

Green Finance Action Plan 2.0

August 2020

1. Background

**2. Implementation results of Green Finance
Action Plan 1.0**

3. International trends

4. Green Finance Action Plan 1.0 vs Plan 2.0

5. Green Finance Action Plan 2.0

Origin

- Sustainability is top priority of global economic transformation. ESG issues both create brand-new business opportunities and bring potential risks for the financial industry.
- Financial institutions (FIs) may play a key role in the distribution of social resources and driving the society's resources to sustainable development.

Process

- Reference international practices and recommendations provided by related government agencies, experts, scholars, and NGOs.
- Review of implementation of Green Finance Action Plan 1.0

Plan

- Formulate and launch the Green Finance Action Plan 2.0

Objective

- Public & private partnership for creating a sustainable finance ecosystem

FI's financing to the green energy firms and adoption of the Equator Principles

- The outstanding balance of loans provided by domestic banks to green energy firms **exceeded NT\$1.1 trillion** as of the end of June 2020, which was an increase of approximately NT\$200 billion from before the launch of the plan.
- Domestic banks, branches of foreign banks, and insurance enterprises have provided offshore wind farm developers with approximately **NT\$250 billion** in financing.
- **6 domestic banks** have signed the Equator Principles, placing Taiwan second in Asia.

Green bond market launched and strong momentum for responsible investment

- As of the end of July 2020, **43 green bonds** have been issued, raising a total of approximately **NT\$115.3 billion** in capital.
- As of the end of June 2020, **151 institutional investors** have signed the Stewardship Principles.

Insurers' investment in the green energy industry

- As of the end of June 2020, total authorized investments of insurance companies in **green energy power plants** amounted to approximately **NT\$14.1 billion**, and 2 life insurance companies have invested **NT\$4.2 billion in wind farms**.

Professionals equipped with broad perspectives and strong executive ability in green industry development

- Taiwan Academy of Banking and Finance and other institutions provide training to encourage financial professionals to participate in meetings and courses to improve professional competencies.

More green finance products and services

- **ESG/sustainability indices, ETFs, and futures** have been developed.
- FIs are encouraged to develop financial products such as the green credit cards, funds, and insurance policies.

Ease of access for ESG information of listed Co.

- As of the end of 2019, **475 companies** have disclosed their 2018 CSR reports which account for 30% of all 1,608 companies listed on Taiwan Stock Exchange and Taipei Exchange.

International trends

- ◆ Defining the scope of sustainable financial activities (taxonomy)
- ◆ Enhancing information disclosure relating to climate change and sustainable development
- ◆ Integrating climate change factors into prudential supervision
- ◆ Developing mechanisms and rules to promote sustainable and responsible investment

Room for refinement from an international perspective

- ◆ There are no clear definitions of “green” or “sustainable” economic activities and assets.
- ◆ The quality of corporate ESG disclosure has room for improvement.
- ◆ Responsible investment data await integration and promotion.
- ◆ Domestic companies and investors in general do not integrate ESG factors into decision-making process.
- ◆ Most financial institutions have not factored climate change into their risk management strategy.



Developable green and sustainable finance opportunities

- ◆ Investments, financing, and capital are needed in Taiwan’s pursuit of a low-carbon transformation and sustainable economic development. These needs will create business opportunities for the financial industry.
- ◆ FIs can develop innovative financial products and services that incorporate green and sustainability concepts.

Green Finance Action Plan 1.0

Green Finance Action Plan 2.0

- 🎯 Mainly focus on the environment (E)
- 🎯 Encourage FIs to provide the green energy industry with investments and financing
- 🎯 Develop green bonds
- 🎯 Encourage FIs to sign voluntary compliance statements for green investment and financing standards

- 🎯 Expand the scope to include ESG
- 🎯 Encourage FIs to support green and sustainable firms (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:** Build a framework and the foundation conducive to the effective operation of green and sustainable finance market, increase information transparency, and channel funds to support green and sustainable development industries.
- **Medium-term:** Guide the financial market on addressing the potential risks of climate change and capitalize on associated opportunities and strengthen the competitiveness of our financial industry and market, and furthermore, raise the awareness of businesses and investors to ESG issues through the financial mechanism to bring about a healthy cycle of investment and sustainable development.

3 Core Strategies

- Facilitating effective information disclosure for effective business decision-making
- Pushing financial institutions to address climate change risks and capitalize on associated opportunities
- Using market mechanism to steer the economy toward sustainable development

8 Implementation Aspects

1. Credit
2. Investment
3. Capital market fundraising
4. Professional development
5. Promotion of further development of green financial products or services
6. Information disclosure
7. Prudential supervision
8. International connections and incentive mechanisms

◆ Areas of focus:

Plan 2.0 maintains the areas of focus that featured in Plan 1.0, but additionally focuses on prudential supervision and International connections and incentive mechanisms.

◆ Implementation measures:

Plan 2.0 has a total of 38 measures. Of these, 17 are a continuation of Plan 1.0 while 21 were newly added.

New measures — 1. Improve content and quality of ESG information disclosures

Strengthen content

- ✓ Plans for the disclosure of ESG information that is **financially significant and useful for investment decisions** (including information on greenhouse gas emissions).
- ✓ Plans for the inclusion of **recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)** in the CSR reports or annual reports of listed companies.
- ✓ Plans for requiring FIs to comply with recommendations of the TCFD.

Improve quality

- ✓ Consult TWSE and TPEX to **request independent third-party institutions to review the information disclosures in CSR reports of listed companies** and propose improvement measures.
- ✓ Plans for **expanding the scope of listed companies** that are required to obtain third-party verification of their CSR reports.

Expand scope

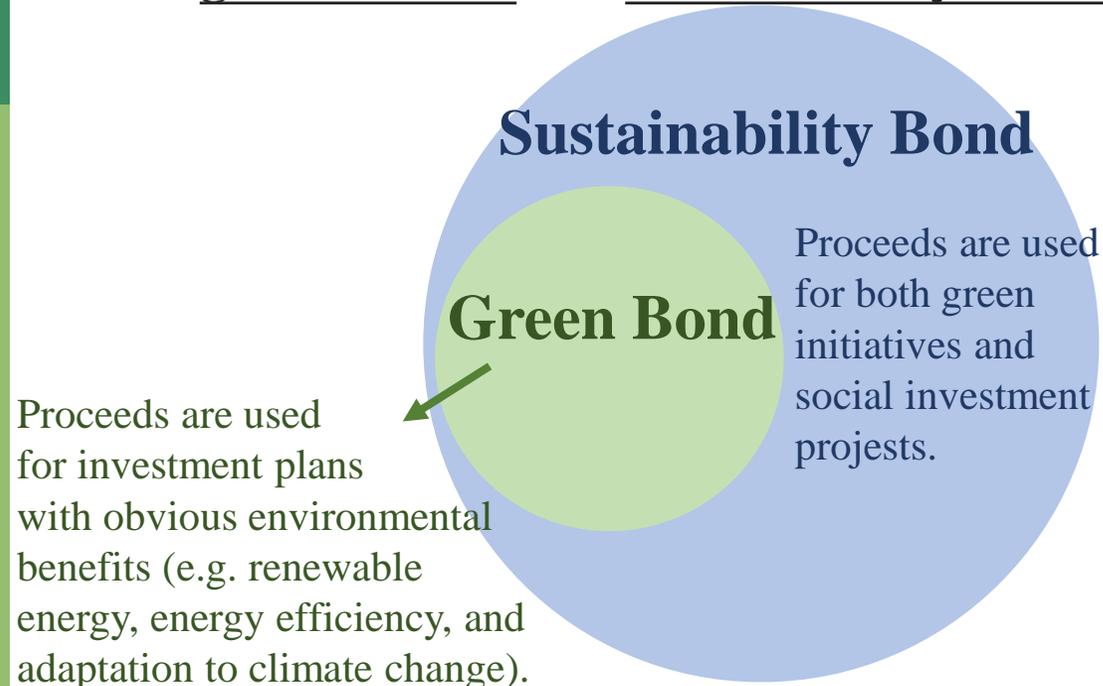
- ✓ Plans for **expanding the scope of listed companies** that are required to prepare CSR reports.
- ✓ Plans for requiring **FIs of a certain size** to prepare CSR reports.

New measures — 2. Plans for the development of a sustainability bond market

“Sustainability bonds” are bonds used specifically to fund investments in and refinancing of green initiatives and social investments.

➔ **Develop sustainability bonds in reference to the issuance framework and administration mechanisms for green bonds.**

Use of proceeds: Comparison between green bonds and sustainability bonds



Core elements of the Taipei Exchange Operational Directions for Green Bonds

Core Element	Explanation
Uses of proceeds	Define and disclose the investment plans that can be regarded as green investment plans.
Investment plan assessment and screening	Define the procedures and assessment methods for issuers to select eligible green investment plans.
Management of proceeds	Establish procedures and management mechanisms to ensure that the proceeds are used in the proposed green investment plans.
Reports	Periodically disclose to investors the use of proceeds and benefits to the environment.

New measures — 3. Study the scope of sustainable finance (taxonomy)

- ◆ Sustainable finance encompasses ESG aspects and is wide in scope. Certain countries have established related classification standards and the World Bank has published "Developing a National Green Taxonomy: A World Bank Guide" as references for the countries.
- ◆ The FSC will reference international practices and study the scope of sustainable finance to formulate a set of standards suitable for domestic policies, regulations, and industries in Taiwan for assets, financial products, or economic activities that meet carbon emissions reduction and sustainable development goals.



New measures — 4. Establish and strengthen the integrated ESG information inquiry platforms



Plan

- Formulate an integrated platform for disclosing statistics of responsible investment, funds, loans, and insurance (based on the research results of sustainable finance taxonomy).
- Work with Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) of the Ministry of Science and Technology, and Environmental Protection Administration to collect data regarding climate change and the environment.
- Strengthen the supply & demand information of financing on the Single Service Window for Solar PV and Wind Power websites of the Ministry of Economic Affairs.

Related applications

- Provide participants of financial markets with comparable, reliable, and comprehensive information.
- Provide companies and FIs with data for the assessment of potential risks and scenario analyses.
- Increase efficiency and effectiveness of financing matching.

New measures — 5. Promote risk management measures for climate change risks for the 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 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

Inter-Agency Collaboration

The concrete implementation measures of the Action Plan requires collaboration among the FSC, Ministry of Economic Affairs, Ministry of Finance, National Development Council, Ministry of Transportation and Communications, Ministry of Labor, Ministry of Science and Technology, Environmental Protection Administration, Ministry of Civil Service, and National Development Fund of the Executive Yuan.

Public & Private Partnership

- Join forces come from various financial industry associations, Taiwan Stock Exchange, Taipei Exchange, financial training institutions, and non-profit organizations.
- They will jointly discuss and learn about international development trends, and establish related regulations, guidelines, and incentives based on the legal environment and the state of industrial development in Taiwan.

Assessment and review of results

- ◆ The FSC will implement **quarterly reviews** for concrete measures and **rolling amendments each year**.
- ◆ The FSC will carry out an **evaluation** and include important items among its evaluation indicators based on review findings. It will also grant public recognition to enterprises with outstanding performance.

Expected benefits

The Action Plan is expected 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. Ultimately, it creates benefits of sustainable development for the financial industry, physical industries, society, and the environment.

