

Fubon Sees Ongoing Strategic Value in Forum's Stakeholder Metrics



DECEMBER 2023

Introduction

Fubon Financial Holding Co., Ltd. is a Taiwanese financial institution with diverse product lines and services, with subsidiaries in banking, securities, asset management and insurance. The group's assets total \$340 billion and its presence has expanded out of Taiwan into Greater China, Korea and South-East Asia. Following a recent merger, the group now has a customer base that covers 58% of Taiwan's total population.

As the only financial institution in Taiwan invited to join the World Economic Forum, Fubon has been consistently focused on becoming a leader in sustainable and responsible finance. In its latest report to the Task Force on Climate-related Financial Disclosures (TCFD), the firm's financial chairman cited the Forum's [Global Risks Report 2023](#), which found that the top four risks in the next decade are all related to climate change and environmental issues.

In 2015, Fubon launched its comprehensive "ESG Visioning Project" and by 2021 it was focused on delivering against four strategies: decarbonization, digitalization, empowerment and connection. In 2022, the company became a member of the global corporate renewable energy initiative RE100 and committed to powering all 600 of its worldwide operating locations exclusively with green energy by 2040. In October 2022, [Fubon's proposal to reduce Scope 1 and 2 carbon emissions by 42% by 2030](#) (part of its goal to achieve net-zero emissions by 2050) passed a review by the Science Based Targets initiative. Since 2017, Fubon has featured on the Dow Jones Sustainability Indices' top index, the DJSI World Index. Also in 2022, the company ranked first among global insurers in the index's social dimension.

For this case study, we interviewed Cindy Lin, Executive Vice-President, Sustainability & Communications Division, Fubon Financial Holding Co., Taiwan, China.



The spirit of the Forum's Stakeholder Metrics is different from other reporting standards. Those frameworks are bottom-up, whereas the Forum's four pillars offer a more strategic view.

Cindy Lin, Fubon Financial Holding Co., Ltd., Fubon Financial Holdings



Key takeaways

- The Fubon group of financial services companies totals \$340 billion in assets and counts 58% of Taiwan’s population as customers.
- Fubon has committed to reduce Scope 1 and 2 carbon emissions by 42% by 2030 and to power all its operating locations worldwide exclusively with green energy by 2040.
- The company mapped the Forum’s core and expanded disclosures against the Global Reporting Initiative’s framework and uncovered some important gaps, in particular around nature loss and skills for the future.
- Questions from Fubon’s institutional investors around ESG performance and science-based targets have increased in recent years – investors are “very interested in the Stakeholder Metrics”.
- Fubon uses the metrics as a reference point for a screening questionnaire to assess the risks its clients face from nature loss and other environmental challenges.
- The company is incentivizing customers to adopt a low-impact pathway through offering sustainability-linked loans.
- The Forum’s expanded metrics on skills for the future, including the number of unfilled skilled positions and the monetized impacts of skills training, provide Fubon a broader and more strategic ambition around training linked to every employee in the company.
- Fubon calls on standard setters in both Taiwan and globally to prioritize a clear, unified framework for sustainability reporting that provides common definitions around green finance.
- The Stakeholder Metrics provide added value in three ways: the four pillars are intuitive and easy to communicate; the metrics offer a credible, concise global framework with a strategic view; they help expand corporate ambition and offer an “outside-in” perspective.

Rationale for reporting: identifying gaps and demonstrating risk management

Plugging the gaps around nature loss

Fubon has been required by the Securities Exchange of Taiwan to report against the standards of the [Global Reporting Initiative \(GRI\)](#) for several years. So when the company started integrating the [Forum’s Stakeholder Metrics](#) in 2021, it began by mapping the Forum’s disclosures against the GRI’s framework and found that 90% of the metrics overlapped. Nevertheless, the company uncovered some important gaps not covered in their GRI reporting, in particular around nature loss and skills for the future – two sets of issues that the group is keen to integrate into its future ESG strategies.



One of the valuable things about mapping our sustainability reporting against the Forum’s Stakeholder Metrics is that we can find the gaps between global standards and our own initiatives.

Cindy Lin

Fubon has made progress in using its influence over investments and loans to cut carbon emissions. The committed science-based targets have covered more than half of its total investment portfolio and lending activities. These include loans to sectors such as power generation, commercial real estate, electronics, petrochemicals, oil and gas.

“Nature loss, however, is a new challenge for the financial institutions to explore,” says Cindy Lin, adding: “The nature-related data availability and establishment of methodology are top tasks to achieve a meaningful measurement.” Fubon has sought guidance from the Taskforce on Nature-related Financial Disclosures (TNFD) to understand the role of nature in the world of financial services.

The company has also found the [nature-related expanded metrics in the Planet pillar of the Forum’s framework](#) to be useful. These include metrics on land use and land conversion, ecological sensitivity, resource circularity and the valued impacts of freshwater consumption, air pollution, water pollution and solid waste.

Demonstrating risk management in action

Another key rationale for Fubon to embrace sustainability reporting in general and the Forum's metrics is the need for the company to demonstrate to its investors that it is responsibly managing the risks posed by climate and environmental challenges.

At the core of shareholders' concerns is that Fubon and its subsidiaries have made public net-zero commitments that must be honoured. Given that much of the climate risk facing Fubon relates to Scope 3 emissions in its value chain, it is particularly important to demonstrate how the firm will fulfil its commitments through strategic products and initiatives.

"Institutional investors always ask about our ESG performance, our science-based targets, our green finance plans – and they are very interested in the Stakeholder Metrics", says Lin. "These kinds of questions have only increased in the past two years."



Institutional investors are very interested in the Stakeholder Metrics.

Cindy Lin

Solutions: screening clients and incentivizing them along a low-impact pathway

Screening questionnaire to understand nature-related risks to clients

Fubon considers the impacts that its clients have on nature to be a "very important issue". The company's approach to the issue includes a "screening questionnaire" to establish a deeper understanding of the risk level that nature loss poses to its clients. Fubon used the Forum's Stakeholder Metrics as a reference point to flesh out its nature-related questions for clients.

"The screening questionnaire is part of our due diligence process," says Lin, who adds: "We use it before undertaking any investment or financing procedure to ensure that our money will not be put under any nature-related risks."

Sustainability-linked loans and divesting from climate-risk industries

Fubon is looking to apply some of its climate-related experience to the nature agenda. Lin points out that for financial institutions, which generally have limited operational emissions, their Scope 3 footprint is the main concern. The company has a very clear policy towards clients with heavy carbon emissions. "We will gradually pull out our investment from highly climate-sensitive industries in Taiwan," she says.

However, Fubon is also talking to its customers, including small and medium-sized enterprises (SMEs), about how they can achieve their science-based targets and actively assisting them in their transition to a low-carbon future. One way Fubon's banking operations do this is by offering sustainability-linked loans that are linked to carbon emissions targets: the better that borrowers perform on emissions, the lower the interest they pay.

Impact, learning and advice

Expanding the company's ambition on skills for the future

We have already seen how the Forum's nature-related expanded metrics in the Planet pillar have helped Fubon to expand its reporting ambitions around environmental impact. The same is true of the [expanded metrics on skills for the future in the People pillar](#). These include disclosures on the number of unfilled skilled positions (sourced from the World Business Council for Sustainable Development) and on the monetized impacts of skills training as reflected in increased revenue, productivity, employee engagement and hire rates (adapted from the Organisation for Economic Co-operation and Development).

“Skills for the future is a very important issue that we have not yet defined as material to our core operations,” says Lin. “We do provide skills training for the future, for example in artificial intelligence,” she adds, “but the Forum’s metrics on skills training provide a broader and more strategic ambition linked to every employee in the company.” As a result, Fubon’s HR department keeps seeking refinements for its training programmes to provide a more strategic approach to building skills for the future across the workforce.

“ **The Forum’s metrics on skills training provide a broader and more strategic ambition linked to every employee in the company.**

Cindy Lin

Advice to newcomers: focus on the issues material to your core business

Lin’s advice to companies embarking on their sustainability reporting journey is simple and direct: “Understand what your core business is, identify which issues are most material to that business, then map the Stakeholder Metrics onto those issues – that will ensure that your ESG initiatives are in line with your business strategy.”

Advice to standard-setters

Fubon is part of a growing number of businesses calling on standard setters to prioritize developing a clear, unified global framework for sustainability reporting. Lin explains why this is important: “For years, many financial companies have released ESG reports. But it’s not easy to compare one company’s performance against another’s, because the definitions are not aligned.”

She also points out that there are not even unified reporting standards within Taiwan – something she calls on Taiwan’s competent authorities to address, especially in relation to the [EU Taxonomy](#). “We are expecting the reporting standards update and definitions of green-related issues. It is very important to have a fair comparison and a common language to be able to talk with clients about, for example, the definition of green finance.”

Added value of the Forum’s Stakeholder Metrics

The four pillars are intuitive and easy to communicate

How the Forum organizes its Stakeholder Metrics is very intuitive, says Lin. In particular, the grouping of core and expanded metrics under the four pillars of Governance, People, Planet and Prosperity makes the framework much easier to understand than other similar sustainability standards. This adds value to Fubon because it makes it easier for the company to communicate its targets and performance both internally as well as to customers, shareholders and the wider public.

The intuitive simplicity of the Forum’s metrics also enables Fubon to encourage its subsidiary companies to report against the same standards in a way that ensures the whole group is speaking the same sustainability language when it comes to reporting.

A credible, concise global framework with a strategic view

The Stakeholder Metrics provide a global framework that is attractive for companies with international ambitions. Lin puts it like this: “Although Fubon is an Asian company, we want to become a world-class ESG company, so we are always looking for frameworks and collaborations with a global angle.”

In the absence of an agreed set of global sustainability standards, the Forum’s metrics offer a credible and concise proxy global framework, against which companies like Fubon can map their ESG strategy. Of course, Fubon is already using the GRI framework as a basis for its ESG report; and the company will adapt its reporting to align with the forthcoming standards from the [IFRS Foundation’s International Sustainability Standards Board \(ISSB\)](#). But as Lin puts it: “The spirit of the Stakeholder Metrics is different from the other reporting standards. While Fubon will align its reporting with GRI, ISSB and others, those frameworks are bottom-up, whereas the Forum’s four pillars will remain valid because they cover all the data we need to aggregate – they offer a more strategic view.”

Expanding corporate ambition and offering an “outside-in” perspective

As we have seen with the expanded disclosures on nature, resource use and skills, the Forum’s Stakeholder Metrics have helped expand Fubon’s ambitions, in terms of both sustainability reporting and ESG strategy. By mapping Fubon’s existing reporting against the Forum’s core and expanded metrics, the company has been able to identify gaps which could have a material impact on the business and the risks it may face, especially through the operations of its value chain.

Beyond plugging gaps there is a more important point here: the Forum’s framework offers a perspective on sustainability that is not just future-focused but also “outside-in”. Lin explains this through reference to the fourth pillar – Prosperity. The [metrics under Prosperity – such as total tax paid, social value generated, vitality index and total social investment](#) – take the Stakeholder Metrics into a new realm beyond the three core concerns of most ESG reporting.

“I think the Prosperity pillar is very interesting, because it looks at sustainability from the stakeholders’ perspective, not from the company’s point of view,” she says, adding: “The Stakeholder Metrics view the performance of the business from the outside-in – that’s the value of them, that is what makes the difference.”

“ **The Stakeholder Metrics view the performance of the business from the outside-in – that’s the value of them, that is what makes the difference.**

Cindy Lin

