

# Yuanta Financial Holding Company

## Key Points of Engagement and Voting Operations

*Approved by the Chief Executive Officer on July 12, 2023*

### **Article 1** (Purpose for Establishment)

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

### **Article 2** (Applicable Parties)

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

### **Article 3** (ESG Issue Guidelines)

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

1. Environmental issues: climate change, biodiversity, water and wastewater management, packaging materials and waste management, toxic substance emissions, etc.
2. Social issues: human rights, labor rights, gender diversity of employees, corporate product responsibility, etc.
3. Governance issues: performance of the board of directors, gender diversity of the board of directors, independence of the board of directors, rights and interests of shareholders and stakeholders, transparency of corporate governance information, supply chain management, etc.

Among the environmental issues in Subparagraph 1 of the preceding paragraph, "climate change" and "biodiversity" will pose potential risks directly or indirectly to the financial and market systems. To emphasize their importance, the Company and its subsidiaries shall also pay attention to the relevant issues and include them in the

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assessment mechanisms or measurement indicators with reference to the following factors:

1. Climate change: disclosure of climate risks, including but not limited to: compliance with Sustainability Accounting Standards Board (SASB) standards, Task Force on Climate-Related Financial Disclosures (TCFD), and proposals to reduce the Company's impact on climate change, and the use of scientific targets to ensure that carbon emissions comply with the Paris Agreement.
2. Biodiversity: disclosure of biodiversity, reduction of impact on biodiversity in sensitive areas, reduction of deforestation, water conservation, promotion of conservation and sustainable use of biodiversity, development of biotechnology, etc.

#### **Article 4 (Engagement Operations)**

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

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

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

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

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

2. Follow-up:

To follow up on the engagement, the Company and the subsidiary shall track

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

3. Improvement measures for unsuccessful engagements:

If the engagement does not receive any response or improvement from the credit granting and investment subject, it is recommended that the enterprise be re-examined and re-evaluated. If there is a significant adverse impact, the Company and the subsidiary may restrict the funds with the enterprise, and do not exclude joining other financial institutions, industrial associations, or governmental organizations to jointly express their demands.

**Article 5 (Voting Operations)**

The term “voting” in these Key Points refers to the exercise of voting rights at the relevant shareholders meetings based on the overall interests of the capital providers, to understand and communicate with the investee enterprise before the shareholders meetings regarding the shareholders meeting proposal of the investee enterprise involving significant ESG issues or possible significant risks of ESG issues, and to vote against or abstain from voting if necessary. The operating procedures are as follows:

1. The exercise of equity shall be based on the best interests of the capital providers and the Company and the subsidiary shall not directly or indirectly participate in the operation of the issuing enterprise or have improper arrangements.
2. Voting rights can be exercised by written or electronic voting or by appointing a representative to attend the shareholders meeting, and the unit responsible for the exercise of voting rights will complete the procedures of appointing the attendee and making decisions on the exercise of voting rights within the shareholders meeting period, and retain the information for inspection. The Company and the subsidiary may also consider voting in unison to express concerns about the ESG practices of the enterprise.
3. If the Company intends to send an officer to attend a shareholders meeting of an issuing enterprise which is a stakeholder, the Company shall make an explanation of the evaluation of the exercise of voting rights in advance and present it to the chief executive officer for approval, so that it can be used as the basis for exercising voting rights.

**Article 6 (Outsourced Service Providers)**

The Company or a subsidiary may appoint an outside service provider to vote at a

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shareholders meeting in accordance with the instructions given at the appointment.

**Article 7** (Handling of Unfinished Matters)

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

**Article 8** (Enforcement)

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