

Enhance transparency, facilitate sustainable operation

Presented at: 13th Taipei Corporate Governance Forum

September 1st, 2021

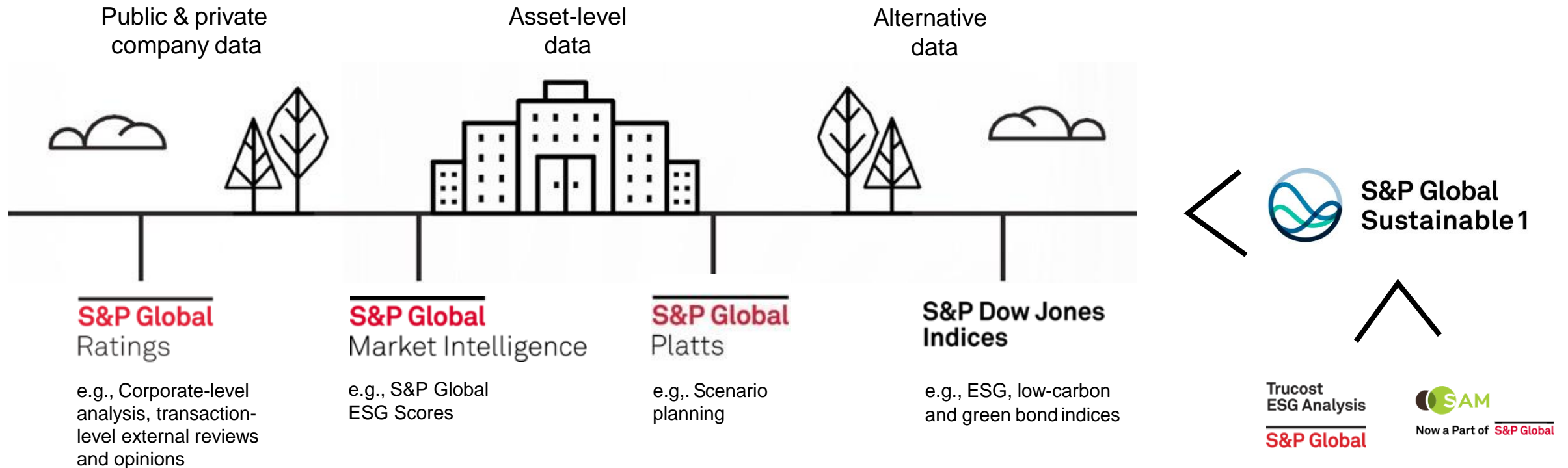
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S&P Global Sustainable 1**

S&P Global

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S&P Global's Growing Range of ESG Solutions Across Divisions

Sustainable 1 – Single Source of Essential Sustainability Intelligence



Agenda

- 1** How to bridge the gap between financial and non-financial information through ESG disclosure?
- 2** How do Taiwanese companies keep abreast of international trends of climate risk evaluation and management?
- 3** The challenges for corporate governance during the pandemic and the responding measures in post-pandemic era.

1

How to bridge the gap between financial and non-financial information through ESG disclosure?

Numbers are not Enough to Explain Market Value

- Governance and Compliance
- Reputation and Ethics
- Environmental and Social capital: ability to understand megatrends and their impact on business
- Intellectual capital: ability to innovate
- Customers and Brand
- Respect Human Rights and Labor Practices
- Licence to operate

Intangible aspects of a company's sustainability performance need to be made tangible and visible to stakeholders.

**The S&P Global
Corporate Sustainability
Assessment (CSA)
assesses ESG factors
expected to have an
impact on a company's
growth, profitability,
capital efficiency and risk
exposure.**

The CSA: From Data to Score

General criteria include:

Governance & Economic dimension

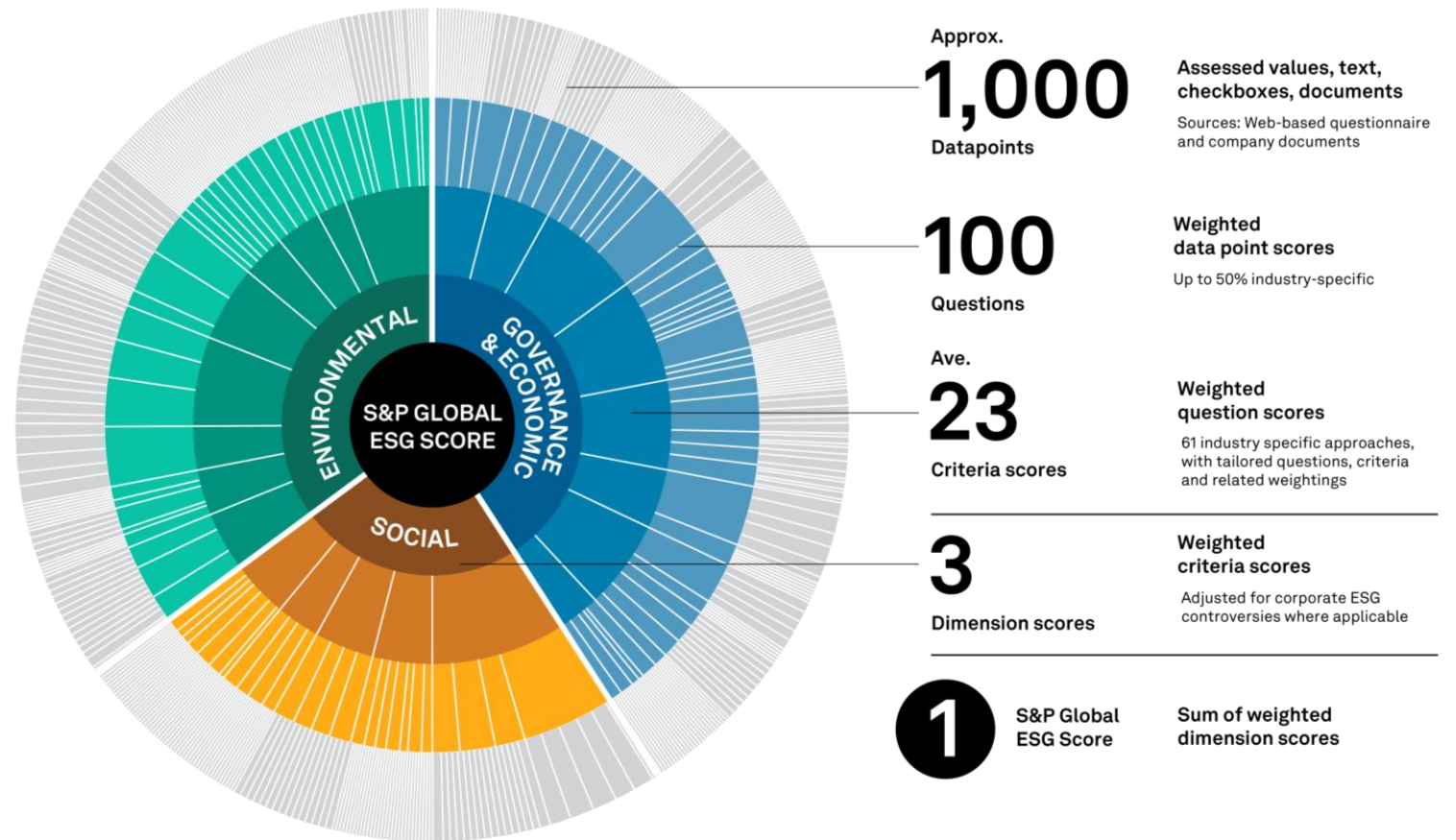
- Corporate Governance
- Codes of Business Conduct
- Risk and Crisis Management

Environmental dimension

- Environmental Reporting
- Operational Eco-Efficiency
- Climate Strategy

Social dimension

- Human Rights
- Human Capital Development
- Corporate Citizenship & Philanthropy

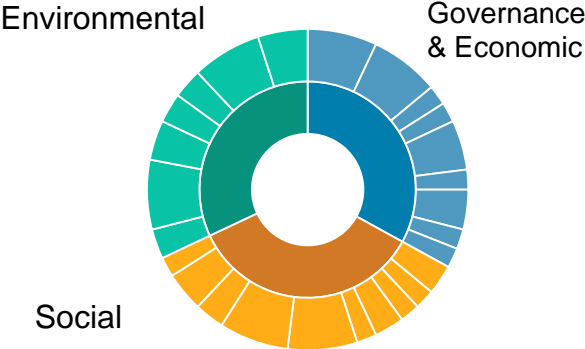


300 of the 1000 datapoints collected are non-confidential. 700 datapoints are collected based on information that is not required to be public.

61 Industry- Specific Approaches

Differing by focus area and weight matrices

Mining & Minerals

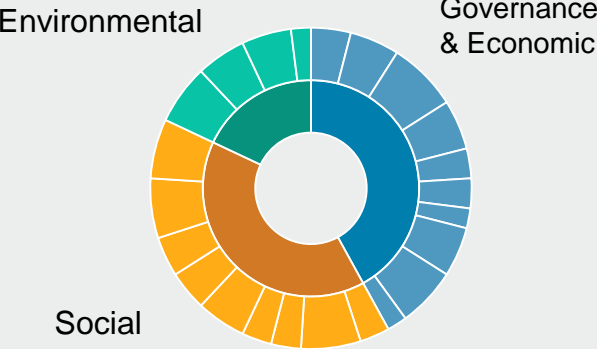


- Payment transparency

- Mineral waste management
- Water-related risks
- Biodiversity

- Asset closure management
- Community impact
- Stakeholder engagement

Restaurants

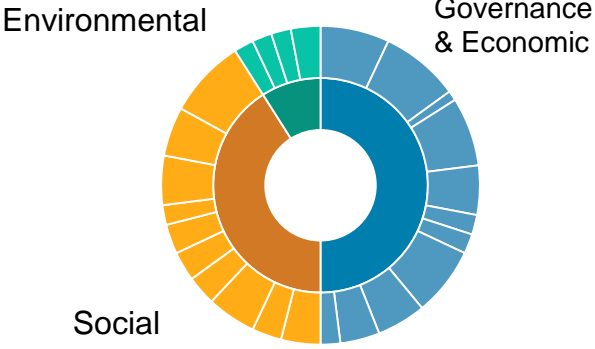


- Brand management
- Customer relationship management

- Raw material sourcing

- Local impact of business operations

Pharmaceuticals



- Innovation management
- Product quality and recall management

- Addressing cost burden
- Access to drugs
- Health outcome contributions

Industry-specific criteria examples applied to a single or subset of industries

Source: S&P Global. For illustrative purposes only.

CSA Captures Emerging and **Underreported Trends**

The CSA introduced topics before they were the focus of mainstream ESG investors, most recently plastic waste, living wage, sustainable finance, and more.

<p>Human capital development</p> <p>Human Capital Management Coalition, established 2017, 25 asset owners, \$2.8tn in assets*</p>		<p>Tax transparency</p> <p>UNPRI investor guide 2018: evaluating and engaging on corporate tax strategy***</p>	
<p>2002</p>	<p>2013</p>	<p>2014</p>	<p>2017</p>
<p>Human rights</p> <p>Top ESG criterion for Money Managers in 2018 representing USD 2.2tn**</p>	<p>Climate strategy</p> <p>Task Force on Climate-related Financial Disclosures (TCFD) recommendations 2017, 100+ C-level supporters, company, financial institutions, exchanges, raters index provider</p>		<p>Policy influence</p> <p>Top shareholder concern in 2018, filing by 74 institutional investors at 50 US companies****</p>

Sources: **Human Capital Management Coalition" UAW Trust, 2020, uawtrust.org/hmrc; ** "The Forum for Sustainable and Responsible Investment, US/SIF 2019, www.ussif.org; *** Principles for Responsible Investment RRI, 2020 www.unpri.org; ****"Corporate Governance", Corporate Governance 2020, www.corpgov.net. For illustrative purposes only.

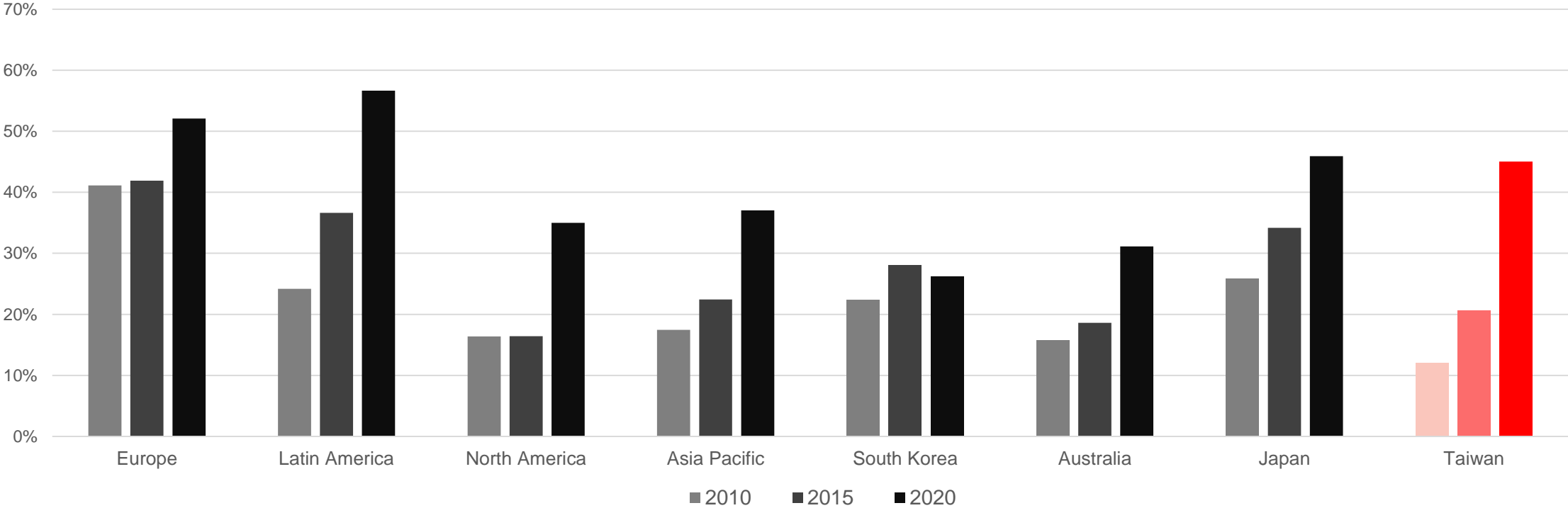
2

How do Taiwanese companies keep abreast of international trends of climate risk evaluation and management?

Participation Rate in the CSA for the DJSI

The chart shows the percentage of companies that have actively answered the CSA questionnaire in relation to the invited companies for the DJSI in the last decade.

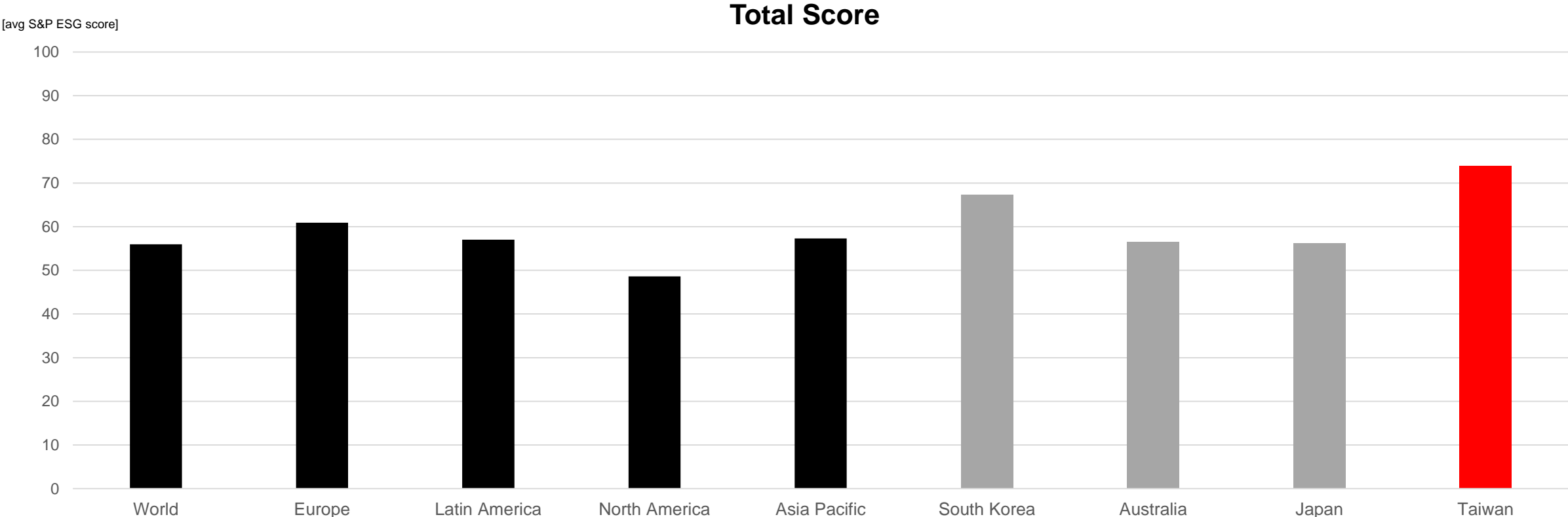
Participation [%]



Source: S&P Global CSA 2010, 2015, 2020.

S&P ESG Score

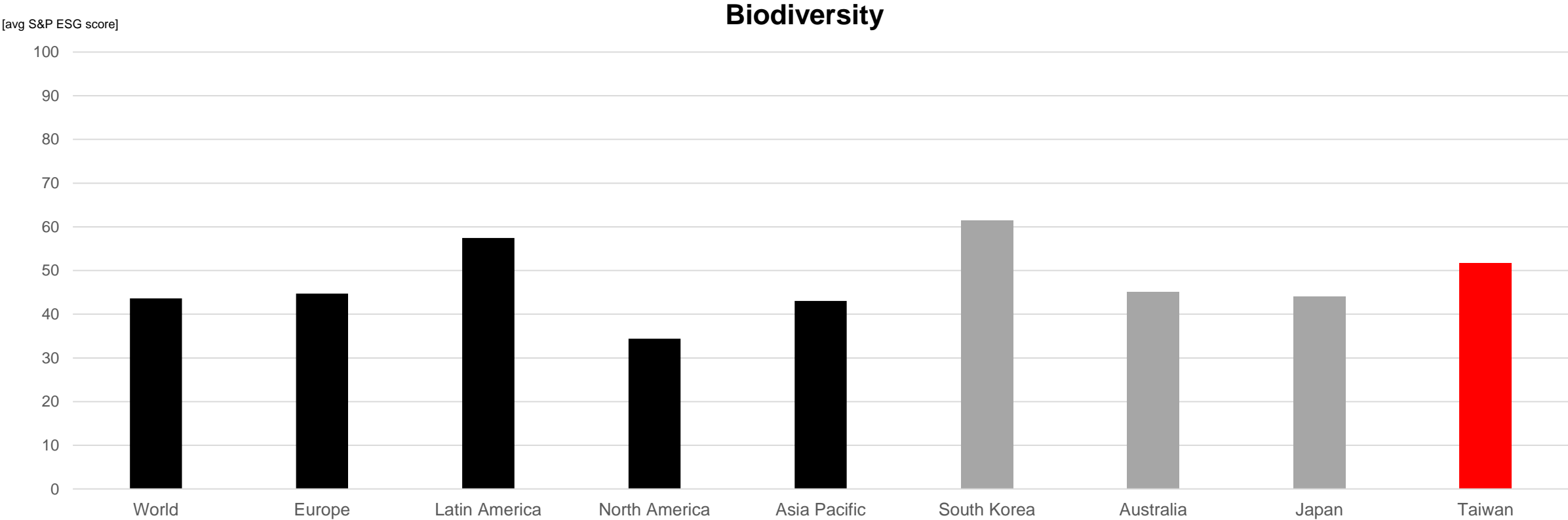
The chart shows the average total score of the region/country versus the average score of all actively participating companies worldwide.



Source: S&P Global CSA 2020.

Biodiversity

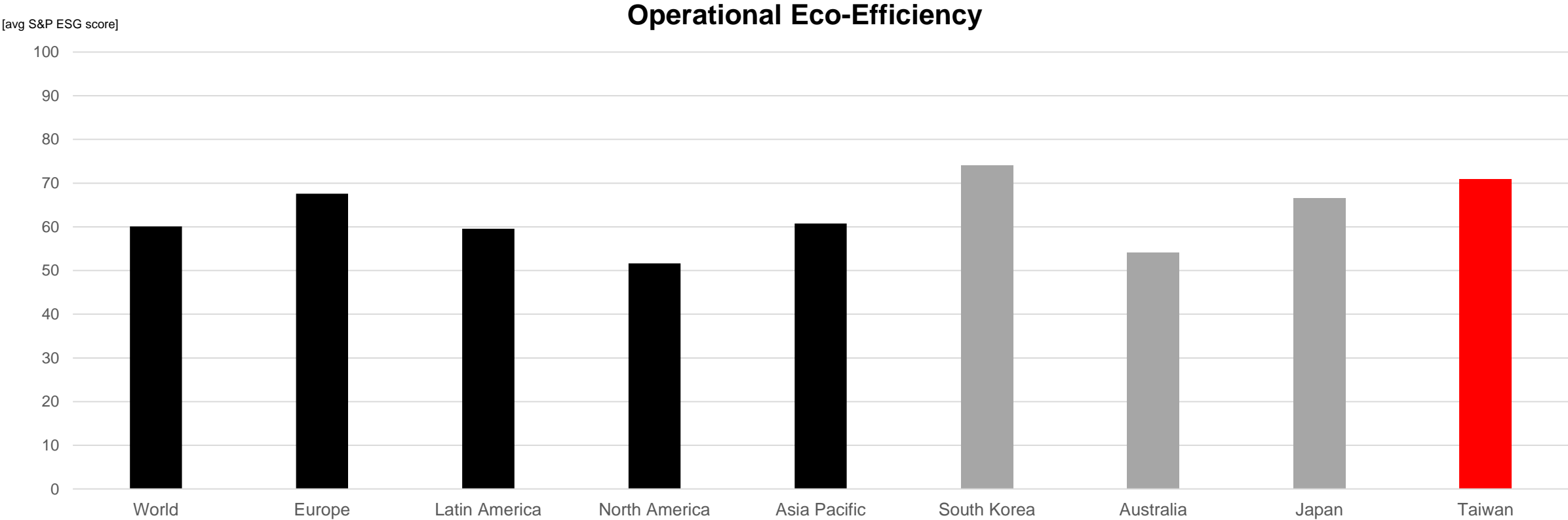
The chart shows the average total score in Biodiversity criteria of the region/country versus the average score of all actively participating companies worldwide.



Source: S&P Global CSA 2020.

Operational Eco-Efficiency

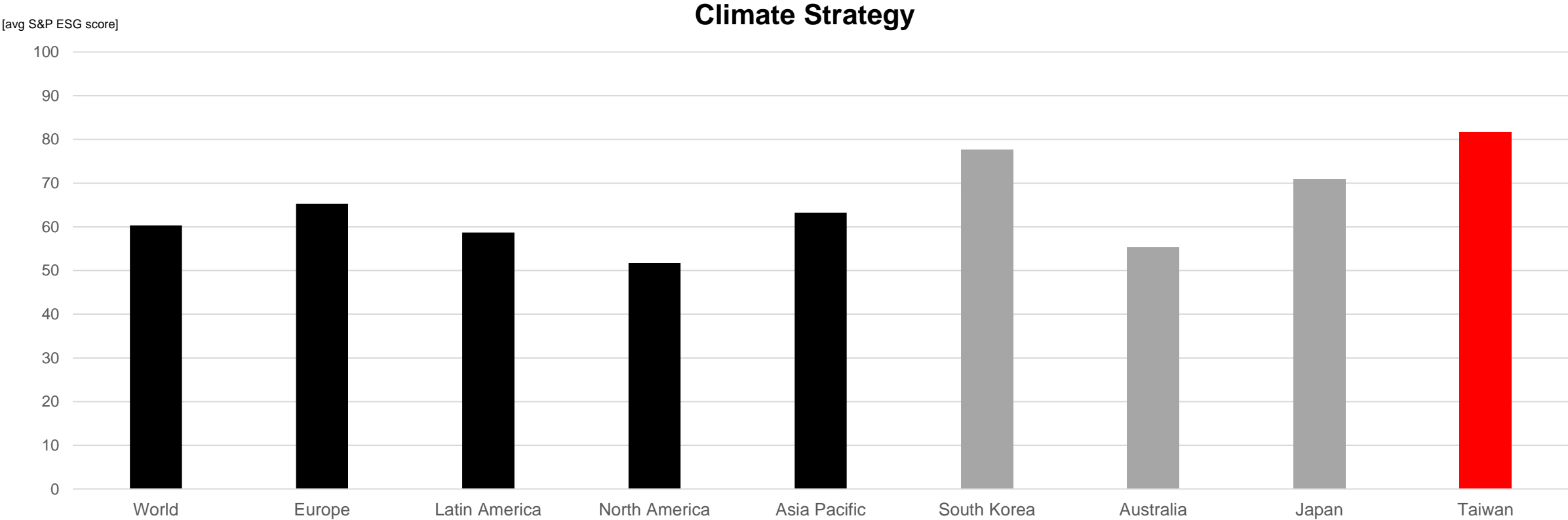
The chart shows the average total score in Operational Eco-Efficiency criteria of the region/country versus the average score of all actively participating companies worldwide.



Source: S&P Global CSA 2020.

Climate Strategy

The chart shows the average total score in Climate Strategy criteria of the region/country versus the average score of all actively participating companies worldwide.

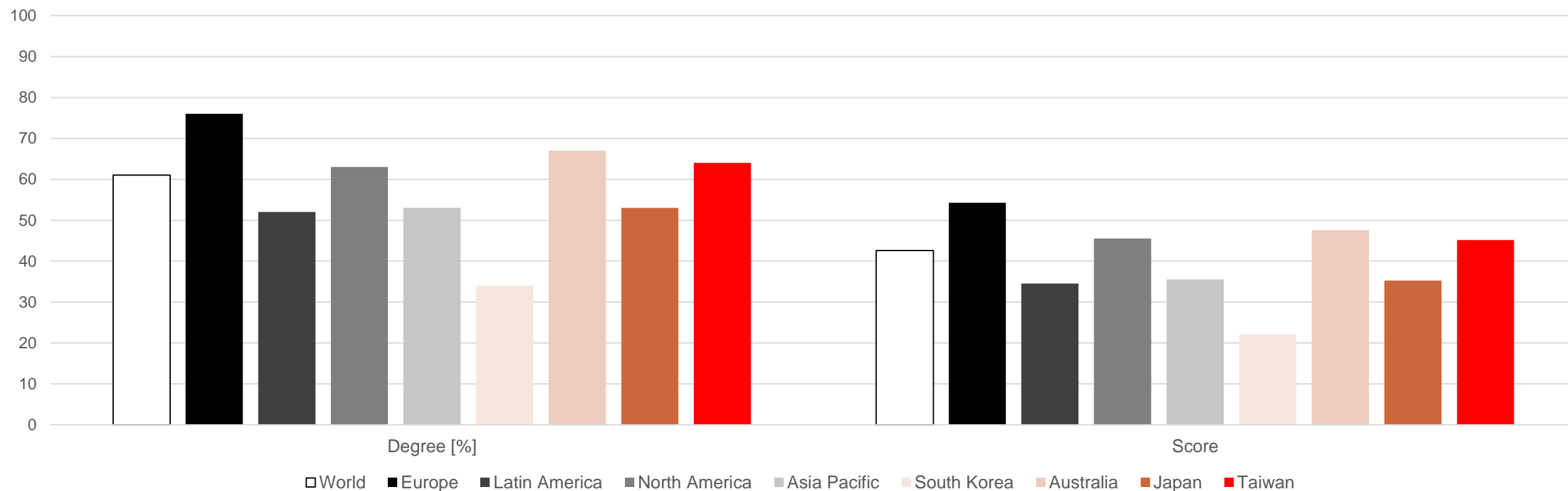


Source: S&P Global CSA 2020.

Transparency

The chart shows the level of transparency of ALL companies analyzed, based on English public documents.

Transparency of All Companies*



*The chart shows the degree of transparency in percentages for the questions that require public information in the CSA, and the average score achieved in those question for all companies analyzed (n=3,429).

3

The challenges for corporate governance during the pandemic and the responding measures in post-pandemic era.

Corporates during the pandemic

- Through the pandemic, insufficient consideration paid to all stakeholders in decision-making can backfire
- Stakeholder management has gained importance
- Corporations that better embed stakeholder considerations in their decision-making and strategy will limit unintended consequences and be more resilient over time

COVID-19 ESG Ripple Effects



Source: S&P Global Ratings.
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Impact for the governance

- No BAU, but “visual flight” require foresight, oversight, courage, and preparedness to scrutiny
- More than ever the commitment to the own vales is tested, and challenged
- The health of the workforce require a rethink of all processes

Governance

- Good decision-making and implementation structures
- Stand to the Codes and Values
- Be transparent and report to the different stakeholders
- Increased and new Cyber-risks

Environmental

- Need for natural resources and emission decreased during the pandemic
- Pressure to relax commitments and loosed regulation might create a more Long-term challenge

Social

- Health and Safety have become key for continuity
- Impact on communities can not be neglected
- Diversity and integration become apriority when skilled workforce is missing

Conclusions

- The ESG space is going through major transformational changes. Around the world, asset owners and asset managers are integrating ESG factors into their investment decisions.
- The changes are visible in different asset classes, especially in fixed income and credit.
- Taiwanese companies have understood the importance of ESG and are playing a role model
- The pandemic has created many challenges. The best companies learn, and change in a way that bring benefits also in a non-pandemic phase

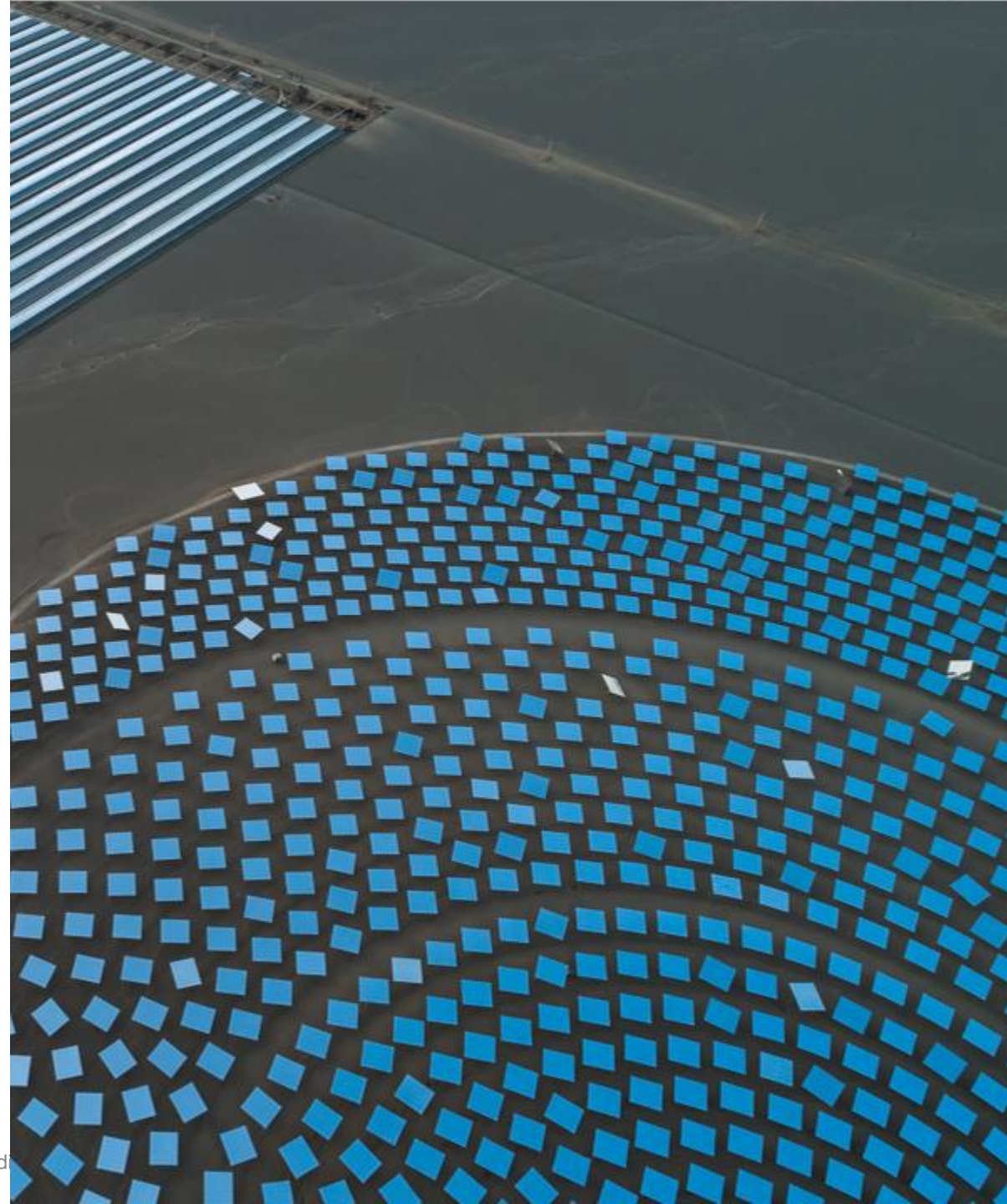
Additional Resources

To access S&P Global ESG offering:
www.spglobal.com/esg

CSA websites with studies,
reports, guidelines, etc.
www.spglobal.com/esg/csa

Questions?

Contact ESG Benchmarking
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