

Sustainable Development Action Plans for TWSE- and TPEX-listed Companies (2023)



Securities and Futures Bureau,
Financial Supervisory
Commission
March 28, 2023

Achievements of the Corporate Governance Roadmap (2013-2022)

- ✓ Listed companies established audit committees in place of supervisors, corporate governance officers, electronic voting in shareholders' meetings, and adoption of the candidate nomination system for the election of directors
- ✓ Institutional investors signed the "Stewardship Principles for Institutional Investors"; compliance evaluation mechanism established
- ✓ Listed companies with paid-in capital of NT\$10 billion or more, or the aggregate percentage of shares held by foreign capital is 30% or more, should file their shareholders meeting handbook and annual report prior to the AGM
- ✓ Listed companies with paid-in capital of NT\$2 billion or more are required to compile sustainability reports
- ✓ Corporate Governance Evaluation

2013 Corporate
Governance
Roadmap



2020 Corporate
Governance 3.0 –
Sustainable
Development
Roadmap



2023 Sustainable
Development
Action Plans for
TWSE- and TPEX-
listed Companies



2018 New Corporate
Governance Roadmap
(2018-2020)



2022 Sustainable
Development
Guidemap for
TWSE- and TPEX-
listed Companies



March 14, 2023: Forum on Sustainable Development Action Plans for TWSE- and TPEX-listed Companies



- ◆ Close to 100 participants from 53 agencies
- ◆ 20 remarks from audience members
- ◆ Written feedback by 12 agencies



Five Dimensions Four Pillars

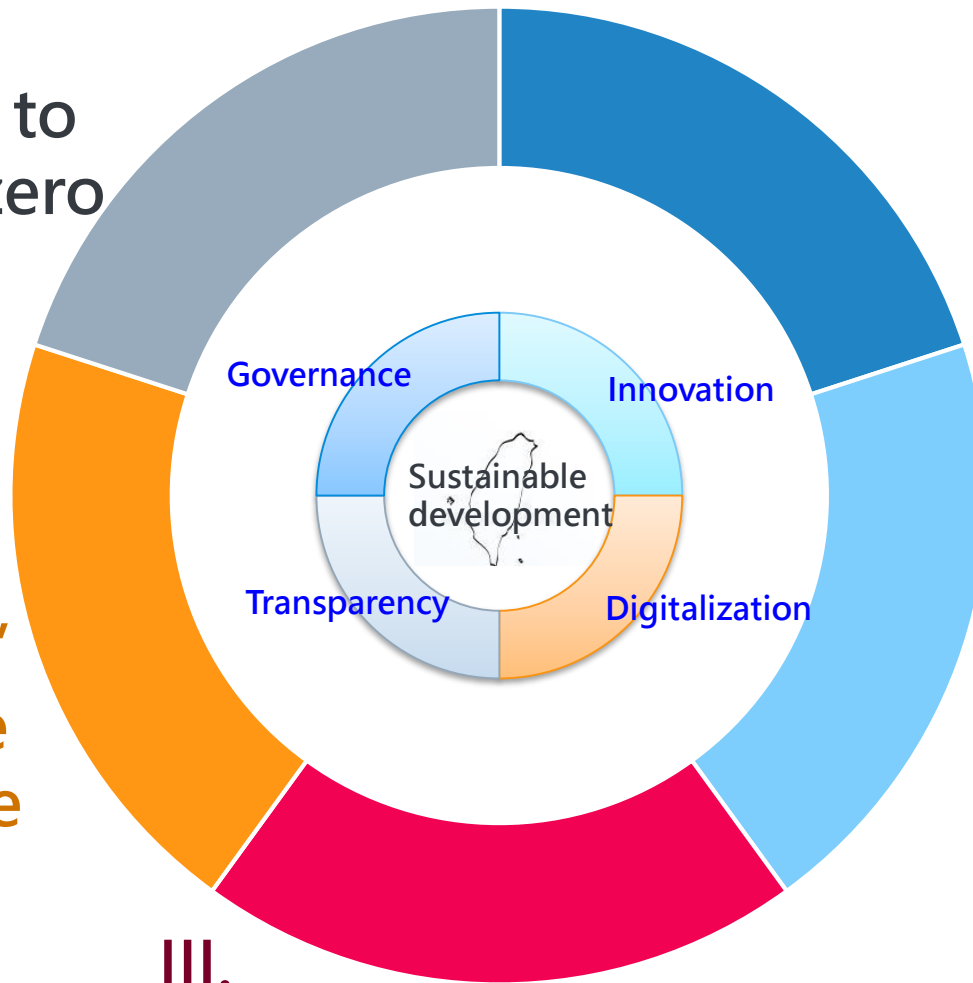
I. Lead listed companies to reach net-zero

II. Deepen companies' sustainable governance culture

III. Enhance the disclosure of sustainable information

V. Establish ESG evaluation and ESG digitalization

IV. Strengthen communication with stakeholders



I. Lead listed companies to reach net-zero



Promote the disclosure and assurance of the Greenhouse Gas (GHG) Inventory Report

- Consolidated companies must complete GHG inventory by 2027.
- Consolidated companies must acquire assurance of GHG inventory by 2029.

Disclose GHG and carbon reduction targets, strategies, and specific action plan

- At the latest, listed companies should disclose GHG and carbon reduction targets, strategies, and specific action plans in the year in which consolidated companies disclose GHG inventory.
- Companies are urged to establish their GHG and carbon reduction targets, strategies, and specific action plans for 2030.
- The base year is the year in which consolidated companies first disclose GHG inventory.

Establish GHG emission credit trading system

- Supervise the TWSE and assist the Environmental Protection Administration in building the emission credit trading system.

Encourage companies to disclose Scope 3 GHG emissions

- Frame recommended disclosure items for Scope 3 emissions.
- Conduct session.

Encourage issuance of sustainability bonds and related products

- Establish online application system for sustainability bond accreditation.
- Study expanding scope of sustainability bonds and related products to align with international developments.

II. Deepen companies' sustainable governance culture

Strengthen functions of independent directors and audit committee

- Amend Articles 14-4, 14-5, and 178 of the “Securities and Exchange Act.”
- By 2027, the number of independent directors of listed companies should be no less than one-third of board seats, and independent directors shall serve no more than three consecutive terms of office.

Gender diversity among directors

- By 2023, companies applying for IPO should appoint at least one director of a different gender than the other board members.
- By 2024, all listed companies scheduled to hold board elections are required to appoint at least one director of a different gender than the other board members.
- By 2025, listed firms with directors of either gender accounting for less than 1/3 of the board should disclose the reason and plans for improvement in their annual report.

Promote director candidates for nomination in emerging stock board companies

- By 2025, the election for directors of TPEX Emerging Stock Board companies should adopt the candidate nomination system.

Encourage establishment of sustainable development committee

- 2023: Publish the template of organizational regulations of sustainable development committee as reference for businesses.
- 2024: Conduct seminars for companies to exchange practical experience.
- 2025: Study feasibility of requiring companies to establish sustainable development committee.

Reasonable compensation policy

- In 2023, metrics linking executive compensation to ESG performance will be incorporated into the Corporate Governance Evaluation indicators.
- Study feasibility of requiring companies to report their director compensation to shareholders in the AGM.



III. Enhance the disclosure of sustainable information

INFORMATION

Enhance sustainable information disclosure in annual reports

- **Refine disclosure rules for annual reporting:** In 2023, the annual report requirements will be reviewed with reference to international standards to improve sustainable information disclosure.
- **Expand scope of companies required to prepare a sustainability report:** By 2025, all companies with paid-in capital of less than NT\$2 billion should publish sustainability reports.
- **Expand adoption of SASB Sustainability indicators:** By 2025, all TWSE- and TPEX-listed companies should adopt SASB Sustainability indicators.

Enhance quality of sustainability information

- **Explore expanding scope of assurance on sustainability reports:** Consider the feasibility to require listed companies to have third-party assurance on sustainability indicators.
- **Improve disclosure quality of sustainability reports:** From 2023-2024, the TWSE and TPEX will conduct spot checks on sustainability reports and provide guidance for improvement.
- **Strengthen management of assurance institutions:** Formulate quality inspection standards for assurance institutions and disciplinary measures; conduct spot checks.

Align with ISSB sustainability disclosure standards

- **Internal control:** Incorporate sustainability information into scope of financial statement in 2023; review and amend internal control guidelines.
- **Establish sustainability disclosure standards committee:** Establish the Sustainability Standards Committee under the Accounting Research and Development Foundation in 2023.
- **Develop plans to align with ISSB sustainability disclosure standards:** Develop plans for future alignment following the announcement of the IFRS sustainability disclosure standards.



IV. Strengthen communication with stakeholders

Shorten deadline for filing AGM's agenda handbooks and annual reports

- Listed companies with paid-in capital of less than NT\$10 billion are required, in phases, to file the shareholders' meeting agenda handbooks 30 days before AGM; the annual reports to be filed 14 days before AGM.

Strengthen large shareholding disclosure

- Amend Articles 43-1 and 183 of the "Securities and Exchange Act" to require those with more than 5% shareholding in a company (previously 10%) to report and publicly announce the acquisition.

Refine investor relations platform

- Provide information to generate automated due diligence reports for institutional investors.
- Assess IOSCO and relevant regulations; request ESG evaluation providers to endorse and comply.

Encourage institutional investors to take collective engagements

- Collect best practices for collective engagements from other countries, and revise the Stewardship Principles and rating criteria.

Consider establishing proxy advisors

- Evaluate the feasibility of establishing proxy advisors in 2023 based on studies commissioned by the Securities & Futures Institute.

Encourage companies to create beneficial ownership database

- Study international practices and consider feasibility of establishing templates and amending Corporate Governance Best Practice Principles.

V. Establish ESG evaluation and ESG digitalization

Establish digital platform for sustainability reporting

- Establish a digital platform for sustainability reporting in 2023.
- Pilot test of digital platform begins in 2024.

Establish ESG database

- Standardize ESG disclosure Format in 2023.
- Refine ESG database in 2024-2025 based on standardization results.

Create ESG evaluation

- Complete ESG evaluation framework and indicators in 2023.
- ESG evaluation will be implemented in a timely manner.

Compile ESG indices

- The TWSE will continue to compile sustainability indices and products based on ESG evaluation results.

Collect information on ESG products

- Integrate information on ESG products from various issuers onto one platform.

Strengthen education and promotion

- Collect and compile information on domestic and international ESG rules and regulations, promotional events, and education training courses.

Implementation Schedule for Sustainable Development Action Plans for TWSE- and TPEX-listed Companies

Dimension	Item\Year	2023	2024	2025	2026
I. Lead listed companies to reach net-zero	GHG	Amend reporting guidelines.		Inventory disclosure (Phase 1)	Inventory disclosure (Phase 2)
				Disclose reduction targets – Phase 1 (2024 as base year)	Disclose reduction targets – Phase 2 (2025 as base year)
II. Deepen companies' sustainable governance culture	Directors	Amend reporting guidelines Companies applying for IPO should appoint at least one director of a different gender.	Listed companies scheduled for board elections should appoint at least one director of a different gender	TPEX Emerging Stock Board companies should adopt the candidate nomination system.	
III. Enhance the disclosure of sustainable information	Annual report	Amend reporting guidelines.			
	Sustainability report	Amend sustainability reporting guidelines.		All companies with less than NT\$2B are required to publish sustainability reports. There are 14 industries required to disclose sustainability indicators.	
	Sustainability disclosure standards	Amend internal control guidelines.			
IV. Strengthen communication with stakeholders	Communication with stakeholders	Amend regulations governing shareholders' meeting agenda handbooks and annual reports.	Companies with more than NT\$2B required to provide agenda handbook and annual report before the AGM		All listed companies are required to provide agenda handbook and annual report before the AGM.
	Large shareholding	Amend the "Securities and Exchange Act."	Reporting threshold lowered to 5% shareholding.		
V. Establish ESG evaluation and ESG digitalization	Digital platform			Digital platform for sustainability reporting. Digital platform for stewardship reporting.	Integrated platform for ESG products.

Note: Phase 1 refers to the consolidated financial statements of TWSE/TPEX-listed companies with a paid-in capital of NT\$10 billion or more, or companies in the steel or cement industries; Phase 2 refers to the consolidated financial statements of TWSE/TPEX-listed companies with a paid-in capital of NT\$5 billion to NT\$10 billion; Phase 3 refers to the consolidated financial statements of TWSE/TPEX-listed companies with a paid-in capital of less than NT\$5 billion.

Implementation Schedule for Sustainable Development Action Plans for TWSE- and TPEX-listed Companies

Dimension	Item\Year	2027	2028	2029	2030
I. Lead listed companies to reach net-zero	GHG	Inventory disclosure (Phase 3)			
		Disclose reduction targets – Phase 3 (2026 as base year)			
		Assurance on GHG disclosure (Phase 1)	Assurance on GHG disclosure (Phase 2)	Assurance on GHG disclosure (Phase 3)	
II. Deepen companies' sustainable governance culture	Directors	Independent directors > 1/3 Independent directors should serve no more than 3 terms.			

Assist TWSE- and TPEX-listed companies to achieve sustainable development targets.

Note: Phase 1 refers to the consolidated financial statements of TWSE/TPEX-listed companies with a paid-in capital of NT\$10 billion or more, or companies in the steel or cement industries; Phase 2 refers to the consolidated financial statements of TWSE/TPEX-listed companies with a paid-in capital of NT\$5 billion to NT\$10 billion; Phase 3 refers to the consolidated financial statements of TWSE/TPEX-listed companies with a paid-in capital of less than NT\$5 billion.

Promotion planning

- ❑ Invite corporate governance officers from TWSE- and TPEX-listed companies to participate in relevant promotional events and training courses, and report to their Board of Directors.
- ❑ These Action Plans are included in the continuing education courses for directors and supervisors.
- ❑ The TWSE and TPEX should draft plans to assist listed companies with paid-in capital of less than NT\$2 billion to prepare and publish sustainability reports.

Thank you