Yuanta Financial Holding Company

Key Points of Engagement and Voting Operations

Approved by the Chief Executive Officer on July 12, 2023
Amendments approved by the Chief Executive Officer on June 24, 2024

Article 1 (Purpose for Establishment)

In order to enhance the overall interests of the capital providers (including customers, beneficiaries, and shareholders of the Company) of the Company and its subsidiaries, through the process of concern, dialogue, and interaction with credit granting and investment subjects, and to urge credit granting and investment subjects to improve the quality of corporate governance, and to promote the sound development of industry, economy, and society as a whole, the Company establishes these Key Points in accordance with Article 5, Paragraph 4 of the Yuanta Financial Holding Company Sustainable Finance Guidelines.

Article 2 (Applicable Parties and Scope of Application)

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

The Company and its subsidiaries shall abide by the principles set forth in these Key Points in their engagement and voting actions with investment and credit granting subjects.

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 Key Points.

Article 3 (ESG Issue Guidelines)

The Company and its subsidiaries shall continue to pay attention to environmental, social, and governance (ESG) related issues (including but not limited to those listed below) and influence the sound development of credit granting and investment subjects through engagement and voting actions in a timely manner in order to expand the Company’s influence, and the relevant evaluation mechanisms or measurement indicators shall be determined by each subsidiary according to its actual business needs:

1. Environmental issues: climate change, biodiversity, water and wastewater management, packaging materials and waste management, toxic substance emissions, collateral environmental assessment, etc.
2. Social issues: human rights, labor rights, gender diversity of employees, workplace safety, etc.
3. 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.

The Company and its subsidiaries shall at the same time consider the following factors and include them in the assessment mechanisms or measurement indicators:

1. Environmental issues:
   (1) Climate change: disclosure of climate risks, including but not limited to: compliance with Sustainability Accounting Standards Board (SASB) standards, Task Force on Climate-Related Financial Disclosures (TCFD), and proposals to reduce the Company's impact on climate change, and the use of scientific targets to ensure that carbon emissions comply with the Paris Agreement.
   (2) Biodiversity: disclosure of biodiversity, reduction of impact on biodiversity in sensitive areas, reduction of deforestation, water conservation, promotion of conservation and sustainable use of biodiversity, development of biotechnology, etc.
2. Social issues:
   (1) Human rights issues: elimination of forced and child labor, combating human trafficking, anti-discrimination (including but not limited to: gender, race, etc.), due diligence on human rights issues.
   (2) Labor rights: providing an equal and fair working environment, complying with local labor laws, and improving the grievance/complaint handling mechanism related to employee affairs.
   (3) Workplace safety: encouraging the promotion of occupational safety and health management mechanisms and providing employee health and safety care measures.
3. Governance issues:
   (1) Board composition: encouraging diversity (including but not limited to: gender, background experience, etc.) in the structure of the board of directors and promoting board independence.
   (2) Remuneration policy: encouraging and promoting the linkage between the remuneration of the board of directors and senior management and sustainable performance.

(3) Corporate governance: protecting the rights and interests of shareholders and stakeholders, enhancing the transparency of corporate governance information disclosure, establishing a supply chain ESG management assessment mechanism, and formulating crisis management procedures and contingency measures.

Article 4 (Engagement Operations)

The term “engagement” in these Key Points refers to the dialogue and interaction with credit granting and investment subjects to understand the risks they face and their sustainable development strategies, and then decide on the subsequent investment and financing strategies. The operating procedures are as follows:

1. Engaging ESG issues with credit granting and investment subjects:

   Each subsidiary will select the proposed enterprises for engagement or the Company and the subsidiary will jointly select the proposed list of evaluation, and rank the ESG-related data and evaluation information of the credit granting and investment subjects, giving priority to those with lower ESG-related indicators. The Company and the subsidiary may consider a joint engagement to improve the ESG-related indicators of the enterprises as the objective of the engagement.

   The engagement activities include, but are not limited to, in-person visits, telephone interviews, emails, etc. (but do not include simple participation in investor conferences and shareholder meetings), that carry out dialogue and interaction with investee and financing enterprises on ESG issues of concern in Article 3 through the following means:

   (1) Written or verbal communication with management.
   (2) Public statements on specific issues.
   (3) Expression of views at shareholders meetings.
   (4) Proposing a motion for a shareholders meeting.
   (5) Voting at shareholders meetings.
   (6) The credit contract contains a commitment to reduce carbon emissions.
   (7) The credit business engages with the terms of the loan application (including but not limited to: sustainability-linked loans, contractual inclusion of the Equator Principles commitment, etc.) at the discretion of the enterprise.

2. Follow-up:

   To follow up on the engagement, the Company and the subsidiary shall track whether the enterprise has responded or improved on the engagement items through interactions of written correspondence, teleconference, video conference, in-person visits, participation in investor conferences, attendance at shareholders meetings and extemporary shareholders meetings on material issues, or public disclosure of information after the notice of engagement has been filed. If a potential adverse impact on ESG is identified, the enterprise shall be advised to develop an improvement plan and the Company and the subsidiary shall track its implementation before assessing whether to proceed with the transaction.

3. Improvement measures for unsuccessful engagements:
   If the engagement does not receive any response or improvement from the credit granting and investment subject, it is advisable to re-examine and re-evaluate the enterprise. If there is a significant adverse impact, the Company and the subsidiary may restrict the funds with the enterprise, and do not exclude joining other financial institutions, industrial associations, or governmental organizations to jointly express their demands.

Article 5 (Voting Operations)

The term “voting” as used in these Key Points refers to the fact that when exercising voting rights at relevant shareholders meetings, the Company and its subsidiaries shall carefully evaluate various proposals (including but not limited to the following issues) based on the overall interests of the capital providers, and shall understand and communicate with the investee enterprises before their shareholders meetings regarding the proposals involving significant ESG issues or possible significant risks of ESG issues, and then decide on the exercise of voting rights, and may vote against or abstain when necessary:

1. Whether the framework of the proposal itself is complete and reasonable.
2. Whether the implementation of the proposal will have a positive or negative impact on the investee enterprise’s stock price in the short or long term.
3. The percentage of sales, assets, and earnings affected by the proposal.
4. Whether the investee enterprise has taken other appropriate measures or responded in any form to the proposal.
5. Whether the analysis and voting recommendations provided by the investee enterprise to shareholders are persuasive.
6. Consider the measures taken by other peer companies in response to the proposal.

The procedures for exercising voting rights are as follows:

1. The exercise of equity shall be based on the best interests of the capital providers and the Company and the subsidiary shall not directly or indirectly participate in the operation of the issuing enterprise or have improper arrangements.
2. Voting rights can be exercised by written or electronic voting or by appointing a representative to attend the shareholders meeting, and the unit responsible for the exercise of voting rights will complete the procedures of appointing the attendee and making decisions on the exercise of voting rights within the shareholders meeting period, and retain the information for inspection. The Company and the subsidiary may also consider voting in unison to express concerns about the ESG practices of the enterprise.

3. If the Company intends to send an officer to attend a shareholders meeting of an issuing enterprise which is a stakeholder, the Company shall make an explanation of the evaluation of the exercise of voting rights in advance and present it to the chief executive officer for approval, so that it can be used as the basis for exercising voting rights.

Article 6 (Outsourced Service Providers)

The Company or a subsidiary may appoint an outside service provider to vote at a shareholders meeting in accordance with the instructions given at the appointment. The Company or a subsidiary shall ensure that any voting advice provided by external service providers (including but not limited to external consulting firms, etc.) or the use of data from external service providers to assist in voting decisions are consistent with the principles and regulations of these Key Points.

Article 7 (Handling of Unfinished Matters)

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

Article 8 (Enforcement)

These Key Points shall come into force upon the approval of the chief executive officer, and the same shall be true when it is amended.