



**Showcasing Taiwanese Business Potential
Internationally:**

**How Credit Ratings Can Enhance Issuers' Global
Visibility And Competitiveness**

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Showcasing Taiwanese Business Potential Internationally: How Credit Ratings Can Enhance Taiwanese Companies' Global Visibility And Competitiveness

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As a relatively small economy, Taiwan has relied on its export sector to support economic growth since the 1960s, when export-oriented policies first kicked off. And in recent years, the former and incumbent Taiwanese administrations have been encouraging businesses to reach out to neighboring overseas markets and cooperate more closely with international business partners under the government's 'Asia Cup' and 'New Southbound' policies.

However, expansion into unfamiliar territories brings unknown economic and financial risks. Moreover, there are challenges in demonstrating to potential clients and business collaborators that you are a reliable partner in cross-border collaborations where counterparties are unfamiliar with one another. Taiwan Ratings Corp. considers this to be an ideal opportunity for Taiwanese businesses to capitalize on the multifaceted benefits of global scale ratings to raise their global presence and competitiveness on the international stage.

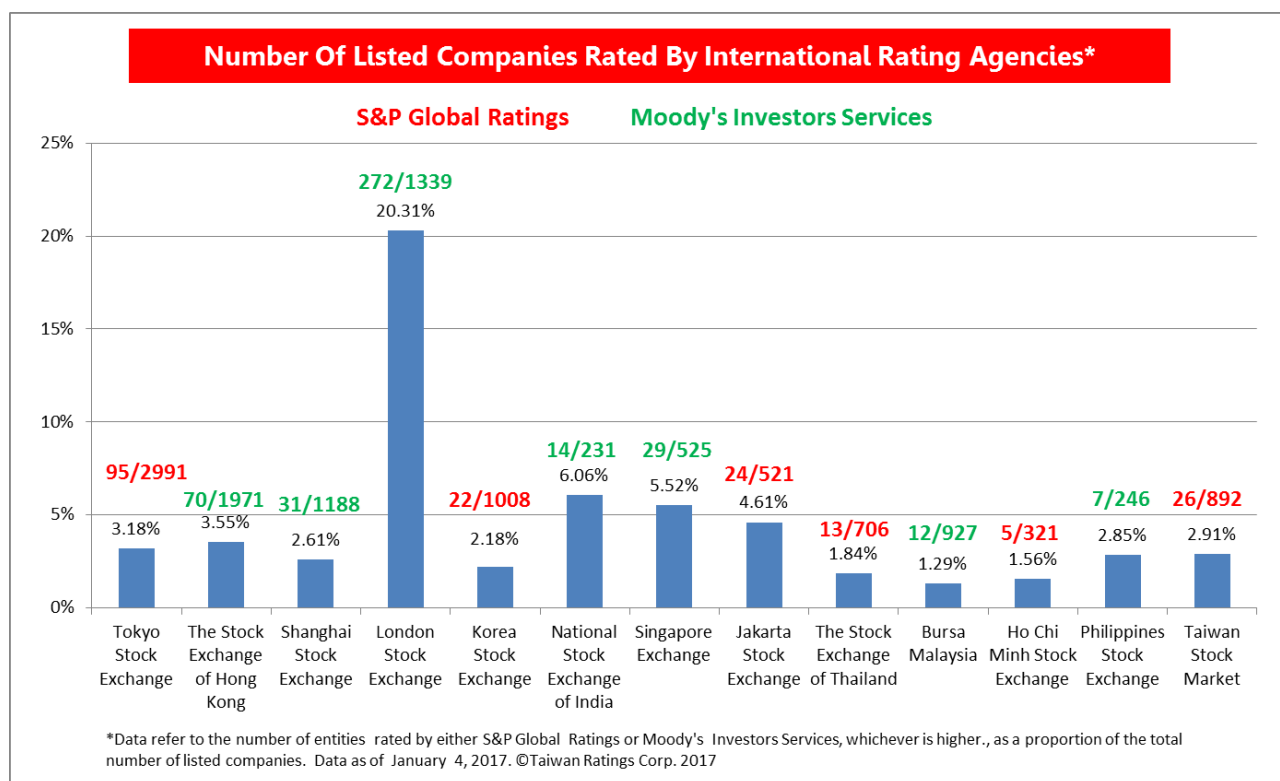
Overview:

- Listed companies in Taiwan receive fewer global ratings compared with those in advanced markets worldwide.
- Global scale ratings may help Taiwanese businesses raise their global presence and competitiveness.
- For Taiwanese companies wishing to expand into overseas markets, the use of global scale ratings can showcase their competitive edge in terms of 'global' credit assessment measures.

The penetration of credit ratings among corporate and financial institutions in Taiwan still lags woefully behind our global peers albeit lightly ahead of some regional peer markets (see chart). Among a total of 892 listed companies in Taiwan, only 26 are jointly rated by S&P Global Ratings and Taiwan Ratings. For too long credit ratings have been considered in Taiwan as nothing more than a fundraising tool or a mere regulatory requirement. But credit ratings offer so much more and can in fact help a business to present itself in an unfamiliar environment and raise awareness of its financial strength, management competence, and credit stability.

In other financial markets, credit ratings have long been disclosed by companies as a tool for investor relations and to strengthen disclosure, even if they don't have any plans to issue new debt. Some companies even request ratings to as a means of providing a 'health check' on their corporate management, which allows potential investors and business collaborators to gain an understanding of what sort of company they'd be doing business with.

In today's global economy where greater transparency is increasingly important, credit ratings provide an objective investor relations and disclosure tool for an entity. Insurance companies around the world, for example, advertise their credit ratings as a sign of creditworthiness. In fact, it is not uncommon that in a bid for major contracts in overseas markets, some project sponsors may require a credit rating as a way to demonstrate a bidder's creditworthiness, given the recognizable and more comparative nature of global credit ratings.



We believe that global credit ratings offer to play a crucial role bridging the information gap between an entity and financial or business markets. Credit ratings can help give insight to the credibility of an entity company and raise confidence in the company's financial strength because the ratings are assigned by a professional team of independent credit rating analysts. A credit rating can also act as a marketing tool to develop a good image of the company among investors, customers, dealers, and suppliers in new markets.

Global scale ratings could offer a significant boost to companies' expansion efforts. That's because when companies move into new and uncharted territories, they find themselves competing as a relative unknown because their name recognition and solid reputation might not extend far beyond their national borders. With a global credit rating an entity could more easily win the trust of investors, customers, dealers and suppliers in the international markets where it seeks to expand, thereby establishing a solid business foundation.

Rating agencies view companies from the creditors' perspective, with greater emphasis on the stability of operating cash flow throughout business cycles. The rating process evaluates corporate strategy and the fundamental strengths and weaknesses of an entity's business and financial policies. By providing the market with a credit rating, the entity saves those unfamiliar with their business and background from the tiresome job of investigating the company in greater detail. The credit rating itself is a marketable tool that along with rating reports delivers much of the information that an investor or potential collaborator could require in decision making.

In Taiwan Ratings' view, global scale ratings have a much more expansionary role in today's global market than as a mere regulatory requirement or tool for bond issuance. Credit ratings offer an ideal tool for Taiwanese entities expanding overseas to demonstrate where they stand in terms of 'global' credit assessment measures, to bolster their investor relations and to raise awareness to unfamiliar partners. We therefore believe that with greater acceptance and understanding of their roles, global scale ratings offer far more important and varied uses for Taiwanese corporates and financial institutions as they charter a course for overseas expansion. In addition, amid waning turnover in Taiwan's stock market, further promulgation of global scale ratings in Taiwan may help its promising companies to stand out as new investment targets for foreign investors.

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