



The sustainable bond market in Taiwan by Taipei Exchange

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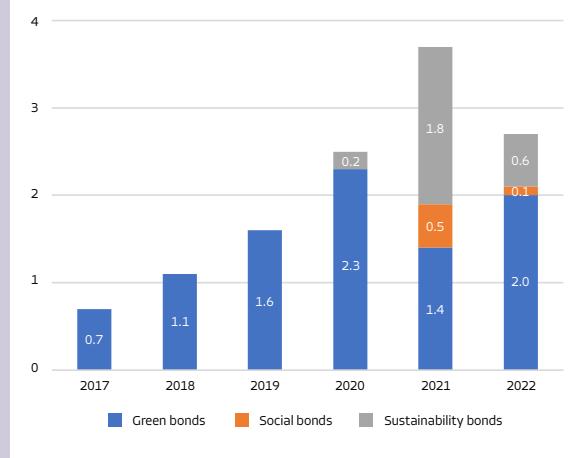
The development of the sustainable bond market in Taiwan: Sustainability is valued in Taiwan and throughout the world. Financial institutions attract funds from investors

which can be managed on their behalf based on sustainable criteria and objectives. In response to sustainability trends and under the guidance of the Financial Supervisory Commission, Taipei Exchange (TPEx) established green bond, sustainability bond and social bond markets in accordance with the Green Bond Principles (GBP), Sustainability Bond Guidelines (SBG) and Social Bond Principles (SBP) of the International Capital Market Association (ICMA). In 2021, we integrated those three into the sustainable bond market and promulgated the Taipei Exchange Operation Directions for Sustainable Bonds.

Market briefing and highlights: In 2021, the outstanding amount of sustainable bonds in Taiwan reached USD9.4 billion, which is milestone in the local sustainable bond market. There were 35 sustainable bonds with a total value of USD3.8 billion issued in 2021, which increased 59% and 69% from 2020, hitting a record high in both the quantity and the issuance amount of sustainable bonds.

As of August 2022, 19 green bonds had been issued in Taiwan in the total amount of USD2 billion. Eight sustainability bonds were issued in the total amount of USD0.6 billion, and two social bonds were issued in the total amount of USD0.1 billion. In terms of the outstanding balance, there were 84 sustainable bonds in an outstanding amount of USD12.1 billion, up 28% from 2021.

Development of Taiwan's sustainable bond market (2017 to 2022) in USDbn



Source: TPEx data obtained on 31.08.2022

From 2017 until the present, there has been a significant increase in and diversification of new issuers of sustainable bonds. In 2021,

16 new issuers entered the sustainable bond market, which is the largest increase in new issuers in any single year. It is worth mentioning that the Chilean Government, as the first foreign government to issue a sustainability bond in Taiwan, enhanced the diversity of sustainable bond issuers. Currently, sustainable bond issuers in Taiwan include domestic banks, foreign financial institutions, state-owned enterprises, private enterprises, and foreign governments, showing that Taiwan's sustainable bond market has effectively attracted diversified issuers.

At the inception of the green bond market, since the national policy to promote offshore wind power generation, sustainable bond issuers were mainly renewable energy-related companies such as Taipower and Orsted. Nowadays, Taiwan's representative high-tech companies such as TSMC have entered the sustainable bond market, which shows that Taiwan's sustainable bond market is not only assisting the global energy transition, but also assisting the enterprise sustainability transition.

New product launched: Sustainability-Linked Bond: In response to Taiwan's Pathway to Net-Zero Emissions in 2050 and Sustainable Development Guidemap for TWSE- and TPEx-Listed Companies, in order to assist enterprises in achieving their sustainability goals, in moving towards net-zero carbon emissions and sustainable transformation, as well as to expand the scope of sustainable bonds in Taiwan, the TPEx has established the Sustainability-Linked Bond (SLB) mechanism, which has been implemented since 8 July 2022. SLB is one of the most popular new instruments in the international sustainable bond market. Its flexible use of funds can effectively assist a more diverse range of issuers to raise funds from the sustainable financial market and provide investors with more choices for responsible investment. Following the launch of the SLB mechanism, Far East New Century and CHIMEI Corporation were the first SLB issuers in Taiwan. Both of their key sustainability indicators (KPIs) selected for the SLB framework include greenhouse gas reduction. Since SLB is a bond that links corporate sustainability objectives to bond principal and interest payment terms, investing in SLB is not only a demonstration of responsible investment, but also a concrete action to directly support the sustainable transformation of the real economy.

Outlook: Looking ahead, TPEx will focus on two aspects of the sustainable bond market. The first is to promote new instruments for issuers and investors, and the second is to continuously improve the transparency of information disclosure. To increase information disclosure, TPEx has created a website¹ for sustainable bonds which includes sustainable bond information, statistics data, the latest news and issuance process, etc.

In the future, TPEx will continue to strengthen the sustainable bond market and keep striving to encourage both development and environmental conservation among enterprises. We look forward to seeing the issuance amount of sustainable bonds increase in the future and to contribute to global sustainable development, in the hope that sustainability becomes a new Taiwan value.

1. TPEx Sustainable Bond Market (tpex.org.tw)