

Taiwan Sustainable Investment Survey

National Taipei University

2020

Editorial Team

Chi-Jui Huang Professor of Department of Finance and Cooperative Management/Secretary General, NTPU

Hsiang-Lin Chih Professor of Department of Finance and Cooperative Management/Dean of College of Business, NTPU

Chang Chan Associate Professor/Chair of Department of Finance and Cooperative Management/Chair of Center for Corporate Sustainability, NTPU

Yu-Shan Chen Professor/Chair of Department of Business Administration, NTPU

Mei-Chen Lin Distinguished Professor/Associate Chair of Department of Business Administration, NTPU

Meng-Ju Kao / Hua-Wei Chen / Kai-Ming Chang

Research assistant of Center for Corporate Sustainability, NTPU

Special Thanks To

Financial Supervisory Commission, R.O.C.

Taiwan Stock Exchange Corporation

The Life Insurance Association of the Republic of China

The Non-Life Insurance Association of the Republic of China

Securities Investment Trust & Consulting Association of the R.O.C

Cathay Financial Holdings Co. Ltd.

Published : Feb, 2021 (Chinese Version)

March, 2021 (English Version)

Center for Corporate Sustainability, National Taipei University

Address : No. 151, University Rd., Sanxia Dist., New Taipei City 237303, Taiwan (R.O.C.)

Phone: +886-2-8674-1111

E-mail: crhuang@gm.ntpu.edu.tw

mjkao@gm.ntpu.edu.tw



國泰金控

Cathay Financial Holdings

About the Center

Corporate sustainable development is a development model that considers the three dimensions of environmental protection, social care, and economic development. Its roots can be traced back to the UN Sustainable Development Summit held in September 2015, during which 17 Sustainable Development Goals (SDGs) were proposed as part of the 2030 Agenda for Sustainable Development. Together, the SDGs form an action plan that entails economic growth, social development, and environmental protection and aims to ensure that the damage to the environment can be mitigated while safeguarding sufficient natural resources and living environments for future generations. The landmark Paris Agreement was ratified on December 12, 2015, after representatives from 195 countries have engaged in two weeks of spirited discussions during the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC). The Paris Agreement is the first legally-binding international climate-related agreement that is applicable throughout the world. The then-French President François Hollande stated that the Paris Climate Agreement represents an opportunity to change the world and is the force to stop climate change. The Paris Agreement took effect after the parties have reached a consensus during the COP21 and had changed the livelihood and industrial development modes in various countries. To characterize the College of Business's instructional, research, and service such that they meet the requirements for international corporate sustainable development, the National Taipei University (NTPU) College of Business Center for Corporate Sustainability, was established.

Website : <http://www.aacsb.ntpu.edu.tw/twsvi/>

Copyright

All rights are the property of National Taipei University and Cathay Financial Holdings Co. Ltd. (the sponsor). The information posted on the Center's website may be used within a reasonable scope for reports, reviews, teaching, research, and other rational purposes, as well as for giving credit where credit is due. Please do not reproduce, publicly distribute, or publicly transfer the information without prior permission.

Declaration

Cathay Financial Holdings Co. Ltd sponsors the organizer of the study on the Taiwan Sustainable Investment Survey (i.e., the NTPU College of Business Center for Corporate Sustainability). However, this study will not disclose the responses of each company and the information provided is solely kept at the Center without being delivered to any other department or unit. It is hereby declared that the information obtained by Cathay Financial Holding Co. Ltd. is identical to those of peer companies in the financial industry.

CONTENTS

Survey Summary **1**

Scope of the survey **2**

Defining investment
methods **3**

Summary **4**

Survey Result **5**

1. Compliance with SRI related conventions **5**

2. Development of SRI related policies **8**

3. SRI Assets **10**

4. SRI Position **12**

5. SRI Management Methods **14**

6. Engagement Status **19**



Survey Summary

The value of global sustainable investments, also known as socially responsible investing (SRI) have reached US\$30 trillion in 2018. Both the compound growth rate of SRI as well as the average growth of the share of SRI in assets under management (AUM) are increasing rapidly, with Japan having the highest compound growth rate (exceeding 300%) while the share of SRI in Australia, New Zealand, and Canada exceeds those of Europe, North America, and Asia by more than 50%.

On a global scale, an examination conducted by the Association for Sustainable & Responsible Investment in Asia (ASRIA) revealed a negative growth in sustainable investments in Taiwan, from US\$7.24 million in 2011 to US\$7.14 million in 2013. The NTPU team posits that the amount of SRI in Taiwan is remarkably underestimated, and that the sustainable investing efforts of Taiwanese institutional investors have been overlooked as a result. In this regard, our team developed the 2020 Taiwan Sustainable Investment Survey questionnaire with the hope of better understanding the actual state of sustainable investments in Taiwan. The questionnaire was administered to 99 institutional investors, including 26 insurance companies, 59 securities investment trust and consulting enterprises, and 4 government funds. The Financial Supervisory Commission, Taiwan Stock Exchange (TWSE), and peer company associations were appointed to help the team communicate with the institutional investors. The questionnaires were recovered toward the end of November 2020, and there were 59 valid responses and a response rate of 60%. We hereby sincerely thank the competent authorities and associations for their assistance.

The survey results revealed that the share of SRI in AUM is 31.7% in Taiwan. The total amount of sustainable investment assets in Taiwan is approximately NT\$13.9 trillion. The insurance industry accounts for NT\$12 trillion, government funds account for NT\$1 trillion, and securities investment trust and consulting enterprises account for NT\$0.6 trillion. At NT\$11 trillion, exclusionary/negative screening is the primary approach to sustainable investing among Taiwanese institutional investors, followed by

environmental, social, and corporate governance (ESG) integration at NT\$8 trillion, and then sustainability-themed investments at NT\$3 trillion. In comparison with exclusionary/negative screening, a comparatively passive investment approach, ESG integration and sustainability-themed investments are more assertive and finance-related investment approaches that could serve as a potential direction for the development of sustainable investments in Taiwan. In terms of investment targets, foreign bonds accounted for the highest share, with life insurance companies as the primary investor; followed by Taiwanese stocks, with the four major funds and life insurance companies as the primary investors; while securities investment trust and consulting enterprises primarily invested in foreign bonds and the Taiwanese stocks.

Overall, the survey revealed that about 60% of the institutional investors had disclosed the share of sustainable investment in their total assets, while 40% had not done so. This shows that there is room for improvement in disclosing sustainable investment-related information in Taiwan. The percentage of institutional investors that comply with the stewardship principles of the TWSE was considerably excellent (90%), while some businesses lacked an understanding of relevant international conventions on sustainable investment. The current compliance rate concerning the Principles for Responsible Investment (PRI) is 14%. In the upcoming annual survey, the team will continuously encourage enterprises to comply with international conventions and disclose their results in detail. This study is in line with the Financial Supervisory Commission's Green Finance Action Plan 2.0 and the Corporate Governance 3.0 policy and was implemented according to the approaches recognized by international institutions. We hereby thank the institutional investors who willingly disclosed their sustainable investment-related information, thereby enabling us to obtain the statistical and quantitative data needed to provide a reference for local and foreign stakeholders to evaluate the sustainable investment status of Taiwanese institutional investors.

Scope of the survey

A total of 99 institutional investors were invited to complete the survey questionnaire. The institutional investors included 21 life insurance companies, 15 property and casualty insurance companies, 39 securities investment trust and consulting companies, 20 securities consulting companies, and 4 government funds. There were 59 valid responses after removing the

responses from companies that currently do not hold an investment position. Out of these 59 valid responses, 37 companies had disclosed the value of their total sustainable investment assets. We would like to thank the institutional investors for their assistance and enabling us to complete the survey.

Figure 1. Number of responses from institutions across all industries

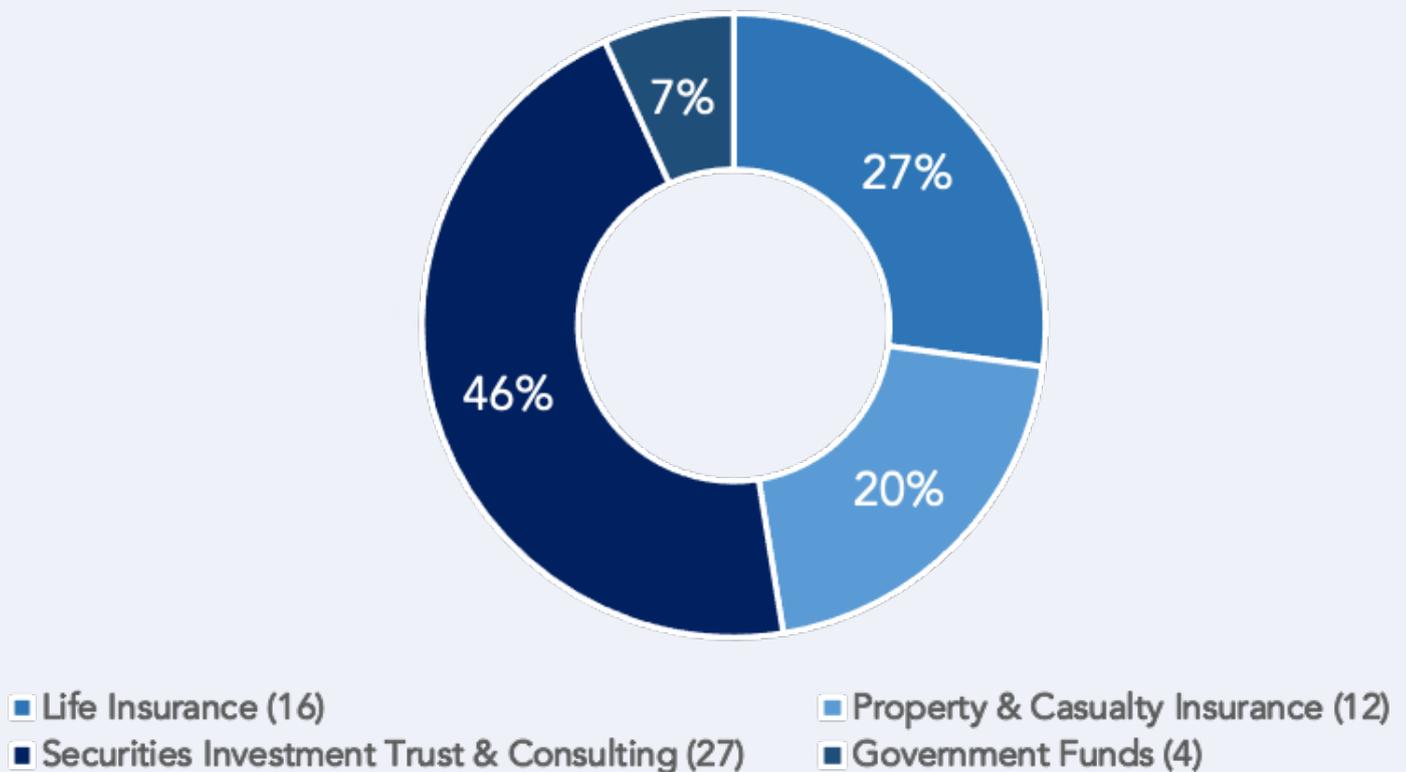
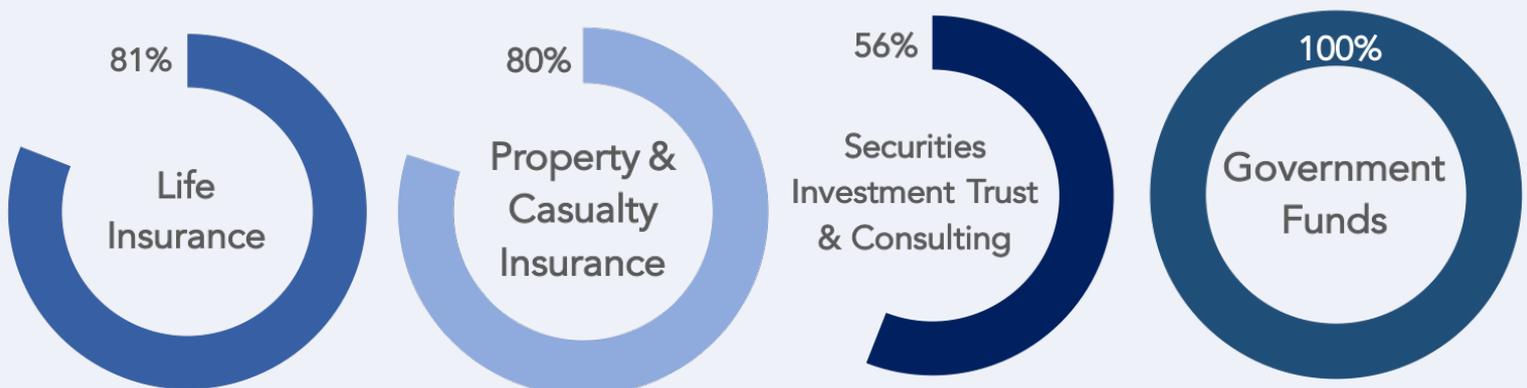


Figure 2. Proportion of responses for each industry



Defining investment methods

In this study, sustainable investments were categorized into eight approaches to investing based on the definition of sustainable investing provided by the Global Sustainable Investment Alliance (GSIA), Responsible Investment Association Australasia (RIAA), Japan Sustainable Investment Forum (JSIF),

Organization for Economic Co-operation and Development (OECD), US SIF: The Forum for Sustainable and Responsible Investment, and European Sustainable Investment Forum (Eurosif). The definition of each category is specified in the following table :

Negative/Exclusionary Screening	the exclusion from a fund or portfolio of certain sectors, companies or practices based on specific ESG criteria
Positive/Best-in-Class Screening	Investment in sectors, companies or projects selected for positive ESG performance relative to industry peers. This also includes avoiding companies that do not meet certain ESG performance thresholds.
Norms-Based Screening	Investment based on standards set by international organizations (OECD, ILO, UNICEF, etc.)
ESG Integration	The investment that systematically incorporates ESG (environmental, social, and corporate governance) factors into regular management processes (e.g., ESG evaluation, screening, and due diligence prior to investment, and monitoring and engagement after investment).
Sustainability-Themed Investment	investment in themes or assets specifically related to sustainability (for example clean energy, green technology or sustainable agriculture)
Impact Investing	targeted investments aimed at solving social or environmental problems, and including community investing, where capital is specifically directed to traditionally underserved individuals or communities, as well as financing that is provided to businesses with a clear social or environmental purpose
Exercising Voting Rights	participate in voting at the shareholders meeting of the invested company, and not limited to exercising voting rights regarding ESG
Engagement & Shareholder Proposals	the use of shareholder power to influence corporate behavior, including through direct corporate engagement (i.e., communicating with senior management and/or boards of companies), filing or co-filing shareholder proposals, and proxy voting that is guided by comprehensive ESG guidelines.

The abovementioned descriptions were obtained based on the definition of sustainable investing provided by the following institutions:

1. GSIA : http://www.gsi-alliance.org/wp-content/uploads/2019/06/GSIR_Review2018F.pdf
2. JSIF : <http://japansif.com/2019survey-en.pdf>
3. riaa : <http://responsibleinvestment.org/>
4. OECD 2017 : <https://www.oecd.org/finance/Investment-Governance-Integration-ESG-Factors.pdf>
5. US SIF : https://www.ussif.org/files/Publications/USSIF_ImpactofSRI_FINAL.pdf
6. Eurosif : <http://www.eurosif.org/wp-content/uploads/2018/01/Eurosif-SDGs-brochure.pdf>



Summary

SRI Assets	AUM	Number of respondent institutions	Percentage of total assets under management
13,888,246	43,780,697	59	31.7 %

A total of 59 institutions participated in the survey. The amount of AUM stood at **NT\$43.8 trillion** while total SRI assets stood at **NT\$13.9 trillion**, which accounted for 31.7% of AUM. Exclusionary/negative screening was the most widely-used approach for sustainable investing among the institutional investors, with the amount of investments reaching NT\$11 trillion. Foreign bonds were the major investment target, with NT\$8 trillion being invested and accounting for 60% of total sustainable assets.

Sustainable Investment Assets by Investment Management Method (millions of NT dollar)		Sustainable Investment Assets by Asset Class (millions of NT dollar)	
Negative/Exclusionary Screening	11,037,702	Taiwanese Stocks	2,075,408
Positive/Best-in-Class Screening	1,222,356	Non-Taiwanese Stocks	782,830
Norms-Based Screening	10,605	Domestic Bonds	1,162,975
ESG Integration	7,921,803	Foreign Bonds	8,184,926
Sustainability-Themed Investment	3,320,557	Private Equity (PE)	89,938
Impact Investing	0	Real Estate	514,527
Exercising Voting Rights	1,261,814	Loans	47,675
Engagement & Shareholder Proposals	5	Others	731,151

Figure 3 Proportion of the value of each SRI management method relative to total SRI assets

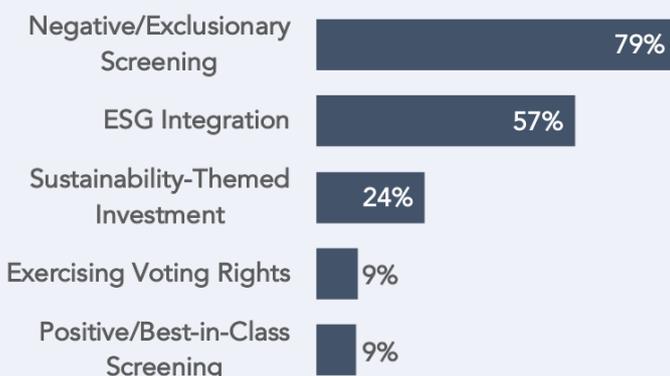
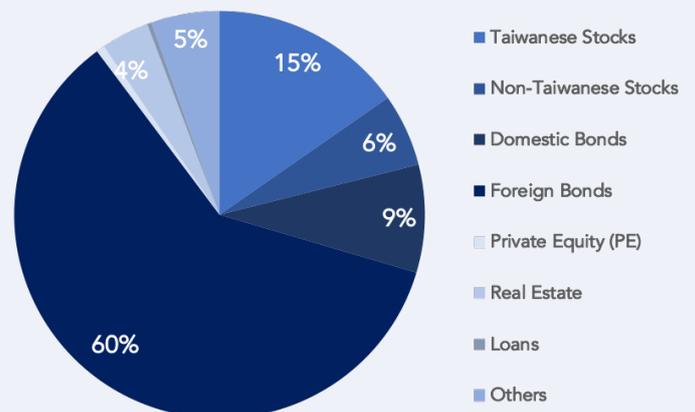


Figure 4 Proportion of asset class relative to total SRI assets



Survey Results

1. Compliance with SRI related conventions

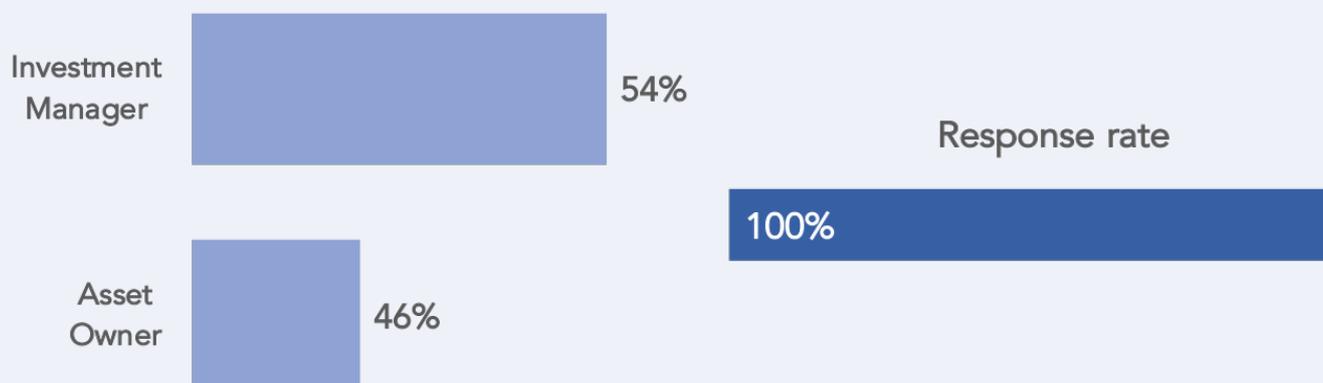
Q1 Basic Information

No information will be disclosed in this section as this item was used to obtain the basic information of the companies.

Q2 Please describe your role pertaining to capital management and capital structure.

Choices

Asset Owner (Insurance, Government Funds)	32
Investment Manager (Securities Investment Trust & Consulting)	27
Total	59



Q3 Which of the following initiatives have you adopted or are involved in?

Choices

Principles for Responsible Investment (PRI)	8
Principle for Sustainable Insurance (PSI)	3
Principle for Responsible Bank (PRB)	1
Equator Principles	2
CDP	13
International Corporate Governance Network (ICGN)	2
2014 Montreal Carbon Pledge	0
UN Global Compact	8
Asian Corporate Governance Association (ACGA)	3
Total	53



Description of items

This was a multiple-choice item; some institutions stated that they comply with the standards of the Task Force on Climate-related Financial Disclosures (TCFD), two stated that they comply with the standards of the Sustainability Accounting Standards Board (SASB). The others stated that they comply with the standards of the Climate Action 100+, Global Reporting Initiative (GRI), Partnership for Carbon Accounting Financials (PCAF), Anti-Money Laundering and Counter Terrorism Financing (AML/CFT), Compliance For Financial Institutions (CFI), and International Green Construction Code (IGCC).

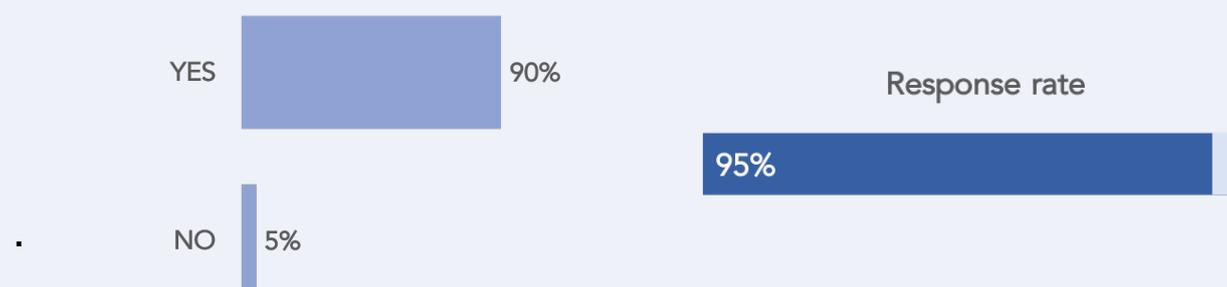
In addition to the companies' compliance with relevant conventions, this item was designed to publicly disclose the outcomes of their compliance to provide relevant information to stakeholders. Therefore, companies were also requested to provide the website where such information is disclosed. In this regard, when the team was tabulating the results, a company would not be included as a respondent if the website provided was irrelevant concerning the conventions that they claimed to comply with or of the information provided did not include the number of conventions or the value.

The responses were listed into parent companies and holding companies that comply with relevant standards. However, companies under the same company or with the same parent company were only listed once to prevent duplicate calculations.

Analysis

According to the survey results, the global standard that most of the institutional investors complied with was the CDP, which indicated that the institutional investors paid a higher level of attention to the CDP. On the other hand, there is room for improvement in Principles for Responsible Investment (PRI) compliance, as only 14% of institutional investors comply. Moreover, since insurance companies are also investors and handlers of insurance-related affairs, there are areas for further development concerning their PRI and Principles for Sustainable Insurance (PSI) compliance.

Q4 Have you declared adoption of Taiwan's Stewardship Code?	
Choices	
Yes	53
No	3
Total	56



Analysis

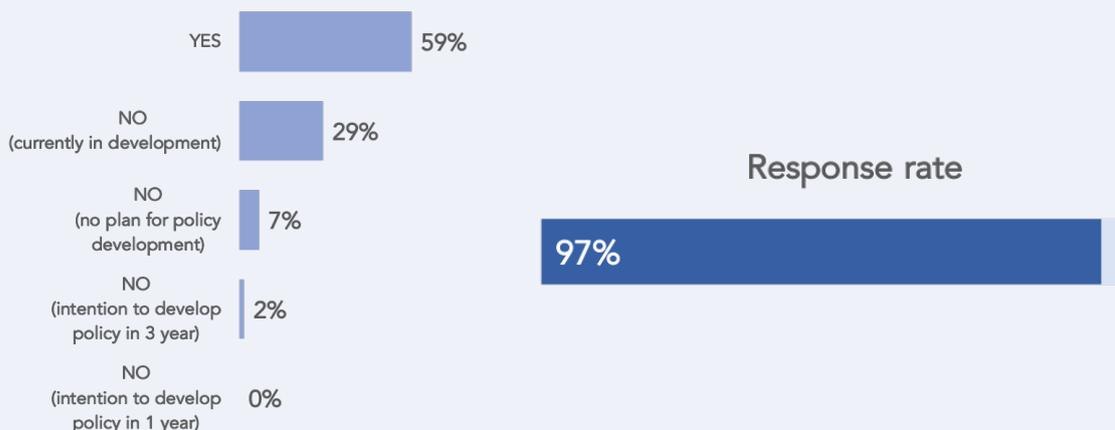
This study openly presented the response of each institutional investor. However, the team found that some of the companies mistook the TWSE’s Stewardship Principles for the PRI, so these companies were not included as respondents. Further information on the PRI can be found on the UNPRI’s website (<https://www.unpri.org/>) while further information on the TWSE’s Stewardship Principles can be found on the TWSE Corporate Governance Center’s website (<https://cgc.twse.com.tw/front/stewardship>).

The TWSE launched the new Stewardship Principles in August 2020, which aims to encourage institutional investors to integrate ESG into their investment processes, engage with the companies in which they invested in, and disclose their performance of complying with the Stewardship Principles. Furthermore, in conjunction with the Financial Supervisory Commission’s Green Finance Action Plan 2.0 and the Corporate Governance 3.0 policy, we envision that in the future, the Principles would receive more attention from institutional investors.

2. Development of SRI related policies

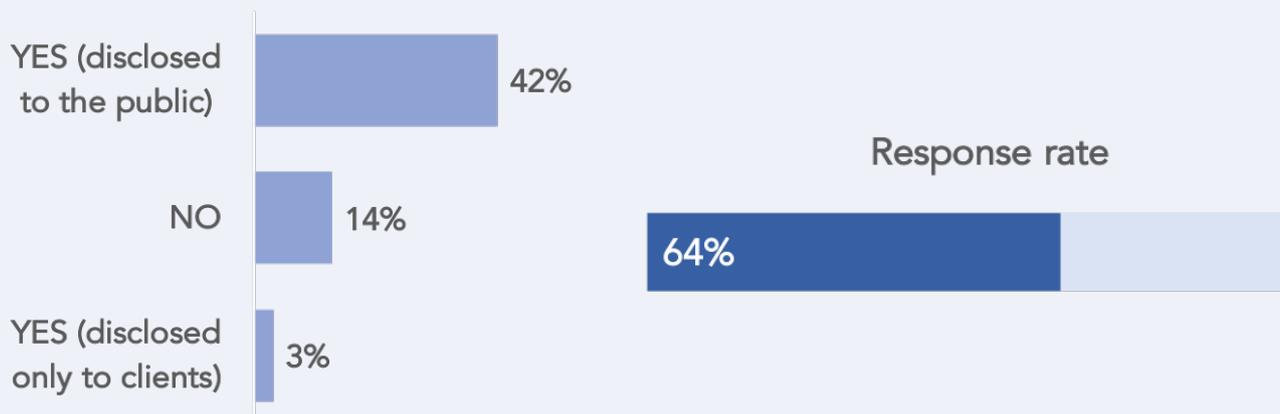
Q5 Do you have a formal policy on sustainable investment (ESG investment, responsible investment, etc.) specific to your organization?

Choices	
Yes	35
NO (currently in development)	17
NO (intention to develop policy in 1 year)	0
NO (intention to develop policy in 3 year)	1
NO (no plan for policy development)	4
Total	57



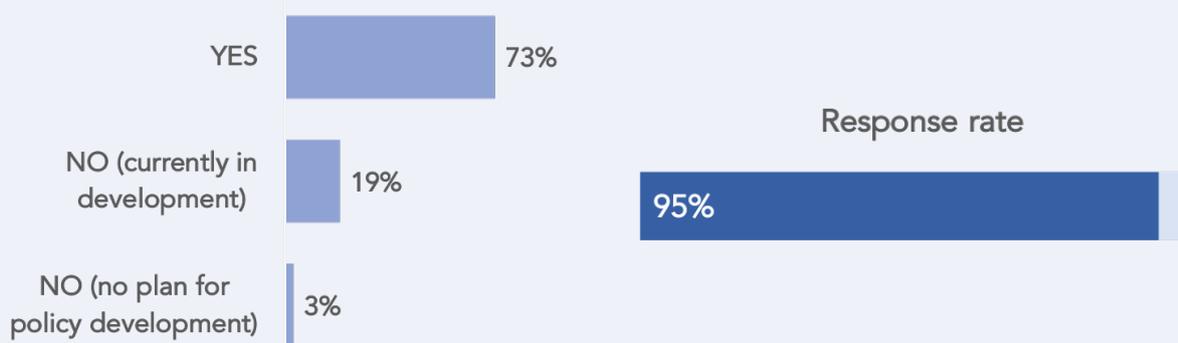
Q6 This is a question for institutions that answered “YES” to Q5. Is that policy publicly disclosed?

Choices	
YES (disclosed to the public)	25
YES (disclosed only to clients)	2
No	8
Total	35



Q7 Are you engaged in sustainable investment?

Choices	
YES	43
NO (currently in development)	11
NO (intention to develop policy in 1 year)	0
NO (intention to develop policy in 3 year)	0
NO (no plan for policy development)	2
Total	56



Analysis

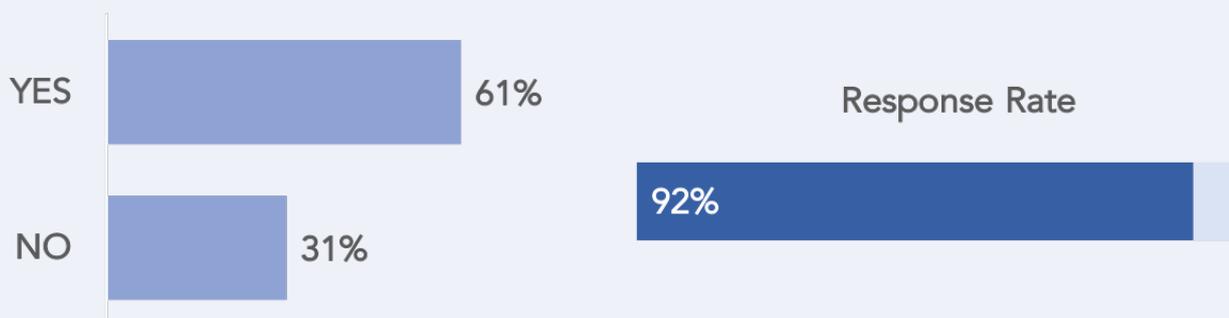
Based on the results above (for Q7), over 70% of companies engage in sustainable investing by integrating the relevant approaches into their investment processes. Yet, less than 60% (Q5) of companies had formally formulated a sustainability investment policy. Given that upwards of 90% (Q4) of companies had stated that they comply with the TWSE’s Stewardship Principles, and that the new version of the Principles was launched in August 2020, which specified the integration of ESG issues into investment processes as well as detailing shareholder voting-related policies, engagement-related policies, and the performances of various items, it is suggested that companies that have yet to formulate a formal sustainability investment policy using the new version of the Principles as a blueprint for developing a sustainability investment policy that is tailored to their own needs, in addition to following international standards.

Furthermore, less than 50% of companies disclosed their sustainability investment policies, which indicates that most institutional investors have taken a conservative approach to disclose their investment strategies. However, when such information remains undisclosed, it is difficult for stakeholders to understand its sustainable investments fully. To this end, it is suggested that companies should fully disclose such information. As part of this year’s survey, the Center will require the companies with formal sustainability investment policies to provide links to the disclosed information.

3. SRI Assets

Q8 Are you able to disclose to us your sustainable investment assets under management?

Choices	
YES	36
NO	18
Total	54



Description of items

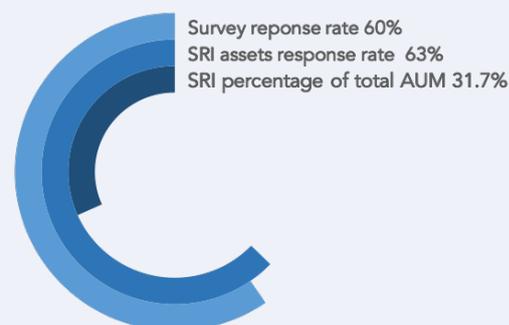
Among the companies that did not disclose the total amount of their sustainable investments, nine claimed that the information included confidential business information. In contrast, two of them did not compile the relevant statistics. A total of 37 companies did disclose the total amount of their sustainable investments.

Q9 - Q10 are on sustainable investment assets

SRI Assets (millions of NT dollars)	13,888,246
Percentage of total AUM	31.7%

Description of items

- ▶ The total sustainable investment assets of the 37 institutions was NT\$13,888,246,000,000.
- ▶ The AUM of 2020 was NT\$43,780,697,000,000.
- ▶ Data collection period



	Numbers of institutions
End of December 2019	9
End of June 2020	12
End of August 2020	1
End of September 2020	13
End of October 2020	1
End of November 2020	1

Analysis

In total, 59 institutional investors responded to the survey, of which 37 provided the value of their total sustainable investment assets. The amount of AUM stood at NT\$43 trillion while total sustainable investment assets stood at NT\$13 trillion, which accounted for 31.7% of AUM.

In terms of the proportion of sustainable investments in each industry, the insurance companies' proportion of sustainable assets relative to their AUM was the highest at 47%, followed by the securities investment trust and consulting enterprises at 12%, and government funds at 8%. The larger size of AUM of government funds could be the reason behind their relatively low proportion.

In terms of the response rate of the item pertaining to SRI assets (Q9, Figure 5), only one of the four government funds that were invited to participate in this survey had refused to reveal the value of their sustainable assets; 75% of the insurance companies had disclosed their sustainable assets; while the securities investment trust and consulting enterprises were relatively trailing behind as less than 50% were willing to disclose their SRI assets. In next year's survey, the Center will enhance its communication with the securities investment trust and consulting enterprises. The survey results can reflect the actual status of sustainable investing in Taiwan more comprehensively

Industry	SRI Assets (million of NT dollar)
Insurance	12,323,699
Securities Investment Trust & Consulting	585,404
Government Funds	979,143

Figure 5. SRI-AUM ratio

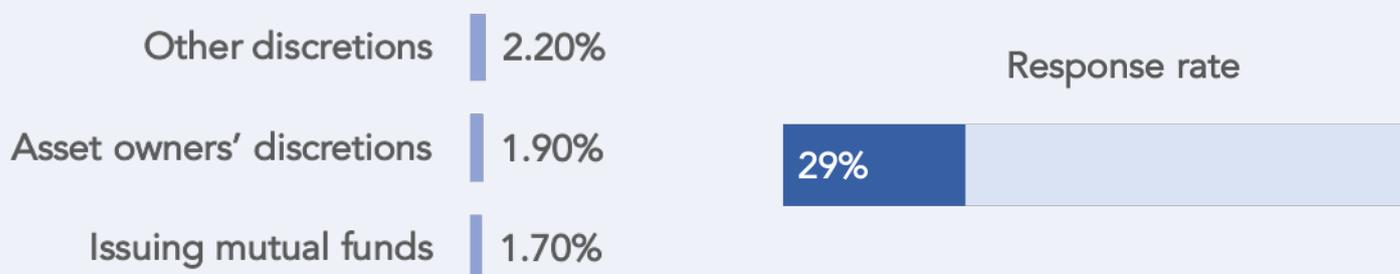


4. SRI Position

Q11 (To be filled by asset management companies) Which of the following asset types were used to establish your institution's sustainable investment position?

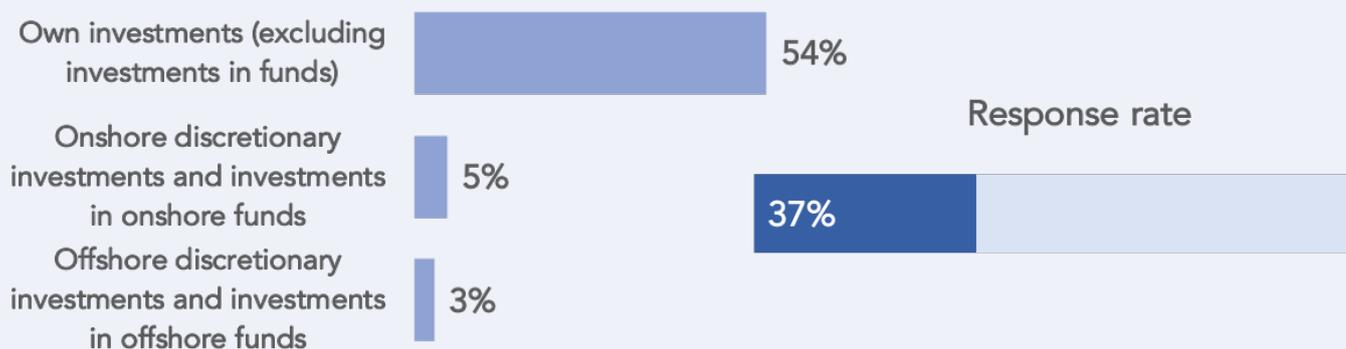
Issuing mutual funds	231,988
Asset owners' discretions (including government funds and insurance companies)	259,406
Other discretions (including typical companies, charitable foundations, and individuals)	302,274

Total	19
--------------	-----------



Q12 (To be filled by asset owners) Which of the following asset types were used to establish your institution's sustainable investment position?

Own investments (excluding investments in funds)	7,522,539
Onshore discretionary investments and investments in onshore funds	725,334
Offshore discretionary investments and investments in offshore funds	451,802
Total	12



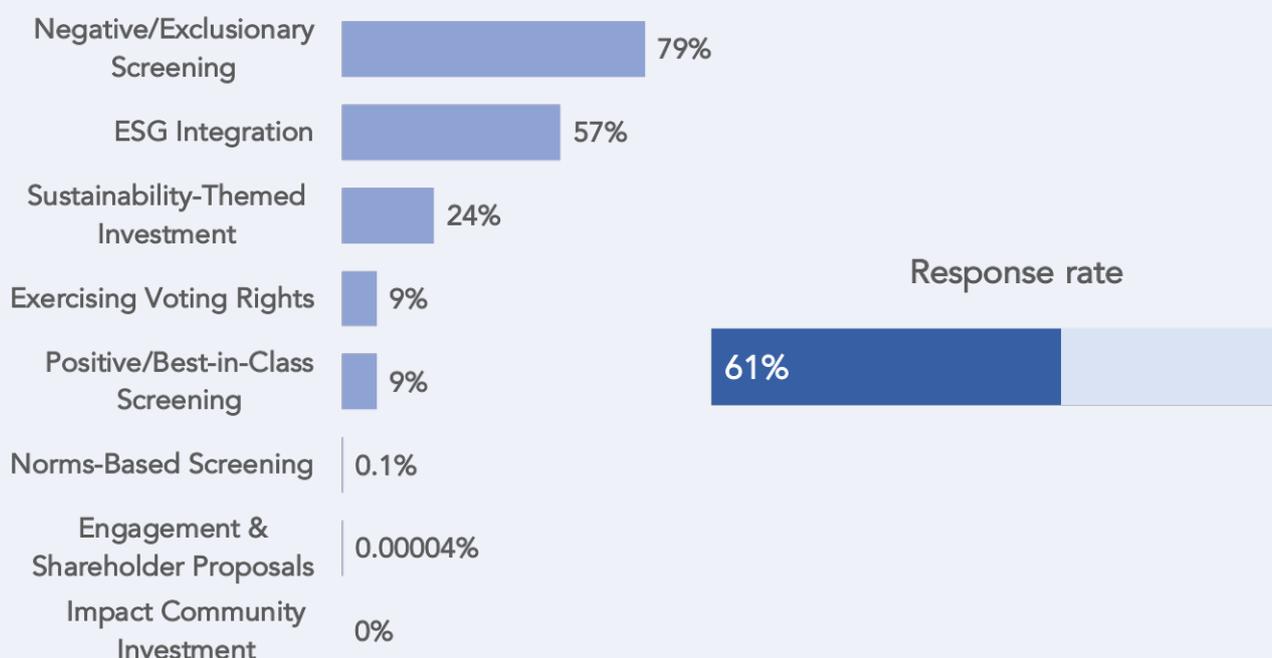
Analysis

Based on the survey results, for asset management companies (Q11), their sustainable investment position mainly comes from the discretion of typical companies, foundations, and individuals, which accounted for 2.2%. For asset owners (Q12), a large portion of their sustainable investment position mainly comes from their own investments, which accounted for 54%.

5. SRI Management Methods

Q13 If permitted, please tell us the proportion of the amount indicated in Q9 allocated to each of the asset management methods listed below.

Negative/Exclusionary Screening	11,037,702
Positive/Best-in-Class Screening	1,222,356
Norms-Based Screening	10,605
ESG Integration	7,921,802
Sustainability-Themed Investment	3,320,557
Impact Investment	0
Exercising Voting Rights	1,261,814
Engagement & Shareholder Proposals	5
Total	36
Total SRI Assets	13,888,246

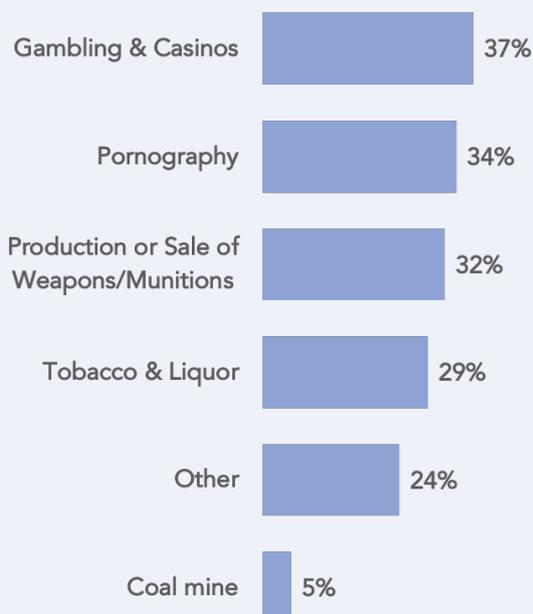


Description of items

This is a multiple-choice item designed by considering that multiple investment approaches can be used for a single fund type. In this item, the sum of each approach to sustainable investing differs from the total value of SRI assets. The proportion held by each investment approach is derived as the quotient of value of each investment approach to the total value of sustainable investments (NT\$13,888,246,187,000).

Q14 For institutions that provided an investment amount for negative screening in Q13, if permitted, please disclose the criteria being applied.

Choices	
Gambling and Casinos	22
Tobacco and Liquor	17
Pornography	20
Production or Sale of Weapons or Munitions	19
Coal mine	3
Palm Oil	0
Other	14
Total	32

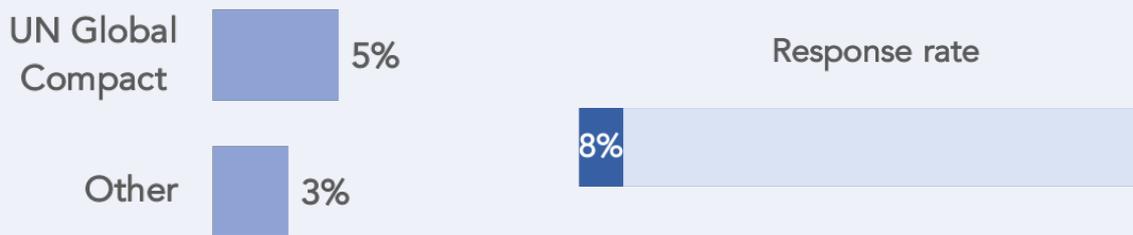


Description of items

This is a multiple choice item. Those who selected “Other screening methods” exclude investment targets such as rainforest logging, polychlorinated biphenyls manufacturing, genetic engineering, those that involve food safety issues, and those that violate human rights.

Q15 For institutions that provided an investment amount for norms-based screening in Q14, if permitted, please disclose the norms being applied.

Choices	
UN Global Compact	3
OECD Guidelines for Multinational Corporations and International Treaties	0
ILO Core Conventions	0
UNICEF	0
Other	2
Total	5



Analysis

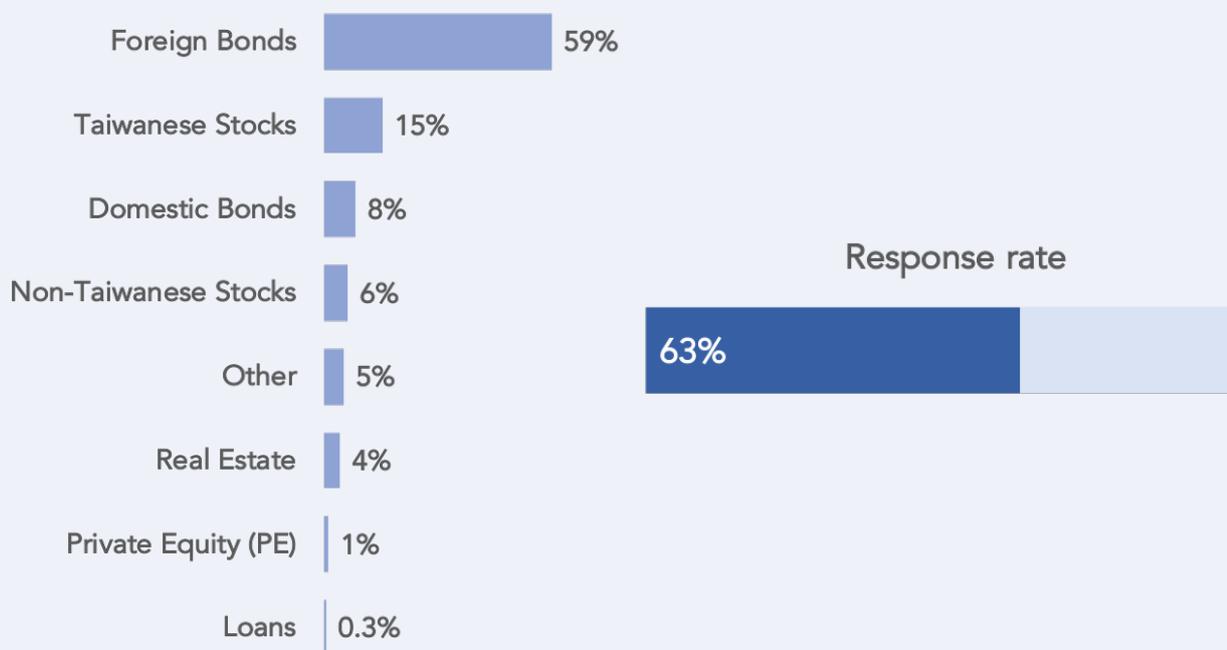
The survey results revealed that exclusionary/negative screening is the primary approach to sustainable investing among Taiwanese institutional investors, which stood at NT\$11 trillion and accounted for 79% of the total value. This result is in line with global sustainable investment trends (e.g., according to the GSIA 2018 Global Sustainable Investment Review, most European companies utilize exclusionary/negative screening). Due to its relative simplicity, exclusionary/negative screening allows investors to establish excluded industries or exclusion lists during the early phase of investment research and determine the suitability of a fund for exclusionary/negative screening.

To prevent duplicate calculations of sustainable investments during the survey, the Center would require the respondents in the survey for the upcoming year to fill in the name of institutional investor involved in exclusionary/negative screening in item Q13 and provide an accurate answer for the screening guidelines in item Q14. To ensure the accuracy of the study, the Center is also mulling whether a company should list the number of investment targets excluded based on each guideline; otherwise, these values shall not be included into the reported value.

Furthermore, despite its simplicity, exclusionary/negative screening is a relatively passive approach to sustainable investing, whereas the second and third most popular approaches (ESG integration and sustainability-themed investments) among Taiwanese institutional investors are more active and are associated with their financial performances. Therefore, in terms of investment strategies, the Center suggests that institutional investors can include these two approaches when they develop their own sustainable investment solutions, as this is beneficial for achieving a win-win investment outcome in both financial and ESG performances, as well as for keeping up with global and North American sustainable investment trends (e.g. according to the GSIA 2018 Global Sustainable Investment Review, most American and Canadian companies utilize ESG integration).

Q16 ~ 17 are on asset class of SRI assets.(millions of NT dollars)

Taiwanese Stocks	2,075,408
Non-Taiwanese Stocks	782,830
Domestic Bonds	1,162,975
Foreign Bonds	8,184,926
Private Equity (PE)	89,938
Real Estate	514,527
Loans	47,675
Other	731,151
Total	37



Description of items

Those who responded with “Other types of assets” for this item included funds, exchange traded funds (ETF), public investments, repurchase agreements, unlisted equities, etc.

Analysis

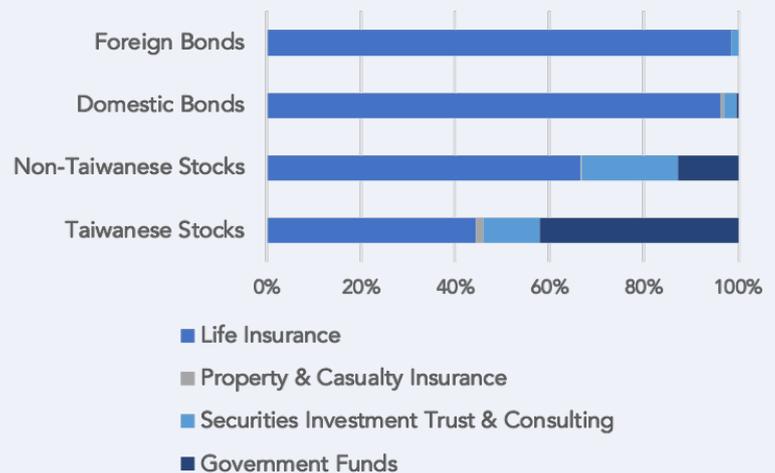
The survey results indicated that the main sustainable investment target was foreign bonds, which accounted for 60%, followed by Taiwanese stocks at 15%. The high proportion of foreign bonds is associated with the high proportion of SRI of the insurance industry, in addition to the industry’s main target of fixed-income assets. Based on Figure 6 below, the sustainable investment targets chosen differ across industries. Life insurance companies invested more in local and foreign bonds. However, differences exist in terms of stocks, that is, government funds mainly invested in Taiwanese stocks, followed by foreign stocks; while the securities investment trust and consulting enterprises invested in certain proportions of Taiwanese stocks and foreign stocks.

Even though sustainable investments account for 31.7% of AUM, the proportion of Taiwan’s sustainable investments in Taiwanese stocks relative to AUM is less than 5%. Therefore, it is suggested that the government should encourage institutional investors to pay more attention to Taiwanese stocks-related sustainable investment targets, so that sustainable investing can exert a greater influence on local companies. In addition, there is room for growth in terms of local ETF products related to sustainability issues.

In this survey, ETF was not designed as a single option, which caused some of the institutional investors to list their ETF investments as “Others” or “Stocks.” Since ETF in essence is an index fund, the value of ETF will be merged with Taiwanese stocks and foreign stocks in the survey for the upcoming year to accurately reflect the weight of each type of sustainable investment target.



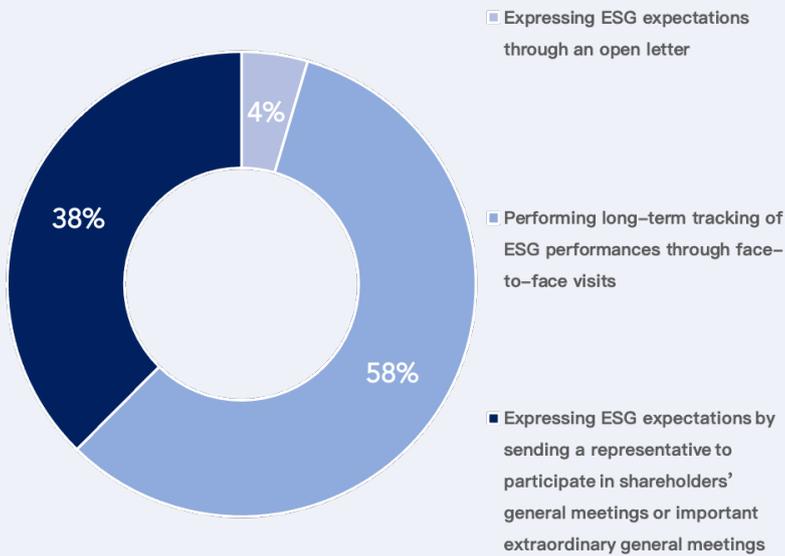
Figure 6. SRI asset class - by industry



6. Engagement Status

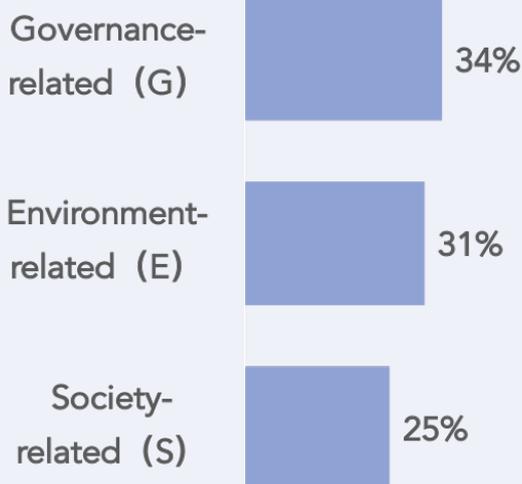
Q18 In 2020, how many domestic and international companies did you have engagement or purposeful dialogue with? Please exclude the exercising of voting rights. (times of engagement)

Expressing ESG expectations through an open letter	70
Performing long-term tracking of ESG performances through face-to-face visits	888
Expressing ESG expectations by sending a representative to participate in shareholders' general meetings or important extraordinary general meetings	577
Presenting proposals that pertain to ESG issues at shareholders' meetings	1
Total	18



Q19 If permitted, please provide specific examples of engagement themes (multiple responses allowed)

Choices	
Environment-related (E)	18
Society-related (S)	15
Governance-related (G)	20
Total	21



Description of items

Environmental issues include whether a product has obtained a green label, contributing to renewable energies, responding to climate change, resource recovery policy, circular economy, reducing and disclosing carbon emissions, water resources, paperless services, issuing green bonds, investment in green energies, etc.

Social issues include labor welfare and health, labor working hours, human rights, local employment, allocation of pensions, full employment of workers with disabilities, product safety, information security, labor disputes, etc.

Governance issues include the operations and composition (proportion of independent directors and female directors) of a board of directors, ethical management, fair presentation of financial statements, ownership structure (cross-ownership), information transparency and openness, stakeholder transactions, anti-money laundering and counter financing of terrorism, sustainable investment, sustainable finance, etc.

Analysis

The survey results revealed that Taiwanese institutional investors invest around NT\$5 million through shareholder engagement, while the response rate for engagement-related items was merely higher than 30%, which shows that at present, either there are not many Taiwanese institutional investors which utilize engagement approaches to influence the companies that they invest in, or the investors lacked a complete understanding of the engagement contents.

Based on the contents of the investors' engagement-related responses, it can be seen that the investors were indeed concerned about their ESG issues. The essence of engagement is that institutional investors utilize their role as fund providers to influence ESG issues in the companies they invest. Hence, institutional investors can obtain more thorough internal information through the engagement process and exert a greater influence over their investee companies. In the near future, institutional investors are expected to fully exert their influence such that more companies become invested in businesses pertaining to various ESG issues..

The TWSE launched the new version of its Stewardship Principles in August 2020. Engagement policies and performances were added as contents recommended in the stewardship statements of institutional investors. Companies that have yet to formulate an engagement policy can use the new version of the Principles as a blueprint for developing an engagement policy tailored to their needs.

Respondent Institutions 59

AUM NT\$ 43 tn

SRI Assets NT13 tn

SRI / AUM 31.7%

Engaging in SRI 73%

Declaring Adoption of Stewardship Code 90%

Declaring Adoption of PRI 14%

Having Formal SRI Policies 59%

SRI asset management methods

NO.1

Negative Screening NT 11 tn

NO.2

ESG Integration NT 7.9 tn

SRI asset class

NO.1

Foreign Bonds NT 8.2 tn

NO.2

Taiwanese Stocks NT 2 tn

Engagement NT 5 million

Engagement times 1,536

2020 Taiwan Sustainable Investment Survey



國泰金控

Cathay Financial Holdings



國立臺北大學

National Taipei University