



Green Finance in Taiwan

Brenda Hu

Director-General, Dept. of Planning
Financial Supervisory Commission

Outline

- Immediate funding needs for coping with climate change
- Green Finance Action Plan 2.0



Immediate Funding Needs



- Less coal fuel
- Less energy use
- Efficient water use
- Negative emission tech
- Carbon capture/Storage
- Circular economy
- Pollution control
- Bio-diversity

Transformation
Adaptation

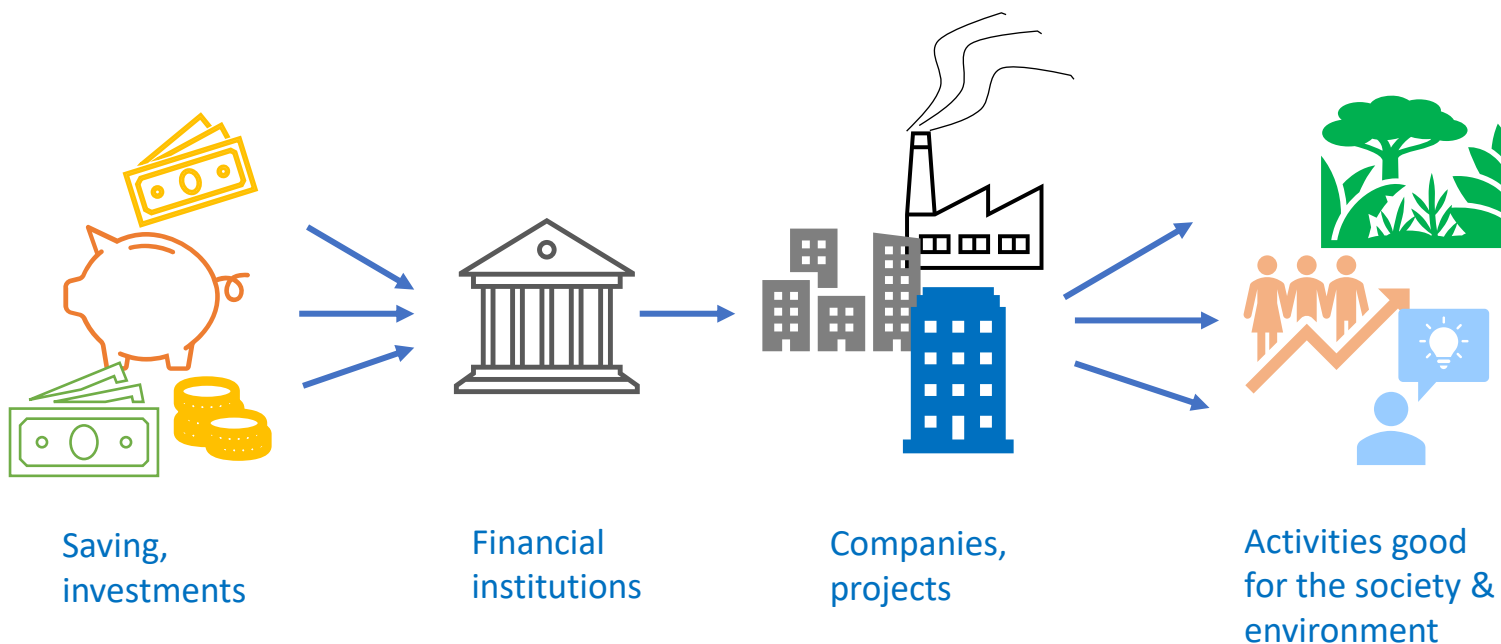
Technology
R&D

Funds

GREEN FINANCE ACTION PLAN 2.0



Financial Sector's Role



- Financial sector facing both risks and opportunities
- Shall play responsible role to channel funds toward right direction

Leverage financial sector's influence:

- Manage risks
- Support industries' transformation

Core Strategies

Expectation

Int'l trend, experience, practices

Int'l organization initiatives/ indexes

Int'l trend, experience, practices



FI & gov. pension funds



Companies



Practice, investment, supply chain



Sustainable development

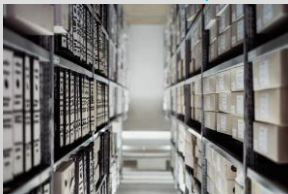
Supporting Measures



Guidelines for Stress Tests



Stewardship Code



Data Warehouses



ESG Reporting Requirement



TW Sustainability Taxonomy ⁶

Loan



Project finance

- 11 adopters of Equator Principle, **no. 1 in Asia**
- 3 insurers participated in 5 offshore wind projects, extended credit of US\$197 mn (20% of funding)

Credits to 5+2 Innovative Key Industries

- Credit outstanding: US\$194 bn
- Allocated 24% to circular economy, 23% to green energy tech

Green loans

- Use of proceeds follow green loan principles (LMA, LSTA, APLMA)

Sustainable performance-linked loans

- Use of proceeds follow banks' internal KPIs

5+2 key industry: Asia Silicon Valley, National Defense, Circular Economy, Smart Machinery, Green Energy, Semiconductors, Biomedicine

Investment

Stewardship

- Investment decisions embracing ESG (specified in self-regulations, stewardship codes)
- Shareholder Activism
- 4 Gov. pension funds & all securities investment trust enterprises (SITE) are signatories
- 93% of other FIs are signatories

Responsible investment

- US\$433 bn in 2020, \approx 32% of overall investment
- Insurers account for 87%

(As of Aug. 2021, Source: Taipei University)

Fund-raising

Sustainable Development Bond Market: Launched April 2021

Sustainable Bonds

9 issues, total US\$1.8 bn

Green Bonds

72 issues,
total US\$6.4 bn

Social Bonds

6 issues,
total US\$0.44 bn

Usage of Proceeds
Focus on green industry

- Renewables
- Energy efficiency
- GHG reduction
- Recycling
- Resource conservation
- Bio-diversity
- Pollution prevention
- Water conservation
- Adaptation
- Others recognized by TPEX

Usage of Proceeds
Focus on social benefits

- Affordable infrastructure
- Basic needs for services
- Affordable housing
- Job creation, ease of unemployment caused by social-economic crisis
- Food security and sustainable food system
- Right protection
- Others recognized by TPEX

(As of Oct. 22)

Financial Products

ESG Funds

- Encourage issuance of ESG funds by using incentives such as “Plan to advance Excellence for SITES”
- **33 funds, total US\$4.8 bn focusing on environment, ESG and CG (0.3%)**

ESG Indices

- Promote compilation of ESG indices
- **9 ESG related stock indices (10%)**
- **Labor Pension Funds mandate the indices taking up 86% of investment**

Insurance Products

- Insurers’ underwriting of green insurance factored in rate of appropriation for Insurance Guaranty Fund
- **13 insurers participate in offshore-wind, and 20 agriculture insurance products developed**

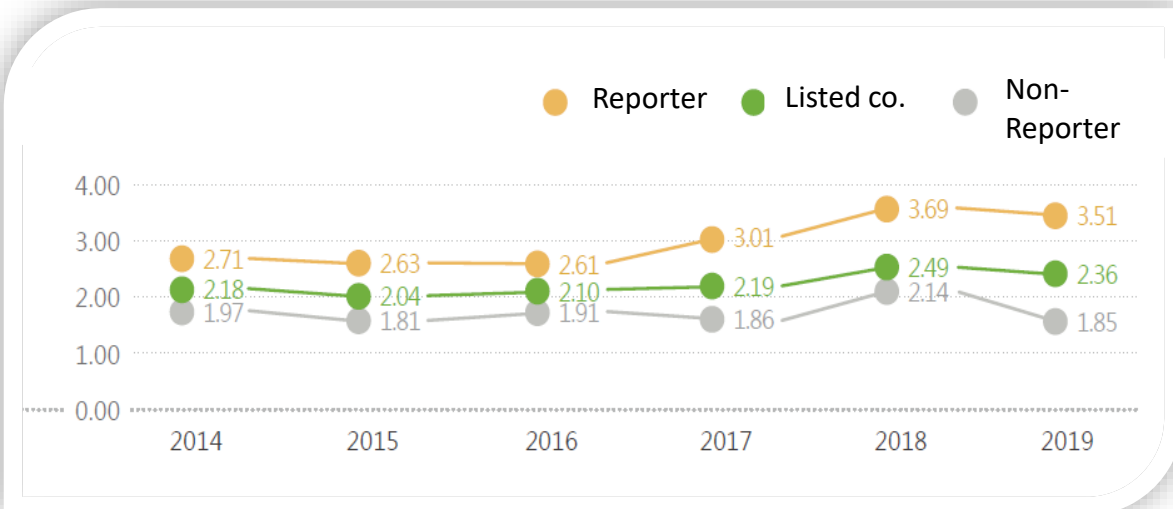
(As of Oct. 2021)

ESG Reporting

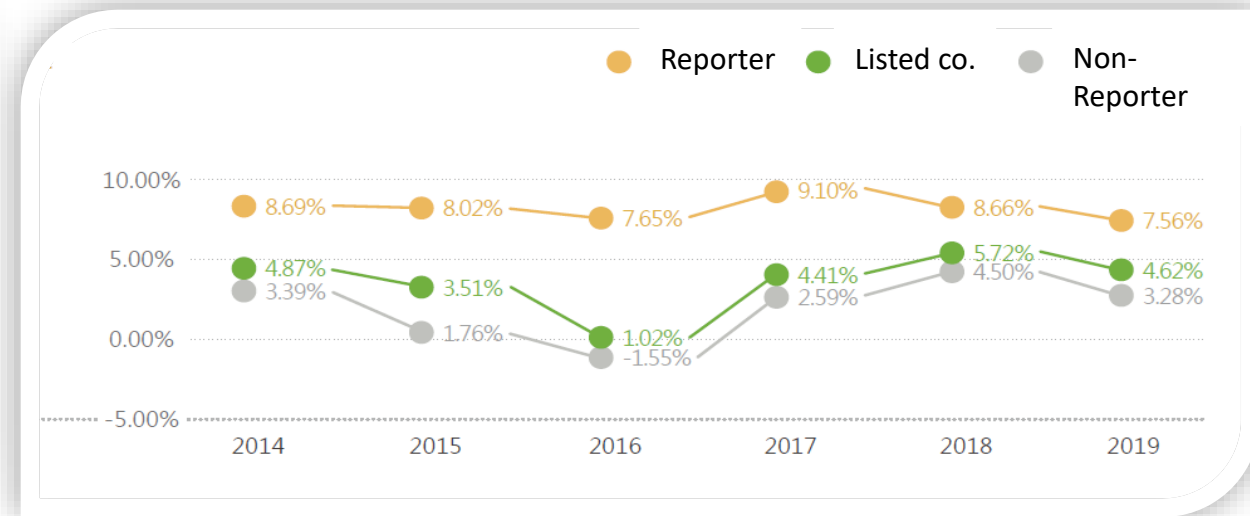
**Scale up
mandatory
disclosure**

- Current:
 - ✓ Specified industries and large listed co. (capital above US\$167 mn) shall prepare (32% of listed co.) & align to GRI standards
 - ✓ Plus voluntary ones >600 reports, 54% was assured, 68% included climate risks, 95% followed GRI
- Future: listed co. with capital above US\$67 mn shall align by 2023

EPS comparison (unit: NT\$)



ROE comparison (%)



ESG Reporting

Embrace more content

- Listed co. shall embrace SASB and TCFD recommendations (comparable, useful to investors)
- FIs shall follow Directives derived referencing TCFD recommendations (Directives to be released by 2021 and take effect in 2023)

Improve quality

- Reports reviewed by 3rd party with improving advice
- Scope of mandatory assurance will expand to specified industries & listed co., starting from 2022

Information Sharing



- Integrating government datasets of climate change for industries
- Bridging gaps by PPP



- More friendly interface for search and compare reports
- Multiple sources of company ESG information



- Holistic pictures of Taiwan's responsible investment, sustainable loans and ESG funds

Plan

Use for

- Assessing risks, scenario analysis

- Easy and faster access of ESG information for decision-making and reference

- Providing comparable, reliable and comprehensive info for stakeholders' reference

Capacity Building

- 3 institutes in charge of capacity building
 - Broad involvement: BoD, management, specialists, general employees
 - Various topics and content: Review and adapt to new trends on a rolling basis

Institute	Topics of Training
Taiwan Academy of Banking & Finance	<ul style="list-style-type: none">• Climate change management• ESG module and credit risk• Green finance for Leaders• Int'l ESG disclosure standards
Securities & Futures Institute	<ul style="list-style-type: none">• Circular economy and sustainable finance• Sustainable finance and green value chain• Green and sustainable finance for medium level management
Taiwan Insurance Institute	<ul style="list-style-type: none">• Responsible investment and ESG development trends• Offshore wind and green finance• Renewables-solar pivot power opportunities• Green financial innovation

Prudential Supervision

Risk Management

- Best practice principles embrace climate risks
- Climate financial disclosure guidance embraces TCFD recommendations
- Insurers' ORSA reports include climate risk assessment

Scenario Analysis/Stress Test

- Established task force to develop common basics
- Will release concrete exercise recommendations by 2022

Incentives & Int'l Networking



Sustainability Taxonomy

Sustainable Finance Evaluation

Awards

Advocation

Participation of int'l initiatives

Voluntary energy conservation

Taiwan Sustainability Taxonomy

6 Environmental Objectives

Climate Change mitigation

Climate Change adaptation

Sustainable use and protection of water

Transition to a circular economy

Pollution prevention & control

Protection of biodiversity & ecosystems

Social safeguards—human rights, etc.

Economic activities deem sustainable if:

- Substantial contribution to at least 1 objective
- Do no harm to the others
- Maintain minimum social safeguards

- Phase I selects 3 industries received most loans and investments (Manufacturing, Building & Construction, Transportation & Storage)
- Now initiating a test run
- Phase II is under construction



Every little bit matters

We can make a difference



國泰金控

Cathay Financial Holdings

For Brenda 則華

Empowering and Driving Net Zero - Finance

Sophia Cheng

CIO, Cathay Financial Holdings

7 November, 2021

NOT for distribution. Please do not circulate without approval from the author

Agenda

- Sustainable & responsible finance
- Climate action is critical to sustainability
- Climate actions by Taiwan corporates and financial institutions
- Cathay FHC leads sustainable finance & climate actions

Sustainable & responsible finance

Corporates aim to support society's needs

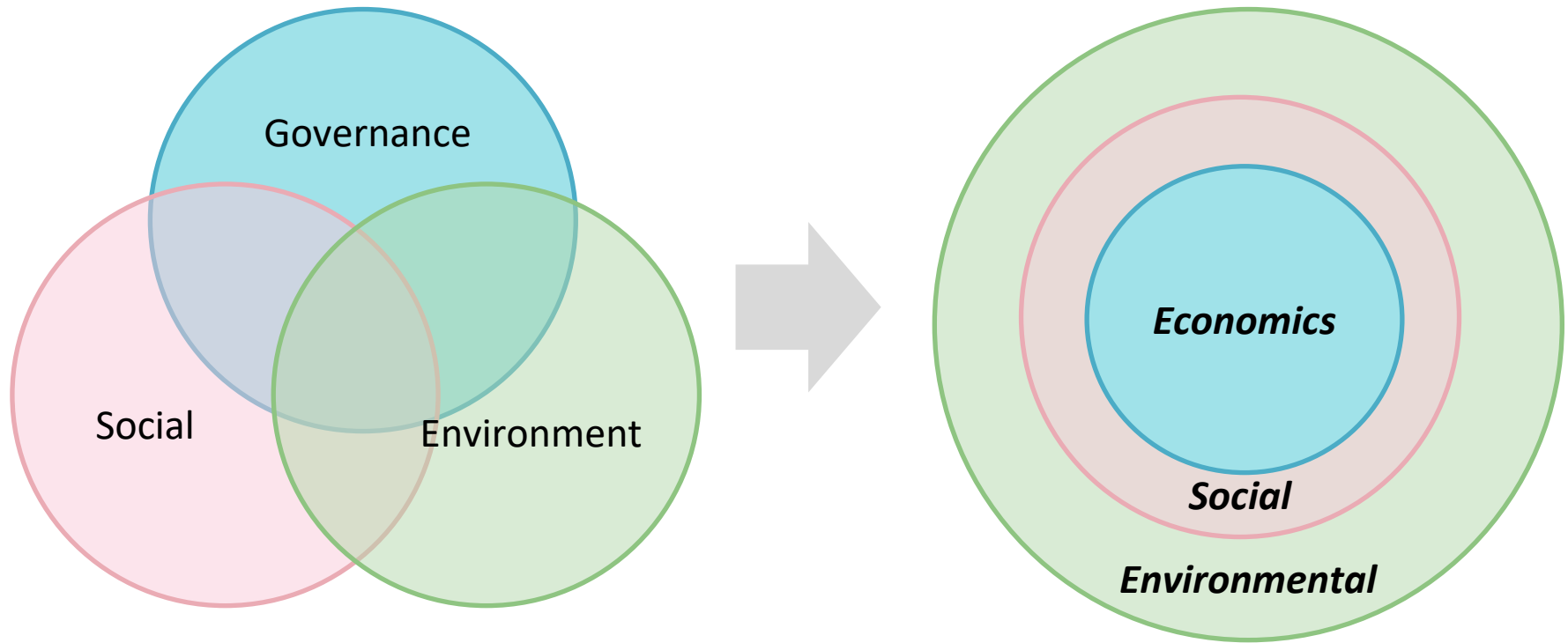
□ Corporates' core value



□ How to define corporates success?

- Profit performance: Margin, RoE & Share price
- Corporate sustainability: Corporate governance & social responsibility
- Contributing to the society, and bring wellbeing to the society
- Lead the society to prosperity and sustainability

The focus of corporate sustainability has been evolving



Double “E” will be corporates’ business foundation

EPS

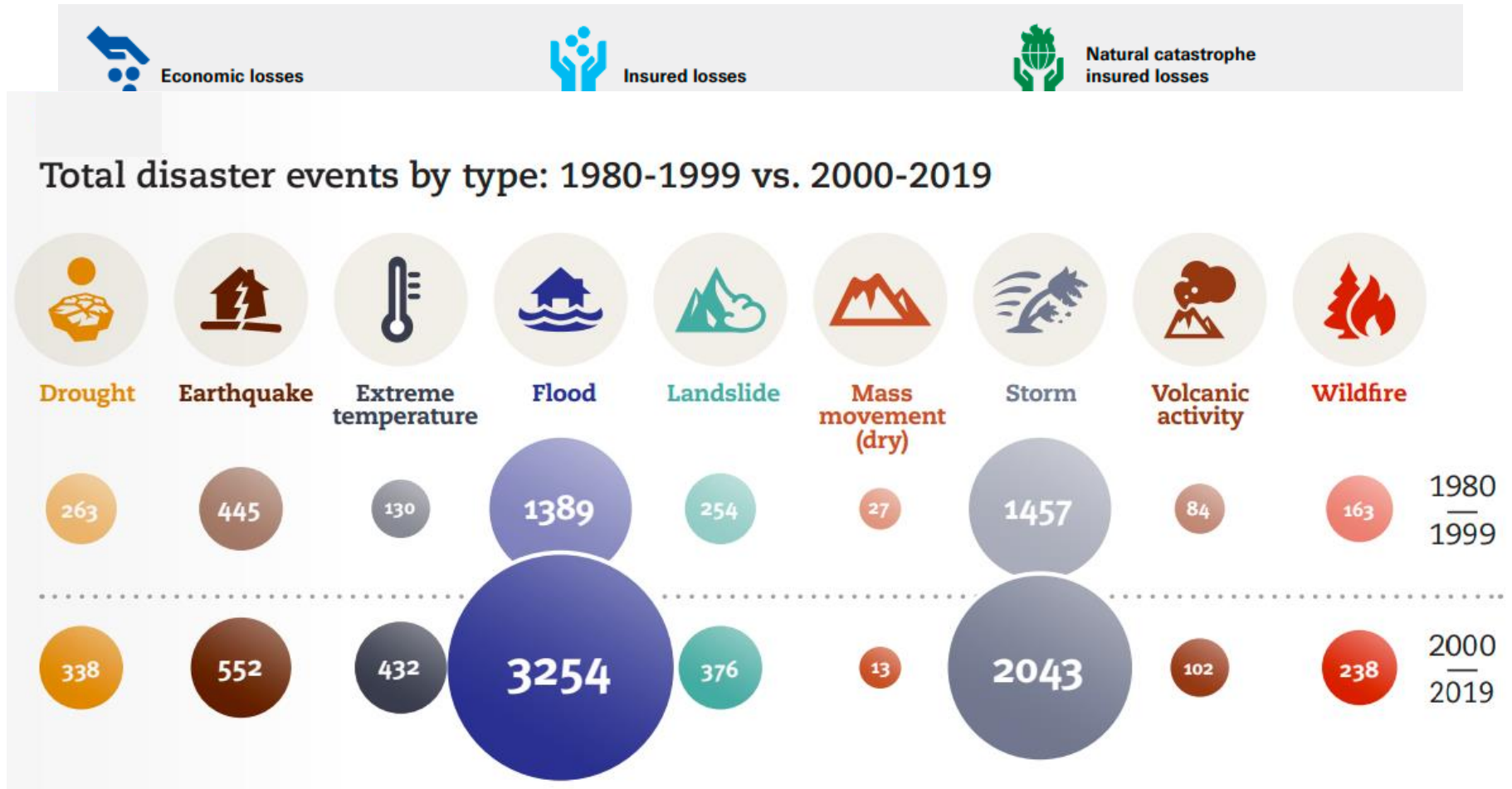
+

ESG

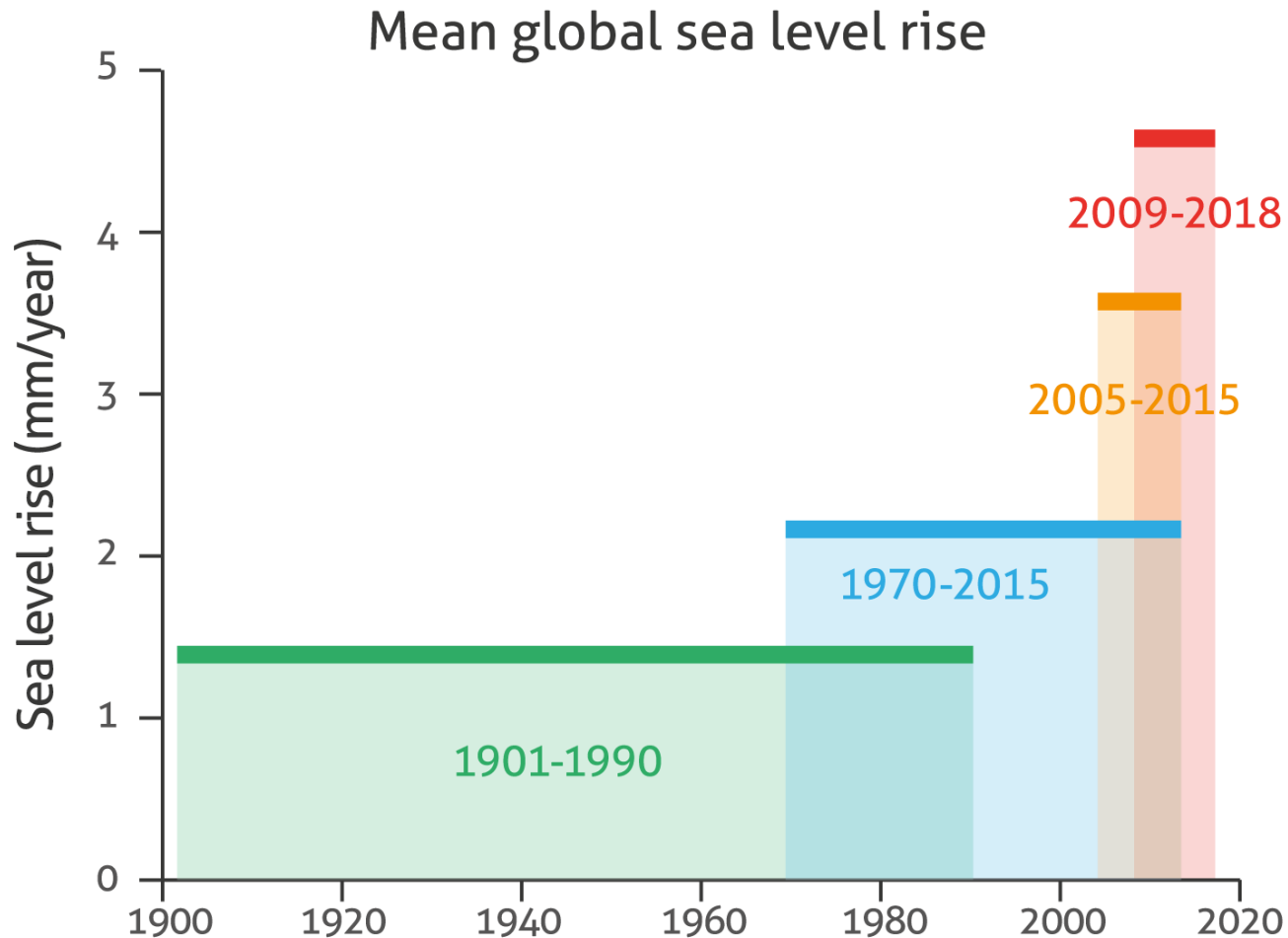
Climate action is critical to sustainability

Climate change is a systemic risk for the world

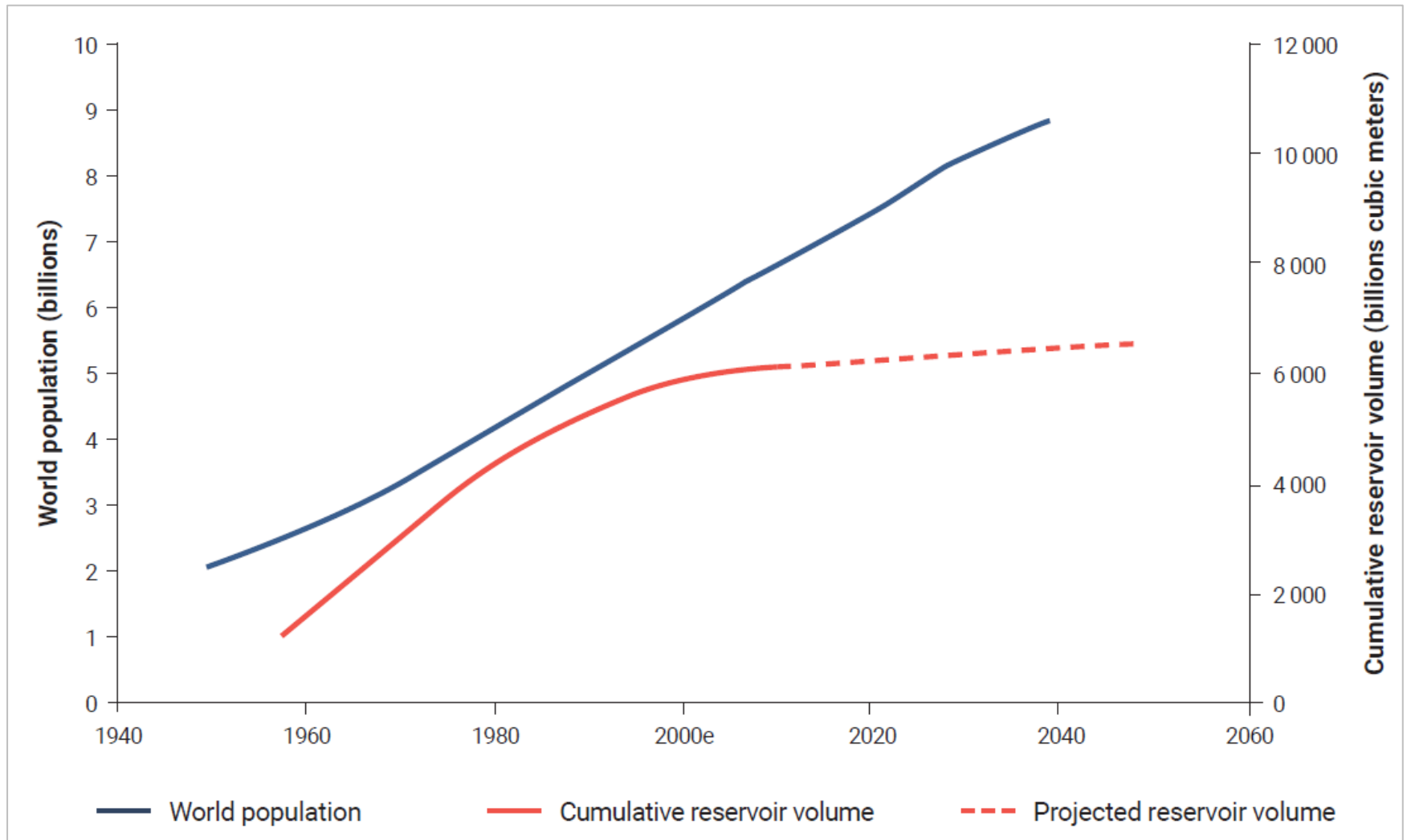
- Swiss Re Institute estimated Global economic losses from natural catastrophe events in 2020 were USD 190 billion, much higher than USD137bn in 2019



Acceleration in sea level rise

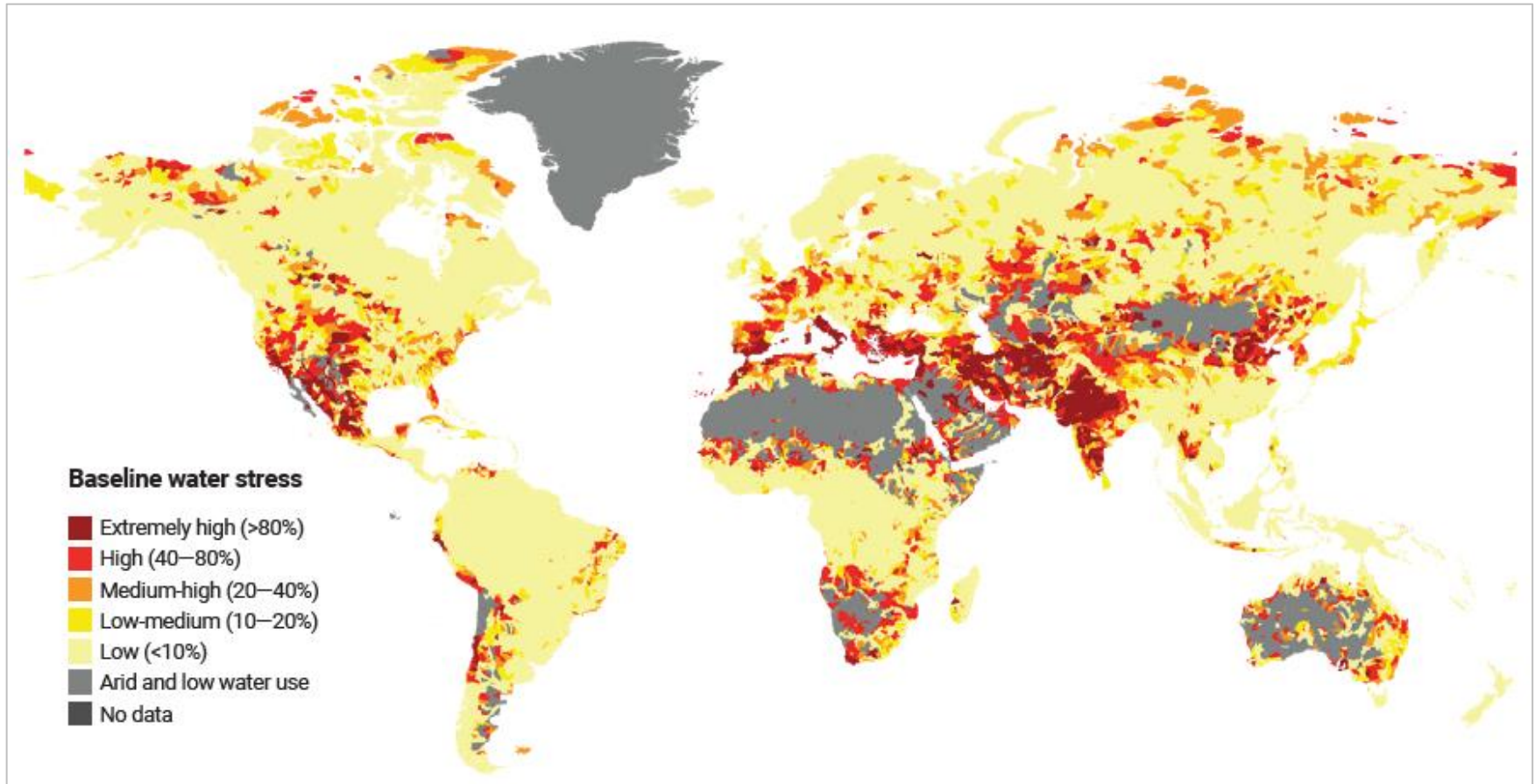


World population has been decoupling reservoir storage volume



Source: UN World Water Development Report 2021

Water stress affects many parts of the world



Source: UN World Water Development Report 2021

The initiatives and organizations call for investors/corporates' climate actions



Asia Investor Group on Climate Change (AIGCC)

- ❑ AIGCC is an initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing.
- ❑ AIGCC Membership (as of October 2021)
 - 57 members from 13 markets
 - > USD \$26 trillion in AUM
- ❑ Building investor capacity on climate change
 - C-Suite roundtable discussions with asset owners
 - Working groups for investors in Asia and key projects:
 - ◆ Policy and engagement, Physical risk and resilience, Paris-aligned investing, Climate change training
 - Net Zero transition implementation support for members
 - Research and resources for investors



Climate Action 100+ (CA100+)

615

INVESTORS

\$60

TRILLION IN
ASSETS

167

COMPANIES

80%+

GLOBAL
INDUSTRIAL
EMISSIONS

estimated to be
covered by focus
companies

ABOUT CLIMATE ACTION 100+

Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.



Ceres Valuing Water Finance Task Force drives corporate action

- Ceres launched the **Valuing Water Finance Task Force**, in partnership with the Government of the Netherlands Twelve Founding members of Valuing Water Finance Task Force



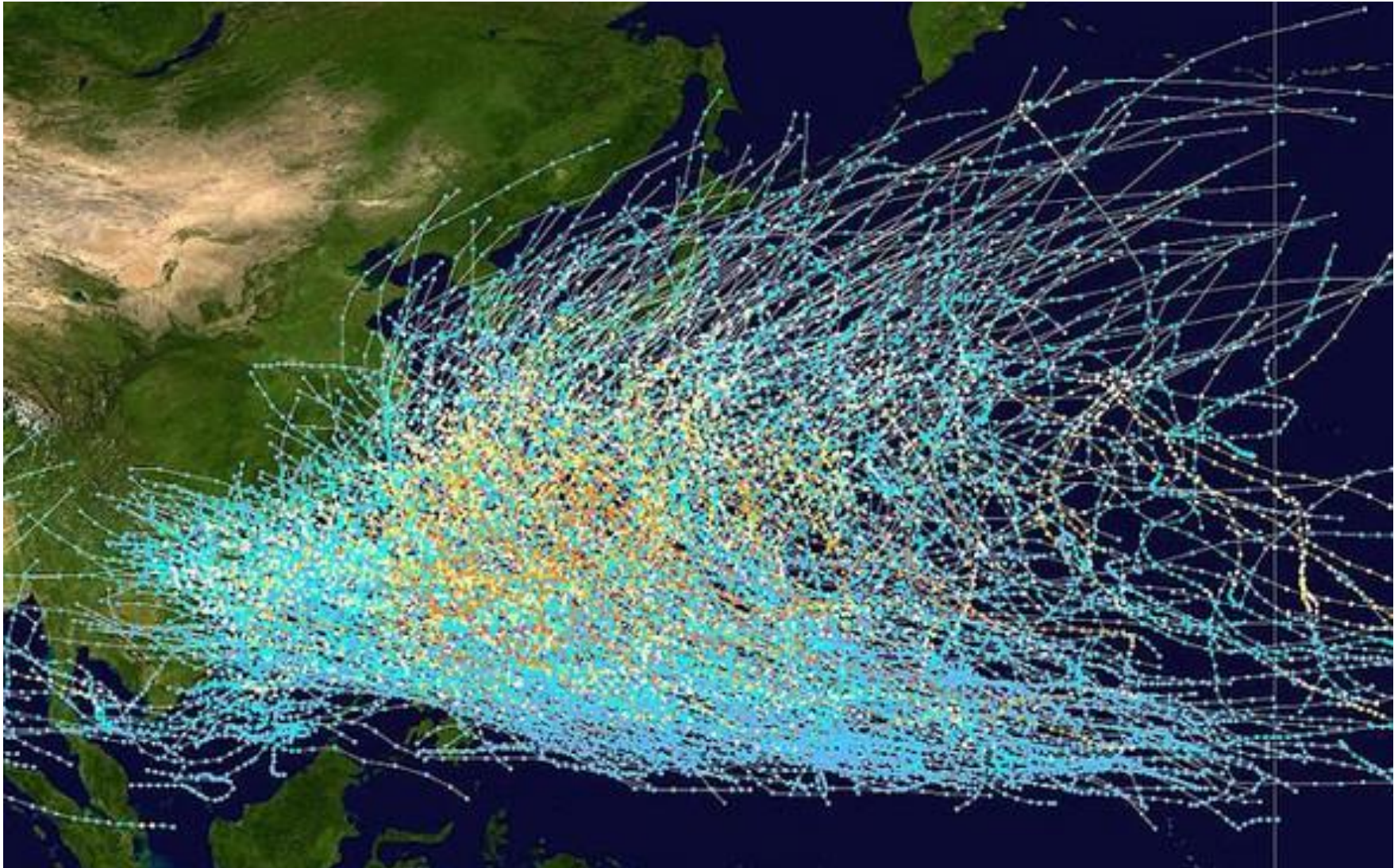
Source: Ceres and information on the internet

AIGCC Asian Utilities Engagement Program

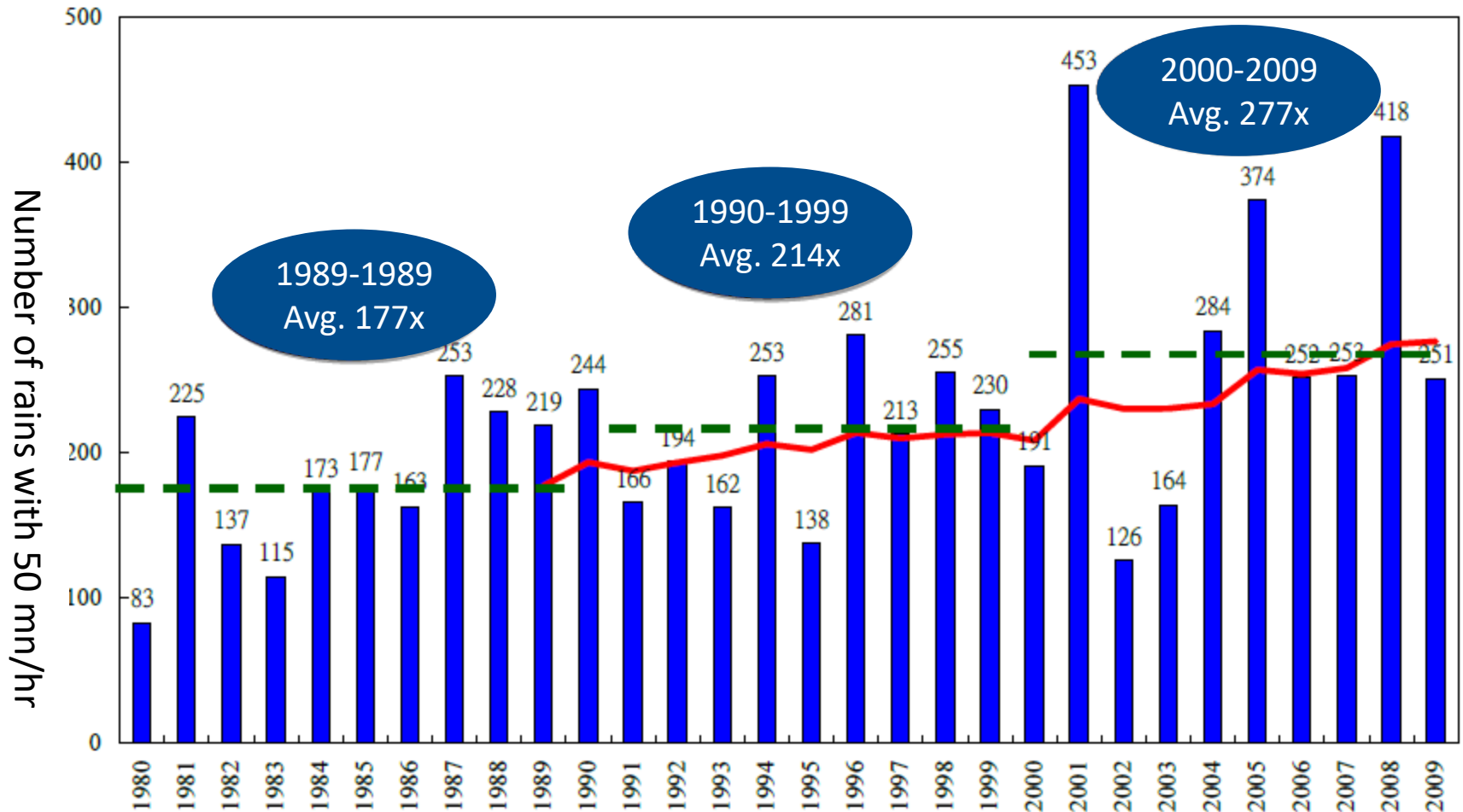
- ❑ A new program backed by 13 institutional investors and stewardship service providers, responsible for \$8.8 trillion in assets under management or advice
- ❑ The new program is coordinated by the Asia Investor Group on Climate Change (AIGCC) and will complement and run in parallel with the global Climate Action 100+ initiative.
- ❑ Working through the program, investors will collaboratively engage with five utility companies.
 - China Resources Power Holdings (China)
 - CLP Holdings (Hong Kong)
 - Chubu Electric Power Co. (Japan)
 - Electric Power Development Co. (J-POWER) (Japan)
 - Tenaga Nasional Berhad (Malaysia).

Climate actions by Taiwan corporates and financial institutions

Typhoon needs mild typhoon and smooth rain



Taiwan experiences more frequent hourly rain >50mn/hr



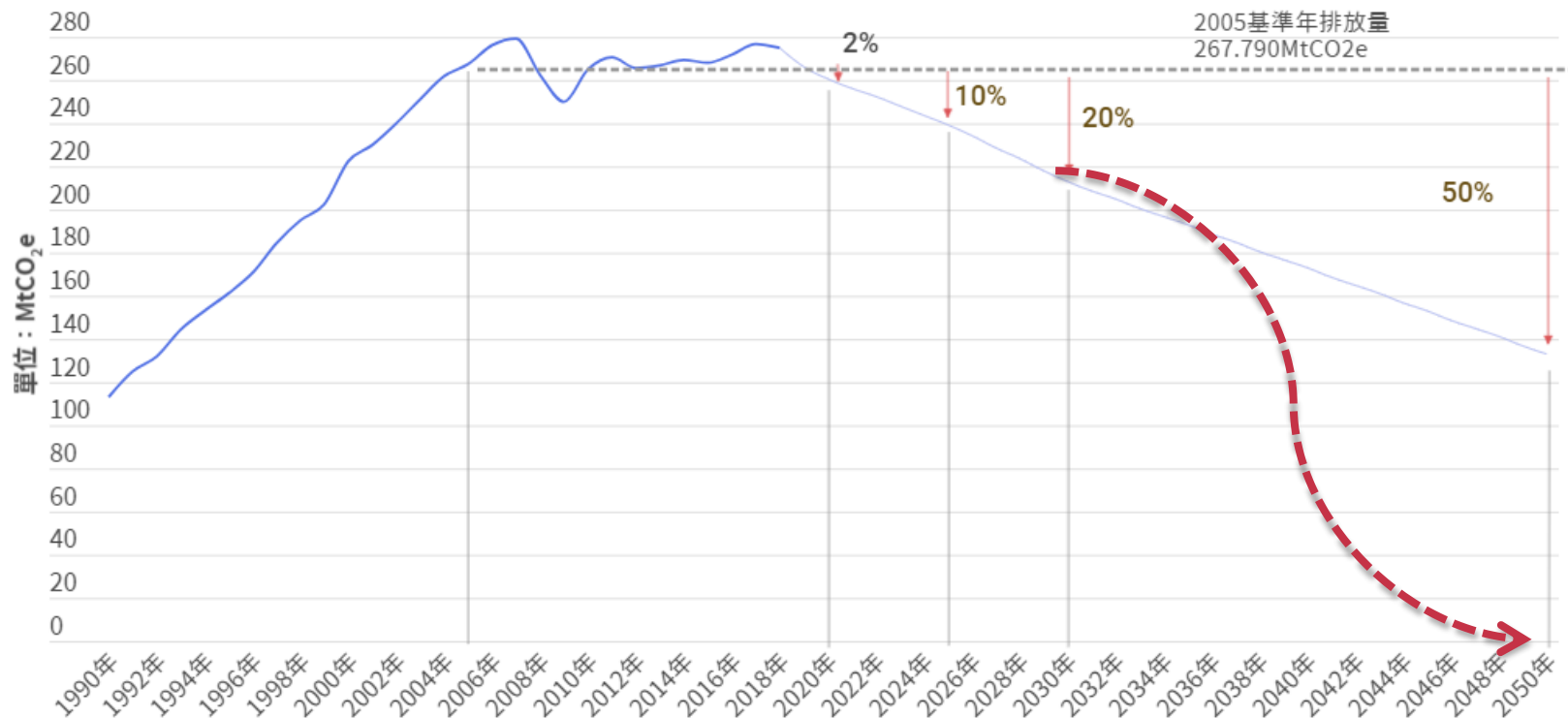
Source: Mol

Taiwan pledged 2050 Net Zero planning in April 2021

□ Taiwan EPA plans to amend GHG reduction target by 2021. Current targets:

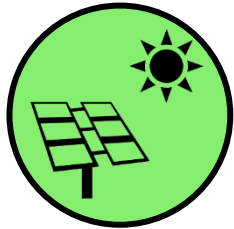
- 2025: 10% reduction vs. base year 2005
- 2030: 20% reduction vs. base year 2005
- 2050: 50% reduction vs. base year 2005

□ Climate respond action may set net zero target



Source: Taiwan Climate Talks

Taiwan Energy Transition: 20% renewable energy by 2025



Renewable Energy
20%



Coal Power
27%



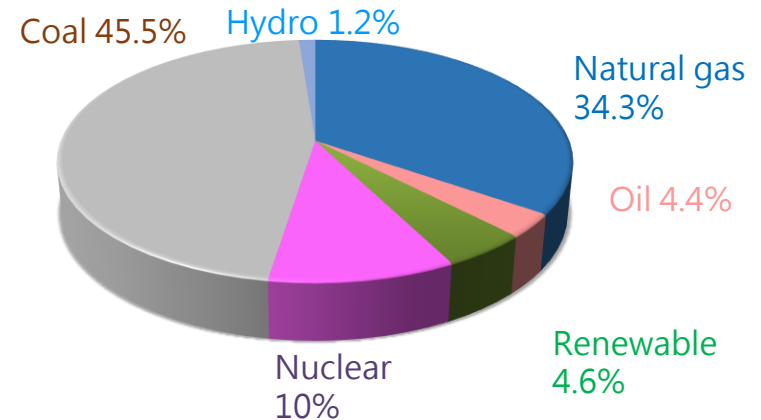
Natural Gas
50%



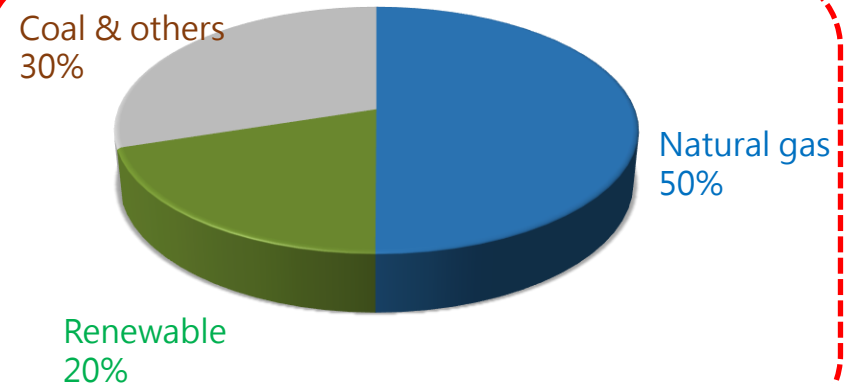
Existing nuclear facilities
will be retired

Source: EPA

The source of power generation (2018)



The source of power generation (2025)



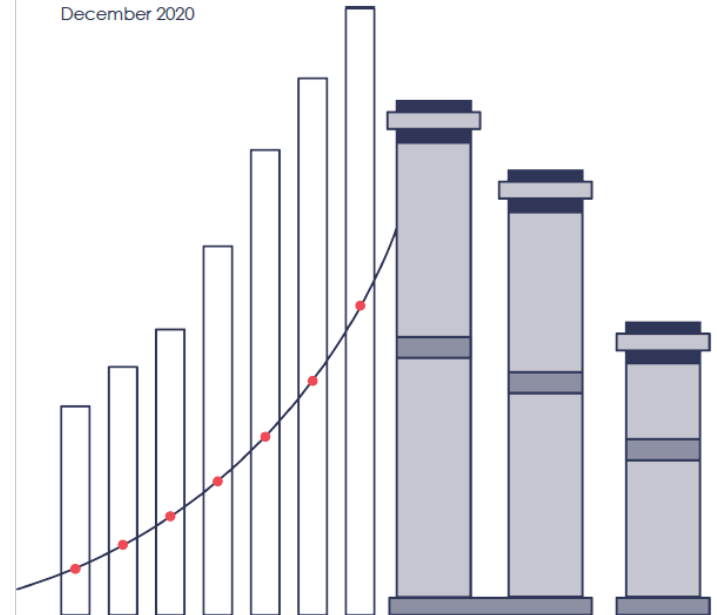
Taiwan Carbon Pricing may impact corporates' profit

- ❑ Taiwan EPA, the Grantham Research Institute on Climate Change and the Environment issued the report “Carbon pricing options for Taiwan” in December 2020.
- ❑ **Recommend the carbon levy is started at a low level (around US\$10/tCO₂e) with a clear trajectory** to increase the levy to levels required to meet international climate goals under the Paris Agreement, and escalate the carbon price over time to US\$98/tCO₂e
- ❑ **Taiwan top 10 high emitters may need to pay TWD 30 billion (US\$10 billion) in 2019 if the levy charges US\$10/tCO₂e**
- ❑ Analysis on potential impact to corporate earnings

Carbon pricing options for Taiwan

Report prepared for Taiwan Environmental Protection Administration

December 2020



行政院環境保護署
Environmental Protection Administration
Executive Yuan, R.O.C.(Taiwan)

60 Taiwanese companies joined as TCFD supporters

Financials (22)



Info. Technology (17)



Materials (9)



Industrials (2)



Transportation (2)



Telecom (1)



Energy (1)



Others (6)



Updated: 8 October 2021

Source: TCFD

11 Taiwanese companies have joined RE100



* Cathay FHC committed to 100% renewable energy by 2030 while evaluating to join RE100.

TSMC calls for suppliers' carbon and energy actions

- TSMC requests more than 700 suppliers to make advancements in green manufacturing and set the targets of energy saving and carbon emission reduction.
- **The performance of suppliers' carbon footprint and carbon reduction is one of TSMC's purchase criteria**
 - Equipment suppliers are required to save energy 20%
 - Review suppliers' carbon footprint



100%

All tier 1 suppliers have signed the TSMC
Supplier Code of Conduct



100%

All minerals are conflict-free



210 Million^{GWh}

Cumulative energy conserved by
suppliers through TSMC support

More Taiwanese companies committed to Net Zero emissions



Net
Zero 
by 2050

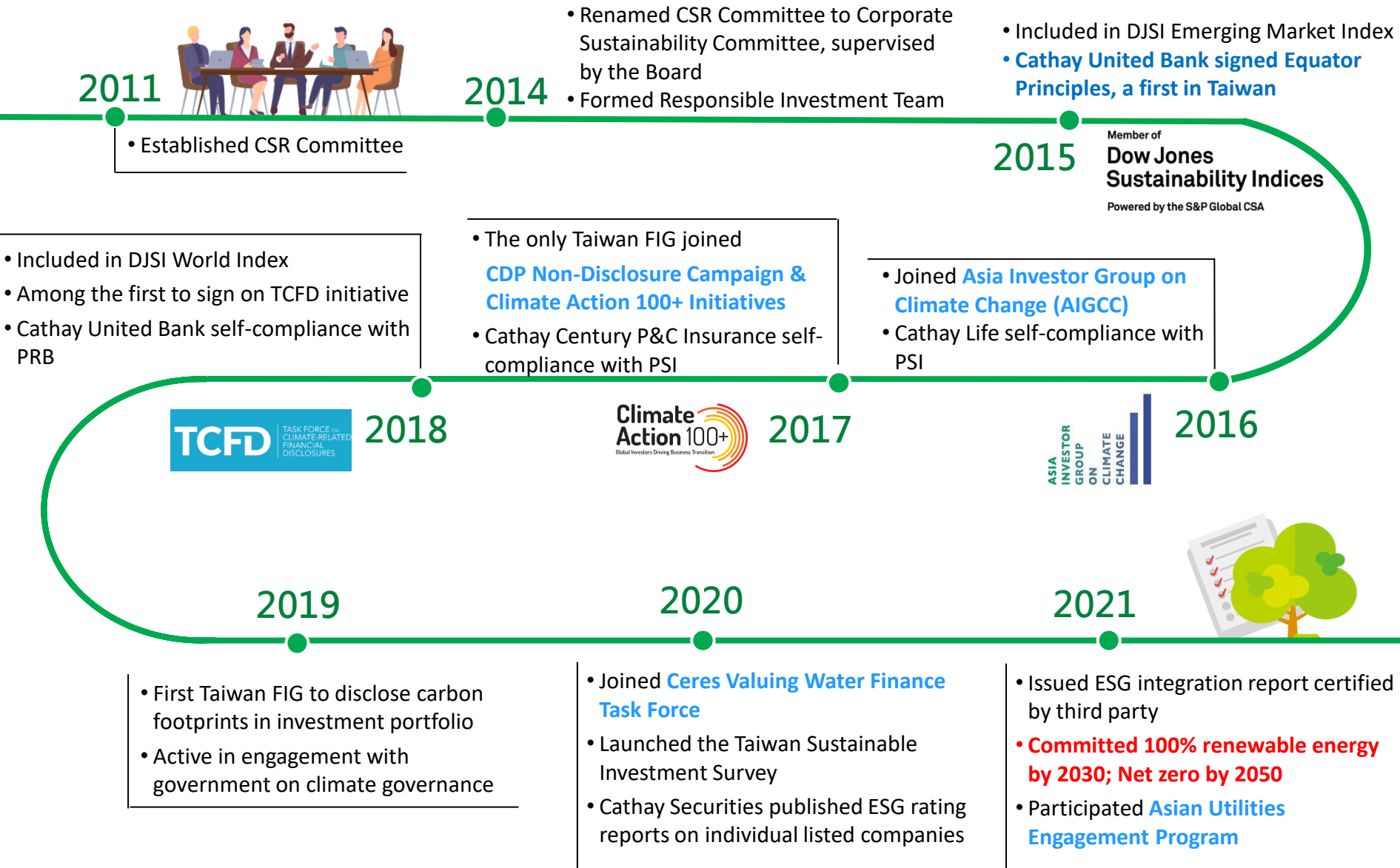


27 companies joined Taiwan Alliance for Net Zero Emission



Cathay FHC leads sustainable finance & climate actions

Cathay FHC's continuous effort in ESG integration



Climate actions : Signature low-carbon products



國泰人壽
Cathay Life Insurance

Insurance service carbon footprint

2016 : 3.92kg



2018 : 3.37kg



- 100% e-policies in 2019
- The first insurance company in Taiwan to obtain carbon footprint certification and carbon reduction label



國泰世華銀行
Cathay United Bank

Carbon emission of Unsecured personal loan

2018 : 12.3kg



2019 : 8.9kg



- The first bank in Taiwan to obtain carbon footprint certification and carbon reduction label for unsecured personal loan business



國泰產險
Cathay Century Insurance

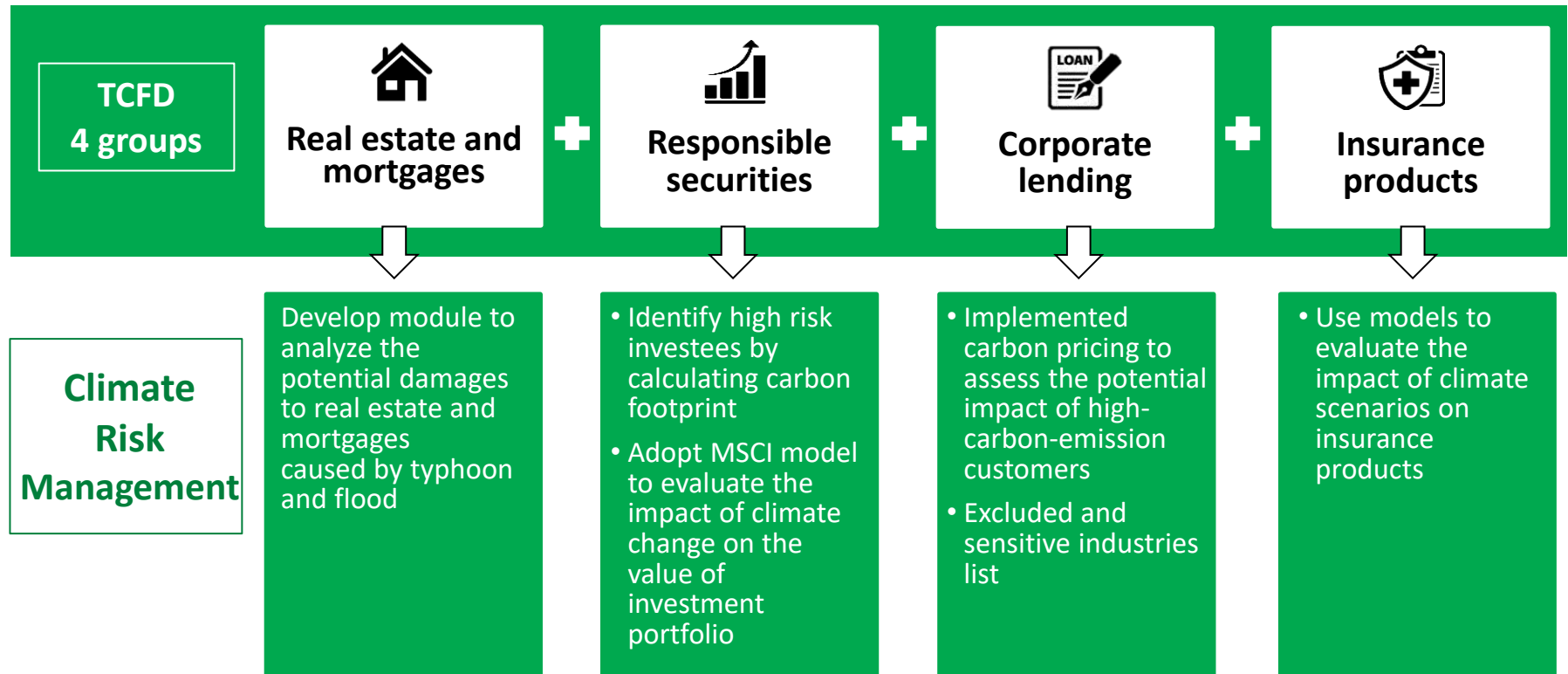
Carbon emission of
property insurance service
was 1.83 kg CO₂e in 2018,
lowest in the industry



- The first P&C insurance in Taiwan to obtain carbon footprint certification and carbon reduction label
- Led the industry in establishing PCR for "property insurance services"

Integrating climate risks/opportunities into businesses

- ❑ Divide TCFD task force into 4 groups monitoring Group's major asset and liability.
- ❑ Analyze potential risks and opportunities from climate risks, research the impact on business, and formulate response measures and strategies.
- ❑ Report the risk assessment and supervision progress to CRO each month and to the Board periodically.



Any unauthorized copying, distribution or other use of this presentation is prohibited.

Cathay Life Insurance and Cathay United Bank has exited coal

- ❑ Cathay Life Insurance has excluded the investment from the power generation companies which with over 50% revenue come from coal-fired power generation without active transition to renewable energy
- ❑ Cathay United Bank has ceased funding new loans for coal-fired power generation projects in 2019, and will no extended loans for current projects

Cathay Life Sensitive industries

- Controversial weapons
- Pornography
- Coal-fired power generation
- Coal mining
- Palm oil
- Gambling
- Logging

CUB Exclusion list

- Controversial weapons
- Human rights violations
- Pornography
- Mining
- Coal-fired/nuclear power generation
- Coal-related industries
- Upstream mining of oil and natural gas
- Tobacco
- Gambling
- Logging in tropical rain forests
- Gillnet production and gillnetting

Cathay FHC committed 100% renewable energy by 2030

- ❑ 100% renewable energy by 2025: headquarters of FHC, life, bank and P&C insurance
- ❑ 100% renewable energy by 2030: all office buildings in Taiwan
- ❑ Integrating carbon emission performance into CEO's KPI



Actively participating in Global ESG initiatives

Asia Investor Group on Climate Change (AIGCC)

Cathay FHC joined AIGCC in 2016 and **participates in monthly conference calls on global trends in climate change**.

Sophia Cheng, CIO of Cathay FHC, was appointed as the chair of AIGCC in November 2018.



Low Carbon Investment Registry

Cathay FHC is the only Taiwan financial institution to join the Low Carbon Investment Registry, initiated by GIC in 2014.

Total low carbon investment registered in 2020 reached US\$ 7.12 billion.



Climate governance initiatives

Cathay FHC has been a signatory of “Global Investor Statement to Governments on Climate Change” since 2014, urging governments of the G7 and G20 nations to fulfill their commitments to Paris Agreement.

Signed “The Investor Agenda” in 2018 to support low carbon investment, corporate engagement, TCFD climate disclosures, and policy advocacy.

Supported TCFD initiative since 2018, actively managing climate-related risks.



Engaging with investee companies on ESG improvement

Engagement policies and strategies

Cathay defined “climate change” and “ESG” as the main engagement strategy.

Aimed to strengthen Taiwan corporates’ awareness and capability in response to climate risks and opportunities.

Urged Taiwan corporates to enhance ESG disclosures in line with global standards.

ESG
Improvement

Investee engagement

More than 500 signatories with AUM over USD 47 trillion have joined Climate Action 100+ to engage 167 systemically important emitters and encourage them to curb emissions, improve governance and strengthen climate-related financial disclosures. **Cathay Life and Cathay SITE are only two signatories in Taiwan.**

Cathay has been in constant engagement with Taiwanese companies.



CDP non-disclosure campaign

Cathay is the only financial institution in Taiwan that has **participated in the CDP Non-Discloser Campaign for 4 consecutive years, encouraging Cathay’s investee companies to respond to CDP questionnaires.**

Cathay has successfully engaged 25 companies since 2017 ; 65% of these companies improved their CDP scores in the following year.



Participation in global and domestic ESG initiatives

Initiatives	Joined company / Time
CDP	• Cathay FHC (2012)
Low Carbon Investment Registry	• Cathay FHC (2014)
Taiwan Stewardship Principles	• Cathay Life & Cathay SITE (2016) • Cathay Century Insurance (2017) • Cathay United Bank & Cathay Securities (2018)
Asia Investor Group on Climate Change (AIGCC)	• Cathay FHC (2016)
CDP non-disclosure engagement campaign	• Cathay FHC (2017)
Climate Action 100+	• Cathay Life & Cathay SITE (2017)
PRI (signatory / voluntary self-compliance)	• Conning Inc. (PRI signatory in 2015) • Cathay Life (voluntary self-compliance in 2015)
PSI (voluntary self-compliance)	• Cathay Life (2016) • Cathay Century Insurance (2017)
PRB (voluntary self-compliance)	• Cathay United Bank (2018)
TCFD	• Cathay FHC (2018)
Ceres Valuing Water Finance Task Force	• Cathay FHC & Cathay Life (2020)
AIGCC Asian Utilities Engagement Program	• Cathay FHC (2021)

Urging corporates awareness on climate change since 2017

Climate Change Forum



2017

- Over 20 top managements from leading industries and institutions had interactive discussion with Mr. Al Gore.
- All delegates shared their opinions on climate change and their climate actions.



2018

- Co-hosted with CDP and PwC to educate investee companies on CDP and TCFD details.
- A total of 86 individuals and 55 enterprises participated.



2019

- Co-hosted with TWSE and AIGCC to share information on international trends and industry benchmarks.
- Over 150 participants joined.

2020 Sustainable Finance & Climate Change Summit

- Co-hosted with TWSE to incorporate sustainable financial issues and expanded the scale of the Summit.
- Delegates represented 70% of total market capitalization and 40% of GHG emission.



Active engagement on youth climate actions

□ Climate Change Youth Forum



Corporate sustainability leads to a better world





Best In the world

*Best **For** the world*



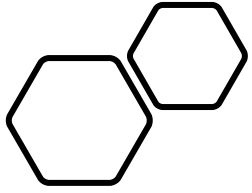
Thank you!

責任於心，實踐於行



Financing Green & Sustainable Development — Perspective from Taiwan

Brenda Hu, Director-General, Dept. of Planning, Financial Supervisory Commission
November 8, 2021



Our Common Future

Sustainable Development was defined as:

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs





Climate Change & Social Issues

We Need..

Contribute to at least one objective and do no harm to the others + minimum social safeguard

Environmental Objectives

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water
4. Transition to a circular economy
5. Pollution prevention & control
6. Protection of biodiversity & ecosystems

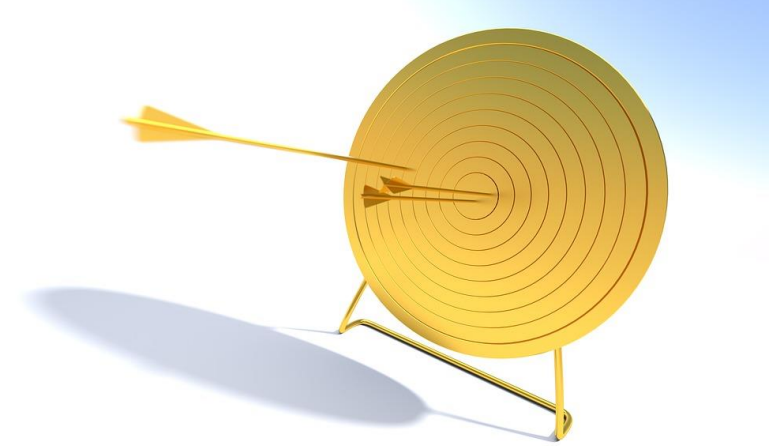
UN SDGs



Goals & areas to be addressed

Goals

- Good ESG performance
- Net-zero by 2050
- Just transition
- Not left anyone behind



Areas to enhance

Awareness
Knowledge

Motivation

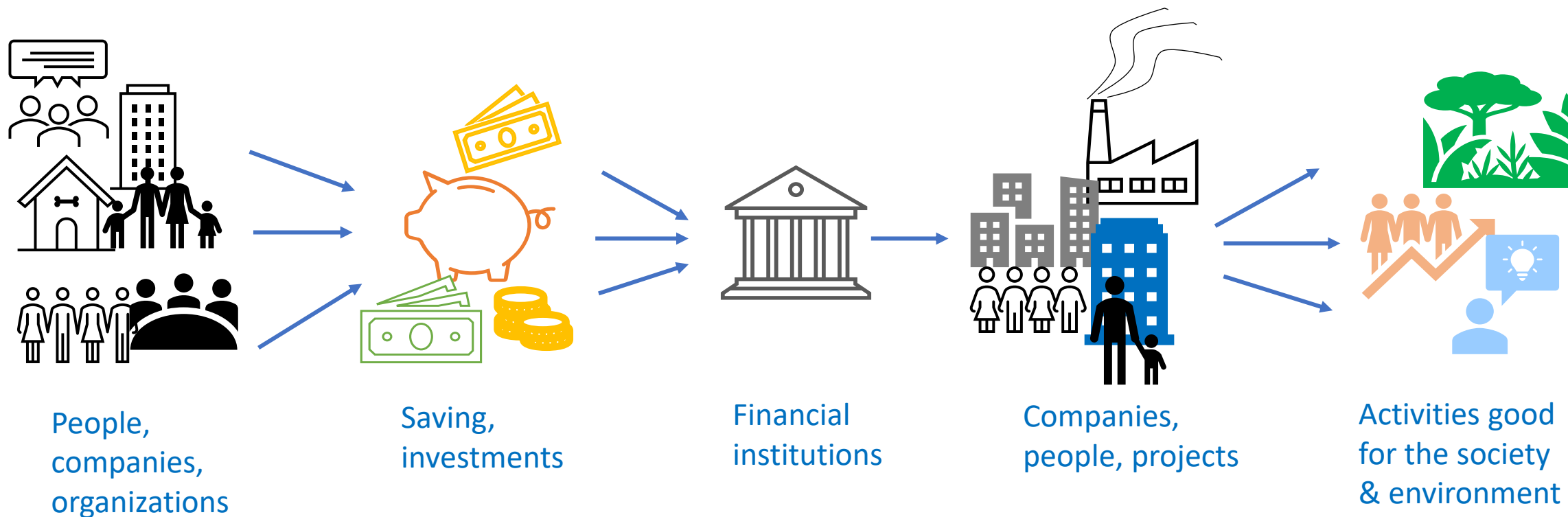
Know-how

Tech/
methodology

Talents

Capital

Financial Sector's Role



Shall play **responsible** role to channel funds toward
right direction

Serving aged

Nursing

- Using houses to be periodically financed
- Nursing trust

Retirement

- Mutual fund platform
- Retirement platform

Insurance

- Small amount insurance for age of 55 and above
- Protection-oriented insurance and pension

Protective Measures

- No promotion of structured products for people with age 65 or 70
- Video taping investment type insurance products
- Warm questions when serving aged people



Serving physically challenged

- Business venues
- Websites
- ATMs

Barrier free



- Soliciting, underwriting
- Punished if rejecting aged people

Discrimination free



- Renew ATMs
- Seminars with NGOs

Enhancement



Serving other disadvantaged

Micro Insurance

- For people encountering special situations, low-to-medium income families, physically challenged, indigenous people, and their families

Remittance Services for Migrant Workers

- Specialized license of e-payment
- Outward remittance services, lowering fees and time consumed

Financing for Women Entrepreneur

- Loans to female entrepreneurs are awarded
- Supporting loans sponsored by Ministry of Labor

Serving young generation



PERIODICAL
SHARE-BUYING



ODD LOT SHARE
TRADING



DIGITAL FINANCE

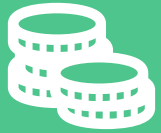
Serving SMEs



Loan

SME

5+2



Fund-raising

Multiple layered
capital market
Crowd funding



Startups
incubator

FintechSpece
Innovative Fintech
Experiments



Responsible Banking

Project finance

- 11 Signatories of Equator Principle, no. 1 in Asia
- FIs participated in offshore wind projects, credit amount US\$ 8.6 bn

Credits to 5+2 Innovative Key Industries

- US\$194 bn
- 24% went to circular economy, 23% green energy tech

Green loans

- Use of proceeds follow green loan principles (LMA, LSTA, APLMA)

Sustainable performance-linked loans

- Use of proceeds follow banks' internal KPIs



Use of Proceeds

Green Loan

1. Renewable energy
2. Energy Efficiency
3. Pollution prevention & control
4. Mgt of living natural resources & land use
5. Terrestrial & aquatic biodiversity conservation
6. Clean transportation
7. Water & wastewater mgt
8. Climate change adaptation
9. Eco-efficient & circular economy adapted products, production technologies & processes
10. Green buildings

Sustainability Linked Loan

- **Environmental**
- **Social**
 1. Human rights & community relations
 2. Affordable housing
 3. Data security
 4. Employee health & safety
 5. Employee engagement, diversity & inclusion
 6. Employee training
- **Governance**
 1. Business ethics
 2. Building strong corporate governance & transparency

Responsible Investment

Stewardship

- Investment decisions embracing ESG (specified in self-regulations, stewardship codes)
- Shareholder Activism
- 4 Gov. pension funds & all securities investment trust funds are signatories
- 93% of other FIs are signatories

Responsible investment

- US\$433 bn in 2020, \approx 32% of overall investment
- Insurers account for 87%

(As of Aug. 2021, Source: Taipei University)

Fund-raising

Sustainable Development Bond Market: Launched April 2021

Sustainable Bonds

9 issues, total US\$1.8 bn

Green Bonds

72 issues,
total US\$6.4 bn

Social Bonds

6 issues,
total US\$0.44 bn

Usage of Proceeds
Focus on social benefits

- Affordable infrastructure
- Basic needs for services
- Affordable housing
- Job creation, ease of unemployment caused by social-economic crisis
- Food security and sustainable food system
- Right protection
- Others recognized by TPEX

Usage of Proceeds
Focus on green industry

- Renewables
- Energy efficiency
- GHG reduction
- Recycling
- Resource conservation
- Bio-diversity
- Pollution prevention
- Water conservation
- Adaptation
- Others recognized by TPEX

(As of Oct. 22)

Financial Products

ESG Funds

- Encourage issuance of ESG funds by using incentives such as “Plan to advance Excellence for SITES”
- **33 funds, total US\$4.8 bn focusing on environment, ESG and CG (0.3%)**

ESG Indices

- Promote compilation of ESG indices
- **9 ESG related stock indices (10%)**
- **Labor Pension Funds mandate the indices taking up 86% of investment**

Insurance Products

- Insurers’ underwriting of green insurance factored in rate of appropriation for Insurance Guaranty Fund
- **13 insurers participate in offshore-wind, and 20 agriculture insurance products developed**

(As of Oct. 2021)

Citizen Power Plant

Goals

- Involve community members to participate in the installation
- Strengthen the link between local and renewables
- Promote multiple types of citizen power plants

Agencies involved	Policy/Measures
Ministry of Economic Affairs	1. Overall planning and promotion 2. Policy guidance 3. Regulations 4. Subsidies and other incentives 5. Capacity Building
Council of Indigenous People	Subsidies
Council of Agriculture	Agriculture land use
Ministry of Culture Ministry of Education	Education

Banks:

- Play supporting role
- Voluntary credit extension



Next move

Net-zero in loan/investment portfolio

Green fintech



Public-Private Cooperation to Build a Sustainable Finance Ecosystem

Joe LAI

Director-General

Department of International Affairs

Financial Supervisory Commission

November 8, 2021

- 1. International trends**
- 2. FSC's Green Finance Policy**
- 3. Green Finance Action Plan 2.0**
- 4. Conclusion**

International main trends of sustainable finance

- Measures to prevent greenwashing, ex. Taxonomy
- Strengthening disclosure of ESG information
- Integrating climate-related factors into prudential supervision
- Developing mechanisms and rules to promote sustainable and responsible investment

2017-2020.8

Green Finance Action Plan 1.0

- 🎯 Mainly focus on the environment (E)
- 🎯 Encourage FIs to provide the green energy industry with investments and financing
- 🎯 Develop the green bond market
- 🎯 Encourage FIs to observe international standards for green investment and financing standards

2020.8-2022

Green Finance Action Plan 2.0

- 🎯 Expand the scope to include ESG
- 🎯 Encourage FIs to support green and sustainable industries (e.g. firms engaged in green transportation, green buildings, green production, and social welfare)
- 🎯 Strengthen ESG-related information disclosure
- 🎯 Promote responsible investment
- 🎯 Develop a sustainability bond market
- 🎯 Encourage FIs and companies to pay attention to climate change risk management

1 Vision

Public & Private Partnership for creating a sustainable finance ecosystem

2 Objectives

- **Short-term:** Establishing a set of framework and guidance for FIs and companies which would be conducive to effective operation of sustainable finance market.
- **Medium-term:** Leveraging financial market's influence to drive companies to cope with and seize opportunities of ESG issues, including climate change.

3 Core Strategies

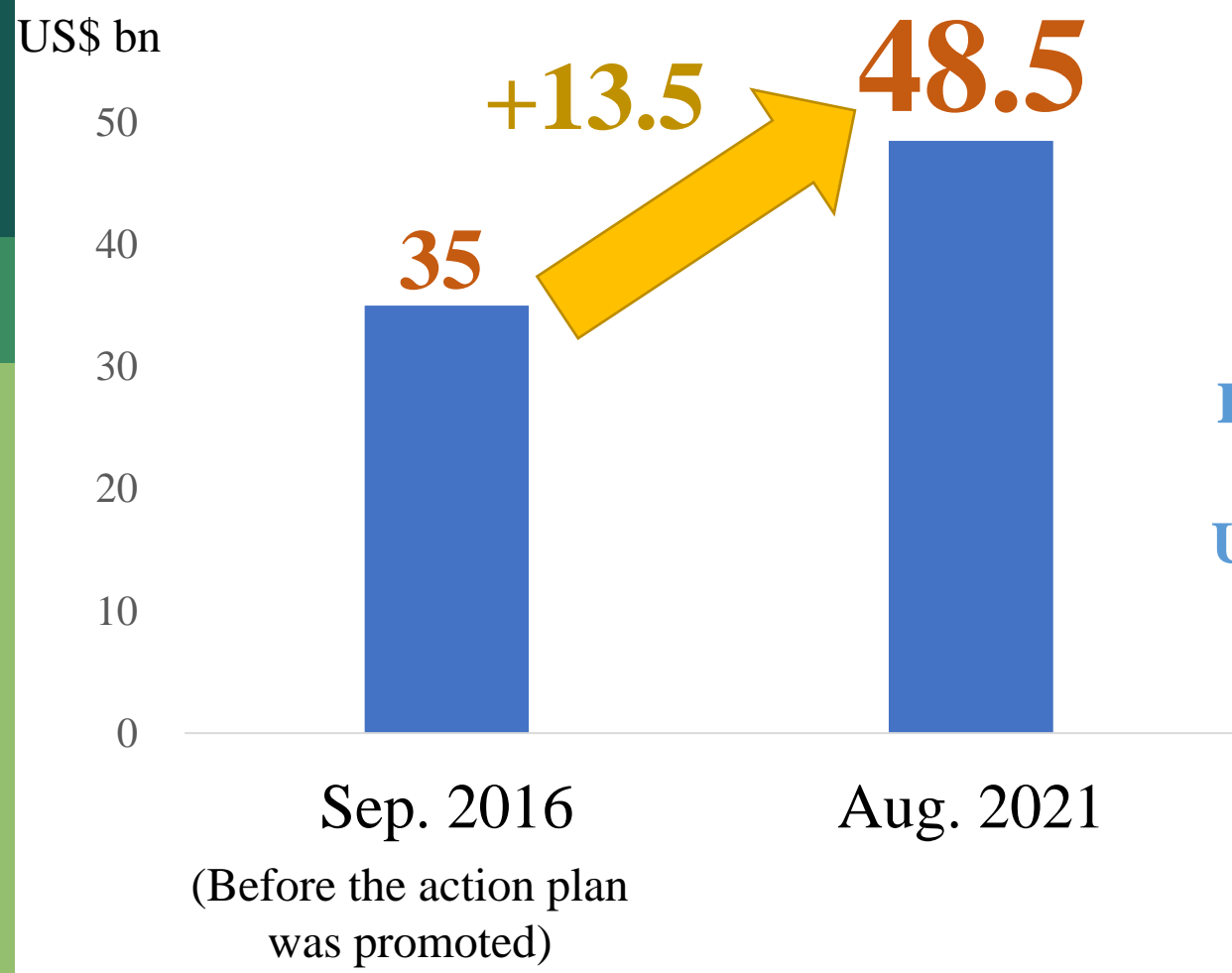
- Financing green and sustainable activities
- Exerting financial institutions' decision power
- Managing risks and seizing opportunities

8 Implementation Aspects

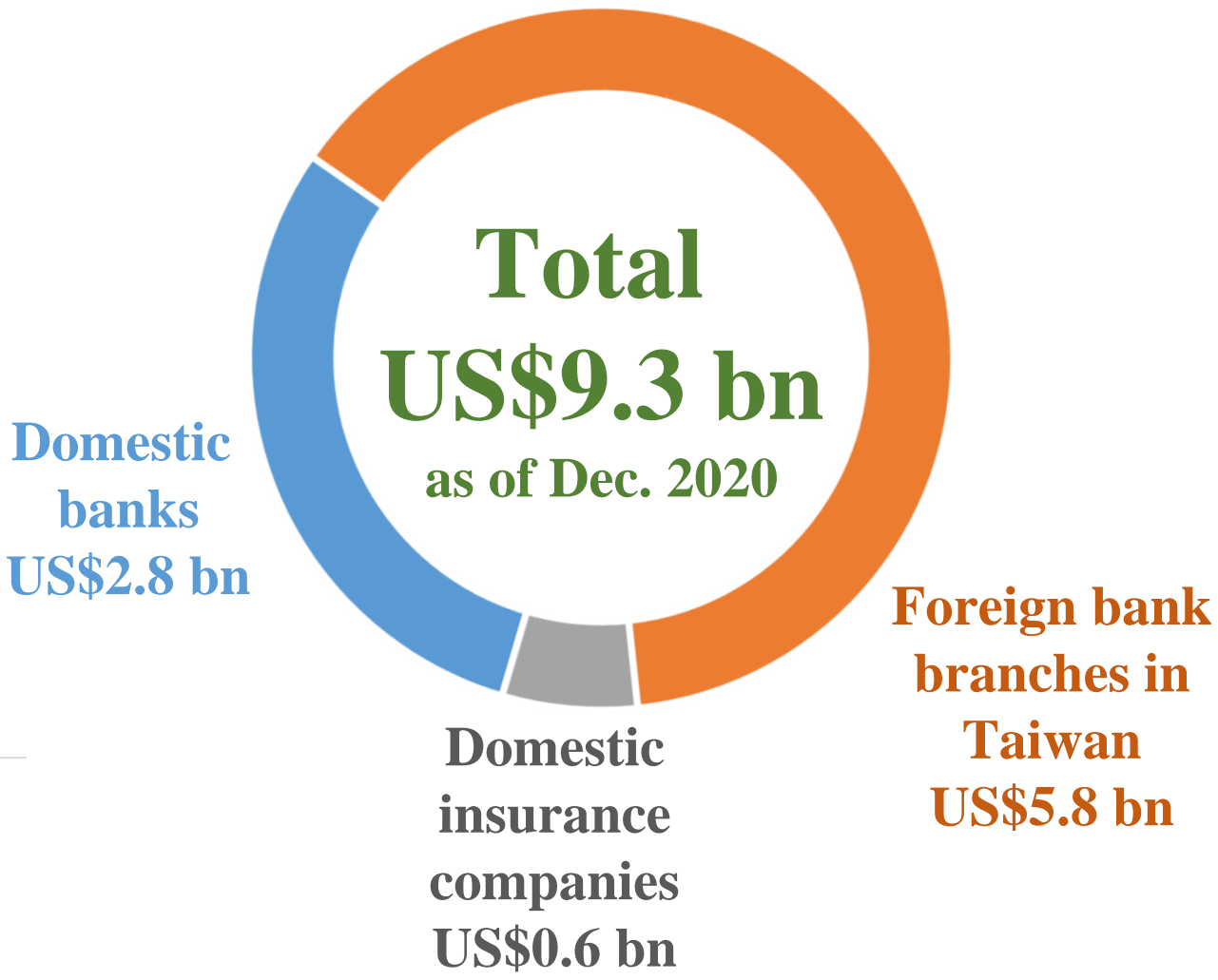
1. Credit
2. Investment
3. Capital market fundraising
4. Professional development
5. Development of green financial products or services
6. Information disclosure
7. Prudential supervision
8. International networking and incentives

3. Green Finance Action Plan 2.0

Balance of loans granted to green energy industry by domestic banks

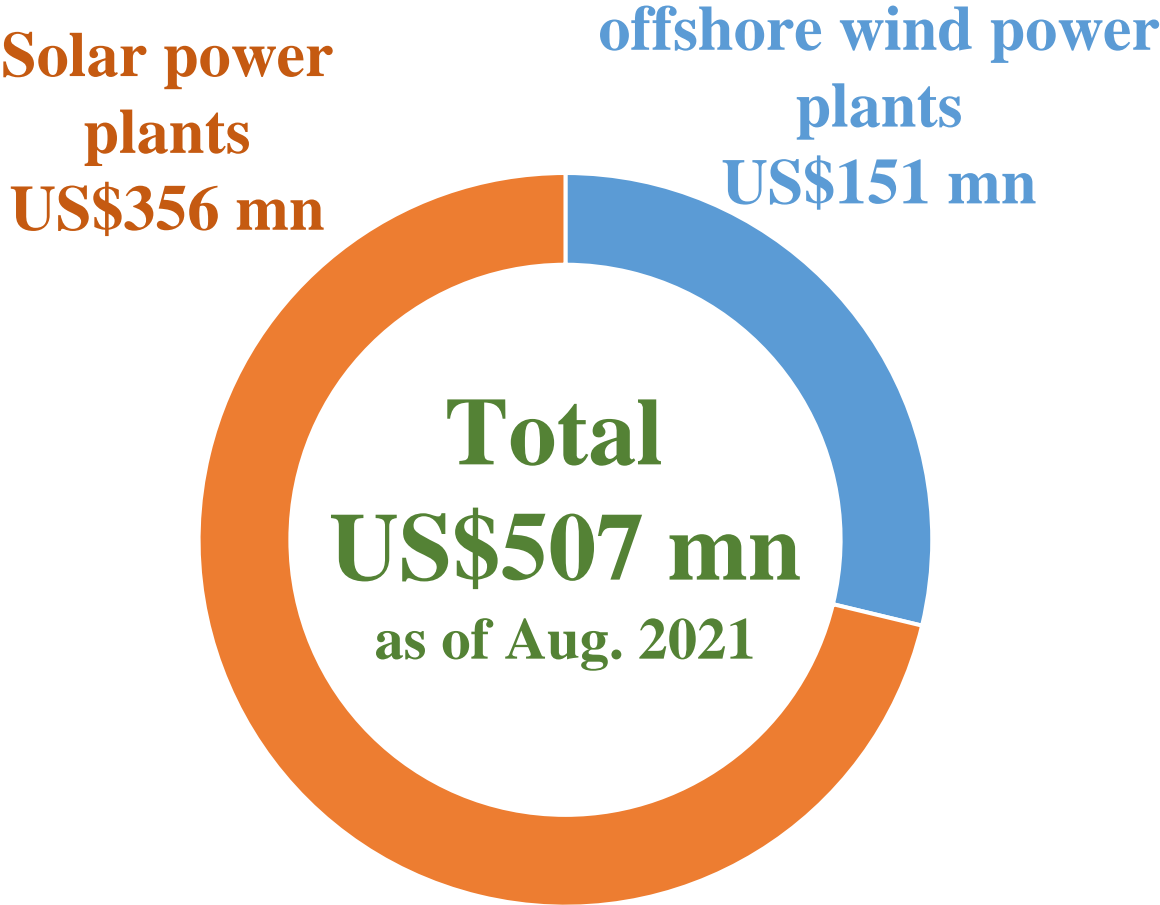


Amount of loans to offshore wind power project

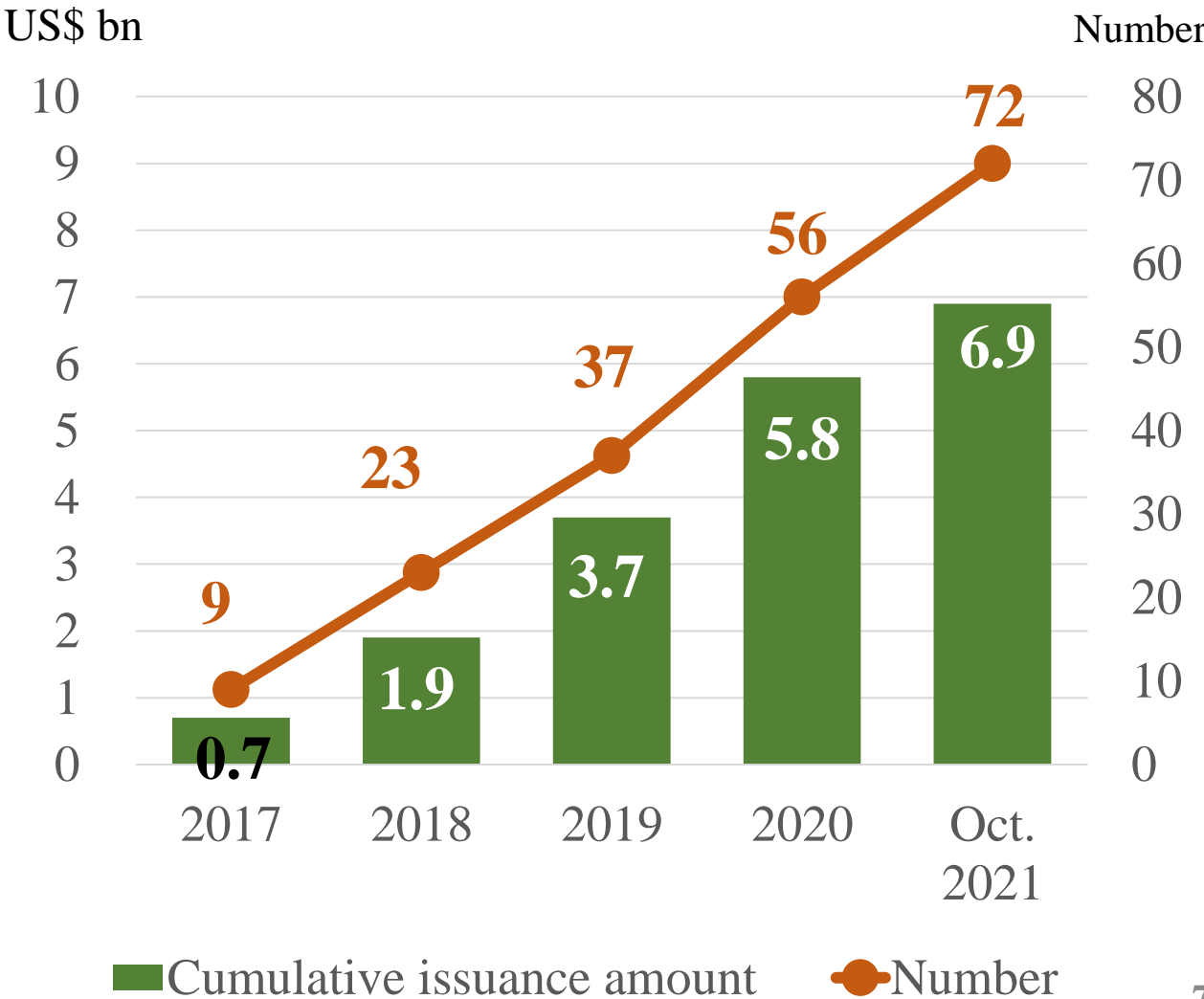


3. Green Finance Action Plan 2.0

Investment in renewable energy power plants by insurance companies



Green bond market in Taiwan



1. Improve content and quality of ESG information disclosures



Accessible

- More listed companies and financial institutions disclose ESG information
- Establish an integrated ESG information platform



Comparable

- Disclose ESG information in accordance with international standards (e.g. TCFD, SASB)
- Obtain third-party assurance for sustainable reports to improve quality

Increase international visibility of Taiwanese companies

2. Establish Sustainable Bond Market:

Green Bond

- Proceeds are used exclusively for projects **with substantial benefit for improving the environment.**
- e.g., development of renewable energy, greenhouse gas reduction and waste recycling or reuse
- **72 issuances, US\$6.9 bn**

Social bond

- Proceeds are used exclusively for projects **with substantial benefit for society.**
- e.g., social housing, or investments in small and medium enterprises affected by the COVID-19
- **6 issuances, US\$0.5 bn**

Sustainability bond

- Proceeds are used exclusively for a combination of **both green projects and social projects.**
- **11 issuances, US\$2 bn**

3. Formulating Taiwan Sustainability Taxonomy

Align with international practices

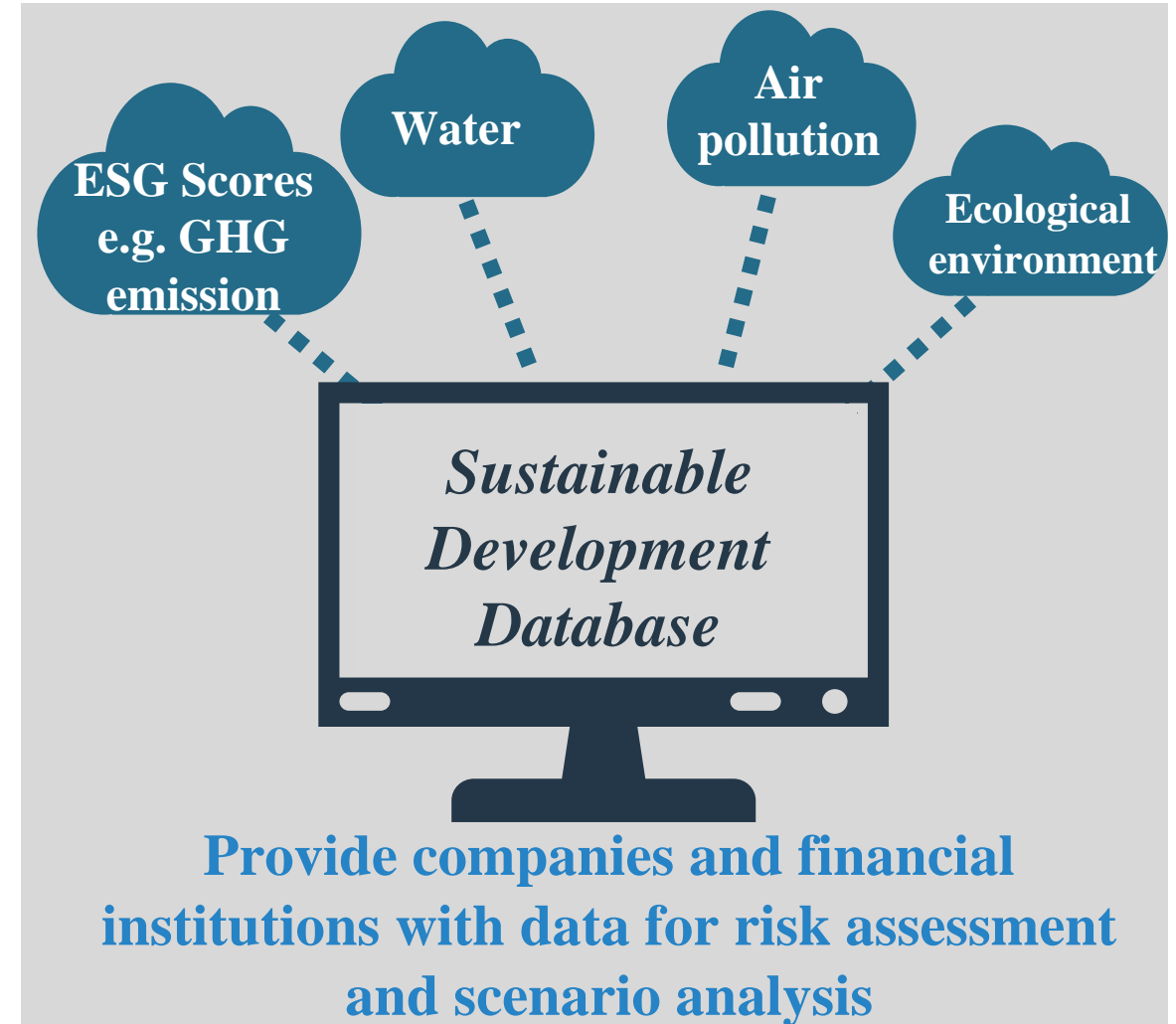
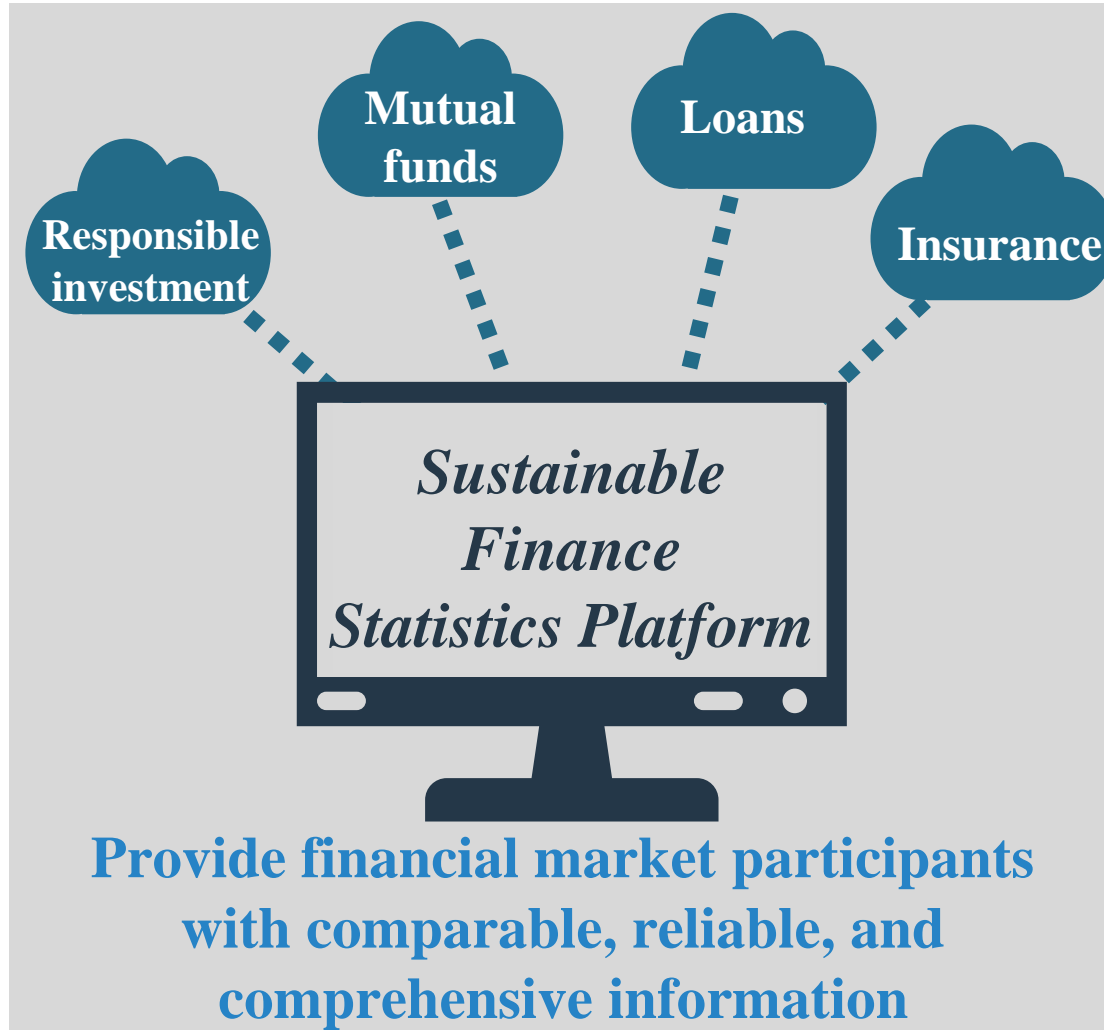
Establish standards for determining eligibility of sustainable finance

Related applications



- ✓ References for companies, FIs, and investors for evaluating businesses and assets: alignment of sustainability
- ✓ References for the formulation of related policies and regulations.
- ✓ Formulation of an integrated platform for disclosing sustainable investment, funds, loans, and insurance statistics.
- ✓ Formulation of the common aspects and indicators for use in the "Sustainable Finance Evaluation".

4. Establish the integrated ESG information inquiry platforms



5. Promote risk management measures against climate-related risks for financial industry

01

Adopt top-down approaches for promoting climate change risk management measures for financial industry, such as requiring the board of directors and senior management of FIs to perform related duties.



02

Factor climate change related risk assessment into the Own Risk and Solvency Assessment (ORSA) supervision report of the insurance industry

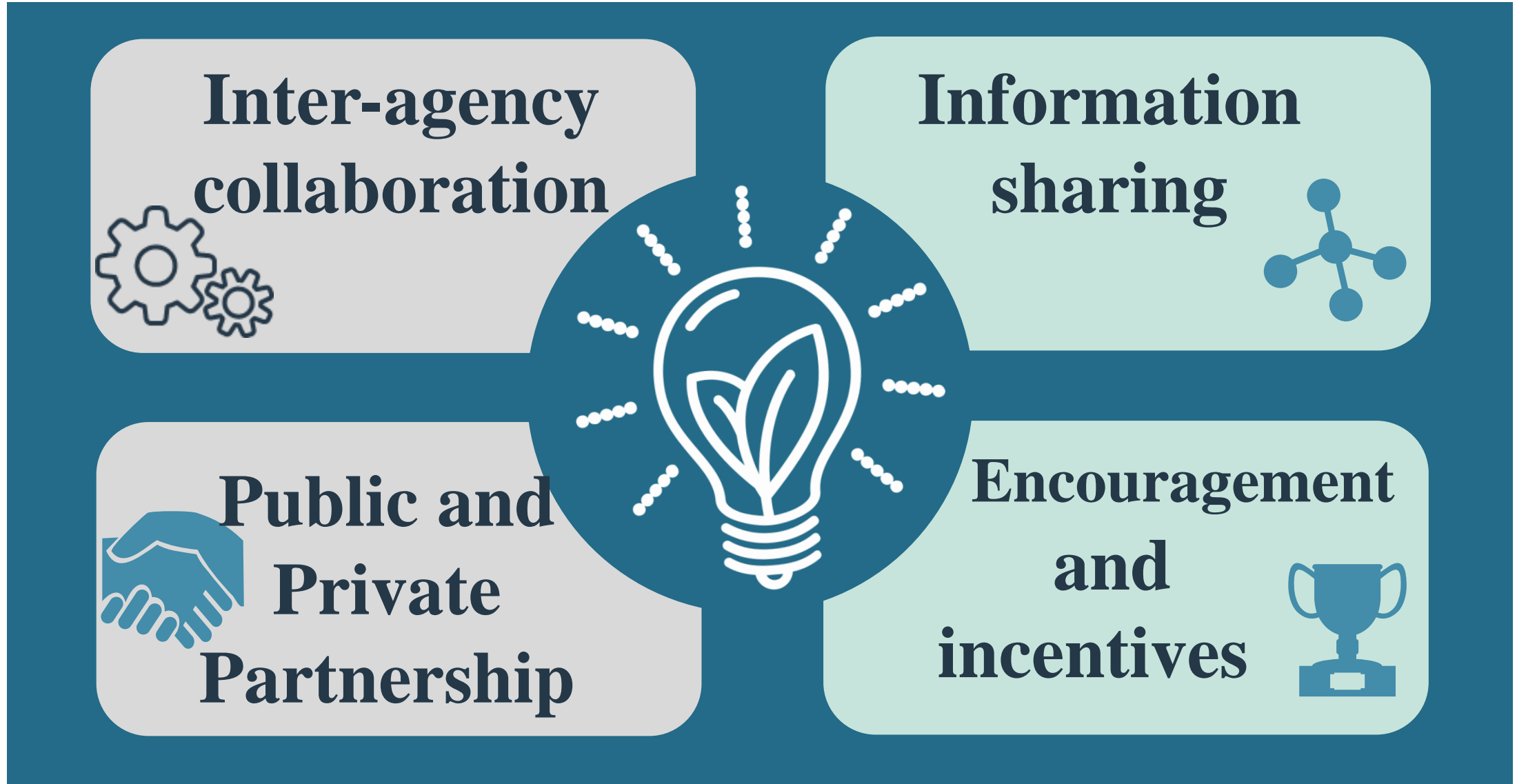


03

Reference international practices and study the viability for requiring FIs to do climate change scenario analyses and stress tests

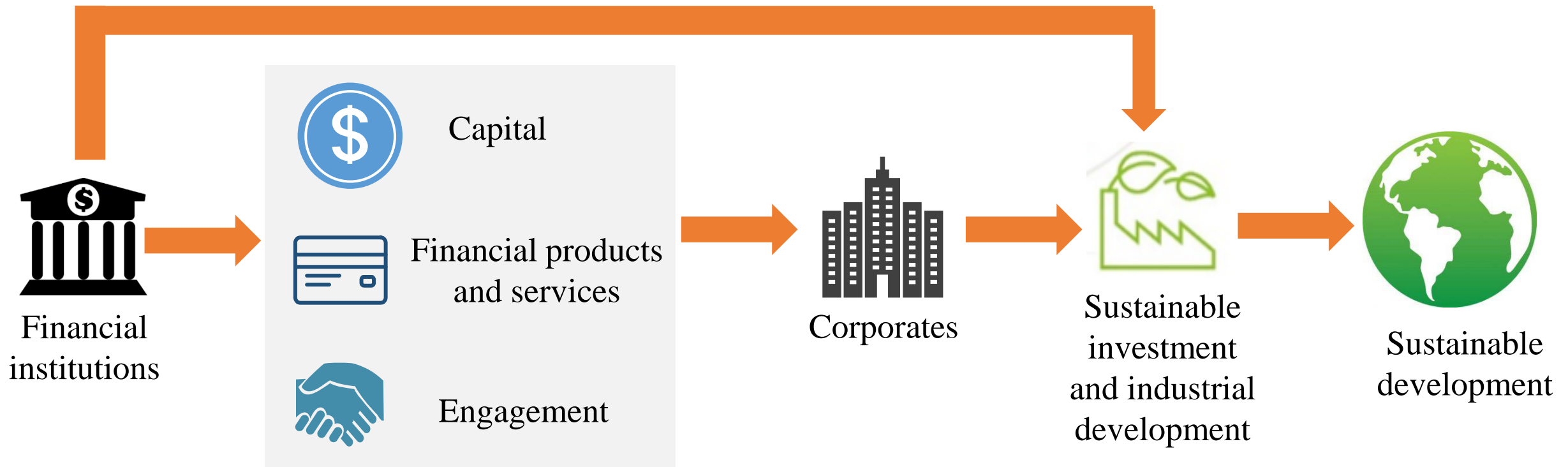


Implementation Means



4. Conclusion

The Action Plan is to create a more comprehensive system and guidelines for green and sustainable finance, by which financial market forces could be developed to encourage companies and investors to pay close attention to ESG issues.



Address ESG factors in risk management and investment and business decisions

Thank you.

COP26 記者會 QA (金管會)

問題一、我國綠色及永續金融政策的推動重點及成效？

擬答：

(一)綠色經濟及永續發展為我國重要推動政策，由於金融業匯集大眾資金並進行投、融資，具有導引資金方向之決策影響力，為發揮金融市場力量，導引企業進行減碳及永續轉型，金管會於2020年8月發布「綠色金融行動方案2.0」，以三大核心策略推動：

1. **引導資金至綠色及永續活動**：將金融機構的資金引導至符合綠色及永續發展的企業及專案。
2. **發揮金融機構投融资決策之影響力**：鼓勵金融機構主動與被投資人及借款人溝通，協助其瞭解及遵循國際ESG相關準則，進而影響上下游供應鏈、社區及客戶。
3. **管理風險及掌握商機**：督促金融機構辨識及管理氣候相關風險，並掌握商機，以及透過情境分析和壓力測試進行檢視。

(二)本會提供多項誘因機制及監理措施，主要作法包括：

1. 將赤道原則之精神納入銀行公會會員授信準則。
2. 修正機構投資人盡職治理守則及自律規範，促進金融機構落實責任投資。
3. 建立永續發展債券市場。
4. 與環保署合作擬訂我國永續分類標準。
5. 以表揚及評鑑等方式，鼓勵辦理成效優異之金融機構，例如推動獎勵本國銀行辦理新創重點產業放款方案、提供優惠鼓勵投信事業發行或管理ESG相關主題基金，以及編製永續相關指數等。

6. 以資訊揭露之要求，如 ESG 報告書及年報等，促使企業及金融機構遵循國際實務。

(三) 重要成效

1. **本國銀行簽署赤道原則家數於亞洲地區居冠：**本會持續鼓勵金融機構參與、簽署或遵循國際倡議及原則。截至 110 年 10 月 27 日，我國計有 11 家本國銀行簽署赤道原則，在亞洲地區排名第一。
2. **93%以上機構投資人簽署盡職治理守則：**本會於 2020 年 8 月修正機構投資人盡職治理守則，要求機構投資人將 ESG 議題納入投資評估決策流程，以及提升 ESG 資訊揭露內容。截至 2021 年 10 月底止，累計 152 家機構投資人簽署，占金融機構整體家數達 93%以上。
3. **永續發展債券發行總額達 94 億美元：**本會於 2017 年建置我國綠色債券市場，並於 2021 年 4 月擴大為永續發展債券市場。截至 2021 年 10 月 28 日，累計發行 72 檔綠色債券，總額約 69 億美元(新臺幣 1,921 億元)，6 檔社會責任債券，總額約 5 億美元(新臺幣 132 億元)，以及 11 檔可持續發展債券，總額約 20 億美元(新臺幣 560 億元)。
4. **鼓勵資金挹注綠色產業及離岸風電：**本會持續鼓勵金融機構投融资綠色產業及再生能源。截至 2021 年 8 月底，本國銀行對綠能科技產業放款餘額約 485 億美元(新臺幣 1.35 兆元)。截至 2020 年底，已完成簽約之離岸風電在地資金融資額度約 93 億美元(新臺幣 2,587 億元)，參與之本國金融機構包括銀行及壽險公司。

- (四) 金管會將持續依循國家政策方向及減碳目標，滾動檢討及研議金融政策工具，以建構更為完善之永續金融市場，創造金融、實體產業與社會環境三贏的局面。

備註：金額數據以 110.10.27 新臺幣/美元匯率 27.79 換算。

Q1: What are the key points and achievements of green and sustainable finance policy in Taiwan?

Ans:

1. Green economy and sustainable development are important policies in Taiwan. Since financial institutions take funds from the public and invest in or lend to industries, they have the influence of decision-making power to guide the development of industries through funds. In order to wield financial institutions' influence through investing and financing decision-making to guide enterprises to make decarbonisation and sustainability transition plans, the FSC launched the "Green Finance Action Plan 2.0" last August. The Plan is promoted through 3 core strategies as follows:

- (1) **Financing green and sustainable activities:** Through policy promotion, we aim to channel financial institutions' funds to companies and projects addressing sustainable development.
- (2) **Exerting financial institutions' decision power:** The FSC encourages financial institutions to play active roles and engage with investees and borrowers to follow ESG standards, and subsequently affect their supply chain companies, communities, and customers.
- (3) **Managing risks and seizing opportunities:** The FSC urges financial institutions to identify and manage climate-related risks, seize opportunities and review risks by conducting scenario analysis and stress tests.

2. The FSC provides incentives and administers supervisory practices as follows:

- (1) Incorporating the Equator Principles into the Regulations Governing Members' Credit Extension Provided by the Bankers Association.

- (2) Promoting responsible investment by amending the Stewardship Principles for Institutional Investors and self-regulations for financial institutions.
- (3) Establishing the sustainable bond market.
- (4) Developing the Taiwan Sustainability Taxonomy together with the Environmental Protection Administration (EPA).
- (5) Encouraging financial institutions with outstanding performance by means of awards and evaluation. For example, the FSC promotes the “Program to encourage domestic banks to provide loans to new key innovative industries,” provides preferential incentives to encourage securities investment trust enterprises (SITEs) to launch or manage ESG related mutual funds, and compiles sustainability related stock indexes.
- (6) Urging companies and financial institutions to follow international practices by mandating information disclosure, for example, the ESG reporting and annual reports.

3. Important achievements

- (1) **Most number of banks that have signed the Equator Principles in Asia:** Financial institutions are encouraged to observe, sign up for or comply with international initiatives or principles. 11 domestic banks in Taiwan have adopted the Equator Principles, ranked 1st in Asia as of 27 October 2021.
- (2) **More than 93% of institutional investors have signed the Stewardship Principles:** The Stewardship Principles for Institutional Investors was amended last August, and signatory institutional investors are required to integrate ESG considerations in their investment process and enhance ESG disclosure. As of the end

of October 2021, a total of 152 institutional investors have signed the Principle, taking up more than 93% of overall numbers of domestic financial institutions.

- (3) **US\$9.4 billion sustainable bond were issued:** As of 28 October 2021, there were 72 green bond issuances which had raised a total of US\$6.9 billion, 6 social bond issuances which had raised a total of US\$0.5 billion, and 11 sustainability bond issuances which had raised a total of US\$2 billion.
- (4) **Financing green industries and offshore wind power projects:** Financial institutions are being encouraged to extend credit to and invest in green industries and renewable energy businesses. As of the end of August 2021, the balance of loans by domestic banks to the green energy technology industry was about US\$48.5 billion. And as of the end of 2020, there had been cases of offshore wind power project financing by domestic banks and life insurance companies, and the amount of financing of offshore wind power that has been signed was about US\$9.3 billion.
- 4. The FSC will continue to follow national policy and carbon reduction targets to review and develop financial policy tools on a rolling basis. The objective is to establish a more comprehensive sustainable financial market which would create a win-win situation for financial sector, industries, the environment and society.

問題二、相較其他國家，我國綠色金融之亮點措施？

擬答：

台灣在綠色金融的推動上，不僅政府鼓勵，私部門亦相互影響，彼此帶動成為氛圍。過去 1 年來在公私協力合作推動下，已達成許多重要成果，尤其在下列三方面：

1. **成立永續發展債券市場：**為支持企業投資對環境及社會有實質改善效益的計畫，本會於 2017 年建置我國綠色債券市場，並於 2021 年 4 月擴大為永續發展債券市場，包括綠色債券、社會責任債券及可持續發展債券。綠色債券所募集之資金用於具實質改善環境效益的計畫，例如發展再生能源、溫室氣體減量、廢棄物回收處理或再利用。社會責任債券募集之資金用於具實質社會效益的計畫，例如社會住宅或投資於受疫情影響的中小企業。可持續發展債券則是募集之資金同時用於具環境及社會效益計畫的債券。
2. **強化 ESG 資訊揭露：**我國自 2015 年起要求實收資本額達美元 1.8 億元(新台幣 50 億元)以上，以及特定產業(食品、餐飲、化工、金融保險)之上市櫃公司應依 GRI Standards 編製 ESG 報告書。ESG 報告書編製家數已從 2015 年的 202 家，逐年增加至 2021 年的 563 家(截至 2021.9.30)。為強化 ESG 資訊揭露，本會將要求實收資本額達美元 0.7 億元(新台幣 20 億元)以上的上市櫃公司自 2023 年起應編製並申報 ESG 報告書。另本會刻正研擬氣候相關資訊揭露指引，未來將要求符合資格之上市櫃公司及金融機構編製永續報告書應依循氣候相關財務揭露工作小組(TCFD)及永續會計準則委員會(SASB)準則。
3. **訂定我國永續分類標準：**為協助企業及金融業釐清永續活動之範圍，以共同語言溝通及避免漂綠情形發生，本會與環保署合辦委託研究案，將參酌國際作法，先以我國金融機構投融資主要產業別為對象，包括製造業、不動產及建築業、運輸及倉儲業，研議訂定永續分類標準，預計 2021 年底完成，並將邀請有意願之企業及金融機構進行試作，以作為後續研擬相關政策之參考。

Q2: Compared to other countries, what features Taiwan's green finance?

Ans:

Taiwan's promotion of green finance is relatively active. Not only governments are committed to support, but the private sector provides mutual influence and drive each other that form an atmosphere to do the right thing. Under the concerted efforts of public and private collaboration in the past year, the Action Plan 2.0 has attained major achievements, in which the following 3 areas stand out prominently:

- 1. Establishing Sustainable Bond Market:** In order to support corporates to invest in projects with substantial benefit for the environment and society, the FSC established the green bond market in 2017 and expanded to sustainable bond market in April 2021, which contains green bond, social bond and sustainability bond. The proceeds of green bond are used exclusively for projects with substantial benefit for improving the environment, such as development of renewable energy, greenhouse gas reduction and waste recycling or reuse. And the proceeds of social bond are used exclusively for projects with substantial benefit for society, for example, social housing, or investments in small and medium enterprises affected by the COVID-19. Sustainability bond is the bond whose proceeds are used exclusively for a combination of both green projects and social projects.
- 2. Strengthening ESG disclosure:** Listed companies with a capital stock of more than US\$180 million, or listed companies of food, chemical, financial and insurance industry, have been required to prepare and disclose their ESG reports in accordance with the GRI Standards since 2015. The number of ESG report compilers has

increased from 202 in 2015 to 563 in 2021 (as of 2021.9.30). In order to strengthen ESG disclosure, listed companies with a capital stock of more than US\$70 million will be required to prepare and file ESG reports starting from 2023. And the FSC is formulating guidance on climate-related disclosure. Designated listed companies and financial institutions will be required to prepare ESG reports following recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB).

3. **Formulating Taiwan Sustainability Taxonomy:** In order to help enterprises and financial industries clarify the scope of sustainable activities, communicate in a common language and avoid the occurrence of greenwashing, the FSC and the EPA jointly commissioned a research project of formulating the Taiwan Sustainability Taxonomy. Taking into account international practices, the project will establish the sustainability taxonomy for main industries receiving funding from domestic financial institutions at first, including manufacturing, construction, transportation and storage. The project is expected to be completed by the end of 2021, and companies and financial institutions will be invited to conduct a trial run as a reference for subsequent development of related policies.