

# Yuanta Financial Holding Company

## Industry-Specific Environmental and Social Risk Management Rules

*Approved by the Chief Executive Officer on June 2, 2020  
Amendments approved by the Chief Executive Officer on May 24, 2022*

### Chapter 1 General Provisions

#### Article 1 (Purpose)

In order to continue to implement and deepen corporate social responsibility to the business promotion of the Company's subsidiaries (hereinafter referred to as "subsidiaries"), Environmental and Social (hereinafter referred to as "E&S") factors are included in the consideration of transaction decisions of subsidiaries and integrated with its investment and credit process, and attention has been paid to the E&S risks of the investment counterparts or the credit counterparts (hereinafter referred to as the "counterparts"), in order to cooperate with the counterparts in the spirit of "Sustainable Finance Guidelines of Yuanta Financial Holdings Co., Ltd." to support the development of sustainable finance, these Rules are specifically formulated.

#### Article 2 (Enterprises with E&S Risk Recommendations to Avoid)

When subsidiaries conduct investment or credit business, they shall carefully assess the E&S risk of the enterprise if the following circumstances occur. If the enterprise is unable to propose improvement actions or plans for its potential E&S risks, it is recommended to avoid going forward, or if it is an existing investment or credit position, it is recommended not to add:

##### 1. Investment business

The enterprise is in the coal-fired thermal power generation, coal-related industries, or unconventional oil and gas industries that are on the international environmental advocacy groups' official exit list.

##### 2. Credit business

- (1) The enterprise is engaged in the supply of electricity and whose coal-fired thermal power generation accounts for more than 50%.
- (2) The enterprise is in the coal-related or unconventional oil and gas industries and whose coal-related or unconventional oil and gas-related revenues account for more than 30% of their total revenues.

The coal-related industry in the preceding paragraph refers to when the

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enterprise is engaged in coal-related activities such as mining, drilling, mining services, manufacturing, coal trading, transportation, engineering, and transmission and distribution of coal-fired electricity. The unconventional oil and gas industry refers to the enterprise's overall operation and production activities in tar sands, shale oil and gas, liquefied petroleum gas, deep-sea drilling oil and gas, and Arctic drilling oil and gas.

The supporting documents for the improvement actions or plans mentioned in Paragraph 1 include, but are not limited to, documents related to low carbon transformation and climate risk, such as conducting climate related financial disclosures (TCFD), Science Based Targets (SBT) initiatives, and proposing energy transition plans.

**Article 3** (Applicable Industries for Which Assessment Shall Be Strengthened)

When the investment and credit business counterparts of subsidiaries belong to the industries regulated by these Rules, they shall be handled in accordance with these Rules.

In addition, if subsidiaries engage in bond or bill underwriting business involving coal-fired thermal power generation, coal-related industries or unconventional oil and gas industries, it is recommended to strengthen the assessment of E&S risk in accordance with the provisions of the preceding article for investment business.

The definition and classification criteria of the industry to which the transaction counterpart referred to in the preceding paragraph belongs shall be determined in accordance with the relevant provisions of the "Detailed Rules for the Management of Large Risk Exposure of Yuanta Financial Holding Co., Ltd." (hereinafter referred to as the Detailed Rules for the Management of Large Risk Exposure).

**Article 4** (Compliance with Standards)

The business execution unit of the subsidiary shall clarify to the transaction counterpart the "Energy and Climate Change Management Policy of Yuanta Financial Holding Co., Ltd. and its Subsidiaries," the "Environmental Policy of Yuanta Financial Holding Co., Ltd." and its relevant compliance standards as follows:

1. In accordance with Taiwan's environmental regulations and international standards, the Company and its subsidiaries are committed to managing the risks of climate change, actively responding to the trend of energy conservation and carbon reduction, and moving towards a low-carbon economy transformation, and responding to climate change, protecting the natural environment, improving the efficiency of resource use, reducing the impact of operation on the environmental load, so as to respond to the expectations of investors and society.

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2. The Company and its subsidiaries promote the business with reference to the following principles to reduce the impact of operation on the natural environment:
  - (1) Establishing green culture of enterprises and fulfilling the responsibility of environmental protection;
  - (2) Carrying out energy conservation and carbon reduction action plan and climate change response strategy;
  - (3) Promoting green procurement, reducing energy and resource consumption, and lowering the impact of the Company's operation on the environment;
  - (4) Complying with government environmental protection and energy laws, regulations, and requirements.

The business executive unit of the subsidiary shall clarify the "Human Rights Policy of Yuanta Financial Holding Co., Ltd." and its relevant compliance standards to the transaction counterpart as follows:

1. The Company and its subsidiaries identify with and support the basic principles of the United Nations Universal Declaration of Human Rights, the United Nations Global Compact, the International Labour Convention and other international conventions, promote the protection of human rights in the workplace, health and safety in the workplace, freedom of association and harmony between labor and management, and promise to respect and protect basic human rights and abide by relevant labor laws and regulations in Taiwan, and implement corporate social responsibility through practical actions.
2. The Company and its subsidiaries drive business with reference to the following principles:
  - (1) Protecting human rights in the workplace;
  - (2) Eliminating discrimination in hiring and employment;
  - (3) Respecting the freedom of association of employees;
  - (4) Promoting the harmony of labor and management;
  - (5) Providing healthy and safe workplace;
  - (6) Complying with the *Labor Standards Act* and other relevant laws and regulations.

**Article 5 (Investment and Credit E&S Risk Review)**

When a subsidiary engages in transactions regulated by these Rules, it shall include E&S review in the existing CDD (Customer Due Diligence) / KYC (Know Your Customer) process to identify and manage the potential E&S risks of the transaction counterpart.

The business execution unit of the subsidiary shall follow the specifications in Chapters 2 to 4 of these Rules, understand the possible E&S risks of the industry of the transaction counterpart, and inspect its corresponding E&S risk management process and ability to ensure the controllability of the

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transaction risk.

#### **Article 6 (E&S Evaluation)**

In order to facilitate the identification, evaluation, and management of risks and opportunities of subsequent transactions, when the transaction counterpart of the subsidiary's business executive unit belongs to the industry regulated by these Rules, it is necessary to consider the industrial risks and best practices (please refer to Schedule 1 for the explanation of proper terms) of its E&S level. After knowing and mastering the potential E &S risks and best practices of these transaction counterparts, the applicable "Industrial Environment and Social Risk Management Checklist" of each subsidiary (please refer to Schedule 2) shall be filled in to review the adjustment ability of these transaction counterparts to E&S risks and ensure the risk controllability of the transaction.

### **Chapter 2 Steel Manufacturing Industry**

#### **Article 7 (Scope)**

This chapter is applicable to the steel industry as defined in the "Detailed Rules for the Management of Large Risk Exposure" and is limited to the industries of steel smelting, casting, rolling extension, extrusion and wire stretching (the industry classification numbers of domestic enterprises are in accordance with the "Industry Standard Classification" of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan): "2411 steel smelting industry," "2412 steel casting industry," "2413 steel rolling extension and extrusion industry," "2414 iron and steel casting industry;" for foreign enterprises, please refer to the "Comparison Table of Industry Standard Classification and UN's International Industry Standard Classification" of the Directorate-General of Budget, Accounting and Statistics.)

#### **Article 8 (Industrial Risks and Best Practices)**

When the business counterpart is steel manufacturing industry, the industrial risks and best practices at the environmental level are as follows:

1. Industrial risks:
  - (1) Climate change: global warming will be aggravated due to a large number of greenhouse gases emitted in the process, and the enterprise itself may face future carbon tax collection, resulting in additional operating costs.
  - (2) Use of raw materials: mining and transportation of raw materials may cause damage to the environment.
  - (3) Energy use: a large amount of energy consumption in the process may indirectly impact the environment or increase operating costs.

- (4) Water resource utilization: a large number of water resources are used in the process, which may cause damage to the local water environment system.
  - (5) Air pollution: the industrial waste gas discharged in the process may cause damage and pollution to the air environment and air quality if not handled properly.
  - (6) Waste water discharge and waste treatment: the industrial waste water and waste produced in the process may damage and pollute the soil, groundwater, and natural ecology if they are improperly treated or leaked.
  - (7) Regulatory compliance: penalty for violation of international or local environmental regulations.
2. Best practices:
- (1) Operation management: the introduction of new process, sewage treatment technology and plant energy saving measures will help to reduce energy and resource consumption, reduce pollutant emissions, and reduce environmental damage.
  - (2) Resource recycling: introducing the concept of source reduction and recycling in product development and production, including process water recycling and waste recycling, which will help enterprises to save costs and create new revenue sources.
  - (3) Natural ecology: promoting the protection of the natural environment will create the sustainability of resource access and avoid potential financial risks or fines.

When the business counterpart is steel manufacturing industry, the industrial risks and best practices at the social level are as follows:

1. Industrial risks:
  - (1) Occupational health and safety: if the working environment is not equipped with complete safety facilities, hazardous chemicals or exhaust gas and other pollutants may cause harm to the health and safety of employees.
  - (2) Labor rights and interests:
    1. Failure to provide accident / injury compensation to employees according to laws and regulations;
    2. Failure to provide appropriate and sufficient skills and occupational safety and health education and training for employees;
    3. Forced labor;
    4. Illegal employment of child labor;
    5. Failure to ensure reasonable remuneration and working conditions for employees.
  - (3) Community relations:

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1. If there is chemical leakage or emission of waste gas, waste and other pollutants in the process, it may cause short-term and long-term harm to the health and safety of community residents;
2. Failure to establish a good relationship between the factory and the local community may result in damage to the Company's image and reputation.
- (4) Compliance with laws and regulations: punishment for violation of international or local occupational health and safety regulations or employee related laws and regulations.
2. Best practices:
  - (1) Occupational health and safety:
    1. A perfect occupational safety and health system is conducive to reducing the opportunity of occupational disaster and the insurance premium or compensation of employees, and improving the production efficiency;
    2. Market access can be improved by requiring suppliers to implement certification programs of occupational health and safety .
  - (2) Labor rights and interests:
    1. Providing a good working environment will be conducive to improving work productivity, and easier to attract and retain active and qualified employees for the enterprise;
    2. Improving the communication channels between employees and management will help to improve the cohesiveness of employees for the enterprise;
    3. Market access can be improved by meeting international or local employee related standards or certification.
  - (3) Community Relations:
    1. Actively participating in community negotiation will help enterprises to identify and manage possible risks;
    2. If the main employees come from the local community, maintaining good community relations will indirectly improve the health and safety of the labor force.

### **Chapter 3 Plastic Raw Material Manufacturing Industry**

#### **Article 9 (Scope)**

This chapter is applicable to the plastic industry as defined in the "Detailed Rules for the Management of Large Risk Exposure" and is limited to the industry of plastic raw material manufacturing (the industry classification numbers of domestic enterprises are in accordance with the "Industry Standard Classification" of the

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Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan): “1841 plastic raw material manufacturing industry;” for foreign enterprises, please refer to the “Comparison Table of Industry Standard Classification and UN’s International Industry Standard Classification” of the Directorate-General of Budget, Accounting and Statistics.)

**Article 10** (Industrial Risks and Best Practices)

When the business counterpart is plastic raw material manufacturing industry, the industrial risks and best practices at the environmental level are as follows:

1. Industrial risks:

- (1) Climate change: global warming will be aggravated due to a large number of greenhouse gases emitted in the process, and the enterprise itself may face future carbon tax collection, resulting in additional operating costs.
- (2) Use of raw materials: mining and transportation of raw materials may cause damage to the environment.
- (3) Energy use: a large amount of energy consumption in the process may indirectly impact the environment or increase operating costs.
- (4) Water resource utilization: a large number of water resources are used in the process, which may cause damage to the local water environment system.
- (5) Air pollution: the industrial waste gas discharged in the process may cause damage and pollution to the air environment and air quality if not handled properly.
- (6) Waste water discharge and waste treatment: the industrial waste water and waste produced in the process may damage and pollute the soil, groundwater, and natural ecology if they are improperly treated or leaked.
- (7) Regulatory compliance: penalty for violation of international or local environmental regulations.

2. Best practices:

- (1) Operation management: the introduction of new process, sewage treatment technology and plant energy saving measures will help to reduce energy and resource consumption, reduce pollutant emissions, and reduce environmental damage.

- (2) Market opportunities: the introduction of green product design and compliance with international chemical regulations will help to reduce environmental impact and improve market access.
- (3) Natural ecology: promoting the protection of the natural environment will create the sustainability of resource access and avoid potential financial risks or fines.

When the business counterpart is plastic raw material manufacturing industry, the industrial risks and best practices at the social level are as follows:

1. Industrial risks:

(1) Occupational health and safety: if the working environment is not equipped with complete safety facilities, hazardous chemicals or exhaust gas and other pollutants may cause harm to the health and safety of employees.

(2) Labor rights and interests:

1. Failure to provide accident / injury compensation to employees according to laws and regulations;
2. Failure to provide appropriate and sufficient skills and occupational safety and health education and training for employees;
3. Forced labor;
4. Illegal employment of child labor;
5. Failure to ensure reasonable remuneration and working conditions for employees.

(3) Community relations:

1. If there is chemical leakage or emission of waste gas, waste and other pollutants in the process, it may cause short-term and long-term harm to the health and safety of community residents;
2. Failure to establish a good relationship between the factory and the local community may result in damage to the Company's image and reputation.

(4) Compliance with laws and regulations: punishment for violation of international or local occupational health and safety regulations or employee related laws and regulations.

2. Best practices:

(1) Toxic substances management:

1. Through chemical hazards analysis, preventive maintenance of manufacturing processes, and sound operational specifications, it will help to reduce operating costs and improve workplace and community safety.



2. The active introduction of process safety management systems and chemical hazards education and training will help to improve workplace safety.
- (2) Occupational health and safety:
1. A perfect occupational safety and health system is conducive to reducing the opportunity of occupational disaster and the insurance premium or compensation of employees, and improving the production efficiency;
  2. Market access can be improved by requiring suppliers to implement certification programs of occupational health and safety .
- (3) Labor rights and interests:
1. Providing a good working environment will be conducive to improving work productivity, and easier to attract and retain active and qualified employees for the enterprise;
  2. Improving the communication channels between employees and management will help to improve the cohesiveness of employees for the enterprise;
  3. Market access can be improved by meeting international or local employee related standards or certification.
- (4) Community Relations:
1. Actively participating in community negotiation will help enterprises to identify and manage possible risks;
  2. If the main employees come from the local community, maintaining good community relations will indirectly improve the health and safety of the labor force.

## **Chapter 4 Semiconductor Manufacturing Industry**

### **Article 11 (Scope)**

This chapter is applicable to the semiconductor industry as defined in the “Detailed Rules for the Management of Large Risk Exposure” and is limited to the industries of integrated circuits (IC), discrete component manufacturing, and semiconductor packaging and testing (the industry classification numbers of domestic enterprises are in accordance with the “Industry Standard Classification” of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan): “2611 integrated circuits manufacturing industry,” “2612 discrete component manufacturing industry,” “2613 semiconductor packaging and testing industry;” for foreign enterprises, please refer to the “Comparison Table of Industry Standard Classification and UN’s International Industry Standard Classification” of the Directorate-General of Budget, Accounting and Statistics.)

### **Article 12 (Industrial Risks and Best Practices)**

When the business counterpart is semiconductor manufacturing industry, the industrial risks and best practices at the environmental level are as

follows:

1. Industrial risks:
  - (1) Climate change: global warming will be aggravated due to a large number of greenhouse gases emitted in the process, and the enterprise itself may face future carbon tax collection, resulting in additional operating costs.
  - (2) Use of raw materials: mining and transportation of raw materials may cause damage to the environment.
  - (3) Energy use: a large amount of energy consumption in the process may indirectly impact the environment or increase operating costs.
  - (4) Water resource utilization: a large number of water resources are used in the process, which may cause damage to the local water environment system.
  - (5) Air pollution: the industrial waste gas discharged in the process may cause damage and pollution to the air environment and air quality if not handled properly.
  - (6) Waste water discharge and waste treatment: the industrial waste water and waste produced in the process may damage and pollute the soil, groundwater, and natural ecology if they are improperly treated or leaked.
  - (7) Regulatory compliance: penalty for violation of international or local environmental regulations.
2. Best practices:
  - (1) Operation management: the introduction of new process, sewage treatment technology and plant energy saving measures will help to reduce energy and resource consumption, reduce pollutant emissions, and reduce environmental damage.
  - (2) Resource recycling: introducing the concept of source reduction and recycling in product development and production, including process water recycling and waste recycling, which will help enterprises to save costs and create new revenue sources.
  - (3) Market opportunities: the introduction of green product design will help to reduce environmental impact.
  - (4) Natural ecology: promoting the protection of the natural environment will create the sustainability of resource access and avoid potential financial risks or fines.

When the business counterpart is semiconductor manufacturing industry, the industrial risks and best practices at the social level are as follows:

1. Industrial risks:
  - (1) Occupational health and safety: if the working environment is not equipped with complete safety facilities, hazardous chemicals or exhaust gas and other pollutants may cause harm to the health and safety of employees.

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(2) Labor rights and interests:

1. Failure to provide accident / injury compensation to employees according to laws and regulations;
2. Failure to provide appropriate and sufficient skills and occupational safety and health education and training for employees;
3. Forced labor;
4. Illegal employment of child labor;
5. Failure to ensure reasonable remuneration and working conditions for employees.
6. The use of conflict minerals as a source of raw materials may result in human rights violations.

(3) Community relations:

1. If there is chemical leakage or emission of waste gas, waste and other pollutants in the process, it may cause short-term and long-term harm to the health and safety of community residents;
2. Failure to establish a good relationship between the factory and the local community may result in damage to the Company's image and reputation.

(4) Compliance with laws and regulations: punishment for violation of international or local occupational health and safety regulations or employee related laws and regulations.

2. Best practices:

(1) Toxic substances management:

1. Through chemical hazards analysis, preventive maintenance of manufacturing processes, and sound operational specifications, it will help to reduce operating costs and improve workplace and community safety.
2. The active introduction of process safety management systems and chemical hazards education and training will help to improve workplace safety.

(2) Occupational health and safety:

1. A perfect occupational safety and health system is conducive to reducing the opportunity of occupational disaster and the insurance premium or compensation of employees, and improving the production efficiency;
2. Market access can be improved by requiring suppliers to implement certification programs of occupational health and safety .

(3) Labor rights and interests:

1. Providing a good working environment will be conducive to improving work productivity, and easier to attract and retain

- active and qualified employees for the enterprise;
  - 2. Improving the communication channels between employees and management will help to improve the cohesiveness of employees for the enterprise;
  - 3. Market access can be improved by meeting international or local employee related standards or certification.
- (4) Community Relations:
- 1. Actively participating in community negotiation will help enterprises to identify and manage possible risks;
  - 2. If the main employees come from the local community, maintaining good community relations will indirectly improve the health and safety of the labor force.

## **Chapter 5 Supplementary Provisions**

### **Article 13** (Handling of Outstanding Matters)

Matters not covered in these Rules shall be handled in accordance with relevant laws and regulations and the Company's relevant regulations.

### **Article 14** (Implementation)

These Rules shall be implemented after it has been approved by the chief executive officer, and the same applies when it is amended.