

Green Finance Action Plan 3.0



Presentation Outline

- 1. Background Information**
- 2. Key Points and Results of Green Finance Action Plan 1.0 and 2.0**
- 3. International Development Trends and Taiwan's Challenges**
- 4. Green Finance Action Plan 3.0**
 - (1) Framework Structure
 - (2) Key Points of Plan
 - (3) Key Implementation Measures
 - (4) Implementation Methods and Assessment and Review of Results
 - (5) Expected Benefits

1. Background Information

International consensus on net zero emissions by 2050

- More than 130 countries or regions across the globe have made commitments to attain net zero emissions

"Green Finance" as one of the 12 key strategies in "Taiwan's Pathway to Net-Zero Emissions in 2050"

- Sustainable development and net zero emissions are core objectives of Taiwan's policies
- Green finance is one of the core policies for attaining net-zero emissions in Taiwan

Companies, consumers, and investors raise attention to climate change issues

- Taiwanese companies are affected by changes in the international supply chain
- Rising ESG awareness of consumers and investors cause the entire society to pay more attention to sustainability issues

Financial market as a key driver for net zero emissions

- Carbon reduction has become the focus of global financial policies
- EU takes the lead in developing Taxonomy Regulation and supporting sustainable economic activities with financial capital

2. Key Points and Results of Green Finance Action Plan 1.0 and 2.0

Key Points of Green Finance Action Plan 1.0 and 2.0

Key Points:

It focuses on encouraging financial institutions to invest and finance the green energy industry and use capital to support the development of the green energy industry.

2017

Action Plan 1.0



2020

Action Plan 2.0

Key Points:

It covers environmental, social, and governance (ESG) issues to encourage financial institutions to expand their investment and financing in green and sustainable industries, innovate and develop financial products and services, nurture sustainable finance talents, promote ESG information disclosure, and encourage financial institutions to manage climate-related risks and continue to adopt international standards.

Measures and Results of Green Finance Action Plan 2.0

Credit

- **Incentives:** As of the end of March 2022, the total balance of loans of domestic banks to the key startup industry "green energy technology industry" was approximately NT\$1.41 trillion, which was an increase of NT\$429.6 billion (44% growth) compared to the period before the implementation of the incentives (September 2016). As of the end of July 2022, the total balance of loans of domestic banks to the "green electricity and renewable energy" was NT\$2.23 trillion.
- **Financing offshore wind power:** As of the end of June 2022, banks have signed contracts for financing offshore wind power with a credit limit of approximately NT\$348.1 billion in local financing. As of the end of July 2022, the FSC has approved insurance companies' participation in syndicated loans in the green energy industry totaling approximately NT\$23.3 billion.

Investment

- **Encouraging insurance companies to invest capital in green industries and financial products:** As of the end of July 2022, the total authorized investments of insurance companies in green energy power plants amounted to approximately NT\$14.8 billion and 2 life insurance companies have invested NT\$4.2 billion in offshore wind farms.
- **Enhancing responsible investment by institutional investors:** The "Stewardship Principles for Institutional Investors" have been amended to require institutional investors to incorporate ESG issues into the decision-making process and enhance ESG information disclosure in the stewardship report.

Capital market fundraising

- **Encouraging the issuance of and investment in green bonds:** Taipei Exchange has integrated related regulations for green bonds, social responsibility bonds, sustainability bonds, and sustainability-linked bonds and set up the Sustainable Bond Market.
- **Developing sustainability bonds:** As of the end of August 2022, 94 green bonds have been issued with an amount of approximately NT\$258.6 billion; 20 sustainability bonds have been issued with an amount of approximately NT\$74.6 billion; 9 social responsibility bonds have been issued with an amount of approximately NT\$18.1 billion.

Professional development

- **Cultivating green and sustainable finance talents:** Continue to organize related courses and seminars through financial industry self-regulatory organizations such as the Taiwan Academy for Banking and Finance, Securities & Futures Institute, and Taiwan Insurance Institute.

Measures and Results of Green Finance Action Plan 2.0

Development of financial products

- **Encouraging the issuance of green funds:** As of the end of July 2022, domestic securities investment trusts have issued 35 ESG-related funds with a scale of approximately NT\$206.7 billion.
- **Encouraging the development of green insurance products:** As of the end of June 2022, approximately 13 life insurance companies have participated in related insurance policies for offshore wind power and accumulated insurance premiums totaling NT\$7.17 billion. In addition, non-life insurance companies have developed approximately 22 commercial agricultural insurance products and accumulated insurance premiums totaling NT\$860 million.

Information disclosure

- **Publication of the Financial Disclosure Guidelines for Climate Risks of Domestic Banks:** Starting from 2023, domestic banks and insurance companies are required to disclose financial information on climate-related risks in the sustainability report or on the company's website before June 30 each year.
- **Expanding the scope of listed companies that are required to prepare sustainability reports:** A new regulation includes companies listed on the TWSE and TPEX with a capital of more than NT\$2 billion but less than NT\$5 billion and is implemented starting from 2023.

Prudential supervision

- **Promoting related risk management measures for climate change risks for the financial industry:** Taipei Exchange, Non-Life Insurance Association, and Life Insurance Association have revised related self-governing regulations to require securities firms and insurance companies to identify, establish, and disclose related management mechanisms for climate risks.
- **Studying the feasibility of climate change scenario analysis and stress tests:** The Bankers Association has been requested to formulate the Risk Management Operation Manual, establish the Climate Change Stress Test Guidelines, and prepare the Climate Change Stress Test Template for Banks.

International connections and incentives mechanisms

- **Signing international initiatives and principles:** 18 financial institutions in Taiwan have signed the Equator Principles and the number of signatories ranks first in the world. In addition, 153 institutional investors have signed the Stewardship Principles.
- **Planning Taiwan Sustainable Taxonomy:** In phase 1, 3 industries including manufacturing, building & construction, transportation & storage are included for the preliminary review.

3. International Development Trends

Recent International Development Trends in Sustainable Finance

- ✓ International financial organizations support the attainment of net zero emissions by 2050
- ✓ Promote climate risk management to assess the impact of climate change on financial stability.
- ✓ Set standards for green or sustainable economic activities to avoid "green-washing" or "sustainability-washing"
- ✓ Integrate ESG and climate-related data to facilitate analysis and risk assessments in financial market
- ✓ Government and industries cooperate to promote net zero emissions and accelerate the development of green finance

Taiwan's Challenges in Promoting Green Finance

- ✓ Insufficient greenhouse gas inventory information, particularly for non-listed companies
- ✓ Domestic financial institutions differ in characteristics and scale, and proportionate approach may to be introduced
- ✓ The concepts of "green" and "sustainability" have not been clearly defined
- ✓ Financial industries require more detailed and accessible climate and ESG data
- ✓ Insufficient professional talents for sustainable finance



Proposed Improvements in the Green Finance Action Plan 3.0

4. Green Finance Action Plan 3.0

(1) Framework Structure

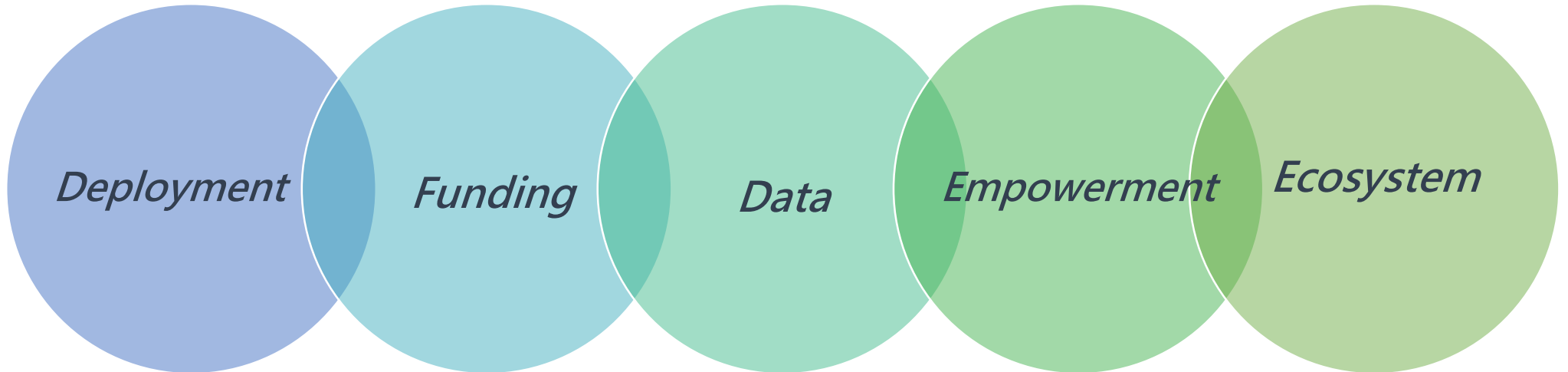
1 *Vision*

Integrate resources to support net zero transition

3 *Core Strategies*

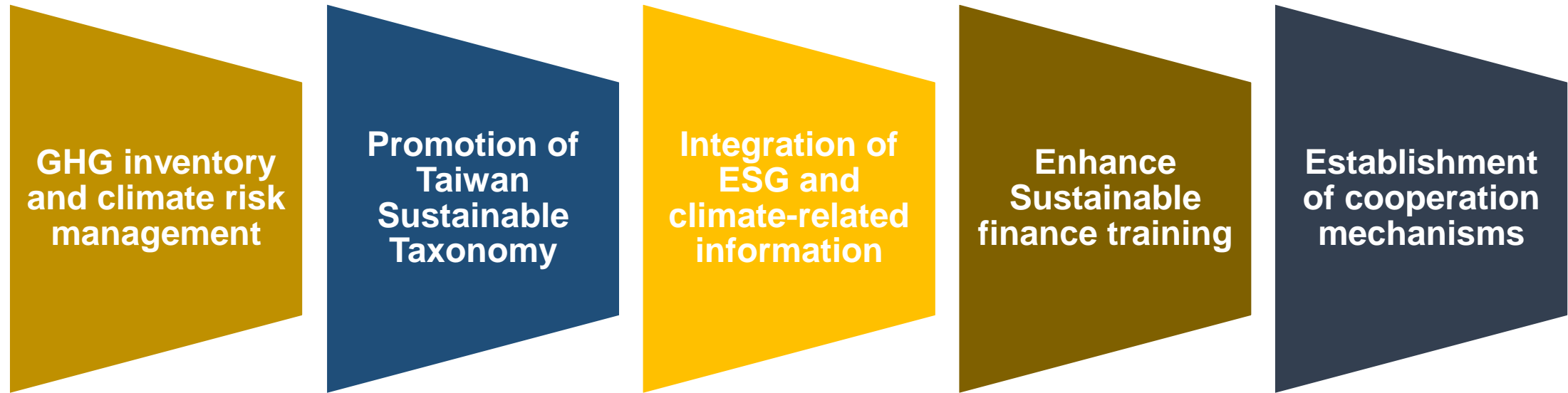
1. Collaboration to promote sustainable development
2. GHG emission disclosure and financing carbon reduction
3. Data integration to strengthen resilience and risk management

5 *Implementation Aspects*



4. Green Finance Action Plan 3.0

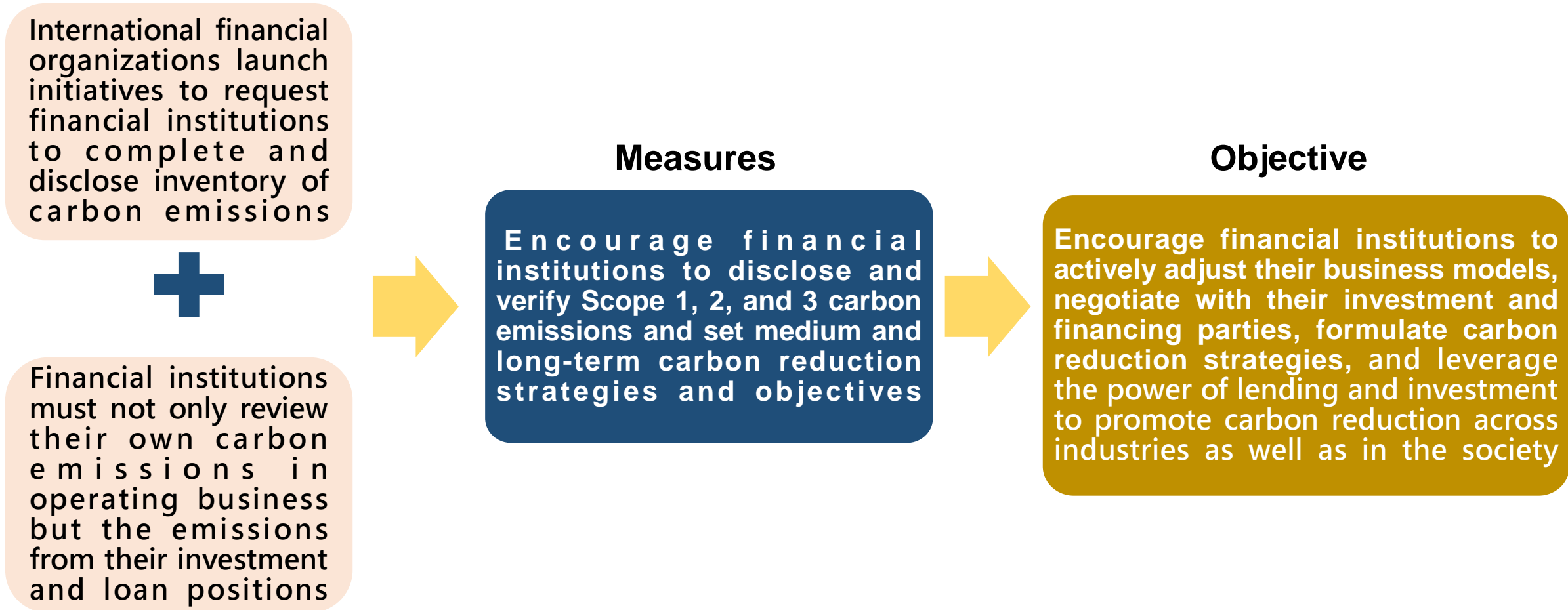
(2) Key Points of Plan



4. Green Finance Action Plan 3.0

(3) Key Implementation Measures (1/5) -

GHG inventory and climate risk management of financial institutions

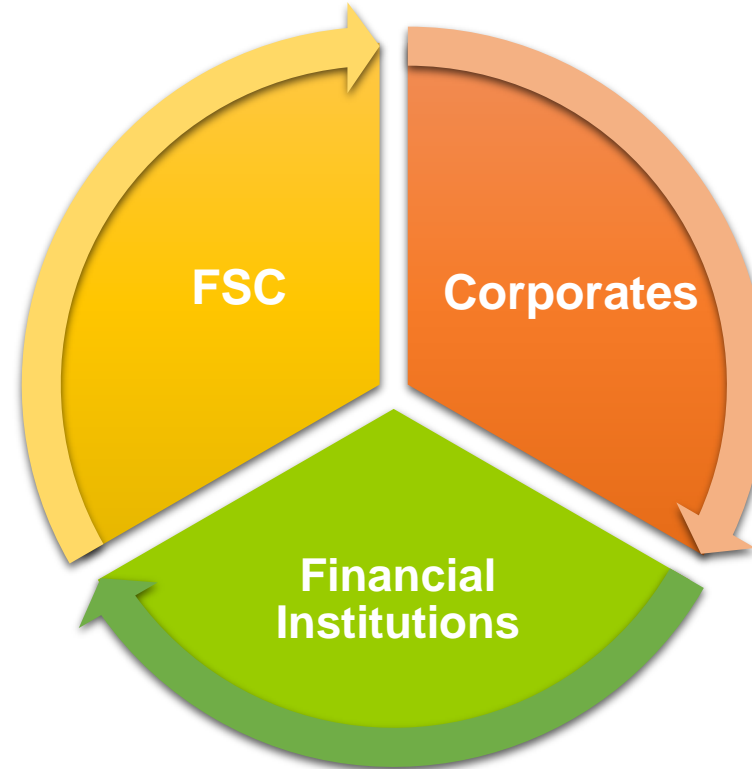


4. Green Finance Action Plan 3.0

(3) Key Implementation Measures (2/5) - Promote and Develop Taiwan Sustainable Taxonomy

Measures

- ✓ Publish the Taiwan Sustainable Taxonomy.
- ✓ Develop the phase 2 Taiwan Sustainable Taxonomy.



Measures

- ✓ Encourage **companies** to determine the "applicability" and "compliance" of their economic activities to the Taiwan Sustainable Taxonomy.
- ✓ Encourage **companies** to voluntarily disclose their information referring to the Taxonomy in the annual report, official website, sustainability report, or Market Observation Post System.

Measures

- ✓ Formulate in related self-governing regulations that for investments and loans of financial institutions or financial products which are on the use of concepts such as "green", "ESG", or "sustainability", **financial institutions** are encouraged to use the Taxonomy for investment and loan assessments, decision making, product design, and engagement with companies.
- ✓ They can learn about the attainment of sustainability in economic activities and communicate with corporates.

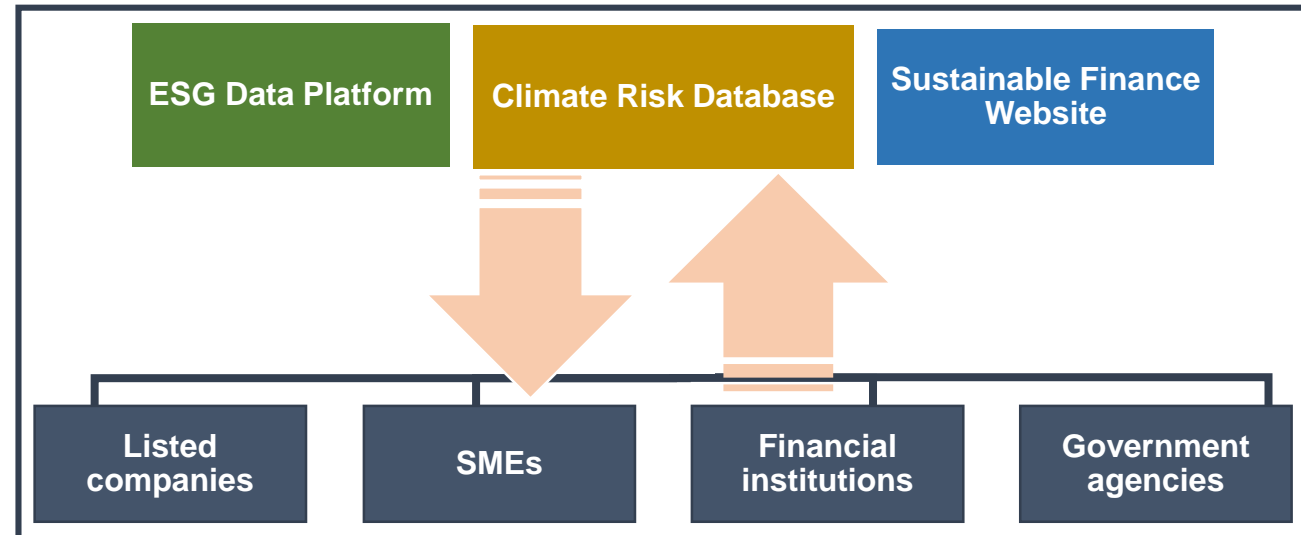
4. Green Finance Action Plan 3.0

(3) Key Implementation Measures(3/5) - Integration of ESG and climate-related information

Expand the information and data application for financial institutions to analyze and assess climate-related risks, and help companies, stakeholders, and investors understand the progress of sustainable finance in Taiwan

ESG Data Platform

- Promote **JCIC** to help build up the corporate ESG Data platform
- Promote **Taiwan Stock Exchange** to expand the ESG data platform of listed companies to help information integration and data application



Climate Risk Database

- Work with government agencies to optimize the Climate Risk-related Database

Sustainable Finance Website

- Build up the Sustainable Finance Website to compile sustainable finance information
- Promote **Taiwan Insurance Institute** to compile statistics on the insurance underwriting and the number of sustainable insurance products

4. Green Finance Action Plan 3.0

(3) Key Implementation Measures (4/5) - Enhance Sustainable Finance Training

Introduce sustainable finance certificates

- ◆ **Finance industry training institutions** develop sustainable finance training programs and issue certificates to enhance the professional sustainable finance competencies of employees of financial institutions

Enhance sustainable finance training for directors, senior executives, and employees of financial institutions

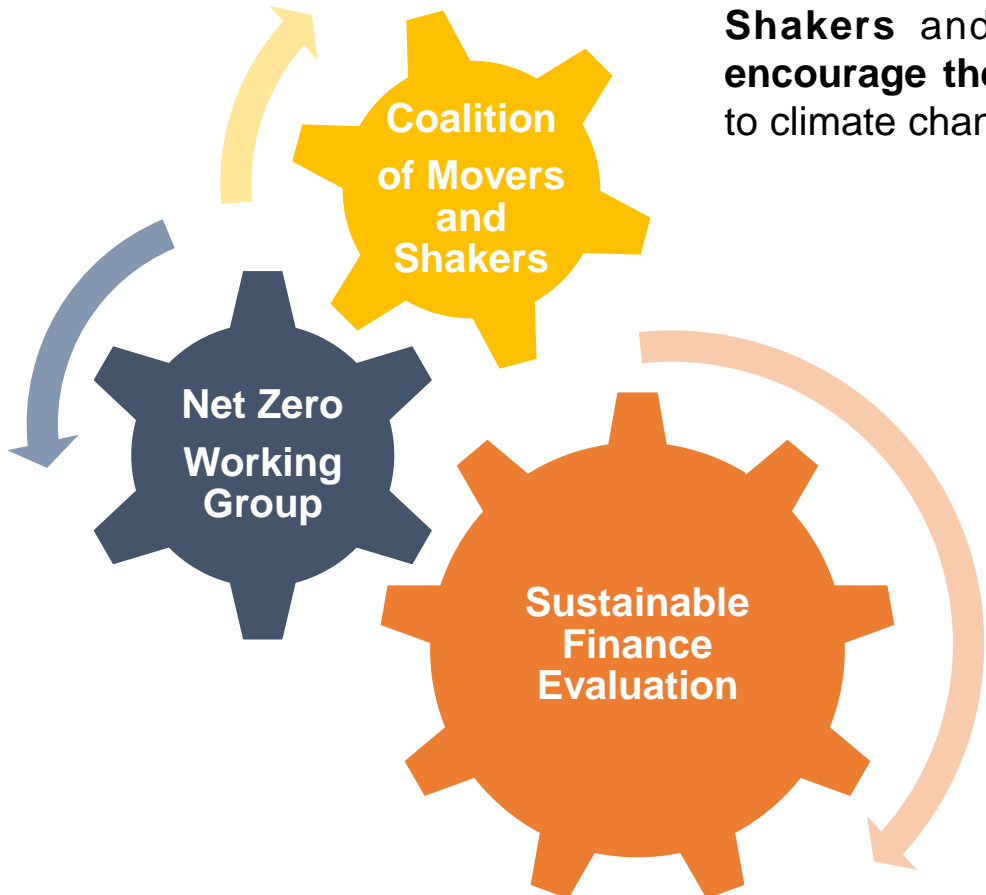
- ◆ Specify in the **self-governing regulations of the finance industry** that directors, senior executives, and employees must attend training or courses on climate change risk assessment, response measures, and sustainable development

Encourage social communication on green and sustainability issues and carry out sustainable finance ideals

- ◆ Incorporate the knowledge and ideals of green and sustainable finance into **financial education and advocacy** to promote and communicate sustainability issues to the **public** and encourage the public to attach importance to sustainability

4. Green Finance Action Plan 3.0

(3) Key Implementation Measures (5/5) - Establishment of cooperation mechanisms

- ✓ **Taiwan Financial Services Roundtable** established the **Financial Industry Net Zero Working Group** to develop guidelines and integrate resources for the finance industry, **foster cooperation in the finance industry**
 - ✓ **Financial institutions** with outstanding performance form the **Coalition of Movers and Shakers** and announce their commitment to **encourage their peers to take action** to respond to climate change, and meet international standards
 - ✓ **Taiwan Academy of Banking and Finance** invites financial industry self-regulatory organizations to jointly study the evaluation indicators and methods to **encourage financial institutions to actively review climate change and ESG-related risks**
- 
- The diagram consists of three interlocking gears arranged in a triangle. The top gear is yellow and labeled 'Coalition of Movers and Shakers'. The bottom-left gear is dark blue and labeled 'Net Zero Working Group'. The bottom-right gear is orange and labeled 'Sustainable Finance Evaluation'. Three curved arrows connect the gears in a clockwise cycle: a yellow arrow from the top gear to the bottom-left gear, a blue arrow from the bottom-left gear to the bottom-right gear, and an orange arrow from the bottom-right gear back to the top gear.

4. Green Finance Action Plan 3.0

(4) Implementation Methods and Assessment and Review of Results

Implementation methods

- Integrate the power of related government agencies, associations of the financial industry, training institutions, self-regulatory organizations, and non-profit organizations to jointly study international trends, and establish related regulations, guidelines, or incentives measures based on the legal environment and industrial development in Taiwan to promote the development of green and sustainable finance.

Assessment and review of results

- The FSC will conduct quarterly review of the implementation status of each measure and undergo annual modification on a rolling basis based on domestic and international development.
- The FSC will also incorporate important measures into Sustainable Finance Evaluation indicators and publicly commend financial institutions with outstanding performance.

4. Green Finance Action Plan 3.0

(5) Expected Benefits

