

Shanghai Commercial and Savings Bank, Ltd. Climate-related Risk Investment Management Regulations

Established by Treasury Department
Established on 2022.05.19

- Article 1 These Regulations are established to implement the “Guidelines for Task Force on Climate-related Financial Disclosures of Domestic Bank Industry,” “Shanghai Commercial and Savings Bank, Ltd. Sustainable Development Promotion Rules” and to comply with the “Stewardship Principles for Institutional Investors” of the Taiwan Stock Exchange, in order to fulfill corporate social responsibility and to achieve sustainable operation goals.
- Article 2 For the development, assessment, investment decision making and investment management stages of investment projects, the Bank shall consider the ESG and shall also include the climate change risk related identification process into consideration, and relevant investment risk management processes and mechanisms shall also be established in relevant investment rules.
- Article 3 To cope with the risk exposure of high carbon emission industries (steel industry, plastic industry, cement industry, and oil, Gas and Electricity Industry, etc.), the investment amount shall be continuously reduced for enterprises unwilling to improve cooperatively and for industries prone to be affected by climate change (traffic and transportation, agricultural, forestry, fisheries and animal husbandry and real estate, etc.), the investment risk shall also be carefully evaluated, and the investment amount in green equity and securities shall be increased year after year.
- Article 4 Presently, the competent authority has not explicitly specify carbon right trading regulations. Once such regulations are specified explicitly, relevant investment rules of the Bank are to be amended in accordance with the regulations of external competent authority.
- Article 5 As the competent authority imposes higher requirements on climate-related risk disclosure information of enterprises, large carbon emission enterprises are expected to face high carbon fee payment and transformation risk, such that the business operation of such enterprises may be affected. Accordingly, depending upon the severity of violation of large carbon emission enterprises against the regulations of the competent authority, investment ratio or amount on such enterprises shall be limited.

- Article 6 For the securities underwriting and proprietary dealing departments performing investments with the Bank's own capital, the handling and acceptance of securities of enterprises lacking the corporate sustainability principle (environment, society and corporate governance (ESG)) shall be reduced. Under the strategy of decarbonization, the investment in coal industry and unconventional petroleum industry as well as the fixed income from underwriting thereof shall be reduced year after year.
- Article 7 To seize the business opportunities derived from low carbon market, the Bank shall gradually increase the issuance of bonds associated with green, continuing development and social responsibility and the Bank may also assist customers to raise sustainable development bonds, and the funds raised shall be used in renewable energies, greenhouse gas reduction and water resource saving related industries.
- Article 8 The Bank shall continue to monitor, analyze and evaluate relevant information of the investment subject matters after investment. In case of encountering the situation of operations deterioration of the investment subject matter due to climate-related risk during the investment period, the Bank shall review and evaluate whether the investment subject matter has relevant improvement status or plan and it is necessary to explain whether or not the Bank's investment strategy or amount limitation shall be changed in the evaluation report.
- Article 9 To prevent impact of the aforementioned factors on the securities and underwriting businesses of the investment and proprietary dealing department utilizing own capital of the Bank, the Bank plans to increase the green equity and debt investment and underwriting amount year after year. For the long-term goal, the green equity and debt investment amount is expected to reach 10% and more of the overall investment position of the Bank.
- Article 10 With regards to the profit and income from high carbon emission industries, for the long-term goal, such profit and income shall not exceed 10% of the overall profit and income of the investment.
- Article 11 The Bank shall include the industries of high carbon emission and industries prone to be affected by climate change as well as the impact level and occurrence frequency in the investment decision making process, and it is necessary to report to senior management

(above the rank of assistant vice president (inclusive) for approval, and relevant records shall be preserved. In addition, management report shall also be generated periodically.

Article 12 Any matters not specified in these Regulations shall be handled in accordance with relevant laws and relevant regulations of the Bank.

Article 13 These Regulations shall be approved by the President before announcement and implementation. The same requirements shall be applied to amendments thereof.