

CORPORATE SOCIAL RESPONSIBILITY REPORT 2019



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 SincoPac 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

About SinoPac Holdings

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
<ol style="list-style-type: none"> 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. 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. 	<p>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.</p> <ul style="list-style-type: none"> 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%. 	<ol style="list-style-type: none"> 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, the 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. 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. 	<ol style="list-style-type: none"> 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. 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. 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. SinoPac Securities 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. 	<ol style="list-style-type: none"> 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. 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. 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. Ranked top 5% in the 6th TWSE Corporate Governance Evaluation in 2019, showing great improvement from top 6%~20% in 2018.

Profits 2019 vs. 2018

In NT\$ million

YoY%		2018	2019
+13.13%	Net profit	32,113	36,330
-44.49%	Bad debts expense, commitments and guarantees liability provision	1,507	836
+9.73%	Operating expenses	19,353	21,237
+26.69%	Net profit before tax	11,253	14,257
-2.46%	Income tax expenses	1,825	1,780
+32.34%	Net profit after tax	9,428	12,477

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

	2019
SinoPac Holdings	117.76%
Bank SinoPac (consolidated)	14.27%
SinoPac Securities	453%

Capital Adequacy of Bank SinoPac

	2018 (Consolidated)	2019 (Consolidated)
Tier I capital, net	129,927	136,980
Total exposure	1,547,279	1,777,224
Leverage ratio (%)	8.40	7.71



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

Type of Credit Rating	Credit Rating Institution	Long-term Credit Rating	Short-term Credit Rating	Outlook for Credit Rating	Date of Credit Rating
International	Standard & Poor's	BBB	A-2	Stable	August 16, 2019
	Fitch Ratings	BBB+	F2		
Domestic	Fitch Ratings	AA-(tw)	F1+(tw)	Stable	September 5, 2019
	Taiwan Ratings	twA+	twA-1	Stable	August 16, 2019

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



Bank SinoPac

Introduction

Bank SinoPac's main businesses include corporate banking, retail banking, wealth management, financial services, and electronic banking. Bank SinoPac has 125 branches in Taiwan including 83 branches in the Greater Taipei area and has established service locations in major metropolitan areas in the Central and Southern Regions as well as Hualien and Kinmen. Bank SinoPac has actively expanded its service networks across the globe and has three service locations in Hong Kong, Kowloon, and Macau. Bank SinoPac's subsidiary bank in Mainland China, Bank SinoPac(China), officially launched its business in 2014. It is the first subsidiary bank of a Taiwanese bank in Mainland China. It currently consists of three branches – Shanghai, Guangzhou and Chengdu branches. Bank SinoPac has also established a service network of 10 locations along the Pacific Rim in areas including California, United States and Vietnam to provide comprehensive services for customers.

Business Performance

The consolidated net profit after tax for the year 2019 was NT\$10.291 billion, the after-tax earnings per share was NT\$1.20, and the return on equity was 7.83%. In terms of business scale, Bank SinoPac actively adjusted the structure of deposits and loans. At the end of 2019, the total value of consolidated assets was NT\$1.70 trillion, with an increase of NT\$210.5 billion over the previous year; total deposits were NT\$1.39 trillion, and total loans were NT\$1.01 trillion, an annual growth rate of 16.05% and 8.70% respectively, and the loan to deposit ratio was 73.10%.

Bank SinoPac continued to actively assist in the construction of solar power plants. In 2019, it provided financing support to 3,654 solar power plants in Taiwan, and the total capacity of photovoltaic devices increased by approximately 60% compared to 2018, with the market share reaching 25%. In 2019, it was awarded the "Top Solar System Award" by the Bureau of Energy, Ministry of Economic Affairs. It has been given this award for the fourth consecutive year since 2016, and won the "Best Green Finance Award 2019" by Excellence Magazine. Following the winning of the ninth "Taiwan Outstanding Financial Business Elite Award-the Best Digital Finance Award" of the Taiwan Academy of Banking and Finance in 2018, the "Smart Wholesale Market Transaction Facilitation Platform" innovated by Bank SinoPac in 2016 further won "The 3rd PWC CSR Impact Awards-Gold prize" and The Asset ESG Corporate Award "Highly Recommended-Best Social Responsibility Award" of The Asset Magazine, reaffirming Bank SinoPac has successfully integrated fintech into the traditional wholesale markets. As of the end of 2019, it served 2,244 merchants with total loan advancing amounting to more than NT\$18 billion. In addition, in response to technological evolution and market demand, Bank SinoPac launched the digital account "DAWHO" and intelligent wealth management "SinoPac ibrAin" in 2019, providing on-demand, easy-to-use and secured financial instruments. Bank SinoPac actively participates trades in a wide array of financial instruments in Taiwan and other Asia markets. Bank SinoPac's well-established and comprehensive platforms for foreign exchanges, interest rates and their derivative financial products therefore make it one of the key market makers among domestic banks.

Bank SinoPac continues its efforts in financial innovation to bring its customers with excellent financial experiences. In 2019, Bank SinoPac received 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" from The Asset Magazine's Triple A Digital Awards, the "Best Business Model Innovation" and the "Best Product Innovation" from Digital Next Magazine, as well as the "Taiwan Domestic Technology & Operations Bank of the Year" from Asian Banking & Finance Magazine and the "Outstanding ACH Specific Project Promotion Award" from Taiwan Clearing House.

SinoPac Securities

Introduction

SinoPac Securities, established in 1988, was the first securities company in Taiwan to list on Taiwan's over-the-counter (OTC) market. Its business operations include stockbroking, proprietary trading, underwriting, international business, fixed income, and new financial products, among others. SinoPac Securities is one of Taiwan's leading integrated securities companies with 47 service locations in Taiwan and overseas service locations in Hong Kong, Shanghai, and London. It offers a broad range of products and services, all of which are ranked at or near the top within Taiwan's securities industry. Recent mergers and acquisitions (M&A) milestones included merger with Pacific Securities in November 2012 and merger with BEA Wealth Management Services (Taiwan) Ltd. in March 2016. SinoPac Securities' subsidiary SinoPac Securities (Cayman) Holdings Ltd. acquired Hong Kong-based Tung Shing Holdings Company Ltd. in April 2016. In September 2016, SinoPac Securities accepted the transfer of IBT Securities' brokerage business, business equipment, and the net assets of its margin trading and short selling accounts, providing a catalyst to improve SinoPac Securities' brokerage market share and profitability for the benefit of its shareholders.

SinoPac Securities continued to promote digital finance through the expanded integration of Bank SinoPac's digital account and SinoPac Securities' on-line securities trading account to "DAWHO TOU" and the launch of an online AI-based wealth management platform. By providing comprehensive digital financial services ranging from Taiwan stock trading to overseas sub-brokerage to a diverse clients ranging from small-scale investors to high net worth wealth management clients, SinoPac Securities has transformed itself into a digital wealth management service provider.

Business Performance

In 2019, SinoPac Securities posted a consolidated net profit after tax of NT\$1.904 billion, an after-tax earnings per share of NT\$1.17, and a return on equity of 7.10%, representing an increase of 294% from 2018 and a 10 year high. In terms of market position, SinoPac Securities' ranking in the core brokerage business remained stable; the turnover of sub-brokerage business grew to rank second in the market; and asset under management (AUM) increased 33% from the year before to a new high of NT\$18.2 billion, ranking third in the market. Benefiting from the rise in stock and bond prices, profits from proprietary trading of warrants, ETF market making and bonds increased significantly in 2019 from the year before.

In addition to continuously advance on financial innovation and providing customers with the best integrated financial services, SinoPac Securities is actively devoting its efforts in sustainable finance. In 2019, it won the first place in the "Best ESG Award" at the 13rd Wealth Management Banks and Securities Firms Evaluation conducted by Business Today Magazine, and the "Outstanding Green Investment Award" in the 15th Golden Goblet Awards for its remarkable achievements in the underwriting of green bonds. In addition, SinoPac Securities also received the "Innovative Design of the Year Award" at the 15th Golden Torch Awards, a "Top 10 Outstanding Commodities Award" at the 19th Golden Peak Awards, and the "Best Digital Financial Service Award" in the 2019 Securities Company Evaluation organized by Excellent Magazine for SinoPac Securities' innovative digital financial services.

SinoPac Leasing

Introduction

SinoPac Leasing has actively expanded across Asia Pacific since its inception in 1997. In China, it established a wholly-owned finance leasing company, SinoPac International Leasing Corporation, in Nanjing in July 2011, and SinoPac Leasing (Tianjin) Co., Ltd. in Tianjin in 2013. It has service locations in Nanjing, Kunshan, Dongguan, Xiamen, Tianjin, and Chongqing with diverse and flexible services offered to customers, including financial leasing, leasing, factoring and trade financing. In Southeast Asia, SinoPac Leasing has established offices in Myanmar and Thailand since 2015 to promptly grasp business opportunities and to provide services for Chinese businesses in the Southeast Asian market. With outstanding performance in 2019, SinoPac International Leasing received the "Jiangsu Province Financial Leasing Company of the Year" award from the Financial Leasing Industry Association of Jiangsu Province for a third year in a row, showing that the leasing arm of SinoPac Holdings delivered excellent performance within China's leasing industry.

Business Performance

SinoPac Leasing actively expands the leasing services for small and medium-sized enterprises (SME) at home and abroad, and continues to expand business in Taiwan and China. In response to changes in the broader industrial structure, and based on demand for business transformation and innovation, SinoPac Leasing provided specialized, flexible installments and financial leasing services. In 2019, SinoPac Leasing posted a consolidated net profit of NT\$310 million, after-tax earnings per share of NT\$0.66, and return on equity of 6.99%. At the end of 2019, consolidated assets totaled NT\$19.1 billion. SinoPac Leasing consolidated its services across regions and industries, and strengthened the risk control of different customer segments, to achieve its business goals in a steady manner.

SinoPac Securities Investment Trust

Introduction

SinoPac Securities Investment Trust ("SinoPac SITC" hereinafter), established in 1997, uphold its business philosophy of "professional management, ethical services, and outstanding performance", and manages its business with great prudence while pursuing the best interests for investors. It offered a wide variety of products to satisfy customers' diversified investment and financial needs, including mutual funds, private placement funds, and discretionary investment products. In 2014, Golden Trust SinoPac Fund Management Co., Ltd. was established as a joint venture with Xiamen International Trust Co., Ltd. in the mainland China. The mutual fund products offered by SinoPac Securities Investment Trust are diverse, including domestic and foreign equity funds, balanced funds, fixed income funds, index funds, principal protection funds and ETFs. In response to retirement issues, the Compa-

Financial Highlights of SinoPac's Subsidiaries in 2019

	Item	Bank SinoPac	SinoPac Securities	SinoPac Leasing	SinoPac Securities Investment Trust	SinoPac Venture Capital
Operating Ability	Total assets (in NT\$ million)	1,695,816	125,789	19,099	1,600	2,984
	Total liabilities (in NT\$ million)	1,562,148	97,999	14,558	97	48
	Shareholders' equity (in NT\$ million)	133,668	27,790	4,541	1,503	2,937
	Net profit after tax (in NT\$ million)	10,291	1,904	310	14	217
Profitability	Return on assets (%)	0.65	1.61	1.69	0.88	7.55
	Return on equity (%)	7.83	7.10	6.99	0.93	7.65
	Net profit ratio (%)	37.66	20.22	51	6.48	85.28
	Earnings per share (in NT\$)	1.20	1.17	0.66	0.10	0.87

ny also continues to develop retirement wealth management products. In the future, it plans to issue various bond ETF products to meet the needs of insurance customers, and becomes a major product provider of banks and security companies for their AUM-based wealth management businesses.

Business Performance

In 2019, SinoPac Securities Investment Trust posted a net profit after tax of NT\$14.28 million, an after-tax earnings per share of NT\$0.10, and a return on equity of 0.93%. As of the end of 2019, it has managed 25 mutual funds with a total asset under management of approximately NT\$31,586 million. In 2019, in light of the excellent performance of the mutual funds products, SinoPac Securities Investment Trust obtained the "Outstanding Fund Gold Diamond Award" of Taipei Financial Research and Development Foundation, the "BENCHMARK Fund Award-Taiwan" for the third consecutive year including the Best-in-Class in technology funds, Best-in-Class in Greater China equity funds, Outstanding Achiever in China Equity Funds and Outstanding Achiever in Taiwan Small and Medium-sized Equity Funds, and the Top Ten Outstanding Product of the 19th Golden Peak Awards for the first time.

SinoPac Venture Capital

Introduction

SinoPac Venture Capital was established in 2003, focusing on venture capital investment and providing consulting services for invested companies. The Company closely follows global economic, industrial and technological development, and looks for venture capital investment opportunities for companies with core competences and great growing potential. It also provides added value to the invested companies by bringing in the integrated financial services of the SinoPac Holdings group of companies so as to cultivate the business development of the invested companies and thus generate good returns from these investments. The investment targets are mainly enterprises in the seed, startup and expansion stages, supplemented by enterprises in the mezzanine stage and Pre-IPO, with an exit strategy that can help to maintain a stable investment income stream to the Company.

Business Performance

In view of the industrial structure transformation and thriving new technologies, SinoPac Venture Capital took the group's long-term development strategy into accounts and condensed investment focus on six industries, including intelligent manufacturing, biotech and medical care, industrial materials, cultural and creative industry, circular economy and FinTech. Additionally, SinoPac Venture Capital cooperated with internal and external partners to develop startup investment businesses and establish a professional investment image. By providing operational assistance to the invested companies, the Ecosystem structure is established to assist in developing investment opportunities, promoting business cooperation and strategic alliances. In 2019, the Company's net profit after tax was NT\$217 million, the after-tax earnings per share was NT\$0.87, and the return on equity was 7.65%

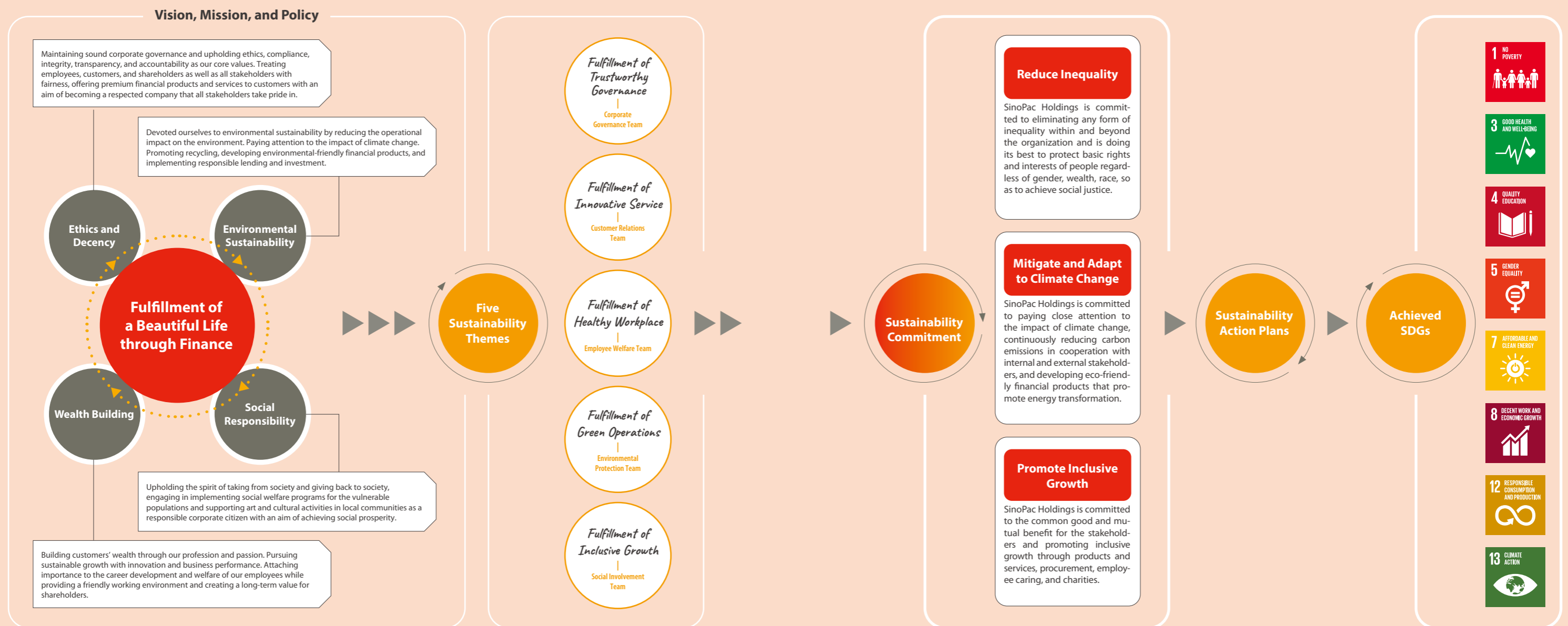
1.2 Sustainable Development Goals and Vision

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	Implications Related to the Financial Sector
SDG 1 No Poverty	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.	
	Improve accessibility of financial services	Fulfillment of Innovative Service	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.	
Promote cultural equality	Fulfillment of Inclusive Growth	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 <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. 	Customers <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. 	Communities/Non-profit Organizations (NPO) <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	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.
SDG 13 Climate Action	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.

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
Mitigate and Adapt to Climate Change	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. Organize at least one training course every year to raise employees' climate awareness, with a participation rate of 10%.	100% of the employees sign the Code of Environmental Protection and Energy Conservation in Office. 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%.
	Support the development of the renewable energy industry	Fulfillment of Innovative Service	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.
			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.
	Raise climate awareness - customers	Fulfillment of Innovative Service	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. 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.

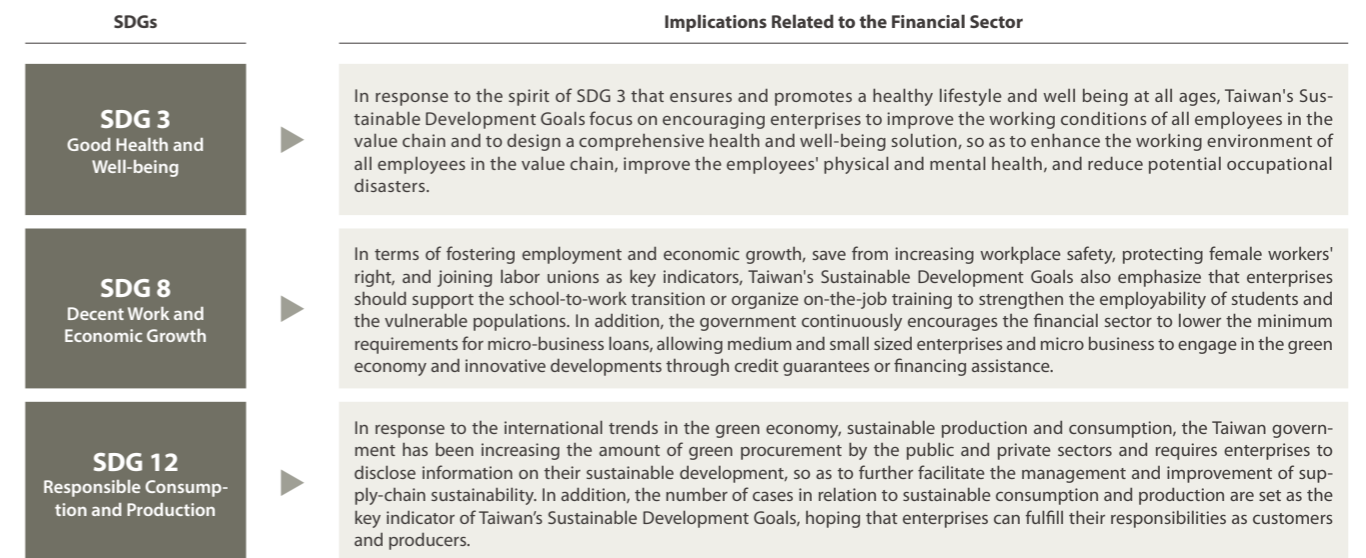
2019 Highlights

Internal Stakeholders	External Stakeholders	
Employees of SinoPac Holdings and its Subsidiaries	Customers	Communities/Non-profit Organizations (NPO)
<ul style="list-style-type: none"> 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. 	<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.

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



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.
			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.
	Enhance sustainable supply chain management	Fulfillment of Green Operations	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.
			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).
	Promote green procurement and responsible consumption and production pattern	Fulfillment of Green Operations	The utilization rate of green building materials for renovation exceeds 45%.	The utilization rate of green building materials for renovation exceeds 60%.	
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 employees' meal subscription 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%.	Recognize the social value of the vulnerable populations through meal subscription programs and joint promotional events. The percentage of employees' meal subscription remains stable at 50%. 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	Communities/Non-profit Organizations (NPO)
<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. 	<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. 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"> 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

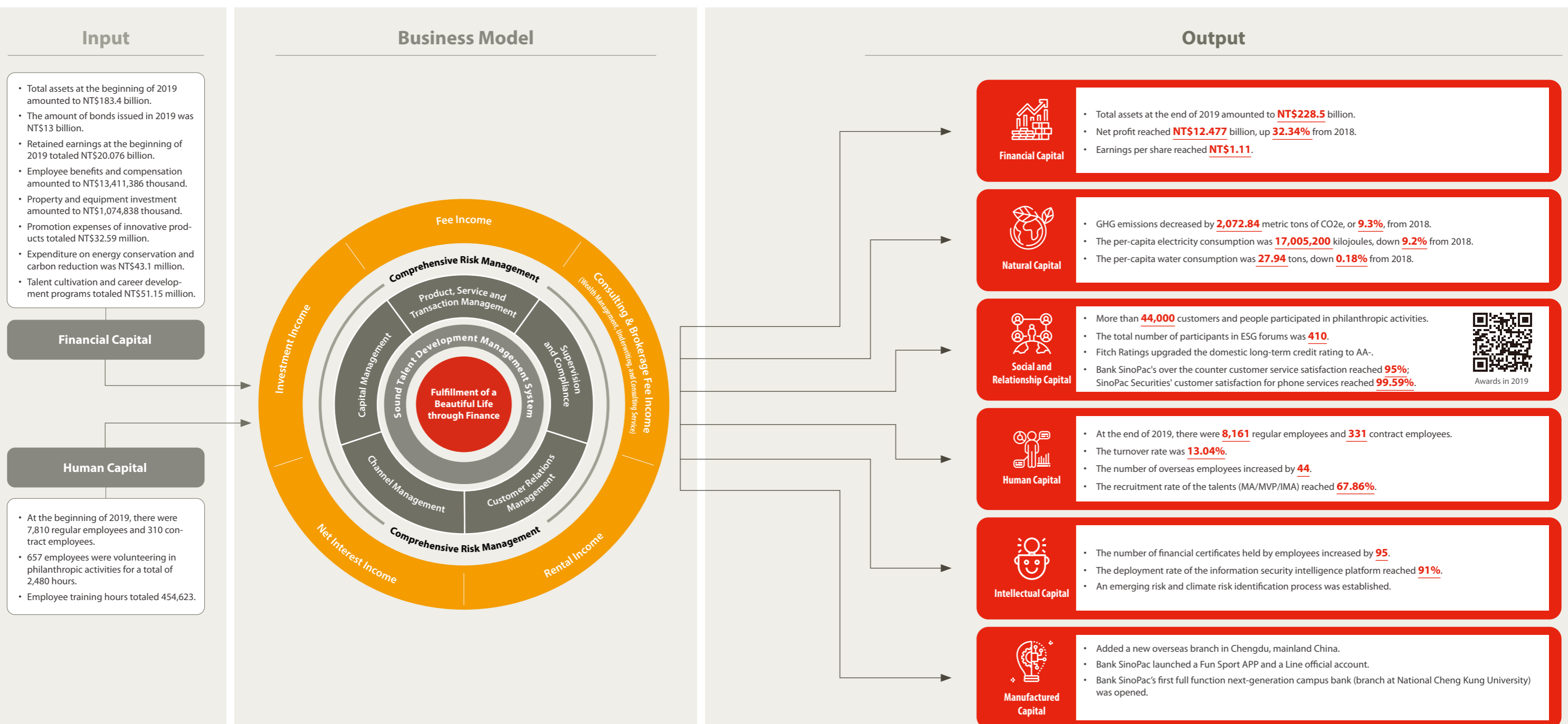
Five Sustainability Themes	Stakeholders' Concerns	Sustainability Performance in 2019
Fulfillment of Trustworthy Governance	Corporate Governance and Integrity Management	<ul style="list-style-type: none"> Selected as a constituent of the TWSE Corporate Governance 100 Index. Ranked top 5% of the TWSE listed 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
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	Sustainable Supply Chain Management	<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%.

Participation in Associations

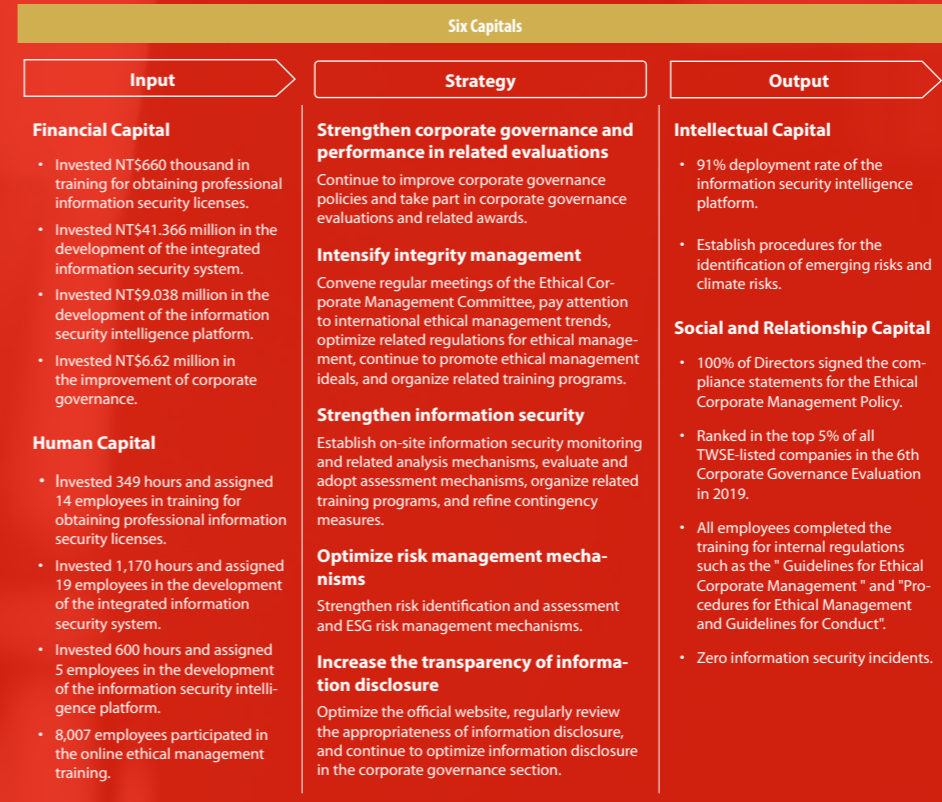
Association names
The Bankers Association of the R.O.C.
Trust Association of the R.O.C.
Securities Investment Trust and Consulting Association of the R.O.C.
R.O.C. Bills Finance Association
Taiwan Securities Association
Chinese National Futures Association
The Bankers Association of Taipei
Taipei Leasing Association
Taiwan Venture Capital Association
Cross-Strait CEO Summit
Chinese National Association of Industry and Commerce, Taiwan (CNAIC)
Accounting Research and Development Foundation

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



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

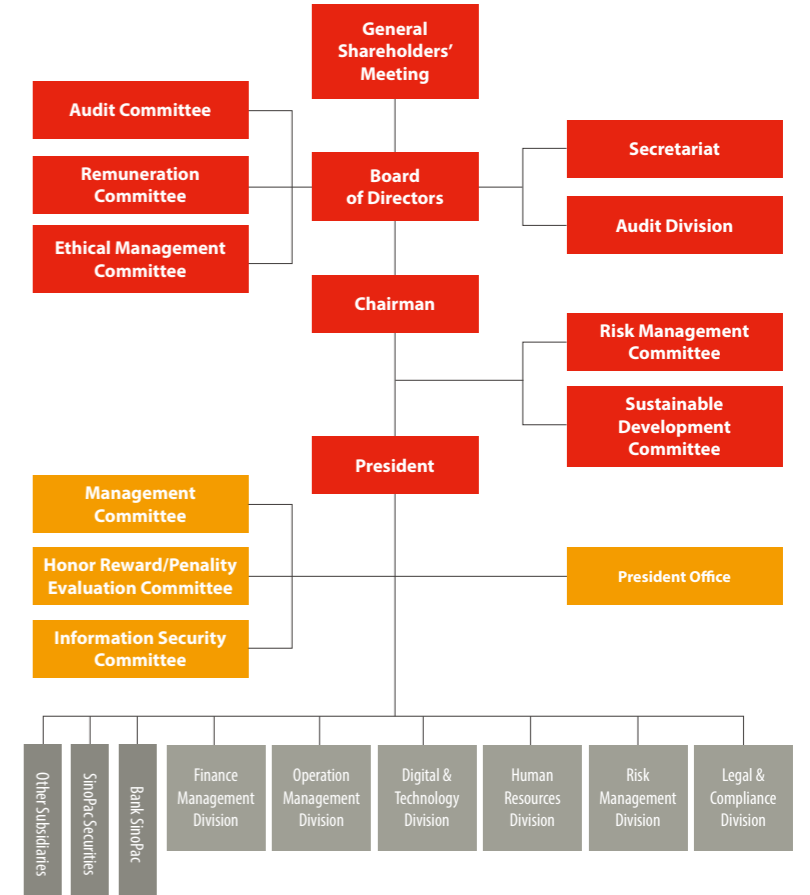
- Comply with laws and regulations and improve internal management
- Protect shareholders' rights and interests as well as corporate governance relationships between SinoPac Holdings and its affiliated enterprises
- Enhance the functions of the Board of Directors
- Empower the Audit Committee
- Respect 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	Convener	Committee Composition	Responsibilities
Audit Committee (Note 1)	James J. SHEU 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	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 Tsong-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 convener 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 convener 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 convener of the committee.



2.1.2 Shareholding Structure

SinoPac Holdings discloses its shareholder structure as shown in the table below. Shares held by government entities account for less than 5%. Please refer to page 83 of the 2019 Annual Report of SinoPac Holdings for more information.

shares	object					
	Government Entity	Financial Institutions	Other Institutions	Individuals	Foreign Investors	Total
Number of shareholders	5	22	668	239,528	1,119	241,342
Number of Shares	59,793,325	452,656,982	4,074,048,538	3,284,527,278	3,400,027,983	11,271,054,106
Percentage	0.53%	4.01%	36.15%	29.14%	30.17%	100%

Percentage of Shares Held by Family Members

More than 5% of the shares of the Company is held by the substantial shareholder S.C. Ho and the companies which he holds more than 50% of the shares. S.C. Ho and the same related party declared their holding of 20.39% of SinoPac's shares on March 31, 2020 (major shareholders and the same related party with more than 10% of shares). Please refer to the "inquiries on the reports on the change of shareholding by major shareholders of banks (financial holding companies)" on the Market Observation Post System (stock code: 2890) <https://emops.twse.com.tw/server-java/t58query>

2.1.3 Composition and Operations of the Board of Directors

Composition of the Board of Directors

SinoPac Holdings conducted re-elections of all Directors in the general shareholders' meeting on May 13, 2020. The Board of Directors consists of seven Directors including one Executive Director (Director Stanley Chu who serves concurrently as the President of SinoPac Holdings), and six non-executive Directors, of which three are Independent Directors. Directors serve three-year terms. Among the six non-executive Directors, five serve concurrent roles in other companies. They serve concurrently in no more than four companies. The average tenure of the seven Directors as of May 13, 2020 was 2.4 years. The nomination and election of board members is not restricted by age or gender, and the main criteria include professional skills, integrity, and reputation in society. The current Board of Directors includes one female member and six male members with an average age of more than 55 years old. The members include three PhDs and four masters with diverse backgrounds and experiences. The diverse composition of the Board of Directors optimizes the decision-making process of the Board of Directors. The Company values gender equality of the members of the Board of Directors and aims to have at least one female Director which was achieved in 2020 by electing Ms. Shi-Kuan Chen as the Chairman on May 13, 2020. SinoPac Holdings thus became the first private financial holding company with a female Chairman. The composition and background of SinoPac Holdings Directors in 2020 are as follows:

Title	Name	Nationality	Gender	Basic Information			Industry Experiences			Professional Skills								
				Concurrent Role as Managerial Officer	Age			Financial Industry	Other Industries	Banking and Securities	Business	Law	Accounting	Finance	Information Security/Information Technology	Risk Management		
					<55	55 to 60	>60										Term	
Chairman	Shi-Kuan CHEN	Republic of China	Female		●			●	●	●	●	●	●	●	●	●	●	2020/05/13~
Independent Director	Chi SCHIVE	Republic of China	Male			●		●	●	●								2014/06/12~
Independent Director	James J. SHEU	Republic of China	Male			●		●	●	●	●							2014/06/12~
Independent Director	Wei-Ta PAN	Republic of China	Male			●		●	●	●	●							2020/05/13~
Director	Stanley CHU	Republic of China	Male	●	●			●	●	●								2017/12/05~
Director	Wei-Thyr TSAO	Republic of China	Male		●			●	●	●								2020/05/13~
Director	Chi-Hsing YEH	Republic of China	Male	●				●	●	●	●							2018/05/01~

Operations of the Board of Directors

The election of the Board of Directors of SinoPac Holdings is conducted via a candidate nomination system in which the shareholders vote on a group of candidates nominated at shareholders' meetings. The professional qualifications, restrictions on retention of shares and concurrent positions held, assessment of independence, method of nomination and election and other relevant requirements are reviewed for Independent Directors in accordance with related regulations. SinoPac Holdings specified in the Articles of Incorporation that all Directors serve a three-year term and may be re-elected. If new Directors have not been promptly elected upon expiration of the term of current Directors, the term of current Directors shall be extended until new Directors are elected and take office. To enhance corporate governance, SinoPac Holdings regularly compiles related continuing education courses on corporate governance in the current year for Directors and help them make arrangements for attending the courses. All Directors met requirements as specified in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" in 2019. Continuing education courses included courses on topics such as anti-money laundering and bribery risk management, international trends of money laundering and terrorist financing, information security governance trends and challenges, risk management, counter terrorism financing and information security. Please refer to page 41 of SinoPac Holdings 2019 Annual Report for details on the continuing education/training of Directors. SinoPac Holdings group of companies has purchased the liability insurance for directors, supervisors, and managers since 2003 and reviewed the contents of insurance policies each year. The Company uses the Market Observation Post System, corporate website, and annual reports to disclose the Directors' education/training and attendance in the Board of Directors. Major resolutions are disclosed in the Annual Report (extracts of the meeting minutes of the Board of Directors are disclosed on the company website) as well as recusals of Directors from agenda items due to conflicts of interests to improve information transparency in the operations of the Board of Directors.

SinoPac Holdings' Board of Directors convenes meetings once every month in principle and 12 meetings were convened in 2019. The Directors' average attendance rate in person was 96.3% and the average attendance rate of Directors is included as an evaluation item in the performance evaluation of individual Directors. Directors that have conflicts of interests in resolutions would recuse themselves from voting in accordance with laws. Please refer to page 25 to 26 of SinoPac Holdings' 2019 Annual Report for the attendance of Directors in board meetings and the recusal of Directors due to conflicts of interests in 2019.

Performance Evaluation of the Board of Directors

SinoPac Holdings has established the Regulations Governing the Evaluation of the Performance of the Board of Directors in 2018 to implement corporate governance and enhance the functions of the Board of Directors. The performance of the Board of Directors and functional committees should be evaluated according to the evaluation procedures and indicators set forth in the Regulations on an annual basis. The performance evaluation of the Board of Directors and functional committees shall be conducted by an external professional independent institution or a team of external experts and scholars at least once every three years, and the results of performance evaluation shall be reported to the Board of Directors before the end of March in the following year. For the scoring criteria, each measurement item is scored using the weight method, and performance evaluation results are divided into five levels, namely excellent, very good, good, fair, and poor.

In 2019, SinoPac Holdings appointed EY Business Advisory Services Inc. to conduct the external performance evaluation of the Board of Directors for 2019. The performance evaluation of individual Directors, Audit Committee, and Remuneration Committee was still completed through internal self-evaluations. The results of the overall external performance evaluation of the Board of Directors in terms of the structure, people, and process and information of the Board of Directors were "advanced", "benchmark", and

"advanced" respectively. The performance evaluation of individual Directors, Audit Committee, and Remuneration Committee were "excellent". The external and internal evaluation of the performance of the Board of Directors were both positive and the overall operating status remained positive. The results were reported to the Board of Directors on February 25, 2020 and the results of the performance evaluation of individual Directors were used as the basis for establishing the Directors' remuneration for 2019 and the nomination and renewed appointment of the 7th-term Board of Directors (including Independent Directors). SinoPac Holdings shall continue to follow the recommendations proposed by EY Business Advisory Services and the Directors and use them as guidelines for enhancing the functions of the Board of Directors and improve board performance. Please refer to page 28 of SinoPac Holdings 2019 Annual Report for details on the implementation status of the performance evaluation of the Board of Directors.

2.1.4 Sustainable Development Committee

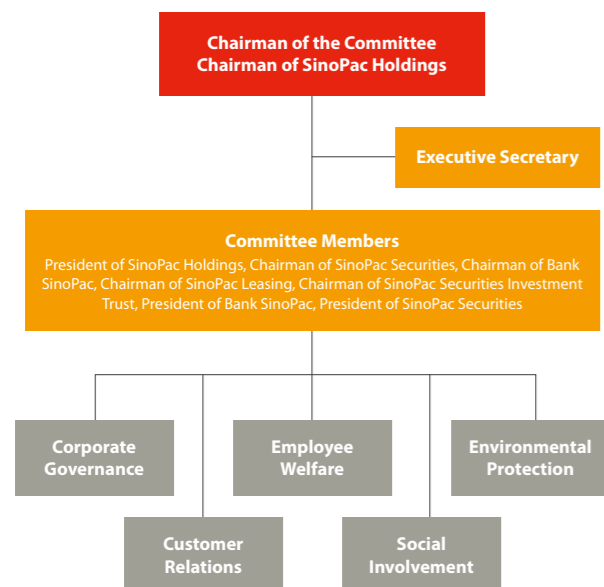
SinoPac Holdings established the "CSR Project Team" in 2015 to actively plan CSR related affairs. In 2018, the Company established the "Guidelines for Corporate Social Responsibility", actively responded to international sustainability trends and implemented corporate social responsibilities of the financial industry. SinoPac Holdings also established the "Sustainable Development Committee" in March of the same year. The Chairman of SinoPac Holdings serves as the chairperson of the Committee, with the President of SinoPac Holdings and the chairmen and presidents of major subsidiaries serving as members. The Committee oversees five task forces responsible for corporate governance, customer relations, employee welfare, social involvement, and environmental protection. The committee is in charge of managing the risks and impacts of operations of SinoPac Holdings and its subsidiaries on the economy, environment, and society, and establishing CSR Policy, systems, and related management plans and submit them to the Board of Directors to implement corporate social responsibility.

The Sustainable Development Committee convenes a meeting every quarter and reports the progress of corporate sustainable development to the Board of Directors every half a year. The Sustainable Development Committee convened four meetings in 2019, developed five sustainable themes that have clear links to the Company's four sustainable missions, and continued to promote various sustainable development tasks with major achievements including the introduction of responsible investment and disclosure of SinoPac Holdings Sustainable Finance Blueprint on the official website, the completion of human rights risk identification and recommendations for mitigation and supplementary measures, the acquisition of the ISO50001 Energy Management System certification, Bank SinoPac's continuous promotion in green financing and signing of the Equator Principles in February 2020 and becoming the world's 102nd Equator bank. SinoPac Holdings also received sustainability awards from The Asset magazine, Enterprise Asia, Taiwan Institute for Sustainable Energy, etc. for the actions made, and continued to be included as a constituent of the FTSE4Good TIP Taiwan ESG Index and FTSE4Good Emerging Indexes. SinoPac Holdings shall continue to strengthen various sustainability actions including optimizing risk management mechanisms for emerging risks and climate risks, adopting ISO45001 Safety and Health Management System, continuing to promote environmental and greenhouse gas inventory while increasing the coverage rate, and planning related ESG activities of SinoPac Holdings and subsidiaries with the aim of "expanding influence". SinoPac Holdings will incorporate the characteristics and feature of its own and expand the participation of customers and the public to maximize the influence of the financial industry as the leader in all aspects of ESG. SinoPac Holdings shall reach out from within and achieve the fulfillment of a beautiful life through finance. The Sustainable Development Committee reported the results of sustainable development in 2019 and the work plan for 2020 to the Board of Directors in January 2020. It shall continue to implement adjustments and optimize the short, medium, and long-term goals in the Sustainable Development Roadmap to intensify the implementation of sustainable development and business strategies.

2.2 Integrity Management and Legal Compliance

2.2.1 Culture of Integrity Management

SinoPac Holdings established the "Ethical Corporate Management Committee" in 2018 and became the fifth financial holding company in Taiwan to establish an Ethical Corporate Management Committee. SinoPac Holdings also established the Whistleblowing Policy in the same year to complete the establishment of internal and external whistleblowing system. The Legal & Compliance Division is responsible for processing all reports and maintaining the confidentiality of whistleblowers and the contents of their reports. It also pledges to protect whistleblowers from inappropriate disciplinary actions as a result of whistleblowing. If whistleblowers are subject to inappropriate disciplinary actions due to their reporting, they may lodge a complaint with the Ethical Corporate Management Committee of SinoPac Holdings. The "Ethical Corporate Management Committee" consists of eight members including the Independent Directors of SinoPac Holdings, Bank SinoPac, and SinoPac Securities. Meetings are convened at least once every six months. The Committee is responsible for the review of the ethical corporate management policies and prevention programs, and for supervision of the implementation performance of the managerial departments. The Committee also regularly reports their compliance status and resolutions to the Board of Directors. Two meetings of the Ethical Corporate Management Committee were held in 2019. In addition to the amendment of the "Whistleblowing Policy" for improvements, the Committee also reviewed two major cases including the Regular Report on Whistleblowing Cases of the Company and Subsidiaries and the Petitions from Employees Who Suffer Disciplinary Actions.



2.1.5 Remuneration Policy for Senior Executives


The remuneration for the President and Vice President (senior executives) of SinoPac Holdings is based on their individual professional qualifications and experience and the prevailing rates in the industry, discussed in the remuneration committee and then submitted to the Board of Directors for approval. In addition to the fixed monthly base salary and allowances, a variety of bonuses may be paid according to the Company's rules with consideration of the overall annual business performance, personal performance, and future risks. All performance bonuses are distributed in cash, of which 10% will be retained and deferred to pay in the next three years. This scheme creates a close link between the remuneration for the management and the performance of the Company and ensures investor benefits.

In 2019, total remuneration paid by SinoPac Holdings to senior executives accounted for 0.88% of the net profit after tax. The remuneration paid by all companies in the consolidated financial statements to senior executives accounted for 1.74% of the net profit after tax of SinoPac Holdings' consolidated financial statements. Senior executives refer to SinoPac Holdings' President and executives ranked Vice Presidents or above. Please refer to page 20 of the 2019 Annual Report of SinoPac Holdings for related information on their remuneration. SinoPac Holdings does not impose regulations on the shareholding of senior executives. As of the end of 2019, the President of SinoPac Holdings held 0 shares and the ratio of average shareholding of senior executives to their basic salary was 0.76.


To balance short-term and long-term remuneration, business performance and personal performance, and cash and non-cash remuneration, SinoPac Holdings established the Long-Term Incentives and Remuneration Program, and designed the deferred distribution of the performance bonus (up to 5 years) by way of virtual shares and employee stock ownership that connected to the value of the shares of SinoPac Holdings, so that the remuneration of managerial officers is closely connected to the short-term business performance and long-term development of SinoPac Holdings. The conditions for unlocking medium to long-term incentives in the trust scheme include the financial performance of SinoPac Holdings and its subsidiaries (e.g., ROE), effectiveness of the implementation of long-term strategies, TSR shareholder value and risk management, and corporate governance targets. They connect managerial officers' obligations and responsibilities to long-term performance.

Whistleblower Reporting Channels

Company	Reporting Hotline
SinoPac Holdings	<p>E-mail: whistleblowing.fh@sinozac.com Independent Director email: IDservice@sinozac.com Telephone: 02-8161-8581 Address: 10F., No. 306, Sec. 2, Bade Rd., Zhongshan Dist., Taipei City 10492, Taiwan (R.O.C.) Attention to: Whistleblowing mailbox, Legal & Compliance Division, SinoPac Holdings Co., Ltd.</p>
Bank SinoPac	<p>E-mail: whistleblowing.bk@sinozac.com Telephone: 02-2508-8934 Address: 10F., No. 9-1, Sec. 2, Jianguo N. Rd., Zhongshan Dist., Taipei City 10487, Taiwan (R.O.C.) Attention to: Whistleblowing mailbox, Legal & Compliance Division, Bank SinoPac</p>
SinoPac Securities	<p>E-mail: whistleblowing.sc@sinozac.com Telephone: 02-2382-3725 Address: 20F., No. 2, Sec. 1, Chongqing S. Rd., Zhongcheng Dist., Taipei City 10044, Taiwan (R.O.C.) Attention to: Whistleblowing mailbox, Legal & Compliance Division, SinoPac Securities</p>



Whistleblower Policy



Proportion of Communication on Anti-Corruption Policies and Procedures

		2019		
		Total number of personnel	Number of personnel communicated	Percentage
Members of the Board of Directors (Note 1)		35	35	100%
Employees (Note 2)	Management	Taiwan	1,413	100%
		Overseas	58	100%
	Non-management	Taiwan	6,321	100%
		Overseas	215	100%
Suppliers (number of companies)		346	248	71.6%

Note 1: Members of the Board of Directors include those of SinoPac Holdings, Bank SinoPac, SinoPac Securities, SinoPac Leasing, SinoPac Securities Investment Trust, and SinoPac Venture Capital.
 Note 2: The number of employees excludes those who have not returned to work due to maternity leave or sick leave.

SinoPac Holdings established the Guidelines for Ethical Corporate Management and the Procedures for Ethical Management and Guidelines for Conduct as the basis for compliance by all employees of SinoPac Holdings and its subsidiaries. As per the regulations, all directors, supervisors and employees shall neither directly or indirectly accept any improper interests to establish business relationships when engaging in commercial activities, nor leak or inquire trade secrets unrelated to their duties. They shall process business affairs in an objective manner, and recuse themselves from conflicts of interest. SinoPac Holdings and its subsidiaries have conducted business activities in accordance with the Fair Trade Act and related laws and regulations, as well as internal regulations including Guidelines for Codes of Ethical Conduct, Corporate Governance Guidelines, Guidelines for Corporate Social Responsibility, Human Rights Policy, Anti-Money Laundering and Counter Terrorism Financing Policy (AML/CFT Policy), and Equity Management Policy for compliance. SinoPac Holdings also established the Supplier Corporate Social Responsibility Code of Conduct to encourage suppliers to fulfill corporate social responsibility altogether.

All Directors of SinoPac Holdings have signed the compliance statements for the Ethical Corporate Management Policy in 2019, and all Directors and Supervisors of its subsidiaries have signed the statements in the first quarter of 2020. All employees of SinoPac Holdings and its subsidiaries were also required to sign the compliance statements through the internal SinoPac Cloud" online platform in the first quarter of 2020, the second time since that was done in 2018, in order to continuously cultivating the integrity management culture. Around 99.78% of employees have signed the statements. SinoPac Holdings organized two sessions of the training program on the anti-corruption policies and procedures in 2019 and increased the employees' awareness of the key points in the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Procedures for Ethical Management and Guidelines for Conduct. In November and December of 2019, SinoPac Holdings also organized the online training for the internal regulations including the Guidelines for Ethical Corporate Management and the Procedures for Ethical Management and Guidelines for Conduct. A total of 8,007 employees participated in the online training program, representing a coverage rate of 100% (All employees were requested to participate in the training. The number of employees that should complete the training during the online training period was 8,007 after deducting the number of those who have not returned to work due to maternity leave or sick leave.)

Culture of Legal Compliance

SinoPac Holdings initiated the Corporate Governance Review and Improvement Project in 2017 to build a culture of legal compliance and risk management and strengthen corporate governance. The major accomplishments of the Project included the formulation of the four major corporate governance guidelines, the set up of the Ethical Corporate Management Committee and Sustainable Development Committee, and the establishment of the Whistleblowing Policy. In addition, officers engaged in audit, compliance, and risk management areas for SinoPac Holdings and its subsidiaries were separated and functioned independently. The legal affairs/compliance and in-

formation technology/information security units of Bank SinoPac operated independently, and the weight of the subsidiaries' key performance indicators (KPIs) in audit, compliance, and risk management was also increased to establish a corporate culture that values audit, compliance, and risk management.

SinoPac Holdings appointed Ms. Shu-Min Lin, a professional with extensive experience in corporate governance and legal compliance, to serve as the Chief Compliance Officer and the head of the Legal & Compliance Division in 2018. She oversees legal compliance operations and promotes the independent operations of legal compliance departments in the parent and subsidiary companies. Legal compliance units are transformed from passive guardians of internal controls to active corporate partners. The Legal & Compliance Division is also an execution unit of the Corporate Governance Task Force of SinoPac Holdings' Sustainable Development Committee, responsible for promoting corporate governance evaluations and related improvement action plans, and tracking and following up on the international sustainable governance trends.

SinoPac Holdings began theme-based compliance inspections by compliance personnel in 2019, with inspection items including "related party management", "sharing of information on anti-money laundering and counter terrorism financing", and "cross-selling". Theme-based compliance inspections helped the compliance personnel to gain insights on the implementation status of the units and subsidiaries of SinoPac Holdings to review the effectiveness of related management mechanisms in practical operations and propose recommendations for further strengthening. SinoPac Holdings convened the joint seminar of employees responsible for audit, compliance, and risk management in July 2019 to enhance their professional knowledge and competencies in the financial industry. SinoPac Holdings also invited employees in the 3 business areas in China and Hong Kong to return to Taiwan to take part in the seminar. A total of 233 people attended in the seminar. The contents of the discussions included external lecturers who spoke on the latest trends such as information security issues involving mobile devices. Compliance officers of the overseas branches were also invited to share their experience in handling the regulatory and supervisory requirements in China and Hong Kong. Audit, compliance, and risk management officers also shared their experience in audits or observations in case studies. The sharing of views and experiences in the seminar actively increased the professional skills of all audit, compliance, and risk management personnel and strengthened the horizontal communication mechanisms in the second and third lines of defense in internal controls.

The Legal & Compliance Division organizes regular communication and training sessions including regular lectures by the Legal & Compliance Division on amendments in important regulations and inviting external lecturers with practical experience to give courses. The subjects mainly include the Personal Data Protection Act, money laundering and terrorism financing, Principle for Financial Service Industries to Treat Client Fairly, and the Volcker Rule in order to strengthen the compliance awareness of all employees. 3 external courses were organized for more than 300 participants and 8 internal courses were organized for 748 participants in 2019.

2.2.2 Tax Policy

SinoPac Holdings mainly operates in Taiwan. In 2019 and 2018, the percentage of net revenues from Taiwan were 84.3% and 83.9%, respectively. Except for Taiwan, no more than 10% of the net revenues came from other countries. SinoPac Holdings complies with tax regulations and pays all taxes within the statutory tax-paying period. The income tax paid in 2019 and 2018 were NT\$ 1,465,893 thousand and NT\$1,429,954 thousand in which the percentage of income tax paid in accordance to Taiwan tax laws were 88.7% and 87.1%. According to Taiwan Income Tax Law, the taxable amount of income tax for corporate income tax shall be the higher of the general income tax and the basic tax rate. The corporate income tax rate applicable in 2019 and 2018 was 20%, and the basic tax amount shall be calculated according to the Income Basic Tax regulations of 12%, which is comparably lower than that in other countries. This is the main reason why the effective tax rate of SinoPac Holdings is lower than the average of the global bank industry. In 2019, due to the increase in tax-free income, the effective tax rate was also lower than that in 2018.



Tax Policy



Unit: NT\$ thousand

	Net Revenues (Consolidated)	Net Revenues from Taiwan	Percentage of Net Revenues from Taiwan	Net Income before Tax (Consolidated)	Net Income before Tax from Taiwan
2018	32,112,956	26,950,689	83.9%	11,252,925	9,041,193
2019	36,329,883	30,646,780	84.3%	14,256,638	11,522,406

Income Tax Payments and Percentages in the Most Recent Two Years are as Below

Unit: NT\$ thousand

Country	2018		2019	
	Amount	Percentage	Amount	Percentage
Taiwan	1,246,131	87.1%	1,300,065	88.7%
China	72,544	5.1%	20,679	1.4%
USA	71,979	5.0%	82,552	5.6%
Others (Note)	39,300	2.8%	62,597	4.3%
Total	1,429,954	100%	1,465,893	100%

Note: Others include: Hong Kong, Macau, Vietnam and United Kingdom

Effective Tax Rate in the Most Recent Two Years

Unit: NT\$ thousand

SinoPac Holdings (Consolidated)	2018		2019		Average Tax Rate in Financial Industry (note 3)
	Amount	Effective Tax Rate	Amount	Effective Tax Rate	
Net Income Before Tax	11,252,925		14,256,638		
Income Tax Expenses	1,824,600	16.2% (note 1)	1,779,649	12.5% (note 1)	25.82%
Tax Paid	1,429,954	12.7% (note 2)	1,465,893	10.3% (note 2)	21.28%

Note 1: Income tax expenses divided by net income before tax

Note 2: Tax paid divided by net income before tax

Note 3: 2020 DJSI companion

2.2.3 Anti-Money Laundering and Financial Crime Prevention

Anti-Money Laundering and Counter Terrorism Financing Policy

SinoPac Holdings is committed to the establishment of comprehensive and effective anti-money laundering and counter terrorism financing mechanisms. It has established the Anti-Money Laundering and Counter Terrorism Financing Policy ("AML/CFT Policy") for compliance by SinoPac Holdings and all subsidiaries. The subsidiaries also established their own internal regulations and operating procedures for anti-money laundering and counter terrorism financing based on laws for their respective industries, related industrial laws and regulations, the self-disciplinary regulations and conventions of industry associations, and references provided in the AML/CFT Policy of SinoPac Holdings, and such internal policies shall address the following principles: customer identity verification, customer acceptance, customer and transaction monitoring, risk management, and record keeping.

Anti-Money Laundering Management Structure and Measures

SinoPac Holdings established the AML/CFT Policy to implement AML/CFT tasks. The Legal & Compliance Division of SinoPac Holdings serves as the dedicated AML/CFT unit responsible for supervising and assisting the planning and execution of AML/CFT operations of subsidiaries. SinoPac Holdings established the Guidelines for Information Sharing and Using of Anti-Money Laundering and Counter Terrorism Financing and established an information sharing platform to prevent omissions in horizontal communication between subsidiaries from causing gaps in AML operations. Under the premises of ensuring the protection of personal information and ensuring information confidentiality, SinoPac Holdings requires all subsidiaries to share their money laundering or terrorism financing patterns and blacklists on a regular or irregular basis. The information should be uploaded to SinoPac Holdings' information sharing platform for reference by all subsidiaries to prevent similar cases from occurring in other subsidiaries. Bank SinoPac established the Anti-Money Laundering Committee which is chaired by the President. The Committee is responsible for the management and coordination of the operations of different units inside the Bank. Bank SinoPac also established the Anti-Money Laundering Center to take charge of the planning and supervision of related AML/CFT systems of the Bank and supervise the branches in the implementation of AML operations. Dedicated AML/CFT supervisors or personnel have been assigned in other subsidiaries including SinoPac Securities, SinoPac Futures, SinoPac Securities Investment Trust, and SinoPac Leasing to take charge of related AML/CFT affairs.

Assessment Mechanisms and Results

SinoPac Holdings established a consistent management structure and requires its subsidiaries to adopt a consistent methodology for the annual institutional risk assessment (IRA). As an example, Bank SinoPac and SinoPac Securities appointed external consultants to help introduce the IRA methodology, designed assessment questionnaires for the four major risk factors, and used evaluation mechanisms to calculate inherent risks and control measures in order to evaluate residual risks. The categories of risk factors include customer types, regional risks, products or services, and payment channels or methods. In March 2019, Bank SinoPac followed the regulations of the competent authority and appointed an external accountant to provide an assurance report on the design and execution of the AML/CFT internal control system. The accountant's conclusion in the assurance report was "the effectiveness of certain measures were not maintained and fair presentation in all material respects". The items that required improvements in the report have been improved.

Training Programs

SinoPac Holdings and its subsidiaries organize regular AML trainings to establish an AML/CFT compliance culture. Trainees include Directors, senior executives, dedicated AML/CFT supervisors, dedicated personnel, sales personnel, operations personnel, and new hires. Training topics include anti-money laundering and counter terrorism financing development trends, anti-money laundering practical experiences sharing, and terrorist financing case studies.

2.2.4 Material Violations and Improvement Measures

The management levels and employees of SinoPac Holdings and its subsidiaries are fully aware that they are the foundation for corporate sustainable governance. However, suitable improvements must be made based on the conditions and processing methods for incidents and adopted as lessons for optimizing corporate governance decision making in the future. The material violations in 2019 included a fraud case involving a former wealth management specialist of Bank SinoPac and a violation of internal regulations at SinoPac Futures. Total penalties amounted to NT\$12.24 million, and the personnel associated with the cases were dismissed or issued warnings based on the severity of the violation. Please refer to page 64 to 65 of SinoPac Holdings' 2019 Annual Report for material violations and improvement measures. To continue to increase employees' compliance awareness, Bank SinoPac established the Employee Service and Code of Conduct Guidelines on November 11, 2019 in accordance with the Employee Service Guidelines of SinoPac Holdings and the Internal Control Principles for the Prevention of Misappropriation of Client Funds by Wealth Management Specialists of the Bankers' Association. The Guidelines of Bank SinoPac included important compliance matters such as the requirements for fiduciary duties, ethical conduct, and personal data protection. Training is organized each quarter starting from November 2019, and employees are required to sign statements each year to confirm compliance.

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.

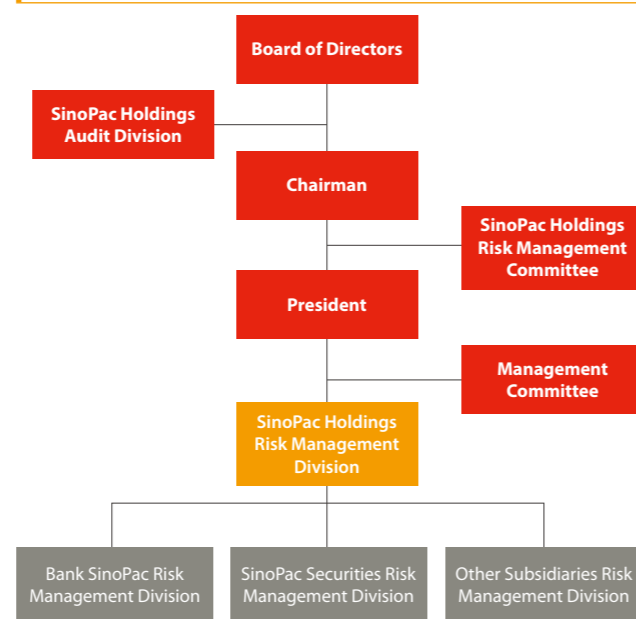
Auditing Mechanisms

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



- Board of Directors**

The Board of Directors is the highest supervisory unit. It is responsible for the approval of SinoPac Holdings' risk management policies and granting authorization to the management for daily risk management.
- Risk Management Committee**

The Risk Management Committee Organizational Charter was established for the Committee to take charge of reviewing risk management policies, organizational framework and procedures, and overall risk limits.
- Risk Management Division**

The Risk Management Division is responsible for developing SinoPac Holdings' overall risk management policy and system, planning model verification, calculating and evaluating risk-weighted assets and capital adequacy, and consolidating risk data for SinoPac Holdings and its subsidiaries.
- Audit Division**

The Audit Division, under the Board of Directors, is responsible for independent auditing and is the third line of defense in the risk management hierarchy. It is responsible for the planning and implementation of various types of audits.

Risk Management Policy

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	<ol 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. 	<ol 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. 	<ol 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. 	<ol style="list-style-type: none"> 1. Ensure diversified and stable funding sources, maintain appropriate liquidity, and ensure the capability for fulfill debt obligations. 2. Control and management indicators include the current ratio, asset-liability mismatch, sources and uses of fund, credit limits, and fundraising instruments, etc.
Risk report and measurement	<ol 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. 	<p>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.</p>	<p>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.</p>	<p>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.</p>

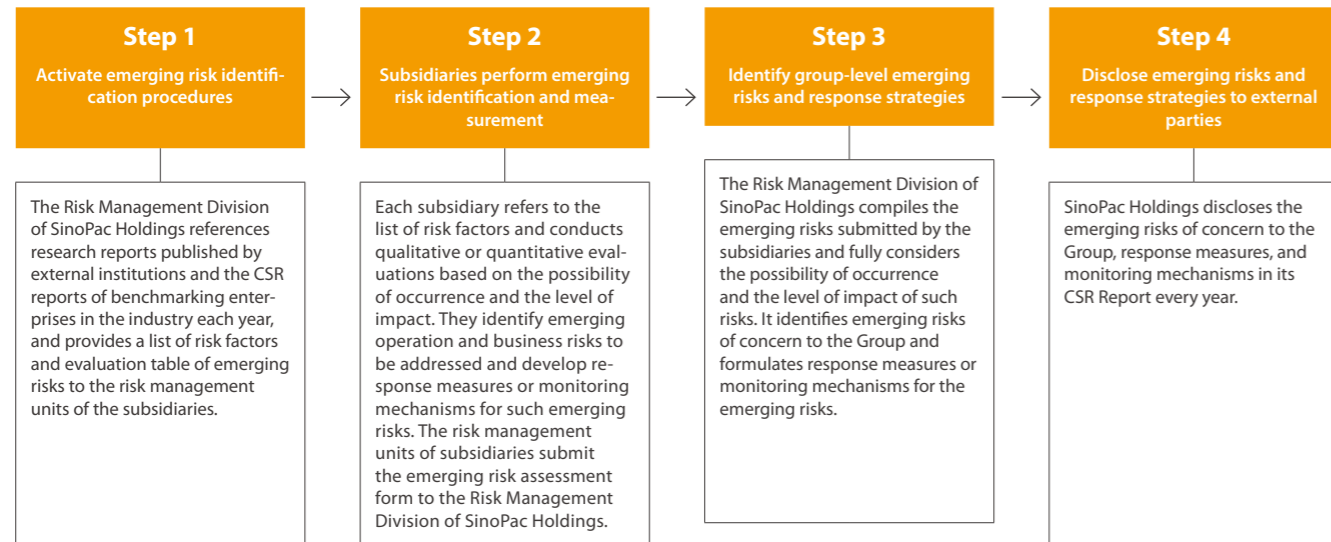
2.3.3 Emerging Risk Management

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. 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"> Unforeseeable high-risk events may cause business suspension and further require compensation for resulting damages and damage to 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. Security risks and infringement disputes involving the source code of software and applications, and potential risks to business operations caused by personal data management and leakage of classified data. 	<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. 	<ul style="list-style-type: none"> The Sustainable Development Committee of SinoPac Holdings will stay up-to-date on domestic and overseas trends in sustainable development issues and climate change, and formulate and periodically track the sustainable development blueprint, short-, mid- and long-term plans, and work plans each year. The identification and management of climate-related risks and opportunities has been included in short-term, mid-term, and long-term goals. TCFD has been included in short-term goals to identify the financial risks caused by climate change. Scenario analysis and financial quantification on physical/transition risks of climate change have been included for mid- and long-term goals. Climate risk is included in the scope of SinoPac Holdings' risk management policy. The Risk Management Division summarizes the climate risks and opportunities of each subsidiary, and identifies climate risks/opportunities and response measures of concern at the group-level. 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 NTS100 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	<p>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.</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 33%;">Credit risk</th> <th style="width: 33%;">Market risk</th> <th style="width: 33%;">Liquidity risk</th> </tr> </thead> <tbody> <tr> <td>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.</td> <td>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.</td> <td>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.</td> </tr> </tbody> </table>	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.
Credit risk	Market risk	Liquidity risk					
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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.

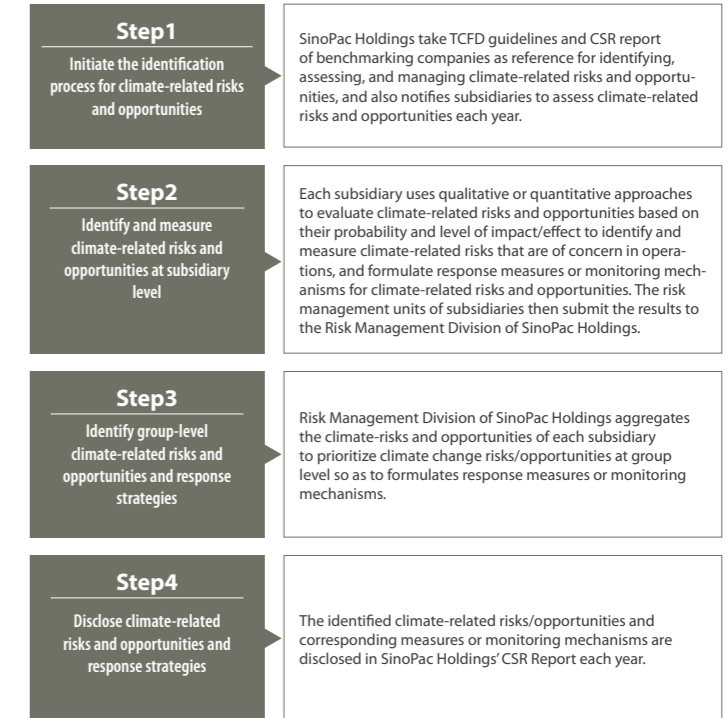
Governance Framework for Climate-Related Risks and Opportunities

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

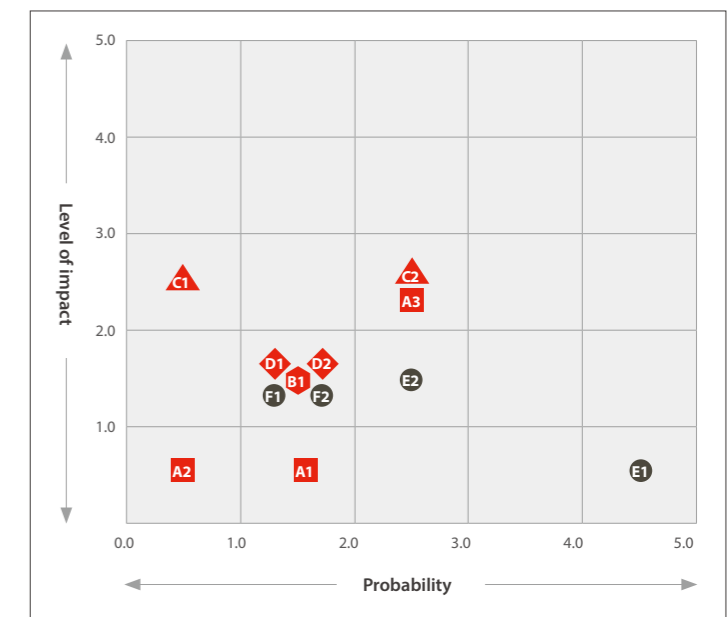


Results of Identifying Climate-Related Risks and Opportunities

Climate Change Risk Matrix

Risk options

Transition risks	<ul style="list-style-type: none"> ■ Policies and Regulations (A) ● Skills (B) ▲ Market (C) ◆ Reputation (D) 	<ul style="list-style-type: none"> ● Physical Risks (E and F)
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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.
C1	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.
A2	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.
A1	Growingly strict policies or regulations on GHG reduction or energy conservation may increase operating costs.
E2	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.
E1	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.

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"> 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. 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. 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"> 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. 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"> 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. 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
Transition Risks	Technology Risks	B-1 Failure to develop Fin-Tech 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"> Actively develop digital financial services, and continue to dedicate resources in the development of fintech technologies and products and strategies for smart FinTech innovation. SinoPac Holdings strives to provide the best customer services, and conducts 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.	Increase in loan loss	<ol style="list-style-type: none"> Promote sustainable finance products including the green bonds, green financing, green investments and green funds. 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 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"> 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. Establish the Responsible Investment Management Guidelines as the guidance for promoting and implementing responsible investment. 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
Transition Risks	Market Risks	D-1 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"> 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. Establish the Responsible Investment Management Guidelines as the guidance for promoting and implementing responsible investment. 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
		D-2 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"> 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. 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	<p>E-1</p> <p>Abnormal events resulting from extreme weather such as typhoon and strong rainfall cause damages to business premises or equipment, business suspension, or casualties.</p>	Increase in operating costs	<ol style="list-style-type: none"> 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. 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. 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. Purchase natural disaster insurance to mitigate losses caused by extreme weather. 	Short-term
		<p>E-2</p> <p>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.</p>	Increase in loan loss	<ol style="list-style-type: none"> 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. 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	<p>F-1</p> <p>Average temperature rise or sea level rise causes damage to business premises or equipment, or business suspension.</p>	Increase in operating costs	<ol style="list-style-type: none"> 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. 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. 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. Purchase natural disaster insurance to mitigate losses caused by extreme weather. 	Long-term
		<p>F-2</p> <p>Sea level rise causes the impairment of collateral value and the Company's right of creditor.</p>	Increase in loan loss	<ol style="list-style-type: none"> 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. 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



TCFD climate-related opportunities	Climate-related opportunities	Aspect	Opportunity development and management measures	Period
Resource Efficiency	<p>A-1</p> <p>Relocate data centers to more efficient buildings and improving energy efficiency by purchasing new eco-efficient equipment to reduce operating costs.</p>	Decrease in operating cost	<ol style="list-style-type: none"> Establish environmental/energy management system goals and measures, replace energy consuming lights, use water saving equipment, and carry out equipment optimization and active management. Implement ISO14001, ISO14064-1, ISO50001 and obtain BSI certification, set up relevant goals for 2025, and gradually achieve the sustainable development blueprint. 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	<p>B-1</p> <p>Expand sustainable finance products and services in coordination with government policy and regulations increases business opportunities.</p>	Increase in income	<ol style="list-style-type: none"> 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. 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. 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	● B-2 Optimize digital financial services to make it more convenient for users and help increase customer base and business opportunities.	Increase in income	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:	Short-term
			<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. 	
Markets	● C-1 Increase the amount of green bonds issued or invested to help enter new markets and seize new business opportunities in circular economy.	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	● D-1 Add climate-related products to investment portfolios to help capture market trends and increase the operating flexibility.	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

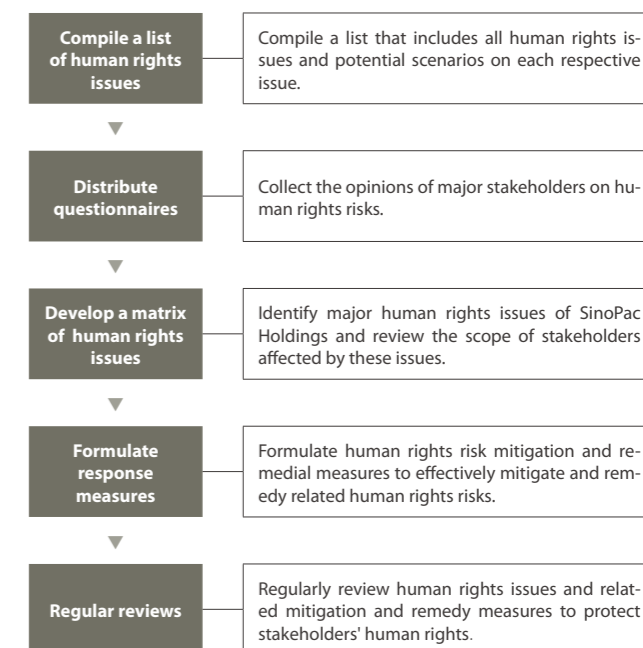
SinoPac Holdings recognizes and supports the principles set forth in UN Universal Declaration of Human Rights, UN Guiding Principles on Business & Human Rights, UN Global Compact, and International Labor Organization Convention, and established the Human Rights Policy in 2018, emphasizing workplace human 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 have 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." 	<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. 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.
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 provide employees with timely assistance. 	<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. Establish a dedicated sexual harassment grievance unit, grievance hotline, and dedicated e-mail to assist employees to be properly handled immediately.
Forced Labor	Customers (corporate banking)	<ul style="list-style-type: none"> Pursuant to the operating manual and Risk Information 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 Information 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 Information 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 Information 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	• 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	• 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	• 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.

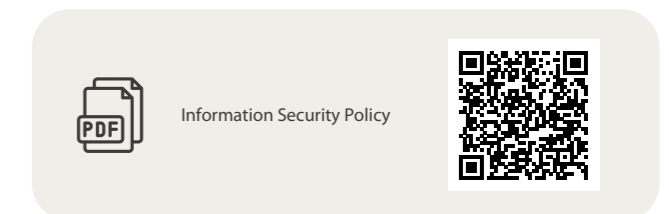
Director and Senior Executive Responsible for Supervising Information Security Strategies

	Name and title	Professional background in information security
Governance level	Board of Directors Yeh Chi-Hsing, Director	Former transaction security officer of eBay Taiwan, president of DragonSoft (information security), prosecutor at Taiwan Bancaio District Prosecutors Office (intellectual property rights and computer-related crime section)
Management level	Convener of the Information Security Committee 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 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 interest 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

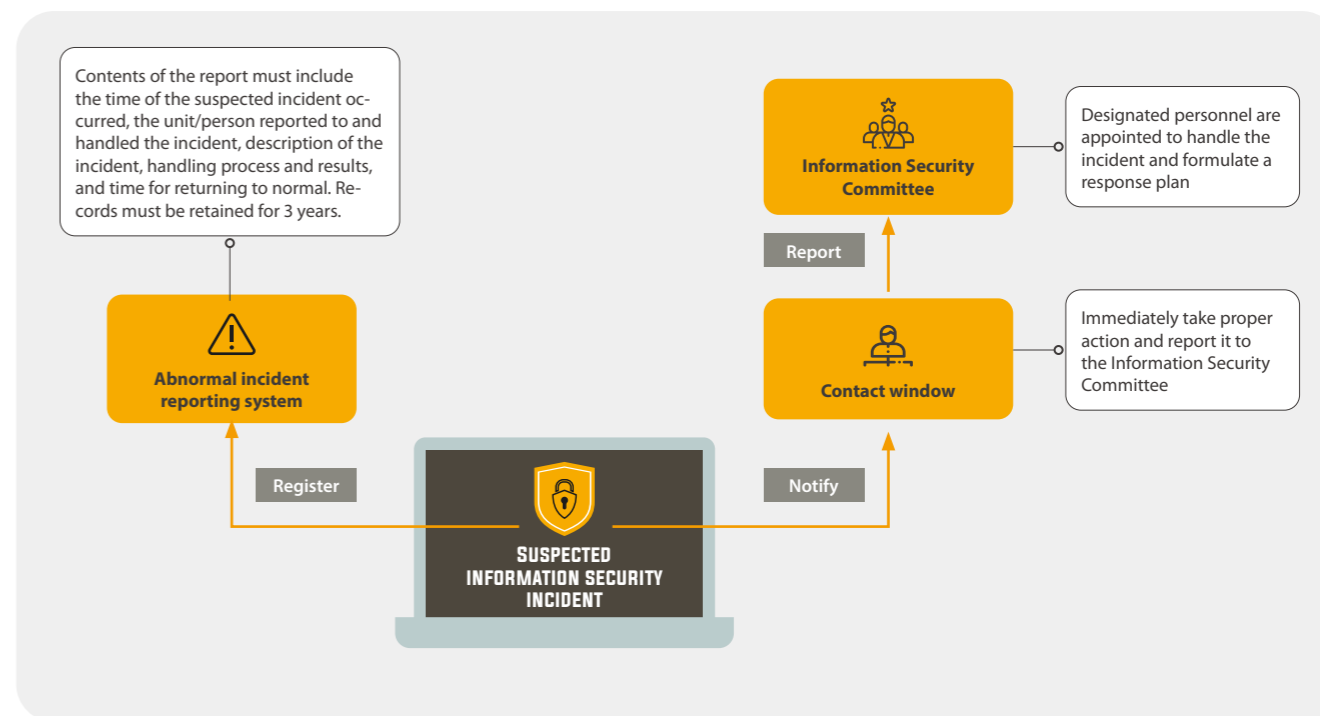
Item	Frequency
Information security risk monitoring and analysis	Monthly
Vulnerability scanning or blackbox testing	Semi-annually
E-mail social engineering drills	Annually
Third party information security evaluation	Annually

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.

Percentage of personal information used for secondary purpose(note) **62.65%**

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%.
	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.
Mitigate and Adapt to Climate Change	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). 	<p>Completed</p>	<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 develops leasing services related to energy-saving and carbon-reducing transportation industry (such as providing the service of installment sales of electric buses and electric cars for enterprises). SinoPac Venture Capital continues to invest in green industries, accounting for no less than 15% of total investment. 	<p>Completed</p>	<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". 	<p>Completed</p>	<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. 	<p>Completed</p>	<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 3.2.2 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 ibrAin". 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.

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.

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	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>Bank SinoPac</p> </div> <div style="text-align: center;">  <p>SinoPac Securities</p> </div> <div style="text-align: center;">  <p>SinoPac SITC</p> </div> </div>

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	1. In line with SinoPac Holdings' "Responsible Investment Management Guidelines", and the screening/selection policy	100%
Fixed income securities	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%

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 Veuture 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. 	As of the end of 2019, it has invested in 8 green bonds, with book value of about NT\$2 billion.
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>	The total investment amount was NT\$4.663 billion (accounting for 93% of the total non-trading purpose investment).
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. 	The total investment amount was NT\$390 million (accounting for 19.07% of the total investment balance).

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:
 1. 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).
 2. The code refers to the three-code classification system coded by the North American Industry Classification System (NAICS).

Policy and Management of Responsible Lending

Development of Responsible Lending

Bank SinoPac has incorporated the spirit of the "Equator Principle (EP)" into the regulations governing lending business since 2014, and has established a credit review system in project finance cases to strengthen the verification of ESG risk factors (i.e., criteria in the credit review process.) Since 2017, ESG risk factors have been assessed for all cases, and inquiries have been made to check whether customers are involved in money laundering, terrorist financing or sanctions, and whether they disclose their risks of negative impact on sustainable development. For specific high-risk industries and activities (e.g. the use of funds for political or electoral purposes, enterprises having overcapacity, high pollution, or high energy consumption, etc.), regulations have been stipulated to avoid engaging with them and set limitations to such industries. "Principles for Responsible Lending Management" has been promulgated in 2019, stipulating exclusion policy, avoid engaging in business with controversial industries (e.g. pornography, controversial weapons), and strengthening ESG risk analysis of sensitive industries for determining whether to engage with them. With the gradual improvement of the ESG risk control mechanism, Bank SinoPac signed the Equator Principles in February 2020 to further implement the management of ESG risks for large financing projects.

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 Countering 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 Countering Terrorism Financing

◆ Integration of ESG into Corporate Banking

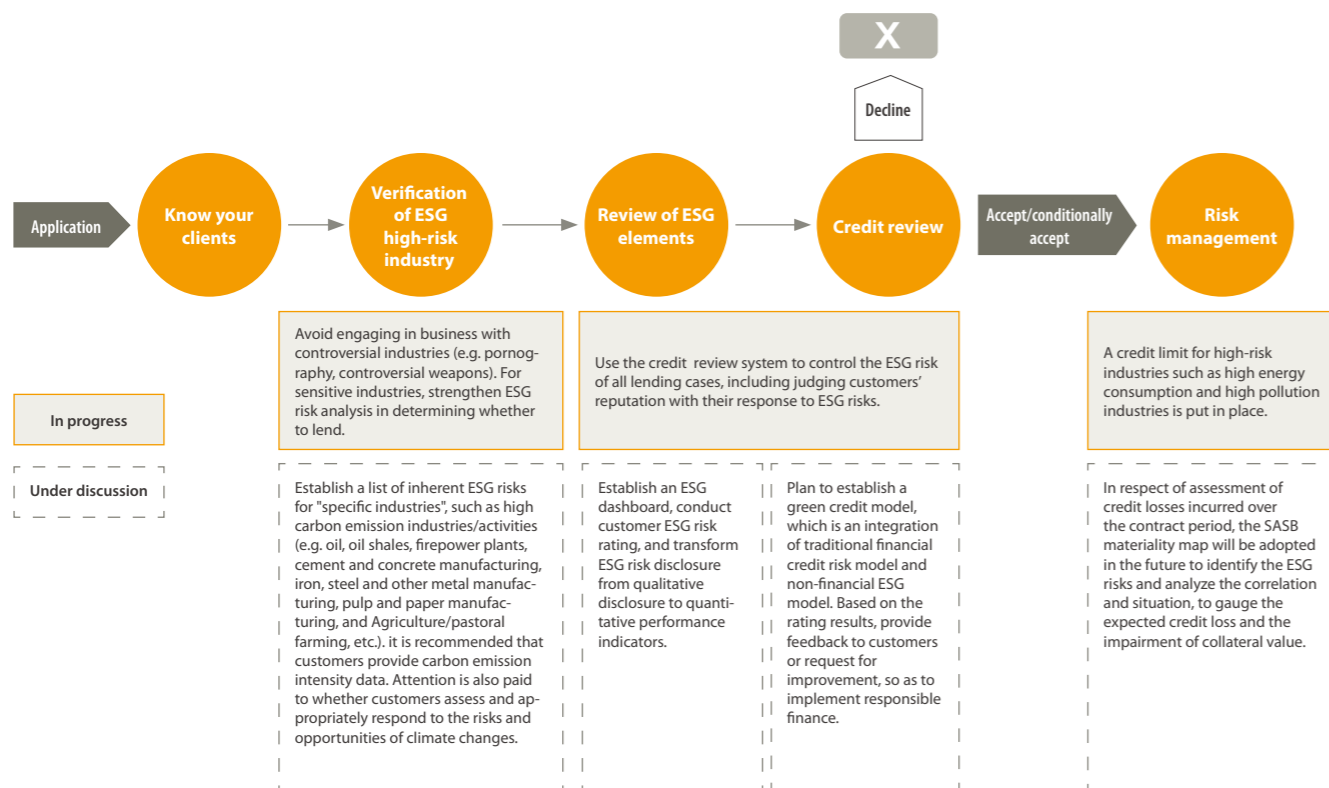
Bank SinoPac's Corporate Credit Risk Management Division is a dedicated unit responsible for coordinating the formulation of policies governing responsible lending and Equator Principles, and planning and implementing credit analysis of ESG risks. In addition, Bank SinoPac has been paying attention to 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 consultants to establish relevant regulatory mechanisms and inspect whether the EP framework meets EPFI 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.

Highlights of "Green Energy Policy" Engagement in 2019

In April 2019, Bank SinoPac and the Department Economic Development of Taoyuan City signed an Enterprise Rooting Financing Project to facilitate Taiwanese entrepreneurs to return to Taoyuan and make investment, hoping to work with Taoyuan City Government to provide financing facilities for key industries such as smart logistics, autonomous cars, medical tourism, and aerospace.

In April 2019, Bank SinoPac held a seminar on "Green Economy Development Trends and Business Opportunities", in which it worked with domestic car manufacturers to explore the energy-saving applications to build a sustainable homeland. Bank SinoPac focused on four domestic necessities areas, including energy, clothing, housing and transportation, injecting new impetus into the green economy.

In November 2019, Bank SinoPac and the Photovoltaic Generation System Association (PVGSA) jointly organized three seminars on the "Future Outlook of Solar Optoelectronics" in Taiwan, inviting the Energy Bureau of the Ministry of Economic Affairs, the Bureau of Standards, Metrology and Inspection, and the National Renewable Energy Certification Center for discussion on "Renewable Energy Certificate", "Green Finance", "Power-generation Equipment Insurance". The seminars shared first-hand renewable energy policies and certificate operation mechanisms with the industry, analysed future development of the energy industry, and provided comprehensive financial solutions.



Letter of Intent signed with external institutions



Briefing on Rooftop Power Plants at Industrial Zones

3.1.4 Sustainable Financial Products and Services

In addition to strengthening the overall risk control policy, each subsidiary of SinoPac Holdings has also built a complete and professional portfolio of ESG financial products and services based on their core business. In terms of environment, Bank SinoPac expects to contribute in solving environmental issues such as the energy crisis, global warming, and the greenhouse effect. By continuous communication and cooperation with respect to "industry, government, academia, and financial industry" and the introduction of financial professions, Bank SinoPac promotes the development of national renewable energy. Meanwhile, Bank SinoPac issued green bonds to enhance its green capital capabilities, and utilized its role as a professional bond underwriter to guide and assist companies in issuing green bonds, or to assist green enterprises in fund raising, and launched green enterprise insurance to provide related services for companies investing in green industries.

With respect to the society, Bank SinoPac launched the first ever "SinoPac SPORT Card" in Taiwan in the fourth quarter of 2018. The credit card integrated brand-new concepts by integrating big data, social media, cloud computing, and wearable devices. It used sports as the key to integrate the powers of the community and encourage cardholders to exercise. By binding wearable devices on the event webpage and continuing to exercise, SinoPac SPORT Card cardholders are able to leverage on the Internet of Things (IoT) technologies and allow the system to automatically upload calorie information each day to accumulate bonus points. Cardholders can thus exercise to achieve a good life and accumulate wealth while pursuing for a healthy lifestyle. In 2019, total spending amount by "SinoPac Sport Card" reached NT\$835 million (the accounts receivable at the end of the year was NT\$104 million). The number of Fun Sport APP members reached about 60,000, accumulating a total walking distance of about 13.6 million kilometers (equivalent to 17 billion steps), burning about 510 million calories.

Green Financing - Corporate Banking (as of the end of 2019)

Products/categories	ESG loan/financing outstanding amount (in NT\$100 million)	Total loan/financing outstanding amount (in NT\$100 million) (Note)	Percentage of ESG loan/financing outstanding to total loan/financing outstanding
Loans for solar power generation equipment	244.45		
Loans for equipment financing for solar power plants during the construction period	2.48		4.67%
Total	246.93	5,284.3	
Electric vehicle financing	0.28		
ESCO energy storage equipment financing	0.046		0.006%
Eco-textile financing	47		0.89%

Note: The amount includes Bank SinoPac's total corporate loan outstanding (including overdue receivables) of NT\$525.86 billion and SinoPac Leasing's total financing outstanding of NT\$2.57 billion.

ESG Products- Retail Banking (as of the end of 2019)

Products/categories	Outstanding amount of ESG loans/receivables (in NT\$100 million)	Total outstanding amount of loans/receivables (in NT\$100 million) (Note)	Percentage of ESG loans/receivables to total loans/receivables
Loans for household solar energy equipment	2.94	5,315	0.06%
SinoPac SPORT Card receivables	1.04		0.02%

Note: Bank SinoPac's overall retail banking balance (including overdue receivables and credit card receivables) in 2019



Green Energy Financing

Each subsidiary of SinoPac Holdings utilizes its core business to establish a complete and professional portfolio of financial services for the green industry chain to facilitate the development of a green financial ecosystem. SinoPac Holdings focuses on "Energy Generation (Solar Power Plant), Energy Storage, Energy Saving" to create a green energy living environment as well as to satisfy the needs of both individuals and corporate customers. In the future, SinoPac Holdings will primarily utilize "solar photovoltaic power generation equipment financing" to continuously develop green ecosystems in different fields, and grasp business opportunities. SinoPac Holdings has successively integrated subsidiaries to device green financial products covering financing, investment, underwriting, and asset management to support the development of green industries and seek opportunities to cooperate with manufacturers for the development of new types of energy generation, energy storage, and energy saving. SinoPac Leasing is expected to have a customer base of 500 power plants in 2025, while Bank SinoPac will continue to expand its lending business for renewable energy to help the government in achieving the target of generating 20% of electricity using renewable energy by 2025.

Financing for Corporate Solar Power Plants (Bank SinoPac and SinoPac Leasing)

Based on the construction schedule of solar power plants, Bank SinoPac and SinoPac Leasing provided loans to customers at all stages of the project. The two also cooperated with local governments including New Taipei City, Taoyuan City and Tainan City to provide solar-power financing projects, providing a comprehensive financial service for the power plants from the construction period to the operation period, so as to maximize the profits of manufacturers and SinoPac Holdings. Since 2012, Bank SinoPac has been formulating plans in accordance with government policies. It has been 8 years since the launch of "Solar Power Equipment Financing Project" in 2013, and changes were made in line with the adjustment of government policies and changes in industrial demands. During the early stage, financing facilities were provided for construction of rooftop power plants, while ground power plants and water-based power plants were added subsequently. SinoPac Leasing has involved in the short-term financing (bridge loans) for the solar power plants during the construction period since the second half of 2018. After the construction of the power plant was completed and the power plant was connected in parallel, medium- and long-term financing facilities were then provided by banks. In 2019, the amount of loans appropriated reached NT\$620 million and the outstanding amount at the end of the year was NT\$248 million.

As of the end of 2019, Bank SinoPac assisted a total of 3,440 domestic power plants with a total installed capacity of 993.7MW, which is equivalent to the annual power consumption of 310,000 households (4 persons per household). The total capacity of photovoltaic devices has grown by 62% annually, with a market share of approximately 25%. As of the end of 2019, the total loan outstanding amount for solar power generation equipment of domestic and overseas enterprises was approximately NT\$24.445 billion. Such an achievement has made Bank SinoPac a successive winner for the "Top Solar System Award" awarded by the Energy Bureau of the Ministry of Economic Affairs from 2016 to 2019, the only bank in Taiwan that has ever won this award for four consecutive years. The total loan outstanding amount of infrastructure finance by Bank SinoPac and SinoPac Leasing as at the end of 2019 was NT\$35.284 billion, of which solar power financing accounted for 69.98%.

Achievements in Solar Photovoltaic Financing in Key Counties/Cities in 2019

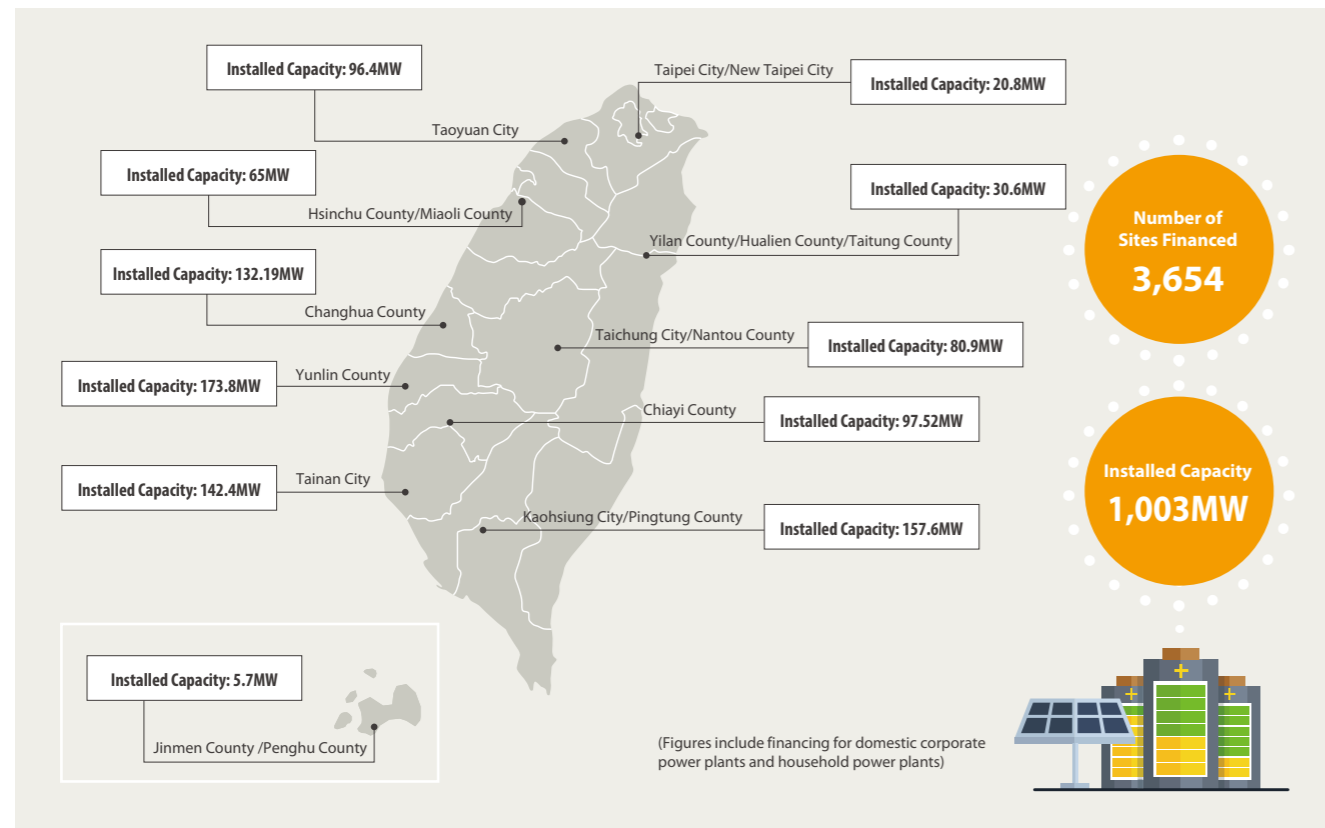
County/City	New Taipei City	Taoyuan City	Tainan City	Total
Total installed capacity	15.8MW	96.4MW	142.4MW	254.6MW
Electricity generated by green energy per annum	About 15.07 million kWh	About 97.36 million kWh	About 183.98 million kWh	About 296.41 million kWh
Households served per annum	About 4,044 households	About 26,123 households	About 49,363 households	About 79,530 households

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

As of the end of 2019



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)

in NT\$100 million

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

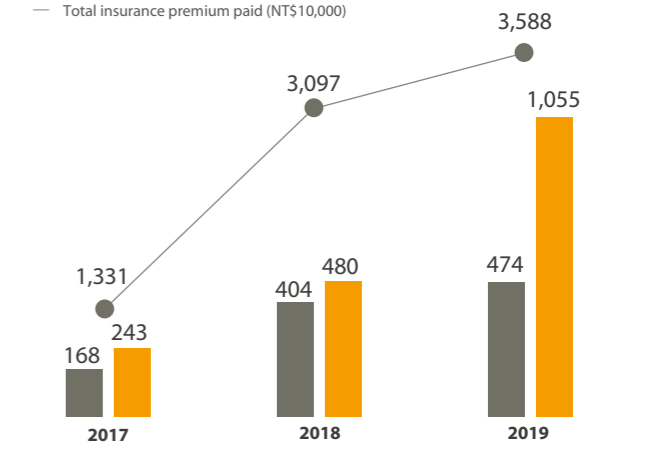
In addition to the development of various green financing products, following the initial issuance of green bonds in 2017, Bank SinoPac issued green bonds amounting to NT\$3 billion in 2019, accounting for 100% of the size of senior bonds and 23% of the total bonds issued in the year. The funds raised 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 of Green Bonds and Per-listing Consultation

When acting as an underwriter/financial consultant to conduct case assessment, Bank SinoPac will investigate the background of the issuer. Besides acquiring information on the company in its website, the Bloomberg ESG rating is also taken into account, to gain an understanding on the ESG rating of the issuer in every aspect. Bank SinoPac incorporated the relevant requirements for the issuance of green bonds into its financial market business manual in December 2019, and added ESG evaluation items as criteria on the underwriting evaluation report. In 2019, Bank SinoPac acted as the financial advisor/underwriter for ASE Technology Holding Co., Ltd to issue unsecured green bonds, assisting ASE to submit bond-issuance application and sell bonds to investors. The funds raised were mainly used for greenhouse gas reduction and water resources protection.

Bank SinoPac Business Insurance for Green Enterprise

■ Number of Customers
■ Number of Policies (number of solar power plant cases)
— Total insurance premium paid (NT\$10,000)



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.

ESG-based Advisory Services

SinoPac Securities has included ESG elements to review and provide portfolio recommendations to investors since December 2019. Subjects in high-risk industries will not be included in the recommendation list in accordance with exclusion policy stipulated in the Directions for Responsible Investment of SinoPac Holdings. SinoPac Securities Investment Services also cooperated with National Taipei University to launch Taiwan's first equity research reports that incorporated Environment, Society, Governance, and Disclosure as factors in the analysis of equity securities (ESG-based equity research reports hereinafter). The ESG-based equity research reports are available to investors at the online trading platform of SinoPac Securities, providing investors with opportunities to invest in equities with good ESG performance and enjoying a fruitful return in the long run.

Securities Underwriting Business			
Products/services categories	Total ESG-based underwriting amount in 2019 (A)	Total underwriting amount in 2019 (B)	% (A/B)
Lead/co-underwriting of green bonds (Bank SinoPac)	Acting as the underwriter of green international bonds issued by ASE Holdings, with an underwriting amount of US\$150 million (approximately NT\$4.654 billion).		
Lead/co-underwriting of green bonds (SinoPac Securities)	<ul style="list-style-type: none"> Bank SinoPac issued green bonds of NT\$3 billion (of which NT\$500 was co-underwritten by SinoPac Securities) Orested Green Bond of NT\$12 billion (of which NT\$400 million was co-underwritten by SinoPac Securities) Central American Bank for Economic Integration 5-year green bond of US\$375 million (co-underwriting US\$25 million, approximately NT\$763 million) 	NT\$73.229 billion.	26.16%
Lead underwriting/consulting of stock listing on TWSE/TPEX and capital raising (SinoPac Securities)	Amount of underwriting/consulting of stock listing on TWSE/TPEX and capital raising that incorporated ESG factors in the evaluation criteria was NT\$12.69 billion.		
Lead/co-underwriting/consulting of stock listing on TWSE and capital raising (SinoPac Securities)	<ul style="list-style-type: none"> As lead underwriter: NT\$150 million (Chang's Ascending Enterprise Company Ltd), As co-underwriter: NT\$540,000 (STL Technology Co., Ltd). 		

ESG-based Advisory Services for Retail Banking			
	ESG-based advisory service (ESG-based equity research reports)	Overall advisory service	Percentage
Total revenue (64.82% of advisory clients engaged with information about ESG related risks and opportunities in wealth management segment)	106 million	106 million	100%

Note: Percentage of advisory client engaged with information about ESG related risks and opportunities in wealth management segment is calculated as dividing the number of clients placing orders through the online trading platform of SinoPac Securities by the number of clients who have placed orders through all trading channels of SinoPac Securities in recent three years.





ESG Fund Distribution

By selecting overseas/domestic green/ESG concept funds under "Friendly Earth" category, Bank SinoPac and SinoPac Securities provide customers more choices to help customers incorporate sustainability concept into investment portfolio.

ESG Funds AUM (as of the end of 2019)

Products/services categories	AUM of ESG Fund (NT\$ Million)	Total AUM of Funds (NT\$ Million)	Percentage of ESG Fund AUM vs. Total Fund AUM
Domestic and overseas green and ESG funds (Bank SinoPac)	322.62	94,990.09	0.34%
Domestic and overseas green and ESG funds (SinoPac Securities)	20.06	16,711.76	0.12%
Total	342.68	111,701.85	0.31%

The Distribution Amount of ESG Funds 2016-2019 NT\$million

The distribution amount of domestic and foreign green and ESG-related funds	Total
2016 	40.44
2017 	52.49
2018 	85.31
2019 	41.40

 Bank SinoPac  SinoPac Securities

3.2 Inclusive Finance

3.2.1 Promotion Policy for Inclusive Finance

Besides being regarded as a key force to guide the industry, the financial industry is also expected to implement financial inclusion and provide opportunities for disadvantaged groups. In addition to actively responding to the FSC's inclusive financial policy, SinoPac Holdings also responds to the UN's sustainable development goals (SDGs) by formulating two major action plans, namely "Improve accessibility of financial services" and "Support the development of small and medium enterprises (SMEs)". The Company not only provides more convenient and tailor-made financial services for SMEs and financially disadvantaged groups, but also holds activities and lectures to improve their financial literacy, and helps them to make informed financial decisions in the future. It also enables individuals and corporate clients with different backgrounds to obtain suitable financial services on the basis of openness, equality and diversity, and thus realizes the vision of financial inclusion.

For the first time, SinoPac Holdings included the Sustainability Accounting Standard Board (SASB) indicators for commercial banks in its CSR report, in which it responds to the relevant inclusive financial indicators required by SASB for the banking industry in order to integrate with the inclusive financial policies initiated and promoted by international organizations, and strive to achieve "financial inclusion" as defined by the World Bank-that is, to meet the needs of all individuals and businesses, and ultimately achieve the growth of inclusive finance.

Improve Financial Literacy and Popularize Financial Knowledge

In respond to the financial education promotion goals contained in Financial Supervisory Commission's indicators for measurement of financial inclusion, Bank SinoPac actively holds different activities for students, agricultural merchants, people with disabilities and their families, and anyone who wants to enhance financial management knowledge, to promote their financial literacy. During the activities, financial products, wealth management, digital finance, and property trust tailored to their needs are provided in an easily understandable way, in the hope to advocate relevant financial knowledge or provide financial advice. In 2019, SinoPac Holdings held 9 financial literacy related activities for students, traditional market employees, and the general public, reaching nearly 3,000 people.

In the lectures held in campuses to popularize financial knowledge, Bank SinoPac combined the knowledge of financial products and the daily spending to elaborate students' understanding toward wealth management as well as the use of digital financial technology and enhance their financial literacy. At the briefing sessions held in the wholesale markets and traditional markets, in addition to sharing the concept and method of asset allocation with the agricultural merchants to enhance their financial knowledge, Bank SinoPac also explained to them the operation of the cashless platform and urged them to commit to cashless payment to save their operating costs. Apart from the above themes, Bank SinoPac also cooperated with different organizations such as EasyCard Corporation, the Financial Supervisory Commission (FSC), and Taiwan Financial Services Roundtable, to organize activities to communicate digital finance with the general public.

Groups served	Purpose of serving the financial disadvantaged	Participants	Number of participants	Total number of participants
Student	1. In the lectures held in campuses, Bank SinoPac combined the knowledge of financial products and the daily spending to elaborate students' understanding toward wealth management as well as the use of digital financial technology and enhance their financial literacy.	Students at National Chung Hsing University/ National Cheng Kung University	590	
	2. Digital financial applications: including face recognition, robot receptionist, VR online services, online financial advisor, and so on.			
Wholesale and traditional market	1. Explain to the merchants the operation of the online cashless platform, and utilize the multi-function underwriting card to provide the merchants with trade financing facilities, fee withholding and automated deposit services, and in doing so improves transaction efficiency and safety, and reduces operating manpower.	Merchants of traditional wholesale markets	782	2,965
	2. Hold financial wealth management and insurance seminars, share with merchants the concepts and methods of asset allocation, enhance their financial knowledge, and diversify investment risks.			
General public	1. Co-organized the "EasyCard Luck Collection Event" with EasyCard company, experiencing the convenience of digital accounts.	General public	1,593	
	2. Participated in "Taipei Fintech Exhibition" and communicated digital finance applications with the general public with day-to-day, easy-to-understand themes.			
	3. Hosted seminars on concept of property trust to the family members of elderly and people with disabilities.			

Accessible Financial Services

In order to enable the disadvantaged groups to have access to financial services, Bank SinoPac complied with financially friendly measures and set up ramps or (disabled) parking spaces in compliance with building codes and regulations on building use permits. All of its ATM machines (751 in total) across Taiwan are equipped with accessible facilities. Bank SinoPac's MMA eBanking launched the accessible website (accessibility.SinoPac.com) in 2013 and obtained the "Web Accessibility Service Conformance Level 2.0A" from the National Communications Commission. All of the Bank's service items are integrated on the public information website homepage to facilitate more intuitive and convenient use and create a friendlier financial service environment for customers. Bank SinoPac's mobile banking also provides the "audio identification" service which allows customers to communicate their needs verbally and provides customers with friendlier and superior mobile financial services. SinoPac Securities also provides a telephone order-placing system, and the friendly service zone on the webpage of SinoPac Securities has also obtained the "Web Accessibility Service Conformance Level 2.0A".

Percentage of Accessible Financial Services of SinoPac Holdings

Item	2018	2019
Percentage of accessible ATM (accessible ATM/all ATMs)	100% (766 units)	100% (751 units)
Percentage of company's official website upgraded to accessible web pages (accessible web pages/all web pages)	16.7%	18%
Percentage of securities and futures merchants providing off-premise account opening services	100%	100%

3.2.2 Inclusive Financial Products and Services

SinoPac Holdings supports inclusive finance and strives to improve the accessibility, usability and quality of financial services. In addition to the above-mentioned accessible facilities and financial services, and the education to enhance financial literacy for the financially disadvantaged, SinoPac Holdings also upholds the spirit of inclusive finance to provide low-income households, small businesses, and other disadvantaged groups with high-quality financial services. This not only highlights the long-term value created by SinoPac Holdings, but also strengthens its social capital.

Inclusive Financial Products (as of the end of 2019)

Unit: NT\$100 million

	Item	Outstanding amount of ESG loans/receivables(A)	Total outstanding amount of loans/receivables(B)	Percentage of ESG products (A/B)
Corporate banking	Smart Wholesale Market Transaction Facilitation Platform (receivables from merchant card and distribution card for corporates)	24.92	5,284.7 (Note 1)	0.59%
	Support for agriculture			
	Small business-agricultural loan	6.13		
	Total	31.05		
	Support for the society			
	Small business loan	1,063.88		
Retail banking	Community development loan	1.37	5,315 (Note 2)	22.68%
	Cultural and creative industry loan	133.53		
	Total	1,198.78		
	Foreign worker lending program	0.54		
Retail banking	Smart Wholesale Market Transaction Facilitation Platform (receivables from merchant card and distribution card for natural persons)	41.36	5,315 (Note 2)	0.78%
	Youth Entrepreneurship Fund and Loan	0.21		

Note 1: Including Bank SinoPac's total corporate loan outstanding (including overdue receivables) of NT\$525.86 billion and SinoPac Leasing's total financing outstanding of NT\$2.57 billion as of the end of 2019.

Note 2: Bank SinoPac's overall retail banking balance (including overdue receivables and credit cards receivables) as of the end of 2019.

Bank SinoPac launched the "Smart Wholesale Market Transaction Facilitation Platform", benefiting merchants in the traditional markets; through the electronic payment tool "FUN Biz", Bank SinoPac assisted the small value youth entrepreneurs to enter e-commerce; launched a number of low-threshold preferential deposit projects and "Feng Yun Mortgage" for customers of smaller scale to improve the accessibility of financial services; and launched Trust for Elderly Care to cater for the elderly. Meanwhile, it also supported the small and medium enterprises that have contributed to economic growth in Taiwan, and provided loans to support and encourage youth entrepreneurship and cultural development. SinoPac Holdings hopes to fulfill a better life with financial products that cater for public interests. Bank SinoPac uses the business volume of "Smart Wholesale Market Transaction Facilitation Platform", Trust for Elderly Care, and loans to foreign workers as three quantitative indicators to measure the commercial benefits of financially inclusive products and services. By the end of 2019, it had served 2,244 merchants with annual amount of trade financing of NT\$6.63 billion, and the cumulative amount of trade financing amounted to NT\$17.968 billion. The cumulative business volume of Trust for Elderly Care amounted to NT\$15.895 million, benefiting 17 people. The number of loans granted for Foreign Worker Lending Program was 7,049 cases and NT\$461 million in amount.

Smart Wholesale Market Transaction Facilitation Platform

Bank SinoPac adheres to the concept of "Taking from and giving back to society", and hopes to utilize its financial competence to change the agricultural and fishery market. In 2016, Bank SinoPac became the first bank in Taiwan to launch the "Smart Wholesale Market Transaction Facilitation Platform". With the use of merchant cards, distribution card, and overdraft line of credit, the platform connects the cash flows of merchants' accounts to the electronic settlement system of the wholesale markets, where reconciliation and merchants' transaction limits are managed. It also saves costs when paying at the counter, e.g. manpower required for cash collection, account reconciliation, and custody of cash. Through the application of Smart Wholesale Market Transaction Facilitation Platform, the financial operation process of traditional market vendors can be simplified, which can improve the efficiency and transform the operation model of the wholesale markets, making Bank SinoPac more than a financial service provider, but also the best partner for agri-commerce transactions. In addition to the merchants in the wholesale market, Bank SinoPac also extended such product to downstream mid-market wholesalers and restaurant owners, etc., and launched the Distribution Cards to cater for their B2B procurement process for purchases from purveyors. Moreover, services of cost-free trade financing and deferred payment were also provided for them. The business of the Smart Wholesale Market Transaction Facilitation Platform has grown rapidly by 15% in 2017 and 29% in 2018. Its market share in the fruit and vegetable, fishery, meat and flower wholesale markets has reached 14%, 10%, 13%, and 45%, respectively.

In addition to fulfilling inclusive finance, such service not only provides exclusive financial services for older wholesale market merchants with less contacts with banks, but also promotes digital finance and significantly reduces transactions by cash. The list of contribution goes on to include overall security improvements, and facilitation of the development of smart cities and other social benefits. In 2019, Bank SinoPac's Smart Wholesale Market Transaction Facilitation Platform won the 3rd PwC CSR Impact Award - Gold and The Assets' Social Responsibility Highly Commended Initiative. Bank SinoPac has constructed four categories of cooperation models for wholesale markets, e.g. fruit and vegetable wholesale, fishery wholesale, meat wholesale, and flower wholesale, and has imported multi-code scanning mobile payment into retail markets, assisting downstream market's payment transformation. Bank SinoPac will launch "Farmer Card" in the future, providing food and farming ecosystem's upstream financing services, and is planning to construct "Smart Wholesale Market Transaction Facilitation Platform 2.0" to promote cloud transactions for agricultural products.

Loans to Small-sized Business and the Agriculture Industry

Bank SinoPac supports financing needs required by customers for their business operations, for which it has designed a free and fair open platform for Taiwanese SMEs. In this way, inclusive finance was realized through practical actions. Bank SinoPac actively uses the guarantees of the "SME Credit Guarantee Fund of Taiwan" and cooperates with the government's economic revitalization policies to provide financial products and services required by SMEs. In 2019, the SME Guarantee Fund Submission Volumes of Bank SinoPac reached NT\$28.7 billion, with a loan outstanding of NT\$181.5 billion and a growth rate of 9.8% over 2018. In addition, in 2019, Bank SinoPac provided a total of 3,094 loans to small businesses that met the definition of SMEs defined by the Ministry of Economic Affairs and qualify for being a small business as stipulated in the FSC's "Project for Strengthening Domestic Bank Lending to SMEs", with a loan outstanding of NT\$107 billion. Among the 3,094 loans, 51 were overdue or non-accrual loans, with a total amount of NT\$530.18 million. Loans to those qualified for being a New Agriculture as defined in the government's "Five Plus Two Industry Innovation Plan" totaled NT\$612 million, 3 of which were overdue or non-accrual loans of NT\$17.61 million.

Community Development Loan

In terms of community development, Bank SinoPac develops financial services related to the "Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings" in line with the government policies. In 2019, the balance of loans for reconstruction of old buildings reached NT\$137 million. It is hoped that the community development loans will be used to develop an industrial ecosystem by connecting land and buildings, and provide comprehensive financial services.

Cultural & Creative Industries Lending Program

Bank SinoPac encourages young people to start their businesses and provides strong support for creative industries to respond to the government's promotion of the "Finance Support Innovation" project and the "Scheme for Incentivizing Domestic Banks to provide loan for creative industries" promoted by the Financial Supervisory Commission. Bank SinoPac helps creative industries obtain the necessary funding to promote creative industry upgrades, improve the structure of the industries, and facilitate corporate sustainable development. A total of 347 applicants were accepted as of the end of 2019 and the loan outstanding amount was NT\$13.4 billion.

Foreign Worker Lending Program

In Taiwan, basic financial services such as deposit accounts, ATM cards, digital banks and payment instruments can be easily obtained, regardless of each individual's identity, social and economic status, and financial conditions. However, some ethnic groups, possibly due to their lack of credit records, face difficulties in borrowing from banks. Therefore, Bank SinoPac launched the "Foreign Worker Lending Program" in 2013 and used the payroll transfer accounts of foreign nationals in Bank SinoPac to provide loans and help them overcome difficulties in obtaining loans from banks. Bank SinoPac expanded the eligible customer group of foreign worker loans at the end of 2018 to allow applications from individuals who are not the Bank's payroll transfer customers. As of the end of 2019, Bank SinoPac provided a total of 8,027 payroll transfer accounts for foreign workers, with 2,996 new accounts in 2019 and 1,956 closed accounts. As of the end of 2019, there were 1,305 loan accounts with a loan outstanding of approximately NT\$54 million, and the loans for this program reached 7,049 applicants, with a total funding of NT\$461 million.

Loans for Startups and Young Entrepreneurs

In order to assist young entrepreneurs and promote economic development together, Bank SinoPac launched the "Loans for Startups and Young Entrepreneurs", aiming to provide funding for a startup company or a person in charge or a contributor of the business entity as defined in the "Directions of Loans for Startups and Young Entrepreneurs" issued by the SME Administration of the Ministry of Economic Affairs. Loans for Startups and Young Entrepreneurs provides applicants with low interest repayment measures to reduce their financial burden. To facilitate their use of funds, a loan renewal system was established to flexibly cater for the applicant's financial flow planning. From 2013 to 2019, successful applicants of the program was 91, with an amount of NT\$12.7 billion. Bank SinoPac assists youth to fulfill their entrepreneurial dreams with its core financial business.

Trust for Elderly Care

In response to demands for financial services from the aging population in Taiwan and the property trust policies for the elderly and the disabled implemented by the Financial Supervisory Commission, Bank SinoPac launched Trust for Elderly Care in 2016 to protect customers' properties, ensure the security and independence of the funds, and facilitate care for the beneficiaries. In addition to cooperating with social welfare organizations to hold trust seminars, sharing the means and benefits of property trusts with the elderly, the disabled and their families, and popularizing their financial knowledge, Bank SinoPac has also provided friendly and caring services for the elderly and the disabled, e.g. providing consultation and business processing at their home according to their needs, so to improve the accessibility of financial services. In addition, the Bank also designs a safe wealth management mechanism for its mutual fund customers who have needs for elderly care. By agreeing that the redemption of funds will be directly allocated to their trust for elderly care account, customers are allowed to make investment while catering for asset preservation, retirement elderly care, and ensuring that the use of funds conforms to their will. As of the end of 2019, the cumulative business volume of Trust for Elderly Care reached NT\$159 million, benefiting 17 elders.

FUN Biz

Bank SinoPac's electronic payment product "FUN Biz" aimed at small entrepreneurs to satisfy their diversified business models and collection scenarios. The FUN Biz App is a verified barrier-free App, offering a friendly financial environment for customers to collect receivables conveniently, either online or in person. By integrating different technologies, the App provides real time cash flow monitoring and continues to optimize user experience. In 2019, the annual transaction amount of FUN Biz increased by 66% compared with 2018, and the number of transactions increased by 55%. In addition to providing digital payment services that are convenient for businesses and individuals, Bank SinoPac also uses FUN Biz to fulfill its corporate social and civic obligations, and adopts financial technology to assist charitable individuals to donate money. It also provides safe and convenient fundraising channels for the vulnerable populations. In December 2019, Bank SinoPac used the Fun Biz to carry out the "Rural Children Support Program" project executed by people with intellectual disorder, successfully raising 20,200 meal boxes, with 1,847 transactions amounted to NT\$2,210,852.

Feng Yun Mortgage Digital Platform

Bank SinoPac launched the Feng Yun Mortgage digital platform in June 2017 to provide financing for home owners in various stages of their lives and make their homes a flexible asset. Feng Yun Mortgage opened up unprecedented possibilities in the finance industry in Taiwan, providing innovative services based on customers' individual criteria, e.g. Flexible Mortgage Payment, House Fun Card, Online Refinance, and Online Instant Appraisal. Users only need to directly enter the relevant information, to get the estimated loan amount, greatly increasing the accessibility of financial services. As of the end of 2019, there were about 79,890 mortgage customers, with a total loan outstanding of about NT\$482.692 billion, a total of 178,384 page views on the platform, and a total of 12,939 online applications of which 83.83% were new customers acquired in 2019.

Micro-Products

In response to the spirit of inclusive finance, Bank SinoPac also strives to lower the threshold of financial services and design micro-products and services to provide basic financial services for the youth, petty bourgeoisies and financial disadvantaged groups.

Micro products	Primary Scope of Service	2019 Promotion Results
Micro lending	According to the individual credit status and repayment ability, a comprehensive review and evaluation (free of collateral and free of guarantors) will be conducted before providing with a sum of funds to help individuals achieve various career plans.	The number of new approved loans for the year of 2019 was 13,650 cases, with an appropriation amount of NT\$9.341 billion and a loan outstanding of approximately NT\$20.269 billion.
Micro deposits	Bank SinoPac provides foreign currency time deposit service of 100 dollars denominated in 13 currencies. The customers' scheduled capital is temporarily stayed in the account. Along as the tenure of deposit exceeds 7 days, the customer can specify the expiration date and determine whether to receive the interest on a monthly basis or in a lump sum payment, which can be transferred to the demand deposit account of the same currency.	A total of 119,657 cases of US dollar and RMB micro deposits were deposited in 2019, with a total amount equivalent to NT\$3.119 billion.
Micro funds	Bank SinoPac launches a 100-dollar fund that can be purchased with a minimum amount of 100 dollars, and set up a product-specific description page on the website in order to reduce the investment threshold to help the petty bourgeoisie community to facilitate wealth management. It includes fixed-term investment (amount not fixed) in multiple currencies including NTD, USD and RMB, which can be purchased with the minimum subscription amounts of NT\$100, US\$100 and RMB100, respectively.	The total number of customers of the micro fund in 2019 was 19,726 with a total investment amount of NT\$4.705 billion.
Micro insurance	In response to the aging society, Bank SinoPac co-works with external partner and provides "Fubon Life Jinlaibao Small Lifelong Life Insurance".	As of the end of 2019, the total number of insurance policies sold through SinoPac Holdings reached 120 cases, or NT\$2,435,805, and Service Fees reached NT\$689,116.

Preferential Deposit

Bank SinoPac launched three events of "Race Against Time-USD Time Deposit" to coincide seasonal themes of Valentine's Day, Mother's Day and Mid-Autumn Festival in 2019, with annual interest rates of 9.99%, 5.20% and 3.99%, respectively, to achieve wealth management and the savings needs of and petty bourgeois customers, and thus increasing the accessibility of financial services. The total number of customers for the three waves of events in 2019 was 8,484, with a total deposit amount of US\$34.51 million.

In addition, Bank SinoPac launched the "Small Merchant NT\$ Tier Rate Demand Deposit" program in March 2019, which provides cash flow services as well as preferential deposits projects (when the end-day balance qualifies), for small business from whom payment were collected online. With the low threshold of NT\$100, it allows more people to enjoy efficient, convenient and diversified financial services. As of the end of 2019, the number of applicants of the "Small Merchant NT\$ Tier Rate Current Deposit" was 296, with a total monthly average balance of NT\$411 million.



3.3 Smart Finance

3.2.3 Optimization of Digital Service

Bank SinoPac Digital Services

Bank SinoPac's volume of transaction conducted by digital means accounts for over 70% of the total transaction, significantly contributing to customer satisfaction, operational efficiency improvement and cost reduction. Bank SinoPac has successively launched digital services such as online credit card application, online banking upgrade, cardless cash withdrawal service, electronic payment platform, etc., using technology to provide personalized services and enhance customer experience. Bank SinoPac improves customer experience and increases interactions and warmth between people with technologies. The mobile financial services allow O2O (online to offline) services to progress into "Online to All" and provide financial services anywhere and anytime. Bank SinoPac provides services to customers with its heart by providing them with a digital branch in their hands. Bank SinoPac has introduced regular external professional information security inspections for the online platform to implement information security risk management. Among which the innovative electronic payment platform "SinoPac Paybill" has covered payment items of up to 3,000 for community management committees, professional trade unions and parking operators, which greatly improves the convenience of people's lives and obtain unanimous praise from customers. In 2019, the annual transaction volume of "SinoPac Paybill" increased by 71% compared with 2018, and was awarded the "Best Innovation for Mobile Payment" from the Financial Information Service Co., Ltd.

FSC's Indicators for Inclusive Finance

Indicator	2018	2019
Number of digital deposit accounts (Note)	Yet to be launched	224,519
Number of mobile transactions	4,338,767	7,082,640
Electronic payment ratio% (Number of electronic payments/Number of total payments for the year)	54%	60%

Note: For relevant product descriptions please refer to 3.3.2 Integrated Digital Account "DAWHO"

3.3.1 Smart Financial Innovations

SinoPac Holdings deeply believes that finance creates a better world. It not only works hard to innovate financial products to bring convenience in wealth management and create wealth but also hopes to use financial products to help disadvantaged groups. SinoPac Holdings has been accompanying customers all the way to grow. In response to the changes of the times, it has been developing digital finance to make the virtual and real channels a perfect combination, while making banking simple. In order to accelerate the pace of transformation, in addition to continuing to maintain communication and implementation with the information and R&D team, SinoPac Holdings also utilized industry and academic resources to cultivate excellent talents, actively invests in industry and academic research projects on "new technology, new structure, new business model", and ally with partners such as Fintech Space, Fin and Tech, National Chengchi University Industry and Academia Alliance, in order to grasp the dynamics of innovative business and solidify the Bank's innovative energy.

In the development of financial innovation, SinoPac Holdings adheres to the two development strategies. "context management" and "AI". Context Management mainly echoes the competent authority's policy of open banks. Through the unified Open API standard and the existing Partner API mechanism, it creates a variety of contexts and is committed to meeting the needs of different industries for cooperation within different industries, and in doing so expands the use of SinoPac's services scope, and provide customers with better services. In addition, SinoPac Holdings also continued to introduce AI technologies to strengthen financial services. Since 2017, Bank SinoPac has established an AI technology center and invested NT\$120 million for a three-year industry-academia cooperation with National Cheng Kung University and NVIDIA, an artificial intelligence leader. The cooperation fostered new technology talents, develops AI financial technology applications, and uses data operations as the basis to grasp customer needs, behaviors, and preferences, so as to further develop customized financial experiences, reduce thresholds of financial services, and construct diversified financial services, making people's lives simple because of financial technology and moving towards inclusive and customized finance.

3.3.2 Smart Financial Innovation Services

"Accelerate digital transformation" is not only one of the five operating themes of SinoPac Holdings in 2019, but also the key to the Group's transformation in response to the rapidly changing financial market. In 2019, SinoPac Holdings has achieved fruitful results in digital transformation and smart financial innovation services. For instance, Bank SinoPac launched a full-round digital account "DAWHO", which has ranked fourth in the market in just nearly seven months after its launch; other products such as intelligent wealth management "ibrAin" and "DAWHO TOU" launched by SinoPac Securities have successfully attracted young generation. In 2019, SinoPac Securities also launched AI Advisor, Python API and other industry-leading innovative smart financial products to provide customers with quantified multi-faceted information; combined with the big data technology trading platform, SinoPac Securities accelerated the acquisition of securities market information and facilitated ease of placing orders. The convenience and the launch of VIP Lightning and QTrade, SinoPac Securities' exclusive electronic platforms, improved the quotation speed and order-placing performance, so that customers could enjoy more convenient digital services. In the future, SinoPac Holdings will continue to provide smart financial products to support the operating objective of "One stop digital service".

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.

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.

- 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.

3.4.2 Customer Satisfaction and Customer Feedback Mechanisms

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.

Customer Satisfaction Survey Results

Subsidiary	2019 Survey	Survey results	Respondents/Sampling Method
Bank SinoPac	Customer satisfaction survey	Customer satisfaction rate reached 95%.	Through proactive telephone interviews with and e-mailing EDM questionnaire to over-the-counter customers and cloud account-opening customers in 2019, Bank SinoPac was able to gain an understanding on the customer satisfaction and ask for their suggestions. The sampling ratio was 25%, and a total of 9,542 valid questionnaires were collected.
	Customer opinion survey	A total of 2,411 compliments and suggestions by customers were collected.	
	Telephone Customer Service Satisfaction Survey	Customer satisfaction reached 95.4%.	
SinoPac Securities	Telephone Customer Service Satisfaction Survey	Customer satisfaction reached 99.6%.	SinoPac Securities directs customers that called into customer services into an audio system for a satisfaction survey after the conclusion of services by a specialist. In 2019, the sampling ratio in 2019 was 2.08%, and a total of 967 valid questionnaires were collected.
	Annual Customer Satisfaction Survey	The overall satisfaction rate was 88%, and the recommendation for account opening was 82%.	
	Customer Opinion Survey	A total of 55 compliments and suggestions by customers were collected.	

Customer Service and Feedback Mechanism

Service Channel	Content
Customer Service Hotline	<ul style="list-style-type: none"> Customer service hotline: 24-hour year-round customer service hotlines are established to provide customers with audio and dedicated personnel services. Customer service specialists provide comprehensive services for inquiries, applications, fund transfer, time deposit, foreign exchange, securities and funds, etc. Online customer services: The MMA eBanking and SinoTrade provides various inquiries and transaction functions as well as online telephone to connect to customer service personnel for services.
Smart Customer Service	<ul style="list-style-type: none"> Bank SinoPac adopts natural language processing technologies to provide customers with various financial services and product consultation for instantaneous one-click interactive services. The Bank can use identity verification to provide customers with multiple account functions and connect to online customer services for uninterrupted services.
Online Financial Advisor	<ul style="list-style-type: none"> Bank SinoPac broke through the boundaries of physical branches and improved the traditional telemarketing service model by setting up exclusive online wealth management specialists for customers. The specialists use telephones, emails, and SMS to provide comprehensive banking, investment, wealth management, and consulting services to actively satisfy customer needs.
Satisfaction Survey	<ul style="list-style-type: none"> Telephone customer service satisfaction survey: Bank SinoPac directs customers that called into customer services into an audio system after the services to provide an objective and real-time satisfaction survey. Since 2019, SinoPac Securities' Customer Service Center also used the same model to conduct post-service satisfaction surveys. Bank customer satisfaction survey: Bank SinoPac set up a customer satisfaction survey team to carry out the survey tasks. In 2019, it conducted "Over-the-Counter Customer Satisfaction Survey" and a "Cloud Account-Opening Service Satisfaction Survey" to collect customer opinions on different service so as to enhance services closer to customer expectations. Wealth management satisfaction survey: Each quarter, Bank SinoPac implements telephone surveys on customers who have purchased wealth management products in the previous quarter to understand the customers' investment attributes, satisfaction and recommendations on the investments, product suitability and service quality of the sales person in order to protect the rights of customers. SinoPac Securities' Annual Customer Satisfaction Survey: Since 2019, SinoPac Securities has used online questionnaires to survey customers' satisfaction and opinions on different aspects to serve as a reference for service improvement.
Customer Grievance	<ul style="list-style-type: none"> A customer grievance handling team was set up to ensure that customer grievance are adequately addressed.
Virtual Channel	<ul style="list-style-type: none"> Internet bank, mobile bank, line official account
Physical Channel	<ul style="list-style-type: none"> The branch network of SinoPac Holdings' subsidiaries
Seminar	<ul style="list-style-type: none"> Wealth management seminars, lectures or related activities are organized based on business needs to interact with customers and collect their opinions.
Website link	<ul style="list-style-type: none"> "Client Data Protection Measures", "One-Touch Customer Service" customer chat service section and 24-hour service hotlines have been established on the websites of SinoPac Holdings and its subsidiaries. Contracts for cross-sale of products are also available on the websites of Bank SinoPac and SinoPac Securities for stakeholders to review their rights and make inquiries. Client Data Protection Measures: http://www.sinopac.com/footer/201811021615022680000000000000181.html One-Touch Customer Service: https://chat.service.sinopac.com/index.php/chat/categorySelection?site=holdings Contracts for Cross-Sale of Products: (Bank SinoPac) https://bank.sinopac.com/SinoPacBT/about/introduction/announcement/legal-disclaimers.html#list1 (SinoPac Securities) https://securities.sinopac.com/footer/list15d1c4072970000085d381a2b549a2dc.html

3.4.3 Responses and Improvements for Customer Grievance

To allow customers to respond their situation immediately and obtain a good solution, SinoPac Holdings and its subsidiaries all set up proper systems and response channels to help customers obtain proper solutions immediately. Bank SinoPac has set up a customer dispute processing team to ensure that customer grievances can be properly handled. In 2019, 87% of the grievance cases processed were deemed acceptable by customers. Nonetheless, due to the launch of the digital account "DAWHO" and marketing of new credit card activities in 2019, there was a significant increase in service disputes related to credit card and e-finance business compared to 2018. SinoPac Securities also values response to customer grievances, and upholds the spirit of customer supremacy to continuously conducts professional training for staff and advocate information to customers through different channels. In 2019, SinoPac Securities had a total of 47 customer grievance cases, the same as in 2018, and reporting and processing were completed within the time frame.

Number of Customer Grievances in 2017-2019

	2017	2018	2019
Bank SinoPac (Note 1)	234	179	377
SinoPac Securities (Note 2)	38	47	47

Note 1: Bank SinoPac's customer grievance cases soared by 198 in 2019 over 2018, mainly due to:

- The relocation of the Bank's data center had caused a suspension of ATM services for 48 hours from July 12, 2019, resulting in increased disputes over automation services.
- Floods of phone calls made by customers inquiring about credit card marketing activities kept them waiting for a long time, resulting in increased disputes in the credit card business.
- The launch of the digital account DAWHO disqualified some customers, resulting in increased disputes in e-finance business.

Note 2: The number of customer grievance cases of SinoPac Securities in 2019 was the same as that in 2018, and most of the cases were misunderstandings in the operation of electronic platforms.

Customer Dispute Resolution System

To fully deliver and handle customer opinions and protect their rights and interests, SinoPac Holdings has established a comprehensive customer grievance resolution process, so that the service can be continuously improved and responded to customer demands.

Bank SinoPac Customer Grievance Resolution Mechanism

Bank SinoPac has set up a 24-7 customer service hotline (02)2505-9999, a customer dispute resolution hotline (02)6632-6189, and an e-mail (cchs@sinopac.com) on its website. Customers may file their report via telephone, e-mail, or leaving a message, or they may come to the branch to express their opinions. All disputes arising from the products or services provided by Bank SinoPac are within the scope of customer grievances, except for negotiation cases regarding non-performing loans, non-accrual loans, or default on settlement obligation. Each business unit of Bank SinoPac has a dedicated response window. The unit responsible for processing must initially respond to the customer within 5 business days from the date of grievance-filing, and complete the necessary processing and reply to the customer within 30 days.

Bank SinoPac also set up a customer dispute resolution team in the President Office, responsible for tracking and handling customer dispute cases and the follow-up of processing by related units. In cases where there is no consensus between the two parties, the customer response will be tracked, the analysis and statistics on the number of days of case processing and customer acceptance run will be followed up, and related audit works will be conducted, so as to ensure that customers' concerns about bank services

are properly taken care. The customer grievance resolution team regularly collects and counts customer grievance cases, analyzes the causes of the occurrence, and proposes the handling results, which will be sent to the supervisor and general manager of related business units to facilitate their improvement and reduce the probability of similar occurrence in the future, thereby improving customer satisfaction. Bank SinoPac also submits an overview of customer dispute resolution and review reports to the Board of Directors at least once every six months.

In order to fundamentally reduce the probability of occurrence of customer grievances, Bank SinoPac also provides training on customer dispute resolution for all employees, and shares cases and resolution skills through executive meetings and the courses on principle of fair treatment of customers at E-academy platform, in order to effectively improve service quality.

SinoPac Securities Customer Grievance Mechanism

SinoPac Securities has a dedicated customer grievance receiving unit. After receiving a customer dispute case, the personnel of the receiving unit should uphold the customer service spirit, listen patiently and record the customers information and disputes in detail in the "Customer Disputes Resolution System" in accordance with internal procedures. The Digital Finance Department, which is responsible for tracking and managing customer disputes, will notify the responsible unit and relevant units of the case information within 2 working days after receipt of information and kept the case in file. After receiving the customer dispute, the head of the responsible unit should assign personnel to investigate the cause of the grievance and propose resolutions, and respond to the customer concerned within 5 working days from the receipt of grievance. Depending on the scale of the case, proper resolution must be made by the responsible unit alone at discretion, or the responsible unit may work with other relevant units to negotiate with customers within 30 days. In the process of resolving customer disputes, the responsible unit may request relevant units to provide information as needed; when the case is related to internal and external regulations, the responsible unit should consult the unit that had established the regulations or the compliance unit, and pay attention to operational risk identification and reporting.

After the resolution of customer disputes is completed, the responsible unit must also log the resolution process and results onto the "Customer Dispute Resolution System", stating the causes of the disputes, and may provide suggestions on improvement for relevant units. The Digital Finance Department should immediately report cases that damage the interests of customers or companies to the president and relevant executives, and provide relevant reports or cases according to the needs of the management unit as a reference for process planning or product planning, so as to reduce the occurrence of similar cases in the future.

To strengthen the reporting and immediate resolution of the customer grievance mechanism, and to effectively communicate with customer to improve customer satisfaction, SinoPac Securities held a "Customer Grievance and Complaint Resolution" course in 2019, which helped supervisors and staffs of business units understand the customer grievance resolution mechanism, strengthened the ability to respond to customers, and enhanced the concept of risk control.



Bank SinoPac Customer Dispute Resolution Regulations





SinoPac Securities Customer Dispute Resolution Regulations



Fulfillment of Healthy Workplace

Sustainability Commitment	Corresponding SDG	Action Plan(s)	2025 Goal(s)
Reduce Inequality	SDG 5 Gender Equality	Promote gender equality - employees	<ul style="list-style-type: none"> Take at least two measures to promote diversification and inclusion every year.
Mitigate and Adapt to Climate Change	SDG 13 Climate Action	Raise climate awareness - employees	<ul style="list-style-type: none"> All employees sign the Code of Environmental Protection and Energy Conservation in Office. Organize at least two training courses every year to raise employees' climate awareness with a participation rate to 30%. Publish at least two articles every year to raise employees' climate awareness.
Promote Inclusive Growth	SDG 3 Good Health and Well-being SDG 8 Decent Work and Economic Growth	Pay attention to employees' rights and interests while improving employees' physical and mental health	<ul style="list-style-type: none"> Reach 100% coverage of ISO 45001. Continuously strengthen the mitigative and remedial measures for human rights risks. Hold at least two activities every year to improve employee care and well-being with an employee participation rate exceeding 20%; review employee satisfaction on such activities and take improvement measures. Review the effectiveness of benefit that are better than the legal requirements, and evaluate measures to be strengthened or expanded.

Six Capitals

Input	Strategy	Output
Financial Capital <ul style="list-style-type: none"> Invested NT\$51.15 million in talent training and competency development programs. Employee salaries and benefits totaled NT\$13.4 billion. Invested NT\$8.27 million in youth internship programs. 	Establish a human rights management mechanism Identify material issues on human rights risks, optimize human rights management framework, and formulate mitigation and remedial measures for human rights risks. Promote a healthy and safe workplace Plan to adopt ISO 45001 to provide comprehensive health check-up for employees and promote work-life balance. Strengthen communication with employees Conduct "Organization Condition Survey", hold labor negotiations, seminars and other activities to facilitate communications between the employees and the company. Review and adjust employee compensation and welfare Conduct employee salary surveys and reviews; make promotion and salary adjustments for employees and managers while implementing a welfare system. Hold education and training on ESG themes Organize online courses and arrange online reading sessions for all employees to improve their basic ESG knowledge.	Intellectual Capital <ul style="list-style-type: none"> The number of financial certificates held by employees increased by 95. Human Capital <ul style="list-style-type: none"> Elite Management Trainee Program (MA/MVP/IMA) recruitment rate reached 67.86%. The total number of employees increased by 372, representing an increase of 4.58%. The results of organizational climate in the 2019 employee opinion survey was 71.4%, representing an increase of 13.33% compared to 2016. In 2019, the number of participant in the excellent talent internship program was 282, and a total of 170 students participated in the on-site practical training. The number of participants in the internal seminars was 7,110, and the average satisfaction of the courses was 4.51 points (on a scale of 1 to 5 points).



4.1 Employee Policy and Talent Structure

4.1.1 Employee Policy and Performance

Upholding the business philosophy of "people-oriented", SinoPac Holdings cherishes the contribution and value of each employee and is committed to establishing a perfect talent management system and a friendly workplace, so as to realize the goal of becoming a happy enterprise. In order to create a healthy workplace culture and atmosphere, the Employee Welfare task force is established under the Sustainability Committee, responsible for planning all employee-related policies and measures. In 2019, SinoPac Holdings focused on three major action plans: promote gender equality, raise climate awareness and pay attention to employees' rights and interests while improving employees' physical and mental health in order to align with its three sustainable commitments to reduce inequality, mitigate and adapt to climate change and promote inclusive growth. SinoPac Holdings encourages inclusive measures that promotes diversity and optimizes the workplace. In 2019, SinoPac Holdings further implemented human rights management mechanisms, in which human rights risks were identified and countermeasures were proposed. SinoPac Holdings attaches great importance to climate change issues by encouraging employees to pay attention to climate change trends. In the future, the Company will continue to hold seminars and forums on climate change to deepen employees' climate awareness. In addition, in order to create a healthy and happy workplace, as well as a positive workplace culture, SinoPac Holdings has been holding the "Employee of the Year Award" campaign since 2018 to encourage employees to heartfully spread positive attitude in the workplace, in the hope of providing employees with the strength to grow and allow them to embrace the "Fulfillment of Healthy Workplace" in SinoPac Holdings as a big family.

Summary of the Results in the 2019 Sustainable Development Plan

Strategy	2019 Objectives	Implementation Status in 2019	2019 Achievements	2020 Objectives
Establish a human rights management mechanism	<ul style="list-style-type: none"> Disclose the human rights policy. Identify material issues on potential major human rights risks. Identify the depth and breadth of risk impacts, and prioritize issues on human rights risks. Design due diligence forms. 	Completed	<ul style="list-style-type: none"> Disclosed the human rights policy in Chinese and English on the official website. Conducted a questionnaire survey on the identification and assessment of human rights risks. Published the identification results of material issues on human rights risks. Reviewed the mitigation and remedial measures of material human rights risks of SinoPac Holdings. 	<ul style="list-style-type: none"> Optimize human rights management framework, human rights policy, human rights risk investigation and due diligence. Strengthen mitigation strategies for human rights risks.
Promote a healthy and safe workplace	<ul style="list-style-type: none"> Organize employee health checkups Implement advocacy or education and training on occupational safety and health promotion. Promote work-life balance and encourage employees to make leave arrangements in advance. 	Completed	<ul style="list-style-type: none"> Included a number of key health checkup to provide a better health checkup plan for all employees. Organized 23 educational and training sessions on occupational safety and health. Bank SinoPac regularly provided employees with "Consolidated Leave Notice" and quarterly advance leave planning. SinoPac Securities was awarded "Taiwan iSports Certification" by the Ministry of Education. Bank SinoPac passed the "Workplace Health Activation Certification" issued by the Ministry of Health and Welfare (Zhonglun/Chengzhong/Nanjing Building). 	<ul style="list-style-type: none"> Adopt ISO 45001 with at least 10% coverage rate. Organize activities on workplace health to promote work-life balance of employees.
Strengthen communication with employees	<ul style="list-style-type: none"> Conduct "Organizational Climate Survey". Organize leisure events that promote organizations' attractiveness. Issue internal publications. Organize labor-management consultations or seminars. 	Completed	<ul style="list-style-type: none"> Bank SinoPac and its subsidiaries conducted the "Organizational Climate Survey". Held the second "Employee of the Year Award" campaign. Held a total of 38 "Special Seminars" and "Celebrity Seminars". Issued the internal publication SinoPac Newsletter, 6 of which were issued in 2019. SinoPac Holdings and the labor union of the subsidiaries signed a collective bargaining agreement. Bank SinoPac and SinoPac Securities held a total of 8 labor seminars with the labor unions. 	<ul style="list-style-type: none"> Conduct employee opinion survey. Organize employee care activities to create a happy workplace.
Review and adjust employee compensation and welfare	<ul style="list-style-type: none"> Adjust employee salary and make promotion. Participate in salary surveys or salary reviews. Plan or review the welfare system. 	Completed	<ul style="list-style-type: none"> Made salary adjustment and promotion for employees and managers. Bank SinoPac and SinoPac Securities participated in the salary survey conducted by external consultants. Identified the difference between the welfare system and the industry standard. 	<ul style="list-style-type: none"> Participate in salary surveys or salary reviews. Formulate welfare measures that are better than the requirements of the laws.
Hold education and training on ESG themes	<ul style="list-style-type: none"> Organize online courses and arrange online reading session for all employees to improve their basic ESG knowledge. 	Completed	<ul style="list-style-type: none"> Prepared 2019 online course materials and all employees have been informed to read it on the e-Academy to enhance their basic ESG knowledge. 	<ul style="list-style-type: none"> Open online courses and arrange all employees to read it online to improve their basic ESG knowledge.

4.1.2 Employee Structure

SinoPac Holdings had a total of 8,492 employees in 2019, of which 96.1% were full-time employees and 3.9% were dispatched employees. Dispatched employees were provided with not only equal work environments as full-time employees, but also opportunities for full-time jobs based on the needs of the business units. In terms of the employee structure, female accounted for 61.9% while male accounted for 38.1%, and non-managerial female employees accounted for 65.2% and grassroots female managers accounted for 54%. In 2019, SinoPac Holdings won the "Gender Equality Award" from Best Performance of Specific Categories in the Taiwan Corporate Sustainability Awards, and actively assisted Department of Labor, Taipei City Government in developing the "Gender Equality Index" to actively build a gender-friendly workplace.

Employees Information

Contract Type/ Area	Female		Male		Total		
	Number of employees	Percentage	Number of employees	Percentage	Number of employees	Percentage	
Full-time employees	Taiwan	4,856	57.2%	3,033	35.7%	7,889	92.9%
	Overseas	159	1.9%	113	1.3%	272	3.2%
	subtotal	5,015	59.1%	3,146	37.0%	8,161	96.1%
Dispatched employees	Taiwan	240	2.8%	91	1.1%	331	3.9%
	Overseas	0	0.0%	0	0.0%	0	0.0%
	subtotal	240	2.8%	91	1.1%	331	3.9%
Total		5,255	61.9%	3,237	38.1%	8,492	100.0%

Employee Structure

Age	Gender	Non-managerial level (Note 1)		Managerial level						Total	
		Number of employees	Percentage	Junior Supervisor (Note 2)		Intermediate executive (Note 3)		Senior executive (Note 4)		Number of employees	Percentage
				People	Percentage	People	Percentage	People	Percentage		
< 30	Female	899	65.2%							899	65.2%
	Male	479	34.8%							479	34.8%
	Subtotal	1,378	100%							1,378	100%
30-50	Female	3,173	65.6%	310	59.8%	125	47.2%	7	38.9%	3,615	64.1%
	Male	1,667	34.4%	208	40.2%	140	52.8%	11	61.1%	2,026	35.9%
	Subtotal	4,840	100%	518	100%	265	100%	18	100%	5,641	100%
> 50	Female	502	63.2%	111	42.4%	107	32.5%	21	23.9%	741	50.3%
	Male	292	36.8%	151	57.6%	222	67.5%	67	76.1%	732	49.7%
	Subtotal	794	100%	262	100%	329	100%	88	100%	1,473	100%
Total	Female	4,574	65.2%	421	54.0%	232	39.1%	28	26.4%	5,255	61.9%
	Male	2,438	34.8%	359	46.0%	362	60.9%	78	73.6%	3,237	38.1%
	Subtotal	7,012	100%	780	100%	594	100%	106	100%	8,492	100%

Note 1: Non-managerial level: refer to employees whose job grades are 6 or below

Note 2: Junior supervisor: the lowest level of supervisory in the managerial roles (job grade 7).

Note 3: Intermediate executive: managers or managers in specific departments responsible for the implementation of policies and plans for senior executive; two grades below the senior executive (job grade 8 and 9).

Note 4: Senior executive: executives: within two grades below the CEO (job grade 10 and above).

Statistical Table of Female Employee

Female roles hierarchy	Percentage
All female employees at SinoPac Holdings	62%
Female at managerial level	46%
Female junior supervisor	54%
Female senior executive	26%
Female business manager (Note 1)	46%

Note 1: business manager: SinoPac Holdings job grade 7 and above, excluding business support departments such as information technology, human resources and legal departments

4.2 Talent Cultivation and Retention

In response to the rapid changes in the financial market, SinoPac Holdings has actively recruited new talents in recent years, planning short, medium and long-term career development according to the professional and traits of each employee, encouraging them to explore different potentials and grow independently. SinoPac Holdings conducts regular employee performance evaluations, the results of which are utilized as the basis for their future development. In order to drive the company's positive spirit, SinoPac Holdings has organized "Employee of the Year Award" campaign since 2018. Through praising and encouragement, SinoPac Holdings enhances the working atmosphere and shapes a good corporate culture.

4.2.1 Talent Recruitment

SinoPac Holdings actively cultivates young students, providing them with winter and summer internship programs to enable students who are interested in the financial field to link their studies to industrial practice during their study period while cultivating SinoPac's future talents. In addition to providing students with internship opportunities, SinoPac Holdings promotes the "SinoPac Elite Management Trainee Program (MA/IMA/MVP)," providing a full range of training for new elite recruits in the financial industry, so that they can have a deeper understanding on financial services, integrate immediately with the market, and build the foundation for career planning after the training and rotation. Aside from recruiting domestic talents, SinoPac Holdings also actively cultivates overseas talents by means of industry-academia cooperation with local universities. It launched the Overseas Talent Recruitment Plan in 2019 and expected to recruit 48 overseas talents for the first time and in such a large scale in order to recruit elite talents who seek opportunities overseas and prepare for tapping into the overseas markets.

Program Name	Content
Excellent Talents Internship Employment Program	SinoPac Holdings has organized the Excellent Talents Internship Employment Program since 2010 and arranged lectures, instructing mentors and company visits for students. SinoPac Holdings encourages them to learn from the program to rapidly shorten the industry-academia gap, enhance their ability and employment preparedness. SinoPac Holdings collaborated with several universities in North, Central and South Taiwan to provide internship programs during summer and winter vacation. In addition to providing trainings in financial area, SinoPac Holdings provided comprehensive training on various popular themes in 2019, such as artificial intelligence (AI), wealth management and fintech. Meanwhile, SinoPac Holdings invited the chairman, president, and division heads at SinoPac Holdings as well as its subsidiaries to give lectures on the modularized training courses, arranged instructing mentors, adjusted courses to fit industrial practice so that students can gain an understanding of industrial practice and make use of basic financial knowledge. SinoPac Holdings also shared industry's expectations on current financial talents, encouraged students to obtain financial licenses during internships to increase their competitiveness after graduation. SinoPac Holdings applied technology in courses and designed the "SinoPac Learning APP", of which the check-in function allowed students to sign in/out or take a leave. Students can download lecture handouts and share learning experiences while discussing with the lecturer through the JANDI discussion platform in the APP. In 2019, the invested amount in the program was NT\$8.27 million; the number of students participated in this internship courses reached 282, and another 170 students began their internship in SinoPac to gain experiences in the financial industry and lay a solid foundation for their future.
Elite Management Trainee Program (MA/IMA/MVP)	SinoPac Holdings relaunched the MA program in 2014, followed by the IMA program and the MVP program. By consolidating the three programs into "SinoPac Elite Management Trainee Program (MA/IMA/MVP)", SinoPac Holdings is committed to recruiting elite talents, identifying potential financial talents while cultivating the next generation of professionals in finance, corporate banking, or planning, and thus dedicating to Taiwan markets and tap into foreign markets. SinoPac's Elite Management Trainee Program is mainly based on four main concepts, namely professional development, experiential learning, consolidation of organizational adhesiveness, and comprehensive rotation training. Through a variety of intensive training, activities and division rotation, SinoPac enables new elite talents to grow rapidly and accumulate practical experience during the training period in order to work towards the goal of cultivating new management professionals. An abroad training course was added to IMA in order to ensure a deep and wide variety of development of professional abilities. In addition, SinoPac arranged Senior and Mentors to emphasize interaction and communication with the elite trainees in order to accelerate their growth.
Overseas Industry-Academia Cooperation Program	Bank SinoPac signed a memorandum of understanding (MOU) with Vietnam National University and Nanjing University in 2019. The MOUs cover cooperation subjects such as winter and summer internships, scholarships, professional seminars and bank visits, so that students can gain an understanding on the daily operations of commercial banks through internships and narrow down the industry-academia gap. Besides adding universities in the industry-academia cooperation project, SinoPac Holdings will coincide the establishment of overseas branches with the advancement of the industry-academia cooperation project to other countries in the future, so as to cultivate local financial talents and enhance service professionalism.
Overseas Elite Recruitment Program	In order to align with its overseas development strategies, SinoPac Holdings planned to recruit 48 overseas talents at the end of 2019, including 20 IMA (International Management Associate) for the corporate banking business, 20 talents with more than 3 years of experience in international corporate banking, 5 overseas operations supervisors, and 3 financial market traders, simultaneously recruiting fresh talents and experienced talents. In 2020, SinoPac Holdings will mainly spread its operations to countries as advised in the New Southbound Policy promoted by the government of Taiwan. The Overseas Elite Recruitment Program emphasizes overseas on-site training. Successful applicants are required to receive three months of domestic training and evaluation to be qualified to participate in the internship in an overseas branch or transferring to the overseas branch according to business needs.
Turing Plan for AI Elites	At the end of 2019, SinoPac Holdings launched a program named after Alan Mathison Turing, the father of AI, and rolled out the Turing Plan in 2020, aiming to recruit top computer programmers to join SinoPac Holdings so as to cultivate top financial AI experts. In doing so, SinoPac Holdings not only created a comprehensive career development path for AI talents, but also put itself at the cutting edge of financial technology. The solid training of the Turing Plan, along with the OJT (On Job Training) project, allowed elites participating in the project to quickly accumulate experiences. The Turing Plan is subordinated by two teams: an AI Technology R&D Team and an AI Application Development Team, with a training period of 2 years for 10 AI elites, in the hope to create a beautiful new world of financial technology.

Statistics on New Recruits

Geographical region	Female				Male				Total number of employees	%
	Aged under 30	Aged 30-50	Aged over 50	Total	Aged under 30	Aged 30-50	Aged over 50	Total		
Taiwan	372	468	24	864	307	309	28	644	1,508	18.48%
Overseas	18	27	1	46	11	12	0	23	69	0.84%
Total	390	495	25	910	318	321	28	667	1,577	19.32%
New hire rate	4.78%	6.06%	0.31%	11.15%	3.9%	3.93%	0.34%	8.17%	19.32%	-

Note: The new hire rate is based on the total number of registered employees (excluding dispatched employees).

4.2.2 Competence Development

SinoPac Holdings spares no effort in the development of talents. In addition to recruiting new talents, the Company also insists on providing the best professional training for employees in order to cultivate employees to grow with the organization and create an optimal organizational learning atmosphere. In 2019, total employee education and training cost was NT\$51.15 million, the per capita education and training cost was NT\$6,267; total education and training hours reached 454,623 hours, and the per capita education and training hours were 55.71 hours. The overall education and training cost in 2019 increased by 8% compared with 2018, and the time invested increased by 16%, indicating SinoPac Holdings' relentless efforts and persistence in talent development. Employee education and training courses can be divided into three categories, including professional training courses, project training courses, and management skills training courses.

2017-2019 Education and Training Costs

	2017	2018	2019
Education and training costs (in NT\$10,000)	2,901	4,727	5,115
Average education and training costs (person/NT\$)	3,702	6,053	6,267
Total hours of education and training (hours)	328,472	380,053	454,623
Average training hours (person/hours)	41.92	48.66	55.71

2019 Training Hours

Rank	Total training hours		Training hours per capita	
	Female	Male	Female	Male
Senior Executives (job grade 10 and above)	1,846	3,975	65.93	50.96
Intermediate Executives (job grade 8-9)	15,668	27,093	67.53	74.84
Junior Supervisors (job grade 7)	28,793	20,655	68.39	57.53
Grassroot Employees (job grade 6 below)	233,652	122,941	53.91	52.38
Total	279,959	174,664	55.82	55.52



2019 Education and Training Courses

Theme/Category	Training hours	Training hours per capita (Note)	Training days per capita (Note)
Professional Training Courses	417,898	51.21	6.40
Project Training Courses	26,137	3.20	0.40
Management Skills Training Courses	10,588	15.55	1.94
Total	454,623	55.71	6.96

Note: Excluding dispatched employees; one day denotes 8 hours.

Four Major Themes in Competence Development

SinoPac Holdings' employee professional competence trainings include four major aspects: Fintech and Digital Transformation Training, Systematic Professional Development Training, Finance Professional Development Training and Comprehensive Investment Management Training for mid to senior level executives. SinoPac Holdings adopted the Kirkpatrick Model as the tool for evaluating the effectiveness of the trainings. For management talents, SinoPac Holdings will continue to plan competency enhancement projects. SinoPac Holdings plans to adopt 360° competency evaluation, creates profiles of SinoPac's management talents, establishes mission-based leadership training modules, and continuously implements the strategy of "competency-based talent inventory and training", which are internalized into a form of corporate culture and become the foundation for talent development and retention.

Four Major Themes in Competence Development



◆ Digital Talent Development Program

To embark on the trend of digital transformation in the financial industry and the upsurge of artificial intelligence, Bank SinoPac joined hands with National Cheng Kung University to set up a Master Degree-Credit Program for Core Financial Talents in 2019. A total of 47 outstanding employees from IT, e-finance, and operation units participated in the training, with a fully subsidized tuition fee of NT\$1.21 million. Doing so not only benefited the banking industry, but also deepened the industry-academia cooperation, inspired employees' innovative thinking and use of tools, and reached a win-win situation in which employees improved their knowledge and the Company retained talents.

◆ Digital Seminars

SinoPac Holdings has been committed to the development of FinTech and digital finance over the years. It continues to provide customers with convenient, secure, up-to-date, and innovative services. SinoPac Holdings actively invests in the training of digital transformation, holds a series of lectures on topics related to digital transformation and relevant new knowledge, and incorporates FinTech elements into regular training courses to cultivate digital talents. In 2019, SinoPac Holdings organized 5 digital seminars and 1,285 participants completed the training.

◆ Fintech Annual Meeting

SinoPac Holdings cultivates digital finance talents according to two major themes: "cross-domain integration" and "technical upgrade." SinoPac Holdings held the "2019 Fintech Annual Meeting," on November 11, inviting 8 experts in various fields to exchange ideas with 432 employees, analyze industry trends, and give a talk on issues ranging from 5G technology generation, cross-domain integration and the construction of a new retail ecosystem.

◆ Corporate University Program

Bank SinoPac introduced the corporate university training program that integrates career paths of employees to construct a comprehensive training roadmap for all competencies. Exclusive training courses are developed according to employees' job functions, job positions, including pre-employment and on-job training, while internal and external certification are introduced, so as to enhance the employees' professional competence through a complete training and certification mechanism. The training roadmap are constructed based on "position and duty", comprising four major aspects including compulsory/elective courses, statutory courses, external licenses, and internal certification exams. As of the end of 2019, 24 program have been established, comprising 82 programs covering the skills required by different positions, e.g. corporate banking, wealth management, retail finance, operations, auditing, compliance, risk management, human resources and e-finance, etc. The programs are applicable to 2,835 employees, representing nearly 50% of total employees at Bank SinoPac. In 2019, Bank SinoPac arranged classroom programs with a total of 567 hours for 4,972 participants. Bank SinoPac will continue to expand the training roadmap for various positions, with an aim to standardize the professional skills of employees, deepen the self-learning culture, and assist executives in talent management and thus cultivate talents for the organization.

◆ Training Programs for Audit, Compliance, and Risk Management Units

SinoPac Holdings and Bank SinoPac have continued to strengthen the internal control and legal compliance and have established the program modules and organized seminars and courses on business audits for units responsible for internal audit, legal compliance, anti-money laundering, risk management, and legal affairs in 2018. In 2019, 6 special lectures were held for employees in the Risk Management Division and the Audit Division, with 312 participants. In addition, SinoPac Holdings and Bank SinoPac also enhanced the quality and quantity of anti-money laundering talents by encouraging and organizing special training courses. As of the end of 2019, 89 employees have obtained the "Certified Anti-Money Laundering Specialist (CAMS) Certification", providing a reliable force for the prevention of money laundering.

◆ Mentor Program

SinoPac Securities has promoted the Mentor Program over the years and has more than 200 well-trained Mentors. Qualified Mentors provide instructions and assistance to help new recruits quickly understand the organization and businesses in a shorter period of time. They can also share and pass their experience. SinoPac Securities established a Mentor management system for the heads of business units and the Human Resources Department to monitor the performance of each new recruit. With this system, the Company monitors the improvement in capabilities that new recruits need as the basis for future trainings provided by the Human Resources Department. In 2019, the pre-assignment and Mentor preparation work were strengthened, with an assignment rate of 100%. Sampled survey was conducted for new employees, collecting their opinions on the Mentor system. 74% of them gave positive feedback, giving Mentors the highest recognition in helping new recruits.



Finance Professional Development Training

◆ iCAP Competence Certification

To actively develop wealth management talents, SinoPac Securities recruited a group of people with no financial background in 2018 and provided them with the iCAP-certified "training courses for new recruits of cross-selling financial advisor." The course design included five elements: financial regulations, work rules, financial information analysis and technical analysis, financial product knowledge, and development of business capabilities. The course included 28 classes totaling 72 hours. Attendees are required to pass three evaluations, including paper-based tests, review of skills and project reports, allowing new employees to gradually improve their capabilities based on the development plans. In 2019, SinoPac Securities organized the "trainings for new recruits of digital financial advisors", providing competency-oriented courses. Supplemented by the assistance from an assigned mentor providing guidance and caring, new recruits completed the training at the head office and dispatched to different units are well prepared for the duties ahead. In addition, they will head back to the head office every two weeks for re-training, for a total of 36 lessons, or 65 hours. They can also exchange their experience with their peer trainees while refreshing their knowledge.



Comprehensive Investment Management Training

◆ EMBA+ and EMBA Program

In addition to strengthening the six core management competences, SinoPac Holdings pays more attention to the communication and consensus of the management team. Since 2017, SinoPac Holdings has set up "EMBA+, EMBA program" to create a talent platform that integrates learning, interaction and observation. The class is composed of management selected from various subsidiaries of SinoPac Holdings. The EMBA+ class is composed of SinoPac Holdings' managers and assistant vice presidents, while the EMBA class mainly comprises SinoPac Holdings' junior managers and deputy managers. All classes are held in small groups for the purpose of stimulating interaction and learning achievements. The courses centered on six core management competencies and lectured by well-known domestic management consulting firms or instructors, which are rich in content and systematic, in the hope to inspire fresh thinking of executives, who will gain an understanding on the latest management trends and strengthen their leadership and management capabilities. In addition to classroom courses, activities such as "Guided Reading", "Speech", "Laser Paintball", "Golfing", "Common

Wealth Magazine Leadership Campus" and "Mountaineering" were added to increase the diversity of the training content and created a premise for idea exchange to enhance the effectiveness of the program, with the hope that the internal relationship network can be activated to enhance interaction, mutual trust and understanding, thereby creating a strong foundation upon which to build their future careers. A total of 93 executives have participated in the training so far, with a pass rate of 100% and a retention rate of 93.9%.

◆ Management Competency Development Plan

In order to assist the learning and growth of managers, SinoPac Holdings launched the "Management Competency Development Plan" in 2018. Managers, fresh or senior alike, were provided with courses based on their experiences, including mandatory courses, continuous professional improvement courses, courses of continuous enhancement of management competencies and courses of compliance with the latest laws and regulations for new managers, so as to improve their management capability. Based on the results of the management competency evaluation, managers could learn weaknesses to be strengthened and merits to be maintained, while enhancing their self-development through systematic learning.

In order to strengthen managers' understanding and application of management competencies, in addition to shaping the management culture through the monthly management E-news, Bank SinoPac publishes the most popular management issues (management news) selected by the HR Department on the 15th of each month. Managers are able to understand the duties and definitions of the management, which is what they concern most. Compared to 2018, the average rating for overall management competencies of executives, the average self-ratings of executives, and the average rating by executives' supervisors increased by 1% in 2019, illustrating an improvement in employees' abilities and self-confidence, as well as management behavior.

◆ Senior Executive Development Plan

In order to lay the cornerstone for the sustainable operation of SinoPac Holdings, the Company launched the succession plan through the "High-level Executive Talent Development Project" and actively built a potential talent pool of high-level management. The project includes:

1. Define talent specification: Based on future development strategies, clearly define the talent specification for senior executives of each business function.
2. Identify high-potential talents: Adopt international professional assessment tools to identify personal traits and potentials, integrate information from different dimensions to conduct a comprehensive analysis of potential talents, and produce a list of potential talents of senior executives at each business function from a professional and objective perspective.
3. Accelerate the development of talents: Carry out planned development, rotation or tasks assignment for potential talents to achieve "Learning by doing", and ensure that the learnings can be immediately applied to the implementation of strategies and solve organizational issues.
4. Evaluation of talent performance: Continue to regularly evaluate talents' development achievements and track their performance and future potential, so as to provide development suggestions in a timely manner, in the hope that they will be able to shoulder heavy responsibilities of the organization.

4.2.3 Performance Evaluation and Talent Retention

Each year, SinoPac Holdings conducts regular performance reviews based on Employee Assessment Criteria as well as workplace behavior evaluations so that employees can assess their learning and performance results and use them as the basis for future development. After the assessment process is established at the beginning of each year, the direct supervisors/unit supervisors regularly review performance and correct targets, as well as conducting mid-year and year-end performance reviews. In 2019, the performance of all full-time employees have been evaluated with a coverage ratio of 100%. When the employees perform the annual year-end self-performance evaluation, they may note down their career development plans (either cross-company or cross-business) and related training courses on the performance evaluation form. Through the performance interview with their supervisor, SinoPac Holdings is able to understand their thoughts on the career path and carry out follow-up inspection and arrangement. After employees' evaluation grading is established, the direct supervisor and employees schedule time for bidirectional meetings and exchange of opinions. After the interview, the employee may note down their personal opinion on the performance evaluation form, which will be checked by the head of the unit, and then submitted to the HR unit for conservation of the employee's personal file. SinoPac Holdings provides a mechanism for internal job vacancies fill based on employees' expertise and career planning, in order to encourage their diversified development and increase the retention rate. The total number of vacancies in 2019 was 196 posts, of which 86 were filled by internal employees, with an internal fill rate of 43.9%.

Total Number of Employees Undergone Regular Performance Evaluation (by gender and job grade)

2019	Number of female employees	%	Number of male employees	%	Total
Senior Executives (job grade 10 and above)	28	26.42%	78	73.58%	106
Intermediate Executives (job grade 8-9)	232	39.06%	362	60.94%	594
Junior Supervisors (job grade 7)	421	53.97%	359	46.03%	780
Grassroot Employees (job grade 6 and below)	4,334	64.87%	2,347	35.13%	6,681
Total	5,015	61.45%	3,146	38.55%	8,161

Employee Turnover

Geographical region	Female				Male				Total number of employees	%
	Aged under 30	Aged 30-50	Aged over 50	Total	Aged under 30	Aged 30-50	Aged over 50	Total		
Taiwan	140	349	68	557	116	234	77	427	984	12.06%
Overseas	18	31	5	54	4	16	6	26	80	0.98%
Total number of employees	158	380	73	611	120	250	83	453	1,064	13.04%
Turnover rate%	1.94%	4.66%	0.89%	7.49%	1.47%	3.06%	1.02%	5.55%	13.04%	-

Note: The turnover rate is calculated based on the total number of full-time employees

4.2.4 Employee of the Year Award

In order to show that SinoPac Holdings cherishes and cares for employees, the "Employee of the Year Award" has been organized since 2018, adhering to the core concept of "starting from the heart" and praising employees who have demonstrated the value of "Fulfillment of a Beautiful Life Through Finance". The Employee of the Year Award is given regardless of position. By praising their exemplary deeds, SinoPac Holdings hopes to stimulate positive growth momentum, successfully arouse discussion within the group, heat up the award ceremony, provide a workplace role model and create a positive workplace atmosphere. After rounds of screening, 19 employees were awarded for the 2nd Employee of the Year Award in 2019, praising their outstanding performances in developing overseas businesses, preventing fraud cases, establishing campus partners, developing smart wealth management services (ibrAin), innovative cross-selling and providing the highest quality service of "heartfelt" and "innovation." The ceremony was joined by employees and their families to share glory. Compared with the serious atmosphere in traditional financial industry, the ceremony was full of joy and warmth, allowing employees to receive praise in an honorable and warm atmosphere.



In the 2nd "Employee of the Year Award" Recognition Conference in 2019, a photo of the supervisor and the award-winning employees

4.3 Employee Compensation and Welfare

4.3.1 Compensation System

SinoPac Holdings has been selected as the constituent of "Taiwan High Compensation 100 Index" since 2014 as one of the top 100 leading companies in terms of compensation. SinoPac Holdings is committed to creating a harmonious atmosphere, therefore set up a "Remuneration Committee" at the same time to review the compensation policy regularly as a basis for strengthening and providing a complete and competitive compensation and welfare system. SinoPac Holdings sets out the policies related to salary management in the internal regulations such as "Work Rule" and "Standards for Employee Salaries and Allowances, Over-time Payments, Awards". In addition, in order to attract and retain talents as well as supporting the high-performance culture of the company, SinoPac Holdings also actively participates in global salary surveys every year and has taken into consideration the company's operating performance, personal performance and external market compensation level for salary adjustment to ensure the salary level is competitive in the market, which has established a positive atmosphere that encourages employees, increases profits and shares achievements. The average salary ratio of women and men in Taiwan and overseas (Hong Kong) regions of SinoPac Holdings is summarized in the table below. The salary of non-managerial male employees in Taiwan is slightly higher than that of female, but it is more balanced in the junior and intermediate managerial levels, in which the salary of female are slightly higher than that of male. The average salary of the grassroots employees is 153% of the statutory basic salary. The salary of dispatched employees is reviewed by a designated person and determined according to the "Staff Appointment Guidelines", which is in line and superior to legal regulations.

The Average Salary

2019	Percentage (Female:Male)	
	Taiwan (Note 1)	Hong Kong (Note2)
Senior Executives (job grade 10 and above)	0.71 : 1	No female
Intermediate Executives (job grade 8 and 9)	1.08 : 1	0.96 : 1
Junior Supervisors (job grade 7)	1.01 : 1	1.11 : 1
Non-managerial Level (job grade 6 or below)	0.91 : 1	0.96 : 1

Note 1: Coverage of date includes SinoPac Holdings, Bank SinoPac, SinoPac Securities, SinoPac Leasing, SinoPac Securities Investment Trust, and SinoPac Venture Capital

Note 2: The coverage is Bank SinoPac Hong Kong Branch

Information about Salary of Full-time Employees Who Are Not in a Managerial Position

Item	Unit	2018	2019	YoY Change (%)
Number of full-time employees who are not in a managerial position	Number of employees	6,490	6,854	5.61%
Total salary of full-time employees who are not in a managerial position	NT\$ Thousand	7,007,897	7,765,493	10.81%
Average salary of full-time employees who are not in a managerial position	NT\$ Thousand	1,080	1,133	4.91%
Median of full-time employees who are not in a managerial position	NT\$ Thousand	947	968	2.22%

Note 1: Coverage of the data above includes employees of SinoPac Holdings, Bank SinoPac, and SinoPac Securities hired in Taiwan (including local and foreign nationals)

Note 2: Full-time employees who are not in a managerial position refer to all employees (or permanent employees) excluding employees in managerial positions, employees at overseas branches and part-time employees

4.3.2 Welfare System

In addition to providing a fair remuneration system, SinoPac Holdings also attaches great importance in the promotion of employees' welfare as well as caring and taking care of employees' family and life, allowing employees to maintain work-life balance and increasing employee retention rate. SinoPac Holdings believes that talents are an important core asset of an organization, and only happy employees can become the pillars of the company to create more value to the society. In addition to salary rewards, SinoPac Holdings also provides different benefits, such as insurance programs, annual health checkups, festival subsidies, concessionary loans and a system of leave superior to the labor standards act, to take fully care of employees' mind and body.

Parental Leave and Daycare Policies of Employees' Children





SinoPac Holdings attaches importance to employees' family planning, sympathizes with their hard work as parents and looks forward to giving their next generation a better growth quality, thus provides employees with excellent childcare and daycare policies. Female employees are entitled to 8 weeks of paid maternity leave and different days of abortion leave are given depending on the pregnancy stage in case of miscarriage. Male employees are entitled to 5 days of paternity leave within 15 days before, during and after the birth of their child. The retention and reinstatement related operations are carried out in accordance with regulations for employees who applied for parental leave. In addition, the Company has set up facilities, such as breastfeeding rooms, to create a high-quality breastfeeding environment and has signed contracts with many large nursery institutions to provide a variety of nursery discounts, so that new parents are well taken care of without the need to worry about the above issues.

Parental Leave

SinoPac Holdings' application rate for parental leave in 2019 was 12.6%, and the reinstatement rate and retention rate were 61.9% and 89.2% respectively, indicating that SinoPac Holdings' parental leave policies are well integrated and employees are able to enjoy adequate rest and take care of work at the same time.

Item	Female	Male	Total
Number of employee eligible for parental leave in 2019(A)	469	261	730
Number of applicants for parental leave in 2019 (B)	85	7	92
Application rate in 2019 (B/A)	18.1%	2.7%	12.6%
Number of employees to be reinstated in 2019 (C)	91	6	97
Number of employees reinstated in 2019 (D)	56	4	60
Reinstatement rate in 2019 (D/C)	61.5%	66.7%	61.9%
Number of employees reinstated in 2018 (E)	81	2	83
Number of employees reinstated in 2018 who have worked for more than one year (F)	72	2	74
2018 retention rate (F/E)	88.9%	100.0%	89.2%

SinoPac Holdings Welfare System and Policies

Benefits	Content
 <p>Employee care package benefits</p>	<ul style="list-style-type: none"> Provide employee with cash gifts on marriage (same-sex marriage applied to same benefits), Spring Festival, Dragon Boat Festival, Mid-Autumn Festival, performance and birthday. Provide maternity and funeral subsidies.
 <p>Leave system superior to legislative requirements</p>	<ul style="list-style-type: none"> Special annual leaves Provides leave policies that are superior to the requirements in the Labor Standards Act and new employees are able to enjoy proportional special leaves after onboarding. Bank SinoPac provides more special annual leaves as employees gain seniority and promotions (7 days more for employees ranked assistant managers and above) so that they can enjoy more resting time and attain work-life balance. Paid sick leaves Employees are provided with seven days of full-pay injury or sick leave throughout the year and a day of full-pay leave is added each year based on seniority starting from the fourth year onwards with a maximum of ten days so that employees can fully rest when they are injured or sick. Cancer and pregnancy leaves Provides employees with cancer and pregnancy leaves during which they may enjoy benefits provided by the Company, so that employees can still enjoy company subsidies when they recuperate. Bereavement Leave Employees' great-grandparents, spouses' grandparents bereavement leave has increased from three days to six days while employees' daughter/son-in-law bereavement leave is three days, which is superior to the requirements of the laws, allowing employees to handle their bereavement.
 <p>Job-related tuition subsidies</p>	<ul style="list-style-type: none"> Set up measures for job-related trainings, such as enabling employees to arrange related courses based on their preferences and encouraging employees to obtain professional license by providing subsidies within a certain amount each year.
 <p>Comprehensive retirement system</p>	<ul style="list-style-type: none"> Establish retirement plans and appropriate pension funds in accordance with Labor Standards Act, Labor Pension Act and related regulations to ensure the payment of employees' pension. Please refer to SinoPac Holdings' 2019 Annual Report for detailed statistics on the appropriation.
 <p>System for maintaining body and mental health</p>	<ul style="list-style-type: none"> Employees' family and group insurance The beneficiary includes children, parents, and spouses' parents of the employees, covering general accident insurance and hospitalization due to illness. Expenses of the employee group insurance are subsidized by SinoPac Holdings. Regular health checkups Employees enjoy health checkup arrangements superior to the requirements by the Occupational Safety and Health Act. Health checkups are held every two years to provide regular check for the employees' physical conditions Besides, thyroid function test, cancer screening (breast, prostate) and ECG test are added into the health checkup and are applicable to all employees regardless of their gender and age starting from 2019, with a consideration of the rising trend of cancer and cardiovascular diseases in order to provide a wider range of health checkup arrangements for employees. Flexible working hours Bank SinoPac provides employees with applications with shortened working hours, reducing the number of employees who choose to stay without pay or quit due to personal reasons while attracting external talents. Employees can apply for shortened working hours for two years and may be extended to three years due to special reasons.
 <p>Exclusive benefit plans and events for employees</p>	<ul style="list-style-type: none"> Discounts provided by preferred vendors Regularly signs contracts with preferred vendors for discounts based on employees' needs to reduce employees' burden. Foreign travel reward Bank SinoPac and SinoPac Securities offer foreign travels to reward front-line employees for their dedication. Senior executives represented the company to express their deepest gratitude to all front-line employees through different travel experiences and a grand awards ceremony. Annual party event Organize large-scale year-end parties annually and gather employees from all areas to participate in the event in order to build closer relations and consensus. SinoPac Holdings also arranges multiple performances to thank employees for their dedication throughout the year. Housing loan interest rate below market rates Provides employees with housing loan interest rate superior to market rates in order to reduce the burden of employees and assist them in building a warm family. Honors of SinoPac employee Provides customized gifts and public recognition by senior managers to senior employees in order to express gratitude for their long-term dedication towards the Company.
 <p>Employee stock ownership trust</p>	<ul style="list-style-type: none"> SinoPac Securities allows employees to invest, acquire and manage shares of SinoPac Holdings to accumulate wealth and ensure the stability of members' retirement life. Bank SinoPac implemented a stock ownership trust plan for its managers in order to strengthen their feeling of identity to the Company, share operational results, and help managers to accumulate pension through long-term savings.

4.4 Labor-Management Relations and Communications

4.4.1 Labor-Management Communication Mechanisms

SinoPac Holdings encourages employees to communicate with the Company, creates a smooth communication atmosphere, improves the work efficiency and quality of employees, and maintains a harmonious working environment. SinoPac Holdings has established various internal communication and grievance channels, and regularly conducted employee opinion surveys to understand their opinions and jointly improve the workplace.

Collective Bargaining Agreements

In order to achieve smooth and effective communication between the Company and its employees, SinoPac Holdings and its subsidiaries established the SinoPac Holdings Labor Union, Bank SinoPac Labor Union, and SinoPac Securities Labor Union according to the Labor Union Act. Periodically, these companies communicate and negotiate with the unions on labor issues. Representatives of Bank SinoPac and SinoPac Securities renewed the collective bargaining agreements for the third time upon negotiations with the labor unions on April 24, 2018 and June 29, 2018, respectively. Representatives of SinoPac Holdings signed a collective bargaining agreement with the labor union for the first time on December 19, 2019, covering employees of SinoPac Holdings, Bank SinoPac, SinoPac Securities, SinoPac Leasing, SinoPac Securities Investment Trust, SinoPac Venture Capital and SinoPac Futures.

Main Contents of the Collective Bargaining Agreements and Percentage of Employees' Participation in Unions

Labor Unions	Contents of the Agreement	Percentage of employees in the union (Note 1)
Bank SinoPac Labor Union	<ul style="list-style-type: none"> Bank SinoPac agrees to provide the venue and the software and hardware necessary for the meetings of the union. The chairman of the union works in the union office all day and the directors and supervisors of the union may apply for official leave when they process official union affairs in accordance with laws and regulations. The union fee is deducted by Bank SinoPac on behalf of the union from employees' salaries each month. Bank SinoPac shall not adjust working conditions for employees who are eligible for entering the Union but didn't without justifiable reasons. 	96.51%
SinoPac Securities Labor Union	<ul style="list-style-type: none"> The chairman, directors, and supervisors and members of the union may apply for official leave when they process official union affairs in accordance with laws and regulations. The union fee is deducted by SinoPac Securities on behalf of the union from employees' salaries each month. In the event of shut down, transfer of ownership, losses, reduced business, or where the employee is clearly unfit for his/her job, SinoPac Securities shall, in accordance with the Labor Standards Act, provide advance notice of at least 10-30 days based on their seniority before the labor contract can be terminated. 	87.22%
SinoPac Holdings and Subsidiaries Labor Union (Note 2)	<ul style="list-style-type: none"> In case of mergers and acquisitions, the rights and interests of union members shall be well protected, e.g., all union members shall be retained; prior consents shall be obtained from the labor union for changes in working conditions or layoffs after the merger; and a preferential retirement program shall be provided for union members who will not be retained or do not agree to be retained after the merger. 	90.25%

Note 1: Excluding employees in probation, overseas employees, dispatched employees, and managers.

Note 2: SinoPac Holdings Labor Union members include employees of Bank SinoPac, SinoPac Securities, SinoPac Leasing, SinoPac Securities Investment Trust, SinoPac Venture Capital and SinoPac Futures.

Labor-Management Communication Achievements

According to the Labor Standards Act, Work Rules of SinoPac Holdings, and results of labor-management negotiations, if employees need to work overtime due to work requirements, the supervisors may, after obtaining the consent of the subordinates, allow employees to fill out "overtime work forms", sign them, and deliver them to employees to implement overtime work. Female employees may not work past 10 p.m. without the approval of the union. In addition, although labor unions of the subsidiaries agree that employees working hours may be extended on weekdays without the prior approval of the respective labor union, employees' attendance on holidays shall require the approval of the respective labor union. This measure is carried out to protect the rights of employees.

In 2019, Bank SinoPac and the labor union had different views on performance bonuses. Both parties had face-to-face communication and negotiation on many occasions. Based on the principles of safeguarding customer rights and interests, sustainable development of the company, and "Love SinoPac and Cherish SinoPac", the union expressed their respect for the company's bonus distribution rights under its management and administrative rights, and in turn, the management responded to the union's demands and adjusted the benefits for the rank-and-file employees, achieving a win-win outcome. On December 19, 2019, the collective bargaining agreement was signed by SinoPac Holdings and SinoPac Holdings Labor Union, and management representatives and labor representatives from SinoPac Leasing, SinoPac Securities Investment Trust, SinoPac Venture Capital, and SinoPac Futures presented at the meeting. Both the management and the labor unions have taken specific actions to implement the compassion and care for the employees, and determined and committed to implementing corporate social responsibilities, and jointly set a milestone for SinoPac Holdings' labor relations. In response to the central bank's interest rate cut, Bank SinoPac lowered the floor rate for employees' housing loans to 0.75% effectively from April 21, 2020 upon communication by both parties, which reduced employees' loan burden.

4.4.2 Employee Grievance Channels

In order to listen to employees, SinoPac Holdings has interchangeably conducted the "Employee Engagement Survey" or "Organizational Climate Survey" every year since 2015.

2016-2019 Bank SinoPac Employee Opinion Survey

	2016	2018	2019
Item	Organizational climate	Employee engagement	Organizational climate
Employee satisfaction	63.0%	82.3%	71.4%
Number of respondents	3,745	3,414	4,476
Number of employees surveyed	5,511	5,204	5,959
Respondent rate	68.03%	65.60%	75.11%
Scope of the survey	Bank SinoPac	Bank SinoPac, SinoPac Life Insurance Agent Co., Ltd., SinoPac Property Insurance Agent Co., Ltd.	Bank SinoPac, SinoPac Insurance Brokers Ltd., Bank SinoPac (China) <small>[SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. have been merged into Bank SinoPac on August 1, 2019].</small>

Note 1: The survey was not carried out in 2017.

Note 2: The Employee Engagement and Organizational Climate Survey is on a scale from 1 to 7 scores. Items scored higher than or equal to 4 points (i.e. the median value) are counted as employee satisfaction.

Internal Communication Channels

Besides employee opinion surveys, SinoPac Holdings has also established multiple internal communication channels through which employees can voice their concerns in a timely manner and managers can have a deeper understanding of their thoughts. In doing so, SinoPac Holdings intensifies employee adhesiveness and stride hand in hand towards sustainable management. Internal communication channels comprise more than the existing Employee Service Specialist, SinoPac Academy Website, and iShare Website, but SinoPac Newsletter, the internal publication first issued in 2019, and the seminar "Appointment with CEO". With employee grievance, SinoPac Holdings has set up a sexual harassment prevention hotline and performance evaluation appeal channel. In 2019, branch managers and department/division heads were trained on "Prevention of Workplace Illegal Infringement and Sexual Harassment", participated by 161 people.

Other Internal Communication Channels

Communication channels	Content
SinoPac Newsletter	SinoPac Holdings launched SinoPac Newsletter, the first internal publication, in January 2019. Through the publication, SinoPac Holdings reports on the expectations of senior executives, publicize the internal activities of the organization, affirm outstanding employees, and share the work and life of employees, conveying the warmth of the organization.
Employee Service Specialists	SinoPac Holdings assigns Employee Service Specialists to provide each employee with a dedicated communication window.
iShare Website	"iShare Website" is a platform for sharing opinions on diverse themes, including life, charity, business opportunity, and opinion collection. The platform also gathers various welfare measures, which allows employees to interact more with each other on different themes.
SinoPac Academy Website	The website platform is provided as a bridge for employees to express their opinions and ideas for related responsible units to respond to employees and foster communication.
"Appointment with CEO" seminar	Bank SinoPac's president leads the management team to carry out face-to-face seminars with employees to explain the company's operating strategies and future development while conducting Q&A. In 2019, a total of 19 seminars were held to consolidate employees' consensus and provide assistance to their career development

Employee Grievance Channel

Grievance Channel	Measure	Number of grievance and improvement measures in 2019
Sexual harassment prevention hotline	<ul style="list-style-type: none"> SinoPac Holdings and its subsidiaries followed the laws and regulations and established the "Directions for Prevention, Grievance, and Discipline of Sexual Harassment", set up dedicated units, grievance hotline and dedicated electronic mailboxes to publicize such information for employees, and conducted publicity or education training. 	In 2019, the number of registered sexual harassment grievance cases was 1. Effective corrective and remedial measures were initiated upon receipt of the grievance. After the investigation by the dedicated unit, the case was passed on to the Sexual Harassment Grievance Committee for resolution and then reported to the Human Resources Arbitration Committee. Following the case, SinoPac Holdings also strengthens education and training for supervisors and employees on sexual harassment prevention, reiterating to employees that if relevant circumstances reoccur, they could file their grievance or appeal through multiple channels, creating a safe workplace.
Performance evaluation appeal channel	<ul style="list-style-type: none"> If employees have objections to the evaluation, they may appeal through the multiple channels of grievance channels. Bank SinoPac's human resources unit compiles reports for review and process for final approval of reviewing results. 	In 2019, 34 appeal cases against the evaluation results were received, and 8 were passed after review and evaluation. SinoPac Holdings continues to encourage unit supervisors to communicate more with employees and conduct interviews so that employees understand where they can make improvements and reduce the gap in their views.

4.5 Diverse and Healthy Workplace

4.5.1 Diverse Employment Policy and Human Rights

In order to implement human rights protection and effectively manage human rights risks, SinoPac Holdings formulated the Human Rights Policy in 2018 and publicly disclosed it on the official website. In 2019, human rights risk identification was further implemented, and five human rights risks including protection of labor conditions, privacy, personal dignity, forced labor, and health rights, and mitigation and remedial measures were proposed. In 2019, SinoPac Holdings conducted education and training on human rights issues, providing courses on workplace infringement and workplace sexual harassment, information security, personal information, and occupational safety and health, etc., as detailed in the right table. In 2020, the due diligence mechanism for human rights risk will be optimized, and human rights risk mitigation strategies will be strengthened.

Education and Training on Human Rights Issues

Courses	Number of people (individual)	Number of Hours (hours)	Coverage (%)
Workplace infringement and workplace sexual harassment	5,460	10,990	66.90
Information security and personal data protection	7,938	15,876	97.27
Occupational safety and health	7,764	14,940	95.14

Employees' Human Rights Risk Mitigative and Remedial Measures

Human rights risk	Mitigative measures	Remedial measures
Ensure labor conditions	<ul style="list-style-type: none"> The human rights policy states that working hours must be reasonable and legal, and that a safe workplace must be provided to employees. Formulated the "Regulations for Employee Attendance Management" and "Regulations for the Payment of Employee Salaries and Allowances," which set out the relevant policies for salary management. Set up the Compensation Committee to oversee the implementation of the compensation management policy. Actively participated in global salary surveys to ensure that employees' salary levels were competitive in the market. The management and employees signed a collective bargaining agreement, which focused on safeguarding employees' right to work and communicated and negotiated labor issues. Assigned Employee Service Specialists to provide each employee with a dedicated communication window. Without the consent of the labor union, female employees shall not work past 10 p.m. 	<ul style="list-style-type: none"> Set up a diversified grievance channel. After receiving the reporting of damage to employee's labor conditions, the HR unit immediately works with the relevant department to clarify the problem to ensure that the employee can be properly taken care immediately when their labor conditions are damaged. Follow-up measures include reiteration, publicity, and convention of a seminar to discuss and track the implementation.
Privacy	<ul style="list-style-type: none"> The Employee Service Rules has been established, stipulating that employees have the obligation to properly manage, use and safekeep the core information and the intellectual property that belong to the company, and keep them confidential. Set up a Personal Data Protection and Management Task Force responsible for implementing and reviewing various tasks and management plans related to personal data protection. Implement the "Information Security Publicity Education Training" courses to enrich employees' information security knowledge. 	<ul style="list-style-type: none"> Periodically conduct emergency response drills for personal data leakage to strengthen the ability to report and respond. Formulate Personal Data Protection Policy and File Security Maintenance Regulations. In case of personal data infringement accidents, it shall be handled in accordance with the "Emergency Incident Response Guidelines" and contingency measures and remedial measures shall be taken. In the event of a personal data infringement accident, the responsible unit shall immediately notify the convener and executive secretary of the Personal Data Protection and Management Task Force, and complete the response measures and processing methods within two days and submit it to the same for deliberation. In the event of a severe personal data security incident, it shall be immediately reported to the Financial Supervisory Commission for corrective and preventive measures and mechanisms; also, the assurance certified by relevant experts for overall diagnosis and inspection shall be obtained.
Human dignity	<ul style="list-style-type: none"> Set up the Sexual Harassment Prevention Committee and formulate "Directions for Prevention, Grievance, and Discipline of Workplace Sexual Harassment" to strengthen sexual harassment prevention. Regularly organize education and training courses on "Prevention of Workplace Illegal Infringement and Sexual Harassment" to enhance the concept of gender equality for supervisors and employees. Develop the Regulation in Employee Rewards and Punishments to serve as an active mechanism for workplace violence or bullying. Set up a special unit for sexual harassment grievances, a dedicated grievance hotline, and a dedicated e-mail address to provide immediate help for employees. 	<ul style="list-style-type: none"> Formulate the "Prevention, Grievance, Investigation and Handling Guidelines for Sexual Harassment" to take immediate and effective corrective and remedial measures upon being aware of the situation of sexual assault or sexual harassment. Provide a dedicated unit for sexual harassment grievance, a grievance hotline and a dedicated e-mail address to offer immediate help for employees.

Human rights risk	Mitigative measures	Remedial measures
Forced labor	<ul style="list-style-type: none"> The human rights policy states that forced labor is prohibited. The overtime control and management system of each unit shall adopt an "overtime work form" which is valid after being filled by the employees, indicating the reasons and the overtime duration and approved by the supervisor. The HR unit regularly reminds employees and the personnel manager of the unit to report overtime matters and calls the employees to care for overtime matters from time to time. Employees of Bank SinoPac who work on holidays must obtain the prior consent from the labor union to ensure their rights. Without the consent of the labor union, female employees shall not work past 10pm. 	<ul style="list-style-type: none"> Provided employee grievance channels and assigned Employee Service Specialists to provide each employee with a dedicated communication window. After receiving the reporting of incidents, the HR unit immediately works with relevant departments to clarify the problem. Follow-up measures include reiteration, publicity, and convention of a seminar to discuss and track the implementation.
Health rights	<ul style="list-style-type: none"> The human rights policy states to ensure the safety and health of employees, provide a safe workplace, and regularly review employees' health and safety risks. Developed Labor Health Service Standards and promoted the four major plans: Workplace Maternal Protection Program, Abnormal Workload-Induced Disease Prevention Program, Human Factor Hazard Prevention Program, and Prevention Program against Illegal Infringement in Performing Duties. Set up the Occupational Safety and Health Committee to pay attention to employees' health and workplace safety issues, and regularly track the implementation of the resolutions of the Committee. Regularly implement "occupational safety and health education and training" for in-service employees to improve their awareness of hazards. Set up health service nurses, conduct health lectures, and provide health knowledge to employees. Regularly hold employee health checkups to assist employees to regularly check their physical conditions for health care and prevention purpose. Promote the Employee Assistance Program (EAP) to help employees balance their work and life. 	<ul style="list-style-type: none"> Implement an occupational disaster reporting mechanism to immediately take care of the health status of employees and provide necessary medical assistance. If an occupational disaster occurs in the workplace, the employer shall immediately take necessary first aid and rescue measures, and conduct investigations, analyses and make records together with labor representatives. Health service nurses take active care of employees with cancer and major diseases and provide them health education and other related disease prevention course. Provide group insurance/labor insurance subsidies, and work injury leave better than the law, including fully-paid injury/sickness leave, cancer leave, and childbirth leave.

Diverse Employment

SinoPac Holdings provides equal opportunities for employees' appointment, promotion, performance evaluation, assignments, training, career development, and remuneration, and does not discriminate based on gender, religion, or race. SinoPac Holdings treats all employees in a fair and just manner and strictly abides by related labor laws and regulations. SinoPac Holdings categorically prohibits all forms of workplace violence. In addition to posting related posters in office areas, SinoPac Holdings also provides education on "Workplace Violence Prevention Measures" for new employees in collective online training. SinoPac Holdings supports diverse employment, giving priority to employees with physical and mental disabilities and indigenous status, so that all employees can exert their strengths without restrictions and do their best for the company. In 2019, SinoPac Holdings has 62 employees with disabilities, an increase of 2 compared to 2018. Bank SinoPac has 33 employees with disabilities (including 8 with severe physical disabilities). SinoPac Securities has 18 employees with disabilities (including 3 with severe physical disabilities). Employees with disabilities include clerks and IT programmers. In addition to meeting the legal requirements in terms of the number of employees hired, those with outstanding performance have been promoted to management positions.

Proportion of SinoPac Holdings Physical Disability and Diverse Employees

Diverse employment categories	Number of Employees	Total
Disability	51	62
Indigenous peoples	11	

4.5.2 Workplace Safety and Health

In order to ensure and promote the health and safety of employees, SinoPac Holdings actively creates a healthy and safe workplace environment, promotes relevant measures to protect the physical and mental health of employees while maintain and improve their quality of work and life. In 2019, Bank SinoPac and SinoPac Securities obtained the "Workplace Health Activation Certification" and "Taiwan iSports Certification" respectively, affirming their long-term investment in promoting employee health and sports, and achieving the corporate social responsibility of caring for employees. The Company expects to adopt ISO 45001 in 2020. SinoPac Holdings will build a systematic framework and increase the coverage of ISO 45001 year by year and provide employees with relevant education and training courses to improve their awareness of the occupational safety management system, promote workplace safety and ensure the health of employees.

Absence Rate

Year	2016	2017	2018	2019
Absence days	15,003	16,530	16,900	18,773
Absence rate	0.69%	0.79%	0.79%	0.92%

Note: Absence rate = days of sick and personal leave taken by all employees/(total work hours * total number of employees, excluding dispatched employees).

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.

Fulfillment of Green Operations

Sustainability Commitment	Corresponding SDG	Action Plan(s)	2025 Goal(s)
Mitigate and Adapt to Climate Change	SDG 13 Climate Action	Promote climate change mitigation actions	<ul style="list-style-type: none"> Increase the coverage of ISO 14064-1 certification to 100% and increase the coverage of ISO 50001 certification to 40%. Complete 4 items of Scope 3 GHG inventory and have it verified by external certification. Complete the Science Based Targets initiative (SBTi) application and internal carbon pricing evaluation, and ranked A in Carbon Disclosure Project (CDP). Reduce power usage carbon emissions by 7% from 2018.
Promote Inclusive Growth	SDG 8 Decent Work and Economic Growth	Enhance supply-chain sustainability management	<ul style="list-style-type: none"> 100% of the suppliers sign the Supplier Corporate Social Responsibility Commitment. Encourage suppliers to set carbon reduction targets and at least 20% of the suppliers in the carbon-intensive industry to set carbon reduction targets.
	SDG 12 Responsible Consumption and Production	Increase green procurement and promote a sustainable consumption and production model	<ul style="list-style-type: none"> Increase the green procurement ratio by 5% from 2019. Increase the utilization rate of green building materials for renovation to more than 60%.

Six Capitals

Input	Strategy	Output
Financial Capital <ul style="list-style-type: none"> Fuel and electricity costs in 2019: NT\$137.07 million Water fee in 2019: NT\$3.27 million Amount of local procurement in 2019: NT\$2,163.26 million; amount of green procurement: NT\$128.07 million Expenditure on energy saving and carbon reduction in 2019: NT\$43.1 million Environmental education and training cost in 2019: NT\$240,000 	Strengthen greenhouse gas and environment/energy management Continuously review the existing environmental management system and gradually expand the external coverage of GHG and energy management system certification, so as to improve the overall environmental management system. Set GHG reduction targets Introduce CDP for environmental self-inspection and deliberate on whether to adopt SBTi and internal carbon pricing to gradually set a quantitative carbon emission reduction target. Establish a sustainable supply chain Gradually complete supplier database, encourage more suppliers signing the Supplier Corporate Social Responsibility Commitment, and actively have engagement with suppliers on ESG issues and encourage them to jointly set carbon emission reduction targets.	Natural Capital <ul style="list-style-type: none"> GHG emissions decreased by 2,072.84 metric tons of CO2e, or 9.3%, from 2018. Per-capita electricity consumption was 27.94 GJ, a 9.2% decrease from 2018. The per-capita water consumption was 27.94 tonne, which was a YoY decrease of 0.18%. Carbon emissions were reduced by 731.53 metric tons of CO2e through paperless initiatives.
Human Capital <ul style="list-style-type: none"> Number of employees engaged in supplier audit and communication: 22 		Human Capital <ul style="list-style-type: none"> Number of employees participating in environmental education and training: 1,300
		Social and Relationship Capital <ul style="list-style-type: none"> Number of suppliers attending the Supplier Conference: 100

5.1 Green Operations

5.1.1 Environmental Policy

To live up to SinoPac Holdings' commitment in mitigating and adapting to climate change, the Environmental Sustainability Team under SinoPac Holdings' Sustainable Development Committee was established to be in charge of the overall planning and implementation of related environmental sustainability policies and action plans adopted by SinoPac Holdings and its subsidiaries. It is committed to promoting sustainability and environmental management in hopes of reducing the environmental impact of business operations. In 2019, the Environmental Sustainability Team was tasked to achieve the two sustainability commitments - "mitigate and adapt to climate change" and "promote inclusive growth." Accordingly, three action plans have been developed, namely, promote climate change mitigation actions, enhance supply-chain sustainability management, and promote green procurement and a sustainable consumption and production model, and specific short, medium and long term goals were set in line with SDG 13: Climate Action, SDG 8: Decent Work and Economic Growth, and SDG 12: Responsible Consumption and Production under the UN SDGs to be followed by the subsequent operation of SinoPac Holdings and its subsidiaries. To reduce GHG emissions and energy consumption, SinoPac Holdings strived to optimize the energy management mechanism while working on procurement. SinoPac Holdings also conducted the supplier audit and organized the first Supplier Conference with the aim of supporting suppliers that produced eco-friendly products with low carbon emissions through concrete action such as green procurement and supplier management and hoped to expand the influence on the supply chain, jointly contributing to the sustainability of the environment.

In 2019, SinoPac Holdings continued to adopt the ISO14001:2015 Environmental Management System and expanded the scope of ISO 14064-1:2018 GHG Inventory. The Company also introduced ISO 50001:2018 Energy Management System for the first time and obtained external certification to continuously optimize the internal energy management. In addition, the Company conducted an overall inspection of the environmental management by trial CDP survey and difference analysis, and the first response is expected to be made in 2020.



Environment management system certification

Summary of the Results in the 2019 Sustainable Development Plan

Strategy	2019 Objectives	Implementation Status in 2019	2019 Achievements	2020 Objectives
Strengthen greenhouse gas and environment/energy management	<ul style="list-style-type: none"> Continuously review of the ISO14001 Environmental Management System. Conduct ISO14064-1 GHG Inventory and increase its coverage. Introduce ISO50001 Energy Management System. 	Completed	<ul style="list-style-type: none"> Zhonglun Building passed the ISO14001:2015 review, the effectiveness of its environmental management system remained unchanged. The external verification coverage of ISO 14064-1:2018 GHG Inventory increased from 16.2% to 40.3%. Obtained the certification of ISO50001:2018 Energy Management System, with an external verification coverage of 16.2%. 	<ul style="list-style-type: none"> Continuously increase the external verification coverage of ISO 14064-1 GHG Inventory to 60%. Zhonglun Building and Chengzhong Building passing the certification of ISO 50001 Energy Management System. Set a short-term (single-year) target of reducing water and electricity consumption by 1% and a target of 2% carbon reduction from the base year (2018). Complete 2 items of Scope 3 GHG inventory and have it verified by external certification.
Set GHG reduction targets	<ul style="list-style-type: none"> Finish CDP questionnaire and conduct gap analysis during CDP consulting project. Identify the gaps from the frame of Task Force on Climate-related Financial Disclosures (TCFD) that need to be adopted by finishing DJSI and CDP questionnaire. 	Completed	<ul style="list-style-type: none"> Finished CDP questionnaire and identified items to be improved. Continued to pay attention to TCFD related issues. 	<ul style="list-style-type: none"> Organize training on CDP. Submit the first questionnaire response to CDP. Conduct gap analysis based on the result of CDP rating. Keep on track on the development of financial industry's SBTi methodologies.
Establish a sustainable supply chain	<ul style="list-style-type: none"> Expand the scope of "Supplier Corporate Social Responsibility Self-evaluation Questionnaire" from environmental management to sustainability management and conduct ESG due diligence on suppliers. Hold the Supplier Conference. 	Completed	<ul style="list-style-type: none"> Developed a supplier risk map, amended the supplier and procurement management rules by adding provisions in relation to ESG, and perfected the supplier management policy. Conducted the ESG self-evaluation survey for suppliers and the on-site audit for 10 suppliers; organized the 1st Supplier Conference and engaged with four key suppliers. 	<ul style="list-style-type: none"> Complete the supplier database. More than 80% of the suppliers sign the Supplier Corporate Social Responsibility Commitment. Enhance engagement on ESG issues with the suppliers.

Environmental Education and Training

In addition to implementing energy conservation and carbon reduction initiatives, SinoPac Holdings organizes a series of environmental training and forums for employees. In 2019, SinoPac Holdings held 20 training sessions for approximately 1,300 employees with NT\$240,000 financial input. By holding environmental training that covered issues such as climate change, responsible investment, UN SDGs, CDP, GHG and energy management, and supply chain sustainability, SinoPac Holdings wishes to raise our employees' climate awareness and further fulfill our commitment to sustainable environment.

5.1.2 Energy and Resource Management

In response to climate change and sustainable development trends, SinoPac Holdings and its subsidiaries continued to take energy saving and carbon reduction measures at business premises to reduce the environmental impact of business operations. These measures included expanding the scope of GHG inventory to achieve better energy management, reducing energy consumption in day-to-day operations and business activities, and implementing waste management and water conservation management.

Greenhouse Gas Management

Since 2018, SinoPac Holdings has implemented the greenhouse gas inventory using the operational control approach to obtain information on total greenhouse gas emissions of SinoPac Holdings and its subsidiaries. Such information is used to set carbon emission reduction targets for the effective management of carbon emissions in the future. SinoPac Holdings has set an annual target of 1% carbon reduction and a target of 7% carbon reduction by 2025 from the base year in 2018. In 2019, SinoPac Holdings completed the GHG inventory for its seven office buildings based on the GWP values from the Fourth Assessment Report of the IPCC published in 2007. The coverage of ISO14064-1:2018 GHG Inventory increased from 16.2% to 40.3%, reaching the 2025 target of 40% ahead of schedule. In addition, Scope 1 and Scope 2 GHG emissions were reduced by 9.3% in total, with per-capita emissions down 9.2% from 2018, showing great progress and results in the overall energy management. In 2020, SinoPac Holdings will continue to implement carbon reduction management by increasing the coverage of ISO14064-1 certification to 60%, checking two items of Scope 3 GHG inventory and completing external verification, tracking SBTi methodologies for financial institutions, and making the first response to CDP.

Scope 1 GHG Emissions from 2016 to 2019

GHG Emissions	2016	2017	2018	2019
Scope 1 (metric ton of CO₂e/year)	238.24	221.70	218.71	740.06 (Note 3)
Scope 1 GHG Emission Intensity (metric tons CO₂e/person)	0.030	0.028	0.028	0.094
Data Coverage (Note 1)	100%	100%	100%	100%
External Verification Coverage (Note 2)	0%	5.72%	16.2%	40.3%
Scope Description	Carbon emissions from gasoline and diesel by SinoPac Holdings and its six major subsidiaries were estimated by themselves without external verification.	Zhonglun Building adopted ISO 14064-1:2006 GHG Inventory, a CO ₂ e emission of 186.7101 metric tons was recorded by external verification, with a coverage rate of 5.72%; the remaining emissions were estimated by itself.	Zhonglun Building and Chengzhong Building adopted ISO 14064-1:2018 GHG Inventory and the external verification concluded 211.0296 metric tons of CO ₂ e, a 16.2% coverage rate; the remaining emissions were estimated by itself.	Seven office buildings of SinoPac Holdings and its subsidiaries (Zhonglun/Chengzhong/Jianbei/Nanjing/Songshan/Beigao/Taikai) adopted ISO 14064-1:2018 GHG Inventory and the external verification concluded 653.8207 metric tons of CO ₂ e, a 40.3% coverage rate; remaining 86.239 metric tons of CO ₂ e were estimated carbon emissions from gasoline and diesel.

Note 1: Data coverage was based on the source of Scope 1 GHG emissions in the year.

Note 2: External verification coverage = Number of employees in the buildings where external verification was adopted/number of SinoPac Holdings' employees; the number of employees referred to the number of regular employees in Taiwan excluding contract employees and overseas employees.

Note 3: In 2019, carbon emissions from self-owned vehicles were 207.54 metric tons of CO₂e/year.

Category of Scope 1 Greenhouse Gas in 2019

Category of Greenhouse Gas	CO ₂	CH ₄	N ₂ O	HFCs	PFCs	SF ₆	NF ₃	Total GHG Emissions
Emissions (metric ton of CO₂e/year)	118.81	163.48	3.90	367.63	0	0	0	653.82
Percentage of Total Emissions	18.2%	25%	0.6%	56.2%	0%	0%	0%	100%

Scope 2 GHG Emissions from 2016 to 2019

GHG Emissions	2016	2017	2018	2019
Scope 2 (Note 1) (metric ton of CO₂e/year)	22,835.05	21,840.15	22,029.81	19,435.62
Scope 2 GHG Emission Intensity (metric tons CO₂e/person)	2.87	2.62	2.82	2.46
Data Coverage (Note 2)	100%	100%	100%	100%
External Verification Coverage (Note 3)	0%	5.72%	16.2%	40.3%
Scope Description	Carbon emissions from electricity consumption were estimated by SinoPac Holdings and its six subsidiaries based on electricity bills without external verification.	Zhonglun Building adopted the external verification of ISO 14064-1:2006 GHG Inventory with a 5.72% coverage rate; the remaining emissions from electricity consumption of subsidiaries' business premises were estimated based on electricity bills.	Zhonglun Building and Chengzhong Building adopted ISO 14064-1:2018 GHG Inventory with a 16.2% coverage rate; the remaining emissions from electricity consumption of subsidiaries' business premises were estimated based on electricity bills.	Seven self-owned buildings of SinoPac Holdings and its subsidiaries (Zhonglun/Chengzhong/Jianbei/Nanjing/Songshan/Beigao/Taikai) adopted ISO 14064-1:2018 GHG Inventory and the external verification concluded 8,811.8849 metric tons of CO ₂ e, a 40.3% coverage rate; the remaining emissions from electricity consumption of subsidiaries' business premises were estimated based on electricity bills.

Note 1: Scope 2 GHG emissions were converted based on the latest coefficients released by the Bureau of Energy in the year (0.530, 0.554, 0.554, and 0.533 KgCO₂e/kWh from 2016 to 2019 respectively).

Note 2: As the electricity consumption of SinoPac Holdings and its major subsidiaries was included, the data coverage was 100%.

Note 3: External verification coverage = Number of employees in the buildings where external verification was adopted/number of SinoPac Holdings employees; the number of employees referred to the number of regular employees in Taiwan excluding contract employees and overseas employees.

In 2019, SinoPac Holdings continued with the Scope 3 GHG inventory by calculating the carbon emissions from airplanes and high speed rails during employees' business travel based on the availability of data. According to the government's environmental protection policies, SinoPac Holdings also implemented recycling to reduce general waste and carbon emissions from the incineration and included carbon emissions from incineration of general waste in the Scope 3 GHG inventory as well. The data and scope 3 GHG inventory are detailed in the table below. In readiness for the goal of mitigating and adapting to climate change, the Environmental Sustainability Team will promote climate change mitigation actions by checking two items of Scope 3 GHG inventory and completing external verification in 2020.

Scope 3 GHG Emissions in 2019

Indirect GHG Emissions (Scope 3)	Volume	GHG Emissions (ton-CO ₂ e)	Data Coverage (Note 1)	Coverage Description
Incineration of General Waste Produced from Business Activities (Note 2)	172,667 kg	58.71	40.3%	Seven self-owned buildings
Business Travel - Airplanes (Note 3)	3,818,621 km	274.52	98.5%	SinoPac Holdings/Bank SinoPac/SinoPac Securities/SinoPac SITC
Business Travel - High Speed Rails (Note 4)	1,250,337 km	47.51	100%	SinoPac Holdings/Bank SinoPac/SinoPac Securities/SinoPac SITC/SinoPac Leasing/SinoPac Venture Capital

Note 1: Data coverage was calculated based on the number of employees; the number of employees referred to the number of regular employees in Taiwan excluding contract employees and overseas employees.

Note 2: In 2019, SinoPac Holdings started to weigh the total waste produced from the office buildings of SinoPac Holdings and its subsidiaries and calculate the carbon emissions from incineration of general industrial waste by multiplying general industrial waste produced from each office building by the emission coefficient for waste incineration released by the Environmental Protection Administration on the Carbon Footprint Calculation Platform. The emission coefficient for waste incineration was adopted from the carbon footprint database established by Miaoli Refuse Incineration Plant, which is currently up-to-date and discloses waste incinerated services of the same property.

Note 3: GHG emissions from overseas business travel per flight were calculated based on the Carbon Emissions Calculator developed by the International Civil Aviation Organization (ICAO). The coverage included SinoPac Holdings and its three major subsidiaries (Bank SinoPac, SinoPac Securities, and SinoPac SITC); SinoPac Leasing and SinoPac Venture Capital, whose employees accounted for 1.5% of SinoPac Holdings' employees, did not use the business travel system, so they were not included.

Note 4: GHG emissions from domestic business travel by high speed rail per trip = Travel data retrieved from the corporate member system of Taiwan High Speed Rail Corporation x Carbon footprint of passenger transport between stations provided by Taiwan High Speed Rail Corporation.

Energy Management

SinoPac Holdings introduced ISO50001:2018 Energy Management System in 2019 for the first time to manage energy efficiency. In the future, SinoPac Holdings will continuously implement ISO50001:2018 and set a medium-term goal of increasing the coverage of certification to 30% to monitor and measure the performance of energy conservation measures based on the key characteristics of operations.

In light of the national energy policy, SinoPac Holdings has set an annual goal of reducing electricity consumption by 1% since 2018. In 2019, total electricity consumption was reduced by 8.3%, far beyond the preset goal. In terms of per-capita energy consumption in 2019, per-capita fuel consumption and per-capita electricity consumption decreased by 9.4% and 9.2% respectively from 2018. In addition to a 9.2% reduction in the internal energy intensity, expenditures on the purchase of fuel and energy dropped from NT\$149 million in 2018 to NT\$137 million. This indicates that SinoPac Holdings improved financial capital while maintaining natural capital.

SinoPac Holdings completed five energy conservation and carbon reduction measures in 2019, including optimizing information technology rooms and air conditioning, controlling electricity and water consumption, holding an energy conservation contest, and organizing awareness training, reducing 1,681 MWh of electricity in total, equivalent to 895.67 metric tons of CO₂e. On the part of products and services, the Company continued to promote paperless services, including electronic credit card statements, online credit card applications, and online loan applications, reducing a total of 731.53 metric tons of CO₂e in 2019.

Total Energy Consumption and Per-capita Energy Consumption from 2016 to 2019

Item	Unit	2016	2017	2018	2019
Direct Energy Consumption (Gasoline + Diesel) (Note 1)	Liter	105,270	97,964	96,636	88,467
Indirect Energy Consumption (Electricity)	Megawatt hour (MWh)	43,085	39,423	39,765	36,465
	Gigajoule (GJ)	158,542	145,125	146,316	134,170
Total Energy Consumption	Megawatt hour (MWh)	44,075	40,345	40,676	37,299
	GJ/person	19.93	18.24	18.73	17.01
Energy Intensity	MWh/person	5.54	5.07	5.21	4.73
Data Coverage (Note 2)		100%	100%	100%	100%
External Verification Coverage		0%	5.72%	16.2%	40.3%
Scope Description		Data were estimated by SinoPac Holdings and Tier 1 subsidiaries.	Zhonglun Building adopted ISO 14064-1:2006 GHG Inventory and the external verification concluded 2,595 MWh; the remaining data were estimated by itself.	Zhonglun Building and Chengzhong Building adopted ISO 14064-1:2018 GHG Inventory and the external verification concluded 4,985 MWh; the remaining data were estimated by themselves.	Seven office buildings of SinoPac Holdings and its subsidiaries adopted ISO 14064-1:2018 GHG Inventory and the external verification concluded 16,532 MWh; the remaining data were estimated by themselves.

Note 1: According to the Environmental Protection Administration's Greenhouse Gas Emission Coefficient Table (Version 6.0.4), the heat values of automotive gasoline and diesel fuel were 7,800 Kcal/L and 8,400 Kcal/L respectively.

Note 2: The number of employees referred to the number of regular employees in Taiwan excluding contract employees and overseas employees.

Energy Conservation and Carbon Reduction Measures and Results

Business Premise	Energy Conservation Measure	Description	Annual Electricity Saved (MWh)	GHG Reduced (metric tons-CO ₂ e)
Songshan Building (Bank SinoPac)	Electricity consumption of IT room	The IT room was moved to the more energy-efficient Chunghua Telecom Banqiao Internet Data Center (IDC)	1,224 (Note 1)	652.16
Zhonglun Building (SinoPac Holdings)	Electricity consumption of air conditioning chillers	The temperature of chiller outlets was adjusted	20	10.66
Zhonglun Building (SinoPac Holdings)	Electricity consumption of air conditioning chillers	The pressure difference of the secondary chiller system was adjusted	22	11.73
Chengzhong Building (Bank SinoPac)	Electricity consumption of air conditioning chillers	The maintenance of the 150RT chillers	58	30.91
Head Office/Branch (SinoPac Securities)	Energy conservation contest	An energy conservation contest was conducted during the summer	357	190.21
Total			1,681	895.67

Note 1: The power usage effectiveness (PUE) of the IT room at Songshan Building was originally 2.5. After the IT room was moved to the Chunghua Telecom Banqiao IDC, PUE was reduced to 1.5. Given the same electricity consumption of IT equipment, electricity consumption of non-IT equipment load (air conditioning, lighting, etc.) could decrease by up to 40% to 1,224 MWh, saving electricity costs by NT\$4,514,957 based on the average price of NT\$3.69 per kWh.

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
	Electronic waste (computers/monitors/printers) (Note 2)	N/A
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 Jianbei 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

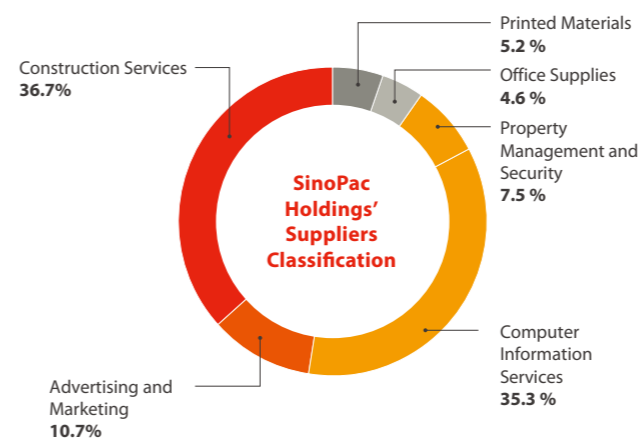
Water Resources Management Criteria	Unit	2016	2017	2018	2019
Total Water Consumption (Note 1)	tonne	215,028	216,792	218,574	220,464
Per-capita Water Consumption (Water Consumption Intensity) (Note 2)	tonne/person	27.03	27.25	27.99	27.94
Data Coverage	%	100	100	100	100

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.

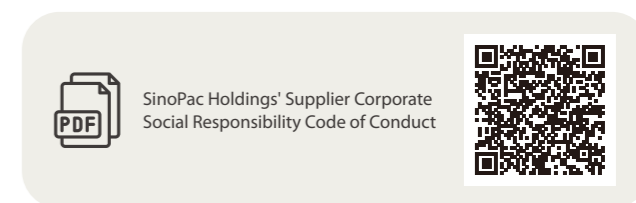
5.2 Sustainable Supply Chain Management

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.

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-

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

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 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.	Natural Capital <ul style="list-style-type: none"> In the six coastal cleanup activities, a total of 275 bags of garbage, waste, oversized 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. 	Adopt social return on investment (SROI) 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.	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.

* Overhead cost refers to the labor cost of philanthropic projects.




* 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: <ol style="list-style-type: none"> 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%. 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 Flow-ers 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: <ol style="list-style-type: none"> The event was organized in December with 538 participants who achieved over 100 million steps together. 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. 	<p>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%.</p>
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"> Number of philanthropic activities held and number of participants 	<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: <ol style="list-style-type: none"> 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. 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. 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. Support to street dance: Bank SinoPac has sponsored the "Taipei Bboy City" for 2 consecutive years. The number of participants reached about 300. 	<p>Organized the "SinoPac for Life - A Million Acts of Green" program:</p> <ul style="list-style-type: none"> Increased the number of participants: <ol style="list-style-type: none"> Over 20,000 participants Over 250,000 green actions Increase the number of activities: <ol style="list-style-type: none"> A total of 275 bags of garbage, waste, huge tires and fishing nets were cleaned from 6 beach cleanup activities. 9 internal and external environmental protection activities were organized. 	<p>The amount of donations to the "Light up Hope" charity activity increased to over NT\$3,030,000, up 127% from 2018.</p>

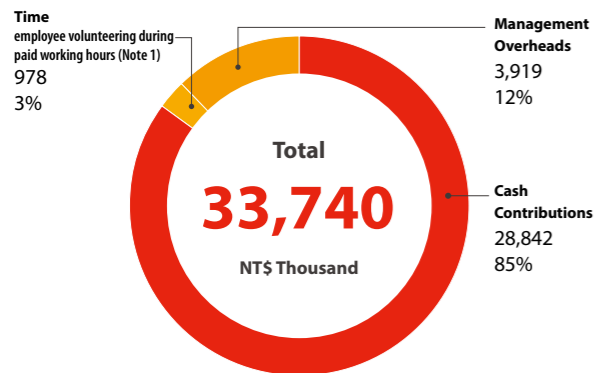
Summary of the Results in the 2019 Sustainable Development Plan

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. 	<p></p> <p>Completed</p>	<p>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."</p> <ul style="list-style-type: none"> 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. 	<p></p> <p>In progress</p>	<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

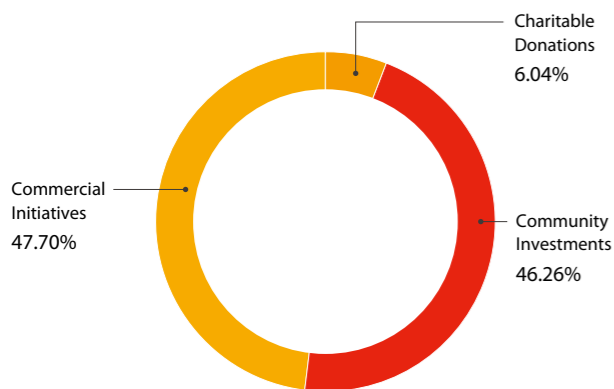
SinoPac Holdings contributed to society through different forms of engagements such as title sponsorships, co-organized activities, and corporate volunteer participation. In 2019, the total expenditure on philanthropic activities reached NT\$28,842 thousand, and total time volunteer devoted to philanthropic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

Philanthropic Contributions in 2019



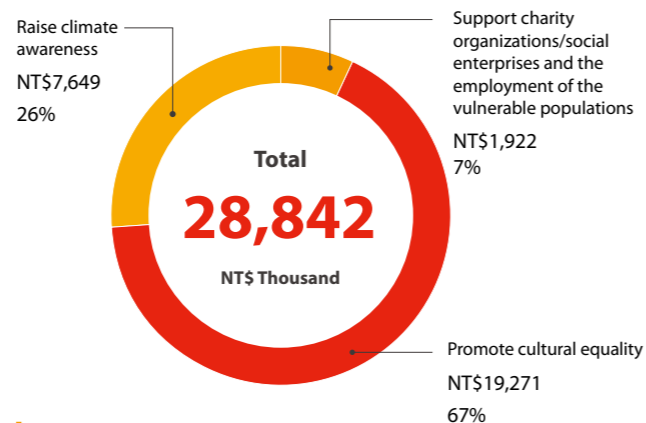
Note 1: The calculation is based on the average salary of employees and hours devoted in volunteering.

Contributions in Philanthropic Activities in 2019



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

Year	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 - "Shanzhilio", 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 Kōen 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

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 NTDS 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.

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

APPENDIX





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

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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
	Letters/emails/meetings	Irregularly	Risk Management and Internal Control System
 Suppliers	Website or tender briefing about the tender announcement	Irregularly	Sustainable Supply Chain Management Green Operations Climate Strategy
	Electronic bidding system	Irregularly	
	Price negotiation meeting	Irregularly	
	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	Range of Impact			Degree of Involvement	
					Suppliers	SinoPac Holdings and Subsidiaries	Customers	Direct 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		●		●	
Compliance and Money Laundering Prevention		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		●	●	●	●
Climate Strategy		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	●	●	●	●	●
Business Performance		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-FS6 Percentage of the Portfolio for Business Line by Specific Region, Size (eg Micro/SME/Large) and by Sector	1.1 Introduction of SinoPac Holdings		●		●	
Digital Financial Innovation		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		●		●	
Information Security		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		●	●		●
Risk Management and Internal Control System		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		●		●	
Customer Relations 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	Range of Impact			Degree of Involvement	
					Suppliers	SinoPac Holdings and Subsidiaries	Customers	Direct 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			●		●
Responsible Finance		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		●	●	●	●
Green Operations		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			●		●
Sustainable Supply Chain Management		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 Compensation and Welfare		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			●		●
Social Welfare and Local Caring		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			●	●	●
Human Rights and Diverse and Healthy Workplace		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			●		●
Financial Inclusion		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			●		●
Labor-Management Relations and Communications		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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Business Ethics	FN-CB-510a.1 Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	2.2.4 Material Violations and Improvement Measures	35
		2.2.4 Material Violations and Improvement Measures	35
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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.				
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.				
	C. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.			1.2.2 Three Sustainability Commitments and SDGs	14
				3.1.2 Responsible Investment 3.1.4 Sustainable Financial Products and Services 5.1.1 Environmental Policy	58 64 96
Risk Management	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		
	B. Describe the organization's processes for managing climate-related risks.				
	C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.				
Metrics and Targets	A. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	2.3.4 Management Policy and Response Strategies for Climate-Related Risks and Opportunities	41		
	B. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.				
	C. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.			5.1.2 Energy and Resource Management	97
				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	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.

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





Printed on eco-friendly paper with soy ink.