

# **CDIB Capital Group**

## **Policy for Responsible Investment**

Competent Authority: Business Development Department

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Article 1 To implement the *Principles for Responsible Investment* (PRI) and *Sustainable Development Goals* to address Environment, Society and Governance (ESG) issues, CDIB Capital Group (hereinafter referred to as “the Company”) has formulated the *Policy for Responsible Investment* (hereinafter referred to as the “Policy”) in accordance with the *TWSE Stewardship Principles for Institutional Investors*.

Article 2 On-balance sheet investment made by the Company and its subsidiaries (hereinafter collectively referred to as “the Group”) shall be governed by the Policy.

The Company shall urge the private equity (PE) funds managed by the Group to formulate corresponding internal regulations or comply with the Policy.

Article 3 The Company has organized the Responsible Investment Working Group with President and SEVP of the Company serving as Convener and Deputy Convener of the working group, respectively. Members of the group include heads of Business Development Department, PE Department, VC Department and the PE funds managed by the Group, or the employees designated by the aforementioned officers.

Staff of the working group comes from Business Development Department.

The working group calls meetings as necessary, once every year at least. The meetings shall be chaired by the Convener, Deputy Convener when the Convener does not attend it, a designated member, or a member elected among the members when neither the Convener nor Deputy Convener attends it.

Responsibilities of the working group are to:

1. Monitor the trends in responsible investment, investment stewardship and ESG issues.

2. Review the ESG factors for exclusionary screening, the Policy and relevant internal regulations.
3. Oversee the implementation of the Policy and integration of ESG criteria by the Group and its PE funds.
4. Perform other duties regarding the PRI, Stewardship Principles for Institutional Investors and ESG.

Article 4      The Group shall take sustainability into consideration and execute stewardship, when sourcing, evaluating and underwriting deals, and implementing portfolio management, to create value and facilitate sound development of the Group and the portfolio companies. Specific measures include:

1. Investment teams shall fill out the ESG checklist for every deal entering their pipeline to screen potential targets, conducting ESG due diligence on those with an environmental, social or governance dispute.
2. Investment targets that meet one of the following criteria shall be excluded.
  - (1) Environmental: Coal mining industry;
  - (2) Social: Industries and sectors where there is substantial evidence that pornography, drugs, money laundering, terrorism financing, servitude, child labor or violation of human rights is involved;
  - (3) Governance: Companies where there is substantial evidence that the board violates laws, the corporate charter or a shareholder resolution, or acts in a way that significantly impairs the rights of shareholders or investors.
3. Should a potential target operate fossil fuel power stations or cement plants and have received a regulatory penalty for environmental pollution over the past 12 months, investment teams shall indicate in the ESG checklist whether improvement work has been made or planned.
4. Investment teams shall incorporate ESG criteria into portfolio management to help portfolio companies identify potential ESG opportunities to manage sustainability issues and create value for future.

Article 5 A sub-policy governing conflicts of interest arising from the Group's operations of both on-balance sheet investment and asset management is formulated as below.

1. Types of conflicts of interest:
  - (1) Conflicts of interest in employee conduct;
  - (2) Conflicts of interest between principal investment teams and PE funds, and between the PE funds; and
  - (3) Conflicts of interest in related party transactions.
2. Management of conflicts of interest:

To prevent conflicts of interest, the Group has established such mechanisms as information security, firewall, division of responsibilities, monitoring and a fair compensation plan, which are implemented in accordance with the internal regulations including *Employee Code of Conduct*, *Regulations for Avoiding Conflicts of Interest in PE Funds*, *Principles for Related Party Transactions*, and with the formation documents (JV, LPA or fiduciary agreements) or internal regulations of the PE funds managed by the Group along with related internal training.

Article 6 A sub-policy governing voting procedures is formulated as below for the long-term benefits of the Group and the portfolio companies.

1. Active attendance and comments on the proposals at shareholder meetings of the companies;
2. Cautious exercise of voting right with deliberation over the information obtained from the companies and consideration of the impact of the proposals on the Group or investors' rights, as well as communication with their senior management for further elucidation as necessary;
3. In-principle approval for the proposals presented by senior management of the companies to respect their operational expertise and facilitate their effective development, and in-principle disapproval for the proposals that impede their sustainable development or violate ESG standards;
4. A record of attendance and votes at shareholder meetings of the portfolio companies; and
5. Additionally, the Group shall abide by the internal *Procedures for Direct Investment* when it sends

representatives to shareholder meetings of the portfolio companies.

Article 7 A sub-policy governing engagement with the portfolio companies is formulated as below so as to obtain their adequate and effective information.

1. The Group shall interact with the portfolio companies via the following channel to identify the risk facing them and their sustainable development strategy, so as to increase the influence of the Group and determine the investment strategy thereafter.
  - (1) Written or verbal communication with their senior management
  - (2) Public statement on specific issues
  - (3) Proposals, comments or voting at their shareholder meetings; and
  - (4) Other mechanisms conducive to healthy dialogues with them.
2. Investment teams shall ask senior management of the portfolio companies for the cause, development and handling of incidents, if any, where they breaches laws, undermines ESG principles or damages the Group's investment value.

Article 8 The Company shall prepare a stewardship report to be announced on the website upon board approval on an annual basis. The report shall contain the following elements:

1. Stewardship organization and framework of the Company;
2. Implementation of stewardship with internal resources;
3. Management of conflicts of interest;
4. Declaration of compliance with the stewardship code and the reason for noncompliance, if any;
5. Key data and information of issues obtained from the interaction and engagement with the portfolio companies, such as the type, cause and scope of the issues, how the interaction and engagement affect the portfolio companies in a positive way, expected follow-up and collaboration with other institutional investors, etc.;
6. The attendance and voting record at shareholder meetings

- of the portfolio companies along a record of disapproval for any proposals made at the meetings; and
7. Contact information provided for such stakeholders as the Group's investors, portfolio companies and other institutional investors.

Article 9 The Company shall announce the *PRI, Stewardship Principles for Institutional Investors* and ESG principles on its website and carry out periodic ESG training for employees responsible for implementing the Policy.

Article 10 Relevant laws and internal regulations apply where the Policy does not suffice.

Article 11 The Policy and future amendments come into effect upon announcement upon approval by the board of directors.