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BY email to hongkong.consultations@climatebonds.net

ASIFMA Submission to Prototype of Hong Kong Taxonomy for Sustainable Finance (Phase 2B)

Dear HKMA colleagues

The Asia Securities Industry and Financial Markets Association ("ASIFMA")[1], on behalf of its members, appreciates the opportunity to provide feedback on the **Prototype of Hong Kong Taxonomy for Sustainable Finance (Phase 2B) ("the Taxonomy")**. We welcome the opportunity for engagement with HKMA and acknowledge Hong Kong's continued efforts towards meeting its net-zero targets.

Our members believe that a well-designed taxonomy is an important tool for promoting cross-border sustainable finance flows. Against this background, we would like to respectfully submit a few key points for your consideration.

Specific answers to consultation questions

1. Taxonomy Design, Structure, and Scope

Question A: Is the current Taxonomy design and structure clear and relevant? If not, how can they be improved?

ASIFMA and members acknowledge the continued commitment from HKMA on developing a robust Taxonomy that seeks to harmonise international standards while adapting relevant elements to Hong Kong and wider regional context. We find the overall design and structure clear and comprehensive.

Establishing a clear and well-defined objective for the Taxonomy continues to remain essential to ensuring its effectiveness and utility for market participants. ASIFMA members appreciate the

[1] ASIFMA is an independent, regional trade association with over 150 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, professional services firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative and competitive Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the United States and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

All feedback, comments, questions and the position set forth in this letter represent ASIFMA's members' collective position and cannot be attributed to any specific member either in part or in its entirety

incorporation of relevant ISIC codes against each Activity Card, in line with our recommendation for Phase 2A.

Phase 2B has substantially expanded the Taxonomy, adding activities across Transportation, Manufacturing and Waste, as well as introducing the Process-Based Approach for adaptation. Given this increased breadth and technical complexity, continued focus on usability and practical application will be important.

Question B: Is the Taxonomy easy to navigate across the various chapters and sections? If not, what structural or formatting improvements do you recommend?

The Taxonomy remains generally straightforward to navigate. However, as its coverage expands, ASIFMA recommends publishing a single consolidated and version-controlled Taxonomy, supported by a clear change log identifying additions, amendments, reclassifications and effective dates. A searchable, machine-readable format and downloadable activity-level data, together with mappings to major international and regional taxonomies, would support implementation at scale and facilitate cross-border use.

Question C: Are the graphics and diagrams clear and comprehensible? If not, how can they be improved to better communicate the technical framework?

ASIFMA appreciates the continued use of visual elements, including the Decision Tree provided in Phase 2B for adaptation measures. We reiterate our above recommendation regarding publishing a single consolidated version-controlled Taxonomy supported by a clear change log identifying additions, amendments, reclassifications and effective dates. A searchable, machine-readable format and downloadable activity-level data, together with mappings to major international and regional taxonomies, would support implementation at scale and facilitate cross-border use.

Question D: What are your views on the current scope regarding climate change mitigation? Specifically, which sectors, activities, or structural elements should be prioritised for inclusion in future phases?

ASIFMA supports the continued gradual expansion of the Taxonomy and the phased approach taken by the HKMA. We welcome the inclusion of hydrogen, iron and steel, basic chemicals, low-carbon liquid fuels, batteries, air transport and additional waste activities in Phase 2B.

We welcome that Phase 2B identifies natural gas, hydrogen, nuclear energy, CCUS, cement and water-related activities among potential areas for future development. ASIFMA reiterates its Phase 2A view that nuclear energy merits careful consideration as a large-scale, low-carbon source of energy and that the Taxonomy should clarify its approach to natural gas in the context of Hong Kong's transition. We recommend broadening the Construction sector to cover the acquisition and ownership of existing buildings, including residential real estate. The EU Taxonomy's treatment of acquisition and ownership of buildings could provide a useful reference, particularly given the relevance of mortgages and other real estate exposures to banks' sustainable financing portfolios.

Hydropower could also be considered for inclusion, subject to appropriate technical and environmental criteria, given its relevance across sustainable financing frameworks.

Question E: What are your views on the current scope of the Taxonomy regarding climate change adaptation? Specifically, which climate hazards, adaptation measures (whitelist and non-whitelist), or structural elements should be prioritised for inclusion in future phases?

ASIFMA welcomes that Phase 2B has moved beyond the relatively narrow focus of Phase 2A on the water sector and expanded to Energy, Transportation, Buildings, ICT and Risk Management & Response, together with measures addressing storm and flood damage and the incorporation of shoreline protection and drainage management measures. To support consistent application of the Process-Based Approach, the HKMA should clarify whether it is the sole route for demonstrating adaptation alignment; how user-defined whitelist and non-whitelist measures will be reviewed and recognized; when existing climate-risk or adaptation assessments may be relied upon; and when independent verification is expected. Verification should be proportionate to the transaction, the nature of the claim and the reliability of available evidence.

Future phases could prioritise nature-based adaptation measures that create stronger linkages between climate adaptation, biodiversity and water objectives. These could include wetland, mangrove and floodplain restoration, urban greening and cooling infrastructure, and ecosystem-based coastal protection.

From a capital-markets perspective, climate change adaptation is an area of growing investor focus. Market participants continue to face challenges in identifying activities that qualify as adaptation measures; expanding the Taxonomy's coverage would therefore be helpful.

Question F: Which environmental objective should be prioritised for development in future phases?

ASIFMA members commend that Phase 2B has defined four additional environmental objectives: biodiversity, nature and ecosystem protection; sustainable use and conservation of water resources; pollution prevention and control; and resource efficiency and circular economy.

Sustainable use and conservation of water resources could be considered the next priority, given the close interlinkages between water and biodiversity and the importance of water resilience across economic activities. Pollution prevention and control is also relevant, as measures to reduce pollution can contribute to both water quality and biodiversity outcomes.

Resource efficiency and the circular economy should remain part of the Taxonomy's future development, although it could follow biodiversity and water in sequencing. Circular economy considerations can intersect with activities already addressed through climate mitigation and resource-efficiency measures.

2. Taxonomy Methodology

Question A: On climate change mitigation, does the current classification framework, including the principles and definitions for each category (i.e. Green Activity, Transition Activity, Transition Measure), remain clear, relevant, credible, and usable under the expanded Taxonomy? If not, how can it be improved?

ASIFMA continues to find the Green Activity, Transition Activity and Transition Measure classification framework generally credible and clear.

We also support the principle that Transition Activities should demonstrate measurable progress towards Green criteria and remain time-bound. To support practical implementation by financial institutions and capital markets participants, however, further clarity in several areas would be helpful:

- **Changes to thresholds:** Further guidance should be provided on how existing Taxonomy-aligned financing should be treated where applicable thresholds are subsequently revised, including whether grandfathering or other transitional arrangements would apply and the expected frequency of threshold reviews.

- **Demonstrating and monitoring progress:** Greater clarity would be helpful on how counterparties are expected to evidence progress towards Green criteria, and the extent to which financial institutions are expected to monitor and reassess such progress over the life of a financing.

- **Sunset dates:** ASIFMA members would like to emphasise the importance of point-in-time alignment and the need for built-in flexibility around the Sunset Date. Specifically, we recommend clarifying whether a project loses its "Transition" status if it fails to meet "Green" criteria by 2030/2035 due to external factors, as well as any implications for existing financing and associated reporting or disclosure requirements. ASIFMA members would also recommend building in flexibility to account for delays in the transition to "Green" caused by unforeseen technological or commercial constraints. Without this, eligible transition borrowers may be discouraged from pursuing Transition financing, as they would be exposed to the uncertainty of potential declassification by 2030/2035 due to delays in scheduled green replacements.

- **Transition plans:** Where alignment depends on a transition plan, the Taxonomy should clarify minimum quality expectations, including measurable targets, implementation actions, governance, supporting financial or capital-expenditure planning, monitoring and appropriate disclosure. The existence of a transition-plan document alone should not necessarily demonstrate credible alignment.

- **International interoperability:** From a capital-markets standpoint, investors will appreciate references to well-recognised transition pathways and international standards such as the EU Taxonomy, TPI, CBI, helping to rationalize eligibility thresholds.

Question B: On climate change adaptation, is the expanded adaptation assessment methodology, based on the Process-Based Approach, clear, relevant, credible, and usable? What are your views on the proposed adaptation categorisation and different pathways for assessing adaptation measures?

ASIFMA welcomes the development of a more comprehensive framework for adaptation. This responds constructively to our Phase 2A recommendation for additional guidance, sectors, measures and examples as the adaptation framework evolves.

The Process-Based Approach provides a logical framework, and ASIFMA welcomes the recognition that existing climate-risk or adaptation assessments may satisfy relevant PBA requirements where

they are sufficiently robust, current and relevant. This is important to avoid unnecessary duplication.

We recommend continued alignment with taxonomies that outline adaptation measures such as ASEAN Taxonomy Version4,together with practical guidance on comparability. Documentation requirements should avoid unnecessary prescription, and independent verification should remain proportionate, particularly where reliable external or internal assessments are already available.

With regards to future application of DNSH, ASIFMA members recommend that, as the Taxonomy develops its Do No Significant Harm (DNSH) requirements, careful consideration should be given to what financial institutions and their counterparties can reasonably evidence and verify in practice. Experience with other taxonomy frameworks has demonstrated that evidencing DNSH requirements can be more challenging than assessing the underlying environmental contribution of an activity. This can create practical barriers to recognising otherwise eligible activities as Taxonomy-aligned. In addition, while developing DNSH criteria, attention should be paid to which requirements are already addressed through existing permits, regulatory approvals, national legislation or other established compliance mechanisms. This could help reduce unnecessary duplication of evidence requirements and support more efficient implementation while maintaining the robustness of the framework. This is something that has been recognised in the EU Taxonomy simplification efforts. Providing clear guidance on acceptable evidence and documentation expectations could support more consistent implementation and help ensure that potentially eligible activities are not excluded due to practical evidence constraints.

3. Sector chapters (For these questions, please specify the environmental objectives, sector and activity/measure concerned)

Question A: Is the sector introduction clear and the level of context and detail sufficient? If not, are there other sources or related information that can be referenced? Please include the document link(s).

The sector introductions are generally clear. We would like to reiterate that the Taxonomy should provide sufficient regional context, including relevant sector emissions profiles, current energy structures and transition pathways for Hong Kong, mainland China and Asia where appropriate.

The current chapter titled 'Construction' primarily focuses on the environmental performance of buildings, including new buildings, renovation and building equipment. Consideration could be given to whether a title such as 'Buildings' ‘Real Estate’ or 'Buildings and Construction' would more clearly reflect the scope of the activities currently covered and help distinguish them from broader construction-sector activities that may be added in the future.

Rationale behind the inclusion of each section is very clear and helps to contextualise why such activities have been included. This is something not present in the EU Taxonomy and will be appreciated by capital markets participants.

Question B: For climate change mitigation, what are your views on the metrics and technical criteria for Green Activities, Transition Activities, and Transition Measures, including their credibility, usability, clarity, interoperability with global taxonomies and level of ambition? Please provide

specific suggestions for improvement

ASIFMA generally supports the use of credible, science-based metrics and technical screening criteria and appreciates the effort to maintain interoperability with global frameworks. The HKMA should establish a transparent approach for recognizing equivalent standards, certifications, methodologies and transition pathways. Where another framework produces substantively comparable environmental outcomes, users should be able to demonstrate alignment without repeating the full assessment, subject to disclosure of material differences and any supplementary evidence required.

Some sector specific recommendations listed below:

Transportation

B-001 Transport by rail (freight and passenger)

- The intention behind the fossil-fuel-related criteria is viewed positively. However, the exclusion criterion stating that "trains and wagons are not dedicated to the transport of fossil fuels" could be revisited in light of practical implementation experience from other taxonomies. For example, the draft revisions to the EU Taxonomy technical criteria refer to trains and passenger coaches that are "not specifically designed for the transport of pure fossil fuels". This wording may provide greater clarity and operational feasibility. Under the previous EU Taxonomy criterion, it has often been challenging for train operators and financing institutions to demonstrate that trains will never be used to transport fossil fuels over their entire lifetime, including in situations where assets may be sold to third parties. *(see also: Sustainable investment – review of the EU taxonomy climate delegated act)*.

- For air transport, ASIFMA supports the recognition of SAF as a transition lever. Phase 2B leaves the Transition SAF blend thresholds to be determined following consultation. Any eventual threshold should take into account SAF availability, production capacity, infrastructure, cost and the evolving international aviation framework, and should be reviewed periodically as the market develops.

B-007 Transportation of passengers by sea

- The intention behind the fossil fuel-related criteria is viewed positively. However, the criterion stating that *"Ships built or operated for the sole purpose of transporting passengers to-and-from assets or infrastructure that are dedicated to the production or transport of fossil fuels"* should be assessed from a practical implementation perspective. Similar to the observation above, it may be challenging in practice for operators and financing institutions to determine, monitor, and demonstrate compliance with this criterion on an ongoing basis and throughout the lifetime of the asset. Additional guidance on how compliance with this criterion should be evidenced would therefore be welcome.

Construction Sector

C-001 Renovation of existing buildings

- The criterion under Green Activity A and B (1) states that *"The building renovation leads to a reduction of primary energy demand, energy consumption, or operational GHG emissions of*

at least 30% against the building's historic average." While the intention of the criterion is understood, the use of a building's historic average as the reference point may be challenging from an implementation perspective and may not always provide the most meaningful basis for comparison. In line with approaches adopted in other taxonomies, it may be more appropriate to assess the improvement achieved through the renovation by comparing the building's performance before and after the renovation. This would provide a clearer and more objective benchmark while also reducing reliance on historical data, which may be incomplete or unavailable, particularly for older buildings.

C-002 Construction of new buildings

- The criteria under Green activity (8) states that projects in the European Union must meet all of the following criteria [..]". It is worth noting that the EU is currently reviewing the Climate Delegated Act and the relevant technical screening criteria may be revised *(see also: Sustainable investment – review of the EU taxonomy climate delegated act)*.

- The reference to market certifications, regulations and standards is highly appreciated (LEED, NABERS, IFC Edge, EU NZEB). For ease of navigation and readability, consideration could be given to listing all eligible certification schemes in the introductory section on eligible certification schemes, rather than introducing some of them only within the individual activity cards. At present, these are only referenced under C-002 Construction of new buildings.

Waste

D-001 Sewage sludge treatment – anaerobic digestion or co-digestion & D-003 Utilisation/Treatment of domestic waste – anaerobic digestion or co-digestion

- The criterion under Green Activity (2) states "The majority of the produced biogas is used directly for the generation of electricity or heat, or injection into the city gas network, or used as vehicle fuel or as fuel/feedstock in city gas production [..]". Consider replacing qualitative terms such as "the majority" with a clearly defined quantitative threshold. This would improve consistency of interpretation, comparability across projects and implementation in practice, while reducing the risk of different market participants applying the criterion differently.

Manufacturing

- The distinction between hard-to-abate and enabling activities provides a useful structure for the manufacturing sector. However, drawing on practical experience with the EU Taxonomy, the identification and assessment of enabling activities can raise implementation challenges. As the Hong Kong Taxonomy further develops its approach to enabling activities, it may be useful to consider the work undertaken by the EU Platform on Sustainable Finance on enabling activities, including the framework and recommendations developed to support their identification and assessment (see also: Platform on Sustainable Finance's report on Data and usability of the EU taxonomy).

Question C: For climate change adaptation, what are your views on the steps of the Process-Based Approach, the pre-defined whitelist, as well as the illustrative assessment metrics for the pre-defined non-whitelist? Please comment on their credibility, usability, clarity, and provide specific suggestions for improvement.

ASIFMA supports the principle of distinguishing measures that can be recognised as automatically aligned from those requiring context-specific assessment.

ASIFMA welcomes the Process-Based Approach and the expansion of the whitelist beyond water to Energy, Transportation, Buildings, ICT and Risk Management & Response. We also welcome the inclusion of coastal and flood-protection measures, which respond directly to our Phase 2A recommendation to recognise coastal protection in view of Hong Kong's exposure to typhoons and flooding.

Please see below some further recommendations with regard to the Process-based Approach:

Process-based Approach

Step 1 - Define the scope and classify the economic activity: It is viewed positively that the Taxonomy provides illustrative examples for both Adapted Activities and Enabling Activities, as these help users understand the intended application of the framework. However, to help Taxonomy users differentiate between adapted or enabling activities, further guidance would be helpful. For example, the HKMA could provide an assessment logic or decision framework.

Step 2 - Conduct physical climate risk assessment: To further enhance usability and comparability across market participants, consideration could be given to recommending a common climate risk assessment database and providing a standardised template for documenting and presenting assessment results. This could help promote greater consistency in the application of the Process-Based Approach, facilitate comparability between assessments, and reduce implementation burden for users.

Step 3 – Develop and implement measures in adaptation plan: This step would benefit from a standards ed adaptation plan that Taxonomy users can apply.

Step 4 – Monitor and evaluate implementation and performance: The intention to monitor and evaluate the effectiveness of adaptation measures is appreciated. To support consistent implementation, additional guidance would be helpful on how this requirement should operate in practice, including who is responsible for overseeing the monitoring and evaluation process and how compliance should be evidenced. From a banking perspective, it would also be helpful to clarify the extent to which financial institutions are expected to monitor the ongoing performance of counterparties' adaptation measures. Requirements that imply continuous reassessment of whether adaptation measures ultimately achieve their intended outcomes may create legal and operational uncertainty. This could discourage institutions from classifying otherwise eligible activities as Taxonomy-aligned. Clear guidance on responsibilities, evidencing requirements, and liability boundaries would therefore facilitate effective implementation.

Step 5 – Take corrective actions as necessary: Similar to the observation above, additional guidance on the practical implementation of corrective actions would be welcome. This could, for example, include clarification on responsibilities for oversight and verification, monitoring expectations, and the implications where corrective actions do not ultimately achieve the intended outcome.

End-to-end case study: ASIFMA would also welcome a practical case study demonstrating how the five PBA steps apply to an individual asset, including identification of the relevant climate hazard, selection and assessment of the adaptation measure, evidence requirements, monitoring and the ultimate determination of Taxonomy alignment. This would complement the existing illustrative examples and support more consistent application of the framework.

Question D: For climate change mitigation, is there an alternative approach that has not been considered for demonstrating alignment for the criteria under Green Activity, Transition Activity and Transition Measure? Please provide evidence to justify recommendation.

ASIFMA recommends retaining flexibility to demonstrate alignment using credible equivalent standards, certifications or pathways where these achieve substantively comparable environmental outcomes.

This would be consistent with our broader Phase 2A position that interoperability and usability should be central features of the Taxonomy and that relevant benchmarks, taxonomies and standards should be identified transparently.

Where equivalent international or jurisdictional standards are accepted, the Taxonomy should clearly explain how equivalence may be demonstrated to minimise duplicative assessment.

Question E: What specific gaps, ambiguities, or implementation challenges do you foresee in applying the proposed metrics and technical criteria for climate change mitigation and adaptation, as applicable? Please provide specific suggestions for improvement.

ASIFMA members respectfully encourage HKMA to take the below considerations into account when further developing the Hong Kong Taxonomy:

- Mapping against existing legal standards and regulatory frameworks: Consider identifying where compliance with existing legal, regulatory or certification requirements may already demonstrate compliance with specific Taxonomy criteria. This is something that has been recognised in the EU Taxonomy Omnibus review.
- Evidence requirements: From a banking perspective, further guidance would be helpful on what evidence financial institutions are expected to obtain from counterparties in order to demonstrate compliance with individual criteria. In particular, it would be useful to clarify:
    - which documents or data points are expected from counterparties;
    - whether self-declarations are considered sufficient for certain criteria;
    - when third-party verification is required;
    - how frequently evidence should be refreshed or reassessed; and
    - under what circumstances existing certifications, regulatory approvals or external assessments can be relied upon as sufficient evidence of Taxonomy alignment.
- Alignment of financing and expenditure: Further guidance would be helpful where financing

is provided at corporate or portfolio level but Taxonomy-aligned expenditure occurs at a specific facility or asset. This should clarify appropriate allocation methodologies and the treatment of refinancing, look-back periods and double counting.

Question F: Are there any metrics and technical criteria that could be further adapted in the local context?

We would like to reiterate that technical thresholds should remain ambitious and scientifically credible while appropriately reflecting Hong Kong's energy structure, policy objectives, technology availability and transition pathway. Phase 2B already moves substantially in this direction through its process-based approach, Hong Kong-specific tools and models, and locally relevant adaptation measures. As the framework develops, we would encourage greater use of locally calibrated hazard metrics, including rainfall, flooding, storm surge and sea-level data, rather than establishing overly generic quantitative thresholds. Phase 2B appropriately recognises that the suitability of adaptation measures and their thresholds depends on location, asset characteristics and climate vulnerability.

Question G: Please provide any feedback on specific activities and/or measures, along with evidence to support your recommendations.

At this stage, ASIFMA highlights the following priority areas:

Air transport and SAF: Final SAF thresholds should reflect realistic availability and scalability while remaining sufficiently ambitious. Phase 2B currently leaves the applicable thresholds to be determined.

Data centres: We would like to reiterate our concern regarding the practical application of PUE and WUE metrics to users of public cloud services and the application of refrigerant GWP requirements to existing data centres. Our Phase 2A submission recommended considering global metrics for cloud service providers and applying GWP considerations prospectively to new data centres where appropriate. Phase 2B retains PUE, WUE and a refrigerant GWP cap as core criteria for data centres.

Adaptation: We support continued expansion of coastal, flood and resilience measures, together with additional measures covering other material physical hazards identified for Hong Kong.

Natural gas, nuclear and CCUS: These should remain priorities for subsequent Taxonomy development, as already recognised in the Phase 2B "Looking Forward" section.

4. Taxonomy implementation

Question A: What are your suggestions on how the Taxonomy can be used in Hong Kong? What use cases do you consider as the most relevant and impactful and should be prioritised in the near-term? What use cases can be developed in the longer term?

ASIFMA would like to respectfully reiterate that an interoperable, voluntary taxonomy can be an important tool for guiding international capital flows and supporting Hong Kong's green and transition finance markets. Continued identification of eligible activities and transition measures and improved comparability and information flows across markets would be beneficial.

From a capital-markets standpoint, the Taxonomy can help encourage green financing and the channelling of capital towards activities that support Hong Kong's green and transition objectives.

Experience in the EU indicates that including an activity in a taxonomy can help catalyse capital flows, including by enabling issuers to recognize associated expenditure in financing frameworks and investors to reflect eligible activities in investment policies.

Against this background, further guidance to support capital-markets issuers in adopting the Taxonomy would be welcome and could help accelerate its use.

Question B: Given that the Taxonomy is a voluntary tool at this stage, what actions or support can regulatory agencies provide in the near-term to increase its adoption? What actions or support can be provided in the longer term?

ASIFMA reiterates that the Taxonomy is primarily intended as a market-classification and transaction-assessment framework rather than a prudential tool. Taxonomy alignment should not in itself determine creditworthiness, capital treatment, liquidity treatment or other supervisory outcomes. Any future proposal to incorporate the Taxonomy into banking supervisory policy should be separately consulted upon, supported by appropriate evidence and impact assessment, and subject to sufficient implementation time.

ASIFMA members would also highlight the importance of international interoperability with other taxonomies beginning with regional interoperability across APAC. Members would also welcome additional use cases demonstrating how adoption of the Taxonomy can facilitate investor assessment of transition plans, capital expenditure alignment and transition-finance product development.

Question C: The Taxonomy is a living document. How often would you like to see updates and expansions to the Taxonomy? Are there specific sectors or activities that you consider should be prioritised for more frequent updates? Do you have any other feedback on Taxonomy implementation and maintenance?

ASIFMA recognises that the Taxonomy must evolve with scientific and technological developments, international standards and sectoral expansion.

The addition of new activities and sectors to the Taxonomy can take place on a regular basis to ensure the framework remains relevant and reflects technological and market developments. Updates to existing activities, including revisions to criteria, thresholds or evidencing requirements, should be introduced in a predictable and proportionate manner, such as a five-year interval for more substantive revisions. When criteria, thresholds or sunset dates are revised, the HKMA should provide advance notice, clear effective dates and appropriate transitional or grandfathering arrangements for existing transactions and financial instruments. This would provide implementation certainty and avoid retrospective changes to alignment status.

Implementing changes to established Taxonomy requirements can be resource-intensive for market participants, as significant amendments may require updates to internal frameworks, policies, processes, methodologies and data collection practices. Providing sufficient lead times and maintaining overall stability of the framework would therefore support effective implementation.

5. Additional comments

Overall, ASIFMA welcomes the continued expansion of the Hong Kong Taxonomy and the HKMA's engagement with industry.

ASIFMA members would find it helpful to understand whether the Taxonomy is intended primarily to support corporate disclosures or whether it is also expected to serve as a reference framework for financial institutions in assessing and reporting the sustainability of their financing activities and portfolios. In developing and maintaining the Taxonomy, consideration should be given to the different user groups applying the framework. Implementation challenges, data availability and guidance needs may differ significantly between manufacturers, financial institutions and other market participants. Tailored guidance for different user groups could therefore support more consistent implementation.

ASIFMA members also recommend introducing minimum environmental and social safeguards for Green activities, similar to the Minimum Safeguards framework under the EU Taxonomy. This would help ensure that environmentally sustainable activities are conducted in a manner consistent with internationally recognised principles on human rights, labour rights, governance and responsible business conduct, while promoting interoperability with other taxonomy frameworks.

Conclusion

Overall, we believe that an interoperable, voluntary taxonomy could help guide international capital flows to support the green transition. We encourage Hong Kong authorities to continue consulting with the industry, ensuring sufficient transparency and adequate time for stakeholder input.

We thank the HKMA for considering our comments and would be pleased to elaborate on any of the issues raised or to provide further clarification as needed.

If you have any questions, please contact **Ms. Diana Parusheva-Lowery, Managing Director, Public Policy and Sustainable Finance** at dparusheva@asifma.org.



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