

2021

**Taiwan Sustainable  
Investment Survey**

**National Taipei University**

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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

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# About the Center

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

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

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Methods of Sustainable Investing  
as Defined by the GSIA

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# Definition of Sustainable Investment

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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. Each approach is defined in the Appendix.

# Scope of the Survey

In this study, a questionnaire was designed based on the method proposed by the GSIA. A total of 99 institutional investors were invited to complete the survey questionnaire. The institutional investors included 21 life insurance companies, 15 property and casualty insurance companies, 39 securities investment trust and consulting companies, 20 securities consulting companies, and 4 government funds. There were 58 valid responses, indicating a response rate of 59%. Out of the 58 valid responses, 39 companies had disclosed the value of their total sustainable investment assets. We would like to thank the institutional investors for their assistance and enabling the Center to tabulate the statistical data to help local and overseas stakeholders engaging in sustainable investing to understand and evaluate Taiwan's sustainable investment performance.

To be more in line with the survey method of the GSIA, the results of the questionnaire were compared year-by-year, with the survey periods ending on December 31, 2019 and December 31, 2020. These periods differ from last year's ending period (June 30, 2020). The 2019 data mentioned in the sustainable investment data hereafter will refer to the data before December 31, 2019, while the 2020 data will refer to the data before December 31, 2020.

Figure 1. Number of respondents

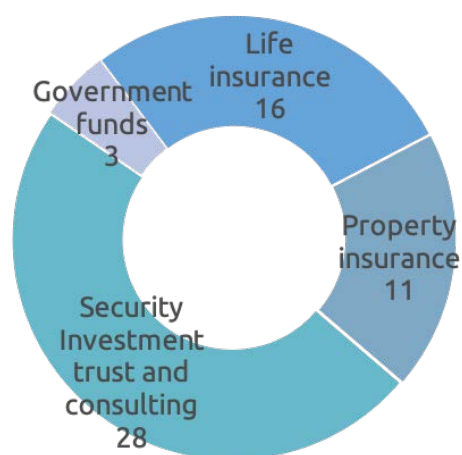
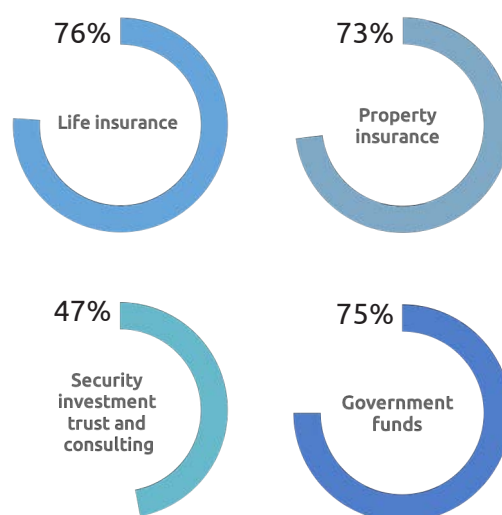


Figure 2. Response rate



# Survey Overview

## 1. Summary

Unit: NTD 1 million

	2019	2020
Total sustainable investment assets	13,242,371	17,565,169
Assets Under Management (AUM)	43,780,697	47,497,548
Number of respondent institutions	59	58
Proportion of sustainable investment	30.2%	37.0%

## 2. Amount of investments by target

Unit: NTD

- A total of 58 institutions participated in the survey. The amount of AUM was NT\$47.5 trillion ,
- socially responsible investment (SRI) assets were NT\$17.6 trillion, which accounted for 37.0% of AUM.
- Negative/exclusionary screening was the most widely used approach for sustainable investing among institutional investors, with the amount of investments reaching NT\$12.1 trillion;
- Foreign bonds were the most significant investment target,with NT\$8.3 trillion being invested accounting for 60% of total sustainable assets.



### 3. Amount of sustainable investments by investment method

Unit: NTD 1 million

	2019	2020	Annual growth rate
Negative/Exclusionary screening	10,899,449	12,104,497	11%
Positive/Best-in-class screening	1,217,332	1,618,400	33%
Norms-based screening	0	0	0%
ESG integration	7,961,972	8,929,428	12%
Sustainability-themed investing	3,091,995	3,482,353	13%
Impact investing	3,506	13,954	298%
Shareholder action (exercising voting rights)	1,006,672	1,276,564	27%
Enterprise engagement	489,886	644,042	31%
<b>Total</b>	<b>24,670,812</b>	<b>28,069,239</b>	<b>14%</b>
<b>Number of respondents</b>		<b>39</b>	

Note: Due to different sustainable investment methods being used, the sum of the amount here is not equal to the total amount of sustainable investments in Q9.

### 4. Amount of sustainable investments by asset class

Unit: NTD 1 million

	2019	%	2020	%	Annual growth rate
Taiwanese stocks	1,905,130	12%	2,792,484	19%	47%
Foreign stocks	2,145,193	14%	848,039	6%	-60%
Domestic bonds	1,433,163	9%	1,320,772	9%	-8%
Foreign bonds	8,020,993	52%	8,384,448	56%	5%
Private equity	115,109	1%	190,388	1%	65%
Real estate	574,285	4%	524,920	4%	-9%
Loans	223,045	1%	330,921	2%	48%
Others	927,775	6%	540,694	4%	-42%
<b>Total</b>	<b>15,344,693</b>	<b>100%</b>	<b>14,932,666</b>	<b>100%</b>	<b>-3%</b>
<b>Number of respondents</b>			<b>33</b>		

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 total amount of sustainable investments in Q9.

# Summary of the Survey

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 35.9% of overall investments. The compound growth rate of sustainable investments in non-European regions grew by an average of 15%, and the share of responsible investments as a percentage of total AUM in Canada, America, and Japan, respectively, was 61.8%, 33.2%, and 24.3%, each representing an increase compared to the 2018 figures. As a result of new regulations and industry standards, the share of responsible investment as a percentage of total AUM in Europe and Australia each decreased compared to 2018. The figures presented above indicate that global awareness of—and demand for—sustainable investment has increased.

## Review of the 2020 survey

The results of the first-ever sustainable investment survey in Taiwan showed approximately NT\$13.8 trillion in total amount of sustainable investment assets as of June 30, 2020, of which the insurance industry accounted for NT\$12 trillion, government funds accounted for NT\$1 trillion, and securities investment trust and consulting enterprises accounted for NT\$0.6 trillion. Negative/exclusionary screening, representing NT\$11 trillion in assets, was the primary sustainable investing approach among Taiwanese institutional investors, followed by environmental, social, and governance (ESG) integration at NT\$8 trillion, and sustainability-themed investments at NT\$3 trillion. While ESG integration and sustainability-themed investments are more assertive and finance-related investment approaches, the passive negative/exclusionary screening remained the most popular method for sustainable investing in Taiwan during 2020.

## Summary of the 2021 survey

The results of the 2021 survey showed a total amount of approximately NT\$17.6 trillion of sustainable investment assets in Taiwan in 2020, most of which was still accounted for by the insurance industry at NT\$15 trillion, with government funds accounting for NT\$1.2 trillion, and securities investment trust and consulting enterprises accounting for NT\$1.3 trillion. Negative/exclusionary screening remained the primary sustainable investing approach among Taiwanese institutional investors at NT\$12 trillion, followed by ESG integration at NT\$9 trillion, and sustainability-themed investments at NT\$3 trillion. Generally speaking, negative/exclusionary screening remained the primary approach to sustainable investing, likely due to its ease of implementation. It is notable, however, that there was a near three-fold growth in impact investing, indicating that investors were increasingly interested in utilizing capital to generate positive outcomes for society and for the environment. In terms of investment targets, foreign bonds represented the largest investment class at 56% and were held primarily by life insurance companies, followed by Taiwanese stocks at 19%, which showed a significant growth rate of 47%, likely due to the broader increase in holdings of Taiwanese stocks, and were held primarily by the four major funds and life insurance companies; while securities investment trust and consulting enterprises primarily invested in foreign bonds and Taiwanese stocks.

In general, the survey revealed that about 70% of institutional investors disclosed the share of

sustainable investments in their total assets and 30% did not. This reveals some room for improvement in the disclosure of sustainable investment-related information in Taiwan. A large percentage (90%) of institutional investors were compliant with the stewardship principles of the TWSE. In line with that result, the percentage of institutional investors compliant with international initiatives on sustainable investing increased significantly. The current compliance rate for the Principles for Responsible Investment (PRI), for example, was 52%. Enterprise engagement, on the other hand, was the least-used approach, accounting for only 4% of overall sustainable investments. While these results allow considerable room for growth, it is notable that the number of engagements increased tenfold over the prior year to 19,182, suggesting that institutional investors are increasingly concerned about enterprise communication and engagement.

The 2021 survey also included a new item relating to investor preference. The survey indicated that 80% of investors—of which 87% were institutional investors and 70% were retail investors—expressed a higher level of interest in ESG products. This result suggests that, while institutional investors are slightly more interested in ESG products than retail investors, all investors showed higher interest in ESG products in general. With respect to retail investor responses by age group, only those investors 60 years and over demonstrated 40% or more who were less concerned about ESG products. In terms of gender, 82% of men and 85% of women were interested in ESG products. The finance industry should take note of these trends when launching relevant financial products.

## Conclusions

Based on the 2021 survey, the amount of sustainable investments in Taiwan grew by 32.6% year-over-year—from NT\$13.2 trillion to NT\$17.6 trillion—and accounted for 37.0% of AUM compared to 30.2% the previous year. According to the 2020 GSIR statistics, these figures in Taiwan resemble the proportion of sustainable investments in AUM (35.9%) internationally, suggesting that sustainable investments in Taiwan are gradually aligning with global trends.

With regard to international initiatives, the survey indicated that a growing number of Taiwanese institutional investors have complied with the United Nations' Principles for Responsible Investment (PRI), with 8 compliant last year compared to 30 this year. The number of insurance companies that were compliant with the Principles for Sustainable Insurance (PSI) also increased from 3 to 14. There is also a growing number of companies that are compliant with the Equator Principles and the Principles for Responsible Banking (PRB), highlighting the increasing influence of international standards on institutional investors.

2020 GSIR statistics showed that, on a global scale, sustainable investing gradually shifted from the passive method of negative/exclusionary screening to more active methods like ESG integration, sustainability-themed investing, and positive screening. In particular, for the first time, ESG integration overtook negative/exclusionary screening as the most widely used sustainable investing method worldwide. In Taiwan, while negative/exclusionary screening remains the most popular sustainable investing method among institutional investors, its growth rate moderated compared to other methods. The growth rates of more active methods, including positive screening, shareholder action, and enterprise engagement, were all above 25%, while impact investing nearly tripled. These results demonstrate that sustainable investing methods in Taiwan are in line with broader global trends toward active methods. It is worth noting, however, that enterprise engagement accounted for only 4% of total sustainable investing. Institutional investors might consider pursuing this method to showcase their influence.

# Survey Results

## 1. Compliance with relevant initiatives

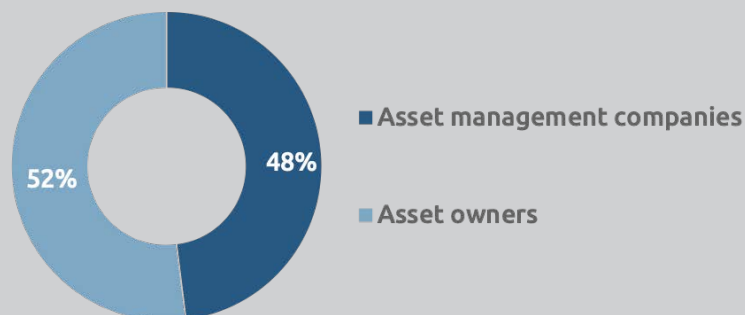
### Q1 Basic information

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

### Q2 **Response rate: 100%**

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

Options	2019	2020
Asset owners (i.e., government funds, insurance companies)	32	30
Asset management companies (i.e., securities investment trust and consulting enterprises)	27	28
<b>Number of respondents</b>	<b>59</b>	<b>58</b>



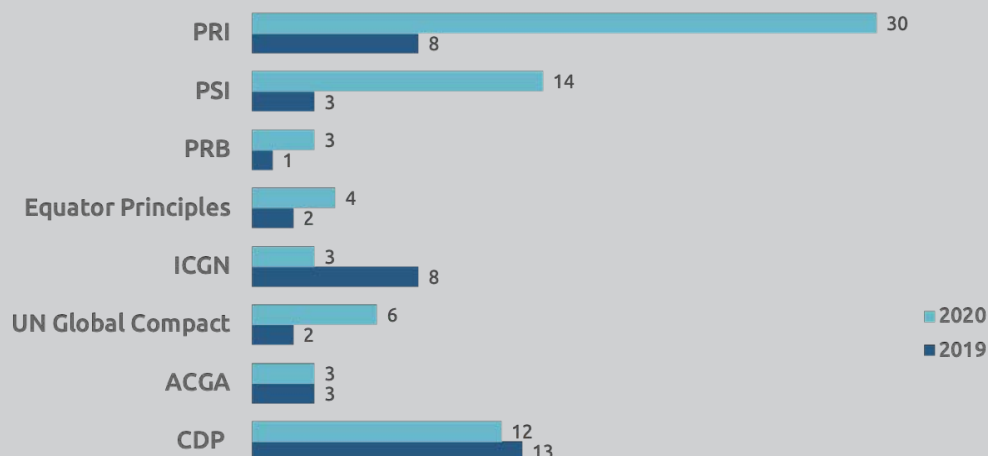
## Key observations

There was one less respondent institution in 2020 compared to 2019 and overall AUM grew by 8.5%, from NT\$43.8 trillion to NT\$47.5 trillion. The amount of sustainable investments in Taiwan grew by 32.6%, from NT\$13.2 trillion to NT\$17.6 trillion, and their proportion of overall AUM grew from 30.2% to 37.0%, nearly equivalent to the 2020 GSIR statistics, which showed sustainable investments as 35.9% of AUM worldwide. These figures demonstrate that sustainable investment in Taiwan is gradually aligning with broader global trends.

### Q3 Response rate: 84%

Which of the following initiatives are you adopting or complying with?

International initiatives	2019	2020
Principles for Responsible Investment (PRI)	8	30
Principles for Sustainable Insurance (PSI)	3	14
Principles for Responsible Banking	1	3
Equator Principles	2	4
Carbon Disclosure Project (CDP)	13	12
International Corporate Governance Network	2	3
2014 Montréal Carbon Pledge	0	0
United Nations Global Compact	8	6
Asian Corporate Governance Association	3	3



## Description of items

This was a multiple-choice item. Some institutions stated that they comply with the standards of the Task Force on Climate-related Financial Disclosures (TCFD), two stated that they comply with the standards of the Sustainability Accounting Standards Board (SASB), while the others stated that they comply with the standards of Climate Action 100+, the Science Based Targets Initiative (SBTi), the Global Reporting Initiative (GRI), the Partnership for Carbon Accounting Financials (PCAF), Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), the Global Reporting Initiative (GRI), the Catalytic Finance Initiative, Compliance For Financial Institutions (CFI), the Climate Bonds Initiative (CBI), and the Investor Group on Climate Change (IGCC), respectively.

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.

The responses were organized by parent companies and holding companies that comply with relevant standards, as applicable. However, companies within an affiliated company group or direct or indirect subsidiaries of the same parent company were only listed once to prevent duplicate calculations.

## Key observations

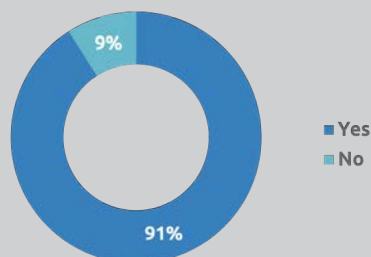
### **A significant increase in the number of PRI- and PSI-compliant companies**

The survey showed that, among all global standards, institutional investors most commonly complied with PRI. There was an increase of 22 institutional investors in 2020 compared to 2019, of which 21 disclosed relevant investment outcomes in a Stewardship Report or Responsible Investment Report. Furthermore, since insurance companies are investors that simultaneously handle insurance-related affairs, there were 11 more PSI-compliant institutional investors in 2020 compared to 2019, which suggests that institutional investors are increasingly paying attention to international initiatives. Consistent with the growing interest in environmental issues, the second-most international initiative institutional investors complied with was enterprises' disclosure regarding CDP compliance.

#### Q4 **Response rate: 100%**

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

Option	2019	2020
Yes	53	53
No	3	5
<b>Number of respondents</b>	<b>56</b>	<b>58</b>



#### Key observations

#### Increasing attention on sustainable investing thanks to the new Stewardship Principles

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

#### Q5

Have you publicly disclosed relevant information on your procedure of 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 your parent company/holding company has publicly disclosed their relevant information on the procedure of evaluating sustainable investments)

Option	Number of respondents
Yes	41
No	17
<b>Number of respondents</b>	<b>58</b>

## Key observations

### More than 70% of institutional investors have publicly disclosed their procedures for evaluating sustainable investments

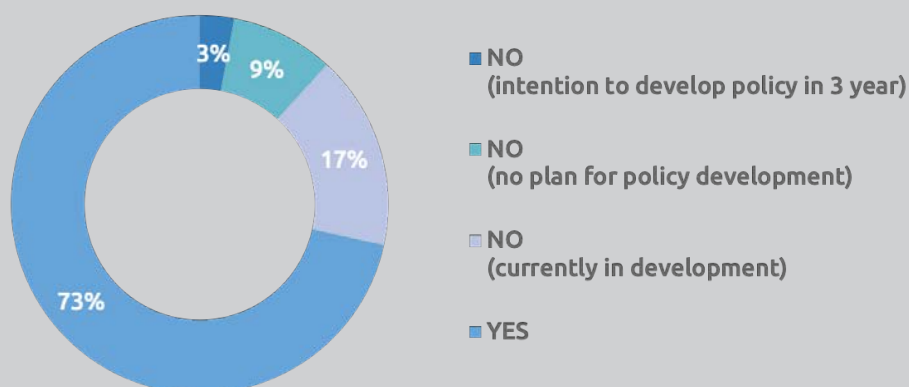
The survey showed that more than 70% of institutional investors disclosed their procedures for evaluating sustainable investments on their websites or in a Stewardship Report. These procedures included the use of data from professional ESG databanks to create a list of companies with high ESG risks and similar issues so that retail investors could obtain a better understanding of how institutional investors utilize ESG in connection with their investments and so the public could inspect their sustainable investment policies. We suggest that investors who have yet to publicly disclose their evaluation procedures formulate and publicly disclose such procedures so that the investing public can understand the manner in which institutional investors engage in sustainable investing.

## 2. Development of sustainability-related policies

**Q6 Response rate: 100%**

**Does your institution have a formal policy on sustainable investment?**

Option	2019	2020
Yes	35	41
No (currently in development)	17	10
No (intend to do so within a year)	0	0
No (intend to do so within three years)	1	5
No (no intentions whatsoever)	4	2
<b>Number of respondents</b>	<b>57</b>	<b>58</b>

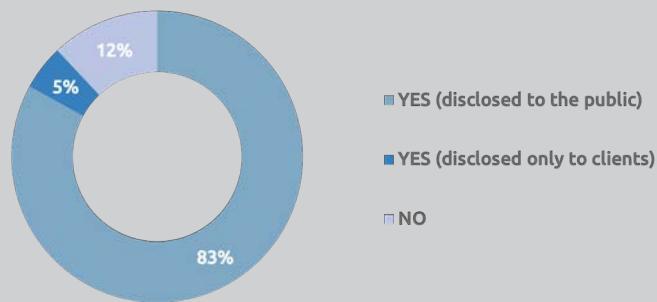




**Q7 Response rate: 83%**

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

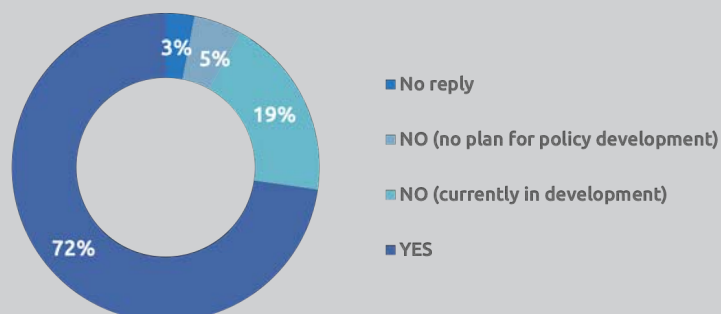
Options	2019	2020
Yes (publicly disclosed)	25	34
Yes (disclosed to clients only)	2	2
No	8	5
<b>Number of respondents</b>	<b>35</b>	<b>41</b>



**Q8 Response rate: 97%**

Is your institution engaged in sustainable investment?

Options	2019	2020
Yes	42	42
No (currently in development)	11	8
No (intend to do so within a year)	0	0
No (intend to do so within three years)	0	3
No (no intentions whatsoever)	2	3
<b>Number of respondents</b>	<b>56</b>	<b>56</b>



## Key observations

### More than 70% of companies have integrated sustainable investing into their investment processes and more than 80% of companies have publicly disclosed their investment policy

Based on the results above (see Q8), over 70% of companies engage in sustainable investing by integrating relevant approaches into their investment processes. More than 70% (see Q6) of companies have formally adopted a sustainable investment policy. Given that more than 90% (see Q4) of companies stated that they were compliant with TWSE's Stewardship Principles, and that the new version of the Stewardship Principles, which calls for companies to integrate ESG issues into their investment processes and to detail shareholder voting-related policies and engagement-related policies and provide information regarding the performance of various items, was introduced in August 2020, we suggest that companies that have yet to adopt a formal sustainability investment policy use the new version of the Stewardship Principles as a blueprint to develop a sustainable investment policy that is tailored to their own needs, in addition to following international standards.

### The proportion of companies that publicly disclosed their sustainable investment policy increased by more than 30%

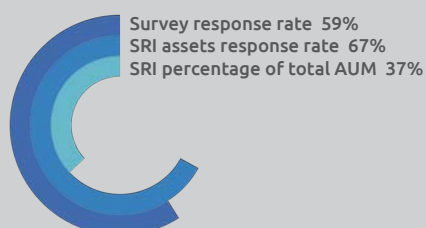
Nearly 60% of companies disclosed their sustainability investment policies (see Q7), a 30% increase compared to the 2019 figure, which was less than 50%. This demonstrates that institutional investors are increasingly paying attention to sustainable investing strategies, providing stakeholders means to more comprehensively understand a company's sustainable investments.

## 3. Total amount of sustainable investments

**Q9 Response rate: 83%**

Item related to the total amount of sustainable investment

	2019	2020
Total sustainable investment assets	NT\$13.242 trillion	NT 17.565 trillion
Number of participating institutions	59	58
Proportion of sustainable investment	30.2%	37.0%



## Description of item

- Total sustainable investment assets  
= Total amount of sustainable investment / Total amount of management and investment assets (AUM)

Time point	Number of institutions
2019/12/31	37
2020/12/31	39

- The total amount of AUM in 2019 was NT\$47.497548 trillion.
- 39 institutions disclosed their total sustainable investment assets.
- The measurement date for compiling the total sustainable investment assets of each company is as follows:

## Total amount of sustainable investments by industry

Unit: NTD 1 million

Industry	2019	2020	Annual growth rate
Insurance	11,720,010	15,026,849	28%
Securities investment trust and consulting	628,410	1,310,634	109%
Government funds	893,950	1,227,686	37%

## Key observations

### 58 institutional investors responded; sustainable investment assets accounted for 37% of AUM

In total, 58 institutional investors responded to the survey, of which 39 provided the value of their total sustainable investment assets. In 2020, total AUM was NT\$47 trillion, up 8% from 2019, while total sustainable investment assets was NT\$17.6 trillion, up 21% from 2019 and accounting for 37.0% of total AUM.

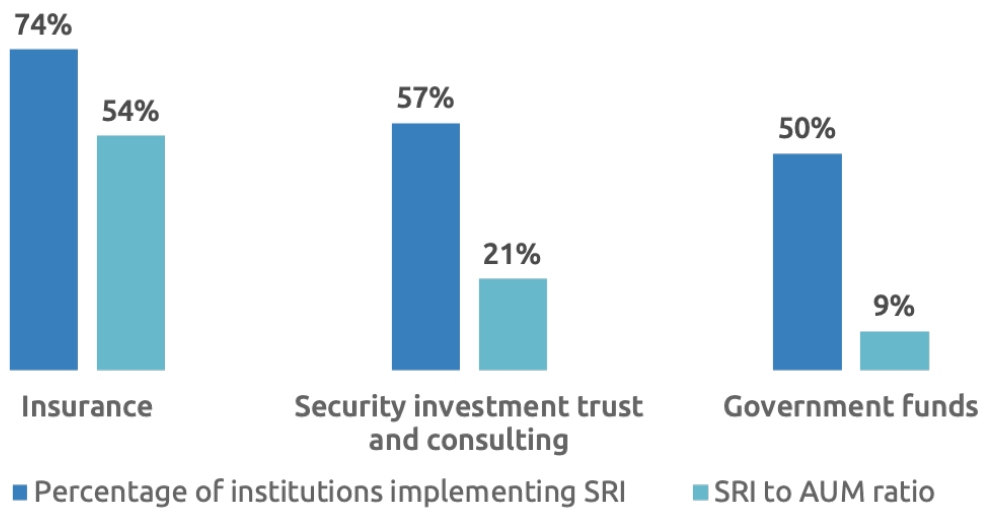
### Insurance companies exhibited a proportion of sustainable assets relative to AUM of 54%; securities investment trust and consulting enterprises had the fastest growth rate

With respect to the proportion of sustainable investments across industries, insurance companies' proportion of sustainable assets relative to AUM during 2020 was the highest at 54%, followed by the securities investment trust and consulting enterprises at 21% (an increase of 9% from 2019), and government funds at 9%. The larger absolute amount of AUM for government funds may explain their relatively low proportion. In terms of growth rate, the securities investment trust and consulting enterprises were the fastest-growing industry, growing at a rate of 109%, and their total value also exceeded that of government funds.

## Insurance companies had a 74% response rate regarding sustainable investment assets

In terms of the response rate for the item pertaining to sustainable investment assets (see Q9, Figure 5), only two of the four government funds that were invited to participate in this survey disclosed the value of their sustainable assets. 74% of insurance companies disclosed their sustainable assets, compared to only 57% of securities investment trust and consulting enterprises.

Figure 3. SRI - AUM ratio



## 4. Types of sustainable investment positions

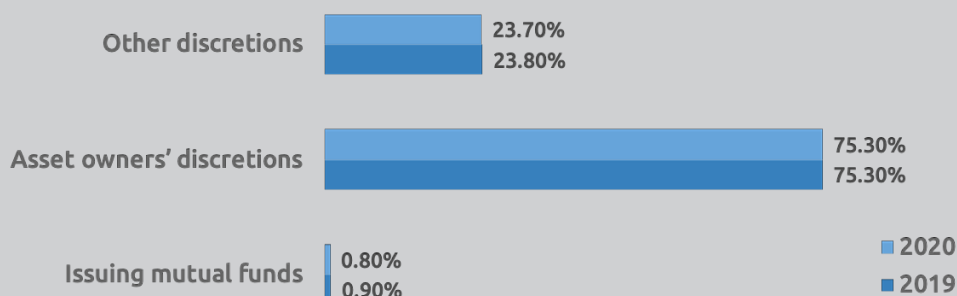
### Q10 Response rate: 42%

(To be filled by asset management companies) The balance of which of the following items are your institution's sustainable investment position sourced from?

Unit: NTD 1 million

Item	2019	%	2020	%	Annual growth rate
<b>1. Issuing mutual funds</b>					
(1) Purchased by natural person investors	50,259	8%	91,266	9%	64%
(2) Purchased by institutional investors	90,042	15%	139,060	14%	82%
<b>Total of Issuing mutual funds</b>	<b>140,301</b>	<b>23%</b>	<b>230,326</b>	<b>24%</b>	<b>54%</b>
<b>2. Asset owners' discretions (including government funds and insurance companies)</b>	<b>447,124</b>	<b>76%</b>	<b>727,012</b>	<b>75%</b>	<b>63%</b>
<b>3. Other discretions (including typical companies, charitable foundations, and individuals)</b>	<b>4,732</b>	<b>1%</b>	<b>8,672</b>	<b>1%</b>	<b>83%</b>
<b>Total</b>	<b>592,157</b>	<b>100%</b>	<b>966,010</b>	<b>100%</b>	<b>63%</b>
<b>Number of respondents</b>	<b>12</b>				

Note: Because some institutional investors only disclosed the total amount of their sustainable investments and did not disclose each of their investment position, the sum of the amount here is not equal to the total amount of sustainable investments in Q9.



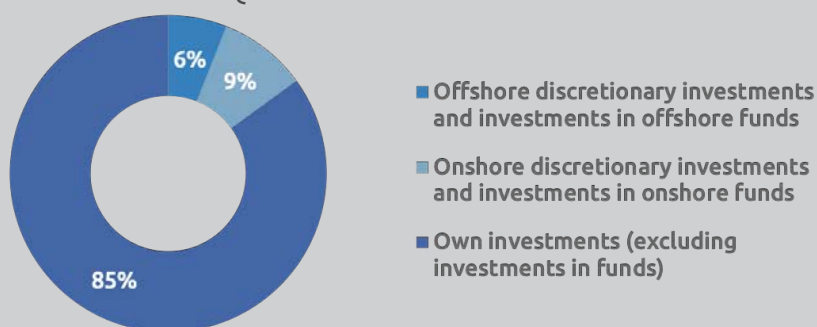
**Q11 Response rate: 67%**

(To be filled by asset owners including government funds and insurance companies) The balance of which of the following items are your institution's sustainable investment position sourced from?

Unit: NTD 1 million

	2019	%	2020	%	Annual growth rate
Own investments (excluding investments in funds)	5,933,055	83%	6,781,452	85%	13%
Onshore discretionary investments and investments in onshore funds	774,431	11%	735,565	9%	-5%
Offshore discretionary investments and investments in offshore funds	416,421	6%	453,020	6%	8%
<b>Number of respondents</b>	<b>20</b>				

Note: Because some institutional investors only disclosed the total amount of their sustainable investments and did not disclose each of their investment position, the sum of the amount here is not equal to the total amount of sustainable investments in Q9.



**Key observations**

**The share of mutual funds purchased by retail investors continues to rise**

The survey results indicate that the sustainable investment positions of asset management companies (see Q10) are primarily attributable to the issuing asset owners' discretion, which accounted for 75%. Generally speaking, the structural changes were marginal. In terms of mutual funds purchased by investors who were natural persons, their share of sustainable investments in all funds rose from 36% to 40%, suggesting that asset management companies

have expanded the scope of their responsible investment portfolios to include mutual funds purchased by natural person investors. For asset owners (see Q11), a greater proportion of their sustainable investment positions was still derived from their own investments, which accounted for 85%. Asset owners are continuously enhancing their own sustainable investment influence, as demonstrated by their growth rate compared to that of discretionary investments.

## 5. Methods of sustainable investing

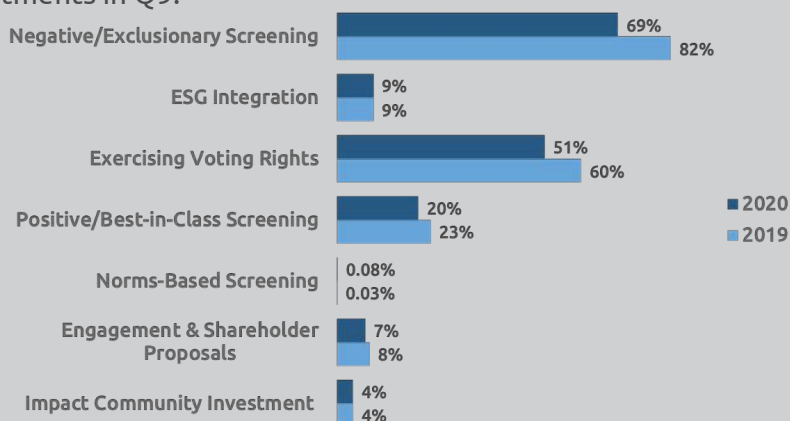
**Q12 Response rate: 61%**

**What is your institution's method of sustainable investing?**

Unit: NTD 1 million

	2019	2020	Annual growth rate
Negative/Exclusionary screening	10,899,449	12,104,497	11%
Positive/Best-in-Class screening	1,217,332	1,618,400	33%
Norms-based screening	0	0	0%
ESG integration	7,961,972	8,929,428	12%
Sustainability-themed investing	3,091,995	3,482,353	13%
Impact investing	3,506	13,954	298%
Shareholder action (exercising voting rights)	1,006,672	1,276,564	27%
Enterprise engagement	489,886	644,042	31%
Total	24,670,812	28,069,239	14%
<b>Number of respondents</b>	<b>39</b>		

Note: Because multiple investment methods can be used in each investment, the sum of the amount here is not equal to the total amount of sustainable investments in Q9.



## Description of items

This was a multiple-choice item designed to account for the fact that multiple investment approaches may be pursued based on fund type. In this item, the sum for each sustainable investing method differs from the total value of sustainable assets. The share of each method was derived by finding the quotient of the value of each investment approach to the total value of sustainable investments in 2019 (NT\$13.242371 trillion) and in 2020 (NT\$17.565169 trillion).

## Key observations

### Taiwanese institutional investors mostly adopted negative/exclusionary screening

The survey revealed that negative/exclusionary screening is the primary method for sustainable investing among Taiwanese institutional investors. Funds utilizing this method accounted for NT\$12 trillion and comprised 69% of the total value. This result is consistent with global sustainable investment trends (according to the GSIA 2020 Global Sustainable Investment Review, for example, most European companies utilized negative/exclusionary screening). Negative/exclusionary screening is relatively simple, in that it allows investors to establish excluded industries or exclusion lists during the early phase of investment research, and hence to determine the suitability of a fund for negative/exclusionary screening.

### Global trends centered on proactive methods such as ESG integration and sustainability-themed investments

Negative/exclusionary screening is a simple and relatively passive method of sustainable investing. The second and third most popular methods (ESG integration and sustainability-themed investments) among Taiwanese institutional investors, on the other hand, are more active strategies that are related to financial performance. As such, the Center suggests that institutional investors include these two approaches when they develop their own sustainable investment strategies, as they are more likely to prove beneficial for achieving a win-win investment outcome in both financial performance and ESG outcome and in keeping with global and North American sustainable investment trends (according to the GSIA 2020 Global Sustainable Investment Review, most American and Canadian companies utilize ESG integration, for example).

### The growth rate of positive screening, shareholder action, and enterprise engagement exceeded 25%

With respect to global trends in general, investors reduced their use of the simplest method (negative/exclusionary screening). According to the 2020 GSIR statistics, the amount of investments made in connection negative/exclusionary screening strategies decreased from US\$19.8 trillion in 2018 to US\$15 trillion in 2020, with most investors turning instead to more active strategies such as ESG integration and sustainability-themed investments. The survey results revealed an upwards of 25% growth in positive screening, shareholder action, and ESG integration, demonstrating that Taiwanese institutional investors have increasingly adopted methods that are consistent with global trends and are progressively gravitating toward proactive methods.

### A nearly three-fold increase in impact investing in Taiwan



Compared to 2019, impact investing among Taiwanese investors experienced a significant and nearly three-fold increase during 2020. Impact investing aims to resolve social or environmental issues while also pursuing profitable investments. The growth in impact investing compared to passive negative/exclusionary screening signifies that institutional investors are gradually migrating to more proactive investment strategies.

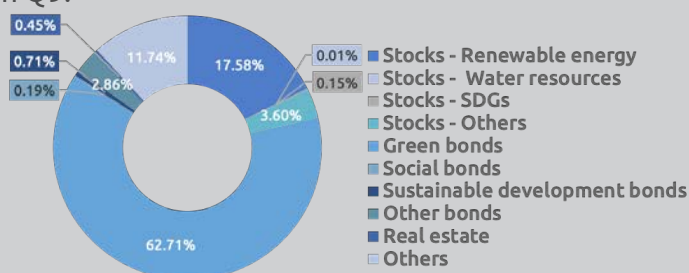
**Q14 Response rate: 61%**

**For those who adopted (5) Sustainability-themed investments, please provide the type of investment asset and the amount invested.**

Unit: NTD 1 million

Type of asset	2019	2020	Annual growth rate
<b>1.Stocks</b>			
(1) Renewable energy	2,139,372	4,972,045	132%
(2) Water resources	1,591	1,470	-8%
(3) SDGs	29,220	42,798	46%
(4) Others	742,055	1,018,096	37%
<b>Total</b>	<b>2,912,238</b>	<b>6,034,409</b>	<b>107%</b>
<b>2.Bonds</b>			
(1) Green bonds	14,780,433	17,734,261	20%
(2) Social bonds	667	54,428	8,063%
(3) Sustainable development bonds	0	200,000	-
(4) Others	757,417	809,434	7%
<b>Total</b>	<b>15,538,517</b>	<b>18,798,123</b>	<b>21%</b>
<b>3.Others</b>			
(1)Real estate	121,545	127,204	5%
(2)Others	771,540	3,320,371	330%
<b>Total</b>	<b>893,085</b>	<b>3,447,575</b>	<b>286%</b>

Note: Because multiple investment methods can be used in each investment, the sum of the amount here is not equal to the total amount of sustainable investments in Q9.



## Description of items

This is a multiple-choice item. An example exclusion criterion for those who selected “Others” is an exclusion list of global finance companies.

## Key observations

### **Sustainability-themed investments primarily centered on renewable energy**

The survey results revealed that institutional investors that adopted sustainability-themed investments mostly invested in renewable energy, with the investment amount in 2020 more than doubling the amount in 2019. These numbers demonstrate that, consistent with global trends including RE100 and net zero emissions, clean and sustainable energy play an indispensable role in sustainable investing and room for continuous growth in the future.

### **Significant for developing water resource investments in the future**

The survey results show considerably fewer investments in water resources. After experiencing the worst drought over 56 years, water resources represent an important issue in Taiwan going forward. We recommend that institutional investors make their impact on improving Taiwanese public attention to the importance of water resources.

### **Growth in social bonds highlights their potential**

Social bonds have not only increased in Taiwan but also other countries. The statistics of the Taiwan Academy of Banking and Finance show the COVID-19 pandemic provided a boost of US\$150 billion in social bonds worldwide, more than eight times higher than that in 2019. In contrast to green bonds, which focus on renewable energy, green building, climate change, and other environmental issues, social bonds focus on food security, affordable housing, affordable infrastructure, and other social issues. There is currently significant room for growth in social bond investments. As such, institutional investors might invest in social bonds to assist vulnerable groups going forward.

The Taipei Exchange has also been proactive in promoting sustainable bonds, from green bonds in 2017 to the Sustainable Bond Market in 2021. This expansion from a green bond platform to a social bond and sustainable development bond platform over the past several years might attract more banks and enterprises to enter the sustainable development bond market. Therefore, we believe that green bonds, social bonds, and sustainable development bonds have tremendous growth potential in Taiwan.

### Q16 Response rate: 57%

(As per Q12) For institutions that employed negative screening, please provide the criteria for screening industries.

Industries screened	2019	2020
Gambling	22	13
Tobacco and liquor	17	10
Pornography	20	14
Controversial weapons	19	20
Coal	3	8
Palm oil	0	3
Others	14	10
<b>Number of respondents</b>	<b>32</b>	<b>33</b>

## Description of items

In this multiple-choice item, institutions that responded "Others" disclosed negative screening criteria including rainforest logging, polychlorinated biphenyl production, genetic engineering, food safety issues, violation of human rights, and companies sanctioned by the Money Laundering Control Act and/or Counter-Terrorism Financing Act.

## Key observations

### Increasing attention on coal and palm oil as a result of climate change

The survey results indicate that an increasing number of institutional investors exclude coal and palm oil from their investment targets, as multiple countries have set net zero emissions targets and have reduced coal and fossil fuel consumption. Rainforest destruction associated with the palm oil industry is also an issue with which investors are concerned in this area. Many institutional investors who chose "Others" disclosed that rainforest conservation is an important target against the context of climate change.

The decrease in the number of institutions who disclosed gambling, tobacco and liquor, and pornography criteria resulted from slight differences in the composition of the 2020 list of respondent companies.

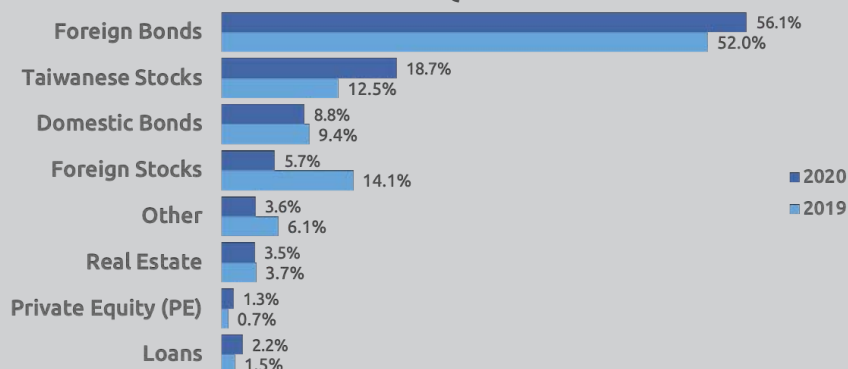
## Q17, 18 Response rate: 57%

### Total investment in each asset class

Unit: NTD 1 million

	2019	%	2020	%	Annual growth rate
Taiwanese stocks	1,905,130	12%	2,792,484	19%	47%
Foreign stocks	2,145,193	14%	848,039	6%	-60%
Domestic bonds	1,433,163	9%	1,320,772	9%	-8%
Foreign bonds	7,931,193	52%	8,384,448	56%	6%
Private equity	111,809	1%	190,388	1%	70%
Real estate	569,785	4%	524,920	4%	-8%
Loans	223,045	1%	330,921	2%	48%
Others	927,775	6%	540,694	4%	-42%
<b>Total</b>	<b>15,247,093</b>	<b>100%</b>	<b>14,932,666</b>	<b>100%</b>	<b>-2%</b>
<b>Number of respondents</b>	<b>33</b>				

Note: Because some institutional investors only disclosed the total amount of their sustainable investments and did not disclose the specific investment amount of each investment target, the sum here is not equal to the total amount of sustainable investments in Q9.



## Description of items

Institutions that responded "Others" included funds, exchange traded funds (ETF), public investments, real estate investment trusts (REITs), unlisted equities, etc.

## Key observations

### Sustainable investment targets in Taiwan were mostly foreign bonds

The survey results indicated that, for two consecutive years, the main sustainable investment

target in Taiwan was foreign bonds, which accounted for 56%, followed by Taiwanese stocks at 19%. The relatively significant proportion of foreign bonds is associated with the high proportion of sustainable investing in the insurance industry, in addition to the industry's primary focus on fixed-income assets. As shown in Figure 7, sustainable investment targets vary across industries. Life insurance companies invested more in local and foreign bonds. There are differences with respect to stocks: the four major funds mainly invested in Taiwanese stocks, followed by foreign stocks, while securities investment trust and consulting enterprises primarily invested in Taiwanese and foreign stocks.

### Sustainable investments accounted for 6% in Taiwanese stocks relative to AUM

While sustainable investments accounted for 37.0% of AUM, the proportion of Taiwan's sustainable investments in Taiwanese stocks relative to AUM was less than 6%. As such, we recommend that the government encourage institutional investors to increase their focus on to sustainable investment targets related to Taiwanese stock so that sustainable investing might exert a greater influence on local companies.

Figure 4. Percentage of sustainable investment targets by industry

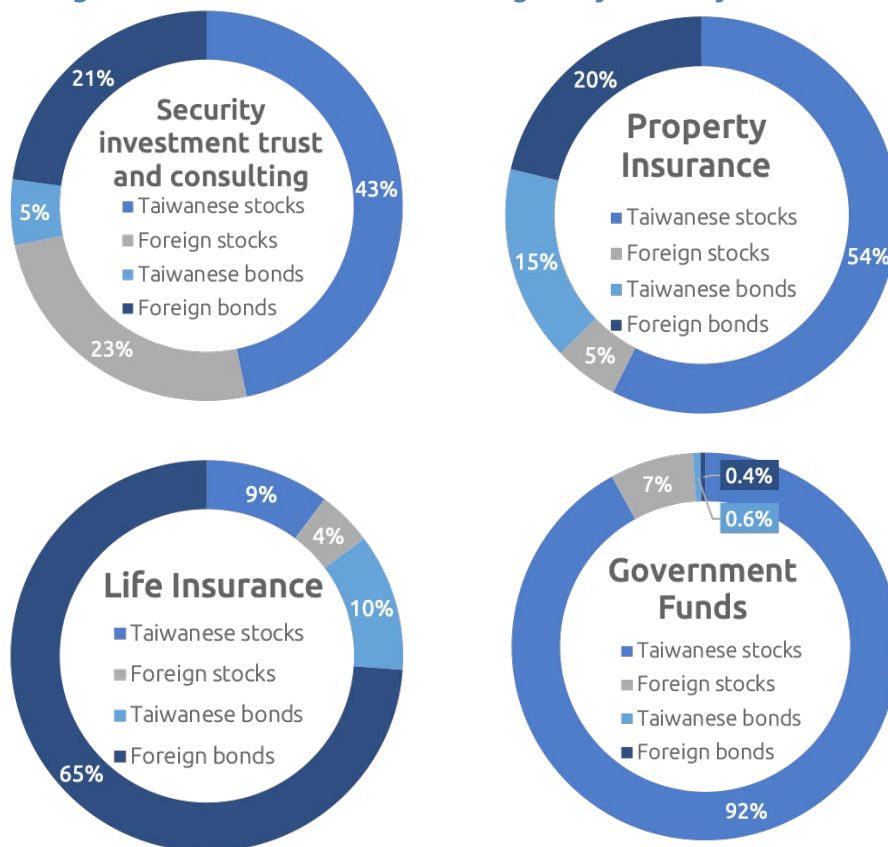
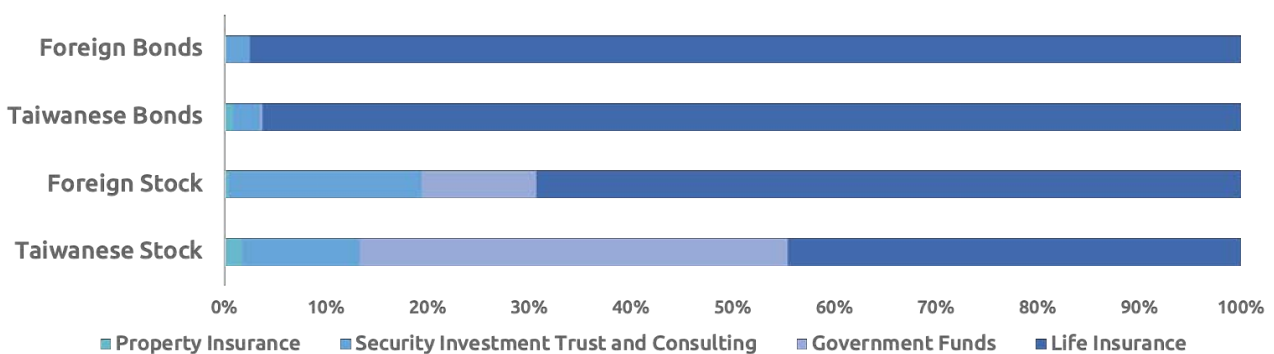


Figure 5. Percentage of industries by sustainable investment targets



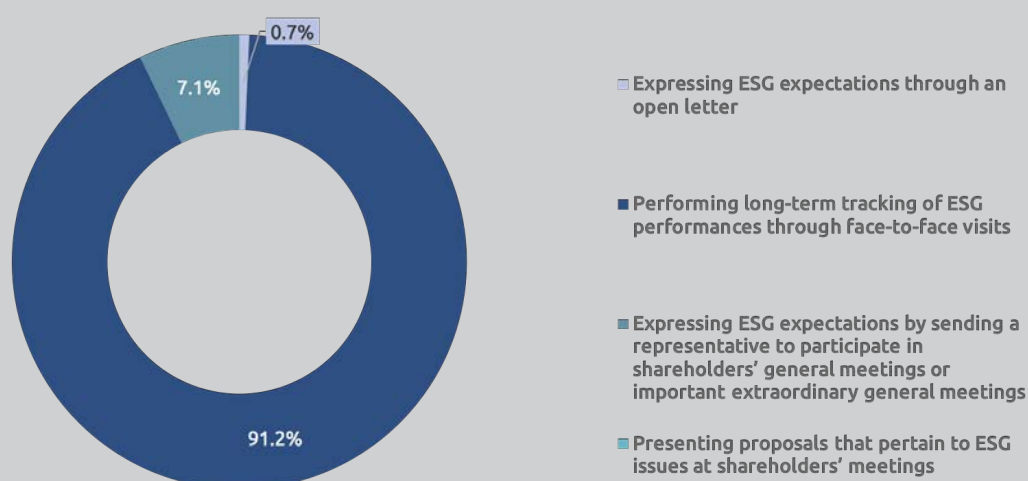
## Engagement status

### Q19 Response rate: 50%

Please state the number of domestic and foreign companies with which you had ESG engagements over the past year (this does not include exercising voting rights)

Units: Number of engagements

Method of engagement	2019	2020
Expressing ESG expectations through an open letter	70	168
Performing long-term tracking of ESG performances through in-person visits	888	9,232
Expressing ESG expectations by sending a representative to participate in shareholders' general meetings or important extraordinary general meetings	577	717
Presenting proposals that pertain to ESG issues at shareholders' meetings	1	1
<b>Total</b>	<b>1,536</b>	<b>10,118</b>
<b>Number of respondents</b>	<b>18</b>	<b>32</b>



## Key observations

### **ESG engagement is mainly achieved through in-person visits or phone calls**

The survey revealed that 9,064 companies were subjected to ESG evaluation by institutional investors via reports, which serve as the primary means for ESG engagement. Due to the impact of the COVID-19 pandemic, we collectively regarded in-person visits and phone calls as a single item, and, as such, the response rate for these items was higher than in 2019. Based on the engagement method, in-person visits and phone calls were the most widely used method, accounting for 48%, while only a handful of investors chose to submit ESG-related proposals at shareholder meetings.

### **Companies should develop their own engagement policy if they have not done so**

The latest version of the TWSE's Stewardship Principles requires institutional investors to disclose their voting policies and provide enhanced disclosure of their voting records, as well as including ESG issues their investment evaluation and decision-making processes. Particular issues may also serve as reference points. Certain investors, for example, may be concerned primarily with environmental pollution; others may value interacting and communicating with different levels of management; while still others might seek to actively participate in enterprise engagement and international conventions such as CDP and Climate Action 100+. Companies that have yet to formulate an engagement policy may use these issues as a reference point to develop an engagement policy that tailors to their needs.

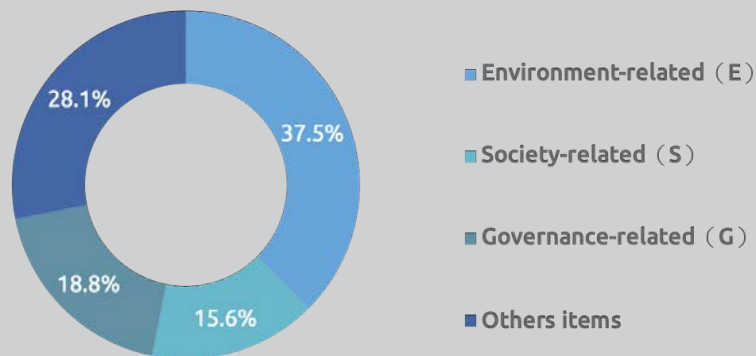
### **The amount of investments made through enterprise engagement accounts for only 4% of sustainable investments**

The survey revealed that Taiwanese institutional investors invested approximately NT\$6 million via enterprise engagement, which accounted for 4% of all sustainable investments. There is significant room for improvement in this regard. Institutional investors were primarily concerned with their own ESG issues. The engagements generally consisted of institutional investors utilizing their role as a fund provider to exercise influence regarding ESG issues in the companies that they invest in. Institutional investors are able to obtain more thorough internal information through this type of engagement process and to exert greater influence over their portfolio companies. We expect institutional investors in the near future to even more significantly exert their influence, causing more companies to become invested in businesses pertaining to various ESG issues.

**Q19 Response rate: 31%**

(To be filled by insurance companies and securities investment trust and consulting companies) Does your company promote ESG investment through cooperation with rivals or collaboration with other institutions?

Coopetition	Frequency of cooperation
Environmental issues (E)	12
Social issues (S)	5
Governance issues (G)	6
Other issues	9
<b>Number of respondents</b>	<b>20</b>



## Coopetition

### Description of items

- Environmental issues include obtaining a green label for a product, contributing to renewable energies, responding to climate change, resource recovery policy, circular economy, reducing and disclosing carbon emissions, water resources, paperless services, issuing green bonds, investment in green energies, etc.
- Social issues include labor welfare and health, labor working hours, human rights, local employment, allocation of pensions, full employment of workers with disabilities, product safety, information security, labor disputes, etc.
- Governance issues include operations and composition of boards of directors (proportion of independent and female directors, for example), ethical management, fair presentation of financial statements, ownership structure (cross ownership), information transparency and openness, stakeholder transactions, anti-money laundering and counter financing of terrorism, sustainable investment, sustainable finance, etc.



## Key observations

### Coopetition, while relatively insignificant, primarily focuses on environmental issues

Most cases of coopetition (see Q20) centered on environmental issues and related to measures promoting investments in renewable energy, issuing green bonds, and organizing sustainability-themed forums. In the social area, the measures primarily included organizing courses with academic institutions and collaborations pertaining to social housing. Generally speaking, there are very few examples of coopetition, which might be an area for improvement in the future to promote ESG-related investments.

#### Q21-1

**For securities investment trust and consulting enterprises that have performed relevant surveys, please select the best response to assist us to investigate the changes in investors' attention on ESG-related products**

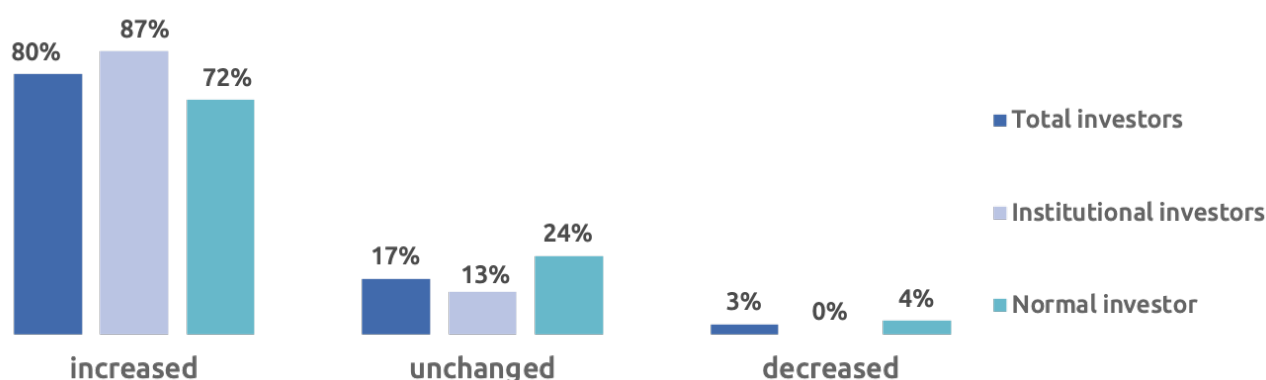
	Level of attention	Number of respondents	%
The level of attention paid by investors overall on ESG-themed financial products in 2021 relative to 2020.	Increased	24	80%
	Unchanged	5	17%
	Decreased	1	3%
The level of attention paid by institutional investors on ESG-themed financial products in 2021 relative to 2020.	Increased	26	87%
	Unchanged	4	13%
	Decreased	0	0%
The level of attention paid by retail investors on ESG-themed financial products in 2021 relative to 2020.	Increased	21	72%
	Unchanged	7	24%
	Decreased	1	4%

## Key observations

### An increase in investor attention on ESG products

Consistent with existing global trends, the survey results showed an increase in the level of investor attention on ESG-themed financial products. The ETFGI LLP statistics showed that, as at the end of August 2021, ESG ETF and ETN investments worldwide were approximately US\$327 billion, while net asset inflows during in the first eight months of 2021 were US\$108.73 billion. These significant outlays demonstrate the continuous development of ESG investments worldwide. According to FSC statistics, there are currently 26 domestic ETF products related to sustainability issues representing total assets exceeding NT\$110 billion. This demonstrates that

Figure 6. The level of attention of paid by investors on ESG-themed financial products compare to last year



### Q21-2

For securities investment trust and consulting enterprises that have performed relevant surveys, please select the best response to assist us to investigate the changes in investors' attention on ESG-related products

		Highly concerned	%	Interested in	%	Indifferent	%
(1) The level of attention paid by retail investors of different age groups on ESG-themed financial products in 2021 relative to 2020.	Under 30 years	9	43%	5	24%	7	33%
	30-45 years	9	41%	10	45%	3	14%
	46-60 years	7	35%	9	45%	4	20%
	Above 60 years	6	29%	6	29%	9	42%
(2) The level of attention paid by retail investors on ESG-themed financial products in 2021 relative to 2020.	Male	5	23%	13	59%	4	18%
	Female	6	32%	10	53%	3	15%

domestic and foreign investors are increasingly demanding ESG products.

## Key observations

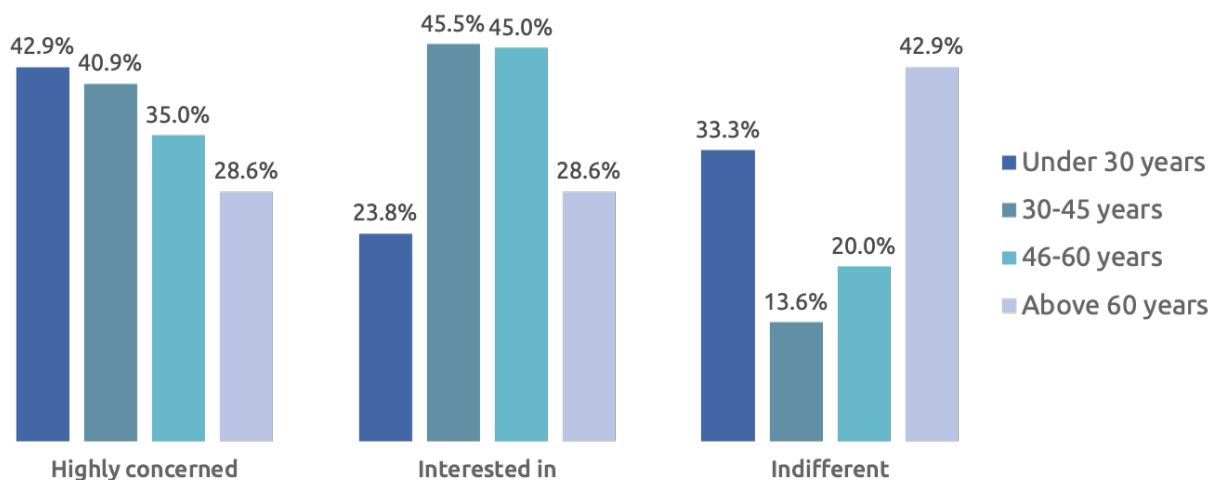
### Investors between 30 to 60 years old are most interested in ESG products; more than 80% of male and female investors are interested in ESG products

Retail investors were analyzed by age and gender.

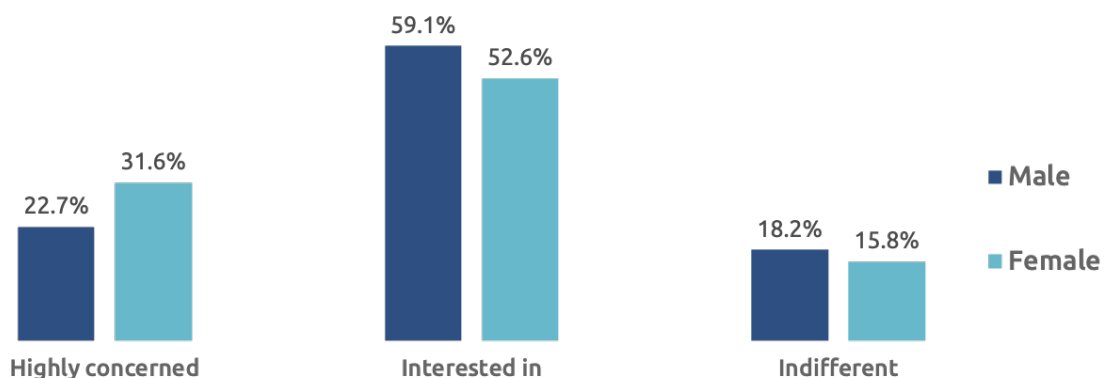
With respect to age, 41% of investors under 30, 41% of investors between 30 and 45, 35% of investors between 46 and 60, and 29% of investors over 60 were highly concerned about ESG-related financial products. These results demonstrate that younger investors tend to attach more importance to ESG products. Including those interested in ESG-related financial products, 67% of investors under 30, 86% of investors between 30 and 45, 80% of investors between 46 and 60, and 58% of investors over 60 expressed interest. These results show that investors between 30 and 60 years old attach greater importance to ESG products compared to other age groups.

With respect to gender, 23% and 59% of male investors were highly concerned about or interested in relevant financial products, respectively; while 32% and 53% of female investors were highly concerned about or interested in relevant financial products, respectively. These results demonstrate that both male and female investors are highly interested in ESG-related financial products and the financial industry has launched ESG-related products in response these trends.

**Figure 7-1. The level of attention paid by retail investors of different age groups on ESG-themed financial products in 2021 relative to 2020.**



**Figure 7-2. The level of attention paid by retail investors on ESG-themed financial products in 2021 relative to 2020.**



# Appendix

## Methods of Sustainable Investment as Defined by GSIA

### 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.

### 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.

### 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.

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

1. GSIA : [http://www.gsi-alliance.org/wp-content/uploads/2019/06/GSIR\\_Review2018F.pdf](http://www.gsi-alliance.org/wp-content/uploads/2019/06/GSIR_Review2018F.pdf)
2. JSIF : <http://japansif.com/2019survey-en.pdf>
3. raa : <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](https://www.ussif.org/files/Publications/USSIF_ImpactofSRI_FINAL.pdf)
6. Eurosif : <http://www.eurosif.org/wp-content/uploads/2018/01/Eurosif-SDGs-brochure.pdf>

## 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.

## 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.

## 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.

## 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

**58**

AUM

**NT\$ 47.5 trillion**

Amount of sustainable investments

**NT\$ 17.6 trillion**

Proportion of sustainable investments in AUM

**37.0%**

Amount invested through enterprise engagement

**NT\$6.4 million**

Number of engagements

**10,118**

Percentage of institutions implementing SRI

**74%**

Stewardship Principles compliance rate

**91%**

Percentage of companies with SRI policies

**61%**

PRI compliance rate

**71%**

Most popular SRI methods

NO.1 Negative/Exclusionary screening **NT\$12 trillion**

NO.2 ESG integration **NT\$ 9 trillion**

Major investment targets in SRI

NO.1 Foreign bonds **NT\$8.4 trillion**

NO.2 Taiwanese stocks **NT\$2.8 trillion**

2021 Taiwan Sustainable Investment Survey



**國泰金控**  
Cathay Financial Holdings



**國立臺北大學**  
National Taipei University