

# **KGI Securities Co., Ltd.**

## **Policy for Responsible Investment**

Competent Unit: Corporate  
Strategy and Planning  
Department, Risk Management  
Department, Proprietary Trading  
Department, Fixed Income  
Department, Investment Banking  
Department, Equity Derivative  
Department  
Initial Date: May 24, 2021  
Issue Date: March 29, 2023

- Article 1 To implement the Principles for Responsible Investment (hereinafter as "PRI") and Sustainable Development Goals, and to facilitate the balance between Environment (hereinafter referred to as "E"), Society (hereinafter referred to as "S") and Governance (hereinafter referred to as "G") (collectively as "ESG"), KGI Securities Co., Ltd. (hereinafter referred to as "the Company") has formulated a Policy for Responsible Investment (hereinafter referred to as "the Policy"), which outlines measures for mitigating and adapting to climate risk in accordance with the TWSE Stewardship Principles for Institutional Investors.
- Article 2 Each business department should handle the stock and bond positions held by the company in accordance with this policy.
- Article 3 At the stages of evaluating the investment objectives, investment decisions and managing portfolios, the Company engages in proprietary trading investments in securities such as stocks and bonds shall consider ESG issues and other sustainability related factors, and execute stewardship to create value and facilitate sound development of the Company and the portfolio companies.
- I. While evaluating potential investment objectives, it's imperative on the part of the investment teams to consider ESG issues, and exclude businesses having significant environmental, social or governance disputes as mentioned below:
- (I) Environmental aspect: Rain forest logging, tobacco industry, polychlorinated biphenyl, nuclear weapons, and other negative items approved by the company.
  - (II) Social aspect: Industries and sectors where there is substantial evidence that pornography, drugs, money laundering, terrorism financing, servitude, child labor or violation of human rights are involved;
  - (III) Governance aspect: 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.

- II. Investment teams will continuously monitor, analyze, and evaluate relevant information on investment objectives. If an investment objective has interests in the criteria for exclusion during the investment period, the investment teams have to quickly review and evaluate if improvements have been made or planned and mention in the evaluation report whether to alter investment strategies or lower investment quota of the Company.
- III. Should an investment object have interests in cement plants and have received a penalty for environmental pollution from competent authorities of environmental protection in the past 12 months, investment teams shall review whether improvement has been made or will be planned.

Article 4 A policy governing voting is formulated as below for the long-term benefits of the Company and the portfolio companies:

- I. Active attendance in the shareholders' meetings of the portfolio companies and comment on the proposals.
- II. Before attending the shareholders' meetings of the portfolio companies, the proposals of the portfolio companies shall be carefully evaluated. As a token of respect for the professional management of the portfolio companies and promote effective developments, the proposals proposed by the senior management of the portfolio companies are approved in principle. However, this does not imply the absolute support to the proposals made by the senior management. If proposals have a negative impact on the portfolio companies' sustainable developments or ESG principles, such proposals will be disapproved in principle. If required, further understanding and communication will be sought from the senior management before the shareholders' meetings.
- III. The voting rights on shares will be exercised in written or electronic form. The directions for exercising voting rights for each proposal shall be clearly stated on the appointment letter, except when rights are exercised through electronic means. The aforementioned appointment letter and electronic voting record shall be retained for future reference.
- IV. For persons at the shareholders' meetings of the portfolio companies and have not adopted electronic voting or holds less than 300,000 shares, the Company may or may not appoint a representative to attend the shareholders' meetings and will not be subject to Paragraph 2, Article 20 of the Regulations Governing Securities Firms. When the Company attends a shareholders' meeting, except in the event

that electronic voting is adopted, a natural person shall be appointed from the Company's internal personnel (not including spouses or underage children) to exercise the voting right.

Article 5 The following conflicts of interest management policy has been formulated to prevent the occurrence of conflicts of interest during the execution of business related to the rights and interests of the shareholders:

- I. Types of conflicts of interest:
  - (I) Conflicts of interest in employee conduct;
  - (II) Conflicts of interest in related party transactions.
- II. Management of conflicts of interest: The Company implements firewalls for various businesses and establishes a stakeholders' list. The Company also defines the prohibited actions for business-related personnel and conducts related training and promotion. When carrying out their duties, employees shall comply with the internal regulations and control systems, and to prevent the occurrence of conflicts of interest through levels of authorization, information controls, and supervision controls.

Article 6 The following policy governing engagement is formulated for the purpose of obtaining adequate and useful information of the portfolio companies:

- I. The Company shall have a dialogue and interact with the portfolio companies via the following channels to identify the risk facing them and their sustainable development strategy, so as to increase and exert the Company's influence and determine the investment strategy thereafter:
  - (I) Written or verbal communication with their senior management
  - (II) Public statement on specific issues
  - (III) Proposals, comments or voting at the shareholders' meeting of the portfolio companies
  - (IV) Other mechanisms to facilitate the dialogue and interaction with the portfolio companies

Records of the aforementioned dialogue and interaction methods with portfolio companies shall be retained for future reference, including but not limited to the statistics or records related to the number of times the Company has participated in legal person briefings and shareholders' meetings or visited the companies.

- II. When of the doubt that there might be cases of breach of laws, undermining of ESG principles or damaging the investment value of the Company on the part of the portfolio companies, measures should be taken to actively and thoroughly

understand the matter and how it is handled.

- Article 7 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:
- I. Implementation of stewardship with internal resources;
  - II. Management of conflicts of interest;
  - III. Declaration of compliance with the stewardship principles and the reason for noncompliance, if any;
  - IV. The summary data and the execution on the engagement and interaction with the portfolio companies, such the summary on 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.;
  - V. The record of attendance and the exercise of voting rights at shareholders' meetings of the portfolio companies along with a description of disapproval for or the reason for abstention vote with respect to certain proposals and the type of such proposals.
  - VI. Provide channels to contact the Company.
- Article 8 The Company shall announce the PRI, Stewardship Principles for Institutional Investors and related information on its website and carry out periodic training for employees responsible for implementing the Policy.
- Article 9 The company must assess carbon footprint and climate change scenarios for its investment and financing positions, excluding short-term trading and fund management positions. This applies to stocks and bonds, unless otherwise specified by external regulations.
- Article 10 The company engages in the trading of domestic equities (excluding ETFs, ETNs, and warrants) and as a futures dealer, engages in non-market-making and hedging transactions of domestic stocks. The following regulations must be followed:
- I. For ESG risk indicators and assessment methods related to investment targets and investment reviews, the company should follow the relevant regulations such as the "Procedure for Trading Securities and Derivatives" of the company.
  - II. At least once every six months, report the implementation of ESG-related investments to the Sustainability Committee and compile and report to the Board of Directors by the Sustainability Committee.
  - III. If any significant abnormalities or special situations related to ESG are found in the investment targets held, and the estimated potential loss to the overall investment position exceeds NT\$30 million or more, immediately explain the ESG significant

abnormal situation and corresponding measures, and after approval by the highest supervisor of the business unit, report to the CEO for approval and submit to the Board of Directors. The Sustainability Committee shall regularly compile and report to the Board of Directors on the handling of the corresponding measures.

Article 11 Relevant laws and internal regulations apply where the Policy does not suffice.

Article 12 Policy and future amendments come into effect on announcement of approval by the Board of Directors.