ESG Evaluation replaces Corporate Governance Evaluation in 2026

In 2023, the FSC announced the creation of the ESG Evaluation as a key policy in its Sustainable Development Action Plans for TWSE and TPEx Listed Companies, in order to further identify the performance of TWSE and TPEx listed companies in various ESG aspects and provide investors with a reference for ESG investment decisions. In recent years, the TWSE has gradually expanded the environmental and social indicators of the Corporate Governance Evaluation, refining existing indictors and restructuring the original aspects along the three major dimensions: Environmental, Social, and Governance. In 2026, with the aim of guiding companies to fully implement sustainable development, the evaluation is to be transformed and renamed the ESG Evaluation.

In terms of weighting design for the first ESG Evaluation, the TWSE has adjusted the proportions of the three dimensions: Environment accounts for 21%, Social 31%, and Governance 48%. Through the evaluation framework and emphasis on information disclosure, enterprises are encouraged to focus both on corporate governance along with sustainable development.

In the Environment dimension, the evaluation focuses on GHG emissions, water resources, energy usage, waste management, the circular economy, climate action, biodiversity, natural sink, and supplier environmental management. Companies are required to establish a comprehensive framework for environmental sustainability, as well as disclose and apply relevant quantitative environmental data to reduce operational impact in pursuit of net zero transformation.

In the Social dimension, this update covers topics such as the protection of human rights and community relations, stakeholder communication, information security, customer and supply chain rights, business ethics, employee welfare, plus diversity and inclusion. The evaluation emphasizes the institutional management of human rights due diligence, integrity governance, information security, customer protection, and social participation. To guide companies to improve operational resilience and fulfill their social responsibilities, it places extra weight on transparency in human resource management, including the disclosure of employee compensation and benefits, career training, occupational health together with safety, family-friendly measures, and turnover rate.

In terms of Governance, there is a continued focus on shareholder rights' protection, board structure and operation, information transparency, alongside the soundness of sustainable governance mechanisms, which include: board diversity, operation of functional committees, remuneration disclosure, and linking ESG performance with senior management remuneration. These measures consolidate the foundation for sustainable business operations by deepening the governance system.

Looking ahead, the TWSE will continue to monitor international trends in sustainability and incorporate indicators into the ESG Evaluation as needed, to align with major domestic policy objectives. The design and adjustment of indicators provide guidance to listed companies and encourage them to improve their corporate governance. The goal is to steer companies toward sustainable operations and achieve sustainable transformation in line with global standards.

