



永豐金證券  
SinoPac Securities

# Stewardship Report 2020



# Table of Contents

<b>I. SinoPac Securities and Responsible Investment</b> .....	2
1. About SinoPac Securities.....	2
2. Process of responsible investment.....	3
3. Establish a responsible investment team.....	3
<b>II. Incorporation of ESG Assessment and Investment Process</b> .....	4
1. Decision-making process of incorporating ESG into the investment analysis .....	4
2. List of controversial and sensitive investments and evaluation of risk measurement.....	5
3. Observation and evaluation of the information from the investee ESG, ESG rating status of Portfolio.....	6
<b>III. Performance Status of Stewardship</b> .....	7
1. Compliance statement and explanations of objection.....	7
2. Stewardship effectiveness evaluation.....	7
3. Invest internal resources to implement stewardship.....	7
4. Status of shareholders present, votes and proxy votes.....	8
<b>IV. Summary of Corporate Negotiation Activities</b> .....	11
1. Status of corporate negotiation.....	11
2. Execution of annual climate change survey questionnaire for investee companies.....	11
3. Evaluation of the interaction and negotiation with the investee companies.....	14
4. Follow the Stewardship policy to implement corporate negotiation and interaction, etc.....	14
5. Negotiation case.....	14
6. Institutional investor cooperation action.....	15
7. Advocate organization participation.....	16
<b>V. Management of Conflicts of Interest</b> .....	17
<b>VI. Conclusion</b> .....	17
<b>VII. Contact Information of SinoPac Securities</b> .....	17

## I. SinoPac Securities and Responsible Investment

### 1. About SinoPac Securities

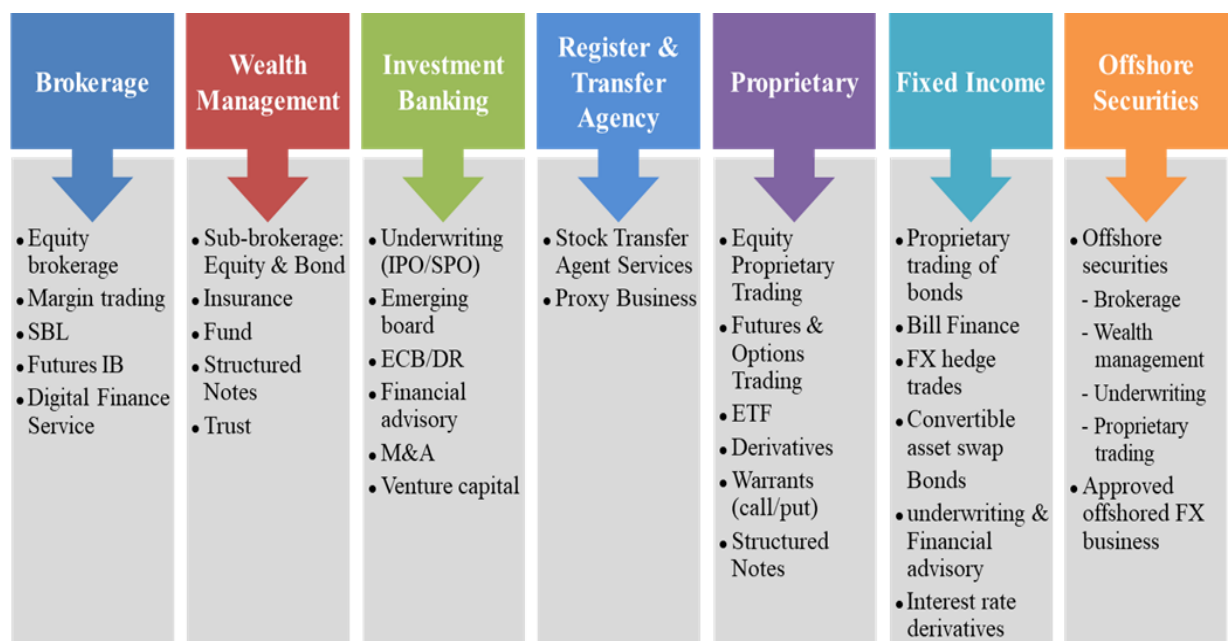
SinoPac Securities, established in 1988 and the first among its peers to list on Taiwan's TPEX market, is a fully-owned subsidiary of SinoPac Financial Holdings Company Limited (SinoPac Holdings). SinoPac Securities' service scope spans broking, proprietary trading, underwriting, fixed income, new financial 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



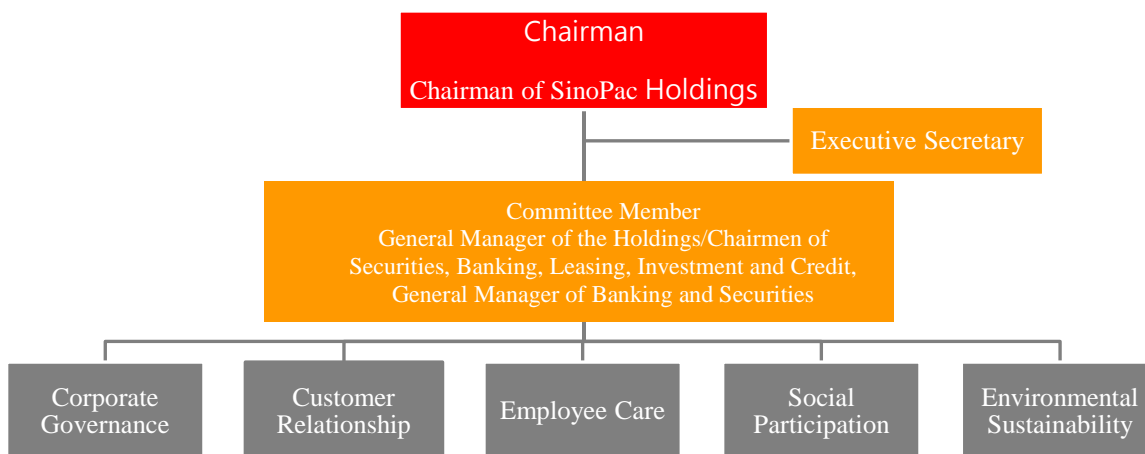
## 3. Establish a responsible investment team

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 under the call of the environmental sustainability group, we 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. Follows SinoPac Securities' "Guidelines on Responsible Investment Management," incorporating ESG assessment into the investment process:

(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.

For example: refer to Bloomberg's ESG evaluation analysis and SinoPac Securities Investment Service's ESG evaluation report, and incorporate investment analysis considerations

- Bloomberg provides ESG disclosure scores, environmental disclosure scores, social responsibility disclosure scores, and corporate governance disclosure scores on the characteristics of the industry based on the three-dimensional disclosure integrity of ESG, which can make it easy for investors to understand the company's ESG-oriented disclosure level, and give weight analysis based on the relevant Indicators.
- SinoPac+ Corporate Sustainability Evaluation System of SinoPac Securities Investment Service based on SASB's framework is based on the company's latest corporate social responsibility report (or sustainability report). It follows SASB SICs® 77 industries to screen Taiwan listed companies in 63 industries, and sets financially significant sustainability indicators based on the characteristics of the industries. At the same time, in order to comprehensively evaluate the sustainability performance and risks of the company, it combines the five sustainability aspects of SASB environment, social capital, human capital, business model and innovation, leadership and corporate governance to evaluate cross-industry sustainability indicators. This evaluation method is applicable to the evaluation

standards of Taiwanese companies, it is not only relevant, complete, comparable, and more transparent. This method is used to evaluate the ESG performance and risk of a company. The higher the score, the more it shows that the company has high mastery of sustainability factors that have a significant financial impact, reveals transparently, and effectively reduces risks; on the contrary, the score is lower. Investors can use the SinoPac+ Corporate Sustainability Evaluation System to judge the company's ESG performance and whether it has sustainable actions.

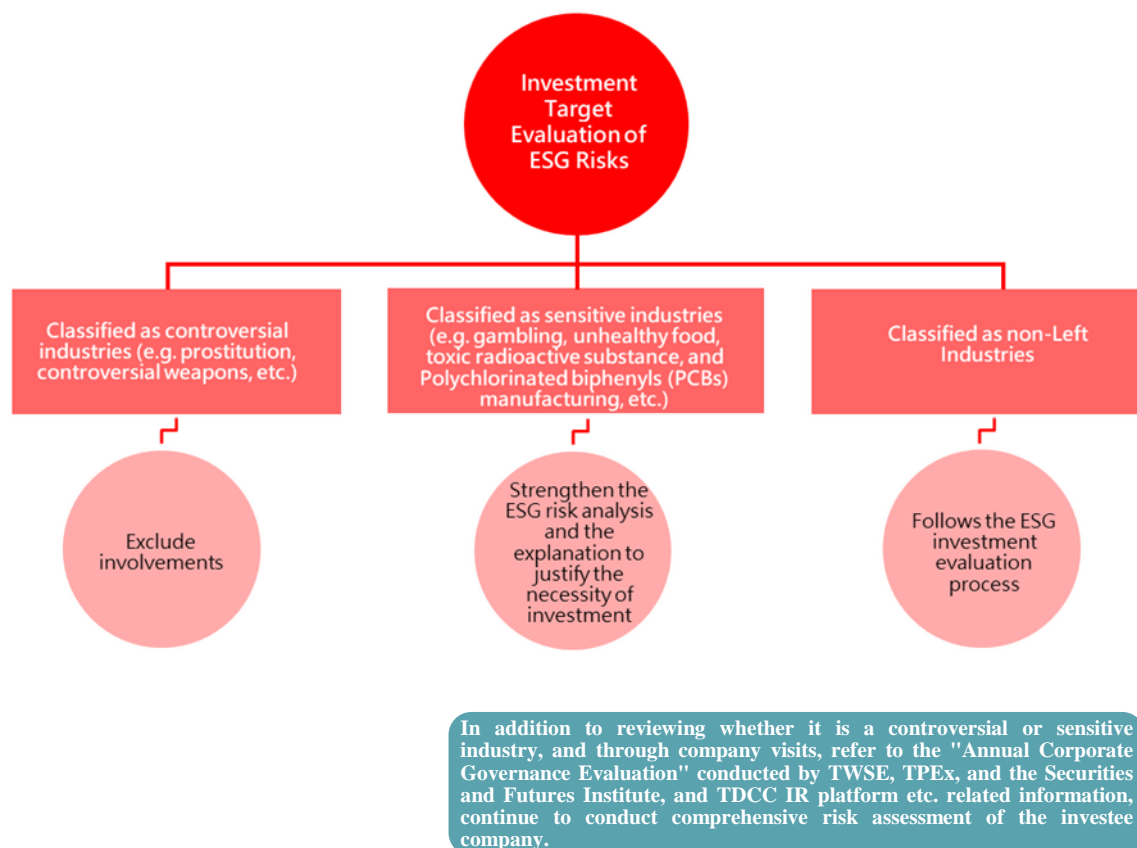
(3) Support thematic investments that are conducive to the development of ESG issues, invest in industries or investment targets that focus on ESG issues, or increase green bond investment..

## 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 addition to reviewing whether it is a controversial or sensitive industry, and through company visits, refer to the "Annual Corporate Governance Evaluation" conducted by TWSE, TPEX , and the Securities and Futures Institute, and TDCC IR platform etc. related information, continue to conduct comprehensive risk assessment of the investee company.

### Risk Evaluation Process of SinoPac Securities ESG Investment

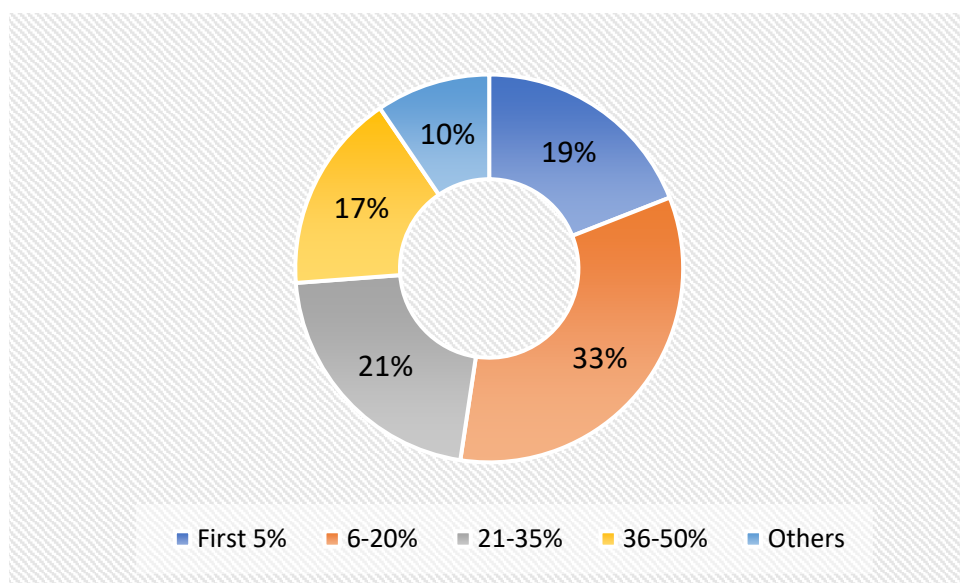


### 3. Observation and evaluation of the information from the investee ESG, ESG rating status of Portfolio

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.

Besides, SinoPac Securities also implements the pre-examination and post-tracking of the investment ESG performance. Based on the results of 905 listed companies on TWSE and 712 listed companies on TPEX of " 2020 Corporate Governance Evaluation of Listed Companies " conducted by the Securities and Futures Institute, and entrusted by TWSE and TPEX, examining the level of evaluation results of SinoPac Securities' long-term investment stocks at the end of 2020 that list in the top 50% of the corporate governance evaluation to 90%, and have been exposed ESG information to NTD1.311billion, accounting for 46% of the balance at the end of 2020.

Distribution of corporate governance evaluation rating for long-term investment stocks





### 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. Stewardship effectiveness evaluation

SinoPac Securities' stewardship report has been reviewed by the Legal & Compliance Division, and published on official website after approval by the President. The establishment of relevant systems is gradually improving, and the implementation also had preliminary results. The brief list is as follows:

- (1) Under the leadership of the customer relations group of the "Sustainable Development Committee" of SinoPac Holdings, we will introduce responsible investment, develop green financial products, and promote ESG etc..
- (2) The stewardship statement has been signed and disclosed.
- (3) The stewardship policy, the conflict of interest management policy, and the voting policy have been formulated and disclosed, and timely review whether relevant policies need to be revised.
- (4) Continue to have dialogues and interactions with the investee company, and the attendance rate of shareholders' meetings in person reaches 100%.
- (5) Send a questionnaire on climate change issues to the investee company for the first time in 2020 to understand the investee company's awareness of international climate-related initiatives and its current management status and goals on various sustainability issues. The results of the questionnaire can be seen that almost all responding companies have definitely issued a climate change questionnaire that can help companies pay more attention to climate change issues.
- (6) Expose the situation of performing stewardship on the official website by user-friendly interface, and provide relevant contact information to facilitate investor feedback.

#### 3. Invest internal resources to implement stewardship

In addition to invest resources of related manpower, systems, and consulting companies by SinoPac Securities to implement stewardship, the 100% owned subsidiary SinoPac Securities Investment Services also actively invests resources to promote ESG. The 2020 costs are listed in the following table:

Invest Resources	Demand Content	Executive Instructions	Manpower and Cost Estimation
Negotiate with the investee company	Manpower of Principal Investment and Derivatives Division, Investment Banking Division, Fixed Income Division	1.Interaction and negotiation with the investee company 2.Evaluation and attendance of shareholders' meeting	The manpower requirement is about 64 man-days
Voting at the shareholders' meeting	Manpower of President office	1.execution of electronic voting for shareholders' meeting	The manpower requirement is about 30 man-days



		2. Analysis and collation of shareholders' meeting proposals 3. Statistics and disclosure of voting record	
Money laundering prevention	Manpower of Legal & Compliance Division	Prevention of Anti-Money laundering and countering the financing of terrorism etc.	The manpower requirement is about 45 man-days
ESG Database	Database system	Bloomberg ESG rating database	Cost about NTD 1 million
ESG research report	Database system and Manpower of SinoPac Securities Investment Services	1. Build the ESG evaluation system 2. Writing ESG research reports	Cost about NTD 0.2 million The manpower requirement is about 125 man-days
ESG Forum	Manpower of SinoPac Securities Investment Services	Holding ESG-related investment forums	The manpower requirement is about 20 man-days
ESG development and advanced consulting cooperation, responsible investment and stewardship etc. ESG education training	Manpower of External consultant, Principal Investment and Derivatives Division, Investment Banking Division, Fixed Income Division, President office	1. Consultancy services to improve the effectiveness of ESG projects 2. Participate in responsible investment and stewardship etc. ESG related education training and conferences	Cost about NTD 0.45 million The manpower requirement is about 20 man-days

#### 4. 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 the investee companies which SinoPac Securities holds adopting electronic voting at a shareholders' meeting, electronic voting shall be used to exercise voting rights; for the investee companies which SinoPac Securities holds less than 300,000 shares not adopting electronic voting at a shareholders' meeting, SinoPac Securities is not subject to the restrictions of Article 20, Paragraph 2 of the "Regulations Governing Securities Firms" and may elect not to appoint personnel to attend said meeting; for the investee companies which SinoPac Securities holds more than 300,000 shares not adopting electronic voting at a shareholders' meeting, SinoPac Securities should assign internal personnel to attend the shareholders' meeting in person to exercise voting rights. If SinoPac Securities hold the stock exceeds one year and more than 5% of the investee company's outstanding shares, SinoPac Securities' investment team should communicate with the investee company's management before the shareholders' meeting, and exercise the voting rights of the shareholders' meeting after evaluation.

For those attending to the shareholders' meeting of the investee company, in principle, SinoPac Securities 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:

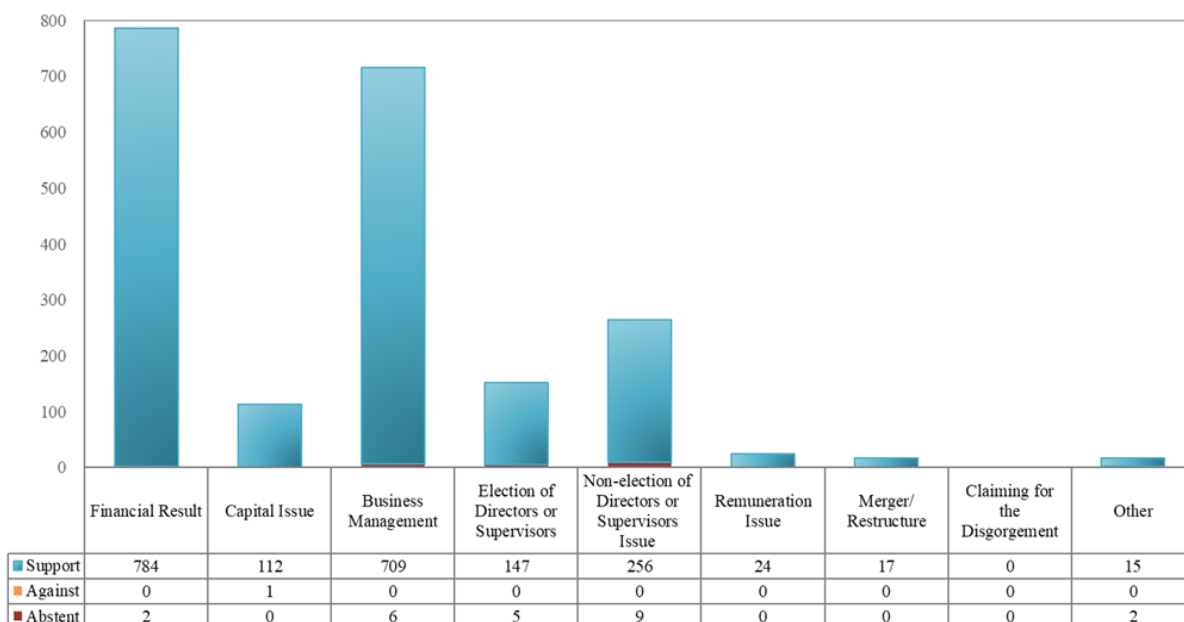
Types	Number of opposed proposals	Expatiation
Proposals are not proposed by the board of directors whose shareholding percentage meets the standards specified in Article 26 of the Securities and Exchange Act	1	This case is a shareholder proposes to reduce the capital by cash and return to the shareholders. 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 shareholders' 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.

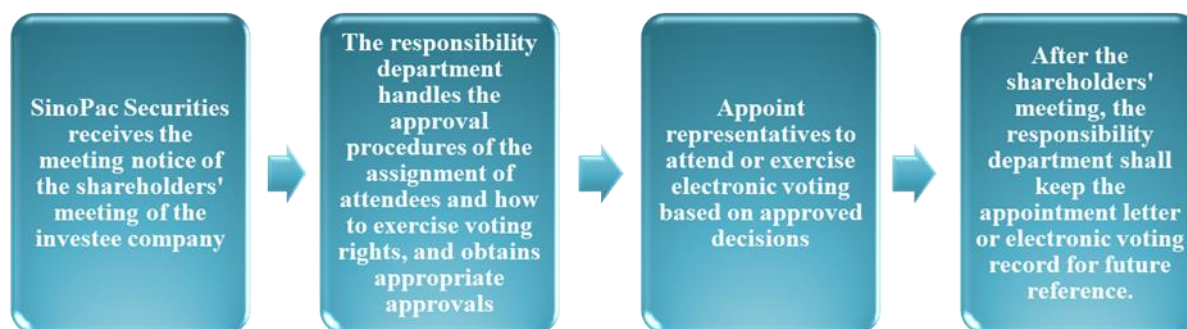
#### Classification statistics of shareholders' meeting voting proposals



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

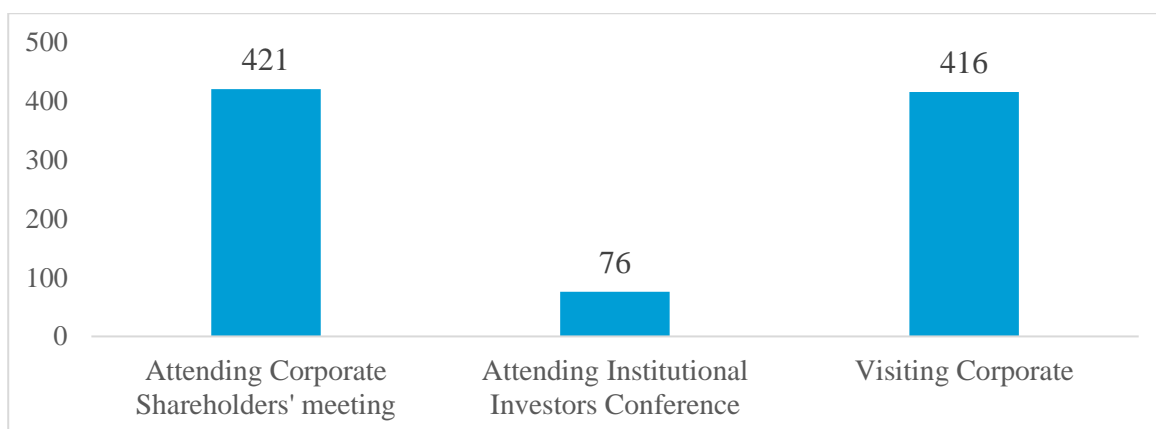


**IV. Summary of Corporate Negotiation Activities**

- 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.

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 IS60 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.

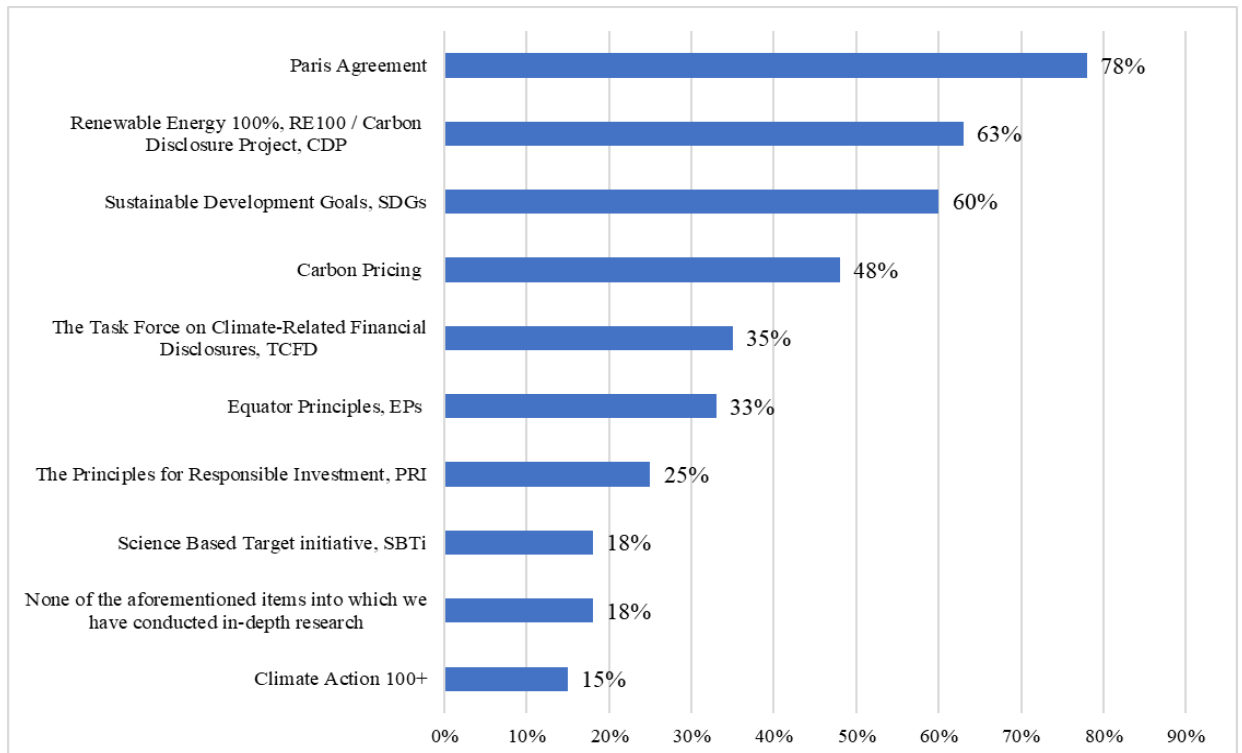
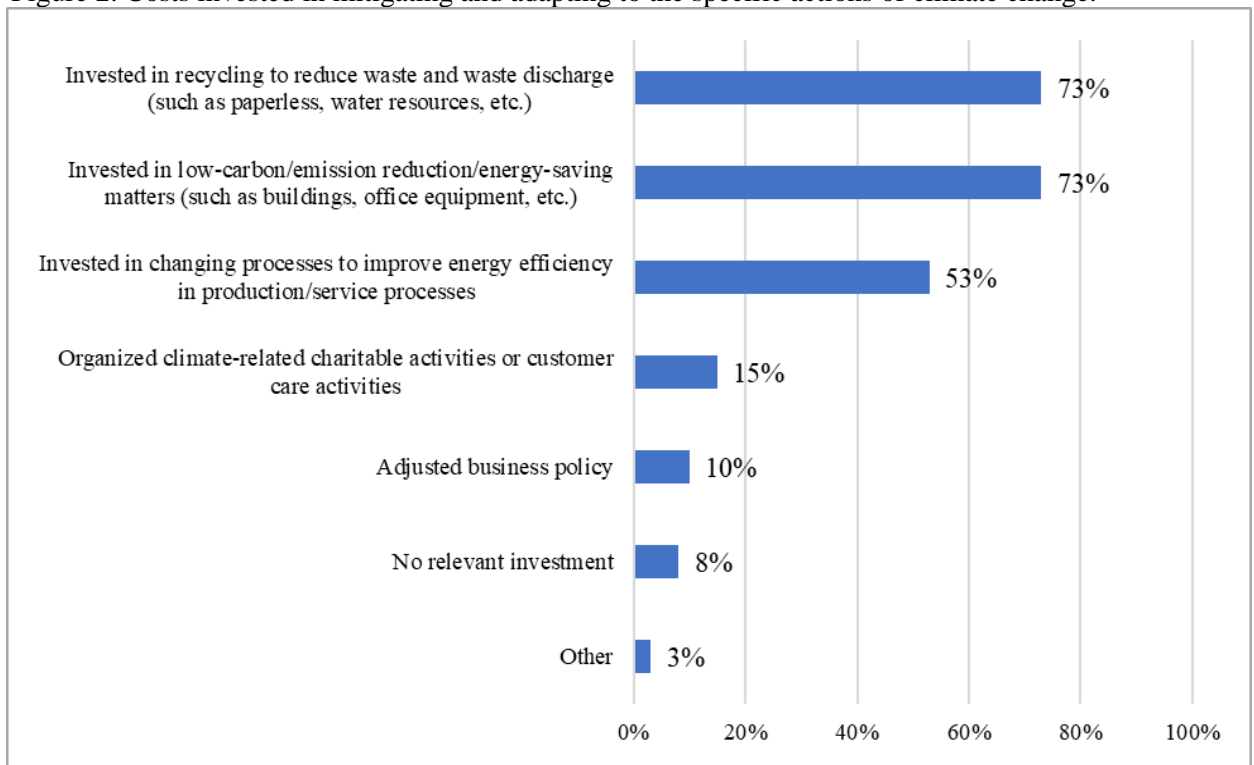


Figure 2. Costs invested in mitigating and adapting to the specific actions of climate change.





### **3. Evaluation of the interaction and negotiation with the investee companies**

SinoPac Securities follows and implements the "Stewardship Governance of Institutional Investors" commitment. The key points of evaluating the interaction and negotiation with the investee company are as follows:

- Issue: 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, corporate governance, and impact of climate change issues.
- Track: 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 evaluate whether the investee company meets the relevant ESG issues through relevant major news or CSR report disclosure information. If the investee company is involved in a decision that contradicts the ESG issue, SinoPac Securities' investment team will actively communicate and interact with the investee company, and as a basis for deciding to reduce or temporarily stop buying, etc. after careful evaluation.

### **4. Follow the Stewardship policy to implement corporate negotiation and interaction, etc.**

SinoPac Securities' stewardship policy related stewardship actions include: (1) Continue to observe the investee company; (2) Appropriate dialogue and interaction with the investee company; (3) The investment evaluation process includes ESG evaluation, etc.

SinoPac Securities actively implements relevant negotiating actions for the investee companies. The implementation overview is described as follows:

- (1) Actively grasp investment decision-making information: In order to ensure that sufficient information is obtained, SinoPac Securities evaluates the nature, time and degree of negotiation with the investee company as a good basis for investment decision-making; the main items that pay attention to the investee company include corporate news, quarterly financial reports, industry overview, business strategies, environmental protection practices, social responsibility, labor rights and corporate governance etc. issues.
- (2) Negotiation actions: SinoPac Securities' regular negotiation and interaction activities with the investee company, such as teleconferences, personal visits, participation in analyst meeting, attendance at shareholders' meetings or extraordinary shareholders' meetings on major issues, etc., and at the same time exercise voting rights by attending shareholders' meetings , dialogue and communicate with the business class, actively grasp the business risks, opportunities and response strategies, and strive for the positive influence of the investee company in the long-term business value.
- (3) ESG-related assessment: SinoPac Securities and the investee company negotiated for the purpose of demonstrating the spirit of due diligence and actively safeguarding shareholders' rights and interests. The selection of investment targets also follows SinoPac Securities' " Guidelines on Responsible Investment Management" and incorporates ESG issue assessment into important considerations, such as eliminate controversy and improve the pre-investment review process for sensitive industries, etc.
- (4) Stewardship: Continue to pay attention to and review whether the investee company has violated ESG-related issues, and disclose the voting status of the shareholders' meeting every year.

### **5. Negotiation case**

- (1) Background: SinoPac Securities has invested in K company since 2019. K company is a business waste disposal company with stable profit performance, and has also passed multiple certifications of waste disposal . After interviews, it was found that K company was recognized by its customers and had a good relationship with neighbors. Therefore, we are further concerned about K company's ESG sustainable development issues.
- (2) Stewardship assessment: After understanding that K company has tried its best to maintain the sustainable development of the environment and society, but K company has not issued a social



responsibility report, nor has focused on the collection, compilation and disclosure of ESG-related information.

- (3) Content of communication and negotiation: During the visit in 2019, SinoPac Securities continued to recommend that K company should complete the CSR social responsibility report, and calculate its carbon consumption for the low-carbon era. In addition, in order to improve K company's ESG rating, we recommend a good annual report template to help its annual report to be easier to read and analyze its ESG performance by institutions such as Bloomberg, and to help the investee company to attach importance to its sustainable development in the future.
- (4) Impact on the investee company: K company adopted the company's recommendations to complete carbon data statistics and CSR social responsibility report in 2020, and sent information that completed social responsibility report to institutional investors, and actively adjust the annual report disclosure method.
- (5) Follow-up tracking and impact on investment decisions: Follow-up to maintain good interaction with the management team, after evaluation, K company not only has good financial fundamentals, but also shows its emphasis on ESG issues. In 2020, SinoPac Securities continue to hold shares as a long-term investment position. And continue to suggest that K company consider other ESG issues, such as the impact of climate change, etc., SinoPac Securities will continue to follow K company annual report adjustments quarterly and share information about climate change.

## **6. 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	➤ BSI Taiwan Branch ➤ KPMG Sustainability Consulting Co., LTD.
2020/8/27	The third quarter industry investment forum of SinoPac Securities-Green Swan_ ESG assessment method and its impact on investment decision-making	➤ Taiwan Institute for Sustainable Energy (TAISE) ➤ Ernst & Young ➤ FTSE Russell
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	➤ PwC Taiwan ➤ ASUS

SinoPac Securities 「Taiwan Double Good」



**7. 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. For internal personnel who may use the information from their duties or business, including information about SinoPac Securities or customers trading or about to trade certain securities, futures or derivative products, to benefit themselves or their related parties, SinoPac Securities not only implement propaganda and internal audits, but also established the "Regulations Governing Insiders of Trading", and the internal personnel transaction account control measures and inspection procedures have different specifications according to their duties, including restriction of transaction targets, regular review and update of internal personnel account and control list, regular production of abnormal reports of comparison with internal personnel account and proprietary account transaction, and review by supervisors, etc., in order to avoid the occurrence of internal personnel and their related parties transactions involving undisclosed information and conflicts of interest with SinoPac Securities or other customers.

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 Information of SinoPac Securities

Service Contents	Contact Information
Relevant Contents in Performance of Stewardship Report	Name: Christina Chen Tel: (02)2382-3450 Email: <a href="mailto:christina.chen@sinopac.com">christina.chen@sinopac.com</a>
Investor Services for Investee Companies or Other Institutions	Listed Company Name: Judy Huang Tel: (02)2382-3416 Email: <a href="mailto:ehuang86.huang@sinopac.com">ehuang86.huang@sinopac.com</a>  Listed Company at Emerging Stock Market Name: Joyce Lo Tel: (02)2382-3255 Email: <a href="mailto:joyce.sd@sinopac.com">joyce.sd@sinopac.com</a>
Customer Services	Customer Service: (02)6630-8899 Email: <a href="mailto:service.sec@sinopac.com">service.sec@sinopac.com</a> <a href="https://www.sinotrade.com.tw/CSCenter/CSCenter_13_6">https://www.sinotrade.com.tw/CSCenter/CSCenter_13_6</a>
SinoPac Securities Stewardship and Responsible Investment Website	<a href="https://securities.sinopac.com/seGovern/20200930131652733000000000000035.html">https://securities.sinopac.com/seGovern/20200930131652733000000000000035.html</a>