

# Sustainable Bond Market Q&A

## ***1. General Questions***

### ***1-1. Do issuers of sustainable bonds have additional eligibility requirements?***

There are no additional eligibility requirements for issuing sustainable developments bonds. Issuers who meet the general criteria for corporate bonds(straight corporate bonds, convertible(exchangeable) bonds and corporate bond with warrants), financial bonds, international bonds, and foreign currency-denominated bonds in New Taiwan Dollars(NTD), as well as government bond issuers, can all participate in the issuance of sustainable bonds.

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### ***1-2. How to issue sustainable bonds?***

Issuers that issue sustainable bonds should first apply to the Taipei Exchange for sustainable bond accreditation. After obtaining the accreditation, they should follow the current issuance procedures for various types of bonds. Additionally, you can refer to the [ESG section of our website/Sustainable Bond Introduction/Listing](#).

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### ***1-2. How to issue sustainable government bonds?***

Government issuers may refer to the [Sustainable Government Bond FAQ](#). (Currently only available in Chinese version)

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### ***1-4.Is it permissible to use the Taiwan Sustainable Taxonomy as screening criteria for eligible investment projects?***

Yes. Issuers may adopt the "Taiwan Sustainable Taxonomy" as screening criteria for eligible

investment projects, and issuers should disclose the standard in their framework if they adopt them.

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***1-5. Can the same framework be used to issue multiple sustainable bonds?***

Yes, it is possible. Under the conditions that the investment project still aligns with the content of framework, the same framework can be used to issue multiple sustainable bonds.

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***1-6. Can companies within the same group use the same framework?***

Yes. It is recommended that each issuer independently declares its adherence to the core elements of the principles published by ICMA. If a single framework applies to multiple issuers, it should explicitly list the names of the issuers to which the framework applies (within the scope of companies within the group).

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***1-7. Can the approved quota for sustainable bond accreditation in the same project proposal be issued in multiple installments?***

Yes. The approved quota for accreditation can be issued in installments within the validity period.

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***1-8. If the approved quota remains unused within the validity period of the accreditation, what should be done?***

If an application for extension with good cause is filed and the application is approved by the TPEx, a 6-month, one-time-only extension may be granted.

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***1-9. Can issuer apply for multiple types of sustainable bond accreditation at once?***

Yes. If the issuer hasn't decided which kind of sustainable bonds to issue, it can apply for both SLB and use-of-proceed bond at the same time.

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***1-10. How often should a Framework be updated?***

It is suggested that the issuer regularly review the Framework and update it in accordance with the company's sustainability strategy, applicable regulations, or international principles. If the content of the framework no longer complies with the *Operational Directions for Sustainable Bonds* or relevant international principles, or if there are changes to the issuer's sustainability strategy, screening criteria for eligible projects, SLB-related benchmarks, or other relevant circumstances, the Framework should be revised prior to issuance.

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***1-11. Which qualified reviewers are currently available internationally and domestically?***

In accordance with the third provisions of the Taipei Exchange Operation Directions for Sustainable Bonds, reviewers means a reviewer that, in accordance with customary practice in the international financial markets or with domestic practice, possesses the professional expertise to review Sustainable Bond Frameworks, use of proceeds, sustainability KPIs, or SPTs, and has relevant review experience. Issuers can refer to the list of external reviewers voluntarily align with the [ICMA Guidelines for External Reviewers](#), or the list of the [CBI approved verifiers under the Climate Bonds Standard](#).

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***1-12. Under what circumstances can the accreditation of sustainable bonds be revoked or terminated?***

1.If the issuer provides false or concealed information in the relevant application documents or declarations submitted in accordance with the Taipei Exchange Operation Directions for Sustainable Bonds.

2.If the issuer violates the Taipei Exchange Operation Directions for Sustainable Bonds or fails to make the necessary corrections or improvements within the specified period after being notified by the Taipei Exchange.

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## ***2. The Sustainable Use-Of-Proceeds Bonds Frequently Asked Questions***

***2-1. What standards are followed when issuing the sustainable use-of-proceeds bonds?***

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***2-2. Can an issuer issue a sustainable UoP Bonds where not all the proceeds are directed towards Green and/or Social Projects?***

Yes. Sustainable UoP Bonds must have 100% of the proceeds dedicated towards Green and/or Social Projects.

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***2-3. Can the funds raised from the sustainable UoP Bonds be used to invest in sustainable bonds?***

Not allowed. The use of proceeds of the sustainable UoP bonds must be used for eligible investment projects and should not invest in sustainable bonds.

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#### ***2-4. Can the funds raised from the sustainable UoP bonds be used for refinancing?***

The funds raised through the issuance of sustainable UoP bonds can be used for financing and refinancing qualified investment projects, including past capital expenditures, operational expenses, or debt repayments. In the case of refinancing, the following suggestions should be considered:

- 1.The funds should be traceable to qualified investment projects, and these projects should continue to deliver environmental or social benefits. The remaining operating lifetime of these projects must be equal to or longer than the bond's tenor.
- 2.For qualified operational expenditure, the EU and CBI recommend a maximum look-back period of 3 years, with attention to ensuring the ongoing environmental or social benefits.
- 3.It is recommended that issuers disclose which investment projects may be refinanced and their look-back periods in the framework. In addition, the actual refinancing ratio should be disclosed in the post-issue report.
- 4.To encourage issuers to demonstrate commitment to sustainable development and enhance the benefits of issuing sustainable bonds, it is suggested that funds raised should be prioritized for new qualified investment projects.

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#### ***2-5. Which green building certifications are internationally recognized for issuers to issue green bonds?***

Internationally recognized green building certification standards include LEED Gold or Platinum levels, as well as Taiwan's EEWB Gold or Diamond levels. Issuers may also refer to the technical screening criteria for new construction or building renovation projects outlined in the [Taiwan Sustainable Taxonomy](#) issued by the Financial Supervisory Commission.

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***2-6. Is the issuer required to state the target populations of the social projects in the framework and post-issuance report? Could the target populations be general public?***

Yes, issuers are expected to specify the target population in both the framework and post-issuance reporting. According to the ICMA Social Bond Principles (SBP), the objective of a social project is to address or mitigate a specific social issue and to generate positive social outcomes, which may include, but are not limited to, projects targeting a defined population group.

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***2-7. How to deal the situation when the funds are not fully utilized but the bond is about to mature?***

If the issuer assesses that the sustainable UoP bonds cannot be fully utilized before maturity, the issuer should apply to the Taipei Exchange for the termination of accreditation before the bond matures.

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***2-8. Can the sustainable UoP bonds be redemption or repurchased before the funds are fully utilized?***

If early maturity of the sustainable UoP bonds occurs as a result of redemption or repurchased, but the funds are not fully utilized, the issuer should still continue to disclose information in accordance with Article 13 of the Taipei Exchange Operation Directions for

***2-9. Can the funds raised by the sustainable use-of-proceeds bonds be used for R&D expenditure?***

According to international standards, the funds raised by the sustainable use-of-proceeds bonds can be used for R&D expenditures for qualified investment projects, with the key requirement that these expenditures must be directly related to a project with a clear environmental or social benefit. In addition, the R&D should have a Technology Readiness Level (TRL) of at least TRL 6. For details, please refer to the [EU Taxonomy](#) or the [CBI Climate Bond Standard Version 4.1](#).

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***2-10. Can the funds raised by the sustainable use-of-proceeds bonds be used to purchase renewable energy?***

If the issuer purchases renewable energy through long-term Power Purchase Agreements (PPAs) to support the establishment of new renewable energy project, rather than simply purchasing general-purpose renewable energy from a utility, the project may be considered as a qualified green investment project. However, the renewable energy project should meet the requirements of the relevant screening criteria, such as the direct greenhouse gas emissions from geothermal should be less than 100g CO<sub>2</sub>e/kWh. For details, please refer to the [EU Taxonomy](#) or [CBI Sector Criteria](#).

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***3. The Sustainability-Lined Bonds (SLBs) Frequently Asked Questions***

***3-1. What standards or principles should be followed in issuing SLBs?***

In the international market, issuers mainly follow the Sustainability-Linked Bond Principles (SLBP) published by the International Capital Market Association (ICMA) in issuing SLBs. The Taipei Exchange Operation Directions for Sustainable Bonds were also developed with

reference to the ICMA SLBP. For more information about SLBP, please visit the [ICMA website](#).

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### ***3-2. How to select appropriate KPIs?***

According to ICMA SLBP, the KPI should be relevant, core and material to the issuer's overall business and for high strategic significance to the issuer's current and/or future operations. The following are further explanations:

- **Core:** Issuers may refer to the ICMA [Illustrative KPIs Registry](#) and select the “Core” KPIs in the spreadsheet according to their industries.
- **Relevant:** The KPIs should be highly related to the issuer's core sustainability and business strategy.
- **Material:** The KPIs should reflect the core ESG challenges that are of most concern to the industry and stakeholders, and the issuer may utilize the materiality matrix to describe it. In addition, the scope of the KPIs should be significant in terms of scale/range, which can be expressed in ratios, e.g., the proportion (%) of the selected GHG KPIs to the company's total GHG emissions, etc.

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### ***3-3. Can the KPIs be an indirect indicator (e.g., inclusion of sustainability index or ESG rating, etc.)?***

Not recommended. Issuers should select KPIs that are directly related to corporate sustainability. If, under exceptional cases, an issuer can only select an indirect indicator (e.g., inclusion of sustainability index or ESG rating, etc.) as a KPI, the issuer should fully explain the rationale for the selection of the indirect indicator rather than the direct indicator, and how the indirect indicator reflects the ESG challenges encountered by its main operating business.



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### ***3-4. How to calibrate the SPTs?***

When calibrating the SPTs, the issuer shall do so with reference to the benchmark for comparison. The benchmarks are recommended for adoption in the following order of priority:

1. Science-based reference standards.
2. International, regionally agreed, or national standards.
3. Industry/sector standards or average performance of the issuer's peers.
4. The issuer's historical performance over a time of at least the previous 3 years.

It is recommended that multiple benchmarks be used to illustrate the ambition of the SPTs.

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### ***3-5. How many KPIs and SPTs should be set when issuing SLBs?***

An SLB should select at least one core KPI and each KPI should have at least one SPT. Issuers can choose multiple KPIs as needed, including at least one core KPI. Depending on the terms and conditions of the bond, multiple SPTs may also be set for a single KPI as well.

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### ***3-6. How should the target observation date for SPT be set?***

(1) It is recommended that issuers include targets that are appropriate for the financial instrument selection. In general, it is recommended to include an intermediate observation date. For example, for a 10-year bond an approximately 5 to 7-year observation date should

be considered as the latest.

(2) In addition, issuers should note that the last verification report should be publicly disclosed prior to the last principal repayment date, and therefore issuers should also take the relevant timeframe into account when setting the target observation date.

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### ***3-7. How can issuer design bond characteristics for SLB?***

Subject to the requirements of the Taipei Exchange Operation Directions for Sustainable Bonds, the bond characteristics for SLB can be designed as coupon step-up, coupon step-down and one-time payment/premium payment.

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### ***3-8. Can an issuer amend KPIs or SPTs after issuance?***

(1) If the issuer has good cause and has set out in advance in the prospectus and the relevant issuance documents, the KPIs (base performance/baseline, calculation methodology or scope of KPI) or SPT may be amended prior to the maturity date. The issuer should also appoint a reviewer to verify and provide a review report.

(2) Here are more detailed explanations:

According to ICMA Q&As, KPI(s) and SPT(s) will be fixed in the legal terms and conditions of an SLB at the point of issuance. Therefore, to the extent there is to be any discretion as to

how a KPI is calculated or potential for an issuer to change an SPT prior to maturity, it must be explicitly contemplated in the legal documentation (provisions have been observed in the market requiring the issuer: (i) to act in good faith; (ii) to make appropriate disclosures to bondholders and (iii) have an external party verify that the new KPIs/SPTs reflect at least the same level of materiality and ambition). It is recommended that the issuer should seek an external review such as an updated SPO, confirming inter alia that the changes would result in the SPTs being no less ambitious than those originally set, that the SLB continues to align with the SLBP, that there continues to be consistency with the issuer's sustainability strategy, that there is no (material) impact on the original SPO, and/or that changes to calculation policies are aligned with the SBTi methodology (or another relevant recognized body).

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### ***3-9. Can SLBs be full redemption or repurchased before the target observation date(s)?***

If early maturity of the SLBs occurs as a result of full redemption or repurchase, but not all the SPTs have been verified, the issuer should still continue to disclose information in accordance with Article 17 of the Taipei Exchange Operation Directions for Sustainable Bonds.

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### ***3-10. What is a verification report ?***

According to ICMA Guidelines for External Reviewers, in the case of SLB post-issuance reports, issuers are expected to seek independent and external verification against a designated set of criteria of their performance level against each SPT for each KPI. The most common type of verification report is the limited or reasonable assurance or a report issued by an independent verification organization (e.g., BSI, DNV, etc.).

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## ***4. Practical Online Resources***

***4-1. How should information disclosure be conducted for Sustainable Use of Proceeds(UoP) bonds?***

Please refer to:

[Sustainable Bonds Information Disclosure Promotion Seminar - Use of Proceeds\(UoP\) Bonds \(PDF\)](#)

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***4-2. How should information disclosure be conducted for SLBs (Sustainability-Linked Bonds)***

Please refer to:

[Sustainable Bonds Information Disclosure Promotion Seminar - Sustainability Linked Bonds \(PDF\)](#)

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***4-3. Where to obtain information on the international standards for sustainable bonds?***

Please refer to [ICMA website](#) or [CBI website](#).

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