

Yuanta Financial Holding Company

Sustainable Finance Guidelines

Approved by the Board of Directors on November 27, 2019 (8th meeting of the 8th board)

Amendments approved on June 28, 2023 (16th meeting of the 9th board)

Article 1 (Purpose for Establishment)

In order to promote the sustainable development of the Company, its subsidiaries, and customers, these Guidelines are hereby formulated with a view to implementing the spirit of corporate sustainable development into business planning and corporate operation, actively managing environmental and social risks and incorporating them into consideration for transaction decision-making through the framework and guidance of principles, to promote the Company, its subsidiaries, and customers to jointly create values of environment, society and governance (ESG), in line with the international sustainable development trend, and to support the UN Sustainable Development Goals and fulfill the responsibilities of citizens of the world.

Article 2 (Applicable Parties and Scope of Application)

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

The Company and its subsidiaries shall develop and engage in financial products and services in accordance with the principles set forth in these Guidelines, including but not limited to the development of products and services, investment, credit, advisory, and underwriting businesses.

Article 3 (Overall Principles)

The Company and its subsidiaries shall abide by these Guidelines, incorporate ESG factors into the daily operation and decision making, improve their governance culture by means of integrity management, openness and transparency, strict compliance with laws and regulations, and take into account the practice of corporate sustainable development, so as to create shared value between the enterprise and the society, environment, and customers.

Each subsidiary shall refer to external principles according to its business characteristics, such as but not limited to: domestic “Stewardship Principles for Institutional Investors,” “Guidelines for Credit Extension by Bankers Association,” “Criteria for Determining Whether Economic Activities Qualify as Sustainable” and international “Equator Principles,” “Principles for Responsible Investment,” “Principles for Sustainable Insurance,” “IFC Performance Standards,” “IFC Exclusion List,” “Harmonized EDFI Exclusion List” and other ESG related standards or guidelines, and develop exclusive management mechanism.

Article 4 (Issues of Concern)

The Company and its subsidiaries are encouraged to actively manage environmental, social, and governance risks and assess ESG issues that may have a significant impact.

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The subsidiaries may adjust the applicable ESG issues according to their actual business needs.

The environmental, social, and governance-oriented issues of concern to the Company and its subsidiaries include, but are not limited to:

I. Environmental issues: climate change, biodiversity, water and wastewater management, packaging materials and waste management, toxic substance emissions, etc.

II. Social issues: human rights, labor rights, gender diversity of employees, corporate product responsibility, etc.

III. 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.

Article 5 (Operation and Management)

The Company and its subsidiaries shall establish and continuously review relevant management mechanisms, establish an open and transparent communication channel with all stakeholders, enhance the operation quality of the Company through the transparency of financial business management, implement the concept of corporate governance, and create higher value for shareholders.

The Company and its subsidiaries shall continue to pay attention to ESG related issues, pay attention to the development of sustainable trend from time to time, consider the changes of business operation and overall environment, provide the required financial products and services, take into account the measurement and evaluation of the integration of environment, society, and corporate governance, and grasp the risks and opportunities. The Company and its subsidiaries shall achieve customer satisfaction while shaping their own sustainable operation capability.

The Company and its subsidiaries may engage in dialogues and interactions with their counterparts through collaborative actions to understand the risks they face and their strategies for sustainable development. If the shareholder meeting proposal of an investee company involves significant ESG issues, or if there is a possible significant risk of ESG issues, the Company and its subsidiaries must understand and communicate with the investee company before the shareholders meeting and, if necessary, vote against or abstain from voting.

The key points of the engagement and voting operations mentioned in the preceding paragraph shall be stipulated separately.

Article 6 (Business Planning and Transaction Activities)

The Company and its subsidiaries shall adhere to the following principles to promote relevant businesses, effectively evaluate and manage ESG risks, and grasp the opportunity of sustainable development:

I. Actively support the following promising enterprises, evaluate and provide financial products and services, so as to promote the sustainable development of the environment and society:

(I) Related industries engaged in renewable energy, alternative fuels, etc. which can

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reduce greenhouse gas emissions.

(II) Related industries engaged in water resources and energy conservation, energy storage equipment, etc., which can improve the utilization efficiency of natural resources.

(III) Enterprises engaged in environmental protection products or equipment, environmental pollution prevention and control, and pollution reduction for the purpose of protecting the natural environment.

(IV) Related industries engaged in water resources regeneration, soil and water conservation engineering, etc., which can promote biodiversity.

(V) Related industries engaged in organic fertilizer, organic agriculture, agricultural biotechnology innovation, etc., which can promote food safety.

(VI) Related industries engaged in vaccine and pharmaceutical research and development, medical and health care services, etc., which can improve health and well-being.

(VII) Related industries providing affordable technical and vocational education or higher education, promoting the fair learning opportunities of underprivileged groups, etc., which is conducive to promoting the high-quality education.

(VIII) Enterprises related to promoting environmental and social sustainability, including domestic or overseas component companies of sustainability indexes (MSCI, DJSI, or others).

(IX) Other related enterprises engaged in the promotion of ESG business or activities.

II. Due diligence and prudent evaluation shall be strengthened to reduce the risk of significant adverse impact on ESG and sustainable development for the following enterprises in dispute:

(I) Enterprises with major environmental violations, violations of human rights (forced labor, child labor issues, etc.), work safety / food safety, labor rights disputes or corporate governance issues, etc., which are published / reported in the news, have significant violation risks, and fail to propose specific improvement plans.

(II) Highly controversial industries engaged in pornography, wildlife killing or habitat destruction, internationally prohibited chemicals / drugs / pesticides / herbicides or radioactive substances, etc.

(III) Enterprises that violate the relevant regulations on anti-money laundering and combating the financing of terrorism or other major violations, and fail to put forward specific improvement plans.

Article 7 (Enterprises Prohibited from Undertakings)

The enterprise shall be prohibited from undertaking for any of the following:

I. The target of sanctions designated by the competent authorities in accordance with the relevant laws and regulations on money-laundering prevention and terrorism-financing prevention.

II. Enterprises engaged in illegal weapons manufacturing / trading, illegal gambling (including underground and Internet) and other illegal activities.

Article 8 (Credit and Investment for ESG Risk Management)

In developing and engaging in financial products and services, the Company and its subsidiaries shall carefully evaluate whether there is potential ESG risk in the credit

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and investment subjects or transactions, and ensure the risk controllability. The evaluation items include the following:

I. To examine whether the credit granting and investment subjects belong to the controversial enterprises or the enterprises prohibited from undertaking as stipulated in Article 6, Paragraph 2 and Article 7.

II. When conducting KYC (Know Your Customer), CDD (Customer Due Diligence), or writing investment reports, it is necessary to understand the reputation, business content, financial status, management capabilities, and regulatory compliance of the credit granting and investment targets, and evaluate the performance of the targets on the ESG issues of concerns set forth in Article 4 of these Guidelines.

III. In case of contact with controversial enterprises or high ESG-topic sensitive enterprises, due diligence shall be strengthened, and experts can be consulted if necessary to avoid significant adverse impact on ESG.

The follow-up management shall continue to pay attention to the transaction dynamics of the credit granting and investment subjects, in addition to timely review of their operating activities and financial changes; it shall also include good performance of corporate sustainable development. If the results of the review may have a negative impact on ESG, the credit granting and investment subjects shall be recommended to formulate an improvement plan, and the Company shall track the implementation, and then evaluate whether to continue the transaction.

Article 9 (Handling of Unfinished Matters)

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

Article 10 (Enforcement)

These Guidelines shall come into force upon the approval of the board of directors, and the same shall be true when it is amended.