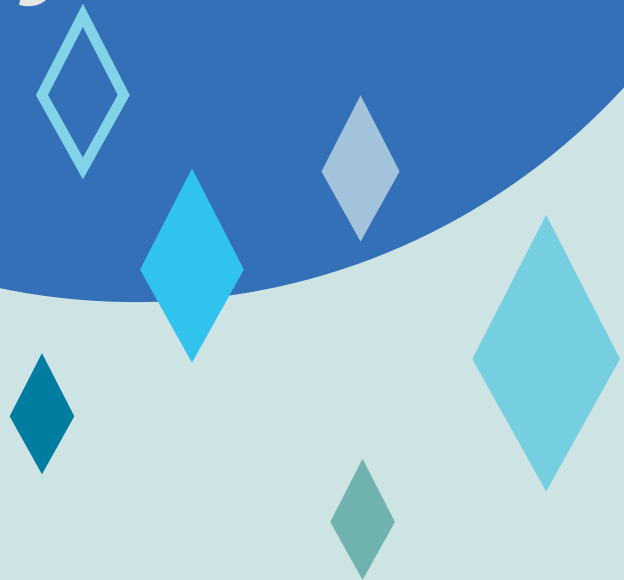




National Taipei University

2022 Taiwan Sustainable Investment Survey



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Declaration

The organizer of the study on the Taiwan Sustainable Investment Survey (i.e. the NTPU College of Business Center for Research on Corporate Sustainable Development) is sponsored and commissioned by Cathay Financial Holdings Co. Ltd. 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 Holdings Co. Ltd. is similar to those of peer companies in the financial industry.

Team Introduction

As climate change exacerbates around the globe, corporate sustainability and responsibility-related issues have attracted considerable attention. Investments made by financial institutions play an important leadership role. The Center for Corporate Sustainability, College of Business, National Taipei University, has been established to showcase the teaching, research, and service features of the College of Business so that they meet the sustainable development needs of enterprises worldwide. The research team is devoted to studying corporate sustainability issues and has created the SEED evaluation framework (Social, Economic, Environment, and Disclosure) with the help of interdisciplinary scholars and experts on and off campus. This framework is the basis of sustainability evaluation systems in Taiwan. We hope to sow the seeds of benevolence and promote Taiwan's capital market to leverage its environmental and social influence for the greater good.

The team annually rates the performance of listed companies based on their sustainability reports and other publicly accessible information related to sustainability. As the number of evaluated enterprises grows, the SEED framework now has the largest coverage for environmental, social and governance (ESG) evaluation in Taiwan. In 2012, 658 listed companies were evaluated, and thanks to our sponsor Cathay Financial Holdings, we have implemented the Taiwan Sustainable Investment Survey for three consecutive years in line with international trends.

Using the Taiwan Sustainable Investment Survey as a basis, the team has also launched sustainability-related indices jointly with the Taiwan Index Plus Corporation, providing a reference to investors and promoting sustainable investing in Taiwan. The rollout of these indices are as follows: Taiwan Sustainable Value Index (TWSVI), TIP Taiwan Environmental Sustainability Index, TIP Customized Environmental Sustainability Dividend+ Index, TIP Taiwan Environmental Sustainability 50 Index, and TIP Customized TPEX ESG 30 Index.

The Center is dedicated to fostering talents who help enterprises take action and put their sustainability responsibilities into practice. We offer interdisciplinary courses and micro courses on corporate social responsibility (CSR) and sustainable financing, with the goal of improving students' perspectives on and competence in sustainability, thus becoming the future of corporate sustainability. We also work with the Taiwan Institute for Sustainable Energy Research to develop corporate sustainability managers. From research to practice, the NTPU Taiwan Sustainable Investment Survey team joins hands with industry, government, and academia to promote ESG developments.

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Contents

01	Scope of the Survey.....	2
02	Survey Overview	3
03	Summary of the Survey.....	5
04	Survey Results	7
	1. Compliance with relevant initiatives.....	7
	2. Development of sustainability-related policies...	11
	3. Total amount of sustainable investments.....	13
	4. Type of sustainable investment positions.....	15
	5. Methods of sustainable investing.....	17
05	Methods of Sustainable Investing.....	33
06	SUMMARY	34



The aforementioned description were obtained based on a consolidation of the definition of sustainable investing provided by the following institutions:

1. GSIA : <http://www.gsi-alliance.org/>
2. JSIF : <http://japansif.com/2021survey-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 : <https://www.eurosif.org/reports/>

Definition of Sustainable Investment

The Global Sustainable Investment Alliance (GSIA), which seeks to increase the profile and influence of global sustainable investment organizations, released its Global Sustainable Investment Review 2020 (GSIR 2020) on July 19, 2021. The report showed an increase in the amount of global sustainable investments, which were US\$35 trillion in 2020, up 15% from US\$30 trillion in 2018. Moreover, sustainable investments accounted for 36% of overall investments. The compound growth rate of sustainable investments in non-European regions grew by an average of 15%. The share of responsible investments in the U.S., Canada, and Japan had grown. As a result of different tabulating methods caused by new regulations and industry standards, the share of responsible investment was lower in Europe and Australia compared to 2018. The figures presented above indicate that global awareness of—and demand for—sustainable investment has increased.

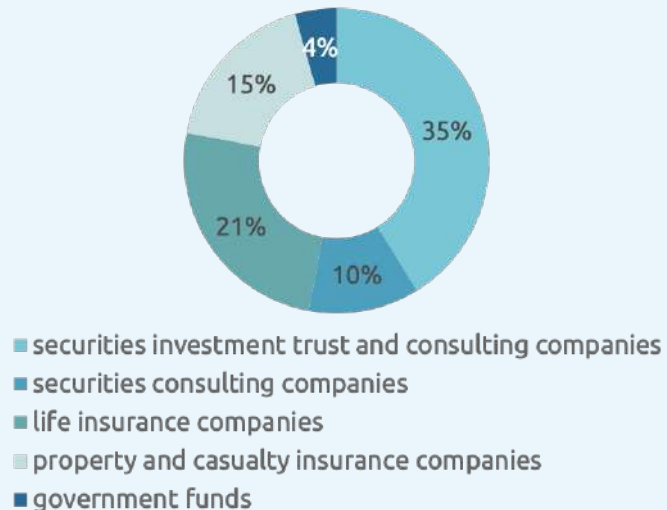
In this study, sustainable investments were categorized into eight investment approaches based on the definition of sustainable investment provided by the Global Sustainable Investment Alliance (GSIA), Responsible Investment Association Australasia (RIAA), Japan Sustainable Investment Forum (JSIF), Organization for Economic Co-operation and Development (OECD), The Forum for Sustainable and Responsible Investment (US SIF), and European Sustainable Investment Forum (Eurosif). The eight approaches include: negative/exclusionary screening, positive/best-in-class screening, norms-based screening, environmental, social, and governance (ESG) integration, sustainability-themed investing, impact investing, shareholder action (exercising voting rights), and enterprise engagement. The responses to our questionnaire items, which were designed according to numerous studies from abroad, are expected to provide data and serve as an analytical basis for the sustainable investment market in Taiwan, thus promoting the continuous development of sustainable financing in the country.

Scope of the Survey



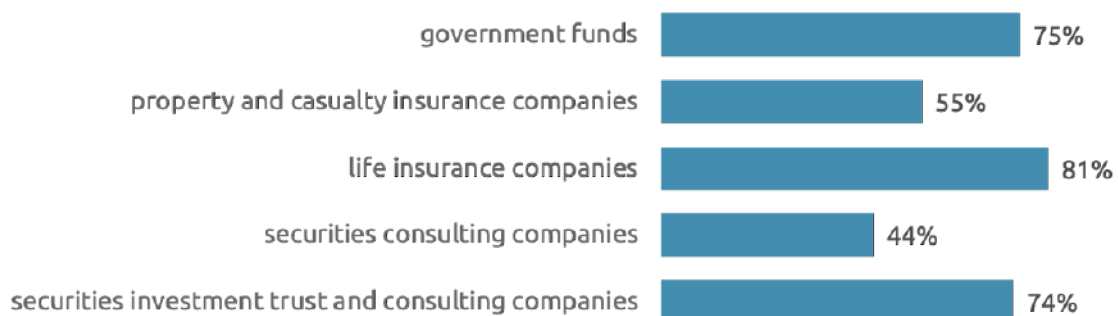
A total of 103 institutional investors were invited to participate in the 2022 Taiwan Sustainable Investment Survey. The institutional investors included 21 life insurance companies, 22 property and casualty insurance companies, 38 securities investment trust companies, 18 securities investment consulting companies, and 4 government funds. A total of 81 companies provided responses, of which 68 were valid, giving an effective response rate of 66%.

**Distribution of the sample by industry
(68 institutional investors)**



The response rate for each sector was as follows: 81% in life insurance companies; 75% in government funds; 74% in securities investment trust companies; 55% in property and casualty insurance companies; 44% in securities consulting companies. The response rates of the securities investment trust and consulting companies and life insurance companies were significantly higher than those of last year. Even though the response rates of the property and casualty insurance companies and securities consulting companies were lower, after excluding the multinational property and casualty insurance companies, the response rate of local companies was 80%. Besides, the securities consulting companies' scope of sustainable investing was smaller. As a result, the sample in this year's survey constituted more than 70% of Taiwan's sustainable investment market and sufficiently explains the status and challenges of sustainable investing in Taiwan. We want to thank all institutional investors, the Financial Supervisory Commission (FSC), associations, and our co-organizers for assisting us to complete this year's survey.

Response rate by industry



Survey Overview

1. Summary

	2019	2020	2021
Total sustainable investment assets (in unit of NTD 1 million)	13,242,371	17,565,169	20,346,870
Growth in total sustainable investment assets(%)	-	32.6%	15.8%
Assets under management (AUM) (Unit: NTD 1 million)	43,780,697	47,497,548	51,375,904
Growth in AUM(%)	-	8.5%	8.2%
Number of respondent institutions	59	58	68
Proportion of sustainable investmnet	30.2%	37.0%	39.6%

2. Amount of sustainable investment by investment method (Unit: NTD 1 million)

	2020/12/31	2021/12/31	Number of institutional investors that have used the method	YoY
Negative/Exclusionary screening	12,037,776	13,153,741	29	9%
Positive/Best-in-class screening	2,580,887	2,968,532	14	15%
Norms-Based screening	35,247	46,543	3	32%
ESG integration	7,573,650	8,683,947	21	15%
Sustainability-themed investing	3,506,177	5,683,500	21	62%
Impact investing	9,477	20,554	2	117%
Shareholder action (exercising voting rights)	1,880,576	2,157,470	16	15%
Enterprise engagement	142,354	165,261	7	16%

Note: Due to different sustainable investment methods being used, the amount here is not equal to the value of the total sustainable investment assets in the aforementioned table.

3. Amount of sustainable investment by asset class

Unit: NTD 1 million

	2020/12/31	Percentage	2021/12/31	Percentage	YoY
Taiwanese stocks	2,891,314	18%	3,451,653	20%	19%
Foreign stocks	868,601	5%	1,043,179	6%	20%
Domestic bonds	1,528,145	10%	1,493,935	8%	-2%
Foreign bonds	8,983,059	57%	9,773,135	55%	9%
Private equity	193,792	1%	303,119	2%	56%
Real estate	554,099	3%	589,919	3%	6%
Mutual funds	174,286	1%	264,447	2%	52%
Other	639,040	4%	697,272	4%	9%
Total	15,832,335	100%	17,616,659	100%	-

Note: Because some institutional investors only disclosed the total amount of their sustainable investments without specifying the investment amount of each investment target, the sum here is not equal to the value of the total sustainable investment assets in the aforementioned table.

Summary of the Survey

Despite the turmoil in the stock market caused by the Russia-Ukraine war, black swan events, and the resurgence of the pandemic, the results of the 2022 Taiwan Sustainable Investment Survey suggest that there has been growth in the amount of sustainable investment in Taiwan, which is an incredible feat. There was significant growth in thematic investing and impact investing, as well as the number of institutional investors engaging in sustainable investment. Additionally, the proportion of sustainable investment among the insurance sector and government funds also increased. Meanwhile, we observed that some institutional investors were aware of the risks of climate change, and we further added questions to inquire about the challenges they faced in sustainable investment. The results provide a reference for stakeholders to jointly promote the development of sustainable investment in Taiwan.

“Continuous growth in sustainable investing”

The results of the 2022 survey showed that the total amount of assets under management (AUM) was approximately NT\$51.3 trillion, an 8.2% increase from last year's NT\$47.5 trillion; the total amount of sustainable investment assets was NT\$20.3 trillion, a 15.3% increase from last year's NT\$17.6 trillion; and sustainable investments accounted for 39.6%, a 7% increase from last year's 37%. The main sustainable investment target in Taiwan was foreign bonds, which accounted for 55%, a total of NT\$9.7 trillion; this was followed by Taiwanese stocks, which accounted for 20%, a total of NT\$3.5 trillion. The trends of these figures were similar to the 2021 survey results. Meanwhile, the percentage of institutional investors engaging in sustainable investing was 73%, somewhat similar to last year. The amount of sustainable investments among insurance companies (life and property and casualty insurance companies), securities consulting and securities investment trust and consulting companies, and government funds had grown to NT\$17.2 trillion, NT\$1.5 trillion, and NT\$1.5 trillion, respectively. In addition, the proportion of sustainable investment among insurance companies and government funds had increased, while that of securities investment trust and consulting companies had decreased slightly.

“Negative/exclusionary screening and ESG integration were the most popular sustainable investing methods; impact investing and thematic investing grew significantly”

Similar to last year's trend, the amount of sustainable investment through negative/exclusionary screening remains the highest at NT\$13 trillion, followed by ESG integration at NT\$8.7 trillion. A total of 97% (28) of institutional investors excluded controversial weapons through negative/exclusionary screening, while some added coal mining and its related upstream and downstream industries to the exclusion list this year. Besides, the amount invested through impact investing had a low base period but high growth (117%). However, institutional investors did not publicly disclose the process of impact assessment alongside the monitoring results, and only several institutional investors used this method; thematic investing had the second highest growth at 62%, with renewable energy and energy efficiency as the primary investment themes. Moreover, green bonds were the primary theme in bond investing, which indicates that low-carbon themed investments have attracted considerable attention and are gaining traction in the Taiwanese market.

“An increasing number of institutional investors are engaging in sustainable investment”

The survey results showed that 53% (36) of institutional investors followed up ESG engagements by carrying out long-term tracking of ESG performance through in-person visits. This was a 44% increase compared to the 43% (25) of investors last year. Also, 16% (11) of institutional investors chose to follow up ESG engagements by expressing ESG expectations through an open letter, while 16% (11) chose to present proposals that pertain to ESG issues at shareholders' meetings. The results indicate a growth in the number of institutional investors with ESG engagements. We suggest that those who have yet to do so improve their engagement performance, and for those who are doing so, we suggest they disclose the outcomes of their engagements to increase the transparency of enterprise engagement.

“Some institutional investors included climate risks in their investment decision-making process”

In this year's survey, we added questions related to climate change, in order to survey institutional investors' level of awareness and countermeasures toward climate change issues. Around 30% of institutional investors had prepared countermeasures toward climate risks or had included climate change risk analysis and management in their investment decision-making process. Around 20% had designated quantification goals for low-carbon transition in their investment portfolio and had used various methods and tools to perform scenario analysis and evaluate the impact of climate change risks. Moreover, the item on compliance with relevant sustainable investing initiatives showed that 32% (22) of institutional investors were compliant with the Task Force on Climate-related Financial Disclosures (TCFD) initiative, while 18% (12) were compliant with the Partnership for Carbon Accounting Financials (PCAF) initiative. We recommend that institutional investors who have yet to develop countermeasures toward climate change-related risks refer to these methods, so as to promote the growth of sustainable financing in Taiwan.

“Challenges in sustainable investing faced by the institutional investors: A lack of disclosed data concerning corporate sustainability-related issues, and the difficulty of measuring the impact of sustainable investing”

In this year's survey, we added a question regarding the challenges of engaging in sustainable investment to provide references for stakeholders to promote the development of sustainable investment in Taiwan. A total of 72% (49) institutional investors responded "There is a lack of disclosed data concerning corporate sustainability-related issues" and "It is difficult to measure and perform cross-company comparisons on the ESG performance of sustainable investment targets" as the main challenges they were facing. A total of 56% (38) of institutional investors responded "It is difficult to measure and define the impact of sustainable investing", while 32% (22) responded "High investment costs" in the questionnaire. As a result, the lack of transparency and comparability of sustainability data as well as the difficulty of measuring the impact of sustainable investing are two pressing issues in sustainable investing. The results provide a reference for the collective development of solutions to resolve such issues and improve the status of sustainable investment in Taiwan.

Survey results

1. Compliance with relevant initiatives

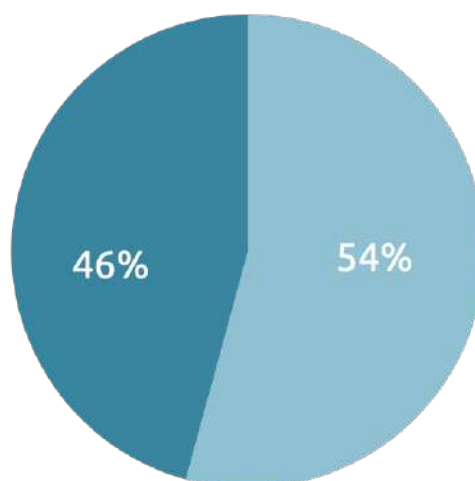
Q1 Basic information

This item was used to obtain each company's basic information so no further information is disclosed here.

Q2 Please describe the role your institution plays in asset management and asset structure.

Options	2019	2020	2021
Asset owners (i.e., government funds, insurance companies)	32	30	30
Asset management companies (i.e., securities investment trust and consulting enterprises)	27	28	36
Response rate	100%	100%	100%
Number of respondents	59	58	69

There were slightly more asset owners than asset managers in the sample (Q2)



- Asset owners (i.e., government funds, insurance companies)
- Asset management companies (i.e., securities investment trust and consulting enterprises)

Q3 Which of the following initiatives are you adopting or complying with? (multiple choice)

Options	2019	2020	2021
Principles for Responsible Investment (PRI)	8	30	33
Task Force on Climate-related Financial Disclosures (TCFD)	No data	No data	22
CDP (used to be "Carbon Disclosure Project")	13	12	19
Principle for Sustainable Insurance (PSI)	3	14	14
Partnership for Carbon Accounting Financials (PCAF)	No data	No data	12
UN Global Compact	8	6	11
Science Based Targets initiative (SBTi)	No data	No data	12
Task Force on Nature-related Financial Disclosures (TNFD)	No data	No data	4
International Corporate Governance Network (ICGN)	2	3	3
Glasgow Financial Alliance for Net Zero (GFANZ)	No data	No data	2
United Nations Framework Convention on Climate Change (UNFCCC)	No data	No data	1
Response rate	90%	84%	90%

Description of item

This was a multiple-choice item. The goal was to examine institutional investors' compliance with relevant sustainable investing initiatives. The "Others" option was designed so that the investors could provide initiatives that were not listed as options. We will use these responses as a reference for next year's survey. Furthermore, if the respondent's parent companies and holding companies were compliant with an initiative, then the respondent institutional investor must also adopt the initiative for it to be tabulated in the results.

This item has been surveyed for three years. This year, we added six new initiatives: Partnership for Carbon Accounting Financials (PCAF), Task Force on Climate-related Financial Disclosures (TCFD), Task Force on Nature-related Financial Disclosures (TNFD), Science Based Targets initiative (SBTi), Glasgow financial alliance for net zero (GFANZ), and UN Global Compact. The purpose was not only to respond to climate change-related initiatives and the Corporate Governance 3.0 plan, but also to respond to the subsequent impacts of the COP26 conference and institutional investors' increased attention toward biodiversity issues.

In addition to their compliance with relevant sustainable investing initiatives, this item was designed to elicit public disclosures from the companies regarding their investment outcomes in order to provide this important information to stakeholders. As such, each company was also requested to provide a website where this information was disclosed. In tabulating the results, companies that provided websites that did not contain information regarding the relevant initiatives or that did not include the number of conventions or associated values were excluded.

Key observations

Most institutional investors had adopted the PRI initiative, followed by the TCFD and CDP. Only a few investors had adopted the TNFD. Additionally, the survey results revealed that although the parent companies of some multinational institutions have already complied with relevant initiatives, their subsidiaries in Taiwan had not yet done so, although they were planning to do so in the future, and these situations were excluded from our statistical data.

Those who chose "Others" disclosed that they followed Climate Action 100+, Catalysis Finance Initiative (CFI), Climate Bonds Initiative, Partnership for Biodiversity Accounting Financials (PBAF), and Asia Investor Group on Climate Change (AIGCC). This shows that some investors are actively participating in international initiatives and organizations and keeping up with global trends, and progressively implementing sustainable investing. In line with the growth of sustainable investing in Taiwan, we hope that institutional investors will pay more attention to global climate initiatives and biodiversity information disclosure initiatives in the future, and realize net zero carbon emissions and sustainable development while keeping up with global trends.

“Sustainable investing leaders are compliant with climate change-related initiatives”

The TCFD framework helps investors and decision-makers to identify their organization's biggest risks and assess climate-related risks and opportunities. The framework includes four aspects and 11 disclosure recommendations. The survey results for this year showed that 32% (22) of institutional investors followed the TCFD initiative. The Corporate Governance 3.0 plan was also developed based on international standards, with the aim of standardizing the implementation of the TCFD framework to strengthen the disclosures in sustainability reports. It is expected to be applicable to listed companies in 2023 to help them prepare their 2022 sustainability reports. In addition, 18% (12) of institutional investors followed the PCAF, while 18% (12) followed the SBTi. This shows that Taiwanese market leaders are actively participating in climate-related initiatives. Meanwhile, we recommend that investors who have yet to follow an initiative refer to the measures taken by the market leaders, so as to promote the growth of sustainable financing in Taiwan.

Q4 Have you declared your compliance with the TWSE's Stewardship Principles?

Options	2019	2020	2021
Yes, and we have published our stewardship report	53	53	56
Elaborate the means of conducting risk assessment on the invested company (must include ESG-related risks and oppotunities)	No data	No data	39
Delineate the purpose and method of the conflict of interest management policy (including the implementation of educational dissemination and information control)	No data	No data	43
There are concrete improvements in the ESG performance of investees based on the disclosure of stewardship	No data	No data	25
Yes, but we have yet to publish our stewardship report	No data	No data	4
No	3	5	7
Response rate	95%	100%	99%
Number of respondents	56	58	67

Description of item

The purpose of this question is to investigate whether institutional investors were compliant with the TSWE's Stewardship Principles and had published a stewardship report. We investigated the contents disclosed in the stewardship report following the guidelines and specifications of the Stewardship Principles, and the institutional investors responded to multiple choice items to reflect the status of their implementation of the Stewardship Principles.

The TSWE's Stewardship Principles include "Establish and disclose stewardship policies," "Establish and disclose policies on managing conflicts of interest," "Regularly monitor investee companies," "Maintain an appropriate dialogue and interaction with the investee," "Establish and disclose clear voting policies and voting results," and "Periodically disclose the status of the fulfillment of stewardship responsibilities." These principles were converted in the questionnaire to three multiple-choice items to further examine the disclosure of institutional investors' stewardship reports: "Elaborate the means of conducting risk assessment on the invested company (must include ESG-related risks and opportunities)," "Delineate the purpose and method of the conflict of interest management policy (including the implementation of educational dissemination and information control)," and "There are concrete improvements in the ESG performance of investees based on the disclosure of stewardship."

Key observations

A total of 90% of respondent institutional investors declared their compliance with the TSWE's Stewardship Principles, while some declared that they were compliant with the Principles but have yet to publish their stewardship report.

“Among the institutional investors who have published their stewardship report, only half disclosed the ESG concrete performance of improvements of investees”

Among the institutional investors who were compliant with the Principles and have published their stewardship report, 77% (43) asserted that they have delineated the purpose and method of the conflict of interest management policy in the report; 70% (39) asserted that they have elaborated the means to conduct a risk assessment of the invested company; and only 45% (25) disclosed that there were concrete improvements in the ESG performance of investees in their reports. According to the TWSE's 2021 Report on the Rating of Institutional Investor Stewardship Disclosure, institutional investors scored poorly on two aspects: voting disclosure plus implementation and disclosure of engagement. These two aspects cover the description of expected follow-up actions and the impact on future investment and decisions after interaction and engagement with the investee company as well as the description of the impact on the investee companies after interaction and engagement. Institutional investors should specifically disclose the engagement results in their stewardship report, thereby enhancing the transparency of the outcomes of stewardship practice.

2. Development of sustainability-related policies

Q5 Does your institution have a formal policy on sustainable investment? (such as policies on sustainable investment and responsible investment) (Select Yes if you are using the formal policy developed by your parent company or holding company)

Options	2019	2020	2021
Yes	35	41	39 ¹
No			
The policy is in development and will be issued within a year	0	0	12
The policy is in development and will be issued within three years	1	5	3
The policy is in development, but there is no definite date of issuance	17	10	5
No intentions whatsoever	4	2	7
Response rate	95%	100%	99%
Number of respondents	57	58	66

¹ The number of respondents was higher this year compared to last year, but fewer institutional investors have developed a policy on sustainable investment compared to last year. The responses revealed that the main reason was that, in last year's survey, there was no requirement that for the results to be included in the tabulation, respondents must state their implementation of the policies on sustainable investment developed by their parent or holding company. The responses this year also revealed that some institutional investors were planning to adopt their parent company's policy on sustainable investment.

Q6 For those who answered Yes to Q5, is the policy on sustainable investment publicly disclosed?

Options	2019	2020	2021
Yes (publicly disclosed)	25	34	31
Yes (disclosed to clients only)	2	2	3
No	8	5	5
Response rate			100%
Number of respondents	35	41	39

Q7 Have you publicly disclosed relevant information on your procedure for evaluating sustainable investments? (for example, ESG is handled by an ESG evaluation team, the data used in the screening procedure is sourced from external ESG evaluation institutions, specifically describe how ESG risks and opportunities are included in the investment evaluation procedure, etc.) (please select Yes if you are using the publicly disclosed information on the procedure of evaluating sustainable investments at your parent company or holding company)

Options	2019	2020	2021
Yes	-	41	41
No	-	17	24
Response rate	-	100%	96%
Number of respondents	-	58	65

Q8 Is your institution engaging in sustainable investment? (If No, skip to Q19)

Options	2019	2020	2021
Yes	35	41	49
No			
intend to do so within a year	17	10	7
intend to do so within three years	0	0	1
currently in development	1	5	4
no intentions whatsoever	4	2	6
Response rate	95%	97%	99%
Number of respondents	56	56	67

Description of item

The survey first inquired whether an institutional investor has developed a policy on sustainable investment and whether the policy is made public, and then inquired about the status of their procedure for evaluating sustainable investments and whether they were engaging in sustainable investment. These items serve as a prelude to the items pertaining to the methods of sustainable investing and the amount invested. The goal was to examine whether the institutional investor had developed a policy on sustainable investment and the extent of disclosures, whether their procedure of evaluating sustainable investments is made public, and whether they were engaging in sustainable investment. Additionally, the item clearly required that if the institutional investor was using the policy on sustainable investment developed by their parent company or holding company, or other related measures, then they must state so in order for the results to be tabulated.

Key observations

“A 20% increase in the number of institutional investors engaging in sustainable investment”

The number of institutional investors engaging in sustainable investment had grown over the last two years, from 41 last year to 49 this year, or a YoY of 20%. Additionally, 79% of institutional investors had developed a policy on sustainable investment and disclosed it, while 63% had publicly disclosed their procedure for evaluating sustainable investments. The number of institutional investors who have publicly disclosed such information was similar to that of last year, and we recommend that institutional investors who have yet to disclose their policy on sustainable investment and procedure for evaluating sustainable investments do so.

3. Total amount of sustainable investments

Q9 What is the cumulative scale of your institution's sustainable investments and the sustainable investment products launched (as of the specified end date)? (Unit: NTD 1 million)

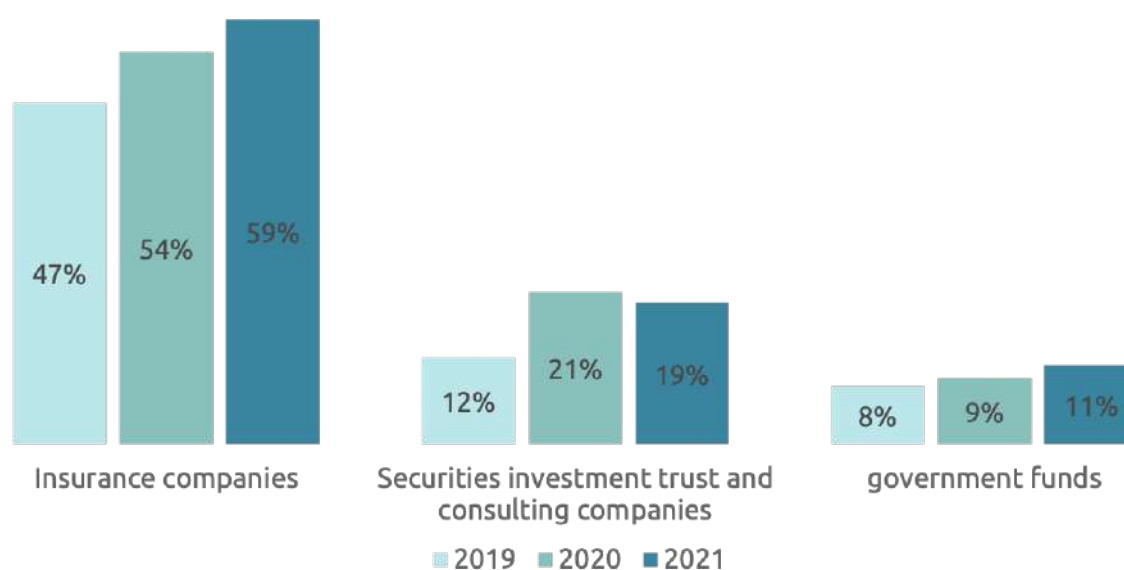
	2019/12/31	2020/12/31	2021/12/31	YoY
Scale of sustainable investments and the sustainable investment products launched	13,242,371	18,538,082	20,346,870	10%
Number of respondents	59	58	63	

Note: The amount in 2019 follows the survey result of last year, and the results for 2020 and 2021 were taken in this year's survey.

Total amount of sustainable investment by industry				Unit: NTD 1 million	
	2020/12/31	2021/12/31	YoY	Response rate	
Insurance companies	15,987,449	17,288,752	8.1%	65%	
Securities investment trust and consulting companies	1,322,947	1,528,414	15.5%	59%	
Governmental funds	1,227,687	1,529,704	24.6%	50%	

Note: The response rate is based on the number of investors in the sample who responded to this item.

Progress in the proportion of sustainable investment (Q9)



Key observations

In this year's survey, the total amount of AUM grew by 8.2%, from NT\$47.5 trillion last year to NT\$51.3 trillion; the amount of sustainable investments grew by 15.3%, from NT\$17.6 trillion last year to NT\$20.3 trillion; and their proportion of overall AUM grew by 7%, from 37% last year to 39.6%. A total of 63 institutional investors disclosed their total amount of sustainable investments.

According to this year's survey data, the sustainable assets of insurance companies (life insurance and property and casualty insurance), securities investment trust and consulting companies, and government funds were NT\$17.2 trillion, NT\$1.5 trillion, and NT\$1.5 trillion, respectively. With AUM included, insurance companies and government funds reported a growth in the proportion of sustainable investment, whereas securities investment trust and consulting companies reported a slight decline.

“The proportion of sustainable investment among insurance companies and securities investment trust and consulting companies was 59% and 19%, respectively”

The proportion of sustainable investment among insurance companies, securities investment trusts, and consulting companies, and government funds was 59%, 19%, and 11%, respectively. Overall, in addition to having a greater share of AUM in the Taiwanese market, insurance companies also invested a lot in sustainable assets, which had a profound influence on the sustainable investment market in Taiwan. The proportion of sustainable investment among securities investment trusts and consulting companies and government funds were lower than the overall proportion.

4. Types of sustainable investment positions

Q10 (For asset management businesses) What is the cumulative scale of your institution's sustainable investments and the sustainable investment products launched(as of the specified end date)? (Unit: NTD 1 million)

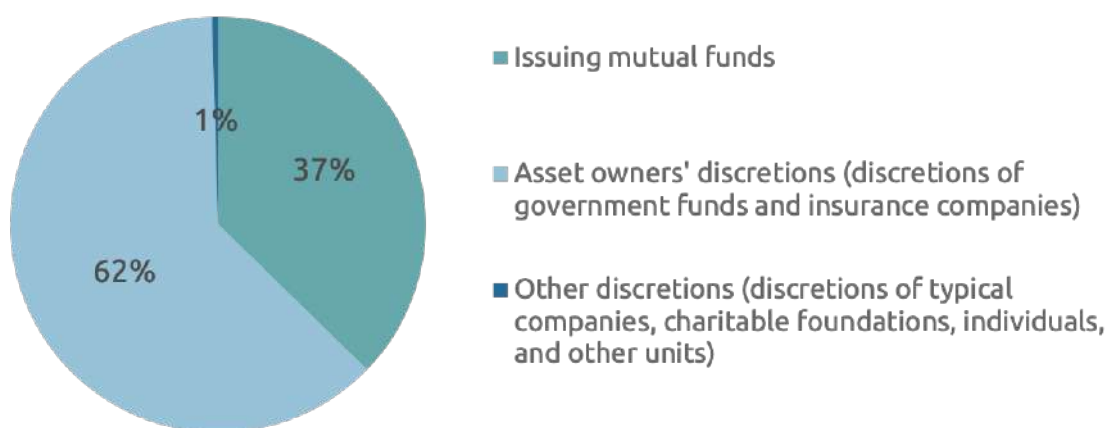
Options	2020/12/31	2021/12/31	YoY
Issuing mutual funds	500,405	606,041	21%
Asset owners' discretions (discretions of government funds and insurance companies)	827,031	1,010,882	22%
Other discretions (discretions of typical companies, charitable foundations individuals, and other units)	No data	7,537	-
Total	1,327,435	1,624,460	22%
Number of respondents	12	19	
Response rate		86%	
Note: The results for 2020 and 2021 were taken in this year's survey			

Q11 (To be filled by asset owners including government funds and insurance companies) Please state the amount to which your institution's sustainable investment position was sourced from (as of the specified end date)? (Unit: NTD million)

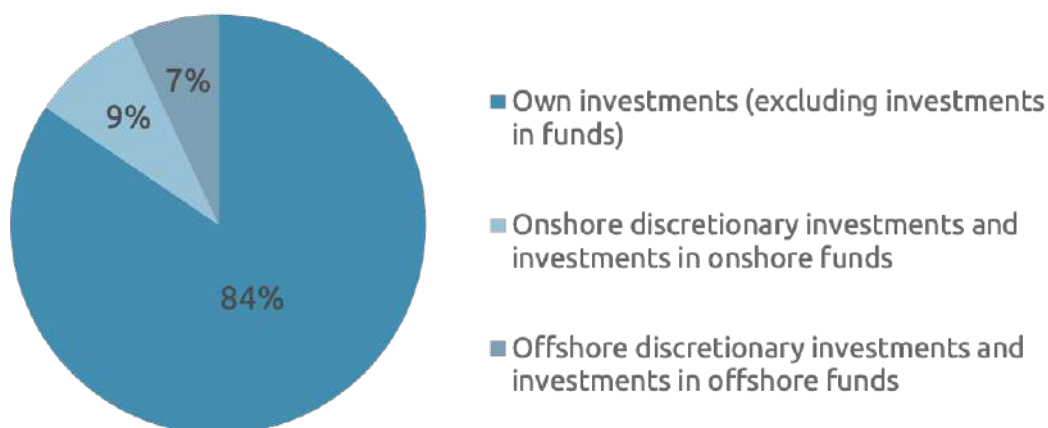
Options	2020/12/31	2021/12/31	YoY
Own investments (excluding investments in funds)	7,683,389	8,261,834	8%
Onshore discretionary investments and investment in onshore funds	748,480	836,342	12%
Offshore discretionary investments and investment in offshore funds	453,214	688,053	52%
Total	8,885,082	9,786,230	10%
Number of respondents	20	24	-
Response rate	-	86%	-

Note: The results for 2020 and 2021 were taken in this year's survey

Trends in asset managers' sustainable investment position (Q10)



Trends in asset owners' sustainable investment position (Q11)



Key observations

“Growth in the number of sustainable investments among asset managers and asset owners”

The number of sustainable investments among asset managers grew by 22% from last year; the main investment position was by asset owners' discretions, which accounted for 62.23%, followed by issuing mutual funds at 37.31%, and then other discretions at only 0.46%.

Asset owners' investments accounted for the majority of their sustainable investments at 84%, an increase of 8%, followed by onshore discretionary investments and investments in onshore funds (9%) and offshore discretionary investments and investments in offshore funds (7%).

5. Methods of sustainable investing

Q12 What is your institution's method of sustainable investment (Unit: NTD 1 million)

	2020/12/31	2021/12/31	Number of institutional investors that have used the method	YoY
Negative/Exclusionary screening	12,037,776	13,153,741	29	9%
Positive/Best-in-class screening	2,580,887	2,968,532	14	15%
Norms-based screening	35,247	46,543	3	32%
ESG integration	7,573,650	8,683,947	21	15%
Sustainability-themed investing	3,506,177	5,683,500	21	6%
Impact investing	9,477	20,554	2	117%
Shareholder action (exercising voting rights)	1,880,576	2,157,470	16	15%
Enterprise engagement	142,354	165,261	7	16%

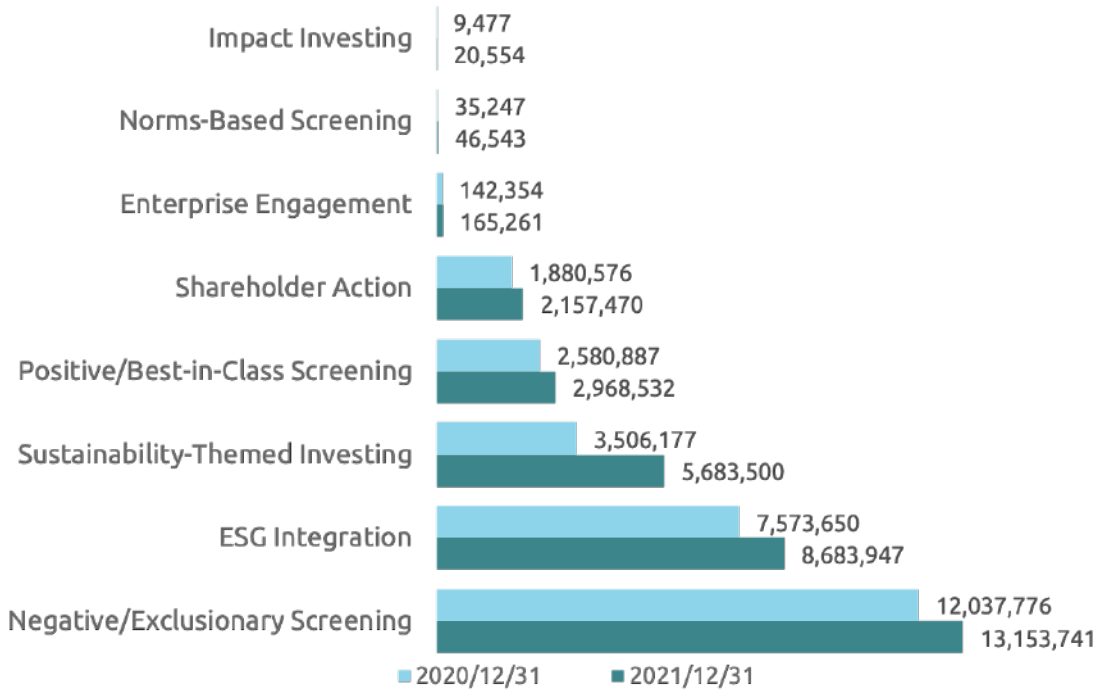
Description of item

The purpose of this item was to survey the institutional investors' methods of sustainable investment. The methods and amount of sustainable investments were surveyed using the approach developed by the Global Sustainable Investment Alliance (GSIA) (see Appendix). This was a multiple-choice item because the same amount of investment may concurrently meet the requirements of different methods of sustainable investment. Thus, we hereby clarify that the sum of the amount of sustainable investments for each type of method in this item differs from the total amount of sustainable assets.

Key observations

Negative/exclusionary screening was the most widely adopted method of sustainable investment among institutional investors and also had the largest amount, followed by ESG integration, and then thematic investing. Impact investing had a low base period and experienced the highest growth, followed by thematic investing with a YoY of 62%.

Method and amount of sustainable investments from 2020 to 2021
(unit: NT\$1 million)



“Negative/exclusionary screening and ESG integration were the most popular sustainable investing methods in amount”

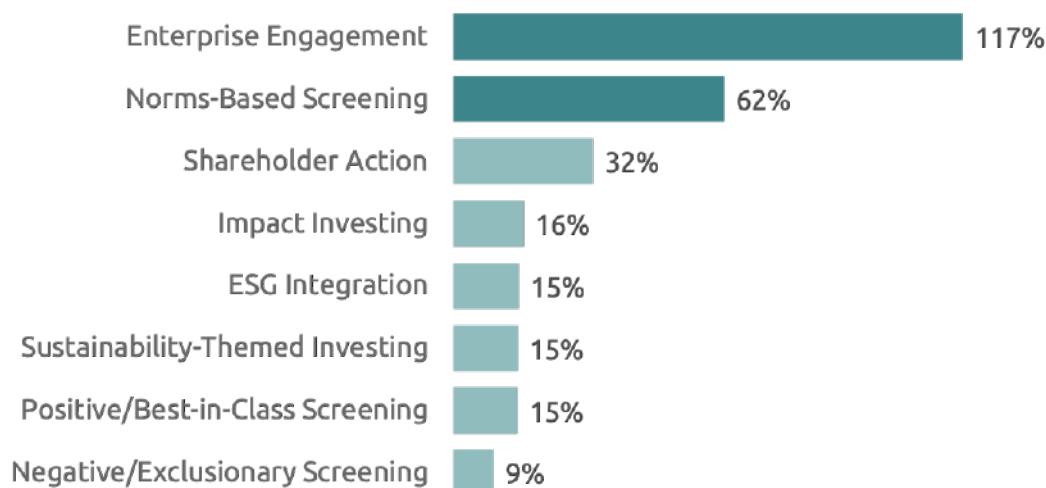
Institutional investors invested the most in and most frequently through negative/exclusionary screening, which accounted for 64% of total sustainable investment assets, and an amount of NT\$13 trillion. This trend is similar to last year's results and was in line with the sustainable investment picture in certain regions around the world. In Europe, for example, the GSIA 2020 Global Sustainable Investment Review (GSIR) survey² results showed that negative/exclusionary screening was the method with the highest amount of investments. Due to its simplicity, the funds invested through this process could be identified when investors established a list of excluded industries or enterprises at the start of their investment research. However, on the global stage, investors have begun to reduce their adoption of negative/exclusionary screening. Based on the 2020 GSIR statistics, the amount invested through negative/exclusionary screening had dropped to US\$15 trillion from US\$19.8 trillion in 2018, with most investors focusing on ESG integration and sustainability-themed investing. ESG integration also has the highest amounts of investments in the U.S., Australia, New Zealand, Japan, and Canada. We hope that Taiwanese institutional investors can include ESG-related factors in their investment protocols and continuously tap into proactive methods of sustainable investment.

² Global Sustainable Investment Review 2020, GSIA: <http://www.gsi-alliance.org/wp-content/uploads/2021/08/GSIR-20201.pdf>

“Significant increase in thematic investing with carbon transitions and healthcare themes”

The YoY of thematic investing was 62%. From the results in Q16, thematic investing was mostly centered on stocks related to renewable energy, energy efficiency, healthcare, and green bonds. The results revealed that the attractiveness of thematic investing and its proactive and recent developments in Taiwan is in line with the current market trend of low-carbon transitions and healthcare-themed investments.

Significant growth in impact investing and thematic investing (unit: %)(Q12)



Q13/Q14 What are your institution's investment assets and the cumulative amount invested (as of the specified end date) in sustainable investing? (Unit: NT\$ 1 million)

	2020/12/31	Percentage	2021/12/31	Percentage	YoY
Taiwanese stocks	2,891,314	18%	3,451,653	20%	19%
Foreign stocks	868,601	5%	1,043,179	6%	20%
Domestic bonds	1,528,145	10%	1,493,935	8%	-2%
Foreign bonds	8,983,059	57%	9,773,135	55%	9%
Private equity	193,792	1%	303,119	2%	56%
Real estate (such as green buildings, green construction materials or equipment)	554,099	3%	589,919	3%	6%
Mutual funds	174,286	1%	264,447	2%	52%
Other	639,040	4%	697,272	4%	9%
Total	15,832,335	100%	17,616,659	100%	-

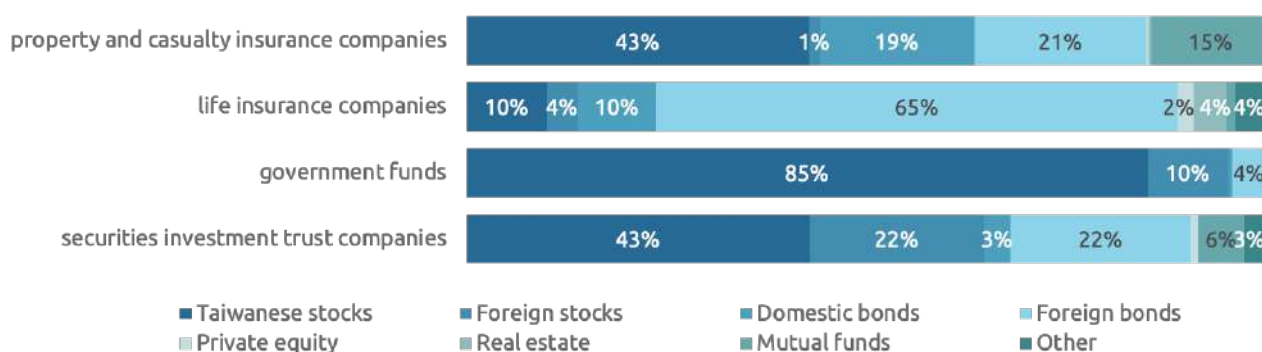
Description of item

The purpose of this item was to survey institutional investors' sustainable investment target assets when engaging in sustainable investment. The options were designed according to the Japan Sustainable Investment Forum's survey⁵. The option of loans was removed this year and replaced by mutual funds, which was added based on the last year's responses and the feedback on other options.

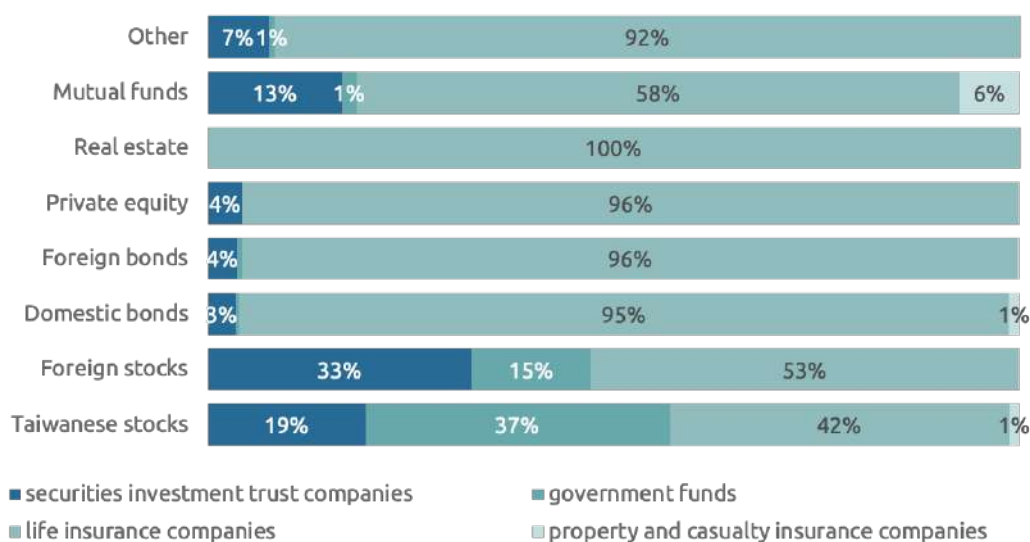
Key observations

Similar to last year's results, foreign bonds were the main sustainable investment target, followed by Taiwanese stocks. The YoY of domestic bonds was steady, while that of private equity and mutual funds were 56% and 52% respectively. The other sustainable investment targets grew slightly. Foreign bonds were the main investment target for life insurance companies, while Taiwanese stocks were the main investment target for a securities investment trust and consulting companies, property and casualty insurance companies, and the four major funds. The other assets included REITs, unlisted equities, exchange-traded funds (ETF), and sustainable project financing. Foreign bonds were the main investment target for life insurance companies, while Taiwanese stocks were the main investment target for property and casualty insurance companies, government funds, and securities investment trust and consulting companies.

Proportion of different investment targets by industry (Q13)



Proportion of industries by different investment targets (Q13)



“Foreign bonds were the main target; there is room for growth for Taiwanese stocks”

Our results were mostly in line with those of the JSIF survey, in which foreign bonds were the main sustainable investment target. Moreover, sustainable investment in Taiwan accounted for 39.6% of AUM, and Taiwanese stocks accounted for 20% of AUM this year compared to 19% last year. This is still lower than—and not even half of—that of the share of foreign bonds. We recommend that institutional investors and stakeholders increase their attention toward Taiwanese stocks-related sustainable investment targets, to magnify the positive influence of sustainable investment on listed Taiwanese companies.

Q15 For those who answered Norms-based screening in Q12, what is the international standard that you adopted? (Unit: NTD 1 million)

	2020/12/31	2021/12/31
UN Global Compact	0	3
OECD Guidelines for Multinational Corporations and International Treaties	0	0
ILO Core Conventions	0	0
UNICEF norms	0	0
Not adopted	0	0
Other	0	0
Response rate		100%
Number of respondents		3

Note: The response rate is based on the number of institutional investors who had responded that they used this method of sustainable investment in Q12.

Description of item and key observations

Based on the definition of sustainable investment through norms-based screening, we gave the options of the UN Global Compact, OECD Guidelines for Multinational Corporations and International Treaties, ILO Core Conventions, UNICEF norms, and Others. The purpose of this item was to survey in detail the institutional investors who adopted norms-based screening. This method was not adopted by any institutional investor last year, as opposed to three this year. The results showed that all the institutional investors had adopted UN Global Compact norms.

Q16 For those who answered Sustainability-themed investing in Q12, please provide the investment assets and the cumulative amount invested (as of the specified end date). (Unit: NTD 1 million)

		2020/12/31	2021/12/31
Stocks	Renewable energy	13,323	4,647,012
	Water resources	1,470	143,117
	Green buildings	-	425,378
	Energy efficiency	211	5,389,634
	Others	378,307,244	478,228,293
	Total	378,322,248	488,833,435
Bonds	Green bonds	4,535,106	4,357,168
	Social bonds	6,236	2,593
	Sustainable development bonds	2,702	11,234
	Others	2,241,633	2,450,581
	Total	6,785,676	6,821,576
Others	Real estate (e.g. green buildings)	127,838	135,362
	Others	49,162	74,791
	Total	177,000	210,152
Response rate		100%	
Number of respondents		19	

Note: The response rate is based on the number of insitiutional investors who had responede that they used this method of sustainable investment in Q12.

Description of item

The purpose of this item was to survey the investment themes among the institutional investors who adopted thematic investing. This was a multiple-choice item as many investment themes might be included, and hence the sum of the amounts of various sustainable investment themes differs from the total amount of sustainable investment assets. The types of stock themes were modified based on last year's results. However, the themes of concern among the institutional investors had changed with time, and the options for this item this year may not cover all the thematic investments of all institutional investors, which explains why a large amount was allocated to the Others option. Bonds were classified according to the Taipei Exchange's classifications³.

³ Taipei Exchange: <https://www.tpex.org.tw/web/bond/sustainability/institution.php?l=zh-tw>

Key observations

The amount of investments through thematic investing has grown significantly this year, most of which is focused on stocks related to renewable energy, energy efficiency, healthcare (classified under Others), and green bonds. The sustainable investment themes of other options included pollution prevention, long-term healthcare, biotechnology and medicine, infrastructure, and SDGs-themed investing. In addition to the large amounts of investments in renewable energy and energy efficiency, some institutional investors chose to invest in 5+2 industries. Executive Yuan's "5+2 (Five Plus Two)" Innovative Industries Plan covers intelligent machinery, Asia Silicon Valley, green energy, biomedicine, national defense and aerospace, new agriculture, and the circular economy. The results showed that some institutional investors have increased their attention toward the aforementioned industries.

“The investment theme of the low-carbon energy transition has attracted much attention”

The amount of investments through thematic investing has grown significantly, and most of these increases were contributed by stocks related to renewable energy and energy efficiency. Healthcare (classified in Others) and green bonds had a larger share in the total amount invested. The survey results suggest that investment themes related to energy transition and its associated issues have attracted much attention in the Taiwanese investment market, which indicates great progress. According to the FSC's Taiwan Sustainability Taxonomy, 12 of the forward-looking economic activities included renewable energy equipment manufacturing, hydrogen energy equipment manufacturing, battery manufacturing and recycling, low-carbon vehicle manufacturing, energy-efficient equipment manufacturing, and other low-carbon technologies. We hope that thematic investing can continue to focus on low-carbon issues to promote the sustainable transition of Taiwanese industries.

Q17-1 For those who answered Impact investing in Q12, did your institution publicly disclose the process of impact assessment alongside the monitoring results?

	2021
Yes	0
No	2
Response rate	100%
Number of respondents	2

Q17-2 For those who answered Impact investing in Q12, which evaluation method did you adopt for impact investing?

	2021
GIIN (IRIS+)	0
IMP (Impact Management Project)	0
Other standard frameworks	0
Self-developed evaluation method	1
Response rate	50%
Number of respondents	1

Note: The response rate is based on the number of institutional investors who had responded that they used this method of sustainable investment in Q12.

Description of item

The purpose of this item was to survey disclosure of the process of impact assessment alongside the monitoring results among the institutional investors who adopted impact investing, as well as the evaluation methods for impact investing. Based on global trends in impact investing, we consolidated the GIIN (IRIS+)⁴ and IMP (Impact Management Project)⁵ frameworks. Furthermore, based on the survey by Global Impact Investing Network (GIIN)⁶ since the impact investing markets in Asia and Taiwan are still in their preliminary stages, we allowed the institutional investors to state whether they have a self-developed framework or had adopted other unlisted frameworks.

⁴ IRIS+: <https://iris.thegiin.org>

⁵ Impact Management Project (IMP): <https://impactmanagementproject.com>

⁶ GIINSight: Sizing the Impact Investing Market 2022: <https://thegiin.org/assets/2022-Market%20Sizing%20Report-Final.pdf>

Key observations

“Some institutional investors have begun to engage in impact investing”

The YoY of the amount of impact investing was 117%, and the method has been used by two institutional investors. However, these institutional investors had not publicly disclosed the impact assessment process alongside the monitoring results. We recommend that institutional investors follow the relevant frameworks and principles and engage in impact investing.

Q18 For those who answered negative/exclusionary screening in Q12, please provide the excluded industries or activities (please provide descriptions of selecting Others)

Options	2019	2020	2021
Pornography	20	14	22
Gambling	22	13	19
Tobacco and liquor	17	10	17
Controversial weapons	19	20	28
Petroleum and industries	-	-	4
Coal	3	8	-
Coal-fired power generation	-	-	11
Upstream and downstream industries related to coal-fired power generation (e.g. coal transportation)	-	-	6
Palm oil	0	3	4
Logging industries	-	-	6
Others	14	10	16
Response rate			100%
Number of respondents			29

Note: The response rate is based on the number of institutional investors who had responded that they used this method of sustainable investment in Q12.

Description of item

The purpose of this item was to examine the criteria for negative/exclusionary screening performed by institutional investors in sustainable investment. This item has been surveyed for three years, and we added new options based on the frequent responses stated in the Other option in last year's survey. The new options included petroleum and gas industries and the logging industry, while coal was separated into coal-fired power generation and upstream and downstream industries related to coal-fired power generation (e.g., coal transportation).

Key observations

Similar to last year's results, 97% (28) of institutional investors who chose negative/exclusionary screening excluded industries related to controversial weapons, followed by the pornography and gambling industries. Several institutional investors chose to exclude industries subjected to regulatory sanctions (such as the Counter-Terrorism Financing Act or human rights-related laws and regulations), the fur industry, coal mining enterprises with a revenue accounting for a certain percentage, enterprises that have violated the UN Global Compact, and the drug industry.

“Institutional Investors added coal-related and controversial weapons industries to their exclusion list”

This year's survey also examined whether institutional investors have included specific industries in their exclusion list. Five institutional investors added coal-related industries such as coal mining, power plants where coal-fired generation accounted for a specified percentage, coal-fired power plants, and the upstream and downstream industries of coal-fired power plants. Two institutional investors added controversial weapons industries to their exclusion list.

Q19 Please state the number of domestic and foreign companies with which you had ESG engagement over the past year (2021) (excluding exercising voting rights)

Options	2019	2020		2021	
	Frequency	Frequency	Number of institutional investors who adopted the method	Frequency	Number of institutional investors who adopted the method
Expressing ESG expectations through an open letter	70	168	9	1,511	11
Performing long-term tracking of ESG performances through in-person visits	888	9,232	25	3,993	36
Expressing ESG expectations by sending a representative to participate in shareholders' general meetings or important extraordinary general meetings	577	717	7	193	11
Presenting proposals that pertain to ESG issues at shareholders' meeting	1	1	2	0	1

Description of item

This item surveyed the method and frequency of ESG engagements among institutional investors. The options included "Expressing ESG expectations through an open letter," "Performing long-term tracking of ESG performances through in-person visits," "Expressing ESG expectations by sending a representative to participate in shareholders' general meetings or important extraordinary general meetings," and "Presenting proposals that pertain to ESG issues at shareholders' meetings."

Key observations

The survey results showed that 53% (36) of institutional investors followed up on ESG engagements by performing long-term tracking of ESG performances through in-person visits. This was a 44% growth compared to the 43% (25) of investors last year. Also, 16% (11) of institutional investors chose to follow up ESG engagements by expressing ESG expectations through an open letter, compared to 16% (9) last year; while 16% (11) chose to present proposals that pertain to ESG issues at shareholders' meetings, compared to 16% (9) last year. However, very few institutional investors presented proposals pertaining to ESG issues at shareholders' meetings.

In general, the number of institutional investors with ESG engagements has risen. We suggest those who have yet to do so to continue to interact with enterprises, and for those who have done so, we suggest they disclose the outcomes of their engagements to increase the transparency of enterprise engagement.

Q20 Please respond accordingly if your institution has taken any relevant measure toward climate change and net-zero investment

Response rate

97%

Q20-1 Did your institution include climate change-related risks analysis and management in the investment decision-making process?

Yes

17

No

49

Q20-2 Which climate indicator(s) did your institution use when measuring the climate performance of your investment portfolio?(multiple choice)

Reducing the carbon emissions of the investment portfolio (e.g. calculating the weighted mean carbon intensity or total emission of the portfolio)

12

Reducing the implied temperature rise of the investment portfolio (e.g. calculating based on the methodologies of the CDP-WWF and MSCI)

3

Others

4

No countermeasure

49

Q20-3 What are countermeasure(s) to the climate change-related risks in your institution's investment portfolio? (multiple choice)

Measuring the carbon emissions of a portfolio

19

Negotiating and voting climate change-related issues with investee companies

15

Disinvesting in upstream and downstream industries related to fossil fuels (including petroleum, gas, coal)

8

Investing in climate change-related themes(renewable energy, carbon capture, carbon sequestration, etc.)

22

Investing in green bonds

20

Others

5

No countermeasure

21

Q20-4 Did your institution designate quantification goals and schedules for low-carbon transition in your investment portfolio?(including carbon reduction goals and temperature goals)

Yes

14

No

51

Q20-5 Did your institution perform scenario analysis through various methods and tools assess the impact of climate change-related risks?

Yes

13

No

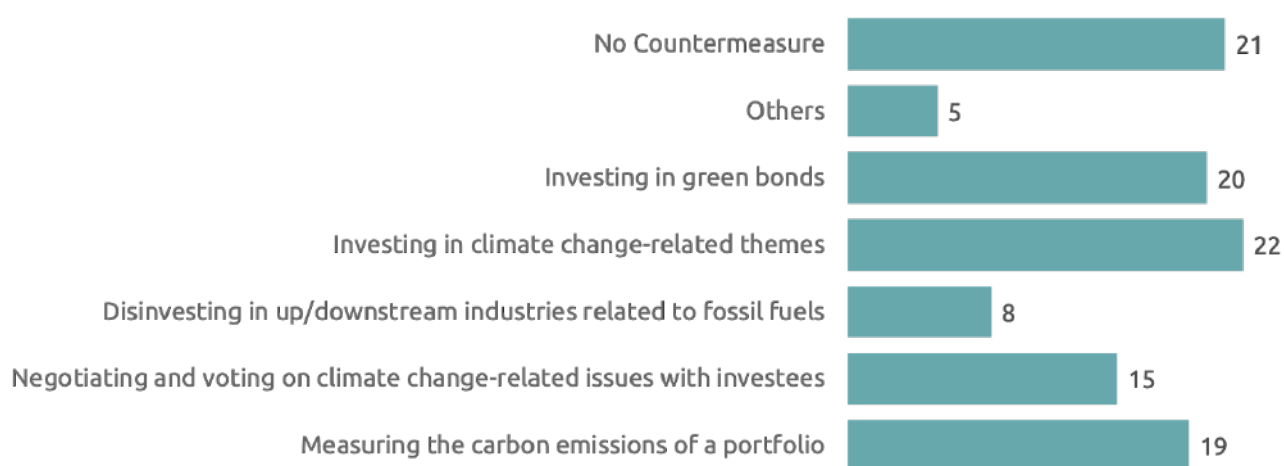
52

Description of item

The purpose of this item was to survey the countermeasures adopted by institutional investors against climate change issues. First, we surveyed whether they include climate change-related risks analysis and management in their investment decision-making process, and then the climate indicators used by them to measure the climate performance of their investment portfolio. The options include the common measures used worldwide, such as reducing the carbon emissions of the investment portfolio (e.g., calculating the weighted mean carbon intensity or total emissions of the portfolio) and reducing the implied temperature rise of the investment portfolio (e.g., calculating based on the methodologies of the CDP-WWF and MSCI), along with the Others option, for which investors could state a specific answer. The investors would have to select Unused if they responded to excluding climate change-related risks analysis and management in their investment decision-making process in the first sub-item.

The purpose of the third sub-item was to survey the countermeasures against climate change-related risks in their institution's investment portfolio. The options were designed according to the climate change items in the Swiss Sustainable Investment Market Study 2022⁷, including "Measuring the carbon emissions of a portfolio", "Negotiating and voting climate change-related issues with investee companies", "Disinvesting in upstream and downstream industries related to fossil fuels (including petroleum, gas, coal)", "Investing in climate change-related themes (renewable energy, carbon capture, carbon sequestration, etc.)", "Investing in green bonds", and "Others", to which investors could state a specific answer. Afterwards, we surveyed whether the institutional investors had designated quantification goals and schedules for low-carbon transition in their investment portfolio and whether they had performed scenario analysis through various methods and tools to assess the impact of climate change-related risks. These items were in line with the TCFD initiative and the guidelines of the soon-to-be-implemented Corporate Governance 3.0 plan.

The countermeasures to the climate change-related risk of institutional investors(Q20)



⁷ Swiss Sustainable Investment Market Study 2022: https://marketstudy2022.sustainablefinance.ch/downloads/SSF_2022_MarketStudy.pdf

Key observations

In this year's survey, we added items related to climate change issues to survey institutional investors' level of attention and countermeasures toward climate change issues. Around 30% of institutional investors had prepared countermeasures toward climate risks or had included climate change risk analysis and management in their investment decision-making process. Around 30% identified the quantification of low-carbon transition as a portfolio objective and used various methods and tools to perform scenario analysis and evaluate the impact of climate change risks. Moreover, the item on compliance with relevant sustainable investing initiatives showed that 32% (22) of institutional investors were compliant with the TCFD initiative, while 18% (12) were compliant with the PCAF initiative. We recommend institutional investors who have yet to develop countermeasures toward climate change-related risks refer to these methods, to promote the growth of sustainable financing in Taiwan.

Regarding the designation of quantification goals for low-carbon transition in the investment portfolio and the scenario analysis-based assessment of the impact of climate change risks, 21% (14) of institutional investors had designated quantification goals for low-carbon transition in their investment portfolio, while 19% (13) used various methods and tools to perform scenario analysis-based assessments on the impact of climate change-related risks. Some of the institutional investors who had designated quantification goals used the SBT to set their targets. Several institutional investors who had performed scenario analysis-based assessments on the impact of climate change-related risks did not disclose their assessment results.

“Institutional investors had developed countermeasures against climate risks in their investment portfolios”

Around 30% of institutional investors had developed countermeasures against climate change-related risks. The Green Finance Action Plan 3.0 announced by the FSC has outlined clearly the schedules for the finance industry to disclose and validate the financed carbon emissions in investment and financing portfolios (scope 3), as well as improving institutional investors' awareness of climate risks through advocacy and leadership. Additionally, according to the Swiss Sustainable Investment Market Study 2022, a total of 80 of the 85 financial institutions responded that they had measured the carbon footprint of their investment portfolios. Taiwan should cooperate with the FSC to speed up the implementation of the Green Finance Action Plan 3.0.

“Scenario analysis implementation and setting carbon reduction goals in investment portfolios”

22% (14) of institutional investors had designated quantification goals for low-carbon transition in their investment portfolio, while 20% (13) used various methods and tools to perform scenario analysis-based assessments on the impact of climate change-related risks. This shows that some sustainable investment leaders have responded to climate risks. The Green Finance Action Plan 3.0 announced by the FSC has clearly stated the means to achieve net-zero emissions nationwide by 2050 through scientific methods. The finance industry should develop schedules for setting medium-term and long-term carbon reduction goals and strategies about scopes 1, 2, and 3, and promote that every financial enterprise should undergo climate change stress testing, while continuously enhancing the stress testing module. We recommend that institutional investors cooperate with the competent authority's schedule to progressively implement these strategies.

Q21 To survey the major challenges faced by institutional investors concerning sustainable investing, please select three issues or challenges which your institution as most pressing.

It is difficult to measure and define the impact of sustainable investing	38
There is lack of disclosed data with respect to corporate sustainability-related issues	49
It is difficult to measure and perform cross-company comparisons on the ESG performance of sustainable investment targets	49
The investment team lacks the motivation to engage in or awareness toward sustainable investing	5
High investment costs	22
It is difficult to launch attractive sustainable investment products onto the market	4
Very few investment opportunities	4
Slow rollout of policies and regulations	9
Low returns on investment for sustainable investment targets	5
Others	0
Response rate	94%

Description of item

This item was designed to examine the issues faced by institutional investors with regard to sustainable investing. The options were designed based on the results of Pitchbook's Sustainable Investment Survey⁸ and in combination with the barriers to the status of and regulations pertaining to sustainable investing in Taiwan. The options included "It is difficult to measure and define the impact of sustainable investing," "There is a lack of disclosed data with respect to corporate sustainability-related issues," "It is difficult to measure and perform cross-company comparisons on the ESG performance of sustainable investment targets," "The investment team lacks the motivation to engage in or awareness toward sustainable investing," "High investment costs," "It is difficult to launch attractive sustainable investment products onto the market," "Very few investment opportunities," "Slow rollout of policies and regulations," and "Low returns on investment for sustainable investment targets." The institutional investors selected three issues or challenges which they perceived as most pressing. An "Others" option was available but no respondent chose to state other unlisted challenges.

⁸ <https://pitchbook.com/news/reports/2021-sustainable-investment-survey>

Key observations

A total of 72% (49) institutional investors responded "There is a lack of disclosed data with respect to corporate sustainability-related issues" and "It is difficult to measure and perform cross-company comparisons on the ESG performance of sustainable investment targets" as the main challenges they were facing; 56% (38) responded "It is difficult to measure and define the impact of sustainable investing"; while 32% (22) responded "High investment costs." Few institutional investors selected the option "It is difficult to launch attractive sustainable investment products onto the market" while a handful of life insurance.

“Insufficient disclosure of enterprise sustainability data”

The main challenges were "There is a lack of disclosed data with respect to corporate sustainability-related issues" and "It is difficult to measure and perform cross-company comparisons on the ESG performance of sustainable investment targets." The results based on industry, AUM size, and engagement in sustainable investment showed that both of these challenges remained in the top two, which indicates their importance. In the future, the credibility and comparability of the data can be improved if listed companies can disclose ESG information through local and international disclosure frameworks that are consistent and sustainable (such as GRI 2021, SASB, TCFD, etc.) along with third-party inspections. The Green Finance Action Plan 3.0 also pointed out that the finance industry requires detailed and accessible climate and ESG data as it is considerably difficult to quantify scope 3 (carbon emissions) in financial and investment portfolios. Thus, the means of data integration to enhance the resilience of sustainability-related risks is an important issue.

“The difficulty of measuring the impact of sustainable investing”

The third major challenge was "It is difficult to measure and define the impact of sustainable investing." Based on the stewardship reports of the surveyed institutional investors, very few institutional investors disclosed information related to the actual influence of sustainable investing on ESG performance due to the difficulty of quantitatively measuring the actual influence of sustainable investing. We hope that institutional investors can adopt innovative methods in the future to learn more about sustainable investment and develop talents in sustainable financing, which would jointly resolve current challenges with stakeholders.

Appendix

Definition of Sustainable Investment

In this study, sustainable investments were categorized into eight investment approaches based on the definition of sustainable investment¹² provided by the GSIA, JSIF, OECD, US SIF, and Eurosif. The eight approaches include negative/exclusionary screening, positive/best-in-class screening, norms-based screening, ESG integration, sustainability-themed investing, impact investing, shareholder action (exercising voting rights), and enterprise engagement. Each approach is defined in the following table:

Positive / Best-in-Class Screening

In contrast to excluding specific sectors or industries when managing and selecting investment targets, investors compare between the ESG performance of target companies and selects the outstanding ESG performers relative to their peers to invest in.

Negative / Exclusionary Screening

The exclusion of activities or industries from a fund or portfolio of certain sectors due to their involvement in controversial environmental, social, and governance issues, such as the gambling, tobacco and liquor, pornography, controversial weapons, coal, and palm oil industries.

Norms-Based Screening

Screening of compliance based on international standards or principles (such as the OECD Guidelines for Multinational Corporations and International Treaties, the ILO core labor standards, and relevant UNICEF guidelines), followed by the exclusion of specific investment targets or the adjustment of investment target weights in portfolios.

ESG Integration

The systematic and explicit inclusion of ESG risks and opportunities when managing and selecting investment targets, in addition to traditional financial analysis. Thus, investors may need to cover the cost of employing professional ESG analysts or purchasing necessary ESG data. Investors should be transparent in their systematic descriptions of the integration process.

Sustainability-Themed Investing

Constructing portfolios by selecting high-performing companies in specific sustainability-related themes (such as water resources, renewable energy, SDGs, etc.) when managing and selecting investment targets.

Shareholder Action (Exercising Voting Rights)

The shareholders of an investment target company exercise their voting rights to influence the company's business strategies. This does not only include votes in ESG engagement, but also covers authorizing the voting rights to a proxy institution or commissioning other individuals to exercise the voting rights on their behalf.

Impact investing

Impact investing are targeted at resolving social or environmental issues. Impact investing includes community investing, where capital is dedicated to traditionally underserved individuals or communities, as well as financing enterprises that account for society, environmental influence, and financial returns. This type of financing are attractive among enterprises and may offer them preferential interest rates that are lower than market interest rates.

Enterprise engagement

The strategic use of shareholder position to directly engage with a company and influence their corporate behavior, such as communication with different levels of management/directors, filing or co-filing shareholder recommendations to the company, or exercising voting rights through a proxy institution compliant with ESG guidelines

SUMMARY

Institutions
Surveyed

68

AUM

NT\$50.9 trillion

YoY

7.2%

Amount of SRI

NT\$20.3 trillion

YoY

15.3%

Proportion of SRI by industry

Insurance
companies

59%

Governmental
funds

11%

Securities
investment trust &
consulting companies

19%

Percentage of companies
with SRI policies

58%

Percentage of institutions
implementing SRI

73%

Most popular SRI methods

NO.1 Negative / Exclusionary screening NT\$ 13 trillion

NO.2 ESG integration NT. 8.7 trillion

Most frequently excluded industry

**Controversial
weapons (28)**

The amount of SRI method grown the most

NO.1 Impact investing 117%

NO.2 Sustainability-themed investing 62%

Major investment targets in SRI

NO.1 Foreign bonds NT\$ 9.8 trillion

NO.2 Taiwanese stocks NT\$ 3.5 trillion

PRI compliance rate

69%

TCFD compliance rate

31%

Rate of institutional investors include
climate change-related risk analysis and
management in the investment
decision-making

26%

Major challenges of SRI faced by
institutional investors

NO.1 (Tied)

A lack of disclosed data concerning corporate sustainability
The difficulty of measuring the impact of sustainable investing

NO.3

The difficulty of measuring and defining the impact of
sustainable investing

2022
Taiwan
Sustainable
Investment
Survey



國泰金控
Cathay Financial Holdings



國立臺北大學
National Taipei University