



Roadmap for Taiwan listed companies to align with IFRS Sustainability Disclosure Standards

The Financial Supervisory Commission
August 2023

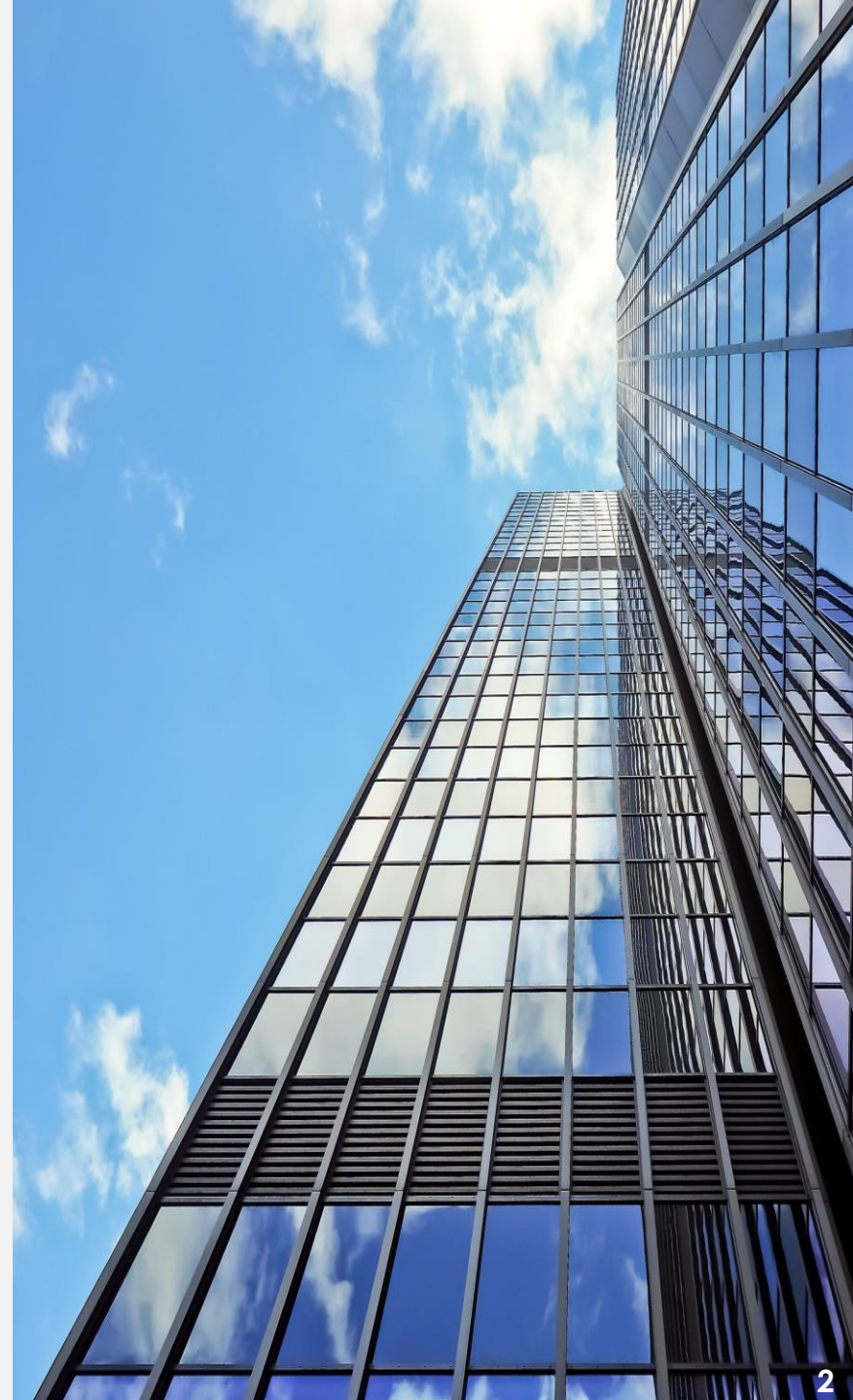
Outline

01 Background and Benefits of Alignment

02 Roadmap to Align with IFRS
Sustainability Disclosure Standards

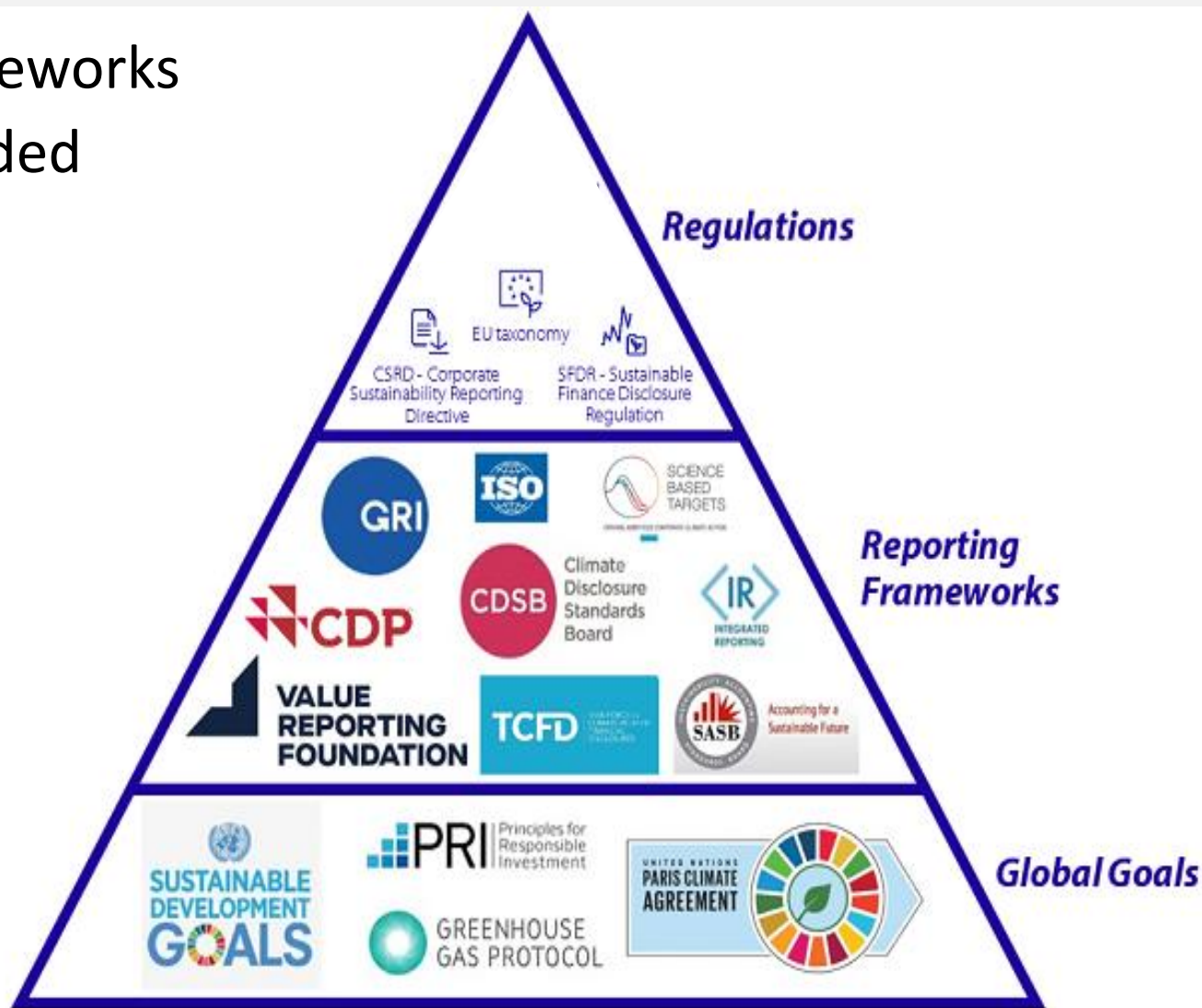
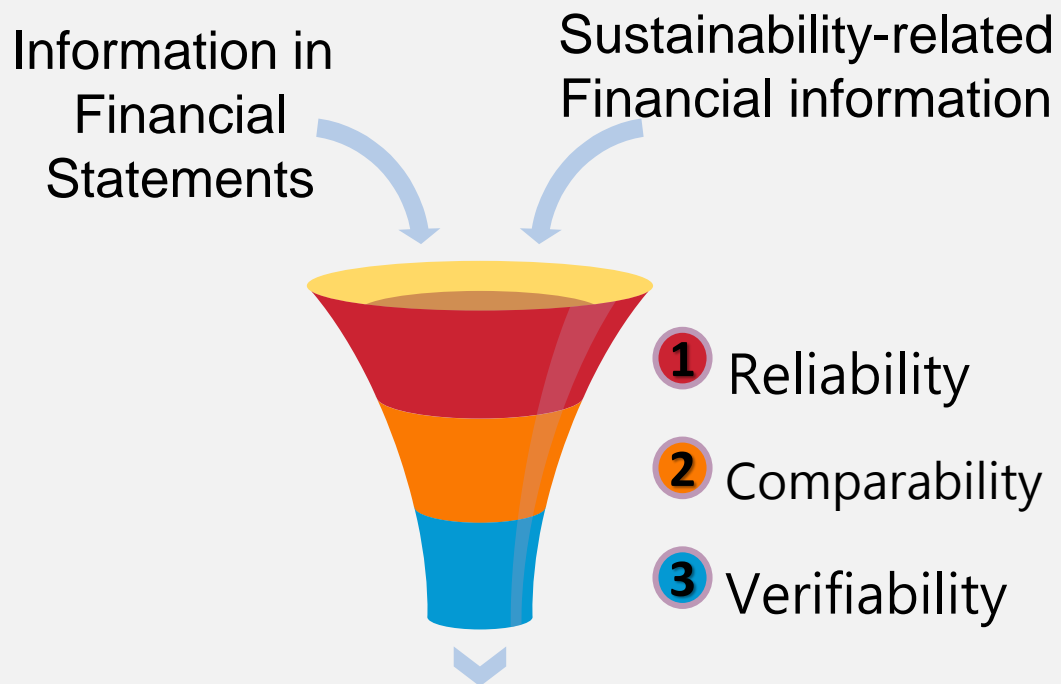
03 Stakeholder's Feedback

04 Future Work Plan



Background

- Different sustainability reporting frameworks
- Globally consistent standards are needed
- Greenwashing misinform the public



Background

2022.8 consolidated with IFRS Foundation



- Determined that ISSB Standards are appropriate to serve as a global baseline to helping financial market accurately assess relevant sustainability risks and opportunities.
- called on 130 securities regulators worldwide to adopt these standards

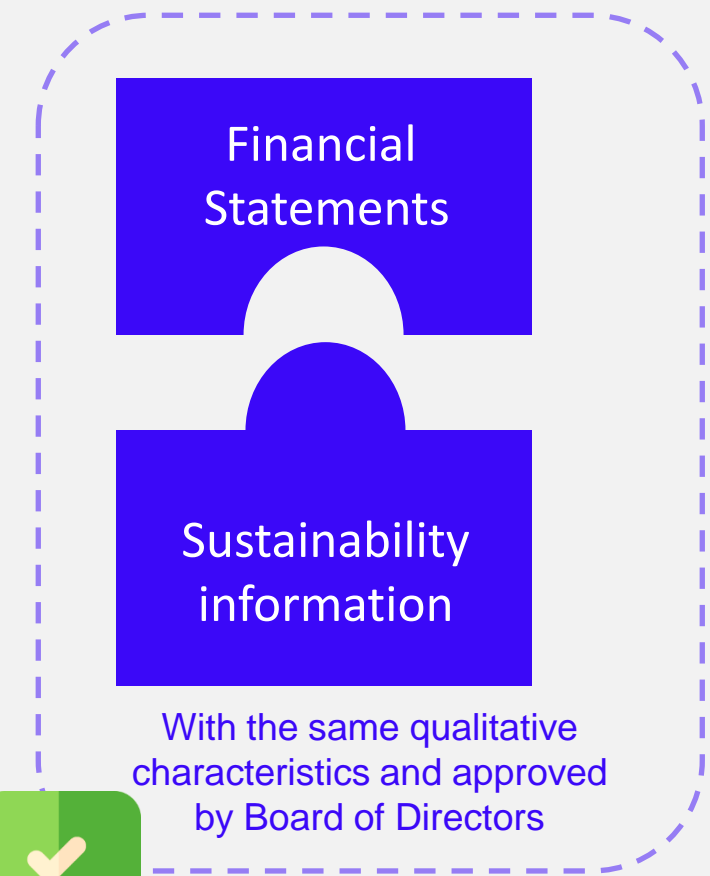


- **2021.11**-IFRS Foundation announced the formation of ISSB to develop a consistent global baseline
- **2023.6.26**-Issued IFRS Sustainability Disclosure Standards (S1 and S2), (hereafter referred to ISSB standards) incorporating requirements or standards such as TCFD,SASB and CDSB

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

- Emphasizing the **connection** between **sustainability information and financial statements**
 - Same reporting entity as the related financial statements
 - Definition of materiality is aligned with that used in IFRS Accounting Standards
 - Using consistent assumption
 - Reporting sustainability information at the same time as its related financial statements
- Location of disclosure
 - **As part of a company's general purpose financial reports** (such as management report, management's discussion and analysis, operating and financial review , integrated report)
 - **Documents required by regulators** (such as sustainability report or TCFD report) Taking the same responsibility for reporting in the

General purpose financial reports



Users can use these to evaluate the value of the enterprise

IFRS S2 Climate-related Disclosures



TCFD

Governance, strategy, risk management, and Metrics and targets

SASB

Industry-based metrics (11 sectors, 68 of 77 industries are related to the climate)

Transition Plan is a key element of IFRS S2

- IFRS S2 requires enterprises disclose :
 - **Effects** of the climate-related risks and opportunities **on the enterprises' strategy**
 - **Transition plan to low carbon economy and any climate-related targets ;**
 - Key assumptions used in developing the transition plan .
 - Information of the **climate-related targets**, including the approach to setting and reviewing each target, progress towards reaching the target, whether Scope1,2or 3 greenhouse gas emissions are covered by the target, the extent to which achieving targets relies on the use of carbon credits, **whether the carbon credits are certified by third-party, the type of carbon credit.**



Benefits of Alignment

ENHANCING INTERNATIONAL VISIBILITY

Beneficial for Taiwanese companies to be included in the constituents of the indices such (e.g., MSCI ESG, DJSI and FTSE4 Good Index Series)



ENHANCING COMPARABILITY AND RELIABILITY OF SUSTAINABILITY INFORMATION AND PREVENTING GREEN WASHING

- IOSCO has called on 130 securities regulators worldwide to adopt the ISSB standards.
- Enhancing consistency to financial statements (IFRS Accounting Standards have been adopted by 144 jurisdictions.)

FACILITATING SUSTAINABLE CAPITAL INVESTMENT

Expected to attract more ESG funds and institutional investors to invest in Taiwanese companies

ACCELERATING SUSTAINABILITY TRANSITION AND COMMITMENT

Encouraging companies to proactively set transition target and carry out their transition plans, continuing to move towards 2050 net-zero goal.


Roadmap to align with ISSB Standards

- **Adopting** the ISSB Standards, which will become effective after endorsed by the FSC
- the FSC will continue assessing and endorsing each up-coming standards issued by ISSB

Alignment Approach



Applicable Entities and Timeline



- **FY 2026:** Listed companies with capital over **NT\$ 10 bn**
- **FY 2027:** Listed companies with capital **over NT\$ 5 bn** and less than NT\$ 10 bn
- **FY2028** : **All listed companies**

Disclosing sustainability information in accordance with ISSB Standards in **annual reports at the same time as the financial statements.**

Location and timing of disclosures



Disclosure Content



- **Using the transition reliefs**
- Using the data and inputs based on **reasonable and supportable information that is available at the reporting date without undue costs**

Roadmap to align with ISSB Standards – Alignment Approach

ISSB Potential Projects

- Biodiversity
- Human Capital
- Human Rights
- Integration in reporting (cooperate with IASB)



Adoption

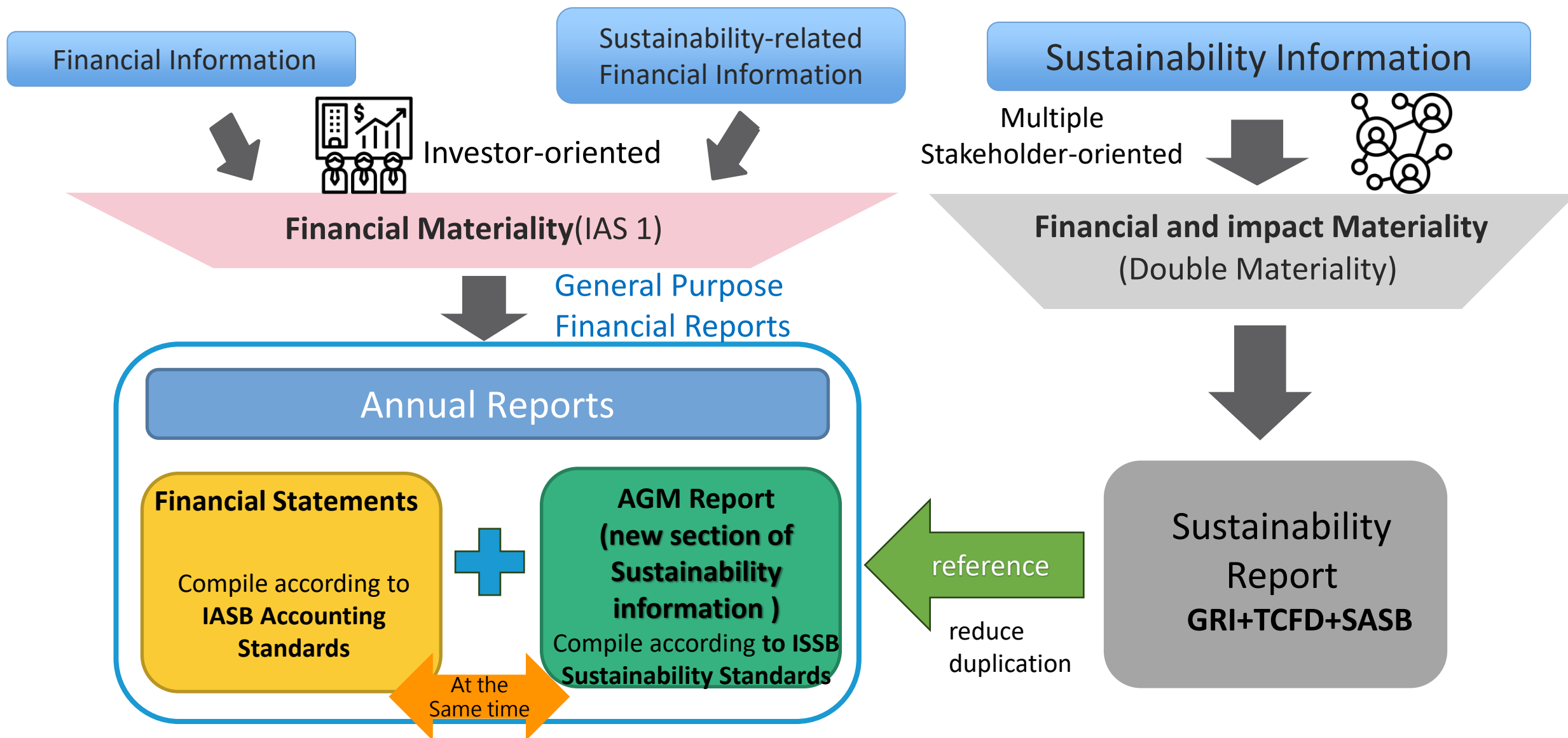
- Applying ISSB Standards endorsed by the FSC (including S1 and S2 in the first year ,2026, of application) FSC will continue assessing and endorsing each up-coming standards issued by ISSB, based on the development of ISSB Standards
- ISSB Standards endorsed by the FSC will be disclosed in the IFRS Sustainability Standards Alignment website for public reference

Roadmap to align with ISSB Standards –

Applicable Entities and Timeline



Roadmap to align with ISSB Standards –Location and timing of disclosures



Roadmap to align with ISSB Standards –Location and timing of disclosures

Enhance connections and consistency between annual report and financial statements

- Filing the annual report **at the same time as the financial statements**
- **Same reporting entities as the consolidated financial statements**
- **Including comparative information**
- **Expanding the mandatory content of sustainability information, including GHG emissions targets, strategy and transition plans**

➤ **Simplifying the other content in annual report**

- 1) **Deleting unnecessary items**
- 2) **Cross-referencing to public information**
- 3) **Simplifying the disclosure**

The contents of an annual report shall include

Current regulations	Regulations after amending
1. Report to shareholders	1. Report to shareholders
2. Company profile	2. Company profile
3. Corporate governance report	3. Corporate governance report
	4. Sustainability Information
4. Information on capital raising activities	5. Information on capital raising activities
5. Overview of operations	6. Overview of operations
6. Overview of the company's financial status	7. Overview of the company's financial status
7. Review and analysis of the company's financial position and financial performance, and a listing of risks	8. Review and analysis of the company's financial position and financial performance, and a listing of risks
8. Other items	9. Other items

Add a new session to disclose sustainability information in accordance with ISSB Standards

Roadmap to align with ISSB Standards –Disclosure Content



Climate first

- Only climate issues are required to be disclosed in the first year
- Considering industry disclosure topics of SASB to identify the material climate issues and disclosure

Using reasonable and supportable information without undue costs

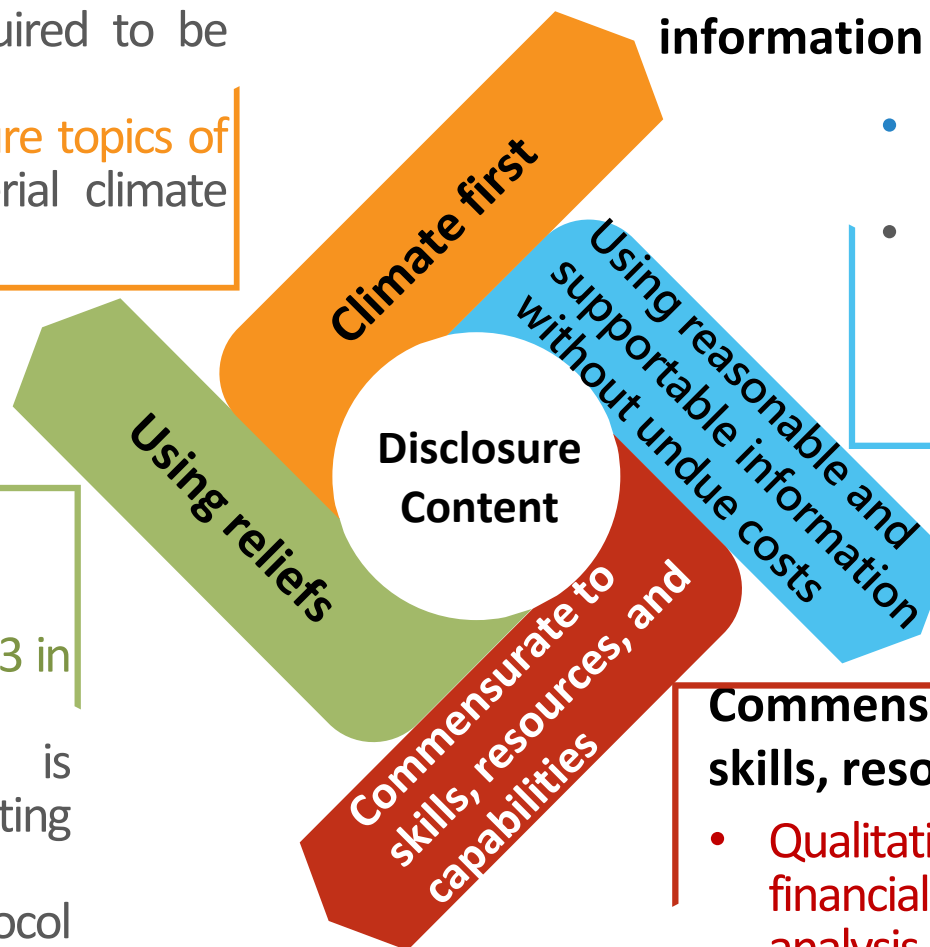


- Using application guidance on S2 to measure GHG scope 3
- Amount and percentage of assets or business activities vulnerable to climate-related risk and opportunities



Using reliefs

- GHG scope 3
 - Exemption from disclosing scope 3 in the first year
 - Value chain information that is different from the entity's reporting period is permitted for use
 - Different method from GHG protocol authorized by jurisdictions
- Exemption from disclosing comparative information in the first year



Commensurate to companies' skills, resources, and capabilities



- Qualitative disclosure of anticipated financial effect and climate scenario analysis is permitted commensurate to companies' circumstances.

August 8th



Holding a meeting and inviting various stakeholders, including relevant government agencies, listed companies, sustainability-related associations, audit firms, attestation institutions, academics and experts to discuss the proposed roadmap to align with ISSB Standards.

Taskforce and working groups



The chair of Taskforce
Chen-Shan Chang
(Director General of SFB)



Working Group 1
Doris Wang
(Chairperson of ARDF)



Working Group 2
Lih-Chung CHIEN
(President of TWSE)



Working Group 3
Grace Shang
(Chief Secretary of SFB)



Working Group 4
Edith Lee
(CEO of TPEx)

Opinions and Response

Supporting the approach proposed by the FSC

- Comparable and consistent information,
- Clear and distinctive to companies

Alignment Approach

01

Applicable Entities and Timeline

02

Phase-in approach allow entities have enough time to prepare

- **Supporting relief provided by the ISSB Standards**
- Recommending providing more reliefs considering Taiwanese practice, and guidance and illustrates of using qualitative disclosure allowed by ISSB Standards (such as anticipated financial effect and climate scenario analysis)

04

Disclosure Content

03

Location and timing of disclosures

- **Supporting disclosing material sustainability information in the annual report, in the perspective of investors**
- When advancing the time of annual reports, it should be taken into consideration the degree of simplifying annual report, the extent of digitalization, and if relevant information is verified by an independent party.

Opinions and Responses

No current requirements available for evaluating the feasibility of alignment

- There have been requirements to disclosed sustainability information in the annual report, with reference to the recommendations of TCFD
- Draft of translation of part A of S1 is scheduled to be issued in August
- ISSB Standards Alignment website will be established

Different GHG inventory method

- S2 permits regulators to use a method different from GHG protocol
- Use control approach or equity share approach to account for GHG of associates and joint ventures.

Duplicative information in Sustainability reports

TWSE will evaluate the feasibility of reframing the sustainability reports and establishing digital platform, which will strengthen the digitalization of sustainability information and reduce duplication

Advancing the timing of annual reports is challenging

- Annual report will be streamlined 20~25% by item.
- Allowing to cross-reference to public information or financial statements

Opinions from questionnaire and responses

Capacity of Assurance on sustainability is not enough

- Except for GHG, other sustainability information are not currently required to be assured
- 15 GHG assurance institutes are qualified and the number of qualified institutes will increase

Taxonomy of conglomerate

- FSC has asked TWSE mapping the current taxonomy and the taxonomy of SASB
- S1 provides an illustrative example for a conglomerate with diverse activities

Climate-related disclosure

- Taskforce will develop best practices for disclosure of climate targets and transition plan
- Permission to use qualitative disclosure subject to certain situation

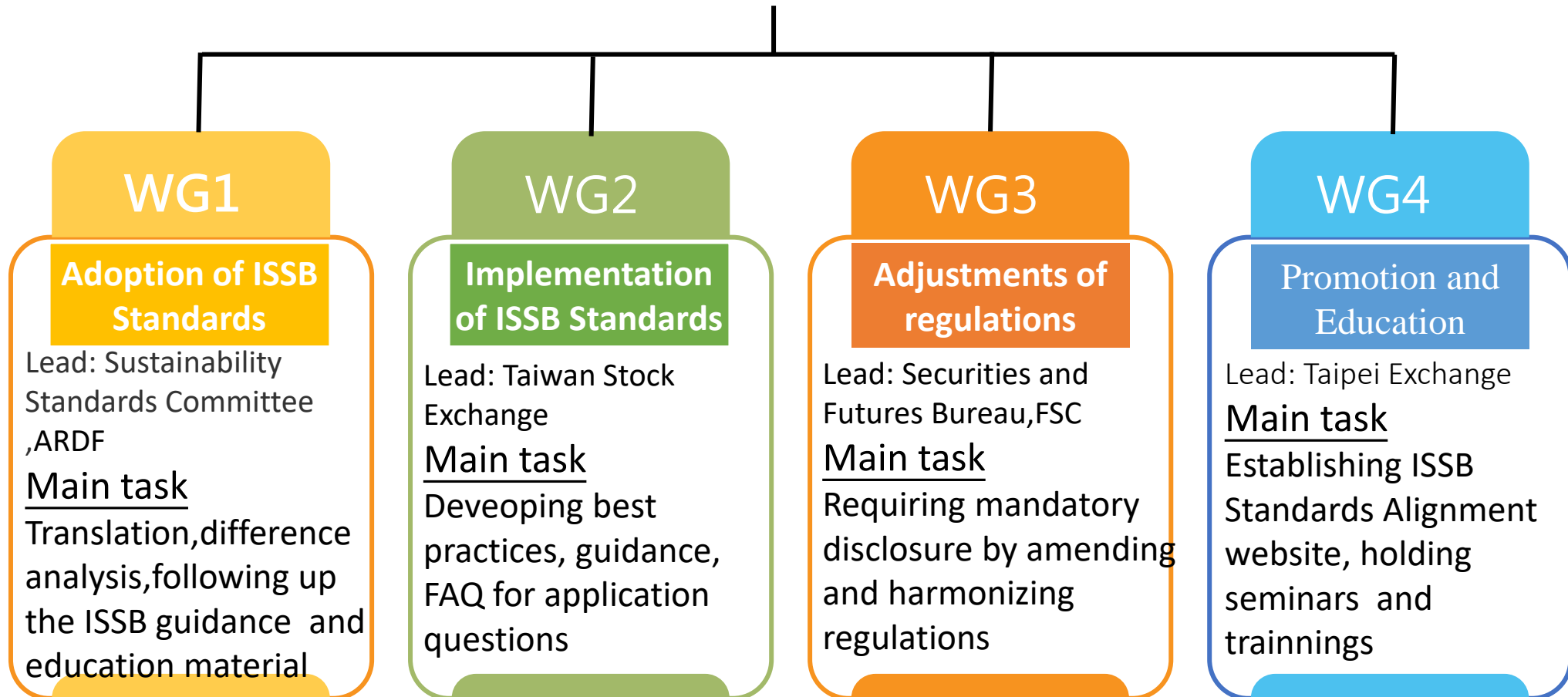
Scenario analysis

Enterprise are allowed to disclose qualitative information of climate scenario analysis if not having the skills, capabilities or resources or considering reasonable and supportable information without undue costs

Future work-Capacity Building and Integrate Resources

Taskforce of Promoting Taiwan's Alignment with IFRS Sustainability Disclosure Standards

Chair : Director General of SFB (Secretariate : Securities and Futures Bureau)





The End