

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

Background

In conjunction with the national policy of Taiwan’s Pathway to Net-Zero Emissions in 2050, the Financial Supervisory Commission (the FSC) launched the “Sustainable Development Guidemap for TWSE- and TPEX-Listed Companies” (The Guidemap) on March 3, 2022. The Guidemap sets up phases in which listed companies are required to disclose greenhouse gas (GHG) emissions and provide assurance, ultimately strengthening corporations’ GHG inventory capabilities. Building on the foundation of previous policies including the “Corporate Governance Roadmap and the Sustainable Development Guidemap,” the TWSE and TPEX are committed to assisting enterprises achieve sustainable development. The Sustainable Development Action Plans for TWSE and TPEX Listed Companies focuses on the four pillars of governance, transparency, digitalization, and innovation to attain objectives in five main dimensions: **1. Lead listed companies to reach net-zero; 2. Deepen companies’ sustainable governance culture; 3. Enhance the disclosure of sustainable information; 4. Strengthen communication with stakeholders; and 5. Establish an ESG evaluation and ESG digitalization.** These Action Plans support enterprises to fulfill sustainable development goals and enhance Taiwan’s overall competitiveness.

I. Lead listed companies to reach net-zero

| Initiative | Plan and Schedule |
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| 1. Promote companies to establish carbon reduction targets, strategies, and specific action plan | <u>Plan</u> The FSC launched the “Sustainable Development Guidemap for TWSE and TPEX Listed Companies” in January 2022, and Taiwan’s Pathway to Net-Zero |

| Initiative | Plan and Schedule |
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| | <p>Emissions in 2050 was announced by the National Development Council in March 2022. Together, these two policies require companies to disclose GHG emissions and provide assurance over a phase-in timeline, while encouraging companies to transition to net zero. Based on their own GHG emission inventory, companies can further develop their carbon reduction targets, strategies, and specific action plan.</p> <p>At the latest, TWSE- and TPEX-listed companies should disclose GHG and carbon reduction targets, strategies, and specific action plans in the year in which consolidated companies disclose GHG emissions inventory. Furthermore, companies are urged to establish their GHG and carbon reduction targets, strategies, and specific action plans for 2030 using the year in which consolidated companies first disclose GHG inventory as the base year.</p> <p><u>Schedule</u></p> <p>2023: The FSC has amended the “Regulations Governing Information to be Published in Annual Reports of Public Companies;” the TWSE and TPEX amend the “Rules Governing the Preparation and Filing of Sustainability Reports by TWSE and TPEX Listed Companies.”</p> <p>2024: The TWSE will incorporate 2030 carbon reduction targets, strategies, and action plans into the Corporate Governance Evaluation indicators.</p> <p>2025: TWSE- and TPEX-listed companies with paid-in capital of NT\$10 billion or more, and companies in the steel or cement industries, should disclose their carbon reduction targets, strategies, and specific action plans for the next year,</p> |

| Initiative | Plan and Schedule |
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| | <p>using the year in which consolidated companies disclose GHG emissions inventory as the base year.</p> <p>2026: TWSE- and TPEX-listed companies with paid-in capital of NT\$5 billion to NT\$10 billion should disclose their carbon reduction targets, strategies, and specific action plans for the next year, using the year in which consolidated companies disclose GHG emissions inventory as the base year.</p> <p>2027: TWSE- and TPEX-listed companies with paid-in capital of less than NT\$5 billion should disclose their carbon reduction targets, strategies, and specific action plans for the next year, using the year in which consolidated companies disclose GHG emissions inventory as the base year.</p> |
| <p>2. Establish GHG emission credit trading system</p> | <p><u>Plan</u></p> <p>Corporations are encouraged to transition toward net-zero emissions. The FSC will study international practices and supervise the TWSE in assisting the Environmental Protection Administration (EPA) in building a GHG emission credit trading system based on its experience in securities transactions.</p> <p><u>Schedule</u></p> <p>2023: The TWSE studies international practices and experience in GHG emissions trading systems and provides them for the EPA’s reference.</p> <p>2024-2028: The FSC will strengthen coordination with the EPA. In line with the EPA’s planning, the FSC supervises the TWSE to assist in establishing the GHG</p> |

| Initiative | Plan and Schedule |
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| | emission credit trading system based on its experience in securities transactions. |
| 3. Encourage companies to disclose Scope 3 GHG emissions | <p><u>Plan</u></p> <p>The FSC already requires TWSE and TPEX listed companies to disclose Scope 1 and Scope 2 emissions. Scope 3 emissions comprise all other indirect emissions that occur in the value chain of the reporting company, including both upstream and downstream. To ensure that the entire supply chain works together to reduce carbon emissions, TWSE and TPEX listed companies are encouraged to disclose Scope 3 GHG emissions.</p> <p><u>Schedule</u></p> <p>2023: The TWSE and TPEX frame recommended Scope 3 disclosure items with reference to international standards and domestic industry characteristics.</p> <p>2024: The TWSE and TPEX will conduct conference regarding the recommended Scope 3 disclosure items.</p> <p>2025: The TWSE and TPEX will study the feasibility of mandatory disclosure of Scope 3 emissions.</p> |
| 4. Encourage issuance of green bonds, sustainability-linked bonds (SLB), and sustainability bonds | <p><u>Plan</u></p> <p>As sustainability bonds raise funds for enterprises to transition to sustainable practices, TWSE- and TPEX-listed companies are encouraged to issue green bonds and sustainability bonds such as SLBs. To help TWSE and TPEX</p> |

| Initiative | Plan and Schedule |
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| | <p>implement and achieve their established carbon reduction targets, strategies, and specific action plans, companies are encouraged to issue SLBs based on their carbon reduction targets, or green bonds and sustainability bonds aimed at investing in low carbon transition.</p> <p><u>Schedule</u></p> <p>2023:</p> <ul style="list-style-type: none"> (1) The TPEX establishes the online application system for sustainability bond accreditation. (2) With reference to international sustainability practices and market needs, the TPEX studies the feasibility of expanding the scope of products in the sustainability bond market, including new types of sustainability bonds such as corporate green bonds and climate bonds. (3) The TPEX conducts conferences and visits prospective issuers. |

II. Deepen companies' sustainable governance culture

| Initiative | | Plan and Schedule |
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| 1. Strengthen functions of independent | (1) Strengthen functions and audit quality of audit | <p><u>Plan</u></p> <p>In 2022, all TWSE- and TPEX-listed companies have completed the</p> |

| Initiative | | Plan and Schedule |
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| directors and audit committee | committee | <p>establishment of an audit committee to replace supervisors. To ensure that audit committees fulfill their roles as a functional committee and in a supervisory capacity, draft amendments have been proposed for Articles 14-4, 14-5, and 178 of the “Securities and Exchange Act” stipulating regulations regarding audit committees. The key points are as follows: 1. Litigation against directors, the right to convene shareholders’ meetings, and the right of a director to represent the company when dealing for him/herself on behalf of the company shall be resolved by the meeting of the audit committee after thorough discussions. 2. If the meeting of the audit committee cannot be convened due to any reason, the matters to be proposed to the audit committee shall be carried out by a special resolution of all the directors of the board. In addition, the independent director members of the audit committee, based on their status as members of the audit committee, are still required to give opinions on financial reporting matters before they are submitted for a special resolution of board members. The draft amendments also stipulate fines for violation of said regulations.</p> <p><u>Schedule</u></p> <p>2023: The TWSE submits the draft amendments to the Executive Yuan for further review.</p> |
| | (2) Number of independent directors of listed | <p><u>Plan</u></p> <p>According to the “Corporate Governance Roadmap 3.0,” TWSE- and TPEX-listed companies with paid-in capital of NT\$10 billion or more and TWSE-and</p> |

| Initiative | | Plan and Schedule |
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| | <p>companies should be no less than one-third of board seats.</p> | <p>TPEX-listed financial institutions and insurance companies will, starting in 2024, be required to have independent directors make up no less than one-third of the board. To strengthen the function of independent directors, all TWSE- and TPEX-listed companies should have independent directors who make up no less than one-third of board seats.</p> <p><u>Schedule</u></p> <p>2023: The TWSE and TPEX amend the “Operation Directions for Compliance with the Establishment of Board of Directors by TWSE and TPEX Listed Companies and the Board’s Exercise of Powers.”</p> <p>2027: All TWSE- and TPEX-listed companies will be required to, at the end of the existing directors’ terms, have independent directors make up no less than one-third of board seats.</p> |
| | <p>(3) Independent directors of listed companies shall serve no more than three terms of office.</p> | <p><u>Plan</u></p> <p>According to the “Corporate Governance Roadmap 3.0,” starting in 2024, TWSE- and TPEX-listed companies should have half or more of its independent directors serve no more than three terms of office, applicable at the end of the existing directors’ terms. To ensure that independent directors are not impacted by internal and external forces, all TWSE- and TPEX-listed companies should limit independent directors to serving no more than three terms of office.</p> |

| Initiative | | Plan and Schedule |
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| | | <p><u>Schedule</u></p> <p>2023: The TWSE and TPEX amend the “Operation Directions for Compliance with the Establishment of Board of Directors by TWSE and TPEX Listed Companies and the Board’s Exercise of Powers.”</p> <p>2025: The TWSE will incorporate limiting the number of terms served by independent directors to three into the Corporate Governance Evaluation indicators.</p> <p>2027: Independent directors of all TWSE and TPEX listed companies should be limited to three terms of office.</p> |
| 2. | Gender diversity among directors of listed companies | <p><u>Plan</u></p> <p>Currently, nearly 30 percent of listed companies in Taiwan do not have female directors, and many of those do not reach the threshold of having one-third of their board be female. To achieve international standards of gender diversity, and in the wake of Hong Kong’s recent push to make female representation on boards mandatory, the FSC is requiring that TWSE- and TPEX-listed companies appoint at least one female director by 2024. Listed firms that do not meet this requirement, will have to disclose the reason in their annual report.</p> <p><u>Schedule</u></p> <p>2023: The FSC amends the “Regulations Governing Information to be Published</p> |

| Initiative | Plan and Schedule |
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| | <p>in Annual Reports of Public Companies,” and the TWSE and TPEX amend the “Operation Directions for Compliance with the Establishment of Board of Directors by TWSE and TPEX Listed Companies and the Board’s Exercise of Powers,” as well as the Rules Governing Review of Securities Listings, to stipulate that companies applying for IPO should appoint at least one director of a different gender than the other board members.</p> <p>2024: All TWSE- and TPEX-listed companies scheduled to hold board elections will be required to appoint at least one director of a different gender than the other board members.</p> <p>2025: All TWSE- and TPEX-listed companies, with directors of either gender accounting for less than one-third of the board, should disclose the reason and plans for improvement in their annual report.</p> |
| <p>3. Candidate nomination system in emerging stock board companies</p> | <p><u>Plan</u></p> <p>As of 2023, all TPEX Emerging Stock Board companies should adopt electronic voting. To further facilitate the exercise of shareholder activism, emerging stock companies should adopt the candidate nomination system. With the implementation of e-voting for all listed companies in 2018 and the adoption of the candidate nomination system for the election of directors of all listed companies as of 2021, the logical next step is to expand the scope to all TPEX Emerging Stock Board companies, which have been required to notify shareholders and amend their Articles of Incorporation to state that the shareholders shall elect the directors and supervisors among the nominees listed</p> |

| Initiative | | Plan and Schedule |
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| | | <p>in the roster of candidates starting in 2025.</p> <p><u>Schedule</u></p> <p>2023: The FSC notifies all TPEX Emerging Stock Board companies to adopt the candidate nomination system.</p> <p>2025: TPEX Emerging Stock Board companies will adopt the candidate nomination system for the election of directors.</p> |
| 4. Reasonable compensation policy | (1) Link executive compensation to ESG performance | <p><u>Plan</u></p> <p>Reasonable performance evaluations and a fair compensation system are crucial to the sustainable development of enterprises. By linking executive compensation to ESG performance and establishing clear assessment indicators, companies can set and achieve their sustainable development targets. To this end, the TWSE and TPEX have been tasked with conducting seminars for company directors and executives to enhance their understanding of sustainability related issues.</p> <p><u>Schedule</u></p> <p>2023: The TWSE incorporates metrics linking executive compensation to ESG performance in the Corporate Governance Evaluation indicators.</p> <p>2024: The TWSE will establish templates for the Corporate Governance</p> |

| Initiative | | Plan and Schedule |
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| | | Evaluation indicators and conducts educational sessions. |
| | (2) Report director compensation to shareholders in the AGM | <p><u>Plan</u></p> <p>Currently, the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” already stipulate that director compensation should be reported to shareholders in the annual general meeting (AGM), and is listed as one of the Corporate Governance Evaluation indicators as of 2022. To ensure reasonable compensation, the feasibility of mandatory reporting of director compensation to shareholders in the AGM should be studied.</p> <p><u>Schedule</u></p> <p>2023: The TWSE and TPEX study the feasibility of mandatory reporting of director compensation to shareholders in the AGM.</p> <p>2024: Based on study findings, reviews of implementing mandatory reporting should be conducted on a rolling basis.</p> |
| 5. | Encourage establishment of sustainable development committee (chief sustainability officer) | <p><u>Plan</u></p> <p>To foster strong values and a culture of sustainability, TWSE- and TPEX-listed companies are encouraged to appoint a chief sustainability officer and establish a sustainable development committee, comprising members of the board and executives from relevant departments, to define the company’s sustainable</p> |

| Initiative | Plan and Schedule |
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| | <p>development targets and propose management approaches and specific plans.</p> <p><u>Schedule</u></p> <p>2023: The TWSE and TPEX publish the template of organizational regulations of sustainable development committee as reference for businesses.</p> <p>2024: The TWSE and TPEX will conduct seminars for corporate sustainable development committees to exchange practical experience.</p> <p>2025: The TWSE and TPEX will study the feasibility of requiring listed companies to establish sustainable development committees.</p> |

III. Enhance the disclosure of sustainable information

| Initiative | Plan and Schedule |
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| <p>1. Expand the scope of sustainability information disclosure</p> <p>(1) Enhance sustainable information disclosure in annual reports</p> | <p><u>Plan</u></p> <p>Annual reporting requirements will be reviewed with reference to international standards to improve sustainable information disclosure.</p> <p><u>Schedule</u></p> <p>2023: The FSC amends the “Regulations Governing Information to be Published in Annual Reports of Public Companies.”</p> |

| Initiative | | Plan and Schedule |
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| | (2) Expand the scope of mandatory sustainability reporting to companies with less than NT\$2 billion in capital | <p><u>Plan</u></p> <p>The FSC already requires that all TWSE- and TPEX-listed companies must disclose climate-related information in their annual reports starting in 2024, and those with paid-in capital of more than NT\$2 billion must disclose said information in their sustainability reports. Since companies with paid-in capital of less than NT\$2 billion will also be phased into mandatory sustainability reporting, said companies will likewise be required to disclose climate-related information and their industry sustainability indicators by 2025.</p> <p><u>Schedule</u></p> <p>2023: The TWSE and TPEX amend the “Rules Governing the Preparation and Filing of Sustainability Reports by TWSE and TPEX Listed Companies.”</p> <p>2025: TWSE and TPEX listed companies with paid-in capital of less than NT\$2 billion will be required to publish sustainability reports.</p> |
| | (3) Expand adoption of SASB standards by TWSE and TPEX listed companies | <p><u>Plan</u></p> <p>As of 2023, the number of companies in classified industries required to compile sustainability reports account for 63% of the total number of companies. The classified industries include those such as food & beverage, chemicals, finance & insurance, cement, plastics, steel, oil & gas, semiconductors, computers & peripherals, opto-electronics, telecommunications, internet media & services,</p> |

| Initiative | | Plan and Schedule |
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| | | <p>electronic manufacturing services, e-commerce, and other electronics.</p> <p>To further step up industry-based sustainability disclosures, it is expected that all industries disclose material issues and industry-specific sustainability metrics. These include 14 major industries, such as rubber, consumer goods, marine transportation, construction services, electrical & electronic equipment, electric wire & cables, pulp & paper products, automobiles, tourism, biotechnology & pharmaceuticals, textiles, IT services, and glass and ceramics.</p> <p><u>Schedule</u></p> <p>2023: The TWSE and TPEX study and establish sustainability-linked indicators required to be disclosed for various industries.</p> <p>2023: The TWSE and TPEX will amend the “Rules Governing the Preparation and Filing of Sustainability Reports by TWSE and TPEX Listed Companies.”</p> <p>2025: All TWSE and TPEX listed companies will provide industry-based sustainability disclosures.</p> |
| 2. Enhance the quality of sustainability information | (1) Explore expanding the scope of assurance on sustainability reports | <p><u>Plan</u></p> <p>The FSC currently requires that sustainability reports prepared by the food, chemical, and finance & insurance industries obtain an opinion from a certified public accountant regarding the industry-specific sustainability indicators. To improve disclosure quality of sustainability reports, the FSC will explore</p> |

| Initiative | | Plan and Schedule |
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| | | <p>expanding the scope of said assurance to sustainability indicators of all industries.</p> <p><u>Schedule</u></p> <p>2024: The TWSE and TPEX will study the feasibility of requiring listed companies to obtain assurance on sustainability indicators.</p> |
| | (2) Improve disclosure quality of sustainability reports | <p><u>Plan</u></p> <p>To enhance the quality of sustainability reports, the TWSE and TPEX review the sustainability reports of TWSE- and TPEX-listed companies, provide guidance on correcting deficiencies, and follow up to ensure corrective action is taken. To achieve a consistent level of ESG disclosure for all listed companies, the TWSE and TPEX will address individual companies with an official letter of recommended actions following the review, and compile a comprehensive review report for public reference.</p> <p><u>Schedule</u></p> <p>2023- : The TWSE and TPEX conduct spot checks on sustainability reports and provide guidance for TWSE- and TPEX-listed companies to improve the disclosure quality of their sustainability reports. To enhance information transparency and sound corporate governance, the comprehensive review reports compiled by the TWSE and TPEX are regularly published on their official</p> |

| Initiative | | Plan and Schedule |
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| | | website. Furthermore, guidance on how to compile sustainability reports is disseminated through annual evaluations and briefings for directors, supervisors, and relevant personnel. |
| | (3) Strengthen management of assurance institutions | <p><u>Plan</u></p> <p>In accordance with the “Directions for the Implementation of Assurance Institutions for the Sustainability Report of TWSE/TPEX Listed Companies”, certain companies are required to obtain a letter of opinion from assurance agencies starting in 2024. To strengthen the management of assurance institutions, the TWSE and TPEX will establish the quality standards applicable to assurance institutions and review relevant procedures to ensure that assurance agencies and personnel abide by regulations.</p> <p><u>Schedule</u></p> <p>2023: The TWSE and TPEX establish quality standards applicable to assurance institutions and disciplinary measures.</p> <p>2024- : The TWSE and TPEX will conduct annual spot checks on the working papers of assurance institutions to ensure that assurance personnel abide by regulations.</p> |

| Initiative | | Plan and Schedule |
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| 3. Align with ISSB sustainability disclosure standards | (1) Establish internal control guidelines for sustainability information | <p><u>Plan</u></p> <p>To improve the reliability of sustainability information disclosed by enterprises, the FSC will continue to supervise the TWSE and TPEX in urging listed companies to establish internal controls for the management of sustainability information. In addition, the FSC will review and amend the “Regulations Governing Establishment of Internal Control by Public Companies.”</p> <p><u>Schedule</u></p> <p>2023: The FSC amends the “Regulations Governing Establishment of Internal Control Systems by Public Companies.” The TWSE and TPEX announce guidelines for internal controls over sustainability reporting.</p> |
| | (2) Establish sustainability disclosure standards committee | <p><u>Plan</u></p> <p>Based on international best practices, it is necessary to establish a separate entity whose purpose is to collect and study international sustainability disclosure standards and developments, and establish domestic sustainability standards accordingly.</p> <p><u>Schedule</u></p> <p>2023: The FSC supervises the Accounting Research and Development Foundation to amend its act of endowment and relevant rules to establish the</p> |

| Initiative | | Plan and Schedule |
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| | | Sustainability Standards Committee within its organization. |
| | (3) Align with ISSB sustainability disclosure standards | <p><u>Plan</u></p> <p>With the June 2023 release date of the new ISSB Standards and IOSCO’s support of members to adopt said standards, the FSC will explore and develop plans to align with ISSB sustainability disclosure standards following their announcement.</p> <p><u>Schedule</u></p> <p>2023:</p> <p>(1) A working group is convened to compare IFRS sustainability disclosure standards with current domestic regulations on sustainability reporting, bringing Taiwan’s standards in keeping with international practice, and establish pilot studies and templates.</p> <p>(2) Public hearings are conducted to collect feedback; the timeline for promoting new domestic standards is determined.</p> |

IV. Strengthen communication with stakeholders

| Initiative | Plan and Schedule |
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| <p>1. Shorten the deadline for filing AGM’s agenda handbooks and annual reports</p> | <p><u>Plan</u></p> <p>To make certain that investors are fully apprised of resolutions to be proposed at the AGM, the FSC is phasing in the requirement that listed companies disclose agenda handbooks and annual reports ahead of the AGM. TWSE- and TPEX-listed companies with paid-in capital of less than NT\$10 billion are required to file the shareholders’ meeting agenda handbooks and supplementary materials 30 days before the AGM, and annual reports 14 days before the AGM.</p> <p><u>Schedule</u></p> <p>2023: The FSC amends the “Regulations Governing Information to be Published in Annual Reports of Public Companies.”</p> <p>2024: TWSE and TPEX listed companies with paid-in capital of more than NT\$2 billion will be required to file their shareholders’ meeting agenda handbooks and annual reports in advance.</p> <p>2026: All TWSE and TPEX listed companies will be required to file their shareholders’ meeting agenda handbooks and annual reports in advance.</p> |
| <p>2. Strengthen large shareholding disclosure</p> | <p><u>Plan</u></p> <p>To improve the regulatory framework and information transparency around major shareholdings, Articles 43-1 and 183 of the “Securities and Exchange Act” will be amended and tightened to require investors with more than 5% shareholding in a</p> |

| Initiative | Plan and Schedule |
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| | <p>company to report and publicly announce the acquisition. A suitable adjustment period will be determined so that relevant regulations and measures can be realigned.</p> <p><u>Schedule</u></p> <p>2023: Articles 43-1 and 183 of the “Securities and Exchange Act” are amended.</p> <p>2024: The FSC will amend and put into force the “Regulations Governing the Declaration of Acquisition of Shares in Accordance with Article 43-1, Paragraph 1 of the “Securities and Exchange Act.”</p> |
| <p>3. Refine investor relations platform</p> | <p><u>Plan</u></p> <p>The current investor relations platform provides institutional investors and international evaluation institutes with the ESG performance metrics of TWSE- and TPEX-listed companies. The platform also facilitates domestic institutional investors in setting up their responsible investment policies, as well as promoting shareholder activism and reinforcing the quality of stewardship information disclosure. The TDCC and TWSE will refine the investor relations platform to provide the necessary information to generate automated stewardship reports for institutional investors. With ESG ratings and the management of ESG rating agencies gaining increasing importance in global markets, to ensure the transparency and standardization of ESG evaluation results, the TDCC will study the relevant IOSCO regulations and request ESG rating agencies to endorse and comply with regulations on the ESG investor relations platform.</p> |

| Initiative | Plan and Schedule |
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| | <p><u>Schedule</u></p> <p>2023: The TDCC and TWSE refine the investor relations platform.</p> <p>The TDCC studies relevant IOSCO regulations and requests that ESG ratings agencies endorse and comply with platform regulations.</p> <p>2024: Pilot test of investor relations platform will begin with participation from institutional investors.</p> <p>2025: Refined investor relations platform will be officially launched.</p> |
| <p>4. Encourage institutional investors to take collective engagements</p> | <p><u>Plan</u></p> <p>To encourage institutional investors to conduct collective engagements, the TDCC and TWSE will collect and study best practices for collective engagements from other countries, develop relevant measures and initiatives, and encourage institutional investors who are already signatories of the Stewardship Principles to adopt collective engagements where suitable.</p> <p><u>Schedule</u></p> <p>2023: The TDCC and TWSE collect and study best practices for collective engagements from other countries.</p> <p>2024: The TWSE will submit proposals based on study findings.</p> |

| Initiative | Plan and Schedule |
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| | 2025: The TWSE will revise criteria to evaluate stewardship. |
| 5. Consider establishing proxy advisors | <p><u>Plan</u></p> <p>Based on the services that proxy advisory firms provide institutional investors with regard to analysis and recommendations on shareholder matters, the TWSE, TPEX, TAIFEX, and the TDCC will jointly commission the Securities & Futures Institute to evaluate the feasibility of establishing proxy advisors.</p> <p><u>Schedule</u></p> <p>2023: The Securities & Futures Institute completed the commissioned study on the feasibility of establishing proxy advisors in Taiwan by the end of March 2023 and submits it to the FSC for further consideration.</p> |
| 6. Encourage companies to create beneficial ownership database | <p><u>Plan</u></p> <p>To enhance shareholder transparency, the TWSE has been asked to gather data on international legislation, such as those in Singapore and Hong Kong, requiring companies to establish a beneficial ownership database, and draft templates for relevant internal operational procedures for businesses to use as reference. The TWSE and TPEX will then study the feasibility of amending the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies,” and encourage companies to collect and record beneficial ownership information.</p> <p><u>Schedule</u></p> |

| Initiative | Plan and Schedule |
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| | <p>2023: The TWSE studies international practices and requirements for companies to collect and record beneficial ownership information.</p> <p>2024: The TWSE will draft templates for relevant internal operational procedures on collecting and recording beneficial ownership information for business to use as reference.</p> <p>2025: The TWSE and TPEX will study the feasibility of amending the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies,” and encourage companies to establish a beneficial ownership database.</p> |

V. Establish ESG evaluation and ESG digitalization

| Initiative | Plan and Schedule |
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| <p>1. Establish digital platform for sustainability reporting</p> | <p><u>Plan</u></p> <p>Sustainability information disclosure has become increasingly important, but with so many varieties of international sustainability reporting guidelines and frameworks, it is vital to establish consistent and comparable ESG reporting to attract investment and financing.</p> <p>Therefore, a digital platform will be developed to assist TWSE- and TPEX-listed companies to more effectively disclose ESG-relevant information and data in a standardized format. Companies can input their qualitative and quantitative data onto the online filing system, which will produce their sustainability report,</p> |

| Initiative | Plan and Schedule |
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| | <p>providing investors with useful and comparable data for their investment strategies.</p> <p><u>Schedule</u></p> <p>2023: The TWSE explores digital generation of sustainability reports.</p> <p>2024: Pilot test of platform will begin.</p> <p>2025: Digital platform will be launched.</p> |
| <p>2. Establish ESG database</p> | <p><u>Plan</u></p> <p>The current ESG database, which comprises the three categories of environmental, social, and governance, as well as seven significant issues and 29 indicators, is available for public use and reference. With stakeholders increasingly factoring ESG reporting into their investment assessments, the TWSE looks to provide more comprehensive metrics and align the platform with international standards and practices.</p> <p>The TWSE will also study XBRL format adoption to standardize current ESG indicators and for reporting ESG and sustainability-related data. This will facilitate the collection and analysis of big data, cut down on manual operation costs, and optimize data use efficiency.</p> <p><u>Schedule</u></p> <p>2023: The TWSE studies the format standardization of ESG-related reporting, and</p> |

| Initiative | Plan and Schedule |
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| | <p>collects data to enhance database content.</p> <p>2024-2025: Based on study findings and practical implementation, the TWSE will evaluate and expand the scope of the database in phases.</p> |
| <p>3. Create ESG evaluation</p> | <p><u>Plan</u></p> <p>With environmental and social issues gaining international prominence, the creation of ESG evaluation will help cement sustainability culture within the market. Furthermore, this will highlight listed companies’ performance on important aspects of ESG and provide investors with ESG metrics on which to base their investment strategies. In addition to expanding the scope of sustainable development in corporate governance evaluations, the category of “Putting Corporate Social Responsibility into Practice” will be renamed “Promoting Sustainable Development.” The evaluation will increase weighting of sustainable development and strengthen qualitative indicators. The establishment of ESG evaluation will be based on international criteria and practice, with indicators which are distinguishable and comparable, while taking into account the features of Taiwan’s industries.</p> <p><u>Schedule</u></p> <p>2023: The TWSE conducts seminars to discuss the establishment of the ESG evaluation framework and indicators.</p> <p>2024: The TWSE will conduct briefings to promote ESG evaluation to TWSE and TPEX listed companies.</p> |

| Initiative | Plan and Schedule |
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| | <p>2025: Taking international developments into account, the TWSE will implement ESG evaluations.</p> |
| <p>4. Compile ESG indices</p> | <p><u>Plan</u></p> <p>With responsible investing becoming an ever more popular approach in recent years, data on ESG performance is now a driving factor in investment decisions. Following the establishment and implementation of ESG evaluations, the results will be compiled into indices for business and investor reference, as well as development into a variety of ESG products. By harnessing the market’s need for ESG data and related indices and products, this will drive momentum and capital into the market’s sustainable development.</p> <p><u>Schedule</u></p> <p>2025-2026: The TWSE and TPEX will study, compile, and publish ESG-related indices for widespread use.</p> |
| <p>5. Collect information on ESG-related products</p> | <p><u>Plan</u></p> <p>To provide the public with a more convenient way to search for and access ESG product information, resources from a variety of sources will be compiled and organized onto one integrated platform.</p> <p><u>Schedule</u></p> <p>2023: The TWSE connects the ESG information platform with external links to ESG</p> |

| Initiative | Plan and Schedule |
|---|--|
| | <p>product information pages.</p> <p>2024: The TWSE will gather data to study the feasibility of integrating ESG information from different issuers/agencies onto one digital platform.</p> <p>2025-2026: Based on study results, the TWSE will integrate information on ESG products onto one platform.</p> |
| <p>6. Compile domestic and international rules and regulations into dedicated education website</p> | <p><u>Plan</u></p> <p>To raise awareness of sustainable development and put it into practice, the TWSE will establish a dedicated website for ESG education and promotion, which collects and compiles domestic and international ESG rules and regulations, promotional events, educational training courses, media reporting, and other relevant information into one easily accessible site for users.</p> <p><u>Schedule</u></p> <p>2023: The TWSE launches a dedicated website for ESG education and promotion.</p> <p>2024-2025: The TWSE will provide comprehensive services for all market participants by enriching the website with ESG-related resources and information from all around the world.</p> |