

13 CLIMATE ACTION

CORPORATE SOCIAL RESPONSIBILITY REPORT 2019

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CLEAN ENERGY



3 GOOD HEALTH
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EQUALITY



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CONSUMPTION
AND PRODUCTION



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POVERTY



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EDUCATION



About this Report

SinoPac Holdings publishes a Corporate Social Responsibility (CSR) Report each year to communicate with stakeholders and the general public about its specific actions and performances in Environmental (E), Social (S) and Governance (G) issues, as well as its commitments and actions taken in response to the United Nations Sustainable Development Goals (SDGs). With this CSR Report, SinoPac Holdings could also review and track the progress of its sustainability strategy and aims to cooperate with stakeholders to facilitate the sustainable development of the corporate itself, the environment, and the society.

Scope and Boundaries of the Report

The boundaries of financial data used in the Report is the same as that of SinoPac Holdings Consolidated Financial Report. Financial data is presented in New Taiwan Dollars. Environmental and social information encompass SinoPac Holdings and its five major subsidiaries, Bank SinoPac (including SinoPac Call Center merged into Bank SinoPac in 2019), SinoPac Securities, SinoPac Securities Investment Trust, SinoPac Leasing, and SinoPac Venture Capital. SinoPac Holdings and the five major subsidiaries are collectively referred to as SinoPac Holdings in the Report. Business activities in Taiwan shall be adopted as the scope of the Report. Where the scope is not consistent, it shall be specified in the Report.

Reporting Standards and Principles

The Report was published in accordance with the “Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies”, Sustainability Reporting Guidelines (GRI Standards) issued by the Global Sustainability Standards Board (GSSB), and the framework of the Integrated Reporting developed by the International Integrated Reporting Council (IIRC) for the disclosure of sustainable strategies and performance. Related topics in the Report also take reference from the GRI G4 Sustainability Reporting Guidelines (hereinafter referred to as GRI G4) for financial services, Commercial Banks (FN-CB) Standard of Sustainability Accounting Standards Board (SASB), the Task Force on Climate-Related Financial Disclosures (TCFD) framework published by the International Financial Stability Board, and Financial Inclusion Indicators for Taiwan. This report is published in June 2020 and the reporting period was from January 1, 2019 to December 31, 2019. The previous report was issued on June 30, 2019. The Chinese and English versions of the Report can be downloaded from the official website of SinoPac Holdings.

Report Auditing

This report is edited by the SinoPac Holdings' CSR team and the senior, high level management team, and audited by an independent third party, SGS Taiwan Ltd., in accordance with the AA1000 Assurance Standard, Type 2 Moderate level of assurance. This report is compliant with the AA1000 assurance principles of materiality, inclusiveness, and responsiveness in accordance with the core level of disclosures of the GRI Standards. The independent audit report is also included in the appendix of this report.

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Chairman's Message

Chairman's Message

2019 was a year both challenging and fruitful for SinoPac Holdings. Events such as the U.S.-China trade war, Brexit disruptions, and regional conflicts significantly increased the global recession risk. In spite of the instability, SinoPac Holdings achieved record annual profits in excess of NT\$10 billion dollars. The achievement was mainly attributed to the well execution of the internal controls, strategic leadership, and synergy realization. In addition, the company was recognized for its outstanding achievements in corporate governance by receiving domestic and foreign CSR/ESG related awards, and for its first time, was rated by Taiwan Stock Exchange as the top 5% company for the 2019 Corporate Governance Evaluation. These accomplishments were the results of the entire organization's professionalism and its commitment to be a model corporate citizen.

The proud history of SinoPac dating back 70 years ago to 1948 from the establishment of Taipei Mutual Savings and Loan Company. SinoPac has since become a financial holdings company as a part of Taiwan's growing prosperity. The core value of our history has always been cherishing the long-term trust and relationship that we have with our stakeholders. We are proud to carry the badge "SinoPac 70" as a testament to our achievements and belief in long-term sustainability. It is imperative to maintain the sustainable operations attributed to our value of success for future SinoPac generations to come.

In 2018, SinoPac Holdings established the Ethical Corporate Management Committee and the Sustainable Development Committee for corporate governance improvement planning and corporate sustainable development in accordance with the company's four sustainability missions: Ethics and Decency, Wealth Building, Environmental Sustainability, and Social Responsibility. SinoPac implemented sustainable governance through concrete actions by caring for vulnerable populations, protecting the environment, and supporting public welfare projects in the belief of "benefitting from society and giving back to society". This belief encompasses SinoPac organization and underpins the company's conduct from strategic planning to daily operation as a responsible corporate citizen. To further foster our devotion to the society, SinoPac took another step in 2019 by implementing the United Nations' Sustainable Development Goals (SDGs) by focusing on three sustainability commitments: Reducing Inequality, Mitigating and Adapting to Climate Change, and Promoting Inclusive Growth. If the unprecedented events in 2020 taught us anything, it was that the underlying priorities of corporate social responsibility must evolve in the face of unexpected global challenges.

The COVID-19 pandemic in early 2020 caught the world by surprise. Thanks to the efforts of the government and its people, Taiwan emerged as one of the safest countries during the global pandemic. Prior to COVID 19 was known to the public, the Global Risks Report 2020, issued by the World Economic Forum (WEF) in January 2020, stated that climate change and environmental degradation would be the biggest threats faced by humanity over the next decade accompany by economic confrontation among countries as major short-term risks. In dealing with global threats as such requires a global response built on trust and mutual self-interest. SinoPac, as a member in the private sector with deep-rooted tradition and belief in long term sustainability, is committed working with its stakeholders toward the betterment and prosperity of the society as a model corporate citizen.

SinoPac Holdings, Chairman

S.K. Chen



1.1 Introduction of SinoPac Holdings

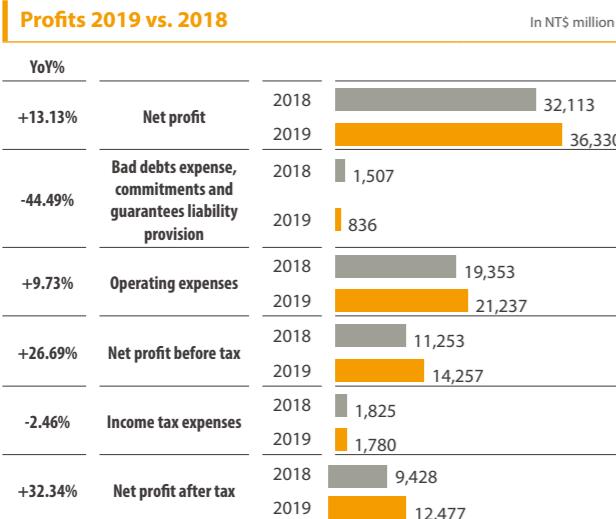
SinoPac Holdings traces its history back to 1948 when Taipei Mutual Savings and Loan Co. was established, with an initial capital of 20 million Old Taiwan Dollar. In 1949, its capital was converted into 500 New Taiwan Dollar (NT\$), which was further increased to NT\$200,000 after two capital injections. SinoPac Holdings became the first private mutual savings and loan company in Taiwan. The company started with a financing operation model by providing regular deposits and amortized loans for its members. In 1978, it transformed into Taipei Business Bank, focusing on the provision of financial services for small and medium enterprises, and became a helpful partner along with the growth of its customers during the bloom of the Taiwan economy. It further transformed into International Bank of Taipei in 1998 as it ventured into the international market with its customers. The company has established a solid customer base in its decades of history. On August 26, 2005, the International Bank of Taipei became a subsidiary of SinoPac Holdings through a share swap transaction. Over the past 70 years, SinoPac Holdings has transformed from a regional mutual savings and loan company into a recognized financial holding company while upholding its founding virtues of protecting customers' assets, creating wealth, and providing assistance for corporate customers in growing their businesses. SinoPac Holdings understands that the sustainability of a corporate not only depends on effective management and the pursuit of profit, but also attaching importance in fulfilling its social responsibilities during the transformation process.

1.1.1 Business Strategy and Performance

In 2018, SinoPac Holdings focused on three major themes, "Supervision and Management", "Strategic Leadership", and "Realization of Synergy", and paved its way in 4 stages: "Construct, Ascend, Align, Ahead", achieving record highs in terms of profit with the joint effort made by the management and employees. Built on the existing results, SinoPac Holdings emphasized the following five operating themes in 2019: (1) enhance portfolio and raise operational efficiency; (2) boost fee income; (3) elevate overseas revenues; (4) accelerate digital transformation; and (5) strengthen corporate governance, sustainable development and risk management frameworks. With the joint effort of the management and employees, business operations and management mechanisms have been improved, resulted in a stable increase in profit. In 2019, SinoPac Holdings recorded a consolidated net profit after tax of NT\$12.477 billion, representing a substantial increase of 32.34% from 2018. Excluding the effect of nonrecurring gains or losses, the consolidated net profit after tax has reached a record high since the establishment of SinoPac Holdings. The earnings per share after tax was NT\$1.11 and the return on equity (ROE) was 8.60%. As the end of 2019, the net value was NT\$148.4 billion, with a net value per share of NT\$13.16. The consolidated total assets hit a record high of NT\$1.83 trillion, with an annual growth rate of 14.22% over 2018.

Five Operating Themes and Performance in 2019

Enhance portfolio and raise operational efficiency	Boost fee income	Elevate overseas revenues	Accelerate digital transformation	Strengthen corporate governance, sustainable development and risk management frameworks
<ul style="list-style-type: none"> 1. Improved the return on assets (ROA) and appropriately expanded the leverage multiple under a sound risk control. In 2019, ROE grew significantly by nearly 2% from 2018. 2. Continuous mergers, acquisitions and liquidations of subsidiaries to improve capital utilization. In 2019, SinoPac Call Center, SinoPac Life Insurance Agent, and SinoPac Property Insurance Agent merged into Bank SinoPac, leading to a decrease in subsidiaries from 29 to 26. 	<ul style="list-style-type: none"> Upholding the customer-first business philosophy, SinoPac Holdings expanded its customer base through improved customer segmentation and made continuous efforts in maintaining customer relationships to boost fee income. In 2019, Bank SinoPac's wealth management fee income grew by nearly 20%. In 2019, Bank SinoPac's fee income from loans grew significantly by nearly 50% over the previous year. In 2019, SinoPac Securities' quasi-wealth management fee income leaped by nearly 60%. 	<ul style="list-style-type: none"> 1. Mainland China, Hong Kong, and Macau <ul style="list-style-type: none"> • In 2019, the Chengdu Branch of Bank SinoPac (China) officially commenced business, marking the completion of the business deployment of Bank SinoPac (China) across the Yangtze River Delta, Pearl River Delta, Jingjinji (Beijing, Tianjin and Hebei) Metropolitan Region, and the Chengdu-Chongqing City Cluster. The Yinchuan Branch of SinoPac Leasing (Tianjin) also made great progress. • Guangdong-Hong Kong-Macau Greater Bay Area: Bank SinoPac (China) established a cross-border financial service platform in cooperation with Bank SinoPac's Hong Kong and Macau branches. 2. Southeast Asia: <ul style="list-style-type: none"> • As Bank SinoPac's first operation base in the Southeast Asia, the Ho Chi Minh City Branch in Vietnam established mutual support with SinoPac Leasing's representative offices in Thailand and Myanmar, so as to strengthen local operation, enhance the cooperation with its peers in the local financial sector and expand its scope of business to neighboring countries, such as Cambodia. 	<ul style="list-style-type: none"> 1. Accelerated the alliance with third-party partners to expand the application of mobile payments and continued to establish relationship with other industries through the Partner APIs. 2. It took only 7 months until the DAWHO digital account developed by Bank SinoPac was ranked 4th since its entry into the market. By the end of 2019, the number of customers had reached over 220,000. 3. Bank SinoPac launched a smart wealth management tool, iBraIn, featuring the most comprehensive historical performance simulation function and investment services that is tailor-made for the customers' needs. 4. SinoPac Holdings and Bank SinoPac jointly launched a digital trading account service, DAWHO TOU, which leads the industry by allowing customers to open accounts online for securities trading and link it to their deposit account, all within one hour. 	<ul style="list-style-type: none"> 1. Made quick response to the international environmental, social and governance (ESG) trend by establishing the Tax Governance Policy, Responsible Investment Management Guidelines, and Emerging Risk Management Guidelines. 2. Once again included in the Taiwan Stock Exchange Corporation (TWSE) Corporate Governance 100 Index, and selected as a constituent of the FTSE4Good TIP Taiwan ESG Index for the third time in a row. 3. SinoPac Holdings strengthened three lines of defense to enhance its internal control. To continuously strengthen the capability in identifying and managing business risks, Bank SinoPac applied for the adoption of a risk-based internal audit system and received approval from the competent authority well ahead of the given time. 4. Ranked top 5% in the 6th TWSE Corporate Governance Evaluation in 2019, showing great improvement from top 6%-20% in 2018.



Distribution of Dividends

In NT\$

Actual distribution year	2016	2017	2018	2019
Cash dividend per share	0.432	0.344	0.5	0.636
Stock dividend per share	0.5	0.35	0.2	0
Total	0.932	0.694	0.7	0.636

Financial Data

	Item/Year	2016	2017	2018	2019
Operating ability	Total assets (in NT\$ million)	1,678,930	1,599,161	1,604,926	1,833,120
	Total liabilities (in NT\$ million)	1,545,032	1,460,901	1,463,105	1,684,755
	Shareholders' equity (in NT\$ million)	133,898	138,260	141,821	148,366
	Net income after tax (in NT\$ million)	8,282	9,084	9,428	12,477
Profitability	Return on assets (%)	1.07	1.17	1.27	1.56
	Return on equity (%)	6.24	6.68	6.72	8.60
	Net profit ratio (%)	26.87	27.95	29.36	34.34
	Earnings per share (in NT\$)	0.73	0.81	0.84	1.11

Capital Structure

SinoPac Holdings had a stable capital adequacy ratio (CAR), which reached 117.76% at the end of 2019. Bank SinoPac maintained sufficient capital, with a consolidated BIS capital adequacy ratio of 14.27% at the end of 2019. Bank SinoPac's asset maintained outstanding quality; the non-performing loan ratio was only 0.21% at the end of 2019, representing a decrease of 4bps over the previous year. Loan coverage ratio was 638.55%

Capital Adequacy Ratio of SinoPac Holdings and its Subsidiaries in 2019

Capital Adequacy of Bank SinoPac



Credit Ratings

After the recognition from Taiwan Ratings and Standard & Poor's with an increased credit rating in 2018, the credit rating of SinoPac Holdings was further increased by Fitch Ratings in 2019, which has granted SinoPac Holdings wide recognition for its high degree of integration in risk management and business strategies, as well as efforts made in the enhancement of business performance and corporate governance.

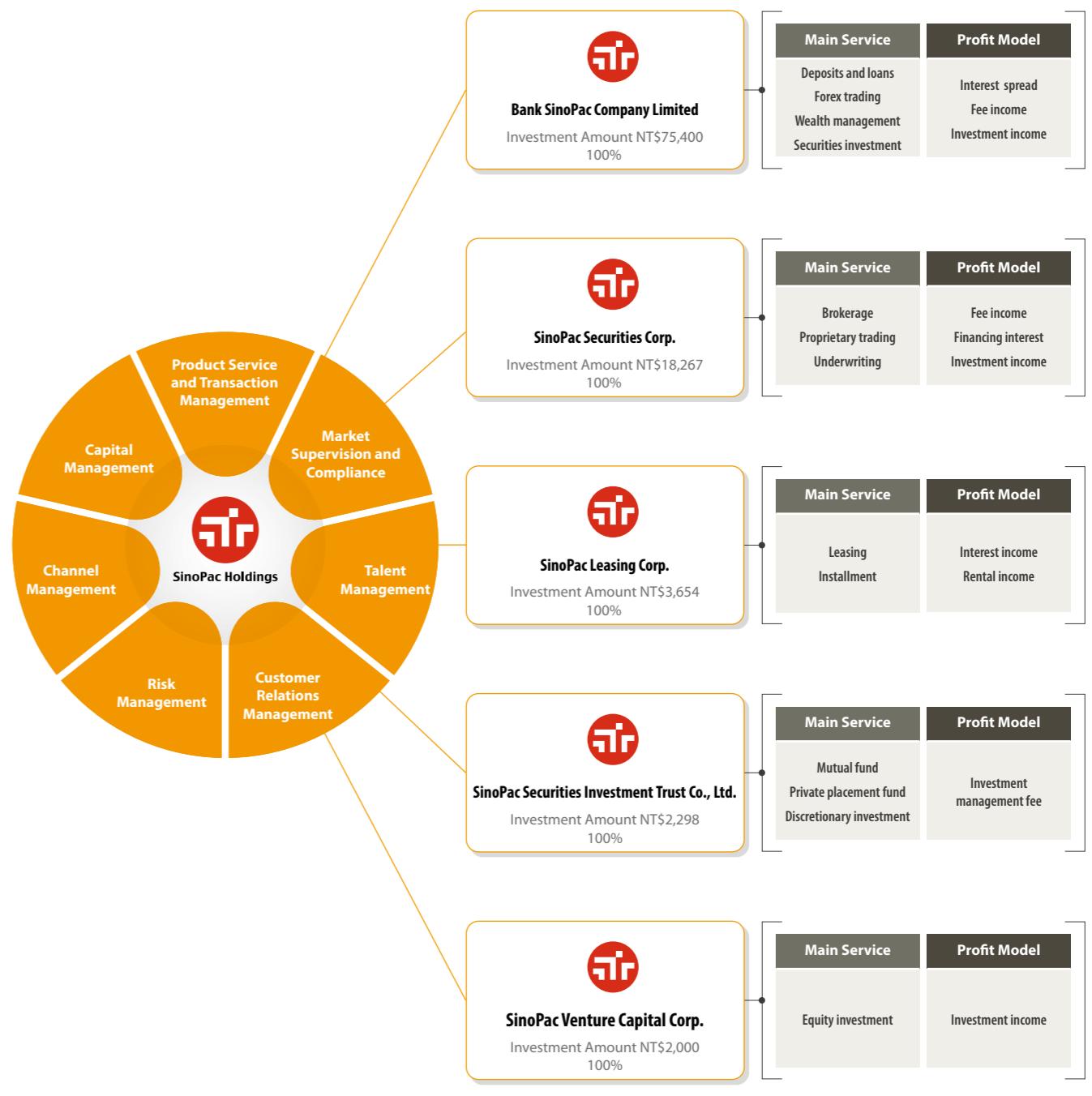
2019 Credit Ratings

1.1.2 About the Subsidiaries

In 2006, the company was officially renamed as SinoPac Financial Holdings Co., Ltd. (stock code: 2890). Its subsidiaries involve in the finance industries such as banking, securities, investment trust, leasing, and venture capital. SinoPac Holdings maintains overseas service locations in Hong Kong, Macau, Nanjing, Shanghai, Xiamen, Dongguan, Kunshan, Tianjin, Chongqing, Vietnam, Thailand, Myanmar, Los Angeles, London and so on.

Business and Profit Models of SinoPac Subsidiaries

In NT\$ million, Reference Date: February 29, 2020



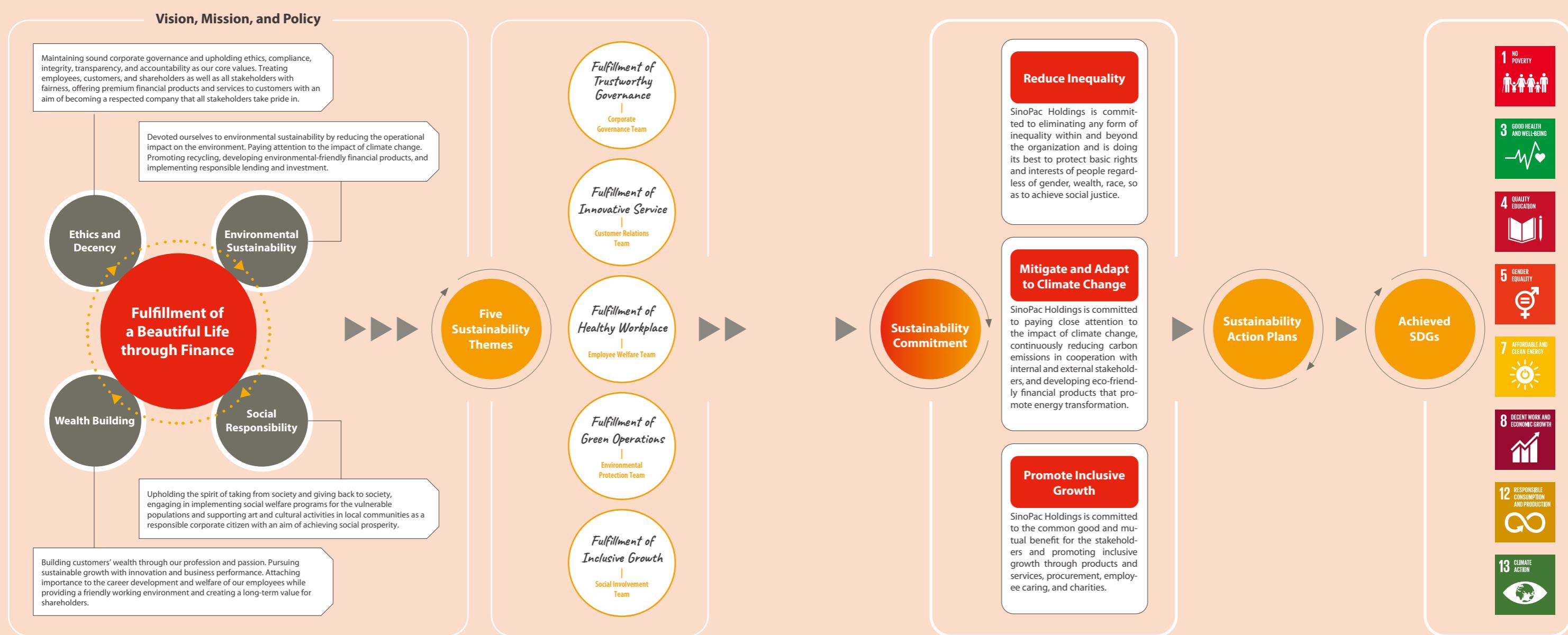
1.2 Sustainable Development Goals and Vision

1.2.1 Roadmap for Sustainable Development

Based on the vision of "Fulfillment of a Beautiful Life Through Finance", SinoPac Holdings has upheld the four sustainable development missions, namely Ethics and Decency, Wealth Building, Environmental Sustainability, and Social Responsibility, and set five sustainability themes, namely Fulfillment of Trustworthy Governance, Fulfillment of Innovative Service, Fulfillment of Healthy Workplace, Fulfillment of Green Operations, and Fulfillment of Inclusive Growth, based on three aspects of sustainable development including environment, society, and corporate governance (ESG). SinoPac Holdings has taken concrete actions by establishing a roadmap for sustainable development, along with short-term, medium-term, and long-term action plans to fulfill its corporate social responsibility.

To fulfill trustworthy governance, SinoPac Holdings is committed to establishing a corporate culture of fair, honest, and transparent management, abiding by the ethical and decent core value, and optimizing the governance mechanism. To fulfill innovative services, SinoPac Holdings assists customers in achieving sustainable management, including passing on wealth from one generation to the next generation and establishing a prosperous financial ecosystem in a more responsible and sustainable manner. To fulfill a healthy workplace, SinoPac Holdings encourages employees to be positive from the heart and motivate each other, and awards outstanding employees as the Employee of the Year in order to create a positive work culture and growing mindsets among employees. SinoPac has also established an environmental management system to mitigate environmental impacts and discuss environmental and climate issues with different stakeholders, so as to fulfill green operation within and beyond the company. Upholding the spirit of giving back to society, SinoPac Holdings has leveraged its core competence in financial industry to support local communities to fulfill inclusive growth.

In 2019, SinoPac Holdings took further action by linking the United Nations' Sustainable Development Goals (SDGs) and Taiwan's Sustainable Development Goals set by the National Sustainable Development Network with the five sustainability themes, focusing on three major sustainability commitments, namely Reduce Inequality, Mitigate and Adapt to Climate Change, and Promote Inclusive Growth, and developing concrete action plans in response to the eight SDGs, including SDG1 (No Poverty), SDG 3 (Good Health and Well-Being), SDG 4 (Quality Education), SDG 5 (Gender Equality), SDG 7 (Affordable and Clean Energy), SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production), and SDG 13 (Climate Action). SinoPac Holdings is committed to promoting sustainable and inclusive economic growth, social development, and environmental protection, so as to eliminate any form of inequality within and beyond the organization. SinoPac is doing its best to protect the basic rights and interests of every person, regardless of gender, wealth, race, so as to achieve social justice. SinoPac Holdings also strives to combat climate change, continuously reduces carbon emissions in cooperation with internal and external stakeholders, and develops eco-friendly financial products that promote energy transformation. SinoPac addresses itself to the common good and mutual benefit for the stakeholders and promotes inclusive growth through products and services, procurement, employee caring, and charities.



1.2.2 Three Sustainability Commitments and SDGs

Based on the five major sustainability themes, in 2019, SinoPac Holdings focused on three sustainability commitments (i.e. Reduce Inequality, Mitigate and Adapt to Climate Change, and Promote Inclusive Growth) and set action plans and short-term, medium-term, and long-term goals in response to the eight SDGs of the United Nations, as described below.

Reduce Inequality

All human beings are born equal. However, unequal opportunities and resource allocation remain common issues in the current society due to differences in socioeconomic background, gender, and race etc. For certain groups, inequality may lead to a relative lack of income and resources, a lack of equal opportunities in many aspects including education, employment, medical care, and political participation, and a lack of personal security. In the long run, these inequalities will become potential issues for social harmony and common prosperity.

"The social and economic consequences of inequality are profound and far-reaching: a growing sense of unfairness, precarity, perceived loss of identity and dignity, weakening social fabric, eroding trust in institutions, disenchantment with political processes, and an erosion of the social contract. The response by business and government must include a concerted effort to create new pathways to socioeconomic mobility, ensuring everyone has fair opportunities for success."

By Klaus Schwab
Founder and Executive Chairman of the World Economic Forum

Many of the United Nation's SDGs reflect inequality

SDGs
SDG 1
No Poverty

Implications Related to the Financial Sector

As mentioned in Taiwan's Sustainable Development Goals, no poverty refers to strengthening social care services and economic security for the vulnerable populations, and promoting the protection and equal opportunities for entrepreneurship, employment, financing, etc. Therefore, the Taiwan government will consider the increase in self-sufficient ratio of the economically vulnerable population, and the financing amount received by micro-businesses and the vulnerable populations with insufficient collateral as the indicators corresponding to this goal, in order to provide a suitable financial service network for the vulnerable populations and build a happy and sustainable society where no one is left out.

SDG 4
Quality Education

The core value of Taiwan's Sustainable Development Goals ensures that all citizens are able to receive fair and quality education, as well as lifelong learning opportunities, regardless of their socio-economic background, living area, gender, ethnic group. Taiwan government will also continuously implement policies related to multiculturalism, diverse development, and cultural proximity to provide students with the knowledge and skills required to promote sustainable development.

SDG 5
Gender Equality

In Taiwan, the purpose of its gender equality policy is to eliminate stereotypes towards traditional gender values and build a social environment that values gender equality. For the first time, the Taiwan government followed the international approach to reduce the difference in time spent on unpaid housework and family care between females and their spouses (including cohabitants). The government also encourages enterprises to create a diversified and friendly working environment and allow females in the management team, so as to increase the percentage of female serving as managers and corporate representatives of TWSE/TPEx listed companies.

◆ SinoPac Holdings' Commitment

In response to the SDGs of the United Nations and Taiwan, SinoPac Holdings was committed to reducing any form of inequality inside and outside the organization and spared no effort in protecting basic rights and interests, regardless of their gender, wealth, race, to ensure social justice. Inside the organization, SinoPac Holdings takes the initiative in promoting gender equality at different levels by promoting more outstanding female employees to the management team to increase the percentage of females participating in the decision-making process. Outside the organization, SinoPac Holdings proactively implements programs for improving financial literacy and financial inclusion and proposes to provide new financing tools and channels for small and medium enterprises and the vulnerable populations as it is deeply aware that the financial inclusion policy will drive productivity and alleviate poverty and uneven allocation, and of the role that smart finance can play in enhancing financial inclusion. In addition to strengthening cultural education of schoolchildren in rural areas through a series of community care activities, SinoPac Holdings enriches the mental life of the elderly while promoting cultural equality. SinoPac Holdings hopes to pursue profits and maintain equality at the same time, so as to achieve the vision of "Fulfillment of a Beautiful Life through Finance".

Action Plans and Short-term, Medium-term, and Long-term Goals

Sustainability Commitment	Action Plan	Sustainability Theme	Short-term (1 Year) Goal	Medium-term (2-3 Years) Goal	Long-term (3-5 Years) Goal
Reduce Inequality	Promote gender equality among board of directors and executives	Fulfillment of Trustworthy Governance	At least 1 female director in the Board of Directors.		
	Promote gender equality among employees	Fulfillment of Healthy Workplace	Take at least one measure to promote diversification and inclusion every year (e.g., parents-to-be guide).	Take at least two measures to promote diversification and inclusion every year.	
			The number of self-employed contracted merchants increases by 3,000 with the amount of credit card payment reaching NT\$120 million.	The number of self-employed contracted merchants increases by 20% from 2020 with the amount of credit card payment growing by 30%.	The number of self-employed contracted merchants increases by 30% compare to 2020 with the amount of credit card payment growing by 45%.
			The outstanding loans to foreign workers reach NT\$60 million.	Bank SinoPac's loan outstanding to foreign workers reach NT\$80 million.	Bank SinoPac's loan outstanding to foreign workers reach NT\$100 million.
			For merchant cards and distributor cards of the eco-financial service in wholesale markets, the number of loan applications totals 2,520 with the outstanding loans reaching NT\$82 million.	For merchant cards and distributor cards of Bank SinoPac's eco-financial services in wholesale markets, the number of loan applications totals 3,200 with the loan outstanding reaching NT\$120 million.	For merchant cards and distributor cards of Bank SinoPac's eco-financial services in wholesale markets, the number of loan applications totals 3,600 with the loan outstanding reaching NT\$150 million.
			Organize three property trust seminars to enhance the concept of trust for elderly care.	Continue to promote Trust for Elderly Care and hold 4 property trust seminars every year, so as to improve property safety and the quality of care for the elderly and the vulnerable populations.	
			Continuously promote the "Home from Above" program with an estimation of 8 elementary and junior high schools recruited and 80 schoolchildren and teachers trained in total; participate in four rounds of Song of Life and seven rounds of Your Concert to appreciate the high value of the elderly to the growth and transformation of the times with music.	Continuously promote the "Home from Above" program with an estimation of 24 elementary and junior high schools recruited and 240 schoolchildren and teachers trained in total; continuously promote the value of the elderly to social participation through Your Concert.	Continuously promote the "Home from Above" program and the care and respect for the elderly.
			Promote the idea of arts equality and increase opportunities for the vulnerable populations to have access to diverse cultures: The number of direct participants increases by 10%; the number of charity performances increases by 10%.	Add support to rural areas where cultural resources are insufficient: The number of direct participants increases by 20%; the number of charity performances increases by 20%.	Promote philanthropic activities related to culture and education to create a better cultural and artistic environment in Taiwan: The number of direct participants increases by 25%; the number of charity performances increases by 40%.

2019 Highlights

Internal Stakeholders	External Stakeholders	
Employees of SinoPac Holdings and its Subsidiaries	Customers	Communities/Non-profit Organizations (NPO)
<ul style="list-style-type: none"> ❖ Proactively created a friendly working environment that values gender equality and won the "Gender Equality Award" in the Taiwan Corporate Sustainability Awards in 2019. 	<ul style="list-style-type: none"> ❖ Provided 8,027 payroll accounts and 1,305 loan accounts for foreign workers, with the loan outstanding reaching approximately NT\$54 million. ❖ Partnered with eight wholesale markets via the Smart Wholesale Market Transaction Facilitation Platform, a 33.3% increase from 2018; provided services for 2,244 merchants, up 12% from 2018, with the amount of loan advancing to merchants increasing by 30%. ❖ Installed barrier-free facilities in all of the 751 ATMs across Taiwan. 	<ul style="list-style-type: none"> ❖ Promoted the idea of arts equality with NPOs by promoting performance art, organizing the "Home from Above" program, and holding "Your Concert and Song of Life" for the elderly to protect everyone's right to learn and enjoy art regardless of gender, wealth, race, etc.

Mitigate and Adapt to Climate Change

The Intergovernmental Panel on Climate Change (IPCC) published the Assessment Report 5 (AR5) in 2014, clearly indicating that the impact of climate change on the global continents and oceans has become increasingly significant. Climate change is emerging around the globe. The occurrence of extreme climate events and the increased unpredictability of the weather will further cause loss of life and property. In 2016, the International Monetary Fund (IMF) pointed out that global warming is directly related to economic losses. According to the latest statistics of Munich Re in 2019, the global damage caused by hurricanes, wildfires, and floods was as high as US\$150 billion, much higher than that in 10 years ago. Natural disasters directly related to climate change have been increasing recently, which will undoubtedly result in increased losses to the economy and enterprises. How to respond to climate risks, identify market demand and take steps as soon as possible, and help industries in adopting and transforming through the provision of financial services is currently the biggest challenge and opportunity for the financial sector.

" Achieving net zero emissions will require a whole economy transition – every company, every bank, every insurer and investor will have to adjust their business model. This could turn an existential risk into the greatest commercial opportunity of our time. "

By Mark Carney
Chairman of the Financial Stability Board

Many of the United Nation's SDGs reflect climate change

SDGs	Implications Related to the Financial Sector
SDG 7 Affordable and Clean Energy	<p>One of Taiwan's Sustainable Development Goals is to ensure the access to affordable, reliable, and sustainable energy. Therefore, increasing the percentage of clean fuel power generation and the capacity of renewable energy power generation facilities have become the indicators for such goal. The Taiwan government has declared that by 2025, the percentage of renewable energy-based power generation should reach 20%, while an incentive mechanism should be established with the support of ancillary measures, such as a wholesale electricity system, demonstration incentives, subsidy regulations, and green finance. Through financial services in financing and investment, corporates can invest in or build clean energy and renewable energy power generation facilities in readiness for relevant laws and regulations and the demand from the international market under this goal.</p>
SDG 13 Climate Action	<p>Climate change is one of Taiwan's systemic risks. In response to related risks, the key indicators of Taiwan's Sustainable Development Goals include climate risk inventory on which action plans are based to enhance the overall society's adaptation to climate change, setting greenhouse gas (GHG) emission targets, and promoting climate change education to change people's behavior and taking low-carbon measures. By taking multiple measures at the same time, the Taiwan government has encouraged cooperation between the public and private sector and set goals to be achieved by 2030, including the reduction of greenhouse gas emissions by 20% from the base year of 2005, full-scale electrification of corporate vehicles and urban buses, the increase in the proportion of renewable energy motorcycles over new cars sold to 35%, and the establishment of four low-carbon life circles in North, Central, South, and East Taiwan.</p>

❖ SinoPac Holdings' Commitment

In response to the government policies, SinoPac Holdings has undertaken to pay attention to the impact of climate change, implement environmental sustainability and supply chain management, promote resource recycling, and spare no effort in mitigating and adapting to climate change in cooperation with internal and external stakeholders. Internally, SinoPac Holdings has taken concrete measures for energy conservation and carbon reduction such as introducing GHG

inventory and expanding its scope to mitigate the impact brought by climate change. It has also integrated climate risks into the risk management system to gain an understanding on the risks and opportunities arising from climate change. Seminars and training courses are also organized to increase the employees' awareness on climate change. Externally, SinoPac Holdings strives to leverage on its core operation in the financial sector to implement responsible lending and investment policies and incorporate ESG standards into the evaluation process. It has also been proactively developing eco-friendly financial products to raise the climate awareness of the customers and public and to promote energy transformation while seeking carbon-free business opportunities for customers and investors.

Action Plans and Short-term, Medium-term, and Long-term Goals

Sustainability Commitment	Action Plan	Sustainability Theme	Short-term (1 Year) Goal	Medium-term (2-3 Years) Goal	Long-term (3-5 Years) Goal
	Introduce and continuously enhance climate risk management	Fulfillment of Trustworthy Governance	Establish an emerging risk identification mechanism; introduce Task Force on Climate-related Financial Disclosures (TCFD) to identify climate related risks and its financial impact.	Regularly review all kinds of risks and make adjustments as necessary; conduct scenario analysis and financial quantitative calculation for two physical risks under climate risks.	Conduct the scenario analysis and financial quantitative disclosures of two transition climate risks.
	Raise climate awareness - employees	Fulfillment of Healthy Workplace	Formulate the Code of Environmental Protection and Energy Conservation in Office for all employees to observe.	100% of the employees sign the Code of Environmental Protection and Energy Conservation in Office.	
			Organize at least one training course every year to raise employees' climate awareness, with a participation rate of 10%.	Organize at least two training courses every year to raise employees' climate awareness, with a participation rate of 20%.	Organize at least two training courses every year to raise employees' climate awareness, with a participation rate of 30%.
			Publish at least two articles every year to raise employees' climate awareness.		
	Mitigate and Adapt to Climate Change	Support the development of the renewable energy industry	SinoPac Venture Capital makes at least two green investments of no less than NT\$50 million.	SinoPac Venture Capital mainly invests in the domestic renewable energy industry, with the new investment amount no less than 10% of the total new investment amount in the year.	SinoPac Venture Capital's investment targets expand to overseas green industry and those with overseas development potential.
		Fulfillment of Innovative Service	SinoPac Leasing continues to develop the financing business for the establishment of Solar Power Plant, partnering with an accumulated 200 power plants and financed NT\$100 million for the storage and generation facilities.	SinoPac Leasing continues to develop the equipment financing business for "solar power plants" during the construction period, and expects to cooperate with 350 power plants, and finance NT\$300 million for energy storage and generation facilities.	SinoPac Leasing continues to develop the equipment financing business for "solar power plants" during the construction period, and expects to cooperate with 500 power plants, and finance NT\$500 million for energy storage and generation facilities.
			Bank SinoPac continues to increase the loans to renewable energy projects with loan outstanding amount to NT\$34.3 billion.	Bank SinoPac continues to increase the loans to renewable energy projects with loan outstanding amount to NT\$50 billion.	Bank SinoPac continues to increase the loans to renewable energy projects, assisting the government in achieving the target of generating 20% of electricity through renewable energy by 2025.
			Incorporate climate change-related issues into the voting policy of the Stewardship Principles for Institutional Investors and pay continuous attention and provide disclosures with regard to such issues.		
		Raise climate awareness - customers	Continuously organize climate-related seminars every year to raise the climate awareness of customers and other financial institutions.		
			Bank SinoPac observes the Equator Principles (EP4) and incorporates the climate risk assessment into the lending evaluation process.	Bank SinoPac establishes an ESG database/dashboard in cooperation with independent credit rating agencies.	Bank SinoPac develops the ESG Index/Score (to include TCFD in model variables) and implements a green credit model.

Sustainability Commitment	Action Plan	Sustainability Theme	Short-term (1 Year) Goal	Medium-term (2-3 Years) Goal	Long-term (3-5 Years) Goal
Mitigate and Adapt to Climate Change	Promote climate change mitigation actions	Fulfillment of Green Operations	Continuously conduct GHG inventory, increase the coverage of ISO14064-1 certification to 60%, and continuously expand the coverage of ISO 50001 certification.	Continuously conduct GHG inventory, increase the coverage of ISO 14064-1 certification to 80%, and increase the coverage of ISO 50001 certification to 30%.	Increase the coverage of ISO 14064-1 certification to 100% and increase the coverage of ISO 50001 certification to 40%.
			Reduce power usage and carbon emission by 2% as compared to 2018.	Reduce power usage and carbon emission by 4% as compared to 2018.	Reduce power usage and carbon emission by 7% as compared to 2018.
			Check two items of Scope 3 GHG inventory and complete third-party verification.	Check three items of Scope 3 GHG inventory and complete third-party verification.	Check four items of Scope 3 GHG inventory and complete third-party verification.
			Track the development of SBTi methodology for the financial sector and complete the Carbon Disclosure Project (CDP) questionnaire for the first time.	Deliberate whether to make a SBTi commitment and rated as grade B in the management category by the CDP.	Complete the SBTi application and internal carbon pricing evaluation and rated as grade A in the leadership category by the CDP.
	Raise climate awareness - the public	Fulfillment of Inclusive Growth	Promote the "SinoPac Life" initiative to take green actions in daily life, increase knowledge and awareness in relation to environmental protection through education and promotional materials, and demonstrate the results of green actions on the "SinoPac Life" website, the internal employees participation rate is expected to increase to 50%.	Extend the "SinoPac Life" initiative to customers by employees at operating branches to encourage customers to live a more eco-friendly lifestyle.	Raise the public's climate and environmental awareness and internalize it into the attitude of "SinoPac Life" and accumulate past achievements in order to affect the public at large.

Promote Inclusive Growth

For half a century, the uneven allocation of income has been gradually deteriorating in many countries. Especially after the outbreak of the global financial crisis in 2008, the world economy and industrial structure have changed. Countries around the world gradually recognized potential impacts the uneven allocation of income and the deteriorated working environment could have on economic growth. As a result, they have devised an inclusive growth policy and measures to maintain sustainable economic growth. The financial sector is considered a key force behind the industrial and economic transformations. As its assets and resources are mainly built on the trust and support of the public, it is expected to implement financial inclusion, make proper use of social resources, and exert its influence effectively so as to provide opportunities for the vulnerable populations in turning things around in terms of education, health, and social welfare, sharing its growth with the society.

Many of the United Nation's SDGs encourage enterprises to promote inclusive growth

SDGs	Implications Related to the Financial Sector
SDG 3 Good Health and Well-being	In response to the spirit of SDG 3 that ensures and promotes a healthy lifestyle and well being at all ages, Taiwan's Sustainable Development Goals focus on encouraging enterprises to improve the working conditions of all employees in the value chain and to design a comprehensive health and well-being solution, so as to enhance the working environment of all employees in the value chain, improve the employees' physical and mental health, and reduce potential occupational disasters.
SDG 8 Decent Work and Economic Growth	In terms of fostering employment and economic growth, save from increasing workplace safety, protecting female workers' right, and joining labor unions as key indicators, Taiwan's Sustainable Development Goals also emphasize that enterprises should support the school-to-work transition or organize on-the-job training to strengthen the employability of students and the vulnerable populations. In addition, the government continuously encourages the financial sector to lower the minimum requirements for micro-business loans, allowing medium and small sized enterprises and micro business to engage in the green economy and innovative developments through credit guarantees or financing assistance.
SDG 12 Responsible Consumption and Production	In response to the international trends in the green economy, sustainable production and consumption, the Taiwan government has been increasing the amount of green procurement by the public and private sectors and requires enterprises to disclose information on their sustainable development, so as to further facilitate the management and improvement of supply-chain sustainability. In addition, the number of cases in relation to sustainable consumption and production are set as the key indicator of Taiwan's Sustainable Development Goals, hoping that enterprises can fulfill their responsibilities as customers and producers.

2019 Highlights

Internal Stakeholders		
Employees of SinoPac Holdings and its Subsidiaries		
<ul style="list-style-type: none"> ❖ Zhonglun Building renewed the ISO 14001:2015 certification to maintain the effectiveness of its environmental management system. ❖ The coverage of third-party verification of ISO14064-1:2018 GHG inventory increased from 16.2% to 40.3%. ❖ The coverage of third-party verification of ISO50001: 2018 energy management system reached 16.2%. ❖ Organized a series of environmental education seminars and 20 training courses for 1,300 employees in total to raise the employees' climate awareness, with topics covering climate change, responsible investment, SDGs, Carbon Disclosure Project (CDP), GHG, energy management, and supply-chain sustainability. 		
External Stakeholders		
Customers	Communities/Non-profit Organizations (NPO)	
<ul style="list-style-type: none"> ❖ SinoPac Holdings formulated the Directions for Responsible Investment. ❖ Bank SinoPac officially signed the Equator Principles. ❖ Bank SinoPac assisted corporates to build 3,440 domestic power plants in establishing a total installed capacity of 993.7MW, equivalent to the electricity consumed by approximately 310,000 households per year. The total installed capacity of photovoltaic devices recorded a year-on-year increase of 62%, accounting for approximately 25% of the market share. As of the end of 2019, the loan outstanding amount to solar power generation facilities totaled NT\$24.445 billion. ❖ SinoPac Leasing worked with city (county) governments in Kinmen, Matsu, Chiayi County, Yilan County, Hualien County, etc. to support the development of electric vehicle-related equipment manufacturers and service providers by providing installment payment services. ❖ SinoPac Venture Capital invested in eight renewable energy ventures, accounting for 19.07% of its total investment in 2019, with the balance of investment growing by 19.45% from 2018. ❖ Organized ESG forums, featuring topics like financial risks resulting from climate change and responsible investment, with a total of more than 410 participants. 	<ul style="list-style-type: none"> ❖ SinoPac Holdings and its subsidiaries and the Formosa County Beauty Association worked together to call on employees and their family members, the public, and netizens to take part in six coastal cleanup activities. A total of 275 bags of garbage, waste, oversized tires and fishing nets were cleaned. ❖ In response to the Earth Day - A Million Acts of Green program organized by the Taiwan Environmental Information Association, SinoPac Holdings has taken concrete actions to save the Earth by reducing carbon emissions and protecting the ecosystem. ❖ Since 2019, the 17th of each month was considered as "SinoPac Earth Day", all employees are encouraged to contribute to save the planet by taking green actions in daily lives. 	

♦ SinoPac Holdings' Commitment

The common wealth and mutual benefit of the stakeholders have been the first priority of SinoPac Holdings, which has been promoting inclusive growth by organizing products and services, procurement, employees care and philanthropic activities. Inside the organization, SinoPac Holdings attaches importance to the career development, compensation and welfare of all employees, designs a comprehensive health and well-being solution, and creates a friendly working environment in response to the SDGs and Taiwan's Sustainable Development Goals. In addition, it sets up the supplier standards in place to improve suppliers' working conditions, and promotes sustainable consumption and production through sustainable supply chain management in hopes of achieving strong partnership for common prosperity. Upholding the spirit of taking from society and giving back to society, SinoPac Holdings takes concrete actions to promote employment of the vulnerable populations and to implement social welfare programs. It also supports art and cultural activities in local communities as a responsible corporate citizen with an aim of achieving social prosperity.

Action Plans and Short-term, Medium-term, and Long-term Goals

Sustainability Commitment	Action Plan	Sustainability Theme	Short-term (1 Year) Goal	Medium-term (2-3 Years) Goal	Long-term (3-5 Years) Goal
Promote Inclusive Growth	Value employees' rights and interests and improve employees' psychological well-being	Fulfillment of Healthy Workplace	Introduce ISO 45001 covering at least 10% of the scope.	Increase the ISO45001 coverage to 60%.	The ISO 45001 coverage reaches 100%.
			Optimize the due diligence mechanism in relation to human rights.	Strengthen mitigative and remedial measures for human rights risks.	Continuously strengthen mitigative and remedial measures for human rights risks.
			Organize at least two activities every year to improve employee care and well-being, with an employee satisfaction exceeding 4 points (out of 5 points).	Organize at least two activities every year to improve employee care and well-being, with an employee participation rate exceeding 20%.	Organize at least two activities every year to improve employee care and well-being, with an employee participation rate exceeding 20%, and make improvements to the activities with reference to the employee satisfaction.
			Improve employee benefits and deliberate on implementing at least two benefits that are better than the legal requirements (e.g., marriage leave and paternity leave).	Review the efficiency of the measures that are better than legal requirements in the first phase and evaluate the benefits requiring improvement or extension in the second phase.	Review the effect of benefits that are better than legal requirements in the second phase and evaluate the benefits requiring improvement or extension.
	Support the development of small and medium enterprises (SMEs)	Fulfillment of Innovative Service	Bank SinoPac's loans to SMEs increase by 8% annually, with the loan outstanding reaching NT\$202 billion.	Bank SinoPac's loans to SMEs increase by 5%~8% annually.	
			The number of transactions by domestic customers through Fun Biz, Bank SinoPac's digital payment platform for SMEs, grows by 58% from 2018.	The number of transactions by domestic customers through Fun Biz, Bank SinoPac's digital payment platform for SMEs, grows by 63% from 2018.	The number of transactions by domestic customers through Fun Biz, Bank SinoPac's digital payment platform for SMEs, grows by 68% from 2018.
	Enhance sustainable supply chain management	Fulfillment of Green Operations	More than 80% of the suppliers sign the Suppliers' Sustainability Commitment.	More than 90% of the suppliers sign the Suppliers' Sustainability Commitment.	100% of the suppliers sign the Suppliers' Sustainability Commitment.
			Complete supplier database.	Set clear ESG standards and provide ESG training for high-risk suppliers (3 to 5 suppliers, tentatively).	Encourage suppliers to set carbon reduction targets and at least 20% of the suppliers in carbon-intensive industries to set carbon reduction targets.
	Promote green procurement and responsible consumption and production pattern		Increase the green procurement ratio by 1% from the base year (2019.)	Increase the green procurement ratio by 3% from the base year (2019).	Increase the green procurement ratio by 5% from the base year (2019).
			The utilization rate of green building materials for renovation exceeds 45%.	The utilization rate of green building materials for renovation exceeds 60%.	
	Support NPOs/ social enterprises and the employment of the vulnerable populations	Fulfillment of Inclusive Growth	Continuously work with the Sunshine Social Welfare Foundation to promote the idea of slowing down the body's aging process through muscle-strengthening exercise and increase popularization and participation by demo videos.	Extend the care for the elderly from customers to the public, and expand exposure through the mass media.	Pay attention to the health issues of the vulnerable populations and the elderly.

Sustainability Commitment	Action Plan	Sustainability Theme	Short-term (1 Year) Goal	Medium-term (2-3 Years) Goal	Long-term (3-5 Years) Goal
	Promote Inclusive Growth	Support NPOs/ social enterprises and the employment of the vulnerable populations	Fulfillment of Inclusive Growth	Recognize the social value of the vulnerable populations through meal subscription programs and joint promotional events. Increase a regular meal subscription scheme for employees and increase the participating rate of customers by 10% and expand the number of participating customers.	Recognize the social value of the vulnerable populations through meal subscription programs and joint promotional events. Promote a regular meal subscription scheme for employees and increase the participating rate of customers by 5%. Deliberate on adding sheltered workshops/NPOs to work with and increase the participating rate of customers to 10%.

2019 Highlights

Internal Stakeholders	External Stakeholders	
Employees of SinoPac Holdings and its Subsidiaries	Customers	Suppliers
<ul style="list-style-type: none"> ✧ Organized the 2nd Employee of the Year event to commend the employees for their constant efforts in providing the best service with creativity and passion and creating a positive atmosphere. ✧ Conducted survey of human rights risk identification and assessment to identify material human right issues and develop mitigative and remedial measures accordingly. ✧ Launched SinoPac Newsletter, an internal publication aimed at spreading warmth within the organization, publicizing internal activities, praising outstanding employees, and sharing employees' work and life etc. Six newsletters were published in 2019. ✧ SinoPac Holdings and the Corporate Union signed the collective agreement; Bank SinoPac and SinoPac Securities held a total of eight labor-management meetings with the labor unions. 	<ul style="list-style-type: none"> ✧ Bank SinoPac's SME loan outstanding exceeded NT\$180 billion. ✧ The amount and number of transactions by domestic customers through Fun Biz, Bank SinoPac's digital payment platform for SMEs, grew by 66% and 55% respectively from 2018. ✧ Conducted suppliers' ESG self-evaluation survey and the on-site audit for 10 suppliers. Organized the 1st Supplier Conference and negotiated with four key suppliers. 	<ul style="list-style-type: none"> ✧ Developed a supply chain risk map, amended the supplier and procurement management rules by adding ESG clauses, and improved the supply chain management policy. ✧ Worked with the Children Are Us Foundation to initiate the meal box project, where employees, their family members and customers donated more than NT\$3 million, which was equivalent to 20,000 donation meal that could feed the children in need.

1.2.3 Performance of Five Sustainability Themes**Sustainability Performance in 2019**

Every year SinoPac Holdings reviews material issues with impact on the business operations and their performance and improve the sustainable development strategies and goals accordingly. By integrating corporate social responsibility into business strategies, SinoPac Holdings focuses its resources on material issues that can create sustainable value and future competitiveness. Following the five sustainability themes, each team under the Sustainable Development Committee develops responsive action plans and implements them accordingly. A number of significant goals were achieved in 2019. SinoPac Holdings incorporated the four principles of the GRI Standards and material issues identified in the international sustainable development trends (please refer to the "Procedures for Identifying Material Issues" as attached for the method and process of identification and materiality matrix) into the evaluation of sustainability performance in 2019 to evaluate whether the action plans and their performance responded to the needs of the internal and external stakeholders. Each year, the Sustainable Development Committee and its teams also review and adjust the action plans and short-term, medium-term, and long-term goals based on the identified material issues.

Five Sustainability Themes and Sustainability Performance in 2019

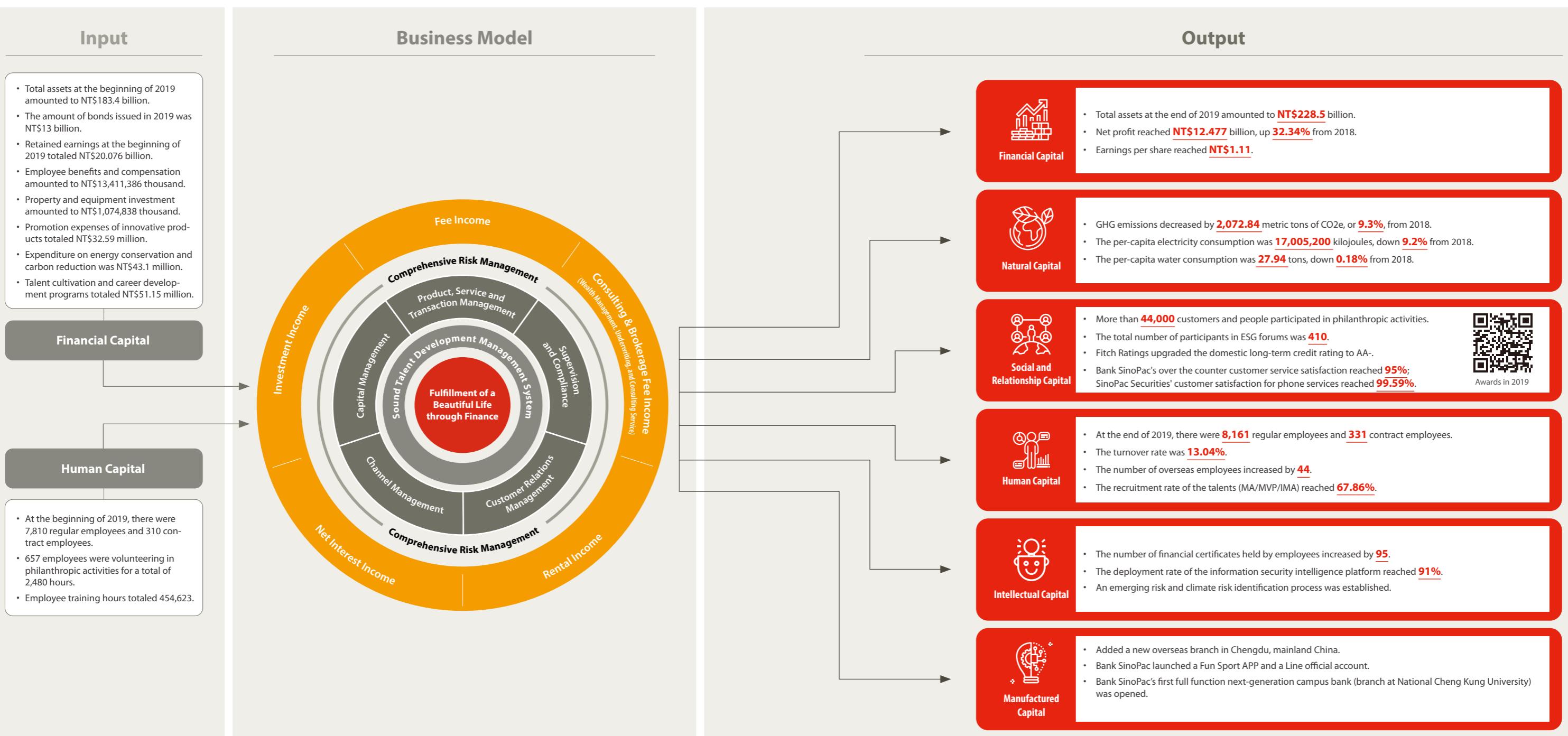
Five Sustainability Themes	Stakeholders' Concerns	Sustainability Performance in 2019
		Sustainability Performance in 2019
Fulfillment of Trustworthy Governance	Corporate Governance and Integrity Management	<ul style="list-style-type: none"> ✓ Selected as a constituent of the TWSE Corporate Governance 100 Index. ✓ Ranked top 5% of the TWSE listed companies in the 6th Corporate Governance Evaluation in 2019. ✓ Conducted online training on the Guidelines for Ethical Corporate Management and the Procedures for Ethical Management and Guidelines for Conduct for all employees. ✓ All Board Directors of SinoPac Holdings have signed the statement of ethical corporate management policy.
	Compliance and Money Laundering Prevention	<ul style="list-style-type: none"> ✓ Bank SinoPac was selected as an evaluation member for the mutual evaluation among other countries in the Asia/Pacific Group on Money Laundering (APG). Taiwan was finally awarded to the best "General Tracking" by the APG. ✓ Since 2019, SinoPac Holdings has been conducting the theme-based legal compliance evaluation to gain an understanding on the legal compliance of its departments and subsidiaries, so as to review the effectiveness of the management mechanisms and provide recommendations for improvement. In 2019, the scope of evaluation covered related party transactions, sharing of information on anti-money laundering and countering the financing of terrorism, and cross-selling.
	Risk Management and Internal Control System	<ul style="list-style-type: none"> ✓ To implement the roadmap for sustainable development and strengthen the ESG risk management mechanism, SinoPac Holdings incorporated emerging risks and climate risks into the overall risk management framework. It also formulated the Directions for Emerging Risk Management as a basis for identifying, measuring, monitoring, and reporting emerging risks and taking relevant countermeasures, to optimize the risk management mechanism (including climate strategies). ✓ Bank SinoPac established a risk detection mechanism and applied for the adoption of a risk-based internal audit system, which was approved by the Financial Supervisory Commission before the deadline given by the competent authority. ✓ Following Bank SinoPac, SinoPac Securities, SinoPac Securities Investment Trust, and SinoPac Leasing have introduced the operational risk self-evaluation mechanism to strengthen the identification and assessment of operational risks.
	Information Security	<ul style="list-style-type: none"> ✓ Bank SinoPac has developed an anti-virus program for customers' payroll account data and made information security training materials of the National Center for Cyber Security Technology, Executive Yuan available for all employees. ✓ All SinoPac Holdings' subsidiaries signed the Customer Information Security Confidentiality Agreement to increase the non-disclosure awareness of the AML/CFT list. ✓ To prevent email-based social engineering attacks, in addition to education and training, various phishing e-mails were specially designed to test employees comprehensively to enhance users' security awareness. ✓ The deployment rate of the information security intelligence platform reached 91%. ✓ Zero information security incident.
	Business Performance	<ul style="list-style-type: none"> ✓ In 2019, SinoPac Holdings recorded a consolidated net profit of NT\$12.477 billion, a significant increase of 32.34% from the previous year. As of 2019, consolidated assets reached a record high at NT\$1.83 trillion, with an annual growth of 14.22%. ✓ SinoPac Securities won the Best Wealth Management in Securities, Best Wealth Value Added in Securities, and Best Sales Team in Securities in the 2019 Wealth Management Awards by Wealth Magazine, as well as the first place in the Best ESG Award as part of the Wealth Management Banks and Securities Firms Evaluation conducted by Business Today.
	Climate Strategy	<ul style="list-style-type: none"> ✓ Incorporated climate risks into the overall risk management framework and established a risk identification process.
Fulfillment of Inclusive Growth	Climate Strategy	<ul style="list-style-type: none"> ✓ Organized the "SinoPac Life - A Million Acts of Green" program, which attracted more than 20,000 participants, taking more than 250 thousand green actions altogether. ✓ Worked with the Formosa County Beauty Association to call on employees and their family members, the public, and netizens to take part in six coastal cleanup activities. A total of 275 bags of garbage, waste, oversized tires and fishing nets were cleaned. ✓ Bank SinoPac and SinoPac Securities held customer care events in relation to environmental sustainability and local caring at their branch outlets. In 2019, Bank SinoPac and SinoPac Securities held 18 and 9 customer care events, respectively.
	Social Welfare and Local Caring	<ul style="list-style-type: none"> ✓ In 2019, Bank SinoPac once again worked with Hsieh Ming-Yu, the Golden Melody Award winner, and local volunteers to hold a total of seven charity concerts, with more than 1,700 participants accompanying the elderly to relive their youth and witnessed their contribution and value to community revitalization. ✓ SinoPac Holdings worked with the Children Are Us Foundation to initiate the meal box subscription program, where employees voluntarily donated more than NT\$3 million, which was equivalent to 20,000 meal boxes that could feed the children in need. This program empowered children with intellectual and developmental disorders to work while providing care for children in rural areas. ✓ Having long supported the concept of arts equality, Bank SinoPac has sponsored Taipei Children's Arts Festival for 12 consecutive years. For the first time, it sponsored five rounds of the Collaboration between Arts and Other Sectors - Outreach Aesthetic Education Project organized by the National Kaohsiung Center for the Art in 2019, attracting nearly 4,600 participants.

Five Sustainability Themes	Stakeholders' Concerns	Sustainability Performance in 2019
		Sustainability Performance in 2019
Fulfillment of Innovative Services	Digital Financial Innovation	<ul style="list-style-type: none"> ✓ Bank SinoPac was awarded the Best Digital Payment Experience of the Year, the Most Innovative ATM Project of the Year, and the Most Innovative Corporate Payment Project of the Year in The Asset Magazine's Triple A Digital Awards. ✓ SinoPac Securities received the Innovative Design of the Year at the 15th Golden Torch Awards, the Top 10 Outstanding Commodities Award at the 19th Golden Peak Awards, and the Best Digital Financial Services Award in the 2019 Securities Company Evaluation organized by Excellence Magazine for its innovative digital financial services. ✓ Bank SinoPac launched iBrAin, an online smart wealth management tool featuring algorithms and big data technology, with assets under management of NT\$75 million at 2019 year-end. ✓ Bank SinoPac launched DAWHO, a digital bank account with 224,519 account holders as of the end of 2019, while SinoPac Securities launched a digital securities trading account, DAWHO TOU which integrated DAWHO of Bank SinoPac and securities trading account of SinoPac Securities.
	Financial Inclusion	<ul style="list-style-type: none"> ✓ The Smart Wholesale Market Transaction Facilitation Platform was awarded the 2019 ESG Corporate Awards "Highly Recommended Initiative in Social Responsibility" by The Asset and won "The 3rd PWC CSR Impact Awards – Gold prize". It was further applied to the New Taipei Meat Market and Taipei Flowers Auction Co., Ltd. in addition to the vegetable and fruits wholesale markets. ✓ NT\$104 million of loans were appropriated to 1,305 foreign workers, with the loan outstanding reaching NT\$54 million as of the end of 2019.
	Responsible Finance	<ul style="list-style-type: none"> ✓ Formulated the Responsible Investment Guidelines and the Responsible Lending Guidelines to implement responsible finance. ✓ Bank SinoPac officially became a signatory of the Equator Principles in 2020, making it the sixth Equator bank in Taiwan. ✓ Bank SinoPac was awarded the Best Financial Service Provider under the Top Solar System Awards by the Energy Bureau, Ministry of Economic Affairs for four consecutive years. It assisted corporates to build 3,440 domestic power plants in establishing a total installed capacity of 993.7MW, with approximately 25% market share. ✓ SinoPac Venture Capital invested NT\$390 million in renewable energy companies, accounting for 19.07% of its total investment in 2019. ✓ Bank SinoPac won the Best Green Finance Award in the Excellent Bank Ratings 2019 by Excellence Magazine. ✓ SinoPac Securities won the Outstanding Green Investment Award in the 15th Golden Goblet Awards for its remarkable achievements in the underwriting of green bonds.
	Customer Relations Management	<ul style="list-style-type: none"> ✓ Bank SinoPac's customer satisfaction reached 95%. ✓ The satisfaction of SinoPac Securities' call center services reached 99.6%.
	Talent Development and Retention	<ul style="list-style-type: none"> ✓ More than 282 students participated in the internship program, and 170 of them participated in the practice internship. ✓ The recruitment rate of the elite (MA/IMA/MVP) training program reached 67.86%. ✓ The number of participants in internal seminars was 7,110, with the satisfaction rate averaging 4.51 points (out of 5 points). ✓ The employee training courses totaled 454,623 hours in 2019, with the average training hours per employee reaching 55.71.
	Labor-Management Relations and Communications	<ul style="list-style-type: none"> ✓ SinoPac Holdings and the Corporate Union signed the collective agreement. Bank SinoPac and SinoPac Securities held a total of eight labor-management meetings with the labor unions. ✓ Organized the 2nd Employee of the Year campaign to commend a total of 19 employees for setting an example to other employees and creating a positive atmosphere within the organization. ✓ The employee survey indicated a 71.4% satisfaction rate with the organization atmosphere, an increase of 13.33% from 2016. ✓ Published six issues of SinoPac Newsletter in 2019.
Fulfillment of Healthy Workplace	Employee Compensation and Welfare	<ul style="list-style-type: none"> ✓ SinoPac Holdings has been selected as one of the constituents of the Taiwan High Compensation 100 Index for five consecutive years since 2014. ✓ The average salary of entry-level employees was 153% of the statutory minimum wage. ✓ Provided a more comprehensive health examination program for all employees, regardless of age and gender, by adding "thyroid function screening", "cancer screening", and "ECG examination" in 2019. ✓ Bank SinoPac allowed employees to apply for shortened working hours to reduce leave without pay or resignation for personal reasons, so as to attract and retain talent. The duration is up to two years and can be extended to three years for special reasons.
	Human Rights and Diverse and Healthy Workplace	<ul style="list-style-type: none"> ✓ The human rights policy in both Chinese and English was disclosed on the official website of SinoPac Holdings. ✓ Conducted the survey of human rights risk identification and assessment to identify material human right issues and develop mitigative and remedial measures accordingly. ✓ SinoPac Securities was awarded Taiwan iSports Certification from the Ministry of Education. ✓ Bank SinoPac was awarded the Workplace Health Activation Certification from the Ministry of Health and Welfare.
	Fulfillment of Green Operations	<ul style="list-style-type: none"> ✓ Developed a supply chain risk map, amended the supplier and procurement management rules by adding provisions in relation to ESG, and perfected the supply chain management policy. ✓ Conducted the 1st supplier sustainability audit; organized the 1st Supplier Conference in December and negotiated with four key suppliers.

Five Sustainability Themes	Stakeholders' Concerns	Sustainability Performance in 2019
Fulfillment of Green Operations	Green Operations	<ul style="list-style-type: none"> ✓ The coverage of third-party verification of ISO14064-1:2018 GHG inventory increased from 16.2% to 40.3%. ✓ The coverage of third-party verification of ISO50001 : 2018 energy management system reached 16.2%. ✓ GHG emissions decreased by 2,072.84 metric tons of CO₂e, or 9.3%, from 2018. ✓ Per-capita electricity consumption was 17.01 GJ, a 9.2% decrease from 2018. ✓ Reduced carbon emissions by 731.53 metric tons through paperless initiatives.

1.2.4 Performance of Six Capitals

"Fulfillment of a beautiful life through finance" is the core of SinoPac Holdings' business strategy. SinoPac Holdings views every employee within the group as its most valuable asset. Therefore, the Company has created a people-oriented corporate culture and committed to establish a sound talent management system and a friendly working environment so that all employees across the group can work together to engage in key business activities. In addition, SinoPac Holdings has a comprehensive risk management database in place to protect the interests of all stakeholders and to effectively reduce business and operational risks resulting from an ever-changing environment, ensuring a sustainable profit model of SinoPac Holdings and its subsidiaries.



1.2.5 Sustainability Initiative

SinoPac Holdings and its subsidiaries actively participate in the association of related industries to understand the development and dynamics of financial industry, as well as laws and regulations, in order to adapt to the current situation and respond to various initiatives, and at the same time gain insight into the development trends of the industry and enhance its competitiveness. The amount donated to political organizations, candidates or other interest groups in the past 4 years has been zero. In 2019, total amount devoted to public associations engaging in supporting or participating in financial industry initiatives was about NT\$5.82 million, of which the top three public associations that SinoPac Holdings contributed the most were The Bankers Association of the Republic of China (NT\$2,161,250), The Trust Association of the Republic of China (NT\$1,594,536) and Securities Investment Trust and Consulting Association of the Republic of China (NT\$420,000).

SinoPac Holdings promotes the sustainable development of the financial industry through the initiatives of public associations, pays attention to the latest international financial trends and changes in government laws and regulations, and communicates with other peers. Through communication and cooperation, it aims to promote a stable development in financial businesses and work together to assist the government with its implementation of various financial policies.

2016-2019 Contributions and Other Spending				
	in NT\$			
	2016	2017	2018	2019
Lobbying, interest representation or similar	0	0	0	0
Political campaigns / organizations /candidates	0	0	0	0
Trade associations or tax-exempt groups	6,254,021	5,154,116	5,488,947	5,816,383
Other (e.g. spending related to ballot measures or referendums)	0	0	0	0
Total	6,254,021	5,154,116	5,488,947	5,816,383
Coverage % (note)	100%	100%	100%	100%

Note: Figures in the table are the total amount that SinoPac Holdings and its 5 subsidiaries (same as the boundary of the report for disclosure of ESG information) contributed to the organizations whose primary role is to create or influence public policy. Therefore, the data coverage is 100%.

Public Organizations Participation in 2019

Theme of topic	Issue or topic	Name of associations /organizations	Description of position /engagement	Total amount paid in 2019 (NTD)
Business development in banking industry	SinoPac Holdings has been focusing on various business and product developments in banking industry such as retail banking, wealth management, digital payment, and credit card, as well as management mechanisms related to internal control. By participating in the bankers association, the Company can keep abreast of relevant laws and business development, communicate with peers, and make suggestions in a timely manner to grasp business opportunities.	The Bankers Association of the R.O.C.	Serves as the director of the Bankers Association and participates in 15 business committees of the Bankers Association; appoints employees at managerial levels to serve as members of each business committee and make suggestions for the development of related businesses.	2,161,250
Research on the development of new forms of trust products	In response to issues related to aging society and consumer protection, it is needed to pay attention to the product development such as Trust for Elderly Care and Trust for Advance Receipt. By participating in the Trust Association, SinoPac Holdings can keep abreast of relevant laws and business development, communicate with peers, and make suggestions in a timely manner to grasp business opportunities.	Trust Association of the R.O.C	Serves as a member of the Business Development Committee of the Trust Association, participates in the discussion of various issues of the Committee, and appoints employees to participate in the trust association's various group meetings, such as legal affairs and discipline group, trust of money and securities business group etc; also advise or participate in research projects, which has a positive effect on the promotion of the trust business.	1,594,536

Fulfillment of Trustworthy Governance

Sustainability Commitment	Corresponding SDG	Action Plan(s)	2025 Goal(s)
Reduce Inequality	SDG 5 Gender Equality	Promote gender equality (board of directors and executives)	At least 1 female director in the Board of Directors
Mitigate and Adapt to Climate Change	SDG 13 Climate Action	Adopt and continue to intensify climate risk management	Conduct scenario analysis and financial quantitative disclosures of 2 transition climate risks

Six Capitals		
Input	Strategy	Output
Financial Capital <ul style="list-style-type: none">Invested NT\$660 thousand in training for obtaining professional information security licenses.Invested NT\$41.366 million in the development of the integrated information security system.Invested NT\$9.038 million in the development of the information security intelligence platform.Invested NT\$6.62 million in the improvement of corporate governance.	Strengthen corporate governance and performance in related evaluations Continue to improve corporate governance policies and take part in corporate governance evaluations and related awards. Intensify integrity management Convene regular meetings of the Ethical Corporate Management Committee, pay attention to international ethical management trends, optimize related regulations for ethical management, continue to promote ethical management ideals, and organize related training programs. Strengthen information security Establish on-site information security monitoring and related analysis mechanisms, evaluate and adopt assessment mechanisms, organize related training programs, and refine contingency measures. Optimize risk management mechanisms Strengthen risk identification and assessment and ESG risk management mechanisms. Increase the transparency of information disclosure Optimize the official website, regularly review the appropriateness of information disclosure, and continue to optimize information disclosure in the corporate governance section.	Intellectual Capital <ul style="list-style-type: none">91% deployment rate of the information security intelligence platform.Establish procedures for the identification of emerging risks and climate risks. Social and Relationship Capital <ul style="list-style-type: none">100% of Directors signed the compliance statements for the Ethical Corporate Management Policy.Ranked in the top 5% of all TWSE-listed companies in the 6th Corporate Governance Evaluation in 2019.All employees completed the training for internal regulations such as the "Guidelines for Ethical Corporate Management" and "Procedures for Ethical Management and Guidelines for Conduct".Zero information security incidents.

2.1 Corporate Governance

Summary of the Results in the 2019 Sustainable Development Plan

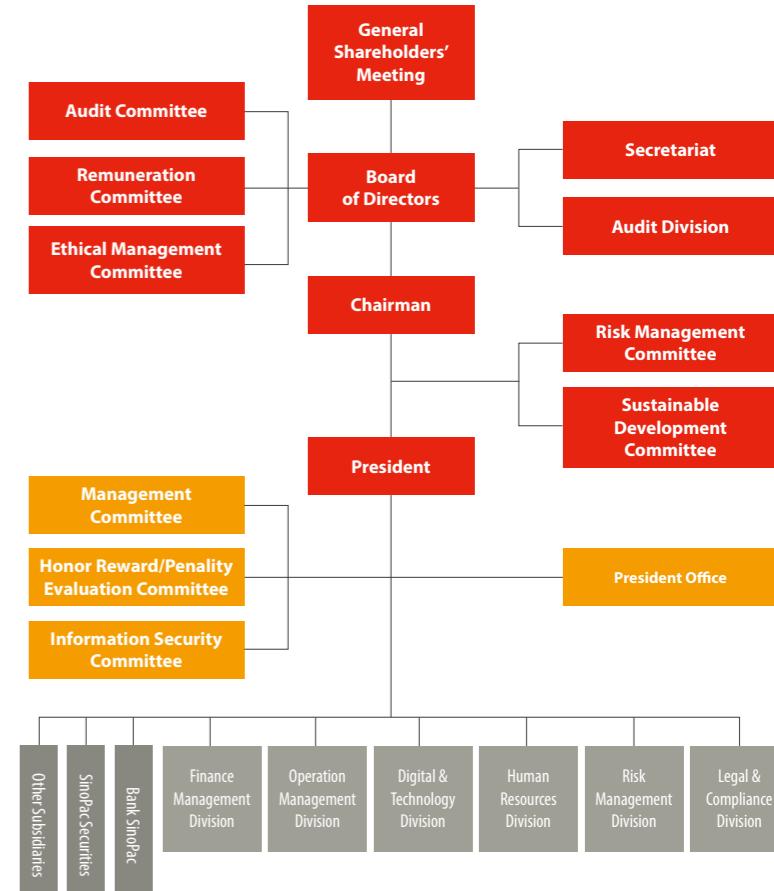
Strategy	2019 Objectives	Implementation Status in 2019	2019 Achievements	2020 Objectives
Strengthen corporate governance and performance in related evaluations	<ul style="list-style-type: none"> Take part in the Corporate Governance Evaluation of Taiwan Stock Exchange. Take part in related corporate governance awards. Appoint Taiwan Corporate Governance Association to provide review and assistance on the corporate governance system. Convene meetings of the Ethical Corporate Management Committee. Complete follow up on the corporate governance review and improvement project. 	Completed	<ul style="list-style-type: none"> Completed the 5th Corporate Governance Evaluation of the Taiwan Stock Exchange in 2018 and conducted the self-evaluation for the 6th Corporate Governance Evaluation in 2019. SinoPac Holdings, Bank SinoPac, and SinoPac Securities received 12 corporate governance awards presented by four associations in 2019, including 6 awards from the Taiwan Corporate Sustainability Awards, Social Empowerment Award, Best Wealth Management Securities Firm Award, "Highly-Recommended Environmental Responsibility Awards", etc. SinoPac Holdings, Bank SinoPac, and SinoPac Securities have completed reviewing and assistance programs for the corporate governance systems and continued to take improvement measures in accordance with the recommendations. Convened 2 meetings of the Ethical Corporate Management Committee. Completed the "corporate governance review and improvement project" and submitted the case closure report to the Board of Directors. 	<ul style="list-style-type: none"> Improve results in the Corporate Governance Evaluation: Conduct the 6th Corporate Governance Evaluation of the Taiwan Stock Exchange and prepare for the self-evaluation for the 7th Corporate Governance Evaluation. Convene meetings of the Ethical Corporate Management Committee.
Intensify integrity management	<ul style="list-style-type: none"> Amend regulations related to integrity management. Continue to promote ethical management ideals, and organize related training programs. Pay attention to international trends of integrity management. 	Completed	<ul style="list-style-type: none"> Amended the "Whistleblowing Policy". All Directors of SinoPac Holdings have signed the compliance statements for the Ethical Corporate Management Policy, while the Directors and Supervisors of subsidiary companies will be urged to sign the statements in 2020. All employees completed the on-line training for Guidelines for Ethical Corporate Management and Procedures for Ethical Management and Guidelines for Conduct. 	<ul style="list-style-type: none"> Urge Directors and Supervisors of subsidiaries to sign the compliance statements for the Ethical Corporate Management Policy. Continue to pay attention to international ethical corporate management trends.
Strengthen information security	<ul style="list-style-type: none"> Establish on-site information security monitoring and related analysis mechanisms while evaluate and adopt assessment mechanisms. Establish related mechanisms for detecting advanced persistent threats (APT) and malicious programs. Continue to review contingency measures, drill plans, and improvement plans after drills. Implement employee information security training, professional training for information security personnel, and mechanisms for information security industry collaboration. 	Completed	<ul style="list-style-type: none"> Planned the establishment of the information security intelligence center. Planned information security risk prevention projects. Convened 2 meetings of the Information Security Committee. Handled attacks and threats against information security in accordance with regulations. Promoted information security training. 	<ul style="list-style-type: none"> Review whether the on-site information security monitoring meets actual requirements and implement technical control measures. Establish an information security intelligence platform to enhance the monitoring of the information system and incident response capabilities. Implement web behavior control mechanisms to filter and analyze users' online behavior. Recruit information security talents, train elite information security operators, and plan to include information security into the performance evaluation system.
Optimize risk management mechanisms	<ul style="list-style-type: none"> Strengthen ESG risk management mechanisms. Strengthen operational risk identification and assessment. 	Completed	<ul style="list-style-type: none"> Included emerging risks and climate risks into SinoPac's overall risk management structure and established the Guidelines for Emerging Risk Management to facilitate the identification, measurement, monitoring, reporting, and response measures of emerging risks and optimize risk management mechanisms. Bank SinoPac has established risk-based detection mechanisms and submitted an application to the FSC for the adoption of a risk-based internal audit system, which was approved by the FSC for implementation. Following Bank SinoPac, SinoPac Securities, SinoPac Securities Investment Trust, and SinoPac Leasing have also completed the adoption of the operational risk self-assessment. 	<ul style="list-style-type: none"> Establish mechanisms for identifying emerging risks and introduce the TCFD framework to identify financial risks caused by climate change. Establish the Guidelines for the Management of Climate-Related Risks and Opportunities to facilitate the identification, measurement, and monitoring of climate-related risks and opportunities and formulate response measures and reports.
Increase the transparency of information disclosure	<ul style="list-style-type: none"> Optimize the official website. 	Completed	<ul style="list-style-type: none"> Optimized the corporate governance and corporate social responsibility sections on SinoPac Holding's official website and continued to optimize it to fully disclose other related information. 	<ul style="list-style-type: none"> Continue to optimize the official website and increase the transparency of information disclosure. Continue to optimize information disclosure in the corporate governance section of the official website. Provide regular/irregular real-time updates of information on the official website. Set management mechanisms to ensure the consistency of official website information and the latest disclosed information.

2.1.1 Governance Structure

In order to establish good corporate governance practices ensure the sound operation and achieve the goals of sustainable development, SinoPac Holdings has established the Corporate Governance Guidelines in accordance with the "Corporate Governance Best Practice Principles for Financial Holding Companies" and the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" for SinoPac Holdings and its subsidiaries to comply with.

The Main Directions for the Implementation of the SinoPac Holdings' Corporate Governance Guidelines are Listed as Follows

- Comply with laws and regulations and improve internal management
- Protect shareholders' rights and interests as well as corporate governance relationships between SinoPac Holdings and its affiliated enterprises
- Enhance the functions of the Board of Directors
- Empower the Audit Committee
- Respect employee and stakeholders' rights and interests
- Improve information transparency with full disclosure



SinoPac Holdings has set up three functional committees including the Remuneration Committee, Audit Committee, and Ethical Corporate Management Committee. Its composition, responsibilities and operations are stipulated in the organizational charter of the respective committees.

List of SinoPac Holdings' Functional Committees

Committee Name	Convenor	Committee Composition	Responsibilities
Audit Committee (Note 1)	James J. SHEU Independent Director of SinoPac Holdings Wei-Ta PAN, Independent Director of SinoPac Holdings	Chi SCHIVE, Independent Director of SinoPac Holdings Wei-Ta PAN, Independent Director of SinoPac Holdings	Responsible for supervising the implementation of internal control and compliance with laws and regulations, controlling existing or potential risks, helping the Board of Directors make decisions with its professional division of labor and independence.
Remuneration Committee (Note 2)	Chi SCHIVE Independent Director of SinoPac Holdings	James J. SHEU, Independent Director of SinoPac Holdings Wei-Ta PAN, Independent Director of SinoPac Holdings	Responsible for evaluating the remuneration policy, system, standard and structure for Directors and managers in a professional and objective manner, and regularly assess and set director/managers' remuneration.
Ethical Corporate Management Committee (Note 3)	Chi SCHIVE Independent Director of SinoPac Holdings and SinoPac Securities Yu-Fen LIN, Independent Director of Bank SinoPac Chih-Cheng SU, Independent Director of Bank SinoPac Chao-Hsiang CHU, Independent Director of Bank SinoPac Zi-Wen HE, Independent Director of SinoPac Securities Tsung-Hsun LU, Independent Director of SinoPac Securities	James J. SHEU, Independent Director of SinoPac Holdings Wei-Ta PAN, Independent Director of SinoPac Holdings Yu-Fen LIN, Independent Director of Bank SinoPac Chih-Cheng SU, Independent Director of Bank SinoPac Chao-Hsiang CHU, Independent Director of Bank SinoPac Zi-Wen HE, Independent Director of SinoPac Securities Tsung-Hsun LU, Independent Director of SinoPac Securities	Responsible for the review of ethical management policies and prevention programs, supervision of the performance of the managerial departments, and report regularly on the compliance status to the Board of Directors.

Note 1: On May 13, 2020, the board of directors of SinoPac Holdings passed the appointment of members of the third Audit Committee including three independent directors: Mr. Chi SCHIVE, Mr. James J. SHEU and Mr. Wei-Ta PAN, and the members of the third Audit Committee elected Mr. James J. SHEU as the convenor of the committee.

Note 2: On May 13, 2020, the board of directors of SinoPac Holdings passed the appointment of members of the fourth Remuneration Committee including three independent directors: Mr. Chi SCHIVE, Mr. James J. SHEU and Mr. Wei-Ta PAN, and the members elected Mr. Chi SCHIVE as the convenor of the committee.

Note 3: On May 13, 2020, the board of directors of SinoPac Holdings passed the appointment of members of the second Ethical Corporate Management Committee, and the members elected Mr. Chi SCHIVE as the convenor of the committee.

2.3 Risk Management

2.3.1 Risk Management Structure

SinoPac Holdings has established a clear risk management structure consisting of four specialized layers, including the Board of Directors, the Risk Management Committee, the Risk Management Division, and the Audit Division from top to bottom. This clearly distinguishes the authorities and responsibilities, hierarchical authorization, and fully defines the management rules and limits for each risk to attain the optimal balance between profitability and risk management.

To effectively manage the risks arising from the operations of SinoPac Holdings and its subsidiaries, the Board of Directors serves as the highest supervisory unit in charge of approving risk management policies and risk appetite or limits and granting authorization to the management for daily risk management. Based on the authority, the management shall supervise risk management activities, evaluate the performance of risk management, and make sure that each risk management officer retains the necessary talents and integrity.

The Risk Management Committee was set up under the Chairman, who serves as the convener of the committee, to take charge of deliberating on the risk management policies, organization structure, systems and overall limits, reviewing the overall risk exposure, supervising the risk management activities of SinoPac Holdings and its subsidiaries, and coordinating efforts to manage material risk incidents.

The Risk Management Division was established under the President of SinoPac Holdings, to be responsible for the development of SinoPac Holdings' overall risk management policies and guideline as well as the planning and implementation of the risk management system. The policies, guideline and systems are approved by the Board of Directors and implemented by the Risk Management Division, which conducts regular evaluations in the performance of all subsidiaries in terms of risk management. SinoPac Holdings and its subsidiaries shall designate responsible units or personnel to take charge of risk management tasks in accordance with the business operations and the types and scale of risk exposure to ensure that all risk exposures are properly monitored.

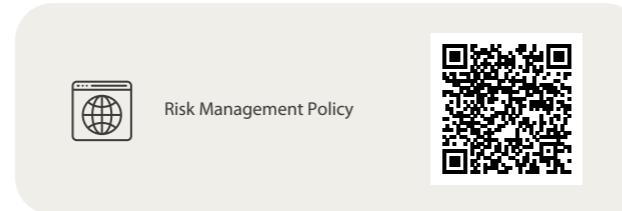
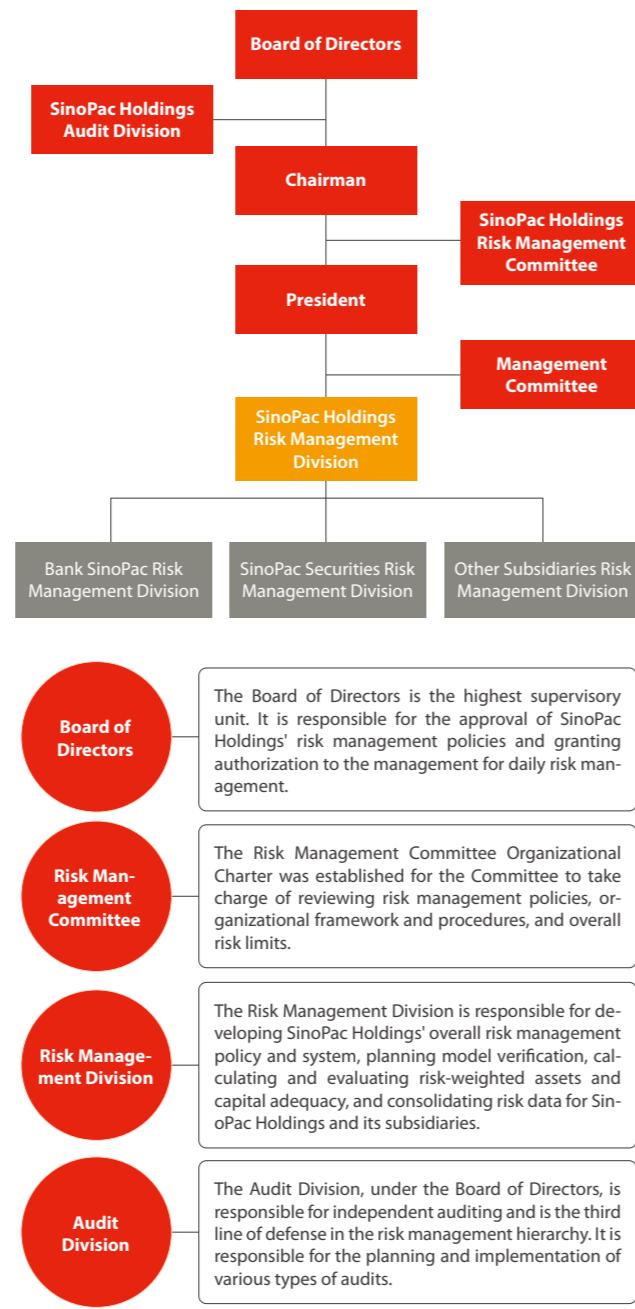
Auditing Mechanisms

SinoPac Holdings has established a chief audit system and established Audit Division under the Board of Directors in accordance with the Implementation Rules of the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries. The Audit Division maintains its independence in performing auditing affairs and provides suggestions for improvements in due time to ensure the continuous and effective implementation of the internal control system and to provide a basis for the review and modification of the internal control system. The Audit Division conducts at least one regular business audit on SinoPac Holdings each year and conducts one special business audit in the finance, risk management, and compliance of SinoPac Holdings and its subsidiaries at least once every six months. It also reports the implementation of audits to the Board of Directors and Audit Committee at least once every six months.

Risk Management Policy

SinoPac Holdings has adopted an appropriate set of risk management organizational structure, management standards, control mechanisms, risk management report system, and a sound risk management culture to integrate the management of crucial risks and review and amend management mechanisms or measures when necessary. The Company establishes comprehensive risk regulations and limits to prevent the occurrence of material risk incidents to attain the optimal balance between profitability and risk management.

SinoPac Holdings and Subsidiaries, Risk Management Organizational Structure



SinoPac Holdings' Risk Management Policy was approved by the Board of Directors in 2009 and the latest amendment was approved by the Board of Directors on December 20, 2019. The Policy includes the development of a risk management environment and culture for each subsidiary, the procedures in various risk management including limits on market risks, credit risks, operation risks and liquidity risks, the authorization and operating guidelines for each business unit, and the identification, measurement, assessment and management of credit, market, operation, asset and liability, reputation, legal, compliance, strategy and other business related risks such as emerging risks and climate risks. SinoPac Holdings references related reports on emerging risks and climate risks published by external institutions and provides its subsidiaries with information for risk assessment and establishment of response measures so as to identify the related risks at the group level and formulate response measures to be reported to suitable management levels.

The risk management unit or personnel of SinoPac Holdings and its subsidiaries are required to regularly report risk management status and improvement recommendations to the Board of Directors. In the event of material risk exposure, suitable actions shall be taken immediately and reported to the Board of Directors.

In addition, SinoPac Holdings established the human rights policy in 2018 and completed the identification of human rights risks in 2019. Human rights risk mitigation and remedial measures were proposed and SinoPac Holdings plans to introduce human rights due diligence investigations in the next 1-2 years.

2.3.2 Credit, Market, Operation, and Liquidity Risk Management

SinoPac Holdings and its subsidiaries have established management and assessment mechanisms for four major types of risks including credit risks, market risks, operational risks, and liquidity risks. In addition to rigorous compliance with credit risk management regulations, SinoPac Holdings is also aware of the potential impact of ESG trends on the finance industry and loan businesses. SinoPac Holdings thus actively responds to international standards, incorporates ESG indicators into the credit analysis and implements more comprehensive management of hidden risks in loan businesses to fulfill its social responsibility. Please refer to [3.1.3 Responsible Lending] for detailed information.

Risk type	Credit risks	Market risks	Operational risks	Liquidity risks
Strategy and process	<ul style="list-style-type: none"> 1. Establish comprehensive credit risk management procedures to effectively identify, measure and monitor credit risks. 2. Establish a credit risk management policy that includes the organizational structure, management standards, risk control mechanisms, and risk reporting system. 3. Establish risk limit management mechanisms for each industry to manage and monitor concentration risk. 	<ul style="list-style-type: none"> 1. Use value-at-risk to control and manage overall market risks. 2. Evaluate trading book positions daily and execute stop-loss mechanisms. 3. Improve the evaluation capabilities and management mechanisms for derivatives and structured products. 	<ul style="list-style-type: none"> 1. Develop an operational risk management framework and introduce management mechanisms to identify, measure, monitor, and control operational risks. 2. Strengthen the operational risk management culture and internal control environment, and establish standard operating procedures and appropriate control procedures to effectively reduce the occurrence of operational risks. 	<ul style="list-style-type: none"> 1. Ensure diversified and stable funding sources, maintain appropriate liquidity, and ensure the capability for fulfilling debt obligations. 2. Control and management indicators include the current ratio, asset-liability mismatch, sources and uses of funds, credit limits, and fundraising instruments, etc.
Risk report and measurement	<ul style="list-style-type: none"> 1. Establish comprehensive credit risk management procedures to effectively identify, measure and monitor credit risks. 2. Establish a credit risk management policy that includes the organizational structure, management standards, risk control mechanisms, and risk reporting system. 3. Establish risk limit management mechanisms for each industry to manage and monitor concentration risk. 	<ul style="list-style-type: none"> 1. The subsidiaries of SinoPac Holdings establish risk management indicators based on product type. The Risk Management Division of SinoPac Holdings regularly compiles information on the market risk exposure and limit control and reports results to the Board of Directors. 2. The subsidiaries of SinoPac Holdings analyze the reasons for the occurrence of their operational risk incidents, damage status, and prevention measures and include improvements for various procedures as reference information. The Risk Management Division of SinoPac Holdings regularly reports the operational risk incidents and damage status to the Board of Directors. 	<ul style="list-style-type: none"> 1. The subsidiaries of SinoPac Holdings establish liquidity risk management indicators. The Risk Management Division of SinoPac Holdings regularly compiles liquidity risk status and limit control, and reports the information to the Board of Directors. 	<ul style="list-style-type: none"> 1. The subsidiaries of SinoPac Holdings establish liquidity risk management indicators. The Risk Management Division of SinoPac Holdings regularly compiles liquidity risk status and limit control, and reports the information to the Board of Directors.

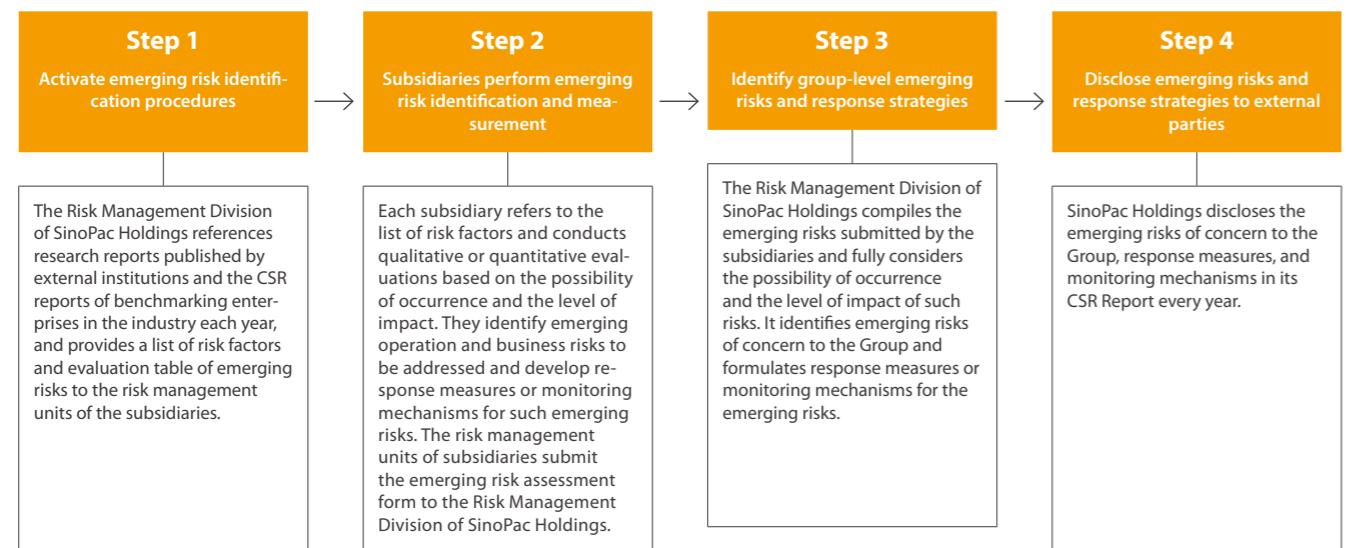
2.3.3 Emerging Risk Management

Climate change and population structure changes may cause material impacts on the overall business environment. Effective identification and assessment of emerging risks and formulation of response measures have become important tasks for financial institutions. Accordingly, SinoPac Holdings established the Emerging Risk Management Guidelines in 2019 and management mechanisms for the identification, measurement, monitoring, reporting, and response measures for emerging risks.

Emerging Risk Identification Procedures and Results

The Risk Management Division of SinoPac Holdings references related reports on emerging risks published by external institutions each year and provides subsidiaries with information for annual assessments of emerging risks. The Division then compiles information on the emerging risks from all subsidiaries, identifies emerging risks at the group level, and plans response measures to the management levels for advanced preparation and response.

Emerging Risk Identification Procedures



Emerging Risk Identification Results in 2019

Risk Item	Risk Description	Impact on SinoPac Holdings	Response Measures
Rapid and massive spread of infectious diseases	Uncontrolled spread of infectious diseases caused by bacteria, viruses, parasites, or fungi which results in widespread loss of life and economic impact.	<ul style="list-style-type: none"> The worsening of the epidemic may cause significant volatility in financial markets and a significant impact on asset prices. Quarantine and control measures adopted to prevent the spread of the epidemic impact the global supply chain and affect businesses' capacity to repay debts. Employee attendance may be affected due to infections or home isolation, which may impact the Company's normal operations. Reduction of contact with customers due to the high infection rate of the disease may impact business expansion. 	<ul style="list-style-type: none"> Monitor important news on the epidemic and related reports published by the Centers for Disease Control and sanitation agencies. Establish response measures for disease prevention and plan response measures for maintaining uninterrupted operations. Strengthen monitoring in areas and industries that suffered greater impacts as a result of the epidemic. Where there are anomalies or alerts involving borrowers, the credit management unit must be notified immediately. In the event of any irregular fluctuation in the price of investment positions, investment units shall immediately learn about the reason and formulate response plans. Periodically monitor the liquidity of working capital, formulate countermeasures or reinforcement measures if the situation of the pandemic continues to worsen, and take contingency measures when necessary. Conduct stress tests for major risk events, evaluate the Company's overall exposure to impact from major risk events, and use results as a basis for formulating subsequent business strategies in response. Develop digital finance with seamless online-to-offline transition to reduce the risk of the Company's normal operation due to the impact of epidemic on branches and employees.

Risk Item	Risk Description	Impact on SinoPac Holdings	Response Measures
Economic and financial risks	Taiwan is highly dependent on trade and is highly affected by the global economy. When major stock markets decline or the global economic growth is declining, it will result in high volatility in Taiwan's stock market and impact the revenue of companies in related supply chains.	<ul style="list-style-type: none"> The significant decline in market prices in asset portfolios may cause potential losses in positions on and off the balance sheet. Slowing economic growth makes companies less willing to invest, and is a headwind of the credit business. Lower revenue also affects a company's ability to repay loans. 	<ul style="list-style-type: none"> Closely monitor changes in the international political and economic situation and financial markets. When a material change occurs, a description of the situation is provided and asset portfolios are reviewed and adjusted in response to market changes. To effectively manage and monitor concentration risk, overall business developments, risk tolerance, and the political and economic developments for specific region or country and risks are taken into consideration to establish a tolerable limit, and management of the limit is regularly monitored. Conduct stress tests using negative scenarios that may potentially occur in the future to evaluate risk tolerance, and formulate response measures based on stress test results to ensure steady operations. Periodically monitor the liquidity of working capital, formulate countermeasures or reinforcement measures if the economy continues to worsen, and take contingency measures when necessary.
Information security risks	<ul style="list-style-type: none"> Information security risks mainly relating to e-mail social engineering and malware that result from natural disasters, emergencies, sudden incidents, or force majeure; phishing using false information in an attempt to obtain personal information or money through fraud, which will result in financial loss and damages to the Company's reputation. Vulnerabilities or loopholes in information equipment being exploited to prevent unauthorized personnel from gaining control and access rights and further changing system settings, which will cause unnecessary impact to operations. Potential information security risks of FinTech development include cyber-attacks, data fraud, sabotage of key information infrastructure, and negative effects of emerging technologies, such as: the hazards of ransomware, DDoS, botnet, and network equipment hacking; the threat of new types of attack, such as: APT attacks, website or system attacks, etc. 	<ul style="list-style-type: none"> Establish dedicated information security units and related information security regulations, and emergency response and handling of high risk events, such as: initiate business and emergency response mechanisms based on the business continuity plan to ensure that operations and services are not interrupted. Periodically conduct information security drills, audits, and inspections, such as: overall defense mechanisms, to verify the strength of system security and reduce the damage when an information security event occurs. Monitor and analyze information security risks, and analyze anti-virus system data, data exported to external storage devices, contents and threats of information equipment network connections, history of abnormal network connections, records of non-compliant use of software or applications, and number of employees who forgot to shut down their computer after work, so as to prevent potential information security risks. The key to the management of classified data such as personal data is access right control; ensure the division of permissions is reasonable, guarantee minimum permissions, strengthen review of permissions, and conduct periodic reviews such as the effect of the pandemic, working at home or VDI and VPN use, review of privilege use, and centralized management of permissions. 	
Climate change	<ul style="list-style-type: none"> Task Force on Climate-related Financial Disclosures (TCFD) announced by the Financial Stability Board divides climate-related risks into two major categories: (1) risks relating to the transition to a lower-carbon economy and (2) risks relating to the physical impacts of climate change. Transition risks include: policy and legal risks, technology risk, market risk, and reputation risk. Physical risks include: acute risk and chronic risk. 	<ul style="list-style-type: none"> Transition risks may pose different levels of financial and reputation risks to the Company. The potential financial impacts of physical risks include direct damage to assets and indirect effects from interrupting the supply chain. For climate risks identified according to the TCFD, please refer to [2.3.4 Management policy and response strategies for climate related risks and opportunities] 	

Response to Major Risk Events

In response to the COVID-19 pandemic that started in early 2020, SinoPac Holdings supported the Central Epidemic Command Center's policy and initiated emergency response and management mechanisms to safeguard the health and safety of all employees during the pandemic. When the outbreak first began, SinoPac Holdings established a COVID-19 Command Center to plan disease prevention strategies and real-time reporting mechanisms, maintain the safety of office premise, and monitor employee health. The center also promoted health management and disease prevention measures to all employees, and began planning and formulating backup measures, implementing work from home drills and testing. The center monitors daily outbreak reports and immediately adjusts its response strategy.

As the outbreak situation began to worsen, SinoPac Holdings implemented the phase II "business continuity plan". SinoPac Holdings preemptively began working with Microsoft in March 2020 to become the first financial institution in Taiwan to use Windows Virtual Desktop services for working from home. In doing so, SinoPac Holdings hoped to jointly prevent the outbreak together with all employees through groups that take turns working in the

office, remote backup, work from home, and flexible work hours, ensuring that customers receive as high quality services as before. SinoPac Holdings also implemented the employee holiday travel reporting mechanism in April 2020 to monitor the health condition of employees and avoid the risk of cluster infection. The work area of employees who were quarantined due to contact with a confirmed case was sterilized to reduce the probability of the virus surviving. During the epidemic, no employees of SinoPac Holdings were diagnosed with COVID-19, nor did any employees infect each other.

In addition to policy responses, SinoPac Holdings also took numerous measures to care for employee health during the epidemic, including providing health products to pregnant employees free of charge, caring for employees' health, and extending the deadline to apply for marital leave. SinoPac Holdings also actively assisted employees in adapting to the remote and digital work model. Besides preparing an online meeting teaching manual for working remotely, office equipment was also upgraded to help employees communicate and continue to learn. The COVID-19 outbreak did not affect SinoPac Holdings' employee recruitment or separation, nor did it affect procurement from suppliers.

Specific Disease Prevention Measures of SinoPac Holdings in Response to the COVID-19 Outbreak

Mitigative measures

- After Chinese New Year, all employees were required to wear a mask to work and have their temperature taken. Alcohol was provided for sterilization and employees were reminded to frequently wash their hands. Business trips to China, Hong Kong, and Macau, education and training sessions, and large seminars were suspended.
- Employees were seated every other seat during meals to lower the risk of droplet infection.
- Employees practiced working in groups at different locations and working from home for business continuity.
- Strict access control measures were implemented at office buildings in April 2020 and transparent boards were put up at service counters in branches; the employee holiday travel reporting mechanism was implemented.
- Flexible work hours were implemented in May 2020 for employees to avoid crowds on mass transportation and lower the probability of infection.

Remedial measures

- Prepared an online meeting teaching manual for employees to convene online meetings and educational and training sessions.
- Provided pregnant employees with health products free of charge to strengthen their immune system. Hired nurses to care for the health and provide advice for sick employees each day.
- For employees to feel at ease during the remote backup period, SinoPac Holdings examined the equipment of each office and upgraded the office equipment.
- To support the government's mask pre-order policy, Bank SinoPac encouraged customers to use their credit cards to buy masks for a cash rebate of up to NT\$100 each month.

Evaluation of the Impact of COVID-19 on SinoPac Holdings and Risk Management

Impact on business operations

Salespeople of SinoPac Holdings' business locations in China were unable to visit customers during the epidemic due to lockdowns, which affected business expansion. The business returned to normal after the lockdowns were lifted. Epidemic prevention measures were taken preemptively in Taiwan in coordination with the policies of the Central Epidemic Command Center. The Company actively developed digital finance services to provide customers with online transactions (such as Internet banking, placing orders online, and fund matching); the operations of branches were not affected.

Financial impact

In response to the potential impact of COVID-19, SinoPac Holdings and its subsidiaries began to take response measures for credit, market, and liquidity risks in mid-February 2020 when the outbreak situation started to worsen, and the measures were adjusted based on the developments in the outbreak situation.

Credit risk	Market risk	Liquidity risk
Comprehensively examined the exposure to industries in China and those that were impacted by the outbreak (including travel, hotel, food and beverage, and tourism industries, transportation and warehousing industries, including land, air, and sea transport, textiles and apparel industries, automobile, machinery, and tools industries, petrochemical industry, and Taiwan's agricultural and fishery industries), upstream/downstream and all overseas customers. Formulation of strategies and enhancement of mechanisms for lending risks were completed before the end of February. Raised the review standards for taking on new loans, increased the negative list (such as suspending loans to travel related industries), and raised the level of authorization. Strengthened monitoring of existing positions, conducted periodic reviews and stress tests, and reported results to senior managers disease prevention meetings.	The uncertainty and changes in the global economic situation brought by the COVID-19 pandemic resulted in severe market fluctuations that in turn will easily affect the stability of financial markets. Hence, market changes were closely monitored when making investments and hedging was used when appropriate. Diversified overseas investments in terms of currency, country, and industry, balanced the positions of fixed interest rate and floating interest rate bonds, and dynamically managed the duration based on the market condition.	The Risk Management Division of SinoPac Holdings monitored the daily cash flow of Bank SinoPac and gaps at maturity dates in order to maintain sufficient working capital. The working capital of each subsidiary and effectiveness of contingency measures are periodically reviewed to ensure the normal operation of subsidiaries.

Impact on the supply chain

Local procurements accounted for 96% of SinoPac Holdings' overall procurements. Thanks to the outbreak being controlled in Taiwan, the Company did not experience any supply chain shortages, and supplies for daily operations were not affected.

2.3.4 Management Policy and Response Strategies for Climate-Related Risks and Opportunities

According to the World Economic Forum's Global Risks Report 2020, climate-related risks have dominated the rankings for the fourth consecutive year, in which "extreme weather" has been on the list for 7 consecutive years and ranked top1 risk for 4 consecutive years, while "natural disasters" have ranked in the top 3 over the past 4 years. SinoPac Holdings understands that climate change will create great risks as well as opportunities for companies at the same time, and therefore takes climate-related risks very seriously. Besides conducting periodic evaluations of TCFD and managing climate-related risks, it also keeps an eye on the opportunities arising from climate change.

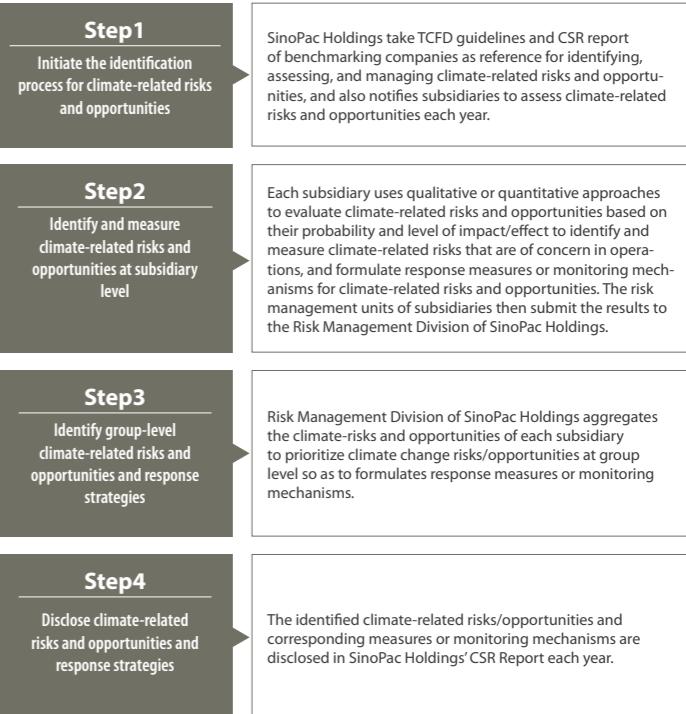
Governance Framework for Climate-Related Risks and Opportunities

The Sustainable Development Committee of SinoPac Holdings stays up-to-date on domestic and overseas trends in sustainable development issues and climate change, formulate sustainability guidelines. The task forces under the committee have formulated action plans corresponding to the commitment to Mitigate and Adapt to Climate Change: the Corporate Governance Task Force is responsible for implementing the TCFD framework, and includes scenario analysis and financial quantification on transition/physical risks of climate change as its mid- and long-term goals; the Customer Relations Task Force is responsible for supporting the development of the renewable energy industry through products and services, developing green sustainable finance, and striving to raise customers' climate awareness; the Environmental Protection Task Force is responsible for GHG and energy management, taking climate change mitigation action in daily operations; the Employee Welfare Task Force and Social Involvement Task Force are responsible for organizing internal and external education and training sessions and seminars to raise the climate awareness of employees and the public.

Management Procedures for Climate-Related Risks and Opportunities

SinoPac Holdings follows the TCFD guidelines to improve management mechanisms of SinoPac Holdings and its subsidiaries for climate-related risks and opportunities, and to establish management procedures for climate-related risks and opportunities. Management procedures can be divided into four steps including compiling a list of risks and opportunities, identifying risks/opportunities of subsidiaries, identifying risks/opportunities at group level and proposing response strategies, and disclosing climate-related risks/opportunities and response strategies.

Management Procedures for Climate Change Risks and Opportunities

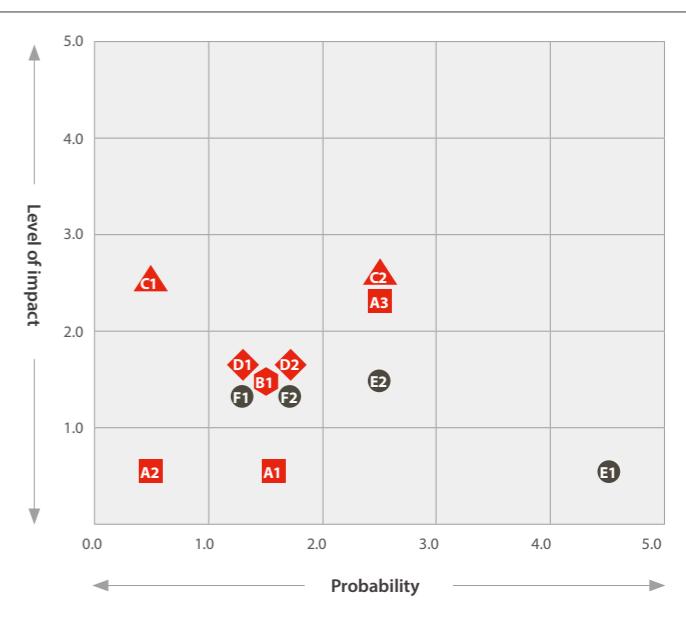


Results of Identifying Climate-Related Risks and Opportunities

Climate Change Risk Matrix

Risk options

Transition risks	Policies and Regulations (A)	Skills (B)
	Market (C)	Reputation (D)



TCFD risk type	TCFD risk options	Climate-related risks	Potential impact	Response measures or monitoring mechanisms	Period
B1		Failure to develop FinTech and realize green cash flow, which is characterized by paperless, energy conservation, and carbon reduction through digital finance and electronic services may lead to customers becoming less willing to do business with the Company and thus cause a decrease in the Company's revenue.			
D1		The Company's reputation suffers from being considered to be less environmentally friendly, and results in business and customer loss and further leads to a decrease in revenue.			
D2		Failure to actively engage in climate change which is concerned by the stakeholders may impair the Company's brand image and reputation.			
F1		Physical - Long-term - Average temperature rise or sea level rise causes damage to business premises or equipment, or business suspension.			
F2		Physical - Long-term - Sea level rise causes the impairment of collateral value and the Company's right of creditor.			
A3		Growingly strict policies or regulations on carbon price and carbon tax/emissions, carbon reduction goals and reporting obligations may damage the profitability of borrowers and investees and thus impair the Company's right of creditor.			
C2		Failure to offer sustainable financial products and services in a timely manner may cause the Company to lose business and customers in climate change related markets, and result in a decrease in revenue.			

TCFD risk type	TCFD risk options	Climate-related risks	Potential impact	Response measures or monitoring mechanisms	Period
Transition Risks	Policy and Legal Risks				
A-1		Growingly strict policies or regulations on GHG reduction or energy conservation may increase operating costs.	Increase in operating costs	<ol style="list-style-type: none"> 1. The Environmental Protection Task Force implements environmental protection related policies and action plans of SinoPac Holdings and its subsidiaries, introduces related environmental and energy managements systems, and obtains relevant certifications. 2. Establish Environmental Policy and Environmental Management System Goals and Measures of SinoPac Holdings, set up relevant sustainability goals until 2025, and gradually achieve the sustainable development blueprint. 3. Establish Office Environmental Protection and Energy Conservation Rules and actively promote environmental protection and energy conservation concepts to employees. 	Mid-term
A-2		Failure to comply with the more strict policies or regulations on GHG reduction and energy conservation may result in a fine. Or, insufficient disclosure of climate-related risks may result in a lawsuit.	Increase in fines Increase in lawsuits	<ol style="list-style-type: none"> 1. Establish the Environmental/Energy Management Systems Operating Procedures Manual, and have the Operations Management Division periodically examine, update, and review if the Company's operations comply with requirements. 2. Incorporate the TCFD framework into short-, mid-, and long-term goals, identify climate-related risks and opportunities, carry out scenario analysis and financial quantification for the physical risks and transitional risks of climate change, and continue to improve climate related risk management. 	Mid-term
A-3		Growingly strict policies or regulations on carbon price and carbon tax/ emissions, carbon reduction goals and reporting obligations may damage the profitability of borrowers and investees and thus impair the Company's right of creditor.	Increase in loan loss	<ol style="list-style-type: none"> 1. The Customer Relations Task Force is responsible for planning the development roadmap of sustainable financial products, promoting responsible investment, signing and implementing the Equator Principles (EPs), and continuously improving and implementing responsible lending. 2. Bank SinoPac established the Responsible Lending Management Guidelines and signed the EPs, and carefully evaluates the impact of the borrower's business on ESG risks in the project financing evaluation process. 	Mid-term

TCFD risk type	TCFD risk options	Climate-related risks	Potential impact	Response measures or monitoring mechanisms	Period
Technology Risks					
B-1		Failure to develop FinTech and realize green cash flow, which is characterized by paperless, energy conservation, and carbon reduction through digital finance and electronic services may lead to customers becoming less willing to do business with the Company and thus cause a decrease in the Company's revenue.	Decrease in revenue	<ol style="list-style-type: none"> 1. Actively develop digital financial services, and continue to dedicate resources in the development of fintech technologies and products and strategies for smart FinTech innovation. 2. SinoPac Holdings strives to provide the best customer services, and conduct satisfaction surveys to understand customers' opinions and improve the quality of its services. 	Short-term
C-1		Damages to the head office or assets caused by extreme weather, or rising in the environmental sustainability awareness may affect the price of individual subject of portfolio and result in the impairment of the investment value.			
C-2		Failure to comply with the more strict policies or regulations on GHG reduction and energy conservation may result in a fine. Or, insufficient disclosure of climate-related risks may result in a lawsuit.			
Market Risks					
C-1		Physical - Immediate - Abnormal events resulting from extreme weather such as typhoon and strong rainfall cause damages to the value of collateral and thus impair the Company's right of creditor or the investment value.	Increase in loan loss	<ol style="list-style-type: none"> 1. Promote sustainable finance products including the green bonds, green financing, green investments and green funds. 2. The Customer Relations Task Force under SinoPac Holdings' Sustainable Development Committee is responsible for planning the blueprint of sustainable financial products, promoting responsible investment, signing and implementing the EPs, staying up-to-date on the market and developing green finance products that meet customer needs. 	Mid-term
C-2		Physical - Immediate - Abnormal events resulting from extreme weather such as typhoon and strong rainfall cause damages to business premises or equipment, business suspension, or casualties.			
Reputation Risks					
D-1		Failure to offer sustainable financial products and services in a timely manner may cause the Company to lose business and customers in climate change related markets, and result in a decrease in revenue.	Decrease in revenue	<ol style="list-style-type: none"> 1. The Sustainable Development Committee stays up-to-date on domestic and overseas trends in sustainable development and climate change. Five dedicated task forces are formed under the Committee to jointly establish sustainability guidelines, and formulate and periodically track the sustainable development blueprint, short-, mid- and long-term plans and important work plans each year. 2. Establish the Responsible Investment Management Guidelines as the guidance for promoting and implementing responsible investment. 3. Reference the ESG rating mechanism of professional institutions, constituent stocks of ESG related benchmarks indexes, or ESG related external resources or tools to strengthen pre-investment evaluations. Avoid investing in subjects in controversial industries and evaluate industries or investment subjects with ESG risk factors that may potentially deteriorate in the future. 	Mid-term
D-2		The Company's reputation suffers from being considered to be less environmentally friendly, and results in business and customer loss and further leads to a decrease in revenue.	Damage to the Company's reputation/decrease in revenue	<ol style="list-style-type: none"> 1. The Sustainable Development Committee stays up-to-date on domestic and overseas trends in sustainable development and climate change. Five dedicated task forces are formed under the Committee to jointly establish sustainability guidelines, and formulate and periodically track the sustainable development blueprint, short-, mid- and long-term plans and important work plans each year. 2. Establish the Responsible Investment Management Guidelines as the guidance for promoting and implementing responsible investment. 3. Reference the ESG rating mechanism of professional institutions, constituent stocks of ESG related benchmarks indexes, or ESG related external resources or tools to strengthen pre-investment evaluations. Avoid investing in subjects in controversial industries and evaluate industries or investment subjects with ESG risk factors that may potentially deteriorate in the future. 	Short-term
Transition Risks					
D-1		Failure to actively engage in climate change which is concerned by the stakeholders may impair the Company's brand image and reputation.	Damage to the Company's reputation/Investors withdraw their investment	<ol style="list-style-type: none"> 1. The Environmental Protection Task Force under SinoPac Holdings' Sustainable Development Committee implements environmental protection related policies and action plans, and implements related environmental and energy management systems, improves the supplier management policy, establishes sustainable supply chain action plans, and implements environmental education and training to raise employees' environmental awareness. 2. There are dedicated communication channels for each group of stakeholders, so as to respond to the issues of concern and needs of different stakeholders. 	Mid-term

TCFD risk type	TCFD risk options	Climate-related risks	Potential impact	Response measures or monitoring mechanisms	Period
Physical Risks	Acute Risks	● E-1	Increase in operating costs	<ul style="list-style-type: none"> 1. SinoPac Holdings establishes the Natural Disaster Emergency Response Guidelines to divide authority and responsibility, establish emergency reporting procedures, and rapidly take effective action in time to prevent further damages, resolve the crisis, and return to normal operation as soon as possible. 2. Employees have the day off once the criteria are met in accordance with regulations of the competent authority, in order to protect the safety of employees' lives and assets. Before issuing a typhoon warning, units are notified to check their doors and windows, unclog drainage, prepare disaster prevention equipment, compile an emergency event reporting list, take measures for prevention beforehand and handling events after they occur, in order to return to normal operation as soon as possible. 3. Relatively new buildings with newer equipment and construction materials and high seismic resistance that are not located in low-lying areas of urban areas and that have a complete drainage system are given priority for branches, in order to minimize the impact when a disaster occurs. 4. Purchase natural disaster insurance to mitigate losses caused by extreme weather. 	Short-term
		● E-2	Increase in loan loss	<ul style="list-style-type: none"> 1. Bank SinoPac maintains an internal list of communities with potential safety concerns to avoid accepting the property or real estate in areas prone to flooding, debris flow, fault, soil liquefaction, tsunami, or nuclear accident as collateral. 2. Except for land, guarantee, deposits, negotiable securities and otherwise stipulated, a suitable amount of insurance is purchased by the borrower (or provider of such collateral) based on the appraised value and credit amount with the subsidiary providing the loan as the beneficiary. 	Short-term
Chronic Risks	Chronic Risks	● F-1	Increase in operating costs	<ul style="list-style-type: none"> 1. SinoPac Holdings establishes the Natural Disaster Emergency Response Guidelines to divide authority and responsibility, establish emergency reporting procedures, and rapidly take effective action in time to prevent further damages, resolve the crisis, and return to normal operation as soon as possible. 2. Employees have the day off once the criteria is met in accordance with regulations of the competent authority, in order to protect the safety of employees' lives and assets. Before issuing a typhoon warning, units are notified to check their doors and windows, unclog drainage, prepare disaster prevention equipment, compile an emergency event reporting list, take measures for prevention beforehand and handling events after they occur, in order to return to normal operation as soon as possible. 3. Relatively new buildings with newer equipment and construction materials and have high seismic resistance, that are not located in low-lying areas of urban areas with a complete drainage system are given priority for branches, in order to minimize the impact when a disaster occurs. 4. Purchase natural disaster insurance to mitigate losses caused by extreme weather. 	Long-term
		● F-2	Increase in loan loss	<ul style="list-style-type: none"> 1. Bank SinoPac maintains an internal list of communities with potential safety concerns to avoid accepting property of real estate in areas prone to flooding, debris flow, fault, soil liquefaction, tsunami, or nuclear accident as collateral. 2. Except for land, guarantee, deposits, negotiable securities, and otherwise stipulated, a suitable amount of insurance is purchased by the borrower (or provider of such collateral) based on the appraised value and credit amount with the subsidiary providing the loan as the beneficiary. 	Long-term

Climate Change Opportunities Matrix

- B1:** Expand sustainable finance products and services in coordination with government policy and regulations increases business opportunities.
- B2:** Optimize digital financial services makes it more convenient for users and help increase customer base and business opportunities.
- C1:** Increase the amount of green bonds issued or invested to help enter new markets and seize new business opportunities in a circular economy.
- D1:** Add climate-related products to investment portfolios to help capture market trends and increase the operating flexibility.
- A1:** Relocate data centers to more efficient buildings and improve energy efficiency by purchasing new eco-efficient equipment to reduce operating costs.

TCFD climate-related opportunities	Climate-related opportunities	Aspect	Opportunity development and management measures	Period
Resource Efficiency	A-1 Relocate data centers to more efficient buildings and improving energy efficiency by purchasing new eco-efficient equipment to reduce operating costs.	Decrease in operating cost	<ul style="list-style-type: none"> 1. Establish environmental/energy management system goals and measures, replace energy consuming lights, use water saving equipment, and carry out equipment optimization and active management. 2. Implement ISO14001, ISO14064-1, ISO50001 and obtain BSI certification, set up relevant goals for 2025, and gradually achieve the sustainable development blueprint. 3. Establish the Office Environmental Protection and Energy Conservation Rules, actively promote environmental protection concepts, organize education and training sessions to raise climate awareness, and publish related promotion articles. 	Short-term
Products and Services	B-1 Expand sustainable finance products and services in coordination with government policy and regulations increases business opportunities.	Increase in income	<ul style="list-style-type: none"> 1. The Sustainable Development Committee stays up-to-date on domestic and overseas trends in sustainable development and climate change. Five dedicated task forces are formed under the Committee to jointly establish sustainability guidelines, and formulate and periodically track the sustainable development blueprint, short-, mid- and long-term plans and important work plans each year. 2. Promote sustainable finance products including green bonds, green financing, green investments, and green funds. Bank SinoPac became the first bank in Taiwan to obtain qualifications to issue green bonds in 2017, and also provided green loans to the solar power industry and eco-friendly textiles industry. SinoPac Securities served as the IPO/SEO underwriter for green energy and eco-friendly enterprises. SinoPac Venture Capital mitigated the impact on the environment by investing in green eco-friendly industries. SinoPac Securities Investment Trust issued the Sinopac China Economic Development Fund in 2012 and SinoPac Taiwan ESG Plus Fund in 2020. 3. The Customer Relations Task Force under SinoPac Holdings' Sustainable Development Committee is responsible for planning the blueprint of sustainable financial products, promoting responsible investment, signing and implementing the EPs, staying up-to-date on the market, developing green finance products that meet customers' needs, and formulating short-, mid- and long-term plans and important work plans each year. 	Mid-term

TCFD climate-related opportunities	Climate-related opportunities	Aspect	Opportunity development and management measures	Period
Products and Services	<p>B-2 Optimize digital financial services to make it more convenient for users and help increase customer base and business opportunities.</p>	Increase in income	<p>Actively develop digital financial services, and continue to dedicate resources in the development of fintech technologies and products. The strategies in the development of financial innovation include:</p> <ol style="list-style-type: none"> 1. Build an AI technology center and cultivate AI talent through industry-academia collaboration. 2. Combine smart finance with Taiwan's local customs and culture, realize financial inclusion, and promote Smart Wholesale Market Transaction Facilitation Platform and Temple Ecosystem Finance. 3. Integrate online financial service to launch integrated digital products such as "Feng-Yun e-Counter" and "Feng Yun Mortgage". Fintech makes life simpler and obtaining of financial information easier and more immediate. 4. Combine FinTech and continue to develop digital and smart wealth management services including biometrics, mobile payment, smart wealth management, and open finance, etc. 	Short-term
Markets	<p>C-1 Increase the amount of green bonds issued or invested to help enter new markets and seize new business opportunities in circular economy.</p>	Increase in income	<ol style="list-style-type: none"> 1. Identify new market opportunities, understand climate change issues of concern to investors and customers and their needs and preferences for green financial products and services, continue to develop green/ESG funds, bonds, and loan products and services featuring sustainable development, and appropriately increase the investments in green bonds. 2. Provide low-carbon products and services in the areas of renewable energy plans such as solar power, wind power, hydropower, and bioenergy, and support the use of electric bicycles, electric scooters, and electric vehicles. 	Mid-term
Resilience	<p>D-1 Add climate-related products to investment portfolios to help capture market trends and increase the operating flexibility.</p>	Increase in operating flexibility	<ol style="list-style-type: none"> 1. The Sustainable Development Committee stays up-to-date on domestic and overseas trends in sustainable development and climate change. Five dedicated task forces are formed under the Committee to jointly establish sustainability guidelines and formulate and periodically track the sustainable development blueprint, short-, mid- and long-term plans, and important work plans each year. 2. Establish the Responsible Investment Management Guidelines as the guidance for promoting and implementing responsible investment. 3. Reference the ESG rating mechanism of professional institutions, constituent stocks of ESG related benchmarks indexes, or ESG related external resources or tools to strengthen pre-investment evaluations. Avoid investing in subjects in controversial industries and evaluate industries or investment subjects with ESG risk factors that may potentially deteriorate in the future. Support theme-based investments that benefit sustainable development, and invest in industries or subjects that take sustainable development seriously. 	Mid-term

2.3.5 Human Rights Risk Management

Human Rights Policy

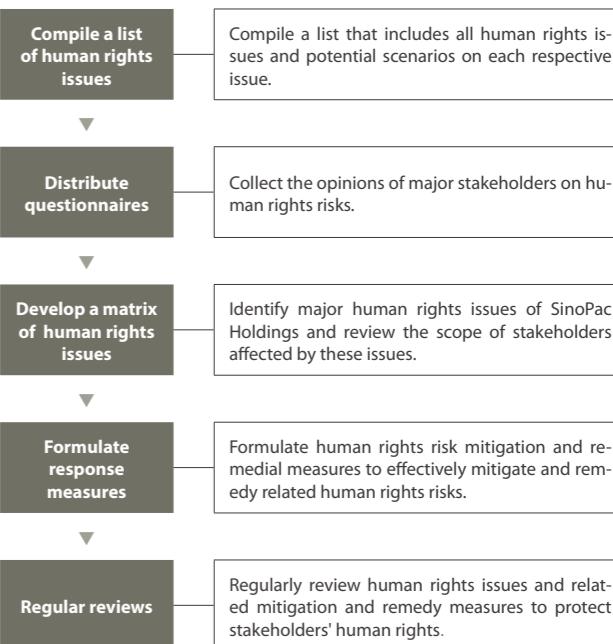
SinoPac Holdings recognizes and supports the principles set forth in UN Universal Declaration of Human Rights, UN Guiding Principles on Business & Human Rights, UN Global Compact, and International Labor Organization Convention, and established the Human Rights Policy in 2018, emphasizing workplace human rights, providing a healthy and safe workplace, and respecting employees' freedom of association. The policy is applicable to SinoPac Holdings, subsidiaries it has substantial control over, and suppliers, and prevents any behavior that infringes on or violates human rights by establishing suitable management methods and procedures. SinoPac Holdings also regularly reviews risks in employee health and safety and implements improvement plans based on identification results. In the future, SinoPac Holdings will continue to monitor developments in the human rights policy of domestic and overseas companies and changes in the business environment, and carry out review and improvements accordingly.

In addition to internal management based on the human rights policy, SinoPac Holdings also requires its suppliers to fulfill their corporate social responsibility and respect international conventions on human rights. Besides selecting business partners and suppliers who comply with the spirit and basic principles of the human rights policy, SinoPac Holdings also established Supplier Corporate Social Responsibility Code of Conduct and urged the suppliers that it frequently does business with to sign the Supplier Corporate Social Responsibility Commitment and adopt consistent principles including respecting labor human rights, banning discrimination, banning child labor, occupational safety and health, environmental protection, procuring products with environmental certifications, business ethics and integrity management, aiming to find a balance between the economy, society, environment, and ecology and achieve environmental sustainability. SinoPac Holdings periodically conducts on-site audits of the finances and manufacturing environment of suppliers, and builds long-term partnerships with suppliers that achieve good performance. Suppliers found in violation may even lose their supplier qualifications.

Human Rights Assessment Process and Results

SinoPac Holdings in 2019 collected the opinions of major stakeholders, both upstream and downstream, on human rights risks, and identified material human rights issues of SinoPac Holdings based on severity and frequency of the issues. Stakeholders identified through the questionnaire include employees, suppliers, and customers. A total of 121 questionnaires were collected, and the material human rights issues of SinoPac Holdings that were identified included labor conditions, privacy, dignity, forced labor, and health right. In order to strengthen human rights risk management and create a better workplace environment, SinoPac Holdings plans corresponding human rights risk mitigation and remedial measures and will conduct due diligence for human rights risks in the next 1-2 years.

SinoPac Holdings Human Rights Risk Identification Flowchart



Material Issues in Human Rights Risks of SinoPac Holdings

Material issues in human rights risks	Stakeholders that are mainly affected	Description
Labor conditions	Employees, customers, and suppliers	The labor conditions provided by SinoPac Holdings or its value chain cannot properly protect the basic economic conditions, life, health, and safety of employees.
Privacy	Employees, customers, and suppliers	SinoPac Holdings or its value chain fails to properly manage business information and the personal data and information of customers and employees, resulting in the theft, leakage, or misuse of the data, and preventing related information from being deleted or modified according to their opinions.
Dignity	Employees	An event that damages the dignity of employees occurs in SinoPac Holdings or its value chain, such as workplace bullying or sexual harassment.
Forced labor	Customers	Forced to provide work or services due to the threat of any punishment in SinoPac Holdings or its value chain.
Health rights	Suppliers and customers	Treatment is required to be fully or partially returned to health due to long-term hazards to physical health occurring in SinoPac Holdings or its value chain.

SinoPac Holdings' Mitigative and Remedial Measures in Human Rights Risks

Material issues in human rights risks	Stakeholders that are mainly affected	Risk mitigative measures	Risk remedial measures
Ensure labor conditions	Employees	<ul style="list-style-type: none"> Establish the human rights policy, specified salary management guidelines in related internal regulations, and participated in the global market salary survey to ensure that employees receive salaries that competitive in the market. Labor and management sign a collective bargaining agreement with an emphasis on work rights. Please refer to Chapter 4 Fulfillment of Healthy Workplace for details. 	<ul style="list-style-type: none"> Establish numerous grievance channels. When the human resources unit receives employee grievances regarding damaged labor conditions, it will immediately visit related departments to clarify the issue, ensuring that the situation is immediately and properly handled when employees' labor conditions are damaged. Necessary reiteration will be carried out or meetings are to be convened to discuss and track the implementation status.
	Suppliers	<ul style="list-style-type: none"> Established the Supplier Corporate Social Responsibility Code of Conduct, required all suppliers to comply with the code of conduct for labor human rights, and managed employee salaries and benefits. Suppliers shall comply with all local labor regulations involving employees and business management, including work hours, salaries and employee benefits, and clearly communicate work conditions with employees in appropriate language. Suppliers must pay salaries on time and may not make any deductions from employee salaries as penalties. 	<ul style="list-style-type: none"> Conduct due diligence on suppliers' sustainability and implement different management mechanisms based on sustainability risk identification results, and communicate with and provide guidance to suppliers with high sustainability risk to help them lower related risks.
	Customers (corporate banking)	<ul style="list-style-type: none"> Pursuant to the operating manual and Risk Disclosure Inspection Items for Credit Checking - ESG Risks in the corporate banking credit review system, besides inquiring whether or not customers have any overdue payments to the labor retirement reserve, or failed to make monthly contributions to employees' reserves account in accordance with the Labor Standards Act, SinoPac also concerned about whether or not customers take response measures for human rights issues such as labor conditions, privacy, dignity, forced labor, and health right. Furthermore, for project financing with higher risks, customers are required to provide the "PS2 Labor and Work Conditions Commitment." Bank SinoPac has signed the Equator Principles (EPs). It will assess the human rights risks of project financing in accordance with the UN Guiding Principles on Business and Human Rights, and add it to the "Commitments" part of contracts. 	<ul style="list-style-type: none"> Add a warning note for the potential effect on customers' operational risks and implement action plans or response measures. The Operational risk warning patterns are defined in the operating manual, including a significant decrease in the borrower's production, full or partial suspension (factory shut down), construction safety incidents, and labor-management disputes. Provide assistance to customers for making improvement when necessary, and evaluate to formulate mitigation and compensation measures in response. If the customer's situation is severe or unable to make improvements over a long period of time, then carefully evaluate whether or not to continue doing business with the customer.
Privacy	Employees Customers	<ul style="list-style-type: none"> Establish the Employee Service Rules. Employees are obligated to properly manage, use, and safekeep the Company's core information and intellectual property rights, and keep them confidential. Anyone who handled employees' personal information and privacy must ensure the privacy of employees according to related guidelines. Establish the Personal Data Protection and Management Task Force to be responsible for implementing and examining the tasks and management plans for protecting the personal data of employees and customers. Please refer to 2.4.4 for details. 	<ul style="list-style-type: none"> Periodically conduct emergency response drills for personal data leakage to strengthen reporting and response ability. Establish the Personal Data Protection Policy and File Security Maintenance Regulations. When a personal data infringement incident occurs, take response and remedial measures in accordance with the Emergency Incident Response Guidelines. When a personal data infringement incident occurs, responsible units must immediately notify the convener and executive secretary of the Personal Data Protection and Management Task Force, and report the response measure and handling method to the Task Force for review within two days. In the event of a severe personal data security incident, the Financial Supervisory Commission must be immediately notified. Correction and prevention mechanisms or measures are then formulated and certified by related experts for overall diagnosis and review.
Suppliers		<ul style="list-style-type: none"> Establish the Supplier Corporate Social Responsibility Code of Conduct, and require all suppliers to comply with the code of conduct for information privacy. Suppliers shall reasonably protect business information and personal data to ensure that the Company and individual privacy is not damaged due to data leakage. Suppliers may not disclose their supply relationship with the Company in any form without written consent from the Company's authorized personnel. 	<ul style="list-style-type: none"> Conduct due diligence on sustainability and implement different management mechanisms based on sustainability risk identification results, and communicate with and provide guidance to suppliers with high sustainability risk to help them mitigate related risks.

Material issues in human rights risks	Stakeholders that are mainly affected	Risk mitigative measures	Risk remedial measures
Human Dignity	Employees	<ul style="list-style-type: none"> Establish the Sexual Harassment Prevention Committee and Directions for Prevention, Grievance, and Discipline of Workplace Sexual Harassment to step up sexual harassment prevention measures. Periodically organize education and training sessions for the prevention of unlawful infringement and sexual harassment in the workplace, in order to promote managers and employees' concept of gender equality. Actively handling workplace violence or bullying in accordance with the Regulation in Employee Rewards and Punishments. Establish a dedicated sexual harassment grievance unit, grievance hotline, and dedicated e-mail to assist employees to be properly handled immediately. 	<ul style="list-style-type: none"> Take immediate, effective and corrective remedial measures when the Company becomes aware of sexual assault or sexual harassment pursuant to the Prevention, Grievance, Investigation, and Handling Guidelines for Sexual Harassment.
Forced Labor	Customers (corporate banking)	<ul style="list-style-type: none"> Pursuant to the operating manual and Risk Disclosure Inspection Items for Credit Investigations – ESG Risks in the corporate banking credit review system, besides inquiring whether or not customers have any overdue payments to the labor retirement reserve, or failed to make monthly contributions to employees' reserves account in accordance with the Labor Standards Act, SinoPac Holdings also concerned about whether or not customers take response measures for human rights issues such as labor conditions, privacy, dignity, forced labor, and health right (including but not limited to, inspecting the environment of customers' factories, child labor, employee personal data protection, workplace bullying, sexual harassment, overdue wages, wrongful termination, labor-management disputes, strikes, and long-term hazards to employee health). Due diligence and careful evaluation must be conducted. Bank SinoPac has signed the Equator Principles (EPs) and assesses the human rights risks of project financing in accordance with the UN Guiding Principles on Business and Human Rights, which is included in environmental and social evaluation documents. Customers are asked to provide a "PS2 Labor and Work Conditions Commitment." 	<ul style="list-style-type: none"> Monitor potential risks of customers' daily operations, actively show concern and understand the risks. Add a warning note for the potential effect of customers on operational risks and implement action plans or response measures. The operating manual defines operational risk warning patterns, including construction safety incidents and labor-management disputes. The operating manual stipulates that personnel must consider whether or not the customer engages in environmental protection, ethical corporate management, and CSR during credit investigations. If "Risk Disclosure Inspection Items for Credit Investigations – ESG Risks" is checked in the credit investigation report, the business unit is required to look into the situation, provide assistance to customers for making improvement when necessary, and evaluate and formulate mitigation and compensation measures in response. If the customer's situation is severe or unable to make improvements over a long period of time, then it must carefully evaluate whether or not to continue doing business with the customer. Bank SinoPac has signed the Equator Principles (EPs) and assesses the human rights risks of project financing in accordance with the UN Guiding Principles on Business and Human Rights, and has added it to the "Commitments" part of contracts.
Health Rights	Suppliers	<ul style="list-style-type: none"> Establish the "Supplier Corporate Social Responsibility Code of Conduct," and require all suppliers to comply with the code of conduct for occupational safety and health. Suppliers shall establish a complete work safety system and management mechanisms to lower occupational safety risks. Suppliers shall provide suitable education and training, comply with laws and regulations on labor health and safe work environment, and establish labor accident reporting and review mechanisms. Suppliers shall provide employees with a safe and hygienic work environment with complete protective equipment, and ensure that their operating activities will not pose direct or indirect hazards to employees or others. Furthermore, laborers have the right to refuse to work in an unsafe work environment until managers of suppliers eliminate laborers' concerns, and laborers should not need to be concerned about being punished for exercising this right. 	<ul style="list-style-type: none"> Conduct due diligence on sustainability and implement different management mechanisms based on sustainability risk identification results, and communicate with and provide guidance to suppliers with high sustainability risk to help them lower related risks.
	Customers (corporate banking)	<ul style="list-style-type: none"> Pursuant to the operating manual and "Risk Disclosure Inspection Items for Credit Investigations – ESG Risks" in the corporate banking credit review system, besides inquiring whether or not customers have any overdue payments to the labor retirement reserve, or failed to make monthly contributions to employees' reserves account in accordance with the Labor Standards Act, SinoPac Holdings is also concerned about whether or not customers take response measures for human rights topics, such as employees' labor conditions, privacy, dignity, forced labor, and right to health (including but not limited to: inspecting the environment of customers' factories for child labor, employee personal data protection, workplace bullying, sexual harassment, overdue wages, wrongful termination, labor-management disputes, strikes, and long-term hazards to employee health). Due diligence and careful evaluation must also be conducted. Bank SinoPac has signed the Equator Principles (EPs) and assesses the human rights risks of project financing in accordance with the "UN Guiding Principles on Business and Human Rights", which is included in environmental and social evaluation documents. Customers are asked to provide a "PS2 Labor and Work Conditions Commitment." 	<ul style="list-style-type: none"> Monitor potential risks of customers' daily operations, actively show concern and understand the risks. The operating manual stipulates that personnel must consider whether or not the customer engages in environmental protection, ethical corporate management, and CSR during credit investigations. If "Risk Disclosure Inspection Items for Credit Investigations – ESG Risks" is checked in the credit investigation report, the business unit is required to look into the situation, provide assistance to customers for making improvement when necessary, and evaluate and formulate mitigation and compensation measures in response. If the customer's situation is severe or unable to make improvements over a long period of time, then it must carefully evaluate whether or not to continue doing business with the customer. Bank SinoPac has signed the Equator Principles (EPs) and assesses the human rights risks of project financing in accordance with the UN Guiding Principles on Business and Human Rights, and has added it to the "Commitments" part of contracts.

2.3.6 Risk Culture and Management

Shaping Risk Culture

To ensure the effectiveness and quality of risk management, the Risk Management Division of SinoPac Holdings evaluates the implementation status of risk management by subsidiaries each year in the aspects of Risk Management Mechanisms, Risk Management Awareness Education and Training, and Risk Incident Reporting. The results of assessments are used as the basis for determining the annual performance of subsidiaries. Performance evaluations for risk management personnel of SinoPac Holdings and subsidiaries are based on the Employee Evaluation Guidelines, and a rating is assigned to each employee based on his/her annual work performance, goal attainment, and attendance. Furthermore, for the management of overall risks of SinoPac Holdings and subsidiaries, approval is required from the head of SinoPac Holdings' Risk Management Division when appointing, dismissing, promoting, rewarding/punishing, or evaluating the head of the Risk Management Division at each subsidiary and personnel at the Risk Management Division of SinoPac Holdings.

Risk Related Education and Training

Besides complying with policies and regulations, education and training are also an important part of improving risk management performance in the Company. To implement risk education, the Board of Directors, risk management personnel, and general employees all irregularly take risk related courses that increase their knowledge on risks and update them on the latest trends. All directors of SinoPac Holdings received a total of 75 hours of continuing education in 2019. Risk management personnel and general employees at SinoPac Holdings and subsidiaries participated in 113 risk-related courses with a total of 9,933 hours in 2019. Contents of the courses include credit risk, market risk, operational risk, anti-money laundering laws and regulations, and information security risks. To raise the risk awareness of general employees and respond to changes in the international financial market, risk management personnel planned and lectured in related risk management courses through online channels or speeches to provide Directors, senior executives, and all other employees with channel for obtaining risk management related knowledge and cultivating a sound risk management culture.

Risk Related Education and Training in 2019

Subjects	Number of people who completed training	Total number of hours	Number of training sessions	Main training content/course
Board members	9	75	17	<ul style="list-style-type: none"> Guidance for the corporate governance system of SinoPac Holdings and subsidiaries and review of international AML/CFT practices, the effect of economic substance, transferring funds back to Taiwan, and New Southbound Policy on the Group and response measures.
Risk management personnel	65	3,170	76	<ul style="list-style-type: none"> Market risks, on-the-job training for derivatives, operational risks, information security, impact and response to the US-China trade war, and analysis of China's economic and financial situation.
General employees	5,420	6,763	37	<ul style="list-style-type: none"> Corporate credit risk, derivatives and risk management, operational risks, anti-money laundering laws, and continuing education on internal audits.
Total	5,494	10,008	130	

2.4 Information Security

2.4.1 Information Security Governance Framework

Due to the rampant cyber-crime caused by emerging technologies, financial institutions must more cautiously respond to information security issues. Among the Board members of SinoPac Holdings, Mr. Yeh Chi-Hsing, who has a background in information security, is responsible for supervising the Group's information security strategies. The Information Security Committee was established under the president of SinoPac Holdings in September 2018, and is the highest level unit responsible for information security management. The committee is responsible for information security implementation and governance, and information security risk supervision and management. Sean Lee, who previously worked at the Criminal Investigation Bureau High-tech Crime Center and National Police Agency Information Management Office, serves as the convener of the committee. Committee members include the heads of the Compliance Division, the Risk Management Division, the Digital Technology Division, and information security related supervisors at subsidiaries; the chief auditor is invited to attend committee meetings. The Committee's responsibilities are to review the information security policy and regulations, review the information security management system, raise information security awareness, formulate related education and training plans, and evaluate and decide on information security related infrastructure. Bank SinoPac and SinoPac Securities have established dedicated information security units in accordance with the information security policy of SinoPac Holdings, and continue to update ISO 27001 Information Security Management certificate to fulfill their responsibility to maintain the confidentiality of customers or investors' personal information.

SinoPac Holdings' Information Security Governance Framework and Division of Authority and Responsibility

Board of Directors	Supervises the Group's information security strategies
President	The Information Security Committee is established under the president
Information Security Committee	Reviews the information security policy and regulations, reviews the information security management system, raises information security awareness, formulates related education and training plans, and evaluates and decides on information security related infrastructure
Information Security Units	Bank SinoPac and SinoPac Securities have both established information security units in accordance with the information security policy of SinoPac Holdings, and continue to update their ISO 27001 Information Security Management certificate to fulfill their responsibility to maintain the confidentiality of customers or investors' personal information.

Director and Senior Executive Responsible for Supervising Information Security Strategies

Governance level	Board of Directors	Name and title	Professional background in information security
	Yeh Chi-Hsing, Director	Former transaction security officer of eBay Taiwan, president of DragonSoft (information security), prosecutor at Taiwan Banciao District Prosecutors Office (intellectual property rights and computer-related crime section)	
Management level	Sean Lee, Executive Vice President	Former Chief Information Security Officer and Chief Information Officer of Fubon Financial Holdings, Director of the Criminal Investigation Bureau High-tech Crime Center, Chief of the National Police Agency Information Management Office	

2.4.2 Information Security Management

Information Security Policy

SinoPac Holdings established a safe and reliable IT system to strengthen information security management, and ensure data, system, equipment, and network security. SinoPac Holdings established the Information Security Policy to ensure that information processing at SinoPac Holdings and subsidiaries complies with information security related regulations, in order to protect customers' rights and interests. To ensure the implementation of the information security management system, SinoPac Holdings will amend its internal regulations in coordination with amendments to information security related laws in 2020, and reinforce information security plans and operating procedures including IT system security management, network security management, application system access management, application system development, maintenance, and management, computer asset management, system environment security management, and IT system disaster recovery management. Furthermore, each year SinoPac Holdings reviews if the Information Security Policy and information security incident response procedures are suitable for the business environment and comply with the competent authority's regulatory requirements. SinoPac Holdings also evaluates material information security issues, analyzes the Group's internal information security risks and vulnerabilities, and announces the internal Information Security Policy to all employees via e-mail. Regular education and training are provided each year to improve employees' knowledge of information security. SinoPac Holdings sets forth business ethics and information privacy rules in the Supplier Corporate Social Responsibility Code of Conduct, and requires suppliers to reasonably protect business information and personal data to ensure the Company and individual privacy is not damaged due to data leakage. Also, suppliers may not disclose their relationship with SinoPac Holdings in any form without written consent from SinoPac Holdings. The Procurement Management Guidelines also clearly state that suppliers awarded contracts by SinoPac Holdings should not violate the Supplier Corporate Social Responsibility Code of Conduct.



Information Security Policy



Information Security Management Process and System

The system management, application software development, outsourcing management, database management, network management, information security management, and infrastructure maintenance by the information related units (including information security units) of Bank SinoPac and SinoPac Securities all comply with and have obtained ISO 27001 certification. This is to prevent IT systems from being hacked and personal data leakage due to improper design of the information security framework, or inadequate control from system, network, and privacy management mechanisms, which will affect the Company's information security. SinoPac Holdings will continue to maintain its ISO 27001 Information Security Management System certification, and strengthen the information security mechanisms and personal data protection and management in the aspects of APT defense system, defense against DDoS attacks, e-mail content filtering, malware detection, website and app vulnerability scanning, and security inspections. SinoPac Holdings also isolated and strengthened the security of high risk systems (such as ATM and SWIFT systems). SinoPac Holdings did not receive any fines or sustain any financial losses due to data leakage incidents or accidental damages to IT systems or equipment in 2019.

Information Security Trends

Besides continuing to assess information security risks that the Company may encounter internally, and in light of the information security threats and cyber attacks that are frequently occurring worldwide, SinoPac Holdings monitors and evaluates trends in information security and system information. Information security exchange meetings are convened on a monthly basis to review information security mechanisms and plans of SinoPac Holdings and subsidiaries. The Information Security Command Center also convenes monthly meetings to analyze if there were attacks from publicly known major information security threats. To date, emerging information security risks and trends observed by SinoPac Holdings are mostly related to mobile payment and internet banking, which have been very popular in recent years. Such threats include using social engineering techniques to embed malware to gain control over important assets and equipment and steal data, exploiting application loopholes, stealing users' personal information and login certificates for application services on mobile devices, and stealing passwords to internet banking accounts.

Related Trends in Information Security

Type of information security trend	Possibility/ Frequency	Cause of effect on information security
Social engineering attacks	At least 5 incidents a year	The use of social engineering techniques to embed malware will give hackers a chance to control important information equipment
Threats to mobile device applications	At least 5 incidents a year	Hackers exploit loopholes in mobile device applications to steal users' personal data and login certificates, causing data leakage
Internet accounts attacks	At least 5 incidents a year	To attack internet banking accounts, hackers use a Trojan horse to obtain customers' account ID and password, and then heist their deposits

Information Security Risk and Vulnerability Assessment

The risks from internet will increase along with the development of digital FinTech, hackers and various cyber-attacks may hack into the IT system of financial institutions, so information security must be further improved. To reduce the impact of information security incidents and protect the rights and interests of customers and their own, financial institutions must thoroughly implement risk management measures to identify information security risks in operations, and prevent unauthorized access, damage, disclosure, or tampering with information, or causing service suspension that could negatively affect their functions and reputation.

SinoPac Holdings prioritizes prevention beforehand and response preparations to ensure information security and provide customers and employees with protection that allows them to feel at ease. SinoPac Holdings has established an Information Security Command Center to strengthen endpoint control mechanisms and network information security, and periodically carry out backup and remote backup drills to ensure the ability of systems to continue operating. SinoPac Holdings also plans to use AI model vulnerabilities, big data application risks, and RPA rules and logic to establish an information security framework. Bank SinoPac and SinoPac Securities conduct information security and bank vulnerability analysis and testing on a monthly, semi-annual, and annual basis, in order to identify the vulnerabilities of their IT systems, system security procedures, and internal controls to information security threats and cyber-attacks. The subsidiaries will also continue to strengthen their information security.

Information Security Risks and Vulnerability Analysis Methods of Bank SinoPac and SinoPac Securities

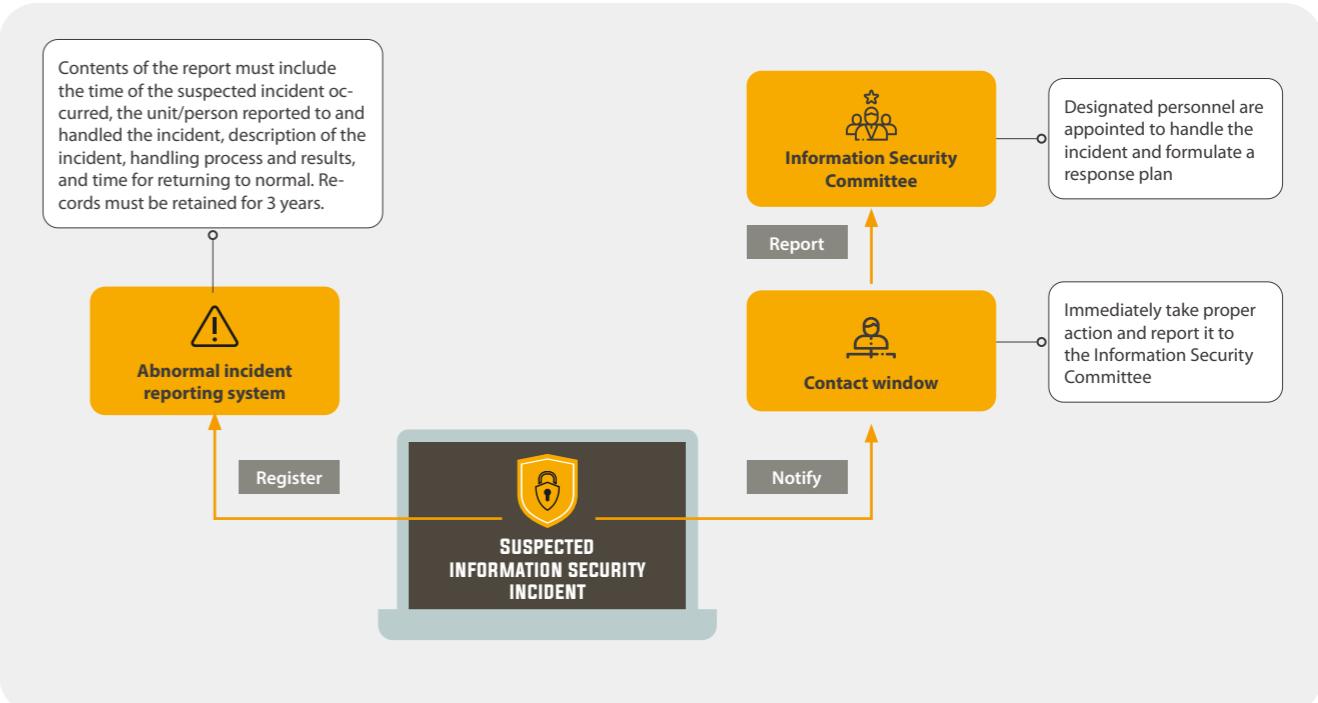
Item	Frequency
Information security risk monitoring and analysis	Monthly
Vulnerability scanning or blackbox testing	Semi-annually
E-mail social engineering drills	Annually
Third party information security evaluation	Annually

Information Security Incident Reporting Process

According to SinoPac Holdings' Information Security Policy, when a suspected information security incident occurs, units must handle the incident, notify the incident to the contact window, and then register the incident in the abnormal incident reporting system. Contents of the report must include the time the incident occurred, the unit/person reported to and handled the incident, description of the incident, handling process and results, and time for returning to normal. Units that receive the report will immediately take proper action according to the Emergency Response Rules and report it to the Information Security Committee. The convener of the Information Security Committee will appoint designated personnel to handle the incident, evaluate the scope affected, formulate a response plan, and report to the convener to make necessary decisions and work assignments. Records of suspected information security incidents that were reported must be retained for 3 years. Furthermore, SinoPac Holdings conducts annual tests on the Business Continuity Plan (BCP) and emergency response procedures, so as to further improve the BCP and examine the appropriateness of emergency response procedures.

Bank SinoPac established the Information Security Rules and Information Management Operating Manual, in which the Information Security Rules sets forth information security incident response and management measures, including information security incident management procedures such as the reporting, response, and handling of information security incidents, incident tracking and improvement procedures, incident risk level definition, and reporting process management. This provides employees with a clear guidance to follow and effectively avoid information security or network security risks. SinoPac Securities established the Information Security Incident Management Procedures, DDoS Defense and Response Notices, Emergency Response Guidelines, and Operational Risk Management Regulations for employees to determine the level of an incident and related handling procedures.

Information Security Incident Reporting Flowchart



2.4.3 Information Security Training and Education

Every corporate is responsible for improving its information security level, implementing information security in the business operation process, continuously enhancing employees' awareness on information security, and building up an environment that emphasizes both service efficiency and security protection. To improve information security, SinoPac Holdings delivers updates of its internal security policies to all employees via email and have it announced on the intranet at all times; the compliance with information security has also been included in the employee performance evaluation. In addition, SinoPac Holdings actively addresses the importance of information security and establishes employee's awareness towards information security through information security education and training for different functions of employees.

SinoPac Holdings implements the annual information security education training through online courses for all employees every year. The courses include basic information security concepts, review of recent information security incidents, trends in information security, social engineering methodology, promotion of internal regulations, and the cultivation of information security awareness. SinoPac Holdings also organizes training and drills to prevent social engineering via malicious e-mails, and designed various phishing e-mails and conducted comprehensive tests on all employees to improve users' information security awareness. Dedicated information security personnel are required to participate professional information security training or professional skills training each year for at least 15 hours and pass the according assessment. All other employees are required to participate more than 3 hours of information security courses every year.

Information Security Training in 2019

Subsidiary	Recipients	Results of Training Programs
Bank SinoPac	Dedicated information security personnel	The personnel completed at least 15 hours of professional information security or professional skills training in accordance with regulations.
	Regular employees	Personnel of the head office, local and foreign business units, IT units, financial custody units, and other managerial units completed at least three hours of information security training in accordance with regulations
SinoPac Securities	Dedicated information security personnel	The personnel completed at least 15 hours of professional information security training courses in accordance with the Criteria Governing Internal Control Systems of Securities Firms and passed the evaluation.
	Regular employees	Personnel who are users of the information systems completed at least 3 hours of information security training in accordance with the Criteria Governing Internal Control Systems of Securities Firms. The courses include training for strengthening website security, protection of sensitive information, improving information security awareness and skills. All the departments heads should complete at least 2 hours of courses each year.

2.4.4 Customer Information Privacy

Ensuring customers' personal data privacy and financial information is the responsibility of each financial institution, and all financial institution should effectively manage and disclose their privacy management performance. In recent years, privacy protection has become increasingly important due to the development of diversified businesses. How to legally collect, process, and utilize data from customers within the scope of authorization and the establishment of a control mechanism to ensure the confidentiality of customer's information and customer privacy has become a major issue for all companies in the financial industry.

In order to protect customers' personal data and privacy, SinoPac Holdings has established related management policies. Bank SinoPac, SinoPac Securities, SinoPac Securities (Europe), and SinoPac Securities Investment Trust appointed Data Protection Officers (DPOs), disclosed Customer Information Confidentiality Measures on their websites including the methods for the collection, storage, safekeeping, and protection of customer information and provide customers with rights to exercise and withdraw from information exchange and usage. In SinoPac Holdings' Employee Rewards and Punishment Regulation, it also specifies the regarding punishment of leaking customer data or causing damage to their privacy. The head of the department submits the punishment list to the human resources department for verification and approval.

SinoPac Holdings values technological development, social environment and legal changes, and adjusts customer information confidentiality regulations from time to time and report them publicly. In order to implement personal information protection measures, each subsidiary has set up personal data protection management workforce to promote and review tasks and management plans regarding to personal data issues. Meetings are also held for the discussion or reporting of related topics when needed.



Customer Information Confidentiality Measures



Inform Customers on Matters related to their Personal Data

All relevant activities of SinoPac Holdings in relation to the collection of personal data from customers are handled in accordance with the Financial Holding Company Act, "Administrative Measures for the Cross Selling among Subsidiaries of Financial Holding Companies, Personal Data Protection Law and other relevant laws and regulations. SinoPac Holdings posted Customer Personal Data Confidentiality Measures on its official website to fully inform customers about its obligation on personal information collection and related matters, including the scope, type and use of personal information captured, object of disclosure, change of personal data, protection of personal data, third-party disclosure policy and record keeping. SinoPac Holdings has set up high standard to guard customers' data privacy, and customers can request their data being corrected or deleted at any time.



Note: Data collection for secondary purpose is defined as the intentional use of data by the Company that is outside the primary purpose for which the data was collected, such as marketing purposes.

SinoPac Holdings Personal Data Protection Policy and Archive Maintenance Measures

In response to the implementation of the General Data Protection Regulation (GDPR) of the European Union, SinoPac Holdings began GDPR education and training since 2018. Although SinoPac Holdings does not have any branches in the European Union and is not within the scope of GDPR, SinoPac Holdings went further and adjusted the documents and issued a privacy policy statement on its website in order to optimize the Personal Data Protection Policy. Bank SinoPac revised the Personal Data Protection Policy to include GDPR regulations and the procedures; SinoPac Securities Investment Trust also posted the Privacy Statement of the EU Personal Data Protection Rules on its official website. At the end of 2019, the National Development Council launched technical consultations with the European Union, as a result, Taiwan is expected to become the third country in Asia to pass the GDPR adequacy decision. SinoPac Holdings will also continue to develop and establish GDPR data protection mechanism in all subsidiaries in response to the amendment of the government's personal data regulations and fulfill its commitment to protect data privacy of customers.

Personal Information Leakage

SinoPac Holdings and its subsidiaries have not encountered any complaints from external and other regulatory agencies in 2019, nor have they been verified and infringed on customer privacy rights or lost customer information, nor have they involved personally identifiable information. SinoPac Holdings will continue to strengthen the relevant protection mechanisms to fulfill the responsibility of protecting customers' privacy.

Fulfillment of Innovative Service

Sustainability Commitment	Corresponding SDG	Action Plan(s)	2025 Goal(s)
Reduce Inequality	SDG 1 No Poverty	Improve accessibility to financial services	<ul style="list-style-type: none"> Bank SinoPac's loans outstanding to foreign workers reach NT\$100 million. For merchant cards and distributor cards of Bank SinoPac's eco-financial services in wholesale market, the number of loan applications reaches 3,600 with the loan outstanding reaching NT\$150 million. Continue to promote Trust for Elderly Care and hold 4 property trust seminars every year, so as to improve property safety and the quality of care for the elderly and the vulnerable populations. The number of self-employed contracted merchants increases by 30% compared to 2020 with the amount of credit card payment growing by 45%.
Mitigate and Adapt to Climate Change	SDG 7 Affordable and Clean Energy	Support the development of the renewable energy industry	<ul style="list-style-type: none"> Bank SinoPac continues to increase the loans to the renewable energy industry, assisting the government in meeting the goal of generating 20% of the total electricity through renewable energy. SinoPac Venture Capital's investment targets expand to overseas green industry and those with overseas development potential. SinoPac Leasing continues to develop the equipment financing business for "solar power plants" during the construction period, and expects to cooperate with 500 power plants, and finance NT\$500 million for energy storage and generation facilities.
Promote Inclusive Growth	SDG 13 Climate Action	Raise climate awareness - customers	<ul style="list-style-type: none"> Include issues in relation to climate change in the voting policies of the Stewardship Principles for Institutional Investors and continue to pay attention to and disclose information related to such issues. Continue to hold climate-related seminars every year to raise climate awareness of customers and industry peers. Bank SinoPac develops and establishes an ESG database/dashboard in cooperation with external independent credit rating agencies. Bank SinoPac develops ESG Index/Score, incorporates Task Force on Climate-related Financial Disclosures (TCFD) into model variables, and implement a green credit model.
	SDG 8 Decent Work and Economic Growth	Support the development of small and medium enterprises (SMEs)	<ul style="list-style-type: none"> Bank SinoPac's SME Loans grow by 5%~8% YoY. Bank SinoPac assists SMEs in the operation of digital platforms, with transactions conducted via "FUN Biz" growing by 68% compared to 2018.





3.1 Sustainable Finance

3.1.1 Sustainable Finance Blueprint

The Customer Relations Team of SinoPac Holdings is responsible for developing a roadmap for sustainable financial products. In response to the three sustainable commitments of SinoPac Holdings to "Eliminate Inequality," "Mitigate and Adapt to Climate Change" and "Promote Inclusive Growth", the Team has formulated four action plans, namely improving accessibility to financial services, supporting the development of the renewable energy industry, raising climate awareness - customers, and supporting the development of small and medium enterprises (SMEs). SinoPac Holdings promotes sustainable finance with its core businesses, continuously guiding the market and clients to consider environmental protection and social issues by establishing responsible investment and lending practices.

SinoPac Holdings actively responds to the long-term international trend of financial sustainability and practice the investor stewardship. Bank SinoPac, SinoPac Securities, and SinoPac SITC have signed the compliance statement on the Stewardship Principles for Institutional Investors. Moreover, SinoPac Holdings established the basic principles of the Guidelines on Responsible Investment Management in June 2019. Furthermore, Bank SinoPac signed the Equator Principles (EPs) on February 27, 2020.

In addition, to protect the environment and conserve energy, and in conjunction with the government's effort in promoting renewable energy, SinoPac Holdings has successively worked with its subsidiaries to exert their financial influence and facilitate the green industrial chain through the integration of core financial businesses. With an aim to establish a green financial ecosystem, SinoPac Holdings developed related products and services, including green bonds, green financing, green investment and green funds.

Summary of the Results in the 2019 Sustainable Development Plan

Strategy	2019 Objectives	Implementation Status in 2019	2019 Achievements	2020 Objectives
Host ESG seminars/forums for external audiences	<ul style="list-style-type: none"> Hold ESG forums quarterly (themes include climate change, corporate governance, and responsible investment and trends). 	Completed	<ul style="list-style-type: none"> In 2019 Q1-Q4, 4 forums related to global ESG ratings, TCFD global risk, and responsible investment were held, with over 410 participants. 	<ul style="list-style-type: none"> Hold ESG seminars/forums every year, and regularly arrange ESG evaluation training courses for institutional investors.
Actively develop green financial products	<ul style="list-style-type: none"> Bank SinoPac continues to seek new business opportunities in the green energy industry, including: <ul style="list-style-type: none"> Solar Energy Equipment Financing Project Sign MOUs for green financing with local governments Provide business insurance coverage for the green industry Evaluate to issue green bonds Incorporate the ESG policy of corporate bond issuers into the banking book bond investment evaluation SinoPac Securities continues to seek business opportunities to assist green enterprises to list on the TWSE / TPEX. SinoPac SITC devices investment products with centered theme topics like energy-saving, or other green issues. SinoPac Leasing continues to develop equipment financing business for "solar power plants" during the construction period, and expects to cooperate with 200 power plants. With regard to the electric vehicle leasing business, SinoPac Leasing expects to lease out at least 100 electric vehicles while lease to newly developed energy-storage equipment reaches NT\$100 million. SinoPac Venture Capital invests in subjects mainly in "renewable energy", "circular economy" and "precision machinery" industries. At least two investments are to be made in the green industry, with an investment amount of NT\$50 million. 	Completed	<ul style="list-style-type: none"> For details, please refer to 3.1.3 Responsible Lending and 3.1.4 Sustainable Financial Products and Services. For details, please refer to 3.1.4 Sustainable Financial Products and Services. For details, please refer to 3.1.2 Responsible Investment. For details, please refer to 3.1.4 Sustainable Financial Products and Services. For details, please refer to 3.1.2 Responsible Investment. 	<ul style="list-style-type: none"> Bank SinoPac leads the conglomeration of solar energy plants, and funds the corporate by syndicated loans to build power plants in areas where the Council of Agriculture deemed unfavorable for farming; and continues to evaluate and issue green bonds. SinoPac Securities actively provides pre-listing consultation for at least two green energy entities. SinoPac SITC plans to issue "SinoPac Taiwan ESG Plus Fund". SinoPac Leasing continues to develop equipment financing business for "solar power plants" during the construction period, and expects to cooperate with 200 power plants. With regard to the electric vehicle leasing business, SinoPac Leasing expects to lease out at least 100 electric vehicles while lease to newly developed energy-storage equipment reaches NT\$100 million. SinoPac Venture Capital invests in subjects mainly in "renewable energy", "circular economy" and "precision machinery" industries. At least two investments are to be made in the green industry, with an investment amount of NT\$50 million.
Implement responsible investment	<ul style="list-style-type: none"> Confirm the strategic direction of SinoPac Holdings' responsible investment and disclose the "Responsible Investment Management Guidelines". Each subsidiary formulates its internal regulations and operational procedures in accordance with the "Responsible Investment Management Guidelines". 	Completed	<ul style="list-style-type: none"> SinoPac Holdings formulated the "Responsible Investment Management Guidelines" in June 2019 and disclosed the "SinoPac Holdings Sustainable Finance Blueprint" on its website. Each subsidiary has also completed the revision of internal regulations in December 2019. 	<ul style="list-style-type: none"> Continue to implement the "Stewardship Principles for Institutional Investors" and strengthen disclosure on responsible investment. SinoPac Securities continues to provide customers with advice on ESG ratings and investment in cooperation with SinoPac Securities Investment Service.
Implement responsible lending	<ul style="list-style-type: none"> Bank SinoPac establishes the "Equator Principles Project" team (PMO) and introduces the Equator Principles. 	Completed	<ul style="list-style-type: none"> The Equator Principles was officially signed in February 2020. 	<ul style="list-style-type: none"> Conduct training and pilot projects on the Equator Principles. Disclosure Equator Principles related information to the public after the 1-year grace period.

Strategy	2019 Objectives	Implementation Status in 2019	2019 Achievements	2020 Objectives
Promote inclusive financial services	<ul style="list-style-type: none"> Develop digital accounts and improve the convenience of transactions through the online platform and APP. Optimize mobile payment, payment methods and channels to increase the reach rate of credit card transactions for SMEs/self-employed merchants. Continue to implement the innovative financial service mechanism for the agricultural wholesale market. Plan and promote preferential deposit projects. Optimize the opening of online account, online transaction and service processes, so as to enhance customer experience and improve customer satisfaction. 	Completed	<ul style="list-style-type: none"> For details, please refer to 3.3.2 Smart Financial Innovation Services. For details, please refer to 3.2.3 Optimization of Digital Service. For details, please refer to 3.2.2 Inclusive Financial Products and Services. For details, please refer to 3.2.2 Inclusive Financial Products and Services. For details, please refer to 3.2.3 Digital Service Optimization. 	<ul style="list-style-type: none"> Continue to promote digital account service, including "DAWHO" and "SinoPac iBank". Allow minors or foreigners to apply for digital accounts and improve the experience of barrier-free services, expand the young customer base, and implement inclusive finance. Develop version 2.0 of the "Smart Wholesale Market Transaction Facilitation Platform," develop API to bridge the cash flows, and develop the function of real-time payment query.

Bank SinoPac, SinoPac Securities, and SinoPac SITC have signed the "Stewardship Principles for Institutional Investors" to gain an understanding on the operation of the investees by means of attending the shareholders' meeting, exercising voting rights and communicating with the senior management. Implementation of stewardship in 2019 was as follows:

Conflict of interest management	Conflict of interest management adheres to 5 principles, including prioritize clients' interests, avoid conflicts of interest, prohibit short-term trading and improper gains, and fair handling. SinoPac Holdings currently manages conflict of interest through continuous training and promotion, personal trading control and inspection, control of trading information with firewall, division of labor, regular detection, supervision and control, reasonable remuneration system, prohibition of acceptance or provision of improper gains, acceptance of gifts or entertainment, and implementation of remedial measures to ensure that the rights of customers and beneficiaries can be handled in a timely and appropriate manner.						
Engagement	In case investees are likely to involve in material breach of the corporate governance principles or prejudice the long-term value of the company's clients, beneficiaries and shareholders in particular issues, SinoPac Holdings will, from time to time, inquire the management of the investees as to how those violations will be dealt with and file a complaint jointly with other investors if necessary.						
Voting record	Voting record for the previous year is disclosed every year. For detailed information on its participation in the General Shareholders' Meeting of investees and the exercise of voting rights therein, please refer to the websites of SinoPac Holdings' subsidiaries.						
Stewardship report	<table border="0"> <tr> <td style="text-align: center;">Bank SinoPac</td> <td></td> <td style="text-align: center;">SinoPac Securities</td> <td></td> <td style="text-align: center;">SinoPac SITC</td> <td></td> </tr> </table>	Bank SinoPac		SinoPac Securities		SinoPac SITC	
Bank SinoPac		SinoPac Securities		SinoPac SITC			

3.1.2 Responsible Investment

Promotion of the Responsible Investment Policy

In order to encourage investees to value environmental protection, corporate social responsibility and corporate governance, SinoPac Holdings formulated the "Responsible Investment Management Guidelines" in June 2019 in accordance with the United Nation's Principles for Responsible Investment (PRI), to which SinoPac Holdings' investment and asset management business is referenced. The guideline is applicable to the fund management and advisory business of listed equity, fixed income securities, private equity, infrastructure, property, and derivatives. In addition, ESG issues and related risks are included in the decision-making process of related businesses. Based on Responsible Investment Management Guidelines, each subsidiary has also formulated methods and tools for assessing ESG risks, as well as related regulations in order to implement responsible investment.

SinoPac Holdings' Four Management Mechanisms for the Responsible Investment

Risk Assessment and Rating	Screening/Exclusion Policy	Theme Investment	Stewardship
<ul style="list-style-type: none"> Incorporate ESG factors into risk assessment with reference to the guidelines and standards of relevant organizations such as the International Finance Corporation (IFC), the World Bank, and the UN. Strengthen pre-investment assessment with reference to ESG ratings mechanism of professional institutions, constituent of relevant ESG benchmark index, or other ESG-related external resources or tools. For investment in high-risk subjects, a management-by-exception process should be established, where analysis and explanation are strengthened, approval level is leveled up, or shareholder activism is actively exercised. 	<ul style="list-style-type: none"> Avoid investing in subjects in controversial industries, such as prostitution, controversial weapons, etc. As for sensitive industries such as gambling, those with concerns in food safety, toxic radioactive substance, non-medical and hazardous genetic engineering, non-adhesive asbestos fiber and Polychlorinated biphenyls (PCBs) manufacturing, ESG related risk analysis are clearly illustrated. Avoid investing in subjects if the ESG risks are assessed to be in doubt and likely to deteriorate in the future. 	<ul style="list-style-type: none"> Support theme-based investment constructive to sustainable development and invest in industries or subjects that value sustainable developments, such as increasing investment in green bonds. 	<ul style="list-style-type: none"> SinoPac SITC also stipulates that, in case investees materially violate the corporate governance principles or damage the long-term value of the stakeholders in particular issues, it will, from time to time, inquire the management of the investees as to how those violations will be dealt with and file a complaint jointly with other investors, if necessary.

Responsible Investment Policy Adopted for the Asset Management Business

Types of assets under management	The responsible investment policy adopted in the asset's ESG strategy	Ratio of investment adopting the responsible investment policy to the total assets under management (AUM)
TWSE/TPEX-listed stocks	<ol style="list-style-type: none"> 1. In line with SinoPac Holdings' "Responsible Investment Management Guidelines", and the screening/selection policy 2. Engage with the investee to address material breach of corporate governance or other issues that may prejudice the long-term interests of SinoPac Holdings' customers 	100%
Fixed income securities		100%

Promote Internal and External Engagement on Responsible Investment

SinoPac Holdings actively promotes the values of stewardship in order to improve the understanding and practice of ESG stewardship for employees, customers, external institutional entities, and related personnel of TWSE/TPEX listed companies. In 2019, four ESG forums were held, with a total of 410 participants.

Since 2016, SinoPac Securities has been promoting responsible investment and organizing a large-scale "ESG Forum" every year, inviting stakeholders such as corporate clients to participate, so as to gain an understanding of the development of international climate issues and the trend of domestic and overseas responsible investment. In October 2019, SinoPac Securities, the Taiwan Stock Exchange and Baillie Gifford jointly organized the "New Trends in Global Responsible Investment Forum" to conduct in-depth discussions on responsible investment and ESG information disclosure, analyzing the impact of investment through the capital market to the environment and society, taking into account the impact of the responsible investment. Around 100 people participated the Forum.

Since 2019, Bank SinoPac has also held three ESG forums, inviting external scholars and experts to share with industry peers the domestic and overseas risks and opportunities of climate changes related to the financial industry, sustainable development, and sustainable finance. Board directors, executives, employees, VIPs and customers of SinoPac Holdings and its subsidiaries were invited with a total of 310 participants in 2019.

Amount of Responsible Investment during 2016-2019 (year-end balance)

Type	Description	2016	2017	2018	2019
Own Asset	Investment in ESG Enterprise by Bank SinoPac (USD)	\$149 million	\$43 million	\$61 million	\$332.16 million
	Green Investment by SinoPac Venture Capital (NT\$)	\$194 million	\$136 million	\$326 million	\$390 million
	Investment in Cultural and Creative Industries by SinoPac Venture Capital (NT\$)	\$260 million	\$180 million	\$192 million	\$162 million
Asset Management	Green Fund - SinoPac China Economic Development Fund (NT\$)	\$1,240 million	\$1,000 million	\$890 million	\$930 million

SinoPac SITC issued the "SinoPac China Economic Development Fund", mainly investing in the marketable securities issued by Chinese and Hong Kong companies in relation to economic construction plans focusing on the key industries supported by mainland China's Five-Year Economic Plan. The command economy over the past five years focused on green energy, energy conservation, and intelligence technologies. The growth of the concept stocks supported by favorable policies will be higher than the average of the overall market in the medium and long term. Through the issuance of green funds, investors are given the opportunity to follow the trend of green energy and environmental protection by investment. As of the end of 2019, the fund AUM was NT\$930 million, accounting for 2.03% of the AUM of SinoPac SITC.

In addition, SinoPac SITC pays close attention to global trends and incorporates ESG into its business operations strategies: value environment symbiosis (E), enhance social influence (S), and fulfill corporate governance (G). SinoPac SITC expects the above action are able to improve its sustainability performance and corporate operations, and become the model of an outstanding enterprise. Consequently, SinoPac SITC established its first Taiwan ESG fund, the "SinoPac Taiwan ESG Plus Fund," on April 23, 2020, with an initial fund size of approximately NT\$1.85 billion. The fund mainly invests in the companies that are the constituents of FTSE4Good TIP Taiwan ESG Index to conform to investors' demand on sustainable investment and provide diversified options for the investors.

2019 Highlights of Responsible Investment of Subsidiaries

Subsidiary	Responsible investment policy	Achievements
Bank SinoPac	<ol style="list-style-type: none"> Since 2018, the ESG policy of corporate bond issuers has been included in the assessment for its banking book investment. The impact on the environment has been mitigated by investing in industries having their own environmental protection policies. It actively invests in green bonds to assist the green industry in obtaining funds; future investment in related corporate bonds will be made in this direction. 	<p>As of the end of 2019, it has invested in 8 green bonds, with book value of about NT\$2 billion.</p>
SinoPac Securities	<p>SinoPac Securities investing in 38 stocks (non-trading purpose proprietary investment) that have conformed to the spirit of ESG and disclosed their ESG information, including Taiwan Semiconductor Manufacturing, Largan Precision, Quanta Computer, etc.</p>	<p>The total investment amount was NT\$4,663 billion (accounting for 93% of the total non-trading purpose investment).</p>
SinoPac Venture Capital	<p>The investment direction of SinoPac Venture Capital focuses on reducing resource consumption, including water, paper and energy:</p> <ol style="list-style-type: none"> Water resources: Considering water resources are limited and in response to the government's water-reclaiming policy, it has thus invested in filter membranes for water treatment, which can not only help enterprises in achieving the goal of zero wastewater discharge, but also support the growth of the domestic filter membrane industry. Paper resources: Considering deforestation is required for paper manufacturing and the carbon emission during the manufacturing process, it has thus invested in companies specializing in electronic tags and e-books in order to reduce the consumption of the aforementioned resources. Energy: In view of the declining oil reserve and the high carbon emissions produced by automobiles, it has thus invested in manufacturers that have successfully optimized turbochargers in order to indirectly reduce the generation of the aforementioned waste. 	<p>The total investment amount was NT\$390 million (accounting for 19.07% of the total investment balance).</p>

3.1.3 Responsible Lending

SinoPac Holdings understands the financial industry plays an important role in reducing global carbon emission, as it controls the majority of the cash flows supporting the economy. By following the Equator Principle and incorporating ESG into its risk assessment process, SinoPac Holdings pays close attention to clients' understanding of the risks and opportunities brought by climate change as well as its influence on financial performance, in order to take further proactive countermeasures.

Overall Credit Exposure

As of the end of 2019, Bank SinoPac's credit exposure in all were NT\$534.8 billion. By industry, the top ten industries of credit exposure were computer and electronic product manufacturing, construction of buildings, wholesale of durable goods, utilities, wholesale of nondurable goods, funds, trusts, and other financial instruments, rental and leasing services, chemical manufacturing, primary metal manufacturing, and water transportation, accounting for more than 50% of the total credit exposure; among which computer and electronic product manufacturing ranked the first, accounting for 12.45% of the overall exposure. SinoPac Holdings monitors the top ten industries in terms of risk exposures and pays attention to major ESG issues and risks in different industries, so as to deepen its ESG risk management in the future.



Bank SinoPac's Credit Exposure by Industry at the end of 2019

Ranking	Industry(code)	Outstanding amount (NT\$ 10,000)	% to total exposure of corporate finance
1	Computer and Electronic Product Manufacturing (334)	6,657,393	12.45%
2	Construction of Buildings (236)	4,285,893	8.01%
3	Merchant Wholesalers, Durable Goods (423)	3,214,171	6.01%
4	Utilities (221)	2,677,677	5.01%
5	Merchant Wholesalers, Nondurable Goods (424)	2,376,195	4.44%
6	Funds, Trusts, and Other Financial Instruments (525)	2,269,585	4.24%
7	Rental and Leasing Services (532)	2,207,415	4.13%
8	Chemical Manufacturing (325)	1,850,705	3.46%
9	Primary Metal Manufacturing (331)	1,746,297	3.27%
10	Water Transportation (483)	1,730,530	3.24%
Total		29,015,861	54.26%

Note:

- Figures in the table are credit exposure to corporates covering loan, guarantee, acceptance, letter of credit, and credit committed by the end of 2019 (including the nominal amount outstanding and loan commitments that are not yet appropriated).
- The code refers to the three-code classification system coded by the North American Industry Classification System (NAICS).

Development of Responsible Lending



Integration of ESG into Retail Banking

For retail banking services, the risk control mechanism of Bank SinoPac is primarily based on an anti-money laundering (AML) governance structure. Each year, Bank SinoPac issues the "Statement on the Internal Control System Regarding Anti-Money Laundering and Counteracting Terrorism Financing," which is published on its website. In practice, Bank SinoPac applies Risk Based Approach (RBA) to classify the clients into high, medium and low risk categories according to the risk level of money laundering. The risk factors are identified from the clients' information, such as background, region, corresponding business, transaction behavior, and selected products and services. The classification is incorporated into the credit review system to conduct a customer review before engaging in retail financing business with them. The report generated by the system evaluates the potential risks of money laundering and terrorism financing based on the general information provided by the customer. Where a customer falls under the medium- or high-risk category, the retail banking business unit should state the content of KYC and the reasons for engaging with such customer in the report, for the reference of the credit officers. Where the borrower is identified as high-risk, an Enhanced Verification Form concerning the borrower shall be provided, while the level of approval shall be raised, or the application shall be approved by the head office.

Bank SinoPac shall decline and terminate business relationships with customers on sanctions lists, such as terrorists or groups subject to economic sanctions, identified or pursued by foreign governments or international money laundering prevention organizations; or individuals, legal persons, or groups sanctioned by the Counter-Terrorism Financing Act. In addition, Bank SinoPac shall temporarily cease trading with customers who reject regular reviews or refuse to provide information such as the actual beneficiary, the person exercising control of the customer, the nature and purpose of the transaction, or the source of funds.



Statement on the Internal Control System Regarding Anti-Money Laundering and Counteracting Terrorism Financing

◆ Integration of ESG into Corporate Banking

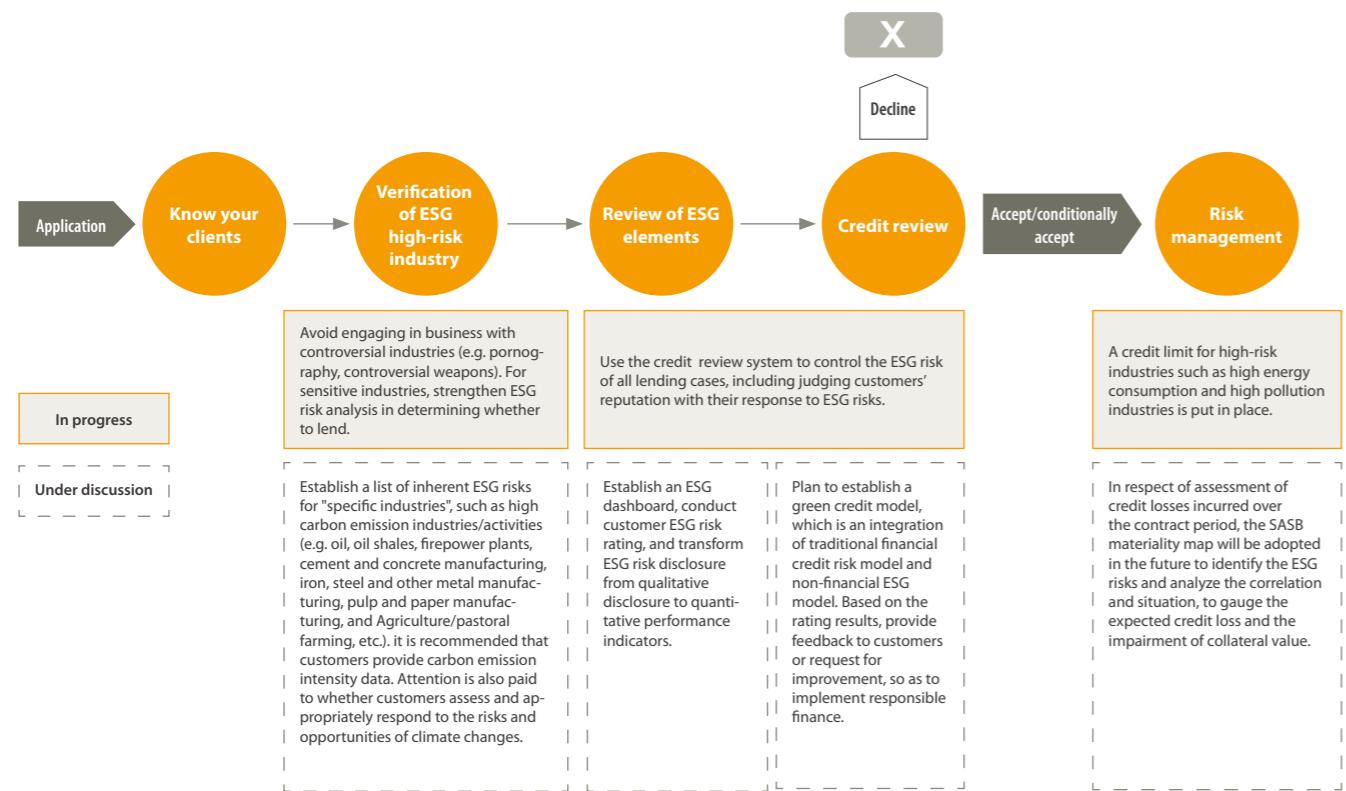
Bank SinoPac's Corporate Credit Risk Management Division is a dedicated unit responsible for coordinating the formulation of policies governing responsible lending and Equator Principles, and planning and implementing credit analysis of ESG risks. In addition, Bank SinoPac has been paying attention to the ESG risk trends and its impact on sectors and industries as well as the influence of the Bank. The ESG risks are jointly identified by the relationship managers and credit officers; the account officers are responsible for disclosing and stating the ESG risks of the borrowers, while the credit officers inspect and review the credit analysis of borrowers' ESG elements.

"Principles for Responsible Lending Management" was promulgated in October 2019, stipulating that business should be avoided with "controversial industries/enterprises" (e.g. pornography, controversial arms). For "sensitive industries/enterprises" such as gambling, those with issues in food safety, toxic radioactive substance, non-medical and hazardous genetic engineering, non-adhesive asbestos fiber and polychlorinated biphenyls (PCBs) manufacturing, the ESG risk analysis should be clearly explained to serve as a countermeasure in the loan assessment. In the review process, ESG issues are also included in the credit risk decision-making process. With reference to the Equator Principles and International Finance Corporation (IFC) performance standards, matters concerning climate change, human rights and biodiversity are included in the ESG risk factors for the credit review. In addition, the Bank pays close attention to whether customers evaluate and appropriately respond to the risks and opportunities of climate change. For industries with existing ESG risks, such as high-carbon emission industries/activities, customers are recommended to provide carbon emission data.

In response to the "Principles for Responsible Lending Management", Bank SinoPac incorporated the ESG risk identification process into the credit review system and generated a checklist, namely "Credit Risk Information Disclosure and Verification", for assessment. Where the ESG risk is ticked off on the "Credit Risk Information Disclosure and Verification" in the credit review report, the business unit will identify the causes and provide explanation to avoid information misleading. Where an ESG risk factor exists, the business unit will engage with customers, exploring the situation, assisting customers to improve, and responding by evaluating the proposing mitigative and remedial measures. Business relationships with clients with serious issues that cannot be resolved in the long term should be evaluated in a prudent manner.

Regarding the ESG risk management of the lending business, Bank SinoPac has been monitoring high-risk industries including manufacturing industries with high energy consumption and high pollution such as the non-ferrous metal industry, and has set a credit limit ceiling. Exposure is monitored by industry monthly, and regularly reported to the Risk Management Committee and the Board of Directors. In the future, Bank SinoPac plans to continue to establish the alert value of ESG risk indicators for specific industries, as well as monitor the credit exposure thereto, so as to reduce the impact of ESG risks derived by such exposure. Stress tests to the loan portfolio are conducted with risk factors including industry categories, macroeconomic indicators, Loan-to-Value, and Debt-to-Burden Ratio. In the future, there will be continuous assessment as to whether to include climate change, natural resource constraints, human capital risks and opportunities, and cyber security in the risk factors.

Responsible Lending Review Process



Continue to Improve ESG Risk Assessment Tools

In July 2019, Bank SinoPac developed ESG risk information dashboard and ESG risk rating models in cooperation with a well-known external credit rating company, combining the institution's complete ESG database and the Bank's decision-making experience in ESG financing risks. In the future, Bank SinoPac will integrate the current financial/credit risk rating mechanism to serve as the guidance for the Bank's financing decisions, and in doing so further promote and implement the concept of "green risk rating". Based on ESG risk rating, green bonus (such as interest rate deduction) will be provided for companies that fulfill their social responsibilities. On the contrary, additional risk premiums will be required for companies with poor ESG performance. By channeling funds through entities that fulfill their social responsibility, Bank SinoPac, together with customers, will exert positive influence through sustainable finance. In addition, for post-lending management, the ESG risk rating model currently under development will be deepened and extended to conduct correlation analysis and scenario analysis on the ESG risk and credit default factors of customers in calculating their Probability of Default (PD), Exposure at Default (EAD), Loss Given Default (LGD), and value of collateral. In the future, SASB materiality map will be adopted to identify the ESG risks of material issues that are of concern to different industries/enterprises, and to predict their potential losses incurred by their own financial status or operational performance. For example, a loss is deemed to have occurred when a specific industry's data of carbon emission intensity is too high such that it faced huge penalties, or orders to shut down/cease production imposed by local governments, or when the value of collateral is impaired due to physical climate risks.

world. In 2020, procedures for the Equator Principles will be formulated by internal responsible units, who will also plan and implement related regulations, systems, review processes and pilot cases in relation to EP project financing, introduce external external consultants to establish relevant regulatory mechanisms and inspect whether the EP framework meets EPFs standards, conduct relevant education and training to ensure that relevant employees assess the impact of project financing cases on the environment and society in accordance with international standards, and require customers to take appropriate risk reduction measures in accordance with the requirements of the Equator Principles. Bank SinoPac will also invite external consultants to assist in transition to the application of the new version of EP4, including new concerns such as human rights risk and climate change risk in Environmental and Social Impact Assessment (ESIA), as well as continuing to strengthen guidelines for expanding Free, Prior and Informed Consent (FPIC), product range, designated country risk management, and public disclosure.

From 2022, Bank SinoPac will publicly disclose EP projects and related information on the EP official website and Bank SinoPac's website, including the type of industry, risk classification, designated or non-designated country of project financing cases, examine the number of loans taking into consideration the environmental and social risks management, and ensure whether environmental and social assessment reports issued by an independent third-party are provided. The following three cases are pilot cases adopting EP review principles, IFC performance standards, and World Bank EHS guidelines:



Alignment with the Equator Principles

Bank SinoPac has been actively preparing for the signing of the Equator Principles since 2019. On February 27, 2020, it signed the Equator Principles and became the 102nd EPFI (Equator Principles Financial Institution) in the

Pilot Project Financing Cases Reviewed in accordance with the Equator Principles

Case	Industry Category	Explanation	Risk Categories	Region	Reviewed by an Independent Third-party
Case A (EP projects refinance) (2019)	Energy supply	Syndicated loan arranged by HSBC and Citibank to refinance a thermal power plant.	A	Asia Pacific (non-designated country as defined by EP)	Yes
Case B (EP project finance) (2020)	Energy supply	Syndicated loan arranged by SMBC to finance for the construction of a thermal power plant.	A	Asia Pacific (non-designated country as defined by EP)	Yes
Case C (EP Project finance) (2020)	Energy supply	Green energy loan extended by Bank SinoPac to finance for the construction of a solar power plant (clean energy).	C	Asia Pacific (non-designated country as defined by EP)	No

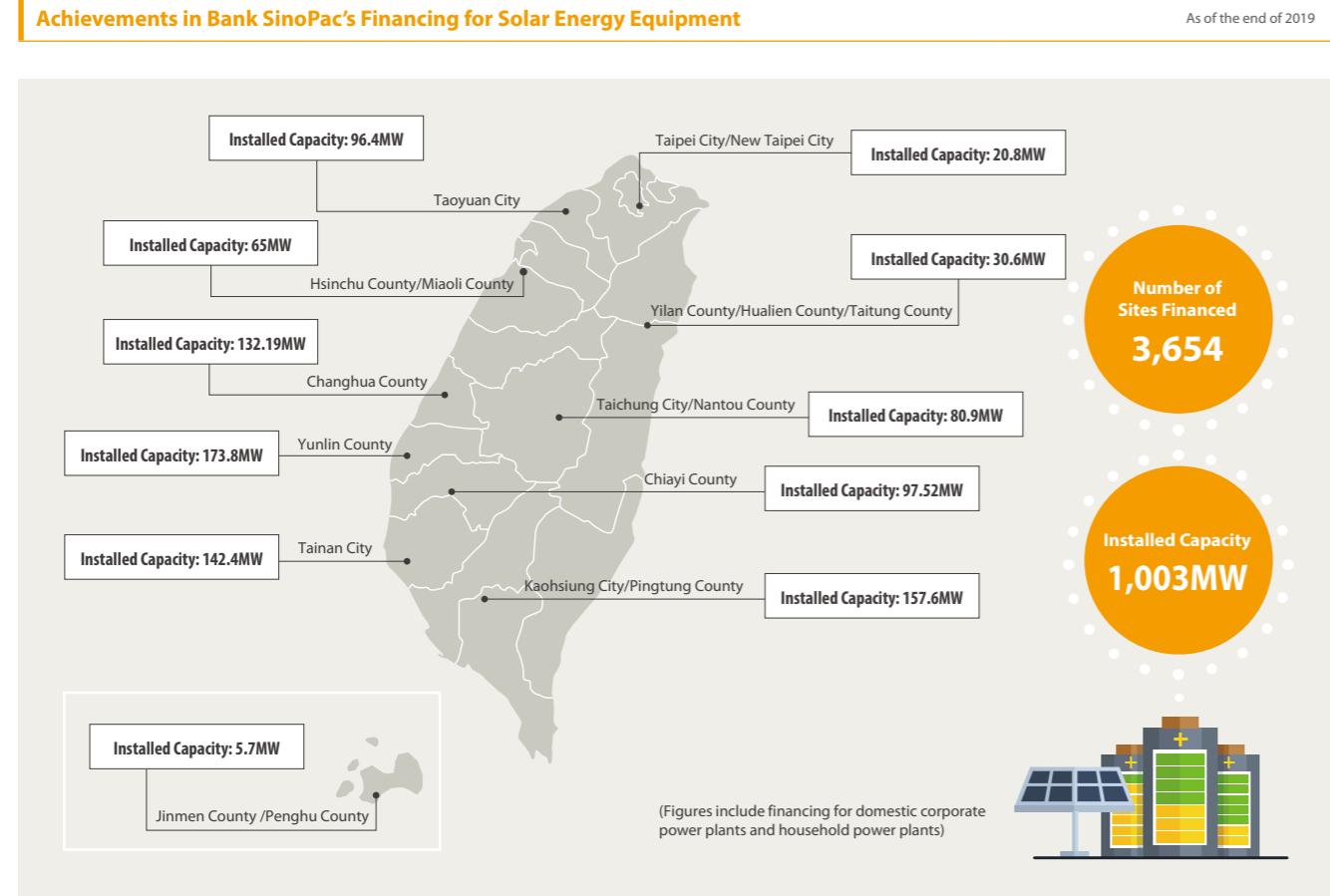
ESG Engagement

Bank SinoPac has been communicating and negotiating with stakeholders in relation to ESG issues, especially in the green financing business. In response to the objectives of government policies, Bank SinoPac held a number of briefings and seminars to facilitate communications and discussions on related topics. Since 2017, Bank SinoPac has been holding seminars on green energy business at industrial zones and providing project financing for solar photovoltaic power generation equipment. In doing so, Bank SinoPac fully and systematically elaborated policy norms and incentive measures and provided integrated financing schemes to prompt investment in the green energy industry by private enterprises. In addition to cooperating with the New Taipei City Government on the five major industrial park projects, Bank SinoPac has also signed a memorandum of understanding (MOU) with the Tainan City Government, and visited major technology or industrial parks to hold seminars on green energy financing projects beneficial to environmental protection while boosting the Bank's business to achieve a win-win situation.

Financing for Household Solar Energy Equipment (Bank SinoPac)

Individuals and households have started the investment of solar photovoltaic equipment to fulfill their commitment to renewable energy and reduce daily expense. Bank SinoPac responded to the needs of personal customers/households with a quick loan approval process, granting a loan amount up to 90% of the appraisal value of the solar power equipment with a tenure up to 15 years. This has helped significantly reduce the barriers for the installation and increase individuals' or households' willingness to invest in the installment of solar power equipment on their own rooftops. As of the end of 2019, the Bank has financed for 214 personal power plants with installed capacity of 9.21MW, and the loan outstanding amount to household solar energy equipment was NT\$294 million.

Achievements in Bank SinoPac's Financing for Solar Energy Equipment



Instalment Business for the Electric Vehicle Industry (SinoPac Leasing)

Electric vehicles will be the main force of green transportation in the future for its cleanliness, environmentally friendly, safety and durability. SinoPac Leasing started the involvement in the energy-saving and carbon-reduction transportation industry that attach importance to circular economy in the second half of 2018. In 2019, SinoPac Leasing further extended financing facilities for the installment sales of shared electric vehicles in the Kinmen area, the electric official vehicle of the Environmental Protection Bureau of Chiayi County, Yilan County and Hualien County, and the charging base of the shared electric vehicle in the Matsu area. As of the end of 2019, the accumulated financing amount was about NT\$28 million, and the amount appropriated in the year reached NT\$40 million.

ESCO Energy Storage Equipment Financing (SinoPac Leasing)

SinoPac Leasing has become a member of the Matching Platform of Energy Service Company (ESCO) Association since March 2019, and worked together with other members specializing in engineering, design, construction,

maintenance, testing of energy-saving improvement projects and related software and hardware. In October 2019, it commenced business with ESCO manufacturers. As of the end of 2019, the outstanding amount of financing for ESCO energy storage equipment was NT\$4.6 million.

Financing for Eco-Friendly Textile Industries (Bank SinoPac)

Bluesign is the most comprehensive environmental protection standard used in the global textile industry. Textile companies applying for the Bluesign certification are required to invest over NT\$100 million in wastewater treatment equipment, and incur additional expenses on raw material procurement and personnel training. Therefore, Bank SinoPac provides financing to domestic textile companies who plan to obtain the Bluesign certification in order to assist their transition into a green textile company. At present, about 600 textile companies have obtained Bluesign certification in the world, of which 122 are domestic textile companies. As of the end of 2019, Bank SinoPac has provided financing to 21 of the 122 domestic textile companies, accounting for a market share of 17.2%, with a cumulative financing amount of NT\$4.7 billion.

2016-2019 Green Financing Products (outstanding amount as at the year-end)

		Description	2016	2017	2018	2019
Green Energy Financing	Solar energy equipment financing (household)	2.2	3.12	2.97	2.94	
	Solar energy equipment financing (enterprises)	31	67	153	244.45	
	Solar power plant financing during the construction period (Note 1)				2.48	
Energy Saving/Energy Storage Equipment Financing (Note 2)	Electric vehicle installment financing				0.28	
	ESCO energy storage equipment financing				0.046	
Eco-Textile Financing	ECO-friendly textile financing	36.6	27	40.6	47	
Total		69.8	97.12	196.57	297.15	

Note 1 : SinoPac Leasing has provided financing for solar power plants under construction period since the second half of 2018. Due to the nature of the business, the tenure of the financing is relatively short, and hence the outstanding amount is relatively small. Total amount appropriated in 2019 reached NT\$620 million.

Note 2 : SinoPac Leasing has provided financing for electric vehicle and ESCO energy saving/storage equipment since the second half of 2018. Due to the nature of business, the tenure of financing is relatively short, and thus the outstanding amount is relatively small.

Insurance for Green Enterprises

To relentlessly support the transition of the photovoltaic industry to a green one, Bank SinoPac also actively assists in providing 4 kinds of business insurance required by the green industry, including comprehensive insurance for electronic equipment, mechanical insurance, installation insurance, and public accident liability insurance for possible incident occurrence during the operation of power generation equipment, enabling customers to be fully protected when expanding green financial business. Bank SinoPac's insurance covering power generation equipment accurately echoes the market trends, leading to rapid growth in underwriting cases. In 2019, a total of 1,055 policies were insured, with a premium of NT\$35.88 million, leading the industry. In the future, Bank SinoPac will continue to provide customers with more professional insurance services to maintain the leading position.

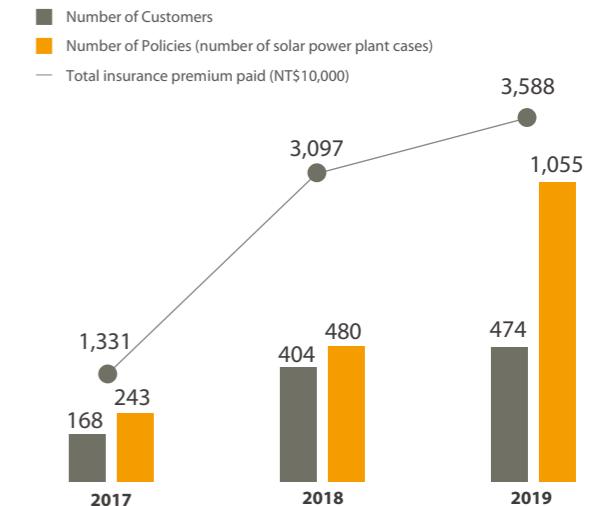
Green Bond Issuance

In addition to the development of various green financing products, following the initial issuance of green bonds in 2017, Bank SinoPac issued green bonds amounting to NT\$3 billion in 2019, accounting for 100% of the size of senior bonds and 23% of the total bonds issued in the year. The funds raised will be used for loans to projects related to energy conservation and environmental protection. In the future, Bank SinoPac will continue to expand the connection among green finance, economy, and industry. In addition to solar photovoltaic equipment, green energy transportation and power storage equipment will also be the focus. Bank SinoPac will assist manufacturers to invest in energy-saving technology and build equipment and processes that cater for ecological and environmental protection, and create a win-win situation of finance, industry and ecology.

Integration of ESG in Underwriting/Consultation of Initial Listing of Stocks on TWSE/TPEx and Capital Raising Business for Listed Stocks

When conducting the business of pre-listing consultation and raising funds, SinoPac Securities' Customer due diligence is conducted in accordance with the Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings, Taiwan Securities Association Assessment and Auditing Procedures for Securities Underwriters Consigned to Prepare Underwriter Assessment Reports for Offerings and Issuance of Securities by Issuers, and Taiwan Securities Association Rules for Information to be Published in Securities Underwriter Evaluation Reports on Offering and Issuance of Securities by Securities Issuers as promulgated by the competent authorities. SinoPac Securities has incorporated ESG elements such as corporate governance, major labor disputes, and major environmental pollution into the pre-listing review and evaluation process; the securities offering prospectus, the Securities Underwriter Evaluation Reports, and the overall opinions of the underwriter are all disclosed on the Market Observation Post System. In 2019, SinoPac Securities underwrote the issuance of common stocks of NT\$150 million on the OTC market for Chang's Ascending Enterprise Company Ltd, a company engaging in lithium iron battery research and development.

Bank SinoPac Business Insurance for Green Enterprise



2019 SinoPac Holdings' Smart Financial Innovation Products Highlights

◆ Integrated Digital Account "DAWHO"

Centered on the needs of the young generation, Bank SinoPac's "DAWHO" account contextualizes financial services from entertainment, transportation, food to learning, and integrates seven core functions and innovative services e.g. deposits, wealth management, foreign currency, securities, credit cards, credit loans, and mortgage. Since its launch in June 2019, DAWHO has been highly favored by the young generation due to its featured competitiveness, allowing them to enjoy discounts with spending paid by DAWHO credit card for the subscription of digital audio/video platforms such as Netflix and Spotify, the payment for the rental of Gogoro battery, purchase of games of Playstation or Xbox, and order for food delivery services. As of the end of 2019, the number of account holders had exceeded 220,000.

In the future, Bank SinoPac will continue its innovation and integration efforts to develop digital accounts, utilize innovative technologies such as AI, big data, face recognition and deep learning to optimize service quality, and actively develop new forms of payment, investment, securities, foreign currency and other business, so as to meet user needs and provide a better user experience. Furthermore, through alliances with social media communities, e-commerce or telecom operators, branches across the island, ATMs, cross-industry alliances and innovative technologies, the operating ecosystem that combines logistics, cash flow and information flow will be further expanded.



◆ The First Online Settlement Account in the Industry - DAWHO TOU

With the wave of Banking3.0, SinoPac Securities integrated Bank SinoPac's DAWHO to launch the "DAWHO TOU" digital securities account, leading the securities industry to develop an online settlement account. Account opening can be completed within 24 hours and order placement can be processed within 1 hour. DAWHO TOU also introduces two major innovative services, "AI Advisor" and "Thomson Reuters Intelligent Analysis", to tailor an investment information collection platform for customers and provide convenient financial services for investors.

Since DAWHO TOU's launch in October 2019, the number of monthly account openings has exceeded 2,000, and it has successfully attracted young generation due to the fast and convenient account opening process, easy-to-use software for placing order, and practical online investment services. With this new service, the age of customer base has dropped from 40 to 50 years old to 30 to 35 years old. In the first quarter of 2020, electronic transac-

tions were particularly favored by users due to the impact of the COVID-19 pandemic. Online account opening became the highlight during the outbreak. The number of account opening in the first quarter accounted for 86% of that in 2019, and the number of account opening exceeded 10,000 in March 2020.

In the future, DAWHO TOU will strengthen the integration with innovative products of Bank SinoPac, including the newly launched "Online fast account opening for sub-brokerage" and actively promote the newly launched "SinoPac Stock Savings Plans" platform that allows clients to accumulate their wealth with a small fixed-term investment amount. DAWHO TOU will further provide one-on-one service on personal investment advices and financial analysis with the application of big data and AI.



◆ AI Smart Banking - SinoPac iBrain

In order to grow with customers, Bank SinoPac launched the AI Smart financial advisor "ibrAin". The system first evaluates the customer's needs, asking the customer's gender, age, monthly salary and investment goals, and then based on customer's planned investment period and target amount, the algorithm will refer to the possible market trends and target achievements in various situations to provide customized ETF portfolio recommendations. After the customer starts investing, SinoPac iBrain regularly monitors asset changes and proactively issues asset rebalancing notifications when it detects deviations from the target track. Customers only need to click to perform asset rebalancing action. Through a series of automated services and analysis, SinoPac iBrain can tailor a portfolio configuration to allow smart financial services to meet customer needs. The number of applicants for SinoPac iBrain in 2019 reached 2,113, with an AUM of approximately NT\$75 million.

In the future, Bank SinoPac plans to expand to a wider range of services. It is expected that the number of investment portfolios available for choice will reach 8,000 in 2020, and the investment AUM will reach NT\$270 million. From an optimistic point of view, iBrain will bring 12,000 new customers for Bank SinoPac with AUM amounted to NT\$7,866 million, contributing a revenue of NT\$14.141 billion to the Bank.

SinoPac's First Full-Function Future Campus Bank - Digital Branch at National Cheng Kung University

In November 2019, National Cheng Kung University Digital Branch opened, becoming the first full-function future campus bank in Taiwan. It not only takes the responsibility of leading young people to experience brand-new digital financial services, but also becomes the base station of finance that bring together digital, technological and financial services to provide a brand new experience for future banks. Features of this branch are summarized below:

Online VR number-taking

After logging in via the Mobile Banking APP, customers can directly take the number online before heading to the Branch within 5km distance. At the same time, customers can watch the pre-photographed National Cheng Kung University branch's screens that provide users with personal experience. Doing so not only saves the branch number-taking machine and paper usage, but also saves customers from the trouble of waiting for the branch to call the number, improving the customer experience.

Face recognition greeting system

Customers can get a personal and unique welcome on the screen when entering the branch entrance. After the first authorization, customers can enjoy this service the next time they enter the Branch.

TV wall mounted voting system

Together with National Cheng Kung University Branch FB fan group, the Bank interacts with students through the TV wall's current affairs voting system to popularize fan groups and the branch. In addition, through chat robots chatting with those students, the Bank gains a chance to recommend products to them.

Sports mat and National Cheng Kung University iPath system

After integrating sports mat equipment with National Cheng Kung University iPath system, a common life circle with students was formed. Students can get iPath points after using sports mat; they may later use those points in exchange for various services in iPath system, or go to National Cheng Kung University Branch for small gifts.

Remote wealth management services

Since National Cheng Kung University Branch has no on-site financial advisor, the service of a remote video financial advisor is provided when customers have the need; via remote video connection, they have the opportunity to enjoy the real service provided by a financial advisor.

Palm vein authentication

National Cheng Kung University Branch adopts palm vein authentication for access control of the branch operation supervisor to reduce the operation time and avoid the risk of password leakage.

eNote (Electronic Notepad)

National Cheng Kung University Branch also introduced eNotes as a device for text display and customer signature authorization to reduce paper usage and safekeep signed documents in digital forms.

Three Innovative Services Presented in FinTech Exhibition

SinoPac Holdings and its subsidiaries presented new products and services at FinTech Taipei 2019, jointly displaying three major thematic innovation services including Health, Intelligence and Openness. By utilizing innovative finance for application in daily lives, more convenient services were provided for enterprises or individuals.

Health
Combined sports, life and financial services, to allow the calories burned during exercise to be converted into credit card bonuses. This innovation is a practice of connection between finance and the IoT (Internet of Things), laying the foundation for a healthier life and making the necessary financial services available everywhere.

Intelligence
"SinoPac iBrain" is an AI wealth management tool that utilizes Asset allocation algorithm to provide tailored advices to investors based on their information and financial goals and thus satisfies their diversified wealth management needs.

Openness
In response to the government's Open Banking policy, Bank SinoPac's Partner APIs will comprise four major dimensions, namely "consumption payment", "bill payment", "identity authentication" and "financial information", to digitally contextualize various aspects from food, clothing, housing, transportation, education, entertainment, etc., creating a win-win situation for customers, enterprises and banks, and opening the infinite possibilities of Open Banking.



2019 Fintech-Related Products and Services

Services	Subsidiaries	Description	2019 Results and Achievements
Digital Counter Services	Bank SinoPac	<ul style="list-style-type: none"> The eNote devices were introduced to implement paperless counter services, featuring with digitalized application forms, electronic signatures, on-line review/authorization, and automatic closing the books. The use of eNotes helps branch offices to save paper usage, improve efficiency in closing accounts, and reduce costs in managing paper vouchers. Palm vein authentication is used for bank transactions, in which customers' signatures and signature verification are no longer required. It is also used for internal authorization to improve service quality and reduce fraudulent transactions. The use of TOGO APP, installed at the iPad devices of the Bank exclusively used by branch staffs for business purpose, makes the branch office "mobile", strengthens customer personal data protection and improves the internal control of the Bank. 	<ul style="list-style-type: none"> The eNote devices has been introduced in 4 branches. A total of 48 items of transactions can be done by eNote, accounting for 55% of all transaction items. Palm vein authentication facilities are installed in 9 branches, initially used for internal authorization. The iPad devices equipped with TOGO APP were introduced in 59 branches of Bank SinoPac and 23 counters at SinoPac Securities that act as collection and payment agents for Bank SinoPac.
Mobile Payment	Bank SinoPac	<ul style="list-style-type: none"> Launched Samsung Pay on January 22, 2019. On January 22, 2019, the FUN Biz App incorporated EMV QR code into itself to serve as credit card payment means; it also upgraded to be a mobile cash register that collects payment domestically and abroad. The "Fun wallet App x Taiwan Pay" rolled out the consumption and bill payment functions in July and October 2019, respectively, providing multiple services such as shopping and bill payment. 	<ul style="list-style-type: none"> 92.4% of the merchants for Bank SinoPac bind the FUN Biz App to collect payments. Insurance premium payment by Fun wallet APP was launched in December 2019, promoting digital experience, improving convenience and saving time for policyholders The transaction amount via "Fun wallet App x Taiwan Pay" exceeded NT\$20 million.
Open Banking	Bank SinoPac / SinoPac Securities	<ul style="list-style-type: none"> Bank SinoPac launched Partner APIs that included application programming interface (API) for identity verification and payment. It works with partners in various industries to jointly create comprehensive financial services based on the customers' usage frequency and life scenes. In accordance with the policies of the competent authority, the two subsidiaries actively responded to the three phases of Open API and cooperated with third-party service providers to return the control of financial data to customers. SinoPac Securities' "API Smart Wealth Management Ecosystem" used API to break through the closed system and achieve bilateral cooperation with FinTech startups. It has developed the Line@ wealth management chatbot, brand new wealth management website and investment platforms, CMoney candlestick chart app, and Eten Stock app to set up connected ordering services. 	<p>In response to the first phase of Open Banking, the two subsidiaries have completed the concatenation of 7 financial information Open APIs with third-party service providers, and joined the National Chengchi University Industry and Academia Alliance to grasp the trend of Open Banking at all times.</p>
Smart Wealth Management	Bank SinoPac / SinoPac Securities	<ul style="list-style-type: none"> Intelligent wealth management APP "SinoPac iBraIn" was officially launched in August 2019. By combining algorithms with big data, it provided online wealth management services. It also tailor-made tens of thousands of investment portfolios for each customer based on their personal information and investment goals, providing them with exclusive and customized investment advice. Bank SinoPac's exclusive "SinoPac iBraIn" and SinoPac Securities (Asia)'s "InveStart", an intelligent wealth management robot, provide a variety of products by means of smart-beta investing to help investors earn better returns. 	<p>As of the end of 2019, the number of applicants of iBraIn reached 2,113 with AUM of NT\$75 million.</p>
Digital Account	Bank SinoPac	<ul style="list-style-type: none"> On June 17, 2019, the digital account "DAWHO" was officially launched to provide customers with convenient online application for account opening services. Simply by going through 7 steps in 7 minutes, "DAWHO" allows customers to open an NT\$ account, a foreign currency account and a trust account at one time. In the future, customer stickiness will be constantly improved by utilizing product features and marketing activities; and basic information and transaction data of customers will be utilized to gain insight into their potential needs and give them the most tailored product recommendations. 	<p>As of the end of 2019, the cumulative number of accounts opened was 224,519.</p>

3.4 Customer Relations

SinoPac Holdings provides customers with localized and personalized services, while attaching importance to interaction with them and listening to their voices. SinoPac Holdings also pursues excellent service attitude, professional service quality and friendly service space at premises like online channels, physical branches/offices, or telephone transaction. In addition, SinoPac Holdings protects customers' rights, in that it regards the treating customers fairly principle as the core of corporate culture, and makes the principle a value system, a code of conduct that the enterprise as a whole follows, and a compliance with which employees protect customers' rights and interests. SinoPac Holdings also strengthens staff's compliance with financial consumer protection laws and regulations, aiming to boost customer confidence to the Company and thus achieve sustainable business operation and development.

- Sale of disputed products is prohibited, and internal transaction management regulations have been established to expressly prohibit transactions with enterprises or individuals that conduct illegal business.
- To establish the Company's basic principles for conducting transactions, the Company requires related personnel to strictly abide by the "Bank Service Personnel Management Regulations" and "Lease Transaction Management Regulations" established by the Company. A comprehensive Employee Reward and Punishment Standards was established to prevent employees from violating laws or misleading customers.
- SinoPac Holdings values the fairness of transaction terms and conditions and prevents suspicions of violations of laws or misleading customers in external communication or advertisement in the sales of products and services.

3.4.1 Treating Customers Fairly Principle

Bank SinoPac and SinoPac Securities have established their own treating customers fairly principle. Customer complaints or disputes from financial consumer are handled in accordance with relevant laws and regulations. Bank SinoPac and SinoPac Securities will check whether there is a violation against the principle of fair treatment of customers or financial consumer protection regulations. Violations in this regards, if any, are reported at executive meeting regularly and remedial measures are to be taken. In 2019, neither SinoPac Holdings nor its subsidiaries were punished by the competent authority for violating the principle of fair treatment of customers. In "Principle of fair treatment of customers" evaluation conducted by the competent authority, they were rated "excellent". In the future, SinoPac Holdings will adjust the strategies for principle of fair treatment of customers in a timely manner in order to abide by the spirit of norms, protect the rights and interests of customers in all aspects, and ensure the goal of sustainable development.

Product Information Communication

The design and promotion of all products from SinoPac Holdings and its subsidiaries have been implemented in accordance with the "Financial Consumer Protection Act", "Personal Information Protection Act", and the relevant internal regulations for legal compliance and risk management. Product fees are consistent with prevailing standards in the industry and risk disclosures have been implemented in accordance with regulations to ensure customer rights and service efficiency.

SinoPac Holdings' Product Management Policy

- All new businesses or products are regulated by risk assessment and management procedures and control mechanisms, and approved by internal audit, legal compliance and risk management units or the Board of Directors.
- As a principle, legal documents signed with customers must be reviewed by an attorney designated by the Company or a legal compliance or legal affairs unit to verify that the Company's rights are appropriately protected before they may be implemented.
- Where business units or credit reviewing units have any doubt on regulations, they may request explanation or clarification from attorneys, accountants, or competent authorities orally or in writing.

SinoPac Holdings is customer-oriented and values the opinions of customers. In order to ensure the implementation of customer rights, Bank SinoPac and SinoPac Securities not only carry out customer satisfaction surveys every year, but also provide customers with a multiple feedback mechanism, so that their valuable opinions and their problems faced can be heard and sorted out in a timely manner.

Customer Satisfaction

Bank SinoPac values customer groups with different attributes. In 2019, a satisfaction survey and a customer service staff satisfaction survey were conducted for over-the-counter customers, digital account-opening customers and general customers. The satisfaction rate was over 95% and 2,411 compliment letters and suggestions were received from customers during the survey. The satisfaction with SinoPac Securities' customer service center was as high as 99.6%, and the overall satisfaction with the four service aspects, namely, "Account Opening", "Transaction", "Service", and "Marketing", was 88%. Account opening recommendation reached 82%, while receiving 55 compliments from the survey.

In addition to the annual customer satisfaction survey, in 2019, Bank SinoPac launched the "Sincere Service, Innovative Value" project, appointing an external consulting company to understand the expectations of internal and external customers for services through qualitative interviews. The service gap was further diagnosed by having mystery shoppers to inspect the services. Bank SinoPac convened front-line service colleagues to establish six exclusive service standards workshops, namely telephone service, service ambassador, counter service, problem handling, dress code, and business environment, to ensure the maintenance of quality service. At the same time, with high-coverage service training, "counter staff service ability" and "supervisor service management ability" were enhanced. Customer satisfaction rate was 95% in 2019, an increase of 1% compared to 2018.

SinoPac Holdings Workplace Safety and Health Measures	
Measures and programs	Content
Organize employee health checkup	<ul style="list-style-type: none"> SinoPac Holdings and its subsidiaries regularly hold employee health checkups and plan testing projects for key indicators. Since 2019, health checkups were given to all employees regardless of age and gender. All employees were provided with additional testing, e.g., "thyroid screening" and "cancer screening (Breast cancer, prostate cancer)" and "ECG examination". In doing so, SinoPac Holdings have provided employees with a more comprehensive health checkup plan to help employees detect diseases in advance, so as to implement the concept of disease prevention in advance. SinoPac Holdings analyzes and manages the health status of employees based on the results of health checkups, arranges on-site physician services immediately after health checkups, continues to conduct health promotion activities, provides employee health care information advocacy from time to time, pays attention to employees' physical and mental health, and provides for employees who have potential health risks with care and tracking of health status, for the purpose of early detection of health-related risks and early medical treatment.
Implement advocacy or education and training on occupational safety and health promotion	<ul style="list-style-type: none"> Bank SinoPac and SinoPac Securities conducted 23 occupational safety and health education and training, and regularly shared the latest health information related to current events in the internal employee communication platform. Conduct mental health lectures, invite psychiatric specialists to give lectures, provide employees with practical psychological concepts, and balance family and workplace relationships. Bank SinoPac passed the "Workplace Health Activation Certification" (Zhonglun/Chengzhong/Nanjing Building) organized by the Ministry of Health and Welfare. SinoPac Securities received the "Taiwan iSports Certification" issued by the Ministry of Education, which was an external affirmation for its efforts to promote employee sports and create a healthy workplace culture.
Promote work-life balance and encourage employees to conduct leave arrangements	<ul style="list-style-type: none"> Bank SinoPac provides employees with a "leave summary notice" on the 1st of each month and a pre-arranged leave plan for each season to encourage employees to arrange annual leaves and balance work and life. To encourage employees to live a balanced life, Bank SinoPac provided a fixed amount of travel benefits for employees who had been on leave for two consecutive days in the previous year.
Occupational safety and health promotion system	<ul style="list-style-type: none"> Bank SinoPac established the occupational safety and health system and the Occupational Safety and Health Committee in accordance with the Occupational Safety and Health Act. The head of the General Affairs Division of the head office implements safety and health management on behalf of the employer. Managers at all levels command and supervise the implementation of respective personnel. The Occupational Safety and Health Committee has a total of eight members, including representatives of departments related to occupational safety as well as three representatives from the union of Bank SinoPac to assist in the supervision and providing suggestions of related occupational health and safety issues.
Implement shortened working hours system, taking care of family and work	<ul style="list-style-type: none"> Bank SinoPac implements shortened working hours and employees may adjust the number of working days per week or the number of working hours per day based on family conditions to avoid taking leave without pay while taking care of both family and work. In 2019, a total of 3 employees adopted shortened working hours according to their personal needs to balance family and work.
Employee Assistance Program (EAP)	<ul style="list-style-type: none"> SinoPac Holdings implements the EAP to help employees to balance their physical and mental health. The program includes work, life, and health support. With the establishment of the service system, SinoPac Holdings integrates internal and external resources to help employees to resolve issues and improve their work efficiency and productivity. SinoPac Securities has signed the EAP services with professional institutions for nine consecutive years to provide employees with professional channels for legal, health, medical, and wealth management consulting services. Each employee is eligible for five free consulting services each year, with experts providing assistance in achieving superior control over their sentiments at work and better performance.
Soothing oil massages	<ul style="list-style-type: none"> SinoPac Securities arranges regular health examinations and invites doctors to provide onsite services. The Company also works with professional institutions to provide soothing oil massages across Taiwan. In addition to teaching employees about the use of essential oils, SinoPac Securities allows employees to understand their physical and mental health through the use of essential oils. The aromatherapists' instructions also help employees learn how to relax, promote cell regeneration, and improve employees' capacity for taking care of themselves. SinoPac Securities Investment Trust and SinoPac Leasing set up massage areas in the office and cooperated with the visually impaired association to provide regular on-site services to relieve employees' work pressure.
High-quality healthy workplace environment	<ul style="list-style-type: none"> The workplace environment of SinoPac Holdings and its subsidiaries meets regulatory requirements and passed inspections of competent authorities. SinoPac Holdings organizes regular fire drills, labor safety seminars and employee care seminars, and establishes related management measures, e.g., emergency response manuals and simulation drills from time to time to reduce the occurrence of occupational disasters. In order to create a high-quality and comfortable office environment, regular water quality testing is implemented to ensure the drinking water quality for employees and customers. AED (Automatic External Defibrillator) is installed to ensure the safety of employees, customers and community residents.
Assistance for new parents	<ul style="list-style-type: none"> SinoPac Holdings established breastfeeding rooms in accordance with the Act of Gender Equality in Employment to create a high-quality breastfeeding environment that provides female employees who had just given birth with the most comfortable and convenient environment for feeding and collecting breast milk. A total of 9 baby care centers have been contracted to allow employees to enjoy better daycare services.



Measures and Results of Paperless Services

Measure	Results
Internal: Convene meetings with communication software and video conferencing systems	Approximately 4,106 meetings were convened by using Lync in 2019, with 65,266 participants.
External: Promote electronic and digital products and services	In 2019, about 101.6 million pieces of paper were saved, reducing carbon emissions by 731.53 metric tons (Note 1). 1. Bank SinoPac launched paperless services such as electric credit card statements, online credit card applications, online loan applications, online loan approval, digital platform services, and IVR, which saved approximately 52.01 million pieces of paper. 2. SinoPac Securities launched paperless services such as e-statements, online account opening, and digital orders, which saved approximately 49.55 million pieces of paper. 3. SinoPac SITC launched paperless services such as e-statements and digital orders, which saved approximately 37,000 pieces of paper.

Note 1: According to the Carbon Footprint Calculation Platform of the Environmental Protection Administration, paper's CO₂ emission coefficient is 3.60 kg of CO₂e (a ream of A4 paper, 500 pieces).

Waste Management

Waste from the office buildings of SinoPac Holdings and its subsidiaries is mainly domestic waste. Recyclable waste is divided into four categories: paper, bottles, iron and aluminum cans, and IT equipment. All general and recyclable waste is shipped by qualified contractors to incinerators or recycling sites for disposal. Digital data related to customer information is also kept secure and confidential and destroyed in accordance with the internal rules and procedures. In 2019, SinoPac Holdings started to calculate total waste from the seven self-owned buildings based on the actual weight, and the total weight of waste produced from business operations reached 358.6 metric tons.

Type of Waste	2018 (Metric Tons)	2019 (Metric Tons)
General Industrial Waste (Note 1)	14.26	172.67
Recyclable Waste		
Paper/bottles/iron and aluminum cans	3.63	179.38
Electronic waste (computers/monitors/printers) (Note 2)	N/A	6.55
Total Waste	17.89	358.6
Data Coverage (based on the Number of Employees) (Note 3)	3.78%	40.3%

Note 1: General industrial waste is disposed of by qualified contractors and shipped to local incinerators equipped with waste heat recovery systems for power generation. The actual weight approach was not adopted in the past, so waste produced from Jianbel Building in 2018 was estimated by itself. In 2019, SinoPac Holdings started to calculate total waste produced from seven office buildings of SinoPac Holdings and its subsidiaries based on the actual weight.
Note 2: In 2019, only SinoPac Securities recycled 6.55 metric tons of electronic products, including 439 personal computers (9 kg/set), 590 monitors (3.2 kg/set), and 39 printers (18.2 kg/set).
Note 3: The number of employees referred to the number of regular employees in Taiwan excluding contract employees and overseas employees.

Water Resources Management

The water resources consumed by SinoPac Holdings and its subsidiaries are mainly tap water, which is mainly used for drinking, air conditioning, and cleaning. There is no groundwater or other sources of water supply. The increase in the number of employees in 2019 caused the overall water intake to rise from 2018, but per-capita water consumption remained at similar level. The adoption of water-saving taps and the regulation of air conditioner temperature at Zhonglun Building decreased annual water consumption by 3.5%. In 2020, SinoPac Holdings will continuously take relevant water conservation measures to reduce average water consumption by 1% per year.

Water Resources Management Criteria and Water Consumption from 2016 to 2019

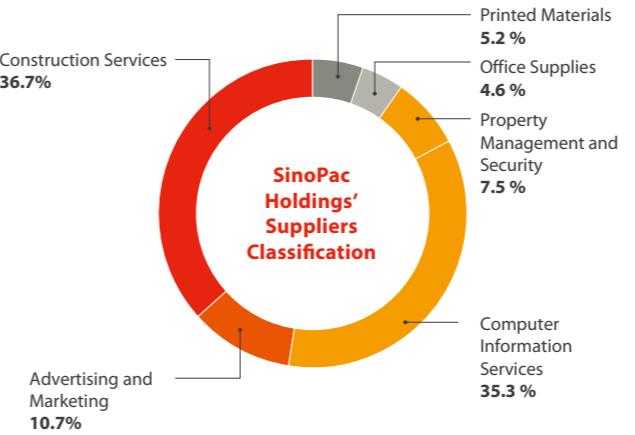
Water Resources Management Criteria	Unit	2016	2017	2018	2019
Total Water Consumption (Note 1)	tonne	215,028	216,792	218,574	220,464
Per-capita Water Consumption (Water Consumption Intensity) (Note 2)	tonne/person	27.03	27.25	27.99	27.94
Data Coverage	%	100	100	100	100

Note 1: Water consumption was estimated based on water bills of SinoPac Holdings and its five subsidiaries.

Note 2: Per-capita water consumption = Amount of water used within the scope of this report/total number of SinoPac Holdings' employees. The number of employees referred to the number of regular employees in Taiwan excluding contract employees and overseas employees.

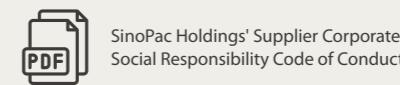
5.2 Sustainable Supply Chain Management

Among SinoPac Holdings' 346 suppliers, approximately 155 key suppliers had business dealings over NT\$2 million with SinoPac Holdings in 2019. Key suppliers were mainly divided into the following categories: construction, computer information services, office supplies, property management, printed materials, and advertising and marketing.



the self-evaluation results; it also conducted the first supplier sustainability audit and gap analysis based on the material issues of the industries where suppliers with high risks lie in and proposed recommendations for their improvement. Moreover, the Company visited both outstanding suppliers and high-risk suppliers to gain an understanding of their results and challenges in the implementation of ESG. The first Supplier Conference was held in December 2019. Through multi-channel engagement, SinoPac Holdings and its suppliers joined forces to fulfill corporate social responsibilities.

In 2020, SinoPac Holdings will continuously enhance supply-chain sustainability management, optimize the supplier database, and increase the proportion of suppliers signing Supplier Corporate Social Responsibility Commitment to above 80%. The medium-term goal is to establish ESG standards and provide ESG training for high-risk suppliers; the long-term goal is to encourage at least 20% of the suppliers in carbon-intensive industries to set carbon reduction targets.



5.2.1 Implementation and Results of Sustainable Supply Chain Management

In 2018, SinoPac Holdings initiated the supply chain sustainability management plan, which incorporated ESG criteria into relevant supplier policies. It also invited suppliers to sign the Supplier Corporate Social Responsibility Commitment, working together to fulfill corporate social responsibility, promote environmental sustainability, and maintain basic human rights. Through joint efforts, the Company aims to achieve a balance between the economy, the environment, and society. In 2019, 71.6% of our suppliers signed the Supplier Corporate Social Responsibility Commitment, beyond the preset goal (60%), and 100% of our new suppliers became the signatories. In 2020, SinoPac Holdings will continuously increase the proportion of suppliers signing the Supplier Corporate Social Responsibility Commitment and set the goal at above 80%. SinoPac Holdings also amended the Procurement Management Guidelines by taking ESG criteria into account regarding the award of bid. In addition, criteria for giving extra points were added to the supplier evaluation based on the risks in high-risk industries to encourage suppliers that fulfilled their corporate social responsibility. In 2019, SinoPac Holdings also started to invite suppliers to conduct the self-evaluation of sustainability and developed a supplier risk map based on

**Supplier Sustainability Assessment**

In 2019, SinoPac Holdings invited 224 suppliers (65% of all suppliers) to conduct the self-evaluation on sustainability risks. More than 70% of our key suppliers participated in the assessment. The risk assessment covered labor rights, occupational safety and health, environmental protection, and business ethics. During the assessment, suppliers are assessed whether they complied with relevant laws and regulations, formulated policies, management systems, and training programs, and had any violations in each of the above four dimensions. The suppliers' self-evaluated average score was 85.43, seven of which was below 60 and were identified as high-risk suppliers. Overall, our suppliers have relatively weaker performance in environmental protection and occupational safety and health dimensions. In the second half of 2019, the Company further conducted sustainable due diligence and ESG audit for the first time on 10 suppliers based on the suppliers' self-evaluation results. The audit facilitated internal and external engagement on ESG issues. For internal management, it effectively increased the procurement staff's ESG awareness. Externally, it conducted on-site audits to further engage ESG issues with our suppliers. SinoPac Holdings learned from suppliers with outstanding performance in ESG implementation and discussed improvement with suppliers with insufficient ESG awareness and implementation, working together to achieve corporate sustainability.



Held the First Supplier Conference

At the end of 2019, SinoPac Holdings held the first Supplier Conference to convey its commitment to supply chain sustainability management and relevant policies, and invited Chi-Min Lai, Chief Sustainability Officer of Acer, to share Acer's CSR implementation and results with other suppliers. Speakers from KPMG and BSI Taiwan Branch were also invited to talk about the international trends in supply chain sustainability. To further strengthen supplier engagement, SinoPac Holdings discussed improvement to be made with key suppliers regarding ESG implementation after the conference, hoping that SinoPac Holdings and its suppliers would make the best sustainability partners for each other in the future.

tical actions; Bank SinoPac was awarded the "Corporate Green Procurement Excellence Award" by Department of Environmental Protection of Taipei City Government in 2019 for the second consecutive year. With 2019 as base year, SinoPac Holding sets a short-term goal of increasing the proportion of green procurement by 1% per year. The proportion of green procurement is expected to increase to 6.7% by 2020.

	2017	2018	2019
Green Procurement Amount (Thousands NT\$)	2,515.0	9,553.6	12,807.4
Data Coverage	Bank SinoPac	Bank SinoPac, SinoPac Securities, SinoPac Leasing, and SinoPac Venture Capital	SinoPac Holdings, Bank SinoPac, SinoPac Securities, SinoPac Leasing, SinoPac SITC, and SinoPac Venture Capital

5.2.2 Local and Green Procurement Policy and Quantitative Results

The total procurement amount of SinoPac Holdings and its subsidiaries in 2019 is NT\$2.251 billion, of which the local procurement amount from domestic suppliers registered in accordance with relevant regulations in Taiwan is NT\$2.163 billion, accounting for 96% of the total procurement amount. To put SDG 12 "Responsible Consumption and Production" into practice, SinoPac Holdings actively responds to Green Living and Consumption Policy promoted by the Environmental Protection Administration, which is to prioritize the purchase of products with environmental protection marks, energy conservation and water conservation marks recognized by the government in our procurement. For other eco-friendly products, SinoPac Holding's green purchase amount reached NT\$129 million in 2019, accounting for 5.7% of the total procurement amount. The main purchase included eco-friendly and energy-conserving equipment, green building materials, and products with carbon footprint certifications. For example: SinoPac Holding's 2019 Shareholders' Meeting Handbook and 2020 New Year's supplies (notebooks and calendars) all use FSC-certified paper to support green procurement and environmental protection products with prac-

Fulfillment of Inclusive Growth

Sustainability Commitment	Corresponding SDG	Action Plan(s)	2025 Goal(s)
Reduce Inequality	SDG 4 Quality Education 	Promote cultural equality	<ul style="list-style-type: none"> Continuously promote the "Home from Above" program and the care and respect for the elderly. Promote philanthropic activities related to culture and education to create a better cultural and artistic environment in Taiwan; the number of participants increases by 25%; the number of charity performances increases by 40%.
Mitigate and Adapt to Climate Change	SDG 13 Climate Action 	Raise climate awareness – the public	<ul style="list-style-type: none"> Raise the public's climate and environmental protection awareness, internalizing it into the attitude of "SinoPac Life" and accumulate past achievements in order to affect the public at large.
Promote Inclusive Growth	SDG 8 Decent Work and Economic Growth 	Support charity organizations/social enterprises and the employment of the vulnerable populations	<ul style="list-style-type: none"> Care for the health of the vulnerable populations and the elderly. Recognize the vulnerable populations' contribution to the society through meal subscription programs and cooperating in organizing events and encourage the purchase of meal box by SinoPac's employees with a participation rate of 50%; evaluate on adding sheltered workshops or NPOs to be cooperating with, expand SinoPac Holdings' influence to increase customer participation by 10%.

Six Capitals		
Input	Strategy	Output
Financial Capital <ul style="list-style-type: none"> SinoPac Holdings invested NT\$28,842 thousand in philanthropic activities. Total volunteering cost was NT\$978 thousand. The overhead cost of philanthropic activities was NT\$3,919 thousand. 	Connect social involvement to SDGs <p>SinoPac Holdings' social involvement activities mainly correspond to SDG 4, SDG 8, and SDG 13 and are centered on promoting cultural equality, raising climate awareness, and supporting NPOs/social enterprises and the employment of the vulnerable populations.</p>	Natural Capital <ul style="list-style-type: none"> In the six coastal cleanup activities, a total of 275 bags of garbage, waste, over-sized tires and fishing nets were cleaned.
Human Capital <ul style="list-style-type: none"> 657 employees volunteered in philanthropic activities for a total of 2,480 hours. * Overhead cost refers to the labor cost of philanthropic projects. 	Adopt social return on investment (SROI) <p>SROI is used to evaluate the benefits of social involvement projects. In the long run, SinoPac Holdings plans to adopt SROI as an evaluation mechanism for the management of social welfare projects.</p>	Social and Relationship Capital <ul style="list-style-type: none"> More than 44,000 customers and the public participated in philanthropic activities, benefiting approximately 25 organizations and over 679,000 people indirectly. The donation amount was NT\$1,743 thousand. * Indirect beneficiaries refer to individuals benefiting through media (e.g., participants in philanthropic activities or beneficiary organizations, or other channels).

6.1 Social Involvement Policies and Engagements

6.1.1 Social Involvement Policies and Goals

Upholding the core value of "fulfillment of inclusive growth", the Social Involvement Team under the Sustainable Development Committee is responsible for organizing social activities across SinoPac Holdings and its subsidiaries to fulfill its corporate social responsibility. In addition to responding to the United Nations' Sustainable Development Goals (SDGs), philanthropic activities correlate strongly with SinoPac Holdings' core business. The Social Involvement Team has developed three action plans (promote cultural equality, raise climate awareness, and support charitable organizations/social enterprises and the employment of the vulnerable populations), which are in line with SinoPac Holdings' three sustainability commitments. To promote cultural equality, SinoPac Holdings continuously promotes the "Home from Above" program and the care and respect for the elderly, and organizes philanthropic activities related to culture and education to create a better cultural and artistic environment in Taiwan. To raise the public's climate awareness, SinoPac Holdings initiates a series of environmental protection activities ("SinoPac Life") and calls on employees, customers, and the public to participate and live a more eco-friendly lifestyle. To support NPOs/social enterprises and the employment of the vulnerable populations, SinoPac Holdings continues to cooperate with NPOs to promote the idea of slowing down the body's aging process, extends the care for the health of the vulnerable populations and the elderly, and deliberates on cooperating with other sheltered workshops/NPOs. At the same time, SinoPac Holdings also plans to adopt social return on investment (SROI) in the next two to three years to evaluate the benefits of social involvement projects. In the long run, SinoPac Holdings plans to adopt SROI as an evaluation tool to enhance the management of social welfare projects.

SinoPac Holdings' Social Involvement Policies

Social Involvement Policy	Promote Cultural Equality	Raise Climate Awareness	Support Charity Organizations/Social Enterprises and the Employment of the Vulnerable Populations
Strategy (Alignment between policy and business drivers)	SinoPac Holdings actively cooperates with NPOs to bridge the gap between urban and rural areas through education, care, and allocation of resources while promoting art development and cultural equality.	SinoPac Holdings calls on people to participate in environmental protection activities and cultivate an eco-friendly lifestyle through various channels, including education, promotion and initiatives.	SinoPac Holdings continues to cooperate with NPOs to support disadvantaged children and the elderly and improve their living environment and basic needs by organizing activities and fundraisers, so as to achieve a prosperous society.
Corresponding SDG	 Quality Education	 Climate Action	 Decent Work and Economic Growth
Business Benefit KPI	<ul style="list-style-type: none"> Annual growth rate of Bank SinoPac's "mma Children Account". QR Pay transaction rate and penetration rate. 	<ul style="list-style-type: none"> Number of participants and the growth rate of APP downloads in the promotion campaign of "Fun Sport" APP 	<ul style="list-style-type: none"> Growth rate of users of the online charity donation platform and participating customers.
Performance of Business Benefit KPI	<ul style="list-style-type: none"> According to the business strategy of Bank SinoPac's "mma Children Account", the number of accounts in 2019 increased by 7.3% from 2018, indicating the number of young customers has increased significantly. Promotion of QR Pay: <ul style="list-style-type: none"> (1) At the "Simple Life Festival", Bank SinoPac assisted vendors in introducing QR Pay for payment collection. The percentage of transactions conducted through QR Pay (usage rate) reached 60%. (2) QR Pay has been adopted by more than 1,000 vendors at 8 wholesale markets, and its penetration rate reached 80% in 6 markets including Taipei Flowers Auction Co., Ltd., Guangfu Market, Nanmen Market, Xining Market, and Banciao Vegetable Wholesale Market. 	<ul style="list-style-type: none"> Organized the "SinoPac for Life - A Million Acts of Green" program and promoted the "steps counting" function in the APP "Fun Sport", an APP that tracks calories burned by users and transferring it into credit card cash rebate, to encourage the public to exercise and protect the environment. Organized the "Walk and Get NT\$1 Million Credit Card Reward" event via the APP: <ul style="list-style-type: none"> (1) The event was organized in December with 538 participants who achieved over 100 million steps together. (2) In September 2019, the "steps counting" function was added to the APP. As of the end of the event on January 2, 2020, the number of APP downloads increased by 470% from August 31, 2019. 	<ul style="list-style-type: none"> Following the "Light up Hope" charity event held in 2018, SinoPac Securities developed an online charity donation platform in 2019 and expanded the fundraising target from employees to their family members and customers in hopes of increasing customers' brand loyalty and brand image. In 2019, the percentage of donations from external parties was 25%.
Social/Environmental Benefit KPI	<ul style="list-style-type: none"> Number of events held and participants in community activities, cultural and creative activities, cultural education activities. 	<ul style="list-style-type: none"> The amount of donations to the "Light up Hope" charity activity and the percentage of donations from external parties. 	

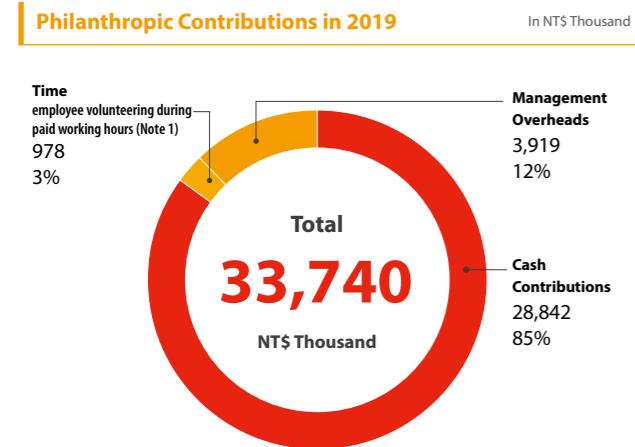
Social Involvement Policy	Promote Cultural Equality	Raise Climate Awareness	Support Charity Organizations/Social Enterprises and the Employment of the Vulnerable Populations
Performance of Social/Environmental Benefit KPI	<ul style="list-style-type: none"> Planned arts and cultural activities associated with the communities, continued sponsoring arts and music performances and increased the number of participants to promote cultural equality: <ul style="list-style-type: none"> (1) Community care activities: SinoPac Holdings organized 7 "Your Concert" designed for the elderly; also worked with the Chi Po-lin Foundation to initiate the "Home from Above" program, where Maming Elementary School in Waipu District, Taichung City was invited to participate in the pilot scheme. Total participants were about 1,730. (2) Cultural and creative activities: Bank SinoPac has sponsored the "Simple Life Festival" for 6 consecutive years and title sponsored the "Legacy Taipei" performance space, with total participants of about 7,500. (3) Arts and cultural education activities: Bank SinoPac has sponsored the Taipei Children's Arts Festival for 12 consecutive years. In 2019, Bank SinoPac extended its coverage to southern Taiwan, sponsored the "Collaboration between Arts and Other Sectors - Outreach Aesthetic Education Project" organized by the National Kaohsiung Center for the Arts for the first time. Total participants were about 4,600. (4) Support to street dance: Bank SinoPac has sponsored the "Taipei Bboy City" for 2 consecutive years. The number of participants reached about 300. 	<ul style="list-style-type: none"> Organized the "SinoPac for Life - A Million Acts of Green" program: <ul style="list-style-type: none"> Increased the number of participants: <ul style="list-style-type: none"> (1) Over 20,000 participants (2) Over 250,000 green actions Increase the number of activities: <ul style="list-style-type: none"> (1) A total of 275 bags of garbage, waste, huge tires and fishing nets were cleaned from 6 beach cleanup activities. (2) 9 internal and external environmental protection activities were organized. 	<ul style="list-style-type: none"> The amount of donations to the "Light up Hope" charity activity increased to over NT\$3,030,000, up 127% from 2018.

Summary of the Results in the 2019 Sustainable Development Plan

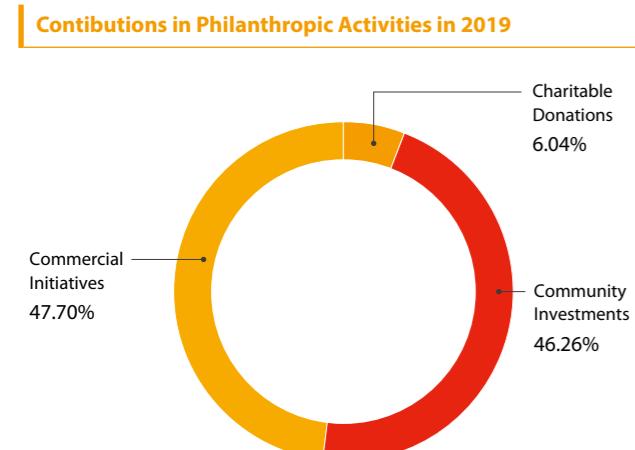
Strategy	2019 Objectives	Implementation Status in 2019	2019 Achievements	2020 Objectives
Link social involvement to SDGs	<ul style="list-style-type: none"> The core value of SinoPac's social involvement activities is centered on "environmental sustainability" and "local caring", along with three major action plans, namely promoting cultural equality, raising climate awareness and supporting charity organizations/social enterprises and the employment of the vulnerable populations. Strengthen the promotion of social involvement activities to deepen SinoPac's charity brand image. Continue improving SinoPac volunteer system. Leveraging branch network to expand the scope of social involvement and extend the relationship with existing NPOs. 	 Completed	<ul style="list-style-type: none"> Bank SinoPac and SinoPac Securities held customer care events that are linked to environmental sustainability and local caring at their operation sites. A total of 27 events were held in 2019, of which 18 and 9 were held by Bank SinoPac and SinoPac Securities, respectively. For the results of the events, please refer to "6.1.2 2019 Social Involvement Projects Overview". Developed and implemented the volunteer system framework, praised volunteers in internal activities, and shared volunteering experience in SinoPac Newsletter to encourage volunteers. Extended cooperation with existing NPOs and foundations sharing the same goal to organize and promote activities in line with SinoPac Holdings' charity core value. 	<ul style="list-style-type: none"> Continue promoting the concept of arts and cultural equality. Continue promoting an eco-friendly lifestyle following the results of the "SinoPac Life - A Million Acts of Green" program in 2019. Continue cooperating with NPOs.
Adopt social return on investment (SROI)	<ul style="list-style-type: none"> Complete the calculation of Social Return on Investment (SROI) in the financial ecosystem service. 	 In progress	<ul style="list-style-type: none"> SROI has been introduced to the Financial Ecosystem project and preliminary stakeholder interviews have been completed. 	<ul style="list-style-type: none"> Execute the analysis of SROI and publish results.

6.1.2 2019 Social Involvement Projects Overview

SinoPac Holdings contributed to society through different forms of engagements such as title sponsorships, co-organized activities, and corporate volunteer participation. In 2019, the total expenditure on philanthropic activities reached NT\$28,842 thousand, and total time volunteer devoted to philanthropic activities reached 2,480 hours, which increased substantially by 57% compared to 2018.

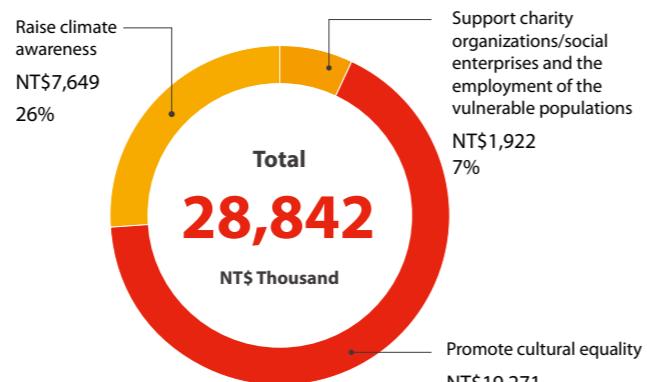


Note 1: The calculation is based on the average salary of employees and hours devoted in volunteering.



Contributions in Each Theme of Philanthropic Activity in 2019

Theme	Amount contributed (NT\$ Thousand)	Volunteering time devoted (hours)
Promote cultural equality	19,271	664
Raise climate awareness	7,649	1,751
Support charity organizations/social enterprises and the employment of the vulnerable populations	1,922	65
Total	28,842	2,480



Total Contributions in Philanthropic Activities from 2017 to 2019

	Amount contributed (NT\$ thousand)	Volunteering time devoted (hours)
2017	23,806	16
2018	45,180	1,580
2019 (Note 1)	28,842	2,480

Note 1: There were no donations to major disasters in 2019, so the input amount of philanthropic activities was significantly reduced compared to 2018.

6.2 Promoting Cultural Equality and Reducing Inequality

To promote cultural equality, SinoPac Holdings is committed to reducing any form of inequality inside and outside the organization and putting efforts to protect everyone's right to learn and enjoy art, regardless of gender, wealth, race, so as to achieve social equality and justice. In 2019, SinoPac Holdings organized philanthropic activities related to cultural education, talent cultivation, and charity performances, including "Taipei Children's Arts Festival", "Collaboration between Arts and Other Sectors - Outreach Aesthetic Education Project" organized by the National Kaohsiung Center for the Arts, "Home from Above" program, and "Your Concert". The Company also worked with NPOs to promote the idea of arts equality in hopes of reducing the uneven allocation of resources in South and North Taiwan and increasing the vulnerable populations' access to diverse cultures. SinoPac Holdings sets a target of increasing the number of participants in public welfare projects by 20% and the number of charity performances by 20% within the next two to three years. In the long run, SinoPac Holdings will increase its investment in Taiwan's cultural education and related activities, so as to create a better cultural and aesthetic environment, with a target of increasing the number of participants by 25% and the number of charity performances by 40%.

6.2.1 Promoting Performing Arts and Sociocultural Power

Since 2008, Bank SinoPac has been sponsoring the "Taipei Children's Arts Festival" organized by the Department of Cultural Affairs, Taipei City Government for 12 years. In 2019, Bank SinoPac sponsored another special performance, "The Debt", in celebration of the 20th anniversary of the "Taipei Children's Arts Festival," aiming to cultivate children's ability to appreciate art while encouraging and cultivating local artists to make Taiwan a better society with a sense of art and culture. In addition, Bank SinoPac continued to organize special charity events, where children of the Children Are Us Foundation, the First Social Welfare Foundation, and Keelung Center for Children and Families were invited to enjoy a show adapted from the French fairy tale, "Buchettino". With the use of props and live sound effects, children experienced the fun and excitement of performing arts in the form of bedtime stories and used their imagination to venture and immerse themselves in the show.

6.2.2 Cultivating Aesthetics and Wealth Management Concept from Childhood

In 2019, Bank SinoPac continued to invest in cultivating the sense of art of the next generation, sponsoring five performances of the "Collaboration between Arts and Other Sectors - Outreach Aesthetic Education Project" organized by the National Kaohsiung Center for the Arts to broaden children's horizons. With 5 performances in the sponsoring plan, together with field trips, children were able to visit international art museums, experience the beauty and knowledge beyond textbooks, explore and appreciate the essence of art, while narrowing the gap in the art development between North and South Taiwan. In addition, to cultivate children's abilities and concepts of wealth management from their childhood, Bank SinoPac specially arranged "Wealth Management Volunteers" to be their guidance in learning the terminology and knowledge of wealth management with fun performances and interactions. In these five performance sessions, children were taught the idea of no pain no gain, smart consumption by distinguishing what they "need" and "want", and the importance of keeping accounts, all of which are the key factors of money-saving and creating a better future.

6.2.3 Creating a Strong Hometown Identity with Videos

Bank SinoPac worked with the Chi Po-lin Foundation to initiate the "Home from Above" program. In 2019, the company worked with the USR team from National Chung Hsing University and invited Maming Elementary School in Waipu District, Taichung City to participate in the pilot scheme in hopes of seeing the hometown and Taiwan, where they are born, from children's perspectives. The courses of this pilot scheme were divided into "skill development" and "spirit education". Children were taught 4 core skills, including photography and editing skills, oral expression and storytelling, so as to introduce community features from their perspectives. In addition, the elderly were invited to share their lifetime experiences and stories, deepening the children's sense of belonging to their homeland, as well as the recognition and respect to the value of the elderly. The whole event was video recorded to increase children's recognition of the people and culture of their hometown and their sense of belonging to the community, while teaching children the importance of showing care for the others and broadening their horizons.

Built on the experience of Maming Elementary School, Bank SinoPac plans to lead children of eight elementary schools to record their hometowns within three to five years from 2020, allowing children to understand and recognize their hometown through exploration and recording, developing their sense of showing love to and cherishing Taiwan, where they grew up.

6.2.4 Organizing Song of Life for the Elderly

Since 2018, SinoPac Holdings has been holding the outdoor charity concert, "Your Concert" in cooperation with Hsieh Ming-Yu, the Golden Melody Award winner, for elderly over 65 years old, who have worked very hard and dedicated their lives in laying the foundation that has led to Taiwan's prosperous today. Old-school songs that belong to their era and grew up with them were played in the concert. In 2019, "Your Concert" was elevated to a performance of "Song of Life," where Hsieh Ming-Yu and Tseng Ching-Wen, a community theater worker, invited the elderly to share their stories, and then Hsieh created a song for the local communities. Hsieh wrote a song about the life in Jingliao, Tainan - "Memory of Youth", and a song about the life in Longshan Village, Tainan - "Shanziliao", which were performed by the elderly at the end of "Your Concert - Song of Life", recalling their lifetime memories through the songs.



Bank SinoPac's volunteers dressed up as Super Mario Bros. and characters in "Kochira Katsushika-ku Kameari Koen Mae Hashutsujo" to be children's guidance in learning the knowledge of wealth management with fun performances and interactions.

6.3 Raising Climate Awareness to Mitigate and Adapt to Climate Change

To mitigate and adapt to climate change, SinoPac Holdings focuses on raising climate awareness, calling on employees, customers, and the public to take green actions in their daily lives. The "SinoPac Life" platform has been set up to promote environmental knowledge and climate awareness and to initiate a series of environmental protection activities emphasizing carbon emission reduction and ecosystem maintenance. In response to the "Earth Day - A Million Acts of Green" program initiated by Taiwan Environmental Information Association, SinoPac Holdings called on the public and employees to take more than 1 million green actions in celebration of the 50th anniversary of the Earth Day in 2019. The campaign successfully attracted more than 20,000 participants taking over 250,000 green actions, which helped Taiwan Environmental Information Association in achieving its goal in advance. SinoPac Holdings also set the 17th of each month as "SinoPac Environmental Day" to encourage employees to take green actions in their daily lives.

6.3.1 Reducing Carbon Emissions

SinoPac Holdings puts carbon emission reduction into action by organizing environmental protection activities, such as coastal cleanup and waste recycling and reuse. In 2019, Bank SinoPac and SinoPac Securities organized coastal cleanup activities in Northern, Central and Southern Taiwan. More than 400 volunteers and their family members participated in the activities at Linshanbi Cape in New Taipei City, Wanggong Fishing Port in Changhua County, and Longgang Coast in Tainan City. A total of 683 kg of marine debris were collected through their joint effort. In addition, fun activities were designed to teach volunteers how garbage are classified and the coastal environment can be protected, therefore bringing out the importance of the coastal cleanup activities. SinoPac Securities held the wealth management camp in cooperation with Shih Hsin University, which included the "Big Change for Bottles" event that promoted recycling by turning waste bottles and jars picked up by the volunteers from beaches into cute piggy banks. During the camp, children gained an understanding on wealth management while reducing carbon emissions by changing waste bottles into useful piggy banks with their creativity. Upholding the idea of reading and sharing, SinoPac Leasing held an internal activity to collect second-hand children's books and distribute them to rural elementary schools with insufficient resources.

6.3.2 Protecting the Ecosystem

Ecosystem protection refers to encouraging all stakeholders to pay attention to ecosystem by communicating issues such as eco-friendliness and sustainable oceans. In the "Green Market" activity held in 2019, Bank SinoPac set up three theme areas, namely, "Environmental Art", "Environmental Education", and "Green Action" and exhibited with brands that are dedicated to making products with natural materials, such as Greenvines, AGOODAY, and Story Wear. While participating in DIY and other activities on-site, visitors could experience and understand the ideas of environmental protection in life in a more acceptable way.

SinoPac Securities supported the "Sustainable Oceans - Fish Forever" marine education activity organized by the Yunlin Branch of the Taiwan Fund for Children and Families to make sustainable oceans a reality and help protect

Mother Earth. Featuring the Sustainable Seafood Guide, the activity was held at the Haikou Living Museum, where 40 volunteers of SinoPac Securities taught 70 members of the Yunlin Branch of the Taiwan Fund for Children and Families how seafood can be enjoyed in an eco-friendly way, so as to make "Sustainable Oceans - Fish Forever" a reality. During the lunch, recommended seafood, local vegetables and fruits were offered to incorporate green education into life.

Nowadays, children enjoy a rich material life, toys are replaced rapidly, producing a large amount of waste. In view of this, SinoPac Securities Investment Trust worked with the Hualien Center for Indigenous Children and Youths to teach indigenous children how to make Taroko traditional musical instruments in 2019. During the activity, children learned to maintain ecology by reducing waste while ensuring that the legacy of the mouth harp can be inherited.



■ SinoPac Securities supported the "Sustainable Oceans - Fish Forever" marine education activity organized by the Yunlin Branch of the Taiwan Fund for Children and Families in 2019



■ 2019 SinoPac Green Market



■ Volunteers participated in the Green Market in 2019

6.4 Promoting Social Sustainability and Common Prosperity

6.4.2 Providing Education for the Elderly to Combat Aging

In 2019, SinoPac Holdings organized 6 internal and external seminars on Taiwan's population aging for its employees and customers in cooperation with Sunvis of the Sunshine Foundation. Three professional coaches specializing in middle-aged and elderly sports, sports performance analysis, and corrective therapy at Sunvis designed muscle-strengthening exercises tailor-made for middle-aged and the elderly, promoting the right sport concepts to combat aging and improve the quality of life. In the future, SinoPac Holdings will extend the participants from employees to the public, and increase the exposure and participation with demo videos to raise the public awareness on Taiwan's aging population.



■ Volunteers of SinoPac Holdings participated in the meal box project initiated by the Children Are Us Foundation



■ The Sunvis Health Seminar

To promote common prosperity, SinoPac Holdings concentrates on supporting charitable organizations/social enterprises and the employment of the vulnerable populations. It is committed to the common good and mutual benefit for the stakeholders and promoting inclusive growth through products and services, procurement, employees volunteering, and charities in cooperation with NPOs. SinoPac Holdings also deliberates on increasing partnership with other suitable sheltered workshops/NPOs in order to support more charitable organizations and expand positive influence.

6.4.1 Supporting the Growth of NPOs with Purchasing Power

SinoPac Holdings continues cooperating with the Children Are Us Foundation to support and recognize the sheltered workshops and spread love to children in rural areas. In 2019, SinoPac Holdings organized the meal box project with the Children Are Us Foundation, encouraging employees, their family members and customers to subscribe for and donate meal boxes. To facilitate the "Light up Hope" initiative, Bank SinoPac invited its partner, Sysfeather Inc., to set up an online charity donation platform. Within two weeks, SinoPac raised more than NT\$ 3 million through the online platform for the Children Are Us Foundation, which is equivalent to 20,000 meal boxes that can feed the children in need. This initiative not only empowered children with intellectual and developmental disorders to work, but also provided care for children in rural areas. On the eve of Christmas, SinoPac Holdings held a refreshing party for children with intellectual and developmental disorders and promise to continue the meal box project next year to spread love across Taiwan.

SinoPac Holdings has undertaken to increase employees' participation in the meal box subscription by 10% in the short run and maintain at 50% in the medium and long run, while calling on customers in achieving the long-term goal and increasing the number of purchase, so as to maintain stable operation of the sheltered workshops.

APPENDIX

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122 TCFD Recommended Disclosure Framework

Identification and Communication of Stakeholders and Material Topics

Stakeholder Engagement

SinoPac Holdings identified the stakeholders for the first time in 2014 and formulated major management policies and implementation plans accordingly to respond to the needs and expectations of stakeholders. The Company has reviewed the groups of stakeholders based on market trends and engagement result with stakeholders in each year thereafter. In 2018, in response to the trend of sustainable supply chain management and to expand the social influence, SinoPac Holdings invited suppliers and contractors to implement corporate social responsibility together, and regarded them as a new group of stakeholder. As a result, there are currently 7 stakeholder groups, including employees, customers, shareholders (investors), media, communities/non-profit organizations (NPOs)/non-governmental organizations (NGOs), competent authorities, and suppliers. SinoPac Holdings has established multiple communication channels for each stakeholder group to truly respond to their needs and concerns.



Stakeholder Communication Channels and Concerned Topics

Stakeholder	Communication Channel	Frequency	Concerned Topics
Employees	Company labor union Product seminars / education and training Internal feedback platform/ commendation announcements Employee satisfaction survey Internal digital platform education and training	Regularly/ Irregularly Irregularly Irregularly Annually Irregularly	Business Performance Talent Development and Retention Employee Compensation and Welfare Human Rights and Diverse and Healthy Workplace
Customers	Customer service hotline Smart customer services Virtual channels (internet banking, mobile banking) Online wealth management specialists Customer opinions Seminars Customer satisfaction surveys Customer grievance Other channels	Irregularly Irregularly Irregularly Irregularly Irregularly Irregularly Irregularly Regularly/Irregularly	Information Security Customer Relations Management Compliance and Money Laundering Prevention Corporate Governance and Integrity Management
Shareholders (investors)	Operating performance Investors' conferences organized by SinoPac Holdings Investors' conferences, non-deal roadshows (NDRs), and telephone conferences organized by SinoPac Holdings or broker Investor relations contact person on the official website and Market Observation Post System Annual shareholders' meetings	Monthly Quarterly Irregularly Irregularly Annually	Business Performance Corporate Governance and Integrity Management Compliance and Money Laundering Prevention
Media	Press conference Press release	Irregularly Irregularly	Digital Financial Innovation Business Performance Compliance and Money Laundering Prevention Corporate Governance and Integrity Management

Stakeholder	Communication Channel	Frequency	Concerned Topics
 Communities/ NPOs/ NGOs	Sponsorship for arts and culture, academic, and sports activities	Irregularly	Social Welfare and Local Caring Financial Inclusion
	Industrial-academic cooperation	Irregularly	Corporate Governance and Integrity Management
 Competent Authorities	Policies recommendations	Irregularly	Corporate Governance and Integrity Management
	Financial statements	Monthly, quarterly, semi-annually, annually	Compliance and Money Laundering Prevention Risk Management and Internal Control System
	Letters/emails/meetings	Irregularly	
 Suppliers	Website or tender briefing about the tender announcement	Irregularly	
	Electronic bidding system	Irregularly	Sustainable Supply Chain Management
	Price negotiation meeting	Irregularly	Green Operations Climate Strategy
	Supplier Conference	Irregularly	

Identification and Disclosure of Material Topics

SinoPac Holdings refers to the four principles of the GRI Standards (stakeholder inclusiveness, sustainability context, materiality, and completeness), international sustainable development trend, and material topics of domestic and international benchmarking peers to review and identify material topics related to its operations and adjust each year. Based on the 20 material topics identified in 2018, after consolidation and adjustment, there were 17 material topics in 2019, of which 5 were critical topics, 7 were important topics, and 5 were basic topics.

Size: The level of impact of Corporations and their value chain on the environment, society, and economy of each topic	
● Orange-Basic Topics	
● Purple-Important Topics	
● Red-Critical Topics	



Changes in Material Topics in 2019

	Reasons for adjustment	Topic affected
Change in materiality	Change the name and materiality of topic in relation to climate change in response to stakeholders' concerns on climate change and one of SinoPac's sustainable commitments - "Mitigation and Adaptation of Climate Change".	<ul style="list-style-type: none"> Rename "Climate Change" to "Climate Strategy" and upgrade it from important topic to critical topic.
Consolidation	Integrate the topics with similar implications and focus more on the materiality of relevant material topics.	<ul style="list-style-type: none"> Consolidate "Regulatory Compliance" and "Anti-Money Laundering and Financial Crime Prevention" to "Compliance and Money Laundering Prevention". Consolidate "Customer Relations Management", "Service Quality and Customer Experience", and "Product Information Disclosure" to "Customer Relations Management".
Change in name	Rename the topics to outline its meaning and response to SASB and TCFD indicators.	<ul style="list-style-type: none"> Rename "Customer Privacy and Information Security" to "Information Security" Rename "Diverse and Healthy Workplace" to "Human Rights and Diverse and Healthy Workplace". Rename "Supply Chain Management" to "Sustainable Supply Chain Management". Rename "Energy Resource Management" to "Green Operations".

SinoPac analyzes three major aspects of material topics including "the impact of stakeholders in assessments and decision-making", "the importance of topics to SinoPac Holdings' operations", and "positive and negative impact of SinoPac Holdings and its value chain on the environment, society and economy with regard to specific issues". The results were displayed in the three-dimensional "material topic matrix" and issues are classified into "Critical", "Important" and "Basic" levels for varying degrees of disclosure.

Topic classification	Definition
● Critical Topics	High levels of impact on stakeholders, important to operations, and material impact on ESG. Full explanation in the CSR Report in accordance with GRI Standards are disclosed with detailed strategic goals, management, and performance of the topics.
● Important Topics	One to two aspects are identified as significant and of primary concern to operations. Full explanation in the CSR Report in accordance with GRI Standards are disclosed with detailed management and performance of the topics.
● Basic Topics	None or only one aspect among the three is identified as significant. Most of them would be routine issue so as to be considered as the basic management, and the necessary follow-ups are disclosed in the Report.

Explanations of Boundaries for Material Topics

Material Topic	Level of Materiality	Reasons and Significance of Materiality	GRI Standards Disclosure	Corresponding Sections	Degree of Impact		Degree of Involvement
					Range of Impact	Impact via Business Relations	
Corporate Governance and Integrity Management	Critical	Corporate governance and integrity management of the financial industry are the focus of attention of all stakeholders. A perfect corporate governance is conducive to optimize the sustainable development of the company, and is served as the basis of business operation.	GRI 205: Anti-Corruption GRI 405: Diversity and Equal Opportunity 2016	2.1 Corporate Governance 2.2 Integrity Management and Legal Compliance	●	●	
		Financial industry is highly monitored by the competent authority. All stakeholders are concerned about how SinoPac Holding complies with relevant regulations and establishes a control mechanism and how to respond to relevant government policies. Among them, the policies that the government has strongly promoted in recent years including the prevention of money laundering, combating of the financing of terrorism and fraud are closely related to SinoPac's operations and its customers, and are also the basic responsibilities of the financial industry.	GRI 419: Socioeconomic Compliance	2.2 Integrity Management and Legal Compliance	●	●	
		As global environmental conditions are getting worse, more stakeholders are aware of the risks implied by climate change, and the demands for low-carbon transformation of global industries are becoming clearer. The financial industry is the key to promote the overall industrial transformation. Thus, SinoPac Holdings listed "mitigating and adapting to climate change" as one of the three sustainability commitments. Climate strategy is an important part of the development of sustainability strategies.	GRI 201: Economic Performance	2.3.4 Management Policy and Response Strategies for Climate-Related Risks and Opportunities 3.1 Sustainable Finance 5.1 Green Operations 6.3 Raising Climate Awareness to Mitigate and Adapt to Climate Change	●	●	
		All stakeholders value business operation, profitability and other financial performances. A company with sound financial performance can continue to operate and practice corporate social responsibility.	GRI 201: Economic Performance G4-F56 Percentage of the Portfolio for Business Line by Specific Region, Size (eg Micro/SME/Large) and by Sector	1.1 Introduction of SinoPac Holdings	●	●	
		With the development of technology and changes in consumption patterns, FinTech innovation has become a main theme in the international financial industry in recent years. SinoPac Holding also listed digital transformation as one of the main operating strategies.	GRI 203: Indirect Economic Impacts	3.3 Smart Finance	●	●	
		Business operations of SinoPac Holdings often involve customer privacy and stakeholders pay close attention to SinoPac's security measures for customer privacy and the information system which are important issues of concern in operations.	GRI 418: Customer Privacy	2.4 Information Security	●	●	
Information Security	Important	A well established and comprehensive risk management and internal control system can reduce or prevent operational risks. This is an important issue for the financial sector.	GRI 412: Human Rights Assessment 2016	2.3 Risk Management	●	●	
		SinoPac Holdings upholds the vision of "fulfillment of a beautiful life through finance" and maintains friendly and close relations with customers. The establishment of customer feedback mechanisms and improvement of customer satisfaction have always been important issues for the financial service sector.	Other major topics GRI 417: Marketing and Labeling	3.4 Customer Relations	●	●	

Material Topic	Level of Materiality	Reasons and Significance of Materiality	GRI Standards Disclosure	Corresponding Sections	Degree of Impact		Degree of Involvement
					Range of Impact	Impact via Business Relations	
Talent Development and Retention	Important	Creating an environment suitable for talent career development and continuing to improve employees' capabilities are key to corporates' sustainable operations. It is not only a topic of concern to employees but also an important topic for enterprises to create influence in society.	GRI 401: Employment 2016 GRI 404: Training and Education	4.2 Talent Cultivation and Retention	●	●	
		Include ESG in the formulation of investment and financing policies and develop green financial products to help mitigate material impact on the environment, society, and economy.	G4 - Financial Services Sector Supplement: Product Portfolio	3.1 Sustainable Finance	●	●	
		Faced with uncertainties in the procurement of energy and resources, companies must regularly review the consumption and management of energy and resources required for operations and promote energy conservation and carbon emissions reduction measures to control material impact derived from corporate operations on the environment.	GRI 302: Energy GRI 305: Emissions GRI 306: Waste	5.1 Green Operations	●	●	
		The potential environmental and social risks arising from the supply chain may lead to uncertainties for companies. Therefore, the establishment of supplier screening and management mechanisms will lower operational risks and it is an important issue for corporate operations.	GRI 201: Economic Performance GRI 204: Procurement Practices GRI 308: Supplier Environmental Assessment GRI 409: Forced or Compulsory Labor GRI 414: Supplier Social Assessment	5.2 Sustainable Supply Chain Management	●	●	
		Employees are the most valuable assets and SinoPac Holdings values employees' development in the organization as well as their physical and mental health. SinoPac Holdings provides comprehensive on-the-job training, a fair performance evaluation system, and benefits for employees to grow in the organization, create competitive products and services for the enterprise, fulfill corporate responsibilities and create value for society.	GRI 201: Economic Performance GRI 202: Market Presence GRI 401: Employment GRI 405: Diversity and Equal Opportunity	4.3 Employee Compensation and Welfare	●	●	
		The facilitation of social welfare activities including donations to disadvantaged groups and the support and assistance for the development of local communities have material impact on society.	GRI 203: Indirect Economic Impacts	6.1 Social Involvement Policies and Engagements	●	●	
Social Welfare and Local Caring	Basic	Paying attention to employees' physical and mental health and the establishment of a working environment that protects human rights and diversity are important issues for corporate operations.	GRI 403: Occupational Health and Safety GRI 405: Diversity and Equal Opportunity GRI 406: Non-Discrimination GRI 412: Human Rights Assessment	4.5 Diverse and Healthy Workplace	●	●	
		The issue of whether financial products and services can enhance financial literacy of different types of beneficiaries and allow financially disadvantaged groups to make use of various financial services has material impact on society.	GRI 203: Indirect Economic Impacts G4 - Financial Services Sector Supplement: Product Portfolio and Local Communities	3.2 Inclusive Finance	●	●	
		Maintaining good labor-management relations, establishing corporate union in accordance with the Labor Union Act and encouraging employees to participate in the union are issues of concern to stakeholders.	GRI 402: Labor/Management Relations GRI 407: Freedom of Association and Collective Bargaining	4.4 Labor-Management Relations and Communications	●	●	

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	FN-CB-510a.2 Description of whistleblower policies and procedures	2.2.4 Material Violations and Improvement Measures	35
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	FN-CB-550a.2 Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	2.3.1 Risk Management Structure 2.3.2 Credit, Market, Operation, and Liquidity Risk Management 2.3.3 Emerging Risk Management	36 37 38

TCFD Recommended Disclosure Framework

Aspect	Metrics	Referring Chapter	Page
Governance	A. Describe the board's oversight of climate-related risks and opportunities.	2.3.4 Management Policy and Response Strategies for Climate-Related Risks and Opportunities	41
	B. Describe management's role in assessing and managing climate-related risks and opportunities.	2.3.4 Management Policy and Response Strategies for Climate-Related Risks and Opportunities	41
Strategy	A. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	2.3.4 Management Policy and Response Strategies for Climate-Related Risks and Opportunities	41
	B. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	1.2.2 Three Sustainability Commitments and SDGs 3.1.2 Responsible Investment 3.1.4 Sustainable Financial Products and Services 5.1.1 Environmental Policy	14 58 64 96
Risk Management	C. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	2.3.4 Management Policy and Response Strategies for Climate-Related Risks and Opportunities	41
	A. Describe the organization's processes for identifying and assessing climate-related risks.	2.3.4 Management Policy and Response Strategies for Climate-Related Risks and Opportunities	41
Metrics and Targets	B. Describe the organization's processes for managing climate-related risks.	2.3.4 Management Policy and Response Strategies for Climate-Related Risks and Opportunities	41
	C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	5.1.2 Energy and Resource Management 1.2.2 Three Sustainability Commitments and SDGs 3.1.2 Responsible Investment 3.1.4 Sustainable Financial Products and Services 6.3 Raising Climate Awareness to Mitigate and Adapt to Climate Change	97 14 58 64 108



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE SINOPAC HOLDINGS CO., LTD.'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2019

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by SinoPac Holdings Co., Ltd. (hereinafter referred to as SinoPac) to conduct an independent assurance of the Corporate Social Responsibility Report for 2019 (hereinafter referred to as CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the sampled text, and data in accompanying tables, contained in the report presented during on-site verification (2020/05/14~2020/05/28). SGS reserves the right to update the assurance statement from time to time depending on the level of report content discrepancy of the published version from the agreed standards requirements.

The information in the SinoPac's CSR Report of 2019 and its presentation are the responsibility of the management of SinoPac. SGS has not been involved in the preparation of any of the material included in SinoPac's CSR Report of 2019.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all SinoPac's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:

- evaluation of content veracity of the sustainability performance information based on the materiality determination at a moderate level of scrutiny for SinoPac and moderate level of scrutiny for subsidiaries, joint ventures, and applicable aspect boundaries outside of the organization covered by this report;
- AA1000 Assurance Standard (2008) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008); and
- evaluation of the report against the requirements of Global Reporting Initiative Sustainability Reporting Standards (100, 200, 300 and 400 series) claimed in the GRI content index as material and in accordance with.

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, CSR committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts, Social Return on Investment assessments and Task Force on Climate-Related Financial Disclosures has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from SinoPac, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, RBA, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

VERIFICATION/ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within SinoPac's CSR Report of 2019 verified is accurate, reliable and provides a fair and balanced representation of SinoPac sustainability activities in 01/01/2019 to 12/31/2019.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the contents of the report meet the requirements of GRI Standards in accordance with Core Option and AA1000 Assurance Standard (2008) Type 2, Moderate level assurance.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

SinoPac has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, CSR experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, SinoPac may proactively consider having more direct two-ways involvement of stakeholders during future engagement.

Materiality

SinoPac has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders.

Responsiveness

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, SinoPac's CSR Report of 2019, is adequately in line with the GRI Standards in accordance with Core Option. The material topics and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material topics and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. For future reporting, it is recommended to explain the mechanisms for evaluating the effectiveness of the management approach specifically (103-3). More descriptions about the results of the evaluation of the management approach and specific actions aimed at improving performance are also encouraged.

Signed:

For and on behalf of SGS Taiwan Ltd.



AA1000

Licensed Assurance Provider
000-8

David Huang
Senior Director
Taipei, Taiwan
16 June, 2020
WWW.SGS.COM



Printed on eco-friendly paper with soy ink.