

Yuanta Financial Holding Company

Sustainable Finance Guidelines

*Approved by the Board of Directors on November 27, 2019 (8th meeting of the 8th board)
Amendments approved on June 28, 2023 (16th meeting of the 9th board)
Amendments approved on June 26, 2024 (28th meeting of the 9th board)*

Article 1 (Purpose for Establishment)

In order to promote the sustainable development of the Company, its subsidiaries, and customers, these Guidelines are hereby formulated with a view to implementing the spirit of corporate sustainable development into business planning and corporate operation, actively managing environmental and social risks and incorporating them into consideration for transaction decision-making through the framework and guidance of principles, to promote the Company, its subsidiaries, and customers to jointly create values of environment, society and governance (ESG), in line with the international sustainable development trend, and to support the UN Sustainable Development Goals and fulfill the responsibilities of citizens of the world.

Article 2 (Applicable Parties and Scope of Application)

These Guidelines are applicable to the Company and its subsidiaries directly or indirectly controlled by the Company.

The Company and its subsidiaries shall develop and engage in financial products and services in accordance with the principles set forth in these Guidelines, including but not limited to the development of products and services, investment, credit, advisory, and underwriting businesses.

The investment and credit activities mentioned in the preceding paragraph include active investment, passive investment, outsourced investment, project financing, and general financing. Investment targets include but are not limited to listed equities, fixed income securities, private equity, and infrastructure investments.

The term “passive investment” as mentioned in Paragraph 3 refers to investment activities that track one or more indices or benchmarks. Passive investment can be achieved by excluding specific companies or establishing a set of ESG indicators that track the index.

The subsidiaries may formulate relevant applicable standards based on these Guidelines.

Article 3 (Overall Principles)

The Company and its subsidiaries shall abide by these Guidelines, incorporate ESG factors into the daily operation and decision making, improve their governance culture by means of integrity management, openness and transparency, strict compliance with laws and regulations, and take into account the practice of corporate sustainable development, so as to create shared value between the enterprise and the society, environment, and customers.

Each subsidiary shall refer to external principles according to its business characteristics, such as but not limited to: domestic “Stewardship Principles for

Disclaimer: This document is a translation from the original Chinese version. In the case of any discrepancy, the original document shall supersede this version.

Institutional Investors,” “Guidelines for Credit Extension by Bankers Association,” “Criteria for Determining Whether Economic Activities Qualify as Sustainable” and international “Equator Principles,” “Principles for Responsible Investment,” “Principles for Sustainable Insurance,” “IFC Performance Standards,” “IFC Exclusion List,” “Harmonized EDFI Exclusion List” and other ESG related standards or guidelines, and develop exclusive management mechanism.

Article 4 (Issues of Concern)

The Company and its subsidiaries are encouraged to actively manage environmental, social, and governance risks and assess ESG issues that may have a significant impact. The subsidiaries may adjust the applicable ESG issues according to their actual business needs.

The environmental, social, and governance-oriented issues of concern to the Company and its subsidiaries include, but are not limited to:

I. Environmental issues: climate change, biodiversity, water and wastewater management, packaging materials and waste management, toxic substance emissions, collateral environmental assessment, etc.

II. Social issues: human rights, labor rights, gender diversity of employees, corporate product responsibility, information security, principle of fair customer treatment, negative social news, etc.

III. Governance issues: performance of the board of directors, gender diversity of the board of directors, independence of the board of directors, rights and interests of shareholders and stakeholders, transparency of corporate governance information, supply chain management, etc.

Article 5 (Operation and Management)

The Company and its subsidiaries shall establish and continuously review relevant management mechanisms, establish an open and transparent communication channel with all stakeholders, enhance the operation quality of the Company through the transparency of financial business management, implement the concept of corporate governance, and create higher value for shareholders.

The Company and its subsidiaries shall continue to pay attention to ESG related issues, pay attention to the development of sustainable trend from time to time, consider the changes of business operation and overall environment, provide the required financial products and services, take into account the measurement and evaluation of the integration of environment, society, and corporate governance, and grasp the risks and opportunities. The Company and its subsidiaries shall achieve customer satisfaction while shaping their own sustainable operation capability.

The Company and its subsidiaries may engage in dialogues and interactions with their counterparts through collaborative actions to understand the risks they face and their strategies for sustainable development. If the shareholder meeting proposal of an investee company involves significant ESG issues, or if there is a possible significant risk of ESG issues, the Company and its subsidiaries must understand and communicate with the investee company before the shareholders meeting and, if necessary, vote against or abstain from voting.

The key points of the engagement and voting operations mentioned in the preceding

Disclaimer: This document is a translation from the original Chinese version. In the case of any discrepancy, the original document shall supersede this version.

paragraph shall be stipulated separately.

Article 6 (Business Planning and Transaction Activities)

The Company and its subsidiaries shall adhere to the following principles to promote relevant businesses, effectively evaluate and manage ESG risks, and grasp the opportunity of sustainable development:

I. Actively support the following promising enterprises, evaluate and provide financial products and services, so as to promote the sustainable development of the environment and society:

(I) Related industries engaged in renewable energy, alternative fuels, etc. which can reduce greenhouse gas emissions.

(II) Related industries engaged in water resources and energy conservation, energy storage equipment, etc., which can improve the utilization efficiency of natural resources.

(III) Enterprises engaged in environmental protection products or equipment, environmental pollution prevention and control, and pollution reduction for the purpose of protecting the natural environment.

(IV) Related industries engaged in water resources regeneration, soil and water conservation engineering, etc., which can promote biodiversity.

(V) Related industries engaged in organic fertilizer, organic agriculture, agricultural biotechnology innovation, etc., which can promote food safety.

(VI) Related industries engaged in vaccine and pharmaceutical research and development, medical and health care services, etc., which can improve health and well-being.

(VII) Related industries providing affordable technical and vocational education or higher education, promoting the fair learning opportunities of underprivileged groups, etc., which is conducive to promoting the high-quality education.

(VIII) Enterprises related to promoting environmental and social sustainability, including domestic or overseas component companies of sustainability indexes (MSCI, DJSI, or others).

(IX) Other related enterprises engaged in the promotion of ESG business or activities.

II. Due diligence and prudent evaluation shall be strengthened to reduce the risk of significant adverse impact on ESG and sustainable development for the following enterprises in dispute:

(I) Enterprises with major environmental violations, violations of human rights (forced labor, child labor issues, etc.), work safety / food safety, labor rights disputes or corporate governance issues, etc., which are published / reported in the news, have significant violation risks, and fail to propose specific improvement plans.

(II) Highly controversial industries engaged in pornography, wildlife killing or habitat destruction, internationally prohibited chemicals / drugs / pesticides / herbicides or radioactive substances, etc.

(III) Enterprises that violate the relevant regulations on anti-money laundering and combating the financing of terrorism or other major violations, and fail to put forward specific improvement plans.

Article 7 (Enterprises and Individuals Prohibited from Undertakings)

The enterprise or individual shall be prohibited from undertaking for any of the following:

- I. The target of sanctions designated by the competent authorities in accordance with the relevant laws and regulations on money-laundering prevention and terrorism-financing prevention.
- II. Enterprises or individuals engaged in illegal weapons manufacturing / trading, illegal gambling (including underground and Internet) and other illegal activities.

Article 8 (Credit and Investment for ESG Risk Management)

In developing and engaging in financial products and services, the Company and its subsidiaries shall carefully evaluate whether there is potential ESG risk in the credit and investment subjects or transactions, and ensure the risk controllability. The evaluation items include the following:

- I. To examine whether the credit granting and investment subjects belong to the controversial enterprises or the enterprises or individuals prohibited from undertaking as stipulated in Article 6, Paragraph 2 and Article 7.
- II. When conducting KYC (Know Your Customer), CDD (Customer Due Diligence), or writing investment reports, it is necessary to understand the reputation, business content, financial status, management capabilities, and regulatory compliance of the credit granting and investment targets, and evaluate the performance of the targets on the ESG issues of concerns set forth in Article 4 of these Guidelines.
- III. In case of contact with controversial enterprises or high ESG-topic sensitive enterprises, due diligence shall be strengthened, and experts can be consulted if necessary to avoid significant adverse impact on ESG.
- IV. In the credit business dealings of individual consumer accounts, the Company and its subsidiaries shall actively implement the assessment items of the principle of fair customer treatment and negative news inquiries, and ensure the integrity and safety of information disclosure on financial products and services.
- V. For the real estate collateral provided by the credit granting subjects, the Company and its subsidiaries shall evaluate whether it is located in a high flood risk area or directly in a potential area, sensitive area, or area with high soil liquefaction potential, or whether it violates environmental regulations and thus causes reputational risks, and other environmental-related factors, and integrate them into the business process.

The follow-up management shall continue to pay attention to the transaction dynamics of the credit granting and investment subjects, in addition to timely review of their operating activities and financial changes; it shall also include good performance of corporate sustainable development. If the results of the review may have a negative impact on ESG, the credit granting and investment subjects shall be recommended to formulate an improvement plan, and the Company and its subsidiaries shall track the implementation, and then evaluate whether to continue the transaction.

Article 9 (Engagement and Communication)

To further leverage financial influence, the Company and its subsidiaries communicate

Disclaimer: This document is a translation from the original Chinese version. In the case of any discrepancy, the original document shall supersede this version.

and interact with credit granting and investment subjects to understand their sustainability risks and opportunities and their sustainable development strategies, and then decide on subsequent investment and financing strategies. At the same time, the Company and its subsidiaries continue to monitor whether there are any ESG violations after the loan, and require improvement measures to continuously improve sustainable development.

I. Corporate banking and undertaking business: continue to develop and provide financial products or services that bring positive benefits to the environment and society, including providing financing to relevant industries that promote green energy and sustainability, encouraging corporate customers to issue green bonds/sustainability bonds, and providing appropriate financial assistance or preferential engagement terms and conditions for companies committed to sustainable development.

II. Consumer banking: support customers to invest in sustainable financial products or use sustainable financing services to promote green consumption, and encourage customers to provide collateral that has a positive impact on the environment (including but not limited to: green buildings). Strengthen customers' awareness of sustainability by communicating with them during each business assessment process and encouraging them to participate in ESG actions.

Article 10 (Handling of Unfinished Matters)

Any matters not covered by these Guidelines shall be dealt with in accordance with the applicable laws or the Company's related regulations.

Article 11 (Enforcement)

These Guidelines shall come into force upon the approval of the board of directors, and the same shall be true when it is amended.