

E.SUN Bank Institutional Investor Stewardship Report 2019

- I. As a response to the world's emerging trend of sustainable banking and to exert positive influence as an institutional investor, E.SUN Bank has established its own "Stewardship Principles as An Institutional Investor," issued "Statement of Compliance with Stewardship Principles for Institutional Investors," and adopted the practice of publishing institutional investor stewardship reports on a yearly basis.

- II. Description of the stewardship policy and procedures:
 - (I) Investment analysis and decision-making:

E.SUN Bank is bound by its "Investment Policy," "Stewardship Principles as An Institutional Investor," and "Corporate Governance Code of Conduct" and parent company - E.SUN FHC's "Corporate Social Responsibilities Code of Conduct" to incorporate ESG assessment as part of its investment process. The Bank reviews corporate governance, environmental protection, and social responsibility efforts of its Stock Pool on a yearly basis, and takes into consideration domestic and foreign ESG indicators as well as ESG opportunities and risks that are relevant to the organization as reference for investment decision-making.

 - (II) Stewardship actions:
 1. Depending on the purpose and method of investment and level of influence over a particular business investment, E.SUN Bank may adopt appropriate stewardship actions, such as persistent monitoring, interaction with the management, participation in shareholder meeting, exercise of voting rights, exchange of ESG practices etc., to actively influence stewardship within each investee.

 2. Investees that exhibit any major ESG issue capable of compromising long-term operations and take no apparent action for improvement will be placed on the Undesirable List, in which case E.SUN Bank will either reduce existing holding positions or cease further investment into the investee.

(III) ESG in the investment process:

1. ESG assessment in the investment process:

Investment analysis	Potential investments are added into the Stock Pool
Investment decision-making	Investee's business, financial, and ESG indicators are taken into consideration
Review and interaction	<ol style="list-style-type: none">1. Important information concerning related parties and investees are reviewed on a daily basis.2. For investees in which E.SUN Bank has appointed director representatives and investees that undergo major change of operating strategy, the Bank would verify, interact, and discuss with investee's management about how to proceed with major decisions that may have adverse impacts on the governance, environmental, or social aspect.3. E.SUN Bank participates in shareholder meetings and exercises voting rights on a yearly basis.4. E.SUN Bank shares and exchanges ESG practices with investees on an unscheduled basis.
Examination and adjustment	<ol style="list-style-type: none">1. Investees are examined regularly (quarterly) to provide the basis for portfolio adjustment.2. E.SUN Bank conducts quarterly reviews to determine whether investees continue to meet stock selection standards and their initial purposes, during which major announcements and media coverage are taken into consideration. Investees that commit violation and pose environmental, social, or governance (ESG) risk will be placed on the Undesirable List, in which case E.SUN Bank will either reduce existing holding positions or cease further investment into the investee.

IV. Execution of stewardship:

(I) Persistent monitoring of investees:

1. The Bank pays constant attention to various aspects of investees' operations including news, financial performance, industry overview, operating strategies, environmental protection practices, social responsibilities, workers' rights, and corporate governance issues.

2. Prevention against conflict of interest:

To prevent conflict of interest E.SUN requires all employees to sign commitments to "E.Sun Employee Service Code of Conduct and Behavior Standards." E.SUN Bank also organizes annual training sessions and online exams as means to discourage employees from exploiting their job duties for conducts that are dishonest, illegal, or in breach of trust. For treasury personnel who were directly involved in investment activities, E.SUN Bank conducted 14 face-to-face training sessions in 2019 and had their performance examined regularly by internal auditors to ensure proper enforcement of the stewardship policy.

There had been no conflict of interest between the Bank and investees in 2019.

3. No investee was found to have committed major ESG violation in 2019.

4. Statement of Compliance with Stewardship Principles: The Bank had duly enforced the statement and principles throughout the reporting period without difficulty.

(II) Communication and interaction with investees:

1. E.SUN follows its Stewardship Principles as An Institutional Investor for all interactions and communications with investees. The Bank uses a variety of means such as telephone, face-to-face meeting, and participation in investor seminars, annual general meetings, and extraordinary shareholder meetings to address the abovementioned areas of concern and to gain updates on investees' business performance.

2. E.SUN shares information on the latest ESG trends and practices with investees through meetings, press release, email etc., and encourages investees to adopt practices that align with the world's sustainability trends and standards.

Methods of interaction and communication	No. of firms	Description
Telephone conference	73	More than 200 calls were made to the management, spokesperson, investor relations manager, and contact person of various firms.
Face-to-face meeting/participation in investor seminar (including webinar)	58	More than 150 visits were made to investor seminars and offices of various securities firms, companies, and stock exchange.
Voting in shareholder meetings (including electronic votes)	32	100% participation rate; 31% of which were attended in-person, and the rest were attended through electronic vote.
Other	E.SUN Bank held 20 conferences in the last 2 years to share practical ESG/CSR experiences with investees, industry leaders, and institutions. These conferences covered a broad number of topics including E.SUN's sustainability experience, sustainable banking, TCFD, and SASB experience.	

(III) Engagement with individual companies:

1. A local PCB manufacturer that the Bank had previously invested in encountered a number of environmental protection and work safety incidents back in 2018. After engaging the management in a series of discussions, the Bank decided to dispose all shares held and remove the investee from Stock Pool for failing to conform with E.SUN's ESG principles, despite the fact that the company had delivered the expected level of profitability and dividend yield. E.SUN Bank maintained its previous decision after conducting a review in 2019, and continued to place the company on the Undesirable List.
2. A domestic system engineering company previously focused on integrated construction projects in petrochemical, electricity, and oil storage fields recently ventured into wind power and energy-saving solutions, and won a number of ESG recognitions local and abroad. Through interaction and sharing of ESG experiences with the management, the Bank added the company into its Stock Pool in 2019 for having adopted a growth strategy

that conforms with the Bank's investment principles, and followed up with a decision to purchase and hold the company's shares as long-term investment.

(IV) ESG performance overview of the investment portfolio in 2019:

1. Investment in compositions of Dow Jones Sustainability Index (DJSI):

Represented 25% of total investee count, and 39.47% of total investment position.

2. Corporate Governance Evaluation System of Taiwan Stock Exchange Corporation (TWSE):

Companies ranking top 20% in TWSE's Corporate Governance Evaluation accounted for 93.5% of E.SUN's investment portfolio.

- Investment in companies ranking top 5%: Represented 40% of total investee count, and 36.53% of total investment position.
- Investment in companies ranking 6%-20%: Represented 45% of total investee count, and 57.02% of total investment position.
- Investment in companies ranking 21%-35%: Represented 15% of total investee count, and 6.45% of total investment position.

V. Voting in investees' shareholder meetings in 2019:

(I) The Bank actively votes on motions discussed in shareholder meetings, and primarily uses electronic voting if the investee allows it.

1. The Bank has a professional investment team in place to analyze and trade investments. The team votes directly in shareholder meetings, and does not engage any proxy to perform research or voting.
2. Principles on voting in support of motions: The Bank carefully evaluates each motion before exercising voting rights, and generally supports motions proposed by the respective investees.
3. Principles on voting against motions and abstention: The Bank would contact investee's management or investor relations manager to clarify motions that involve a major change of operating strategy or pose

concern for significant ESG risk. As a general rule, the Company does not support (and may vote against or abstain) motions of the above nature as part of its shareholder empowerment initiative. The Bank may also vote against motions or abstain in circumstances such as:

- i. Misstatement of financial report or failure to have financial statements audited on time
 - ii. Violation of disclosure requirements for material financial information
- (II) None of the motions raised by investees in 2019 posed any major violation against corporate governance or had any adverse environmental or social impact.
- (III) The Bank voted on 182 motions raised by 32 investees in total in 2019. It physically attended 10 of the shareholder meetings, and voted through electronic means for the other 22 companies, representing a 100% vote rate.