

# 2023 INVESTMENT STEWARDSHIP ANNUAL REPORT



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## I. SinoPac SITC and Responsible Investment

### (I) About SinoPac SITC

SinoPac SITC was established in 1997 and has become a 100% owned subsidiary of SinoPac Holdings since July 2007. Adhering to the business philosophy of "professional management, honest service, and excellent performance," abide by the duties and responsibilities of good managers, we strive to pursue the best interests for our investors.

SinoPac SITC and its parent company, SinoPac Holdings work closely with various subsidiaries of SinoPac Holdings to leverage group synergies and share professional to invest in public funds, ETFs, discretionary and private equity funds. As of the end of 2023, our total assets under management (including private equity and discretionary products) amounted to NT\$81.2 billion.

As a professional asset manager, SinoPac SITC not only adheres to the Stewardship Principles for Institutional Investors, but also follows the "Sustainable Finance Policy" and "Responsible Investment Management Guidelines" established by the parent company, SinoPac Holdings, to implement shareholder activism, striving to put effort to the influence of institutional investors and enhancement of investment value. In addition, we incorporate Environmental, Social, and Corporate Governance (ESG) sustainability issues into long-term investment considerations in order to protect clients, beneficiaries, and shareholders' rights and promote the sound institutional development of the overall capital market. In recent years, the company has focused on developing ESG-themed products, which have gained significant popularity among investors.

#### Product Lines in SinoPac SITC

Passive Fund	Active Fund	Money Fund
1 Index Fund 8 Equity ETFs 3 Bond ETFs	4 Domestic Equity Funds 4 Foreign Equity Funds 3 Foreign Bond Funds 2 Fund of Funds 1 Balanced Fond	1 Domestic Money Fund

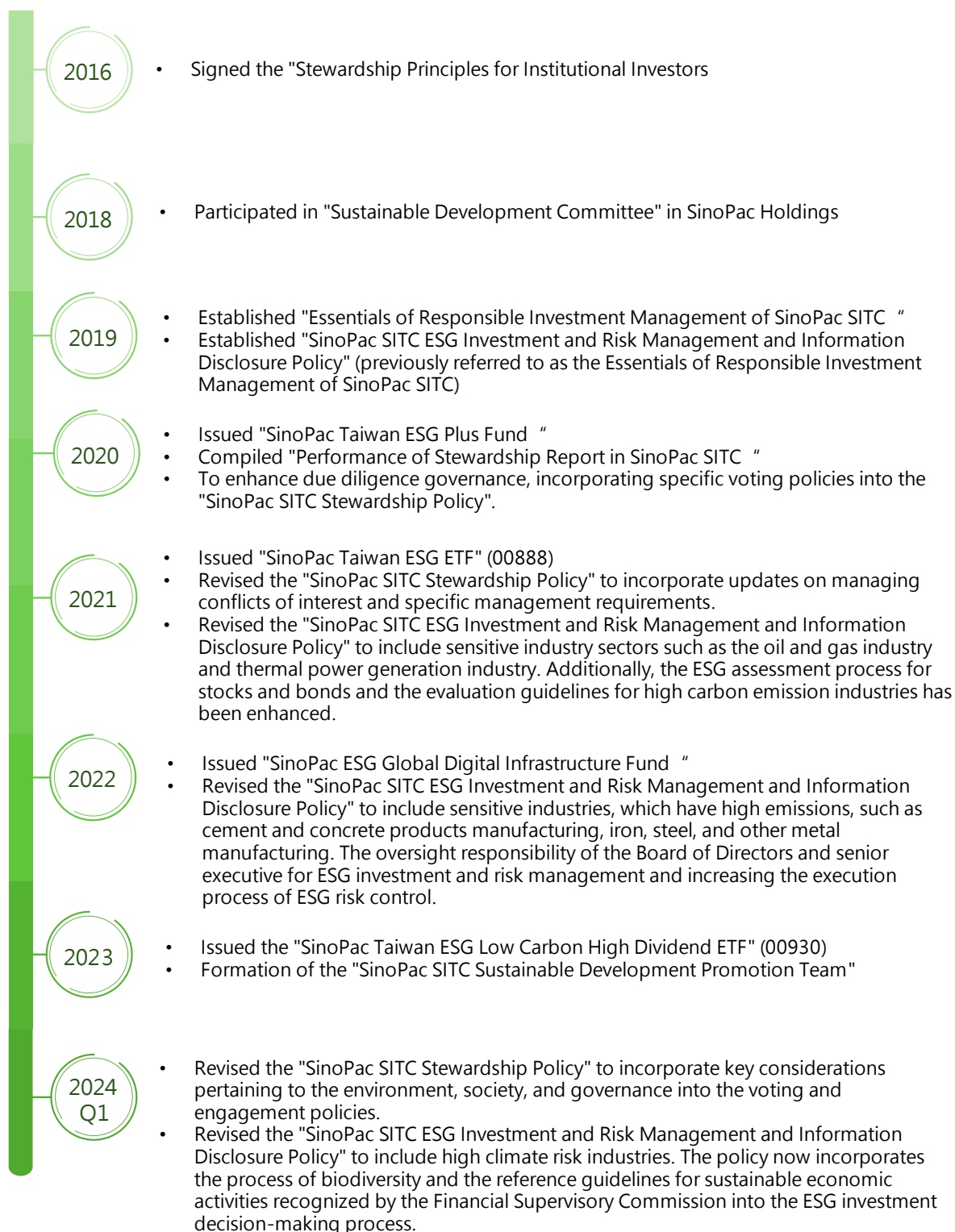
As of December 31, 2023

### (II) Process of responsible investment

SinoPac SITC, as one of the first financial institutions in Taiwan, signed the "Stewardship Principles for Institutional Investors" in July 2016 for compliance purpose, and updated and announced the newest compliance statement in September 2020. In addition, in 2019, the "SinoPac SITC Stewardship Policy" and "SinoPac SITC ESG Investment and Risk Management and Information Disclosure Policy" (previously referred to as the SinoPac SITC Responsible Investment Management Guidelines) from SinoPac SITC were formulated based on the SinoPac Holdings

"Sustainable Finance Policy" and "Responsible Investment Management Guidelines" from SinoPac Holdings by referring to the United Nations (UN)'s The Principles for Responsible Investment (PRI) and in response to the UN's United Nations Sustainable Goals (SDGs).

### Process of Responsible Investment in SinoPac SITC



### (III) Establish a responsible investment team

SinoPac Holdings established a "CSR Promotion Core Group" in 2015 to actively organize Corporate Social Responsibility (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 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), social (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 social, and fulfill corporate social responsibilities.

The "Sustainable Development Committee" in SinoPac Holdings is led by SinoPac Holdings 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 SITC also serves as an important member of the customer relations group. In the field of social participation, SinoPac SITC promoted various public welfare activities and encouraged colleagues to participate in. We also assist in donation and care activities such as remote and disadvantaged groups, and colleagues participate in environmental protection activities various times initiated by SinoPac Holdings.

#### Organizational Structure of "Sustainable Development Committee" in SinoPac Holdings



To enhance the management of sustainable development, SinoPac SITC has implemented the Sustainable Development Governance Structure to promote sustainable practices. In 2023, we established a Sustainable Development Promotion Team to effectively manage the risks and impacts of our operational activities on the economy, environment, and social. This team is responsible for promoting various policies and plans for sustainable development within SinoPac Holdings. The SinoPac SITC Sustainable Development Promotion Team, led by General Manager, comprises eight promotion teams, including Corporate Governance, Task Force on Climate Related Financial Disclosures (TCFD), Information Security, Employee Care, Responsible Finance, Customer Service and Products, Environmental Sustainability, and Social Engagement. These teams collaborate with various departments to promote sustainable development activities. The Responsible Finance team works in conjunction with the SinoPac Holding Customer Relations team and is responsible for implementing responsible investment, developing green financial products, and promoting ESG initiatives.

The SinoPac SITC "Sustainable Development Promotion Team" holds quarterly meetings and convenes ad hoc meetings as necessary. It provides quarterly reports to the Board of Directors on the implementation of significant sustainable initiatives.

#### Organizational Structure of SinoPac SITC "Sustainable Development Promotion Team"



#### (IV) About this Report

In compliance with the Stewardship Principles for Institutional Investors, SinoPac SITC has been producing an "Investment Stewardship Annual Report" since 2020. This report is finalized by the end of the first quarter of each year to disclose the most recent advancements in corporate governance for the preceding year. It undergoes review by



the audit and compliance divisions and receives executive-level approval from the President. The report is updated in the "Stewardship" section of the official website, enabling customers, investors, and the general public to access it.

## (V) Awards and Performances

SinoPac SITC has garnered significant recognition from both internal and external stakeholders for its unwavering dedication to responsible investment and diligent governance. In recent years, the company has been honored with the following awards:

### Awards and Performances of Responsible Investment in SinoPac SITC

🏆 2023	★ The "List of companies with better institutional investor stewardship disclosure" by the Taiwan Stock Exchange
	★ "Benchmark" Fund of the Year Awards: Impact Thematic - Sustainable Investing (Outstanding Achiever), Impact Thematic - Sustainable Investment ETF (Outstanding Achiever)
	★ Taiwan Sustainable Investment Awards: Excellent Award in the Investment Trust Group
	★ ESG ETF Issuance Incentive Award
🏆 2022	★ The "List of companies with better institutional investor stewardship disclosure" by the Taiwan Stock Exchange
	★ Taiwan Sustainable Investment Awards: Excellent Award in the Investment Trust Group
🏆 2021	★ The "List of companies with better institutional investor stewardship disclosure" by the Taiwan Stock Exchange
	★ "Taiwan Corporate Sustainability Awards Executive Committee" presents the 3rd Taiwan Sustainable Investment Awards for the "Institutional Impact Category - Outstanding"

## II. Incorporation of ESG Assessment and Investment Process

### (I) Incorporate ESG issues into investment analysis and decision-making processes

In order to increase the consideration of ESG issues when handling investment and asset management funds, SinoPac SITC follows the "SinoPac SITC ESG Investment and Risk Management and Information Disclosure Policy" as the guideline for promoting and implementing responsible investment and risk management.

SinoPac SITC incorporates ESG issues into the investment analysis and decision-making process, conducts sustainable investment research and Stewardship investigations to understand whether the investee company is committed to environmental protection, corporate governance, and social responsibility, etc. For active funds and discretionary accounts (hereinafter referred to as the "active investment accounts"), SinoPac SITC uses the ESG scoring mechanism of professional institutions and evaluates them separately according to different asset classes of stocks and bonds.

## 1. Domestic Stock Investment

- (1) Companies that rank in the top 5% of the annual Corporate Governance Evaluation conducted by the Securities and Futures Institute, or are listed in the jointly compiled "Taiwan ESG Index" by Taiwan Index Plus Corporation and FTSE Russell, are automatically included in the stock pool screening.
- (2) Every quarter, new companies must undergo an ESG risk assessment process. Stocks that fail to meet the ESG rating criteria must undergo a stock-specific ESG risk evaluation. Each active investment account that invests in a "low" ESG risk stock should be thoroughly evaluated, explaining the necessity of investing in this industry or company. The total market value of stocks with a "medium" ESG risk invested in any active investment account should not exceed 5% of the net asset value at the time of investment.

## 2. Foreign Stock Investment

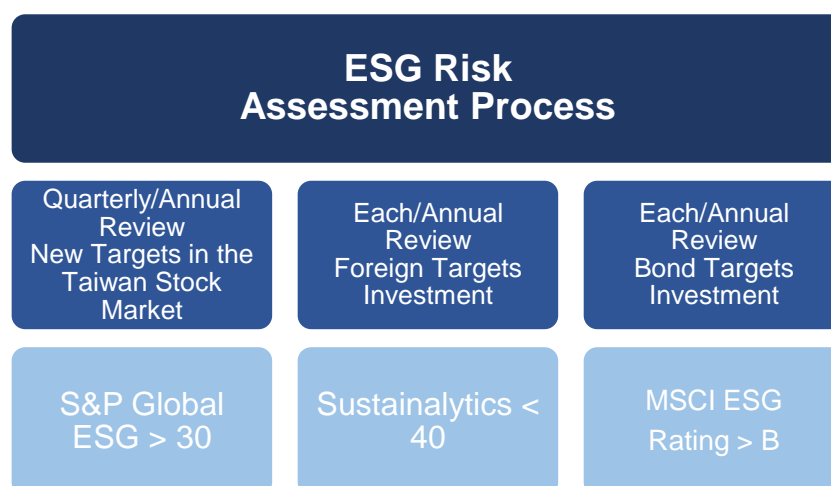
New purchasing targets must undergo an ESG risk assessment process and be recorded in the investment analysis report. Stocks that fail to meet the ESG rating criteria must undergo a stock-specific ESG risk evaluation. Each active investment account that invests in "low" ESG risk stock should be thoroughly evaluated, explaining the necessity of investing in this industry or company. The total market value of stocks with "medium" ESG risk invested in any active investment account should not exceed 5% of the net asset value at the time of investment.

## 3. Bond Investment

- (1) If the underlying is a sustainable development bond, it shall be considered "low" risk and proceed directly to the credit rating analysis.
- (2) The issuing company or parent company of the newly purchased underlying shall undergo an ESG risk review process, which shall be documented in the investment analysis report, and bonds that do not meet the ESG rating criteria shall complete an ESG risk assessment of the bonds. In addition to 3 situations below: ESG-related index constituents that meet SFDR Article 9, or meet SFDR Article 8 and have a carbon emissions/sales weighting below the average for the same type of company as defined by Bloomberg, non-compliant cases must be reviewed again to determine whether there have been significant negative ESG disclosures in the past year in Bloomberg, and document in the investment analysis report and carefully evaluated.
- (3) Bonds with an ESG risk level assessment of "high" shall not be invested in. Each active investment account shall be limited to 30% of the total amount invested in the underlying with a risk level assessment of "medium".



## SinoPac SITC ESG Risk Assessment Process for Various Asset Categories



### (II) Screening or exclusion of investment list and evaluation of risk measurement

In line with the UN PRI and referencing SinoPac Holdings' "Sustainable Finance Policy", "Responsible Investment Management Guidelines", and "SinoPac SITC ESG Investment and Risk Management and Information Disclosure Policy", active investment account investments should be assessed based on the following criteria:

1. Where informed, it is strictly forbidden to be involved in contentious industries, including the pornography industry, arms and weapons industry, and others.
2. Where informed, it is crucial to thoroughly evaluate investments in sensitive industries, (including industries with high climate risk). This evaluation should prioritize the necessity of investing in such industries or enterprises. The industries with high carbon emissions, such as the oil and gas industry, power generation industry, and cement industry, should be subject to additional scrutiny in accordance with the Sustainable Finance Disclosure Regulation (SFDR) of the European Union.

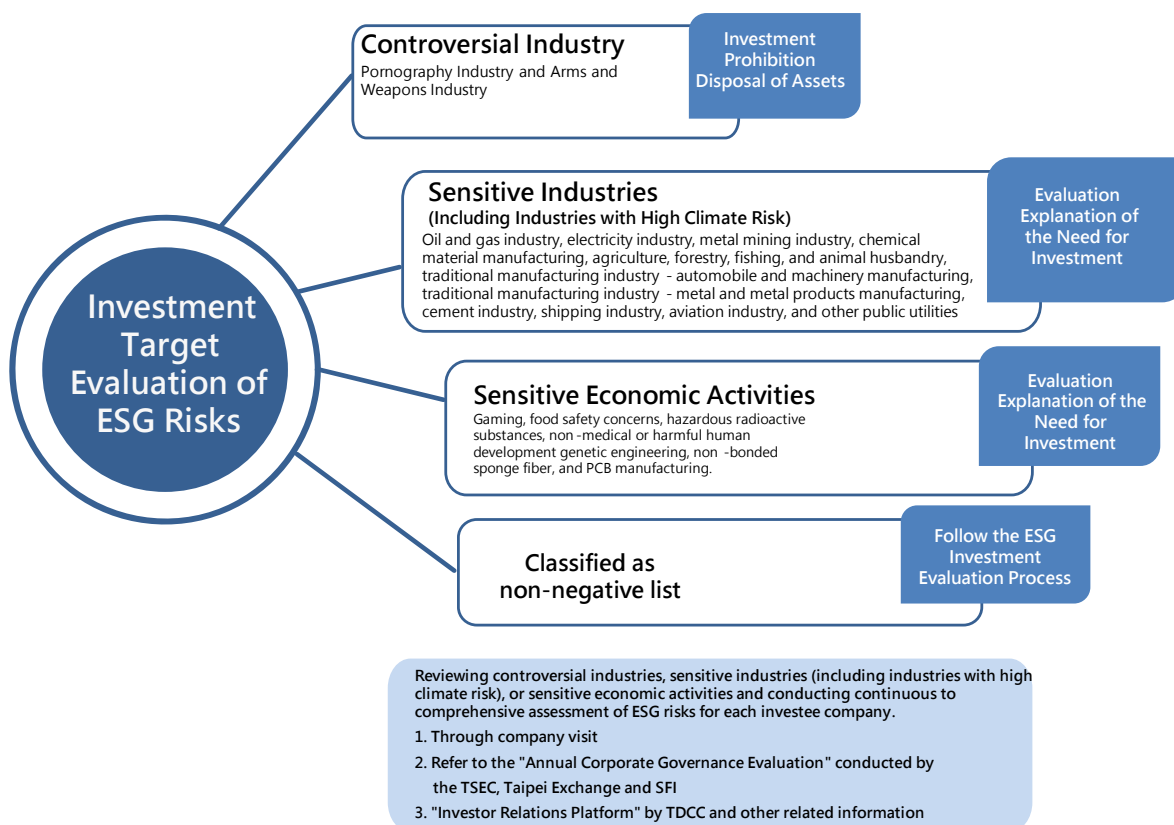
Sensitive industries, (including industries with high climate risk), encompass the oil and gas industry, power generation industry, metal mining industry, chemical material manufacturing, agriculture, forestry, fishing, and animal husbandry, traditional manufacturing industry - automobile and machinery manufacturing, traditional manufacturing industry - metal and metal products manufacturing, cement industry, shipping industry, aviation industry, and other public utilities.

3. Where informed, investments in sensitive economic activities shall be carefully evaluated and the need to invest in such industries or businesses shall be explained. Sensitive economic activities shall be defined as those involving gaming, food safety concerns, hazardous radioactive substances, non-medical or harmful human development genetic engineering, non-bonded sponge fiber, and PCB manufacturing.
4. For non-negative listings, the ESG investment evaluation process shall be adopted as the investment evaluation.

In addition to examining whether it is a controversial industry, sensitive industry (including industries with high climate risk), or sensitive economic activities, the

Company also conducts company visits and refers to the "Annual Corporate Governance Evaluation" executed by the Taiwan Stock Exchange, Taipei Exchange, and Securities and Futures Institute, ESG-related information in the "Investor Relations Platform" by TDCC, so as to continuously conduct a comprehensive risk assessment of each investee company.

### Risk Evaluation Process of SinoPac SITC ESG Investment



### (III) Expanding the development of ESG products

SinoPac SITC is actively promoting the issuance of ESG products. Since 2020, ESG products have been launched annually. As of the end of 2023, there will be a total of four active and passive product lines available, combining specific industries with ESG. These products have a total scale of NT\$14.2 billion and have already benefited over 100,000 individuals.

SinoPac SITC plans to continue launching an ESG-sustainable thematic product line in the future. This line will include ESG issues interest income products, covering a range from active to passive, from Taiwan to overseas, and from stocks to fixed-income asset classes, striving to devote to supporting the development of investment products that are conducive to ESG issues. Below is a concise description of the 4 ESG products as of the end of 2023:

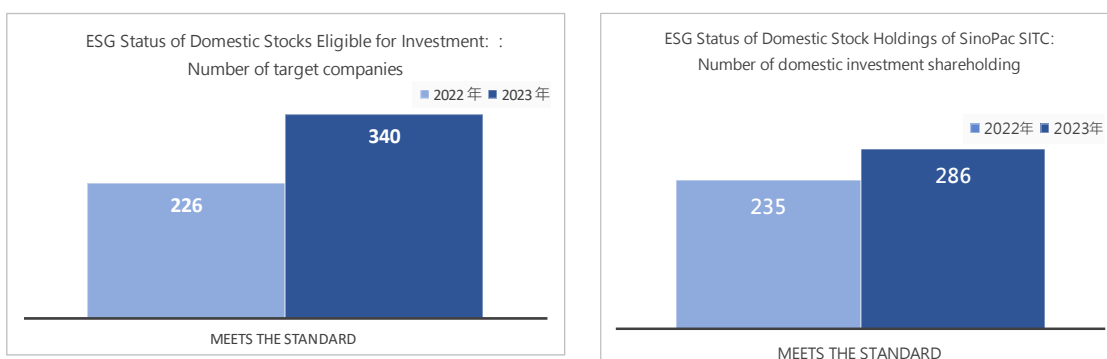
<p>SinoPac Taiwan ESG Plus Fund</p> <p>Issued in April 2020</p>	<ul style="list-style-type: none"> <li>★ First Domestic ESG Active Investment Fund</li> <li>★ The fund investment directly adopts TIP and FTSE Russell jointly compiled "FTSE4Good TIP Taiwan ESG Index" as an investment stock pool, combining ESG and high dividend investment characteristics, and integrating Taiwan's high-quality large leading companies as the core investment targets.</li> </ul>
<p>SinoPac Taiwan ESG ETF (00888)</p> <p>Issued in March 2021</p>	<ul style="list-style-type: none"> <li>★ SinoPac SITC is the first domestic security-investing trust facility to provide a range of active and passive ESG products.</li> <li>★ The FTSE Taiwan Target Exposure ESG Index tracks the performance of ESG scores in selecting constituent stocks.</li> </ul>
<p>SinoPac ESG Global Digital Infrastructure Fund</p> <p>Issued in July 2022</p>	<ul style="list-style-type: none"> <li>★ The first global equity ESG fund in Taiwan that combines ESG and digital infrastructure themes to extend the investment of ESG products overseas.</li> <li>★ Conduct ESG rating filtering, excluding controversial industries and companies with lower ESG scores.</li> </ul>
<p>SinoPac Taiwan ESG Low Carbon High Dividend ETF (00930)</p> <p>Issued in July 2023</p>	<ul style="list-style-type: none"> <li>★ This investment indirectly helps mitigate climate issues by investing in companies with three main features: ESG, low carbon, and high interest.</li> <li>★ The Taiwan ESG Low Carbon High Dividend 40 Index tracks companies based on specific selection criteria as below: These criteria include considering corporate carbon emissions and dividend stability, and only choosing companies with a rating of BBB or higher in the "Taiwan Sustainable Evaluation" ESG rating.</li> </ul>

(IV) Monitor and evaluate the ESG information of investee companies and the ESG distribution of investment targets in line with the Corporate Governance Evaluation.

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 in the domestic stock pool issue Corporate Social Responsibility reports or the Sustainability reports, and important ESG issues. Also promptly address the release schedule of the CSR report, the promotion of ESG issues, and urge improvements.

In 2023, SinoPac SITC identified 340 companies that meet the ESG standards out of a total of 522 domestic stocks on the investment list, which is a significant increase from the 226 companies in 2022. Among the 323 domestic stocks held, 286 companies meet the ESG standards, surpassing the 235 companies in 2022. The display indicates that SinoPac SITC considers ESG standards as important reference indicators when selecting investment targets. Furthermore, for companies that do not meet these standards or lack third-party ESG ratings, we will monitor whether they have issued

Sustainability reports and encountered any negative news in recent years. We will conduct regular tracking at least every season.



In addition, SinoPac SITC also implements the pre-inspection and post-tracking of the ESG investment target. For stocks, according to the results of the 2022 "Corporate Governance Evaluation" commissioned by the Taiwan Stock Exchange and the Taipei Exchange, a total of 928 listed companies and 734 OTC companies were evaluated. SinoPac SITC reviewed the distribution pattern of ESG evaluation results of its active Taiwan equity funds based on the evaluation results. The investment targets were among the top 35% of Corporate Governance Evaluations, and by the end of 2023, the proportion of these targets reached 75.7%, and the proportion of targets traded throughout the year also reached 72.3%, compared to 70.8% in 2022, demonstrating a continuous improvement. The detailed distribution of the SinoPac SITC's Taiwan Stock Fund investment targets in terms of corporate governance ratings is as follows:

The fund investment targets are stocks that fall within the top 35% of the Corporate Governance Evaluation.

Levels	Top 5%	6%-20%	21%-35%	Total
End of 2022	22.8%	31.7%	19.8%	74.3%
End of 2023	20.7%	37.3%	17.7%	75.7%
Fiscal year 2022	17.0%	34.4%	19.4%	70.8%
Fiscal year 2023	19.1%	33.5%	19.7%	72.3%

Data Period: January 1, 2022 to December 31, 2023

Based on the results of the previous year's "Corporate Governance Evaluation" to be announced for investment target distribution.

For bond investments, SinoPac SITC refers to the ESG scoring mechanisms of professional institutions. Investment targets can include sustainable development bonds or those that meet any of the following ESG evaluation criteria: S&P Global ESG score above 30, Sustainalytics score below 40, or MSCI ESG Rating above B. For example, the SinoPac Emerging Market Corporate Bond Fund had 89.28% of its investment targets meeting the aforementioned ESG scoring standards by the end of 2022, which increased to 96.66% in 2023.

Statistics on ESG Scores of Bond Funds.

Year	Percentage of Investment Targets Meeting ESG Scoring Standards
End of 2022	89.28%
End of 2023	96.66%

Data Period: January 1, 2022 to December 31, 2023

### III. Performance Status of Stewardship

#### (I) Compliance statement and explanations of objection

SinoPac signed the "Stewardship Principles for Institutional Investors" compliance statement in 2016, and completed the latest version of the statement updated in September 2021, in order to better implement and exert the professional influence of institutional investors, and improve the asset management responsibility of the industry. Furthermore, it also enhances corporate governance, and the long-term interests of customers and shareholders to fully implement the spirit of responsible investment.

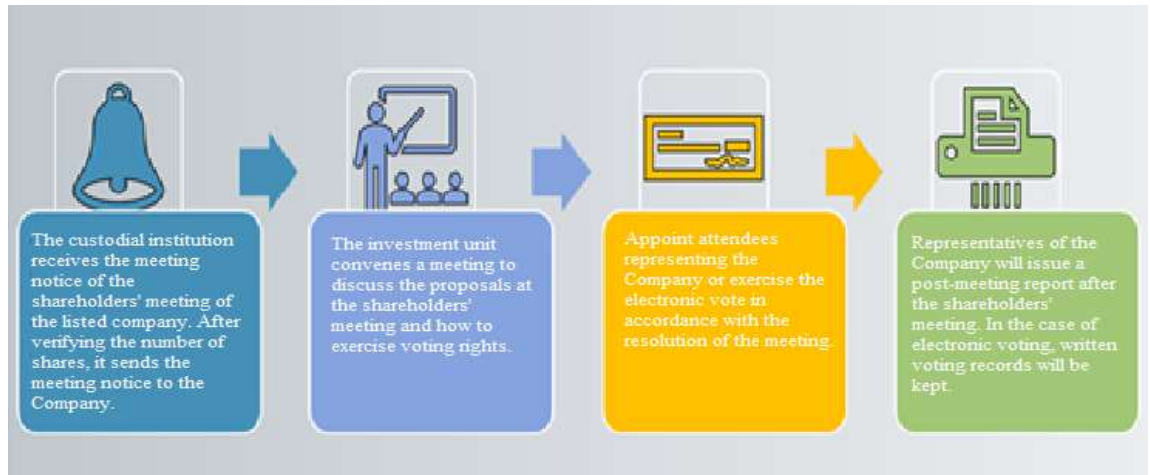
✓ **As of the end of December 2023, there has been no unfulfilled principle in SinoPac SITC's compliance statement in the "Stewardship Principles for Institutional Investors."**

#### (II) SinoPac SITC the voting standards of attending shareholders' meeting and operation process of attending domestic listed company's shareholders' meeting

SinoPac SITC has implemented a voting policy as part of the "SinoPac SITC Stewardship Policy". The policy not only sets thresholds for exercising voting rights at shareholder meetings but also establishes rules for pre-voting evaluation and communication. Furthermore, it provides comprehensive criteria for supporting, opposing, or abstaining from various types of proposals based on environmental, social, and governance factors. SinoPac SITC, based on the professional judgment of institutional investors and in the best interest of its clients and beneficiaries, shall not take an absolute supportive stance on all motions proposed by investee companies, but shall rather evaluate and discuss them with the investment team and, if necessary, communicate with the investee company before the shareholders' meeting and exercise its voting rights based on the evaluation of corporate operating interests, shareholder value and ESG principles.

Before exercising voting rights, SinoPac SITC will conduct an evaluation and analysis of the voting rights exercise. However, it does not absolutely support the proposals put forward by the management. If the investee company proposes ESG resolutions to achieve positive goals in environmental, social, governance, or sustainable operations, they will be supported to reflect the enhancement of the long-term value of the investee company. If a decision is made to vote against or abstain, the reasons should be stated and records should be kept.

Operation process of SinoPac SITC attending domestic listed company's shareholders' meeting



Significant Resolutions Defined by SinoPac SITC

Factor	Principle Support	Principle of Opposition or Abstention
Environment	<ul style="list-style-type: none"> <li>Proposal for a Rational and Comprehensive Climate Transition</li> <li>Operational and Supply Chain Greenhouse Gas Emissions Reduction Plan</li> </ul>	<ul style="list-style-type: none"> <li>The proposal includes violations of major climate-related issues (such as investments in significant environmental pollution, expansion of highly polluting production lines, and issues that cause irreversible and permanent impacts on the overall natural environment and ecosystems). Those who violate these significant environmental matters may face penalties from the relevant competent authorities.</li> </ul>
Social	<ul style="list-style-type: none"> <li>Issuance of warrants issued to employees at a price below the market value</li> <li>The treasury stock is valued lower than the actual average repurchase price for employee transfers.</li> <li>Proposal for Providing Reasonable Care for Employees and Fulfill Corporate Social Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Individuals who have been penalized by competent authorities for violating significant social issues (such as the illegal employment of child labor, forced labor, major occupational accidents, industrial safety incidents, strikes, and conflicts with stakeholders).</li> </ul>
Governance	<ul style="list-style-type: none"> <li>Proposals and Financial Reports of the Top 5% of Companies in the Corporate Governance Evaluation</li> </ul>	<ul style="list-style-type: none"> <li>If there are corporate governance disputes or inadequate management that could harm the company or shareholders' interests, we will abstain from or vote against the relevant proposals for board director elections or management decisions.</li> </ul>

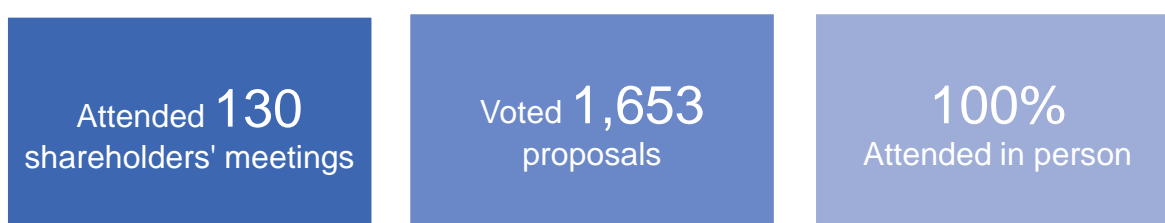


### (III) Status of shareholders present, votes, and proxy votes

As of the end of December 2023, SinoPac SITC has attended 130 shareholders' meetings (including ad hoc meetings) of domestic investee companies, with an attendance rate of 100% and 0% by proxy. The Company voted a total of 1,653 on motions, of which 1,636 were in favor, 11 against, and 6 were abstained. The complete voting record of the 2023 Annual General Meeting is disclosed in the Stewardship section on the SinoPac SITC office website.

#### Statistics on attendance of shareholders' meeting

In the "SinoPac SITC Stewardship Policy", for those attending the shareholders' meeting of



the investee company, the specific principles for the types of exercising supporting, opposing, or abstaining to votes are set: supporting proposal among the top 5% of the Companies in the annual corporate governance evaluation and corporate financial reporting proposals; opposing proposals that violate major climate-related issues; abstaining proposals related to the election of company directors in which corporate governance disputes have occurred. The implementation in 2023 is as follows:

Supported proposals are as follows:

The number of attending the top 5% of the Company's shareholders' meeting	Number of Issues
39	571

The number of attending the top 5% of the Company's shareholders' meeting	Overall Financial Report
39	264

Against proposals are as follows:

Types	Number of opposed proposals
Important proposals that violate major climate-related issues	0

Abstained proposals are as follows:

Types	Number of opposed proposals	Number of abstained proposals
Proposals related to the election of company directors in which corporate governance disputes have occurred	11	6

For instance, in 2023, one of the investee companies became embroiled in a dispute over management rights. The company's management levels engaged in mutual attacks. Upon evaluating the situation, the investment team identified a lack of responsible management, leading them to abstain from and vote against the company's shareholder meeting and board elections. Similarly, another construction company faced a significant workplace safety incident, which exposed poor business operations and corporate governance negligence. The investment team also abstained from and voted against the company's shareholder meeting and board elections. The voting results for these two cases are shown in the table below:.

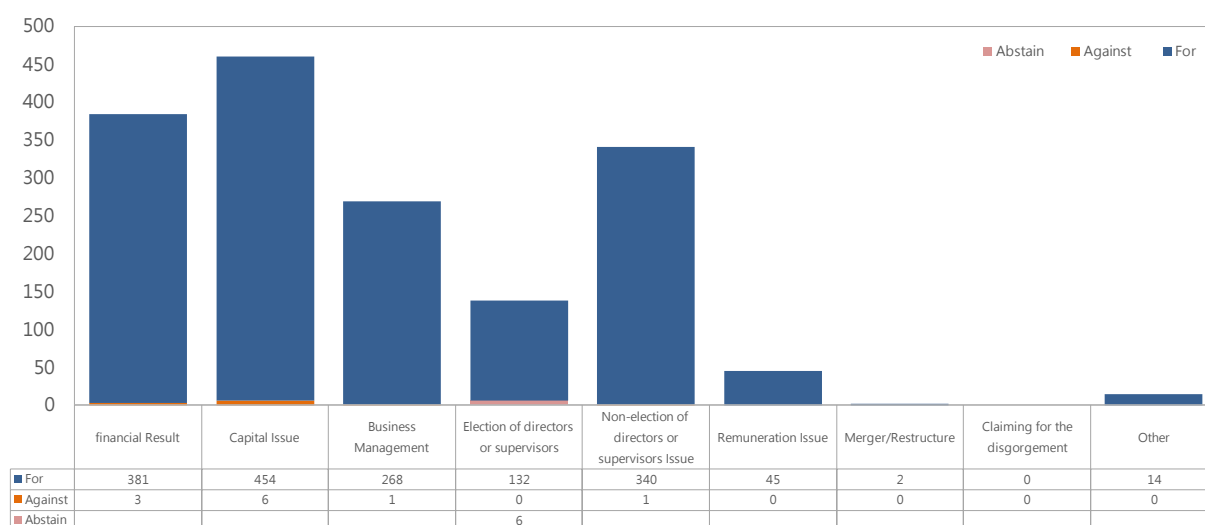
Company	Proposal	Voting Opinion	Explanation
Shin ○○ Holding Co., Ltd.	In response to strategic development and operational growth, the company plans to conduct a long-term capital raising project	Against	The proposal authorizes the board of directors to issue up to 2 billion new common shares through a cash capital increase to meet the company's long-term development needs. However, due to the company's ongoing management dispute, both the company faction and the reform faction have resorted to extreme measures to gain support from retail and foreign investors, including malicious attacks on each other. This behavior demonstrates a failure to fulfill their responsibilities as good managers, disregards the rights of shareholders and investors, and affects governance efficiency. Therefore, we oppose this proposal.
	2022 Financial Statements Proposal	Against	
	2022 Profit Distribution Proposal	Against	
○○ Construction Corp.	2022 Business Report and Financial Statements Proposal	Against	On May 10, 2023, a major accident occurred at Feng-le Park Station of the Taichung MRT. The boom of a high-altitude tower crane from the construction project "Wenxin Aiyue" by ○○ Construction fell and hit a moving MRT train, resulting in 1 death and 10 injuries. This incident violated public safety, indicating significant corporate governance failures and controversies. Not only will the company have to pay fines, but its reputation, governance, and the rights of its investors will also suffer. The proposal for the annual surplus to be converted into capital for

Company	Proposal	Voting Opinion	Explanation
			issuing new shares is one of the major specific proposals at the shareholders' meeting. Therefore, based on the above report, we oppose it and also oppose other non-major specific proposals.

For domestic investee companies, SinoPac SITC does not use proxy research and proxy voting-related services in 2023. The Company will implement the interaction and negotiation responsibilities of institutional investors in person, and after attending the meeting, representatives attending the meeting will issue a post-meeting report.

- ✓ SinoPac SITC attended 130 domestic shareholders' meetings of the investee companies in 2023 without using proxy research and proxy voting services. 100% of the investment team and related members have attended or participated in voting at shareholders' meetings in person.

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



#### Support Percentage for ESG-related Resolutions in 2023

Types	Number of Issues	Number of Approvals	Support Ratio
<b>Environmental Issue</b>	0	0	-
<b>Social Issue</b>	45	45	100%
<b>Governance Issue</b>	1,594	1,577	98.93%
<b>Total Number of ESG Issues</b>	1,639	1,622	98.96%

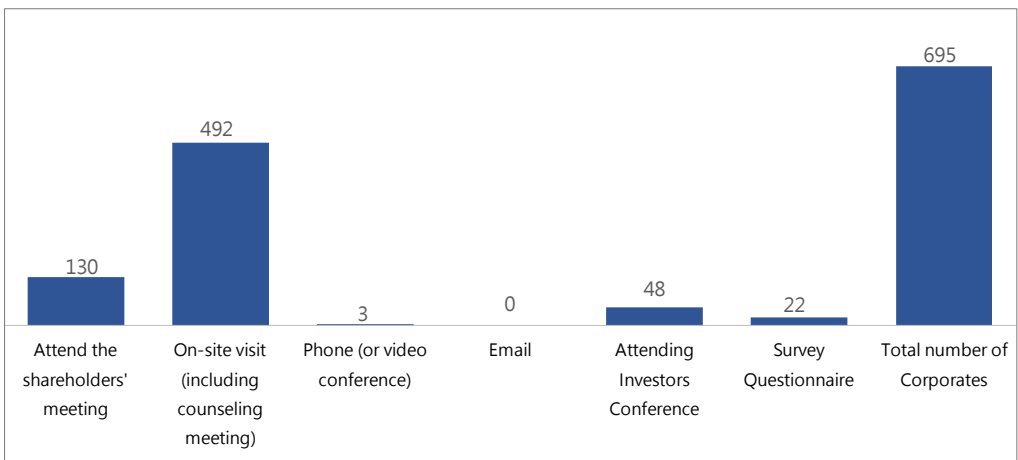
Note: There are no issues related to the environment in 2023.

## IV. Summary of Corporate Negotiation Activity

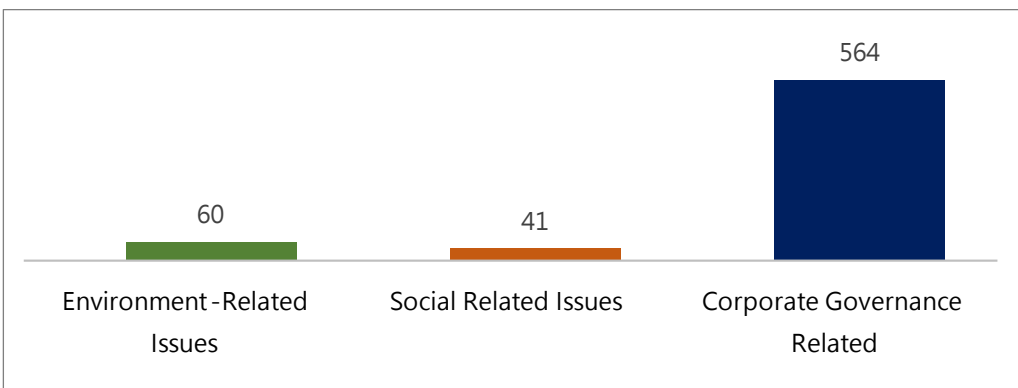
### (I) Status of corporate negotiation

In 2023, SinoPac SITC had a total of 942 interactions with domestic investee companies, 665 of which involved ESG issues. The Company actively engages in conversations and interactions with investee companies by attending the Company's shareholders' meeting in person, institutional investors conference, and mastering the Company's shareholders' meeting information. 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 corporates' attention to related issues.

#### Statistics of SinoPac SITC and Corporates negotiation



#### Statistics on Dialogues with Companies Regarding Environmental, Social, and Corporate Governance Issues



✓ SinoPac SITC had a total of 942 interactions with domestic investee companies in 2023, of which 665 had involved ESG issues. The interaction and negotiation process complied with the Company's Stewardship Policies and regulations.

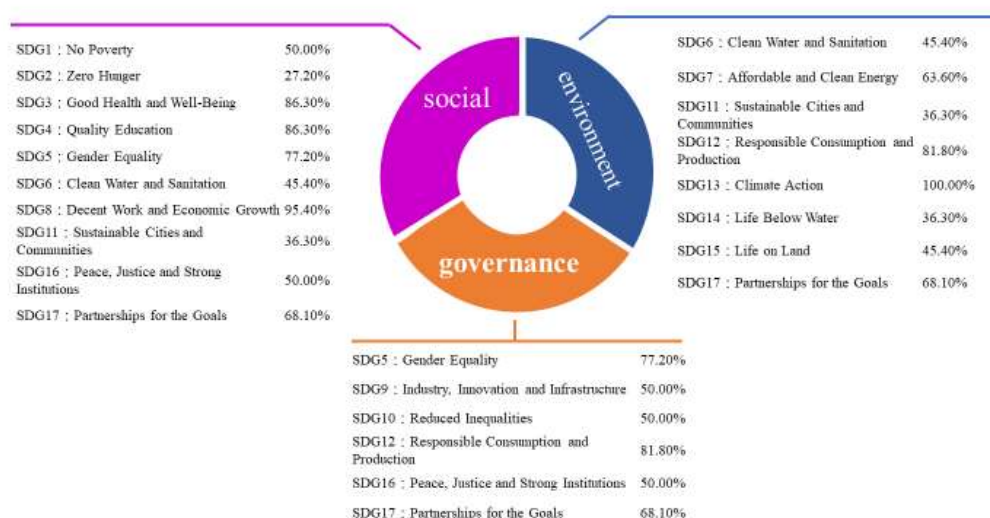
## (II) Annual Survey Questionnaire on ESG Sustainability Issues for Investee Companies

SinoPac SITC aligns with the United Nations Sustainable Development Goals by integrating sustainable finance core functions and actively promoting customer awareness of sustainability. We also collaborate with stakeholders to drive sustainable actions. We collaborate with investee companies through questionnaire surveys to promote sustainable development, identify climate risks, enhance climate resilience, and maintain continuous communication and engagement with stakeholders.

SinoPac SITC conducted an online survey in December 2023, targeting the top 100 investee companies in terms of shareholdings of all public funds and discretionary assets as a percentage of the issuing company. The survey includes advocacy, zero and greenhouse gas information disclosure, environmental-specific actions, human rights-specific actions, corporate governance-specific actions, etc., According to the survey results, all companies have pledged to continue to collect and master the company's knowledge on how to promote sustainable development through various channels (e.g. media / newspapers and magazines / seminars) and implement it in business operations and agree to arrange for employees or invite stakeholders to attend internal and external seminars and educational training related to sustainability, in order to continuously enhance the climate awareness of employees and stakeholders. Other results are summarized as follows.

**[Initiative]** The Board of Directors has incorporated sustainable development as a factor in operational/business decisions. In terms of promoting sustainable development, the highest percentage of responses to the Sustainable Development Goals (SDGs) awareness survey was for "SDG13: Climate Action", followed by 95.40% for "SDG8: Employment and Economic Growth", and other responses are shown in Figure 1.

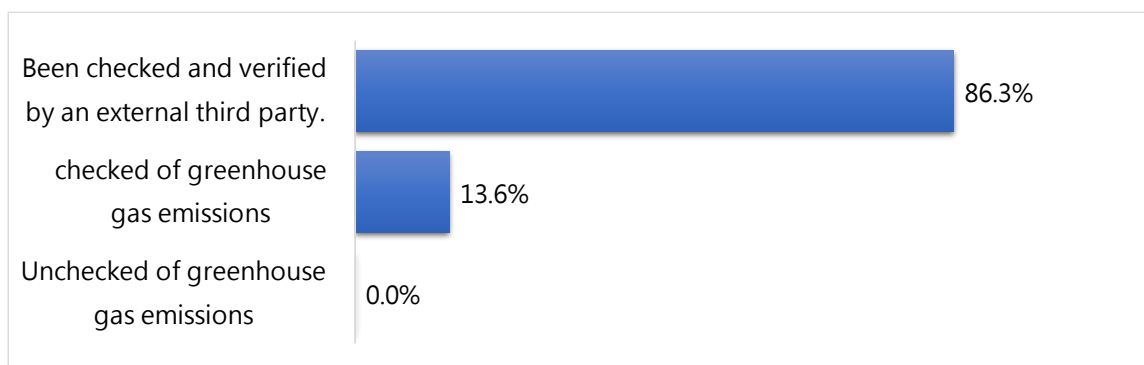
Figure 1: Percentage of awareness of environmental, social, and corporate governance in relation to corporate concerns about sustainable development goals



Note: Sustainable Development Goals (SDGs) can be shown in the same context as the environment, social, or corporate governance.

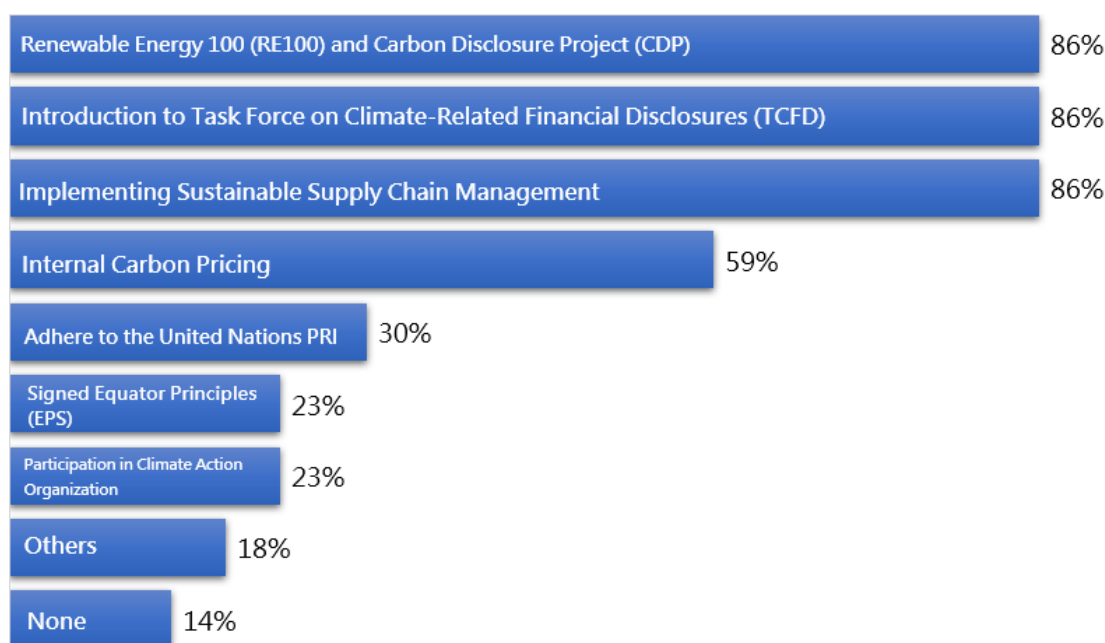
**[Net Zero and Greenhouse Gas Information Disclosure]** According to the survey results, 100% of enterprises have established greenhouse gas reduction targets and checked their greenhouse gas emissions. 86.3% have been verified by external third parties (see Figure 2).

Figure 2: Corporate greenhouse gas emissions



**[Environmental specific actions]** Among the specific behaviors that have been invested to mitigate and adapt to climate change, corporates have invested 100% in low carbon/emissions reduction/energy saving (e.g., buildings, office equipment, etc.), and 90.5% in recycling, waste reduction, and waste emission (e.g., paperless, water resources, etc.). **Regarding the Mitigate and Adapt to Climate Change**, the survey statistics indicate that 86% of corporates have made a commitment to a renewable energy 100 initiative (RE 100), implemented TCFD, and adopted sustainable supply chain management (refer to Figure 3).

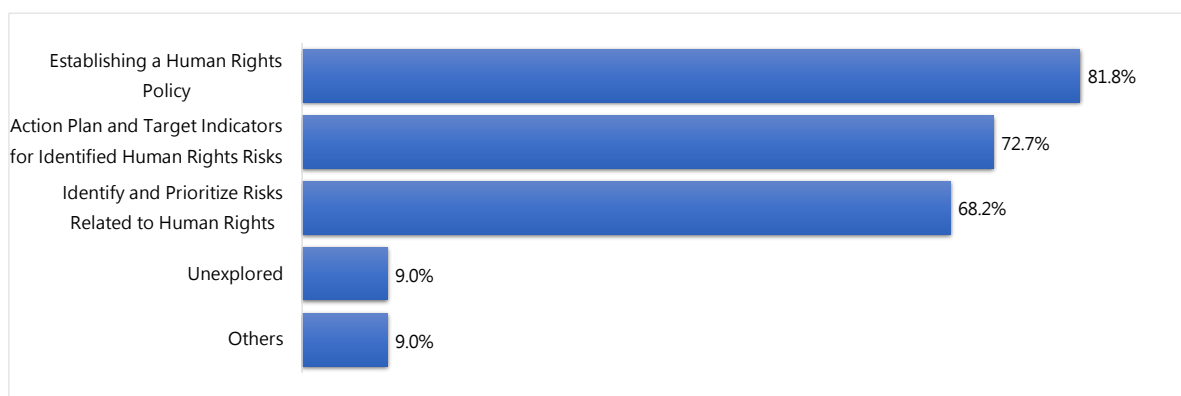
Figure 3: Commitments that companies have implemented (ongoing) policies or responded to in order to mitigate climate change





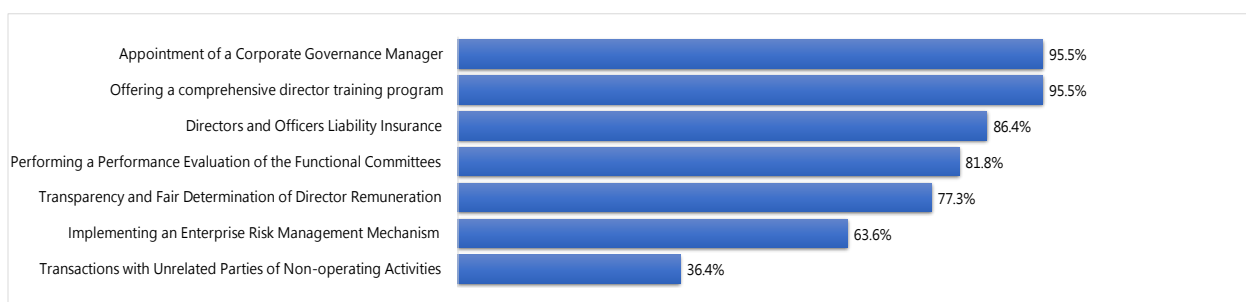
**[Human Rights Specific Actions]** 100% of the companies have implemented the principles of respecting human rights in the workplace, safety, and health in the workplace, and over 80% of the companies have implemented the principles of respecting human dignity, freedom of association, and collective consultation, and the right to life and personal physical safety and privacy. According to the survey results, 81.8% of the companies have established human rights policies to promote the principles related to the protection of human rights in labor conditions (see Figure 4).

Figure 4: International promotion of human rights related principles of labor conditions protection



**[Corporate Governance Specific Actions]** According to the survey results, 100% of the companies have implemented the principle of disclosing the diversity information of the board of directors and the independence of the independent directors, and the companies have achieved the requirement of audit committee approval for quarterly financial statements. In terms of strengthening board functions and implementing board accountability, 95.5% of companies have appointed a corporate governance officer and implemented a comprehensive director training program (refer to Figure 5).

Figure 5: Strengthening board functions and implementing board accountability



### (III) Evaluation of the Interaction and Negotiation with the Investee Companies

SinoPac SITC follows and implements the "Stewardship Principles for Institutional Investors" commitment. The highlights for evaluating interaction and negotiation with investee companies are as follows:

1. Subject: When considering investment positions based on geographical location and market factors, priority should be given to target exposures with a holding period of more than one year and account for more than 0.5% of the company's outstanding shares in the Taiwan market. Additionally, it is important to pay special attention to

whether the investment targets belong to sensitive industries, (including high-risk climate industries), as defined by SinoPac SITC ESG Investment and Risk Management and Information Disclosure Policy and their progress in ESG promotion.

2. Topic: For the interaction and negotiation of the investee company, it mainly focuses on fundamental financial and operational information, research reports, news information, industrial development information, development of new technologies, the impact of climate change, environmental protection, occupational safety, employee benefit, shareholder rights, and corporate governance, among other important issues.
3. Follow-up, decision, and countermeasure: For ESG risk issues, the investment department in SinoPac SITC will pay attention to industrial trends, company news, and financial and operational overviews, as well as interact with the investee company through on-site visits, telephone interviews, investor conference and shareholders' meetings, etc., as appropriate, or use other relevant information to evaluate whether to continue to track the target. If it is decided to continue to track, we will observe the feedback and enhancement of the investee company's ESG risk issues. The investment unit also decides to remove/reduce/not buy the investee from the investment pool after evaluation.

(IV) Execute corporate agreements and interactive content in accordance with the stewardship policy.

Actions of stewardship in SinoPac SITC Stewardship Policy includes the following actions:

1. Continuous Focus on Investee Companies
2. Engage with the management of investee companies and bond issuers, participate in shareholder meetings, and exercise voting rights.
3. The investment process remains focused on ESG issues and actively encourages invested companies to take relevant actions.

The executive overview is described as follows:

1. Actively seize investment decision-making information: In order to ensure that SinoPac SITC obtains sufficient information to facilitate investment decision-making, we also evaluate the nature, time, and extent of the negotiation and execution with the investee company as a good basis for investment decision-making; we pay attention to the main projects of the investee company, including corporate news, quarterly financial statements, industry overview, business strategies, environmental protection practices, social responsibility, labor rights, and corporate governance issues.
2. Negotiation actions: SinoPac SITC's regular negotiation and interaction activities with investee companies, such as email communication, teleconferences, in-person visits, participation in investor conferences, attendance at general shareholders' meetings or ad hoc shareholders' meetings on major issues, etc. Meanwhile, the Company also exercises voting rights by attending shareholders' meetings,

communicates with the management, actively grasps the business risks, opportunities, and responds strategies and strives for the positive influence of the investee companies in the long-term operating value.

3. ESG-related assessment: SinoPac SITC and its investee companies have agreed to negotiate in order to demonstrate the spirit of stewardship and to actively protect shareholders' rights and interests. Meanwhile, the selection of investment targets mainly follows the "SinoPac SITC ESG Investment and Risk Management and Information Disclosure Policy" and "Investment Scope and Investment Target Selection Criteria." At the same time, we also consider ESG issues as important evaluation criteria. For example, we will exclude controversial companies and sensitive industries, enhance the pre-investment review process for sensitive industries, and include the top 5% of ESG Index constituents and companies with corporate governance ratings as investment targets.
4. Stewardship actions: We continuously review pre- and post-transaction, monitor and review whether the investee company has violated ESG-related resolutions, and annually disclose the shareholders' meeting voting situation, etc.

#### (V) Negotiation Milestones and Cases

SinoPac SITC has established negotiation milestones to effectively advance the outcomes of negotiations. The milestones are divided into four stages: Stage 1 - Raising issues of concern with the investee company, Stage 2 - The investee company responds to the issues, Stage 3 - The investee company formulates measures, Stage 4 - The investee company implements the response measures. Stage 4 is further divided into three sub-items for tracking: E, S, and G. The table below details the number of negotiated companies and the proportion of total assets for each milestone progress in 2023:

SinoPac SITC Negotiation Milestones

Milestone Stage	Number of Negotiated Companies	Proportion of Total Assets
<b>Stage 1 - Raising issues of concern with the investee company</b>	317	28.99%
<b>Stage 2 - The investee company responds to the issues</b>	304	28.15%
<b>Stage 3 - The investee company formulates measures</b>	184	23.47%
<b>Stage 4 - The investee company implements the response measures (E - climate and energy)</b>	85	11.56%
<b>Stage 4 - The investee company implements the response measures (S - talent attraction and retention)</b>	37	12.17%

**Stage 4 - The investee company implements the response measures (G - operational governance/financial performance)**

122

10.69%

Data Period: January 1, 2023 to December 31, 2023

SinoPac SITC's influence on proposed cases, investment decision response, and follow-up are detailed below according to stocks and joint negotiations:

## 1. Stocks

### [Stock Case 1]

ASE Technology Holding Co. (ASE) is the largest assembly and test company in the world, serving major clients such as Apple, Qualcomm, MediaTek Inc., and other renowned domestic and international manufacturers. It plays a crucial role in the semiconductor supply chain. However, the majority of the company's factories and production lines are outdated and inefficient. Therefore, the company aims to enhance factory efficiency, improve process quality, and meet customer delivery deadlines, it has been implementing a lights-out automation manufacturing plan since 2015. This plan is centered around three key areas: "automation", "heterogeneous integration in machine and production systems", and "heterogeneous integration in systems-in-package". These initiatives are enabling the company to digitally transform its factories towards intelligent and smart manufacturing. The company is a key investment of SinoPac SITC and a prominent player in the industry. Therefore, during the individual stock investigation process in 2023, SinoPac SITC has been closely monitoring the progress of the company's lights-out automation manufacturing and urging the company to disclose its future goals in line with ESG principles.

- ✓ **Impact:** In accordance with ESG principles, researchers and managers visited the company's COO and conducted an investigation. The company responded by stating that its factory has implemented automated processes for over 2000 types of equipment, resulting in reduced labor costs. Mainly used in advanced packaging and the number of automated lights-out automation manufacturing: The company has reached 27 by the end of 2021, 36 by the end of 2022, and is expected to reach 46 by the end of 2023. Additionally, by the end of 2023, the packaging and testing department's contribution to revenue will increase to 20%.
- ✓ **Response:** It has been assessed that the company clearly discloses its goal of "smart factories" and consistently makes progress according to schedule each year. We anticipate that ASE will not only improve efficiency and increase product gross margin in a highly automated environment but also contribute to energy saving and carbon reduction, aligning with the principles of sustainable business operations. Therefore, after evaluation, we will continue to hold the stock.
- ✓ **Monitoring:** The company's progress in achieving the annual smart factory goal will be continuously monitored.
- ✓ **Subsequent Actions:** The company has successfully undergone digital transformation in manufacturing, which has reduced health risks associated with employees working overtime. Moreover, the implementation of smart factories has not only improved company profits but also provided returns to shareholders.

Furthermore, the disclosed information is in line with the findings of research analysts and managers based on ESG principles. After evaluation, it is recommended to maintain holdings of the stock.

### **[Stock Case 2]**

On the evening of January 15, 2023, a major fire broke out at the Elite Material Co., Ltd. (EMC) Guanyin Factory in Taoyuan. The fire started from the machinery on the first floor of the plant, leading to a strong odor and an air pollution incident. Fortunately, the fire was successfully extinguished and there were no casualties. EMC is the largest manufacturer of copper clad laminate (CCL) in Taiwan. It possesses exceptional technical capabilities and is a longstanding core holding of SinoPac SITC. After a fire incident, researchers from SinoPac SITC conducted a site visit in 2023 to evaluate the fire's impact on the company's operations. They strongly recommended that the company should adopt stringent fire response measures to be in line with ESG principles to avert future industrial accidents.

- ✓ **Impact:** Following ESG principles, researchers and managers visited the company's spokesperson, conducted an investigation, and received the following response from the company: Due to the current industry off-season, the company has adjusted the production capacity of Guanyin Plant 2, Plant 3, and Hsinchu Plant 4 accordingly. Additionally, since the company has fire insurance coverage, the overall operational impact is minimal. The one-time fire at the Taoyuan Guanyin Plant resulted in an operational loss of approximately NT\$83 million (the plant fire loss amounted to NT\$540 million but it was fully covered by insurance claims). This incident had an impact on the gross profit margin by approximately 1.1% and made it restore the quarterly gross profit margin to 25%.
- ✓ **Response:** After assessing the limited impact of the fire-related business losses on overall operations and taking into account the adequate insurance coverage for the damaged plant, as well as the ability to reallocate resources from other plants, we recommend retaining ownership of the stock.
- ✓ **Monitoring:** Following the investigation, the incident resulted in a fine of NT\$195,000 imposed and the required to attend a 2-hour environmental seminar by the Department of Environmental Protection, Taoyuan City Government. There is no specified period for improvement.
- ✓ **Subsequent Actions:** Considering the manageable operational losses caused by the fire and the relatively small amount of subsequent air pollution fines, EMC will be prioritized as the primary supplier of AI servers, as the penetration rate of AI servers continues to increase. After careful consideration, it is recommended to continue holding the stock.

### **[Stock Case 3]**

Novatek Microelectronics Corp. (Novatek) is a renowned IC design company in Taiwan. One distinguishing characteristic of such companies is their minimal asset base, with a significant portion of expenses dedicated to research and development costs. Hence, the crucial element lies in the research and development personnel, which is also the foremost factor in sustaining long-term competitiveness. To expedite the development of semiconductor technology, China often recruits research and development personnel from well-known IC design companies in Taiwan. It is not uncommon for entire research and development teams to be poached. Retaining talent is a crucial and significant issue. It entails more than just providing competitive salary

packages; it also involves creating a friendly workplace and cultivating a corporate culture that employees can connect with. Novatek has always been a key investment for SinoPac SITC. During multiple visits to the company in 2023, researchers from SinoPac SITC have consistently expressed concerns about the company's talent retention practices and the creation of a friendly workplace, in accordance with ESG principles.

- ✓ **Impact:** According to visits with the company's general manager and interviews conducted by researchers and managers who adhere to ESG principles, the ongoing US-China tech war has had a significant impact. China frequently engages in high-paying poaching of talent in Taiwan as part of its pursuit of semiconductor self-sufficiency. This not only results in the theft of critical technology but also leads to a loss of future competitiveness. The resulting business losses are challenging to quantify. The company fully acknowledges that talent is not only an asset but also the foundation for corporate sustainable development.
- ✓ **Response:** The company offers a higher salary level compared to its competitors and provides childcare services. Additionally, the employee turnover rate is only 5.68%, which is below the industry average. These findings indicate that the company has made genuine efforts to establish a friendly workplace. It is recommended to continue holding the stock.
- ✓ **Monitoring:** In the future, we will track whether the company's employee turnover rate is lower than its competitors.
- ✓ **Subsequent Actions:** After conducting an investigation, the company has been awarded the "Badge of Accredited Healthy Workplace" by the Health Promotion Administration, Ministry of Health and Welfare for six consecutive times, making it one of the few IC design companies to receive this honor. Additionally, the company has successfully overcome the challenges, and it is anticipated that all product categories, including mobile phones, televisions, personal computers, and automotive products, will experience a recovery and growth. Taking all factors into consideration, not only has Novatek fulfilled its social responsibility, but it has also provided clear plans for the future direction of its operations. Therefore, it is recommended to maintain holdings of the company's stock.

## 2. Joint negotiations

### [Joint Negotiation Case 1]

SinoPac SITC, along with Bank SinoPac, SinoPac Securities Investment Service Corp., and two other investment trust peers, jointly visited the spokesperson and corporate governance officer of TECO Electric & Machinery Co., Ltd. to negotiate with the company.

TECO is a leading domestic manufacturer of electric motors and a major producer of heavy electrical and household appliances. The company has four production plants (in Zhongli, Guanyin, Tamsui, and Xinzhuang) and is the first domestic professional manufacturer of electric motors according to international standards. The company started with the production of motors for heavy electrical products and extended its core technology to household appliances. Its motor sales hold over 50% of the domestic market share, making it one of the top five heavy electrical manufacturers globally and one of the top three household appliance brands domestically. In 2020, TECO was included in the Dow Jones Sustainability Index (DJSI), being the only new electromechanical company from Taiwan to be selected.



Given the critical role of motors in industrial production, when the EU Carbon Border Adjustment Mechanism (CBAM) is officially implemented in 2026, Taiwan will also implement a carbon fee system. Using innovative materials and variable frequency technology motors will directly achieve efficiency, low-carbon production, and ensure operational performance and quality, thereby ensuring sustainable corporate operations.

TECO has always been a core holding tracked by SinoPac SITC due to its high industry status. In the 2024 joint negotiation, SinoPac SITC fund managers continued to monitor the company's progress in energy conservation, carbon reduction, and new high-efficiency motors, urging the company to clearly disclose future goals based on ESG principles.

- ✓ **Impact:** Opinions were exchanged with the company on issues such as energy conservation, carbon reduction, sustainable operations, and corporate governance, with the hope that the company will continue to progress towards the goals disclosed in its sustainability report.
- ✓ **Response:** The company plans to achieve a "50% reduction in emissions over ten years" by 2030. Currently, it prioritizes larger production plants, covering 84.6% of its operational scope, and aims to reach 100% by 2026, at which point it will start evaluating SBTi. Over the past three years, the company's CAPEX for emission reduction efforts, mainly on environmental protection and emission reduction equipment (including renewable energy), amounted to approximately NT\$200 million. From 2021 to 2023, it has reduced about 30,000 tons of CO<sub>2</sub>e.
- ✓ **Monitoring:** The company aims to achieve RE30 by 2030. Future observations will focus on whether the company meets its carbon reduction progress and when it will start evaluating SBTi.
- ✓ **Subsequent Actions:** The company has been recognized four times by international sustainability organizations, including the DJSI and the S&P Global Sustainability Yearbook. In 2021, the company announced a project goal to reduce carbon emissions by 50% over ten years and immediately expanded the implementation of the plan to overseas plants starting from the base year of 2021, making group-wide efforts to reduce carbon emissions. Since the disclosed matters align with the investigation report by our researchers/managers based on ESG principles, the stock remains in the stock pool after evaluation.

### **[Joint Negotiation Case 2]**

SinoPac SITC, along with SinoPac Securities, SinoPac Securities Investment Service Corp., seven other investment trust peers, and two life insurance companies, jointly visited the planning and finance departments of Evergreen Marine Corporation to negotiate with the company.

Evergreen Marine is a major domestic container shipping service provider, primarily operating on ocean routes with a service network spanning five continents. It is the largest domestic and the seventh-largest global shipping company, with a current fleet capacity of 1.65 million TEU and 214 vessels (156 equipped with scrubbers). In 2023, its global routes comprised 42% to the Americas, 26% to Europe, 19% to Asia, and 13% to other regions.

The EU Emissions Trading System (ETS) reform bill will extend to the shipping industry starting in 2024. This bill applies to all large vessels over 5,000 tons. For voyages entirely within the EU, all carbon emissions must be paid for; for vessels

entering the EU from outside, half of the voyage's carbon emissions must be paid for. This bill will primarily impact the shipping industry, which accounts for 3% of global carbon emissions. As the seventh-largest global shipping company, Evergreen Marine must prepare for the new regulations, considering options such as optimizing sailing routes, using low-sulfur/biofuels, or purchasing methanol dual-fuel ships.

Evergreen Marine has always been a core holding tracked by SinoPac SITC due to its high industry status. In the 2024 joint negotiation, SinoPac SITC fund managers continued to monitor the company's progress in energy conservation, carbon reduction, new energy ships, and biodiversity, urging the company to clearly disclose future goals based on ESG principles.

- ✓ Impact: Opinions were exchanged with the company on issues such as low-carbon shipping, biodiversity, and crew welfare, with the hope that the company will continue to progress towards the goals disclosed in its sustainability report.
- ✓ Response: The company's carbon intensity has already decreased by over 60%, and it is committed to meeting its 2024 emission reduction targets. In the long term, it aims for net-zero carbon emissions by 2050 and is currently applying for SBTi certification for its emission reduction pathway. The company plans to allocate biofuel or alternative fuel needs for each route to meet annual emission reduction targets. In response to the increasing European carbon tax starting in 2024, the company will gradually replace its fleet with dual-fuel new ships to reduce tax impacts. Using green methanol can reduce greenhouse gas emissions by 95-96%, while blue methanol can reduce emissions by 45-50%. Regarding biodiversity, the company is committed to Arctic ecological conservation and other biodiversity efforts, including slowing down, rerouting, and reducing underwater noise. Additionally, 100% of the group's ships have ballast water sterilization and certification, using infrared sterilization to prevent the introduction of non-native species.
- ✓ Monitoring: The company aims to achieve net-zero carbon emissions by 2050 and expects to obtain SBTi target certification by 2025. We will continue to monitor the progress to ensure these goals are met.
- ✓ Subsequent Actions: Evergreen Marine is the first Taiwanese container shipping company to obtain dual certification for carbon inventory (ISO14064 and GHG protocol). It also plans to implement ISO14067 carbon footprint and ISO14083 supply chain inventory standards for freight, comprehensively calculating carbon emissions from the parent company, overseas subsidiaries, fleet, and suppliers, in compliance with FSC regulations for listed companies and international standards. All bills of lading will help customers calculate carbon emissions during container operations based on IMO reference values, addressing customer needs for "Scope 3" carbon tax operations and leading the industry in providing third-party certified carbon certificates.

Since the disclosed matters align with the investigation report by our researchers/managers based on ESG principles, the stock remains in the stock pool after evaluation.

#### (VI) 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.

Bank SinoPac, a member of SinoPac Holdings, also participated in the 2020 Taiwan Sustainable Finance Forum and promoted the establishment of the "Taiwan Sustainable Finance Initiatives Network" as well as the founding members of the "Taiwan Sustainable Finance Initiatives Network" of BCSD Taiwan. SinoPac Holdings and its subsidiaries use their 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, social, and the environment. Clarify the current situation and identify the needs of the financial market, promote sustainable financial development, and expand various business opportunities.

SinoPac Securities, a subsidiary of the group, has continuously invested in ESG promotion for a long term. Since 2016, it has promoted ESG investment forums, assisted ESG outstanding listed companies to demonstrate their value, 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. The investment research team in SinoPac SITC also actively participates in the forum activities.

Since the Group highly values ESG issues, SinoPac SITC has become the first investment company to use the perpetual index investment pool from TIP to issue the first ESG Taiwan stock active fund. We issued ESG Taiwan stocks ETF in the first quarter of 2021 became the first Taiwanese stocks ESG-themed fund with both active and passive products. In 2022, the SinoPac ESG Global Digital Infrastructure Fund was issued, expanding their ESG product investments overseas and creating the first product in Taiwan that combines ESG and digital infrastructure themes. In 2023, SinoPac Taiwan ESG Low Carbon High Dividend ETF was issued, it is the first ETF in Taiwan that combines "ESG, low carbon, and high dividend" features. We hope to raise the public's attention to ESG investment issues and promote investee companies to implement environmental protection, social responsibility, and corporate governance, in order to achieve the overall improvement in investment value.

#### SinoPac ESG Forum: Connecting Finance and Natural Capital



Source: Photograph of 2023 SinoPac ESG Lecture

## V. Management of Conflicts of Interest

SinoPac SITC is an asset management industry, responsible for the investment and utilization of investors' funds, and has a significant impact on investee companies. SinoPac SITC established a conflict of interest management system to ensure that the responsible personnel and all employees performing the business from the customers or the beneficiary are based on the best interests of using funds. This prioritizes customer interests, avoids conflicts of interest, prohibits short-term trading and improper gains, and ensures fair dealing. The specific requirements for managing conflict of interest patterns and management cover various relationships: between the company and customers, between the company and employees, between employees and customers, between the company and other investee companies, and between the company and associates. When there is a conflict of interest (or there is a risk of occurrence), the interests of the customer should be prioritized, and the situation of the conflict of interest that may occur should be properly considered. Appropriate management methods include: education and promotion, transaction control, firewall, functional division, reasonable remuneration, anti-bribery and remedial measures, etc.

SinoPac SITC 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.

✓ In 2023, there have been no major conflicts of interest incidents in SinoPac SITC.

## VI. Conclusion

SinoPac SITC has been dedicated to the asset management industry for more than 28 years. In recent years, we follow the United Nations "Responsible Investment" principle, carrying the ESG investment spirit forward. We work with investee companies to guide positive operation and development as an important mission for institutional investors. Following the vision of "Financial Achievement for a Better Life," SinoPac SITC 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. SinoPac SITC's Stewardship Input Resources

The resources invested by SinoPac SITC in performing stewardship include related manpower, systems, and foreign investment consultants, and the related annual costs are shown in the following table:

Input Resources	Requirements	Execution	Manpower/Cost Estimation
<b>ESG database</b>	Database system	Bloomberg database of responsible investment and ESG ratings	The annual cost is about NT\$500,000
		ESG Evaluation System for Listed and OTC Companies in Taiwan by National Taipei University	The annual cost is about NT\$400,000
<b>Index constituent stocks</b>	Index licensing	Introduce ESG investment process to SinoPac ESG series funds	Costs about NT\$350,000 per year
<b>Investee company negotiation</b>	Personnel from the Investment Division - the Equity Investment Department, Investment Research Department, Fixed Income Investment Department, Asset Management Department, and Quantitative and Index Investment Department.	1. Interaction and negotiation with the investee company 2. Evaluation of shareholders' meeting proposal	The annual manpower requirement is about 40 per day
<b>Shareholders' meeting voting execution</b>	Manpower of Trading Department	1. Shareholders' meeting voting execution 2. Analysis and collation of shareholders' meeting proposals 3. Voting record statistics and disclosure	The annual manpower requirement is about 30 persons per day
<b>Money laundering prevention</b>	Personnel from the Marketing Division, Operations Division - Fund and Stock Affairs Services Department, Legal & Compliance Division, and Audit Division.	Anti-money laundering (AML), countering the financing of terrorism (CFT), and prevention, etc.	The annual manpower requirement is about 600 persons per day
<b>Responsible investment and stewardship education training, improvement plan consultant cooperation, etc.</b>	External consultants, SinoPac Holdings and President Office support manpower, etc.	Assist SinoPac SITC and SinoPac Holdings to improve the implementation of responsible investment and stewardship policies.	The annual cost is about NT\$170,000 The annual manpower requirement is about 10 persons per day

Input Resources	Requirements	Execution	Manpower/Cost Estimation
<b>Relevant Education and Training Hours for Employees</b>	Responsible Investment and Stewardship ESG, environmental education, voting, and negotiation matters	Attend relevant physical or online courses organized by external organizations, SinoPac Holdings, and SinoPac SITC	Total hours of employee participation in relevant educational training in 2023 amounted to 166.9 hours.

## VIII. SinoPac SITC's stewardship and contact information

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

Service Contents	Contact Information
Relevant Contents in Investment Stewardship Annual Report	Tel: (02)2361-8110 Email: sri_sitc@sinopac.com
Investee companies and other institutional investors	Tel: (02)2361-8110 Email: sri_sitc@sinopac.com
Customer and beneficiary services	Customer Service: (02)2312-5066 <a href="http://sitc.sinopac.com/newweb/contact/page.do">http://sitc.sinopac.com/newweb/contact/page.do</a>
<b>SinoPac SITC Stewardship Website</b>	<a href="https://sitc.sinopac.com/newweb/introduction/cTab202105030950233960000000000000793.html">https://sitc.sinopac.com/newweb/introduction/cTab202105030950233960000000000000793.html</a>