

Roadmap for Taiwan listed companies to align with IFRS

Sustainability Disclosure Standards

I. Background

To enhance the comparability and quality of sustainability information, the IFRS Foundation established the International Sustainability Standards Board (ISSB) in November 2021 to develop a set of internationally consistent (global baseline) and high quality IFRS Sustainability Disclosure Standards. On June 26, 2023, the ISSB issued the IFRS S1 “*General Requirements for Disclosure of Sustainability-related Financial Information*” and IFRS S2 “*Climate-related Disclosures*”. The International Organization of Securities Commissions (IOSCO) have also called on its 130 members to evaluate the alignment with the IFRS Sustainability Disclosure Standards. Considering that the alignment can enhance international visibility of Taiwan listed companies, facilitate sustainable capital investment, and prevent green washing, while also accelerating corporate’s transformation and commitment. Based on this, the promotion of the alignment with the IFRS Sustainability Disclosure Standards is now an urgent call.

II. Anticipated Benefits for Alignment with the IFRS

Sustainability Disclosure Standards

(I)Enhancing international visibility: With sustainability

information already included in international index organizations (e.g., MSCI ESG, DJSI and FTSE4 Good Index Series), aligning with the internationally consistent standards will be beneficial for Taiwanese companies to be included in the constituents of the indices mentioned above and to attract international capital fund.

(II) **Facilitating sustainable capital investment:** Alignment with the IFRS Sustainability Disclosure Standards is expected to attract more ESG funds and institutional investors to invest in Taiwanese companies.

(III) **Enhancing the comparability and reliability of sustainability information and preventing green washing:** Aligning with the IFRS Sustainability Disclosure Standards can provide investors with a comprehensive set of financial reporting (including the financial statements and sustainability information), facilitating investors' useful decision-making, prevent green washing, and enhancing investor protection.

(IV) **Accelerating corporate sustainability transition and commitment:** Taiwan has declared its net zero target by 2050. As IFRS S2 requires companies to disclose climate transition plans, scenario analyses, and GHG emissions, the disclosure of reliable information and the momentum of capital market funds will encourage companies to proactively set transition target and carry out their transition plans, continuing to move towards Taiwan's net-zero goal.

III. Alignment Approach

Considering the comparability with international sustainability information, The Financial Supervisory Commission (FSC) is going to adopt IFRS Sustainability Disclosure Standards, which will become effective after endorsed by the FSC. Starting from 2026, the initial application of IFRS Sustainability Disclosure Standards shall include IFRS S1 and IFRS S2. From 2027 onwards, the FSC will continue assessing and endorsing each up-coming standards issued by ISSB, based on the development of IFRS Sustainability Standards.

IV. Applicable Entities and Timeline

Considering the capacities and capabilities of Taiwan listed companies, the FSC will take a phase-in approach to adopt IFRS Sustainability Disclosure Standards starting from fiscal year 2026.

Phase 1: The listed companies with capital over NT\$ 10 billion will be required to compile fiscal year 2026 information and report in 2027 in accordance with IFRS Sustainability Disclosure Standards.

Phase 2: The listed companies with capital over NT\$ 5 billion and less than NT\$ 10 billion will be required to compile fiscal year 2027 information and report in 2028 in accordance with IFRS Sustainability Disclosure Standards.

Phase 3: The other listed companies will be required to compile fiscal year 2028 information and report in

2029 in accordance with IFRS Sustainability Disclosure Standards.

V. Location and timing of disclosures

In recent years, greenwashing risks has become an international focus issue. The landscape of sustainability reporting has shifted from voluntary sustainability reports to mandatory legal reports. Thus, the FSC will amend “*Regulations Governing Information to be Published in Annual Reports of Public Companies*”, requiring companies to disclose sustainability information in accordance with IFRS Sustainability Disclosure Standards in their annual reports, and to publish the sustainability information at the same time as the financial statements.

VI. Disclosure Content

Considering the difference in capability for listed companies to disclose sustainability-related information, the FSC decided to provide sufficient flexibility for companies to prepare for adoption of IFRS Sustainability Disclosure Standards and use the transition reliefs (such as considering only climate issues in the first year, temporary exemption from the disclosure of Scope 3 greenhouse gas emissions and comparative information in the initial year of application, and different method for measuring greenhouse gas emissions prescribed by the FSC). In addition, qualitative information can be disclosed for matters involving a highly degree of uncertainty and quantification difficulty, such as the anticipated financial

impacts of climate-related risks, climate scenario analysis and resilience assessment, companies can provide qualitative information commensurate with their skills, resources, and capabilities. Moreover, for disclosures using estimation (such as the amount and percentage of assets or business activities vulnerable to climate-related risks and opportunities, as well as measurement of Scope 3 greenhouse gas emissions), companies can use the data and inputs based on reasonable and supportable information that is available at the reporting date without undue costs.

VII. Establishing a Taskforce Promotion of Taiwan's Alignment with IFRS Sustainability Disclosure Standards (from 2023 to 2027)

Working Groups and Goals	Work Plans
Adoption of IFRS Sustainability Disclosure Standards (WG 1)	<ol style="list-style-type: none"> 1. Complete the translation of IFRS Sustainability Disclosure Standards (hereafter referred to as Standards). 2. Analyze the difference requirements between the Standards and Taiwan's current sustainability requirements. 3. Collect guidance and educational materials subsequently issued by the ISSB and facilitate companies to apply the Standards.
Implementation of the IFRS Sustainability	<ol style="list-style-type: none"> 1. Collect and analyze the issues and impacts of the alignment with the Standards. 2. Assist companies in solving practical issues

<p>Disclosure Standards (WG 2)</p>	<p>concerning the application of the Standards.</p> <ol style="list-style-type: none"> 3. Produce best practices, guidance, and Q&A. 4. Produce template of the implementation plan and follow up companies' progress of alignment.
<p>Adjustments of regulations and supervisory mechanism (WG 3)</p>	<ol style="list-style-type: none"> 1. Develop and formulate the roadmap to align with the Standards and review it on a rolling basis. 2. Adjust and harmonize legal requirements (review and amend regulations relevant to annual reports, internal control, and financial report) in line with the Standards. 3. Review the regulations relevant to the financial institutions.
<p>Promotion and Education (WG 4)</p>	<ol style="list-style-type: none"> 1. Establish an IFRS Sustainability Standards Alignment website. 2. Popularize the important and basic concepts of the Standards. 3. Hold seminars and trainings on the Standards. 4. Collect questions from the seminars and the stakeholders.