Green Finance Action Plan 3.0

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Contents

I. Introduction

The FSC promoted the "Green Finance Action Plan 1.0" in 2017 and the "Green Finance Action Plan 2.0" in August 2020 to guide financial institutions and companies to attach importance to climate change issues and sustainable development. Action Plan 1.0 mainly focuses on encouraging financial institutions to invest in and finance the green energy industry and to support the development of the green energy industry with funds. Action Plan 2.0 covers environmental, social, and governance (ESG) issues, encourages financial institutions to expand their investment and financing in green and sustainable industries and innovate and develop financial products and services. It aims to prompt companies to pay attention to and carry out ESG, and create a more comprehensive and sustainable financial ecosystem through financial mechanisms.

The FSC referenced current international trends to establish frameworks and foundations for promoting the effective operations of the green and sustainable finance market. Measures include enhancing ESG information disclosure quality and transparency, establishing the prototypes for Taiwan Sustainable Taxonomy, guiding financial institutions to expand their investment and financing from the green energy industry to the green and sustainable development fields, and cultivating the climate risks resilience of financial institutions.

As President Tsai has proclaimed "Net Zero Emissions by 2050" as a global objective as well as Taiwan's objective in April 2021, the National Development Council announced the "Taiwan’s Pathway to Net-Zero Emissions in 2050" in March 2022 and incorporated "green finance" as one of the 12 key strategies in the Pathway. The Environmental Protection Administration, Executive Yuan also included the "establishment of green finance mechanisms and implementation measures to foster a virtuous cycle between investment and sustainable development of the industry" as a basic principle in the draft amendment of the "Greenhouse Gas Reduction and Management Act". Sustainable development and net zero emissions have become core objectives of policies across the globe and in Taiwan. In response to the development trends in domestic policies, the Green Finance Action Plan in Taiwan must be more active and meet development requirements.

In addition, the international community has actively promoted net zero emissions, carbon tariffs, and just transition, and put emphasis on leveraging the power of the financial market to support the low-carbon transition. The FSC therefore launched the "Green Finance Action Plan 3.0" with the aim to consolidate the powers of the government and the private sector to strengthen the role of financial institutions. The Action Plan calls for the GHG inventory of their investment and loan positions, assessments of risks and business opportunities, and strategic planning to drive the low-carbon transition of companies, disclose related climate information, and spur the transition to a low-carbon or zero-carbon economy in Taiwan.

II. International Trends

Different countries have adopted relevant policies, set net-zero emission targets, and expanded public-private partnerships to establish net-zero alliances to responds to climate change and net-zero emission targets. They have also made carbon reduction a key part of trade and financial policies, and have promoted it through three channels including: (1) market tools: establishment of a carbon emission trading market for total emission control; (2) trade tools: implementation of the Carbon Border Adjustment Mechanism that requires companies and industries to pay a price for the carbon emissions derived from their products; and (3) financial tools: establishment of sustainable taxonomy regulation and support sustainable economic activities with financial capital.

On the other hand, major multinational companies have expanded their sustainability responsibilities to their supply chain management in recent years. For instance, Apple has announced a target for carbon neutrality in overall business operations, supply chain partners, and product life cycle (utilizing carbon offset mechanisms such as afforestation, purchase of renewable energy certificates, or use of low-carbon or zero-carbon emission technologies to achieve that carbon emissions are equal to carbon removal and realize relative "zero emissions") by 2030. Microsoft has implemented measures for carbon neutrality and has proposed to achieve "negative carbon emissions" (carbon emissions lower than carbon removal) by 2030.

Taiwan's economy relies on exports and is affected by international trends and regulations. A financial institution or a company may lose access to the global market if it fails to meet requirements in international regulations. In addition to responding to climate risks, companies must also actively consider how to achieve low-carbon transition to attain sustainability. Taiwan is an important part of the international industry supply chain, and foreign investors hold about 40% of the shares in Taiwan's stock market. Foreign investors abide by the principle of responsible investment and have incorporated companies' commitment to ESG into their investment decisions. In addition, rising consumer awareness of environmental and social issues in recent years has caused society to pay more attention to sustainability development. With the requirements imposed by the supply chain, consumers, and investors, companies must focus on sustainability and ESG issues, increase their resilience to climate risks, and seek business opportunities in compliance with sustainability trends to obtain investments and maintain their positions in the supply chain. The following practices and measures have been implemented for international sustainable finance:

1. Attain net zero emissions by 2050

The 26th United Nations Climate Change Conference (COP26) emphasized the attainment of net zero emissions by 2050 and energy transition. In addition to limiting global average warming to the 1.5°C target above pre-industrialization level, countries have also reached a consensus that coal is the main fossil fuel for causing greenhouse gas emissions. They also explicitly called for reducing the use of coal in a climate agreement for the first time.

In response to the impact of climate change, more than 130 countries or regions across the globe have made commitments to attain net zero emissions, which cover 83% of the global greenhouse gas emissions and 90% of the global gross domestic product (GDP)[1] (Net Zero Tracker, 2022). In addition, more than 5,000 organizations and units have joined the United Nations "Race to Zero Campaign" and committed to attaining net zero emissions by 2050[2].

To enhance carbon reduction and climate change adaptation, Taiwan also proposed the draft amendment of the "Greenhouse Gas Reduction and Management Act". In addition to the amendment of the legislation name to the "Climate Change Response Act" and inclusion a clause stating the goal of net-zero carbon emissions by 2050, carbon levies are also planned to collect by phases with the aim to connect Taiwan's system to international standards to lower the potential impact on Taiwan's industries in the international market, increase the competitiveness of Taiwanese companies, and enhance the efforts to reduce carbon emissions in Taiwan.

2. Implement climate risk management

The "Global Risks Report 2022" of the World Economic Forum (WEF) stated that in terms of the severity of the top 10 global risks, the top 3 risks are associated with environmental issues. They include the failure of climate actions, extreme weather, and loss of biodiversity. The Bank for International Settlement published "The Green Swan" report in 2020, which stated that climate change will pose a threat to financial stability and the specific risks include physical risks and transition risks. Therefore, regulators must incorporate relevant risks into prudential supervision by including climate risk scenarios in stress tests and integrating climate-related risks into the strategies and risk management procedures of financial institutions.

Financial supervisors across the world are preparing to incorporate climate change factors into stress tests of financial sector to ensure that financial institutions understand the impact of climate change on their assets and liabilities. For instance, the central bank of the Netherlands conducted stress tests in 2018 on the transition risks that renewable energy may bring to financial institutions (including banks,

[1] Source: Information on the Net Zero Tracker website (https://zerotracker.net/) accessed on August 10, 2022.
[2] Source: Information on the Race To Zero Campaign website (https://unfccc.int/climate-action/race-to-zero-campaign) accessed on August 10, 2022.

insurance companies, and pension funds). It also observed the energy transition risks for financial institutions under different scenarios through stress tests. The Bank of England commenced climate change stress tests in 2021 and the first test objects included 19 major banks and insurance companies in the United Kingdom such as HSBC and Barclays. The tests were conducted to measure the financial resilience of financial institutions in the transition to a zero-carbon economy and in response to extreme weather, and to strengthen the financial industry's awareness of the management of climate-related risks. The European Central Bank also commenced climate change stress tests in the first half of 2022 to assess the financial and economic impact of climate risks on eurozone banks.

Japan's Financial Services Agency (FSA) and the Bank of Japan also planned to implement scenario analysis for 3 major banks and major property insurance companies including MUFG Bank, Sumitomo Mitsui Banking Corporation, and Mizuho Bank before 2022. They will analyze the results and potential impact to promote financial institutions to manage and monitor climate-related risks.

In addition, although climate change has different levels of impact on different financial institutions, they remain highly connected and any impact may cause systemic risks for the entire financial market. The Networking for Greening the Financial System (NGFS) is a network of more than 100 central banks and financial supervisors that aims to consolidate the powers of global financial institutions to combat climate risks. In May 2020, it published the *Guide for supervisors - Integrating climate-related and environmental risks in prudential supervision* and advised financial supervisors to identify and assess climate-related and environmental risks. It also explained that supervisors have implemented risk exposure analyses for individual and overall banking operations, including the transition risk of policy-sensitive (carbon emission) industries evaluated based on different industrial classifications and the physical risks of financial institutions evaluated based on the location of operations, risk exposure, and the geographical location of its collaterals.

3. Direct funding into sustainable development projects

As governments around the world focus on climate change, the private sector also makes significant investments in green or sustainable development fields intending to attain both economic growth and sustainable transition.

However, since there is no clear definition or standard for "green" or "sustainability" in the market, "green-washing" or "sustainability-washing" products, companies, or activities have begun to appear in the financial market. To help market participants identify products or economic activities that are truly green or sustainable, and to prevent companies from "green-washing" in the name of sustainability, the European Union and countries such as the United Kingdom, Singapore, and Malaysia have proposed standards for identifying green or sustainable economic activities. The European Union took the lead by publishing the "EU Taxonomy" in March 2020. It is now the most active and comprehensive regulation and is used as a reference for the establishment of related standards or guidelines by most countries.

The EU Taxonomy has set out 6 major environmental objectives including "climate change mitigation", "climate change adaptation", "sustainable use and protection of water and marine resources", "transition to a circular economy", "pollution prevention and control", and "protection and restoration of biodiversity and ecosystems". To be classified as a sustainable economic activity, an economic activity must not only contribute to at least 1 of the 6 environmental objectives and must not do significant harm to the remaining 5 objectives. Besides, it must also meet the minimum social safeguards. The EU has created this mechanism to direct market funding into economic activities that meet "sustainability" requirements, prevent "green-washing", and make real contributions to the environment.

The Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 have also provided guidance for global policies and funding for sustainable development. Therefore, countries now uphold sustainable development goals when they deal with climate change issues and focus on the goals in all aspects of sustainable development.

4. Integrate ESG and climate-related information

International financial organizations are now aware that data gap and information integration must be swiftly addressed to ensure prudential supervision of the potential impact of climate change, closely monitor potential risks and risk exposure, and help the financial market evaluate and set up response measures.

In the COP26 held in 2021, NGFS published the Glasgow Declaration and reaffirmed its commitment to take active action for attaining the goals of the Paris Agreement and to expand and strengthen cooperation among NGFS countries. The Declaration included an action objective for the enhancement and improvements of the data gaps to address issues that may prevent financial institutions from identifying, managing, and adapting to climate risks.

The Hong Kong Monetary Authority (HKMA) reiterates and supports the Glasgow Declaration issued by NGFS to actively address climate change. It announced that it will continue to cooperate with other financial supervisors, government departments, industries, and academia through its Centre for Green and Sustainable Finance platform to understand the needs and assess the gaps of the data. It will also propose solutions to improve the availability, analysis, and application of ESG and climate-related data.

In addition, countries such as Singapore, South Korea, and Hong Kong also actively promote the establishment of integrated ESG information platforms for providing information on ESG investment products in the financial market to help domestic and foreign investors assess their ESG investment opportunities and current conditions. The platforms help the financial industry, enterprises, investors and stakeholders with data query and application, and show the detailed progress of ESG implementation.

5. Government and industries cooperate to promote net zero emissions

In addition to the guidance provided by government policies, the attainment of net zero emissions also relies on the cooperation of all sectors. In nearby countries such as Japan, Hong Kong, and Singapore, similar working groups have been set up, with industries, the government, and academia working together to propose guidelines or plans to promote sustainability together.

The Green Finance Industry Taskforce (GFIT) led by the Monetary Authority of Singapore (MAS) is a taskforce formed by representatives of financial institutions, companies, non-government organizations, and financial industry associations. Its primary mission is to implement four key measures including setting up green taxonomy regulations, enhancing environmental risk management for financial institutions, improving information disclosure for environmental risks, and proposing green finance solutions and thereby accelerating the development of green finance in Singapore.

In order to achieve the Paris Agreement's goals and Carbon Neutrality by 2050, the government of Japan promote financing for projects such as renewable energy and financing for transition efforts to move industries that emit large quantities of greenhouse gases toward decarbonization. Together with the Ministry of Economy, Trade and Industry (METI) and the Ministry of the Environment (MOE), the Financial Services Agency (FSA) held a "Taskforce on Preparation of the Environment for Transition Finance," and formulated the "Basic Guidelines on Climate Transition Finance" to mobilize financing for the transition of industries. The Taskforce includes 16 representatives from industries, academia, and research institutions.

The Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) have also established the Green and Sustainable Finance Cross-Agency Steering Group with members including the Hong Kong Environment and Ecology Bureau, Financial Services and the Treasury Bureau, and Hong Kong

Exchanges and Clearing Limited. The Steering Group aims to coordinate the management of climate and environmental risks in the financial sector, accelerate the development of green and sustainable finance in Hong Kong, and support the government's climate strategy. To help financial institutions manage risks and grasp business opportunities brought forth by climate change, the Steering Group established a cross-department platform — the Centre for Green and Sustainable Finance. It integrates the resources of financial supervisors, government agencies, industry stakeholders, and academia to work together on building capabilities, leadership in ideas, and policy development related to sustainable finance.

III. Challenges and opportunities for Taiwan in the promotion of green finance

1. Insufficient greenhouse gas inventory information

Attaining net zero carbon emissions by 2050 has become a target of global efforts, and the primary work is carbon inventory to achieve carbon reduction target. The Scope 1 and Scope 2 carbon emissions of the financial industry are lower than that of other industries. However, the carbon emissions associated with the investment and loans in Scope 3 account for a relatively high percentage of its overall carbon emissions. To promote carbon reduction in the real industry through the influence of investment and financing, financial institutions must first do carbon inventory on their investment and loan positions, and set carbon reduction targets and strategies accordingly. However, financial institutions generally find it difficult to obtain information on the actual carbon emission of their investments and financing companies. Although the "Sustainable Development Guidemap for TWSE- and TPEx-Listed Companies" already calls for listed companies to disclose greenhouse gas inventory information in phases, financial institutions are still unable to obtain all relevant information from small and medium enterprises. The lack of information has also made it difficult for financial institutions to conduct GHG inventories and set carbon reduction targets and strategies.

2. As financial institutions differ in characteristics and scale, proportionate approach may to be introduced

Domestic financial institutions differ in characteristics and scale as well as the resources and capabilities, therefore, there is a gap between financial institutions in terms of promoting sustainable development. However, the promotion of green finance relies on the efforts of the financial industry as a whole, and the misplaced resources predicted by the Cannikin Law must be avoided. In this way, the government must encourage individual financial industries to improve their governance, strategies and risk management capabilities for low-carbon transition, and promote those financial institutions with substantial foundations in sustainable finance to take the lead in driving the advancement of sustainable development of the overall financial industry and the industry.

3. The concepts of "green" and "sustainability" have not been clearly defined

The financial industry invests in and finances a wide range of industries, and companies require more capital to shift toward green or sustainable development. To direct capital into sustainable development, the concepts of "green" and "sustainability" must be incorporated into the operations of enterprises and the financial industry. Taiwan currently only develops the Taiwan Sustainable Taxonomy on a small scale, proposing 16 general economic activities and 12 forward-looking economic activities for certain manufacturing, building and construction, transportation and storage. And only one environmental objective－climate change mitigation－is provided with quantitative technical screening criteria, which is not yet sufficient. In addition, green loans, green bonds, sustainability-linked loans, and sustainability bonds are identified based on the use of funds, which require more detailed standards. Therefore, once the Taiwan Sustainable Taxonomy meet requirements for sustainability concepts, it is advisable to encourage financial institutions and companies to incorporate the Taxonomy as a reference in their decision-making process for investment and financing evaluations and business strategy planning and further expand technical screening criteria included in the

Taxonomy.

4. Financial industries require more detailed and accessible climate and ESG data

Financial institutions need consistent and comparable climate information to effectively assess the climate physical risk. However, the current level of public information does not meet the needs of the financial industry and companies. In addition, the information does not include other factors such as topography, sea level rise, and subsidence, which increase the cost of data collection and analysis for financial institutions and companies. Besides, if financial institutions purchase databases by themselves, it remains to be determined whether the information the financial institutions use is consistent and the results of analyses by different financial institutions are comparable as the sources of data are different. On the other hand, financial institutions need to obtain information on the main economic activities and ESG-related information of companies, such as carbon emissions, water consumption, electricity consumption, revenue, and production in their investment and financing assessments, calculation of carbon emissions, or client engagement. However, the currently available raw data are dispersed in different ministries and a more integrated and user-friendly interface must be provided. Therefore, government agencies must work together and build a common information platform to allow financial institutions and companies to obtain information and use such information as references for assessing investments, financing, or low-carbon transition.

5. Insufficient professional talents for sustainable finance

Sustainable finance talents are a key element of the financial industry and enterprises for achieving sustainable goals. To attain Taiwan's sustainable development goals and establish a comprehensive sustainable financial ecosystem, all personnel must be involved and the directors and senior executives of financial institutions must lead employees in a top-down approach. However, green or sustainable development has become more extensive, and human resource training cannot keep up with the needs of the financial industry and other industries. Insufficient professional knowledge of leaders or employees of the financial industry or the lack of understanding of international trends and practical operations may hinder their investment and financing decisions, which in turn may affect the formulation of overall sustainable policies and development strategies of companies. In addition, sustainable finance is the driving forces of the overall sustainable development in the industry. As financial institutions nurture talents, they must also exert their influence with their professional skills so that they can effectively play the important roles and functions in promoting the sustainable development of the whole society through the use of market mechanisms to assist companies in the process of sustainable transition.

IV. Green Finance Action Plan 3.0

To support the effective operations of the green finance market and the comprehensive development towards sustainable finance in Taiwan, the FSC proposed the "Green Finance Action Plan 3.0" (hereinafter referred to as the "Action Plan"). The vision, objectives, core strategies, implementation aspects, specific measures, and implementation methods are as follows:

1. Vision: Integrate resources to support net zero transition

2. Objectives

The goal of net-zero or low-carbon transition cannot be attained with only government policies. Instead, it must rely on the influence of the key companies in the industry and the financial industry that provide funds. Therefore, the objectives of this Action Plan are to build consensus in the financial industry, propose and develop guidelines and information the financial industry needs, promote the financial industry to do GHG emissions inventory of its own operations and its investments and loan positions, help the financial industry take action and grasp climate related risks and opportunities, and support the sustainable development of financial industry and help enterprises to reduce carbon emissions. To achieve these goals, this Action Plan will be focused on setting the time schedule of GHG inventory and carbon reduction targets of the financial industry, expanding the research on Taiwan Sustainable Taxonomy, establishing and compiling ESG-related information, supporting the formation of the Financial Industry Net Zero Working Group and the Coalition of Movers and Shakers for Sustainable Finance, and implementing sustainable finance evaluation. These measures will intensify the development of sustainable finance in Taiwan and support the zero transition of society as a whole.

3. Core strategies

(1) Collaboration to promote sustainable development

Promoting sustainable development and net-zero transition requires financial institutions to guide industries and society with their investments, financing, and financial products. They must also consolidate resources and consensus from all parties to fully utilize the influence and experience of financial institutions in capital management and strengthen the sustainable development of industries in Taiwan. For this purpose, the FSC encourages financial institutions to set carbon reduction strategies and targets, form the Financial Industry Net Zero Working Group to provide the necessary guidance and resources for promoting sustainable finance, and facilitate the exchange of ideas between financial institutions. The FSC also formed the Coalition of Movers and Shakers for Sustainable Finance to help financial institutions actively take actions to respond to climate change and push forward sustainable development. The FSC will also continue to work with government agencies to optimize climate risk data for use by financial institutions, industries, and stakeholders to evaluate climate-related risks. The FSC will enhance the Taiwan Sustainable Taxonomy to provide clear definitions for the scope of sustainable economic activities with an aim to exert the influence of investment and financing of financial institutions to drive the industries towards sustainable transition, connect the overall industry supply chain, and help attain the goal of net zero emissions in Taiwan.

(2) GHG emission disclosure and financing carbon reduction

The implementation of green finance in the international community aims to leverage the impact of the financial institution to ensure that society as a whole pays more attention to climate change and actively reduce carbon emissions. To attain net zero objective, international financial organizations launch initiatives to request financial institutions to inventory and disclose carbon emissions. Apart from the carbon emissions from their own business operations, they should also know the emissions from their investment and financing parties. Besides, financial institutions must also use the power of lending and investment to strengthen the net-zero transition in industries and society. Therefore, the FSC encourages financial institutions to disclose and verify Scope 1, 2, and 3 carbon emissions so that financial institutions can learn about the segments with high carbon emissions in their own operations and their investment and loan positions in the inventory process. They can thus adjust their business models, negotiate with their investment and financing partners, formulate carbon reduction strategies, and use the power of the financial market to support and drive net zero emissions in the society.

(3) Data integration to strengthen resilience and risk management

To actively respond to climate change, financial institutions must obtain climate change and ESG-related information of enterprises to identify the possible physical or transition risks and implement climate risk management. Therefore, the FSC hopes that by establishing and integrating corporate ESG and climate-related information, the financial institutions can carry out climate change stress tests and scenario analysis with more precise data. It also allows them to identify potential risk exposure with greater accuracy to implement climate risk management. By using ESG-related information of companies, it provide financial institutions, stakeholders and investors who do not have access to information of specific companies with more accurate industry average data, which help the financial industry and companies with a consistent basis for analysis or comparison of information. They can thus obtain analysis results that better reflect their own operations and risk profile, and facilitate the use and collection of ESG and climate-related information to meet the characteristics and practical needs of the industry in Taiwan.

4. Implementation Aspects and Specific Measures

The Action Plan calls for the establishment of specific implementation measures based on the aforementioned core strategies. The implementation aspects include deployment, funding, data, empowerment, and the ecosystem and have a total of 26 measures.

(1) The aspect of deployment

In the aspect of deployment, the Action Plan will implement 5 measures below that aim to promote financial institutions to know carbon emissions from their own business operations and their investment and loan positions, plan medium and long-term carbon reduction objectives and strategies, and to formulate strategies and respond to climate-related risks by evaluating and identifying the potential impact of climate risks on individual financial institutions and the overall market:

A. Set the time schedule for the disclosure and inventory of Scope 1 and Scope 2 GHG emissions by financial institutions.

B. Set the time schedule for the disclosure and inventory of GHG emissions from investment and financing positions (Scope 3) by financial institutions.

C. Propose a time schedule for the development of Scope 1, 2, and 3 carbon reduction targets and strategies by financial institutions in the medium and long-term with reference to the science-based approach and Taiwan's Pathway to Net-Zero Emissions in 2050.

D. Promote individual financial institutions to conduct stress tests on climate change and continue to enhance the stress test modules.

E. Develop monitoring mechanisms for climate risks and file analysis reports for overall climate-related risk management.

(2) The aspect of funding

In the aspect of funding, the Action Plan will implement 7 measures below that aim to develop and promote Taiwan Sustainable Taxonomy, to encourage companies and financial institutions to refer to the Taxonomy when formulating transition plans and incorporating it in making lending or financing decisions, and continue to invest in green and sustainable development fields to facilitate the development of green and sustainable economic activities and markets in Taiwan:

A. Publish the Taiwan Sustainable Taxonomy, encourage companies to voluntarily disclose the "applicability" and "compliance" of their main economic activities to the Taxonomy, and formulate and implement strategies and plans with reference to the Taxonomy for carbon reduction and sustainable transition.

B. Formulate in related self-governing regulations that for investments and financing 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 financing assessments, decision making, product design, and engagement with companies.

C. Develop the phase 2 Taiwan Sustainable Taxonomy (add more industries and technical screening criteria to other environmental objectives).

D. Actively promote the "Program to Encourage Lending by Domestic Banks to Enterprises in Six Core Strategic Industries" to help green industries obtain financing. (Measure continued from Action Plan 2.0)

E. Encourage financial institutions to invest in and finance the sustainable development fields. (Measure continued from Action Plan 2.0)

F. Encourage financial institutions to invest in the green energy industry and green finance products such as green bonds. (Measure continued from Action Plan 2.0)

G. Continue to review and develop the green bond market and encourage the issuance and investment of green bonds. (Measure continued from Action Plan 2.0)

(3) The aspect of data

In the aspect of data, the Action Plan will implement 6 measures below that aim to integrate and optimize of climate change and ESG-related information and data for use by financial institutions and help companies, stakeholders, and investors understand the progress of sustainable finance in Taiwan, and to encourage the overall society to support and implement sustainable finance:

A. Promote the JCIC to build up a corporate ESG data platform.

B. Promote the Taiwan Stock Exchange to expand the ESG data platform of listed companies.

C. Promote the Taiwan Insurance Institute to compile statistics on insurance underwriting in response to climate change and that of sustainable insurance products.

D. Work with government agencies to optimize the climate- related database for use by financial institutions to evaluate climate-related risks.

E. Build up the "Sustainable Finance Website" to compile sustainable finance statistics, related regulations, exchange information, and evaluation information.

F. Plan to expand the Corporate Governance Evaluation to the ESG Evaluation.

(4) The aspect of empowerment

In the aspect of empowerment, the Action Plan will implement 3 measures below that aim to encourage financial institutions to strengthen the training and cultivation of sustainable finance talents and to incorporate the concept of sustainable finance into the organization and culture of financial institutions from top to bottom, and expand it to influence industries and society as a whole to accelerate the advancement of the net zero transition in Taiwan:

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

B. Introduce sustainable finance certificates.

C. Incorporate the knowledge and ideals of green and sustainable finance into financial education and advocation to enhance social engagement regarding green and sustainability issues.

(5) The aspect of ecosystem

In the aspect of ecosystem, the Action Plan will implement 5 measures below that aim to foster cooperation between financial institutions, encourage financial institutions to actively review climate change and ESG-related issues, analyze international practices, promote FinTech innovation and applications in green finance, consolidate a consensus and increase incentives of financial institutions, and promote larger financial institutions to lead smaller ones to broaden and deepen the influence of sustainable finance to improve the sustainable finance ecosystem:

A.Form the Coalition of Movers and Shakers for sustainable finance.

B.Establish the Financial Industry Net Zero Working Group.

C.Organize the Sustainable Finance Evaluation.

D.Study the supervisory mechanisms of sustainability rating institutions in foreign countries as reference for the adoption of similar supervisory mechanisms by the FSC.

E.Organize "Green FinTech" promotion activities.

5. Implementation methods

In light that the measures in the Action Plan will be jointly implemented by different government agencies and require medium to long-term study and planning, the FSC shall integrate the power of related government agencies, associations of the financial industry, training institutions, self-regulatory organizations, and non-profit organizations to jointly study the 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.

6. Assessment and review of results

(1) 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.

(2) The FSC will also incorporate important measures into Sustainable Finance Evaluation indicators and publicly commend financial institutions with outstanding performance.

V. Conclusion

Since the 26th United Nations Climate Change Conference (COP26) held in Glasgow, United Kingdom in 2021, international financial organizations have worked together to exert the influence of the financial industry to promote the net zero transition of society. They also form initiatives to increase global awareness of climate risks with the aim of consolidating the strength of financial institutions to effectively channel funds to mitigate climate issues as well as providing funding to assist developing countries or vulnerable areas combat climate change. Therefore, financial institutions bear the responsibilities and expectations of the overall society for promoting net zero emissions.

The FSC has established a framework of sustainable financial ecosystem on the basis of Green Finance Action Plan 2.0, enhanced information disclosure and information transparency, and channeled funds to support green and sustainable development industries. In response to the international trends for net-zero emissions and the goal of net-zero transition by 2050, the FSC will continue to use green finance mechanisms to encourage the financial market and the industry as a whole to attach importance to climate change. By strengthening the role of financial institutions and consolidating their strengths to build consensus between financial institutions and industries on climate change and net zero emissions, the FSC shall integrate and disclose information related to climate change to leverage the influence of the financial sector to connect the industrial supply chain, strengthen the climate resilience of the financial institutions and the industry, stimulate the investment in carbon reduction and sustainable development fields, intensify sustainable development, and achieve the goal of net zero transition.