

Sustainable Finance Workshop

Remarks by FSC Chairperson Tien-Mu Huang

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Chairman Wu Chung-Shu of the Taiwan Academy of Banking and Finance; Dr. Alan Lin , Deputy Executive Director of the Office of Energy and Carbon Reduction; Dr. Tsai Ling-yi, Director of the Department of Environmental Sanitation and Toxic Substance Management at the Environmental Protection Administration; Wen Lih-Chyi, Director of the Center for Green Economy at the Chung-Hua Institution for Economic Research; Colleagues from the Financial Supervisory Commission; Financial industry leaders attending both in person and online; Participants representing government, academia, and the financial industry: Good morning!

Since launching the Green Finance Action Plan 2.0 over a year ago, the FSC has promoted a number of different policies. Today's event is the first sustainable finance workshop that the FSC has formally held. Considering the list of high-profile participants representing financial institutions as well as government and academia, it seems clear that the quest to achieve sustainable finance and respond to global climate change is an undertaking that cuts across multiple cabinet agencies, multiple specialties, and even multiple countries. In terms of policy planning and implementation, this undertaking in some ways takes a top-down approach, in some ways is carried out bottom-up, and in still other ways is laterally implemented. It requires the coordinated participation of civil society, government agencies, and the academic community. It's a big, integrated project that involves technology, politics, the economy, and society. So, this Plan addresses more than just environmental

protection issues. Beyond that, the Plan seeks to build a social consensus, and is designed to have far-reaching political, economic, and social impact. For Taiwan, and in fact for the entire world, this Plan is very important for development over the coming 30 years. We all hope to make some achievements by 2030, so the next nine years are going to be very important for us.

Yesterday I gave a university lecture in which I introduced futures markets and products. I wanted to talk to students about how they should enter the job market and start taking part in capital markets. In other words, I was passing the torch to a new generation. Time was limited, so I started off by advising the students that, among all my remarks, they would only really need to remember one thing: "There are no short-cuts in life, and there are no short-cuts on the path to wealth." Then I mentioned some particular persons to illustrate my point. Today, I'll just mention one of them: Brian Snitker, the manager of the Atlanta Braves. His team won the World Series this year. He joined the Braves organization at age 21 and has stayed with it for 45 years. This year, at the age of 66, he led the Braves to their first World Series championship in 26 years. His career as a player did not go smoothly, and after becoming a coach he still found just mediocre success over quite a long period. For years he took a variety of coaching jobs at farm teams at the 2A and 3A levels. He was 60 years old when he at last rose to the big leagues as manager of the Braves in 2016. This year his team beat the Houston Astros 7 to 0 in game 6 of the World Series, thus finishing the season as champion of the Major Leagues for the first time since 1995. Some news media focused in their reporting on Snitker's "never give up" spirit of perseverance. I feel his story highlights the fact that there are no short-cuts in life, and if we want to go far, we just have to keep moving ahead one step at a

time. I use this story to tell everyone that if we want to achieve sustainable finance and respond to global climate change, there is no short-cut. We just have to take one step at a time.

Financial services firms have enthusiastically supported the green finance measures adopted by the FSC in recent years, but we should expect more of ourselves. For example, there are now more than 600 different sustainable finance ratings around the world, three or four of which we all attach relatively great importance to. Taiwanese financial institutions take active part in a wide range of sustainable finance, green finance, and climate change ratings, but I would like to remind everyone that we must be prepared to go slow and steady. When seeking to develop sustainable finance or respond to climate change, one cannot look for quick results. There are no short-cuts or cookie-cutter formulas. Financial institutions must not look at this as a matter of public relations, or treat it as simply a way to raise share prices. They have to treat it the same way just like the approaches of Task Force on Climate-Related Financial Disclosures, and approach it from the perspectives of governance, strategy, and risk management. They have to adopt benchmarks and goals, and take one step at a time. The board of directors has to adopt strategies, and these must be implemented by mid- and upper-level management. Winning awards is great, of course, but awards are not the goal, they're just good things that happen along the way. So I want to remind everyone again that a financial institution seeking to promote sustainable finance and address climate change must move forward one steady step at a time. These things have to be implemented in the course of the adoption of investment and financing strategies, in the course of carbon stock takes, and in the course of capacity building. This is what we expect, not just of financial institutions, but also of the competent authorities.

Today's workshop will illustrate three issues of urgent and critical importance to the effort to promote sustainable finance and respond to global climate change. The **first issue** is the insufficiency of databases. The Network for Greening the Financial System, which is composed of over 80 central banks and financial supervisors, has pointed out that when financial supervisory authorities have sought to deal with sustainable finance and global climate change, they have generally been hampered by insufficient databases. Problems include failure to integrate interdepartmental data, insufficient data, and a lack of reliability. The **second issue** is inconsistency among indicators for risk measurement. There are many different indicators and standards, but they lack consistency and reliability. The **third issue** is insufficient capacity building and a shortage of resources.

All of these issues will be discussed at today's workshop. Take the issue of databases and data disclosure, for example. At the recent COP26 Conference, the IFRS Foundation announced the formation of the International Sustainability Standards Board. We will also discuss the issue of stress tests today. These are all issues that financial institutions and financial supervisors run into when they work to address climate change. It isn't just financial institutions that need to deal with these issues. Government agencies, the Taiwan Academy of Banking and Finance, the Securities and Futures Institute, and the Taiwan Insurance Institute also need to help each other out with a number of questions. For example: How do we go about consistently integrating the sustainability and climate change databases of different government agencies so that financial institutions and others can use the integrated databases efficiently? How do we use indicators that meet international standards to measure the risks that we face? How do we respond to such risks? How do financial institutions, under

different scenarios, properly assess their financial and operating stresses? Today's workshop is very important to the future conduct of business in the financial industry. I'm very pleased to see so many distinguished participants attending both in person and online, and to see that so many veteran representatives of the financial industry, government, and academia have come here to share their experience with us. I feel confident that today's discussions will yield better consensus regarding these issues.

My special thanks go to Dr. Tsai Ling-yi, Director of the Department of Environmental Sanitation and Toxic Substance Management at the Environmental Protection Administration (EPA). The EPA plays a very important leadership role in our country's efforts to respond to climate change. The FSC will actively support the effort to amend draft legislation governing Taiwan's response to climate change, and we hope that financial institutions will take measures to prepare in advance for the legislation, so that they can implement it right away once it has been enacted. This is a project that cuts across multiple cabinet agencies, multiple industries, and multiple specialties. It requires cooperation among multiple countries. It is an important project that touches upon politics, the economy, and society. It is our good fortune to be a part of the process, and to have the chance to contribute in some small way at a time like this to sustainable development in our own country and throughout the world. We should seize upon this opportunity and do a good job with the role that is ours to play.

In closing, I want to reiterate that the work we are doing to promote sustainable finance and respond to climate change is not just for show. We're in it for real, moving forward one steady step at a time. There are no short-cuts. We don't look for quick results. There are no

short-cuts or cookie-cutter formulas. An old Chinese saying reminds us that "a journey of a thousand miles is taken one step at a time, and the rivers and seas fill up drop by drop." Let us take to the task with determination and keep working away at it so we can achieve our goal of promoting sustainable finance and addressing climate change. I look forward to a highly successful workshop. Thank you!