



永豐金證券  
SinoPac Securities

# Stewardship Report 2020



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## I. SinoPac Securities and Responsible Investment

### 1. About SinoPac Securities

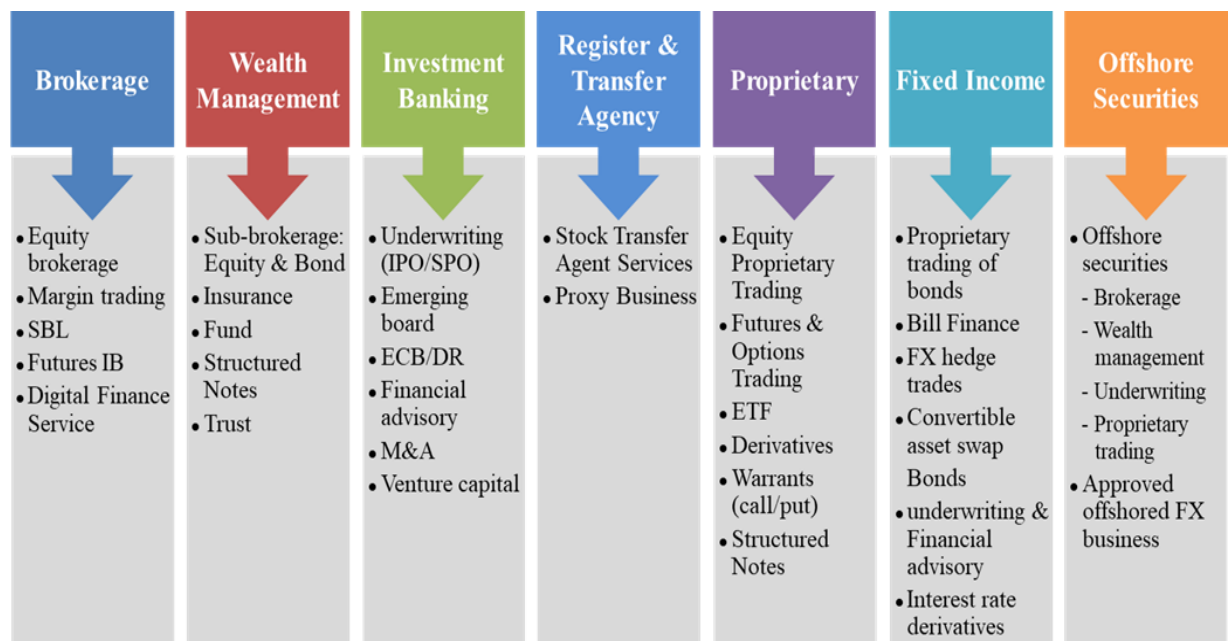
SinoPac Securities, established in 1988 and the first among its peers to list on Taiwan’s TPEX market, is a fully-owned subsidiary of SinoPac Financial Holdings Company Limited (SinoPac Holdings). SinoPac Securities’ service scope spans broking, proprietary trading, underwriting, fixed income, new financial products, etc. SinoPac Securities is a major integrated securities firm in Taiwan with a paid-in capital of NT\$16.212 billion and 47 service locations, and the business rankings are among the leading positions in the industry.

Aside from the domestic market, SinoPac Securities has also been aggressively deploying overseas with business locations in Hong Kong, Shanghai, and London to provide an optimized financial services integration platform. As an innovator in the industry, SinoPac Securities fully embraces the digital finance revolution. Through effective branding and development strategies, SinoPac Securities aims to be a digital leader in the securities industry and the first choice for seamless wealth management services, in accordance with the mission to be a premier integrated financial services provider.

Looking towards the future, SinoPac Securities shall continue to reinvent and innovate the business, strengthen its compliance and risk management, implement strict risk controls, engineer financial products as per market demand, expand the scale of our “digital finance” offerings, provide specialty products and services, and maintain the optimal asset allocation in agreement with shifting economic trends. SinoPac Securities upholds the vision of “Fulfillment of a Beautiful Life Through Finance” and emphasizes human values, professionalism, and the principles of good faith when providing clients with sound financial solutions.

As a an asset owner, SinoPac Securities not only abides by the "Stewardship Principles for Institutional Investors," but also complies the " Guidelines on Responsible Investment Management " formulated by the parent company, SinoPac Holdings. We strive to bring the influence of being an institutional investor and enhance investment value. Incorporate sustainability issues, including environment, social, and governance (ESG), into long-term investment considerations to enhance the overall interests of company and its shareholders, and promote the development of a healthy system into the capital market.

### SinoPac Securities Business Scope



2. Process of responsible investment

SinoPac Securities signed the compliance statement of the "Stewardship Principles for Institutional Investors" in July 2018, and then updated and released the latest compliance statement in September 2020. In addition, we followed "Guidelines on Responsible Investment Management" from SinoPac Holdings to establish "SinoPac Securities Corporation Guidelines on Responsible Investment Management" in December 2019, referring to "The Principles for Responsible Investment" (PRI) from United Nations, and in accordance with the "United Nations Sustainable Development Goals" (SDGs). In 2020, we established "SinoPac Securities Corporation Stewardship Policy" to concretely show that as an asset owner implements the sustainable operation and stewardship goals, and bring the positive influence as an institutional investor.

In response to "Stewardship Principles for Institutional Investors," SinoPac Securities has disclosed the voting results of investees' shareholders' meetings from 2019 and compiled the "Stewardship Report" from 2020. We regularly disclose the latest results of the performance status of stewardship in the first quarters in each year, and update in the section of stewardship on the official website. The section is provided for customers, investors and the general public with access.

Process of Responsible Investment in SinoPac Securities



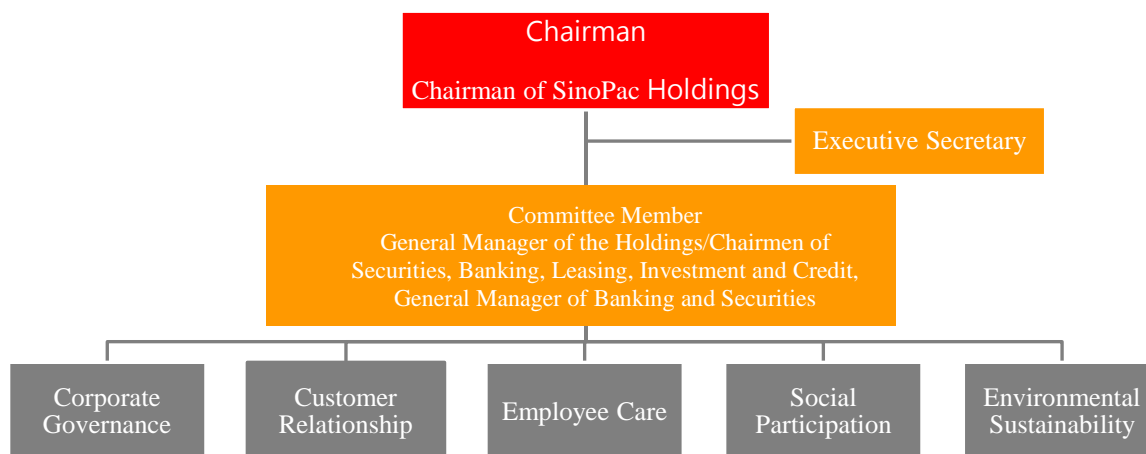
3. Establish a responsible investment team

SinoPac Holdings established a "CSR Promotion Core Group" in 2015 to actively organize CSR related affairs. In 2018, in addition to formulating the "Principles of Corporate Social Responsibility," we also actively responded to international sustainability trends and implemented social corporate responsibilities in the financial industry. "Sustainable Development Committee" was officially established in 2018 to emphasize the integration of the financial industry to promote sustainable development. Based on the four sustainable missions of "integrity and solidity, eternal wealth, environmental sustainability, and social prosperity," also taking the three major aspects of environment (E), society (S), and governance (G) as the foundation, we proposed the five eternal principles of "beautiful and honest life," "beautiful and rich life," "beautiful and affectional life," "beautiful and balanced life," and "beautiful and vivid life." We formulated sustainable development blueprints and short, medium and long-term key work plans based on the five axes to specifically respond to the customers, shareholders and society, and fulfill corporate social responsibilities.

The "Sustainable Development Committee" in SinoPac Holdings is led by the parent company and carried by subsidiaries to implement corporate social responsibility and corporate governance policies. Under the committee, there are five established promotion groups including corporate governance, customer relations, employee care, social participation, and environmental sustainability. In the

customer relations group, the introduction of responsible investment, the development of green financial products, and the promotion of ESG are listed as important work goals. SinoPac Securities also serves as an important member of the relevant working group. In the field of social participation, SinoPac Securities have encouraged colleagues and promoted various public welfare activities for years. We also assist in care activities such as remote and disadvantaged groups, and participate in environmental protection activities initiated by the parent company.

Organizational Structure of "Sustainable Development Committee" in SinoPac Holdings



**II. Incorporation of ESG Assessment and Investment Process**

1. Decision-making process of incorporating ESG into the investment analysis

In order to strengthen the handling of investment and asset management business, SinoPac Securities incorporates ESG and other issues into investment analysis. Follows SinoPac Securities' " Guidelines on Responsible Investment Management," incorporating ESG assessment into the investment process, and mainly uses the following related indicators:

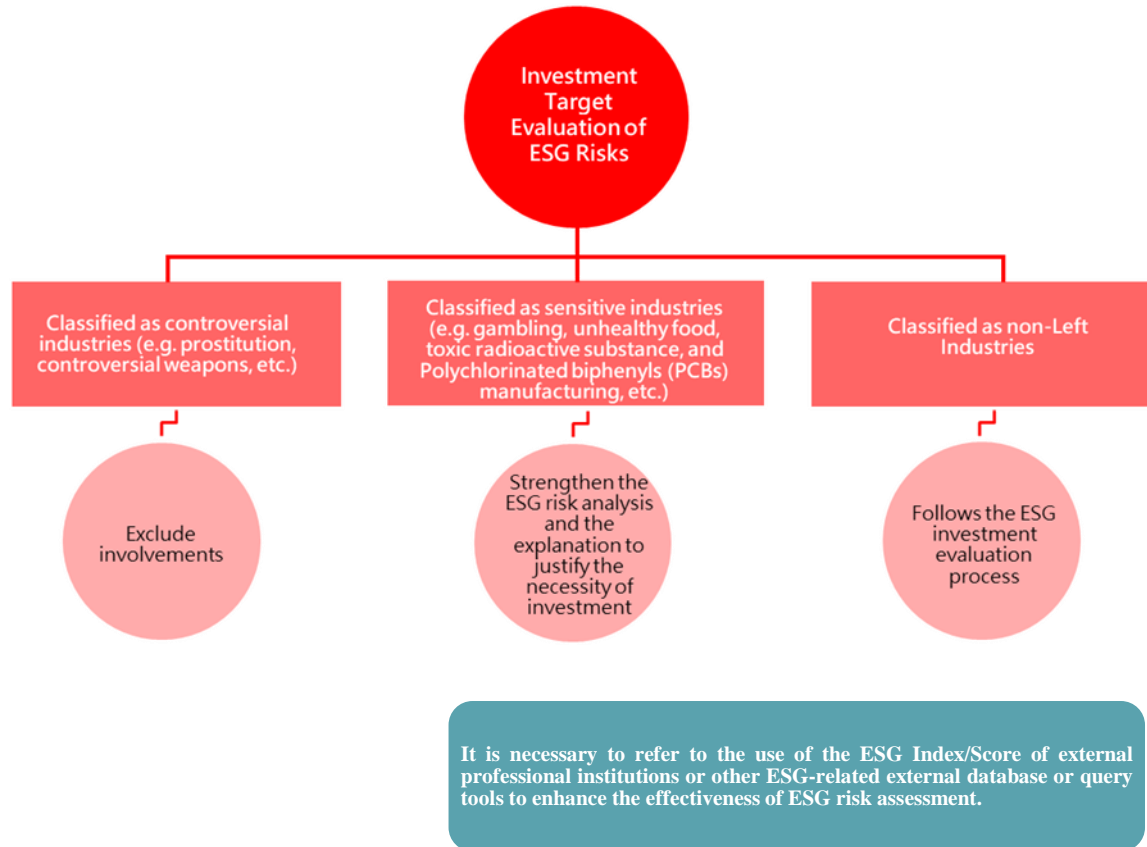
- (1) In the investment appraisal process, based on known information, due diligence and prudent assessment should be conducted, referring to related organizations and professional institutions such as International Finance Corporation, The World Bank, United Nations, etc. The guiding principles and standards include ESG considerations into the risk assessment.
- (2) In the process of investment decision-making, we refer to the ESG scoring mechanism of professional institutions, ESG-related benchmark index stocks, or other ESG-related external resources or tools to strengthen the pre-investment assessment.
- (3) Support thematic investments that are conducive to the development of ESG issues, invest in industries or investment targets that focus on ESG issues, or increase green bond investment..

2. List of controversial and sensitive investments and evaluation of risk measurement

Follow the United Nations "Principals of Responsible Investment" and refer to the " Guidelines on Responsible Investment Management" of SinoPac Holdings and the " Guidelines on Responsible Investment Management" of SinoPac Securities. If we are aware that we should exclude involvement in controversial industries such as prostitution, controversial weapons, etc. As for sensitive industries, such as gambling, unhealthy food, toxic radioactive substance, non-medical treatment, harmful human genetic engineering, non-adhesive asbestos fiber and Polychlorinated biphenyls (PCBs) manufacturing, we should be carefully evaluated to avoid major adverse effects on the sustainable development of ESG.

In the process of investment evaluation and decision-making, it is necessary to refer to the use of the ESG Index/Score of external professional institutions or other ESG-related external database or query tools to enhance the effectiveness of ESG risk assessment.

## Risk Evaluation Process of SinoPac Securities ESG Investment



### 3. Observation and evaluation of the information from the investee ESG

In addition to the prior ESG investment assessment and risk evaluation for investment targets, we will continue to monitor the existing investment targets, and regularly review whether the target company continues to appropriately disclose and provide information on ESG issues and information. This includes whether the targets issue CSR reports, the contents of the reports, and important ESG issues. Also promptly address the release schedule of the CSR report, the promotion of ESG issues and urge improvements.

### III. Performance Status of Stewardship

#### 1. Compliance statement and explanations of objection

SinoPac Securities has signed the "Stewardship Principles for Institutional Investors" compliance statement in 2018, and completed the latest version of the statement update in September 2020, in order to better implement and exert the professional and influence of institutional investors, and improve asset owner responsibility of the industry. Furthermore, it also enhances the long-term interests of company and shareholders to fully implement the spirit of responsible investment.

✓ As of the end of December 2020, there has been no unfulfilled principle in SinoPac Securities' compliance statement in the "Stewardship Principles for Institutional Investor".

#### 2. Status of shareholders present, votes and proxy votes

In 2020, SinoPac Securities has attended 421 shareholders' meetings of domestic invested companies (including extraordinary shareholders' meetings). The attendance rate was 100%, and the proxy attendance rate was 0%. A total of 2,089 proposals were voted, of which 2,064 cases were in favor, 1 case was opposed, and 24 cases were abstained.

#### Statistics on attendance of shareholders' meeting



Note: In accordance with 22 July 2016 Order No. Financial-Supervisory-Securities-Firms-1050021126 of Financial Supervisory Commission and 17 March 2017 Public Announcement Taiwan-Stock-Intermediary-10600044411 of Taiwan Stock Exchange Corporation, a securities firm not adopting electronic voting at a shareholders' meeting of a company of which it holds shares and holding less than 300,000 shares of such company may elect not to appoint personnel to attend said meeting.

In the stewardship policy formulated by SinoPac Securities in 2020, for those attending to the shareholders' meeting of the investee company, In principle, the Company supports proposals made by the board of directors or candidates for directors and supervisors of the companies whose shareholding percentage meets the standards specified in Article 26 of the Securities and Exchange Act, but may not absolutely support proposals made by the management. Specific principles: Principle of support: Proposals made and corporate financial reports submitted by the companies ranking among top 5% in the annual corporate governance evaluation; Principle of objection: Proposals that violate major climate-related issues; Principle of objection or abstention: Where the management of the company has conducted business in unsound operations, which is likely to damage the rights and interests of the company or its shareholders, or the company is imposed with penalties by relevant competent authorities for violation of sustainable development principles in the aspects of environment, society, and corporate governance and other material circumstances. The implementation in 2020 is as follows:

Supported proposals are as follows:

Attending the shareholders' meeting of the Corporate Governance Evaluation top 5% companies		Number of supported proposals of financial report
Number of companies	Number of supported proposals	
48	239	376

Opposed proposals are as follows:

Types	Number of opposed proposals	Expatiation
Proposals that violate major climate-related issues	0	No proposal of this type of the shareholders meeting of the invested company in 2020

Opposed or abstained proposals are as follows:

Types	Number of opposed proposals	Expatiation
Proposals are not proposed by the board of directors whose shareholding percentage meets the standards specified in Article 26 of the Securities and Exchange Act	1	This case is a shareholder proposes to reduce the capital by cash and return to the shareholders. Since SinoPac Securities is a professional investment institution, after evaluation, we support the proposal of the company's board of directors in principle, so we voted against it.

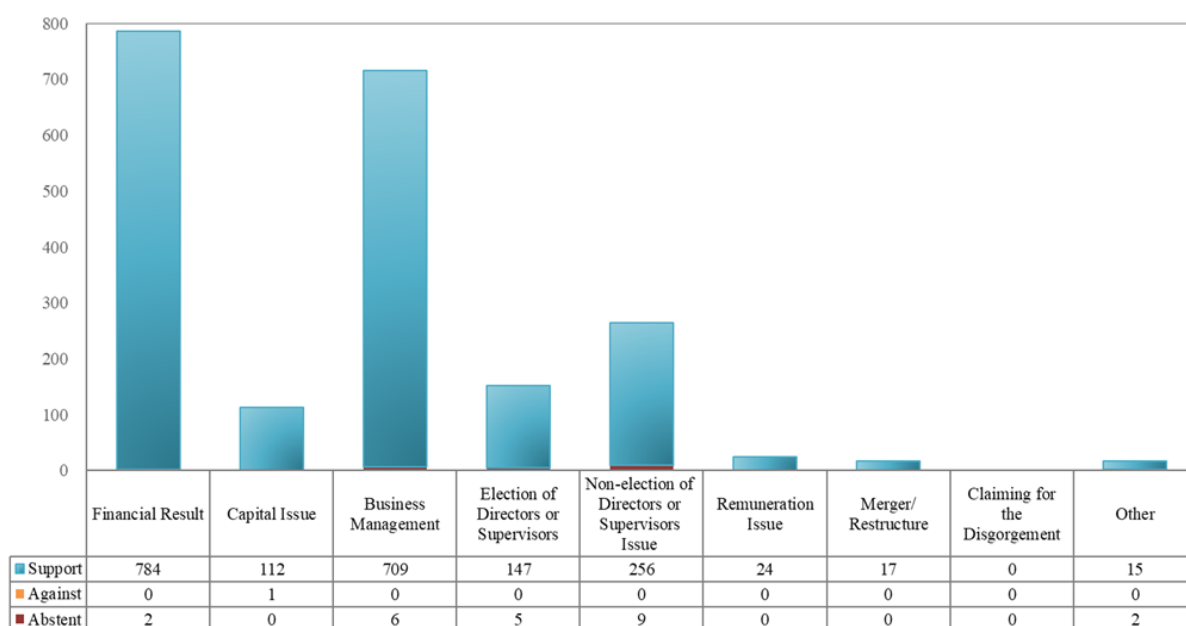
Types	Number of abstained proposals	Expatiation
Proposals related to the election of company directors in which corporate governance disputes have occurred	24	Regarding the proposals of shareholder meeting of the investee company, after evaluation, Since SinoPac Securities is a professional investment institution and should not be involved in company management disputes. Therefore, we have abstained from voting for the election of company directors that involve litigation or competition for management rights. .

Based on the professional judgments of institutional investors, SinoPac Securities is not absolutely support and agree with the various proposals put forward by the investee company. Each proposal is evaluated internally, and if necessary, there may be inquiries and discussions with the investee company before the shareholders' meeting, and the vote will base on SinoPac Securities' operating interests, shareholder value, and ESG principles. For domestic investee companies, SinoPac Securities does not use proxy research and proxy voting related services. SinoPac Securities will implement the interaction and negotiation responsibilities of institutional investors in person.

- ✓ As of the end of December 2020, SinoPac Securities has attended 421 domestic shareholders' meetings of the investee companies. Each proposal is evaluated internally without using proxy research and proxy voting services, and SinoPac Securities has attended or participated in voting at shareholders' meetings in person.

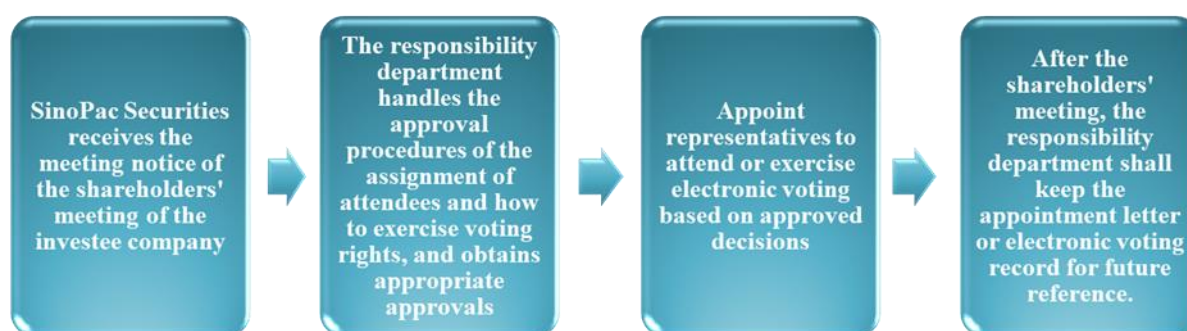


### Classification statistics of shareholders' meeting voting proposals



SinoPac Securities exercises the voting rights of holding stocks, and the responsibility department handles the approval procedures of the assignment of attendees and how to exercise voting rights according to the content of the proposal, and clearly states the instructions for exercising the voting rights of each proposal; the appointment letter or the electronic voting record shall be kept for reference by the responsibility department.

### Operation process of SinoPac Securities attending investee company's shareholders' meeting



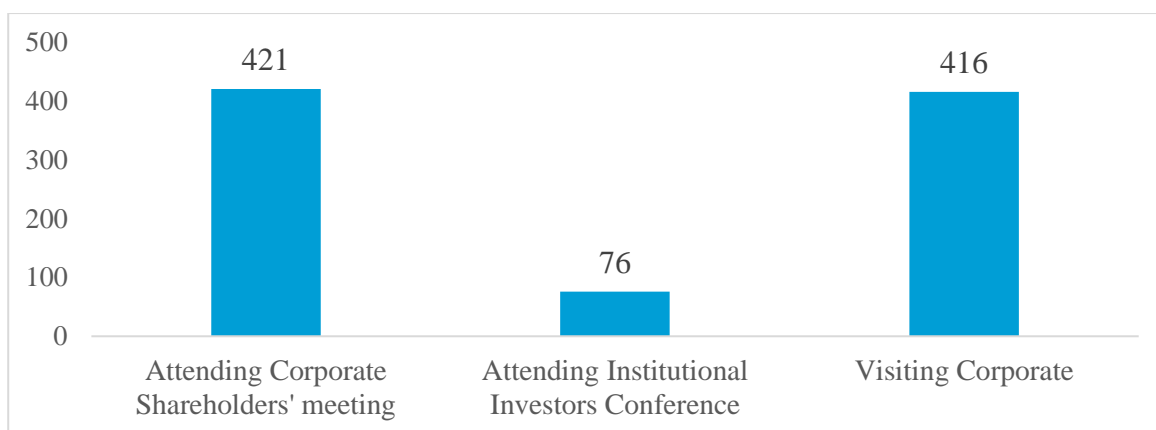
## IV. Summary of Corporate Negotiation Activities

1. Status of corporate negotiation: SinoPac Securities has attended 421 corporate shareholders' meetings, 76 institutional investors conferences, and visited investee companies 416 times in 2020.

SinoPac Securities actively engages in conversations and interactions with investee companies by attending the investee companies' shareholders' meeting in person, institutional investors conference, and visiting investee companies. We also seize every interactive opportunity to communicate with the investee company on ESG-related policy issues. In addition to actively grasping the investee company's ESG and other actions, we also hope to arouse the attention of related issues.

SinoPac Securities conduct dialogues with the company on ESG issues when visiting the company in person. One of the investee companies is a waste disposal company. During the visit in 2019, we continued to recommend that the company should complete the CSR report and calculate its carbon consumption in low carbon era. The company adopts our recommendation to complete the carbon statistics and CSR report in 2020. In addition, in 2020, after reviewing the ESG performance of the investee companies, one of can be listed as a benchmark in the industry. Therefore, we refer the benchmark company's annual report to other companies for consideration to help them to focus on sustainable development in the future.

Statistics of SinoPac Securities corporate negotiation



✓ In 2020, SinoPac Securities has attended 421 corporate shareholders' meetings, 76 .institutional investors conferences, and visited investee companies 416 times.

## 2. Execution of annual climate change survey questionnaire for investee companies

Following the principles of responsible investment and stewardship to execute annual climate change survey questionnaire for investee companies, and simultaneously echoing the sustainability commitment of the United Nations' sustainable development goal "Mitigation and Adaptation to Climate Change (SDG13)," combined with the core functions of green finance, SinoPac Securities commits to raising the climate awareness of the stakeholders, and working together to invest in low-carbon and emission reduction. Together, we will make efforts to mitigate and adjust to climate changes. In 2020, SinoPac Securities and other subsidiaries of SinoPac Holdings conducted a questionnaire survey on the subject "Climate Change" to our major investee companies for the first time. In addition to raise the attention of the investee company to the climate change issue and increasing climate awareness, it can further jointly invest with the investee company in low-carbon and emission reduction actions, and work hard to mitigate and adapt to climate changes.

SinoPac Securities sent the questionnaire survey by email to the companies which we underwriting their current increase, CB, and initial listing cases in 2020 (the underwriting cases known before sent to the questionnaire) or the position from underwriting at the end of November 2020, and the bond position at the end of 2020 that with the Bloomberg ESG score greater than 50 points., also combined with the visit itinerary to invite the interviewed companies filling the questionnaire. Total of 60 copies were sent and 40 copies were returned. The statistical summary of the responses to the questionnaire is as follows:

- The awareness of current international agreements, goals, organizations, and initiatives related to climate change: the highest statistical cognition is the "Paris Agreement" with a response rate of 78%; followed by the "Renewable Energy 100" and "Sustainable Development Goals", the

response rates are 63% and 60%. Those with a lower awareness rate include: "Climate Action 100+", "Science Based Target Initiative", "The Principles for Responsible Investment", the response rates are all below 30%, etc. (See Fig. 1)

- The board of directors has incorporated the impact, risks and opportunities brought about by "climate risk" into its operational/business decision-making considerations: 40% of the Companies that responded to the questionnaire have incorporated "climate risk" into their operational/business decision-making considerations.
- The top two climate-related risks that can potentially affect the Company's operations: According to the statistics of companies responded to the questionnaire, the top two risks are "policy/regulatory risks" (55%) and "market risks (loss of customers or decline in revenue)" (35%).
- Disclosure of greenhouse gas emissions: According to the statistics of the companies responded to the questionnaire, 60% of the responded companies have disclosed their greenhouse gas emissions.
- Establishing a greenhouse gas reduction goal: According to the statistics of companies responded to the questionnaire, 55% of the responded companies have established a greenhouse gas reduction goal.
- Implemented or responded to climate change mitigation commitments: According to the statistics of companies responded to the questionnaire, the top two commitments that have been implemented or responded to are the implement sustainable supply chain management (38%), and. introduction of ISO certification (14064-1 greenhouse gas inventory standard and 50001 energy management) (28%)
- Costs of specific actions invested in climate change mitigation and adaptation: According to the statistics of companies responded to the questionnaire, the top three costs invested in the highest proportion are, investment in low-carbon/emission reduction/energy-saving related matters (e.g. buildings, office equipment, etc.) (73%); investment in recycling, reducing waste, waste discharge (e.g. paperless, water resources, etc.) (73%); investment in process changes to improve energy efficiency in the production/service process ( 53%). (See Fig. 2)
- This questionnaire pays more attention to the importance of implementing climate change mitigation actions: According to the statistics of companies responded to the questionnaire, 95% agreed that this questionnaire survey can make the interviewed companies value the importance of implementing climate change mitigation actions.

Figure 1. Percentage of awareness of current international agreements, goals, organizations, initiatives, etc. related to climate change.

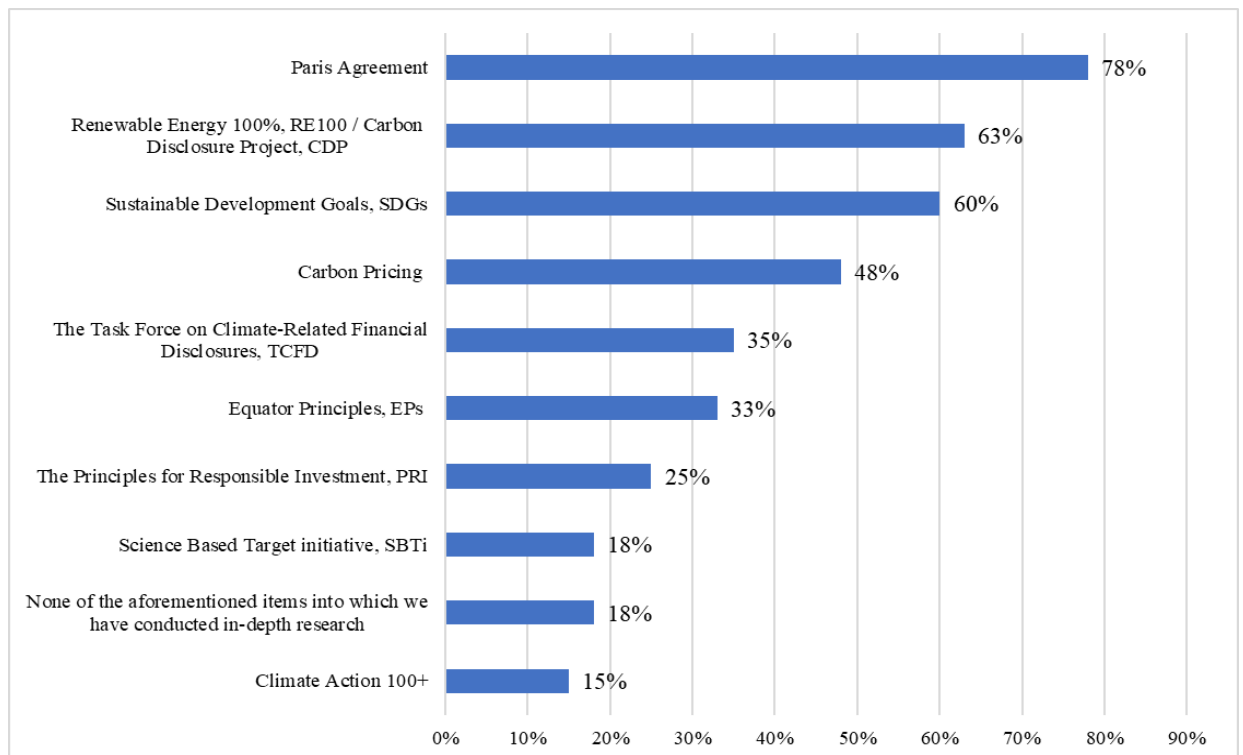
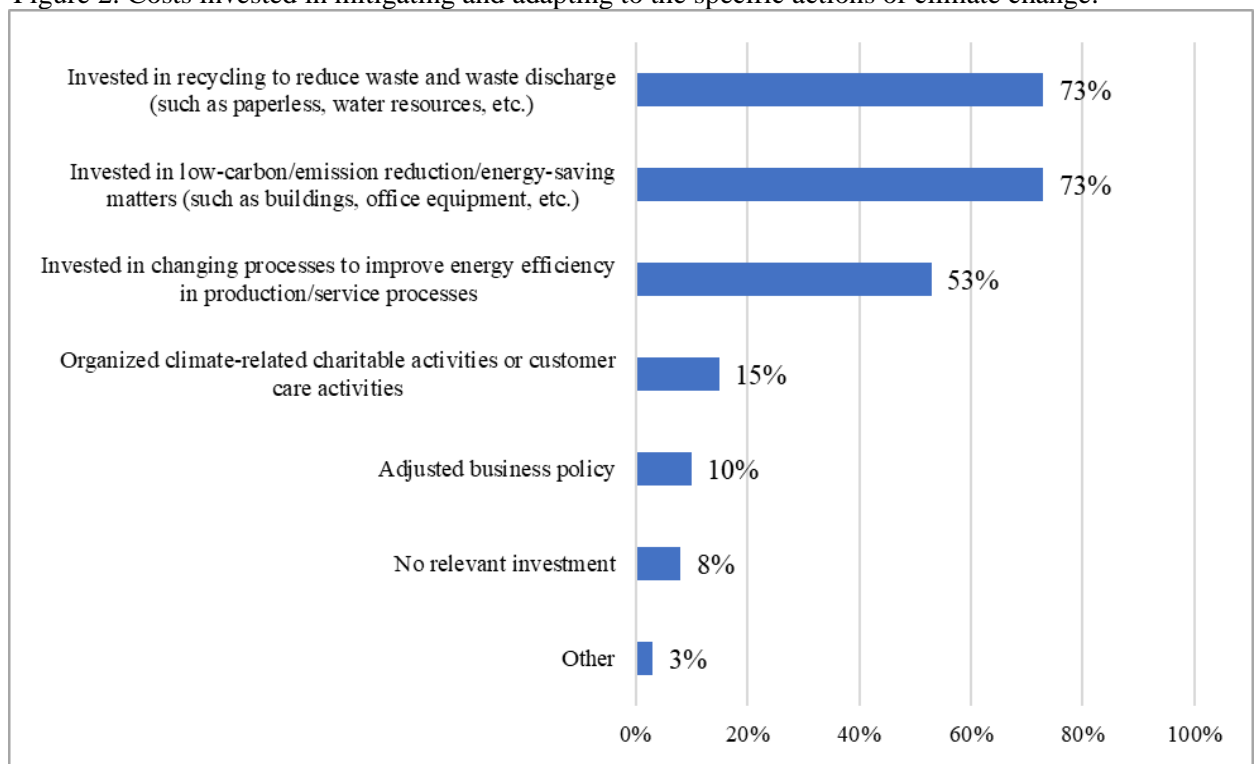


Figure 2. Costs invested in mitigating and adapting to the specific actions of climate change.



3. Evaluation of the interaction and negotiation with the investee companies, and follow-up tracking and decision-making influence

The Company follows and implements the "Stewardship Governance of Institutional Investors" commitment. For the interaction and negotiation of the investee company, it mainly focuses on fundamental financial and operational information, news information, industrial development information, development of new technologies, major environmental protection actions, social responsibility, labor rights, and corporate governance issues. For ESG risk issues, SinoPac Securities will evaluate whether to continue to track the target by focusing on industry trends, company news, financial and operational overviews or other relevant information. If decides to continuously track the target, we will observe the feedback and improvement of the relevant ESG risk issues of the investee company, and after careful evaluation, we will decide to reduce or temporarily stop buying , etc.

4. Institutional investor cooperation action

SinoPac Holdings has devoted in promoting ESG and implementing stewardship governance investments for years. Combines internal and external resources to hold ESG lectures every year. In response to different risk topics, we invite experts in industry, government and institution, financial peers, listed companies, and colleagues within the group. Conducts research and discussion on highly relevant topics in the financial industry, and share industry practices.

SinoPac Securities has promoted ESG investment forums since 2016, and held large-scale "ESG Investment Forum" publicly every year, invited legal person customers and other stakeholders to participate the forum, and jointly mastered the development of international climate-related issues and understood the responsible investment in domestic and foreign trends. In June 2020, SinoPac Securities and the TWSE jointly organized the "Taiwan Double Good" online forum, focusing on the two major themes of Taiwan's 5G advantages and ESG progress that topics include Taiwan's capital market advantages, ESG promotion, and ESG research reports and analysis methods, we invited 10 5G-related companies and 10 companies with outstanding ESG scores to conduct online discussions with foreign investors; In addition, we introduced ESG evaluation methods and impact on investment decisions, and how to evaluate corporate ESG, etc. in the industry investment forum

SinoPac Bank has hold two ESG seminars in 2020, sharing ESG risks and corporate response measures faced by the world under the impact of COVID19 in 2020, and introducing SROI and sharing SROI case. SinoPac Bank participated in the 2020 Taiwan Sustainable Finance Forum and promoted the establishment of the "Taiwan Sustainable Finance Promotion Platform," also as the founding members of the "Taiwan Sustainable Finance Promotion Platform" of BCSD Taiwan.

SinoPac SITC also has become the first investment company to use the perpetual index investment pool from TIP to issue the first ESG Taiwan stock active fund, and issue ESG Taiwan stocks ETF in the first quarter of 2021 that become the first Taiwanese stocks ESG-themed fund with both active and passive products.

SinoPac Holdings and its subsidiaries use their own advantages and resources to support government policies and develop sustainable finance for a long time. Through the practice of sustainable finance, we enhance our competitive advantages, and also bring positive contributions to the economy, society, and the environment. Clarify the current situation and identify the needs of the financial market, promote sustainable financial development, and expand various business opportunities.

● Participate in ESG seminars and forums held by SinoPac Holdings Group in 2020

Date	Issue	Participating external institution
2020/6/17	Online forum: Taiwan Double Good	➤ TWSE

2020/7/16	ESG Lecture-Global Risks and Countermeasures	<ul style="list-style-type: none"> <li>➢ BSI Taiwan Branch</li> <li>➢ KPMG Sustainability Consulting Co., LTD.</li> </ul>
2020/8/27	The third quarter industry investment forum of SinoPac Securities-Green Swan_ ESG assessment method and its impact on investment decision-making	<ul style="list-style-type: none"> <li>➢ Taiwan Institute for Sustainable Energy (TAISE)</li> <li>➢ Ernst &amp; Young</li> <li>➢ FTSE Russell</li> </ul>
2020/12/3	The fourth quarter industrial investment forum of SinoPac Securities-Under the framework of SASB, how does the capital market evaluate corporate ESG	
2020/12/18	ESG Special Lecture-Make good use of core business capabilities to create SROI social impact	<ul style="list-style-type: none"> <li>➢ PwC Taiwan</li> <li>➢ ASUS</li> </ul>

SinoPac Securities 「Taiwan Double Good」



5. Advocate organization participation

In addition to holding relevant forums, SinoPac Holdings also actively participates in various advocacy organizations. In 2018, it joined the "Republic of China Business Sustainability Association (BCSD)", which is one of the global partners of the World Sustainable Development Association WBCSD and has been following the sustainability issues of the WBCSD initiative for a long time, and actively communicating with regional partners to enable Taiwanese companies to follow the international sustainability trend.

## V. Management of Conflicts of Interest

SinoPac Securities is engaged in securities brokerage, proprietary trading, and underwriting business. In order to ensure the overall interests of SinoPac Securities' fund providers and SinoPac Securities has a significant impact on the invested company. We established a conflict of interest management system to ensure that the responsible personnel and all employees performing the business from the customers or the shareholders are based on the best interests of using funds. When there is a conflict of interest (or there is a risk of occurrence), the interests of the customer and the shareholders should be prioritized, and the situation of the conflict of interest that may occur should be properly considered. Appropriate management methods includes education promotion, firewall, division of powers and responsibilities, supervision and control, reasonable salary, and personnel punishment, etc.

SinoPac Securities attaches great importance to the ethics of all colleagues, implements internal control, and avoids the occurrence of various conflicts of interest between the Company and its employees, and customers or beneficiaries. There have been no major conflicts of interest in the past year.

- ✓ As of the end of December 2020, there have been no major conflicts of interest incidents in SinoPac Securities.

## VI. Conclusion

SinoPac Securities encourage the investee company to improve the quality of corporate governance through attention, dialogue, and interaction with the investee company as an institutional investor. In recent years, we follow the United Nations "Responsible Investment" principle, carrying the ESG investment spirit forward to promote the sound development of industry, economy and society. Following the vision of "Financial Achievement for a Better Life," SinoPac Securities serves as the leader in the promotion of responsible investment by SinoPac Holdings, and looks forward to serving customers, shareholders, investee companies and their relevant personnel, and the overall financial market through the promotion of sustainable finance and the delivery of ESG investment philosophy. Together we can create a future of long-term value and wealth.

## VII. Contact SinoPac Securities

If there are comments or information consultation on the content of this report, please contact us:

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SinoPac Securities Stewardship and Responsible Investment Website	<a href="https://securities.sinopac.com/seGovern/20200930131652733000000000000035.html">https://securities.sinopac.com/seGovern/20200930131652733000000000000035.html</a>