

SUSTAINABLE FINANCE NEWSLETTER

Edition 2



ASEAN Insurance Regulators' Meeting (AIRM)

Foreword by H.E. Satvinder Singh, Deputy Secretary-General for ASEAN Economic Community, ASEAN Secretariat



Today, the world continues to face the growing risk of climate change as greenhouse gas emissions and global temperatures keep on rising. ASEAN, as one of the more vulnerable regions, risks losing 11% of its GDP by 2100 if we remain "business as usual". ASEAN recognised the need to intensify sustainability initiatives and has taken on circular economy and carbon neutrality as priority agenda, to provide strategic direction on low carbon transition in the region. The ASEAN finance sector joined in by taking a cohesive approach to sustainable finance across the banking, capital markets, and the insurance sectors. The ASEAN Taxonomy for Sustainable Finance (version 1) was published last year to guide and mobilise financing for the region's green transition.

We are beginning to see the impact of climate change and the fiscal costs associated with post-disaster redevelopment affecting the balance sheets of many ASEAN Member States, several of whom were already facing immense challenges getting back on track coming out of the COVID-19 pandemic. I am encouraged that the insurance sector, through AIRM, has been steadfast in enhancing disaster risk management (DRM) in the region. The ASEAN Disaster Risk Financing and Insurance Program, which supports knowledge and capacity building on DRM in Member States is now on its second phase, while the Southeast Asia Disaster Risk Insurance Facility offers catastrophe insurance and is working on a second product, for public assets.

I very much welcome AIRM's contribution to ASEAN's sustainable finance agenda, including the implementation of AIRM's workplan for sustainable insurance anchored on priority environmental risk management issues, capacity building, and collaboration with other stakeholders, to drive a more comprehensive and coherent strategy in further promoting sustainable finance in the region. Moreover, the regular publication of AIRM's Sustainable Finance newsletters will enhance and deepen sectoral understanding on the role of the insurance sector in supporting ASEAN's sustainable development goals.

For the past two years, the pandemic has illuminated the critical importance of sustainability and the role of digitalisation as the next frontier to growth. The insurance sector swiftly adapted to the circumstances and played a vital role in ASEAN's response and recovery from the pandemic. I believe that the insurance sector can play a much bigger role in addressing the wide and disparate protection gap across the region. The sector already demonstrated remarkable resilience during and after the pandemic as we see growth in products that relate to climate risks such as for the energy and construction sectors, and the utilization of innovative parametric insurance models.

Picking up from this momentum, I wish to urge insurance regulators to look further into potential collaborations with the insurance private sector and academia in addressing the challenges faced by our region, including on financial literacy, innovation in insurance products and services, creating an enabling environment for InsurTechs, and in developing expertise in sustainable insurance and digitalisation in the sector.

I would like to acknowledge, with gratitude, the AIRM Chair and members for delivering this AIRM Sustainable Finance Newsletter that brings together collective insights in its sustainable and insurance agenda.

16 November 2022



What's New

REGIONAL
DEVELOPMENTS
(2-10)

INTERNATIONAL
DEVELOPMENTS
(11-13)

TRAINING COURSES
(14)

REGIONAL DEVELOPMENTS

- ASEAN Taxonomy Board
- ASEAN Senior Level Committee (SLC) on Financial Integration
- GFANZ APAC Network
- Brunei Darussalam Central Bank (BDCB)
- Otoritas Jasa Keuangan (OJK)
- Bank Negara Malaysia (BNM)
- Myanmar Ministry of Planning and Finance (MMOPF)
- Insurance Commission Philippines (PIC)
- Monetary Authority of Singapore (MAS)
- Thailand Office of Insurance Commission (OIC)

ASEAN TAXONOMY BOARD

- Under BDCB's Chairmanship, the ATB released the ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy) - Version 1 in conjunction with the 26th Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26).
- Following the publication of the ASEAN Taxonomy Version 1 in November 2021, the ASEAN Taxonomy Board has completed the targeted consultation process with AMS' financial and non-financial sector stakeholders.
- Building on the consultation feedback received, the ATB has commenced on the development of Version 2 of the ASEAN Taxonomy, which will comprise the finalised Foundation Framework and technical screening criteria for EO1 (Climate Change Mitigation) for the energy sector under the Plus Standard.
- Version 2 of the ASEAN Taxonomy is targeted to be published by 1Q2023.

For more information, please refer to the link:

<https://www.sfinstitute.asia/the-asean-taxonomy/>



Senior Level Committee (SLC) on Financial Integration

- Following a recommendation from the 2020 Task Force Report on “The Role of ASEAN Central Banks in Managing Climate and Environment-related Risks”, ASEAN Central Banks are working with other sectoral bodies from the insurance and capital market sectors to develop an ASEAN Green Map.
- The ASEAN Green Map aims to provide a common blueprint for ASEAN’s effort in developing a sustainable finance ecosystem for the region to ensure the comprehensive development of said ecosystem and unified effort across the banking, insurance, and capital market sectors, as well as related ancillary services. It would outline the essential building blocks, and potentially draw relevant, non-duplicative recommendations for regional actions that would help attain said vision. Feedback from AIRM members was solicited in developing the concept note for the ASEAN Green Map.
- At the recent 24th SLC Meeting on 18 October 2022, the SLC agreed to engage the ASEAN-Republic of Korea Financial Cooperation Centre (ASEAN-ROK FCC) as the SLC’s Development Partner for the ASEAN Green Map. ASEAN-ROK FCC will be supported by two implementing partners, namely UNESCAP (UN Economic and Social Commission for Asia and the Pacific) and GGGI (Global Green Growth Institute). The SLC aims to complete the ASEAN Green Map for submission at the ACGM and AFMGM in April 2024.



- GFANZ launched its APAC Network in June 2022 to support engagement with financial institutions and policymakers across the APAC region, incorporating feedback and ensuring its work on net zero is inclusive and applicable to all. The network will enable mutual knowledge-sharing and open dialogue on the opportunities and challenges of net zero, to ensure a truly global green transition. To reinforce the global work and outputs of GFANZ, the APAC Network will help ensure the perspectives and expertise of firms and actors across the APAC region are reflected as well as look into adapting GFANZ’s global research and efforts to meet APAC’s unique and diverse needs.
- The APAC Network Advisory Board, composed of leading regional figures from climate and finance, provides guidance and advice to the APAC Network, including strategic direction, local and regional expertise, and representation in overseeing the work of the APAC Network’s workplan and outputs. Ravi Menon, Managing Director of the MAS and chair of the Network for Greening the Financial System (NGFS), chairs the Advisory Board and is joined by leading experts on climate finance from both private, public, and civil society sectors.

For more information, please refer to the link:

<https://www.gfanzero.com/asia-pacific-network/>



- A Sustainable Finance Task Force (SFTF) was established within BDCB in 2020 with the focus to monitor the development of sustainable finance (both globally and regionally). The Task Force serves as a platform for continuous engagement with market players in fostering the sustainability agenda.
- Industry consultations conducted by BDCB related to climate change and sustainability:
 - 2019 - Survey on climate and environment related risks to the banking sector. Findings from the survey was included in the [BDCB Financial Stability Report 2019](#).
 - 2021 - Survey on climate-related risk to insurance sector.
 - 2022 - Survey on the adoption of sustainable finance to the financial sector.
- Regulatory instruments issued by BDCB:
 - 2022 - BDCB issued the [Guidelines on the Issuance of Debentures](#), which include recommendations for all issuances and labelling of bonds as an ASEAN Green Bond, ASEAN Social Bond or ASEAN Sustainability Bond in Brunei Darussalam to comply with the applicable standards issued by the ASEAN Capital Market Forum (ACMF).
- Capacity building programmes supported by BDCB:
 - 2021 - BDCB supported the British High Commission to Brunei Darussalam and Ernst & Young in organising a series of sustainable finance workshops to the financial sector and government agencies. The workshop covered the introduction to the topic of sustainable finance.
 - 2022 - BDCB supported the British High Commission and Ernst & Young for the second instalment of the sustainable finance workshop. The series consists of 6 workshops covering the following topics:
 - understanding climate-related financial risks and managing disclosures;
 - climate-related disclosures;
 - climate risk management;
 - climate scenario analysis;
 - sustainable bonds issuance; and
 - introduction to environmental and social risk management.
- The Brunei Darussalam National Climate Change Council (BNCCC) was established on 27 August 2018, along with the Brunei Darussalam Climate Change Secretariat (BCCS). Launched in July 2020, the Brunei Darussalam National Climate Change Policy (BNCCP) aims to provide the pathways for all sectors of the economy to move "Towards a Low Carbon and Climate-Resilient. The BNCCP outlines 10 key strategies focusing on industrial emissions, forest cover, electric vehicles, renewable energy, power management, carbon pricing, waste management, climate resilience & adaptation, carbon inventory, and awareness & education.

In order to accelerate sustainable finance in Indonesia, OJK has issued policies and regulation related to sustainable finance, among others:

- **Sustainable Finance Roadmap**

OJK has issued the Sustainable Finance Roadmap Phase I (2015-2019) and The Sustainable Finance Roadmap Phase II (2021 - 2025). The Roadmap Phase I was focused on increasing the understanding and capacity of financial services sector players to move towards a low-carbon economy, through a series of initiatives such as introduction of sustainable finance principles, identification of sustainable business criteria, developing an incentive scheme, and conducting training programs for the financial industry. Meanwhile, the Roadmap Phase II will be focused on establishing seven ecosystem elements supporting transition of the financial sector to sustainability, which are policy, product, market infrastructure, coordination among ministries/institutions, nongovernment support, human resources, and awareness.

- **OJK Regulation**

OJK has issued OJK Regulation Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Service Institutions, Issuers, and Public Companies. POJK requires financial institutions, issuers, and public companies to have action plan on the implementation of sustainable finance and publish annual sustainable reports. For the insurance industry, the requirement took effect from 2020.

- **Indonesian Green Taxonomy (IGT)**

OJK has collaborated with related Ministries/Agencies and launched the 1.0 edition of the Indonesian Green Taxonomy (IGT) which was set on January 20, 2022. The taxonomy is expected to be used as:

- the basis for formulating incentive and disincentive policies from various Ministries and Institutions, including OJK; and
- as guidelines for information disclosure, risk management and the development of innovative sustainable financial products and/or services for Financial Services Sector (FSS) and Issuers.

- **Capacity Building for Industry**

To aid implementation of Roadmap Phase I and Roadmap Phase II, OJK conducts capacity building programs for industry players on various topics related to sustainable finance, such as:

- The Impact of environmental, social, and governance (ESG) on the Performance of the Financial Services Industry
- Role of Financial Sectors in Supporting the Battery-Based Electric Motor Vehicle Ecosystem
- Readiness of the Islamic Financial Services Industry in Supporting Sustainable Finance

- **Cooperation with international agencies**

OJK cooperates with several national and international institutions, including United States Agency for International Development (USAID), International Finance Corporation (IFC), Organisation for Economic Co-operation and Development (OECD) and World Wildlife Fund Indonesia to develop various supporting aspects of sustainable finance, while building awareness and capacity amongst OJK staff and external stakeholders.



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

(a) Implementation of Climate Change and Principle-based Taxonomy (CCPT)

- Following the issuance of the CCPT guidance document in April 2021, BNM had received the first CCPT reporting by financial institutions (FIs) in July 2022.
- While FIs have demonstrated capability to assess new financing and investments based on the CCPT, Joint Committee on Climate Change (JC3), through the CCPT Implementation Group (CCPT IG), is working with the industry and partners to further improve the consistency and quality of classifications under the CCPT for existing outstanding financing and investments. Information gaps for existing exposures continue to pose the biggest challenge.
- CCPT IG will publish and maintain a set of CCPT FAQs on application issues to promote more consistent practices across FIs, and has developed a due-diligence questionnaire together with World Wide Fund (WWF) Malaysia on selected CCPT guiding principles.

[Climate Change and Principle-based Taxonomy](#)

(b) Discussion Paper on 2024 Climate Risk Stress Testing Exercise (CRST)

- Issued in June 2022. Sets out BNM's proposed approach for an industry-wide CRST exercise in 2024.
- Puts forward for discussion the applicability and format of the exercise, and technical elements such as scenarios selection, portfolio scope and granularity and other considerations.

[Discussion Paper on 2024 Climate Risk Stress Testing Exercise](#)

(c) Value-based Intermediation Takaful (VBIT) Roadmap

- Following issuance of the VBIT Framework¹ in 23 June 2021 which serves as an overarching guidance in implementing VBI practices and values in takaful business, the Malaysian Takaful Association and VBIT Steering Committee developed the VBIT Roadmap to guide the implementation.
- The Roadmap which was launched during the Global Islamic Finance Forum 2022 on 5 October 2022 identified 32 initiatives to be pursued at industry and takaful operator level, underpinned by five key thrusts.

[VBIT Framework](#)
[VBIT Roadmap](#)

¹ The VBIT Framework elaborates the underpinning thrusts of VBIT, which are Financial Resilience, Community Empowerment, Good Self-Governance and Best Conduct. It also highlights how value-driven business strategies and practices can be embodied in respective companies' Corporate Value Intent (CVI), vision and mission.



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

(d) ASEAN Learning Roadmap (LR) and Learning Curriculum (LC) on Sustainable Finance

- Following approval from ASEAN Governors, BNM as lead for the Workstream on Capacity Building within the ASEAN Senior Level Committee on Financial Integration (SLC) Task Force on Sustainable Finance, in collaboration with the South East Asian Central Bank (SEACEN) Research and Training Centre developed the LR and LC.
- The LR is a broad learning framework based on specific and prioritised knowledge areas, according to member central banks' learning needs. The LC details the learning programme and modules, that is based on the learning framework.
- The LR and LC which were endorsed by ACGM in April 2022 guides capacity building initiatives on sustainable finance for SEACEN member central banks.
- SEACEN has launched the capacity building programmes and has thus far co-hosted two programmes with BI and BNM respectively, in the areas of "Block 1: Vulnerability Analysis and Data - Assessing Risks and Exposures" and "Block 2: Taxonomies and Disclosure Standards".



Ministry of Planning and Finance

To be included in the upcoming update of the Myanmar Sustainable Development Plan (2018-2030), the activities of 3.5.15 and 3.5.16 under the strategy of 3.5 and their outcomes are proposed as follows:

Activity of 3.5.15

To level-up the quality of Insurance Regulatory Practices in line with international standards;

Outcomes

A well-developed public infrastructure of insurance industry contributing to the strength of financial systems by upgrading the integrity of insurers' financial capabilities.

Activity of 3.5.16

To develop outlines of the preconditions needed for effective supervision and efficient regulation;

Outcomes

An effective mechanism that protects the interests of Insureds help to increase confidence in the Insurance System.



The Insurance Commission of the Philippines created its own Technical Working Group to cater to matters related to sustainable finance and ESG. The Commission is also a member of the Philippine Green Force (<https://www.dof.gov.ph/green-force-members-multilateral-agencies-support-sustainable-finance-roadmap/>).

In addition, the Commission is a member of the Forum for Sustainable Finance, an interagency body, which is currently developing the taxonomy for sustainable finance framework in the country.



Monetary Authority
of Singapore

- **Sustainability Report**

MAS published its 2nd Sustainability Report on 28 July 2022, the report sets out MAS' strategy on climate resilience and environmental sustainability to strengthen the resilience of the financial sector to environmental risks, develop a vibrant green finance ecosystem, build a climate-resilient reserves portfolio and incorporate sustainable practices in MAS.

The report also updates on MAS' progress in implementing the Green Finance Action Plan (GFAP) introduced in 2019, to build resilience against climate and environmental risks and support a sustainable Singapore and facilitate Asia's transition to a sustainable future. The GFAP complements the Singapore Green Plan 2030 and lays out MAS' sustainable finance strategy across five thrusts;

- Strengthen the financial sector's resilience to environmental risks.
- Enhance comparability and reliability of sustainability related disclosures.
- Develop green and transition finance solutions and markets for a sustainable economy.
- Harness technology to enable trusted and efficient sustainable finance flows.
- Build knowledge and capabilities in sustainable finance.

For more information, please refer to the link:

<https://www.mas.gov.sg/publications/sustainability-report/2022/sustainability-report-2021-2022>

- **Financial Services Industry Transformation Map 2025**

MAS launched its Financial Services Industry Transformation Map 2025 on 15 September 2022, The ITM 2025 lays out the growth strategies to further develop Singapore as a leading international financial centre in Asia - to connect global markets, support Asia's development, and serve Singapore's economy.

To catalyse Asia's transition towards net-zero, MAS is working with the industry to develop innovative solutions to scale up sustainable and transition financing.

- Provide greater clarity on transition activities including through the development of an industry-led taxonomy for eight priority sectors.
- Facilitate the decarbonisation of real economy sectors through appropriate financing solutions for corporates.
- Enhance sustainability disclosures and build data utilities, such as Project GreenPrint, to facilitate companies' sustainability disclosures and investors' access to companies' ESG data.
- Provide S\$100 million grant funding over 2021 - 2025 for capability building, green FinTech, climate risk and reinsurance, and solutions for sustainable and transition finance.

For more information, please refer to the link:

<https://www.mas.gov.sg/development/financial-services-industry-transformation-map-2025>



Office of Insurance Commission

- To drive sustainable insurance in the Thai insurance industry, OIC grants ESG awards to insurers that demonstrate strong ESG commitment every year. This year, OIC revised the ESG awards judging criteria to increase the effectiveness and intensity of assessment. The criteria prescribes the company to assess level of knowledge/understanding of the Sustainable Development Goals and its sustainability actions in 3 dimensions namely environmental, social, and corporate governance including participating in the risk reduction of fraud and support business operations with transparency.
- Under key strategic initiatives of Sustainable Finance Initiatives for Thailand, OIC together with the Securities and Exchange Commission, the Bank of Thailand, Ministry of Finance, and the Stock Exchange of Thailand are studying local taxonomy taking into account the advantages and disadvantages of Taxonomy on supervisory policies and development of sustainability, conducting Data Gap Analysis of ESG, Reporting Gaps and a ESG report, and developing sustainable financial assets, product and services.

INTERNATIONAL DEVELOPMENTS

- Network of Central Banks and Supervisors for Greening the Financial System (NGFS)
- International Association of Insurance Supervisors (IAIS)
- Sustainable Insurance Forum (SIF)
- WWF Sustainable Financial Regulation and Central Bank Activities Tracker ("SUSREG") framework



NGFS published the third vintage of its climate scenarios along with two accompanying documents, aimed at fostering the integration of climate-related risks into the work of central banks and supervisors on 6 September 2022.

In the third vintage, the NGFS scenarios have been brought up to date, including the most recent country-level climate commitments made at the COP26 in 2021, and the latest GDP and population pathways. For the first time, the NGFS scenarios include projections of the potential losses from extreme weather events (floods and tropical cyclones), in addition to the specific impacts of chronic climate changes on the macroeconomy.

The NGFS scenarios are also consistent with the scenarios assessed in the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC). Owing to the lead time required for their completion, the NGFS scenarios could not account for the consequences of the war in Ukraine and the current energy crisis. Yet, they remain informative about the current situation, illustrating the challenges as well as the feasibility and benefits from carrying on with the net zero transition.

For more information, please refer to the link:

<https://www.ngfs.net/en/communique-de-presse/ngfs-publishes-third-vintage-climate-scenarios-forward-looking-climate-risks-assessment>

The NGFS released a note exploring the effects of the current energy crisis stemming from the war in Ukraine, and how they relate to the latest iteration of the NGFS scenarios on 17 September 2022. It illustrates how one of the adverse NGFS scenarios of a disorderly transition might look like. If anything, the current energy crisis is both more adverse and more immediate than any of the NGFS scenarios. The NGFS will work on integrating the implications of recent shocks in its next iterations.

For more information, please refer to the link:

<https://www.ngfs.net/en/communique-de-presse/ngfs-publishes-paper-exploring-effects-current-energy-crisis-and-links-ngfs-climate-scenarios>

- **Global Insurance Market Report**

In relation to climate change, the IAIS published a special topic edition of the Global Insurance Market Report (GIMAR) on the insurance sector' investment exposures to climate-related risks in September 2021. This report provided the first quantitative global study on the impact of climate change on the insurance sector.

As a follow-up, climate data elements were added to the IAIS' Global Monitoring Exercise (GME) this year. These elements will become a regular feature of the IAIS' annual assessment of insurance sector risks and provide a global baseline of climate risk data for the insurance sector. The outcomes of this year's analysis will be published as part of the regular GIMAR by the end of 2022. Early next year the IAIS will also consider whether to collect climate data directly from individual insurers.

- **Standard setting**

Following a review of the IAIS supervisory material (including the [ICPs and ComFrame](#)) by the IAIS Climate Risk Steering Group (CRSG) which is chaired by the MAS, to assess whether there is a need for changes to the standards or the development of new supporting materials to address the risks from climate change, the IAIS will make a limited number of changes to ICP guidance to make it even more explicit that insurance supervisors should require insurers to incorporate climate-related risks into their day-to-day operations, including in governance, enterprise risk management and disclosures.

Furthermore, as climate risk is a rapidly emerging risk and one where supervisors need to better understand how it drives existing risks, the IAIS will continue to consult on new supporting material to help members understand and supervise the risks.

- **Climate Scenario Analysis**

The IAIS CRSG has conducted a series of workshops to build capacity on scenario analysis, attended by more than 200 insurance regulators, covering the basics like understanding the micro and macro prudential objectives of scenario analysis to more advanced discussions on technical design specifications.

The CRSG will provide additional guidance on climate scenario analysis to IAIS members in the coming months.

For more information, please refer to the link:

<https://www.iaisweb.org/activities-topics/climate-risk/>



Hosted by



The SIF work programme for 2021-2023 includes mainstreaming climate risks into actuarial processes, looking at issues beyond climate change like biodiversity loss and studying the impact of climate-related risks on the insurability of assets. The SIF is also conducting research to support regulators' understanding of how environment and climate risks can be integrated into capital framework. SIF also plans to look into insurers' net zero transition plans in the near future.

For more information, please refer to the link:

<https://www.sustainableinsuranceforum.org/>



The WWF has published an updated Sustainable Financial Regulation and Central Bank Activities Tracker ("SUSREG") framework, which now includes an extension to insurance regulation and supervision.

The framework can be used by supervisors, standard setting bodies, industry and academia to track and understand the differences in the insurance regulations in various jurisdictions as well as to benchmark themselves against peers and to facilitate knowledge sharing between institutions. The detailed assessment results have been published on the SUSREG online platform (www.susreg.org), in a matrix format showing the country-level results for each indicator, together with the source of the information used.

For more information, please refer to the link:

https://wwf.panda.org/wwf_news/?6527441/WWF-SUSREG-to--include-assessment-of-insurance-regulation-and-supervision-activities

TRAINING COURSES

- ASEAN Core Curriculum on Climate Risk Resilience/Sustainable Finance

ASEAN Core Curriculum on Climate Risk Resilience/Sustainable Finance

- “Block 3: Climate Change and Monetary Policy” will be hosted by BNM from 28 November to 1 December 2022 in a hybrid format
- “Block 4: Regulation and Supervision” will be hosted by the Bank of Thailand from 13 - 16 February 2023 (format TBC)
- “Block 5: Scaling up Sustainable Finance” will be hosted by the Monetary Authority of Singapore from 13 - 16 March 2023 (format TBC)

For more information, please refer to the link :

<https://www.seacen.org/List-events/Course-2022/>