



SinoPac SITC

Investment Stewardship 2021 Annual Report



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I. SinoPac SITC and Responsible Investment

1. 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's investment research team works closely with various subsidiaries of SinoPac Holdings to share professional and instant investment research resources to invest in public funds, ETFs, discretionary and private equity funds. As of the end of December 2021, our total assets under management (including private equity and discretionary products) amounted to NT\$52.74 billion.

As a professional asset manager, SinoPac SITC not only adheres to the Stewardship Principles for Institutional Investors, but also follows the "Essentials of Responsible Investment Management" 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 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 development of ESG theme funds has won the favor of the majority of investors.

Product Lines in SinoPac SITC

Passive Fund	Active Fund	Monetary Fund
<ul style="list-style-type: none">• 1 Index Fund• 5 Equity ETFs• 4 Bond ETFs	<ul style="list-style-type: none">• 4 Domestic Equity Funds• 3 Overseas Equity Funds• 1 Overseas Bond Funds• 2 Fund of Funds	<ul style="list-style-type: none">• 1 Domestic Monetary Fund• 1 Overseas Monetary Fund

As of Dec. 31, 2021

2. Process of responsible investment

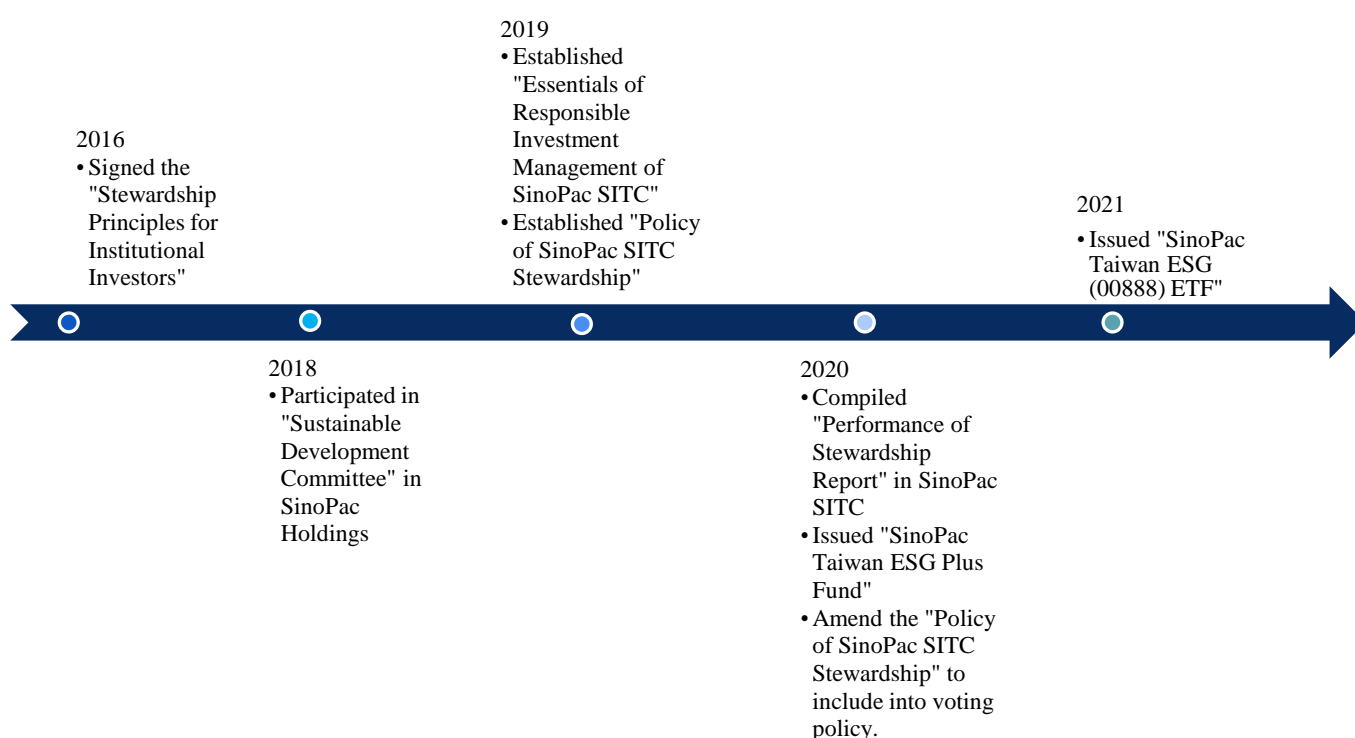
SinoPac SITC, as one of the first financial institutions in Taiwan, signed the "Stewardship Principles for Institutional Investors" in July 2016 for compliance purpose, and updated and announced the newest compliance statement in September 2020. In addition, the "SinoPac SITC Responsible Investment Management Guidelines" were formulated based on the "Responsible Investment Management Guidelines" from the parent company in November 2019 by referring to the United Nations (UN)'s Principles for Responsible Investment (PRI) and in response to the UN Sustainable Development Goals (SDGs). In 2020, the "Policy of SinoPac SITC Stewardship" was revised to include a specific voting policy to continue to strengthen stewardship-related actions, in order to concretely demonstrate the implementation of sustainable management and stewardship goals for asset management institutional investors, and to bring the positive influence of institutional investors. Since 2021, the further revision of the "SinoPac SITC Responsible Investment Management Guidelines" to expand the sensitive industry items, including: i) oil and natural gas industry, thermal power generation industry, etc. ii) Enhance ESG assessment process by different asset classes of stocks and bonds, and also set the investment assessment guidelines for high-carbon industries. iii) Increase ESG-themed covering the sustainable topics. iv) To evaluate the different asset classes investment process and high-carbon industries assessment, setup the relevant forms.

Otherwise, the above mentioned of relevant content, the "Policy of SinoPac SITC Stewardship" to enhance the content of conflict of interest management and specific requirements for management, covering the specific conflicts of interest among the company and clients, the company and

employees, the employees and clients, the company and investee, and the company and affiliated companies.

In response to the Stewardship Principles for Institutional Investors, SinoPac SITC has compiled the "Stewardship Report" since 2020 and regularly discloses the latest stewardship results before the end of first quarters each year, the report is reviewed by auditing and legal compliance departments, and approved by the general manager or above, which is updated in the Stewardship and Responsible Investment Section on the official website for clients, investors, and the public. In April 2020, "SinoPac Taiwan ESG Plus Fund" was issued, the first domestic ESG fund with active management, and in 2021, issued products including the SinoPac Taiwan ESG (00888) ETF, it has been the first local investment company to management both in active and passive ESG Taiwan equity theme funds. In the end of year 2021, the total beneficiaries of SITC ESG-themed products closed to be 88,000.

Process of Responsible Investment in SinoPac SITC



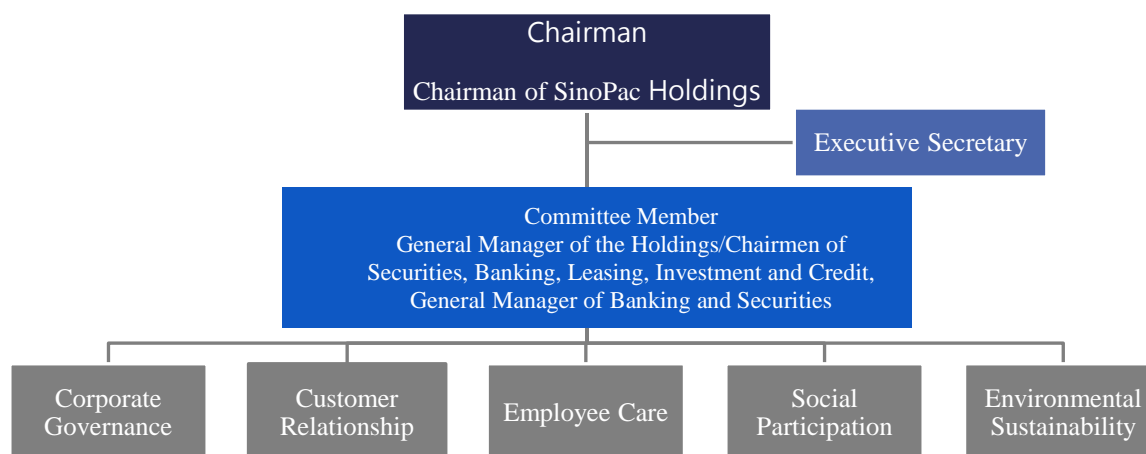
3. Establish the responsible investment team

SinoPac Holdings established a "CSR Promotion Core Group" in 2015 to actively organize CSR related affairs. In 2018, in addition to formulating the "Principles of Corporate Social Responsibility," we also actively responded to international sustainability trends and implemented social corporate responsibilities in the financial industry. "Sustainable Development Committee" was officially established in 2018 to emphasize the integration of the financial industry to promote sustainable development. Based on the four sustainable missions of "integrity and solidity, eternal wealth, environmental sustainability, and social prosperity," also taking the three major aspects of environment (E), society (S), and governance (G) as the foundation, we proposed the five eternal principles of "beautiful and honest life," "beautiful and rich life," "beautiful and affectional life," "beautiful and balanced life," and "beautiful and vivid life." We formulated sustainable development blueprints and short, medium and long-term key work plans based on the five axes to specifically respond to the customers, shareholders and society, and fulfill corporate social responsibilities.

The "Sustainable Development Committee" in SinoPac Holdings is led by the parent company and carried by subsidiaries to implement corporate social responsibility and corporate governance

policies. Under the committee, there are five established promotion groups including corporate governance, customer relations, employee care, social participation, and environmental sustainability. In the customer relations group, the introduction of responsible investment, the development of green financial products, and the promotion of ESG are listed as important work goals. SinoPac SITC also serves as an important member of the relevant working group. In the field of social participation, SinoPac SITC have encouraged colleagues and promoted various public welfare activities for years. We also assist in donation and care activities such as remote and disadvantaged groups, and participate in environmental protection activities initiated by the parent company.

Organizational Structure of "Sustainable Development Committee" in SinoPac Holdings



II. Incorporation of ESG Assessment and Investment Process

1. Decision-making process of incorporating ESG into the investment analysis

In order to strengthen the handling of investments and business of asset managements, the Company incorporates ESG and other issues into investment analysis when using funds. Follows the Company's "Essentials of Responsible Investment Management," incorporating ESG assessment into the investment process, and according to the different asset classes by stocks and bonds are assessed separately, mainly following the related indicators:

(I) Taiwan Stock Pool

- i) The top 5% list of annual corporate governance evaluation of listed companies conducted by Securities and Futures Institute, as well as the constituent stock targets of the "FTSE4Good TIP Taiwan ESG Index" compiled by Taiwan Index Plus (TIP) and FTSE Russell, are important references for the selection of investment targets.
- ii) The new selected one in stock pool on a quarterly basis, is reviewed by ESG risk inspection process. Individual stock is under the ESG rating standards to complete a stock ESG risk assessment, and the investment cap weighting by individual stock is 5%.
- iii) The quarterly stock pool selection targets, if the industry as of the oil and gas industry, or thermal power generation industry, should be based on the high carbon emission industry evaluation guidelines to evaluate and monitor of the total carbon emissions and carbon emissions per revenue.

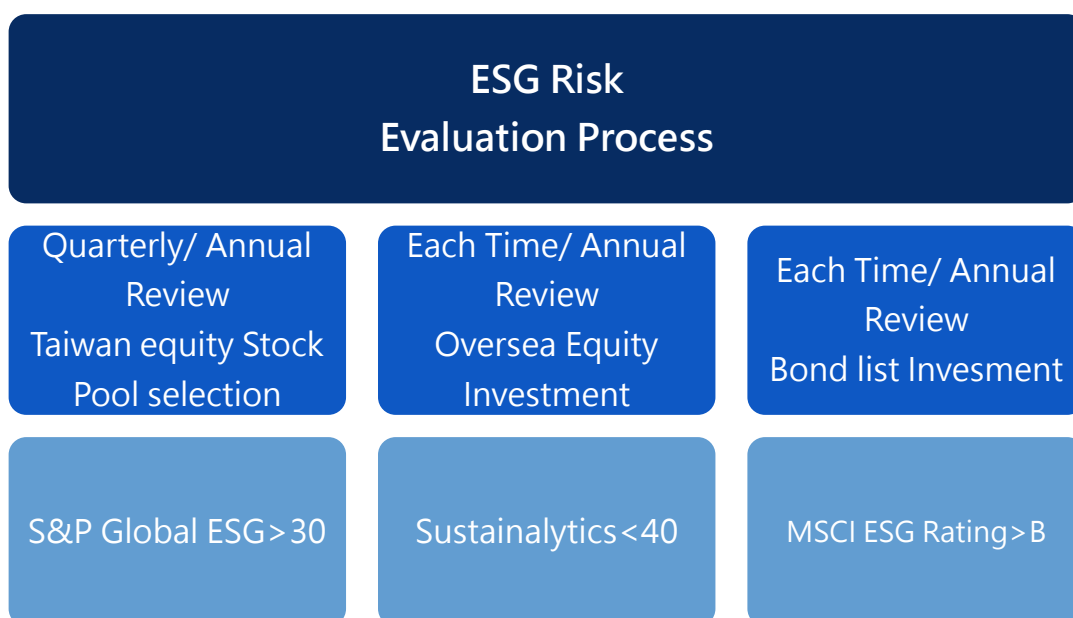
(II) Overseas Stock Investment

Refer to the ESG assessment information of international information sources (e.g. Bloomberg or authorized sustainability or ESG-related index components) and incorporate it into investment analysis considerations.

(III) Bond Asset Investment

- i) The issue company or parent company of investment grade bonds(credit rating BBB- or above, including BBB-) is required to go through the ESG risk inspection process and keep the record in investment analysis report. The bonds under ESG rating criteria should complete the Bond ESG disclosure assessment form.
- ii) If the target investment bonds is a perpetual bond, it can directly enter the credit rating analysis without going through the ESG risk inspection process.
- iii) For non-investment grade bonds (credit rating BBB- below), it is necessary to check ESG negative information disclosure in the Bloomberg System, and keep the record in investment analysis report.

ESG Risk Evaluation Process of SinoPac SITC Investment

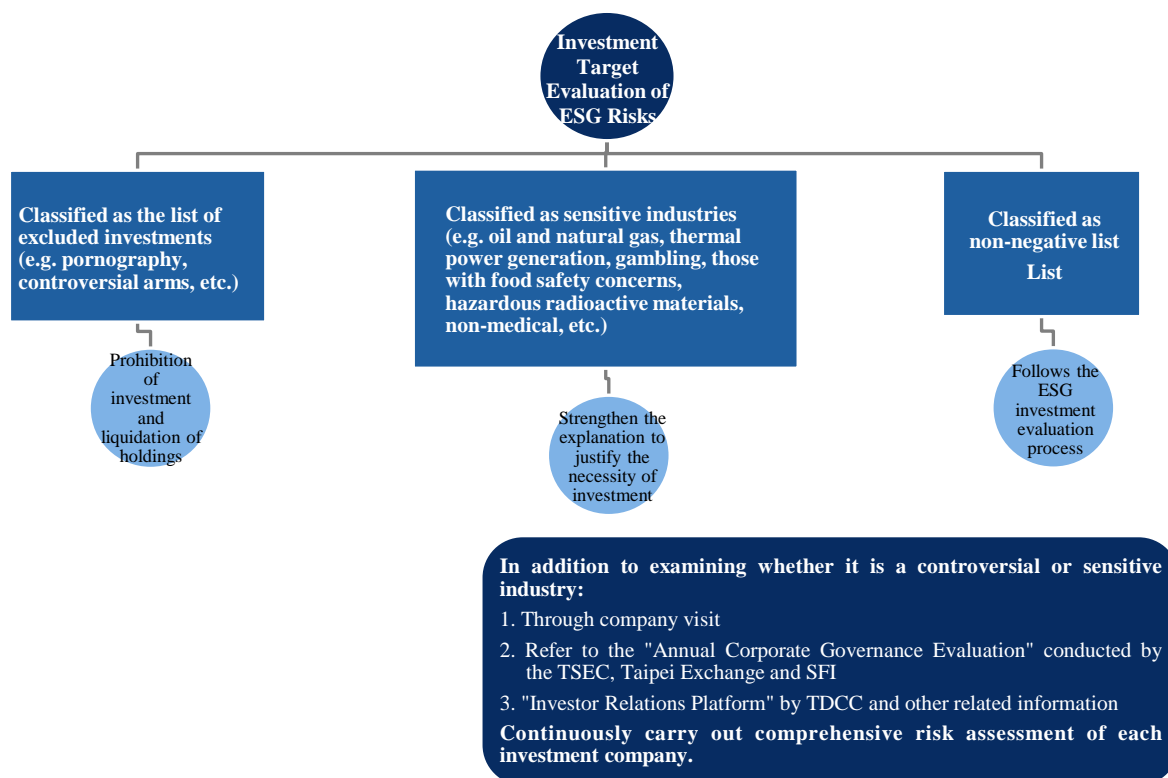


2. Screening or exclusion of investment list and evaluation of risk measurement

Follow the United Nations "Principals of Responsible Investment" and refer to the "Essentials of Responsible Investment Management" of SinoPac Holdings and the "Essentials of Responsible Investment Management" of the Company. Construct the list of prohibited investments for known controversial industries (e.g. pornography, provisions of prohibition of controversial arms and weapons). In addition, carefully assess the investments in sensitive industries (e.g. oil and natural gas, thermal power generation, gambling, food safety concerns, hazardous radioactive materials, non-medical or harmful human genetic engineering, non-bonded asbestos fiber, and the manufacturing of polychlorinated biphenyls, in which those investments need to be strongly explained the necessity, etc.).

In addition to examining whether it is a controversial or sensitive industry, the Company also conducts company visits, and refers to the "Annual Corporate Governance Evaluation" executed by the Taiwan Stock Exchange Corporation (TSEC), Taipei Exchange, and Securities and Futures Institute (SFI), the "Investor Relations Platform" by TDCC, and other related information, so as to continuously conduct comprehensive risk assessment of each investment company.

Risk Evaluation Process of SinoPac SITC ESG Investment



3. Expand the ESG products: Issue both in active and passive investment Taiwan ESG-themed funds

In April 2020, SinoPac SITC issued the first ESG theme concept fund. "SinoPac Taiwan ESG Plus Fund" is the first domestic stock ESG active fund in Taiwan. 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.

This is the first fund in Taiwan to invest in ESG Taiwan stock companies as its active stock selection criteria. Through the promotion of the ESG investment concept, investors are reminded to pay attention to the positive circular relationship between corporate sustainability and long-term growth, in order to bring positive influence in the corporate investment values and capital market developments.

In addition to the existing "SinoPac Taiwan ESG Plus Fund," SinoPac SITC also issued the SinoPac Taiwan Target Exposure ESG ETF (00888) in March 2021, and plan to issue products covering ESG investment strategies and investment in ESG bonds and other types of products, from active to passive, from Taiwan to overseas, from stocks to bonds, and continue to support the development of investment products favorable to ESG issues.

4. Monitor and evaluate the ESG information of investee companies and the ESG distribution of investment targets in line with the corporate governance assessment.

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 domestic investment pool issue CSR reports, the contents of the reports, and important ESG issues. Also promptly address the release schedule of the CSR report, the promotion of ESG issues and urge improvements.

In addition, SinoPac SITC also implements the pre-inspection and post-tracking of the ESG investment target. According to the results of the 2020 "Corporate Governance Evaluation" commissioned by the Taiwan Stock Exchange and the Taipei Exchange, a total of 905 listed

companies and 712 OTC companies were evaluated. The Company 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 50% of corporate governance evaluations, and by the end of 2021, 85.9% of the targets was in the top 50% of corporate governance ratings, and 79.5% of the targets traded in the year. The detailed distribution of the Company's Taiwan Stock Fund investment targets in terms of corporate governance ratings is as follows:

End of 2021	18.4%	33.3%	21.5%	12.7%	14.1%
Levels	Top 5%	6%-20%	21%-35%	35%-50%	Others
2021 Fiscal Year	15.4%	310.4%	20.6%	13.1%	20.5%

Data period: January 1, 2021~December 31, 2021, based on the results of the 2020 Annual Corporate Governance Review to be announced in April 2021 for investment target distribution.

III. Performance Status of Stewardship

1. Compliance statement and explanations of objection

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

✓ As of the end of December 2021, there has been no unfulfilled principle in SinoPac SITC's compliance statement in the "Stewardship Principles for Institutional Investors."

2. Status of shareholders present, votes and proxy votes

As of the end of December 2021, the Company has attended 81 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 1174 on motions, of which 1165 were in favor, 5 were against and 4 were abstained. The complete voting record of the 2021 Annual General Meeting is disclosed in the Company's Stewardship section.

Statistics on attendance of shareholders' meeting



In the stewardship policy revised by the Company in 2021, for those attending to 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 2020 is as follows:

Supported proposals are as follows:

The number of attending the top 5% of the Company's shareholders' meeting	Number of Issues
17	188

Overall Financial Report
63

Against proposals are as follows:

Type	Number of Issues
Violate the major climate-related issues	0

Abstained proposals are as follows:

Type	Number of Against	Number of Abstain
Proposals related to the election of directors of companies where corporate governance disputes occurred	5	4

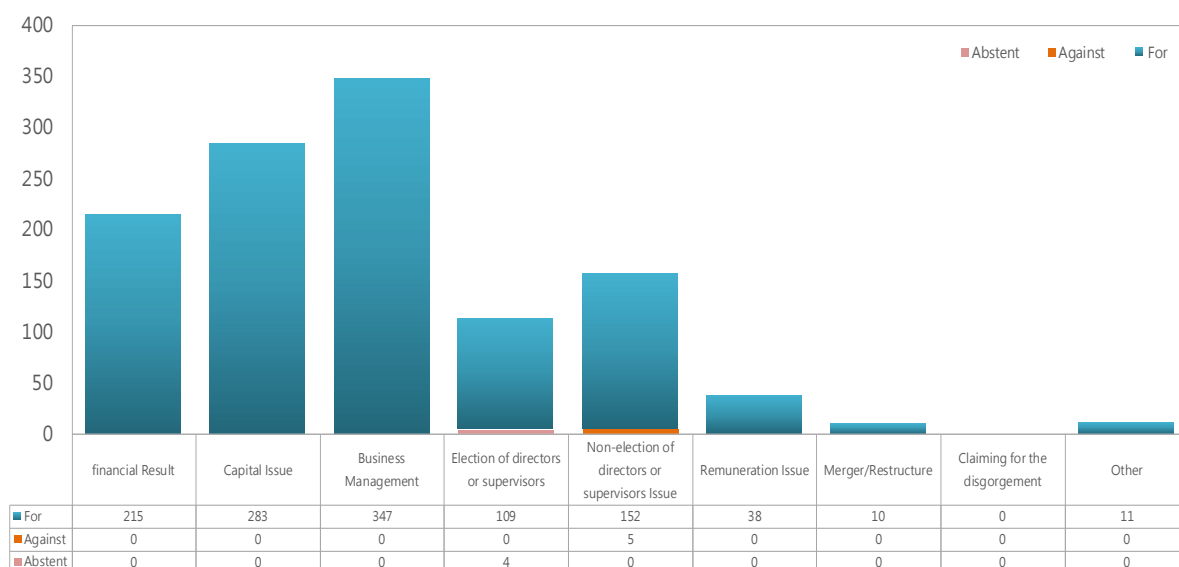
For example, in 2021, the three investee companies had poor corporate governance and insider trading by their former director. After the evaluation by the investment team, considered the adaptability of the director, and violated the relevant regulations of company governance, we voted 5 against and 4 abstentions in the company's director election proposal.

Based on the professional judgments of institutional investors, the Company strives for the best interests of the overall customers and beneficiaries. The decision is not absolutely support and agree with the various proposals put forward by the investee company. Each proposal is evaluated and discussed by the investment team, and if necessary, there may be inquiries and discussions with the investee company before the shareholders' meeting. The vote will base on the Company's operating interests, shareholder value, and ESG principles.

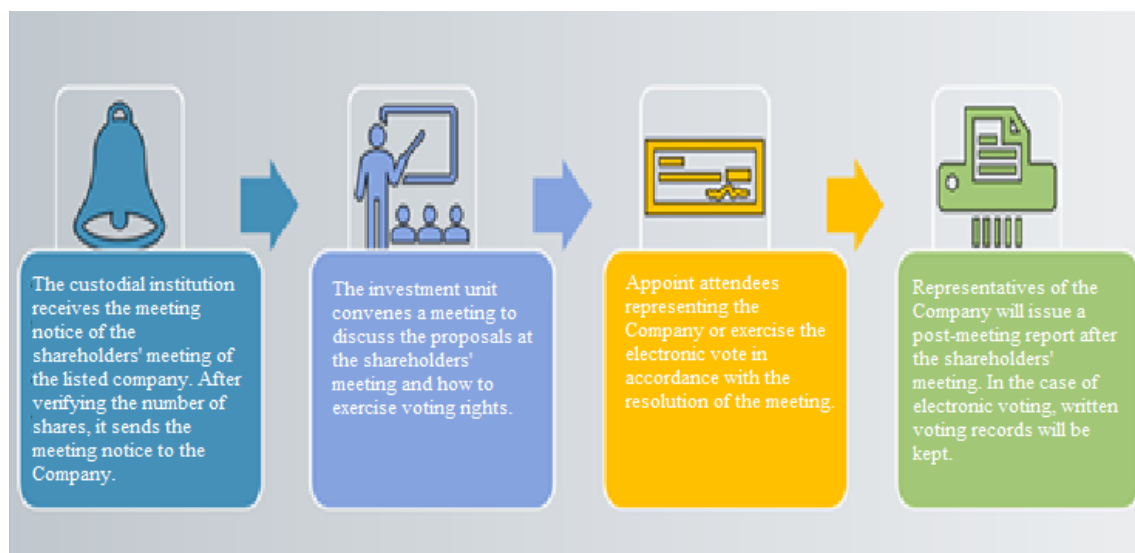
For domestic investee companies, SinoPac SITC does not use proxy research and proxy voting related services. The Company will implement the interaction and negotiation responsibilities of institutional investors in person, and after attending the meeting, representatives attending the meeting will issue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

- ✓ As of the end of December 2021, SinoPac SITC has attended 81 domestic shareholders' meetings of the investee companies without using proxy research and proxy voting services. All 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



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

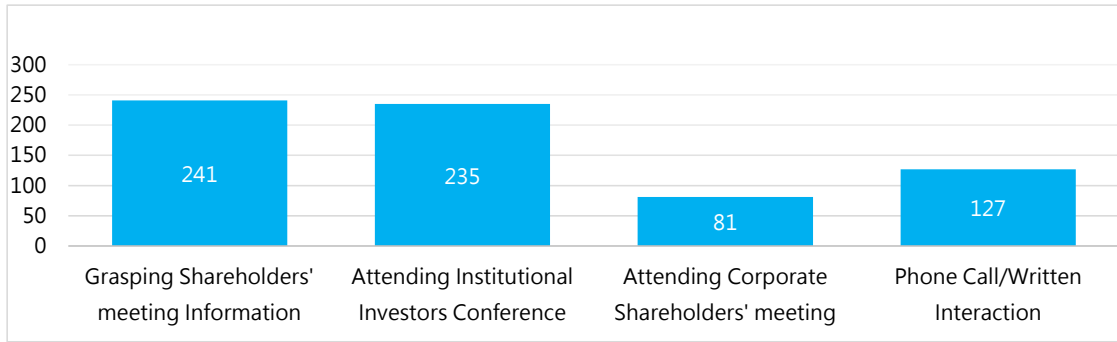


IV. Summary of Corporate Negotiation Activities

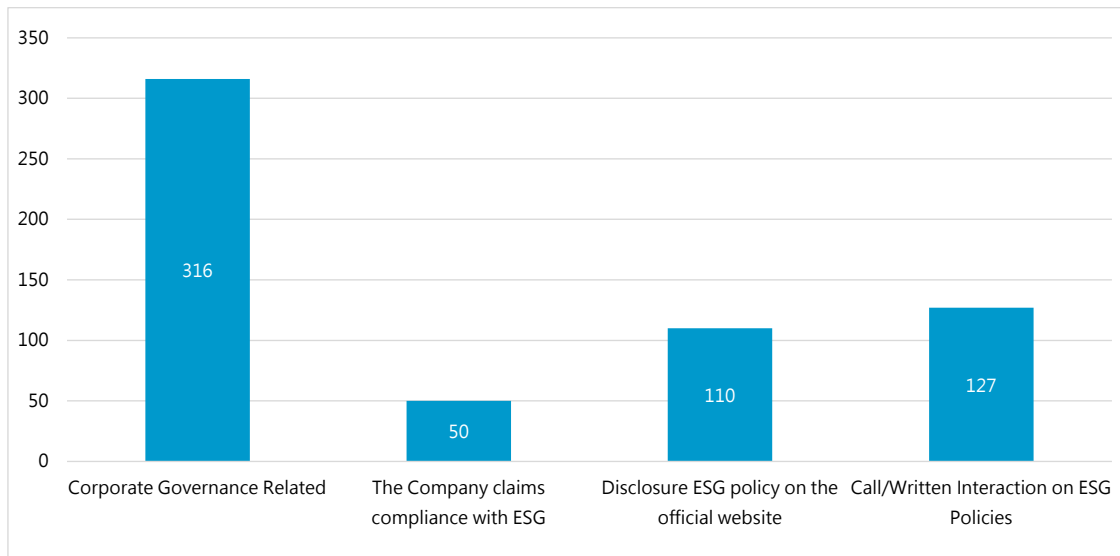
1. Status of corporate negotiation: 684 interactions with domestic investee companies in 2020, 603 of which involve ESG issues.

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 attention of related issues.

Statistics of SinoPac SITC corporate negotiation



Statistics of dialogues with investee companies on ESG issues



✓ As of the end of December 2021, SinoPac SITC had a total of 684 interactions with domestic investee companies, of which 603 had involved ESG issues. The interaction and negotiation process complied with the Company's stewardship policies and

2. Execution of annual climate change survey questionnaire for investee companies

Following the principles of responsible investment and stewardship, and simultaneously echoing the sustainability commitment of the United Nations' sustainable development goal "Mitigation and Adaptation to Climate Change (SDG13)," combined with the core functions of green finance, the Company commits to raising the climate awareness of the stakeholders, and working together to invest in low-carbon and emission reduction. Together, we will make efforts to mitigate and adjust to climate changes. In 2021, the Company and various subsidiaries conducted a questionnaire survey on the subject "Climate Change" to our major investee companies for the second year. In addition to raise the attention of the investee company to the climate change issue and increasing climate awareness, it can further jointly invest with the investee company in low-carbon and emission reduction actions, and work hard to mitigate and adapt to climate changes.

In December 2021, the Company conducted an online questionnaire survey on the top 100 companies with the shareholding positions of of all public funds and discretionary assets held by SITC(statistics up until the end of November 2021). The statistical summary of the responses to the questionnaire is as follows:

- The awareness of current international agreements, goals, organizations, and initiatives related to climate change: the highest statistical cognition is the "Sustainable Development Goals" and "Task Force on Climate-Related Financial Disclosure(TCFD)" with a response rate of 100%; and the "Renewable Energy 100% RE100/Carbon Disclosure Rproject(CDP)" response rate is 95.4%; followed by the "Paris Agreement" and "Renewable Energy 100," the response rates are 90.9%. The following answer rate is rank as: "Carbon Pricing", "The Principles for Responsible Investment(PRI)", "Equator Principles, EPs", "Climate Action 100+", and "Science Based Target Initiative, SBTi" etc. (See Fig. 1)
- Disclosure of greenhouse gas emissions: The response rate of 72.7%, disclosed greenhouse gas emissions, which have been verified by an external third party, which is a significant increase compared to the previous year.
- Set up greenhouse gas reduction targets: The response rate of 59%, set up greenhouse gas reduction targets, and 22.7% both set up the greenhouse gas reduction targets, and have the science-based reduction targets (SBTi), plan to introduction response rate is 18.1%. In the future, all of the companies are expected to fully introduce greenhouse gas reduction targets.
- Climate change mitigation commitments that have been implemented or responded to: The top two response rate items are, the introduction of climate-related financial disclosure (TCFD) , the response rate of 86.3%, a significant increase compared to the previous year. ; Introduce ISO certification (14064-1 Greenhouse Gas Inventory Standard and 50001 Energy Management) with the response rate of 72.7%, and implement sustainable supply chain management with the response rate of 59%.
- Specific actions of the invested cost in mitigating and adjusting climate change: The top three items with the highest proportion of the cost are, investing in low-carbon/emission-reduction/energy-saving related matters (such as construction, office space, etc.) equipment, etc.) with the response rate of 95.4%; investment in recycling, reducing waste and waste discharge (such as paperless, water resources, etc.) , with the response rate of 81.8%; investment in changing processes and improving energy efficiency in the production/service process with the response rate of 59%; it is also worth noting that the company's business policy was adjusted with the response rate of 40.9%, and the proportion of responses increased, which clearly shows that companies are paying more attention to business operations. (see Figure 2)
- The top two climate-related risks (transition/physical risks) affecting company operations: Responding companies, pay most attention in "policy/regulatory risk" with the response rate of 59.0%, and "market risk of loss of customer revenue" with the response rate of 54.5%, compared with the response to the questionnaire in the previous year, it has been improved from the influence of policy to entity operation. (see Figure 3)

Figure 1. Percentage of awareness of current international agreements, goals, organizations, initiatives, etc. related to climate change.

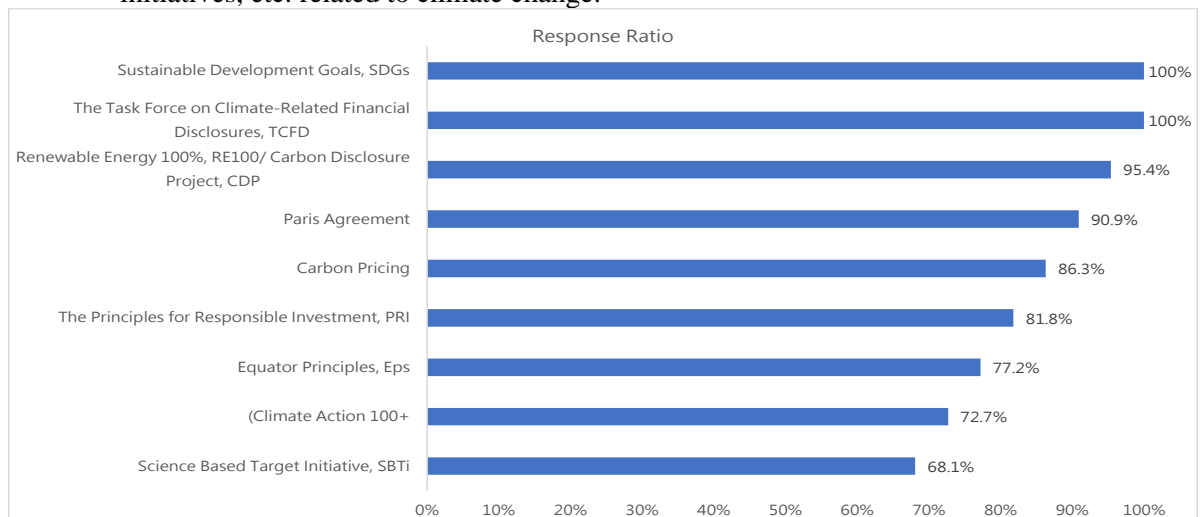


Figure 2. Costs invested in mitigating and adapting to the specific actions of climate change.

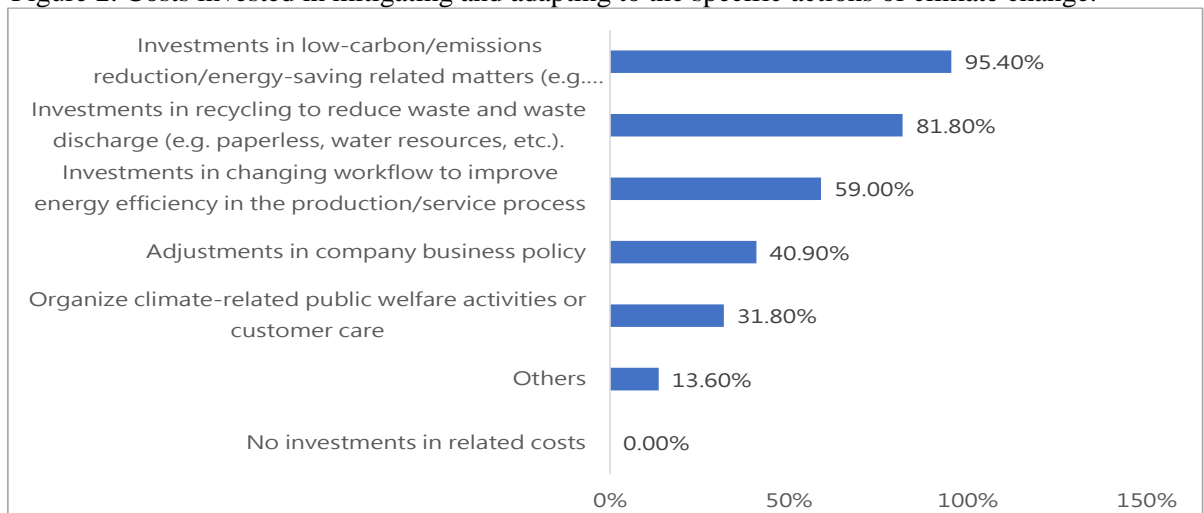
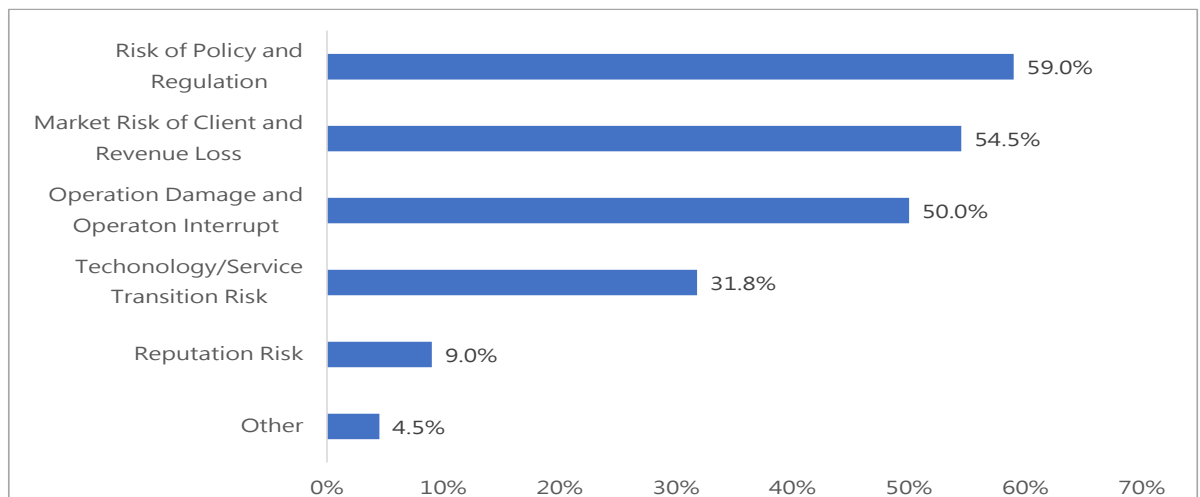


Figure 3. The most important aspects of climate-related risks (transition/physical risks) affecting company operations.



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

The Company follows and implements the "Stewardship Governance of Institutional Investors" commitment. The highlights for evaluating interaction and negotiation with investee companies are as follows:

- Target: Targeted companies in the investment pool and ESG constituents published by the index compilation company, etc. Priority is given to whether the investment target is a controversial or sensitive industry within the Company's responsible investment management focus and stewardship policy, and its related ESG promotion process.
- 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, and the impact of climate change.
- Tracking and decision-making: For ESG risk issues, our investment department will pay attention to industrial trends, company news, financial and operational overviews, as well as interact with the investee company through on-site visits, telephone interviews, legal conferences 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 the target, we will observe the feedback and enhancement of the investee company's ESG risk issues. The investment unit also decides to remove/reduce/not to buy the investee from the investment pool after evaluation.

4. Execute corporate agreements and interactive content in accordance with the stewardship policy.

The Company's stewardship policy includes the following actions: 1. Continuously paying attention to investee companies; 2. Interacting with the management of investee companies, attending shareholders' meetings, and exercising voting rights; 3. Continuously paying attention to ESG issues in the investment process, etc. The Company actively implements the relevant actions for its investee companies. The executive overview is described as follows:

- (I) Actively seize investment decision-making information: In order to ensure that the Company 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 reports, industry overview, business strategies, environmental protection practices, social responsibility, labor rights, and corporate governance issues.
- (II) Negotiation actions: The Company's regular negotiation and interaction activities with investee companies, such as teleconferences, in-person visits, participation in legal talks, 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 response strategies, and strives for the positive influence of the investee companies in the long-term operating value.
- (III) ESG-related assessment: The Company 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 Company's "Essentials of Responsible Investment Management" 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 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.
- (IV) Stewardship actions: We continuously review pre- and post-transaction execution differences, monitor and review whether the investee company has violated ESG-related resolutions, and annually disclose the shareholders' meeting voting situation, etc.

5. Negotiation actions: Impact of the agreement, investment decision response, and follow-up.

- Case1: In 2020, the Company's fund originally invested in a listed PCB and carrier board manufacturer holding in Taiwan, but that company had an industrial safety accident with factory fires in September and October 2020, and caused air pollution and fires. The Company's researchers participated in their meetings, seminars, and online meetings, raising concerns and urging improvement actions for its fires for two consecutive months.
 - ✓ Influence: The researcher asked that company how to avoid the recurrence of fire and other industrial safety accidents. That company responded that it will strengthen the use of fireproof materials, install high-tech smoke and temperature detection, etc., in order to monitor fires immediately before they occur and put them out immediately when they occur. In addition, that company will also strengthen the education and training of employees and outsourcing companies to reduce the incidence of fires to improve the quality of industrial safety, etc.
 - ✓ Response: That company was listed as one of the constituent stocks of the FTSE Taiwan ESG Sustainability Index. However, due to a series of industrial safety incidents, we liquidated our holdings based on our ESG investment philosophy.

- ✓ Follow-up: That company had another fire and industrial safety accidents in February 2021. Although that company is still one of the constituent stocks of the FTSE Taiwan ESG Sustainability Index and has good revenue performance, but we will prioritize other stocks in the same industry in terms of investment preference and will continue to track that company's industrial safety prevention and response actions.

- Case2: The company's fund originally held listed semiconductor KY shares in 2021. Since April 2021, the United States added 7 Chinese companies of the list of export-controlled entities including China Feiteng, and Feiteng is the company's main customer. In accordance with ESG principles, the company is urged to disclose whether there are other potential customers to be included in the list, so as not to affect the company's finances and affect the rights and interests of investors.
 - ✓ Influence: The researcher monitor the company, if follow the ESG principles to disclose whether there are other customers that may be identified or the possibility to list in the US export control entity.
 - ✓ Response: The company response in positive aspect, but considering the possibility of the client being included in the list of the US Department of Commerce control list, its fund has cleared the holdings of this file and voted against the motion at the shareholders' meeting.
 - ✓ Follow-up: The company will no longer hold the company's stock and will be tracked until the end of November 2021. The U.S. Department of Commerce announced a new wave of trade blacklists. The status of the list and its corresponding actions, etc.

6. Institutional investor cooperation action

SinoPac Holdings has devoted in promoting ESG and implementing stewardship governance investments for years. Combines internal and external resources to hold ESG lectures every year. In response to different risk topics, we invite experts in industry, government and institution, financial peers, listed companies, and colleagues within the group. Conducts research and discussion on highly relevant topics in the financial industry, and share industry practices.

SinoPac Bank, a member of SinoPac Holdings, also participated in the 2020 Taiwan Sustainable Finance Forum and promoted the establishment of the "Taiwan Sustainable Finance Promotion Platform," also as the founding members of the "Taiwan Sustainable Finance Promotion Platform" of BCSD Taiwan. SinoPac Holdings and its subsidiaries use their own advantages and resources to support government policies and develop sustainable finance for a long time. Through the practice of sustainable finance, we enhance our competitive advantages, and also bring positive contributions to the economy, society, and the environment. Clarify the current situation and identify the needs of the financial market, promote sustainable financial development, and expand various business opportunities.

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 the 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 will soon issue ESG Taiwan stocks ETF in the first quarter of 2021 that become the first Taiwanese stocks ESG-themed fund with both active and passive products. We hope to raise the public's attention to ESG investment issues, and promote passive investment companies to implement environmental protection, social responsibility and corporate governance, in order to achieve the overall improvement in investment value.

New Perception of Global Risks and Towards Sustainable Finance



Photo : Year of 2021 SinoPac ESG Seminar

V. Management of Conflicts of Interest

The Company is an asset management industry, responsible for the investment and utilization of investors' funds, and has a significant impact on the invested company. The Company 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. 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 includes: education and promotion, transaction control, firewall, functional division, reasonable salary, anti-bribery and remedial measures, etc.

The Company 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 2021, the content of conflict of interest management and specific requirements for conflict of interest management will be added to the issue of conflict of interest management, covering: between the company and customers, between the company and employees, between employees and customers, between the company and other investee companies, and The content of the conflict of interest between the company and its affiliated companies and the specific requirements for management.

- ✓ As of the end of December 2021, there have been no major conflicts of interest incidents in SinoPac SITC.

VI. Conclusion

SinoPac SITC has dedicated to the asset management industry near 25 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 and contact information

The resources invested by the Company 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
ESG database	Database system	Bloomberg database of responsible investment and ESG ratings	Annual cost is about NT\$300,000
Index constituent stocks	Index licensing	Introduce ESG investment process to SinoPac ESG series funds	Costs about NT\$350,000 per year
Investee company negotiation	Investment Division - manpower in equity, research, fixed income, asset management, and new financial instruments	1. Interaction and negotiation with the investee company 2. Evaluation of shareholders' meeting proposal	The annual manpower requirement is about 40 per day
Shareholders' meeting voting execution	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 15 per day

Money laundering prevention	Fund Affairs Department and Legal Compliance Department manpower	Anti-money laundering (AML), countering the financing of terrorism (CFT), and prevention, etc.	The annual manpower requirement is about 15 per day
Responsible investment and stewardship education training, improvement plan consultant cooperation, etc.	External consultants, financial holdings, and general 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\$100,000 The annual manpower requirement is about 10 persons per day

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

Service Contents	Contact Information
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SinoPac SITC Stewardship and Responsible Investment Website	http://sitc.sinopac.com/newweb/introduction/20191112094829649000000000000676.html