



Fubon Financial

ESG development in Fubon FHC

Contents

Sustainable Governance

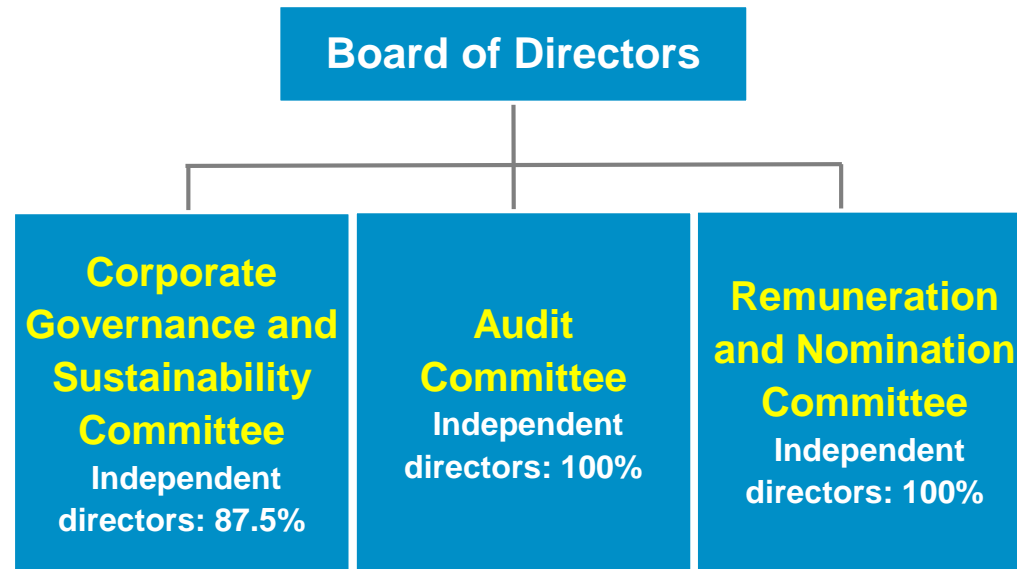
Responsible Finance

ESG Strategy

Sustainability Governance

Fubon aims to deliver business sustainability through well-organized management structure and process

Independent committee to achieve effective supervision



Board of directors' diversity and active participation in ESG topics

- 15 seats including 6 independent directors and 2 female directors
- The attendance rate of directors is 94%
- “Participation in ESG” indicator is 4.9 points (out of 5 points) in board performance evaluation
- Background of board directors includes finance, industrial, risk control, accounting and IT

100% independent directors in Audit and Remuneration Committees

- Audit Committee and Remuneration and Nomination Committee both consist of independent directors with financial expertise
- The attendance rate of all 3 committees is over 95%.

Protect shareholders' right to know and speak

Transparency

- Public disclosure of annual reports and CSR reports
- Publish financial reports quarterly and annually
- Release major news on TWSE, including mergers, large-scale capital transactions, changes in senior managers, etc.

Engagement

- Shareholders meeting along with the publication of meeting notification and the meeting manual, etc
- Investors conference quarterly

Governance

- Encourage shareholders to use electronic voting
- Proposals for shareholders meeting are voted on a case-by-case basis
- Single candidate nomination system on board selection

Transparent and reasonable compensation system

Disclosure of senior managers and directors' remuneration range in the **annual report**

...which must be reviewed and approved **by the Remuneration and Nomination Committee**

Deferred Bonus Policy:

- Annual variable bonuses for CEO and senior managers are deferred to a maximum of three years, which are tied to share prices
 - All or part of the unappropriated deferred bonus will be withdrawn for those who are dismissed due to misconduct
-

Financial and non-financial KPI of senior executives:

- Financial performance linkage with variable bonus: General manager's KPI for pre-tax earnings and net profit
- ESG linkage with variable bonus: 5-10% of the chairman, general manager and one-down supervisors' KPI setting should be ESG-related

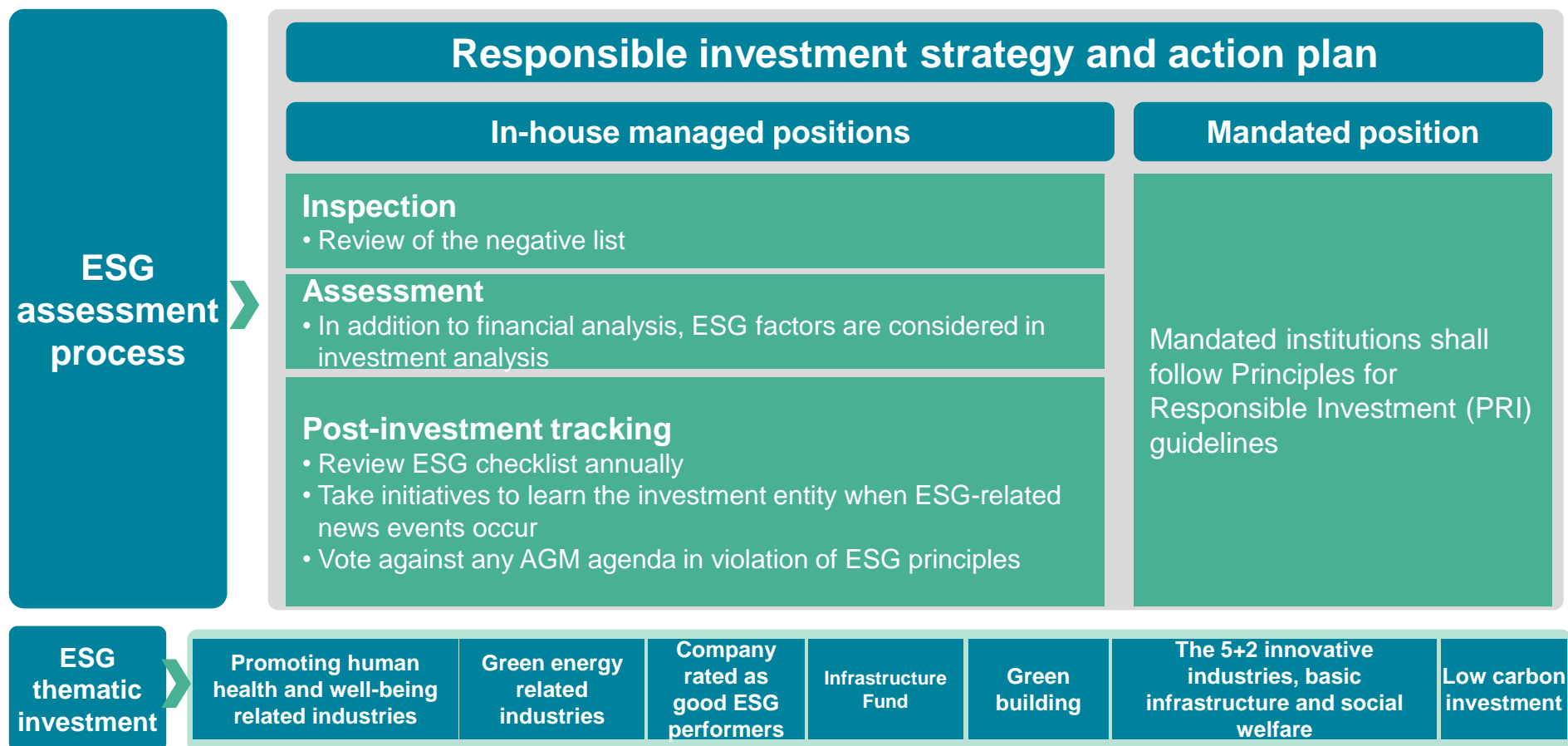
Responsible Finance

Establish rigorous ESG investment and credit process.
Echoing Net Zero and low carbon trend, we aim to fulfill
environmental protection commitments

Responsible investment management mechanism



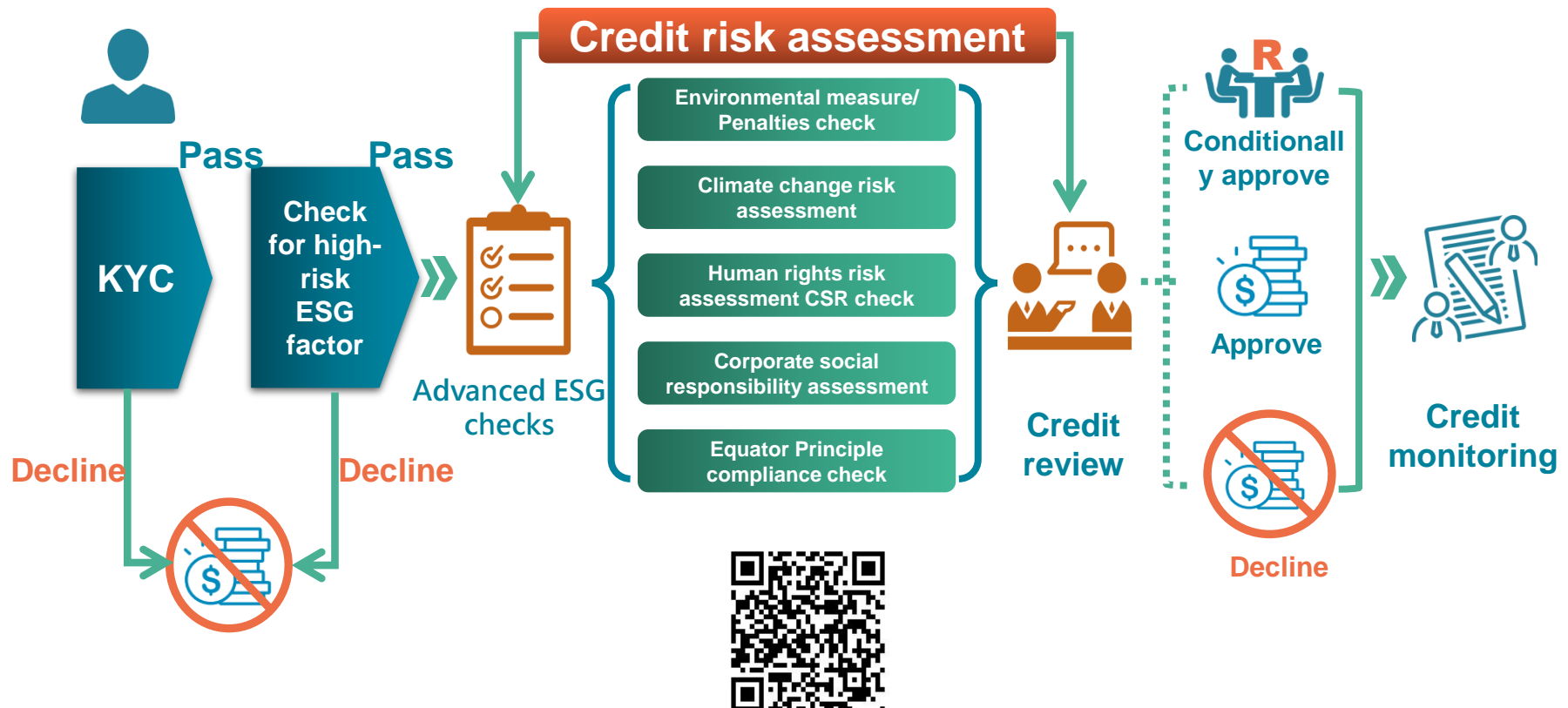
In response to the U.N. Principles for Responsible Investment, we establish ESG investment mechanisms, including assessment process and thematic investment. The scopes cover in-house managed positions and mandated positions



Sustainability credit risk management framework



Under the credit risk management framework, the sustainability risk assessment is incorporated into the process of KYC and credit investigation. All cases must conform to the sustainable risk assessment process and Equator Principles



Climate risk management

Climate risk governance: Report to the Board on climate change risk quarterly

Promotion of low-carbon initiatives in 2021. Termination of new project financing in coal-fired power plant, as well as investment or financing to power plants with over 50% from coal-fired energy

Set standards for financing criteria on **coal industry, cement industry, petrochemical industry, and steel industry**

Vision and prospect: Aim to achieve sustainability goals by 2025, including green finance balance of NT\$2.45tn, and climate-related insurance policies of NT\$7bn. The balance of green finance in 1H21 reached 2.25tn

The first TCFD report in Taiwan's financial industry

Spontaneously adopt the climate-related financial information framework recommended by Financial Stability Board (FSB)

Mostly in low risk category of the climate risk sensitivity evaluation

Cases of investment exceeding NT\$100mn

Climate Sensitivity	Climate Risk Sensitivity Score (Exposure*Vulnerability*Hazard)	No. of Cases	Investment Amount (% of total)
High	201-300	0	0.00%
Medium	101-200	0	0.00%
	81-100	7	14.75%
	51-80	4	3.43%
	11-50	76	72.22%
Low	10 or below	130	9.60%
Total		217	100.00%

Cases of lending exceeding NT\$100mn

Climate Sensitivity	Climate Risk Sensitivity Score (Exposure*Vulnerability*Hazard)	No. of Cases	Outstanding Loan Amount (% of total)
High	201-300	0	0.00%
Medium	101-200	0	0.00%
	81-100	1	7.50%
	51-80	4	1.66%
Low	11-50	163	36.30%
	10 or below	541	54.54%
Total		709	100.00%

Mortgages LTV at 60% or higher

Climate Sensitivity	Climate Risk Sensitivity Score (Exposure*Hazard)	No. of Cases	Outstanding Mortgage Amount (% of total)
High	51-75	0	0.00%
Medium	26-51	195	1.68%
	11-25	13,613	57.15%
Low	10 or below	28,122	41.17%
Total		41,930	100.00%

Cases of non-life insurance premium with retention over NT\$100mn

Climate Sensitivity	Climate Risk Sensitivity Score (Exposure*Vulnerability*Hazard)	No. of Cases	Retained Underwriting Amount (% of total)
High	201-300	0	0.00%
Medium	101-200	0	0.00%
	51-100	0	0.00%
	41-50	1	1.21%
	31-40	1	0.78%
	21-30	5	2.48%
	11-20	24	3.29%
Low	10 or below	1,065	92.24%
Total		1,096	100.00%

Note: Please refer to Fubon's TCFD report for major subsidiaries in Taiwan at the end of 2020

Responsible finance: Insurance business

Sustainable insurance



The largest agricultural and aquaculture insurer in Taiwan

- Underwrite **over 80%** of agricultural and aquaculture insurance in Taiwan
- Taiwan's first agricultural insurance policy was launched in 2015. Current insurance covers pear, rice, banana, grouper, milkfish, perch, and snapper in farming and aquaculture insurance.
- Launched the first flood & typhoon insurance in agricultural facility in 2018
- The goal of insurance related to green energy, natural disasters and sustainability aims to reach NT\$7 billion in 2025.

Green insurance



Promoting low-carbon transition: the largest green energy insurer in Taiwan

- Supporter to the green energy industry
- The number of policies climbed **23%** in 2020
- Participation in green energy industry:

Offshore wind power

100%

Onshore wind power

Over 50%

Solar power

Over 30%

Green
financing

- 1H21 Results-

131.7bn



- 2025 Goal-

156.9bn (↑ 25%)

Green Loans

Top among Taiwan banks in wind power lending from Taipei Fubon Bank

- Loans to wind power reached NT\$16.5bn in 2020, 30% market share with top ranked position among Taiwanese banks
- Continue to finance green energy or alternative energy industries

The first green finance certified by a third-party agency in Taiwan

- Taipei Fubon Bank and Yuen Foong Yu, a leading paper industry group, launched the first green finance program in Taiwan in July, 2021. This was certified by a third-party organization. The proceeds will be used for renewable energy generation, zero coal-fired steam and electricity co-generation, and energy saving in recycled paper production. It is Taiwan's first green finance project certified by a third-party accounting firm in accordance with the international standard of Green Loan Principles 2021

Sustainable Loans

The first local bank in Taiwan to introduce sustainability-linked loans

- Taipei Fubon Bank signed a 3-year "Sustainability Linked Loan" with Merry Electronics Co., Ltd., the first case from a local bank in Taiwan. (Foreign banks are DBS and HSBC)
- Taipei Fubon Bank provides preferential loan interest rate if the corporate's greenhouse gas emission intensity and energy consumption intensity are reduced by 5% yoy. We encourage clients to establish long-term management policies in green energy.

Responsible finance: Investment activities



5-year goal of responsible finance:

Unit: NT\$

	Low carbon investment	Green energy technology investment	Green bond investment
1H21 Results	1.81tn ▼	289.5bn ▼	15.2bn ▼
2025 Goal	1.95tn (↑ 16%)	325.0bn (↑ 23%)	17.3bn (↑ 21%)

Fubon is the first asset management company in Taiwan to launch ESG-thematic active and passive funds

In 2017
Corporate Governance 100 ETF

Aum
11.4bn

Return in 1H21
15%

In August 2020
Taiwan Sustainable Development High Dividend Fund

Aum
4.0bn

Return in 1H21
25%

Awards on Responsible Finance



Fubon Life

2021 Taiwan Sustainable Investment Awards



Taipei Fubon Bank

- Triple A Asia Infrastructure Awards 2020 – Renewable Energy Deal of the Year (Regional); Green Project of the Year (Regional); Renewable Energy Deal of the Year – Wind (Taiwan); Green Project of the Year (Taiwan)
- Best Syndication Green Loan



Fubon Life

2020 Asia Responsible Entrepreneurship Awards – Health Promotion Award; Green Leadership Award



Taipei Fubon Bank

The Innovators 2020 Special Honors_SME Loans



Taipei Fubon Bank

Project Finance International (PFI) Award 2020 –Renewables Deal of the Year

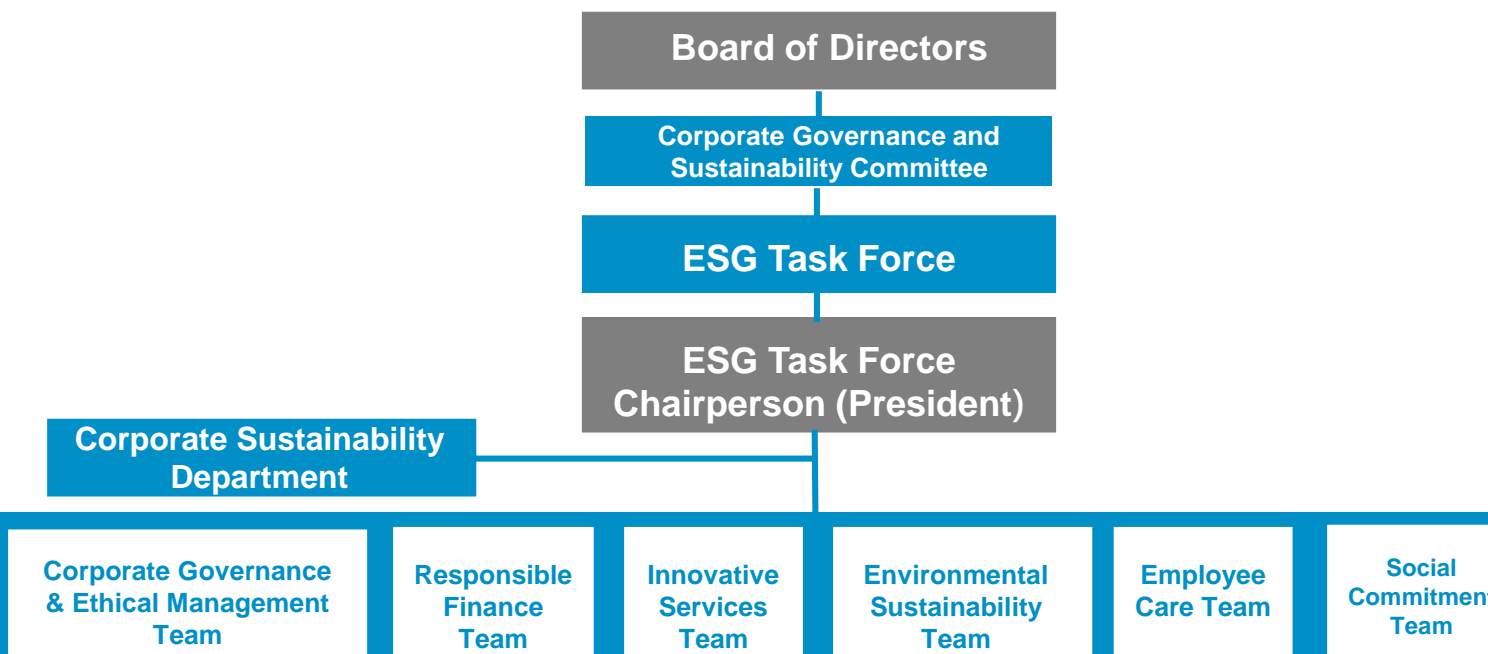
Note: (1)TCSA, Taiwan Corporate Sustainability Awards, is awarded by The Taiwan Institute for Sustainable Energy. (2)APEA, Asia Pacific Enterprise Awards, is the representative award selected by 14 countries in Asia

ESG strategy



Corporate Governance Structure

- The Corporate Sustainability Department was established on January 1, 2020 to integrate resources to promote sustainable affairs
- The Corporate Sustainability Department shall report the sustainability execution plan and results to all directors of the Corporate Governance and Sustainability Committee
- Four major subsidiaries established ESG Task Force, which is in accordance with financial holding practices



KPI setting for implementation of sustainability



Senior executive KPI
link to ESG



Department KPI
link to ESG



Personal KPI
link to ESG



Regular
Tracking



Continuous
assessment

Senior executives

Chairman, general manager and one-down supervisors of Fubon Financial Holdings and its subsidiaries, whose job duties are related to ESG, shall have a KPI weighting of at least 5%

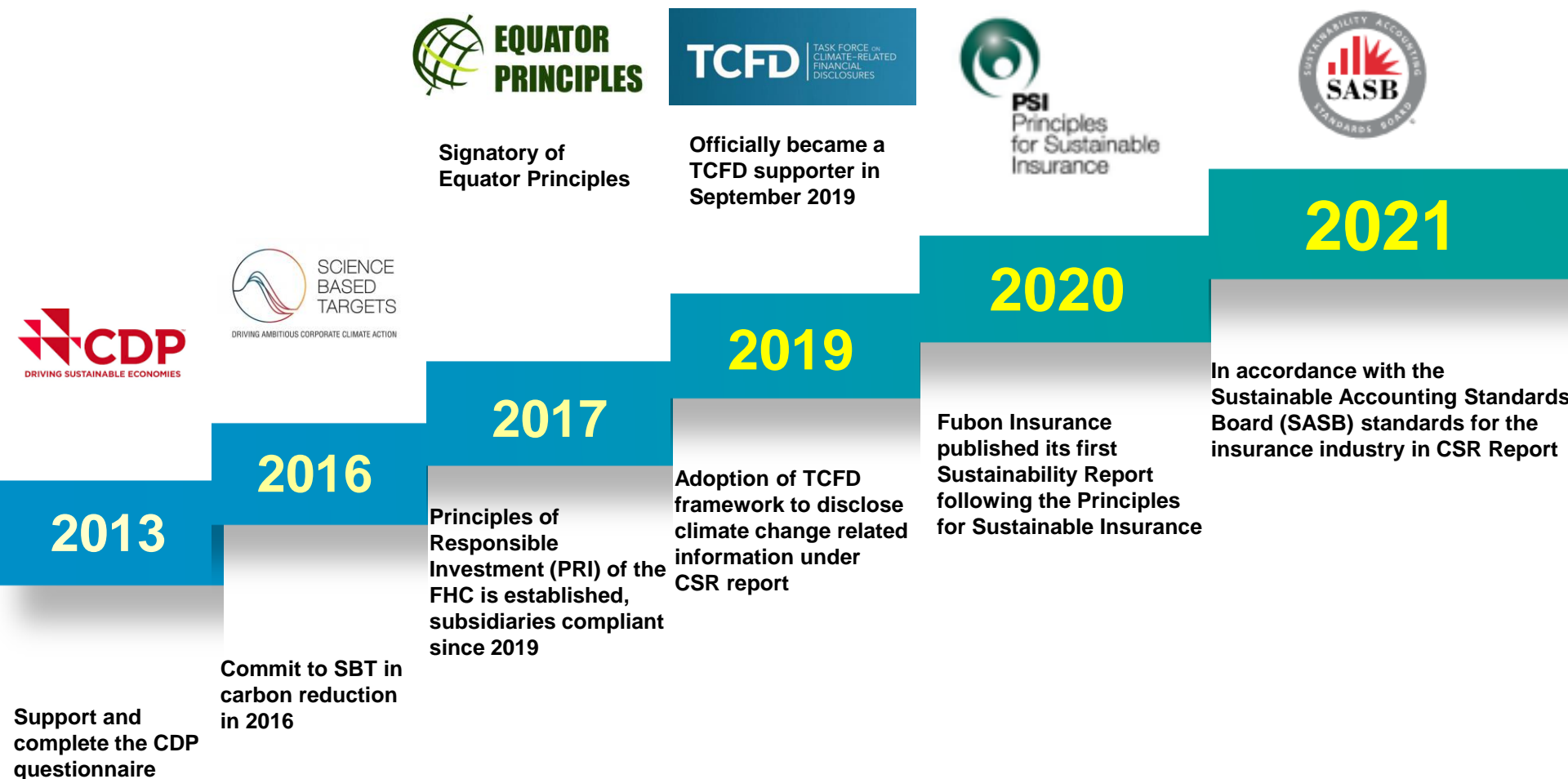
Division heads and supervisors

The KPI weighting in ESG shall be at least 10% in ESG related departments

Employees

All employees shall include a weighting of 10% in the workplace behavior KPI setting to implement ESG in daily business activities

Sustainability Initiatives



Awards on Sustainability

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

Listed in DJSI Global Index for four consecutive years, Emerging Market index for five consecutive years

2016	2017	2018	2019	2020
71	77	81	81	83

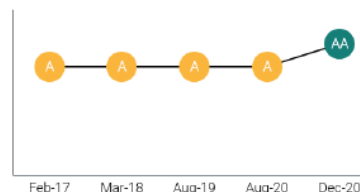


CLIMATE

The first and only financial institution in Taiwan ranked A list in both CDP climate change and Supplier Engagement Leaderboard



Ranking up to AA in 2020, ranked 17% in global insurance industry.



Top among global insurance industry, top 3% among global corporations.

2019	2020	2021
18.8	14.7	11.2

Note: Lower scores indicate better performance

ESG Awards in 2020



Brand Finance®



Advocate ESG in international arena

Fubon Financial Holdings was the first corporate speaker from Taiwan for the APEC Minister of Finance conference series in 2019. Jerry Harn, President of Fubon Financial Holdings, shared Fubon Financial Holdings' ESG practices and ESG issues of concern to investors



Fubon Financial Holdings was the first company in Taiwan's financial sector to become a World Economic Forum (WEF) partner in 2020.

Promote sustainable regional and global development, help the industry respond to the risks of the epidemic and future shocks, and further work with international benchmarking companies are the missions of Fubon



Fubon Financial



Contact IR



 Fubon Financial