

## 8 Green Operations



**95** Climate Risk and Opportunity

**110** Help the Industry with  
Low-Carbon Transition

**115** Environmental Management

**120** Supplier Management

# 8 Green Operations

In spite that banking industry is not a high carbon-emission industry, banking industry has a critical power for helping customers, corporations and suppliers expedite low carbon transition. We make an all-out effort to become an Earth-friendly corporation. A climate change governance structure has been built according to TCFD, a contemporary international standard. Climate risk and opportunity management system has been improved gradually. We signed the 1.5°C Climate Action Declaration advocated by the Chinese National Association of Industry and Commerce, and promise to cooperate with the Net-Zero 2050 Routemap organized by the government. We unite industrial and commercial resources to fulfill low carbon transition of the industry to limit the average temperature rise within 1.5°C, the goal specified in the Paris Agreement. Besides this, to respond to the action taken by R20 Regions of Climate Action, we held the “R20 Regional Climate Action and Yuan Ze University Sustainability Forum” with Yuan Ze University. We are committed to incorporating climate change topics and sustainability development into mid and long-term operational planning and continuing to promote them. The Forum focuses on net zero transition and net zero business opportunity. It also talks about how to help citizens become ESG literate, and how domestic corporations can achieve transition successfully on net zero topic, extending aspects such as agro-food, water and power. The Forum helps young people become aware that global citizen is obligated to practice ESG, expecting them to improve ESG literate to international level. 350 people attended the Forum.

For internal operation, we did not violate environmental regulation in 2022 and initiated GHG inventory at all domestic and overseas offices. The ISO 14001 Environmental Management System has been implemented for demonstration offices and verification has been completed. As for business, we signed the Equator Principles and introduced standard management mechanism for large project financing and lending. Furthermore, we were being creative for using recyclable clothes to make trendy uniforms and marketing gifts to push the boundary of green purchase further.

2016	<ul style="list-style-type: none"> <li>● Implemented the ISO 50001 Energy Management System and passed verification.</li> <li>● Purchased the Renewable Energy Certificates (RECs) (green power) for the first time.</li> <li>● Formulated the “Guidelines for Supplier Social Responsibility Management.”</li> <li>● Began to replace conventional air conditioning and lighting with energy-saving ones in stage.</li> </ul>
2017	<ul style="list-style-type: none"> <li>● Introduced ESG review factors in supplier evaluation.</li> </ul>
2018	<ul style="list-style-type: none"> <li>● Initiated ISO 14064-1 Greenhouse Gas Inventory at primary offices and passed verification.</li> </ul>
2019	<ul style="list-style-type: none"> <li>● Set the goal of saving 8% power in three years at the demonstration offices that implemented ISO 50001.</li> <li>● Implemented digital learning platforms, e.g. TibaMe and CommonWealth Leader Campus.</li> </ul>
2020	<ul style="list-style-type: none"> <li>● Implemented ESG factors in stock investment evaluation process, and incorporated ESG concept stocks in our portfolio.</li> </ul>
2021	<ul style="list-style-type: none"> <li>● Implemented the framework of Task Force on Climate-related Financial Disclosures (TCFD), and signed and supported the TCFD.</li> </ul>

# 8 Green Operations

2022

- Included climate change and environmental risk in our “Risk Management Policy.”
- Formed a dedicated climate division.
- Signed the Equator Principles to evaluate the environmental and social risk of financing and loan to large projects.
- Signed the 1.5°C Climate Action Declaration advocated by the Chinese National Association of Industry and Commerce to respond to the Net-Zero 2050 Routemap.
- Initiated ISO 14064-1 Greenhouse Gas Inventory for the entire bank.
- Our two offices in Banqiao, New Taipei City are our demonstration offices for implementing ISO 14001 Environmental Management System. Completed investigation.
- Organized the first office using solar panels.
- Used recycling materials to design the uniform and marketing gifts.

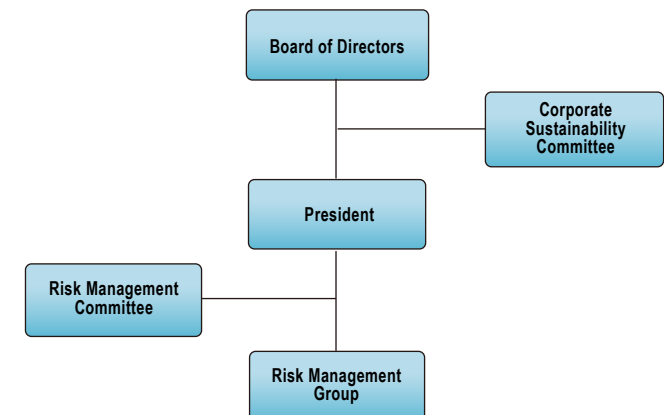
## Climate Risk and Opportunity

On January 1, 2023, record-breaking heat is detected in at least eight European countries. Natural disasters, e.g. heat wave, wildfire, flood and drought, have become the new normal in the past decade. This is yet another extreme climate event. Climate change was a prediction but has gradually become a reality. All enterprises, governments and academic circles in the world cannot be unprepared to meet the challenge. Climate risk management and opportunity have become our main point of governance. We continue to reinforce relevant governance and management mechanisms after implementing the TCFD framework.

### Climate Risk Governance

#### Responsibility for climate risk management

- The Board of Directors is the top decision-making unit of climate risk management. It is responsible for approving climate risk management strategy, and monitoring effectiveness of climate risk management mechanism. The Risk Management Committee keeps track of climate risk management mechanism for the entire bank according to the climate risk management strategy approved by directors, coordinates and communicates climate risk management matters between all units of the Head Office, and continues to monitor and implement performance.
- The Risk Management Group is our dedicated unit for climate risk management, helping business units with planning, establishing and integrating our climate risk management, and executing climate risk management surveillance of the entire bank. It also regularly organizes climate risk management information from the entire bank, reports it to the Risk Management Committee and “Corporate Sustainability Committee,” and discloses climate risk information as required by competent authorities.

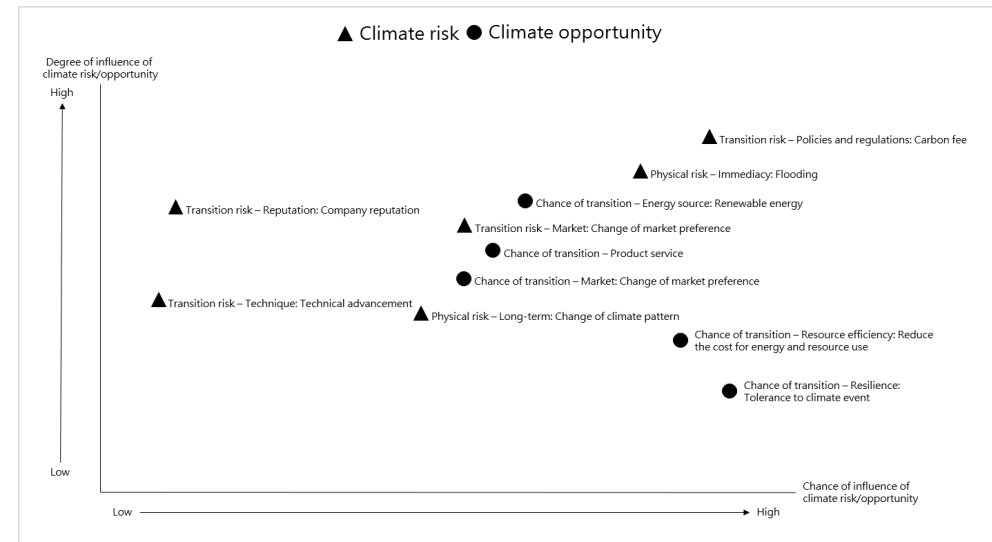


## Climate Risk Strategy

- Identification of climate risk
  - There are lots of types of climate risks. We identify climate risks by “Degree of influence on climate risk/opportunity” and “Chance of influence on climate risk/opportunity.” We clarify material climate risks and opportunities. Results in detail are illustrated in the diagram.
  - The identified material climate risks are “Transition – Policies and regulations: Carbon fee” and “Physical risk – Immediacy: Flooding.”

Material climate risk item		Reason
Transition risk	Policies and regulations: Carbon fee	<ul style="list-style-type: none"> <li>• It is considered a material risk, primarily because it might occur sooner than other climate risks.</li> <li>• The “Greenhouse Gas Reduction and Management Act” in Taiwan was amended to “Climate Change Response Act.” It is imperative to collect carbon fee in Taiwan. For international laws, EU recently will collect carbon border tax. These policies do not influence our operation in the short run but will impact our investment and financing borrowers, and further affect revenue or repayment ability of our investment and financing borrowers. At last, financial impact is imposed on our credit and market risk, causing revenue decrease.</li> </ul>
Physical risk	Immediacy: Flooding	It primarily influences real estate such as all business locations and loan collaterals. Real estates have material climate risks because they cannot be relocated, and therefore they are not flexible to climate risk. In addition, these years numerous floods caused by torrential rain occurred, hence it is a material climate risk.

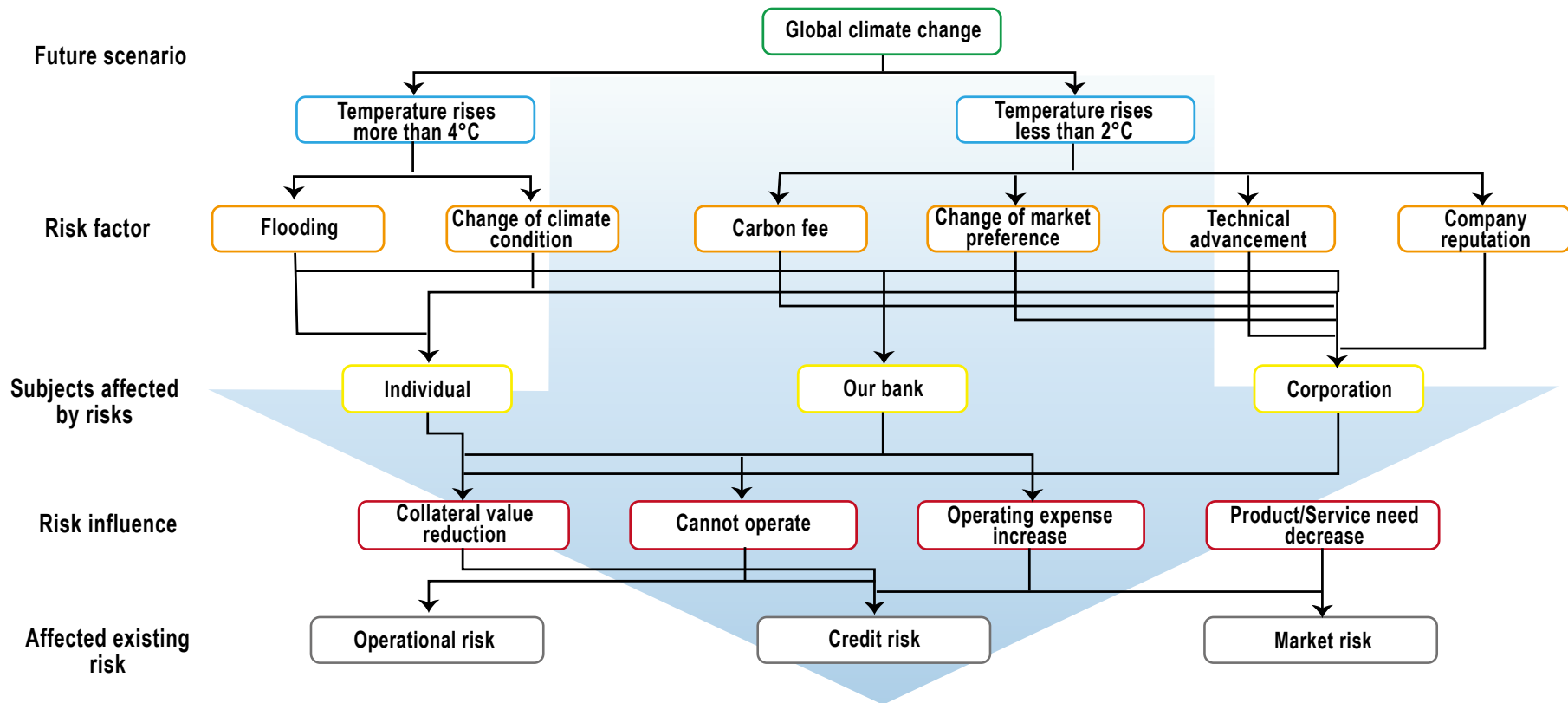
## Identification of materiality of climate risk and opportunity



# 8 Green Operations

Climate risk directly impacts bank operation and profitability, and influences existing credit risk and market of the bank. Climate impact chain is used to clarify impact of different climate risk factors on us and counterparty in different future scenarios, and find out current climate risk exposure in all parts of business process, and affected existing risk.

## Climate Risk Impact



The outcome of existing risk affected by climate risk

Type of climate risk	Climate risk factor	Existing risk affected by climate risk	Instruction
Physical risk	Immediacy	Flooding	Operational risk, credit risk
	Long-term	Change of climate condition	
Transition risk	Policies and regulations	Carbon fee	Operational risk, market risk, credit risk
	Market	Change of market preference	
	Technique	Technical advancement	
	Reputation	Company reputation	

▶ All types of physical risks directly impact our operational competence and derive operational risks. In addition, the collateral value might be reduced due to flooding, hence the loan repayment ability of loan borrower is affected and the credit risk is changed.

▶ With regard to transition risk, carbon fee, a climate risk factor, under the type “Policies and regulations,” affects customers and might drive the increase of operating expense. Therefore, the carbon fee might affect operational, credit and market risk. Other climate risks only impact customers, indirectly conveying to market and credit risk.

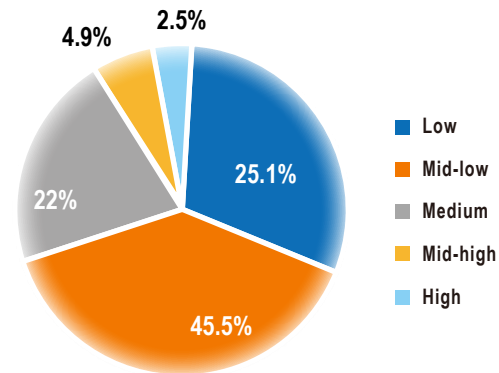
● **Analysis result of climate risk scenario**

We set two climate scenarios, “the average global temperature will rise less than 2°C” and “the average global temperature will rise more than 4°C.” “The average global temperature will rise less than 2°C” is a climate scenario with higher transition risk. “The average global temperature will rise more than 4°C” is a climate scenario with severe physical risk. Impact of transition and physical risk on us in the most extreme situation is assessed by setting these two climate scenarios. In the meantime, we primarily analyze climate risk scenario for 2021 considering annual data accessibility.

(1) Physical risk

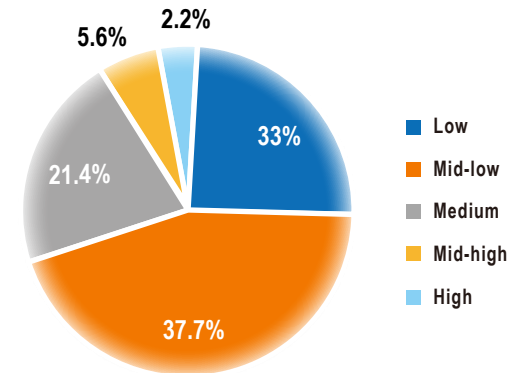
- I. We analyze “Immediacy: Flooding” during physical scenario analysis in accordance with the identification result of climate risk. Our basic scenario is “the average global temperature will rise more than 4°C.” We refer to National Science and Technology Center for Disaster Reduction (TCCIP) and public information on ThinkHazard of World Bank to evaluate vulnerability and exposure of loan collaterals and our domestic and overseas business locations. Next, we assess influence of physical risk on operation and business considering physical risk influence factors such as house age and floor level.
- II. Outcome of climate scenario analysis for physical risk:
  - A. We have about 43,000 loan collaterals, 2.5% of them are under high physical risk, and only 2.2% of the line of credit of collateral. Influence of “Physical risk – Immediacy: Flooding” on the loan collaterals is extremely small.

Percentage of loan collateral



Unit: Number of collaterals, percentage

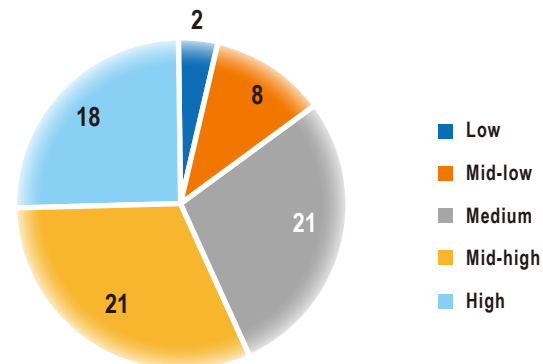
Percentage of loan balance for loan collateral



Unit: Number of collaterals, percentage

## Analysis result of “Physical risk – Immediacy: Flooding” for domestic and overseas loan collaterals

B. With regard to operation, we have 65 domestic branches, 6 domestic warehouse centers, 1 overseas branch, 2 overseas offices, 1 overseas warehouse center and 1 overseas remote backup center, 76 business locations in total. 17 domestic business locations and 1 overseas data warehouse center are under high physical risk.



Unit: Number of locations

## Analysis result of “Physical risk – Immediacy: Flooding” for domestic and overseas business locations

## (2) Transition risk

- ▶ To evaluate transition risks, we refer to NGFS and set up three climate scenarios, orderly transition, disorderly transition, and Nationally Determined Contributions (NDCs) in the basic scenario that “the average global temperature will rise less than 2°C.” Based on GHG emissions of all business locations, and GHG emissions of investment and financing business, we evaluate possible increase cost or operational expense of “Transition risk – Policies and regulations: Carbon fee.”
- ▶ In three climate scenarios of NGFS, carbon fee will be developed differently:

Climate scenario	Estimated carbon fee development
Nationally Determined Contributions	Carbon fee has not been changed because all countries are passive to climate change policy.
Orderly transition	Governments of all countries continue to pay attention to climate change topics and actively encourage or urge corporations for low carbon transition. Out of three scenarios, a high carbon fee has been collected in very early days for this scenario.
Disorderly transition	Governments of all countries did not care about climate change at beginning. They begin to expedite carbon reduction and collect carbon fee after peak carbon emissions by 2030.

Considering that tax fee will be levied starting from high carbon emission industry, we will focus on high carbon emission industry when assessing the “Transition risk – Policies and regulations: Carbon fee.” By referring to “Enforcing Greenhouse Gases Accounting and Registration on the First Batch of Greenhouse Gases Emission Sources” of Environmental Protection Administration and the Defined High Carbon Emission Industries Applicable to Product Items in the First Batch of EU CBAM, we set 15 high carbon emission industries, e.g. iron and steel smelting and cement manufacturing, as shown in the list below.

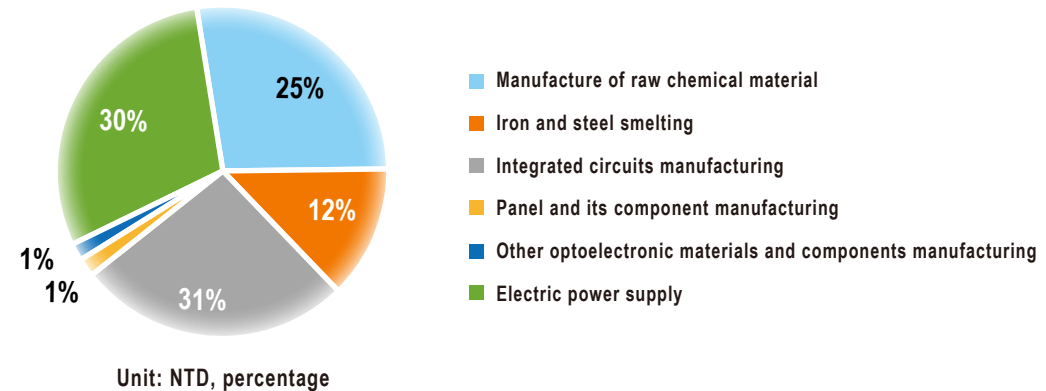
### List of high carbon emission industry of Far Eastern International Bank

1. Extraction of crude petroleum and natural gas	2. Petroleum and coal products manufacturing	3. Manufacture of raw chemical material	4. Manufacture of fertilizers and nitrogen compounds	5. Raw plastic material manufacturing
6. Manufacture of synthetic rubber materials	7. Cement manufacturing	8. Manufacture of ready-mix concrete	9. Cement and concrete products manufacturing	10. Iron and steel smelting
11. Aluminum refining and smelting	12. Integrated circuits manufacturing	13. Panel and its component manufacturing	14. Other optoelectronic materials and components manufacturing	15. Electric power supply (excluding renewable energy company)



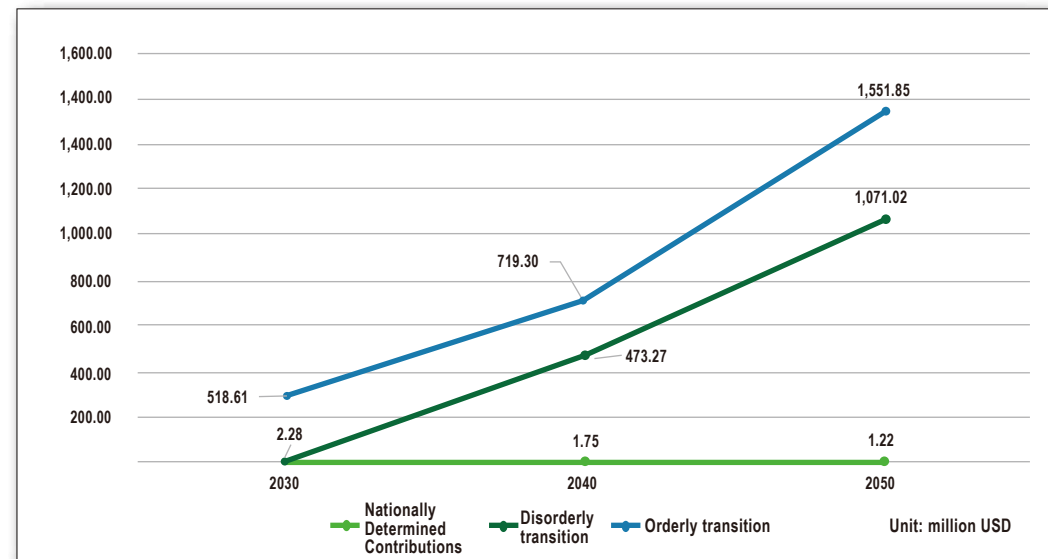
# 8 Green Operations

As for loan, we conduct transition risk scenario analysis for the listed loan balance of high carbon emission industry at the end of 2021. Our listed loan balance of the high carbon emission industry in 2021 is about NT\$8.5 billion. 31% of the listed loan balance is for integrated circuits manufacturing and 30% of the listed loan balance is for electricity supply (excluding renewable energy company). The proportion is the highest for these two industries. The distribution of loan exposure for all high carbon emission industries is illustrated on the right.



## Loan exposure distribution of high carbon emission industry in 2021

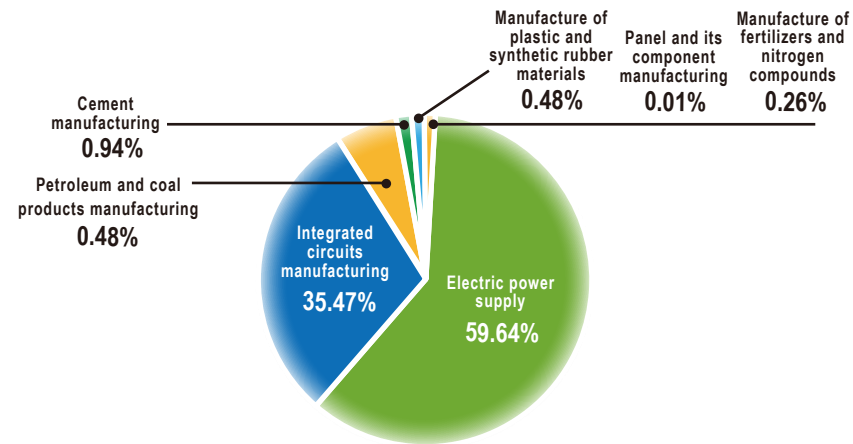
The scenario analysis result shows that our primary transition risk of loan business is from loan borrowers in three industries, “integrated circuits manufacturing,” “iron and steel smelting” and “manufacture of raw chemical material.” It is primarily because that the loan balance of these industries is high, and the GHG emissions of these industries are higher than that of “electricity supply (excluding renewable energy company).” The carbon fee will gradually increase anytime in “orderly transition” and “disorderly transition,” hence the expenditure cost of carbon fee of our loan borrower will increase year by year. Our loan business will undergo impact of higher transition risk exposure accordingly. In “Nationally Determined Contributions,” the carbon fee stays stable. The transition risk of loan business is insignificant.



## Analysis result of scenarios in loan business in “Transition risk – Policies and regulations: Carbon fee”

# 8 Green Operations

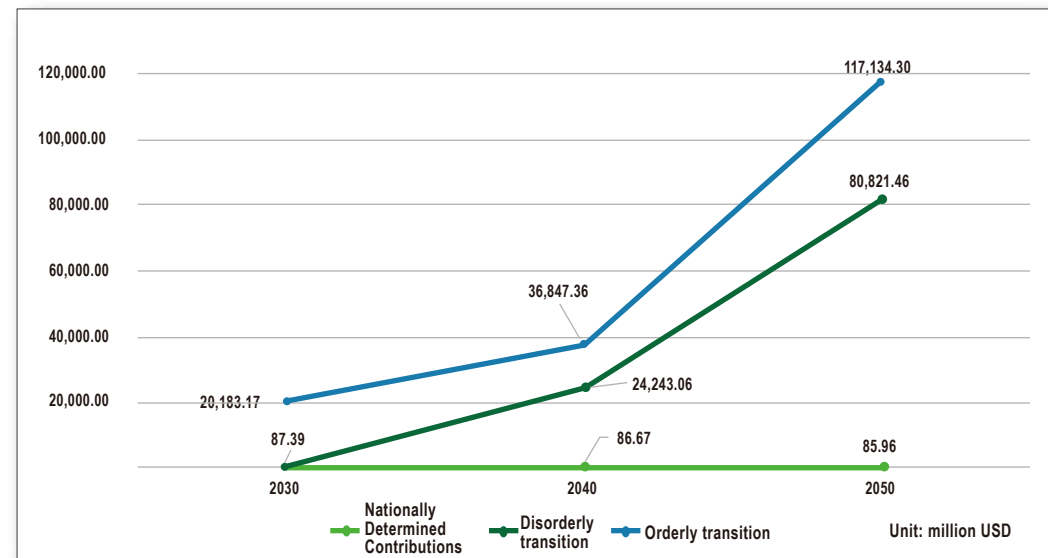
As for securities investment, we also analyze scenarios for listed investment subjects of high carbon emission industry at the end of 2021. The balance of securities investment for high carbon emission industry in 2021 is about NT\$15.7 billion. The investment is mostly for electricity supply (excluding renewable energy company) and integrated circuits manufacturing, 59.65% and 35.47% of total securities investment in high carbon emission industry in 2021, respectively.



Unit: NTD, percentage

## Distribution of securities investment position in high carbon emission industry in 2021

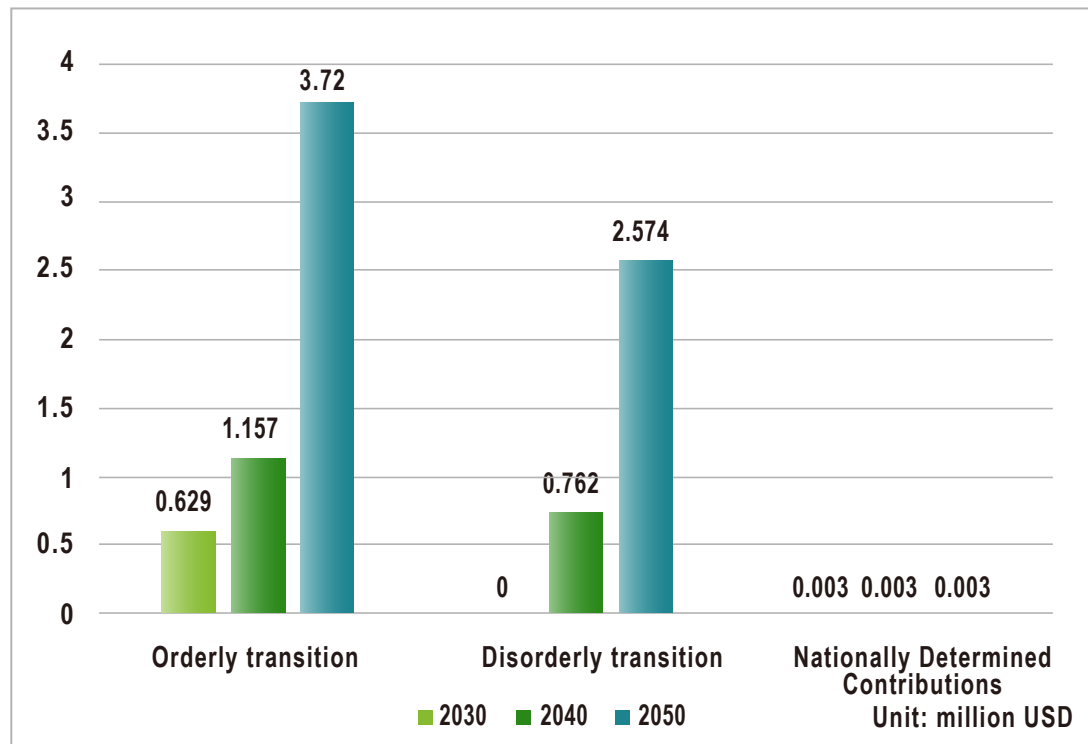
Scenario analysis result: Main transition risks of securities are from “electricity supply (excluding renewable energy company)” and “petroleum and coal products manufacturing.” The reason is that electricity supply (excluding renewable energy company) is the industry with highest investment percentage of securities.



## Analysis result of scenarios in securities in “Transition risk – Policies and regulations: Carbon fee”

# 8 Green Operations

With regard to business, our GHG emissions are primarily from power use in Scope 2. Our emissions are extremely low compared to traditional manufacturing or tech industry; hence, we would not be affected by “Transition risk – Policies and regulations: Carbon fee.” Even though the financial industry will be subject to carbon fee scope in 2050, but impact in “orderly transition” and “disorderly transition” would not be too high.



Analysis result of scenarios in operation aspect in “Transition risk – Policies and regulations: Carbon fee”

# 8 Green Operations

- Climate risk strategy

Type	Factor	Influenced aspect	Coping strategy
Climate risk	<b>Transition risk</b> Policies and regulations – Carbon fee	Operation	Acquired ISO 14064 certification and checked our own GHG emissions.
		Investment Corporate finance loan	Implement TCFD's advice and put climate risk into consideration for loan or investment review.
			Engage with all loan borrowers through sustainability performance link in environmental aspect to help customers mitigate and cope with influence of climate risk.
			Continue to monitor exposure of counterparty in high carbon emission industry.
	<b>Physical risk</b> Immediacy – Flooding disaster	Operation	Check physical risk exposure and coping ability at all business locations regularly. Optimize the Business Continuity Plan and reinforce resilience to physical risk.
		Corporate finance loan Personal finance loan	Implement TCFD's advice and put climate risk into consideration for loan review.
Climate opportunity	<b>Chance of transition</b> Resource efficiency	Operation	Recycling
			Increase energy efficiency – Take energy conservation measures.
			Reduce water consumption.
	<b>Chance of transition</b> Energy source	Operation	Evaluate and consider whether to gradually increase use of renewable energy.
	<b>Chance of transition</b> Product service	Operation	Promote low-carbon digital service, increase service efficiency and win recognition from customers.
<b>Chance of transition</b> Change of market preference	Investment Corporate finance loan	Offer green financial instruments such as green bond and sustainability bond. Pay attention to green industry development and actively put green investment and loan into consideration.	
	Personal finance	Release low carbon products.	

## Climate risk management

### • Three lines of defense for internal control

Line of defense	Instruction
First line of defense	Climate risk is not an independent emerging risk. It is conveyed to all kinds of existing risks after it is driven, and then imposing financial impact on us. Therefore, we integrate climate risk management into the existing three lines of defense for internal control. We include climate risk factors in investment or loan check according to our guidelines for climate risk management, and understand the climate risk exposure and governance of customers in high carbon emission industry. We also make sure that the climate risk generated for the business we perform is within our scope of risk.
Second line of defense	A risk management unit is our second line of defense against climate change. It evaluates climate regularly, keeps track of the influence of climate risk on our entire bank, and draws up strategy and action plan of climate risk management.
Third line of defense	An independent audit unit conducts check of the third line of defense to make sure that specifications and operation of climate risk management have been implemented on the first and second line of defense.

### • Description of climate risk management process

- To effectively monitor and manage climate risk, we set up the “Standards for Climate Change and Environmental Risk Management” and “Guidelines for Climate Risk Management”. We abide by risk management process from identification, evaluation, monitoring to management. We identify climate risks for various operations and business locations, clarify material climate risks, and then conduct follow-up risk evaluation.
- When evaluating material climate risk exposure, we use scenario analysis methodology and set numerous climate scenarios to assume possible extreme climate events and change of policies and regulations. In the meantime, we use the result of current data checks to evaluate the influence of climate risk on us. Later on for high climate risks, we will execute control measures through risk aversion, transfer or control.

Type	System of business aspect
Physical risk	When reviewing collateral loan of real estate, the loan department assesses whether the collateral is located in a high physical risk area. If it is true, it examines whether it is capable of coping with physical risk. If it is in a high physical risk area and it is not capable of coping with physical risk, it is determined that this will be a high climate risk loan and corresponding risk management measures will be taken.
Transition risk	Considering that transition risk primarily imposes material impact on high carbon emission industry, we currently only conduct prior transition risk review for high carbon emission industry, find out the transition risk to the counterparty and response competence of the counterparty, and judge the climate risk attribution of counterparty. Corresponding risk management measures will be taken for the counterparty with high climate risk attribution.

## Indicator and goal of climate risk

### • GHG emissions

- We execute GHG inventory for Type 1, 2 and some items in Type 3 according to ISO 14064. We perform inventory and verification for the Head Office in 2017 for the first time, and perform inventory for all domestic and overseas locations in 2022.
  - Goal of GHG emission reduction: Carbon emission reduction is the action taken by all humans when facing the climate risk. Our primary GHG emission is from power consumption and our secondary GHG emission is from gasoline for the company car. Therefore, energy conservation is our primary method for carbon reduction. We set the year 2017 as the base year, and promote the goal “reducing 18% of carbon emissions by 2025, reducing 23% of carbon emissions by 2030, adapting to the net zero emissions policy of the government, and gradually forging ahead to net zero emissions by 2050”. We continue to promote various energy conservation plans through management by objectives (MBO).
  - ISO 14064-1 GHG inventory: We meet international environmental, carbon reduction standard, initiate the GHG inventory certification of Head Office in 2017, and expand our inventory scope in 2022 voluntarily. We conduct GHG emission inventory for domestic and overseas branches and offices in 2020, 2021 and 2022. We passed BSI verification in April 2023. Both of the inventory coverage rate and verification coverage rate are 100%.

GHG emissions (metric ton of CO <sub>2</sub> e)	2020	2021	2022
Type 1	735.12	692.26	329.55
Type 2 (market base)	6,072.40	5,825.99	5,292.76
Type 1 + Type 2	6,807.52	6,518.25	5,622.31
Carbon emission intensity (metric ton of CO <sub>2</sub> e/million NTD revenue)	0.64	0.63	0.49
Data coverage rate Note 5	97%	95%	100
Type 3 to 5	2,437.23	2,109.92	1,791.46
Total	9,244.75	8,628.17	7,413.77

Note ①: We conduct inventory for Type 1 to 5 according to ISO 14064-1:2018 from 2020. We set that the inventory boundary is our domestic and overseas business locations and office building.

Note ②: This is calculated based on the emission factor methodology. Emission amount = Data of activity × Emission factor × Global Warming Potential (GWP). GWP in 2020 is based on 2013IPCC AR5 and GWP in 2021 is based on 2021 IPCC

AR6. The emission factor refers to Greenhouse Gas Management Table v. 6.0.4 of Environmental Protection Agency, the Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard, and Greenhouse Gas Inventory Registration.

Note ③: Electricity emission factor refers to 0.509 (2021) kg CO<sub>2</sub>e/kWh and 0.509 (2022) kg CO<sub>2</sub>e/kWh.

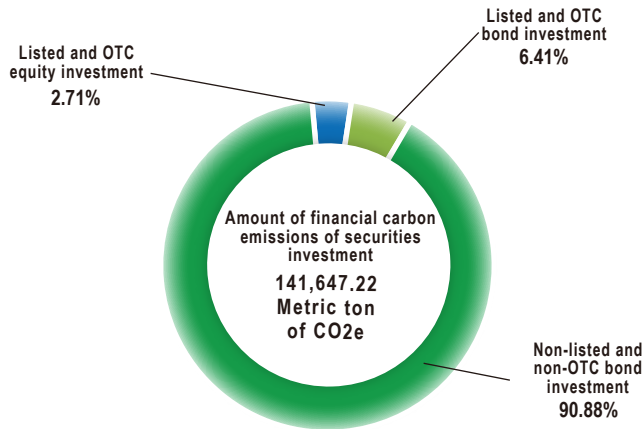
Note ④: In 2022, emissions in Type 3 to 5 include items verified by BSI, an external agency, and self-check items. The ones verified by BSI are Fuel and Energy-related activity 944.71 and Waste Generated from Operation 32.08. Self-check items are Employee Commute 9.16, Downstream Transportation and Distribution 0.06, Product and Service Procurement 456.65, Upstream Asset Lease 240.51, Sales Product Use 86.25, and Sales Product Disposal 22.04.

Note ⑤: Data coverage means the percentage of locations included in Scope 1 and 2 in the current year to all locations.

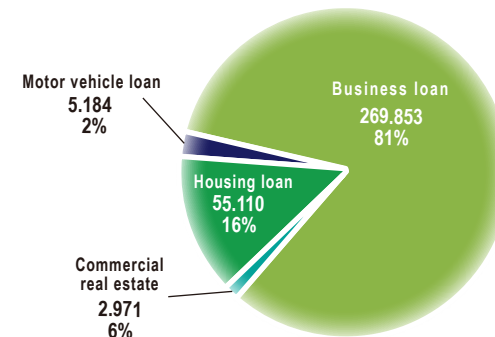
# 8 Green Operations

► Science Based Targets initiative (SBTi) explained that GHG emissions in the financial industry are primarily derived from investment and financing behavior. Therefore, we conduct GHG inventory for investment and financing businesses such as mortgage loan, bond investment and equity investment according to the PCAF methodology. Listed financial information in 2021 is used for inventory considering data integrity and emission coefficient during inventory.

Business type	GHG emissions derived from business
Investment part	141,647.22 tCO2e of GHG emissions are generated in total, 3,842.36 tCO2e from equity investment, and 137,804.86 tCO2e from bond investment, divided into 9,082.93 tCO2e from listed and OTC bond investment, and 128,721.93 tCO2e from unlisted and non-OTC bond investment.
Loan part	The loan types of this inventory include business loan (non-specific uses), housing loan, business real estate loan, motor vehicle loan, and power plant project financing. The total GHG emissions of loan are 380,333 tCO2e.



GHG emissions from stock and bond investment



Unit: Metric tons of CO2 equivalent

GHG emission of loan type

# 8 Green Operations

• Key indicator and goal of climate risk

Climate risk/ Opportunity	Aspect	Key indicator	Short, mid and long-term goals		
			Short-term	Mid-term	Long-term
<b>Physical risk</b> <b>Immediacy –</b> <b>Flooding</b>	Loan	The number of the real estate collaterals in high physical risk area and the percentage of appraisal amount of these real estate collaterals	Continue to check the number of the real estate collaterals in high physical risk area and the percentage of appraisal amount of these real estate collaterals	Continue to check the number of the real estate collaterals in high physical risk area and the percentage of appraisal amount of these real estate collaterals	Continue to check the number of the real estate collaterals in high physical risk area and the percentage of appraisal amount of these real estate collaterals
	Operation	Percentage of the business locations in high physical risk area	Continue to check the percentage of the business locations in high physical risk area	Continue to check the percentage of the business locations in high physical risk area	Continue to check the percentage of the business locations in high physical risk area
<b>Transition risk</b> <b>Policies and</b> <b>regulations –</b> <b>Carbon fee</b>	Corporate finance loan	Percentage of new loan borrowers included in climate risk evaluation	80% of new loan borrowers of CRM system are included in evaluation of climate risk factor	Examine the climate risk evaluation method of loan business. Refer to specifications of competent authorities or international research trend to adjust the evaluation method promptly	All of new loan borrowers of CRM system are included in evaluation of climate risk factor
		Number of loan borrowers with engagement outcome	The number of sustainability performance-linked loans in environmental aspect grows by 20% per year	The number of sustainability performance-linked loans in environmental aspect grows by 10% per year	The number of sustainability performance-linked loans in environmental aspect grows by 10% per year
	Investment, corporate finance loan	Quota and percentage of investment and financial borrowers in high carbon emission industry	Set the entry criteria for high carbon emission industry	Plan for gradually reducing the number of investment and financial borrowers in high carbon emission industry	Plan for gradually reducing the number of investment and financial borrowers in high carbon emission industry
		Amount of financial carbon emissions by loan asset industry	<ol style="list-style-type: none"> <li>Continue to check the amount of financial carbon emissions by investment and financing industry</li> <li>Consider using the SBTi methodology to set the carbon reduction goal for investment and financing</li> </ol>	<ol style="list-style-type: none"> <li>Continue to check the amount of financial carbon emissions by investment and financing industry.</li> <li>Conduct carbon reduction according to the SBT goal.</li> </ol>	<ol style="list-style-type: none"> <li>Continue to check the amount of financial carbon emissions by investment and financing industry.</li> <li>Conduct carbon reduction according to the SBT goal.</li> </ol>
		Percentage of financial carbon inventory for investment and loan asset portfolio	Continue to use the PCAF methodology to check amount of carbon emissions of inventory and loan asset group. Check listed loan positions fully for the released methodology.	Continue to use the PCAF methodology to check amount of carbon emissions of inventory and loan asset group. Check listed loan positions fully for the released methodology.	Continue to use the PCAF methodology to check amount of carbon emissions of inventory and loan asset group. Check listed loan positions fully for the released methodology.
	Operation	Amount of carbon emissions or emission intensity of our operation	The GHG emissions in 2025 is 3% than the base year 2022.	The GHG emissions in 2025 is 8% than the base year 2022.	Achieve carbon neutrality by 2050.



# 8 Green Operations

Climate risk/ Opportunity	Aspect	Key indicator	Short, mid and long-term goals		
			Short-term	Mid-term	Long-term
<b>Climate opportunity</b> <b>Market – Change of market preference</b>	Investment, corporate finance loan	Balance and percentage of investment and loan of green industry and green bond investment	Continue to pay attention to the green industry. Calculate the balance and percentage of annual investment and loan. Actively consider increasing investment and loan in the green industry	Continue to pay attention to the green industry. Calculate the balance and percentage of annual investment and loan. Actively consider increasing investment and loan in the green industry	Continue to pay attention to the green industry. Calculate the balance and percentage of annual investment and loan. Actively consider increasing investment and loan in the green industry
<b>Climate opportunity</b> <b>Energy source – Renewable energy</b>	Operation	Power generation of renewable energy	Expect to install a photovoltaic system in the building of Taoyuan Branch in May 2023	Increase renewable energy usage rate year by year based on carbon reduction schedule/goal	Increase renewable energy usage rate year by year based on carbon reduction schedule/goal
<b>Climate opportunity</b> <b>Product/Service</b>	Operation	① Average off-counter rate ② Average digital customer acquisition	Continue to organize for online digital service, and promote digital service usage rate	Continue to organize for online digital service, and promote digital service usage rate	Continue to organize for online digital service, and promote digital service usage rate
		Number of pieces of paper saved	Promote online digital service and achieve the growth rate of number of pieces of saved paper	Promote online digital service and achieve the growth rate of number of pieces of saved paper	Promote online digital service and achieve the growth rate of number of pieces of saved paper
	Product	Outcome of home loan for green building	Continue to promote the home loan for green building	Continue to promote the home loan for green building	Examine more and develop ESG loan products
		Execution outcome of ESG wealth management or fund product	Continue to promote launch of ESG products and the products related to environmental resource. Customers may invest in these products to pay attention to climate change	Examine more products related to climate change. Seek diverse climate change investment schemes for more investors to understand crisis and business opportunity brought by climate change	Examine more products related to climate change. Seek diverse climate change investment schemes for more investors to understand crisis and business opportunity brought by climate change

## Help the Industry with Low-Carbon Transition

The Legislative Yuan Passed Three Readings of the Climate Change Response Act to achieve the great goal of Net Zero Emissions by 2050. We adapt to the carbon reduction action taken by the world and Taiwanese government, drive energy transition through core business of finance, bring ESG into business decision-making, business model and investment strategy, and motivate investment in green economy development. We also lead funds to corporations caring about ESG issues, encourage corporations to pay attention to green, low carbon economy, spread the influence of sustainability to the supply chain. We seek to build a green ecosystem of capital and industry.

### Green loan

- Signed the Equator Principles.

Executed education training in April▶▶Completed impact interview with all departments in June▶▶Identified if the loans from 2019 to 2021 are applicable▶▶Formulated applicable forms and operating rules in Q4 ▶▶ Completed signing in Q4

- ▶ It is identified that eight loans from 2019 to 2021 are applicable to the Equator Principles. Six loans require follow-up environmental and social risk assessment. It is estimated that about one to four loans are applicable to the Equator Principles every year.
- The management indicator of ESG loan of corporate finance is the percentage of addition of green loan and balance of sustainability performance link. The percentage goal for the end of 2022 is 8.5%. The total ESG loan balance in 2022 is NT\$18.6 billion, 8.7% of out NT\$214.6 billion, the loan balance of corporate finance. The goal has been exceeded.
- We authorize counselors from Deloitte Taiwan to establish an international sustainable financial framework, and plan to integrate ESG loan scope via two aspects, green loan and sustainability performance link. We integrate four aspects in total to set up a management mechanism, plan to implement the management mechanism in 2023, and start to organize the sustainable deposit product of corporate finance. By using this new framework scope for calculation, the ESG loan balance of corporate finance is NT\$39.97 billion in 2022, 18.6% of total loan of corporate finance.



# 8 Green Operations

## Aspect of ESG loan for corporate finance ①

Aspect	Industry	Corporation	Use of funds	Loan characteristics	
Item	Sustainability industry	Sustainable corporation	Use of sustainability fund	Loan linked to sustainability performance	
The recognition criteria for reference	Select industries imposing positive environmental and social impact based on the code of Industrial Classification of Directorate-General of Budget, Accounting and Statistics. These industries include renewable energy, circular economy, pollution prevention and control and medical health.	Select corporations that meet domestic and overseas sustainability evaluation standards or the corporations with primary operations meeting the technical selection criteria of prospective economic activity in the "Guideline for Sustainable Economic Activity Recognition." The evaluation is explained below: <ul style="list-style-type: none"> <li>● The evaluation is the company ranked in the top 20% judged based on international ESG rating (e.g. MSCI BB and above, selected in DJSI) or domestic corporate governance evaluation.</li> <li>● The revenue of prospective economic activity meeting the prospective economic activity in the "Guideline for Sustainable Economic Activity Recognition" is at least 50% of our primary revenue. The prospective economic activity must meet the criteria that no major environmental pollution or social security sanction occurred in the past year.</li> </ul>	The loan fund is used for loans in green or social expenditure category only. Refer to the green loan registration and reporting rules of Joint Credit Information Center for the definition of green expenditure. Refer to the Sustainable Development Bond Social Benefit Investment Program of Taipei Exchange for the definition of social expenditure.	If a loan belongs to the loan linked to sustainability performance defined by Joint Credit Information Center, the contract shall require the corporation to set up the sustainability performance goal that it must meet based on the characteristics of the industry. Incentives such as interest rate cut, fee waiver or other types of incentives shall be provided to customers after the goal is achieved.	
Calculation	Balance at the end of 2021	NT\$ 12,081 million NTD	NT\$15,796 million NTD	NT\$4,979 million NTD	NT\$368 million NTD
	Balance at the end of 2022	NT\$14,737 million NTD	NT\$27,470 million NTD	NT\$7,452 million NTD	NT\$5,575 million NTD
	YOY growth	21.96%	73.90%	49.66%	1413%
	Total in 2022	② NT\$39,974 million			

Note ① : This is put into practice in Q1 2023. The statistics figures above are defined based on new framework. Note ② : This is the total figure after deducting repeated counts. Note ③ : Major punishment is defined based on the standard of competent authorities for businesses. If there's no specific standard, major punishment is defined as shut down, close down, going out of business, or abolishment or revocation of pollution permit ordered by the relevant institution due to violation of relevant regulation in the past year, or a fine of NT\$1 million or above imposed for a single event.

# 8 Green Operations

■ Balance of loan to sustainable industry by industry:

Aspect	Type	Composition	Loan balance in 2022
Environmental aspect	Renewable energy	Electric power supply	NT\$5,413,119,927
	Electronic components	Manufacture of Light Emitting Diodes (LED), manufacture of solar cells	NT\$171,313,089
	Water resource	Water supply, wastewater & sewage treatment	NT\$5,447,970,033
	Pollution prevention and control	Collection of non-hazardous waste, collection of hazardous waste, treatment and disposal of non-hazardous waste, treatment and disposal of hazardous waste, materials recovery, remediation activities and other waste management services	NT\$731,557,576
	Transportation	Manufacture of motorcycles, manufacture of bicycles, manufacture of bicycle parts, railway transportation, public rapid transit, motor bus transportation	NT\$188,202,936
Social aspect	Medical health	Manufacture of raw material medicines, manufacture of drugs and medicines, manufacture of medicinal biological products, manufacture of Chinese medicines, manufacture of medicinal chemical products, manufacture of other medical supplies and devices, wholesale of pharmaceutical and medical goods, retail sale of pharmaceutical and medical goods in specialized stores, hospital, clinic, medical test and examination activities, other human health activities not elsewhere classified, residential long-term care facility, community long-term care facility	NT\$1,291,901,636
	Sports service	Wholesale of sporting goods, sports service, sports venue, other sports services	NT\$192,100,000
	Education	Preschool education, primary education, secondary education, higher education, college & university, special education schools, educational support activities, language education, fine arts education, sports and recreation education, business, information and professional management education, schoolwork and employment tutorial education, other education not elsewhere classified	NT\$1,166,904,000

Note: Select industries imposing positive environmental and social impact based on the code of Industrial Classification of Directorate-General of Budget, Accounting and Statistics. These industries include renewable energy, circular economy, pollution prevention and control and medical health. They are prioritized for adequate financing assistance. We aim to motivate industries creating positive environmental or social benefits.

- The “ESG Evaluation Checklist” is used for all of the loan reporting and approval processes. The result confirms that five loans belong to high carbon emission industry and one loan belongs to high risk industry. We further keep track of GHG inventory result or GHG reduction goal or plan offered by customers. The GHG inventory result or GHG reduction goal or plan is then reviewed jointly.
- Formulated the bonus point assessment indicator of performance for employees granting the ESG loan to motivate employee to grant sustainability loans.

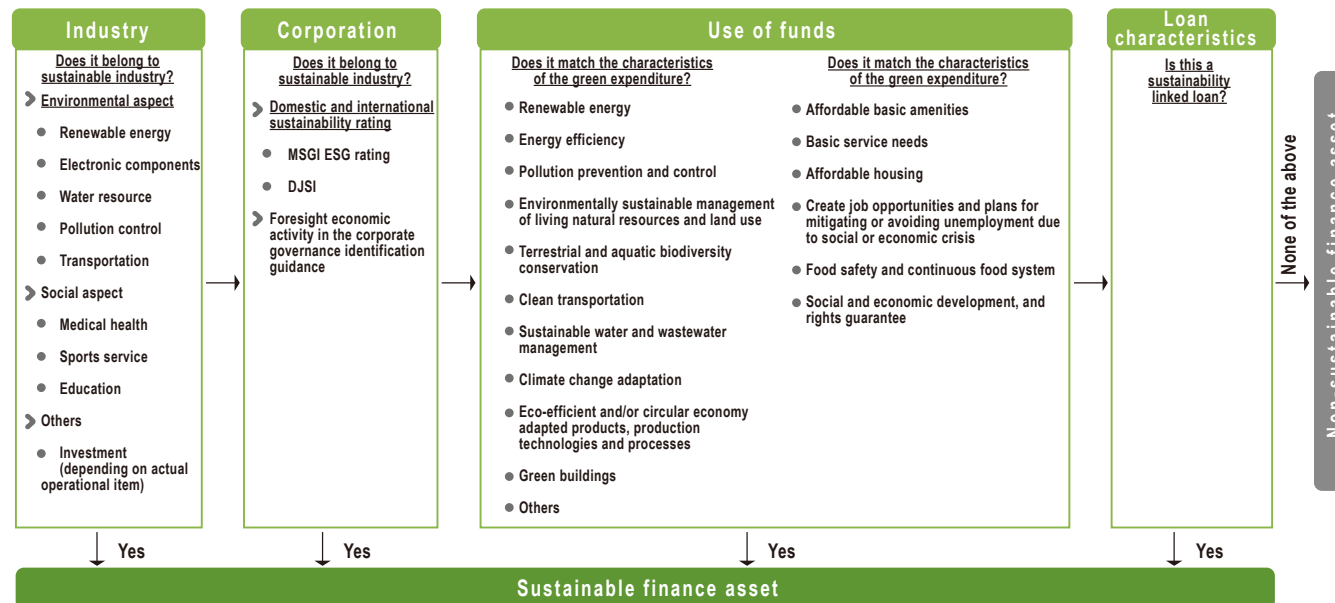
# 8 Green Operations

- Increase ESG literacy of sales representatives. Hold relevant training and seminars:

Form	Instruction	Performance outcome
Internal training	Shared cases of solar power, offshore wind power and electric car at the internal morning meeting, held as a video conference.	Each seminar takes about an hour, attended by about 200 employees per seminar. Six seminars were held in 2022.
Internal training	Invite experts in the industry to hold the seminar “Business Opportunity in Power Storage” to share news on Taipower’s electricity trading platform and energy storage device.	The seminar is held in Q1 2022. It lasts three hours.
	The counselor from Deloitte Taiwan held the seminar for establishing the program “Corporate Finance Sustainability Finance Framework.”	The program seminar was held in December 2022. It lasts three hours and 193 employees attended it. The education training of ESG business is held in March 2023. It lasts three hours and 173 employees attended it.

- Formulate the “Guideline for Corporate Finance Green Loan and Business of Loan Linked to Sustainability Performance” in Q4 for frontline sales representatives to identify loans and abide by.
- Formulate the bonus point assessment indicator of performance for employees granting the ESG loan to manage performance and encourage promotion of business related to ESG loan.

## ESG loan check process



## Responsible investment

- In 2022, we amended the compliance statement and policy of “Stewardship Principles for Institutional Investors.” We include the ESG Client Due Diligence (CDD) in investment operation and regularly disclose due diligence governance. The key points of amendment are:
  - ① Pay attention to corporate social responsibility performance for equity and bond investment objective. Work on incorporating ESG evaluation into investment process, which means to evaluate financial and business performance of investment, and the prospect of industry invested in. Also evaluate the sustainability aspect of investment, such as checking if the investment is made to a high carbon emission industry or controversial industry.
  - ② Our director, manager, employee, subsidiary or someone with concrete control capability must not conduct dealings involving conflict of interest in the name of himself or others. Conflict of interest must be avoided when dealing with a shareholding company.
  - ③ To fulfill our responsibility as an institutional investor, a corporate representative must perform due diligence governance, and exercise shareholder voting rights or the power of director at the regular shareholders’ meeting or the board meeting. The corporate representative must explain the reason of objection if he is opposed to a major bill at the shareholders’ meeting. He must express his opinion, which must be recorded, at the meeting if he has any concern on corporate governance bill. He might also vote in the negative.
- In 2022, we executed the due diligence governance for Dah Chung Bills Finance Corp, our reinvestment company. We have two director seats as a corporate shareholder. After evaluation, it is confirmed that the sustainability development performance and the indicator related to sustainability development are good. The corporate governance of this company is excellent. The ethical operation of this company also meets the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies.

The motion we participated in or we raised opinions for	
<b>Attend the shareholders’ meeting of Dah Chung Bills Finance Corp as a corporate representative</b>	<b>Attend the board meeting of Dah Chung Bills Finance Corp as a corporate representative (100% attendance)</b>
<ul style="list-style-type: none"> <li>✓ The amendment to acquisition and disposal of assets</li> <li>✓ The proposal for lifting restrictions on non-compete clause for a director and his representative of juristic person director</li> <li>✓ Earnings distribution in 2021</li> </ul>	<ul style="list-style-type: none"> <li>✓ Examine financial and business performance.</li> <li>✓ Performance appraisal/Performance incentive for senior managers</li> <li>✓ Appropriation of special performance bonus</li> <li>✓ Loans for all companies</li> </ul>

- Investment in green and sustainability bond:
  - ① As for credit risk evaluation of investment target, eliminate industries with high controversy, high carbon emission and high risk in general based on the ESG checklist.
  - ② Continue to include domestic and overseas green and sustainability bonds with good credibility in investment portfolios.

ESG bonds owned in 2022		
Item	Level	Amount
Green bond	7	NT\$2.04 billion
Sustainability bond	2	NT\$0.6 billion

## Environmental Management

### ■ Environmental commitment

We formulated the “Environmental and Energy Management System” according to the “ISO 14001 Environmental Management System” and “ISO 50001 Energy Management System”. The following is our commitment:

- ① Abide by energy management regulations and increase usage efficiency.
- ② Enhance energy management system and continue to improve performance.
- ③ Strive for environmental pollution prevention and support circular economy development.
- ④ Purchase more energy saving products and support creative design.
- ⑤ Help employees learn more about energy conservation and reinforce source management communication.

### ■ Environmental Energy Management Committee

We set up the Environmental Energy Management Committee. The President serves as the chairman. The Committee is responsible for organizing and integrating internal environmental and energy management business of the entire bank. It examines environmental impact on corporate value chain from all aspects, and effectively executes carbon reduction, energy and water conservation, and business waste control. In addition, it fully increases environmental management performance and it is committed to environmental protection.

### ■ Implemented ISO 14001 Environmental Management System

In 2022, we introduced the environmental management system in Culture Country and Cultural Miracle in Banqiao, New Taipei City, and set up and established the environmental management strategy and structure. We also organize the environment improvement goal and continue to manage improvement plans, such as installing a containment dike for diesel tanks to prevent leakage, and replacing conventional lights with LED for energy conservation. We have been certified by BSI. The certificate is valid from December 5, 2022 to December 4, 2025. We continue to organize the environment improvement programs for 2023.

### ■ Implemented the ISO 50001 Energy Management System

In 2016, our building in Taoyuan and Banqiao Nanya Branch are demonstration offices for implementing ISO 50001 Energy Management System, and they passed international certification. 194,840 kWh has been saved in three years and the energy-saving rate is 24.43%. In 2019, Taichung Tzu Yu Building and Taipei Chongqing Branch are also included in verification of energy management system and passed external verification. 196,908 kWh has been saved in three years through numerous energy conservation and improvement programs, and the energy-saving rate is 29.59%. In 2022, we continue to promote energy conservation and improvement based on ISO 50001, replace conventional lighting and air conditioning with energy-saving ones when Taipei Chengde Branch, Taipei Jinhua Branch and Information Technology Group are relocated and renovated. It is estimated to save about 48,600 kWh per year, effectively improving energy performance.



Energy saving outcome of the entire bank					
	Item	2020	2021	2022	Difference between 2021 and 2022
Electricity	Total power consumption (kWh)	12,011,933	11,687,443	10,387,093	<b>-11.13%</b>
	Total power consumption (megajoule)	43,242,959	42,074,795	37,393,535	

# 8 Green Operations



Start year	Optomechatronics power conservation program	Execution phase	Annual power conservation (kWh)	Annual carbon reduction (tCO2e)
2022	Install solar panels at Taoyuan Building.	Completed	41,413	21.08
	Relocate the data center to an efficient professional data center.	Completed	1,881,400	957.63
	Replace conventional lighting with LED for some branches.	Completed	48,623	24.75
2021	Replace one air conditioner in a branch.	Completed	4,483	2.28
	Replace conventional lighting with LED for some branches.	Completed	102,318	52.08
	Replace seven air conditioners in a branch.	Completed	103,682	52.05
2020	Integrate the chilled water pipeline in Tzu Yu Building.	Completed	19,641	9.86
	Replace conventional lighting with LED for some branches.	Completed	57,850	29.04
2019	Replace (seven) air conditioners for some branches.	Completed	108,231	55.09
	Replace conventional lighting with LED for some branches.	Completed	26,730	13.61

## Daily energy conservation measures

Power conservation 	<ul style="list-style-type: none"> <li>● Lighting office is divided into different sections. The units taking lunch break turn off the light in public area and office. Lights in the hallway and stair well are turned on in an alternative pattern because these areas require less lighting. Highly efficient LED is prioritized for the exit lights and emergency direction lights in a building. After business hours, business units turn off lighting and air conditioning not needed.</li> <li>● The average of indoor air conditioning temperature must not be lower than 26°C. Install curtains to block radiant heat.</li> <li>● Only some elevators are used at off-peak hours, so that they will carry all the loads.</li> <li>● Replace lights. Use the lights with lowest power consumption, such as replacing T8 with T5 or replacing T5 with LED.</li> <li>● Set energy saving mode for personal computer and OA equipment for public use. personal computer and OA equipment are shut down automatically if they have entered the sleep mode for a long time. Turn off power every day before getting off work.</li> </ul>
Energy saving Gasoline 	<ul style="list-style-type: none"> <li>● Walk or take public transit when going out on business if possible.</li> <li>● Replace face-to-face meeting with video or phone conference to reduce commute.</li> </ul>



# 8 Green Operations

## Water resource management

All of our water consumption is supplied by tap water company. No underground water or other water source is used. Water at all office buildings and business locations are for employee and customer only. It is mainly used for cleaning, drinking and air conditioning. Domestic sewage generated from operation is discharged according to relevant standards. Water resource is managed based on quantitative goal. Besides examining water conservation of all units every quarter, we set the year 2022 as the base year, and achieve the goal for 2023, saving 1% of total water consumption. We promote the following water saving measures:

- ✓ Promote water conservation measures, such as installing water conservation devices for faucets in accessible restrooms in new branches, and replacing conventional toilets with dual-flush water-saving toilets.
- ✓ Attach water conservation posters in the bank. Regularly promote importance of water resource. Implement the concept “save every drop of water, let’s start saving water together” in daily operation.

Water resource management performance			
Item	2021	2022	Difference between 2021 and 2022
Total water consumption (m <sup>2</sup> )	64,373	66,858	3.68%
Water consumption intensity (m <sup>2</sup> /person)	24.98	26.16	



## Waste management

Our waste is divided into general and recyclable waste. No hazardous waste is generated. General trash is collected by a waste management company and transported to an incineration plant. Recyclable trash is treated properly by a cleaning company to reduce second environmental impact. All of the waste management companies we authorized are selected professional qualified companies. Quantitative management is executed for waste reduction. The year 2022 is the base year. Our goal is to reduce 1% total amount of waste in 2023. Our waste reduction measures are shown below:

- ✓ General and recyclable trash are treated separately. Garbage sorting bins are placed in all business locations and office buildings.
- ✓ Promote paperless systems such as electronic official document or operational document. Promote online materials of education training.
- ✓ Recycle cartridge for suppliers to reuse them.
- ✓ Encourage employees to bring their own cup and promote reuse.
- ✓ Print on both sides. Destruct documents regularly.

Performance of waste management		
Item	2021	2022
General trash	219.37 mt	82.10 mt
Recycling	20.19 mt	83.86 mt
Waste in total	239.56 mt	165.95 mt
Waste intensity	0.09 mt/person	0.06 mt/person

Note ① : In 2021, the total weight of waste for leased area (in square meters) is calculated by multiplying the total weight of waste of Head Office by the leased area (in square meters). The total amount of waste is estimated by the waste generated per person in the Head Office.

Note ② : In 2022, the total weight of waste is calculated based on the total amount of waste generated by Culture Country and Cultural Miracle in Banqiao and Xinyi Branch. The amount of waste generated per person at Culture Country and Cultural Miracle in Banqiao and Xinyi Branch is calculated separately by building and branch to estimate the total amount of waste for the entire bank.

# 8 Green Operations

## ■ Circular economy management

- The plan for installing solar panels at our bank was initiated in 2022. Taoyuan Building will be the first one installing solar panels. We signed a contract with solar panel vendors in Q4, and examined and approved by Taiwan Power Company and the city government. Solar panels start to generate electricity in March 2023. In 2023, our goal is to purchase green power to supplement the solar power at the location, where the solar power is low, to build our first green power branch. We endeavor to gradually forge ahead to environmental sustainability goal of net zero transition.
- We use recyclable cloths to make trendy uniforms, distributed in Q1 2023 and pushed the boundary of green purchase.
- The reusable bag, our marketing gift, is also made based on circular economy. We entrusted FNG Company Limited to use cloths made of recycled PET bottles. Both the bag and its material are made in Taiwan. The bag is stitched by female residents and workers to create job opportunities for local community.

## ■ Digital learning platform

We offer an internal and external diverse learning platform, e-Learning. In addition to establishing an internal digital system (eHRD), these years we introduced external digital courses, e.g. Studio Classroom and Commonwealth Leader Campus, to encourage employees to study online and engage in microlearning. This reduces carbon emissions due to transportation, and saves paper for course material and labor.

Digital learning platform		Course topic	Number of learning hours in 2022
Internal	Digital learning system (eHRD)	Internal product introduction, sales pitch, regulatory knowledge etc.	78,625 hours in total
External	Studio Classroom	Business English, diverse topics and English news	131,123 hours of reading in total
	Commonwealth Leader Campus	Fintech intellectual capacity and technical capability	131,088 hours of reading in total
Employees took 340,836 hours of course on e-Learning, reached a historical high.			

## Green purchase

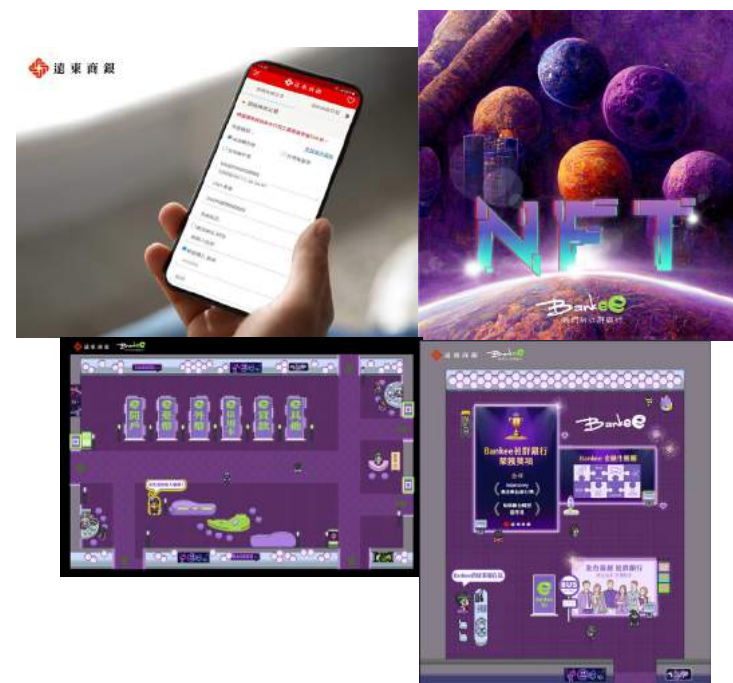
- The amount of green purchase is NT\$28.71 million, 59% more than the amount for previous year, NT\$18.06 million. The Department of Environmental Protection, Taipei City Government recognized us as the “Model Unit for Green Purchase”.
- Use PETSPUN, a green material, to make marketing gifts such as bags and picnic mats.
- Conventional lights in office are gradually replaced with LED. Only energy saving light is used for new branches.
- Choose construction materials with green construction material label for office renovation, including low formaldehyde material, flame retardant material, mineral fiber board and environmental paint.
- When purchasing energy equipment, we require suppliers to prioritize green products with green labels.
- We were honored the Buying Power – Social Innovation Products and Services Procurement by the Small and Medium Enterprise Administration, MOEA.

# 8 Green Operations

## ■ Paperless service

Financial industry needs lots of documents during operating processes. It is always an industry with high paper consumption. To reduce paper consumption, our internal and external official document process, form, business manual, regulation management, bulletin and audit are launched online year by year. In addition, we promote paperless service, replace paper leaflet with eDM, continue to optimize all kinds of financial digital service platforms, continue to increase usage rate of digital service, reduce carbon footprint generated when a customer stops by a branch, save the time for a customer to stop by a branch, and offer a convenient, efficient, green financial service to society. Off-counter rate in 2022 reached 94.7%. More than 90% of common banking services are received through a digital platform. This has become the new normal.

Achievement in off-counter rate					
Year	Online transfer	Online withdrawal	Online fund	Online exchange	Online deposit
2020	91.6%	95.9%	67.2%	56.9%	49.2%
	Total off-counter rate is 89.9%				
2021	96.6%	96.4%	83.6%	71.5%	58.6%
	Total off-counter rate is 93.7%				
2022	97.3%	96.5%	81.9%	76.4%	61.3%
	Total off-counter rate is 94.7%				



## Supplier Management

Item	Instruction								
Scope of supply chain	<ul style="list-style-type: none"> <li>• We support local purchase. Our suppliers are divided into information, construction, service and others. We always prioritize suppliers in Taiwan if our business is in Taiwan and prioritize overseas suppliers if our business is abroad. We aim to boost local economy, conserve energy for transportation, and mitigate environmental pollution during the manufacturing process.</li> <li>• There's no major change to the location and structure of supplier and relationship with supplier compared to the previous year.</li> </ul>								
Health and safety	<p>We care about the sustainable operation responsibility of listed corporations in industrial supply chain. To utilize supplier relationship, we promote environmental sustainability development and maintain basic human rights with suppliers. We formulate the "Guidelines for Supplier Social Responsibility Management" to demand main suppliers to abide by, read relevant standards carefully and signing the "Letter of Commitment of Supplier Social Responsibility," "Supplier Social Responsibility Self-evaluation Form" and "Supplier Corruption and Bribery Risk Evaluation Form" before signing a contract or before dealing with us. We build a systematic sustainability purchase process accordingly.</p>								
Concrete action	<ul style="list-style-type: none"> <li>✓ All of the main suppliers having million-dollar dealings with us a year signed the "Letter of Commitment of Supplier Social Responsibility," covering labor and human rights, health and safety, environmental protection and code of ethics.</li> <li>✓ We established and strengthened evaluation standards for different types of procurements. We explicitly specified terms in the contract to check if suppliers have acquired ISO certification. Besides suppliers having to primarily use green construction materials for office repair, we require suppliers to fulfill terms of environmental protection in construction or purchase contract.</li> <li>✓ All construction suppliers must attend the factory safety and health coordination meeting we held, and appoint onsite staff in charge of safety and health. The staff in charge must learn and sign our "Contractor Workplace Environmental Hazard Statement" and "Letter of Commitment of Contractor Occupational Safety and Health and Environmental Management." He must be fully aware of potential risks of workplace and operation, and notify them to appointed workers. He must make sure that these workers know about labor insurance, health check-up and necessary work knowledge, and possess license or certification related to experience in safety and health. He must offer them necessary training and safety gear. All relevant training and check records must be archived for reference.</li> </ul>								
Goal	<p>We bear sustainability responsibilities with suppliers, e.g. labor rights, environmental protection and ethical management.</p>								
Evaluation mechanism	<p>We include green, social responsibility, labor condition and environmental protection in evaluation indicators of supplier. The evaluation result is divided into A for excellence, B for qualified, C for improvement required and D for disqualified. One-time vendors without evaluation record are included in the list of strict monitoring.</p> <table border="1" data-bbox="427 1294 1570 1477"> <thead> <tr> <th data-bbox="427 1294 656 1342">Supplier evaluation aspect</th> <th data-bbox="656 1294 1570 1342">Main content</th> </tr> </thead> <tbody> <tr> <td data-bbox="427 1342 656 1382"> <input checked="" type="checkbox"/> General evaluation item                 </td> <td data-bbox="656 1342 1570 1382">Professional competence, service capability, problem-solving ability, temporary assignment adaptation, reputation in the industry, evaluation, financial condition and turnover capability</td> </tr> <tr> <td data-bbox="427 1382 656 1430"> <input checked="" type="checkbox"/> Service evaluation item                 </td> <td data-bbox="656 1382 1570 1430">Product quality, construction progress tracking, turnover rate etc.</td> </tr> <tr> <td data-bbox="427 1430 656 1477"> <input checked="" type="checkbox"/> Evaluation item of corporate social responsibility                 </td> <td data-bbox="656 1430 1570 1477">Labor rights, code of ethics, occupational safety and health management, green environmental/social responsibility, sustainable consumption/local purchase support etc.</td> </tr> </tbody> </table>	Supplier evaluation aspect	Main content	<input checked="" type="checkbox"/> General evaluation item	Professional competence, service capability, problem-solving ability, temporary assignment adaptation, reputation in the industry, evaluation, financial condition and turnover capability	<input checked="" type="checkbox"/> Service evaluation item	Product quality, construction progress tracking, turnover rate etc.	<input checked="" type="checkbox"/> Evaluation item of corporate social responsibility	Labor rights, code of ethics, occupational safety and health management, green environmental/social responsibility, sustainable consumption/local purchase support etc.
Supplier evaluation aspect	Main content								
<input checked="" type="checkbox"/> General evaluation item	Professional competence, service capability, problem-solving ability, temporary assignment adaptation, reputation in the industry, evaluation, financial condition and turnover capability								
<input checked="" type="checkbox"/> Service evaluation item	Product quality, construction progress tracking, turnover rate etc.								
<input checked="" type="checkbox"/> Evaluation item of corporate social responsibility	Labor rights, code of ethics, occupational safety and health management, green environmental/social responsibility, sustainable consumption/local purchase support etc.								

# 8 Green Operations

Guidelines of supplier commitment		Description
Labor and human rights	Forbid child labor	All employees must complete compulsory education. Their age must be older than the working age specified in local regulations.
	Compensation and benefit	The wage must not be lower than the minimum wage required by local regulations.
	Respect and non-discrimination	Employees are not discriminated by gender, sexual orientation, race, religion, disability, marital status, pregnancy, nationality, politics, social origin or other aspects for employee rights and welfare, such as recruitment, employment, remuneration, promotion, receipt of education training, punishment, agreement termination or retirement.
Health and safety	Occupational safety	Control workplace safety to avoid employee injury through adequate design, construction and administrative control, protection care, safety procedure, and continuous safety knowledge training.
	Occupational injury and illness	Formulate procedures and management systems to prevent, manage, track and report occupational injury and disease.
	Medical service and first aid	Formulate and implement the first aid procedure, including but not limited to first-aid staff training, relevant first-aid kit, and first-aid and medical record.
Environment	Environmental permit and report	Acquire all of the environmental permits, and approval and registration documents required by law. Maintain and regularly renew information, and abide by operational and report requirements.
	Prevent pollution and conserve resources	Modify production, repair and loan procedure, replace materials, conserve natural resources, recycle materials and execute other feasible methods to reduce and prevent any type of resource consumption and waste.
	GHG emissions	Reduce energy and resource consumption and GHG emissions.
Ethical standards	Ethical management	Abide by the highest integrity standard in all business relationships. Forbid any type of bribery, corruption, blackmailing, theft, abuse of power and profiteering, including any money, gratuity, gift, commission, position, service, preferential treatment, rebate in whatever form or name.
	Open, transparent information and collaboration	Publish information on engagement in labor, health and safety, business activity, organization structure, financial condition, financial condition and cost analysis according to applicable regulations and general industry practice. Allow us or our third-party verification unit to conduct audit for violation of letter of commitment.
	Avoid conflicts of interest	Our business relationships must avoid any possible conflict of interest. Report to us if any potential conflict of interest is found. Take adequate measures to prevent possible misconduct.