

Case Study: Chinese Taipei shares its experiences in promoting "Green Finance Action Plan 3.0"

I. Foreword

Sustainable development is a core value that is highly emphasized globally and in Chinese Taipei. Given that financial institutions gather and manage public funds, and direct them towards investments, with their substantial asset holdings and vital role in allocating societal resources, they serve as the key force in guiding society to prioritize sustainable development.

In the face of the global climate change crisis and ecological imbalances, the international community has actively utilized green finance mechanisms to promote society's transition towards sustainable development and a low-carbon economy. In Chinese Taipei, the Financial Supervisory Commission (FSC) is committed to leveraging the role and functions of the financial system in facilitating sustainable development in overall society. The FSC continuously guides financial institutions through policy measures to support the fields of green and sustainable development, and provides financial support for the development and innovation of related industries or projects. Furthermore, in alignment with the "Pathway to Net-Zero Emissions in 2050" released by our National Development Council in March 2022, the FSC actively supports our 2050 net-zero transition goal through the key strategy of "green finance."

II. Background

1. Achievements of the Green Finance Action Plan 1.0 and 2.0

The FSC launched the "Green Finance Action Plan 1.0" in 2017 and the "Green Finance Action Plan 2.0" in August 2020. The Action Plan 1.0 mainly focused 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, while the Action Plan 2.0 covered environmental, social, and governance (ESG) issues, and encouraged financial institutions to expand their investment and financing in green and sustainable industries, and innovate and develop financial products and services.

With the collaboration efforts between the FSC and related government agencies, we establish frameworks and foundations for promoting the effective operations of the green and sustainable finance market, including the enhancement of ESG information disclosure quality and transparency, the establishment of prototypes for our Sustainable Taxonomy, guidance for financial institutions to expand their investment and financing from the green energy industry to the green and sustainable development fields, and cultivation of climate risk resilience in financial institutions.

2. International trends

In response to the impacts of extreme weather and the global net-zero emissions trend, recent initiatives by international organizations and proactive countries in the field of sustainable finance have focused on: (1) Committing to net-zero emissions targets and promoting financial institutions to implement climate risk management. (2) Clearly defining "sustainable" economic activities and directing funding into sustainable development projects. (3) Facilitating the disclosure, integration, and application of climate and ESG related information and data. (4) Collaborating between the public and private sectors to promote sustainable finance-related works. (5) Utilizing green finance technologies to drive sustainable innovation.

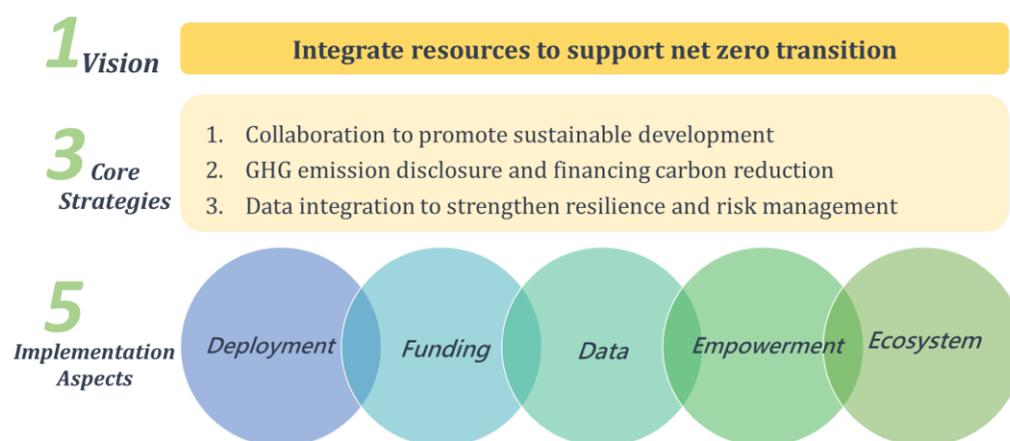
3. Challenges

To continuously align with international trends and guide the financial industry and businesses in prioritizing climate change issues and advancing sustainable development, the challenges in promoting green finance include:

(1) Insufficient greenhouse gas inventory information. (2) In promoting sustainable finance, it may be difficult to take a "one size fits all" approach because financial institutions differ in characteristics and scale. (3) The concepts of "green" and "sustainability" have not been clearly defined. (4) Financial institutions require more detailed and accessible climate and ESG data. (5) Insufficient professional talents for sustainable finance.

III. Implementation Framework and Key Measures of Green Finance Action Plan 3.0

To support the effective operations of the green finance market and the comprehensive development towards sustainable finance in Chinese Taipei, the FSC proposed the "Green Finance Action Plan 3.0" on September 26, 2022. The Action Plan 3.0 is being jointly implemented through cross-agency efforts, and we are integrating resources from the financial industry self-regulatory organizations to jointly study the international trends, and establish related regulations, guidelines, or incentive measures based on the legal environment and industrial development in Chinese Taipei to promote the development of green and sustainable finance.



(Figure 1: Framework structure of Green Finance Action Plan 3.0)

The implementation aspects of the Action Plan 3.0 include "Deployment," "Funding," "Data," "Empowerment," and "Ecosystem." Key measures are as follows:

1. Deployment

- (1) **GHG Emission Inventory:** To encourage financial institutions to proactively adjust their business operations and engage with investment and financing parties, and to drive the industry and society towards decarbonization, the FSC promotes financial institutions to make disclosure and assurance of Scope 1, Scope 2, and Scope 3 financed emissions, and to plan medium to long-term carbon reduction strategies and objectives. By the end of 2022, the financial industry has already proposed a time schedule for disclosing and assuring Scope 1 and Scope 2 carbon emissions.
- (2) **Climate Risk Management:** To assess and identify the potential impacts of climate change on individual financial institutions and the overall financial market, and to formulate strategies in response to climate-related risks, the FSC promotes the financial industry to conduct climate change scenario analysis and to develop climate-related risk management analysis reports.

2. Funding

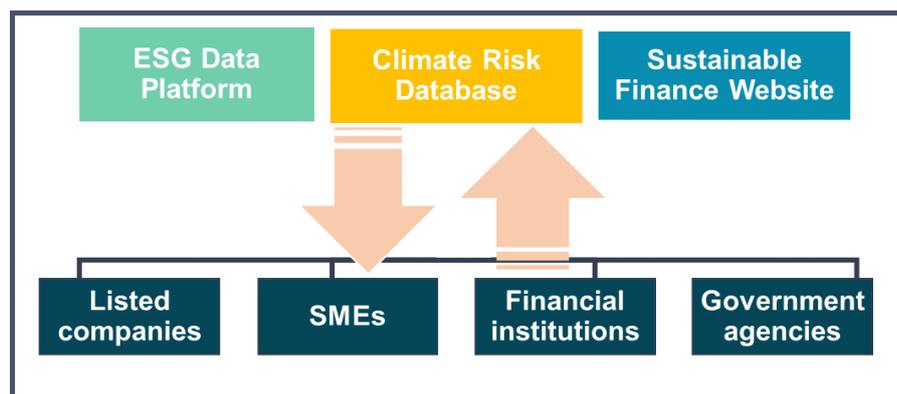
- (1) **Develop our Sustainable Taxonomy:** To assist companies and the financial industry in identifying the scope of sustainable economic activities, the FSC, the Environmental Protection Administration (EPA), the Ministry of Economic Affairs (MOEA), the Ministry of Transportation and Communications (MOTC), and the Ministry of the Interior (MOI) jointly issued the first phase of our Sustainable Taxonomy in December 2022. Companies and financial institutions are encouraged to refer to the Taxonomy when formulating transition plans and incorporate it into the process of making lending or financing decisions, and to drive companies towards low-carbon transition through a transition finance mechanism. The FSC and relevant government agencies will continue to discuss and enhance the

Taxonomy, and to make timely adjustments based on practical applications.

- (2) **Funding Support:** The FSC continues encouraging financial institutions to invest in and finance the sustainable development fields, engage in green loans and the issuance and investment in financial products such as ESG funds, and to provide financial support for the development of related industries and projects. As of the end of June 2023, the balance of loans by domestic banks to green and renewable energy industries was about USD 80.8 billion, the amount of green bonds invested in by insurance companies was about USD 2.6 billion, and there were 164 sustainable bonds, which had raised a total of USD 15 billion.

3. Data

- (1) **ESG and Climate Data Integration:** The FSC is planning to establish an ESG data platform for all enterprises and an ESG data platform for listed companies. In addition, the FSC also collaborates with relevant government agencies to optimize climate risk data to assist financial institutions in accessing the necessary data for analysis and application. The ESG InfoHub, an ESG data platform for listed companies, was launched in July 2023, providing the general public with a channel to inquire about ESG information on listed companies.
- (2) **Establishing a Sustainable Finance Website:** To facilitate information collection and experience sharing, and to stay informed about sustainability trends and opportunities for stakeholders such as financial institutions, companies, and investors, the FSC is planning to establish a sustainable finance website, which will consolidate information such as statistics, regulations, products, and exchange activities related to sustainable finance.



(Figure 2: Promoting the integration of ESG and climate-related data)

4. Empowerment

- (1) **Strengthening Sustainable Finance Training:** The FSC is planning to introduce a "Sustainable Finance Certificate" and urge financial institutions to establish requirements for sustainable finance training courses for directors, senior executives, and regular employees to enhance their expertise in sustainable finance.
- (2) **Promoting Sustainability Ideals:** To facilitate social dialogue on green and sustainability issues, the FSC shares the knowledge and ideals of green and sustainable finance with the public through financial education activities to expand the influence of sustainable finance.

5. Ecosystem

- (1) **Coalition of Movers and Shakers on Sustainable Finance:** To improve the performance in promoting sustainable finance, the FSC facilitated the establishment of the Coalition by five financial holding companies with outstanding ESG performance in September 2022, aiming to drive the financial industry to take concrete actions to reduce carbon emissions.
- (2) **Financial Industry Net Zero Working Group:** To promote cooperation and build consensus within the financial industry, the FSC formed the Working Group in December 2022, There are five

workstreams, including "Policies and Guidelines," "Funding and Statistics," "Data and Risk Control," "Cultivation and Licensing," and "Promotion," and its goal is to develop and integrate guidelines and resources that are commonly required by the financial industry.

- (3) **Sustainable Finance Evaluations:** Starting from 2023, the FSC conducts sustainable finance evaluations to encourage the financial sector to proactively address ESG and climate-related risks and opportunities, and to influence and drive stakeholders to carry out sustainability.
- (4) **"Green Financial Technology" Promotion Events:** The FSC plans to host theme-based events to promote green financial technology. Such events will include domestic and international seminars, matchmaking activities, and sandbox experiments to drive financial innovation and the development of green finance.

IV. Stakeholder Communication

To gather external input and feedback, prior to launching the Action Plan 3.0, the FSC organized several meetings and invited stakeholders such as financial institutions, self-regulatory organizations, non-profit organizations, and experts. The purpose was to understand the challenges they face and the resources needed in promoting green finance practices, and to solicit policy recommendations and feedback from these stakeholders.

Furthermore, after the launch of the Action Plan 3.0, the FSC continues to hold conferences or public hearings on related promotional measures to exchange views with the financial industry, relevant industries, government agencies, and stakeholders. The objective is to ensure that during the process of policy planning and implementation, industry needs and capabilities are taken into consideration, along with issues related to just transition.

V. Conclusion

Green finance mechanisms play a crucial role in promoting and supporting sustainable development and net-zero transition, and the funding influence of financial institutions can effectively drive the overall society towards sustainable development.

In line with the global goal of achieving sustainable development and net-zero emissions, the FSC continues promoting green finance policies to guide financial institutions to take concrete actions in support of environmentally and socially beneficial economic activities and projects, and to engage and leverage their influence on customers, industries, and supply chains.

At the same time, recognizing that private sector involvement and inter-agency cooperation are essential for building consensus and integrating resources, the FSC continuously increases private sector participation through the operation of Financial Industry Net Zero Working Group, and enhances cross-agency communication. Through public and private cooperation, our goal is to enhance the framework of the green finance ecosystem, facilitate the overall society's transition toward a low-carbon economy, and thereby contribute to the achievement of net-zero emissions in 2050.