4.4 Responsible Investment Actions

Achieving The Principles for Responsible Investment

In response to the UN's Principles for Responsible Investment, the company has continued to strengthen relevant responsible investment mechanisms from the three perspectives of policy, product, and individual investments, in order to maintain long-term and stable investment performance.

An overview of our three-pronged approach, including progress achieved as of 2018, is presented below.

Policies	Prevailing ESG Principles for Industry Types and Product Types	

Fubon Financial Holdings		
Subsidiaries	Finished formulating or amending overseas and domestic investment policies and guidelines to take into account whether companies targeted for an investment meet environmental, social, and governance (ESG) criteria.	

	ES	G Action Plan	Description	ESG Action Coverage (as % of AUM)
			Indicators encompass environmental, social, and corporate governance criteria. An assessment is conducted prior to investment and revealed in the investment analysis report.	
Pre- nvestment nspection			 Includes a list of high-risk countries and companies; the list is cross-checked prior to investment; investments may not be made in entities that have been added to the Blacklist, or may only be added through exception management. Countries that violate human rights, fund terrorism, or have serious AML issues are placed on the ESG Blacklist. 	100% coverage of newly added investment positions. st.
	Establish Domestic Equity Positions Through Pool of ESG Investment Assets		All stocks included in the pool of investment assets are verified to comply with relevant ESG rules; investment may not be made in any entities that are not included in the pool of investment assets.	_
		Company Investments in Foreign Bonds	Post-investment inspection	 100% coverage of existing investment positions.
ost-	ESG	Company Investments in Foreign Bond Funds and ETFs	An examination is conducted each year to verify that the bond issuers and constituents are signatories of the United Nations Principles of Responsible Investment.	
nvestment respection		Company Investments in Domestic Bonds	Examination criteria encompass environmental, social, and governance, and undergo annual review.	
		Company Investments in	The status of ESG principle implementation by issuers and constituents is verified on an annual basis.	-
upervision of	Foreign Disc	of ESG Implementation Status for cretionary Investment Institutions	Discretionary investment institutions are verified to be signatories to the United Nations Principles of Responsible Investment (PRI), or are required provide a summary of their efforts to implement ESG criteria.	100% coverage of newly
outsourcing	Blacklist		Domestic outsourcing institutions must follow the negative company list.	added investment positions
ssistance	Identify hig	y high-risk countries and companies h external resources or ESG information	 High-risk country/company screening processes based on external information are developed for Fubon Life's foreign fixed income. 	100% coverage of newly added investment positions
External Resources	from rating agencies		The investment trust management team conducts quarterly review and discussion of all foreign bonds held by all funds, in accordance with external resources and data.	100% coverage of existing investment positions.

Individual Investment Targets Conduct Assessments According to Applicable ESG Action Plans

Investments in all individual investment targets are assessed according to their particular industry, product type, and applicable ESG action plans in order to fulfill the Principles for Responsible Investment.

Investment targets, which meet the criteria of themed investments, are continuously sought out and invested in, thereby increasing the proportion of our responsible investments.

100% of Fubon Life's investments in domestic/foreign bonds and equity are compliant with relevant ESG mechanisms, amounting to a total of NT\$3.0302 trillion; Furthermore, 100% of domestic/foreign bonds and equity investments have been conducted according to the ESG negative exclusion mechanism. The investment balance is NT\$2.8431 trillion, of which NT\$2.0567 trillion are invested based on human rights-related negative exclusion mechanisms.

Following the principle of responsible investment, Fubon Life, Fubon Insurance and Fubon Financial Holding Venture Capital implemented ESG action plans on various types of assets (products) by formulating or revising policies, regulations, or standard operating procedure (SOP). Regarding real estate investment, in order to deepen sustainable operations, Fubon Life stipulated in the "Regulations Regarding the Management of Hiring Professional Consultants for New Construction Projects and Construction Contract Procurement" that real estate development cases should include green architectural designs in the contract, and companies with good corporate social responsibility performance should be prioritized when hiring professional consultants for new projects or when outsourcing projects.

In addition, in accordance with Fubon Financial Holdings' Responsible Investment Management Principles, Taipei Fubon Bank has included securities investment and trading business into the scope of sustainability risk assessment since November 2017. Based on regulations and banking practices, securities investments and transactions handled by Taipei Fubon Bank are limited to fixed-income securities and equity securities that meet internal requirements. Relevant business divisions submitting applications for securities investment and trading, and those conducting regular securities inspections in accordance with regulations, must fill out the "Sustainability Risk Assessment Checklist (Securities Investment & Trading)" (100% inspection coverage in 2018). This form evaluates whether the investing or trading entity's main business activities seriously harm the environment or adversely affect sustainable development (such as: gambling not for public interests; arms trafficking; tobacco; radioactive substances; tropical rain forest logging; unbonded asbestos fibers; polychlorinated biphenyls; and driftnet fishing; and any activity involving the illegal employment of child labor). If the entity is found to have violated environmental regulations or to have caused significant harm to public safety resulting in a major adverse impact on sustainable development, the entity shall be subject to investment restrictions.

Fubon Asset Management has gradually incorporated ESG into its relevant investment processes. Before investing in individual stocks, aspects like its industry profile, company operation prospects, expected profits, financial situation, and ESG must first be analyzed. On the other hand, a "blacklist" was formulated based on financial numbers, director/supervisor shareholdings, and ESG indicators. The Company must not invest in stocks listed on the" blacklist". If an individual stock was added to the blacklist after investment, the Company must clear out its shares within a time limit.

Owned Assets	s class	Action Plan for PRI Management	
Listed Equity	\checkmark	 Specify concrete ESG evaluation execution 	
Fixed Income	\checkmark	methods in the regulation, guidelines, or standard operating procedures of different	
Private Equity	(Private Equity Fund)	asset types according to the attributes of investment commodities and the feasibility of practical operation.	
Infrastructure	(Infrastructure Fund)	 It is required for Taipei Fubon Bank to conduct an ESG assessment related to the target company according to the items 	
Derivatives & Alternatives	(Includes alternative investments, such as: hedge funds)	listed in the "Sustainability Risk Assessment Checklist (Securities Investment & Trading)" prior to submitting an application of investing in and trading the listed equity an fixed income securities for approval.	
Property	(Investment property)	Include green architectural designs into the contract, and prioritize companies that has good CSR performance when hiring professional consultants for new projects or when outsourcing projects.	