KGI Financial Holding Corporation

(Former Name: China Development Financial Holding Corporation)

Sustainable Finance Commitment

Introduction

As a leading financial group in Asia, KGI Financial Holdings understands that our capital, products, and services pose a material influence on driving the international community and the global economy towards sustainable development. We put forward the "Sustainable Finance Commitment of KGI Financial (hereinafter referred to as the Commitment)" as the Group's principle of practicing sustainable finance.

0.1 Scope of Application

0.1.1 The "Sustainable Finance Commitment of KGI Financial" applies to all business, and investment and financing of the financial holding and its primary subsidiaries (KGI Life Insurance, KGI Bank, KGI Securities, KGI SITE, and CDIB Capital, hereinafter collectively referred to as the Group together with KGI Financial). The investment and financing activities cover proprietary positions in active investment, passive investment, and third-party managed investment, as well as credit business. The asset classes covered by investment and financing activities include listed equity, fixed income security, private equity, real estate investment, and financing.

0.1.2 Based on the Commitment, each subsidiary of KGI Financial has individually formulated sustainable financial policy specifications and ESG integration and management rules applicable to different businesses and asset classes.

Chapter 1: Sustainable Financial Vision and Strategy

1.1 Sustainable Financial Vision

1.1.1 The core value of KGI Financial is to provide sustainable financial solutions for customers, employees, shareholders, and the society with the Group’ s five business engines of life insurance, commercial banking, securities, investment trust, and venture capital/private equity. We are dedicated to creating long-term, steady revenues, ensuring the best returns for investors, creating positive and sustainable influence through funding and financial services, and becoming a leading financial conglomerate in Asia.

1.1.2 We comply with the relevant norms and frameworks of sustainable finance at home and abroad, adopt the best practices in the financial industry, and integrate environmental, social, and governance (ESG) issues into the Group's various businesses comprehensively. The sustainable financial standards and initiatives that we publicly declare and follow voluntarily include:

- UN Principles for Responsible Investment (PRI)
- UN Principles for Sustainable Insurance (PSI)
- UN Principles of Responsible Banking (PRB)
- UN - Convened Net Zero Banking Alliance
- UN - Convened Net Zero Asset Owner Alliance
- Stewardship Principles for Institutional Investors in Taiwan

1.2 Sustainable Financial Strategy and Objective

1.2.1 To implement the Group's sustainable vision, we promise to promote the sustainable development of the environment and society in all aspects of our investment and financing, products, and services through four dimensions of "ESG integration," "industry management principles," "stewardship," and "exerting sustainable financial influence.”

1.2.2 We made a public commitment to achieve net-zero carbon emissions for our total portfolio by 2045. To accomplish the net-zero carbon emission target of the total portfolio by 2045, we plan the "2045 Net Zero Carbon Emission Blueprint," covering the following four specific strategies, and actively push forward the low-carbon transformation of investment and financing positions:

- Business decision: Plan to include climate risk factors in the negative exclusion list and establish a climate risk and opportunity evaluation/due diligence mechanism for portfolio companies and clients.
- Portfolio engagement: Enhance the transparency of climate and carbon-related information of the portfolio companies and client, and assist the portfolio companies and client in establishing climate governance and risk management mechanism.
- Product development: Set up product standards for climate adaptation and low-carbon transition and launch financial products/services for climate adaptation and low-carbon

transition.

- Capacity building and incentive mechanism: Carry out internal consensus communication and capacity building, and form relevant performance incentive mechanisms.

Chapter 2: ESG Integration

2.1 ESG Integration Policy

2.1.1 We are committed to incorporating ESG issues into essential considerations for the undertaking, evaluation, and management of each business. These considerations include:

- Environmental consideration: The principle is to avoid the portfolio companies of high pollution and high carbon emission industries and to pay attention to environmental issues such as energy consumption and greenhouse gas (GHG) emissions.
- Social consideration: The principle is to avoid undertaking products and services that are the subject of controversial industries or have a negative impact on social well-being and to pay attention to social issues such as target supply chain management, labor rights, labor relations, etc.
- Economic and corporate governance consideration: The principle is to avoid undertaking businesses where there is concrete evidence that the Board of Directors conducts business in violation of laws and regulations, articles of association, and resolutions of the shareholders' meeting, which have a material influence on the rights and interests of shareholders or investors, and to pay attention to corporate governance issues such as corporate governance performance, reputation, and compliance.

2.1.2 On this basis, the subsidiaries of KGI Financial have set specifications and implemented ESG integration management procedures for each asset class and business.

Chapter 3: Industry Management Principles

3.1 Controversial and Highly Sensitive Industries

3.1.1 Benchmarking international sustainable development trends and best practices, we will cease to undertake new projects for highly controversial industries/activities and terminate the cooperative relationship within a time frame for cases already undertaken. These industries/activities include:

- Environmental and health consideration: rainforest logging, tobacco, PCBs.
- Economic and social consideration: illegal gambling, pornography, drugs, nuclear weapons, money laundering, terrorist financing, labor slaving, child labor, or human rights violations.

3.1.2 For industries/activities with high climate related sensitivity, we pledge to conduct careful evaluations before undertaking each business and follow up on the management of climate related issues after undertaking. These industries/activities include:

- energy
- mining
- forestry
- transportation
- agriculture
- livestock farming

3.2 High Carbon Emissions Industries / High Climate Risk Industries

3.2.1 We acknowledge the Paris Agreement's goal of keeping the global average temperature rise below 1.5 degrees Celsius and the international consensus to achieve global net-zero greenhouse gas emissions by 2050.

3.2.2 Given the above international consensus and Taiwan's energy transformation timeline, we commit to establish a positive decarbonization principle and gradually reduce investment and financing in thermal coal related industries, unconventional oil and gas related industries, and other high carbon emissions industries. In the light of the development of the international decarbonization trend and the progress of domestic energy transformation, we will review and revise the relevant thresholds and schedules on a rolling basis as appropriate.

3.2.3 Regarding the above three types of industries, our definitions are as follows:

- Thermal coal related industries: targets involved with coal mining, coal-fired power generation, and coal mining-related infrastructure.
- Unconventional oil and gas related industries: targets involved with tar sands, shale oil and gas, arctic oil and gas, liquified natural gas(LNG) from unconventional fossil fuels extracted from the aforementioned sources, or ultra-deep-water(UDW) oil & gas , including the overall life cycle of exploitation, sales, and related infrastructure. We will regularly review and revise this definition according to international trends and changes

in mining technology.

- Other high carbon emission industries: The management list of high-carbon emission industries is regularly reviewed and evaluated with reference to statistical research reports such as the high climate risk industries and carbon intensity methodology defined by Task Force on Climate Related Financial Disclosures (TCFD), Partnership for Carbon Accounting Financials (PCAF) industry carbon emission coefficients, domestic and foreign initiatives, requirements from competent authorities, and policy guidelines.

3.3 **Decarbonization Strategy**

3.3.1 As to thermal coal related industries and unconventional oil and gas related industries, we are committed to withdrawing from businesses involving related industries by the end of 2040, including project investment and financing, credit lines and loans, fixed income, underwriting business, and all active, passive, and third-party managed investments activities. Our phased commitments are:

- By 2025, cease [Note 1] direct project investment and financing of not only thermal coal as well as unconventional oil/gas projects (including new projects or expansion of existing projects) but also projects from companies which are still expanding related businesses [Note 2].
- By the end of 2030, phase out most [Note 3] of our direct investment and financing [Note 4] from companies in the thermal coal and unconventional oil and gas industries in industrialized countries in the European Union and OECD Member States.
- By the end of 2040, phase out globally from the investment and financing support [Note 5] of thermal coal related, unconventional oil and gas related industries.

Note 1: Effective January 1, 2025, no new direct project financing or investment positions shall be added by this commitment.

Note 2: The percentage of revenue from relevant businesses is expected to continue to grow.

Note 3: A business deriving more than 30% of their revenue or generated power from thermal coal and unconventional oil and gas related industries, without putting forth a low-carbon transition project in alignment with the targets under the Paris Agreement.

Note 4: Direct investment refers to the allocation of capital into an investment target where more than 10% of common shares are held. Direct financing refers to the provision of capital directly to enterprises or institutional entities in need of funding, including granting loans and purchasing more than 10% of a corporate bond issuance in the primary market.

Note 5: A business deriving more than 5% of their revenue or generated power from thermal coal and unconventional oil and gas related industries, without putting forth a low-carbon transition project in alignment with the targets under the Paris Agreement.

3.3.2 For targets that do not meet our decarbonization principles, we will take the initiative to communicate and assist in formulating climate transformation plans. For those who fail to improve as planned, we will commence a withdrawal mechanism to meet our total portfolio commitment to net-zero carbon emission by 2045.

3.3.3 As for businesses in other high carbon emissions industries, we ensure to prioritize engagement with them from 2022 onward, to gradually reduce the carbon emission intensity of the businesses we invest in and finance.

Chapter 4: Stewardship

4.1 Stewardship Principles

4.1.1 We are committed to enhancing investment value, urging the investee company to improve ESG performance continuously, seeking sustainable business development and maximum profit for shareholders and fund providers, thereby driving the sound development of the industry, economy, and society. Stewardship actions include but not limited to: the Company shall keep an eye on the business or financial conditions of investee companies by attending their investor conferences and annual shareholders' meetings and conducting in-person visits, teleconferences, phone communications, and written or email, etc., and translate their business and financial situations into investment decisions.

4.1.2 Our subsidiaries abide by the Stewardship Principles for Institutional Investors of TWSE and formulate policies and management mechanisms accordingly to fulfill the responsibilities of institutional investors. The stewardship principles we follow include:

- Formulate and disclose stewardship policies
- Formulate and disclose conflict of interest management policies
- Continue to monitor the investment portfolio
- Engage in appropriate dialogue and interaction with the investee
- Establish and disclose explicit voting policies and voting situations
- Regularly disclose the fulfillment of stewardship

4.2 Engagement Mechanism

4.2.1 We give priority to communicating with investee companies on ESG issues concerned by the Group, conducting due diligence, and reviewing their ESG performance. KGI Financial and subsidiaries are concerned about the engagement guidelines of ESG issues include but are not limited to:

- Environmental: values the issue of climate change, encourages customers to set carbon reduction goals, pays attention to issues related to biodiversity and natural ecology, focuses on resource management, and avoids environmental pollution.
- Social: values human rights equality, promotes prevention of sexual harassment, encourages charitable activities for public welfare.
- Governance: values ethical corporate management, implements sustainable governance, supports participation in ESG-related initiatives.

4.2.2 In view of the communication efficiency, we prioritize communications on targets with poor financial or ESG performance through industrial research reports, target scale and type, and the screening principle mechanism built.

4.2.3 Where the investee is at risk of a material violation of corporate governance principles, damaging the long-term value of shareholders/customers/beneficiaries, or ESG principles on specific issues, we will inquire about the handling situation from senior management of the

investee company, keep track, and not rule out the joint expression of appeals with other investors.
4.2.4 To enhance the effectiveness of engagement and safeguard the best interests of stakeholders, it is open to implement engagement collaboration when the engagement topic has a high degree of specificity, aligns with the sustainable development direction of the competent authority, and when engagement collaboration with other investors could increase the probability of successful engagement.
4.2.5 We will also engage in dialogue with issuers of passive investment positions on ESG issues of concern to the Group. In cases where there is a significant risk of material ESG violations, we will escalate the communication level and continue to monitor the situation.

4.3 Voting Mechanism
4.3.1 Definition of criteria for ESG resolutions: including
- Governance aspects such as operational and financial performance, corporate governance and board composition, business strategy and capital structure.
- Social aspects such as labor rights.
- Environmental aspects such as climate change and pollution.

4.3.2 Ways of communication: we actively participate in shareholder meetings of the companies we invest in and express our opinions on the resolutions. We engage with the management of these companies through various communication ways such as conference calls, face-to-face meetings, attending corporate briefings, or sending representatives to shareholder meetings or major shareholder ad hoc meetings.
4.3.3 Principle to vote for: we exercise our voting rights actively. Prior to attending shareholder meetings, we carefully evaluate the resolutions. In order to respect the professional management of the invested companies and promote their effective development, we generally support the resolutions proposed by their management.
4.3.4 Principle to vote against: we do not support resolutions that hinder sustainable development or involve significant ESG-related issues, such as corporate governance issues (e.g., false financial reports, improper remuneration of directors and supervisors), environmental impacts (e.g., pollution), or social impacts (e.g., human rights violations, labor rights deprivation).
4.3.5 Motion voting: before attending shareholder meetings, our company thoroughly evaluates each resolution and provides a written analysis explanation before exercising our voting rights. The voting records of shareholder meetings attended by our company are properly retained, and the written records or voting statistics are disclosed in the shareholder meeting voting records or institutional investor stewardship reports and submitted to the board of directors.
4.3.6 When voting advice is provided by an external voting service unit, it is also required to follow the voting principles of the aforementioned ESG (Environmental, Social, Governance)

issues.

Chapter 5: Exert Sustainable Financial Influence

5.1 Sustainable Financial Influence

5.1.1 We promise to increase investment and financing of various sustainable themes, direct funds to the sustainable themes we focus on through the development and design of innovative sustainable financial products and services, and strive to stimulate industrial low-carbon transition and social inclusive finance.

5.1.2 With reference to international best practices, we have formulated the following themes focusing on sustainable development to give full play to our financial influence:

- Environment: renewable energy, energy efficiency improvement and low-carbon transition, circular economy, water resources and wastewater management, air pollution control, climate change adaptation, sustainable management of biological and land resources, biodiversity conservation and eco-efficiency, green buildings
- Economy and society: to meet the basic needs and rights of human survival (including but not limited to housing, drinking water, communication, health, education, finance, etc.), overall socio-economic support (including but not limited to creating employment opportunities, avoiding/reducing unemployment, facilitating socio-economic progress and strengthening, reducing income inequality or social inequity)

5.1.3 To identify and measure the impact of sustainable finance, we commit to setting and reviewing ESG Key Performance Indicators annually. These KPIs include carbon reduction achievements in high-emission sectors and the performance of green/ESG financing and investment initiatives. We will focus on developing investment and financing businesses aligned with these sustainability themes. The established KPIs will be incorporated into the annual sustainable development plan, subject to approval and oversight by the Sustainability Committee. The execution results will be reported to the Board of Directors and disclosed in the Sustainability Report.

5.2 Sustainable Products and Services

5.2.1 We are committed to developing sustainable products and services that meet the above themes through five financial businesses, including life insurance, commercial banking, securities, investment trust, and venture capital/private equity.

5.2.2 We are committed to constantly improving the visibility of sustainable products and services through public disclosure, continuous tracking, and management of our progress.