stability Commission; Mongolia Sustainable Finance Association	Mongolian Green Taxonomy
2020	Bangladesh	Bangladesh Bank	Sustainable Finance Policy for Banks and Financial Institutions - Sustainable Taxonomy
2020	Brazil	Brazilian Federation of Banks (Febraban)	Febraban's Green Taxonomy
2020	China	China International Center for Economic and Technical Exchanges, Ministry of Commerce	Technical Report on SDG Finance Taxonomy
2020	European Union	European Commission	EU taxonomy for sustainable activities
2021	ASEAN	ASEAN Taxonomy Board	ASEAN Taxonomy For Sustainable Finance V1
2021	China	People's Bank of China	Green Bond Endorsed Project Catalogue
2021	Japan	Financial Services Agency; Ministry of Economy, Trade and Industry; and Ministry of the Environment, Japan	Basic Guidelines on Climate Transition Finance
2021	Kazakhstan	Government of the Republic of Kazakhstan	Classification (taxonomy) of green projects eligible for financing through green bonds and green loans
2021	Malaysia	Bank Negara Malaysia	Climate Change and Principle-based Taxonomy
2021	Russia	State Development Bank VEB.RF	Criteria for Sustainable Development Projects in the Russian Federation
2021	Global	MDBs and IDFC	Common Principles for Climate Mitigation Finance Tracking (Version 3)
2022	Global	MDBs and IDFC	Joint Methodology for Tracking Climate Change Adaptation Finance
2022	Global	IFC	Biodiversity Finance Reference Guide
2022	Global	IFC	Guidelines for Blue Finance
2022	Cape Verde	Cabo Verde's capital market regulatory agency	Atlantic Technical University's blue taxonomy within blue bond regulation

All taxonomies published to date (part 2)

 SBFN member countries

Year	Country/region	Lead Agency	Taxonomy title
2022	Colombia	Ministry of Finance and Public Credit (MHCP), Ministry of Environment and Sustainable Development (MADS), National Planning Department (DNP), Financial Superintendence of Colombia (SFC) and National Administrative Department of Statistics (DANE)	Green Taxonomy of Colombia Implementation guidelines (2024)
2022	EU-China	International Platform on Sustainable Finance	Common Ground Taxonomy – Climate Change Mitigation
2022	Georgia	National Bank of Georgia	Sustainable Finance Taxonomy for Georgia
2022	Indonesia	Indonesia Financial Services Authority (OJK)	Indonesia Green Taxonomy v1
2022	Malaysia	Securities Commission Malaysia	Principles-Based Sustainable and Responsible Investment Taxonomy for the Malaysian Capital Market (SRI Taxonomy)
2022	South Africa	South Africa National Treasury	South African Green Finance Taxonomy
2022	South Korea	Ministry of Environment	K-Taxonomy on Green Industries
2022	Sri Lanka	Central Bank of Sri Lanka	Sri Lanka Green Finance Taxonomy
2022	ICMA	International Capital Market Association	Green Bond Principles updated
2023	ASEAN	ASEAN Taxonomy Board	ASEAN Taxonomy For Sustainable Finance v2
2023	LAC	Working Group on Sustainable Finance Taxonomies in Latin America and the Caribbean	Common Framework of Sustainable Finance Taxonomies for Latin America and the Caribbean
2023	Mexico	Ministry of Finance and Public Credit (SHCP)	Sustainable Taxonomy of Mexico
2023	Mongolia	Financial Stability Commission; Mongolia Sustainable Finance Association	Mongolian SDG Taxonomy
2023	Brazil	Ministry of Integration and Regional Development	Frameworks in the Areas of Basic Sanitation and Water Security
2023	Thailand	Bank of Thailand	Thailand Taxonomy - A Reference Tool for Sustainable Economy
2023	Singapore	Monetary Authority of Singapore (MAS)	Singapore-Asia Taxonomy for Sustainable Finance
2023	Rwanda	Ministry of Finance and Economic Planning (MINECOFIN) & Rwanda Finance Limited (RFL)	Rwanda's Green Taxonomy
2024	Indonesia	Financial Services Authority (OJK)	Indonesia Taxonomy for Sustainable Finance
2024	Philippines	Philippines Bangko Sentral ng Pilipinas, Securities and Exchange Commission, Insurance Commission.	Philippine Sustainable Finance Taxonomy Guidelines
2024	China	National Development and Reform Commission (NDRC), in collaboration with nine other major departments	2024 Edition of the Catalogue of Industries for Green and Low-carbon Transition
2024	ASEAN	ASEAN Taxonomy Board	ASEAN Taxonomy for Sustainable Finance - version 3

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A high-angle photograph of a person's legs and feet as they step across a series of large, flat, grey stones in a shallow stream. The water is clear and reflects the person and the stones. The scene is bathed in a soft, golden light, suggesting a sunrise or sunset. The overall mood is one of careful navigation and progress.

Introduction to taxonomies

Key findings from the research

- 1. As of February 2024, 47 sustainable finance taxonomies or lists of eligible activities have been issued globally since 2012.** 31 are national taxonomies, issued by 20 different countries, of which 13 (~60%) are SBFN member countries that feature taxonomies as part of their national roadmaps or frameworks for sustainable finance.
- 2. There is still a great deal of variation across sustainable finance taxonomies.** Most countries are interested in enabling interoperability and adopting successful approaches from other countries. As a result, common features have started to evolve, but more work is needed to support harmonization and define rules for recognition of taxonomies across jurisdictions.
- 3. There is a trend toward increasing the scope of taxonomies.** All countries address climate change in their taxonomies. Most taxonomies (27) identify multiple “green” objectives, such as climate mitigation, adaptation, pollution prevention, circular economy, protection of water resources, and biodiversity. Eleven taxonomies focus only on climate change, and a small but growing number support social objectives (e.g., healthcare, food security, financial inclusion, education), blue economy (water and oceans), and the Sustainable Development Goals (SDGs).
- 4. Countries are exploring whether mandating or other incentives** can support further uptake of the taxonomies as a useful tool.
- 5. Taxonomies range in complexity** from principles-based approaches and simple lists of eligible activities to comprehensive and detailed catalogues of activities with strict technical criteria, metrics, and environmental and social safeguards.
- 6. Transition is a growing priority across jurisdictions,** with different approaches being tested, such as traffic light systems for aligned activities (“green”) versus those that aren’t fully green but meet transition criteria (“amber”) and the application of Transition Principles, and activities that need to be halted or decommissioned (“red”),
- 7. All taxonomies continue to evolve** in response to shifting environmental and social ambitions and to address challenges in implementation, including how to demonstrate alignment with environmental and social safeguards.
- 8. Emerging markets are particularly interested in how to ensure inclusivity of taxonomies,** such as by incorporating activities and criteria for Micro, Small and Medium Scale Enterprises (MSMEs), women-owned businesses, and vulnerable groups.
- As more and more countries issue taxonomies, **there is a need for ongoing governance and maintenance of these frameworks** to ensure they are being effective and to update and expand them — strengthening the key features and adding more activities.

What is a sustainable finance taxonomy?

A classification system identifying activities, assets, and/or project categories that deliver on key climate, green [environmental], social, or sustainable objectives with reference to identified thresholds and/or targets.

International Capital Market Association (ICMA)

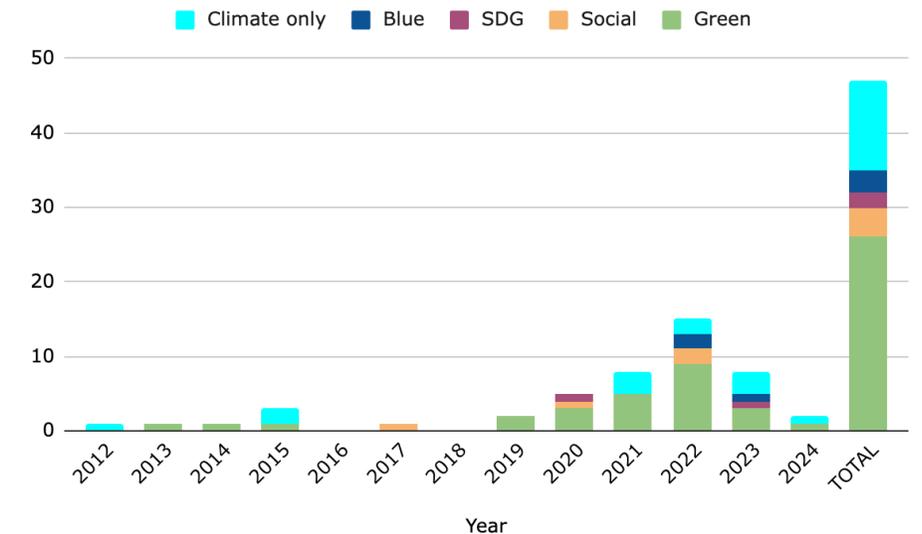
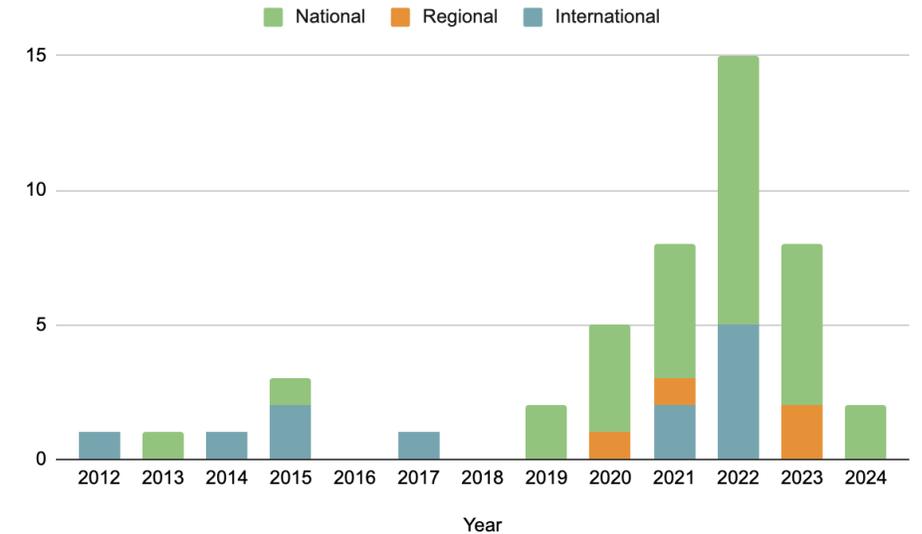
Common purposes of taxonomies

- ✓ Common language for what is “green,” “social,” and “sustainable”
- ✓ Reduce greenwashing
- ✓ Can include criteria to manage environmental and social risk and/or harms

- ✓ Identify sectors, activities, and entities that meet agreed criteria
- ✓ Support ambitious sustainable development goals
- ✓ Strengthen investor confidence

Taxonomy trends

- **47** sustainable finance taxonomies or lists of eligible activities have been issued globally since 2012.
- **31** are national taxonomies, issued by **20** different countries, of which **13** are SBFN member countries
- Most taxonomies (**27**) identify **multiple “green” objectives**, such as climate mitigation, adaptation, pollution prevention, circular economy, protection of water resources, and biodiversity.
- All countries that have issued taxonomies include a **focus on climate change**.
- **12 taxonomies focus only on climate change**, and a small but growing number support social objectives, blue economy (oceans and water), and the Sustainable Development Goals (SDGs).



Current landscape of taxonomies

* SBFN member country

INTERNATIONAL TAXONOMIES

Climate Bonds Taxonomy (2012)

ICMA “eligible activities” contained in the Green and Social Bond Principles (2014 & 2017)**

MDB & IDFC Common Principles for Tracking Climate Mitigation and Climate Finance (V2 2015, V3 2021)

EU-China Common Ground Taxonomy on Climate Change Mitigation (2022)

IFC Biodiversity Finance Reference Guide (2022)

IFC Guidelines for Blue Finance (2022)

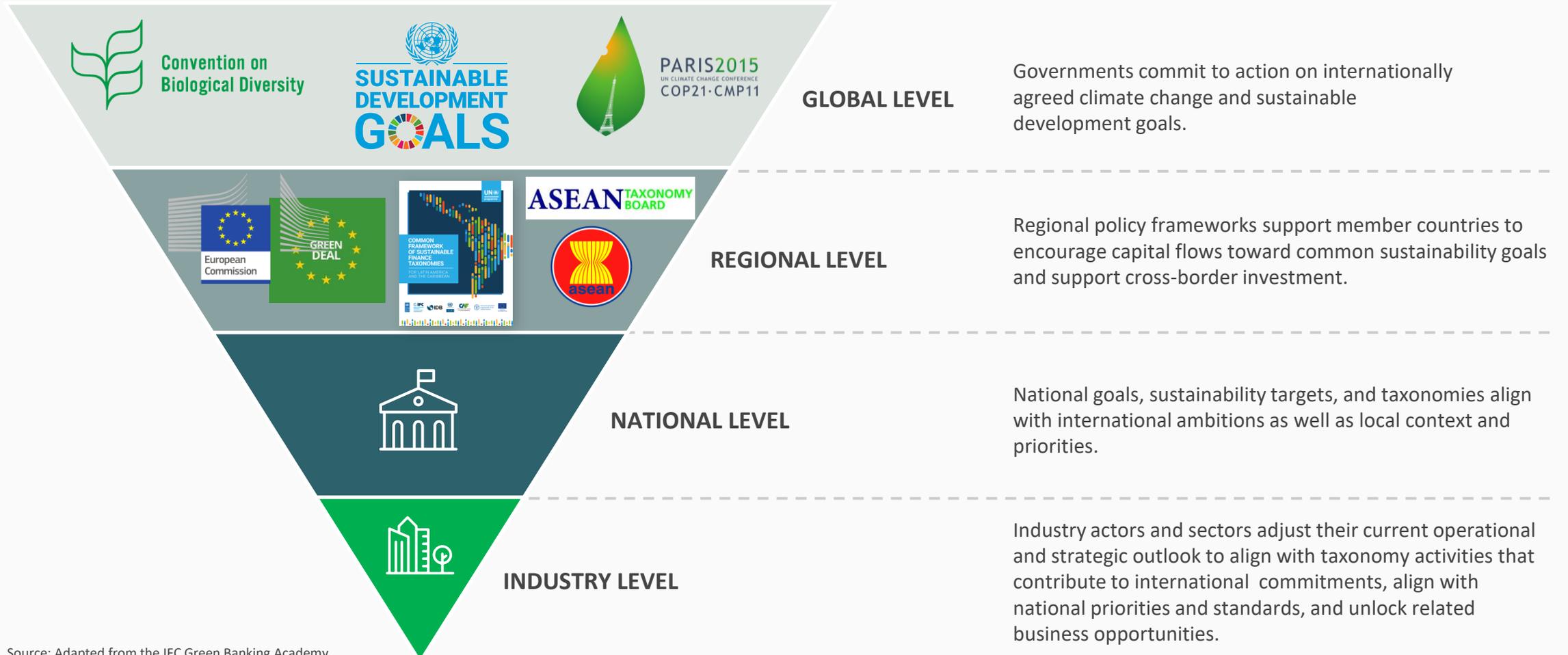
ICMA, IFC, UNGC, UNEP FI, and ADB Practitioners Guide: Bonds to finance the sustainable blue economy (2023)

**While the ICMA green and social bond guidelines don't offer a formal taxonomy, they form part of the spectrum of defining eligible activities.



Delivering on international goals and national priorities

Taxonomies offer a way for countries to ensure that local assets, activities, projects, and entities labelled as “green” (environmentally-friendly), social, and sustainable make a **substantial contribution** to achieving both international goals and national development strategies and priorities.



Source: Adapted from the IFC Green Banking Academy

Locating taxonomies within sustainable finance systems

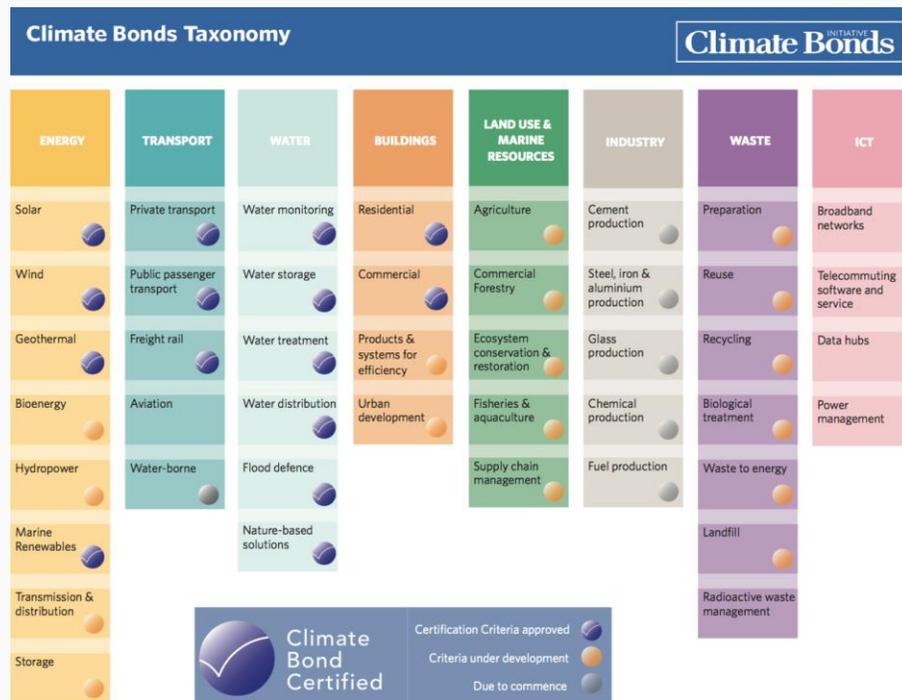
Taxonomies don't operate in isolation. They are usually voluntary tools that gain force when they are linked to other components of the sustainable finance ecosystem, including rules for green bond issuance and reporting requirements for banks.



Source: World Bank (2021), Toolkits for Policymakers to Green the Financial System

Early evolution of taxonomies

Taxonomies began as simple lists of sectors and activities and have increased in complexity over time to provide market clarity and support ambition in sustainability performance. **The Climate Bonds Initiative (CBI)** developed the first taxonomy in 2012 as part of the Climate Bonds Standard and Certification Scheme. **China’s Banking and Insurance regulatory Commission (CBIRC)** followed in 2013 with simple lists of high-polluting activities as well as “encouraged and supported activities” as part of its Green Credit Statistics Reporting. In 2014, the **International Capital Market Association (ICMA)** introduced the Green Bond Principles, which included a general list of eligible green bond categories but didn't provide fixed definitions and criteria. In 2015, the joint climate finance group of **multilateral development banks (MDBs)** and the **International Development Finance Club (IDFC)** introduced the Common Principles for Climate Mitigation Finance Tracking.



Source: Climate Bond Initiative, Climate Bonds Standard, Version 2.1

The eligible Green Projects categories, listed in no specific order, include, but are not limited to:



- **Renewable energy** (including production, transmission, appliances and products);
- **Energy efficiency** (such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products);
- **Pollution prevention and control** (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy);
- **Environmentally sustainable management of living natural resources and land use** (including environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable

Source: ICMA (2021), The Green Bond Principles, Green Bond Principles

MDB-IDFC Common Principles for Climate Mitigation Finance Tracking (V2 2015)

(V3 published in 2021 with more detailed technical criteria)

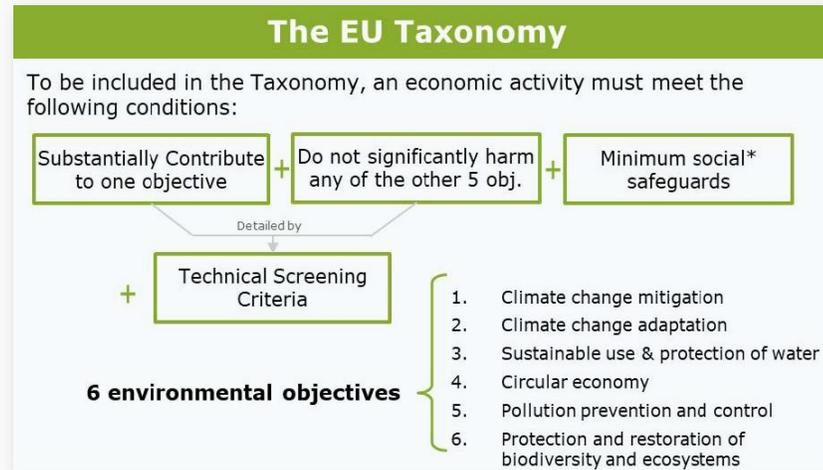
Table 1 - List of activities eligible for classification as climate mitigation finance
Version 2 – 15th June 2015

Category	Sub-category	Example
1. Renewable Energy	1.1 Electricity Generation	Wind power
		Geothermal power (only if net emission reductions can be demonstrated)
		Solar power (concentrated solar power, photovoltaic power)
		Biomass or biogas power (only if net emission reductions, including carbon pool balance, can be demonstrated)
		Ocean power (wave, tidal, ocean currents, salt gradient, etc.)
		Hydropower plants (only if net emission reductions can be demonstrated)
	Renewable energy power plant retrofits	
	1.2 Heat Production or other renewable energy application	Solar water heating and other thermal applications of solar power in all sectors
		Thermal applications of geothermal power in all sectors
Wind-driven pumping systems or similar		
1.3 Measures to facilitate integration of renewable energy into grids	Thermal applications of sustainably/produced bioenergy in all sectors, incl. efficient, improved biomass stoves	
	New, expanded and improved transmission systems (lines, substations)	

Source: MDBs-IDFC (2015), Common Principles for Climate Mitigation Finance Tracking

Taxonomies today

The current landscape of taxonomies now ranges widely in complexity and coverage. Two leading approaches have emerged from China and the European Union, which have had a significant influence on the development of other regional and national taxonomies.



Source: IPSF (2022), Common Ground Taxonomy – Climate Change Mitigation

The European Union Taxonomy for Sustainable Activities, introduced in 2020, is regarded as the most complex and ambitious, with **6 overarching environmental objectives and 170 economic activities**. Each activity is supported by detailed technical criteria to ensure it makes a **“substantial contribution”** to at least one of the environmental objectives and doesn’t cause significant harm to any of the other environmental objectives (**“Do No Significant Harm”** principle). The activities must also meet **minimum social safeguards (“MSS”)** — including human rights, workers’ rights, anti-bribery/corruption, taxation, and fair competition — and must comply with EU regulations and directives. These standards are often higher than in other jurisdictions, affecting the standards for other countries seeking to attract EU investment. The taxonomy is embedded in EU regulations and disclosure requirements for the financial sector and companies.

China’s Green Bond Endorsed Project Catalogue (2021) is similarly advanced but simpler in design. It reflects a convergence of multiple taxonomies within China. It aims to contribute to **3 environmental objectives** but does not include “Do No Significant Harm” or “Minimum Social Safeguards” in the same way as the EU. It simply states that **“Projects to be included in this catalogue shall comply with relevant safety, environmental protection and quality regulations and policies.”**

In 2022, China and the EU platform on Sustainable Finance published a **Common Ground Taxonomy (CGT) on Climate Change Mitigation**. The CGT shows the extent of overlap or divergence between the two taxonomies and offers a valuable tool for other jurisdictions aiming to align at least in part with both the EU and China.

Green Bond Endorsed Projects Catalogue (2021 Edition)

Sector	Program	Description/Condition
I. Energy Saving and Environmental Protection Industry		
1.1 Energy Efficiency Improvement	1.1.1 Manufacturing of Energy-saving Boilers	Manufacturing and trading of fuel power plant boilers, industrial boilers, marine boilers and other relevant equipment of blast furnace gas, biomass molding fuel and solid combustible waste. Among them, the energy efficiency of industrial boilers should meet or exceed Level Two or above of the <i>Energy Efficiency Limits and Energy Efficiency Grades for Industrial Boilers</i> (GB 24500). The energy efficiency of other boilers should meet or exceed the target requirement of the thermal efficiency index of the relevant equipment technical specifications. All boiler equipment should meet the requirements of the <i>Boiler Air Pollution Emission Standards</i> (GB 13271) and local requirements for boilers’ emission.
	1.1.1.2 Manufacturing of Energy-saving Furnace/Kiln	Manufacturing and trading of metallurgical heating furnaces, non-electric metal treatment furnaces, industrial electric furnaces, industrial Kiln and other energy-saving furnaces/Kiln using high-temperature air combustion, oxygen-enrichment combustion, and waste heat utilization technologies, as well as the equipment like energy-saving furnace burners.
	1.1.1.3 Manufacturing of Energy-saving Pumps and Vacuum Equipment	Manufacturing and trading of energy-saving pumps, energy-saving vacuum drying equipment, energy-saving vacuum Kiln and other relevant equipment. Among them, the energy efficiency of energy-saving pumps should meet or exceed Level One of energy efficiency standards or relevant energy saving evaluation levels.

Source: PBOC, NDRC, CSRC (2021), Green Bond Endorsed Projects Catalogue (2021 Edition)

Different methods to determine alignment

Three main approaches to taxonomies are commonly referenced:

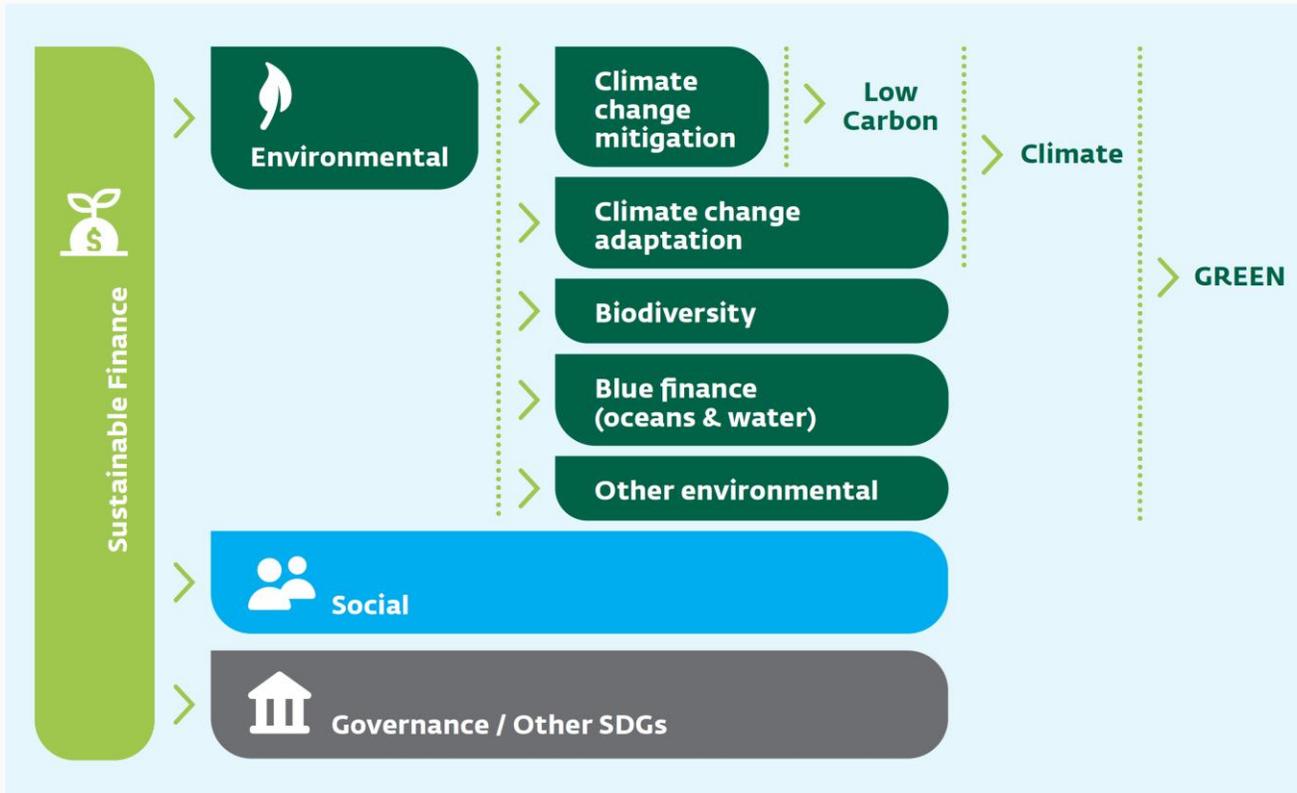
- ✓ **Principle-based taxonomies** define a set of core principles for the market without specifying compliant activities or thresholds (**ICMA, Malaysia, ASEAN Taxonomy Foundation Framework, Philippines Sustainable Finance Taxonomy Guidelines**)
- ✓ **Whitelist-based taxonomies** identify compliant projects or economic activities under each sector or subsector (**Russia, Mongolia**)
- ✓ **Technical screening criteria-based taxonomies** define quantitative thresholds and screening criteria for economic activities and how to assess their compliance with the specific taxonomy objectives (**EU, Colombia, South Africa**)

Countries can also adopt a mixed or **hybrid approach**, such as providing a general principles-based set of rules that allow the market to label a wide variety of green economy activities, while defining technical criteria for high-priority sectors and activities. (**ASEAN Taxonomy V2 with Plus Standard**).

In other cases, countries determine the level of detail required in the technical criteria based on the nature of the activity and whether there are suitable proxy certifications or labels. (**China, Sri Lanka**)

Taxonomies for different themes and uses

While most taxonomies started out with a primary focus on climate mitigation, countries are steadily expanding taxonomies to include social themes — such as financial inclusion, gender, health and education — as well as other environmental themes such as biodiversity, land use, and blue finance.



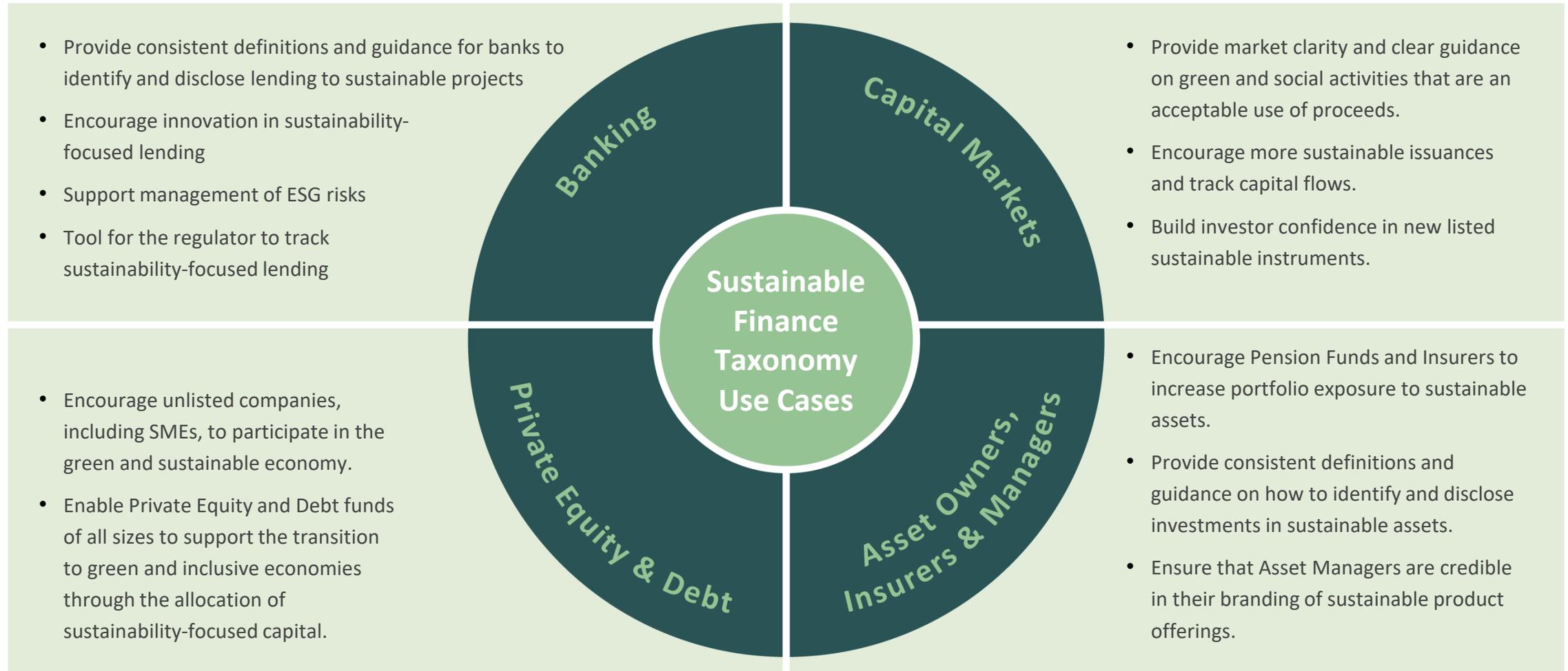
Source: IFC (2023), Sustainable MSME Finance Reference Guide.

Different types of taxonomies:

- **Climate Finance Taxonomies** focus on activities across sectors that are aligned with achieving the Paris Agreement on Climate Change.
- **Green Finance Taxonomies** aim to contribute to multiple environmental objectives and the broader green economy, including blue finance (water) and biodiversity finance.
- **Social Finance Taxonomies** aim to drive capital to important social objectives, such as health, education, inclusion.
- **SDG taxonomies** seek to broaden the scope of finance to tackle the 17 Sustainable Development Goals (SDGs)
- **Transition Finance Taxonomies** aim to enable finance in activities that don't meet strict green or climate finance criteria but are essential to national strategies for meeting Nationally Determined Contributions under the Paris Agreement. They require strong science-based approaches and credible transition plans.
- **Taxonomies of undesirable activities** can be used to indicate high-polluting, harmful, or risk-exacerbating activities that should be avoided.

Emerging use cases

Numerous use cases are emerging as countries experiment with this new tool. The use case of a taxonomy is influenced by the agencies that lead its development and implementation. The following use case studies focus on the private sector. Regulators are also exploring use of taxonomies in the public sector, such as tracking the degree of progress towards achieving national commitments, green public financial management (budget tagging) as well as aligning investment methodologies of development banks and public green funds. Government can also offer taxonomy-aligned subsidies and tax incentives.



Current evolution of taxonomies

Work in progress:

most countries are approaching taxonomies in a phased approach and plan to expand over time. Not all potential activities are covered yet, and implementation is still being refined.



Diversity of approaches and features:

there are a variety of elements and applications that need to be understood, and different approaches are being tried. For example, the "Do No Significant Harm" is a new concept applied differently in different countries and has proven difficult in practice.



Complexity: the financial sector, regulators, real sector and service providers need time to get used to this new tool and learn how to apply it.

Complexity can also impact the accessibility of taxonomies to SMEs, which are less able to afford the costs and time of complex alignment requirements.



The start of a journey:

taxonomies will need to change over time as environmental and social needs shift, as sustainable ambition grows, and as private sector solutions evolve. Countries are also shifting from voluntary to mandatory application at differing speeds.



Diverse approaches lead to innovation but fragmentation

- Taxonomies are in the early stages of development and implementation, and countries are experimenting with different needs, goals, and development processes.
- A diversity of approaches is ***beneficial*** because it generates innovations that are suited to the local context of countries' sustainable development. It provides internal and external investors with a set of priorities for sustainable finance that reflect the nature of the economy, industry standards, regulations, and national environmental and social commitments.
- A diversity of approaches is ***less optimal*** when it leads to confusion about which taxonomies to use in specific situations and increases complexity for investors, issuers, regulators, and assurance providers in understanding the different rules in different contexts.

G20 Alignment Principles

In 2021, the **G20 Sustainable Finance Working Group (SFWG)** published the G20 Sustainable Finance Roadmap to promote alignment of international sustainable finance efforts.

The Roadmap Action Plan encourages jurisdictions that intend to develop their own alignment approaches to refer to a set of **6 voluntary principles**:

Focus Area 1

Market development and approaches to align investments to sustainability goals

1



Ensure material positive contributions to sustainability goals and focus on outcomes.

2



Avoid negative contributions to other sustainability goals (such as by doing no significant harm to any sustainability goal requirements).

3



Be dynamic in adjustments reflecting changes in policies, technologies, and the state of the transition.

4



Reflect good governance and transparency.

5



Be science-based for environmental goals and science- or evidence-based for other sustainability issues.

6



Address transition considerations.

Source: G20 (2021), G20 Sustainable Finance Roadmap

A high-angle photograph of a person's legs and feet as they carefully step across a series of large, flat rocks in a shallow stream. The water is clear and reflects the surrounding greenery and the person's legs. The scene is bathed in a soft, golden light, suggesting a sunrise or sunset. The overall mood is one of careful navigation and progress.

Different approaches across 12 SBFN member countries

Overarching goals and sources

Most taxonomies align with global standards such as the Paris Agreement on Climate Change and the Sustainable Development Goals (SDGs), as well as with local commitments and strategies such as Nationally Determined Contributions (NDCs) and National Development Plans.

Overarching goals and alignment													
ASEAN	BANGLADESH	BRAZIL (industry-led)	CHINA	COLOMBIA	EU	GEORGIA	INDONESIA	KAZAKHSTAN	MEXICO	MONGOLIA	SOUTH AFRICA	SRI LANKA	THAILAND
Promote sustainable investments and finance	Integration of sustainability in financial institutions	Measure allocation of finance to the Green Economy	Financial services for green economic activities	Promoting green investments; common language for defining green; science-based approach	Classification and reporting system for sustainable activities	Create market clarity to promote sustainable finance	Capital allocation and sustainable financing in support of Indonesia's Net Zero Emissions (NZE) targets.	Classification of green projects for green finance	Classification of sustainable activities and investment projects	Definition of environmentally sustainable investment	Promote and track green investments and finance	Guide investors, companies, issuers toward a green economy	Define activities that reduce GHG emissions to achieve the climate change mitigation objectives
Paris Agreement, SDGs	SDGs, NDC, Country Development Plans	UN Environment Inquiry; Paris Agreement; SDGs	NDC; National Environmental Objectives; Green Industry Catalogue	NDC; SDGs; National Policy on Climate Change (PNCC)	EU climate & energy targets 2030; European Green Deal	Paris Agreement; SDGs	Alignment with global standards and national policies, such as Paris Agreement, NDC, SDGs, and country development plans.	Ecological Code of Kazakhstan	Paris Agreement; SDGs	Paris Agreement, SDGs, National Green Development Policy	NDC, SDGs, National policies and priorities.	NDC, National, Climate / Env Plans, industry guidance	Paris Agreement, NDC, Climate Change Master Plan (2015-2050)

Entities in charge

Taxonomies have been initiated and led by a range of different types of institutions. These include banking regulators, ministries of finance, ministries of environment, capital market regulators, banking associations, international organizations, and nonprofit organizations.

Such diversity in approaches results in diverse intentions of taxonomies, their use, and the level of enforcement. This can include whether the taxonomy focuses on capital markets, pension funds, or banks.

Consequently, there is a trend toward **multi-agency and public-private collaboration to design taxonomies that are relevant across all parts of the financial sector.**

The selection of a lead agency may also depend on the resources and capacity available to manage the technical work and stakeholder engagement. There is also a difference between agencies that lead and those that support and provide input.

Interviews with SBFN members highlighted that a key success factor is to have one lead agency that will do most of the work and coordinate with the other agencies. This ensures an efficient process.

In **Bangladesh**, the Central Bank (Bangladesh Bank) is leading, and therefore the taxonomy application focuses on disclosure and supervision of banks and is enforced more strictly. The green and sustainable taxonomies (including social elements) are contained in the Sustainable Finance Policy and the Policy on Green Bond Financing for Banks and Financial Institutions.

In **Brazil**, the first green taxonomy was developed by the banking association (FEBRABAN) and is designed to help banks report on green economy activities as well as exposure to climate, environmental, and social risks in the context of credit. It leverages the Climate Bonds Taxonomy by the Climate Bonds Initiative (CBI) and doesn't claim to be the national taxonomy. Brazil is currently in the process of developing a national taxonomy, a process led by an Inter-ministerial Committee.

In **Colombia**, the lead institutions are the Ministry of Finance and Public Credit (MHCP), Ministry of Environment and Sustainable Development (MADS), National Planning Department (DNP), Financial Superintendence of Colombia (SFC), and National Administrative Department of Statistics (DANE). SFC has played a strong leadership role due to having the capacity to do so and through its oversight of financial regulation and market systems, including the insurance sector.

Locating taxonomies within sustainable finance systems

Sustainable Finance Taxonomies tend to be developed for three main contexts

“Component-based” taxonomies follow the model of the Climate Bonds Initiative (CBI), in which the taxonomy is a component of the Climate Bonds Certification Standard. A taxonomy could also be a component of a specific national regulation, such as a reporting requirement for banks.

“Product-specific” taxonomies are designed specifically for certain financial products, typically green and social bonds or loans, and might only be used by certain segments of the financial sector.

“Overarching” taxonomies follow the model of the EU Taxonomy, are applicable to all types of financial activities and entities, and are supported by a range of complementary regulations, including disclosure requirements for companies and financial institutions.

Hierarchy in sustainable finance framework

ASEAN	BANGLADESH	BRAZIL	CHINA	COLOMBIA	EU	GEORGIA	INDONESIA	KAZAKHSTAN	MEXICO	MONGOLIA	SOUTH AFRICA	SRI LANKA	THAILAND
Overarching	Product-specific (GSS bonds vs GSS loans)	Product-specific (Credit)	Product-specific (Loans vs bonds)	Overarching	Overarching	Overarching	Overarching	Product Specific (Loans and bonds)	Overarching	Overarching	Overarching	Overarching	Overarching

Locating taxonomies within sustainable finance systems

The following examples from Georgia and Thailand show how taxonomies are often one of the first priorities in a national sustainable finance roadmap and are seen as a foundational tool that supports other components in the sustainable finance ecosystem. These can include disclosure requirements, incentives, and regulation to support diversification in sustainable finance instruments.

Diagram 3. Sustainable Finance Roadmap for Georgia

Increasing Awareness and Capacity Building	Sustainable Finance Flows	ESG Risks Management	Transparency and Market Discipline
<ul style="list-style-type: none"> • Develop Policies and Guidance to Support Market Action; • Provide and Facilitate Trainings and Workshops for Stakeholders; • Conduct Research on Sustainable Finance Topics; • Establish Sustainable Finance Working Group. 	<ul style="list-style-type: none"> • Introduce Sustainable Finance Taxonomy; • Develop Sustainable Finance Guidelines; • Explore Options for Incentives and Regulations to Stimulate Sustainable Finance Flows. 	<ul style="list-style-type: none"> • Integrate ESG Considerations in Corporate Governance (CG) Code for Commercial Banks; • Integrate ESG Considerations in CG Code for Capital Market; • Develop ESG Risk Management Guidance and Tools. 	<ul style="list-style-type: none"> • Include Minimum ESG Disclosure Requirements in CG Codes for Commercial Banks and Capital Market; • Provide Guidance on ESG Reporting and Disclosure; • Develop Progress Measurement Tools; • Create an Information Hub.

Source: National Bank of Georgia (2019), Roadmap for Sustainable Finance in Georgia

KEY STRATEGIC INITIATIVES	DESCRIPTION
KSI 1: Developing a Practical Taxonomy	Developing a practical national sustainable finance taxonomy will promote inward investment flows across Thailand's financial subsectors from domestic and international investors. A well-defined and structured taxonomy also supports better-informed and more efficient decision-making and responses to investment opportunities that contribute to achieving national sustainable development objectives.
KSI 2: Improving the Data Environment	Developing a rich data environment encourages the flourishing of new products and markets which meet the sustainability criteria of a wider and more diverse range of investors. The quality, depth, immediacy, and price of sustainable finance data will be a key competitive advantage as Thailand positions itself against other sustainable finance centres.
KSI 3: Implementing Effective Incentives	Implementing effective incentives facilitates and promotes policies and mechanisms that incentivise financial flows toward sustainable development. These incentives can include fiscal and prudential policies in the main, but nonfinancial approaches should also be considered where viable.
KSI 4: Creating Demand-led Products and Services	Creating demand-led products and services is essential for a thriving sustainable finance sector, which requires reinvestment in continual improvement. To reach this state, there must be real underlying demand for sustainable products and services, and a genuine interest in the different aspects of sustainability.
KSI 5: Building Human Capital	The transformation to a sustainable financial sector will be driven by the day-to-day interactions among relevant stakeholders. The quality of those interactions will depend upon their skills, competencies, values; and behaviours of the management and staffs of the financial sector.

Source: Bank of Thailand (2022), Sustainable Finance Initiatives for Thailand

Defining taxonomy alignment

There is variation among taxonomies between using a whitelist of sustainable activities or relying on the concept of substantial contribution supported by technical criteria.

Performance thresholds are implemented mostly with pass lists, which means an activity must meet the performance criteria in order to be aligned.

Three countries and the ASEAN taxonomy use a traffic light system, providing a way to evaluate transition activities, namely activities that have credible plans to transition over time to become green.

ASEAN	BANGLADESH	BRAZIL (industry-led)	CHINA	COLOMBIA	EU	GEORGIA	INDONESIA	KAZAKHSTAN	MEXICO	MONGOLIA	SOUTH AFRICA	SRI LANKA	THAILAND
Substantial Contribution	Substantial contribution (SFT) and National Standards (GT)	Substantial contribution	Whitelist and technical criteria	Substantial contribution	Substantial Contribution	Whitelist	Substantial contribution; Aligned with ASEAN Taxonomy	Whitelist	Substantial Contribution	Whitelist	Substantial contribution	Whitelist and substantial contribution	Substantial contribution
Traffic Light and Remedial Measures to Transition	Pass list	Traffic light and Pass list	Pass list	Pass list	Pass list	Pass list	Traffic light: "Green", "Transition", and "Unqualified" classification	Pass list	Pass list	Pass list	Pass list	Pass List	Traffic light and Transition pathways

Scope of sustainability topics

The 12 countries assessed for this toolkit all have taxonomies that focus on green assets and activities, and most include activities that enable green and environmental benefits. Social and SDG taxonomies are starting to emerge. Some taxonomies have a list of activities that automatically exclude them as unsustainable.

	ASEAN	BANGLADESH	BRAZIL	CHINA	COLOMBIA	EU	GEORGIA	INDONESIA	KAZAKHSTAN	MEXICO	MONGOLIA	SOUTH AFRICA	SRI LANKA	THAILAND
Green assets / activities	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Activities enabling green	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Limited	Only for climate adaptation	Yes	Yes	Limited	No
Transition activities	Yes	No	Yes	No	Yes	Yes	No	Yes	Yes; Performance thresholds	No	Yes	Yes	Yes	Yes
Social taxonomy	No	Yes	Yes	No	No	No	Yes	Yes	No	Yes	No	No	No	No
Unsustainable activities	Yes	Yes	Yes	Yes (Green Credit)	Yes	Contemplated	No	Yes	No	No	No	No	No	No
Activities related to the Sustainable Development Goals (SDGs)	No	No	No	Yes	No	No	No	Yes	No	No	Yes	No	No	No

Implementation

Most taxonomies are voluntary. A few countries — Bangladesh, EU, Georgia, Indonesia, and Mongolia, and China for green bond issuances — have implemented mandatory requirements. Implementation is mainly through disclosure requirements, either as part of issuing a financial product or through a broader disclosure framework for financial institutions and/or companies. The use of independent verification is often encouraged, but **assurance of taxonomy alignment is an emerging field, and more guidance is needed from the regulator in most jurisdictions.**

	ASEAN	BANGLADESH	BRAZIL (industry-led)	CHINA	COLOMBIA	EU	GEORGIA	INDONESIA	KAZAKHSTAN	MEXICO	MONGOLIA	SOUTH AFRICA	SRI LANKA	THAILAND
Local entities required /encouraged to report on taxonomy alignment?	N/A	Yes, required for banks and Fis	Fis, encouraged	Yes, through green bonds disclosure and green credit statistics for banks	Yes, indirectly through other regulation	Required	Banks required to report on GSS loan categories	Yes, for GSS, in progress	N/A	Encouraged; regulation under consideration	Yes, indirectly through green regulation	Required for taxonomy alignment. Impact reporting encouraged	Yes, encouraged	Yes, encouraged
Synergies with corporate disclosure	N/A	Yes	Yes	Yes	Yes; reference for green portfolio disclosure; transparency rules for investment products	Yes	N/A	Yes	N/A	Yes	Yes, stock exchange reporting requirement	Limited; stock exchange voluntary guidance; draft central bank disclosure requirements for banks and insurance	No	No
Link to financial instrument	N/A	Yes	Yes, suggested use	Yes	Yes	Yes	Separate Framework for GSS Bonds	Yes, through disclosure and monitoring	Yes	Regulation under consideration	Yes, a main objective	Yes	No	No
Role of independent verification, second party opinion (SPO)	N/A	N/A	Suggested user	Indirect, through Green Bonds	Encouraged	Required for specific activities	Suggested users	Verification & second party opinion (SPO) encouraged, particularly for carbon capture	Required for subsidized loans and bonds	Suggested	Suggested use	Recommended	Indirect, through green bonds	N/A

Prudential Assessment

Most taxonomies focus on labelling and tracking capital flows to achieve environmental and social goals. They therefore only give an indirect indication of the exposure of banking and investment portfolios to climate and other sustainability risks. However, there is interest among SBFN members in how taxonomies could be used for prudential assessment of the financial stability of banks and the overall financial system, including their ability to withstand systemic climate and sustainability impacts. For example, two of the three pillars of the taxonomy by the **Brazilian Federation of Banks (FEBRABAN)** consist of activities listed for the purpose of additional oversight of banks' exposure to environmental and climate risks. Similarly, **China's Banking and Insurance Regulatory Commission (CBIRC)** [now the China National Administration of Financial Regulation (NAFR)], through the Green credit statistical form, requires banks to report on their exposure to high-polluting activities and companies that are not complying with environmental and social regulations.

Does the Taxonomy support a prudential assessment of financial stability from “unsustainable” activities?

ASEAN	BANGLADESH	BRAZIL (Industry-led)	CHINA	COLOMBIA	EU	GEORGIA	INDONESIA	KAZAKHSTAN	MEXICO	MONGOLIA	SOUTH AFRICA	SRI LANKA	THAILAND
N/A	Yes	Yes, through tracking of exposure to sectors and entities with climate and ESG risk.	Yes, through green bond disclosure and CBIRC Green Credit Statistics Reporting	No	Yes	No	Yes, banks required to report portfolios in line with taxonomy; also used as reference for Regulation No. 103 of 2023 on the Provision of Fiscal Support through the Funding and Financing Framework	No	No	Yes	Partially	Yes	No

Emerging common features

There is still a great deal of variation across sustainable finance taxonomies, both in terms of structure and content. Most countries are interested in enabling interoperability and adopting successful approaches from other countries. As a result, common features have started to evolve, but more work is needed to support harmonization and define rules for recognition of taxonomies across jurisdictions.

Framing elements



Framing principles and goals



Environmental and/or social objectives



Environmental & Social Safeguards (DNSH, MSS)

Core activities and criteria



List of eligible sectors and activities



Eligibility criteria or proxies for each activity



Metrics and thresholds for performance

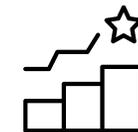
Implementation elements



Options for transition (Traffic light, RMT)

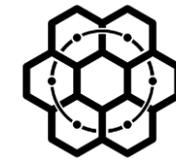


Guidance or regulations for disclosure



Incentives to promote adoption

Framing principles and goals



Many newer taxonomies start with a framing document that sets out the overarching intentions and level of ambition of the taxonomy. **Framing documents are very helpful to users and stakeholders to understand how this new framework will be applied and evolve over time.** They typically include discussion of

- High-level principles that have guided the development of the taxonomy and will guide future updates
- Clarity on the lead institutions and participating stakeholders
- Governance structure for taxonomy development and maintenance.
- Taxonomy scope, users, and use cases
- Guidance and instructions on how the taxonomy should be used
- Instructions for determining alignment
- Benchmarking with other key taxonomies, particularly those of key trading partners
- National policies and commitments that the taxonomy will support
- Reference to local contributions to international development goals (e.g. PCA, SDGs), e.g., highlighting NDCs and national development strategies
- Relevant characteristics of the national economy, such as high emitting sectors and priority green sectors, based on sectoral GHG emissions, contribution to GDP and potential to attract investment.
- Plans for future expansion over time and potential links to other sustainability initiatives in the country (e.g. green budget tagging, investment methodologies by development banks)

Mongolia's Green Taxonomy, published in 2019, sets out the following 6 principles:

Mongolian Green Taxonomy

3. APPROACH TO DEVELOPING THE TAXONOMY

The green taxonomy framework is developed in adherence to the following 6 principles⁵:

Principle 1: Contribute to national policies and targets

The taxonomy should contribute to the key environmental targets included in Mongolia's green development and climate change related policies, strategies, programs.

Principle 2: Address environmental challenges

Mongolia's key environmental challenges should be addressed - i) climate change mitigation and adaptation; ii) pollution; iii) resource conservation iv) livelihood improvement.

Principle 3: Cover high-emitting, key economic sectors

The taxonomy should cover the highest emitting sectors in the economy as well as contribute to the transition of key economic sectors into sustainable ones.

Principle 4: Align with international standards and good practices

In the absence of commonly agreed local standards, the taxonomy should reference international standards and best practices.

Principle 5: Comply with ESG standards

Minimum environmental and social risk management regulations and standards (i.e the Mongolian Sustainable Finance Principles and Sector Guidelines) should be applied to all types of activities included in the taxonomy.

Principle 6: Continues review and development

The taxonomy will require continues review and update based on policy shifts, scientific developments, technological changes, and new industry needs.

Source: Approved by the Financial Stability Commission of Mongolia (2019), Mongolian Green Taxonomy

Environmental and/or social objectives



Most sustainable finance taxonomies seek to promote activities that contribute to specific environmental and/or social objectives.

The activities covered by the taxonomy must then demonstrate that they **make a substantial contribution to at least one of the objectives by adhering to technical screening criteria or - in the case of a whitelist approach - follow the described activities.** In some cases, the activity must also **“Do No Significant Harm”** to any of the other objectives.

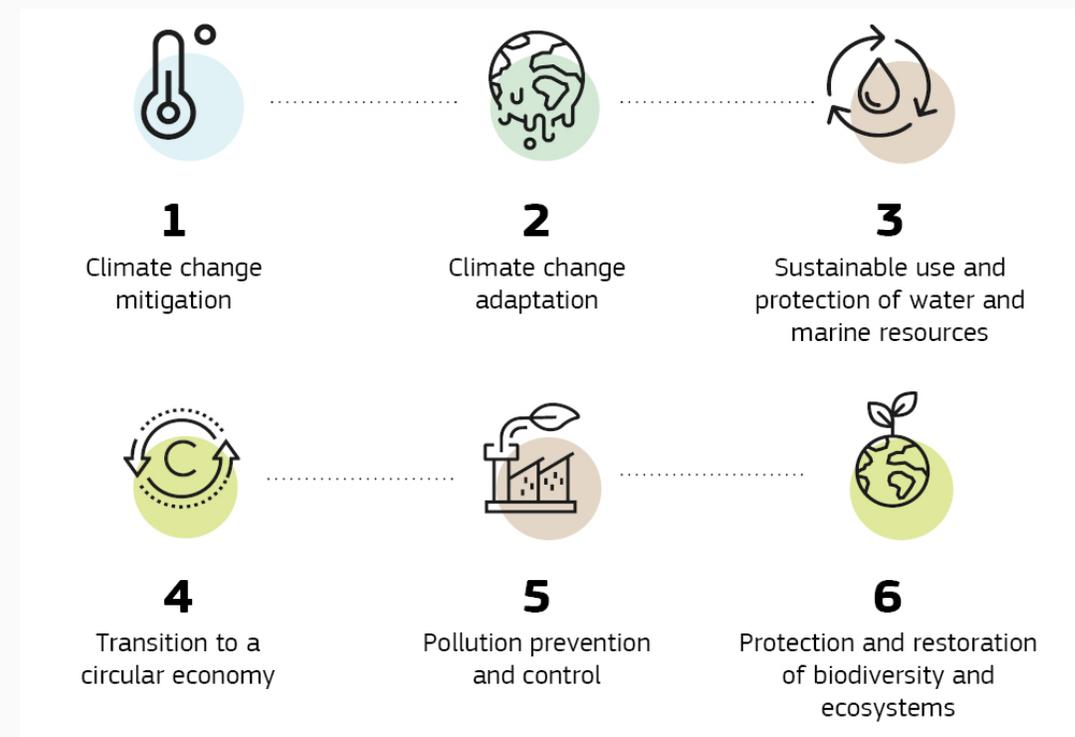
A small but growing number of countries are now also introducing social objectives — either in a separate taxonomy or together with environmental objectives — such as in the case of Mexico.

Table 1.5. Environmental and social objectives of the Sustainable Taxonomy of Mexico

Environmental	Social
<ul style="list-style-type: none"> • Mitigation of climate change • Adaptation to climate change • Management of water and marine resources • Conservation of ecosystems and biodiversity • Promotion of the circular economy • Prevention and control of pollution 	<ul style="list-style-type: none"> • Contribution to gender equality • Access to related basic services with sustainable cities • Health • Education • Financial inclusion

Source: Ministry of Finance and Public Credit of Mexico (2023), Sustainable Taxonomy of Mexico

EU Taxonomy: 6 Environmental Objectives



Source: <https://ec.europa.eu/sustainable-finance-taxonomy/>

E&S safeguards

Most taxonomies also include environmental and/or social safeguard requirements to prevent or minimize unintended negative consequences from taxonomy-aligned activities. The EU introduced the concept of "Do No Significant Harm" to other environmental objectives, which has been widely adopted; as well as **Minimum Social Safeguards (MSS)** which have put the spotlight on labor and human rights.

The EU taxonomy requires that activities Do No Significant Harm and meet minimum safeguards in order to be aligned.



Minimum safeguards ^

1. The minimum safeguards referred to in point (c) of Article 3 shall be procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

2. When implementing the procedures referred to in paragraph 1 of this Article, undertakings shall adhere to the principle of 'do no significant harm' referred to in point (17) of Article 2 of Regulation (EU) 2019/2088.

Source: EU (2020), Taxonomy: Final report of the Technical Expert Group on Sustainable Finance

ASEAN Taxonomy V2 includes the guidance below on DNSH, as well as detailed instructions on social safeguards.

1.2 Definition of Significant Harm in the ASEAN Taxonomy

A definition of 'significant harm' in the context of the ASEAN Taxonomy is important as users must work from the same definition and avoid subjective interpretations. With progress in the implementation of the criteria developed in this Annex, it is expected that there will be periodic reviews and updates to keep the document relevant to the prevailing contexts.

An Activity is considered as having done significant harm when, with respect to:

- 1. Climate Change Mitigation (E01):**
 - (i) Activity leads to significant greenhouse gas (GHG) emissions.
- 2. Climate Change Adaptation (E02):**
 - (i) Activity leads to greater adverse impacts of the current and expected future climate on the Activity itself, or on people, nature, or other assets; or
 - (ii) Activity fails to adequately assess, consider and manage key climate risks affecting the Activity.
- 3. Protection of Healthy Ecosystem and Biodiversity (E03):**
 - (i) Activity is significantly detrimental to the good condition and resilience of ecosystems;
 - (ii) Activity encroaches upon ecosystems; or
 - (iii) Activity is detrimental to the conservation status of habitats and species.
- 4. Promotion of Resource Resilience and Transition to Circular Economy (E04):**
 - (i) Activity leads to significant inefficiencies in the use of materials or the direct or indirect use of natural resources compared to what is technically and economically feasible in that industry; or
 - (ii) Activity significantly increases the generation, incineration, or disposal of waste, or if waste disposal may cause significant and/or long-term environmental harm.

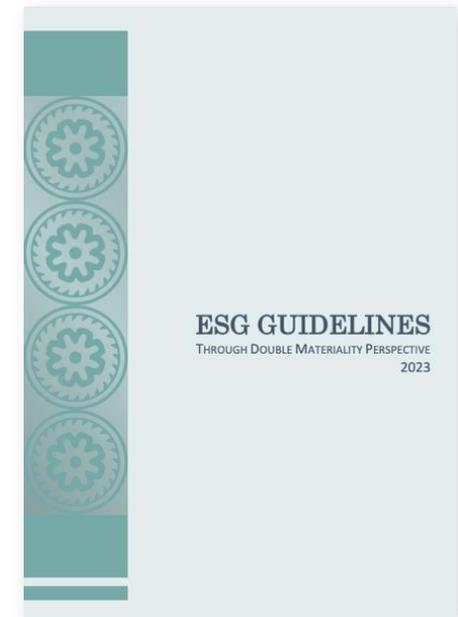
Table 7: Key Social Aspects

Social Aspects	Definition
 Promotion and Protection of Human Rights	Promotion of human rights and fundamental freedoms, in line with the ASEAN Human Rights Declaration (AHRD) and the Phnom Penh Statement on the Adoption of the AHRD (ASEAN, 2012).
 Prevention of Forced Labour and Protection of Children's Rights	Promotion of labour rights and prohibition of forced labour, including but not limited to exploitation, trafficking in persons, violence and abuse, in line with the ASEAN Declaration on the Protection of the Rights of Migrant Workers and the ASEAN Consensus on the Protection and Promotion of Rights of Migrant Workers (ASEAN, 2012).
 Impact on People living Close to Investments	Management of investment-related impacts to people (including children) living in at-risk areas by encouraging inclusive and targeted measures to reduce the impact of investments on vulnerable populations and strengthen institutional capacity to address the needs of people affected, in line with the ASEAN Declaration on Strengthening Social Protection (ASEAN, 2013).

Source: ASEAN Taxonomy for Sustainable Finance, Version 2, 2023



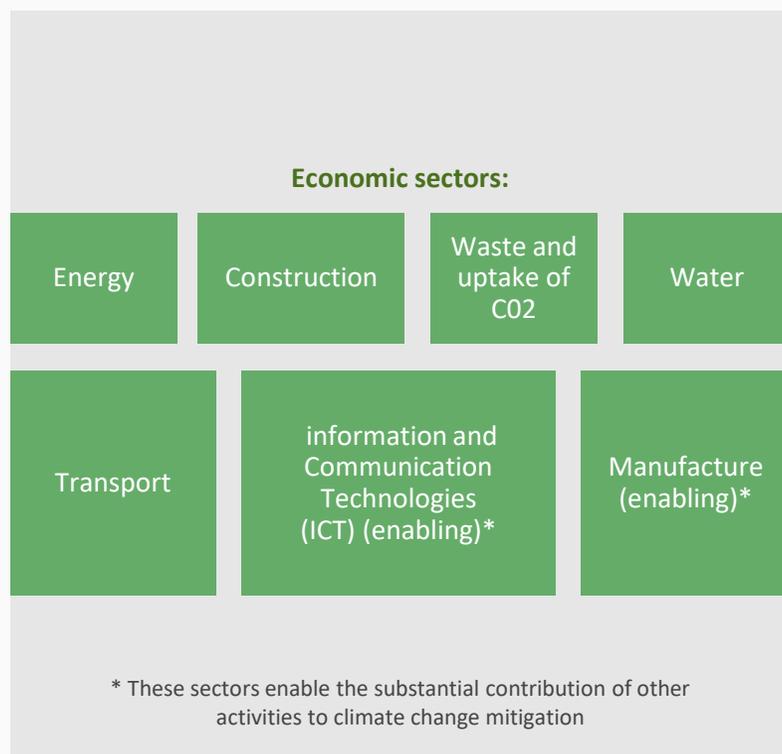
National Bank of Georgia introduced [ESG Guidelines](#) in 2023 which guide banks on risk management and apply to all taxonomy activities



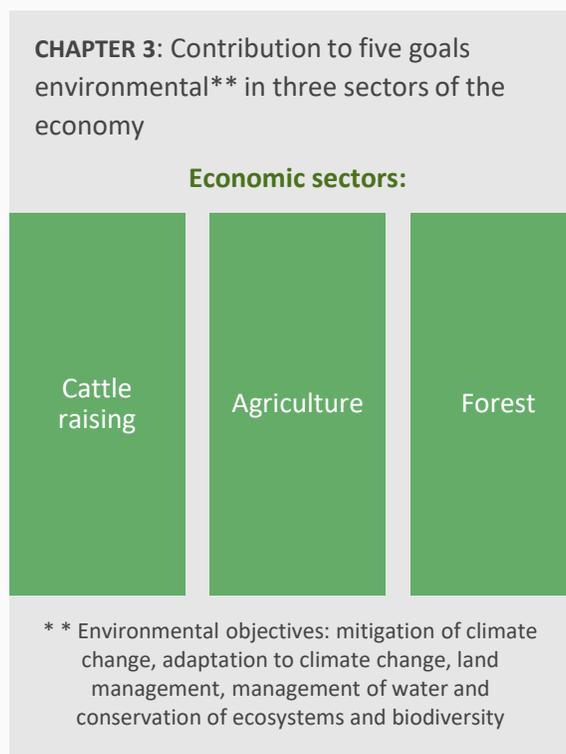
List of eligible sectors and activities



The core of a taxonomy is a list of sectors and activities that can be labelled as “green” or “sustainable” because they contribute to environmental and/or social objectives. Countries can strategically focus on the sectors and activities that are dominant in their economies and most likely to support the transition to green, low-carbon, and inclusive economies. Activities usually correspond to a classification convention, such as ISIC or an equivalent national convention. This enables comparability.



Source: Colombian Government (2022), Colombian Green Taxonomy



Classification			
Taxonomy Macro-sector	SIC Macro-Sector	Economic Activity and SIC Code	Link to Technical Screening Criteria
	(Construction, 43)	Sic code 35300	
Energy 	Electricity, gas, steam and air conditioning supply	Production of Heating/Cooling using Waste Heat Sic code 35300	Section 7.3.12
Energy 	Electricity, gas, steam and air conditioning supply	Production Of electricity, heating and cooling from gravity potential energy No specific SIC code	Activity to be developed in future
Water and Waste 	Water, sewerage, waste and remediation	Water collection, storage, distribution treatment and supply Sic code 36000	Section 7.4.1
Water and Waste 	Water, sewerage, waste and remediation	Centralized wastewater treatment Sic code 37000	Section 7.4.2
Water and Waste 	Water, sewerage, waste and remediation	Anaerobic digestion of sewage sludge Sic code 37000	Section 7.4.3

Source: National Treasury of the Republic of South Africa (2022), South African Green Taxonomy

Eligibility criteria or proxies for each activity



Technical criteria are used to ensure that eligible activities meet certain standards of performance to make a credible contribution to environmental and social objectives. In line with Principle 5 of the G20 Alignment Principles, the IMF-World Bank-OECD staff paper on “Activating Alignment” emphasizes that **“The best available science and technologies should drive the definitions of metrics, thresholds, and technical screening and assessment criteria in alignment approaches. Where science-based metrics are not feasible, approaches adopted should be fact based and ideally subject to verification.”**

4 Green buildings			
Sub-category	Technologies	Example	Threshold
 4.1 Green buildings	4.1.1 Construction of new green buildings (commercial, public, industrial and residential)	"ENERGY: Use of highly efficient architectural designs, energy efficiency appliances and equipment, and building techniques that reduce building energy exceeding available consumption, standards and complying with high energy efficiency certification or rating schemes, such as green building rating standards of Mongolia or equivalent international standards	Compliance to local building norms &/ Mongolian Energy Passport; or To have internationally and nationally recognized green building certification such as LEED, EDGE, BREEAM, Energy certifications such as US Energy Star and energy schemes such as Energy Certifications in the EU
		WATER: Use of water efficient fixtures and equipment, and building techniques that reduce building water consumption, exceeding available standards and complying with high water efficiency certification or rating schemes, such as green building rating standards of Mongolia or equivalent international standards	
		MATERIALS: Use of construction material which minimizes contents that require high amount of energy to manufacture, such as steel or cement, and uses materials with low manufacturing energy or reused/recycled materials."	

Source: Approved by the Financial Stability Commission of Mongolia (2019), Mongolian Green Taxonomy

Sector	Program	Description/Condition
	5.4.2.1 The Construction and Operation of Sponge Buildings and Communities	Construction and operation of sponge-type buildings and communities in public buildings and residential areas carried out by engineering and technical means such as roof greening, permeable pound paving, micro-terrain, rain garden construction, rainfall pipe disconnection, harvesting and collection and utilization facilities construction.
	5.4.2.2 The Construction and Operation of Sponge Roads and Squares	Construction and operation of sponge-type roads and squares by a) applying permeable paving on non-motor vehicle lanes, sidewalks, parking lots, plazas and other places, b) construction of rainwater collection, purification and utilization facilities on roads and squares, c) technical measures such as bioretention belts, environmental protection stormwater outfalls, cyclone sand and other road runoff pollution prevention and treatment facilities.
	5.4.2.3 The Construction and Operation of Sponge Parks and Greenspace	Construction and operation of sponge parks and green spaces in town parks and public green spaces through technical measures such as construction of rain gardens, recessed green spaces, artificial wetlands, and rainwater reservoir facilities.
	5.4.2.4 The Up-to-Standard Construction, and Renovation of Urban Drainage Facilities	Construction, operation and renovation of urban drainage and flood control facilities to meet standards. Such as flood-prone urban drainage reform, construction and renovation of separate rainwater and sewage system; rainwater shoreline purification facilities; coastal dry pipe; sediment filtration, artificial wetlands and overflow sewage purification facilities, and storage facilities, etc.
	5.4.2.5 Restoration of Urban Water Bodies and Natural Ecology	Restoration and protection of natural connectivity of river and lake systems, system remediation, ecological restoration activities for the protection and restoration of natural ecosystems of urban water bodies. Such as canalization of the river channel renovation, to take advantage of the natural situation to restore the natural curved river bank, natural pool-riffle, and flooded beaches, etc.

Source: PBOC, NDRC, CSRC (2021), Green Bond Endorsed Projects Catalogue (2021 Edition)

Metrics and thresholds for performance

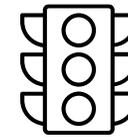


Taxonomies vary in the detail of technical criteria across activities. Some activities have general descriptions, while others use proxies such as ecolabels or certifications. Very robust taxonomies have strict, science-based performance requirements to ensure that activities contribute to ambitious environmental and social goals. Technical criteria come in the form of rules and regulations that have to be adhered to or specific metrics and thresholds

Number	Macro-sector	Activity	Description	Metric & Threshold for Sri Lanka
M2.4	Agriculture	Other agricultural practices: Implementation of clean energy and energy efficiency measure	Install equipment to save energy and take advantage of its renewable sources, including methane gas and solar energy. Equipment maintenance and improving fuel saving routines.	Direct eligibility for renewable energy and methane gas. Fuel saving subject to % criteria. For tea production - baselines form: http://www.energy.gov.lk/images/energy-management/energy-consumption-benchmark-analysis.pdf
M2.5	Agriculture	Other agricultural practices: biodigesters	Incorporate biodigesters (organic fertilizer and methane). Biogas can be used as fuel in kitchens, for heating and lighting, or to power an engine that generates electricity. There is also the fertilizer called biol.	Direct eligibility
M3.1	Manufacturing	Manufacture of organic basic chemicals	Manufacture of: (a) high value chemicals (HVC): (i) acetylene; (ii) ethylene; (iii) propylene; (iv) butadiene; (b) Aromatics: (i) mixed alkylbenzenes, mixed alkyl naphthalenes other than HS 2707 or 2902; (ii) cyclohexane; (iii) benzene; (iv) toluene; (v) o-Xylene; (vi) p-Xylene; (vii) m-Xylene and mixed xylene isomers; (viii) ethylbenzene; (ix) cumene; (x) biphenyl, terphenyls, vinyltoluenes, other cyclic hydrocarbons excluding cyclanes, cyclenes, cycloterpenes, benzene, toluene, xylenes, styrene, ethylbenzene, cumene, naphthalene, anthracene; (xi) benzol (benzene), toluol (toluene) and xylol (xylenes); (xii) naphthalene and other aromatic hydrocarbon mixtures (excluding benzole, toluole, xylene); (c) vinyl chloride; (d) styrene; (e) ethylene oxide; (f) monoethylene glycol; (g) adipic acid.	GHG emissions from the organic basic chemicals production processes are lower than: (a) for HVC: 0.693 tCO ₂ e/t of HVC; (b) for aromatics: 0.0072 tCO ₂ e/t of complex weighted throughput; (c) for vinyl chloride: 0.171 tCO ₂ e/t of vinyl chloride; (d) for styrene: 0,419 tCO ₂ e/t of styrene; (e) for ethylene oxide/ethylene glycols: 0,314 tCO ₂ e/t of ethylene oxide/glycol; (f) for adipic acid: 0.32 tCO ₂ e/t of adipic acid. Where the organic chemicals in scope are produced wholly or partially from renewable feedstock, the life-cycle GHG emissions of the manufactured chemical, manufactured wholly or partially from renewable feedstock, are lower than the life-cycle GHG emissions of the equivalent chemical manufactured from fossil fuel feedstock. Life-cycle GHG emissions are calculated using ISO 14067:2018 or ISO 14064-1:2018. Quantified life-cycle GHG emissions are verified by an independent third party. Agricultural biomass used for the manufacture of organic basic chemicals complies with the criteria laid down in Article 29, paragraphs 2 to 5 of Directive (EU) 2018/2001. Forest biomass used for the manufacture of organic basic chemicals complies with the criteria laid down in Article 29, paragraphs 6 and 7 of that Directive.

Source: Central Bank of Sri Lanka (2022), Sri Lanka Green Finance Taxonomy

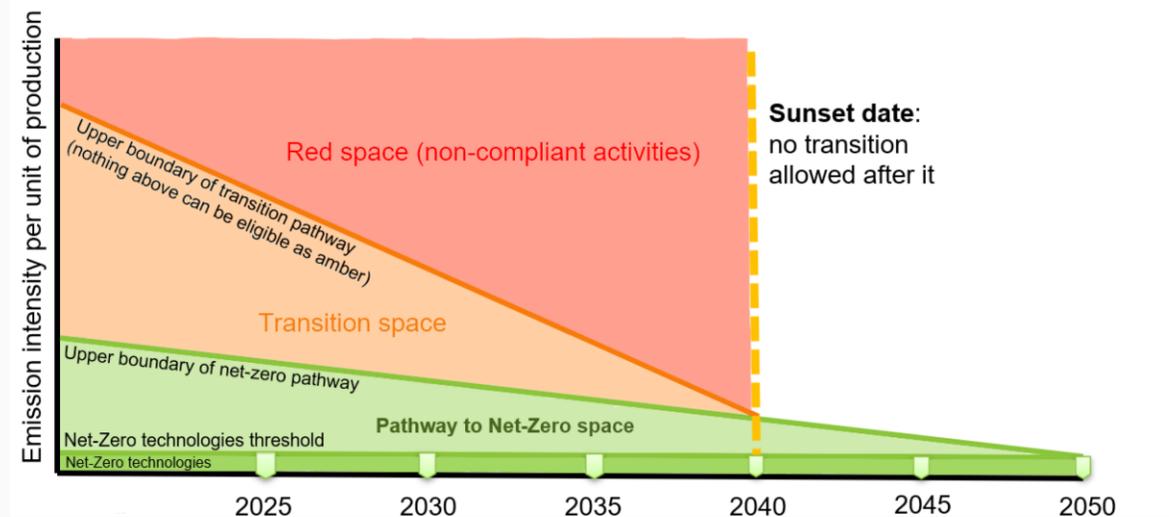
Options for transition



There is growing recognition that important contributions to environmental and social goals will be through improvements in sectors that don't currently qualify as "green" and "inclusive," but where there is potential for change.

Consequently, some taxonomies are offering tools to assess activities that meet transition criteria. These options include **traffic light categories** and **"remedial measures to transition" (RMT)** or credible transition pathways within a specific time-period, such as in the ASEAN and Thailand taxonomies.

Figure 5. A practical meaning and graphic representation of green, transition and red spaces



Source: Bank of Thailand and the Securities and Exchange Commission (2023), Thailand Taxonomy Phase I

2.3.2 Traffic light system for the Thailand Taxonomy

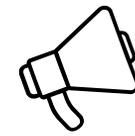
Green activities are substantially contributing to the goal of climate change mitigation by operating at or close to the net-zero goal by 2050. In most cases green thresholds are either EU Taxonomy or Climate Bonds Taxonomy-aligned because both taxonomies are based on extensive multiyear research by international technical expert groups, and therefore serve as reference taxonomies for international taxonomies. Two types of activities are included into this category:

- **Near-zero activities:** activities already at or near net-zero emissions that may require some further decarbonisation but not a significant transition (e.g., solar or wind power generation or operation of electric fleet-based transportation services).
- **Pathway to zero activities:** activities that are needed beyond 2050 and have a clear 1.5-degree decarbonisation pathway to 2050 (e.g., shipping).

Amber activities are facilitating significant emissions reductions in the short term with reliable decarbonization pathways and prescribed sunset dates. The activities have not yet reached net-zero emission but can still be improved with viable technologies. The amber category is generally relevant only for the existing infrastructure and activities that can be retrofitted and cannot be applied to new ones (which should directly adopt green technologies) to avoid locking-in unsustainable technologies in new projects. In some cases, enabling activities (those that serve as enabling other green activities but not green themselves, e.g., grid infrastructure) are also included in this category. For Thailand Taxonomy, the pathways are taking the national context (Nationally Determined Contribution: NDC) into account.

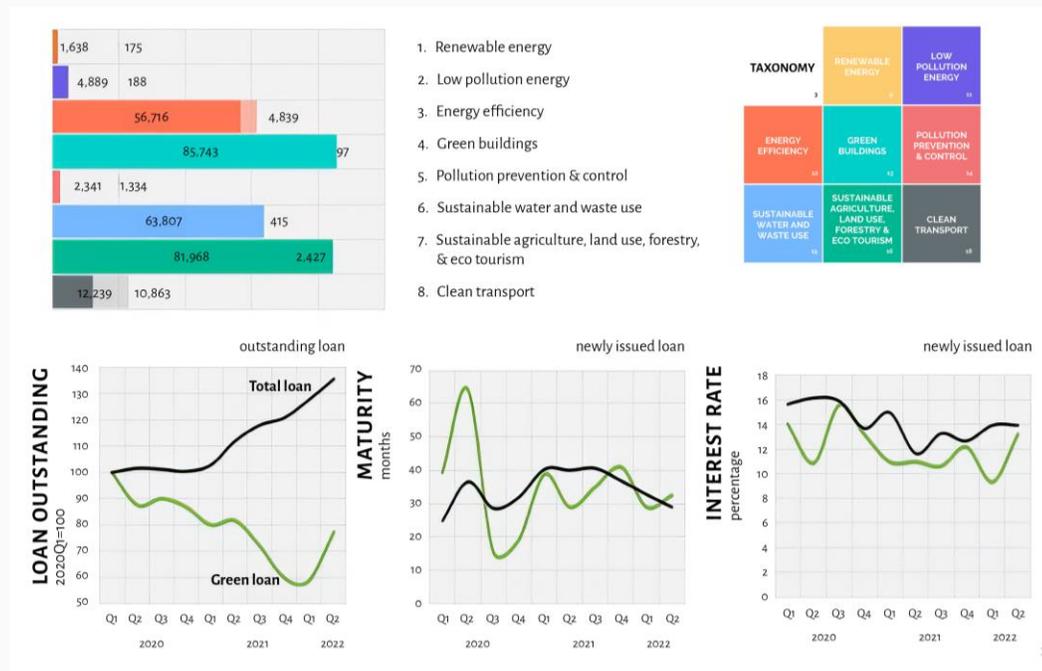
Red activities ("stranded") are the ones that are currently not compatible with net-zero trajectory and are not going to become compatible any time soon. For the transition to net zero by 2050 to happen, they should be phased out completely (for example, electricity generation from coal). It is very important to note that not all activities are assessed yet by international climate science, so the absence of activity in the green and amber categories does not mean that it is red.

Guidance or regulations for disclosure

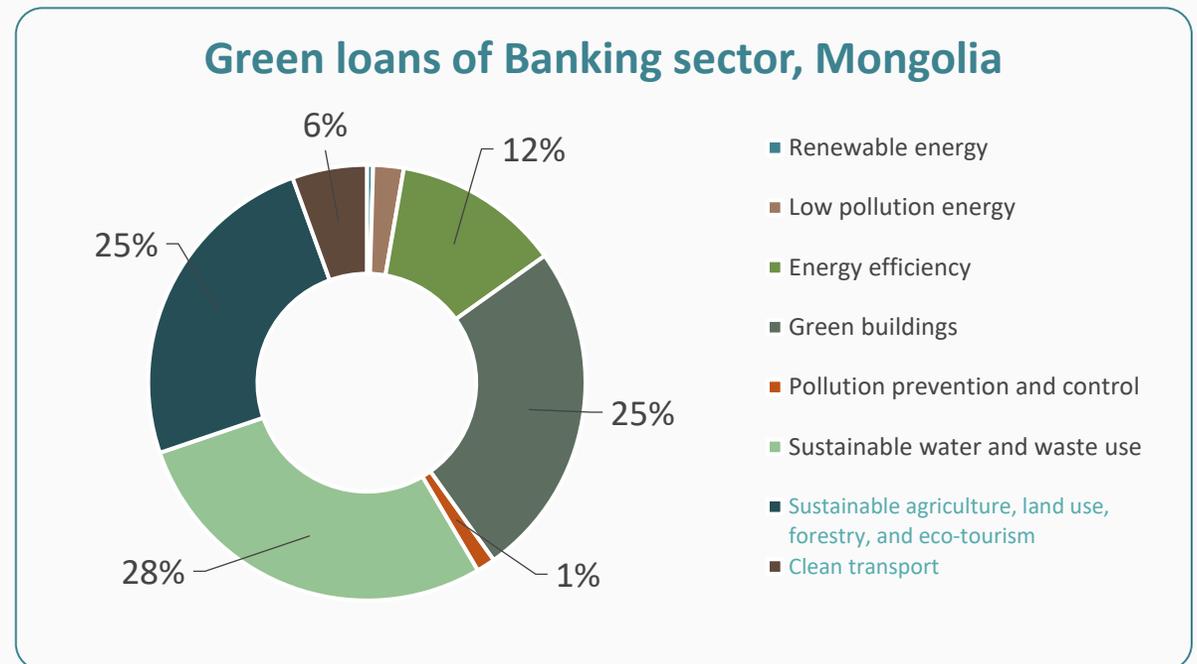


Many taxonomies are operationalized through corporate disclosure requirements that enable finance providers and regulators to track the alignment of activities and/or entities to the taxonomy. This information helps with identifying investments and lending with less sustainability risk and more impact, and with assessing companies' transition plans. An emerging practice from the EU is to require disclosure on Revenue, OpEx, and CapEx that is aligned with the taxonomy. CapEx alignment provides a valuable picture of the movement of an entity towards alignment in the future. **As the Sustainability (S1) and Climate (S2) disclosure standards of the International Sustainability Standards Board (ISSB) become more widely adopted, taxonomy alignment will be a credible way to demonstrate investment in sustainability-focused activities and innovation.**

Upon the approval of the National Green Taxonomy in 2019, the Central Bank of Mongolia started publishing green loan statistics on a quarterly basis.



Source: Mongolia Green Loan Dashboard by BoM and FRC



Source: Bank of Mongolia, 2021

Incentives to promote adoption



Incentives are among the tools that can be used by regulators to encourage or require use of taxonomies. Taxonomies may also be critical to demonstrating eligibility for certain incentives that aim to encourage issuance of green, social, or sustainability bonds and loans. There are a variety of incentives currently being used across SBFN countries. Additional research is required into these practices and their effectiveness. ***The following are examples of different incentives implemented by Bangladesh Bank to encourage increased green lending by local banks to address specific national challenges:***

Country	Incentive/Disincentive	Recipient	Objective	Regulating Body
Bangladesh	Nonfinancial incentive: Recognition from Bangladesh Bank for banks and financial institutions that have the best ESG performance based on the Sustainability Rating.	Banks and financial institutions in Bangladesh	Addressing energy shortages and reducing the negative impact of industrial production on the environment.	Bangladesh Bank
	Incentives for Green Products: ‘Refinance Scheme for Green Products/Projects/Initiatives’	Banks and financial institutions in Bangladesh	Initially the scheme was to promote the use of environmentally friendly and renewable solar power to overcome energy shortages and reduce the negative impact of industrial production on the environment. The scheme was then expanded to include 55 green products.	Bangladesh Bank
	Textile Industry Incentives: ‘Green Transformation Fund’ in the amount of USD 200 million	Manufacture and exporting companies in all industries	Initially to assist in financing capital for environmentally friendly machinery and other operational equipment for the textile and leather industry, now it applies to all industry.	Bangladesh Bank
	Disincentive: failure to meet the obligation to contribute 5% of all term loans to green finance and 20% of all loans to sustainable finance objectives will result in poor CAMELS and Sustainability ratings.	Banks and financial institutions in Bangladesh	Increase bank and financial institution’s lending program to green activities	Bangladesh Bank

A high-angle photograph of a person's legs and feet as they carefully step across several large, flat, grey stones in a shallow stream. The water is clear and reflects the person and the stones. The background is a soft-focus green landscape with a bright light source, possibly the sun, creating a lens flare effect. The overall mood is one of careful navigation and progress.

Common steps for taxonomy development and implementation

Common approaches across 3 dimensions

As more and more countries issue taxonomies, there is a need for ongoing governance and maintenance of these frameworks to ensure they are being effective and to update and expand them — strengthening the key features and adding more activities.

One of the lessons from SBFN members is that taxonomies need to be **embedded in a robust national framework for sustainable finance** that includes regulators and industry representatives from all parts of the financial sector. They also need to be linked to regulations, directives, and disclosure requirements. Building on existing guidance for the development of taxonomies, we see two additional dimensions of a holistic approach to taxonomy management.



A high-angle, top-down photograph of a person's legs and feet as they carefully step across a series of large, flat, grey stones in a shallow, clear stream. The water is a deep blue-green color, and the stones are arranged in a path that leads towards the right. The person is wearing dark shorts and sneakers. The background is slightly blurred, showing a wooden fence or railing. The overall mood is one of careful navigation and progress.

DIMENSION 1: Governance

DIMENSION 1: Governance

Country examples

1

Confirm lead institutions for ongoing governance

A clear governance structure is essential to ensure that the taxonomy is designed with a view to future implementation within the national sustainable finance ecosystem. Will the taxonomy be maintained by the regulator or industry? Which stakeholder groups need to be closely involved?

Colombia's Financial Superintendence (SFC) played a lead role, working closely with other government agencies and through a robust taxonomy governance structure and panel of experts.

2

Create plan for ongoing expansion and review

Taxonomies continue to evolve across all jurisdictions. This includes expanding the categories and activities covered, updating the essential criteria that must be met to achieve alignment, and enabling transition. It is important to have a plan and processes to support ongoing expansion, as well as clearly defined roles and responsibilities.

In China, multiple financial regulators and government ministries have collaborated to develop and update several national green taxonomies over time and support convergence.

3

Establish structures and channels for stakeholder input

Taxonomy stakeholders include regulators, supervisory authorities, financial institutions, the private sector, SMEs, service providers, civil society, academia, and others. Permanent structures and channels should be set up to support awareness raising, to receive technical input on taxonomy criteria, and to receive stakeholder input to address barriers to taxonomy adoption.

In order to address suggestions from stakeholders regarding activities in the EU taxonomy, the Platform on Sustainable Finance and the European Commission set up a [permanent stakeholder request mechanism](#).

4

Link to prudential, market supervision, and incentives

Clarity on intended taxonomy uses helps to establish practical linkages to regulation, disclosure, supervision and the relevant entities. The most popular mechanism among SBFN members is central bank requirements for banks to report taxonomy-aligned lending as part of prudential and market supervision.

Mongolian banks and microfinance institutions have submitted quarterly green loan reports to the Central Bank of Mongolia and Financial Regulator Commissions since the green taxonomy was published.

5

Conduct regular review of implementation

Common taxonomy challenges include lack of market awareness and capacity, a need for clear guidance on how to align, uncertainty on the requirements for independent assurance, and costs associated with alignment. Regulators should review adoption and respond to practical challenges.

Indonesia's Financial Services Authority (OJK) evaluated the success of the 2022 national green taxonomy. Stakeholder feedback informed the updated taxonomy published in February 2024.

Importance of taxonomy governance

1. **Clear ownership and leadership** by appropriate institutions with relevant expertise, capacities and mandates.
2. **Clear roles and responsibilities** during development and implementation process.
3. **Clarity of the purpose of the alignment approach**, how it will be implemented, and what claims can be made.
4. **Clear guidance on disclosure** on taxonomy-aligned activities by financial and real sector.
5. **Representation of relevant voices** during stakeholder consultation and in ongoing oversight structures.
6. **Transparent communication** to interested and affected parties on governance and implementation matters.
7. **A process to respond to stakeholder grievances** to ensure accountability and responsiveness to market realities.
8. **A commitment to review and respond to emerging information** on the effectiveness of the alignment approach.
9. **A commitment to promote ease of use** and broad applicability through interoperability.
10. **Avenue and process for the updating of the taxonomy** on a consistent basis.



Source: *Activating Alignment: Applying the G-20 Principles for Sustainable Finance Alignment with a Focus on Climate Change Mitigation*, By staff of the IMF, World Bank, OECD, with input from BIS, September 2023

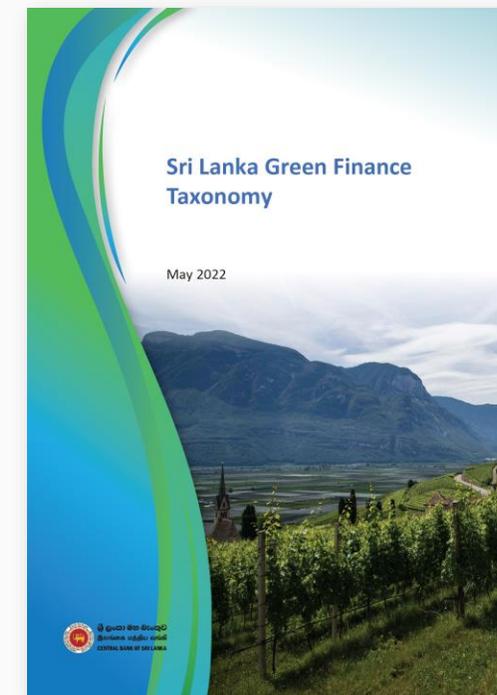
Examples of simple and complex approaches

The following are indicative examples of simple versus complex approaches to taxonomy governance and design. Each has benefits and there is a spectrum of variations in between.

	Simple	Complex
Governance	The work is led by one institution through an in-house team.	Led by multiple institutions (e.g., financial sector regulators and policy makers) through a steering committee.
Development	Work is done by a consulting firm or similar entity, with support from international organizations or expert bodies (e.g., World Bank Group, GIZ, CBI).	Work is done by multiple technical working groups in collaboration with various line ministries and industry experts for the different sectors.
Design	An existing taxonomy or relevant elements are adapted and adopted from another jurisdiction(s) (e.g., EU, China, Common Ground Taxonomy, MDB frameworks).	Develop a unique national taxonomy based on national sustainability priorities, key green and inclusive sectors, and typical portfolio exposure of local banks.
Defining alignment	A principles-based or whitelist approach is chosen, and there is a minimum requirement to comply with national environmental, social, and governance regulations.	Activities must <ul style="list-style-type: none"> • Make a "Substantial Contribution" to defined taxonomy objectives based on detailed technical criteria • "Do No Significant Harm" (DNSH) to any of the taxonomy objectives and • Comply with defined "minimum social safeguards" (MSS) • With options for "Remedial Measures to Transition" (RMT) or Corrective Action Plans.

Sri Lanka Green Finance Taxonomy — example of a simple approach

Name & version	Sri Lanka Green Finance Taxonomy — 1 st Edition		
Date of publication	May 2022	Time to develop	1 year
Stakeholder engagement	Yes	Public comment period	Yes
Link to regulations	Voluntary; not currently linked to any regulations or policies; consideration for green bond guidelines and green banking guidance		
Lead institution	Central Bank of Sri Lanka		
Development	<ul style="list-style-type: none"> • Part of national Sustainable Finance Roadmap • 3 rounds of separate group consultations took place over 7 months with all key line ministries, local financial institutions, and third-party service providers. • First national green finance taxonomy developed using the International Platform on Sustainable Finance (IPSF) Common Ground Taxonomy on climate change mitigation. • A technical expert group (TEG) was formed including international experts from Climate Bonds Initiative (CBI), China’s Tsinghua University and two Sri Lanka local experts 		
Approach	<ul style="list-style-type: none"> ✓ 102 activities: 64 mitigation, 13 adaptation and 25 other green activities ✓ Mix of whitelist, technical criteria, and certifications as proxies ✓ References Climate Bonds Initiative Taxonomy and Standard for some activities ✓ References the IFC’s blue finance guidelines and climate smart agriculture project list ✓ Balances international standards and national regulations ✓ Special focus on Sustainable Tourism 		



[Available here](#)

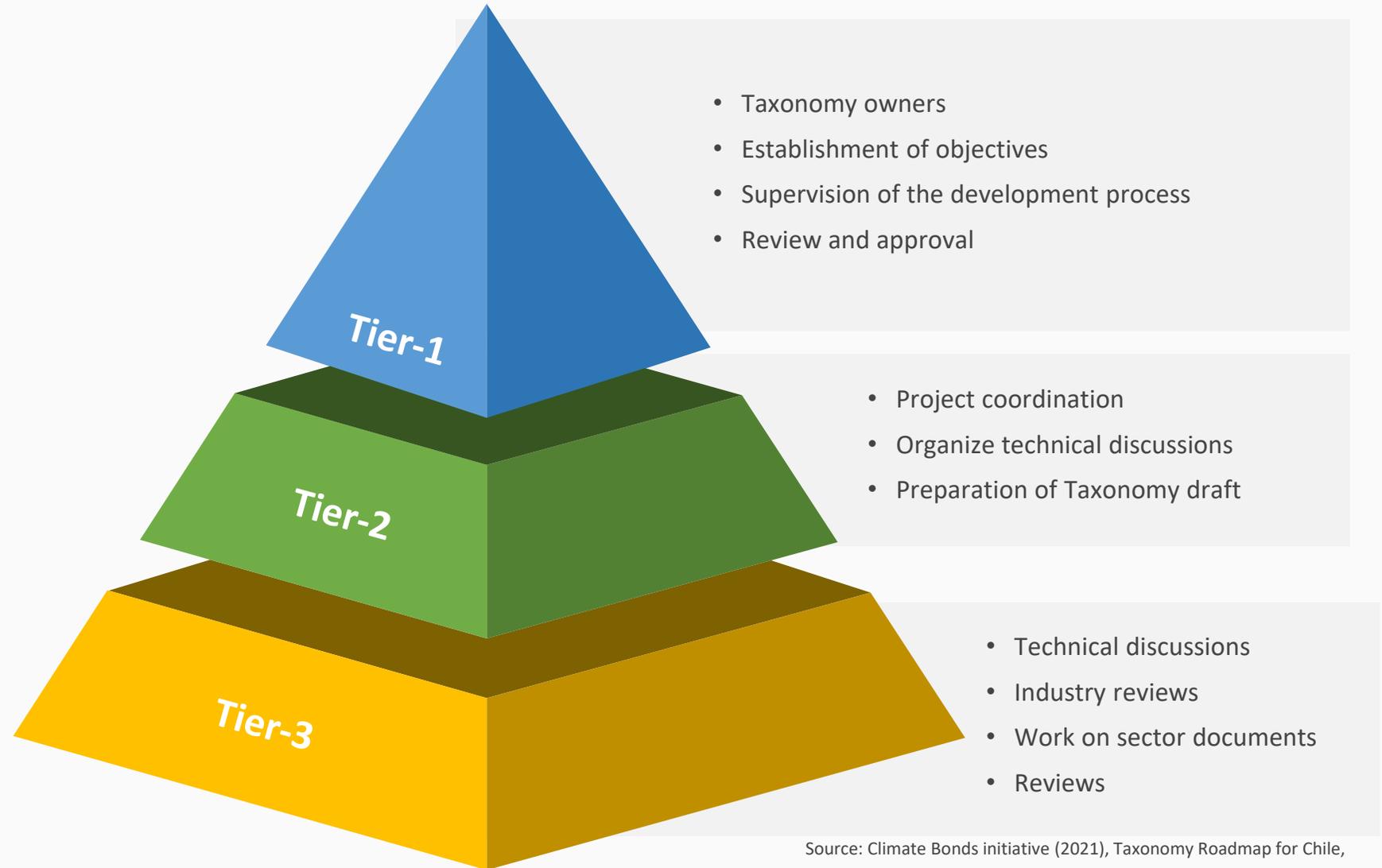
Emerging governance structures

When countries take a simple approach led by one institution, the governance structure can be simpler and more efficient.

However, an interesting model has emerged for more complex processes.

This multilayered structure has several benefits:

- Collaboration among financial sector regulators to create an overarching national taxonomy.
- Involving a wide range of technical experts to design taxonomy activities that are well suited to the national context.
- An established governance structure support institutional memory and expertise needed to implement and improve the taxonomy over time.



Source: Climate Bonds initiative (2021), Taxonomy Roadmap for Chile,

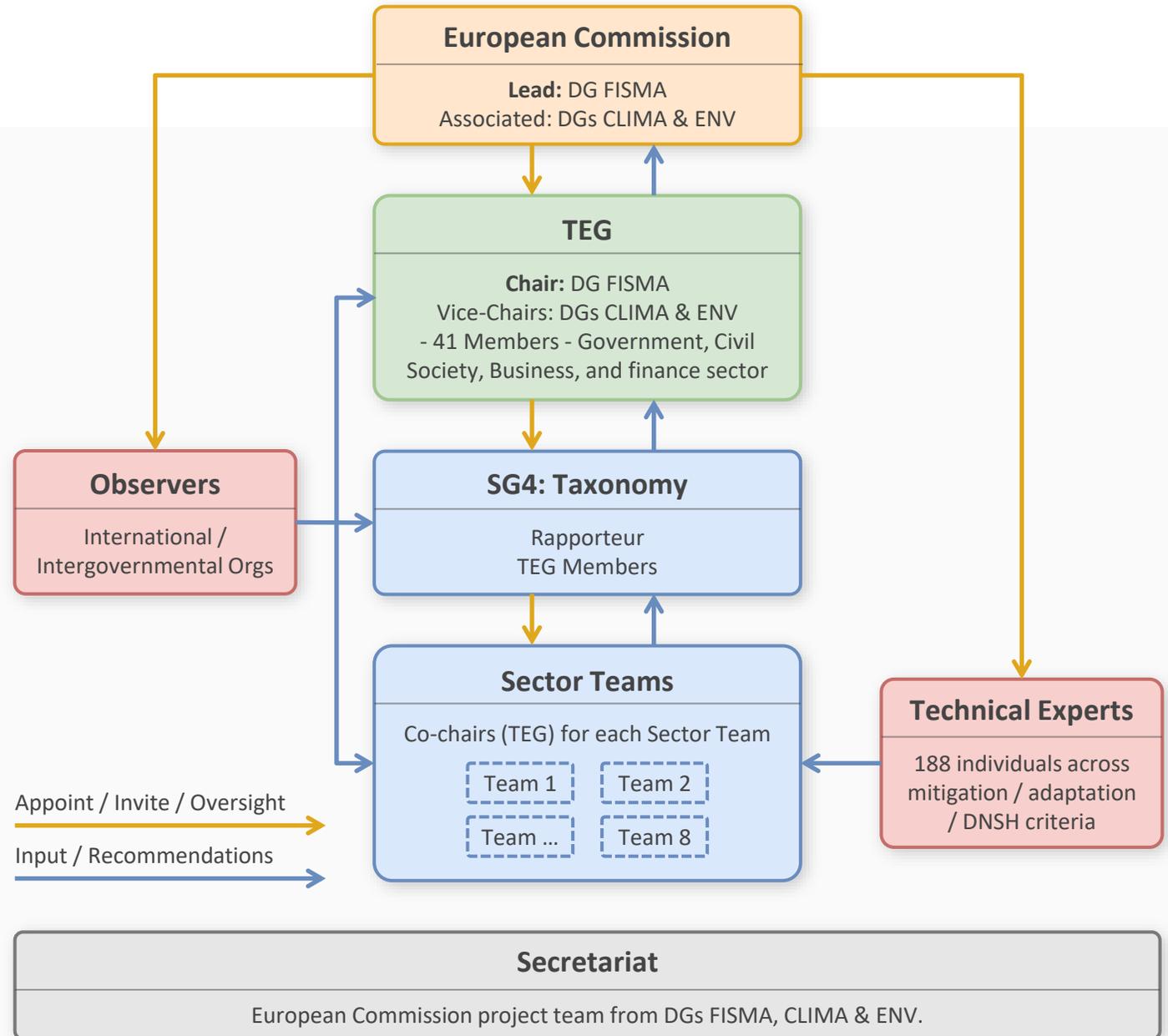
Governance example: EU

In 2018, in response to the policy recommendations of the High-Level Expert Group (HLEG) on Sustainable Finance, the European Commission published the **Action Plan on Sustainable Finance**.

To assist with addressing the HLEG's recommendations, the Commission signaled its intention to establish two informal expert groups, which were officially set up by the **Directorate-General for Financial Stability, Financial Services and Capital Markets Union (FISMA)** in cooperation with the **Directorates-General for Environment (ENV) and Climate-Action (CLIMA)**.

One of the expert groups was the **EU Technical Expert Group on Sustainable Finance** which completed its work and subsequently became the permanent **Platform on Sustainable Finance**.

Groups are subject to the European Commission's horizontal rules on expert groups, and their input is nonbinding. **Decisions are consensus-based where possible, otherwise majority vote**



Source: Institute for Sustainable Finance (2022). *Taxonomy Governance: A Stocktake of International Examples*

Governance example: Colombia

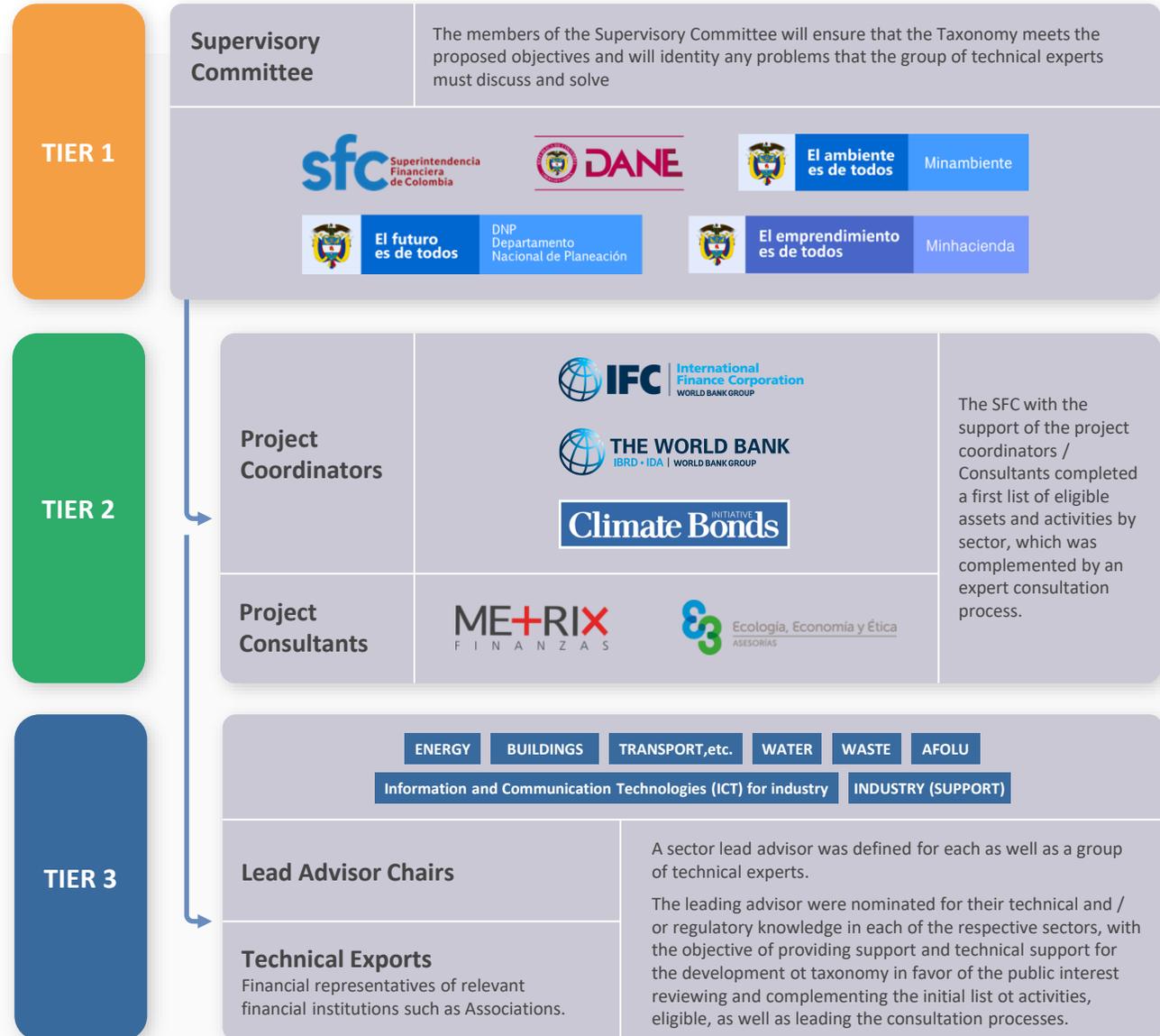
Colombia's Green Taxonomy Roundtable was formed to assist in the development of the Taxonomy.

The Roundtable is the governance scheme for the Colombian Taxonomy, comprising the following entities: Ministry of Finance and Public Credit (MHCP), Ministry of Environment and Sustainable Development (MADS), National Planning Department (DNP), Financial Superintendence of Colombia (SFC) and National Administrative Department of Statistics (DANE).

Technical assistance was provided by the World Bank Group and Climate Bonds Initiative.

This process was further supported by 257 technical experts and stakeholders representing 53 entities from the private and public sectors, academia, and organizations.

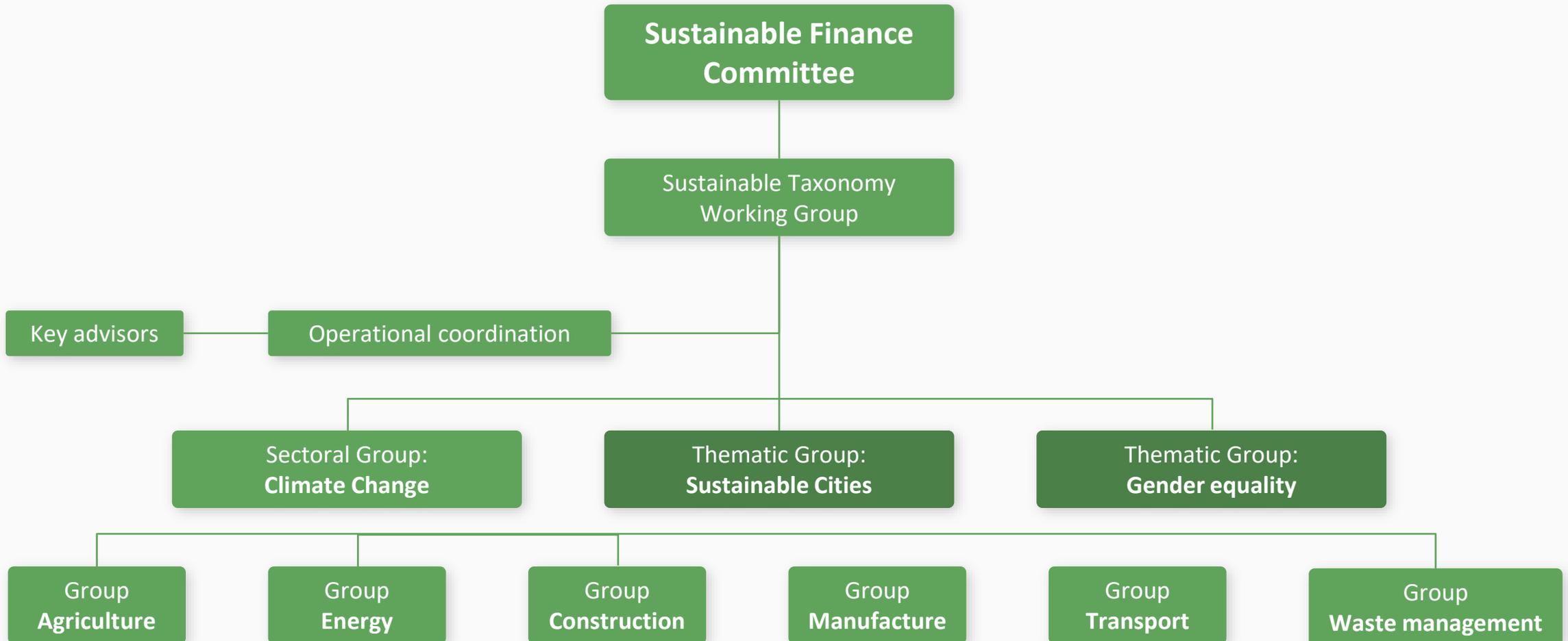
Over 400 comments received on all sectors and sections.



Source: Climate Bonds initiative (2021), *Taxonomy Roadmap for Chile*,

Governance example: Mexico

Figure 1.5. Governance Mechanism of the Sustainable Taxonomy of Mexico



Source: Ministry of Finance and Public Credit of Mexico (2023), Sustainable Taxonomy of Mexico

A high-angle, top-down photograph of a person's legs and feet as they step across a series of large, flat, grey stones in a shallow stream. The water is clear and reflects the surrounding environment. The person is wearing dark shorts and sneakers. The scene is bathed in a soft, golden light, suggesting a sunrise or sunset. The overall mood is serene and contemplative, symbolizing the process of design or a journey.

DIMENSION 2: Design

DIMENSION 2: Design

Country examples

1 Clarify purpose approach

Identify the market need for a national taxonomy and the primary users (e.g., international vs national investors, regulators, banks, capital markets). Based on the purpose, select an appropriate approach for the design process and consider future links to instruments and regulations.

***Georgia** designed its taxonomy primarily to support banks to increase and report on green and social loans, and to provide clarity on eligible activities for green and social bond issuances.*

2 Conduct research and benchmarking

Taxonomies continue to evolve globally. Conduct benchmarking to understand what has worked in other jurisdictions. Undertake research into local economy priorities and current standards. Prioritize local green sectors based on contribution to GDP, NDCs, and potential to enable transition.

*In developing its SDG taxonomy in 2023, **Mongolia** conducted an extensive literature review of existing SDG-related frameworks by international organizations, countries, and the private sector.*

3 Design taxonomy in consultation with stakeholders

Select consulting firms and/or establish technical committees to design the taxonomy. Consult with stakeholders on different drafts throughout the process, e.g.: i) webinars, ii) focus groups, iii) bilateral conversations, iv) steering committee or working/expert groups to give ongoing guidance.

***Mexico's** Ministry of Finance and Public Credit led a participatory process over 2.5 years with international organizations and a structure of various ministries and technical working groups.*

4 Test the taxonomy through pilot cases

Pilot exercises give future users such as financial institutions and companies a chance to test the taxonomy and the steps for determining alignment. They also provide valuable insights on whether the taxonomy is easy or complex to apply, and where more clarity is needed.

***South Africa** conducted pilot exercises with 6 organizations representing municipalities, asset managers, commercial banks, and development banks, resulting in [4 thematic case studies](#).*

5 Finalize, publish and communicate

Prepare a final version of the taxonomy. Ideally include a 30-60 day public comment period to get final inputs from stakeholders on this version and sensitize the market. Consider publishing the final agreed version jointly with key organizations that will be involved in implementation. Anticipate a timeline for expansion and revision. Communicate broadly to stakeholders through webinars and events. Publish guidance tools and templates.

*The Draft **Thailand** Taxonomy Phase 1 was launched by Thailand Taxonomy Board for public consultation between 26 December 2022 and 26 January 2023. The final taxonomy Phase I was published in June 2023 [supported by a Usability Guideline, Excel Tool, Business guide, Case Studies, and FAQs](#)*

World Bank Guide: Developing a National Green Taxonomy

Common steps have emerged for how national taxonomies are developed, including working groups, research, peer benchmarking, stakeholder engagement, and review processes.

The following is from the World Bank Guide: [Developing a National Green Taxonomy](#)



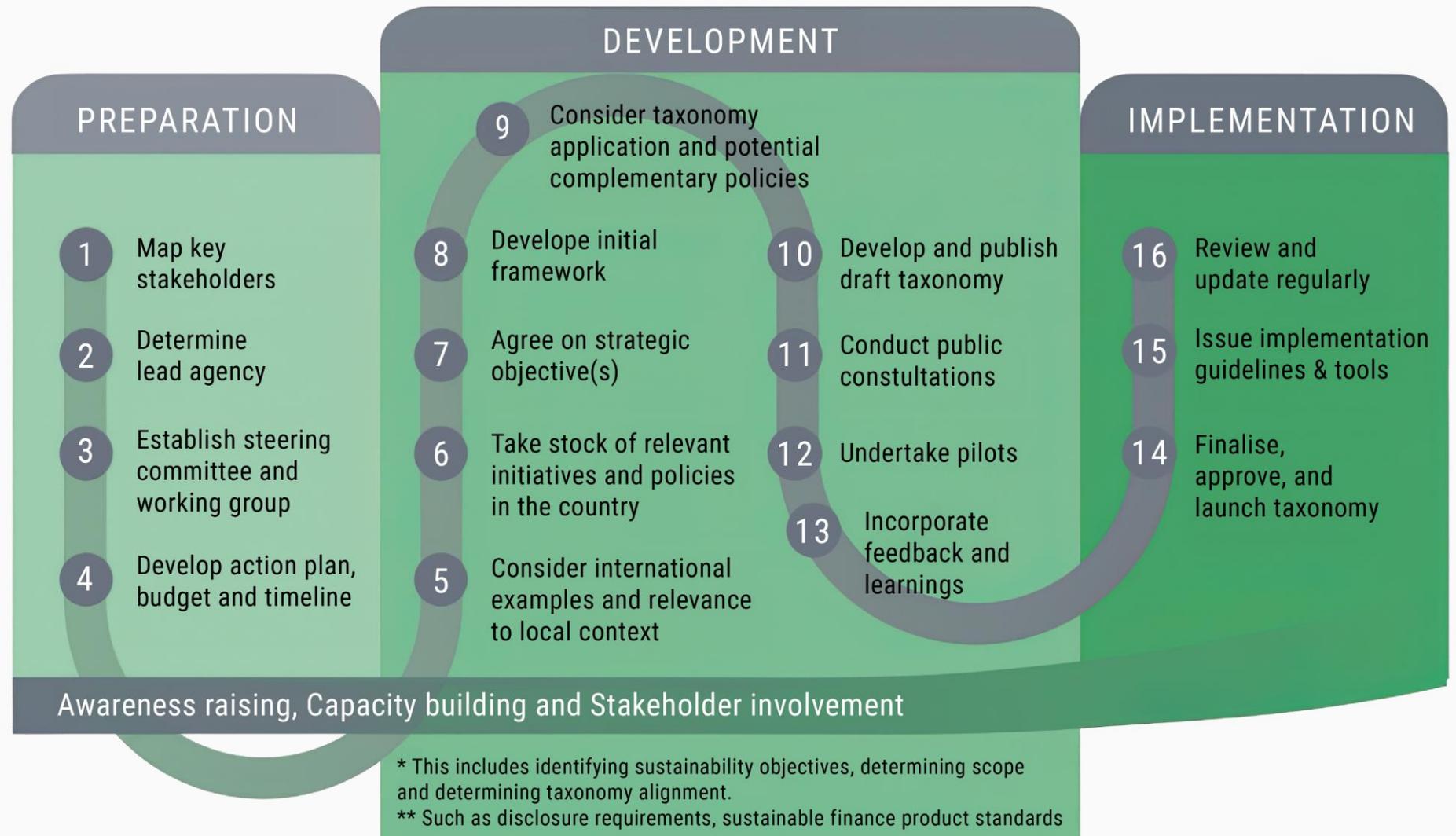
Source: The World Bank Group (2020), Developing a National Green Taxonomy: A World Bank Guide

GIZ e-learning on Sustainable Finance Taxonomies

The following process is proposed in the GIZ e-learning on Sustainable Finance Taxonomies.

UN CC: e-Learn:

<https://unccelearn.org/course/view.php?id=160&page=overview>



Stakeholder consultation

Stakeholder consultation is recognized as an essential part of taxonomy development to ensure market awareness, buy-in, and effective design of taxonomies. It is one of the reasons that taxonomies often have a long development process, averaging approximately two years for most countries. More recent processes are proceeding more quickly, which may in part be due to greater understanding in the market of how taxonomies work.

Mongolia and South Africa are good examples of national stakeholder engagement processes, and Indonesia is an excellent model for international peer learning, having engagement extensively with other countries to learn from their experiences. **Consultation processes are also critical for helping both regulators and financial institutions explore critical implementation questions and ensure that taxonomies are designed in a practical way.**

Taxonomy subject to peer reviews and stakeholder consultation

ASEAN	BANGLADESH	BRAZIL	CHINA	COLOMBIA	EU	GEORGIA	INDONESIA	KAZAKHSTAN	MEXICO	MONGOLIA	SOUTH AFRICA	SRI LANKA	THAILAND
Yes	Yes	Yes	Indirectly	Yes	Yes	Yes	Yes	N/A	Yes	Yes	Yes	Yes	Yes

Consultation questions for regulators

Why

- What are sustainable finance taxonomies and how can they be used?
- Does my country need a taxonomy?
- What are my objectives and therefore what type of taxonomy do I need?
- Who will be using the taxonomy and what do they need it to do?

How

- How can I leverage existing global taxonomies and practices?
- What process should I follow to design an effective taxonomy?
- How do I link the taxonomy to my national policy objectives?
- How do I ensure that it meets the needs of international and local investors?
- How do I enable and track successful use?

What

- What essential elements do I need to include to build credibility and make my taxonomy practical to implement?
- What other market interventions and policies are needed to leverage the taxonomy for market development?
- What kind of governance structure do I need to put in place to expand and maintain the taxonomy over time?

Consultation questions for financial institutions

Why

- Reporting on loans? Issuing green, social, or sustainability bonds?
- Regulator requirement? Investor requirement? Bank's own strategy?
- Reporting on existing portfolio? Guiding new project development?

How

- Which teams/staff will be responsible for rolling this out?
- Will it cover the whole business or just part of it?
- Do we have the appropriate systems in place to assess and demonstrate alignment with the taxonomy?
- Does our E&S risk management system meet the expectations for safeguards?

What

- Does the taxonomy cover the types of sectors and activities that my bank focuses on?
What are the potential gaps?
- Are the technical criteria appropriate to my market?
- Does it match or complement our existing classification approach?
- What data will we need to collect going forward?
- What are the implications for the existing portfolio vs future investments?

A high-angle photograph of a person's legs and feet as they carefully step across a series of large, flat, grey stones in a shallow stream. The water is clear and reflects the person and the stones. The scene is bathed in a soft, golden light, suggesting a sunrise or sunset. The overall mood is one of careful navigation and progress.

DIMENSION 3: Implementation

DIMENSION 3: Implementation

Country examples

1

Build capacity of implementing agencies

Once the taxonomy is published, the focus will shift to implementation. It is critical to support staff in the implementing agencies to fully understand how the taxonomy works and how it will be implemented through regulation and supervision. Capacity building can also extend to users and service providers, such as Second Party Opinion providers and consulting firms advising financial institutions. Supporting tools, guidelines and a piloting phase are effective strategies to promote adoption.

*SBFN, IFC, and GIZ supported **Indonesia's Financial Services Authority (OJK)** in 2022 to deliver virtual training and peer knowledge sharing to staff. SBFN and the World Bank worked with South Africa's Financial Sector Conduct Authority in 2023 and 2024 to train staff and explore options for implementation*

2

Identify opportunities to embed in regulation

Taxonomies can support a variety of regulations for the financial and private sectors. The most popular mechanism is to require financial and private sector entities to report on their alignment. The taxonomy may also support labelling of sustainable finance instruments and prudential risk management.

*The **EU** issued its taxonomy regulation in 2020, followed by phased requirements for nonfinancial and financial entities to report eligibility and alignment. It is also linked to the [EU green bond standard](#).*

3

Develop roadmap for sequenced implementation

A taxonomy roadmap can provide helpful clarity to regulators and the market on i) when the private sector is expected to align and disclose their alignment, ii) what is expected from each regulatory agency in terms of regulation and supervision activities, iii) when the taxonomy might become mandatory, iv) when the taxonomy might be expanded or updated.

***South Africa's** Financial Sector Conduct Authority published a [Statement on Sustainable Finance Programme of Work](#), including 5 pillars and activities, with Pillar 1 on taxonomy.*

4

Agree on metrics for monitoring and evaluating success

Several countries — including Bangladesh, China, and Mongolia — have used taxonomies successfully to produce multiyear data on issuances of green loans and bonds, and to assess the link with lower credit risk. These metrics show if taxonomies are achieving intended benefits or need adjustment.

*As of Q1 2023, **China's** green loans exceeded US\$3.4 trillion. The nonperforming loan (NPL) ratio for green loans remained below 0.7%, compared to 1.8% for ordinary loans.*

5

Collect data and communicate results

A critical step is to collect and publish information on taxonomy use and related outcomes. Popular strategies are i) requiring that entities disclose alignment data publicly, ii) requiring entities to report to the regulator, which publishes aggregated data, and iii) conducting multiyear detailed analysis.

***Georgia** has published an annual [Status Report on Sustainable Finance](#) since 2021. As of 2023, banks started submitting taxonomy-aligned data on green loans.*

Process for creation and revision

Most country taxonomies are in stage 1 of development and implementation, and describe in detail the process of development, including stakeholder consultation. Mongolia and South Africa are good examples of national stakeholder engagement and Indonesia is an excellent model for international peer learning.

However, only a few taxonomies currently address the process for future additions, revisions, or update. An exception is China, which has gone through several revisions and harmonization of its various green catalogues.

	ASEAN	BANGLADESH	BRAZIL	CHINA	COLOMBIA	EU	GEORGIA	INDONESIA	KAZAKHSTAN	MEXICO	MONGOLIA	SOUTH AFRICA	SRI LANKA	THAILAND
Transparent process to create and revise the taxonomy	Yes	Yes	Yes, for creation, not for revision	Coordination of ministries and agencies	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Taxonomy subject to peer reviews and stakeholder consultation	Yes	Yes	Yes	Indirectly	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Stage of taxonomy revision	Version 2	Version 1	Version 1	Version 4	Version 1	Stage 1	Version 1	Version 2	Version 1	Version 1	Version 2	Version 1	Version 1	Version 1
Pre-determined intervals for revision	No	No	No	Yes	Yes	No	Yes	No	No	No	Yes	Yes	Yes	Yes

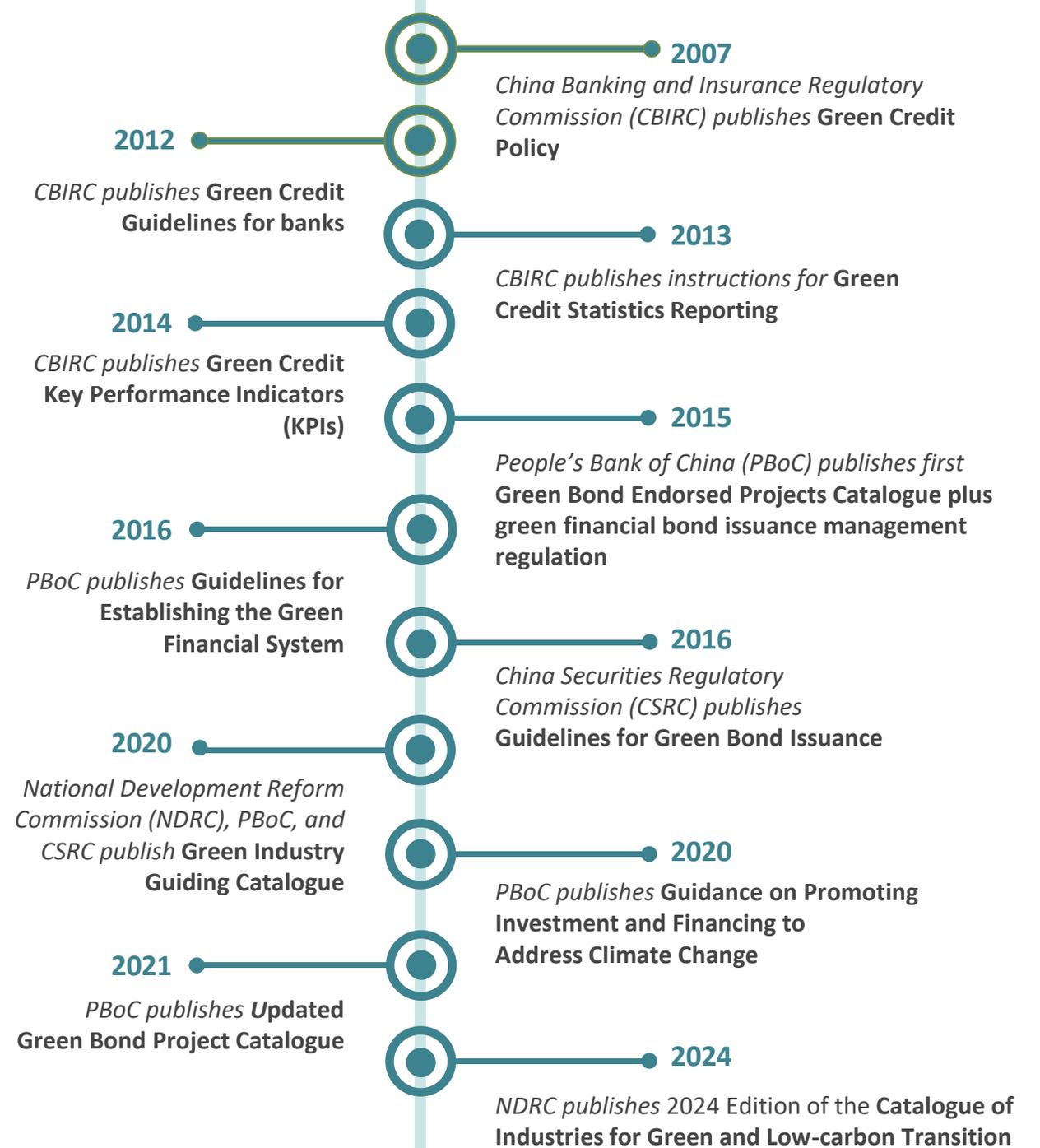
China's Taxonomy Journey

China's journey with taxonomies started in 2013 when the Chinese Banking and Insurance Regulatory Commission (CBIRC) [now renamed the China National Administration of Financial Regulation (NAFR)] published the **Green Credit Statistics Reporting instructions**, followed in 2014 by the **Green Credit Key Performance Indicators (KPIs)**, as part of implementing the Green Credit Guidelines for banks (2012).

The Guidelines require banks to implement comprehensive E&S risk management systems and pursue innovation in lending to green businesses. In addition, they must conduct comprehensive evaluation of their green credit performance at least twice a year and file self-evaluation reports to CBIRC.

The Green Credit Statistics and KPIs contain lists of i) high-polluting and high-energy consumption industries and ii) encouraged and supported categories of business, including: Energy conservation industry, Resources recycling industry, Water conservation, Remanufacture, Alternative energy industry (Incl. nuclear, solar, wind, biomass, smart grid), Green building, and Green transport.

As of Q1 2023, China's green loans exceeded US\$3.4 trillion. The nonperforming loan (NPL) ratio for green loans remained below 0.7% for the past five years, indicating its stable performance compared to the 1.8% ratio for ordinary loans.



Evolution and Impact of China's Green Bond Catalogue

The People's Bank of China (PBOC) issued the first version of the **Green Bond Catalogue in 2015** together with the regulation for issuing green financial bonds.

https://www.gov.cn/xinwen/2015-12/22/content_5026636.htm

PBOC published the **2021 Green Bond Catalogue** in line with the **Green Industry Guiding Catalogue** published in 2019 by National Development Reform Commission (NDRC), PBOC, and CSRC. NDRC published the updated **Green Industries Guidance Catalogue in April 2024**.

For China, the market is past the stage of voluntary taxonomies, as financial market regulators are fully engaged with taxonomy development. Taxonomies by PBOC, CBIRC (now NAFR) and NDRC are mandatory and are increasingly linked to financial incentives.

China's cumulative green bond volume in CBI's database reached US\$289.6 billion at the end of 2022, coming second after the US with a total volume of US\$380 billion.

1. Energy-saving and Environmental Protection Industry	1.1 Energy-efficiency improvement 1.2 Sustainable building 1.3 Pollution prevention 1.4 Water Conservation and Unconventional Water Resources 1.5 Comprehensive utilization of resources 1.6 Green transportation	14 items	62 programs
2. Clean Production Industry	2.1. Pollution prevention and treatment 2.2 Green agriculture 2.3 Comprehensive utilization of resources 2.4 Water saving, and efficient use of non-conventional water resources	8 items	19 programs
3. Clean Energy Industry	3.1 Energy efficiency improvement 3.2 Clean Energy	4 items	26 programs
4. Ecology and Environment-related sector	4.1 Ecological Agriculture 4.2 Ecological protection and construction	5 items	28 programs
5. Sustainable Upgrade of Infrastructure	5.1 Energy efficiency improvement 5.2 Sustainable buildings 5.3 Pollution prevention 5.4 Water Saving and Non-conventional Water Resources 5.6 Ecological Protection and Construction	11 items	38 programs
6. Green Services	6.1 Consultancy 6.2 Operation Management Services 6.3 Audit, Inspection and Evaluation of Projects 6.4 Monitoring and Detection 6.5 Promotion and Certification of Technical Products	6 items	31 programs

Source: PBOC,NDRC,CSRC (2021), Green Bond Endorsed Projects Catalogue (2021 Edition)

A high-angle photograph of a person's legs and feet as they carefully step across a series of large, flat rocks in a shallow stream. The water is clear and reflects the surrounding environment. The person is wearing dark shorts and sneakers. The scene is bathed in a soft, golden light, suggesting a sunrise or sunset. The overall mood is one of careful navigation and resilience.

Managing Environmental & Social Risks

Mechanisms to manage negative outcomes or harm

The principle of **Do No Significant Harm (DNSH)** has grown in popularity and is now used in most taxonomies. DNSH refers to the concept that achieving one taxonomy objective shouldn't come at the expense of the other taxonomy objectives. There are some overlaps with traditional do-no-harm approaches used by development finance institutions and responsible investors. However, DNSH often requires additional due diligence and risk assessment. The principle is also applied slightly differently across jurisdictions.

Most taxonomies increasingly include **minimum social safeguards (MSS)**. These commonly cover labor practices and human rights. Some countries are starting to include protection of communities, vulnerable groups, and indigenous peoples.

Due to the complexities in assessing and verifying DNSH and MSS, some taxonomies focus on requiring compliance with **national regulations or ESG guidelines**.

	ASEAN	BANGLADESH	BRAZIL	CHINA	COLOMBIA	EU	GEORGIA	INDONESIA	KAZAKHSTAN	MEXICO	MONGOLIA	SOUTH AFRICA	SRI LANKA	THAILAND
Mechanism to prevent specific harm to other taxonomy objectives (DNSH)	Yes, DNSH to other objectives	Yes, DNSH to other objectives	No	No	Yes	Yes, DNSH to other objectives	No	Yes, DNSH	No	Yes	No	Yes	Yes	Yes (3 years grace period to comply – action plan required)
Mechanisms to ensure minimum environmental, social and/or governance safeguards	Yes, additional criteria for “Social Aspects” in V2	Yes, minimum social and governance safeguards	Partial, prudential focus on Environmental Risk Exposure	Yes, requirement to comply with safety, environmental, and quality regulations	Yes, MSS in line with local regulations and social management system aligned with IFC PSs	Yes, MSS	Yes, Addressed through separate ESG Guidelines for banks	Yes, labor, human rights, health & safety, community rights, aligned with ASEAN — different criteria for MSMEs	No	Yes, MSS and Gender Index (Inc. Decent Work, Well-being and Social Inclusion indicators)	Yes, minimum E&S risk management in line with Mongolia Sustainable Finance Principles	Yes, MSS	No, but expectation to comply with regulations	Yes, MSS (3 years grace period to comply – action plan required)

South Africa — DNSH & MSS

South Africa follows the EU model by embedding general as well as specific instructions for the "Do No Significant Harm" (DNSH) and Minimum Social Safeguard (MSS) principles.

Under each activity, specific DNSH criteria are indicated for each of the other objectives in the taxonomy.

In addition, generic criteria are listed for DNSH to climate change adaptation and for minimum social safeguards.

7.3.12 Production of Heating/Cooling using Waste Heat

Sector classification and activity	
Macro-Sector	Electricity, gas, steam and air conditioning supply
SIC Code	35300
Description	Production of heating and cooling using Waste Heat
Make Significant Contribution criteria	
Climate Change Mitigation	
Objective	<ul style="list-style-type: none"> Support transition to low carbon net-zero emissions economy Avoidance of lock-in to technologies which do not support the transition to a low carbon economy net-zero emissions economy Ensure that economic activities meet best practice standards Ensure equal comparability within an economic activity with regards to achieving low carbon net-zero emissions economy target Where necessary, incorporating technology-specific considerations into secondary metrics and thresholds
Metric and Threshold	The activity produces heating/cooling from waste heat.
Climate Change Adaptation	
Depending on the primary objective of the activity, refer to Section 8 Screening criteria for activities making substantial contribution to climate change adaptation . Users of the Taxonomy should identify and explain which criteria they are responding to.	
Do No Significant Harm assessment	
Key environmental aspects to be considered for the production of heat/cool using waste heat are generally moderate and should mostly be covered by considerations at the heat/cool source.	
Climate change mitigation	N/A
Climate change adaptation	For mitigation projects The activity complies with the criteria set out in Appendix A: Generic Criteria for DNSH to Climate Change Adaptation .
Sustainable use of water and marine resources	N/A
Ecosystem protection and restoration	The activity complies with the criteria set out in Appendix E: Generic Criteria for DNSH to Ecosystem Protection and Restoration .
Pollution prevention	A minimum requirement is the implementation and adherence to a recognised environmental management system (ISO 14001 or equivalent)
Sustainable resource use and circularity	The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.
Comply with Minimum Social Safeguards	
Companies and other issuers disclosing against the Taxonomy must comply with the criteria set out in Appendix C: Minimum Social Safeguards .	

Appendix A: Generic Criteria for DNSH to Climate Change Adaptation

I. Criteria

Criteria	
New activity and/or activity upgrading or altering existing assets or processes	<p>The physical climate risks that are material to the activity have been identified from those listed in the table in II Classification of climate-related hazards of this Appendix by performing a robust climate risk and vulnerability assessment. The assessment is proportionate to the scale of the activity and its expected lifespan, such that:</p> <ul style="list-style-type: none"> c) for investments into activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using downscaling of climate projections; d) for all other activities, the assessment is performed using high resolution, state-of-the-art climate projections across a range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 years climate projections scenarios for major investments. <p>The economic operator has developed a plan to implement adaptation solutions to reduce material physical climate risks to the activity. Those adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts.</p> <p>For activity upgrading or altering existing assets or processes, the adaptation solutions identified need to be implemented within five years from the start of the activity.</p>

Appendix C: Minimum Social Safeguards

Criteria	
Companies and other issuers disclosing against the Taxonomy need to assess compliance with:	
<ol style="list-style-type: none"> The Bill of Rights as contained in the Constitution of South Africa; The Labour Relations Act, Act 66 of 1995 as amended; The Basic Conditions of Employment Act, Act 75 of 1997 as amended; The Employment Equity Act, Act 55 of 1998; The Unemployment Insurance Act, Act 30 of 1996; The Occupational Health and Safety Act, Act 85 of 1993 as amended; The Compensation for Occupational Injuries and Diseases Act, Act 130 of 1993; and Protection of Personal Information Act, Act 4 of 2013. 	
As well as the standards in:	
<ol style="list-style-type: none"> International Labour Organisation (ILO) core labour conventions; The OECD Guidelines on Multinational Enterprises; and The UN Guiding Principles on Business and Human Rights. 	

Source: National Treasury of the Republic of South Africa (2022), South African Green Taxonomy

EU Taxonomy activities – example of DNSH guidance

The EU taxonomy provides detailed guidance for each activity on what is expected in terms of DNSH requirements.

(2) Climate change adaptation	The activity complies with the criteria set out in Appendix A to this Annex.	A climate risk and vulnerability assessment is done and risks managed
(3) Sustainable use and protection of water and marine resources	N/A	
(4) Transition to a circular economy	The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	Environmental Impact Assessment (EIA) or screening has been completed in accordance with Directive 2011/92/EU and measures implemented
(5) Pollution prevention and control	N/A	
(6) Protection and restoration of biodiversity and ecosystems	The activity complies with the criteria set out in Appendix D to this Annex.	

Source: Official Journal of the European Union, Commission Delegated regulation (EU) 2021/2139 of 4 June 2021, page 63.

EU Taxonomy activities – example of safeguard requirement

The EU taxonomy requires alignment with key international frameworks on human rights and labor practices. This has established a model that many other countries are embedding in their own taxonomies.

Minimum safeguards ^

1. The minimum safeguards referred to in point (c) of Article 3 shall be procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.
2. When implementing the procedures referred to in paragraph 1 of this Article, undertakings shall adhere to the principle of 'do no significant harm' referred to in point (17) of Article 2 of Regulation (EU) 2019/2088.

Different approaches to ESG risk management

In other jurisdictions, alternative approaches have been adopted, either to simplify the ESG risk management requirements or give entities a grace period to become compliant.

China's Green Bond Endorsed Projects Catalogue (2021 Edition)

"2. Projects to be included in this catalog shall comply with relevant safety, environmental protection and quality regulations and policies;"

Georgia Sustainable Finance Taxonomy

The Georgia Taxonomy states that *"Risks related issues including "Do no significant harm" and "Minimum social safeguards" criteria will be addressed within the ESG Risk Management Guidelines."* The National Bank of Georgia published ESG Guidelines for banks in 2023 as a holistic approach to ESG integration and risk management from a double-materiality perspective.

Mongolia Green Taxonomy

Principle 5: Comply with ESG standards: Minimum environmental and social risk management regulations and standards (i.e., the Mongolian Sustainable Finance Principles and Sector Guidelines) should be applied to all types of activities included in the taxonomy.

Thailand Taxonomy Phase 1

Thailand's taxonomy allows for a grace period of three years for both DNSH and Minimum Social Safeguards: *"If the activity, project, or company in question does not comply with the DNSH criteria but otherwise passes relevant technical screening criteria and metrics, it may be considered compliant for the corresponding green or amber category if the operating company submits an additional plan indicating how it will correct the deficiencies within three years after the assessment. The operating company is encouraged to publish the plan in a public domain or public space where it can be seen and tracked by the general public."*

Promoting interoperability Across E&S Risk Management Frameworks

In 2023, IFC and the Equator Principles Association (EPA) joined forces to explore linkages and practical comparisons between the EU Taxonomy’s DNSH and minimum safeguards requirements, and the IFC Performance Standards and World Bank Group Environmental, Health, and Safety (EHS) Guidelines. These frameworks are used by IFC and over **136 financial institutions in 38 countries that are signatories to the Equator Principles, a framework for managing risk in project finance.**

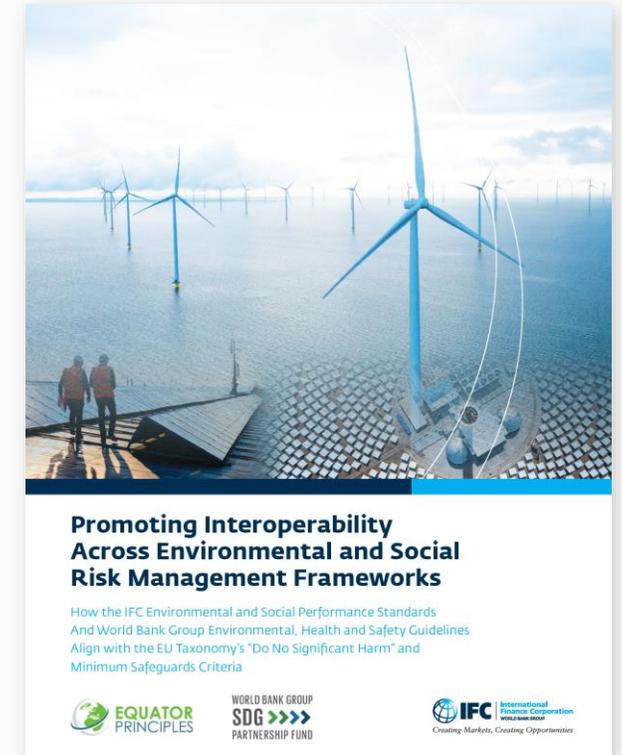
The report found **strong alignment** and includes **two operational tools** for select sectors (wind energy and manufacture of cement), which include a checklist of what should be done to comply with the EU Taxonomy’s DNSH and minimum safeguards criteria in cases where the Performance Standards and EHS Guidelines would be applied. The report finds that:

“The IFC Performance Standards (PSs) and the World Bank Group EHS Guidelines approach is entirely compatible with the EU Taxonomy’s DNSH and MS requirements.”

“The EU Taxonomy and the PSs and EHS Guidelines show a large level of alignment in terms of E&S topics, impact areas and sectors.”

“The PSs and EHS Guidelines must be applied at the time of the transaction and monitored throughout the project/investment cycle, while reporting against the EU Taxonomy is expected to be done once a year.”

“While a comprehensive PS-based assessment is likely to capture all relevant E&S topics for a given business activity, screening the activity’s alignment with the EU Taxonomy would require checking that all topics listed in the EU Taxonomy are addressed.”



May 2023

<https://www.ifc.org/ifceutaxonomy>

A high-angle, top-down photograph of a person's legs and feet as they carefully step across a series of large, flat, grey rocks in a shallow stream. The water is clear and reflects the surrounding environment. The person is wearing dark shorts and sneakers. The scene is bathed in a soft, golden light, suggesting a sunrise or sunset. The overall mood is one of careful navigation and progress.

Working towards interoperability

Designing for interoperability

Taxonomies must respond to two conflicting demands:

- The need for convergence and interoperability to facilitate cross-border investment.
- Reflecting national development priorities and industry standards.

Most taxonomies aim to ensure a certain level of interoperability with other taxonomies. This is done in several ways:



Taxonomy aligned with global and regional taxonomies

ASEAN	BANGLADESH	BRAZIL (industry-led)	CHINA	COLOMBIA	EU	GEORGIA	INDONESIA	KAZAKHSTAN	MEXICO	MONGOLIA	SOUTH AFRICA	SRI LANKA	THAILAND
Yes	No	CBI, EU, ICMA	IPSF CGT. Unusual assets.	EU Taxonomy	Yes, through extra-territoriality and Common Ground Taxonomy	Green aligned w EU; Social aligned w ICMA	EU, China, ASEAN	Not specified	EU Taxonomy	China, CBI, EU	EU Taxonomy	EU, IPSF Common Ground Taxonomy, CBI, IFC blue finance and climate smart agriculture	EU, ASEAN

Align country approaches: Common framework of Sustainable Finance Taxonomies for LAC

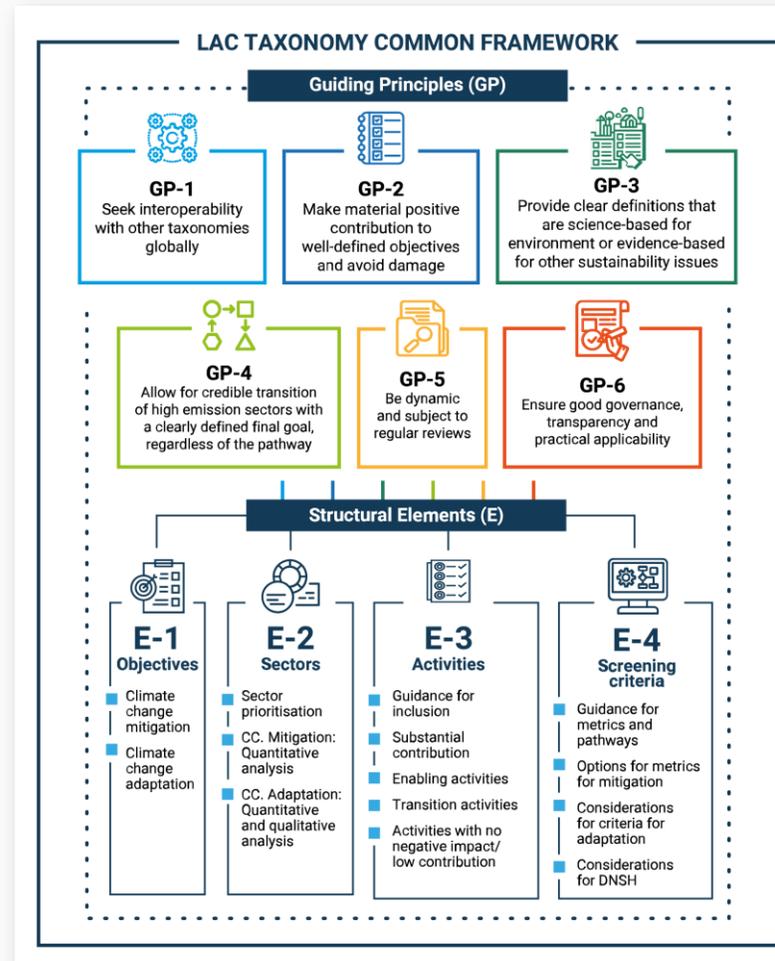
Developed by the **Working Group on Sustainable Finance Taxonomies in Latin America and the Caribbean (LAC Taxonomies Working)**, the Common Framework of Sustainable Finance Taxonomies for LAC offers a **model framework to support countries in developing their own taxonomies in line with national priorities.**

Features include:

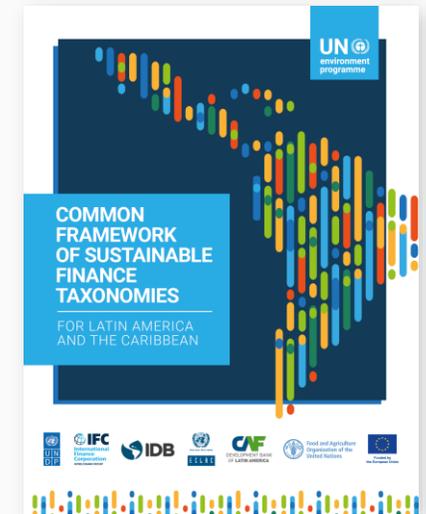
- A set of guiding principles
- 2 initial objectives: climate mitigation and adaptation
- Screening criteria for a core set of activities
- Guidance on "Do No Significant Harm" and "Minimum Safeguards"

Date of Publication: July 2023

Lead Institution(s): The Working Group on Sustainable Finance Taxonomies in Latin America and the Caribbean (LAC Taxonomies Working), comprising the United Nations Environment Programme (UNEP), its Finance Initiative (UNEP FI), United Nations Development Programme (UNDP), International Monetary Fund (IMF), World Bank (WB), International Finance Corporation (IFC), Inter-American Development Bank (IDB), Economic Commission for Latin America and the Caribbean (ECLAC), Development Bank of Latin America (CAF), Food and Agriculture Organization of the United Nations (FAO), and the European Commission, as external technical advisor.



Source: The Common Framework of Sustainable Finance Taxonomies for Latin America and the Caribbean, 2023



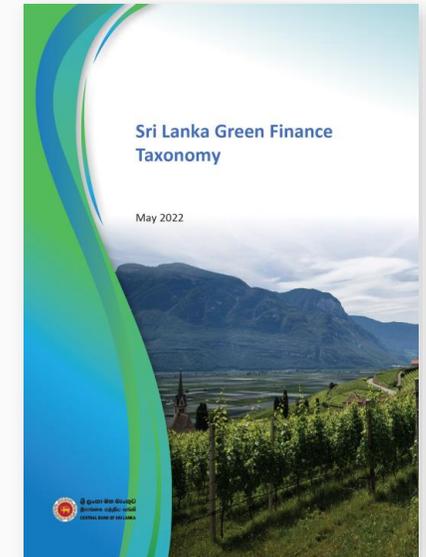
[Available here](#)

Reference leading taxonomies: Sri Lanka Green Finance Taxonomy

Sri Lanka's Green Finance Taxonomy makes use of a variety of international taxonomies and proxies, such as ecolabels and certifications, to support interoperability across different activities.

Tab Description and Benchmarks

Tab Description	
Climate Change Mitigation	<ul style="list-style-type: none"> • IPSF Common Ground Taxonomy - Climate Change Mitigation (2021) • Sri Lanka updated NDCs (2021) • EU Taxonomy - Climate Delegated Act (2021) • China Green Bond Endorsed Project Catalogue (2021)
Climate Change Adaptation	<ul style="list-style-type: none"> • Sri Lanka updated NDCs (2021) • National Adaptation Plan for Climate Change in Sri Lanka 2016-2025 • IFC Climate Smart Agriculture Financing Opportunities in Sri Lanka (2021)
Other Green Objectives (covering environmental objectives 3 and 4)	<ul style="list-style-type: none"> • Green Bond Endorsed Project Catalogue (2021) • Colombia Green Taxonomy (draft 2021) • IFC Guidelines for Blue Finance (2022)



[Available here](#)

Collaborate to align core taxonomy activities: EU-China Common Ground Taxonomy

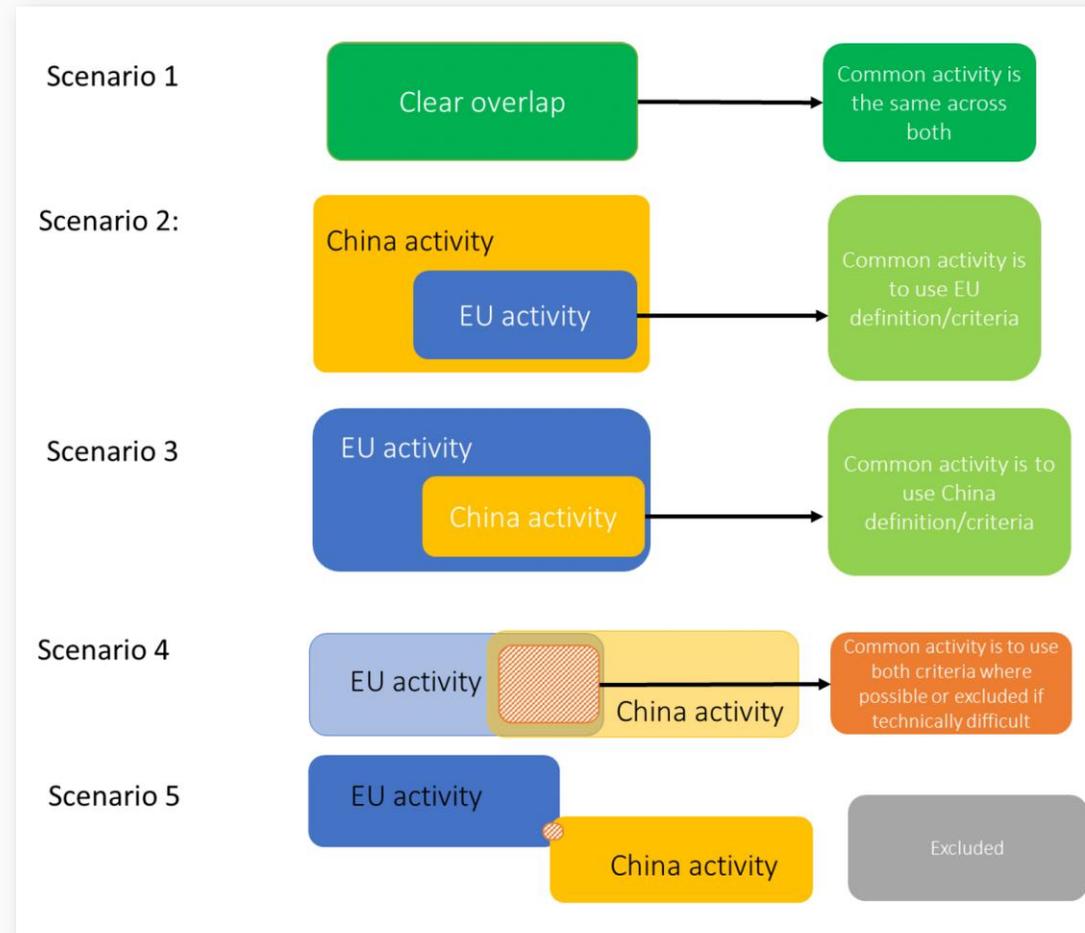
The **Common Ground Taxonomy (CGT)** is the result of a collaboration between the EU and China under the **International Platform for Sustainable Finance (IPSF)**.

It puts forward areas of commonality and differences between the EU and China's green taxonomies and will be expanded over time.

It only covers areas that are in the current scope of both taxonomies and **currently only addresses the objective of climate mitigation.**

DNSH, MSS and other safeguards are not covered.

It puts forward the criteria that are compliant in both jurisdictions and does not entail any legal implications in either jurisdiction



Source: IPSF (2022), Common Ground Taxonomy – Climate Change Mitigation



[Available here](#)

Components of Interoperability: ideas for international dialogue and harmonization

Research for this Toolkit points to different components of interoperability that can be tackled through various solutions and dialogue at the global level. Each component has its own dynamics and can be tackled separately or in combination with other components.

1. Core Principles and essential criteria

Easier implementation for entities operating in different jurisdictions



2. Shared environmental and social objectives

Proper functioning of DNSH



3. Common categories and activities

Common core



06



6. Common approaches to disclosure and assurance

Easier for entities and services providers operating in different jurisdictions

01



5. Compatible technical screening criteria

Encourage high ambition

02

04

05

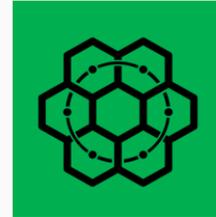
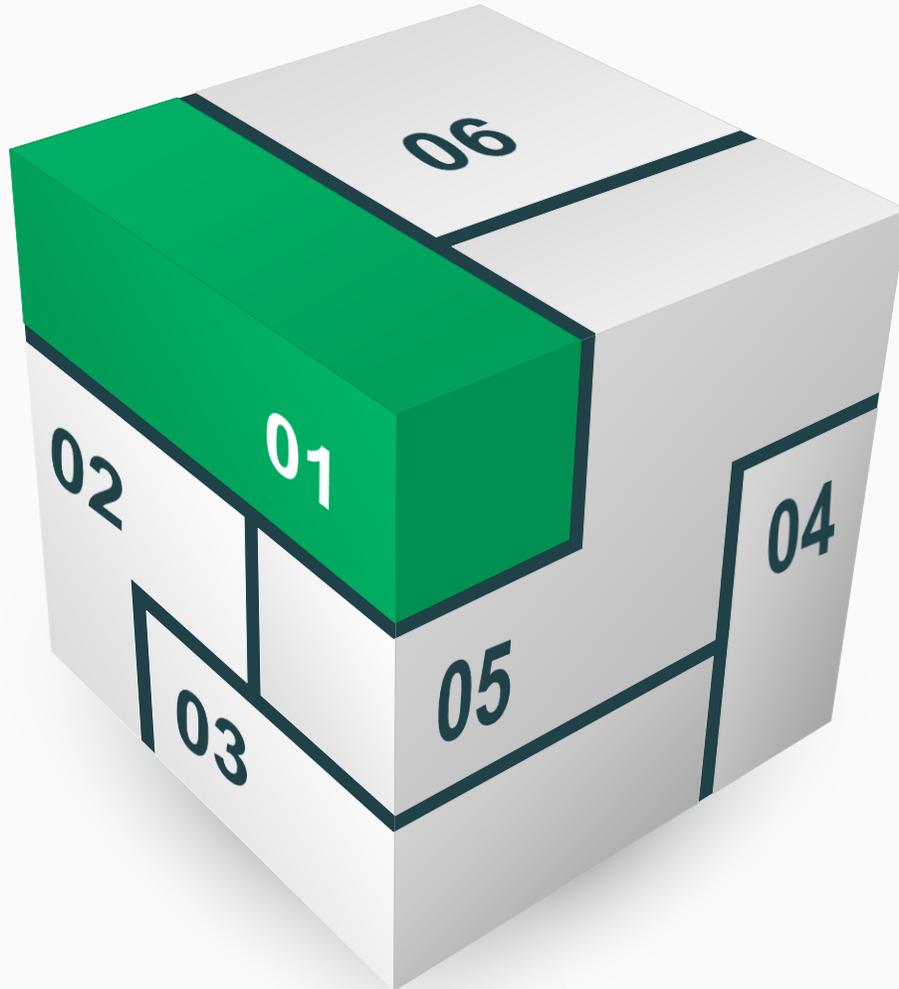
03



4. Industry codes

Efficient comparison and tracking of activities

1. Core principles and essential criteria



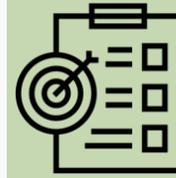
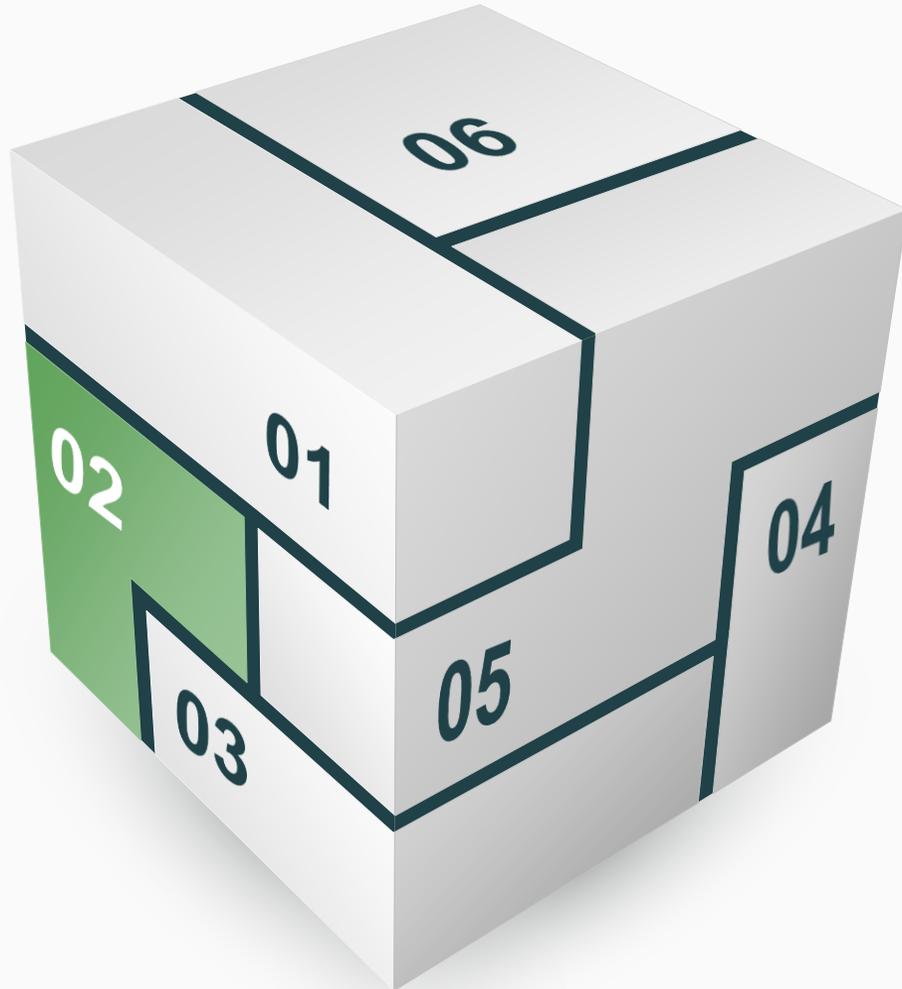
Benefits

- Use of similar core principles makes implementation much easier for entities (investors, issuers, companies) operating across different jurisdictions.

Key considerations

- Differences or gaps in the management of environmental and social risks between taxonomies can result in investors or issuers choosing jurisdictions with lower standards and requirements or can prevent investment by investors that are required to adhere to higher standards in their own jurisdictions.
- Appropriate reference to national regulations as a basis for environmental and social safeguards reduces the costs and risks associated with taxonomy alignment, regulatory compliance, investor due diligence, regulator supervision, and independent assurance at a national level.
- Use of recognized international standards such as the IFC Performance Standards, World Bank EHS Guidelines, Equator Principles, OECD Guidelines for Multinational Enterprises, Guiding Principles on Business and Human Rights, and other international conventions increases comparability across jurisdictions, promotes a level playing field, and leverages established practices in the private sector.

2. Shared environmental and social objectives



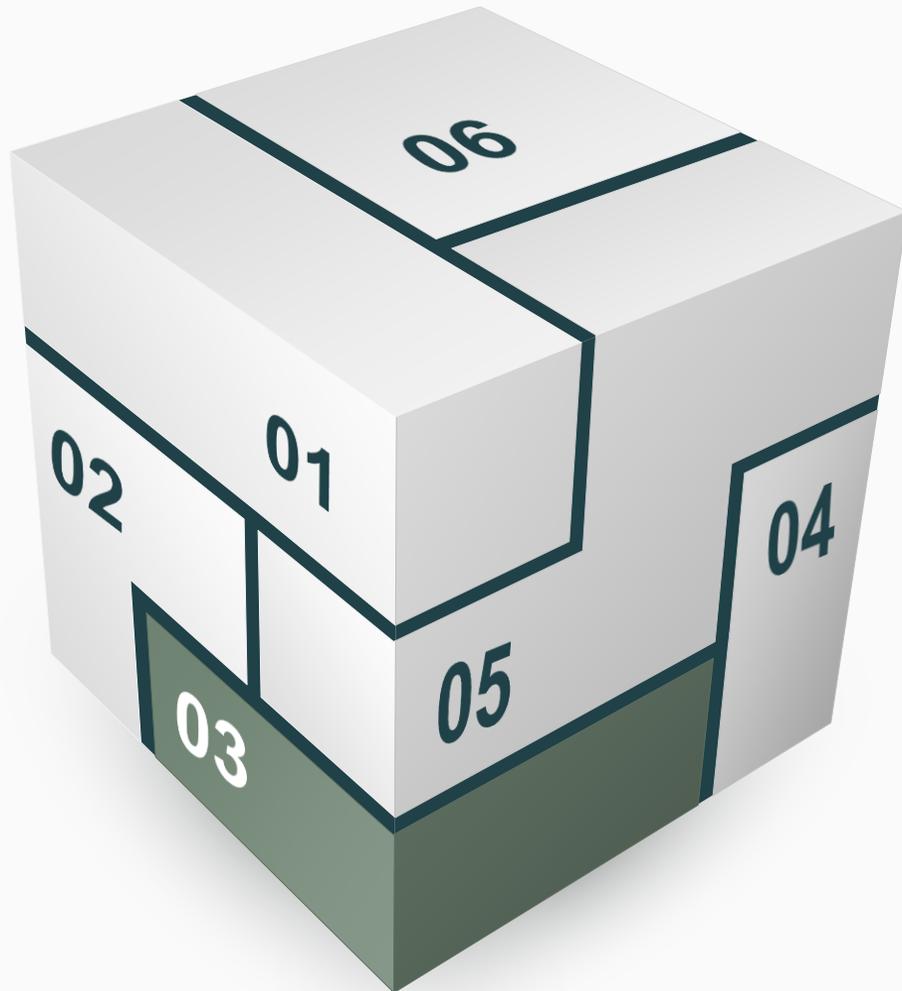
Benefits

- Use of similar environmental objectives across taxonomies can promote alignment on activities that make a “significant contribution” to shared objectives, as well as comparability of science-based methodologies aligned with specific global performance benchmarks, such as the Paris Climate Agreement.
- Full coverage of similar objectives also ensures the proper functioning of the DNSH principle, which links to other objectives within a taxonomy.

Key considerations

- Activities and technical criteria may still vary in terms of ambition and methodologies used.

3. Common categories and activities



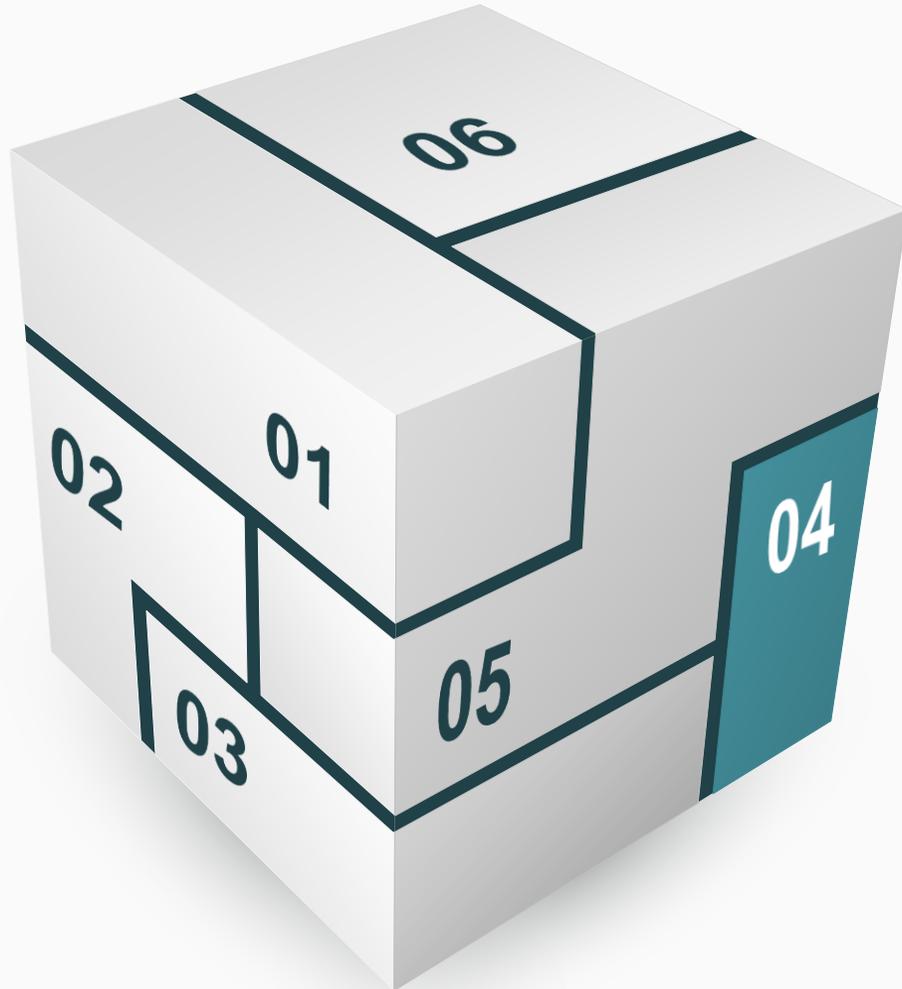
Benefits

- Use of the same or similar categories and activities facilitates comparability and equivalence at the activity level. However, innovation across new categories can be beneficial to the sustainable finance landscape.
- A common core can be identified for interoperability, while allowing for innovation to occur.

Key considerations

- Different jurisdictions prioritize different categories and activities depending on national sustainable development priorities, market characteristics, dominant sectors, and the sectors most likely to contribute to taxonomy objectives.

4. Industry Codes



Benefits

- Use of the same or similar industry codes allows for more efficient comparison and tracking of activities by regulators, rating agencies, investors, and financial institutions.

5. Compatible technical screening criteria



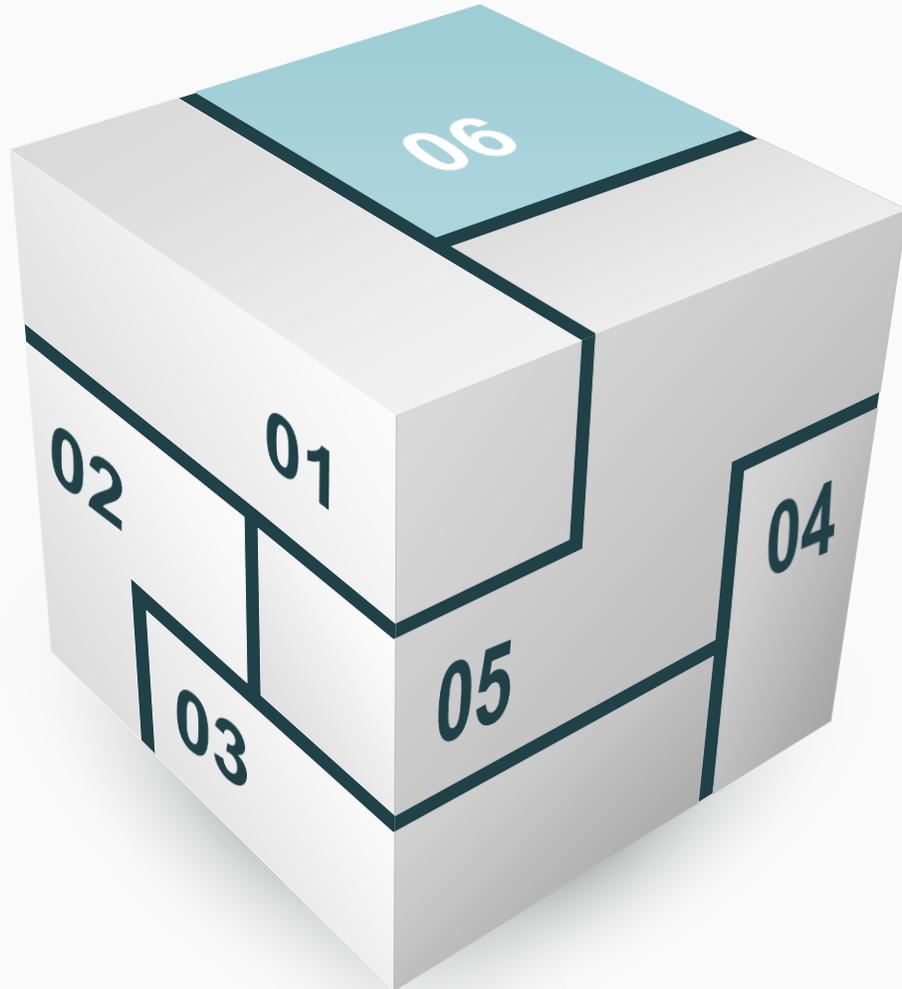
Benefits

- A core set of activities and technical criteria can be identified for critical, science-based goals such as Paris-alignment. These can be agreed globally through initiatives such as the Common Ground Taxonomy.
- Tiered approaches could offer a means to encourage high ambition where appropriate, while allowing less developed markets to make progress towards the green economy.

Key considerations

- Same or similar technical screening criteria support interoperability and equivalence for specific taxonomy activities across different taxonomies and a similar level of ambition in achieving taxonomy objectives. However, countries differ in terms of local industry standards and capabilities.
- Different technical screen criteria can cause confusion and increase the costs and risks associated with claiming alignment and providing assurance. Differences can also encourage a move to jurisdictions with lower standards, and therefore drive a “race to the bottom”.

6. Common approaches to disclosure and assurance



Benefits

- Common approaches to disclosure and assurance requirements makes it easier for reporting entities to comply with different taxonomies and for services providers, such as assurance providers, to operate consistently across jurisdictions.

A high-angle photograph of a person's legs and feet as they carefully step across a series of large, flat, grey stones in a shallow stream. The water is clear and reflects the person and the stones. The scene is bathed in a soft, golden light, suggesting a sunrise or sunset. The overall mood is one of careful navigation and progress.

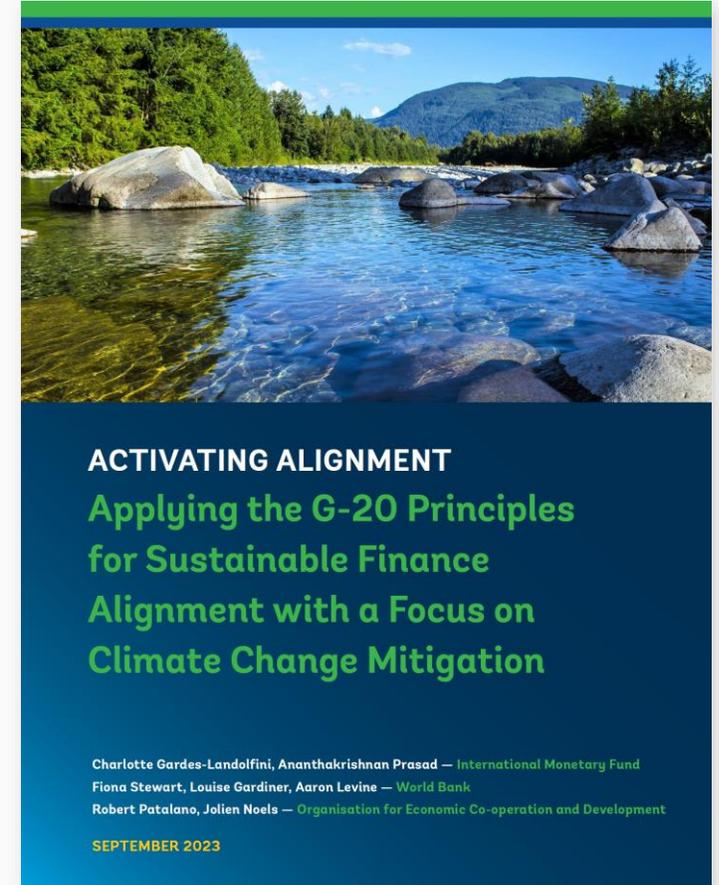
Designing inclusive taxonomies

Considering inclusivity in alignment approaches

The 2023 IMF-World Bank-OECD staff paper on “Activating Alignment” explored some of the practical challenges when seeking to design alignment approaches for sustainable finance that promote the participation of smaller businesses in the economy as well as vulnerable groups.

The recommendations include a call for approaches to **“be inclusive of all parts of the global economy—particularly small and medium enterprises (SMEs), women, and vulnerable groups—and appropriate for [Emerging Markets and Developing Economies] EMDEs.”**

“Inclusivity can be considered during the design and maintenance of alignment approaches (such as consulting with SMEs, women, and marginalized groups), embedded in the criteria and metrics for assessing their success (such as the degree to which green finance reaches SMEs), and considered in the risk management and safeguard criteria (such as to “do no significant harm” to factors such as financial inclusion).”



Strategies to increase accessibility and inclusion in national taxonomies

The following table suggests ways to include MSMEs, women, households and vulnerable groups as users and beneficiaries of taxonomies.

Planning & governance	Design	Consultation	Implementation
<ul style="list-style-type: none"> ✓ Ensure that social and financial inclusion principles are contained in the purpose and high-level objectives of the taxonomy ✓ Create a governance structure that includes representatives of MSMEs and vulnerable groups, e.g., <ul style="list-style-type: none"> • MSME industry associations • Microfinance institutions • Women’s business networks • Financial inclusion experts or initiatives 	<ul style="list-style-type: none"> ✓ Identify taxonomy activities that promote participation or benefit of MSMEs, e.g. <ul style="list-style-type: none"> • Rooftop solar • Off-grid solar • Circular economy • Agriculture ✓ Make “inclusion” part of the minimum social safeguards (MSS) ✓ Make the taxonomy easy to use for MSMEs and vulnerable groups, e.g., <ul style="list-style-type: none"> • Consider a tiered approach for technical criteria. • Make the disclosure requirements simpler for MSMEs and vulnerable groups 	<ul style="list-style-type: none"> ✓ Ensure that the consultation process includes MSME associations, women’s business networks, and representatives of vulnerable groups. ✓ Do pilot tests with MSMEs and vulnerable groups when testing the taxonomy 	<ul style="list-style-type: none"> ✓ Create incentives for taxonomy-aligned activities that have a particular inclusion benefit. ✓ Track the taxonomy use and impact with consideration for MSMEs, women-owned businesses and vulnerable groups ✓ Recommend inclusion-focused metrics alongside other taxonomy metrics.

Mexico's Sustainable Finance Taxonomy prioritizes inclusion goals alongside environmental objectives and proposes a **Gender Equality Index** to enhance the score of taxonomy-aligned activities.

Table 1.5. Environmental and social objectives of the Sustainable Taxonomy of Mexico

Environmental	Social
<ul style="list-style-type: none">• Mitigation of climate change• Adaptation to climate change• Management of water and marine resources• Conservation of ecosystems and biodiversity• Promotion of the circular economy• Prevention and control of pollution	<ul style="list-style-type: none">• Contribution to gender equality• Access to related basic services with sustainable cities• Health• Education• Financial inclusion

Source: Ministry of Finance and Public Credit of Mexico (2023), Sustainable Taxonomy of Mexico

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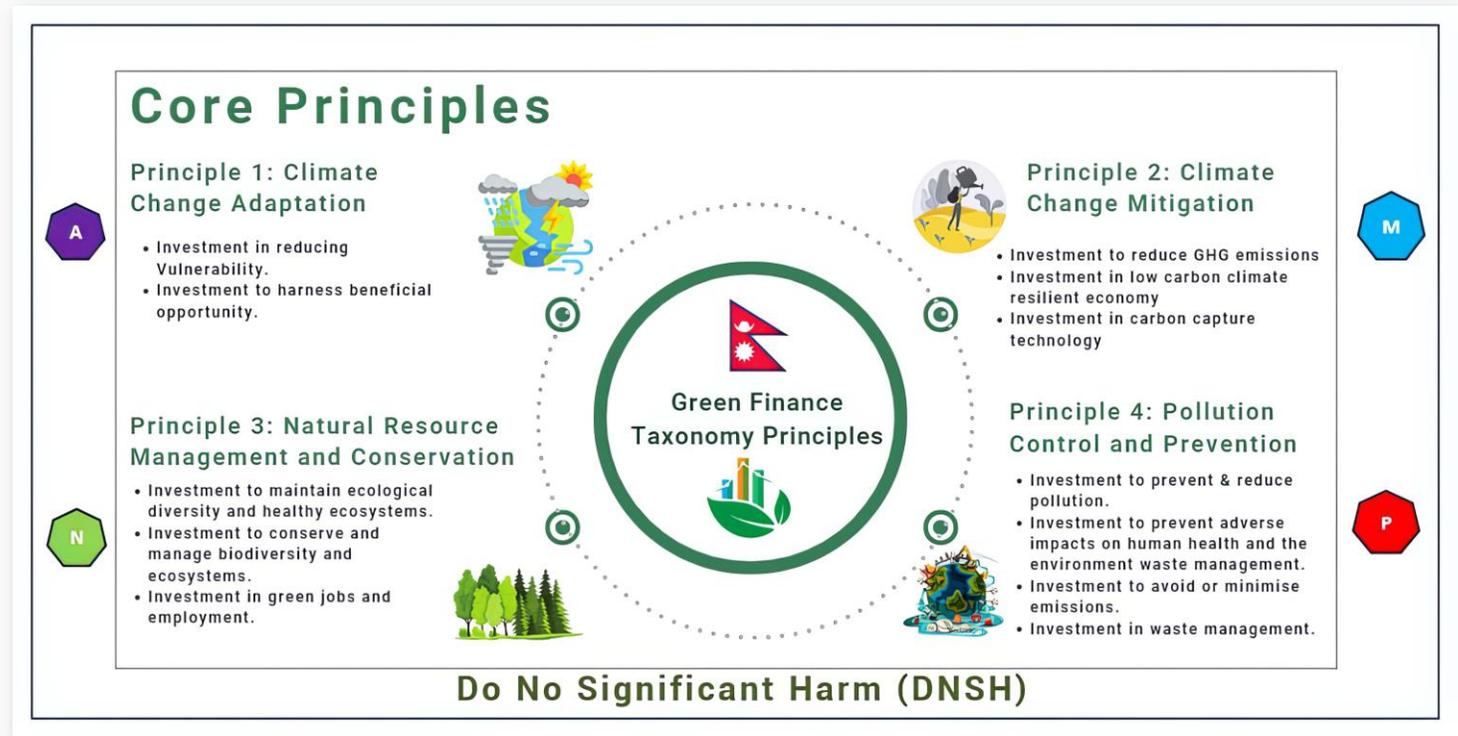
“This proposal consists of the design of a Gender Equality Index built through guiding questions on three pillars on Decent Work, Well-being and Social Inclusion”

Page 10

“These governing instruments of public policy reflect the need to balance the three dimensions of sustainability, and recognize the importance of addressing the climate emergency, protecting and conserving ecosystems, and ensuring the well-being of the population, by eliminating social inequalities and existing gender. Likewise, they highlight the importance of implementing financial policies in favor of resource mobilization and financial inclusion to comply with the sustainable development goals.”

Nepal (Consultation draft)

Nepal's draft taxonomy goes even further to prioritize specific populations of the clients of financial services providers, including deprived sector, migrants, MSMEs, underserved communities, and indigenous populations.



Source: Nepal Green Finance Taxonomy (Consultative Document), 2024

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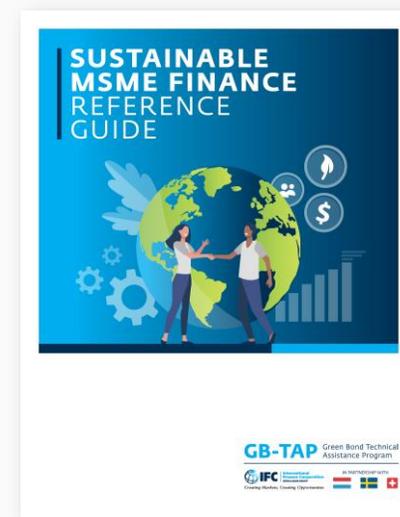
“Do No Significant Harm’ (DNSH) remains central to these four guiding core principles. In addition, social and inclusion aspects should be considered across all the principles. The taxonomy-aligned investments should prioritise specific populations of clients e.g. deprived sector, migrants etc to deliver financial inclusion. For example, Micro, Medium and Small Size Enterprise (MSMEs) must be defined and prioritised. The concept of “underserved communities” or “indigenous populations” should be clarified to all the BFIs, insurance and capital market sectors to identify the target borrowers that they serve.”

Promoting sustainable finance strategies for MSMEs

IFC's 2023 Reference Guide on Sustainable MSME Finance provides guidance on how to address some of the barriers that MSMEs face when seeking to participate in sustainable finance. The Philippines Sustainable Finance Taxonomy Guidelines have incorporated some of these elements.

	Use of proceeds	Process for project evaluation and selection	Management of proceeds	Reporting
Sustainable finance principles	<ul style="list-style-type: none"> Green projects or assets should provide clear environmental benefits Social projects or assets should aim to address a specific social issue and/or seek to achieve positive social outcomes 	<ul style="list-style-type: none"> Clear communication and identification of how projects or assets fit into eligible categories May be framed in terms of the overall objectives of the entity or organization that relates to environment and sustainability 	<ul style="list-style-type: none"> Proceeds should be tracked to maintain transparency and integrity of the financial product Borrowers are encouraged to set up internal governance processes to track sustainable finance 	<ul style="list-style-type: none"> Information on UoP should be kept up-to-date and renewed annually Qualitative and quantitative indicators should be utilized to track and communicate project impacts
MSME barriers	<ul style="list-style-type: none"> Often lack clarity and understanding regarding appropriate UoP for the financing of sustainable projects or assets Finance needs are often operational not capital 	<ul style="list-style-type: none"> Often insufficient data is gathered for sustainable project selection and evaluation 	<ul style="list-style-type: none"> Often insufficient governance processes/ capacity to manage sustainable financing 	<ul style="list-style-type: none"> Often insufficient resources or data collection for adequate reporting
Guide support	<ul style="list-style-type: none"> Defines UoP for some sectors Is aligned with Green Bond and Green Loan Principles, as well as Social Bond and Social Loan Principles 	<ul style="list-style-type: none"> Outlines steps for sustainable MSME project selection and evaluation Distinguishes between operational and capital needs 	<ul style="list-style-type: none"> Provides guidance and resources on sustainable finance governance processes for MSME lenders 	<ul style="list-style-type: none"> Provides guidance on reporting processes, including reporting metrics that are suitable for MSME sustainable finance

Source: IFC (2023), Sustainable MSME Finance Reference Guide.



IFC (2023). Sustainable MSME Finance Reference Guide

[Available here](#)

A high-angle photograph of a person's legs and feet as they carefully step across a series of large, flat, grey stones in a shallow stream. The water is clear and reflects the surrounding greenery and the person's legs. The scene is bathed in a soft, golden light, suggesting a sunrise or sunset. The overall mood is one of careful navigation and progress.

Regional and Country Snapshots

Index of Taxonomy Snapshots

Regional taxonomies

1. Association of Southeast Asian Nations

2. European Union

3. Latin America and the Caribbean

Taxonomies in SBFN Member Countries

4. Bangladesh

5. Brazil

6. China

7. Colombia

8. Georgia

9. Indonesia

10. Kazakhstan

11. Mexico

12. Mongolia

13. South Africa

14. Sri Lanka

15. Thailand

1. Association of Southeast Asian Nations (ASEAN)

Name and Version: ASEAN Taxonomy for Sustainable Finance – 3

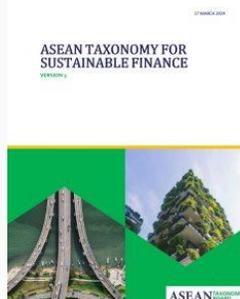
Date of Publication: V1 November 2023, V2 June 2023, V3 March 2024

Lead Institution(s): ASEAN Taxonomy Board

Participating Institutions: ASEAN Capital Markets Forum, ASEAN Insurance Regulators' Meeting, ASEAN Senior Level Committee on Financial Integration and ASEAN Working Committee on Capital Market Development

** In June 2023, **Version 2** published to address among others social aspects, Technical Criteria for the Plus Standard and expansion of principles-based Foundation Framework*

***Version 2 addresses includes the TSC for two additional focus sectors: Transportation & Storage as well as Construction & Real Estate.*



[Available here](#)

Principles and Goals

- Principle 1: The ASEAN Taxonomy will be the overarching guide for all AMS, providing a common language and complementing their respective national sustainability initiatives.
- Principle 2: The ASEAN Taxonomy will take into consideration widely used taxonomies and other relevant taxonomies, as appropriate, and shall be contextualised to facilitate an orderly transition towards a sustainable ASEAN.
- Principle 3: The ASEAN Taxonomy shall be inclusive and beneficial to all AMS.
- Principle 4: The ASEAN Taxonomy shall provide a credible framework, including definitions, and where appropriate, be science-based
- Principle 5: The ASEAN Taxonomy will be aligned with the sustainability initiatives taken by the capital market, banking, and insurance sectors, or at least not in conflict.

Environmental Objectives

- Climate change mitigation
- Climate change adaptation
- Protection of healthy ecosystem and diversity
- Promotion of resource resilience and transition to circular economy

Categories of Economic Activities

6 focus sectors and 3 enabling sectors:

- Agriculture, forestry and fishing, Electricity, gas, steam and air conditioning supply, Manufacturing, Transportation and storage, Water supply, sewerage, waste management and Construction
- ICT, Professional scientific and technical and Carbon capture, utilization and storage

Defining Eligibility

- The Foundation Framework is based on a **Traffic Light System** with green, amber and red categories and qualitative/principles-based sector-agnostic screening criteria and decision flow
- The Plus Standard is based on threshold technical screening criteria for the 6 focus sectors and 3 enabling sectors and 2 essential criteria: DNSH and Remedial Measures to Transition

Enforcement and Disclosure

- Depends on individual implementation/regulation by each ASEAN Member State

Link to Frameworks

- Depends on individual implementation/regulation by each ASEAN Member State

2. European Union

Name and Version: EU Taxonomy for Sustainable Activities

Date of Publication: June 2020

Lead Institution(s): EU Commission through EU Technical Expert Group (EU TEG) consisting of 35 members and observers from civil society, academia, business and financial sector

Participating Institutions: EU Member States



[Available here](#)

Principles and Goals

- Substantially contribute to at least one of the six environmental objectives as defined in the Regulation
- Do no significant harm
- Comply with minimum safeguards

Environmental Objectives

- Climate change mitigation
- Climate change adaptation
- Sustainable and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

Categories of Economic Activities

- Agriculture, forestry and fishing
- Manufacturing
- Electricity, gas, steam and air conditioning supply
- Water, sewerage, waste and the related remediation
- Transportation and storage
- Information and Communication Technologies (ICT)
- Buildings (construction and real estate activities)

Defining Eligibility

- The taxonomy recognizes as 'environmentally sustainable' economic activities that make a substantial contribution to at least one of the EU's climate and environmental objectives, while not significantly harming any of these objectives and meeting minimum social safeguards complying with Technical Screening Criteria

Enforcement and Disclosure

- **Mandatory** - Large financial and non-financial companies under the scope of the NFRD (after its revision, CSRD) must report revenue, CapEx and OpEx aligned with the Taxonomy starting with qualitative information in 2022 and moving to full KPI reporting 2023.
- Financial market participants (banks, asset managers, insurance) will have to disclose to what extent the activities that their financial products fund meet the EU Taxonomy criteria (Green Asset Ratio, Green Investment Ratio), starting in 2024

Link to Frameworks

- European Green Bond Standard – all proceeds of European green bonds will need to be invested in economic activities that are aligned with the EU taxonomy for sustainable activities

3. Latin America and the Caribbean

Name and Version: Common Framework of Sustainable Finance Taxonomies for Latin America and the Caribbean

Date of Publication: July 2023

Lead Institution(s): The Working Group on Sustainable Finance Taxonomies in Latin America and the Caribbean (LAC Taxonomies Working), comprising the United Nations Environment Programme (UNEP), its Finance Initiative (UNEP FI), United Nations Development Programme (UNDP), International Monetary Fund (IMF), World Bank (WB), International Finance Corporation (IFC), Inter-American Development Bank (IDB), Economic Commission for Latin America and the Caribbean (ECLAC), Development Bank of Latin America (CAF), Food and Agriculture Organization of the United Nations (FAO), and the European Commission, as external technical advisor.

Participating Institutions: EU Member States



[Available here](#)

Principles and Goals

- Seek interoperability with other taxonomies globally
- Make material positive contribution to well-defined objectives and avoid damage
- Provide clear definitions that are science-based for environment or evidence-based for other sustainability issues
- Allow for credible transition of high emission sectors with a clearly defined final goal, regardless of the pathway
- Be dynamic and subject to regular reviews
- Ensure good governance, transparency and practical applicability

Environmental Objectives

- Climate change mitigation
- Climate change adaptation

Categories of Economic Activities

- Construction
- Energy
- Manufacturing
- Agriculture, Forestry, and land use
- Transportation
- Water
- Waste
- Information and Communications Technology
- Mining
- Adaptation related activities across sectors

Defining Eligibility

- **Substantially contribute** toward the taxonomy objectives
- Enable other activities under the same or other sectors to meet the taxonomy objectives
- Need to undergo transition to eventually meet the taxonomy ambition over a defined period
- Do not have a significant contribution but have a low or minimum contribution to the taxonomy objectives and do not cause harm

Enforcement and Disclosure

- **Not a regional taxonomy**
- Set of principles and framework for national and regional taxonomies in LAC
- **Does not select sectors or activities for national taxonomies**
- Provides an assessment and prioritisation of key economic sectors with proposed screening criteria

Link to Frameworks

- Technical input document prepared for the XXIII Forum of Ministers of Environment of Latin America and the Caribbean, under the Costa Rica Presidency.

4. Bangladesh

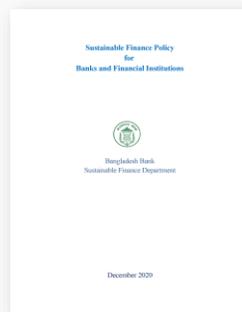
Name and Version: Sustainable Finance Policy for Banks and Financial Institutions – Version 1

Date of Publication: December 2020

Lead Institution(s): Bangladesh Bank, Sustainable Finance Department

Participating Institutions: Banks, FIs and, Development Partners

The Taxonomy has two components: the **Sustainable Finance Taxonomy** and the **Green Taxonomy**



[Available here](#)

Principles and Goals

- Banks and FIs to set targets and report on their target and performance toward integrating sustainability and financing activities

Environmental Objectives

- Climate change mitigation
- Climate change adaptation
- Sustainable protection of water and marine resources
- Transition to a circular economy, waste prevention and recycling
- Pollution prevention and control
- Protection and restoration of biodiversity and healthy ecosystems

Categories of Economic Activities

No classification system – covers 68 green products/initiatives/projects

Sustainable Finance Taxonomy

- Sustainable Agriculture
- CMSME
- Socially Responsible Financing

Green Taxonomy

- Green banking activities
- Green finance policy
- ESDD

Defining Eligibility

- Technical screening criteria around the six environmental objectives
- Three performance thresholds [pass list]: i) Substantial contribution to one of six environmental objectives, ii) DNSH and, iii) Minimum Safeguards
- Exclusion List

Enforcement and Disclosure

- Mandatory disclosure required by banks

Incentives

- Recognition of top performing banks and FIs
- Banks and FIs will be rated under sustainability rating for ESG performance

Link to Frameworks

- Policy on Green Bond Financing for Banks and FIs

5. Brazil

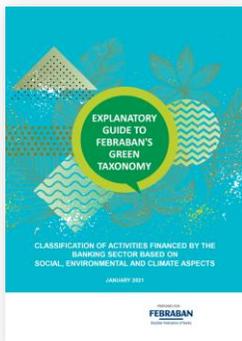
Name and Version: The Brazilian Federation of Banks (FEBRABAN) Green Taxonomy – Version 1

Date of Publication: January 2021

Lead Institution(s): Brazilian Federation of Banks (FEBRABAN)

Participating Institutions: FEBRABAN Sectorial Committee on Social Responsibility and Sustainability, the FEBRABAN Climate and Green Economy Working Group and, technical support from SITAWI (currently named as ERM/NINT)

** In December 2023, Brazil issued the (national) **Sustainable Taxonomy of Brazil**, Action Plan to consolidate taxonomic initiatives as part of the Brazilian Ecological Transformation Plan.*



[Available here](#)

Principles and Goals

- Characterize credit from a socioenvironmental and climate perspective, based on three modalities (Pillars)
- Prudential: improving risk management systems for banks' climate and environmental exposure

Environmental Objectives

- Pillar I: Green Economy
- Pillar II: Climate Change Exposure
- Pillar III: Environmental Risk Exposure

Categories of Economic Activities

- CNAE classification system: 1,331 subclasses of CNAEs were revised to assess their fit in the three taxonomy modalities
- **Green Economy:** activities with a high- and moderate-potential to contribute to the green economy, according to taxonomies and references that indicate their social and/or environmental benefit
- **Climate Change Exposure:** activities with the highest climate risk
- **Environmental Risk Exposure:** activities with the highest environmental risks

Defining Eligibility

- Activities in Pillar I are defined by reference to the CBI, EU Taxonomy and SBP
- Activities in Pillars II and III represent significant contribution to climate and environmental risks
- Thresholds are based on underlying taxonomies (Pillar I), standards (Pillar II) and regulation (Pillar III)

Enforcement and Disclosure

- Banks and other FIs are encouraged, but not required, to use the taxonomy to improve sustainability assessment and reporting
- Two of the Taxonomy's three pillars have a prudential focus for banks to monitor their exposure to Climate Change and Environmental Risks

Link to Frameworks

- The Brazilian Sustainable Taxonomy Action Plan was launched by the Federal Government in December 2023, and is part of the Brazilian Ecological Transformation Plan
- The Taxonomy was developed as part of a revision of the methodology for classifying green economic activities for banks and to measure the allocation of resources in the banking sector in Brazil

6. China

Name and Version: Green Bond Endorsed Projects Catalogue (2021 Edition)

Date of Publication: January 2021

Lead Institution(s): People's Bank of China (PBOC), National Development and Reform Commission (NDRC), China Securities Regulatory Commission (CSRC)

Participating Institutions: Relevant ministries and agencies



[Available here](#)

Principles and Goals

- Build a green finance system
- Regulate the domestic green bond market
- Accelerate the ecological civilization construction

Environmental Objectives

- Climate change response
- Environmental improvement (pollution control and ecological conservation)
- More efficient resource utilization (circular economy, waste recycling and pollution prevention)

Categories of Economic Activities

- Energy-saving and environmental protection industry
- Cleaner production industry
- Clean energy industry
- Eco-environment industry
- Green upgrading of infrastructure
- Green services

Defining Eligibility

- “Whitelist” of eligible economic activities – only projects within the list and meet the corresponding descriptions and standards are eligible
- Compliance with relevant safety, environmental protection and quality regulations

Enforcement and Disclosure

- **Mandatory** for China onshore green bonds issuance
- FIs: initial disclosure upon issuance and thereafter quarterly and annual reporting on use of proceeds (to PBOC), and annual report by independent certification institution on Use of Proceeds (UoP) and environmental performance
- Corporates: annual green bond assessment and certification report by an independent assessment and certification body focused on UoP and environmental benefits

Link to Frameworks

- Green Credit Statistics
- Green Bond or Loan Standards
- Green-label for Financial Products
- Eligible green collateral
- Carbon-reduction supporting tool
- Tax credits
- Green Finance Assessment Plan

7. Colombia

Name and Version: Green Taxonomy of Colombia – Version 1

Date of Publication: March 2022

Lead Institution(s): Ministry of Finance and Public Credit (MHCP), Ministry of Environment and Sustainable Development (MADS), National Planning Department (DNP), Financial Superintendence of Colombia (SFC) and National Administrative Department of Statistics (DANE)



[Available here](#)

Principles and Goals

- Construction based on priority environmental objectives
- Creation of eligibility criteria and compliance requirements
- Alignment with the regulatory framework and environmental certifications
- Articulation with the International Standard Industrial Classification system for all economic activities (ISIC)
- Connection with other international taxonomies

Environmental Objectives

- Environmental Objectives
- Climate change mitigation
- Climate change adaptation
- Conservation of ecosystems and biodiversity
- Water management
- Land management
- Circular economy
- Pollution prevention and control

Categories of Economic Activities

- Chapter 2: Seven Climate change mitigation sectors
 - Energy | Construction | ICT | Transport | Manufacturing | Water supply and treatment | Waste management and emission capture
- Chapter 3: Three Land use sectors
 - Cattle raising | Agriculture | Forestry

Defining Eligibility

- Chapter 2: **substantial contribution** to climate mitigation, subject to eligibility criteria and compliance requirements, DNSH, Social impact – pass list system
- Chapter 3: defines specific solutions in 3 sectors that actively contribute to five environmental objectives, at a basic, intermediate or advanced level

Enforcement and Disclosure

- **Voluntary** – no specific instruction for any public or private entity
- In 2021, SFC published the External Circular 031 which requires the use of the Green Taxonomy as a reference for green portfolios.
- SFC Resolution 586 of 2023 establishes that taxonomy-aligned issuances are exempt from payment of offering rights

Link to Frameworks

- SFC has issued external circulars (or rules) that encourage the use of the taxonomy for labelling green bonds, ESG portfolio labelling and voluntary labelling for pension funds [i.e. Circular 005 of 2022]
- Investment funds must explain how and why their investment policies contribute to achieving ESG objectives and whether a classification system or taxonomy is used

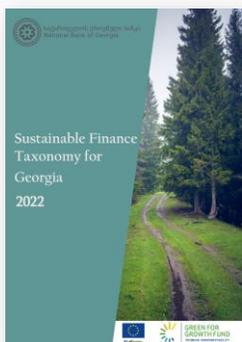
8. Georgia

Name and Version: Sustainable Finance Taxonomy for Georgia – Version 1

Date of Publication: June 2022

Lead Institution(s): National Bank of Georgia

Participating Institutions: Ministry of Environmental Protection and Agriculture of Georgia (MEPA), Ministry of Economy and Sustainable Development of Georgia (MoESD)



[Available here](#)

Principles and Goals

- Develop a classification framework and standardized definitions for green/social/sustainable financial products to achieve the priority SDGs
- Enable tracking and reporting of green/social/sustainable financial products
- Support proper identification and management of ESG risks

Environmental and Social Objectives

- **Environmental Objectives:** Climate change adaptation and mitigation | Biodiversity conservation | Natural resource conservation | Pollution prevention and control | Sustainable use and protection of water and marine resources | Transition to a circular economy | Waste prevention and recycling
- **Social Objectives:** Poverty reduction | Food security | Education | Healthcare | Financial inclusion

Categories of Economic Activities

- **11 sectors under the Green Taxonomy:** Renewable Energy, Energy Efficiency, Waste Management, Sustainable Water Management, Pollution Prevention Control, Green Transport, Sustainability Agriculture, Farming Aquaculture, Biodiversity Conservation, Sustainable Buildings Construction, Sustainable Production Trade, Green Services
- **5 sectors under the Social Taxonomy:** Affordable Basic Infrastructure, Healthcare and Related Social Services, Financing and Financial Services, Food security, Education, Technology, Culture, Fitness

Defining Eligibility

- **Whitelist** – detailed list of eligible activities with corresponding technical screening criteria [pass list]

Enforcement and Disclosure

- **Mandatory** for Banks
- A Taxonomy Screening and Reporting Tool is being developed to support the implementation of the taxonomy by banks and later capital markets participants

Link to Frameworks

- Regulation on Loan Classification and Reporting according to the Sustainable Finance Taxonomy, Order № 93/04 Of the Governor of the National Bank of Georgia

9. Indonesia

Name and Version: Indonesia Sustainable Finance Taxonomy

Date of Publication: February 2024

Lead Institution(s): Indonesian Financial Services Authority (OJK), through Department of Integrated Financial Services Sector Surveillance and Policy

Participating Institutions: Nuclear Energy Regulatory Agency, Central Statistics Agency, National Research and Innovation Agency, Bank Indonesia, National Energy Board, Ministry of Energy and Mineral Resources, Ministry of Maritime Affairs and Fisheries, Ministry of Manpower, Ministry of Finance, Coordinating Ministry for Maritime Affairs, Ministry of Environment and Forestry, Ministry of National Development Planning, Ministry of Social Affairs



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Principles and Goals

- **Scientific and Credible:** The taxonomy considers best practices (policy, science, and technology) at the national and/or international level.
- **Interoperable and National Interest Support:** The taxonomy considers other applicable taxonomies at international and regional levels (interoperability), as well as national priorities, to facilitate Indonesia's gradual and just transition.
- **Inclusive:** The taxonomy is designed to be applied at various scales of users (corporations/ non-MSMEs and MSMEs).

Environmental Objectives

- Climate Change Mitigation
- Climate Change Adaptation
- Protection of Healthy Ecosystems and Biodiversity
- Resource Resilience and the Transition to a Circular Economy

Categories of Economic Activities

- Based on Indonesia's NDC and its own KBLI (Indonesia Standard Industrial Classification)
- 919 economic activities (out of 2,733) mapped and defined in 5 broad categories: Energy, Forestry, Agriculture, Industrial Processes and Product Use and Coal and Lignite Mining.

Defining Eligibility

- **Traffic light** - Economic activities are either categorized directly as green (15 economic subsectors) or as yellow (904), in which case they must meet certain prerequisites to qualify
- Activities must substantially contribute to environmental objectives
- Activities must meet Essential Criteria: EC1: Do No Significant Harm (DNSH), EC2: Remedial Measures to Transition (RMT); EC3: Social Aspects (SA)

Enforcement and Disclosure

- **Voluntary** – taxonomy is part of Indonesia's Sustainable Finance Framework and will provide a basis to develop guidelines for disclosure, risk management and financial products

Link to Frameworks

- As part of the Sustainable Finance Roadmap Phase II, a reporting system including green financing/instruments in accordance with Green Taxonomy is under development
- Sustainable Finance Committee has been established with the Ministry of Finance and Bank Indonesia, as a follow-up to the Law on the Development and Strengthening of the Financial Sector (UU P2SK).

10. Kazakhstan

Name and Version: Classification (taxonomy) of green projects eligible for financing through green bonds and green loans

Date of Publication: December 2021

Lead Institution(s): Authorized body in the field of environmental protection and approved by the Government of the Republic of Kazakhstan



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Principles and Goals

- Classification of green projects to be financed through green bonds and green loans

Environmental Objectives

- Measures for economic stimulation of activities aimed at protecting the environment in the ecological code

Categories of Economic Activities

- The taxonomy includes 7 categories:
 - (1) renewable energy ; (2) energy efficiency (3) green buildings; (4) prevention and control of pollution (5) sustainable use of water and waste (6) sustainable agriculture, land use, forestry, tourism; (7) clean transport

Defining Eligibility

- Pass list - the taxonomy is a classification system of categories of the green projects that includes quantitative and qualitative threshold values, including certification

Enforcement and Disclosure

- **Mandatory** for the issuance of green bonds and loans

Incentives

- Business entities engaged in projects specified in the Taxonomy can get financial support of up to 50% of green loan rates, and up to 50% of the coupon rates for green bonds

Link to Frameworks

- Directly linked to the issuance of green bonds and loans

11. Mexico

Name and Version: Sustainable Taxonomy of Mexico – Version 1

Date of Publication: March 2023

Lead Institution(s): Ministry of Finance and Public Credit (SHCP)

Participating Institutions: Sustainable Taxonomy Working Group (GTT) led by SHCP with authorities from the financial system, representatives of the private sector, international organizations, agencies and experts



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Principles and Goals

- Mobilize and redirect public and private financing toward economic activities with positive environmental and social impacts
- Provide better information to the markets and contribute to the mitigation of greenwashing risk
- Generate information on sustainable financing flows
- Create a basis for the development of public policies on sustainable finance in Mexico

Environmental and Social Objectives

- **Environmental Objectives:** Climate change mitigation and adaptation | Management of water and marine resources | Conservation of ecosystems and biodiversity | Promotion of circular economy | Pollution prevention and control
- **Social Objectives:** Gender equality | Access to basic services related to sustainable cities | Health | Education | Financial Inclusion

Categories of Economic Activities

- 6 economic sectors identified and NAICS codes specified for each sector:
 - i) agriculture, livestock and forestry, ii) electricity generation, transmission, distribution and commercialization, and water supply, iii) construction, iv) manufacturing, v) transport, vi) waste management and remediation services

Defining Eligibility

- **Technical Screening Criteria** - for substantial contribution, DNSH and minimum safeguards
- For mitigation activities, NAICS code is used to determine eligibility
- For gender equality, a gender equality index is used comprised of three pillars: decent work, well-being and social inclusion and measured by 43 questions

Enforcement and Disclosure

- **Voluntary** - Mexican financial authorities are working on possible ESG regulation on (1) disclosure of information related to the Taxonomy and (2) definition of ESG financial instruments

Link to Frameworks

- Government agencies may report the degree of alignment of their budgets with the objectives of the Taxonomy

12. Mongolia

Name and Version: Mongolian Green Taxonomy – Version 1

Date of Publication: December 2019

Lead Institution(s): developed by the Mongolian Sustainable Finance Association, Tsinghua University’s Center for Finance and Development, the International Finance Corporation, and approved by the Financial Stability Commission of Mongolia – Central Bank of Mongolia, Financial Regulatory Commission, Ministry of Finance, and the Deposit Insurance Corporation

Participating Institutions: supported by 6 technical working groups with representatives from policy making and standard setting, financial institutions, businesses, project developers, international organizations, industry experts, and civil society institutions



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Principles and Goals

- Principle 1: Contribute to national policies and targets
- Principle 2: Address environmental challenges
- Principle 3: Cover high-emitting, key economic sectors
- Principle 4: Align with international standards and good practices
- Principle 5: Comply with ESG standards
- Principle 6: Continues review and development

Environmental Objectives

- Climate change mitigation and adaptation
- Pollution prevention
- Resource conservation
- Livelihood improvement

Categories of Economic Activities

- Low pollution energy, pollution prevention and control
- Renewable energy
- Energy efficiency
- Green Building
- Sustainable water and water use
- Clean transport
- Sustainable agriculture, land use, forestry, biodiversity conservation and ecotourism

Defining Eligibility

- **Whitelist** – the Taxonomy is a list of qualifying activities
- All activities must comply with minimum environmental and social risk management regulations and standards
- The taxonomy includes performance thresholds for all major category of activities, except for renewable energy and clean transportation

Enforcement and Disclosure

- **Required** for Green Bond issuers and FIs reporting
- Banks and non-bank financial institutions are required by Bank of Mongolia and Financial Regulatory Commission to report their green loans in line with the Taxonomy

Link to Frameworks

- ESG disclosure guidance requests FIs to disclose the green portfolio data in line with the taxonomy
- Central Bank of Mongolia maintains the Green Loan Statistics on the ratio of green loans in banks' portfolios based on the taxonomy

13. South Africa

Name and Version: South African Green Finance Taxonomy – Version 1

Date of Publication: April 2022

Lead Institution(s): National Treasury of South Africa

Participating Institutions: Department of Forestry, Fisheries and the Environment (DFFE), Department of Monitoring and Evaluation (DPME), Financial Sector Conduct Authority (FSCA), Prudential Authority (PA), Johannesburg Stock Exchange (JSE), Banking Association South Africa (BASA), Batseta (Council of Retirement Funds for South Africa), Association for Savings and Investment South Africa (ASISA), Representatives from banks and retirement funds



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Principles and Goals

- Principle 1 - Substantially contribute to at least one of the six objectives of the taxonomy
- Principle 2 - Do no significant harm to any of the other objectives
- Principle 3 - Comply with Minimum Social Safeguards

Environmental Objectives

- Climate change mitigation
- Climate change adaptation
- Sustainable use of water and marine resources
- Sustainable resource use and circularity
- Pollution prevention
- Ecosystem protection and restoration

Categories of Economic Activities

- Categories of Economic Activities
- Energy
- Transport
- Industry
- Water
- Construction
- Forestry and Land Use
- Enabling Activities

Defining Eligibility

- **Substantial contribution, DNSH, and MSS** to climate mitigation and adaptation (for the 1st edition) and the four other environmental objectives (future editions)
- **Pass list** - based on Technical Screening Criteria that include principles, metrics and thresholds
- Principles reflect the underlying rationale for how the activity will result in a substantial contribution and/or avoidance of significant harm to the environmental objective in question

Enforcement and Disclosure

- **Voluntary**

Link to Frameworks

- The Taxonomy encourages issuers of green bonds and green loans to undertake external review and verification regarding taxonomy alignment and associated environmental and social impact performance

14. Sri Lanka

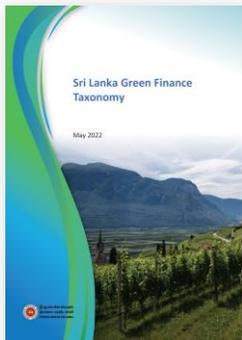
Name and Version: Sri Lanka Green Finance Taxonomy – Version 1

Date of Publication: May 2022

Lead Institution(s): Central Bank of Sri Lanka

Participating Institutions: Technical expert group (TEG) formed including international experts from Climate Bonds Initiative (CBI), China’s Tsinghua University and two Sri Lanka local experts

First national green finance taxonomy developed using the International Platform on Sustainable Finance (IPSF) Common Ground Taxonomy on climate change mitigation along with references from the IFC’s blue finance guidelines and climate smart agriculture advice



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Principles and Goals

- Substantial contribution
- Do not significant harm (DNSH)
- Respect Sri Lanka’s green development priorities
- Science-based screening
- Compatible with international standards and practices
- Dynamic adjustment

Environmental Objectives

- Climate change mitigation
- Climate change adaptation
- Pollution prevention and control
- Ecological conservation and resource efficiency

Categories of Economic Activities

- Activities in the taxonomy were chosen based on eight macro-sectors with the most relevance placed on government climate and green industry policies and asset portfolio (for financial institutions): Agriculture; Electricity, gas, steam, and air-conditioning supply; Tourism and recreation; Manufacturing; Construction (includes building); Transportation and storage; Water supply, sewerage, and waste management; and Forestry

Defining Eligibility

- **Whitelist and Substantial contribution** - Green eligibility is based on the technical screening criteria where a binary threshold is put forward for each activity. Where the technical screening criteria cannot be used for determining eligibility, the whitelist approach will be used
- DNSH provides clarity to the technical screening criteria by focusing on substantial contributions with minimum environmental and social compliance requirements

Enforcement and Disclosure

- **Voluntary**
- The taxonomy shall be applicable to all domestic and foreign market participants, large corporations, and government bodies, issuing green financial products

Link to Frameworks

- Banks are required to refer to the taxonomy to “identify and tag” their green-loan assets, which aggregate to their green credit or loan statistical data at the bank level, before submitting the information to financial regulators

15. Thailand

Name and Version: Thailand Taxonomy Phase I

Date of Publication: June 2023

Lead Institution(s): Thailand Taxonomy Board

Participating Institutions: Bank of Thailand (BOT), The Securities and Exchange Commission, Thailand (SEC), Office of Natural Resources and Environmental Policy and Planning (ONEP), Ministry of Natural Resource and Environment, Department of Alternative Energy Development and Efficiency (DEDE), Ministry of Energy, Energy Policy and Planning Office (EPPO), Ministry of Energy, Office of Transport and Traffic Policy and Planning (OTP), Ministry of Transport, Thailand Greenhouse Gas Management Organization (Public Organization) (TGO), Federation of Thai Industries (FTI), Renewable Energy Industry Club, Federation of Thai Industries (RE-FTI), Thai Chamber of Commerce and Board of Trade of Thailand, The Thai Bankers' Association (TBA), Association of International Bank (Thailand) (AIB), Government Financial Institutions Association (GFA)



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Principles and Goals

- Science-based
- Aimed at achieving Paris Agreement targets
- Technologically neutral
- Regularly revised

Environmental Objectives

- Climate change mitigation
- Climate change adaptation
- Sustainable and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

Categories of Economic Activities

- The Thailand Taxonomy Phase I focuses on the energy and transportation sector

Defining Eligibility

- Activities' performance assessed against Technical Screening Criteria
- **Traffic light system** applied to decided whether each activity is green, amber (transitional) and red (excluded)
- Activities are assessed against compliance with the DNSH and minimum social safeguards

Enforcement and Disclosure

- **Voluntary**

Link to Frameworks

- Separate legal instrument is needed to make the taxonomy usable in each sphere of application

Additional Resources

- SBFN Library of (400+) Policy and Framework Documents from members
- SBFN Measurement Framework and Methodology
- Toolkits and Thematic Reports
- Global and regional events and webinars
(follow SBFN LinkedIn for details)

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