

ERIA POLICY BRIEF

Finance for the Climate Transition: Harmonising ASEAN Green Banking Frameworks

Key Messages:

- ASEAN's green banking landscape remains fragmented, as no comprehensive regional framework yet guides how banks should govern, measure, and manage their green lending.
- National banks across ASEAN rely instead on green banking frameworks set outside the region, mainly the UN Principles for Responsible Banking, the Equator Principles, and the IFC Alliance for Green Commercial Banks, applying them at their own pace.
- A common regional green banking framework would accelerate investment towards national net-zero targets and Nationally Determined Contributions (NDCs), sustaining the region's shift to a low-carbon economy.

ASEAN's green banking practices remain fragmented, with banks and supervisors operating under different national approaches and voluntary international standards. This fragmentation can raise the cost of cross-border green and transition finance and limit the mobilisation of capital for the region's low-carbon transition. Building on the ASEAN Taxonomy for Sustainable Finance, this Policy Brief proposes a regional green banking interoperability framework based on eight principles covering governance, target-setting, risk management, market development, emissions accounting, stakeholder engagement, assurance, and capacity building. A common framework would provide banks and supervisors with a shared foundation for more consistent implementation while preserving flexibility for national circumstances.

Green Banking Landscape Across ASEAN

Green banking is gradually gaining ground across ASEAN, even as the sector remains at an early stage of its sustainability transition. A number of banks across the region have begun to embed sustainability into their lending, supported by an evolving regulatory architecture, most recently the ASEAN Taxonomy for Sustainable Finance Version 4. It marks the region's most advanced sustainable finance standard to date.

However, a taxonomy is not a green banking framework. The ASEAN Taxonomy classifies which economic activities qualify as green, but it is largely silent on how banks govern, measure, and manage the transition across their portfolios. Green banking frameworks fill that gap, extending classification into board-level accountability, climate risk integration, science-based target-setting, financed-emissions accounting, and standardised disclosure. Without a common framework, practice varies across jurisdictions, and this fragmentation can raise the cost of cross-border green and transition finance and limit the mobilisation of capital for the region's low-carbon transition.

As Panels A and B of Table 1 show, ASEAN Member States have established diverse net-zero targets and NDCs, while national sustainable finance taxonomies are also developing at different stages. These differences reflect national circumstances but create a need for greater interoperability in sustainable finance practices. A regional green banking framework could provide common principles while allowing national authorities to retain flexibility in implementing them.

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Table 1. Climate Commitments and Sustainable Finance Taxonomies Across ASEAN

Panel A. ASEAN Member States' Net-Zero Targets and Nationally Determined Contributions

Country	Net-Zero Target	Latest Nationally Determined Contributions (NDCs) Unconditional Target
Viet Nam	2050	Second NDC: 15.8% below BAU by 2030
Thailand	2050	Third NDC: Net GHG ≤ 152 MtCO ₂ eq by 2035 (47% below 2019 level)
Singapore	2050	Second NDC: 45–50 MtCO ₂ e absolute level in 2035
Indonesia	2060 or sooner	Second NDC: Absolute emissions target 1.26–1.49 GtCO ₂ e by 2035
Malaysia	2050	Third NDC: Up to 20 MtCO ₂ eq reduction by 2035 from peak level
Philippines	Aviation 2050	First NDC: 2.71% cumulative reduction (2020–2030)
Brunei Darussalam	2050	Third NDC: 20% reduction vs BAU by 2035
Cambodia	2050	Third NDC: 16% reduction vs BAU by 2035
Lao PDR	2050	First NDC: 60% reduction vs baseline by 2030 (about 62,000 ktCO ₂ e)
Myanmar	FOLU 2040	First NDC: Cumulative 244.5 MtCO ₂ e (2021–2030)

Panel B. ASEAN Member States' Sustainable Finance Taxonomies

Country	National Sustainable Finance Taxonomy
Viet Nam	Vietnam Green Taxonomy
Thailand	Thailand Taxonomy
Singapore	Singapore-Asia Taxonomy
Indonesia	Indonesia Taxonomy for Sustainable Finance
Malaysia	CCPT & SRI Taxonomy
Philippines	Sustainable Finance Taxonomy Guidelines

Source: Authors' compilation from ASEAN Climate Change and Energy Project (2026), UNFCCC NDC Registry, and national sustainable finance taxonomy documents.

ASEAN Green Banking Commitments

Table 2 shows that ASEAN banks are increasingly engaging with global sustainable finance standards, most notably the UN Principles for Responsible Banking (PRB), the Equator Principles, and the International Finance Corporation's (IFC) Alliance for Green Commercial Banks. Uptake of these frameworks varies across ASEAN. These initiatives provide complementary building blocks for an ASEAN framework, but none is designed specifically to establish a common regional supervisory and banking approach.

Table 3 compares the three frameworks across shared dimensions. The UN Principles for Responsible Banking (PRB) cover the whole portfolio, the Equator Principles the individual transaction, and the Alliance for Green Commercial Banks the institution itself. Their standards rest on portfolio-wide targets, the IFC Performance Standards, and eight building blocks, respectively. The

first two rely on compliance and disclosure; the Alliance leads with incentives and mentorship. An ASEAN framework can draw on these complementary strengths.

Principles and Frameworks for Green and Sustainable Banking

Combining the strengths of these global standards into a single model, Figure 1 distils eight principles that link high-level governance to measurable changes in products, risk, and disclosure across ASEAN banking. The first four set the strategic and governance foundations, and the remaining four cover the day-to-day work of raising, measuring, and reporting capital.

1. **Strategic alignment**, by tying bank strategies to national, regional, and global climate objectives.
2. **Governance and leadership**, by establishing board-level accountability and appropriate incentives.

Table 2. Participation of ASEAN Banks in Major Global Sustainable Banking Initiatives, February 2026

No	Alliance	Total Members	ASEAN Members	Member Countries (Number of Banks)
1	The UN Principles for Responsible Banking (PRB)	364	9	Malaysia (2), Indonesia (4), and Thailand (3)
3	Equator Principles	129	4	Singapore (3), Thailand (1)
4	The Alliance for Green Commercial Banks	23	15	Vietnam (4), Indonesia (2), Philippines (2), Thailand (2), Lao PDR (3), Cambodia (2),

Source: United Nations Environment Programme Finance Initiative (2026), Equator Principles (2026), IFC Alliance for Green Commercial Banks (2026). Authors' compilation.

Table 3. Policy Framework for Green and Sustainable Banking

Dimension	Sub-Dimension	A. UN Principles of Responsible Banking	B. Equator Principles	C. Alliance for Green Commercial Banks
Purpose and Target	Scope of Application	Entire bank portfolio across all business lines	Individual large-scale project transactions	Emerging-market commercial banks
	Sustainability Objective	Align banking with SDGs, Paris Agreement	Mitigate environmental and social harm	Build and scale green lending in developing economies
Key Policy Actions	Internal Strategy and Capacity	Impact analysis across portfolio, board-level governance integration	Categorise projects, apply Performance Standards	Eight building blocks framework, immersion labs, staff training
	Client & Market Engagement	Engage clients and civil society on sustainable practices	Require borrower Environmental and Social Management Plan	Develop green products with lead bank mentorship
Metrics and Governance	Measurement and Reporting	Standardised impact tool, annual self-assessment reporting	Deal-level risk categorisation reported to Association	Track green finance volumes using standard climate definitions
	Accountability and Oversight	Independent assurance required, de-listing for non-compliance	Independent consultants review high-risk projects lifecycle	Coordinated, incentive-based, no compliance enforcement

Source: Authors' synthesis from UNEP FI (2026), Equator Principles Association (2026), and IFC Alliance for Green Commercial Banks (2026).

3. **Target-setting**, by adopting science-based, time-bound transition targets.
4. **Risk management**, by integrating environmental and social risks into credit and portfolio decisions.
5. **Market development**, by expanding green and transition finance instruments.
6. **Emissions accounting**, by developing consistent approaches to financed-emissions measurement.
7. **Stakeholder engagement**, by supporting clients in managing their own transition.
8. **Assurance and capacity building**, by strengthening verification, skills, and institutional capacity.

Policy Recommendations

ASEAN has begun laying the groundwork for a green banking transition, and the priority now is to draw these efforts into a coherent regional system. As shared definitions, comparable disclosure, and common practice take hold, the region can mobilise cross-border capital at the scale the transition requires. The recommendations below move from the standards that define green finance to the disclosure and supervision that safeguard it, and to the capacity that sustains it.

First, establish an ASEAN Green Banking Interoperability Framework. ASEAN should formalise a regional framework that bridges national taxonomies, clarifies the treatment of transition activities, and is anchored in a shared commitment endorsed by ASEAN finance authorities.

Figure 1. Eight Main Principles for Green Banking Frameworks



Source: Authors.

Harmonised classifications would lower transaction costs, improve comparability, and scale up cross-border green and transition finance.

Second, harmonise disclosure and operationalise common supervisory expectations. Building on baselines aligned with the International Sustainability Standards Board (ISSB), ASEAN should adopt a common minimum standard for climate-related disclosures and financed-emissions accounting. Member states should also translate the eight principles into bank-level roadmaps. Because adoption of the region's common taxonomies rests on a voluntary basis, phased supervisory requirements and peer review would turn voluntary commitment into measurable practice.

Third, build regional capacity and implementation support. ASEAN should scale up co-ordinated capacity building through existing platforms such as the IFC Alliance for Green Commercial Banks, pairing technical assistance with peer learning amongst supervisors. A deeper talent base would equip banks and supervisors to manage transition finance with rigour and integrity.

Conclusion

ASEAN has established important foundations for green finance through the ASEAN Taxonomy and national sustainable finance initiatives, but banking practices remain fragmented. A regional green banking interoperability framework could translate common classifications into more consistent governance,

risk management, disclosure, and transition-finance practices. By combining common principles with flexibility for national implementation, ASEAN can strengthen investor confidence and mobilise more effectively the capital required for an inclusive, resilient, and low-carbon transition.

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