YUANTA FINANCIAL HOLDINGS CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT 2021

July 2022

Overview

With the sustainability vision of "Become an International Sustainability Benchmarking Company to Actively Promote a Better Future for Future Generations", the Group has an obligation to disclose the climate risks it faces and adopt proactive strategies as a member of the financial system the society relies on in tackling one of the biggest challenges mankind faces in this century, namely the impact of climate change. The Group aims at leveraging the influence of fund providers and managers to drive the low-carbon transformation of the value chain towards the ultimate goal of net zero carbon emissions.

This report describes the Group's management of climate-related risks and opportunities through the following four aspects to demonstrate its commitment to mitigating and adapting to climate change.

Governance

Set up a comprehensive climate governance structure with the Board of Directors as the highest governing body under which the Risk Management Committee and the Sustainable Development Committee exist to oversee and manage climate-related risks and opportunities, as well as promoting the overall climate strategies and policies (please refer to Chapter 1 of this report)

Strategies

Quantify the financial impact of climate-related risks and opportunities with scenario analysis models, set science-based targets and adopt low-carbon strategies to enhance the Group's operational resilience, as well as promoting the low-carbon transformation of overall industries (please refer to Chapter 2 and Chapter 3 of this report)

Metrics and Targets

Set metrics for low-carbon operations and low-carbon transformation targets as well as short-, medium- and long-term targets for regular tracking and progress disclosure (please refer to Chapter 4 of this report)

Risk Management

Integrate climate risks and the existing risk management framework and develop relevant management policies to identify, measure and manage climate-related risks and opportunities (please refer to Chapter 2 of this report)

Contents

A Word from the Chairman

Global climate change is affecting the planet's environment and organisms, and the impact of extreme weather has brought challenges to business operations. Increasing climate resilience has become an issue of paramount importance. The 2021 United Nations Climate Change Conference (COP26) brings to light the urgency of reducing greenhouse gas (GHG) emissions and must be more active in keeping the temperature increase under control. In the meantime, the financial sector's support for climate action and promotion of low-carbon transformation has attracted more and more attention from all other sectors. As a global citizen, the Group has a duty to face the risks brought about by climate change, provide financial products and services with benefits to the environment, and strive to achieve the vision of net zero carbon emissions by 2050.

To meet the expectations of stakeholders, the Group introduced the Task Force on Climate-Related Financial Disclosures (TCFD) framework in 2018 as a pioneer in environmental change by incorporating climate issues as an important part of corporate governance and business strategies. Both risks and opportunities are taken into consideration while integrating climate risks into the existing risk management system, and new opportunities are sought by introducing green products. The Board of Directors directly supervises the operations management strategy in response to climate impacts, with the results disclosed in the ESG report each year.

To effectively manage carbon and assist in keeping global warming under control, the Group formulates emission reduction paths and strategies in accordance with the Science-Based Target (SBT). By adopting renewable energy and introducing an Internal Carbon Pricing(ICP) mechanism, the Group actively reduces carbon emissions to improve environmental management efficiency with scientific methods and actively minimizes the impact of our own operations on the environment. The Group actively participates in the Carbon Disclosure Project (CDP) questionnaire each year to evaluate and improve the progress in carbon reduction. It has also been awarded the highest scoring level, the Leadership level score of A for 2 consecutive years. In the meantime, the Group plans the carbon reduction path for investment and financing positions, hoping to direct funds to industries with low GHG emissions or climate change mitigation, as well as working with customers to move towards low-carbon transformation.

With the sustainability vision of "become an international sustainability benchmarking company to actively promote a better future for future generations" the Group incorporates environmental, social and corporate governance (ESG) concepts into the corporate culture and business strategies to integrate internal and external resources with the goal of staying updated with the international trends in sustainability, continuing to innovate and make progress, actively joining hands with stakeholders, calling on all sectors to pay attention to climate change issues and take action, increasing resilience in the face of climate risks, demonstrating the determination to fight climate change and moving towards a better future together.

Chairman,
Yuanta Financial holdings **Tony Shen**

"Become an International Sustainability Benchmarking Company to Actively Promote a Better Future for Future Generations."

About This Report

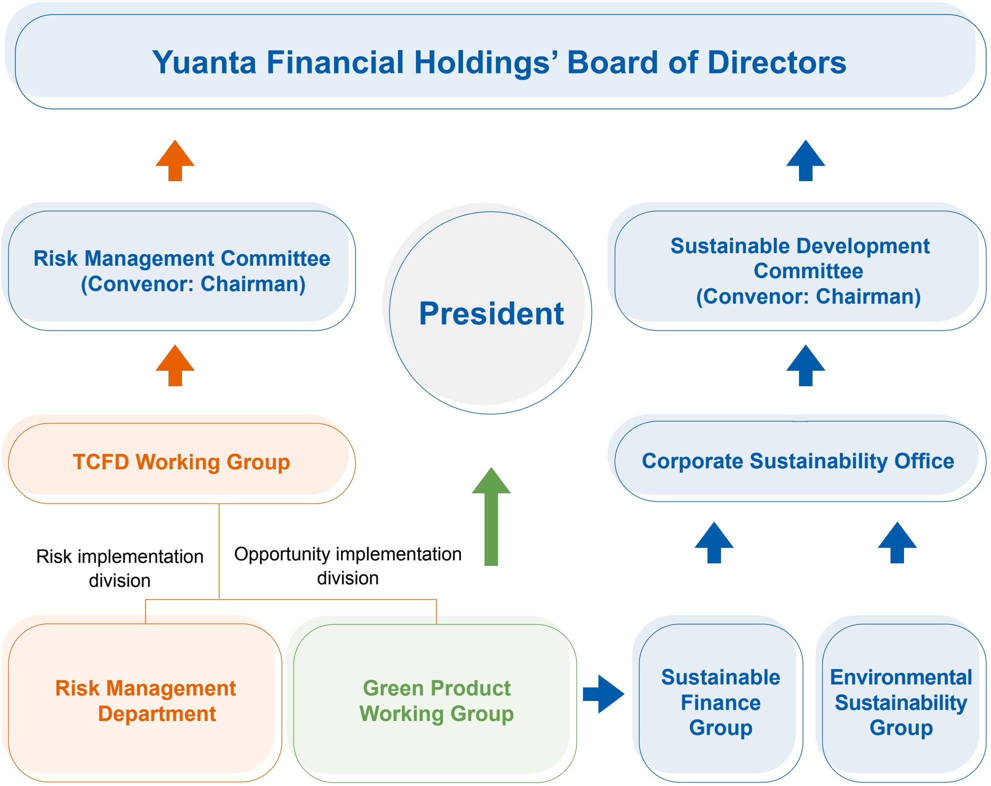
Faced with the increasingly severe impact of climate change and extreme weather, national representatives reiterated the criticality of climate change at the 2021 United Nations Climate Change Conference (COP26). Moreover, the agreement of proactively setting carbon reduction targets has been made to reach the goals of the Paris Agreement, namely the world should join hands in limiting the temperature increase to 1.5°C by the end of the century. In the meantime, Taiwan's competent authorities have laid emphasis on the transparent disclosure of ESG and climate-related information by enterprises. The financial sector has been required to formulate management mechanisms for climate risks and opportunities to enhance operational resilience and achieve the goal of sustainable finance.

Since 2018, the Group has followed the disclosure framework of the Task Force on Climate-related Financial Disclosures (TCFD)[①] each year to disclose the effectiveness of climate management in the Company's ESG Report[1] and its website. This year, the Group goes further by issuing a separate Yuanta Financial Holdings TCFD Report to strengthen the integrity and transparency of the climate-related information disclosure, respond to stakeholder expectations, and demonstrate the Group's proactive response to the risks as well as opportunities brought about by climate change.

Published in the "ESG section" of Yuanta Financial Holdings' website, this report is available in both Chinese and English, covering the contents the 4 core climate-related areas in 2021 (governance, strategy, risk management and metrics and targets) for its 8 subsidiaries (Yuanta Securities, Yuanta Bank, Yuanta Life, Yuanta Funds, Yuanta Futures, Yuanta Venture Capital, Yuanta Asset Management and Yuanta Securities Investment Consulting). Part of the information disclosure covers historical data. The "Company" in this report refers to Yuanta Financial Holdings, and the "Group" refers to Yuanta Financial Holdings and its 8 subsidiaries.

Governance

Chapter. 1



<Governance Framework for Climate-related Risks and Opportunities>

1.1 Board Oversight of Climate-related Risks and Opportunities

The Company's Board of Directors is the highest governing body for climate-related issues, responsible for monitoring and managing climate-related risks and opportunities, as well as promoting the Group's overall climate strategies and policies. In addition to incorporating climate issues into consideration while formulating corporate governance and business strategies, including the commitment to proactively respond to climate change, the Board links sustainable performance to the reward mechanisms, and integrates climate risk management into the organizational culture. It also discusses climate risk issues, evaluates and continues to supervise the implementation of various risk management mechanisms to guarantee stable operations for the Group.

The "Risk Management Committee" and the "Sustainable Development Committee" have been set up under the Board of Directors, with the Chairman serving as the convener for both to demonstrate the Group's emphasis on climate governance.

Risk Management Committee

The Risk Management Committee is a non-functional committee under the Board of Directors, composed of the Chairman of the Company, the President of the Group, the Chief Risk Officer, and other people designated by the convener. The Committee meets quarterly, and the resolutions of the meeting shall be reported to the Audit Committee and the Board of Directors. Its main responsibilities include assisting the Board of Directors in supervising the implementation of climate-related risk management systems, reviewing the annual risk limits and thresholds for monitoring indicators, as well as ensuring that risk management is in line with Company policies, operations strategies, short-term goals and long-term development. Moreover, it integrates and coordinates with the subsidiaries in terms of common risk management issues, announces and communicates important risk management issues to achieve Company goals and operational strategies.

Sustainable Development Committee

The Sustainable Development Committee is a sub-committee to the Board of Directors, made up of the Chairman of the Board and independent directors. The Committee convenes at least two times a year (four times in 2021), and additional meetings are held as necessary. The Sustainable Development Committee takes charge of the Group's sustainable development strategies, assists in integrating the corporate value of sustainable development into the Company's business strategy, supervises and manages the Group's overall sustainability issues and risks and opportunities related to climate change, regularly decides and reviews the Group's short-, medium- and long-term goals and performance indicators of the sustainability strategies, as well as the Corporate Sustainability Office's report on the planning and implementation results of tasks related to climate change, and supervises the management of the potential impact on the Group's operations in the face of climate change, as well as reviewing potential opportunities in climate policy and market transformation to improve the Group's operational performance and climate resilience.

The Board's Climate background and expertise

In the face of the increasingly significant impact of climate change on the Group's operations, the composition of the Company's Board of Directors takes into account the importance of climate-related expertise and background. Besides professional competences in finance, banking, insurance and corporate governance, practical experience and knowledge of sustainable management issues are also taken into consideration when selecting independent directors.

The expertise of the independent directors covers corporate governance, financial institution management and business practices. They have held important positions in relevant supervisory agencies and practical areas, as well as actively promoting corporate governance in Taiwan. Their professional and practical experience continue to assist the Company in strengthening corporate governance and sustainable operations, supervising the operation of the Company's Sustainable Development Committee.

In addition, the independent directors of the Group's subsidiaries have research and teaching experience covering climate risks in the financial sector, ESG/sustainable investment, sustainable financial products and financial regulations, they supervise climate-related operations and the development of mechanism with their expertise and strengths.

As the world pays more and more attention to climate issues, the directors continue to be at the forefront of the road to sustainability under the rapid change and booming development trend by participating in various seminars and training sessions, in order to improve corporate governance capabilities and fulfill supervisory responsibilities.

1.2 Management of Climate-related Risks and Opportunities

The Company's climate governance-related units include the "TCFD Working Group" and the "Corporate Sustainability Office," each of the unit reports separately risk monitoring and implementation performance to the "Risk Management Committee" and "Sustainable Development Committee".

TCFD Working Group

To establish and improve the climate governance structure, the Company set up a TCFD Working Group in 2021. The Working Group is composed of the staff of Risk Management Department and led by the Company's Chief Risk Officer, in order to comprehensively manage climate-related issues and impacts, including identifying, evaluating, analyzing and monitoring climate-related risks and opportunities to develop strategies as well as set metrics and targets.

Corporate Sustainability Office

To reduce the potential impact of climate change on the Group's operations, identify potential opportunities in climate policy and market transformation, and improve the Group's operational performance and climate resilience, the "Sustainable Finance Group" and "Environmental Sustainability Group" under the Corporate Sustainability Office are responsible for the implementation of climate sustainability policies and relevant plans. The Sustainable Finance Team is in charge of promoting sustainable financial services and products, including the establishment of "Sustainable Financial Standards" [2], green credit promotion, green products and responsible investment, as well as other products and services with environmental and social benefits. The Environmental Sustainability Team on the other hand, takes charge of internal operations and the implementation of energy and climate goals, including increasing the proportion of renewable energy use, low-carbon operation such as energy conservation and carbon reduction, reducing the negative impact of the business processes on the environment, and reducing the Group's risk of impact from climate change. Each group holds occasional meetings with subsidiaries and holds at least one working meeting every quarter to track the implementation progress and target achievement of the projects, as well as providing resources and guidance to assist in reviewing the operations when necessary.

Climate Linked Incentives for Management

In order to effectively promote climate governance strategies and policies, the Group has formulated relevant incentives to encourage management to promote and implement various actions. The performance evaluation of the Group's senior management (including the CEO level and department heads) includes ESG-related indicators, and the incentive mechanism is linked to various operational targets such as promoting energy conservation and carbon reduction, renewable energy procurement, supplier evaluation management, etc. In addition, for members in departments responsible for executing climate-related actions, their assessments are also linked to environmental and climate metrics to strengthen the implementation of sustainable management. The Group expects to strengthen the core spirit of climate governance through the organization's top-down performance mechanism.

Category of assessment for senior management		Proportion	Description
Strategic targets		20%	Annual key strategy implementation results
Operational targets	Financial metrics	50%	1. Financial metrics are set according to the characteristics of business for each subsidiary 2. Financial metrics compared with peers
	Medium- and long-term development strategic targets		Results of corporate sustainable development and ESG projects, progress on various business strategies, overall performance in operations and management, competitive advantage as compared to industry peers
Metrics for sustainable operations		30%	Group talent cultivation and succession plan, regulatory compliance and internal control management metrics, effectiveness of business support

<The Group's Senior Management Performance Evaluation Form>

Improving Climate-related Competencies for Management

The Group's management not only actively stays updated with the latest knowledge of climate trends, but also participates in external lectures, forums and exchanges with professionals in relevant fields. In the meantime, the Group leverages its influence as a member in the financial sector to join hands with stakeholders in keeping up with the trend in climate change governance.

Form of participation	Name of event	Theme of event
Forum participation	Forum on Trends in Risk Management for the Insurance Industry	• The impact of risks from climate change on international insurance industry and insurance supervisors • Supervision and regulations for climate-related risks in the insurance industry of various countries • Strategies for the insurance industry to adapt to climate change • Challenges of climate change for the insurance industry and countermeasures
Panel Discussion	2021 Seminar on How Securities Firms Can Handle Climate Change Risks	• The impact of climate change on securities firms • How securities firms can introduce climate change risk management
Panel Discussion	2021 ESG Responsible Investment Forum	• The future development of Taiwan's green finance and TCFD under extreme climate • Development, progress and challenges of ESG/sustainable investment

<Senior Management's Participation in Climate-related External Lectures and Forums in 2021>

1.3 Major Decisions and Implementation Results of Climate Governance in 2021

Approval of the 2021-2025 Group Sustainable Development Strategy Roadmap

At the end of 2020, the Company's Board of Directors approved the 2021-2025 Sustainable Development Strategy Roadmap for the Group. Set by the highest level of governance to supervise and set goals, the roadmap encourages the Group to move towards the goal of sustainable operations, with themes including energy and climate change. In order to properly manage the risks associated with extreme weather events and the transition to a low-carbon economy, the Group incorporates the risks of climate change into its operational decisions, to identify and manage risks when faced with the crisis of global warming and resource depletion. It responds to the trend of energy conservation and carbon reduction by adopting mitigation and adaptation actions, by setting climate and energy-related indicators such as quantifying the financial risks of investment and financing targets for industries with high carbon emissions, introducing climate scenario analysis tools, reducing carbon emissions per revenue, reducing waste and water consumption, and improving renewable energy use. All new self-owned buildings are required to obtain the green building label, and credit card products will obtain carbon footprint certification, etc. These measures are meant to reduce the impact of operations on the environment, as well as reducing the impact of climate change on the Group's operations.

Approval of Climate Value-at-Risk Threshold

The Company started engaging in research on climate value-at-risk(Climate VaR) measurement methods in 2020, and completed the climate risk quantitative model in 2021. The model and its parameters with estimation and control mechanism have been reported to the Board of Directors and senior management. At the end of 2021, the Board of Directors approved the climate value-at-risk threshold for the investment positions of the Group. From 2022 onwards, the Risk Management Department monitors the Climate VaR accordingly on a monthly basis to check whether the Climate VaR threshold has been exceeded. In the near future, each subsidiary will be required to adopt the Climate VaR model to monitor its investment positions.

Comprehensive Climate Risk Management and Quantitative Analysis

Chapter. 2

2.1 Identification, Measurement and Management

Climate risks integrated into the existing risk management framework

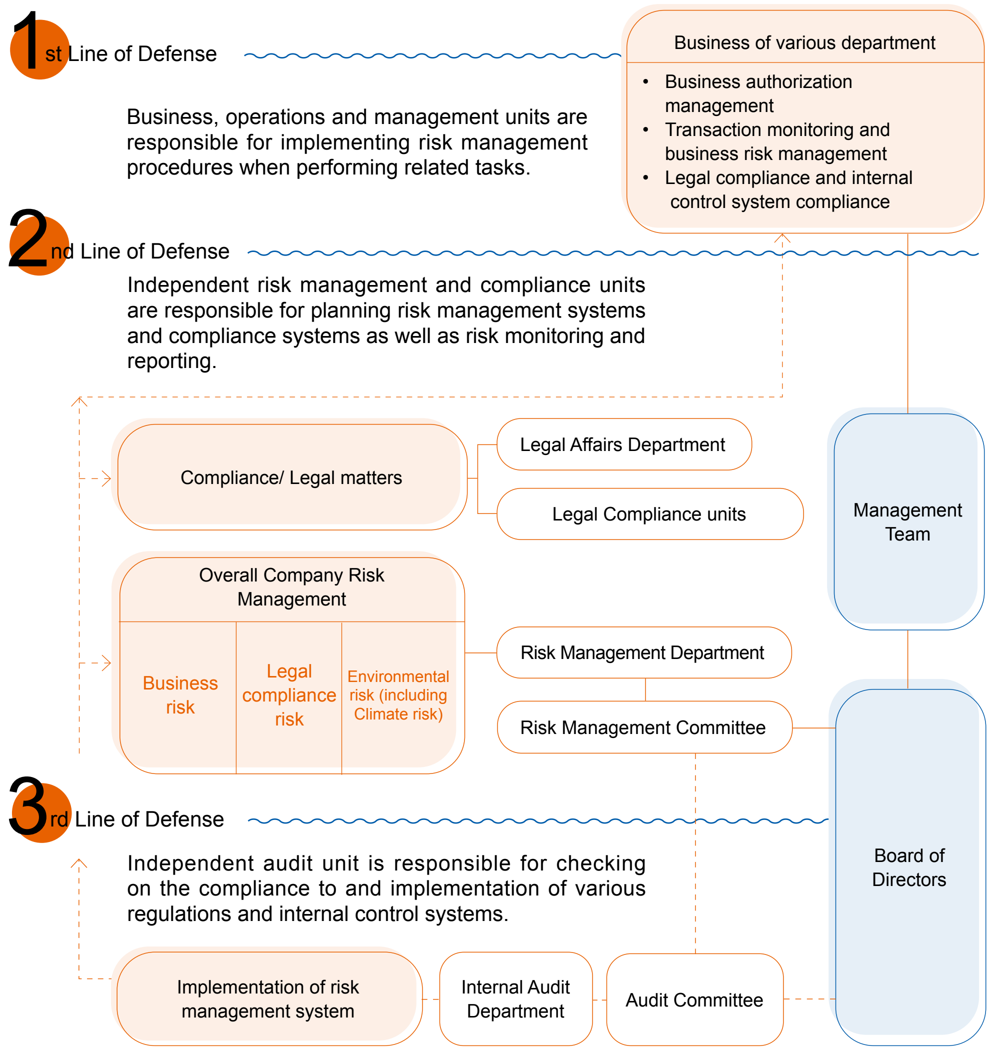
The Company has a comprehensive risk management organization, policies and procedures, covering business, legal and compliance, as well as environmental risks (including climate risks). The company has taken environmental protection (E, Environmental), social responsibility (S, Social) and corporate governance (G, Governance) into consideration, and regards climate change as a strategic business risk. Therefore, the process of identification, measurement and management of climate risk are integrated into the Company's overall risk procedure.

Overall Risk Management

Business Risks	Legal and compliance risks	Environmental Risks
◆ Market risk ◆ Credit risk ◆ Market liquidity risk ◆ Asset liability matching risk ◆ Large exposures ◆ Insurance risk ◆ Operational risk ◆ Information security risk ◆ Human resources risk ◆ Emerging risks	◆ Regulatory compliance risk ◆ Legal risk ◆ Money laundering and terrorism risk ◆ Integrity management risk	◆ Climate risk

<Scope of the Company's Risk Management Policy>

The Company has set up three lines of defense for risk management and an enterprise risk management (ERM) mechanism. The organization, responsibilities and functions of each line of defense have been clearly defined to ensure effective operations. The assessment and management of environmental risks (including climate risks), which includes transition risks and physical risks, are integrated with the existing risk management framework to include qualitative and quantitative analysis.



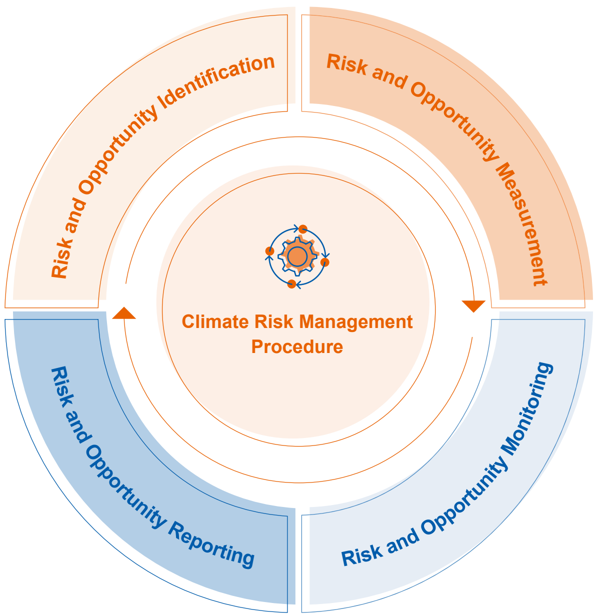
<Three Lines of Defense for Risk Management>

Climate Risk Management mechanism

The Group's climate risk management procedure is strengthened by establishing relevant management mechanisms, which specify the scope of responsibility of the relevant divisions, and various risk management procedures, items to be monitored and thresholds required. The Company has finalized the "Sustainable Financial Standards[2]" to formulate a green policy for investment and financing at the level of financial holdings. ESG factors are incorporated into the consideration of daily operations and decision-making through the principle-based framework and guidelines to identify industries that can be actively supported, as well as identify a list of companies that should be avoided. The measure of strengthening due diligence and assessment of companies with high ESG risks prompts companies to value governance, environmental and social risks to further fulfill their responsibilities as global citizens. To further strengthen the Group's ESG screening mechanism for investment and financing, the Company has completed the "Industry-specific Environmental and Social Risk Management Rules[3]" to regulate employees who work with industries with high environmental and social risks such as steel and iron, semiconductor and plastics material manufacturing. The rule specifies that the "Industry-specific Environmental and Social Risk Management Checklist" should be filled in by the subsidiary to understand the social and environmental management measures of business partners, review the potential impact of social and environmental risks of the clients and their ability to adapt to these risks to ensure the risks of all transactions are under control. In addition, the exclusion clause was added to specify the industries that are prohibited for investment and financing as well as the ones which require further evaluation.

Climate Risk and Opportunity Management Procedure

The Group's climate risk and opportunity management procedure is divided into four steps, which are illustrated below: From risk and opportunity identification, measurement, monitoring to reporting.



Industries for which investment and financing are monitored	Monitoring measures	Industries for investment and financing that fall short or fail to improve
Industries related to coal, unconventional oil and gas, coal-fired power, etc.	1. Carefully evaluate the E&S risks 2. Require the company to improve or plan according to their potential E&S risks	Potential client Prohibited from engaging in investment and financing businesses Existing client Limit the existing amount of investment and financing as is

<The Updated Terms and Conditions for "Industry-Specific Environmental and Social Risk Management Rules ">

Risk and Opportunity Identification

- Each subsidiary identifies climate risks and opportunities based on the nature of business each year
- The Financial Holdings' Risk Management Department integrates overall risk and opportunity identification
- Refers to the climate risk reports from international institutions

Risk and Opportunity Measurement

- Each subsidiary identifies the level of impact originated from the risks and opportunities based on the nature of business
- The scope of measurement includes the direction, timing and geographical location of impact, the extent to which companies in the value chain are affected as well as the financial impact
- The Financial Holdings' Risk Management Department maintains a model for Climate VaR measurement to enhance the quantitative management of climate risks

Risk and Opportunity Monitoring

- Incorporate environmental and social risk factors in the industry level risk rating
- Formulate quantitative indicators and limits for climate risks for monthly analysis, monitoring and reporting

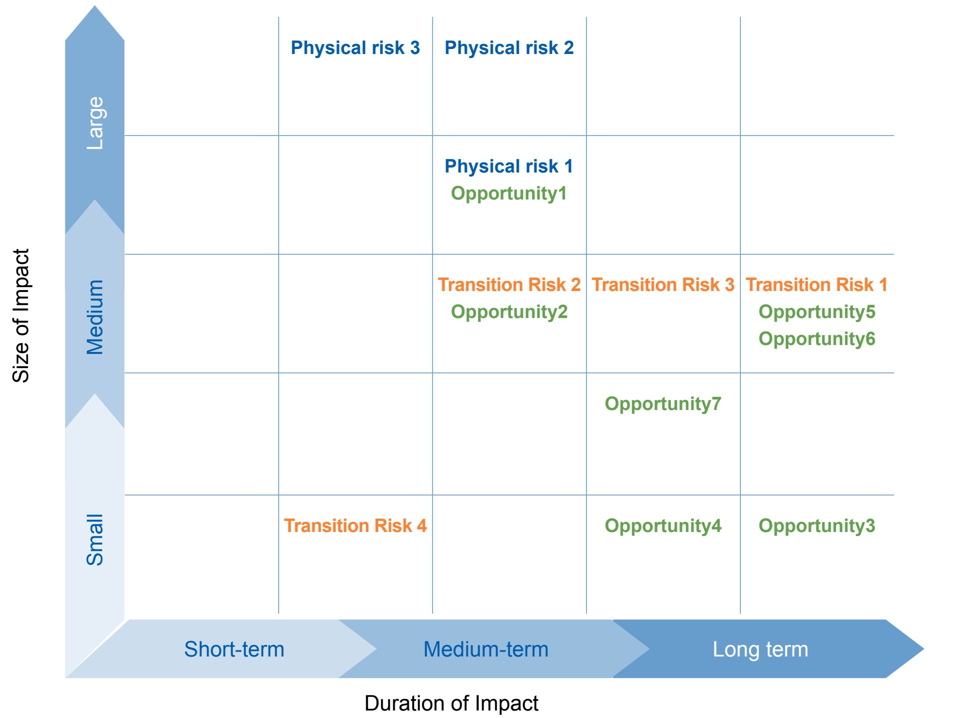
Risk and Opportunity Reporting

- Formulate response strategies for all risks and opportunities as well as presenting the strategies to the Sustainability Committee and Board of Directors
- Regularly present all risk indicators or limits that is used at the Risk Management Committee and Board of Directors
- Report all climate risk information to the Risk Management Committee and Board of Directors as needed

2.2 Short-, Medium- and Long-term Risks and Opportunities

To understand the impact of climate change on the company, the risks and opportunities it will bring, as well as strengthening the Company's business resilience, the Group identifies and evaluates climate risks and opportunities based on the nature of its businesses with the lead of the Risk Management Committee and the Sustainability Committee. The aspects that are taken into consideration include the classification of climate risks and opportunities recommended by TCFD, the direction and timing of impact, geographical location, extent to which companies in the value chain are affected and its financial impact. The above-mentioned analysis is conducted on an annual basis. In 2021, the company identified 7risks and 7opportunities, with responsive measures and strategies formulated respectively based on the duration and size of impact.

Climate Risk and Opportunity Matrix



<7 Major Climate Risks and 7 Major Opportunities Matrix >

Note:

1. *The definition for "short-term" for the company is a duration within a year, medium-term is 1-3 years, and long-term is over 3 years.*
2. *The size of the impact is determined by the results of internal discussions after considering domestic and foreign industry analysis reports and the Group's market research information.*

Transition risk

Transition Risk 1	Cost for decarbonization policies and legal compliance
Transition Risk 2	Cost for eco-friendly green energy transformation
Transition Risk 3	Investors halt investment in highly polluting industries
Transition Risk 4	Impact on the Company's reputation for investing in highly polluting industries

Physical risk

Physical risk 1	Cost for insurance covering natural disasters and infectious diseases
Physical risk 2	Extreme climate causes companies that receive investment/financing to halt their operations
Physical risk 3	Flood causes damage to operational sites and collaterals

Opportunity

Opportunity 1	Operational sites increased energy efficiency
Opportunity 2	Green procurement and supplier management
Opportunity 3	Develop and promote low-carbon products and services
Opportunity 4	Engage with the clients on sustainability and green consumption
Opportunity 5	Sustainable finance markets
Opportunity 6	Green bond markets
Opportunity 7	Crisis management and early warning for events involving natural disasters

Analysis of the Financial Impact Caused by Climate Change

	Risk	Financial Impact	Response Measure
1	Cost for carbon reduction policy and legal compliance	Due to the increasingly stringent regulatory requirement, additional carbon reduction costs lead to the decline in profit. The loss of share price for investing target companies result in the Group's decrease in assets.	Stay updated with the trend of international carbon tax and relevant regulations, facilitate engagement with investing and financing target companies with high carbon emissions.
2	Cost for eco-friendly green energy transformation	Investing and financing targets may require additional costs for transformation. Untimely transformation will result in the Group's decrease in assets.	Stay updated with the market demand for low-carbon transformation to assist the clients in this regard.
3	Investors halt investment in highly polluting industries	Institutional investors pay more attention to climate change and environmental issues. If investors have doubts about asset safety, they may divest from the investing, resulting in a decline in the Group's investment funds for asset management business.	Embed sustainable finance management procedures into the asset management process, as well as enhancing the review mechanism for investment targets with high pollution and high emissions to meet investors' expectations.
4	Impact on the Company's reputation for investing in highly polluting industries	Negative coverage of the highly polluting enterprises that the Group invests in has an impact on the Group's reputation. Investors might withdraw their funds, reducing the Group's source of funding.	Strengthen the audit, control and engagement for the investment and financing of highly polluting enterprises, and actively become a sustainable finance institution through self-compliance or joining international initiatives to build a positive social image.
5	Cost for insurance covering natural disasters and infectious diseases	Natural disasters or infectious diseases threaten the personal safety or even lead to the death of policyholders, increasing expenses for medical or life insurance claims and consequently the Group's operating costs.	Include climate-related factors in product design to offer insurance policies that better meet the needs of policyholders and climate change trends.
6	Extreme climate causes companies that receive investment/ financing to halt their operations	Extreme weather could cause property loss or operational interruption for investment and financing targets, which result in the Group's decrease in assets.	Perform due diligence and the "know your customer (KYC)" process on investment and financing targets to understand their level of resilience to extreme climates.
7	Flood causes damage to service points and collaterals	Flood caused by extreme weather results in the operational interruption for subsidiaries or the decline in the price of proprietary real estate, which in turn has an impact on the profit and loss of the Group by reducing revenue, or result in the Group's decrease in assets.	Operational sites and proprietary real estate investments should take into account the flooding factor caused by climate change.

<Financial Impact and Response Measures to the 7 Major Climate Risks>

	Opportunity	Financial Impact	Response Measures
1	Operational sites increased energy efficiency	Reduce operating costs by adopting green buildings, renewable energy, energy-saving equipment, and introducing energy management systems to improve energy efficiency	Implement the ISO 50001 energy management system, purchase renewable energy certificates, directly purchase renewable energy (green energy wheeling), actively obtain green building certificates for proprietary real estate, switch to energy-saving lightings and water-saving devices.
2	Green procurement and supplier management	Support enterprises with low-carbon emissions and sustainable products through green procurement and supplier management to reduce operating costs	The Company has drafted the "Sustainable Procurement Declaration," "Integrity Management Guidelines," "Procedures for Integrity Management and Guidelines for Conduct," "Supplier Sustainable Procurement Guidance," "Guidelines for Supplier Management," as well as continuing to regulate the suppliers with the "Integrity Commitment Statement" and "Supplier Sustainable Procurement Clause" in the supplier contracts. Additionally, the "Green Procurement Guidelines" are also stipulated in the procurement regulations.
3	Develop and promote low-carbon products and services	Meet the needs of investors and increase operating income through the development and promotion of low-carbon products and services	Introduce the concept of sustainability to existing financial products, conduct carbon footprint inspection, and promote sustainable financial products to investors to expand the scale of sustainable asset management. In terms of innovative products, the Company launched sustainability indexed securities for investment and warrants linked to green energy industries. These products meet the clients' investment needs, as well as channeling funds into sustainable and green energy companies.
4	Engage with the clients on sustainability and green consumption	Maximize the use of financial products and service platforms to engage with clients on the sustainability and green consumption concepts in order to increase operating income.	Encourage clients to take action towards energy conservation and carbon reduction or green investment through multiple channels such as through official website and APP. The Company will also actively engage with clients to take proactive ESG measures by oral discussions and written communication.
5	Sustainable finance markets	Formulate relevant action plans and norms to actively guide the flow of funds into sustainable enterprises and increase operating income through loans and investment	Investment and credit decisions are made in accordance with the "Sustainable Finance Guidelines[2]" and the "Industry-specific Environmental and Social Risk Management Rules[3]" The bank follows the "Guidelines for the Management of Financing Projects under the Equator Principles[4]" to ensure that credit granting evaluations comply with the Equator Principles. The investment decision at each subsidiary investment has also formulated relevant norms and indicators to introduce ESG concepts into the investment procedure.
6	Green bond markets	Issue green bonds and assist in the underwriting of green bonds to further enhance the green bond market and increase operating income.	Issue green bonds with funds used for green buildings. Sustainability bonds have also been issued in 2022 to support sustainable credits. Underwrite green bonds and assist enterprises in issuing green bonds.
7	Crisis management and early warning for events crises involving natural disasters	Formulate and ensure the effectiveness of adaptation measures, provide stable services for all businesses to increase client trust and reduce operating losses.	Uninterrupted power source, backup servers and off-site backup have all been set up, as well as regularly conducting disaster response drills to ensure that equipment and mechanisms can operate normally in case of crisis. ISO 22301 Business continuity management system is planned to be introduced to establish standard procedures to reduce the risk of interruptions and ensure recovery.

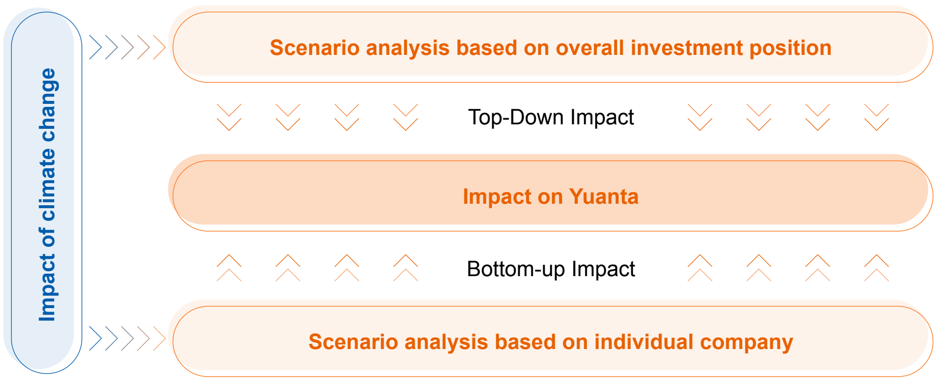
<Financial Impact and Response Measures to the 7 Major Climate Opportunities>

2.3 Quantitative Financial Analysis of Climate Change

The physical risks, transition risks and opportunities caused by climate change have an impact on the financial performance of the financial institutions' operations, balance sheets, income statements and cash flow statements, as well as various credit, market, liquidity and operational risks. The Group follows TCFD's recommendation of quantifying climate risks to analyze the impact of transition and physical risks on the counterparties of the iron and steel industry in 2019. In 2020, the scenario analysis was conducted on real estate collaterals and operational sites throughout Taiwan, based on the pathway that potential physical risk caused by climate change to real estate, and corresponding risk management measures were developed after the quantitative results. In 2021, after reviewing the industry risk assessment, economic outlook analysis and other reports issued by well-known domestic and foreign institutions, the Group took environmental and social risk factors of each industry into the industry risk level consideration for 2022, including the impact of emerging environmental or social factors on industry trends, costs for climate transition risks, industry barriers to entry, etc.

Overview of Scenario Analysis

The Group expects to analyze climate-related impacts at different time horizons and in different scenarios from different perspectives, such as conducting scenario analysis from the level of overall investment position (Top Down approach) and from the level of individual company (Bottom Up approach).



<Diagram of Scenario Analysis Overview>

Note:

1. *Scenario analysis based on overall investment positions (Top Down): Calculate additional losses of investment positions under the impact of climate change at the industry level by incorporating information on climate risks derived from economic model.*
2. *Scenario analysis based on individual company (Bottom Up): Analyze the impact of individual investment and financing targets on the Group by understanding industry climate risks and risk exposures with industry-specific climate risk assessment tools.*

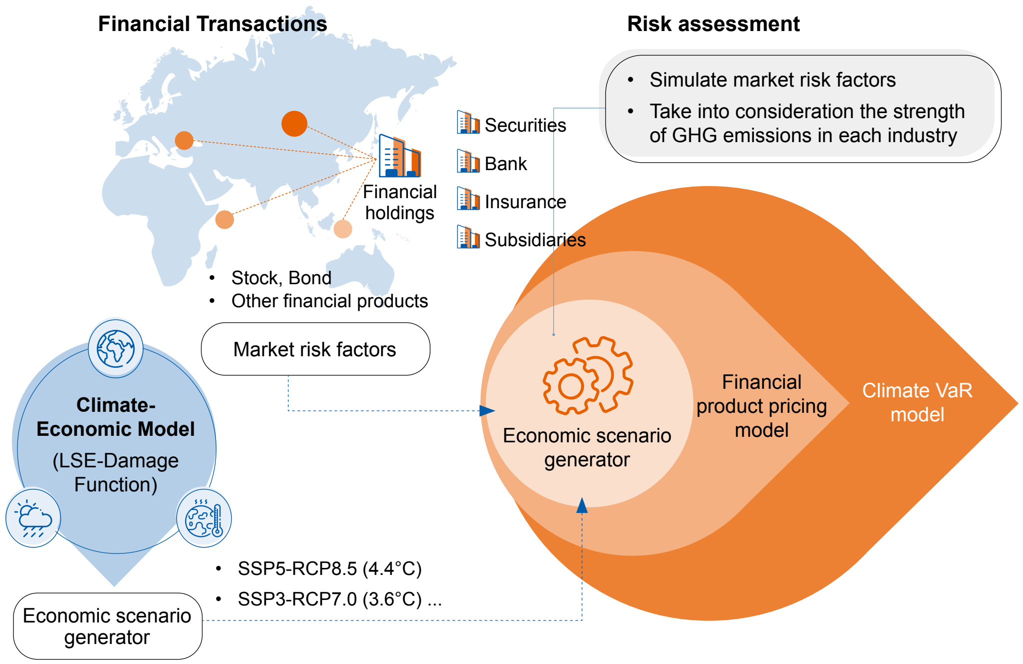
Scenario Analysis based on Overall Investment Positions (Top Down)

The scenario analysis of the Group's overall position is conducted by first selecting a climate scenario in relation to the warming temperature and how it impacts global economic variables to build an integrated Climate-Economic Model. Secondly, market risk factors are screened based on the data required for financial product valuation. Finally, the Climate-Economic Model and the current financial asset risk measurement model are integrated into modeling to generate economic scenarios by calculating the negative economic impact of climate scenarios, which are then extended to the impact on market risk factors. Market risk factors and economic variables of various countries are introduced to the financial asset pricing model to predict the Group's profit and loss impact of the long-term investment position value under climate change.

Importance of assessment Climate change and will continue to affect all countries and all industries. To effectively quantify climate risks for risk management purposes, or even capturing opportunities by developing innovative business models, the Group needs to develop a methodology for country-specific and industry-specific climate risk and opportunity management.

Targets of assessment The investment positions of all subsidiaries within the Group held for non-trading purposes.

Method of assessment Climate value-at-risk assessment method



Climate scenarios for assessment

Four climate scenarios (SSP1-RCP2.6, SSP2-RCP4.5, SSP3-RCP7.0, SSP5- RCP8.5) from the IPCC's Sixth Assessment Report (AR6)[3]

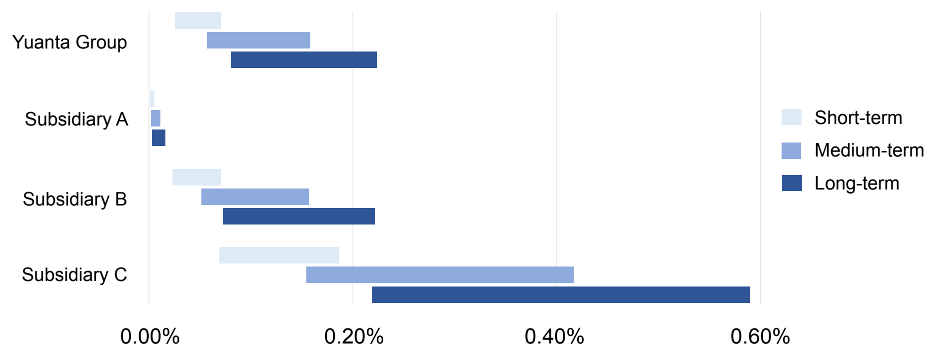
Result of the assessment

The Group's investment positions are mostly concentrated in Taiwan, the United States, Australia and some other countries. The proportion of industries with high GHG emissions as a percentage of overall investment position is not high. Further analysis shows that among the Group's equity investments, Taiwan, Hong Kong and South Korea are greatly affected by climate risk factors, which is especially true for industries with high GHG emissions. In terms of bond investment, the impact of climate risk factors is greater if the issuing company belongs to an industry with higher GHG emissions and lower credit ratings.

<Overall Distribution of Investment Positions by Country>

The relative value of the Group's overall investment positions will decrease by approximately 0.05%-0.22% of the market value on the reference date (end of December 2021) due to long-term temperature increase. The Group's diversified investment strategy has resulted in the negative impact caused by climate risks to be less significant. However, Subsidiary C's investment position is more concentrated on specific financial products, which may be vulnerable to climate impact in the long term.

Climate Impact/Market Value-The Group and its subsidiaries



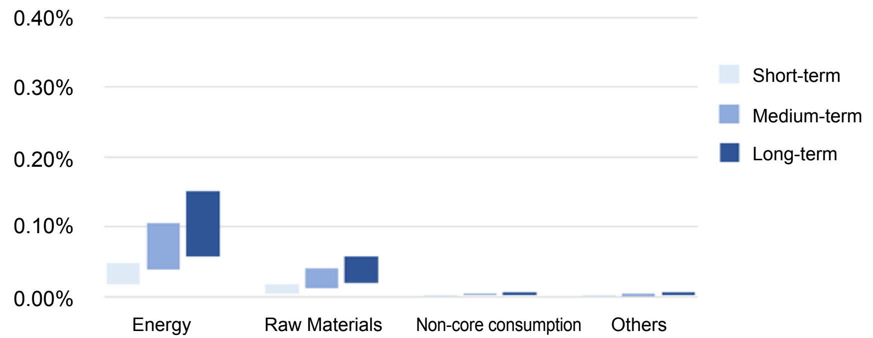
<The Degree of Climate Impact on Investment Positions of Major Subsidiaries>

Note:

1. *The numerical ratio is the percentage of the short-term, medium-term and long-term market value reductions of investment value relative to the market value of the reference day (end of December 2021) due to rising temperature.*
2. *Short term is defined as 1 year, medium term as 5 years, and long term as 10 years.*
3. *The lower limit of the interval is the calculation based on RCP2.6, and the upper limit of the interval is the calculation based on RCP8.5.*

Comparing the analysis of investment positions in different industries, the energy industry is the Group's investment in high GHG emission industries which has the most impact, with the relative value of the investment value to decrease by approximately 0.02%-0.15% of the market value on the reference date (the end of December 2021) due to long-term temperature rise.

Climate Impact/Market Value-by industry



<The Degree of Climate Impact of Investment Positions in Each Industry>

Note:

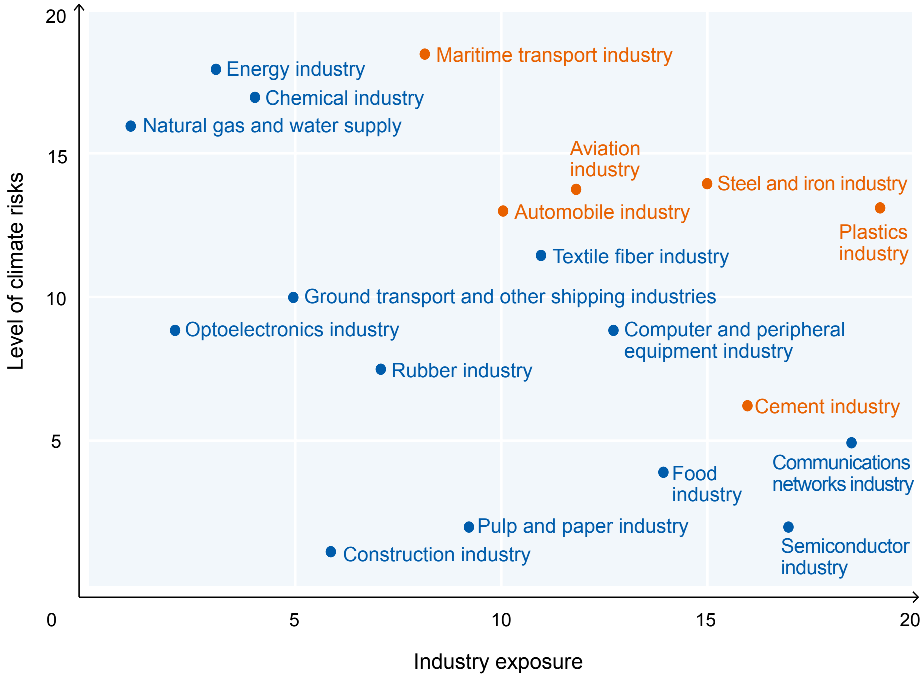
The numerical ratio is the ratio of the short-, medium- and long-term market value reduction to the market value of investment transitions on the reference day (the end of December 2021) due to rising temperature.

1. *Short term is defined as 1 year, medium term 5 years, and long term 10 years.*
2. *Non-core consumption industries include automobiles and components, apparel and luxury goods, hotels, restaurants and leisure, etc.*

Responding strategy The Group will continue to diversify its investment portfolio to reduce the impact of climate risk on the value of financial investments. In addition, the risk tolerance and asset risk pricing are reconsidered based on the results of the aforementioned scenario analysis. Climate risk monitoring indicators are set up based on the estimated loss of the investment portfolio to prevent potential loss caused by extreme weather risks.

Analysis of Industries with High Climate Risks

Before carrying out the Individual Company Level quantitative assessment of scenario analysis, the Group first assessed the overall financial market comprehensively. The assessment includes the results of industry reports prepared by the Group, as well as domestic and foreign industry research institutes to understand the industry level climate risk and the scale of the Group's risk exposure, before choosing specific industries to concentrate on. The assessment presented that cement, steel and iron, plastics, aviation, automobile manufacturing and maritime transport industries are associated with a higher overall risks.



<Industry-specific Risk Matrix>

Note:

1. The climate risk level mainly refers to the risk score of Moody's Investor Service Industry Analysis Report[2].

2. The industry risk exposure includes all investment and financing targets of the Group in the analysis.

Scenario Analysis at the Individual Company Level (Bottom Up)

In addition to the scenario analysis at the overall investment level, the Group also improved its scenario analysis model at the individual company level in 2021 to analyze climate-related financial impacts for different time horizons and with different scenarios. Based on the climate risks and opportunities identified in Section 2.2, one transition risk, two physical risks and one opportunity which were more prominent in the impact assessment were selected for further quantitative analysis for the financial impact at the level of individual company.

Selected Climate Risks and Opportunities		Scope of Analysis		Method of Analysis		
Type	Risk/Opportunity Factor	Analysis of the Industry	Analysis of the subject	Climate Scenario	Duration of assessment	Method of assessment
Transition Risk	Cost for decarbonization policy and legal compliance	Steel and iron, cement, plastics, automobile manufacturing, aviation, maritime transport	Corporate banking credit position	NGFS Net Zero(1.5°C), Well Below 2°C	2025, 2030, 2035, 2040, 2045, 2050	Expected Credit Loss Model
			Equity investment position			Equity Valuation Model
Physical Risk	Extreme weather causes operation interruptions in investment/ financing targets	Steel and iron	Corporate banking credit position	RCP 2.6	2030	Disaster risk model
	Flood causes damage to operational sites and collaterals	All	Real estate collateral	RCP 8.5	2036~2065	
			All operational sites in Taiwan			
Opportunity	Develop and promote low-carbon products and services	Steel and iron	Heavy electricity users	The Ministry of Economic Affairs regulation	2025	Market pricing model

<Overview of Analysis Methods for Individual Company Scales >

1. Scenario analysis of transition risks: Quantitative assessment of the impact of carbon fees on the corporate banking's credit positions

Importance of assessment The financing targets are affected by carbon fee in that they have to bear additional costs for meeting the regulatory requirements. The additional costs have an impact on value of its net equity, resulting in an increase in credit risk (increase in probability of default), which in turn increases the potential credit loss of the Group. Therefore, it is important for the Group to effectively estimate the changes in the expected credit losses of its financing targets.

Targets of assessment The six key industries with high climate risks within the Group's corporate banking clients at home and abroad.

Expected credit loss model Expected credit loss model.

Step 1 Calculating the additional costs for different time horizons and scenarios

Scenario assumption

Decarbonization costs companies have to pay without adopting any remediation measures to regulatory changes

Excess emissions

(Company BAU carbon emission (Note 1) − Carbon emission limit in the climate scenario) × Carbon price estimate in the climate scenario (Note 2)

Step 2 Changes in various financial factors caused by changes in additional costs

Additional costs for credit clients in the 6 major industries → Incorporate individual PD models for the 6 major industries → Difference before and after the PD models of 6 major industries

Step 3 Calculate the potential amount of potential credit loss

Scenario assumption

Assume LGD and EAD do not change in the future

Calculation of potential credit loss (EL model) (Note 3)

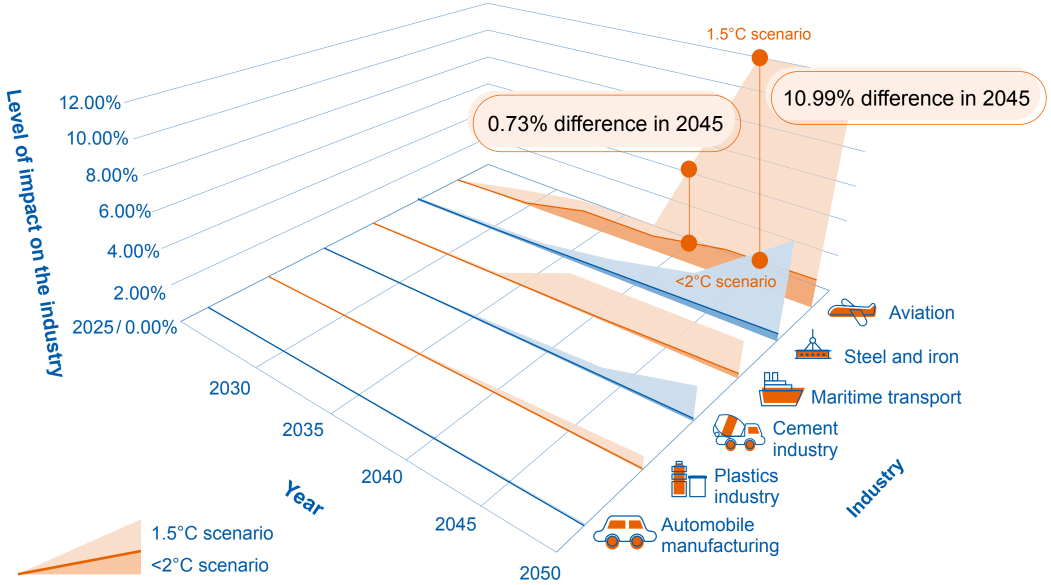
ΔPD X LGD X EAD =ΔEL

Internal credit rating changes→change in PD→change in EL

Note:

1. *The carbon emission growth rate of the selected industry for the company's BAU scenario forecast is obtained by taking referencing the International Energy Agency's (IEA) data.*
2. *The carbon price forecast for each year and each scenario is obtained by referencing the Central Banks and Supervisors Network for Greening the Financial System's (NGFS) data.*
3. *Note 3: PD is Probability of Default, LGD is Loss Given Default, EAD is Exposure at Default and EL is Expected Loss.*

Assessment results The expected loss model is incorporated into the asset position of individual corporate banking credit customers companies in the six major industries to calculate the expected amount of loss due to carbon fees under the two scenarios (1.5°C / <2°C). The result is presented in the following figure based on the impact ratio (the ratio of the expected amount of loss in the industry in the year divided by the amount of exposure). The figure shows that the aviation, steel and iron and maritime transport industries in the corporate banking business have increasing level of impact each year. Among them, changes in the level of impact in the 1.5°C scenario is greater than that of the <2°C scenario. Between 2040-2045, the aviation industry in the 1.5°C scenario shows exponential growth in the impact at the industry level. The main reason is that the changes in the financial factors resulting from applying carbon fee pressure for companies with high carbon emissions exceed the default level tolerated by the credit risk PD model, resulting in significant growth in the overall curve. However, the impact is not as obvious in the <2°C scenario. Two observations can be observed from the difference between the impact curves for different industries under the two scenarios: the first is the observation of specific industries at two different times in 2040 and 2045. Take the aviation industry as an example, the difference in estimated impact between the two scenarios in 2040 is 0.73%. However, the difference increases significantly to 10.99% in 2045, leading to rapid increase in the negative loading on the credit risk PD model. The second is the overall observation of the six major industries from 2025 to 2050. It can be found that the difference between the impact level curves of individual industries in the two scenarios continues to expand over time, representing the capacity to mitigate and adopt to rising temperature. They may have a significant impact on credit clients, as well as significant impact on loss due to default risk for the Group.



<Industry Impact Ratio of Credit Accounts in Six Major Industries under Different Scenarios and Different Time Horizons>

Note: The level of impact on the industry refers to the percentage of the expected loss for the credit position relative to the amount of risk exposure on the reference date (the end of December 2021) under different climate scenarios.

Responding strategy Based on the result of the analysis, the Group first targets managing clients which have an higher impact on the Group, continues to develop relevant measures such as revising the "Industry-Specific Environmental and Social Risk Management Rules[3]" to review the clients' capacity to respond to transition risks during due diligence, and further reduces or refuses to finance companies with high climate risks. Moreover, Yuanta Bank formulated the "Guidelines for Managing Project Financing under the Equator Principles[4]" based on the Equator Principles [4] to rate project finance loans and manage accordingly and require clients to improve their environmental and social performance. In addition, by engaging with clients, the Group expects to prevent some of the negative financial impact caused by climate change. In the meantime, it employs its power as a financial intermediary to encourage financial service recipients to implement carbon reduction and climate risk management actions, in order to enhance its clients' resilience to climate risks.

2. Scenario analysis of transition risks: Quantitative assessment of the impact of carbon fees on equity investment positions

Importance of assessment The introduction of carbon fees imposes additional costs on companies in order to comply with regulatory requirements. The additional costs have an impact on companies' net equity and consequently a likely negative impact on the stock price. Therefore, it is important to be able to effectively estimate the expected loss of the equity investment position held by the Group.

Targets of assessment The Groups' holding of public companies with high climate risks at home and abroad.

Method of assessment Equity valuation model.

Step 1 Calculating the additional costs for different time horizons and scenarios

Scenario assumption

Carbon cost companies have to pay without adopting any response measures to regulatory changes

Excess emissions

(Company BAU carbon emission (Note 1) − Carbon emission limit in the climate scenario) × Carbon price estimate in the climate scenario (Note 2)

Step 2 Changes in net equity due to changes in additional costs

Impact on net equity = Additional costs or revenue loss × (1 - tax rate)

Step 3 Calculate net equity/ loss ratio in stock price

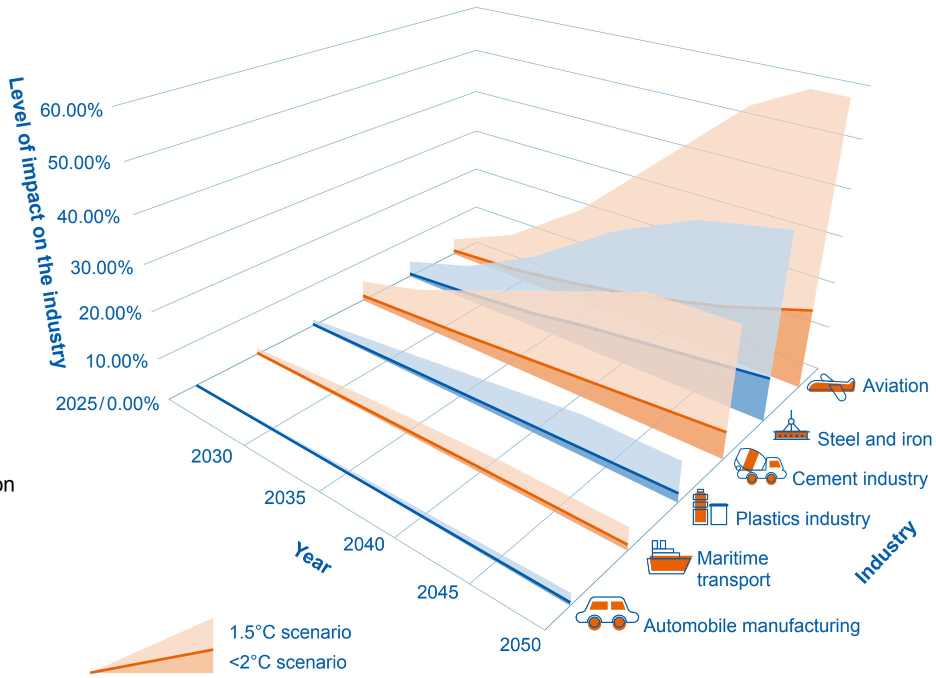
$$\frac{\text{Impact on net equity}}{\text{Estimated net equity}} = \frac{\text{Net equity}}{\text{Loss ratio in stock price}}$$

Step 4 Calculate the estimated amount of loss for the investment position

$$\text{Expected loss} = \frac{\text{Net equity}}{\text{Loss ratio in stock price}} \times \text{Position held}$$

Note:

1. *The carbon emission growth rate for the company's BAU scenario forecast is based on the specific industry it resides with reference made to the International Energy Agency's (IEA) data.*
2. *The carbon price forecast for each year and each scenario is obtained by refence to the Central Banks and Supervisors Network for Greening the Financial System's (NGFS).*



<Industry Impact Ratio of Investment Targets in Six Major Industries under Different Scenarios and Different Time Horizons>

Note: The level of impact on the industry refers to the percentage of the expected loss in relation to the amount of risk exposure on the reference date (the end of December 2021) under different climate scenarios.

Assessment results The equity valuation model is respectively applied to the asset portfolio of six major industries in the equity investment position to calculate the expected amount of loss caused by carbon fees under the two scenarios (1.5°C / <2°C). The following figure is presented based on the impact ratio (the ratio of the expected amount of loss divided by the asset size of the industry in the year). Among the equity investment portfolios, aviation, steel and iron and cement industries have significant changes in the impact level as time proceeds. Moreover, changes in the impact level for the 1.5°C scenario are greater than that for the <2°C scenario. It can be observed that the impact of the six major industries under both the 1.5°C scenario or <2°C scenario display an increasing trend year over year, among which the trends are particularly evident for three major industries, including aviation, steel and iron, as well as cement. The analysis of all the investment targets in the aviation industry shows that in addition to the high additional costs faced by the industry, the slightly lower predicted net equity also results in higher net loss, and this further multiplies the expected loss year over year. The detailed analysis of all the investment targets in the cement and steel and iron industries show that the two industries are concentrated in certain investment targets with a slightly higher net equity loss rate, which is particularly prominent under both the 1.5°C and <2°C scenarios.

Responding strategy Based on the analysis, the Group has set Climate VaR monitoring indicators and thresholds. the Risk Management Department monitors Climate VaR on a monthly basis, as well as reporting key climate risk-related information to the Board of Directors. Moreover, the Group expects to promote its clients' industry transformation by setting metrics and targets, thereby contributing to Taiwan's 2050 net zero goal. Sustainable finance promotion strategies will be further illustrated in Chapter 3.

3. Physical Risk Scenario Analysis: Quantitative Assessment of Credit Positions Affected by Floods

Importance of assessment According to the industry-specific risk matrix in 2.3, the steel and iron industry has the highest level of climate risk. Therefore, the Group conducts physical risk scenario analysis with its financing business to understand the potential financial impact of climate change.

Targets of assessment The Group's corporate banking clients in the domestic steel and iron industry.

Method of assessment Disaster risk modeling.

Step 1
Select the target for analysis

Operational sites of the Group's corporate banking credit clients in the local steel and iron industry

Step 2
Analyze impact on operational site

Reference
Information on typhoon and flood disasters published by the National Science and Technology Center for Disaster Reduction and potential disastrous environmental evaluation.

Understand which corporate banking clients in the steel and iron industry might suffer from an interruption in operations due to water shortage and typhoons.

Step 3
Estimate the expected credit loss

Changes in the client's income

Integrate into the Group's credit rating model

Estimate the financial impact in a flood scenario caused by changes in operating income

Assessment results Climate change will aggravate natural disasters, resulting in a loss of asset value for the steel and iron industry located in areas with frequent typhoons, or an impact on production and a decline in revenue as a result or long-term water shortages. For Yuanta Group, the average default rate of clients in the steel and iron industry affected by physical risks will increase, resulting in the increase in the expected loss by approximately 0.01%.

Responding strategy Based on the result of the analysis, due diligence procedures of financing targets is enhanced to evaluate business partners's climate resilience.

4. Physical Risk Scenario Analysis: Quantitative Impact Assessmentof Flooding on Real Estate Collaterals and on the Group's Taiwanoperational sites

Importance of assessment There have been many discussions on the topic of heavy rain and flooding caused by extreme weather in recent years. In addition to its own operational sites, mortgages and commercial real estate loans may also be impacted and result in significant impact on the Group. Therefore, the Group conducts physical risk scenario analysis based on the map of flood potential under the RCP 8.5 scenario published on the Climate Change Disaster Risk Adaptation Platform by the National Science and Technology Center for Disaster Reduction for geographical locations in Taiwan. This helps the Group understand the potential impact on its business and asset value in the context of greater climate change in the future.

Targets of assessment The Group's real estate collaterals, and the area where the financial holdings and its subsidiaries operate throughout Taiwan.

Method of assessment Disaster risk model.

Step 1
Select targets for analysis

Geographical location of real estate collateral and outstanding balance

Geographical locations of operational sites and value of proprietary real estate

Step 2
Map overlay analysis

Reference
Information on typhoon and flood disasters published by the National Science and Technology Center for Disaster Reduction and potential disastrous environmental evaluation.

Understand the locations of real estate collaterals and operational sites situated in areas with high flood risks

Step 3
Impact analysis

Calculate the impact under a flood scenario

$$\frac{\text{Outstanding balance affected}}{\text{Total outstanding balance}} \times 100\%$$

$$\frac{\text{Number of operational sites affected}}{\text{Total number of operational sites}} \times 100\%$$

Assessment results About 10.8% of real estate collaterals are located in areas with high flood risks at the end of the century, accounting for about 6.5% of the total loan amount. 9.49% of operational sites in Taiwan are located in areas with high flood risks at the end of the century, mainly in the central and southern regions.

Responding strategy When the risk of flooding increases significantly where the real estate collateral is located, measures such as reducing the amount of loans in the area and increasing typhoon and flood insurance are considered based on estimated changes in the loss rate, the number of foreclosures and the recoverable amount to reduce potential damage to real property collaterals. Moreover, the Group has formulated physical risk adaptation measures for operational sites. In addition to policies and regulations such as "Guidelines for Reporting Major Incidents," "Information Manual for Business Continuity and Disaster Response Management" and "Handbook for Crisis Handling Policies and Procedures," insurance measures for operational sites in high-risk areas have been added according to the results of physical risk scenarios, and climate-related assessment factors will be added to the procedure of obtaining all new real estate/ operational sites in the future. The Group also requires that newly built real estate should meet the design standards of green buildings, so that 100% of new building will be equipped with adequate physical risk adaptation measures.

5. Opportunity Scenario Analysis: Quantitative Assessment of Renewable Energy Equipment Financing Needs

Importance of assessment: The Bureau of Energy, Ministry of Economic Affairs, announced the "Administrative Measures for Managing Electricity Users with a Certain Installed Capacity to Install Renewable Energy Equipment" at the end of 2020, which have been officially put in force on January 1, 2021. The Group has assessed that this trend will bring about a huge demand for financing of renewable energy equipment. In order to assess the potential market share of the opportunity, the market valuation method has been adopted for further financial quantitative analysis.

Targets of assessment: The Group assessed steel and iron companies in Taiwan that may be subject to regulatory oversight.

Method of evaluation: Market valuation method.

Step 1 Calculate the demand for renewable energy equipment

Assumed scenario
1. Target company chooses to install solar panels
2. Develop new products or services without additional investment

The "Administrative Measures for Managing Electricity Users with a Certain Installed Capacity to Install Renewable Energy Equipment" requires 10% of electricity consumption to come from renewable energy sources for companies with an installed capacity of over 5,000 kW.

Evaluate how much the renewable energy equipment's installed capacity (kW) would be by 2025 by local steel and iron companies that might be under regulatory oversight.

Step 2 Calculate the cost for installing solar panels

Market size = Demand for equipment's installed capacity × Installation costs*

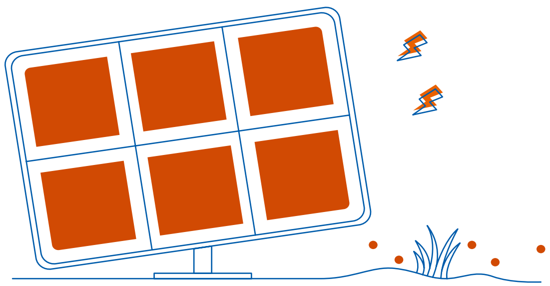
**Note: Installation costs are calculated based on the Bureau of Energy's statistics of NT$43,400/kW*

Step 3 Analyze the share of own market

Estimate the Group's market shared by taking into account domestic and international trends as well as models for market share analysis.

Step 4 Estimate the additional interest income

Additional interest income = The Group's market share × interest rate



Assessment results: It is estimated that the market value of Taiwan's steel and iron industry's demand for renewable energy equipment will reach NT$6.75 billion by 2025. After analyzing the market share the Group can realize, it is estimated that this opportunity will bring NT$2.73 million of interest income.

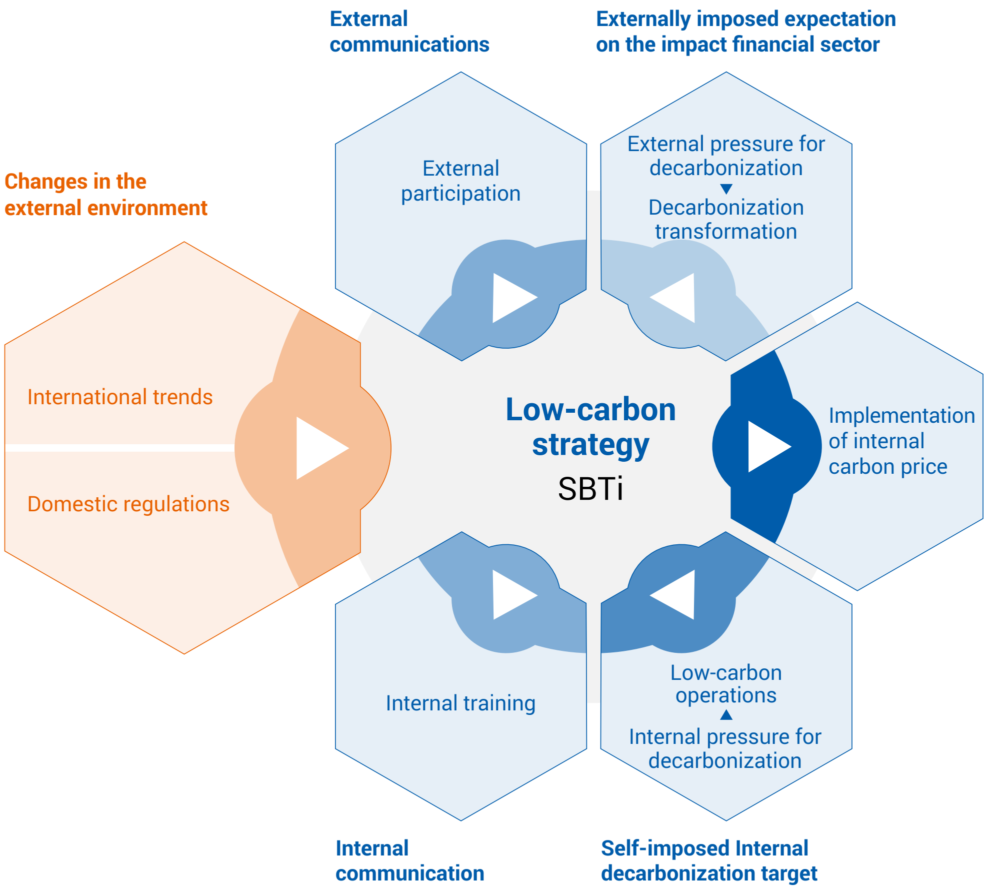
Responding strategy: Yuanta Bank issued its first sustainable bond on March 21, 2022. The funds will be used to fund investments which quality as green investments, such as the development of renewable energy and energy technology, energy efficiency improvement and energy conservation, greenhouse gas reduction, waste recycling, pollution prevention and control or circular economy, etc., to support and fund key industries with sustainable initiatives, assist the energy transformation of the real economy, and support the growth of sustainable industries with real actions.

Low-Carbon Strategy

Chapter. 3

3.1 Strategy Overview

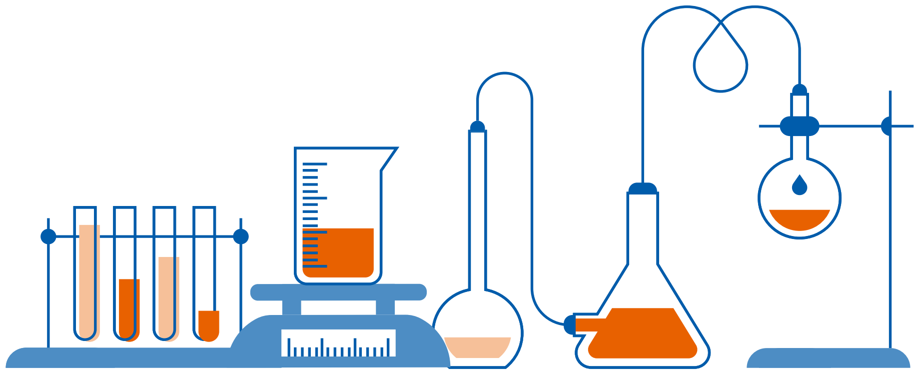
As climate change challenges become increasingly severe, governments around the world have accelerated various adaptation and mitigation measures. The Group is committed to reducing the impact of its own operations with high energy conservation and carbon reduction standards. The financial sector is not only an important force for stabilizing the society and economy, as managers of funds, there are high expectations on the sector to lead industries towards low-carbon transformation. With the vision of achieving net zero emissions by 2050, the Group follows the Science Based Target (SBT)[5] methodology to set pragmatic targets. To this end, it actively lowers carbon emissions by implementing Internal Carbon Pricing, ICP[6], strategizing low-carbon operations and low-carbon transformation to proactively reduce its carbon emission. It also actively communicates with internal and external stakeholders to shape the Group's overall low-carbon strategy, increase its resilience in the face of climate risks, and demonstrates its commitment to combat climate change.



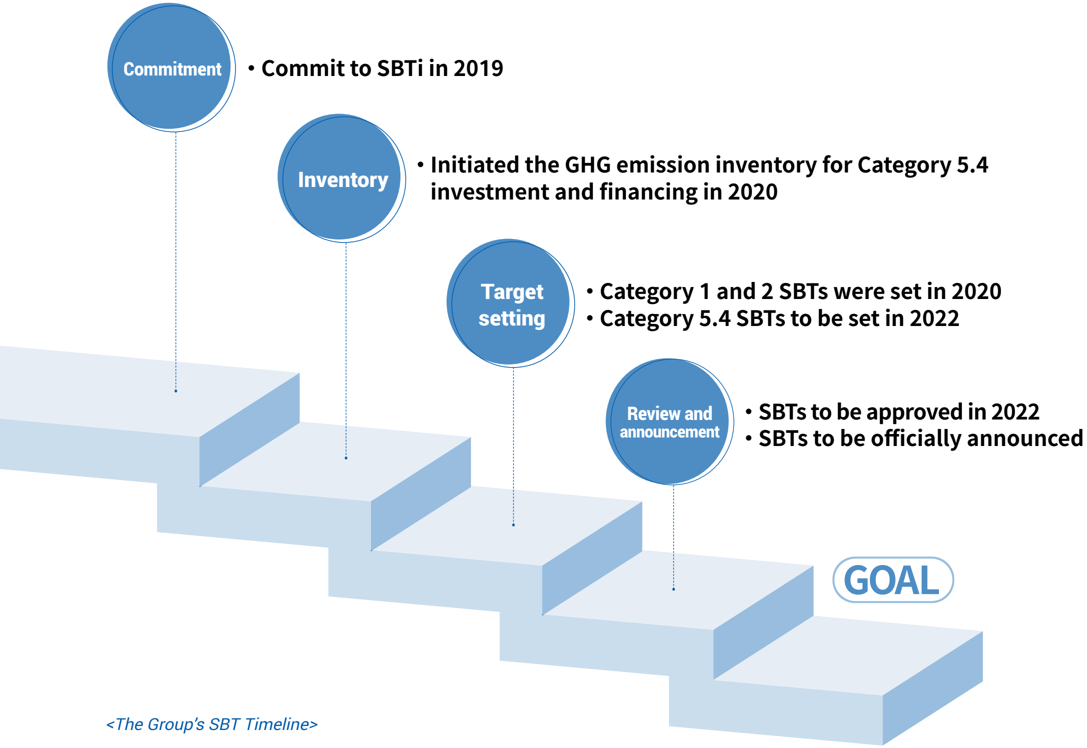
3.2 Setting SBT

Science Based Targets initiative (SBTi)[5]

SBTi is a joint global initiative among the Carbon Disclosure Project (CDP), the United Nations Global Compact, the World Research Institute (WRI), and the World Wild Fund for Nature (WWF). The initiative guides companies and financial institutions to formulate decarbonization pathways with carbon reduction and speed necessary to avoid severe impacts from climate change by promoting the establishment of reduction and net-zero targets in line with climate science, namely the science-based target.



In 2019, the Group signed the "Science Based Targets initiative (SBTi)[5]" as the first financial services company in Taiwan to support the initiative. In 2020, the Group started formulating the GHG emission inventory and SBT for its investment and financing portfolio.



<The Group's SBT Timeline>

Note: Since 2019, the Group has been conducting GHG inventories in accordance with the new version of ISO 14064-1:2018. The corresponding names of the old and new versions are as follows: Category 1 is Scope 1 (Direct GHG emissions), Category 2 is Scope 2 (Electricity indirect GHG emissions), Categories 3-6 are now Scope 3 (Other indirect GHG emissions).

The critical role that financial institutions can play in enabling low-carbon transformation of the industries rests with how financial institutions by exerting influence in their investment and financing targets. This is much more critical and then what financial institutions can accomplish by making strides in the Category 1 and Category 2 emission. Therefore, the Group's primary task is investigating and disclosing Category 5.4 GHG emissions related to investment and financing activities. We continue to improve the GHG inventory methodology by referring to the Global GHG Accounting and Reporting Standard for the Financial Industry[8], the tool developed by the Partnership for Carbon Accounting Financials(PCAF)[7], as well as the TCFD disclosure recommendations. In 2020, the GHG emission inventory was completed for Category 5.4 investment and financing assets, with the scope covering thermal power industry project financing, commercial real estate loans, investment in listed equity and corporate bonds, long-term corporate loans, etc.

Partnership for Carbon Accounting Financials(PCAF)[7]

In 2015, ASN Bank from the Netherlands formed PCAF with 14 Dutch financial institutions to develop and implement standardized methods to assess and disclose the GHG emissions of loans and investments in the financial sector. So far, over 250 multinational financial institutions and banks have joined PCAF, with total assets exceeding US$72 trillion.

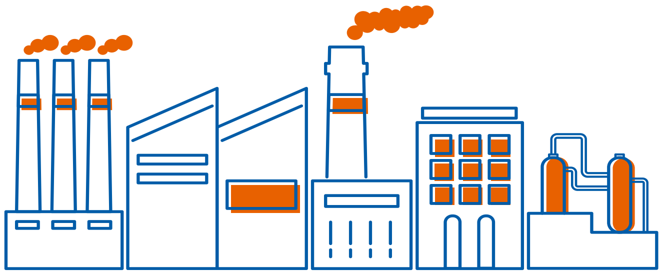
Category of Assets \ GHG Emissions (tCO_2e)	2019	2020	2021
Thermal power project financing	147,791.74	54,783.41	100,707.22
Commercial real estate loans	25,331.11	21,183.47	23,386.90
Investment in listed equity and corporate bonds	920,385.55	1,260,544.34	901,627.99
Long-term corporate loans	491,464.81	411,046.62	504,551.43
Total financed absolute emissions (metric tons of CO_2e)	1,584,972.66	3,140,616.85	2,939,046.21
Total emission intensity (metric tons of CO_2e/ NT$1 billion revenue)	3.74	5.25	4.73
Data Quality	1.93	2.39	2.09
Total investment and lending portfolio coverage	22.41%	28.64%	27.51%

<GHG Emissions of the Group's Investment and Financing Portfolio>

To further track and manage the impact of climate change on the investment and financing portfolio, the Group conducted independent GHG analysis for investment and financing targeting 11 high carbon emission industries. These 11 industries account for 77% and 69% (2020: 72% and 62%) of the total of the Group's overall carbon emission in investment and loan portfolio respectively (for further details, please refer to Chapter 4.2 Low-carbon Transformation Management Metrics and Targets).

SBTi officially released the Financial Sector Science-based Targets Guidance[9] in February 2022, providing a set of customized and standardized target setting methods and verification standards for the financial sector, helping it align its investment and financing portfolio with the Paris Agreement goals. In accordance with this guideline and the SBTi decarbonization pathway, the Group completed the SBT target-setting for Category 1, 2 and Category 5.4 in 2022. The results have been submitted to SBTi for review in the first quarter of 2022. The SBTi targets are approved in July 2022 for the Group to formally announce its SBT goals.

Self-imposed targets	
Category 1 and 2	• 8% reduction in GHG emission intensity compared to 2017 • 5% reduction in GHG emission intensity compared to 2017



SBT targets			
Category 1 and 2			42% absolute reduction compared to 2020
Category 5.4 (By Investment and Financing Target)	Electricity generation project finance		49% reduction in GHG emissions per MWh by 2030 in comparison to 2019 for electricity generation project finance portfolio
	Corporate loan	Commercial real estate	59% reduction in GHG emissions per square meter by 2030 in comparison to 2019 for corporate loan portfolio for commercial real estate sector
		Electricity generation	49% reduction in GHG emissions per MWh by 2030, in comparison to 2019 for corporate loan portfolio for Electricity generation sector
		Other long-term debt	58% reduction in GHG emissions per square meter by 2030, in comparison to 2019 for corporate long-term loan portfolio for finance, retail, service, food and lodging, and real estate development sectors
			38% reduction in GHG emissions by 2027 for corporate long-term loan portfolio for fossil fuel (Note 1), electrical and electronic equipment as well as general manufacturing sectors (calculated based on the loan value)
	Listed equity and bonds (Note2)		SBT targets are set at 39% (out of the invested value) by 2027 for investment portfolio for listed equity and bonds

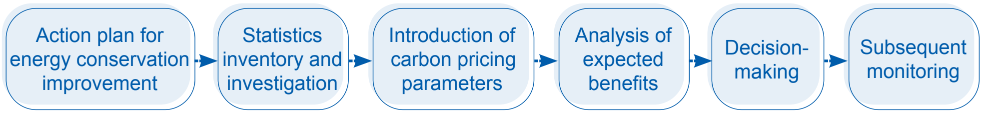
Note:

1. *The target includes 100% of the Group's fossil fuel corporate loans*
2. *The listed equity and corporate bond investment portfolio includes common stock, preferred stock, corporate bonds, exchange-traded funds, real estate investment trust (REIT) investments and mutual funds.*
3. *Targets validated by SBTi please refer to: https://sciencebasedtargets.org/resources/files/Target-language-and-summary_Yuanta-Financial-Holding-Co.-Ltd.docx.pdf*

The Group utilizes SBT as its guiding direction to promote low-carbon operations and low-carbon transformation strategy. Moreover, internal carbon pricing has been introduced to expedite the transformation. In the meantime, the Group actively engages with internal and external stakeholders, joins hands with value chain partners to work together towards mitigating climate change, and commits to disclosing its progress each year.

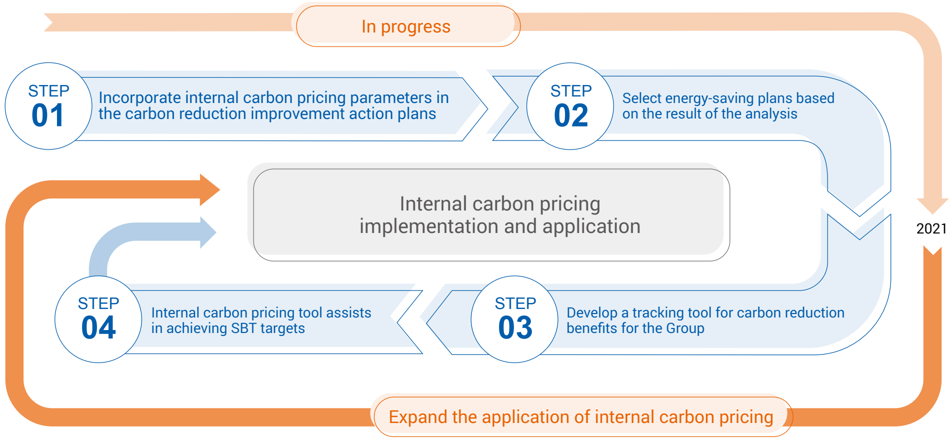
3.3 Implementation of Internal Carbon Pricing

The boundary of the Group's internal carbon pricing mechanism currently includes the GHG emissions in Category 1 and 2. The Shadow Price[10] model has been adopted to assist subsidiaries in evaluating the benefits of energy-saving and carbon-reduction projects, which also aligns with ISO 50001 energy management system to maximize synergy. Carbon reduction benefit is monetized by incorporating carbon pricing parameters within the input and output of each energy-saving improvement plan. This way, the decision process is modified from analyzing purely from the economic viewpoint (input cost including equipment, manpower, etc.) to a more comprehensive viewpoint by incorporating environmental impact to calculate the return on investment or cost-effectiveness of the projects under assessment. The internal carbon pricing is also integrated with the carbon reduction goals of each department to review the annual carbon reduction performance. Integrating the carbon pricing factor into daily operations can promote more energy-saving and carbon-reduction projects, as well as making relevant procurement decisions more sustainable.



<Schematic diagram of how internal carbon pricing's application >

In the future, the Group will continue to review its internal carbon price based on progress on SBT and the international trend on carbon price. Moreover, it plans to gradually expand the application of internal carbon pricing, keeping current with the international sustainability movement.



<Current internal carbon pricing implementation progress>

3.4 Low-carbon Operations

With the effect of global warming intensifying in recent years, extreme weather has caused frequent natural disasters all over the world. The major environmental impact caused by climate change has become a severe challenge for sustainability of businesses. Although the financial sector is not as directly affected by climate change, the Group sees itself as being responsible for playing the role as the "green pioneer for environmental changes" by incorporating low-carbon actions of its own operations as a dimension in its sustainability strategy. The management department of the Group formed the "Environmental Sustainability Team" in 2011, which is responsible for formulating environmental management systems, voluntarily introducing various environmental and energy management systems, as well as conducting GHG inspections. In 2016, the Company drafted the "Environmental Policy[5]" and the "Energy and Climate Change Management Policy[6]," which have been approved by the Board of Directors. The Group promotes low-carbon operations with three fronts: standardization, systematic management and organizational integration. This is exemplified by obtaining environmental management system certification, planning for green buildings, and adopting renewable energy.

Management and Certification

The Group pays close attention to the impact of climate change on the environment and takes active measures to fight global warming. In 2018, it obtained the group-wide ISO 14064-1 GHG inspection and verification, creating a basis for setting long-term SBT targets. In addition, all 10 proprietary buildings of the Group in Taiwan passed the ISO 50001 energy management system verification in 2021. Since the full implementation of the energy management system in 2016, the overall performance of energy management has improved by nearly 10%, and the accumulated carbon emission has been reduced by more than 1,648.57 metric tons. In the future, by leveraging on the management system, the Group will continue to improve the buildings' energy use and reduce GHG emissions.

Green Buildings

Based on the Group's policy, all future proprietary buildings must obtain at least a silver grade based on the Green Building Label, so that the Group can achieve the goal of low-carbon and sustainable energy use in its operations. As of the end of December 2021, the Group has obtained one silver Green Building Label from the Ministry of the Interior and expects to obtain two green building certifications in 2023. All new buildings will obtain green building certifications by 2025.

Renewable Energy

The Group's use of renewable energy has evolved from the initial advocacy stage of purchasing Renewable Energy Certifications (T-REC)[11] in the past five years. As regulatory requirement become more relaxed, it has advanced to direct procurement of renewable energy (green energy wheeling). In 2020, the Group signed the "Power Purchase Agreements (PPA)[12]" with renewable energy producers and officially launched renewable energy wheeling in the third quarter of 2021 as the first domestic financial services provider to adopt 100% green energy in its operational sites, kicking off the green energy era for the financial sector in Taiwan.

As a green pioneer in Taiwan's financial sector, the Group actively plans to purchase 550,000 kWh of green energy each year, creating a new chapter for the domestic financial sector with the "green energy for commercial buildings" model and moving towards the goal of 10% of green energy in the overall electricity consumption by 2023. As of the end of December 2021, a total of four green energy wheeling sites at the two subsidiaries of Yuanta Securities and Yuanta Bank have officially started supplying power. In 2022, Yuanta Futures will become the third subsidiary to implement green energy wheeling sites. The Group continues to expand the use of green energy to other subsidiaries in the Group, and it is declared as the first financial services provider that aims at using 10% of green energy by 2023. It takes active and practical actions to combat climate change, making a joint effort to shoulder the responsibility of global climate.

Other Low-carbon Actions

In addition to the three key low-carbon actions mentioned above, to further reduce the potential risks of carbon emissions from the Company's operations and mitigated the effects of climate change by implementing various other energy-saving action plans, paper reduction measures and awareness-raising campaigns to promote energy saving, carbon reduction and environmental protection to its employees.

Paper reduction measures
Internal E-documents, e-payment slips, tablets for major meetings, Yuanta E-academy, etc.

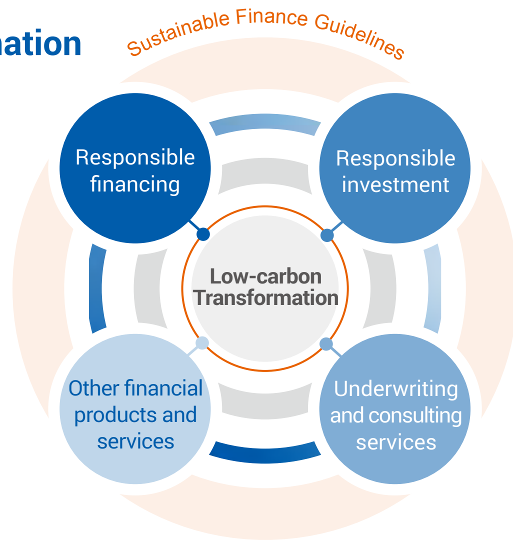
Energy-saving action plan
LED energy-saving lamp replacement, automatic shutdown of drinking water dispensers, old air-conditioner replacement, etc.

Amount of Carbon Reduction(tCO_2e)
29.4

Amount of Carbon Reduction(tCO_2e)
231

Note: The amount of carbon reduction is calculated based on the 2020 electricity carbon emission factor of 0.502 (kg CO_2e/kWh) as recently announced by the Bureau of Energy of the Ministry of Economic Affairs. Detailed calculation can be found in Chapter 6.1 Climate Actions- Climate Change and Energy Management of the 2021 ESG Report.

3.5 Low-carbon Transformation



In addition to practicing low-carbon in its own operations, as a financial intermediary, the Group fosters low-carbon transformation by providing funding to sustainable industries, and launch diversified and differentiated innovative products and services for different businesses,. The Group's low-carbon transformation strategy is divided into four aspects, including responsible financing, responsible investment, underwriting and consulting services, as well as other financial products and services.

The Group adopts the "Sustainable Finance Guidelines[2]" as the highest framework and guidelines for the development and engagement of financial products and services. All subsidiaries follow the Guidelines to implement sustainability in business planning and corporate operations, as well as extending the concept to products and services. The number of lending, investment, underwriting and advisory services approved by the "Sustainable Finance Guidelines[2]" or "Industry-specific Environmental and Social Risk Management Rules[3]" as of the end of December 2021 are shown in the figure below.

Sustainable Finance Guidelines

Industry-specific Environmental and Social Risk Management Rules

Responsible financing

- A cumulative total of **1909 financing cases** approved through the **Sustainable Finance Guidelines**
- A cumulative total of **105 financing cases** approved through the **Industry-specific Environmental and Social Risk Management Rules**
- A total of **1 financing case** approved through the **Guidelines for Managing Project Financing under the Equator Principles** in 2021

Responsible investment

- A cumulative total of **1322 investment cases** approved through the **Sustainable Finance Guidelines**
- A cumulative total of **190 investment cases** approved through the **Industry-specific Environmental and Social Risk Management Rules**

Underwriting and consulting services

- A total of **11 bond underwriting cases** approved through the **Sustainable Finance Guidelines**

<Sustainable Finance Implementation Highlights>

Responsible Financing

A.Monitoring and Controlling Risks

1. Corporate Finance Credit Business: Develop the responsible financing process in line with the “Sustainable Finance Guidelines”
2. Project Financing: Formulate the “Guidelines for Managing Project Financing under the Equator Principles” based on the “Equator Principles”
3. Personal Finance Credit Business: Develop the risk evaluation process in line with the “Sustainable Finance Guidelines”

B.Capturing Opportunities

1. Sustainable industry corporate finance credit business
2. Sustainable construction financing
3. Sustainability linked loan
4. Sustainable products and services for personal finance

<Responsible financing procedure>

A.Monitoring and Controlling Risks

Corporate Finance Credit Business

Yuanta Bank follows the “Sustainable Finance Guidelines[2]” to coordinate with the adjustment of relevant business practices and internal processes, incorporate sustainable financial risk management into the credit business review and decision making process, and require the completion of sustainable financial assessment for credit business, stipulating that credit business should carefully assess whether there are potential risks of environmental and social hazards in the counterparty or transaction content. E&S (environmental and social) review is included in the KYC procedure for companies with high climate risks to enhance client due diligence. In addition, the “Industry-specific Environmental and Social Risk Management Rules[3]” regulate that when relationship managers undertake lending for applicants in high-risk industries, they should fill in the “Industry-specific Environmental and Social Risk Management Checklist” applicable to each subsidiary to understand the social and environmental management measures of business partners, review the potential impact of social and environmental risks, as well as their ability to adapt to environmental and social risks to ensure the manageability of the risks identified.

Project Financing

Yuanta Bank officially signed the Equator Principles [4] in 2020, and implemented the “Guidelines for Managing Project Financing under the Equator Principles[4]” and relevant operating procedures in June 2021. When a sales department provides customer credit or financial advisory services, it must confirm whether the current deal follows the Equator Principles. If it meets the conditions and is assessed as a medium to high environmental and social risk project, it should require the credit recipient to entrust an independent third-party agency to monitor environmental and social risks as well as submitting a report for its environmental and social risk assessment. If post-loan monitoring assessment is required as part of the condition for loan grant, the credit recipient shall be required to regularly entrust an independent third-party institution to perform environmental and social risk monitoring assessment and issue a report. If the credit recipient fails to comply with the post-loan monitoring specifications for environmental and social risks, an acceptable action plan for the Equator Principles needs to be drawn up to confirm compliance with the Equator Principles to raise the business partners awareness on environmental protection and social responsibilities.

Personal Finance Credit Business

Yuanta Bank proactively implements relevant KYC (Know Your Customer) procedure to strengthen due diligence in personal finance credit business (including auto loan for corporate clients), as well as verifying information through the "Anti-money Laundering (AML) System" to verify if the credit recipient may have violated relevant regulations. When providing personal loan products, Yuanta Bank adheres to professional principles to prudently evaluate the clients' credit conditions, capital needs, financial capabilities, and the value of the collateral to provide appropriate credit lines. In the process of evaluating the clients' ESG risks and opportunities, the credit review, credit guarantee, and an inspection of the collateral are required in all cases to fully understand their financial ability and the state of the collateral.

B.Capturing Opportunities

Sustainable industry corporate finance credit business

In response to the Government's "Five plus Two" Innovative Industry Policy, Yuanta Bank lends to seven industries including green energy technology and circular economy, supporting key industries to obtain funds. In addition, the Group also provides financing for industries with sustainable concepts such as solar cell manufacturing, renewable energy power generation and other industries to help Taiwan's industries move towards a low-carbon and sustainable transformation.

In 2021, the total amount of Yuanta Bank's corporate lending for sustainable industries accounts for 23.72% of the bank's total corporate lending business.

Sustainable Construction Financing

Yuanta Bank assists enterprises committed to developing energy infrastructure and clean energy technology by providing infrastructure lending for solar power generation, recycling, low-carbon transportation and communications and low-carbon buildings to promote local constructions and support enterprises in moving towards the development of low-carbon industries for the realization of a low-carbon city.

In 2021, the total amount of Yuanta Bank's financing for sustainable constructions accounts for 0.72% of the bank's total institutional finance balance.

Sustainability Linked Loans

To encourage enterprises to act sustainability, Yuanta Bank proactively evaluates the ESG reports of listed companies and selects potential customers before organizing individual discussions with the business and credit departments to evaluate industry characteristics, corporate sustainability culture and credit structure. It actively engages with potential customers to promote sustainability linked credit with preferential credit conditions with the hopes of supporting enterprises that promote sustainable social development. Seven cases were approved in 2021, including five syndicated loans with one still under review, with a total loan amount of NT$4.55 billion and US$45 million, totaling about NT$5.81 billion. In the future, Yuanta Bank will review the progress in relevant ESG targets and provide discounts on interest rates while continuing to improve relevant business processes, actively promote sustainability linked business and products, as well as inviting customers to join us on the road to sustainable development, bringing positive impact on the environment and society.

Seven cases of sustainability linked loans were approved in 2021, with a total amount of approximately NT$5.81 billion.

Consumer Finance Products and Services

To strengthen ESG interactions with customers, on the credit card statements, Yuanta Bank invites customers to practice green consumption and cultivate sustainable lifestyle habits. In addition, in order to encourage customers to purchase low-carbon products such as green buildings and gas/electric vehicles, Yuanta Bank continues to cooperate with new energy vehicle manufacturers in 2021, offering discounts on handling fees, exclusive test rides and preferential car loan programs. The online car loan and mortgage calculator also encourages people to purchase new energy vehicles and obtain housing that has "Green Building Label." Customers are encouraged to prioritize sustainable products to create a sustainable homeland together with the Group.

In 2021, the amount of Consumer finance products and services related to sustainability accounted for about 8.18% of all consumer finance lending.

Low-Carbon industries Financing

The Group provides financing for industries with low-carbon transformation concepts, including solar cell manufacturing, renewable energy power generation, green energy technology and circular economy in the Government's "Five plus Two" Innovative Industry Policy, to help Taiwan's industries move towards low-carbon and sustainable transformation.

Unit: NT$ thousand

Areas of Credit	2019		2020		2021	
	Loan Amount	Proportion of total credit (%)	Loan Amount	Proportion of total credit (%)	Loan Amount	Proportion of total credit (%)
"Five plus Two" Innovative Industry Policy	155,480,209	40.55	68,180,329	18.24	93,821,856	22.79
Sustainability-related Industry Financing	1,014,842	0.26	962,418	0.26	714,490	0.17
Low-carbon public transport	4,929,888	1.29	3,987,356	1.07	3,118,109	0.76
Total	**161,424,939**	**42.10**	**73,130,103**	**19.56**	**97,654,455**	**23.72**

Low-carbon Personal Banking Products

Yuanta Bank provides personal loans for low-carbon products such as mortgages for green buildings and loans for alternative fuel vehicles, thereby encouraging customers to engage in green consumption.

Unit: NT$ thousand

Areas of Credit	2019		2020		2021	
	Loan Amount	Proportion of total credit (%)	Loan Amount	Proportion of total credit (%)	Loan Amount	Proportion of total credit (%)
Green credit card	35,605,421	7.31	36,702,486	7.06	40,190,820	6.96
Green building mortgage	794,254	0.16	1,985,788	0.38	3,356,194	0.58
New energy vehicle loan	7,088,732	1.46	1,994,320	0.38	3,705,994	0.64
Total	43,488,407	8.93	40,682,594	7.83	47,253,008	8.18

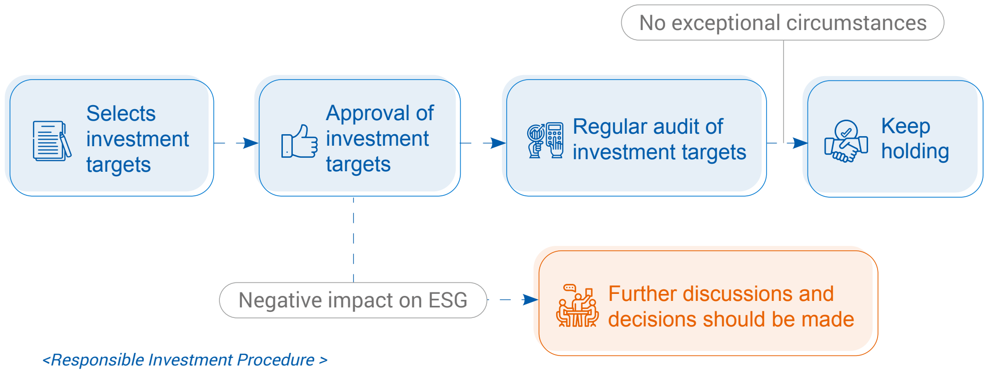
Responsible Investment

A.Monitoring and Controlling Risks

1. Corporate investment: Develop a responsible investment procedure in line with the Sustainable Finance Guidelines.
2. Stewardship: Subsidiaries including Yuanta Securities, Yuanta Bank, Yuanta Life and Yuanta Funds sign the Stewardship Principles for Institutional Investors and regularly publish the “Stewardship Report”.
3. Sustainable Insurance: Yuanta Life issued the “Stewardship Report” in accordance with the UN’s “Principles for Sustainable Insurance (PSI)”.

B.Capturing Opportunities

1. Invest in sustainability linked targets
2. Develop ESG investment products



<Responsible Investment Procedure >

A.Monitoring and Controlling Risks

Corporate investment

The Group developed its responsible investment procedure in line with the “Sustainable Finance Guidelines[2]”, integrating ESG-related screening criteria into investment norms based on industry characteristics. Yuanta Securities, Yuanta Bank and Yuanta Life are committed to the sustainable development of the financial sector, where medium- to long-term investment targets are selected based on the above risk assessment framework. When selecting investment targets, environmental and social performance of the investment targets are also taken into consideration, thereby using capital funds to extend support towards sustainable enterprises.

Stewardship

The Group’s subsidiaries including Yuanta Securities[7], Yuanta Bank[8], Yuanta Life[9] and Yuanta Funds[10] have all signed the “Stewardship Principles for Institutional Investors,” as well as publishing the “Statement of Compliance with Stewardship Principles for Institutional Investors,” “Stewardship Report,” “Voting Records of Attendance in the Shareholders’ Meetings of Invested Companies” on the company website to demonstrate the Group’s determination for responsible investment. The group continues to follow closely various development of its investees, including current development, financial information, industry performance, business strategy, environmental protection actions, sustainable development and corporate governance It also engages itself with the management of investees by participating in road shows or shareholders’ meetings. When these companies violate ESG principles or damage the rights and interests of the Group’s customers or beneficiaries, the Group will exercise voting rights or other shareholder rights to appeal to the management of these companies, thereby affecting their behavior.

Sustainability Insurance

Yuanta Life stays updated with international trends in sustainable finance by integrating ESG issues into its operational decisions. In 2021, Yuanta Life issued the first Principles for Sustainable Insurance and Stewardship Report[9] this year with the first part of the report concentrating on the 4 principles of the UN's Principles for Sustainable Insurance (PSI)[13], disclosing the methods and performance of risks and opportunities arising from ESG issue management from the perspectives of the entity itself, its customers, regulators, general public and other stakeholders. The second part of the report adopts the structure of the 6 principles in the "Stewardship Principles for Institutional Investors" published by Taiwan Stock Exchange to disclose how to integrate factors for consideration and standards of ESG in investment processes and decision-making, thereby promoting the sustainable development of investees to fulfill its responsibilities as an institutional investor.

B.Capturing Opportunities

Sustainability Related Investment Products

The Group actively provides financial products for asset management clients, including warrants for green energy, sustainability-related funds and other ESG-related products. The ESG screening mechanism is incorporated in the product design process which means client funds are linked to ESG investment targets by the design of the Group's ESG products.

In 2021, the Group's sustainability related investment products accounted for 50.77% of the total investment scale.

Development of ESG Investment Products

The Group launched multiple sustainability products in response to the surging ESG investment market, business opportunities in the post-pandemic era, and the demand for sustainable energy. This includes energy efficiency funds, ESG funds and warrants for green energy. As of the end of 2021, Yuanta Securities has a total of four ESG-compliant ETN products, with a circulating amount of approximately NT$1.84 billion. Yuanta Funds has two 5G ETFs, one ESG ETF, and four Taiwan stock funds focused on ESG relevant industries, with the size reaching NT$35.035 billion.

In 2021, the Group's investment in financial products with sustainability implications accounted for approximately 44.56% of the total assets.

Low-carbon Investment Products

The Group links asset management client funds to low-carbon investment targets through low-carbon product offerings.

Unit: NT$ thousand

Type of Investment	2019		2020		2021	
	Amount Invested	Proportion of the Total (%)	Amount Invested	Proportion of the Total (%)	Amount Invested	Proportion of the Total (%)
Green energy Sustainable warrants	39,846	0	85,716	0.01	176,726	0.02
Sustainability-Related Mutual funds	22,261,700	1.85	253,423,320	37.89	396,321,000	50.52
ESG related products	0	0	101,523	0.02	1,794,199	0.23
Total	**22,301,546**	**1.85**	**253,610,558**	**37.92**	**398,291,925**	**50.77**

Underwriting and Consulting Services

A.Monitoring and Controlling Risks

1. Bond underwriting: Develop ESG review criteria in accordance with the "Sustainable Finance Guidelines," as well as revising the "Guidelines for Proprietary Investment Trading Decision Making" based on the "Principles of Responsible Investment"
2. Consulting services: Develop consulting services for ESG factor review and evaluation based on the "Sustainable Finance Guidelines

B.Capturing Opportunities

1. Sustainable development related bond underwriting
2. ESG Theme Consultation Services

A.Monitoring and Controlling Risks

Bond Underwriting

In order to promote the spirit of responsible investment, Yuanta Securities revised the "Guidelines for Proprietary Investment Trading Decision Making" in September 2020, stating that underwriting decisions should follow UN Principles for Responsible Investment (PRI) [14] and the spirit. ESG compliance should be assessed according to the "Responsible Investment Checklist." If the service applicant belongs to a specific industry with high environmental and social risks, the "Industry-specific Environmental and Social Risk Management Evaluation Checklist" should be filled in to carry out the ESG review process. The sale of an underwriting case should be approved by the manager of the investment banking department, and underwriting should exclude companies prohibited by the "Sustainable Finance Guidelines [2]." Moreover, certain industries which have been classified as those which Yuanta Securities will support and those that require enhanced assessment will also be identified. If a decision has been made to underwrite those that require enhanced assessment, reasons would need to be given.

Consulting Services

In order to actively implement "Sustainable Finance Guidelines[2]", Yuanta Securities holds an evaluation meeting before undertaking an Initial Public Offering(IPO) and Secondary Public Offering(SPO) case to explore further information on the environmental friendliness, social responsibility and other sustainability related issues.

B.Capturing Opportunities

Underwriting of Sustainability Bonds

In 2021, Yuanta Securities assisted in the underwriting of green bonds by participating in 8 green bond underwriting cases including UMC, CIB and Chailease Holding Company Limited, as well as 3 sustainability bonds underwriting cases from Taiwan Cooperative Bank, Land Bank of Taiwan, and First Commercial Bank. The funds obtained from bond issuers for the aforementioned enterprises are used for the development of renewable energy and energy technology, energy efficiency improvement and energy conservation, GHG reduction, waste recycling or reuse and other industrial applications related to the development of green energy. The Group will continue to take real actions to assist the development of green energy technology, care for the society and enhance people's well-being.

In 2021, Yuanta Securities's green bonds and sustainability bonds underwriting accounted for 4.59% of the total bond underwriting value.

ESG Advisory Services

Yuanta Securities actively improves its advisory services such as IPO, SPO, seasoned equity offering and issuance of convertible bonds for industries with businesses that have a positive impact on the environment, and improves social welfare.

In 2021, the proportion of advisory services provided targeting businesses that have a positive impact on the environment, and improves social welfare accounted for 99.74% of advisory services revenue.

ESG Theme Consultation Services

Yuanta Securities actively provides advisory services such as IPO, SPO, seasoned equity offering and issuance of convertible bonds industries with businesses that have a positive impact on the environment, and improves social welfare.

Unit: NT$ thousand

Categories	2019		2020		2021	
	Sustainability Consulting IPO/SPO Value	Proportion of Total Consulting Service Value (%)	Sustainability Consulting IPO/SPO Value	Proportion of Total Consulting Service Value (%)	Sustainability Consulting IPO/SPO Value	Proportion of Total Consulting Service Value (%)
Environmentally friendly and social rights related industries	13,134,233	53.01	5,154,054	61.77	18,412,659	42.76
Sustainability-Related Industry Financing	221,270	0.89	1,086,655	13.02	24,536,500	56.98
Total	**13,355,503**	**53.90**	**6,240,709**	**74.79**	**42,949,159**	**99.74**

Other Financial Products and Services

Issuance of Sustainability Bonds

Yuanta Bank issued the first green bond on April 29, 2021, and the first sustainability bond on March 21, 2022. The funds are expected to be used to support green investment and social benefit investment plans with the required financing, from the environmental front, supporting key development industries such as solar cell manufacturing and renewable energy power generation, assisting the energy transformation of the real economy. From the social front, providing financing for medical care and urban renewal. It continues to plan to provide green funding for corporate sustainability projects, thereby supporting the growth of sustainable industries with real actions.

In 2021, the percentage of green bonds issued by Yuanta Bank accounted for about 2.25% of the total issued bonds.

Paperless Policy

In order to achieve its paperless policy, Yuanta Bank launched various digital initiatives. This includes digitalizing branch counter guide, marketing campaigns and digital platform process transformation. Other digital applications include e-statement subscription, online passbook application and online account opening, online account inquiries, transactions, various applications and signatures to achieve the goal of energy saving and carbon reduction.

In 2021, Yuanta Bank customers saved a total of 147,352,803 sheets of A4 paper through online applications.

Product Carbon Footprints

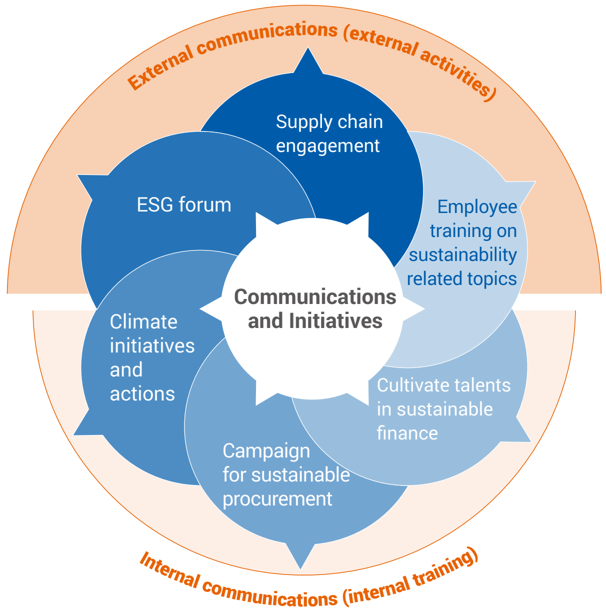
Yuanta Bank's full range of credit cards obtained ISO 14067 product carbon footprint certification from British Standards Institution (BSI) in November, 2021. Two certification applications have also been submitted to the Environmental Protection Administration, Executive Yuan, including the "Product Carbon Footprint Label" and "Product Carbon Footprint Reduction Label." Both certifications are expected to be granted during the third quarter of 2022. In addition, the Group has focused on the Mobile Banking app that has flourished recently in response to the green finance initiatives the competent authorities are promoting and in response to climate change. The Group conducts voluntary inventory of carbon footprint of products in line with ISO14067, which passed the British Standards Institution (BSI)'s verification in March 2022. It also received the PAS2060 carbon neutral standard verification in May, 2022.

Yuanta Securities responds to the United Nations Net Zero Emissions targets, green finance policies of the Financial Supervisory Commission (Taiwan) and the Group's sustainable development policies by integrating ESG concepts into its operational strategies. Yuanta Securities "Mr. Investor App." is the first APP by a Securities company to have obtained ISO14067 (Product Carbon Footprints) certification that verified by the British Standards Institution (BSI) in March 2022, and in June 2022 further received PAS2060 carbon neutral standard certification that was verified by the British Standards Institution (BSI). Mr. Investor App became the first zero carbon APP as a security company .To further respond to climate change, the Group will continue to develop sustainable products and enhance its financial service processes to reduce the impact on the environment from operating activities, strengthen the key role of financial service institutions in the global low-carbon transition, and drive customers towards a low-carbon life.

Yuanta Bank's full range of credit cards have passed the British Standards Institute (BSI) ISO 14067 verification for product carbon footprints

3.6 Communications and Initiatives

In addition to the low-carbon transformation and low-carbon operations strategies, the Group also drives the industry towards low-carbon transformation through external engagement, as well as strengthening the knowledge and capabilities of its employees in sustainable finance, green finance, climate change, etc. to be better prepared for the risks and opportunities posed by climate change in the future.



<Overview of Communications and Initiatives>

External Communications

The Group has responded to climate change issues through external participation, including participating in climate initiatives and actions, organizing ESG forums, supply chain engagement and so on.

♦ Participation in Climate Initiatives and Actions

Joining international initiatives doesn't only enhance the international visibility of the Group's management of climate change, but also fosters financial influence to promote the low-carbon transformation of the entire industry in order to realize the ultimate goal of sustainable finance.

SBTi

The Group is the first financial services company in Taiwan to advocate the SBTi. Carbon reduction goals are set in line with the SBT methodology, with the SBTi completing its review and announcement in July 2022.

CDP

The Group started responding to the Carbon Disclosure Project [16] climate change questionnaire in 2015, and it became a signatory investor in the "Support CDP Climate Change, Water and Forest Project" in 2016. It received a Leadership level score of A in both 2020 and 2021, and will continue to stay current with climate-related trends, actively respond to CDP questions, and strive to retain its Leadership level score of A.

RE10x10

The Group responds to the "RE10x10 Climate Declaration [15] " initiative by actively promoting the use of renewable energy. In addition to becoming the first financial services company in Taiwan to announce that it will adopt 10% of green energy out of the Group's total electricity consumption by 2023, it completed the target of adopting 100% of green energy at 4 operations in 2021, setting the new model for the use of green energy in the financial sector.

Substantial Participation in Climate Actions

In addition to participating in international initiatives, the Group also participates in climate-related actions, such as responding to the "Earth Hour" global event initiated by the World Wide Fund for Nature (WWF) between 8:30 and 9:30 PM on the last Saturday of March each year by turning off the lights. In 2021, it responded to the "Do One Thing for Tamsui River" initiative initiated by the CommonWealth Magazine. Suppliers were invited to beach cleaning, with the PET bottles handed to Business Today's "1095 initiative." The initiative effectively recycles collected marine waste, making circular economy a reality, and creating new value for marine waste. As of the end of 2021, the Group has successfully persuaded 94 suppliers to sign the "Tamsui River Convention."

<Earth Hour>

<Do One Thing for Tamsui River>

♦ Hosting and Participating in ESG ForumsInitiatives and Actions

Hosting and participating in ESG forums facilitates exchange between the industry, government and academia, jointly promoting the initiatives as well as raising people's awareness on ESG and sustainability through print and online media. The Group participated in 3 ESG forums in 2021 to interact with Chairman Huang Tian-mu of the Financial Supervisory Commission(Taiwan), 7 experts and scholars and 3 clients.

Sustainable Environment

On July 22, 2021, Commercial Times invited the President of the Company, the Chairman of the Financial Supervisory Commission(Taiwan), the President of Unity Sustainability Services, the President of CSR One to discuss how the financial sector can exert its influence on investment and financing to help the industries transform, in order to collectively face the challenges posed by climate change.

Financial Inclusion and Social Care

On August 13, 2021, the Economic Daily invited the President of the Company, the Chairman of the Financial Supervisory Commission(Taiwan), the Managing Director of KPMG Sustainability Consulting Co., Ltd., CEO of the Center for Corporate Sustainability Impact of Tunghai University and others to discuss how the financial sector can establish a sustainability model, promote carbon reduction for the industry, as well as encouraging green transformation through the power of engagement.

The New Hot Topics in Sustainable Corporate Operations

On September 22, 2021, Wealth Magazine hosted a series of online forums on the topic of "The New Hot Topics in Sustainable Corporate Operations with the Global ESG Trend." Three keynote speeches and one discussion session were organized to share cases from different companies as well as understanding how companies can connect to the world through ESG. The participants included the head of the Company's Sustainability Office, the President of Yuanta Funds, representatives from Yuanta Consulting, experts including the professor from the Ren Yen Lecture Series at Feng Chia University, Chairman of the PwC Sustainability Services Company Ltd., Director of the Center of Green Economy at the Chung-Hua Institution for Economic Research, as well as customer representatives including the President of WIN Semiconductors Corp., President of TSEC, and the President of Solar Applied Materials Technology Co., Ltd.

Topic 1

The global ESG trend for the technology industry in Taiwan: connecting to the world to facilitate growth

Topic 2

Energy transformation, Green Sailing: allowing the strength of Taiwanese companies to shine at the global stage

Topic 3

Leadership vision, green opportunity: a successful example of how a traditional industry turning over a new leaf

Key Dialogue

The spirit of sustainability: developing new hot topics in corporate ESG operations

< The New Hot Topics in Sustainable Corporate Operations with the Global ESG Trend>

◆ Supplier Engagement

Through engagement with investors and holding supplier conferences, etc., value chain partners are encouraged to jointly face ESG and climate change.

Investor Engagements

In 2021, Yuanta Funds engaged with an investment target that is a listed company to suggest and require it to prepare an ESG report to demonstrate its impact and actions on the ESG. After thorough engagement, the investment target has committed to preparing an ESG report. The Group will continue to work with clients in the value chain to manage ESG issues through one-on-one communication, video conferences, written communication, as well as participating in shareholders' meetings.

Supplier Conference

The Group has held supplier conference each year since 2019. In addition to actively taking actions towards sustainability, suppliers are invited to join the Group on the quest for sustainable development. The conference focuses on the concept and practice of supply chain management and sustainable procurement, illustrates how to maximize corporate social influence, and actively embrace the sustainable development with a future of co-prosperity. The theme is adjusted each year according to the latest sustainable trend, and the invitations are sent to relevant suppliers so that the suppliers can keep current with the trends in sustainability, and work together to achieve co-prosperity. In addition, training is provided at each supplier conference based on different topics to strengthen the suppliers' practice and improve their knowledge on sustainability issues.

Internal Communications

In response to the wave of climate change, the Group equips all employees with knowledge of climate change, sustainable finance, and sustainable procurement through internal training, as well as developing training programs according to their roles to enhance the Group's climate resilience.

Employee Training

The Group trains its employees to be familiar with implementing sustainable finance in their daily tasks, as well as cultivating a sustainable culture. This in turn will prepare them to be able to assist their clients to further the benefits of sustainability. In 2021, all domestic employees participated in sustainable and green finance training with a total of 163 classes, 59,568 participants, and a total of 63,834 training hours (an average of 5.8 hours per person).

Cultivating talents in Sustainable Finance

To embed ESG thinking in the development of financial product, the Group furthered its sustainable finance training program in 2021. Employees in business planning, corporate finance, digital finance, financial product design, investment transactions and risk management were required to attend green finance forums, seminars, sustainable finance courses and certification. In 2021, 124 courses on sustainable finance topics were arranged, with a total of 7,974 participants and a total of 13,773.53 training hours. Employees were able to enhance their sustainable finance knowledge and turn learning into practices.

Sustainable Procurement Campaigns

The Group held 3 quarterly procurement meetings in 2021 to share key items for improvement learnt from subsidiaries' procurement audits, promote the integration of ESG in supplier management, as well as raise awareness of matters related to sustainable procurement. In the meantime, the Legal Compliance Department was invited to share how assessment can be performed based on the newly formulated "Inquiry Procedures for Parties of Transaction," in order to enhance the employees' knowledge and practice in sustainable procurement. In addition, 6 "procurement in practice" sessions were held for the Department of Procurement this year. Besides enhancing bargaining ability, green procurement awareness was strengthened and audit procedures were improved in order to realize the Group's spirit of green procurement.

Metrics and Targets

Chapter. 4

4.1Metrics and Targets for Low-carbon Operation Management

The Group adopts standardization, systematic management and organizational integration, to establish low-carbon short-, medium- and long-term goals, introduce tracking mechanism and continuously reduce the impact of climate change from its operations.

GHG Emissions

Management Metrics	2017	2018	2019	2020	2021
Category 1 (metric tons of CO_2e)	1,545.00	975.18	1361.94	1,492.17	1,660.71
Category 2 (metric tons of CO_2e)	24,196.00	24,792.44	20,150.58	22,388.12	20,593.33
Category 1 &2 (metric tons of CO_2e)	25,741.00	25,767.52	21,512.51	23,880.29	22,254.04
Carbon intensity (metric tons of CO_2e/ NT$1 billion revenue)	274.47	254.42	199.92	206.53	186.63

Note:

1. *Since 2019, the Group has been conducting GHG inventories in accordance with the new version of ISO 14064-1:2018. The corresponding names of the old and new versions are as follows: Category 1 is Scope 1 (direct GHG emissions), Category 2 is Scope 2 (indirect GHG emissions from electricity use). The inventory boundary is determined by operational control and calculated based on the emission coefficient.*
2. *Category 1 emissions include mainly gasoline and refrigerants, and their emission coefficients are calculated in accordance with the "Management Table 6.0.4 of Greenhouse Gas Emission Coefficients of the Environmental Protection Administration, Executive Yuan."*
3. *Category 2 emissions include purchased electricity, and its emission factor is calculated based on the carbon emission coefficient of electricity over the years as recently announced by the Bureau of Energy, the Ministry of Economic Affairs in 2021.*

Renewable Energy Use

Item	2016	2017	2018	2019	2020	2021
Purchase of renewable energy certificates (kWh)	500,000	500,000	500,000	500,000	510,000	370,000
Green power wheeling (kWh)	--	--	--	--	--	157,300
Total consumption of renewable energy (kWh)	500,000	500,000	500,000	500,000	510,000	527,300

Targets and Achievement

Target	Short-term Target	Medium-term Target	Long-term Target	SBT Target	Achievement
Category 1 & 2 reduction	Reduce carbon intensity by 4% in 2021 compared to 2017	Reduce carbon intensity by 6% in 2023 compared to 2017	Reduce carbon intensity by 8% in 2025 compared to 2017	Reduce greenhouse gas emissions by 42% in 2030 compared to 2020	• In 2021, the carbon intensity was reduced by 32% compared with 2017, and the medium- and long-term targets will be achieved ahead of schedule • The emission of Category 2 dropped significantly in 2021. The main reasons include improved energy efficiency of the equipment after relocating to the new building, and the carbon emissions from operational sites with green power wheeling are lower compared to traditional power supply. The Group will continue to monitor the emissions.
	V	In progress	In progress	In progress	
Renewable Energy Use	• In 2021, 100% of the 2 operational sites adopted green energy • The proportion of green energy usage increases by 2% year by year	• In 2023, at least 4 operational sites will adopt 100% of green energy • The cumulative use of green energy reaches 1.5 million kWh	• In 2025, the cumulative use of green energy will reach 2.7 million kWh, accounting for 2% of the total energy use	• The annual purchase of renewable energy will go from 0% in 2020 to 2% in 2025	• In 2021, 4 operational sites adopted 100% of green energy through renewable energy Power Purchase Agreements (PPA), and achieved their mid-term targets ahead of schedule. • In 2021, the use of green energy increased by 3.4% which achieved the short-term target.
	V	In progress	In progress	In progress	

4.2 Metrics and Targets for Low-carbon Transformation Management

To meet the expectations of stakeholders from all walks of life for the financial sector in terms of guiding the economy towards a low-carbon transformation, the Group took 2019 as the base year, as well as following the recommended methods of PCAF and TCFD to launch the carbon emission calculation of the financed emission from the Group's long-term loans and long-term equity and bond investment portfolios as well as the carbon intensity calculations.

Absolute GHG Emissions and Intensity of Investment and Financing

Asset Type	Category	2019	2020	2021
Investment	GHG emissions from long-term investments in listed equity and corporate bonds (metric tons of CO_2e)	920,385.55	1,260,544.34	901,627.99
	GHG intensity of long-term investments in listed equity and corporate bonds (metric tons of CO_2e/NT$ million)	3.27	4.04	2.90
	GHG emissions from short-term investments in listed equity and corporate bonds (metric tons of CO_2e)	-	1,393,059.00	1,408,772.67
	GHG intensity of short-term investments in listed equity and corporate bonds (metric tons of CO_2e/NT$ million)	-	8.94	7.68
Financing	GHG emissions from long-term corporate loans (metric tons of CO_2e)	491,464.81	411,046.62	504,551.43
	GHG intensity of long-term corporate loans (metric ton of CO_2e/NT$ million)	4.03	3.70	4.60
Emissions from electricity generation project finance	Emissions from electricity generation project finance (metric tons of CO_2e)	147,791.74	54,783.41	100,707.22
	Intensity of GHG emission from electricity generation project finance (metric tons of CO_2e)	105.57	86.54	94.39
Evasion from electricity generation project finance	Evasion from electricity generation project finance	134,495.77	1,006.22	1,466.37
Commercial Real Estate Loan	GHG emissions from commercial real estate loans (metric tons of CO_2e)	25,331.11	21,183.47	23,386.90
	Intensity of GHG emissions from commercial real estate loans (metric tons of CO_2e)	1.29	1.14	1.37

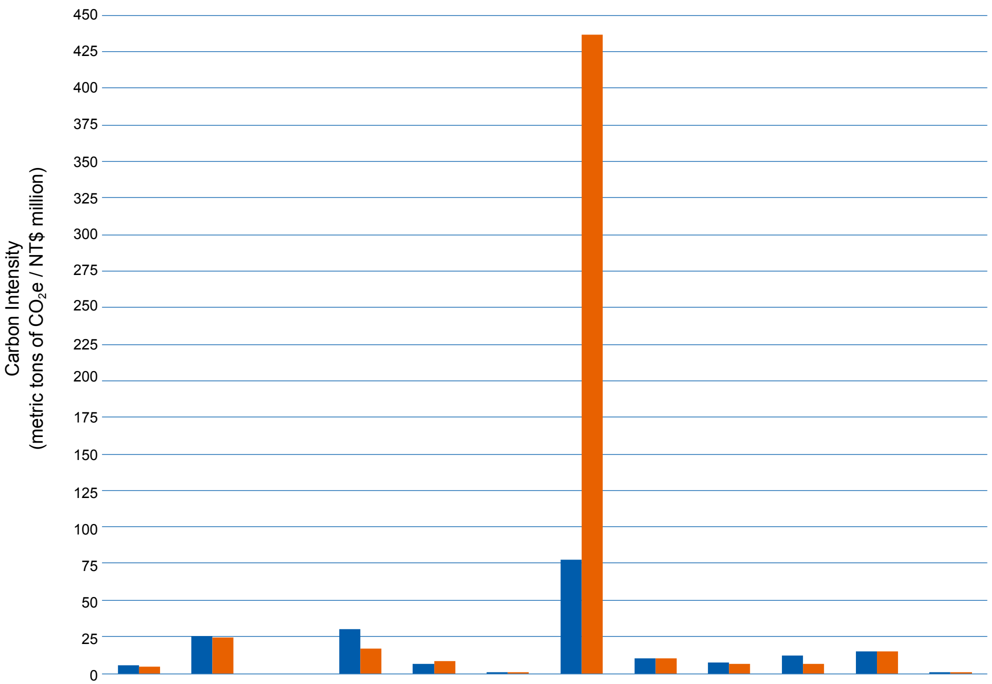
Note:

1. *GHG emissions from investment and financing are calculated based on Yuanta Bank's long-term corporate loans, electricity generation project finance, commercial real estate loans, and long-term investment in listed equity and corporate bonds consolidated by the Group, using the Global GHG Accounting and Reporting Standard for the Financial Industry (first edition)(8) published by the Partnership for Carbon Accounting Financials (PCAF) (7) on November 18, 2020, as reference. The relevant GHG emission data comes from the external database, self-collection and estimation.*
2. *The GHG intensity of each financial asset is calculated based on the methodology recommended by the TCFD guidelines. Formula: Total GHG emissions borne by financial assets (metric tons of CO_2e) / financial asset exposure (NT$ million) = GHG intensity of financial assets (metric tons of CO_2e / NT$ million).*

Analysis of Greenhouse Gas Emissions in Investment and Financing of High Carbon Emission Industries

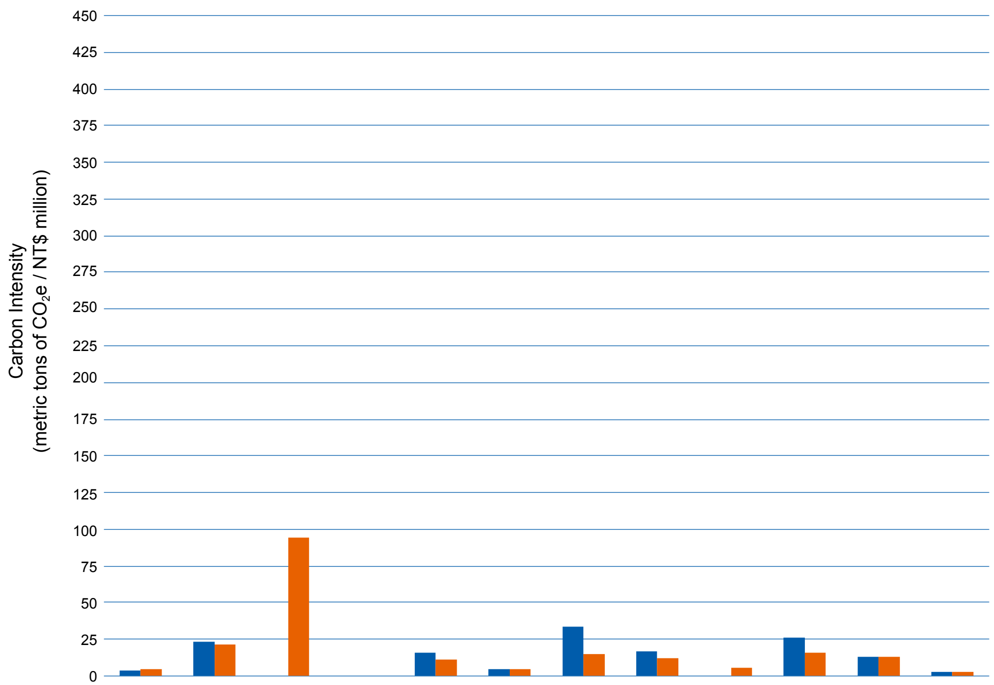
The Group conducts independent investment and financing GHG emission analysis for 11 industries with high carbon emissions. The result of the analysis is used for examining the targets in the investment and financing portfolio that contribute to high carbon emissions. In addition to strengthening engagement, the Group also expects to include the intensity of GHG emissions as a consideration for future investment and financing decisions.

Carbon Intensity of the Group's Aggregated Long-term Investment Portfolios of Listed equity and corporate bonds and Industries with High Carbon Emission in 2020 and 2021



	Overall investment	Steel and iron	Aluminum	Cement	Pulp and paper	Architecture	Thermal power generation	Chemical	Oil, gas and petrochemical	Maritime transport	Aviation	Land transport
2020	5.67	26.08	0	31.01	7.05	0.49	78.5	10.7	8.3	12.92	15.71	1.23
2021	4.68	25.47	0	17.54	9.09	0.22	437.84	10.8	7.14	6.7	15.83	1.8

Carbon Intensity of the Group's Aggregated Long-term Investment Portfolios of Corporate loans and Industries with High Carbon Emission in 2020 and 2021



	Overall Loans	Steel and iron	Aluminum	Cement	Pulp and paper	Architecture	Thermal power generation	Chemical	Oil, gas and petrochemical	Maritime transport	Aviation	Land transport
2020	3.7	23.54	0	0	15.93	4.34	33.58	16.62	0	26.16	13.12	2.96
2021	4.6	21.54	93.97	0	11.65	4.38	15.1	12.15	5.59	15.5	13.29	2.96

Note :

Industry-specific GHG intensity (carbon intensity) calculates the GHG intensity of investment and financing for various industries as recommended by the TCFD guidelines. Formula: total greenhouse gas emissions undertaken by the investment and financing in the industry (metric tons of CO_2e) / investment and financing exposure (NT$ million) = GHG intensity for the industry (metric tons of CO_2e / NT$ million).

Future Outlook

Chapter. 5

Future Outlook

This report is the Group's first TCFD report, presenting the management performance and implementation of the Group's climate-related governance, risk management, strategies and metrics and targets based on the TCFD disclosure recommendations.

The Group has three major achievements in climate management from 2021 to 2022. The first achievement is building a quantitative climate risk model and performing scenario analysis model to better understand the financial impact of climate change on the overall and individual industry scale. The second achievement is modifying the list of exclusions based on the climate value-at-risk threshold and climate risk management policy to reinforce the monitoring mechanism of climate risk. The third is submitting SBTi for the approval of SBT, formally announcing the SBT targets for completing the Group's low-carbon strategy.

Considering the urgency of climate change in recent years, enterprises, governments, and investors have all set their sights on the net zero goal as the last hope for mankind to fight climate change in this century. The Group understands the financial sector is an important driving force for the development of low-carbon industries, as well as being committed to its goal of "become an international sustainability benchmarking company to actively promote a better future for future generations." To this end, the Group actively tackles the challenges of climate change. Not only does it adopt low-carbon operations strategies and introduce an internal carbon pricing mechanism, but also continues to demonstrate substantive low-carbon by guiding industries through its low-carbon transformation strategy.

For the moment, international climate-related risk assessment and management methods, as well as domestic regulatory regulations are still evolving. Forward-looking assumptions and limitations still exist in analytical methodologies of the Group's assessment of climate-related financial impacts and quantitative impact measurement methodologies, with relevant management actions still under active discussion. For example, compared with the 2017 version[1], the October 2021 TCFD recommendations[17] put more emphasis on the information on the "low-carbon transition" for relevant organizations, as well as clearly requiring disclosure of the "actual" and "potential" financial impact from climate change on the organization. The Group's established scenario analysis methodology is still at the preliminary development stage, and it is still necessary to research for emerging international trends extensively, take more potential factors into consideration and introduce financial quantitative models to optimize the measurement of actual (depth) and potential (breadth) financial impacts. In addition, among the current Metrics and Targets of low-carbon transformation, not all sustainable investment and financing have high relevance to climate. Domestic regulatory authorities continue to review relevant standards and guidelines. The Group will continue to follow closely on regulatory requirements to further develop more rigorous climate-related metrics and targets.

In view of the above, the Group will continue to improve the methodology of quantitative assessment of climate risks, so as to present detailed analysis and observations in a more rigorous and faithful manner. In the meantime, the Group will continue to develop sustainable financial products and services to leverage the advantages as a leading brand in sustainable finance and assist Taiwan in achieving sustainability-related goals. In addition, it invites stakeholders from all walks of life to collaborate and strengthen climate change response strategies and awareness so as to enhance climate resilience, as well as working together to face the ever-changing trends of climate change.

Appendix

Reference and Data

① Recommendations of the Task Force on Climate-related Financial Disclosures(Task Force on Climate-Related Financial Disclosures, 2017)

② ESG – Global: Heat map: Sectors with $3.4 trillion in debt face heightened environmental credit risk(Moody's Investors Service, 2020)

③ The Working Group I contribution to the Sixth Assessment Report, Climate Change 2021: The Physical Science Basis (Intergovernmental Panel on Climate Change, 2020)

④ The Equator Principles: https://equator-principles.com/

⑤ Science Based Targets: https://sciencebasedtargets.org/

⑥ State and Trends of Carbon Pricing 2020 (World Bank, 2020)

⑦ Partnership for Carbon Accounting Financials(PCAF): https://carbonaccountingfinancials.com/

⑧ The Global GHG Accounting and Reporting Standard for the Financial Industry (Partnership for Carbon Accounting Financials ,2020)

⑨ Financial Sector Science-based Targets Guidance (Science Based Targets, 2022)

⑩ Emerging Practices in Internal Carbon Pricing: A Practical Guide (WBCSD, 2015)

⑪ Taiwan Renewable Energy Certificate: https://www.trec.org.tw/

⑫ Power Purchase Agreement: https://www.taipower.com.tw/tc/download.aspx?mid=228&cid=477&cchk=7c40ad7d-8130-41c2-8b4e-49b75b3a6bc0

⑬ Principles for Sustainable Insurance: https://www.unepfi.org/psi/

⑭ Principles for Responsible Investment: https://www.unpri.org/

⑮ RE10X10: https://cloud.greentw.greenpeace.org/campaign-climate-re10x10

⑯ Carbon Disclosure Project: https://www.cdp.net/en/scores

⑰ Task Force on Climate-related Financial Disclosures: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD, 2021)

Climate Policies, Reports and Publications of Yuanta Financial Holdings

[1] Yuanta Financial Holdings ESG Report 2021: https://www.yuanta.com/TW/ESG/ESG-Report

[2] Yuanta Financial Holding Co., Ltd. Sustainable Finance Guidelines: https://www.yuanta.com/Res/Doc/Policies/ES/Sustainable_Finance_Guidelines_TC.pdf

[3] Yuanta Financial Holding Co., Ltd. Industry-specific Environmental and Social Risk Management Rules: https://www.yuanta.com/Res/Doc/Policies/ES/Industry-specific_Environmental_and_Social_Risk_Management_Rules_TC.pdf

[4] Yuanta Bank Guidelines for Managing Equator Principles Financing Cases: https://www.yuanta.com/Res/Doc/Policies/ES/Yuanta_Bank's_Guidelines_for_Managing_Equator_Principles_Financing_Cases_TC.pdf

[5] Yuanta Financial Holding Co., Ltd. Environmental Policy: https://www.yuanta.com/Res/Doc/Policies/ES/Environment_and_Energy_and_Climate_Change_Management_Policy_TC.pdf

[6] Yuanta Financial Holding Co., Ltd. and Subsidiaries' Energy and Climate Change Management Policy: https://www.yuanta.com/Res/Doc/Policies/ES/Energy_and_Climate_Change_Management_Policy_TC.pdf

[7] Yuanta Securities Stewardship section: https://www.yuanta.com.tw/eYuanta/Securities/Node/Index?MainId=00409&C1=2018032205866021&C2=2019021308569437&ID=2019021308569437&Level=2

[8] Yuanta Bank Stewardship section: https://www.yuantabank.com.tw/bank/companyGovernance/list5.do

[9] Yuanta Life 2020 Principles for Sustainable Insurance and Stewardship Report: https://www.yuantalife.com.tw/EC/operation/images/YTL_2020_Perpetual_Insurance_Principles_Rrt.pdf

[10] Yuanta Funds Stewardship section: https://www.yuantafunds.com/srz

TCFD Index Comparison Table

Level	Recommended Disclosures for All Sectors	Chapter
Governance	a. Describe the board's oversight of climate-related risks and opportunities.	1.1 Board Oversight of Climate-related Risks and Opportunities
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	1.2 Management of Climate-related Risks and Opportunities by Management
Strategy	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	2.2 Short-, Medium- and Long-term Risks and Opportunities
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	2.2 Short-, Medium- and Long-term Risks and Opportunities 2.3 Quantitative Financial Analysis of Climate Change
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	2.3 Quantitative Financial Analysis of Climate Change 3. Low-Carbon Strategy
Risk Management	a. Describe the organization's processes for identifying and assessing climate-related risks	2.1 Identification, Measurement and Management
	b. Describe the organization's processes for managing climate-related risks	2.1 Identification, Measurement and Management
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	2.1 Identification, Measurement and Management
Metrics and Targets	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	4.1 Metrics and Targets for Low-carbon Operation Management 4.2 Metrics and Targets for Low-carbon Transformation Management
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	4.1 Metrics and Targets for Low-carbon Operation Management 4.2 Metrics and Targets for Low-carbon Transformation Management
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	4.1 Metrics and Targets for Low-carbon Operation Management 4.2 Metrics and Targets for Low-carbon Transformation Management

Level	Supplemental Recommended Disclosures for Banks	Chapter
Strategy	a. Banks should describe significant concentrations of credit exposure to carbon-related assets. Additionally, banks should consider disclosing their climate-related risks (transition and physical) in their lending and other financial intermediary business activities	2.2 Short-, Medium- and Long-term Risks and Opportunities 2.3 Quantitative Financial Analysis of Climate Change 3.5 Low-carbon Transformation
Risk Management	a. Banks should consider characterizing their climate-related risks in the context of traditional banking industry risk categories such as credit risk, market risk, liquidity risk, and operational risk	2.1 Identification, Measurement and Management
Metrics and Targets	a. Banks should provide the metrics used to assess the impact of (transition and physical) climate-related risks on their lending and other financial intermediary business activities in the short, medium, and long term. Banks should also provide the amount and percentage of carbon-related assets relative to total assets as well as the amount of lending and other financing connected with climate-related opportunities.	4.1 Metrics and Targets for Low-carbon Operation Management 4.2Metrics and Targets for Low-carbon Transformation Management

Level	Recommended Disclosures for Insurance Companies	Chapter
Strategy	b. Insurance companies should describe the potential impacts of climate-related risks and opportunities as well as provide supporting quantitative information where available, on their core businesses, products, and services, including (1) information at the business division, sector, or geography levels; (2) how the potential impacts influence client or broker selection; and (3) whether specific climate-related products or competencies are under development.	2.2 Short-, Medium- and Long-term Risks and Opportunities 2.3 Quantitative Financial Analysis of Climate Change 3.5 Low-carbon Transformation
	c. Insurance companies that perform climate-related scenario analysis on their underwriting activities should provide the following information: (1) description of the climate-related scenarios used, including the critical input parameters, assumptions and considerations, and analytical choices; and (2) time frames used for the climate-related scenarios, including short-, medium-, and long-term milestones.	2.3 Quantitative Financial Analysis of Climate Change
Risk Management	a. Insurance companies should describe the processes for identifying and assessing climate-related risks on re-/insurance portfolios by geography, business division, or product segments, including the following risks: (1) physical risks from changing frequencies and intensities of weather-related perils; (2) transition risks resulting from a reduction in insurable interest due to a decline in value, changing energy costs, or implementation of carbon regulation; and (3) liability risks that could intensify due to a possible increase in litigation.	2.1 Identification, Measurement and Management 2.3 Quantitative Financial Analysis of Climate Change
	b. Insurance companies should describe key tools or instruments, such as risk models, used to manage climate-related risks in relation to product development and pricing. Insurance companies should also describe the range of climate-related events considered and how the risks generated by the rising propensity and severity of such events are managed.	2.3 Quantitative Financial Analysis of Climate Change 3.5 Low-carbon Transformation
Metrics and Targets	a. Insurance companies should provide aggregated risk exposure to weather-related catastrophes of their property business.	2.3 Quantitative Financial Analysis of Climate Change
	b. Insurance companies should disclose weighted average carbon intensity or GHG emissions associated with commercial property and specialty lines of business where data and methodologies allow.	4.2 Metrics and Targets for Low-carbon Transformation Management