

Report on the Compliance of  
Stewardship  
2020



## Contents

|  |          |
|--|----------|
| <b>I. Bank SinoPac and Responsible Investment</b> .....                                    | <b>2</b> |
| 1. About Bank SinoPac .....  | 2        |
| 2. Responsible Investment Promotion Progress.....  | 2        |
| 3. Responsible Investment Working Group .....  | 3        |
| <b>II. Inclusion of ESG Assessment in the Investment Process</b> .....                     | <b>4</b> |
| 1. Incorporating ESG Issues into the Investment Analysis and Decision-Making Process ..... | 4        |
| 2. Controversial and Sensitive Investments and Risk Review and Assessment.....             | 4        |
| 3. Focus on and Evaluate the ESG Information of Investees .....                            | 5        |
| <b>III. Fulfilling Stewardship</b> .....   | <b>5</b> |
| 1. Compliance Statement and Explanation of Non-compliance .....                            | 5        |
| 2. Shareholders' Meeting Attendance, Voting, and Proxy Voting .....                        | 5        |
| <b>IV. Summary of Corporate Engagement</b> .....   | <b>6</b> |
| 1. Corporate Engagement.....   | 6        |
| 2. Conducting the Annual Climate Change Survey of Investees.....                           | 6        |
| 3. Cooperation with Institutional Investors.....   | 7        |
| <b>V. Management of Conflict of Interest</b> .....   | <b>8</b> |
| <b>VI. Conclusion</b> .....  | <b>8</b> |
| <b>VII. Contact Bank SinoPac</b> .....   | <b>9</b> |

## I. Bank SinoPac and Responsible Investment

### 1. About Bank SinoPac

Bank SinoPac is a wholly owned subsidiary of SinoPac Holdings Co., Ltd. (SinoPac Holdings) and was created in the merger of equals between Bank SinoPac under SinoPac Holdings and International Bank of Taipei on November 13, 2006.

Taipei Mutual Loans and Savings Co. was inaugurated on May 4, 1948. It was restructured into Taipei Business Bank in 1978, then reorganized as International Bank of Taipei on May 14, 1998. On December 26, 2005, it officially became a wholly owned subsidiary of SinoPac Holdings after swapping shares and merging. On July 20, 2006, its name was changed to the current "SinoPac Holdings."

Bank SinoPac and its subsidiary companies employ approximately 6,000 and has a capital of NT\$ 86.1 billion with a total asset of approximately NT\$1.7 trillion. Bank SinoPac has 125 branches (including operation offices) and international financial business branches. International branches include the Hong Kong branch, Kowloon branch, Macau branch, Los Angeles branch, Ho Chi Minh City branch, and a Vietnam representative office in Hanoi. The Mainland China subsidiary bank, Bank SinoPac (China) Ltd., has a total of 10 locations (including the Nanjing headquarters, Shanghai branch, Guangzhou branch, and the Chengdu branch). Bank SinoPac also reinvested in SinoPac Insurance Brokers to provide customers with comprehensive services.

In response to the trend of information science and the need for innovation in FinTech development, Bank SinoPac continues to integrate data and build core intelligence networks to master business dynamics and facilitate instantaneous decision-making. Through diversified business operations, integrated platforms, and financial innovation in Taiwan, Hong Kong, Macau, China, the U.S., and Southeast Asia, Bank SinoPac takes advantage of the seamless bridging of the physical and virtual worlds to provide the fullest and most convenient access to cash flows as well as investment and financing solutions to bring customers a brand-new banking experience.

Looking ahead, the business banking environment remains challenging. Bank SinoPac remains committed to cultivating local customer-oriented services and continues to invest in human, organizational, and intellectual capital for innovation; to move toward the vision of "making life beautiful through finance, and providing a flexible, robust brand for total customer financial solutions"; and to make Bank SinoPac the leading brand among Chinese-speaking financial institutions.

### 2. Responsible Investment Promotion Progress

Bank SinoPac signed the "Stewardship Principles for Institutional Investors" in June 2018 to be complied with, and updated and announced the newest compliance statement in September 2020. In addition, the "Bank SinoPac Responsible Investment Management Guidelines" were formulated based on the "Responsible Investment Management Guidelines" of the financial holding parent company in December 2019 by referring to the UN's Principles for Responsible Investment (PRI) and in response to the United Nations Sustainable Goals (SDGs). The goal is for institutional investors to implement sustainable funding management and due diligence governance so that institutional investors can have a positive impact.

Bank SinoPac work in concert with the Stewardship Principles for Institutional Investors. Starting from 2020, the Bank has issued the Report on the Compliance of Stewardship and disclosed each year's updated stewardship implementation results. The stewardship section on the official website is also updated to provide information for customer, investor, and public inquiries.

## Bank SinoPac's Responsible Investment Promotion Progress



### 3. Responsible Investment Working Group

In 2015, SinoPac Financial Holdings formed the "CSR Promotion Working Group" to actively plan CSR related matters. In addition to setting up the "Corporate Social Responsibility Guidelines" in 2018, the Bank also actively responded to international sustainable trends and implemented CSR for the financial industry. In 2018, SinoPac formally established the Sustainable Development Committee to emphasize the integration of its core financial business and the promotion of sustainable development. SinoPac Holdings has upheld the four major sustainable development missions and policies (Ethical Management, Wealth Management, Environmental Sustainability, and Social Prosperity) and set five sustainability themes (Life of Strong Integrity, Enrich up Life, Cherish the Life, Life of Social Inclusion, and Green up Life) based on three aspects of sustainable development (environment, society, and corporate governance). SinoPac Holdings has taken concrete action by establishing a roadmap for sustainable development, as well as established short-term, medium-term, and long-term action plans with the aim to give back to customers, shareholders, and the society, and to fulfill its corporate social responsibilities.

The Sustainable Development Committee established by SinoPac Holdings allows the holding company to lead its subsidiary companies in implementing CSR and corporate governance policies. The committee has five promotion work groups (corporate governance, customer relations, employee care, social participation, and environmental sustainability). Of which, the customer relations work group will introduce responsible investment, development of green financial products, and promotion of ESG as its main goals. Bank SinoPac is also an important member of related work groups.

### Organizational Structure of SinoPac Holding's Sustainable Development Committee



|  |                         |   |                         |                       |
|--|-------------------------|---|-------------------------|-----------------------|
| Chairman<br>Financial Holdings<br>Chairman | Executive<br>Secretary  | Committee Member<br>SPH President / Securities Chairman, Bank Chairman, Leasing Chairman,<br>SIT Chairman, Bank President, Securities President | Corporate<br>Governance | Customer<br>Relations |
| Employee Care                              | Social<br>Participation | Environmental Sustainability  |                         |                       |

## II. Inclusion of ESG Assessment in the Investment Process

### 1. Incorporating ESG Issues into the Investment Analysis and Decision-Making Process

To improve the handling of investments and asset management, the Bank will include ESG issues in the investment analysis when utilizing funding. Investing will comply with the Bank's "Responsible Investment Management Guidelines." The investment process will include ESG assessment and refer to the following related indicators:

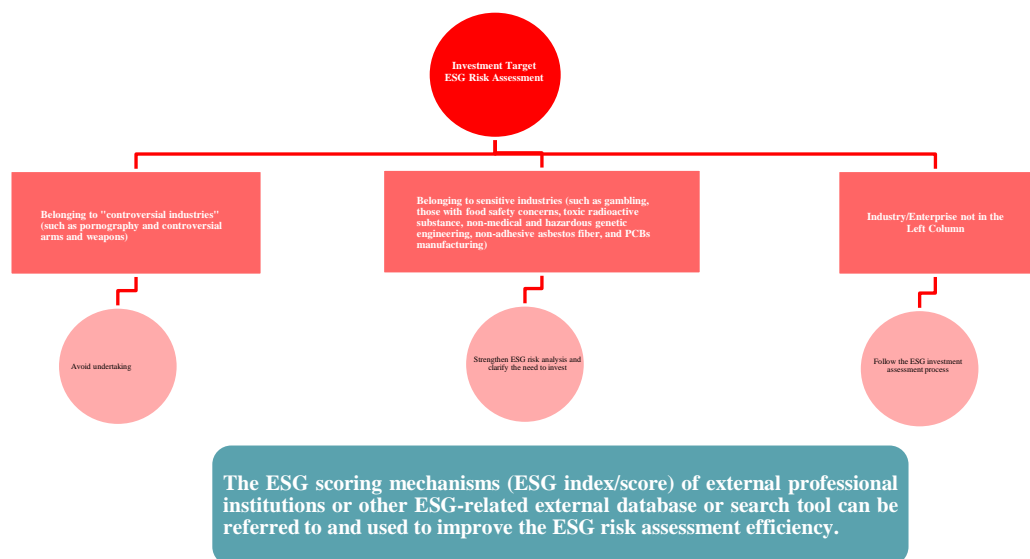
- (I) If the customer's information is already known in the investment assessment process, the Bank shall conduct due diligence investigations and careful assessments, referring to the guiding principles and standards of related organizations and professional agencies such as international finance corporations, the World Bank, and the United Nations to include ESG consideration factors in the risk assessment.
- (II) During the investment decision-making process, pre-investment assessments can be strengthened by referring to the ESG scoring mechanisms of professional institutions, constituent stocks of relevant ESG benchmark indexes, or other ESG-related external resources or tools.
- (III) Support theme-based investments that are conducive to the development of ESG issues, invest in the industries or investment targets that focus on ESG issues, or increase green bond investments.

### 2. Controversial and Sensitive Investments and Risk Review and Assessment

Comply with the UN's Responsible Investment Principles and refer to the parent holding company's and the Bank's Responsible Investment Management Guidelines. For "controversial industries" (such as pornography and controversial arms and weapons), investment is prohibited. For "sensitive industries" (such as gambling, those with food safety concerns, toxic radioactive substance, non-medical and hazardous genetic engineering, non-adhesive asbestos fiber, and PCBs manufacturing), the ESG risk analysis and explanation should be strengthened. If the evaluation results show that there is a possibility that ESG risk factors will increase in the future, the investment should be avoided.

During the investment decision-making process, the ESG scoring mechanisms (ESG index/score) of external professional institutions or other ESG-related external database or search tool can be referred to and used to improve the ESG risk assessment efficiency.

#### Bank SinoPac's ESG Risk Review and Evaluation Process



### 3. Focus on and Evaluate the ESG Information of Investees

In addition to conducting ESG investment assessment and risk review for the investment target, the Bank will also pay continuous attention to targets that have already received investment and regularly conduct inspections to determine if the target companies have continuously disclosed and provided ESG-related issues and information. If the issuer or the guarantor shows any signs of ESG risks, the Bank shall actively investigate and record relevant risks in the investment management unit's report.

### III. Fulfilling Stewardship

#### 1. Compliance Statement and Explanation of Non-compliance

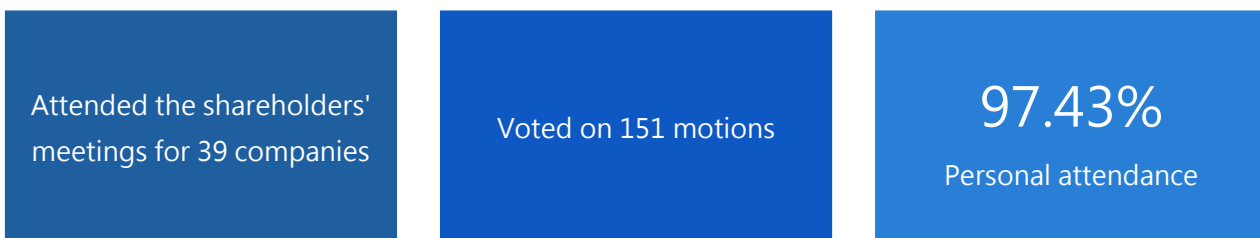
Bank SinoPac signed the "Stewardship Principles for Institutional Investors" in June 2018 to be complied with, and updated and announced the compliance statement in September 2020 to show the professionalism and impact befitting an institutional investor and to fulfill the responsibilities of an asset owner or manager. In addition, Bank SinoPac has improved corporate governance, provided long-term benefit for customers and shareholders, and comprehensively implemented responsible investment.

✓ As of the end of 2020, Bank SinoPac has complied with the "Stewardship Principles for Institutional Investors" and there have not been instances of non-compliance.

#### 2. Shareholders' Meeting Attendance, Voting, and Proxy Voting

As of the end of 2020, the Bank has attended the shareholders' meetings for 39 investees (including provisional shareholders' meetings). The Bank's attendance rate is 97.43% and the delegated attendance rate is 2.56%. Bank SinoPac has voted on 151 motions, of which were all approved.

#### Shareholders' Meeting Attendance Record



|  |                      |                            |
|--|----------------------|----------------------------|
| Attended the shareholders' meetings for 39 companies | Voted on 151 motions | 97.43% personal attendance |
|--|----------------------|----------------------------|

The Company makes professional judgements as an institutional investor while obtaining the greatest benefits for customers and shareholders. The Company does not always agree with the motions proposed by investees. When necessary, the Company will communicate with an investee prior to the shareholders' meeting and vote on the basis of business interests, shareholder value, and ESG principles.

## Shareholders' Meeting Motion Categories

| Shareholders' Meeting Motion   | Total Number of Motions | Approval          |             | Opposition        |           | Abstention        |           |
|--|-------------------------|-------------------|-------------|-------------------|-----------|-------------------|-----------|
|  |                         | Number of Motions | %           | Number of Motions | %         | Number of Motions | %         |
| 1 Approval of Business Report and Financial Statements   | 40                      | 40                | 100%        | 0                 | 0%        | 0                 | 0%        |
| 2 Earnings Distribution or Loss Appropriation  | 40                      | 40                | 100%        | 0                 | 0%        | 0                 | 0%        |
| 3 Amendments to Policies and Procedures  | 28                      | 28                | 100%        | 0                 | 0%        | 0                 | 0%        |
| 4 Election of Directors and Supervisors  | 13                      | 13                | 100%        | 0                 | 0%        | 0                 | 0%        |
| 5 Dismissal of Directors and Supervisors   | 0                       | 0                 | 0%          | 0                 | 0%        | 0                 | 0%        |
| 6 Lifting the Ban on Directors from Participating in Competing Companies   | 13                      | 13                | 0%          | 0                 | 0%        | 0                 | 0%        |
| 7 Issuance of New Shares of Restricted Stock Awards  | 3                       | 3                 | 0%          | 0                 | 0%        | 0                 | 0%        |
| 8 Issuance of Employee Stock Options below Market Price  | 0                       | 0                 | 0%          | 0                 | 0%        | 0                 | 0%        |
| 9 Transfer of Treasury Stock below Average Repurchase Price  | 0                       | 0                 | 0%          | 0                 | 0%        | 0                 | 0%        |
| 10 Company Dissolution, Merger, Acquisition, Share Transfer or Division  | 4                       | 4                 | 0%          | 0                 | 0%        | 0                 | 0%        |
| 11 Capital Increase (Retained Earnings, Capital Reserves, Dividend Distribution or Cash as Capital for Issuance of New Shares) | 5                       | 5                 | 100%        | 0                 | 0%        | 0                 | 0%        |
| 12 Private Equity  | 1                       | 1                 | 0%          | 0                 | 0%        | 0                 | 0%        |
| 13 Capital or Cash Reduction (for Offsetting the Losses or Cash Refund)  | 1                       | 1                 | 0%          | 0                 | 0%        | 0                 | 0%        |
| 14 Execution of the Right to Recover Short-Swing Profit from Statutory Insiders  | 0                       | 0                 | 0%          | 0                 | 0%        | 0                 | 0%        |
| 15 Others  | 3                       | 3                 | 100%        | 0                 | 0%        | 0                 | 0%        |
| <b>Total</b>   | <b>151</b>              | <b>151</b>        | <b>100%</b> | <b>0</b>          | <b>0%</b> | <b>0</b>          | <b>0%</b> |

## IV. Summary of Corporate Engagement

1. Corporate engagement status: A total of 106 interactions with domestic investees took place in 2020.

The Bank has actively engaged in communications and interactions with its investees through participating in their shareholders' meetings and earnings results conferences and maintaining a firm understanding of information from their shareholders' meetings and publicly disclosed information. Among the Bank's investees, one has disclosed on its website that it strives to pay close attention to and hold activities concerning public good and public interest, and three have stated in their CSR reports that they continue to make progress in sustainable development, corporate governance, workplace friendliness, social engagement, and green services, and remain committed to CSR implementation in their future business development.

2. Conducting the Annual Climate Change Survey of Investees

In accordance with the principles of responsible investment and stewardship, as well as in response to the United Nations' Sustainable Development Goal: "taking urgent action to combat climate change and its impacts" (SDG13), the Bank has incorporated its core competency of green finance to raise stakeholders' awareness about climate and to join hands with them in low-carbon, emission-reduction actions as an effort to mitigate and adapt to climate change. In 2020, the Bank and the subsidiaries of SinoPac Financial Holdings conducted the first survey on climate change with their major investees with the goal to raise awareness about climate change and prompt the investees to focus on climate issues, and to further collaborate with them on low-carbon, emission-reduction initiatives to mitigate and adapt to climate change.

In December 2020, the Bank conducted a survey on its investees with a balance value of more than NT\$300 million (as of December 2020) in investment in corporate bonds or equity securities in Taiwan. Survey questionnaires were sent to 14 investees, among which three responses were returned. A summary of their responses is shown below.

- Awareness about the current international agreements, goals, organizations, and initiatives related to climate change: Awareness exists with regard to the Paris Agreement, Renewable Energy 100 Percent, and, to a lesser extent, the Equator Principles, the Science-Based Target Initiative, and Climate Action, with a 100% response rate.
- The Board of Directors having incorporated the impacts, risks, and opportunities of "climate risk" into the consideration of its operational/business decisions: 100% of the respondents have incorporated "climate risk" into the consideration of their operational/business decisions.

- Disclosure of greenhouse gas emissions: 100% of the respondents have disclosed their greenhouse gas emission amounts verified by an external third party.
- The survey questionnaire having raised the awareness about the importance of implementing climate change mitigation actions: 100% of the respondents agreed that the survey can increase the awareness of surveyed companies about the importance of implementing climate change mitigation actions.

### 3. Cooperation with Institutional Investors

SinoPac Financial Holdings has long been committed to promoting ESG and implementing responsible investment and stewardship. Every year, it integrates internal and external resources to hold ESG seminars on various risk issues, inviting experts from the public, private, and academic sectors, peers from the financial industry, listed companies, and colleagues to study and discuss highly relevant issues in the financial industry and share industry practices.

As a member of SinoPac Financial Holdings, the Bank participated in the 2020 Taiwan Sustainable Finance Forum, promoted the establishment of the "Taiwan Sustainable Platform" under the Business Council for Sustainable Development of the Republic of China, and is the founding member of the Platform. SinoPac Financial Holdings and its subsidiaries have long been supporting government policies and developing sustainable finance by utilizing their respective strengths and resources. Through the practice of sustainable finance, they not only have enhanced their respective competitive advantages but also have made positive contributions to the economy, society, and the environment. SinoPac Financial Holdings and its subsidiaries remain committed to promoting the development of sustainable finance and exploring various business opportunities through clarifying the current situation and identifying the needs of the financial market.

The Group's subsidiary SinoPac Securities has been relentlessly engaging in ESG promotion. Since 2016, it has been promoting ESG investment forums by assisting listed companies with outstanding ESG performance to demonstrate their value. It has also invited corporate clients and other stakeholders to participate in the forums to keep abreast of international climate-related issues and understand domestic and international responsible investment trends. SinoPac's investment trust and investment research teams have also been actively participating in the forums.

Due to the great emphasis the Group places on ESG issues, SinoPac SITC has also become the first investment firm to issue the first active ESG fund using Taiwan Index Company's sustainability index pool and is set to issue an ESG ETF on TWSE in the first quarter of 2021, making it the first investment trust company to offer both active and passive ESG-themed funds. All these efforts were made in the hope to raise the attention of the investing public to ESG investment issues and, in turn, promote the implementation of environmental protection, social responsibility, and corporate governance of the investees so as to achieve the overall improvement of investment value.

#### ● Seminars and Forums on ESG Held by SinoPac Financial Holdings/Bank SinoPac in 2020

| Date      | Topic                      | Speaker  | Description   | Number of Participants |
|-----------|----------------------------|--|---|------------------------|
| 2020/7/16 | Global Risks and Responses | General Manager Pu Shu-Sheng of British Standards Institution Northeast Asia | On the basis of the Global Risk Report released by the World Economic Forum, the speaker analyzed the global risk profile and trends from a macro perspective, and suggested solutions for enterprises on issues that are more relevant to the financial industry, such as climate change, information security and privacy, and ESG. | 200                    |



|           |  |  |  |     |
|-----------|--|--|--|-----|
| 2020/12/8 | Creating SROI and social impact by leveraging core business competencies | CPA Eliza, Yi-Hua Li Head of Corporate Sustainability Services at PwC Taiwan | The speaker discussed the introduction and applications of SROI, which is a framework for measuring intangible corporate social engagement and CSR project performance in monetary value so that changes created by corporates in social, human, or environmental terms can be seen. The framework also helps companies to develop ever more refined solutions as a way to realize and expand their social impact. | 280 |
|-----------|--|--|--|-----|

● Seminars and Forums on ESG Held by SinoPac Securities in 2020

| Date     | Topic  | Co-organizers                            | Number of Participants |
|----------|--|--|------------------------|
| 2020/6/3 | Taiwan Double Good Online Forum - with a focus on the 5G industry and enterprises with outstanding ESG performance | Taiwan Stock Exchange Corporation (TWSE) | 200                    |

Photos from the 2020 SinoPac ESG Seminars



**V. Management of Conflict of Interest**

The Bank conducts business approved by the Banking Act of the Republic of China and central competent authorities and has a significant influence on the investees due to its role as a capital provider. The Bank has established a conflict of interest management system to ensure that the Bank's officers and employees perform their business in the best interest of customers in fulfilling the responsibilities entrusted to them and in the use of funds. When a conflict of interest arises (or when there is a risk of one arising), the interests of the customer should be given priority, and the potential conflict of interest should be managed appropriately, mainly by means of education and promotion, transaction control, firewall, segregation of duties, reasonable compensation, and anti-bribery.

The Bank attaches great importance to the ethical conduct of all employees and has put in place an internal control system to prevent any conflict of interest between the Bank and its employees, and its customers. No material conflicts of interest have arisen in the past year in the area of stewardship.

✓ As of the end of 2020, no material conflicts of interest have occurred in the area of stewardship of Bank SinoPac.

## VI. Conclusion

As an institutional investor, Bank SinoPac strives to facilitate the improvement of corporate governance of its investees through concern, communication, and interaction. In recent years, it has adopted the United Nations' "responsible investment" principle and, advocated the spirit of ESG investment, and promoted the sound development of industry, economy, and society as a whole. In accordance with the vision of SinoPac Financial Holdings: "Fulfillment of a Beautiful Life Through Finance," Bank SinoPac acts as a pioneer in promoting responsible investment for SinoPac Financial Holdings. Through promoting sustainable finance and conveying the ESG investment philosophy, Bank SinoPac hopes to create long-term value and wealth for customers, shareholders, investees, and other stakeholders, as well as the financial market as a whole.

## VII. Contact Bank SinoPac

If you have any comments or inquiries regarding this report, please do not hesitate to contact us.

| Our Services   | Contact Information  |
|--|--|
| Regarding the Report on the Compliance of Stewardship Principles | Name: Tsung-Hsien Yu<br>Tel: (02)8161-8181<br>Email: mark.yu@sinopac.com   |
| Customer Service   | Customer Service Hotline: (02)2505-9999<br><a href="https://bank.sinopac.com/MMA8/bank/service/service-index.html">https://bank.sinopac.com/MMA8/bank/service/service-index.html</a> |
| Bank SinoPac Stewardship Website                                 | <a href="https://bank.sinopac.com/sinopacBT/about/operation/mechanism.html">https://bank.sinopac.com/sinopacBT/about/operation/mechanism.html</a>                                    |