

## O-Bank's Sustainable Credit and Investment Current Status

### 1. Credit policy and current status

#### (1) The Principle of Sustainable Credit Policy

##### (a). Basic Principle :

The main function of the credit business is, on the one hand, to cooperate with policies to develop the economy, prosper the business and serve the public. On the other hand, it is also to maintain the normal profit of bank and ensure the rights of depositors. Therefore, O-Bank's credit granting follows the five basic credit granting principles including public welfare, security, liquidity, profitability and growth, in order to achieve the dual goals of serving the society and ensuring the good quality of credit assets.

##### (b). Follow the spirit of "Equator Principles" to implement the goal of sustainable risk management :

In response to the increasingly serious global climate change, environmental degradation and other issues, O-Bank's sustainable credit policy not only follows the above mentioned five basic principles of credit granting, but also abides by the spirit of "Equator Principles". Thus, the issues of environmental protection, climate change, and corporate social responsibility are included in the assessment criteria of credit granting to implement the goal of sustainable risk management.

##### (c). ESG principle to assess credit granting and identify climate change risk factors to achieve the goal of sustainable business :

In order to comply with the international development trends of ESG (environmental, social, and governance) and fulfill corporate social responsibility, O-Bank's credit assessment also follow ESG principles, consider environmental and social risks, and establish risk assessment standards for those high-polluting, high-risk, sensitive enterprises and industries that have an adverse impact on the sustainable development of the environment and society. We avoid undertaking loans to those enterprises and industries. In addition, environmental damage has led to climate change and

extreme weather, which has become a global concern and caused banking industry confronting with risk problems, such as real financial risks (Physical) and transitional low-carbon economy. Therefore, O-Bank is attended to identify and evaluate the risks and opportunities arising from climate change, and implement corresponding measures and strategies to reduce the credit risk and grasp new business opportunities to achieve the goal of sustainable business.

(d). Fulfill corporate social responsibility :

In order to avert financial institutions transferring credit risks to the general public, affecting the corporate image of integrity management, and strengthening the corporate social responsibility, O-bank's credit review process requires that the credit report should disclose whether it violates interested parties, and draw up some new regulations including: (i) Disclosure and confirmation of the Securities and Exchange Act or other bank-related regulations; (ii) Incorporate the Equator Principles into the evaluation criteria; (iii) For customers with high-risk of KYC, the credit limit authorization needs to be raised to the higher level, in order to enable the credit officers and the decision supervisor can abide by regulations and fulfill corporate social responsibility; (iv) Consider to take into account the improving factor of climate change with the risk pricing.

(2) Internal regulations

(a). According to O-Bank's "Credit Policy" and "Regulation for the Control of the Total Credit Line of the Same Legal Person and the Same Group", it is necessary to include factors such as environmental protection, corporate integrity management, risk management, social responsibility, and climate change, etc., into the corporate rating assessment.

(b). When handling credit business and post-loan management, various query tools should be actively used to examine customer attributes. If it is a high-risk industry (such as arms, gaming, etc.), it should be avoided. If it is a sensitive industry that has an adverse impact on the sustainable development of the environment and society (such as food safety concerns, hazardous radioactive

materials, etc.), it will be controlled by a more stringent review process. After the adverse impact is assessed and fully disclosed, its corporate credit rating may be downgraded, increased collaterals, required improvements within a limited time period, and continue to track and evaluate subsequent impacts.

- (c). Establishing an ESG checklist to check if the company is involved in public security incidents, integrity management, labor disputes and how to improve it. The verification items that contribute to climate change will be included in the checklist by the end of 2020.

### (3) Current Status

#### (a). Corporate Business :

When handling corporate credit and post-loan management, O-Bank assesses the environmental and social impact risks on a case-by-case basis, and evaluates them in the management indicators of the corporate credit rating. The number of assessments in 2020 was 1,812 cases. Among them, for customers with high risk attributes of ESG, it is possible to downgrade corporate credit ratings, increase collaterals, require improvement within a time limit, and continue to track and evaluate subsequent impacts.

#### (b). Retail Business :

In 2019, a total of 510 cases were subject to enhanced review, 118 of which were not accepted due to high-risk occupations. In 2020, a total of 1,137 cases were subject to enhanced review, of which 232 were not accepted due to high-risk occupations, such as involved gaming or illegal fund-raising companies, etc.

## **2. Investment policy and current status**

### (1) The Bank's Investment Strategies and Internal Regulations

In accordance with our Bank's Investment Principles, our Bank aims to embrace our enterprise spirit –“Fulfilling Oneself by Benefiting Others”, by introducing the concept of Sustainable Investment (the Concept). The Concept will integrate/incorporate environmental (E), social(S) and corporate governance (G) -

ESG criteria into the Bank's investment evaluation. The Concept not only pursuing our business growth and creating economic values, it also creates social value and brings positive influence to the society continuously.

In order to reduce the environmental or social risks caused by the targeted investments, our considerations will not only focused on targeted enterprises' environmental and social responsibility performance, we will refuse to deal with sanctioned countries and highly-risk industries including porn industries and controversial weapon trading companies.

## (2) Current Status

(a). We are currently holding TWD 10.537 billion bonds which are complied with Bloomberg ESG standards and Green Bonds which have recorded a 264% growth rate from 2019's TWD 231 million to 2020 TWD 841 million.

(b). TWD 2.811 billion of our Equity Investment complies with Yuanta FTSE4Good TIP Taiwan ESG ETF, with a growth rate 897% from 2019's TWD 282 million.

In future, in order to implement the spirit of "Responsible Investment", the Bank will continuously monitor issues related to ESG. Under the premise of investment return and risk diversification, the bank would proactively invest and support EGS related investment with good prospect.