



Capital Securities  
Corporation



**Year 2022**

**Capital Securities Corporation**

# **ESG Report**

**Notice to readers**

**The Chinese version shall prevail. Please refer to the Chinese version for the corporate social responsibility assurance report.**

# About the Report

This is the ESG Report of Capital Securities Corporation (hereinafter referred to as Capital Securities), which reveals the 2022 environmental protection (E), social responsibility (S), and corporate governance (G) related issues of the Company. The Report is compiled in both Chinese and English versions following the core options of the GRI Standards, adopting the sustainability indicators of the Sustainability Accounting Standard Board (SASB), and the framework of the Task Force on Climate related Financial Disclosures (TCFD), and is available for download on the corporate website.

## Reporting Period and Cycle

- ✧ The information revealed in the ESG Report is dated between January 1, 2022 to December 31, 2022. The information revealed in the financial statements are dated as the same period as the aforementioned ESG Report.
- ✧ Capital Securities has issued CSR reports since 2014, with a total of 7 reports up to 2020; from 2021 onwards, it has been renamed as the ESG Report, and will publish the Report regularly once per year. The next ESG Report is expected to be published in June 2024.

## Contact

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## Reporting Scope and Boundary

| Category  | Reporting Boundary   | Boundary differences between the Report and the financial statements  | External Assurance  |
|---|--|---|---|
| <b>Environmental, Social and Corporate Governance</b> | The content covers the operations and services of Capital Securities and its subsidiaries, Capital Investment Management Corporation, Capital Insurance Agency Corporation, CSC Venture Capital, and CSC Capital Management Corporation, excluding Capital Futures and its subsidiaries (Capital Futures and its subsidiaries will issue a separate ESG Report) in Taiwan. | Capital Securities and its subsidiaries, Capital Investment Management Corporation, Capital Insurance Agency Corporation, CSC Venture Capital, and CSC Capital Management Corporation, excluding overseas subsidiaries, futures and their subsidiaries. | KPMG in Taiwan issued an CPA's assurance report.                    |
| <b>Financial Information</b>                          | Capital Securities.  | Capital Securities' parent company only financial statements.   | The financial statements were audited and certified by KPMG Taiwan. |

The CPAs have no equity or inter-management relationship with the Company and have been engaged only to perform external assurance on financial reports and ESG Report.

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## Chairman's Philosophy

In order to enhance the financial industry's capacity to respond to climate change and ESG-related risks, and to guide consumers, investors, and the real industries to jointly emphasize sustainable development, under the Financial Supervisory Commission's (hereinafter referred to as "FSC") "Green Finance Action Plan 3.0" policy, the Company not only focuses on stakeholder communication, but also develops three major aspects of its own sustainable development, namely environmental protection(E), social responsibility(S), and corporate governance(G), in a balanced and diversified manner.

In response to domestic and international sustainable financial development issues, the Company has promoted the following measures:

(1) Upgrading the ESG Committee

In order to strengthen the promotion of sustainable finance, the ESG Committee has been upgraded to a functional committee under the Board of Directors and renamed as the Sustainable Development Committee. Under the Committee, a Sustainable Development Office was set up, with the President as the Chief Executive Officer, to integrate the Company's resources and implement sustainability objectives and strategies into each department. The Committee submits to the Board of Directors at least once a year an annual plan of sustainable development activities and the implementation status of the previous year's plan.

(2) Policy planning for financial inclusion

The Company is committed to the development of inclusive finance, so that we not only design financial services for high-asset customers, but also actively promote dollar cost averaging, regular fixed shares and small-denomination bonds to provide a suitable investment method for the small-capitalized and stable investment community.

(3) Talent Cultivation

In terms of talent cultivation, the Company has the "Phoenix Program" for industry-academia cooperation, which teaches students practical experience in the market and combines theory and practice in advance, which not only enhances students' employment competitiveness, but also prepares the Company to reserve future talents. In the newcomer training area, there is the "Eagle Program", and in the supervisor training area, there is the "Flying Eagle Program", which aims to cultivate management talents with business skills and qualifications. In addition, for succession planning of key management personnel, the Company has established the Capital Financial University since 2007 as a cradle for nurturing key executives within the Company.

(4) One-day social welfare

The company provides one day of social welfare leave a year to encourage colleagues to participate in related public welfare activities on their own initiative, such as: beach cleaning and mountain cleaning.

Lastly, in respect to corporate governance, the Company fulfills its

responsibilities in terms of risk management, legal compliance, information security, and personal information protection in order to meet the expectations of financial consumers and complying with the requirements stipulated by the competent authority. By growing steadily, the Company establishes a long-term partnership for mutual growth while gaining reassurance and trust from all stakeholders.

2023 will still be a year full of opportunities and challenges. The Company will actively respond to its goals of sustainable development, upholding the concept of sound management, strengthening the integration of financial group resources, gradually implementing the vision and concept of environmental protection (E), social responsibility (S), and corporate governance (G), with an aim to contribute to our home through our utmost efforts and sincerity via practical actions.

# I. Sustainability Strategy

Part of Capital Securities' name in Chinese means "group benefits," which represents a prioritization of interests of the public. The Company hopes to working together for a better future, not only for the Company itself, but also for the sustainable development of all stakeholder groups.

To this end, Capital Securities, through its English name, "CAPITAL," pledges its environmental protection, social responsibility and corporate governance strategies and codes of conduct:

## "Commitment"

The rights and interests of customers is seen as the priority of Capital Securities, following by the rights and interest of our employees; we will fulfill the promises we have made to both our customers and employees.

## "Ambition"

Capital Securities has a firm commitment to the sustainable development in terms of environmental protection, social responsibility and corporate governance.

## "Planning, Performance, Profit, Professionalism, Passion"

Planning, performance, profit, professionalism, and passion are set as the credos for the sustainable development of Capital Securities.

## "Integrity, Innovation"

Capital Securities makes decisions and implements sustainable development issues by upholding honesty, integrity, and ethics.

## "Teamwork"

Capital Securities is committed to working together with all stakeholder groups to maximize the overall effectiveness of our business in order to achieve a holistic and integrated vision of sustainable development and shared benefits.

## "Assiduity"

Capital Securities will continue to pursue environmental protection, social responsibility and corporate governance excellence with diligence and perseverance.

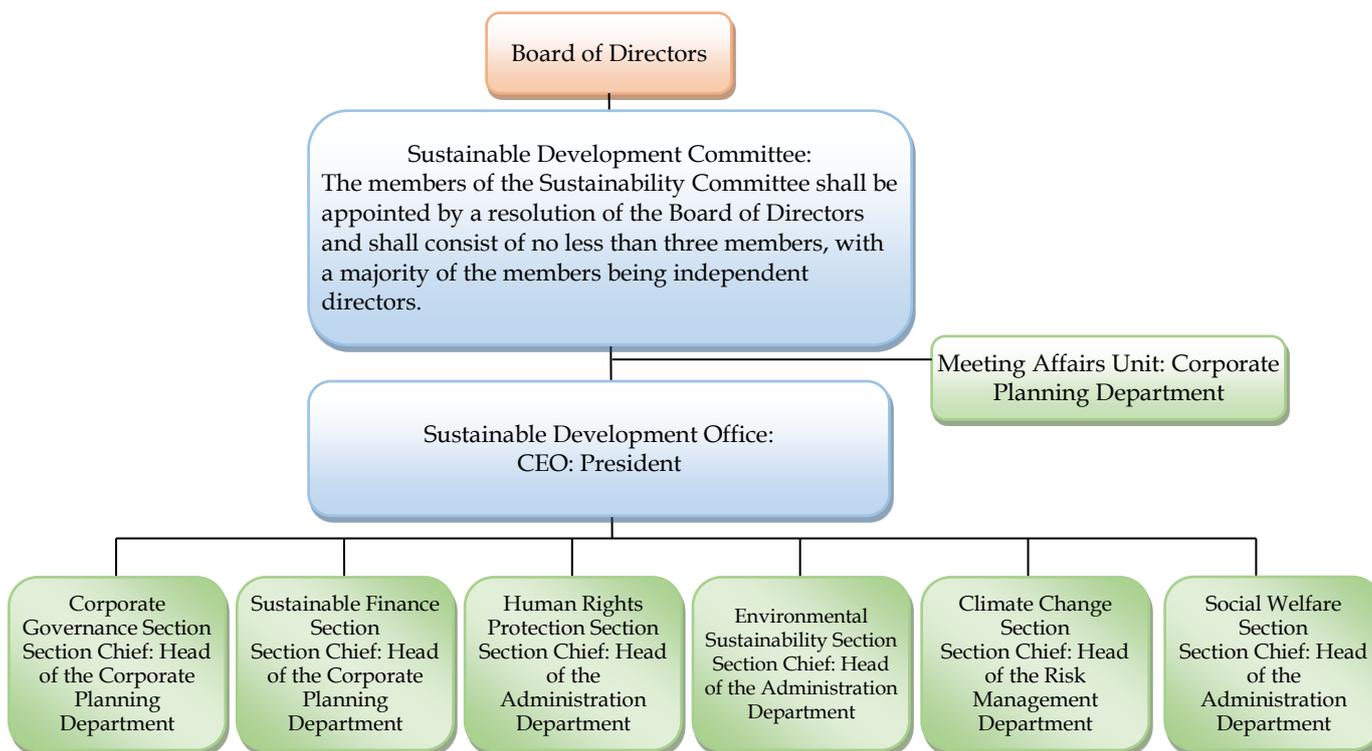
## "Leadership"

Capital Securities will gain a clear understanding of the trends of laws and issues related to sustainable development, formulate strategies and development goals, and implement them thoroughly, and aspire to be the functional leader of sustainable development in the market.

Looking into the future, the Company will follow domestic and international trends of sustainable development, uphold the above strategies and action guidelines, pursue innovation and changes, achieve innovative development, expand the business scope of sustainable finance, financial inclusion and digital finance, develop green financial products, provide assistance and consultation to society, market and customers, and jointly move towards ESG sustainable development goals.

## A. Sustainable Development Committee

Organizational Chart of the Sustainable Development Committee



On January 21, 2021, the Company's Board of Directors approved the establishment of the ESG Committee, which is responsible for the implementation and supervision of ESG. However, in order to be prudent and attach importance to sustainability issues, the Company amended its organizational rules and structure on November 10, 2022, and renamed it as the Sustainable Development Committee, which elevates the organizational level to be under the Board of Directors, and raises the management level to supervise the promotion of the Company's sustainability-related issues.

The members of the Sustainable Development Committee shall be appointed by a resolution of the Board of Directors and shall consist of no less than three members, with a majority of the members being independent directors. The Sustainable Development Committee shall report to the Board of Directors at least once a year to supervise and make decisions on the implementation of the Company's systems or management policies related to environmental protection, social responsibility, and corporate governance.

Under the Sustainable Development Committee, there is a Sustainable Development Office, headed by the President as the Chief Executive Officer, and six task forces, including Corporate Governance, Sustainable Finance, Human Rights Protection, Environmental Sustainability, Climate Change, and Social Welfare; each task force is headed by a department head to coordinate the implementation of the task force.

## B. Materiality Analysis

### (1) Understanding the Organizational Structure

1. Identifying stakeholders: Capital Securities identifies employees, customers,

shareholders/investors, suppliers, and government agencies as stakeholders based on the five principles of the AA1000 SES (Stakeholder Engagement Standard, 2015 edition), including dependence, influence, attention, responsibility, and diversity, and by reference to the stakeholders listed in the peer group.

2. Collecting issues of concern: Including analyzing global trends, industry characteristics, internal and external business and activity situations, and international standards and guidelines (GRI, TCFD, SASB) and collecting and inventorying sustainability issues of concern, totaling 30 issues of concern; and the impact of the 17 United Nations Sustainable Development Goals (SDGs) on the Company's business.

## (2) Identifying Actual and Potential Impacts

In order to set an industry benchmark and take into account the rights and interests of stakeholders, the Company responds to, formulates and implements action plans through the various communication channels listed in the table below, continuously communicates the results to stakeholders, and collects and identifies actual and potential impacts of issues of concern as well as feedbacks in order to achieve the goal of sustainable development.

| Stakeholders             | Corresponding Target                    | Issues of Concern   | Communication Methods   | Communication Frequency      |
|--------------------------|---|---|---|------------------------------|
| Employees                | All the employees of Capital Securities | Compensation and Employee Care<br>Talent Cultivation<br>Occupational Safety and Employee Health   | Employee Welfare Committee meetings   | Occasionally                 |
|                          |   |   | Labor-Management meetings   | Quarterly                    |
|                          |   |   | Grievance & feedback mailbox  | Whenever necessary           |
|                          |   |   | Employee grievances and feedback communication channels                         | Whenever necessary           |
|                          |   |   | Employee education and training   | Occasionally                 |
| Customers                | Main business customers                 | Service Quality and Customer Satisfaction<br>Product Information<br>Financial Inclusion<br>Risk Management<br>Information Security<br>Privacy<br>Digital Finance                    | Corporate website   | Whenever necessary           |
|                          |   |   | Client visits   | Occasionally                 |
|                          |   |   | Business unit contact person  | Whenever necessary           |
|                          |   |   | Senior executive mutual visits  | Whenever necessary           |
|                          |   |   | Telephone, email or other contact channels and applications on various carriers | Whenever necessary           |
| Shareholders / Investors | Company shareholders<br>Other investors | Operational Performance (Shareholders' Equity)<br>Sustainable Development<br>Legal Compliance<br>Information Security<br>Risk Management<br>Financial Market Stability<br>Promotion | Market Observation Post System (MOPS)   | Whenever necessary           |
|                          |   |   | Investor conferences/Forums   | At least four times annually |
|                          |   |   | Stakeholder zone on the corporate website                                       | Whenever necessary           |
|                          |   |   | Shareholders' meetings  | At least once annually       |
|                          |   |   | Telephone, email or other contact channels                                      | Whenever necessary           |
| Suppliers                | Providers of equipment or services for  | Corporate Governance and Integrity Management<br>Legal Compliance   | Purchasing department contact person  | Whenever necessary           |
|                          |   |   | Integrity management channel  | Whenever                     |

| Stakeholders        | Corresponding Target                               | Issues of Concern   | Communication Methods         | Communication Frequency |
|---------------------|--|---|-------------------------------|-------------------------|
|                     | Capital Securities                                 | Risk Management<br>Information Security<br>Suppliers Management   | (Whistleblowing Mailbox)      | necessary               |
| Government Agencies | Local government agencies or business-led agencies | Greenhouse Gas Emissions<br>Energy Management<br>Climate Change Risk and Opportunities<br>Sustainable Finance<br>Information Security<br>Customer's Personal Data | Official documents            | Occasionally            |
|                     |  |   | Competent authority forums    | Occasionally            |
|                     |  |   | Trade association discussions | Occasionally            |
|                     |  |   | Corporate website             | Whenever necessary      |

### (3) Assessing Impact Significance

The Company evaluates the degree of impact by focusing on the actual and potential impacts of the issues of concern to stakeholders and the feedback from them, which serve as important information for the internal meeting to decide and prioritize the materiality of this year's topics.

### (4) Prioritizing the Reports with the Most Significant Impacts

The Company distributes questionnaires to the president and senior executives of each unit, taking into account the important information compiled in the previous three steps, the materiality topics for 2021, and the opinions of consultants and experts, and then analyzes the degree of impact of each topic in terms of the "degree of impact on environmental protection, social responsibility, and corporate governance" and the "likelihood of occurrence of the issue", and then sequentially prioritizes the most significant impact topics for this year's report, as the materiality topics, to establish the priority order for this report.

This year's materiality topics are ranked by the total impact score (the total score of "impact of environmental protection, social responsibility, and corporate governance" and "likelihood of occurrence of the issue"), and are listed in the table below in descending order.

After an internal meeting chaired by the Chief Executive Officer of the Sustainable Development Office (the president), in which the leaders of the six task forces and members of the relevant departments are invited to participate, the tenth place (with a total score of 139 points) is taken as the threshold of materiality in principle. After discussion, other factors, such as operational impacts or customer requirements, are summarized and then excluded from or included in other issues of concern, totaling 14 materiality topics (as indicated in the table below), which will be responded to in each chapter of this report, as well as the relevant materiality practices and management policies, and the formulation of action plans and management measures.

| 2022 Rankings | Issues of concern                                    | Positive/negative impact  | Actual/potential impact               | Total | Description of Materiality Index Consolidation                                |
|---------------|--|---|---------------------------------------|-------|---|
|               |  | Impact of environmental protection, social responsibility, and corporate governance | Likelihood of occurrence of the issue |       |   |
| 1             | Information Security                                 | 82  | 80                                    | 162   |   |
| 2             | Legal Compliance                                     | 82  | 79                                    | 161   |   |
| 3             | Privacy  | 77  | 78                                    | 155   | Consolidated with the Information Security Section as in the Annual Report    |
| 4             | Operational Performance (Shareholders' Equity)       | 78  | 70                                    | 148   |   |
| 5             | Product Information                                  | 72  | 74                                    | 146   | Consolidated with the Principles of Fair Treatment of Customers Description   |
| 6             | Risk Management                                      | 78  | 68                                    | 146   |   |
| 7             | Service Quality and Customer Satisfaction            | 72  | 73                                    | 145   | Consolidated with the Principles of Fair Treatment of Customers Description   |
| 8             | Operational Sustainability                           | 79  | 65                                    | 144   |   |
| 9             | Fair Treatment of Customers                          | 71  | 68                                    | 139   |   |
| 10            | Corporate Governance and Integrity Management        | 75  | 64                                    | 139   | Consolidated with the Principles of Fair Treatment of Customers Description   |
| 11            | Digital Financial Innovation Technology and Services | 70  | 67                                    | 137   |   |
| 12            | Sustainable Finance                                  | 69  | 64                                    | 133   |   |
| 13            | Compensation and Employee Care                       | 68  | 64                                    | 132   | Consolidated with Talent Cultivation and Career Development Topic Description |
| 14            | Talent Cultivation and Career Development            | 65  | 63                                    | 128   |   |
| 15            | Occupational Safety and Employee Health              | 66  | 61                                    | 127   |   |

| 2022 Rankings | Issues of concern                      | Positive/negative impact  | Actual/potential impact               | Total | Description of Materiality Index Consolidation                              |
|---------------|--|---|---------------------------------------|-------|---|
|               |  | Impact of environmental protection, social responsibility, and corporate governance | Likelihood of occurrence of the issue |       |   |
| 16            | Financial Inclusion                    | 63  | 61                                    | 124   | Consolidated with the Principles of Fair Treatment of Customers Description |
| 17            | Human Rights Assessment                | 63  | 59                                    | 122   |   |
| 18            | Energy Management                      | 63  | 54                                    | 117   |   |
| 19            | Greenhouse Gas Emissions               | 62  | 55                                    | 117   |   |
| 20            | Climate Change Risk and Opportunities  | 62  | 53                                    | 115   |   |
| 21            | Suppliers                              | 61  | 53                                    | 114   |   |
| 22            | Public Welfare Activities and Donation | 57  | 54                                    | 111   |   |
| 23            | Environmental Protection Advocacy      | 54  | 51                                    | 105   |   |
| 24            | Waste                                  | 54  | 50                                    | 104   |   |
| 25            | Social Care                            | 52  | 51                                    | 103   | Included in Social Welfare Activities and Charity Donations Description     |
| 26            | Green Procurement                      | 54  | 48                                    | 102   |   |
| 27            | Circular Economy                       | 49  | 46                                    | 95    |   |
| 28            | Water Resources Management             | 49  | 45                                    | 94    |   |
| 29            | Marine Resources Conservation          | 32  | 32                                    | 64    |   |
| 30            | Biodiversity                           | 32  | 32                                    | 64    |   |

## C. Materiality Issues Comparison

The information in the following table is ordered based on the ranking of materiality issues, with each corresponds to GRI Standards, SASB (Sustainability Accounting Standards Board), TCFD recommendations and SDGs.

| No. | Item   | Indicator    | Stakeholder Group  |                       |                         |                       |                     | Impact Description   | SDGs                      |
|-----|--|--------------|--------------------|-----------------------|-------------------------|-----------------------|---------------------|--|---------------------------|
|     |  |              | Capital Securities | External              |                         |                       |                     |  |                           |
|     |  |              |                    | Customers             | Shareholders /Investors | Suppliers             | Government agencies |  |                           |
| 1   | Information Security                                 | GRI 205      | Direct             | Business relationship | Business relationship   | Business relationship | Indirect            | Based on the nature of its industry and in compliance with legal requirements, Capital Securities is committed to protecting and continuously optimizing the security of information and the privacy of its clients to ensure the sustainable development of the Company's operational performance.                        |                           |
| 2   | Legal Compliance                                     | Custom topic | Direct             | Business relationship | Business relationship   | Business relationship | Indirect            |  | SDG 5                     |
| 3   | Operational Performance (Shareholders' Equity)       | GRI 201      | Direct             | Business relationship | Business relationship   | Business relationship | -                   |  | SDG 12                    |
| 4   | Risk Management                                      | Custom topic | Direct             | Business relationship | Business relationship   | Business relationship | Indirect            | By establishing a sound governance structure, Capital Securities is able to identify and control risks and respond to various impacts to ensure the sustainable operation of the Company and to achieve the expectations of all stakeholders.  |                           |
| 5   | Operational Sustainability                           | Custom topic | Direct             | Business relationship | Business relationship   | Business relationship | Indirect            |  |                           |
| 6   | Fair Treatment of Customers                          | Custom topic | Direct             | Business relationship | Business relationship   | Business relationship | Indirect            | Capital Securities, under the supervision of its Board of Directors, actively implements the concept of integrity and establishes a sound system to protect the interests of its clients.  | SDG 8<br>SDG 12           |
| 7   | Digital Financial Innovation Technology and Services | Custom topic | Direct             | Business relationship | Business relationship   | Business relationship | -                   | Through digitalization, Capital Securities develops innovative technologies and services in a sustainable manner, and continuously innovates and promotes ESG (Environmental Protection, Social Responsibility, and Corporate Governance) related financial products and services to meet the expectations of its clients. | SDG 8<br>SDG 17           |
| 8   | Sustainable Finance                                  | Custom topic | Direct             | Business relationship | Business relationship   | -                     | Indirect            |  | SDG 8<br>SDG 12<br>SDG 17 |
| 9   | Human Rights Assessment                              | Custom topic | Direct             | -                     | -                       | -                     | Indirect            | The Company's operation is driven by the focus on employees, and the only way to ensure the stability of the Company is to implement labor rights, take proper care of employees, proactively maintain workplace safety,   | SDG 5<br>SDG 8            |
| 10  | Talent Cultivation and Career Development            | GRI 404      | Direct             | -                     | Business relationship   | -                     | -                   |  | SDG 5<br>SDG 8            |
| 11  | Occupational Safety and                              | GRI 403      | Direct             | -                     | Business relationship   | -                     | Indirect            |  |                           |

| No. | Item                                   | Indicator    | Stakeholder Group  |                       |                         |           |                      | Impact Description   | SDGs                      |
|-----|--|--------------|--------------------|-----------------------|-------------------------|-----------|----------------------|--|---------------------------|
|     |  |              | Capital Securities | External              |                         |           |                      |  |                           |
|     |  |              |                    | Customers             | Shareholders /Investors | Suppliers | Govern ment agencies |  |                           |
|     | Employee Health                        |              |                    |                       |                         |           |                      | ensure the physical and mental health of employees, and set up a sound mechanism for cultivating and promoting talents.  |                           |
| 12  | Climate Change Risk and Opportunities  | TCFD         | Direct             | Business relationship | Business relationship   | -         | Indirect             | Climate change is a pressing issue, and the greenhouse gas emission management is one of the directions that the government agencies and the industry are actively promoting. Capital Securities shall definitely endeavor to meet the expectations of its stakeholders. | SDG 13                    |
| 13  | Greenhouse Gas Emissions               | GRI 305      | Direct             | -                     | Business relationship   | -         | Indirect             |  | SDG 12<br>SDG 13          |
| 14  | Public Welfare Activities and Donation | Custom topic | Direct             | Business relationship | Business relationship   | -         | -                    | As a benchmark in the industry, Capital Securities is committed to promoting social welfare activities and making donations to support a caring society.   | SDG 8<br>SDG 12<br>SDG 17 |

Note 1: The GRI Standards specify two dimensions to describe the evaluation of the "degree of impact on the company", such as positive and negative impacts, and the "likelihood of occurrence", such as actual and potential risks, of a particular GRI topic.

Note 2: The GRI Standards specify three levels of involvement in describing the impact boundary of a particular GRI topic and in assessing the relevance of these topics to key stakeholders: whether the topic directly contributes to the impact, whether the topic contributes to the impact together with other groups, or whether the topic is related to the impact through their business relationships.

Note 3: The Sustainable Development Committee resolved to respond to SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), and SDG 17 (Partnerships for the Goals) of the 17 United Nations Sustainable Development Goals (SDGs), and the Company continuously endeavors to echo the aforementioned SDGs.

## D. Sustainability Strategy and Short-, Mid-, and Long-term Goals

| Aspect                   | Key Strategies/ items           | Short-term (2023)  | Mid-term (2025)   | Long-term (2030)  |
|--------------------------|---------------------------------|--|---|---|
| Environmental Protection | Towards Organizational Net Zero | Prepare for greenhouse gas inventory and verification.   | <ol style="list-style-type: none"> <li>1. Continue to maintain greenhouse gas inventory and verification.</li> <li>2. Reduce greenhouse gas emissions (Scope 1+2) by 2% from the base year.</li> <li>3. Reduce greenhouse gas emissions (Scope 3) by 2% from the base year.</li> </ol>  | <ol style="list-style-type: none"> <li>1. Continue to maintain greenhouse gas inventory and verification.</li> <li>2. Reduce greenhouse gas emissions (Scope 1+2) by 10% from the base year.</li> <li>3. Reduce greenhouse gas emissions (Scope 3) by 10% from the base year.</li> </ol>  |
|                          | Green Procurement               | <ol style="list-style-type: none"> <li>1. Set 2023 as the base year for implementing green procurement and establish a related procurement mechanism.</li> <li>2. Green procurement is divided into three categories, and the percentage of green procurement in the total procurement of the following categories is calculated to set mid- and long-term growth goals: <ol style="list-style-type: none"> <li>(1) Repair and maintenance works.</li> <li>(2) Equipment.</li> <li>(3) Supplies.</li> </ol> </li> </ol>  | <p>Percentage of Green Procurement in the following categories:</p> <ol style="list-style-type: none"> <li>1. Repair and maintenance works: 2%</li> <li>2. Equipment: 10%</li> <li>3. Supplies: 5%</li> </ol>   | <p>Percentage of Green Procurement in the following categories:</p> <ol style="list-style-type: none"> <li>4. Repair and maintenance works: 3%</li> <li>5. Equipment: 15%</li> <li>6. Supplies: 10%</li> </ol>  |
| Social Responsibility    | Human Rights Assessment         | <ol style="list-style-type: none"> <li>1. For the Company: <ol style="list-style-type: none"> <li>(1) Prohibit child labor under the age of 15.</li> <li>(2) Regular labor-management meetings (quarterly) are held in accordance with the law.</li> <li>(3) The ratio of managers of either gender to the number of managers under the Securities and Exchange Act shall be at least one-third.</li> <li>(4) Completion rate of human rights education and training for employees within the Company shall be 50%.</li> </ol> </li> <li>2. For suppliers (including outsourcing): Set 2023 as the base year for signing human rights policy commitments with major suppliers.</li> <li>3. Supplier human rights education and training for major suppliers (e.g., (1) annual cumulative transaction amount of NT\$5 million or more;</li> </ol> | <ol style="list-style-type: none"> <li>1. For the Company: <ol style="list-style-type: none"> <li>(1) Prohibit child labor under the age of 15.</li> <li>(2) Regular labor-management meetings (quarterly) are held in accordance with the law.</li> <li>(3) The ratio of managers of either gender to the number of managers under the Securities and Exchange Act shall be at least one-third.</li> <li>(4) Completion rate of human rights education and training for employees within the Company shall be 80%.</li> </ol> </li> <li>2. For suppliers (including outsourcing): <ol style="list-style-type: none"> <li>(1) The promotion rate of human rights education and training for suppliers is 50%.</li> <li>(2) The collection rate of key supplier evaluation questionnaires is 80%.</li> </ol> </li> </ol> | <ol style="list-style-type: none"> <li>1. For the Company: <ol style="list-style-type: none"> <li>(1) Prohibit child labor under the age of 15.</li> <li>(2) Regular labor-management meetings (quarterly) are held in accordance with the law.</li> <li>(3) The ratio of managers of either gender to the number of managers under the Securities and Exchange Act shall be at least one-third.</li> <li>(4) Completion rate of human rights education and training for employees within the Company shall be 100%.</li> </ol> </li> <li>2. For suppliers (including outsourcing): <ol style="list-style-type: none"> <li>(1) The promotion rate of human rights education and training for suppliers is 90%.</li> <li>(2) The collection rate of key supplier evaluation questionnaires is 100%.</li> </ol> </li> </ol> |

| Aspect               | Key Strategies/ items                         | Short-term (2023)   | Mid-term (2025)   | Long-term (2030)  |
|----------------------|---|---|---|---|
|                      |   | (2) dispatching on-site personnel to provide services regardless of the transaction amount), requiring suppliers to independently implement education and training on relevant human rights policies and sign the "Supplier Commitment on Human Rights and Environmental Sustainability Terms and Conditions".<br>4. Promote annual evaluation questionnaires for major suppliers to ensure that suppliers jointly follow and practice human rights and environmental sustainability policies as a reference for continued cooperation. |   |   |
|                      | Promoting the Spirit of Financial Inclusion   | Continuously provide preferential programs for customers to invest in regular fixed shares:<br>(1) Handling fee of NT\$1 for all Taiwan stocks.<br>(2) Handling fee of 0.16% for U.S. stocks.<br>(3) No minimum handling fee, which is better than the general transaction fee.   | Continuously provide preferential programs for customers to invest in regular fixed shares:<br>(1) Handling fee of NT\$1 for all Taiwan stocks.<br>(2) Handling fee of 0.16% for U.S. stocks.<br>(3) No minimum handling fee, which is better than the general transaction fee. | Continuously provide preferential programs for customers to invest in regular fixed shares:<br>(1) Handling fee of NT\$1 for all Taiwan stocks.<br>(2) Handling fee of 0.16% for U.S. stocks.<br>(3) No minimum handling fee, which is better than the general transaction fee. |
|                      | Deepening Sustainable Finance/Digital Finance | 1. 5,000 user surveys on digital financial services (e-trading/APP usage) were distributed.<br>2. Electronic transaction amount ratio reached 80%.<br>3. Online account opening reached 80% of the Company's customers.   | 1. 10,000 user surveys on digital financial services (e-trading/APP usage) were distributed.<br>2. Electronic transaction amount ratio reached 83%.<br>3. Online account opening reached 83% of the Company's customers.  | 1. More than 10,000 user surveys on digital financial services (e-trading/APP usage) were distributed, and response rate reached 50%.<br>2. Electronic transaction amount ratio reached 85%.<br>3. Online account opening reached 85% of the Company's customers.               |
| Corporate Governance | Corporate Sustainability                      | Recognized as a constituent of the "FTSE4Good TIP Taiwan ESG Index" consistently  | Recognized as a constituent of the "FTSE4Good TIP Taiwan ESG Index" consistently  | Recognized as a constituent of the "FTSE4Good TIP Taiwan ESG Index" consistently  |

## II. Company Profile

Founded in 1988, Capital Securities has evolved into an international integrated securities firm providing a full range of financial services, including brokerage, proprietary trading, underwriting, registrar agency, bonds, derivatives and wealth management services to domestic and foreign corporations as well as the general investment public.

The Company also has several affiliated companies including Capital Futures Corporation (hereinafter referred to as Capital Futures), Capital Investment Management Corporation (hereinafter referred to as Capital Investment Management), Capital Insurance Advisory Corporation (hereinafter referred to as Capital Insurance Advisory), CSC Venture Capital Corporation (hereinafter referred to as CSC Venture Capital), and CSC Capital Management Corporation (hereinafter referred to as CSC Capital).

In addition to its business locations throughout Taiwan (please refer to the corporate website for details), Capital Securities has also established service offices in Hong Kong, Shanghai, and other financial centers. The Company is moving toward the goal of becoming an international investment bank.

Capital Securities has been upholding its customer care philosophy of “Capital Care” and “Pursuit of Public’s Interest.” In recent years, the Company has been actively responding to national policies for the promotion of sustainable finance, financial inclusion, and sustainable development by incorporating them in products, services, and customer consultation.

- |   |
|---|
| <ol style="list-style-type: none"><li>1. Organization type: Listed company on the Taiwan Stock Exchange Corporate limited by shares (Securities No.: 6005)</li><li>2. Primary business operation: Brokerage, propriety trading, underwriting, registrar agency, bonds, derivatives, wealth management.</li><li>3. Main service markets: Taiwan, China; moving toward the international market in the future.</li><li>4. Main customer type: Domestic and foreign corporations as well as the general investment public.</li><li>5. Paid-in capital: NT\$21.709 billion</li><li>6. Headquarters: Taipei, Taiwan</li><li>7. Total number of employees: 1,887 as of December 31, 2022.</li></ol> |
|---|

### A. Business Strategy and Brand Management

With an operation system of professional management and division of responsibilities, Capital Securities is staffed with abundant financial professionals in securities management and has developed its business in a balanced manner with a strong operational strength. In addition to physical service locations, the Company has also established a comprehensive system for making transactions, including trading via different methods such as Internet and voice message, and via different carriers such as mobile phones and computers. Such a system meets customers’ needs for trading spots, futures, warrants, as well as strategic trading and wealth management (trust products).

The corporate website provides an introduction to each of its businesses and affiliated companies’ websites, as well as the telephone numbers and email addresses of its customer

service units. It is with the aim to allow customers to communicate with the Company at any time and from anywhere for the relevant business information and services so as to increase customer satisfaction.

All business operations follow the regulations of the competent authority and the relevant norms of the industry. Upholding the principle of equal and mutually beneficial transactions with customers, the business unit has established various procedures or regulations for understanding customers, evaluating products, protecting customers' rights and interests, and setting up standard practices for salespersons, and performing KYP and KYC checks to provide products and services suitable for customers. Furthermore, the Company conducts marketing and advertising in accordance with the laws and regulations set forth by the competent authority. In the event of a transaction dispute or litigation, the Company has established the "Business Dispute Handling Guidelines" and the "Customer Fair Treatment Guidelines" as the procedures for responding to such situation in order to protect the rights and interests of consumers.

Lastly, the Company has established an internal control mechanism in accordance with relevant laws and regulations, and has continued to optimize its management mechanism in order to implement the principles of protection, confidentiality and security of customer data.

## (1) Scope of Business

| Business Type                         | Description  |
|---------------------------------------|--|
| Brokerage                             | Our service locations are located in major cities of Taiwan. In addition to securities trading in the TAIEX and TAISDAQ markets, we also offer credit transactions of margin purchase and short sale, consigned trading of index/stock futures, options, foreign securities and structured products denominated in NT dollars, lending of funds for unrestricted purposes, and one-account-for-all-products platform, which provides customers with a more flexible way of using their funds.  |
| Propriety Trading                     | <ol style="list-style-type: none"> <li>1. Our traders have years of experience in research and trading.</li> <li>2. Our business activities cover securities trading in TAIEX and TAISDAQ markets, investment in foreign securities, adjustment of market supply and demand, and acting as a market maker in collaboration with underwriters. We also engage in the hedging of weighted index futures and options, to effectively decrease systemic risk and enhance trading flexibility.</li> </ol>   |
| Fixed Income                          | <ol style="list-style-type: none"> <li>1. Our Fixed Income Department assists fund seekers and investors with fundraising in interest rate-related products, investment consulting, and financial management consulting.</li> <li>2. The business scope of the Department covers the primary and secondary markets. Our clients include a comprehensive range of state-owned enterprises, such as Taiwan Power Company, China Steel Corporation, and CPC Corporation as well as large private enterprises such as Formosa Plastics Group, Evergreen Group, Far Eastern Group, Hon Hai Precision, Yang Ming Marine Transport Corporation, TECO Electric &amp; Machinery Co. Ltd., China Airline, TSMC, and UMC.</li> <li>3. Regarding the secondary market: The Department actively offers quotation services for government bonds, corporate bonds, and convertible bonds, and provides advisory services on products and overseas/domestic conditional trading. Meanwhile, it also assists clients in appropriate financial planning so as to deepen and widen its own client pool.</li> </ol>  |
| Derivatives                           | <ol style="list-style-type: none"> <li>1. The Derivatives Department engages in the core business activity of issuing warrants, and adopts its own advanced trading systems to continuously optimize operational performances and risk management.</li> <li>2. In addition, the Department responds to changes in trading systems and markets through continuous research and formulation of innovative logics on quotation.</li> <li>3. As for financial products, the Department actively offers a wide range of products to satisfy the diverse investment needs of our customers.</li> </ol>   |
| Underwriting and Financial Consulting | <ol style="list-style-type: none"> <li>1. Listing planning and counseling service (IPO, Initial Public Offering): Investment Banking Department aims to form stable and long-term partnerships with our clients, and assists them with listing applications and success to IPO. <ol style="list-style-type: none"> <li>(a) Assist enterprises in strategic planning of public offerings, TWSE listing, and TPEx listing.</li> <li>(b) Assist overseas enterprises in public offering at TWSE or TPEx.</li> </ol> </li> <li>2. Corporate fundraising (SPO, Secondary Public Offering): In response to internationalization and diversification of fundraising channels and strategies of corporate financial operations, Investment Banking Department provides companies listed on TWSE and TPEx with comprehensive and high-quality corporate financial planning/SPO services based on a wealth of professional experience. <ol style="list-style-type: none"> <li>(a) Planning and offering of cash capital increase through common shares, preferred shares, or conversion of corporate bonds.</li> <li>(b) Planning and offering of overseas fundraising.</li> </ol> </li> <li>3. Financial Consulting: Corporate merger, reorganization, disposal, equity planning, valuation, privatization of state-owned enterprises.</li> </ol> |
| Registrar Agency                      | <ol style="list-style-type: none"> <li>1. The principal development goals of Registrar Agency Department are to provide clients with the most comprehensive and professional advices as well as the best</li> </ol>  |

|                   |  |
|-------------------|--|
|                   | <p>registrar service arrangement. Registrar Agency Department has professionals with significant legal background and practical experience to provide issuers with high value-added professional services.</p> <p>2. We are actively expanding the business scope towards professional, customized, fully-automated online information service, and internationalized registrar services.</p>  |
| Wealth Management | We provide our clients with the "Best investment portfolio consisting of diversified products combinations" to meet their needs for one-stop shopping for all financial products. A full range of professional financial advices is offered for high-net-worth investors. Through a trust-based investment platform mechanism, various financial services are provided to grow clients' wealth, manage their assets, and let clients entrust the management of their assets to Capital Securities. |

### 1. Operating Ratio for the Last Three Years

Unit: NT\$1,000

| Year              | 2020      |     | 2021       |     | 2022      |     |
|-------------------|-----------|-----|------------|-----|-----------|-----|
|                   | Amount    | %   | Amount     | %   | Amount    | %   |
| Brokerage         | 4,665,261 | 63  | 7,824,703  | 72  | 5,100,616 | 90  |
| Propriety Trading | 2,240,809 | 31  | 2,732,442  | 25  | 196,311   | 4   |
| Underwriting      | 461,664   | 6   | 382,153    | 3   | 346,285   | 6   |
| Total             | 7,367,734 | 100 | 10,939,298 | 100 | 5,643,212 | 100 |

### 2. New products to be developed

- (1) The Brokerage Department establishes a Digital Business Division.
- (2) The Wealth Management Department restructures its business model.
- (3) Product Design Center has been established.
- (4) CSC Securities (HK) Ltd. has improved its self-media mobile platform and actively recruited proprietary trading and research talents.

### 3. Future Development Direction and Prospects

With the diversification and opening of the market, new financial products have been introduced. Additionally, technology-based finance has enriched the investment channels and investment products for investors with a full range of financial management. The securities industry utilizes its own business strengths or regional development niches to effectively leverage its asset allocation and risk control capabilities. Subsequently, it has built a differentiated competitive advantage and transformed it into a profit-generating business model.

Capital Securities will continue to devote itself to the development of FinTech services and aspire to become the Tesla of the securities industry. The act starts with the self-developed "Happy Trade" order placement app, which creates more diversified intelligent trading services and becomes an exclusive piece of trading service software for users. Recently, the Company has been committed to building a data infrastructure and has successfully obtained a number of patents. In the future, the Company will expand its data team to continue deepening data analysis research, which will enable the users to enjoy more personalized products which meet human needs. It is with the aim to reward customers' high recognition of Capital Securities, and further becomes the best brand of digital financial services in the eyes of investors.

## (2) Market Overview

### 1. Market Share Overview in 2022

| Ranking | Brokerage Trading Volume |              | Financing Balance  |              |
|---------|--------------------------|--------------|--------------------|--------------|
|         | Securities Company       | Market Share | Securities Company | Market Share |
| 1       | Yuanta                   | 11.95%       | Yuanta             | 15.36%       |
| 2       | KGI                      | 10.54%       | KGI                | 7.79%        |
| 3       | Fubon                    | 4.97%        | SinoPac            | 6.52%        |
| 4       | UBS Securities           | 4.90%        | Mega               | 5.47%        |
| 5       | SinoPac                  | 4.88%        | MasterLink         | 5.44%        |
| 6       | JPMorgan Chase           | 4.23%        | Capital Securities | 5.30%        |
| 7       | Cathay United            | 3.83%        | Fubon              | 5.07%        |
| 8       | Capital Securities       | 3.62%        | Uni-President      | 4.83%        |
| 9       | Merrill Lynch            | 3.59%        | Hua Nan            | 4.82%        |
| 10      | MasterLink               | 3.46%        | IBF Securities     | 4.65%        |

Source: Taiwan Stock Exchange Corporation, Taipei Exchange, and self-assessed financial data of each brokerage firm.

With the increased volatility of Taiwan's stock market in 2022, short-swing trading, the duties band holding or mid-to-long-term stock saving all come with their own advantages and disadvantages. Additionally, the volatility of the stock market continues to increase the demand for trading and investment services. In the future, Capital Securities will actively develop one-stop financial services, internet finance, and internet marketing...etc., utilizing the emerging technology and innovative business models to provide customers with a full range of investment and financial services.

### 2. Favorable and Unfavorable Factors of Development Prospects

Favorable factors:

- (1) Balanced development of brokerage, extensive proprietary trading (including securities proprietary trading, futures proprietary trading, bonds, corporate finance), and new financial products.
- (2) Introduction of online finance and financial specialist strategies.
- (3) Comprehensive and high-quality research and investment services.

Unfavorable factors:

- (1) Capital Securities is not a financial holding company and lacks financial holding resources and cross-marketing among financial holding subsidiaries.
- (2) High pressure on the cultivation of securities investment professionals and human resources.
- (3) Fierce price competition in the brokerage business.
- (4) Actual profitability is affected by market volatility, resulting in low stability.

Countermeasures: In the future, the Company will employ financial technology and artificial intelligence (AI) to help develop new business opportunities, integrate various resources of securities service system, implement growth strategies to enhance profitability, and continue to expand its diversification and internationalization in order to improve competitiveness and increase profitability.

## B. Corporate Governance Framework

### (1) Organizational Chart



## (2) Business of Each Department

| Department                       | Major Business  |
|----------------------------------|---|
| Risk Management Department       | Quantifies market, credit and operational risk management using objective and rigorous qualitative and quantitative models to rationalize the allocation of risk-weighted assets and maximize the return on shareholders' equity within affordable limits of risk.  |
| Auditing Department              | Ensures that company policies, related regulations and internal control systems are effectively followed, and detects and proposes corrections and recommendations to help reduce operational risks.  |
| Brokerage Department             | <ol style="list-style-type: none"> <li>1. Trades domestic and foreign securities, futures, options and other products approved by the competent authority, which are entrusted by clients; and handles matters related to settlements, margin purchase and short sale as well as lending and borrowing of securities.</li> <li>2. Comprehensively manages brokerage, wealth management product sales as well as the operation and management of the Company's branches.</li> </ol>  |
| Wealth Management Department     | Comprehensively manages business planning, asset allocation and investment advisory services of wealth management products, as well as business planning, execution and receipt of trust property in terms of management, utilization and disposition.  |
| Proprietary Trading Department   | <ol style="list-style-type: none"> <li>1. Trades the securities listed in the in TAIEX and TAISDAQ markets; and makes all out effort as a proprietary trader in regulating the market supply and demand, with underwriters playing the role of market maker.</li> <li>2. Trades the domestic and foreign futures and options.</li> <li>3. In compliance with law, invests in commodities in overseas markets such as spots and futures using the Company's equity fund, depending on the international economic situation and changes in the stock and foreign exchange markets.</li> </ol> |
| Derivatives Department           | Issues and trades various derivatives; and provides investment and advisory services on derivatives.  |
| Investment Banking Department    | Provides counsel to companies in raising and underwriting funds for public offerings, TWSE listing, and TPEX (emerging) listing, cash capital increase, convertible bonds, etc., as well as corporate merger, disposal, equity investment, valuation, privatization of state-owned enterprises, and financing planning.   |
| Fixed Income Department          | Provides domestic and foreign bonds, bond derivatives, ETFs, REITS, short-term capital financing, and foreign exchange spot and derivatives trading services, as well as prompt and accurate advice on bond investment.   |
| Registrar Agency Department      | Acts on behalf of TWSE or TPEX listed companies and public and non-public companies in handling matters related to their shareholdings.   |
| Settlement & Clearing Department | Comprehensively manages the settlement and management of stocks, bonds, ETFs, derivatives, etc.; and acts as a custodian for overseas Chinese and foreigners.   |
| Finance Department               | Manages the Company's capital allocation, account management, budget control and cost accounting.   |
| Administration Department        | Manages the Company's documents, general affairs, procurement, property management, public relations, personnel; drafts and formulates the management rules and regulations, and ensures the implementation of said rules and regulations.  |
| Information Tech. Department     | Manages the development of information strategy and digital finance, collects market information, provides data analysis for business decisions, develops various application systems and trading platforms, coordinates the formulation and implementation of information security policies, and maintains a 24/7 operation management model and intelligent service center to provide customers with powerful and convenient financial services.  |
| Corporate Planning Department    | Plans and tracks the corporate's short- and long-term management strategies, implements the business plans, corporate governance; and plans and manages the investment business.  |
| Offshore Securities Unit         | Comprehensively manages the Company's international securities-related business as approved by the competent authority.   |

## **C. Members of the Board of Directors**

### **(1) Mechanism for Nomination and Selection of Directors**

In accordance with the Company's Articles of Incorporation, the Company adopts a candidate nomination system for the election of directors and independent directors, whereby the shareholders' meeting elects the directors from the list of candidates and the directors are eligible for re-election. The term of office of the Board of Directors is three years. In order to ensure the diversity and independence of the Board of Directors, the Company follows Article 192-1 of the Company Act, Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, the Company's Articles of Incorporation, Rules Governing the Election of Directors, and the Corporate Governance Best-Practice Principles, etc., to evaluate the academic experience, industrial experience, professional competence of the nominees, and the requirement that more than one-half of the directors shall not be related by spouse or by relatives within two degrees, and so on. In addition, in accordance with the Company Act, shareholders holding more than one-hundred percent of the total number of issued shares of the Company may propose a list of director candidates to the Company in writing.

The Company receives nominations of director candidates from shareholders prior to the shareholders' meeting and announces the list of director nominees on its Market Observation Post System (MOPS) within two days after the deadline and submits the list to the Board of Directors of the Company for discussion. The results of the Board of Directors' resolutions shall also be announced on Market Observation Post System and submitted to the shareholders' meeting for election in accordance with the results of the Board of Directors' resolutions. The directors of the Company shall be elected by shareholders through an open and fair election process and shall be eligible for reelection.

### **(2) Structure and Operation of the Board of Directors**

The current (twelfth) term of the Board of Directors of the Company consists of 11 directors, consisting of 8 directors and 3 independent directors, with a term of office of 3 years commencing from June 27, 2022 to June 26, 2025.

As of the end of December 2022, the age distribution of the Company's directors is 2 directors aged 41 to 50, 1 director aged 51 to 60, 4 directors aged 61 to 70, and 4 directors aged 71 and above. As for the independence of the Board of Directors, the percentage of directors who are concurrently employees is 18%, and the percentage of independent directors is 27%. The term of office of the three independent directors is less than 3 years, less than 6 years, and less than 9 years, respectively. Therefore, none of the Company's independent directors has served for more than three consecutive terms.

The Chairman of the Board of Directors of the Company is elected by more than two-thirds of the Board of Directors from among themselves and approved by a majority of the Directors present. The current Chairman of the Board is Mr. Wang, Jiunn-Chih, who has extensive experience and good communication with the Directors and the heads of each department, and leads the Company towards the goal of sustainable development with the concept of macro sustainability and gives back to the stakeholders.

1. Attendance of the eleventh term (from January 1, 2022 to June 26, 2022) of directors and independent directors at the Board of Directors' meetings:

| No. | Name   | Gender | Position and Responsibilities | Profession (including capabilities with ESG issues)   | Whether the person is a member of the Company's management team? | Meetings to Attend | Actual Attendance (times) | Attendance Rate |
|-----|--|--------|-------------------------------|---|--|--------------------|---------------------------|-----------------|
| 1   | Yin Feng Enterprise Co., Ltd.<br>Representative: Wang, Jiunn-Chih          | Male   | Chairman                      | Business Management, Industry Experience, Finance/Investment, Information/Technology  | Chief Strategy Officer   | 4                  | 4                         | 100%            |
| 2   | Yin Feng Enterprise Co., Ltd.<br>Representative: Chang, Chih-Ming          | Male   | Vice Chairman                 | Business Management, Industry Experience, Finance/Investment  | Chief of Staff   | 4                  | 4                         | 100%            |
| 3   | Yin Feng Enterprise Co., Ltd.<br>Representative: Liu, Ching-Tsun           | Male   | Director                      | Business Management, Industry Experience, Finance/Investment  | No   | 4                  | 4                         | 100%            |
| 4   | Hung Lung Enterprise Co., Ltd.<br>Representative: Chia, Chung-Tao          | Male   | Director                      | Business Management, Industry Experience, Finance/Investment, Information/Technology, ESG Committee Convener, Meeting Chair | President  | 4                  | 4                         | 100%            |
| 5   | Hung Lung Enterprise Co., Ltd.<br>Representative: Kuo, Yuh-Chyi            | Male   | Director                      | Business Management, Industry Experience, Finance/Investment  | No   | 4                  | 4                         | 100%            |
| 6   | Hung Lung Enterprise Co., Ltd.<br>Representative: Tsai, I-Ching            | Male   | Director                      | Business Management, Industry Experience, Law   | No   | 4                  | 4                         | 100%            |
| 7   | Kwang Hsing Industrial Co., Ltd.<br>Representative: Ting, Hsueh-Wen        | Male   | Director                      | Business Management, Industry Experience, Finance/Investment  | No   | 4                  | 0                         | 0%              |
| 8   | Tai Ho Real Estate Management Co., Ltd.<br>Representative: Hung, Tsung-Yen | Male   | Director                      | Business Management, Industry Experience, Law   | No   | 4                  | 4                         | 100%            |
| 9   | Shea, Jia-Dong   | Male   | Independent Director          | Business Management, Industry Experience, Finance/Investment  | No   | 4                  | 4                         | 100%            |
| 10  | Lee, Shen-Yi   | Male   | Independent Director          | Management Business, Industry Experience, Finance/Investment, Law   | No   | 4                  | 4                         | 100%            |
| 11  | Su, Ping-Chang   | Male   | Independent Director          | Business Management, Industry Experience, Finance/Investment  | No   | 4                  | 4                         | 100%            |

2. Attendance of the twelfth term (from June 27, 2022 to December 31, 2022) of directors and independent directors at the Board of Directors' meetings:

| No. | Name   | Gender | Position and Responsibilities | Profession (including capabilities with ESG issues)                                  | Whether the person is a member of the Company's management team? | Meetings to Attend | Actual Attendance (times) | Attendance Rate |
|-----|--|--------|-------------------------------|--|--|--------------------|---------------------------|-----------------|
| 1   | Yin Feng Enterprise Co., Ltd.<br>Representative: Wang, Jiunn-Chih          | Male   | Chairman                      | Business Management, Industry Experience, Finance/Investment, Information/Technology | Chief Strategy Officer   | 5                  | 5                         | 100%            |
| 2   | Yin Feng Enterprise Co., Ltd.<br>Representative: Chang, Chih-Ming          | Male   | Vice Chairman                 | Business Management, Industry Experience, Finance/Investment                         | Chief of Staff   | 5                  | 5                         | 100%            |
| 3   | Yin Feng Enterprise Co., Ltd.<br>Representative: Liu, Ching-Tsun           | Male   | Director                      | Business Management, Industry Experience, Finance/Investment                         | No   | 5                  | 5                         | 100%            |
| 4   | Hung Lung Enterprise Co., Ltd.<br>Representative: Chen Tong, Chie-Shiang   | Female | Director                      | Business Management, Industry Experience, Finance/Investment, Information/Technology | No   | 5                  | 5                         | 100%            |
| 5   | Hung Lung Enterprise Co., Ltd.<br>Representative: Kuo, Yuh-Chyi            | Male   | Director                      | Business Management, Industry Experience, Finance/Investment                         | No   | 5                  | 2                         | 40%             |
| 6   | Hung Lung Enterprise Co., Ltd.<br>Representative: Tsai, I-Ching            | Male   | Director                      | Business Management, Industry Experience, Law  | No   | 5                  | 5                         | 100%            |
| 7   | Kwang Hsing Industrial Co., Ltd.<br>Representative: Tseng, Chun-Hao        | Male   | Director                      | Business Management, Industry Experience, Finance/Investment                         | No   | 5                  | 5                         | 100%            |
| 8   | Tai Ho Real Estate Management Co., Ltd.<br>Representative: Hung, Tsung-Yen | Male   | Director                      | Business Management, Industry Experience, Law  | No   | 5                  | 3                         | 60%             |
| 9   | Shea, Jia-Dong   | Male   | Independent Director          | Business Management, Industry Experience, Finance/Investment                         | No   | 5                  | 5                         | 100%            |
| 10  | Lee, Shen-Yi   | Male   | Independent Director          | Management Business, Industry Experience, Finance/Investment, Law                    | No   | 5                  | 5                         | 100%            |
| 11  | Lin, Tsang-Hsiang  | Male   | Independent Director          | Business Management, Industry Experience, Finance/Investment                         | No   | 5                  | 5                         | 100%            |

### **(3) Mechanism for the Board of Directors to Supervise Operations and Sustainable Development Issues**

As the highest governance unit and risk management unit, the Board of Directors is accountable to the shareholders' meeting and shall ensure that the operations and arrangements of the corporate governance system are carried out in accordance with the laws and regulations, the Company's Articles of Incorporation, or the resolutions of the shareholders' meeting.

Therefore, in order to achieve the corporate governance goals, the Company's Board of Directors has the following main tasks: "1. Establish an effective and appropriate internal control system; 2. Elect and supervise managers; 3. Review the Company's management policy-making and operation plan, and supervise its execution; 4. Review the Company's financial objectives and supervise how they are accomplished; 5. Supervise the results of the Company's operation; 6. Standards for performance evaluations and emoluments for managers and salespersons, and the structure and system of directors' emoluments; 7. Supervise and handle the risks the Company is facing; 8. Ensure the Company's compliance with applicable laws; 9. Plan for the Company's future objectives; 10. Create and maintain the Company's image and make the Company a responsible member of the society; 11. Elect CPAs, lawyers and other experts; 12. Protect investors' rights and interests.

In summary, on a day-to-day basis, the Board of Directors is required to supervise the Company's development strategy, oversee the management, and track the operational processes of the corporate governance system as well as the internal control and internal audit procedures, in order to be accountable to the Company and its shareholders, and to execute its business in accordance with the laws and regulations, the Company's Articles of Incorporation, or shareholders' meeting resolutions. In addition, the Board of Directors is also required to deliberate on the annual financial report and quarterly financial report, the assessment of the effectiveness of the internal control system, and the resolutions of the functional committees.

The Company's Board of Directors operates independently and transparently, with directors and independent directors exercising their duties independently, and functional committees assisting the Board in overseeing the Company's quality and integrity in the execution of accounting, auditing, financial reporting processes and financial controls, internal controls and legal compliance, and investment decisions, in order to enhance the Company's corporate governance performance.

On the issue of sustainable development, the Board of Directors holds meetings to listen to the action strategies and risk management measures on issues related to sustainability in operations and business, to recognize the content reports, implementation obstacles, and performance results, and to effectively supervise the progress and resource allocation. In addition, the president and the Sustainable Development Committee are authorized to be respectively responsible for the operational business (including suppliers) and sustainability-related issues, to formulate and promote action strategies and risk management measures for climate change, to confirm short-, mid-, and long-term

plans, and to manage the results of performance evaluations, and to report to the Board of Directors on a regular or occasional basis depending on the materiality of the issues, and to include relevant resolutions in the minutes of the meetings and supervise the progress of the follow-up.

#### (4) Remuneration and Performance of Directors

The directors of the Company shall be remunerated by traveling expenses and attendance fees at each meeting. The independent directors are entitled to a monthly salary and an attendance fee for each meeting to cover the costs of traveling to the Company or negotiating with others for the Company. In addition, in accordance with the Company's Articles of Incorporation, if the Company makes a profit during the year, the Board of Directors may resolve to appropriate up to 3% of such profit as remuneration to the directors.

The Company has established regulations on evaluating the performance of the Board of Directors and functional committees, and has also determined the items to be measured for evaluating the performance of the Board of Directors, taking into account the Company's situation and needs. The performance evaluation criteria for the Board of Directors and functional committees of the Company are based on the Company's operations and needs, formulated in accordance with the Company's performance evaluation criteria, and reviewed and revised in light of changes in the internal and external environments.

| <b>Board of Directors' Evaluation Form</b>  |  |
|---|--|
| Evaluation Frequency                        | To be conducted annually.  |
| Evaluation Period                           | Performance evaluation from January 1, 2022 to December 31, 2022.  |
| Scope of Evaluation<br>(Note 1)             | Board of Directors, Board Members, and functional committees (Audit Committee, Remuneration Committee).                                      |
| Evaluation Method<br>(Note 2)               | Internal self-evaluation of the Board of Directors, self-evaluation of Board members, and internal self-evaluation of functional committees. |
| Evaluation Contents and Results<br>(Note 3) | As described below.  |

Note 1: The scope of evaluation includes performance evaluation of the Board of Directors, individual board members, and functional committees.

Note 2: The evaluation methods include internal self-evaluation by the Board of Directors, self-evaluation by Board members, peer evaluation, and performance evaluation by appointed external professional organizations, experts, or other appropriate methods.

Note 3: The evaluation contents shall include at least the following items according to the scope of the evaluation:

- (1) Performance evaluation of the Board of Directors: the extent of participation in the Company's operations, the quality of the Board's decisions, the composition and structure of the Board of Directors, the selection and continuing education of directors, internal control, and so on.
- (2) Performance evaluation of individual board members: understanding of the Company's goals and missions, awareness of directors' duties, extent of participation in the Company's operations, internal relationship management and communication, professionalism and continuing education of directors,

internal control, and so on.

- (3) Performance evaluation of functional committees: the extent of participation in the Company's operations, awareness of functional committees' duties, quality of functional committees' decisions, composition and selection of functional committees' members, internal control, and so on.

1. The performance evaluation of the Board of Directors consists of the following five major aspects, with a total of 41 evaluation items, which are self-evaluated by all directors and independent directors (11 in total), and the overall average score is 4.98 (out of 5), with positive and affirmative comments on the overall evaluation results. The evaluation aspects and comments are summarized as follows:

| Evaluation Aspect  | Evaluation Items    |
|--|---------------------|
| 1. Extent of participation in the Company's operations       | A total of 12 items |
| 2. Quality of the Board's decisions                          | A total of 12 items |
| 3. Composition and structure of the Board of Directors       | A total of 7 items  |
| 4. Selection and continuing education of directors           | A total of 4 items  |
| 5. Internal control  | A total of 6 items  |
| Subtotal   | A total of 41 items |
| Summary of Comments:   |                     |
| (1) Good performance.  |                     |
| (2) Smooth and excellent.                                    |                     |
| (3) The Board of Directors has fully performed its functions |                     |

2. The performance evaluation of the Board Members consists of the following six major aspects, with a total of 23 evaluation items, which are evaluated by all directors and independent directors (11 in total), and the overall average score is 4.94 (out of 5), with positive and affirmative comments on the overall evaluation results. The evaluation aspects and comments are summarized as follows:

| Evaluation Aspect   | Evaluation Items    |
|---|---------------------|
| 1. Understanding of the Company's goals and missions  | A total of 3 items  |
| 2. Awareness of directors' duties   | A total of 3 items  |
| 3. Extent of participation in the Company's operations  | A total of 8 items  |
| 4. Internal relationship management and communication   | A total of 3 items  |
| 5. Professionalism and continuing education of directors  | A total of 3 items  |
| 6. Internal control   | A total of 3 items  |
| Subtotal  | A total of 23 items |
| Suggestions and Summary Comments:   |                     |
| (1) If there is a new director, a brief introduction of the core values and strategies of the Company could be given. |                     |
| (2) Good performance.   |                     |

3. The performance evaluation of the Audit Committee consists of the following five major aspects, with a total of 22 evaluation items, which are self-evaluated by all independent directors (3 in total), and the overall average score is 5.00 (out of 5), with positive and affirmative comments on the overall evaluation results. The evaluation aspects and comments are summarized as follows:

| Evaluation Aspect  | Evaluation Items    |
|--|---------------------|
| 1. Extent of participation in the Company's operations               | A total of 4 items  |
| 2. Awareness of Audit Committee's duties                             | A total of 5 items  |
| 3. Enhancing quality of Audit Committee's decisions                  | A total of 7 items  |
| 4. Composition and selection of Audit Committee's members            | A total of 3 items  |
| 5. Internal control  | A total of 3 items  |
| Subtotal   | A total of 22 items |
| Summary comments: The Audit Committee is very dedicated to its work. |                     |

4. The performance evaluation of the Remuneration Committee consists of the following four major aspects, with a total of 18 evaluation items, which are evaluated by all the members (3 in total), and the overall average score is 5.00 (out of 5), with positive and affirmative comments on the overall evaluation results. The evaluation aspects and comments are summarized as follows:

| Evaluation Aspect  | Evaluation Items    |
|--|---------------------|
| 1. Extent of participation in the Company's operations           | A total of 4 items  |
| 2. Awareness of Remuneration Committee's duties                  | A total of 4 items  |
| 3. Enhancing quality of Remuneration Committee's decisions       | A total of 7 items  |
| 4. Composition and selection of Remuneration Committee's members | A total of 3 items  |
| Subtotal   | A total of 18 items |
| Summary Comments: None.  |                     |

## D. Functional Committees

### (1) Audit Committee

Comprised of three independent directors, the Audit Committee of Capital Securities is responsible for reviewing the fair presentation of the Company's financial statements, the selection (dismissal), independence and performance of the attesting CPAs, the effective implementation of the Company's internal controls, the Company's compliance with relevant laws and regulations, and the control and management of the Company's existing or potential risks.

The Audit Committee shall meet at least once a quarter. 9 meetings were held in 2022 and the attendance is as follows.

1. The second session of the Audit Committee in 2022(from January 1, 2022 to June 26, 2022) has convened 5 meetings, and the attendance was as follows.

| Position                        | Name           | Actual Attendance | Attendance by proxy | Actual Attendance Rate (%) |
|---------------------------------|----------------|-------------------|---------------------|----------------------------|
| Independent Director (Convenor) | Shea, Jia-Dong | 4                 | 1                   | 80%                        |
| Independent Director (Member)   | Lee, Shen-Yi   | 5                 | 0                   | 100%                       |
| Independent Director (Member)   | Su, Ping-Chang | 5                 | 0                   | 100%                       |

2. The third session of the Audit Committee in 2022 (from June 27, 2022 to December 31, 2022) has convened 4 meetings, and the attendance was as follows.

| Position                        | Name              | Actual Attendance | Attendance by proxy | Actual Attendance Rate (%) |
|---------------------------------|-------------------|-------------------|---------------------|----------------------------|
| Independent Director (Convenor) | Shea, Jia-Dong    | 4                 | 0                   | 100%                       |
| Independent Director (Member)   | Lee, Shen-Yi      | 4                 | 0                   | 100%                       |
| Independent Director (Member)   | Lin, Tsang-Hsiang | 4                 | 0                   | 100%                       |

Meanwhile, the communication between the independent directors and the Head of Internal Audit and the CPAs (For details, please refer to Page 40 of Capital Securities' annual report for the year 2022):

- (1) Monthly written summary report of the previous month's audit deficiencies and improvement and remediation tracking status is submitted to the independent directors for review, and the independent directors approve the description/report or other recommendations on the report.
- (2) The Head of Internal Audit attends the Audit Committee meetings to explain to the independent directors the additions and amendments to the internal control system and the effectiveness of the internal control system.
- (3) The Board of Directors' meeting shall be held at least quarterly, with the independent directors and the Head of Internal Audit attending the Board of Directors' meeting, and the Head of Internal Audit shall report on the internal audit operations and the results of the audit and the description of the status of the tracking thereof at each Board of Directors' meeting.
- (4) When reviewing the semi-annual and annual financial reports, the attesting CPAs shall attend the Audit Committee to explain the process of auditing the Company's financial statements, the scope of the matters and the update of the relevant laws and regulations, and shall fully

discuss with the independent directors. The attesting CPAs shall also attend the Board of Directors' meeting to explain to the directors.

- (5) The Head of Internal Audit and the attesting CPAs and the independent directors may communicate directly with each other at any time as necessary, and the communication channels are smooth.
- (6) The topics and summaries of the communication between the independent directors and the Head of Internal Audit and the attesting CPAs, as well as the results of the Company's handling and implementation, are available on the Company's website (Capital Securities/About Capital Securities/Corporate Governance/Communication between Independent Directors and Head of Internal Audit/CPAs).

## (2) Remuneration Committee

Comprising three members, including two independent directors and one external member, the Remuneration Committee of Capital Securities is responsible for performing its duties faithfully in a professional and objective manner and with due care of a good administrator. (For details, please refer to Capital Securities' annual report for the year 2022)

1. Setting and regularly reviewing the policies, systems, standards and structures for performance evaluation and remuneration of directors and managers.
2. Regularly evaluating and determining the remuneration of directors and managers.

The meeting shall be convened twice a year, or once every six months in principle, and may be convened at any time as necessary to make recommendations to the Board of Directors for its decision-making reference.

3. The term of the fourth term members: from June 24, 2019 to June 23, 2022. The fourth Remuneration Committee has held 6 meetings in this year (2022), and the qualifications and attendance of members are as follows:

| Position | Name           | Actual Attendance | Attendance by proxy | Actual Attendance Rate (%) |
|----------|----------------|-------------------|---------------------|----------------------------|
| Convener | Lee, Shen-Yi   | 6                 | 0                   | 100%                       |
| Member   | Su, Ping-Chang | 6                 | 0                   | 100%                       |
| Member   | Yan, Jian-San  | 6                 | 0                   | 100%                       |

4. The term of the fifth term members: From June 27, 2022 to June 26, 2025. The fifth term of the Remuneration Committee has held 7 meetings in this year (2022), and the qualifications and attendance of members are as follows:

| Position | Name              | Actual Attendance | Attendance by proxy | Actual Attendance Rate (%) |
|----------|-------------------|-------------------|---------------------|----------------------------|
| Convener | Lee, Shen-Yi      | 7                 | 0                   | 100%                       |
| Member   | Lin, Tsang-Hsiang | 7                 | 0                   | 100%                       |
| Member   | Yan, Jian-San     | 7                 | 0                   | 100%                       |

### (3) Sustainable Development Committee

The members of the Sustainable Development Committee shall be appointed by resolution of the Board of Directors, and the number of members shall not be less than three, with a majority of the members being independent directors. The Committee is responsible for reporting to the Board of Directors at least once a year, and supervising and deciding on the implementation of the Company's environmental protection, social responsibility, and corporate governance related systems or management policies.

Under the Sustainable Development Committee, there is a Sustainable Development Office, headed by the President as the Chief Executive Officer, and six task forces, including Corporate Governance, Sustainable Finance, Human Rights Protection, Environmental Sustainability, Climate Change, and Social Welfare; each task force is headed by a department head to coordinate the implementation of the task force.

List of Current Members:

| List of Members of the Sustainable Development Committee |                   |   |
|--|-------------------|---|
| Position   | Name              | Educational Background (Major Experiences)  |
| Chairman   | Wang, Jiunn-Chih  | Ph.D. in Technology Management, Chung Hua University<br>Central Trust of China - President<br>Entie Commercial Bank - President<br>The Banker Association of the Republic of China - Secretary-General<br>Hua Nan Commercial Bank, Ltd. - President   |
| Independent Director                                     | Shea, Jia-Dong    | Ph.D. in Economics, Stanford University, USA<br>Institute of Economics, Academia Sinica - Director<br>Department of Economics, National Taiwan University - Professor<br>Central Bank of the Republic of China - Vice President<br>Minister of Ministry of Finance<br>Taiwan External Trade Development Council - Chairman<br>Central Trust of China - Chairman<br>Taiwan Academy of Banking and Finance - Chairman<br>Capital Futures Corporation - Independent Director   |
| Independent Director                                     | Lin, Tsang-Hsiang | Ph.D. in Finance and Economics, Boston University, USA<br>Institute of Health Policy and Management, National Taiwan University- Adjunct Professor<br>Financial Engineering Association of Taiwan- Director<br>Taiwan Institute of Economic Research- Director<br>Yuanta-Polaris Research Institute-Director<br>Taiwan Stock Exchange -Director<br>Taiwan Futures Exchange -Director and Supervisor<br>Bank of Overseas Chinese -Managing Director<br>IBF Securities -Director<br>Hua Nan Securities - Independent Director<br>China Development Industrial Bank- Director<br>China Development Financial Holding Company -Director |

#### (4) Risk Management Committee

The Risk Management Committee is affiliated to the Board of Directors. Based on the board-approved "Risk Management System" and "Risk Management Committee Charter", the Risk Management Committee ensures the achievement of the Company's strategic objectives and controls the various risks within the Company's acceptable ranges. By developing and implementing a risk management system, the latest risk exposure conditions of the Company can be immediately reported and countermeasures can be proposed.

The main duties are as follows:

1. to approve the risk management guidelines and regulations for each business;
2. to review the implementation of various capital and business transaction limits, to report on transaction limit-exceeding cases, to provide suggestions for improvement, and to make resolutions;
3. to report on stress testing and concentration control; and
4. to report on settlement, capital allocation, legal compliance and legal affairs.

The Committee consists of three or more members of the Board of Directors, and half or more of the members shall be independent directors. The Chairman acts as the convener; the Vice Chairman acts as the deputy convener, or it may be an independent director assigned by the convener; and the executive secretary acts as the head of the Risk Management Department or it may be a person assigned by the head to act as the substitute. The President, Head of the Risk Management Department, Head of the Finance Department, Head of the Settlement & Clearing Department, Head of the Compliance and Legal Division shall attend and report at the meeting; the Head of the Auditing Department are listed as attendees without participating in the discussion and resolution of risk management affairs.

Meetings are held quarterly. The Head of the Risk Management Department regularly (at least once a year) reports to the Board of Directors on the implementation of the risk management system and the use of risk limits...etc. In 2022, the main focus was on reporting to the Board of Directors on the risk management situation, the response to major financial markets and political and economic events, and the use of risk limits.

| List of Members of the Sustainable Development Committee |                  |   |
|--|------------------|---|
| Position   | Name             | Educational Background (Major Experiences)  |
| Chairman<br>(Convener)                                   | Wang, Jiunn-Chih | Ph.D. in Technology Management, Chung Hua University<br>Central Trust of China - President<br>Entie Commercial Bank - President<br>The Banker Association of the Republic of China - Secretary-General<br>Hua Nan Commercial Bank, Ltd. - President |

| List of Members of the Sustainable Development Committee |                   |   |
|--|-------------------|---|
| Position   | Name              | Educational Background (Major Experiences)  |
| Independent Director (Member)                            | Shea, Jia-Dong    | Ph.D. in Economics, Stanford University, USA<br>Institute of Economics, Academia Sinica - Director<br>Department of Economics, National Taiwan University - Professor<br>Central Bank of the Republic of China - Vice President<br>Minister of Ministry of Finance<br>Taiwan External Trade Development Council - Chairman<br>Central Trust of China - Chairman<br>Taiwan Academy of Banking and Finance - Chairman<br>Capital Futures Corporation - Independent Director   |
| Independent Director (Member)                            | Lin, Tsang-Hsiang | Ph.D. in Finance and Economics, Boston University, USA<br>Institute of Health Policy and Management, National Taiwan University- Adjunct Professor<br>Financial Engineering Association of Taiwan- Director<br>Taiwan Institute of Economic Research- Director<br>Yuanta-Polaris Research Institute-Director<br>Taiwan Stock Exchange -Director<br>Taiwan Futures Exchange -Director and Supervisor<br>Bank of Overseas Chinese -Managing Director<br>IBF Securities -Director<br>Hua Nan Securities - Independent Director<br>China Development Industrial Bank- Director<br>China Development Financial Holding Company -Director |

## E. Senior Management

The senior management team of Capital Securities is responsible for the business execution and supervision of the Company in accordance with the Company's internal practices and regulations, and reports the relevant information regularly to the members of the Board of Directors. The composition of the team can be found in Capital Securities' 2022 Annual Report of Shareholders' Meeting.

### III. Business Performance

#### A. Operational Performance

In 2022, in the face of COVID-19 and the upended international situation, Capital Securities continuously upheld a stable management philosophy, strengthened the integration of financial group resources, implemented the vision and sustainable development concept, established a long-term partnership with customers for mutual growth, continuously provided financial services that exceed customers' expectations, and actively used financial technology for digital transformation, integrated various securities service system resources, in order to implement operational plans and business policies, thereby enhancing profitability, and creating good operational results.

For more detailed financial information, please refer to the Capital Securities' 2022 Annual Report.

Unit: NT\$1,000

| Analysis of Economic Value Retained       |                |                  |                  |
|---|----------------|------------------|------------------|
| Item                                      | 2022           | 2021             | 2020             |
| <b>Direct Economic Value (A)</b>          |                |                  |                  |
| Operating revenues                        | 5,643,212      | 10,939,298       | 7,367,734        |
| Non-operating net income                  | 1,265,355      | 1,027,609        | 1,103,108        |
| <b>Distribution of economic value (B)</b> |                |                  |                  |
| Operating expenses                        | 3,506,031      | 2,868,969        | 2,232,319        |
| Employee remuneration and benefits        | 2,071,830      | 3,192,785        | 2,288,215        |
| Donation of academic fund                 | 1,500          | 1,500            | 900              |
| Social welfare                            | 116            | 70               | 20               |
| Share dividends distribution              | 846,654        | 3,581,998        | 2,387,999        |
| Income tax expenses                       | 489,050        | 653,993          | 379,859          |
| <b>Economic value retained (A) - (B)</b>  | <b>(6,614)</b> | <b>1,667,592</b> | <b>1,181,530</b> |

Note 1: All financial figures are denominated in NT dollars, which is a functional monetary currency of the parent company only financial statements and have been audited by a CPA. Statistics are calculated on the basis of internationally accepted indicators.

Note 2: For the consolidated financial statements, please visit the Company's website (<https://www.capital.com.tw>) or the Market Observation Post System (<http://mops.twse.com.tw>). Subsidiaries included in the Company's consolidated financial statements are Capital Futures Corporation and its subsidiaries, Capital Investment Management Corporation, CSC Venture Capital Corporation, CSC International Holdings Ltd. and its subsidiaries, Taiwan International Securities (B.V.I.) Corporation and its subsidiaries and CSC Capital Management Corporation; Capital Insurance Advisory Corporation are not included in the consolidated financial statements.

#### B. Ethical corporate management

##### (1) Management Structure

Capital Securities ensures that business operations comply with laws and

regulations and the Company's internal rules through ethical corporate management and due diligence governance, and protects the rights and interests of clients and beneficiaries in order to stabilize the market order. Therefore, in July 2015, Capital Securities prepared to set up the Ethical Corporate Management Committee, which is to be responsible for the formulation of the ethical corporate management policy and the supervision of such implementation, assisting in integrating integrity and moral values into the Company's business strategy, and formulating relevant anti-corruption measures that are in line with the regulatory system so as to ensure ethical corporate management. In August 2015, the sixth interim meeting of the ninth Board of Directors passed the Organizational Rules of the Ethical Corporate Management Committee.

In terms of committee structure, the President is the convener and chair of the meeting. The Ethical Corporate Management Committee is convened by the President and the chair of the meeting. The members of the committee are the supervisors of the Administration Department, the Finance Department, the Settlement & Clearing Department, the Corporate Planning Department, the Compliance and Legal Division, and the Risk Management Department, as well as the person designated by the President. Regularly review of the Company's performance of ethical corporate management is conducted every year, and the status of which is reported (at least once a year) to the Board of Directors in the first half of the following year.

## **(2) Management Mechanism**

The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Ethical Corporate Management Operating Procedures and Code of Conduct" to publicize the policies and commitments of the Company's ethical corporate management, and has asked its directors and employees also sign the ethical corporate management policy compliance statement. The Company has actively implemented the ethical corporate management in the internal management and business activities.

1. According to the pattern of unethical conduct and the characteristics of the Company's industry, eight types of unethical conduct have been identified in Article 7 of the "Ethical Corporate Management Best Practice Principles" and a total of 32 risk items have been detailed for the implementation of the risk assessment of unethical conduct.

The eight types of unethical conduct are described as follows:

- (1) Offering and accepting bribes.
- (2) Illegal political donations.
- (3) Improper charitable donations or sponsorships.
- (4) Offering or accepting unreasonable gifts, entertainment or other improper advantage.
- (5) Infringement of trade secrets, trademarks, patents, copyrights and other intellectual property rights.
- (6) Engaging in unfair competition.

- (7) Researching, providing, or selling goods or services that directly or indirectly jeopardize the interests of financial consumers or other interested parties.
  - (8) Profiting or defrauding counterparties.
2. In addition, with reference to the control measures of the ISO37001 anti-bribery management system, we evaluate the effectiveness of the internal control environment for the fulfillment of the ethical management in accordance with the following 11 major aspects; we also have a specific whistleblowing system and disclose the channels of acceptance on the Company's website in order to actively prevent unethical conduct and to encourage the Company's internal and external personnel to report unethical or improper conduct, and we have set up a whistleblower protection system in order to keep the identity and content of the whistleblower confidential.

The 11 major control aspects are as follows:

- (1) Due diligence.
  - (2) Financial control.
  - (3) Non-financial control.
  - (4) Anti-bribery commitment.
  - (5) Gifts, entertainment, donations and other equivalent benefits.
  - (6) Whistle-blowing system.
  - (7) Rewards, penalties, and grievance systems.
  - (8) Education and training.
  - (9) Organization.
  - (10) Regulation and system.
  - (11) Monitoring.
3. At the same time, a conflict of interest management policy is in place to ensure that the Company conducts its business in the interest of its shareholders and that there are no improper self-interests, decisions, or actions, and that the Company fulfills its responsibilities as an institutional investor. The fulfillment of the due diligence policy is regularly disclosed on the Company's website or in the annual report.
4. The Company also participates in corporate governance by monitoring its investee companies, attending shareholders' meetings, exercising its voting rights, and engaging in appropriate dialogues and interactions with the management of investee companies, such as directors and managers, with a view to protecting the rights and interests of asset owners.

### **(3) Awareness and Promotion**

We proactively educate our colleagues about operational activities within the scope of our business that carry a higher risk of unethical conduct, and organize various courses on ethical management, all of which require the passing of a post-course test. In 2022, online related courses with a total of 15 different topics were

conducted (including the advocacy in securities laws and regulations, laws and regulations related to ethical corporate management, business dispute resolution guidelines, laws and regulations on prohibited behaviors of securities practitioners, corporate sustainable development, introduction to the whistleblowing system, handling of material inside information, laws and regulations related to insider trading, etc.). A total of 25,576 person-times participated in the education and training, with a total of 1,988,118 person-hours. Each person participated in an average of 15 courses.

#### **(4) Effectiveness of Implementation**

According to the statistics for 2022, a total of 1 whistleblowing case was filed, which was not related to the finding of circumstances that the Company has committed crimes, fraud or violations of laws and regulations, as stipulated in Article 2 of the Company's Whistleblowing System Implementation Guidelines. The case was not accepted because it did not contain any information about the person, event, time, place, or object.

Therefore, after the Company's self-assessment of the eight major risk factors of unethical conduct and taking into account the existing structure of authority and responsibility for the fulfillment of ethical corporate management and the overall environmental risk mitigation measures, the overall risk assessment result for 2022 is low risk, and the overall environmental control is high. In addition, the assessment results for 2022 have been issued by the Ethical Corporate Management Committee of Capital Securities and reported to the fourth meeting of the twelfth session of the Board of Directors on January 12, 2023, which disclosed that there were no significant incidents of unethical conduct in 2022 and that the risk of unethical conduct was assessed to be low risk.

### **C. Information Security**

#### **(1) Management Structure**

Capital Securities has set up an Information Security Advisory Task Force, which includes additional information security professionals to participate in the operation of the Board of Directors, and convenes meetings as needed for internal and external issues, in order to promote an organizational culture that places emphasis on information security in the Company.

The Management Review Committee, comprised of the President and the top executives of each department, is the highest organization for the three management systems, ISO 27001 Information Security Management System, ISO 22301 Business Continuity Management System, and BS 10012 Personal Information Management System, and is responsible for the policy review of the management systems, the establishment of the management systems, and the supervision of the related activities.

In addition, the Chief Information Security Officer, at the Vice President level, is established to coordinate the promotion of information security policies and the allocation of resources, and to report annually to the Board of Directors on the status of information security implementation.

The Management Review Committee has the following functional task forces:

1. Setting up an Information Security Advisory Task Force to include information security professionals to participate in the operation of the Board of Directors and to convene meetings as needed for both internal and external issues, in order to promote an organizational culture that places emphasis on information security in the Company.
2. Setting up an Information Security Incident Response Task Force, with the President as the Commander, in order to be able to urgently notify the commander and members of the Response Task Force when an information security incident occurs, and to carry out internal and external notification of information security incidents, as well as to deal with the incident.
3. Setting up the Business Continuity Task Force and the Crisis Management Task Force, with the President as the commander, to be able to respond to emergency situations and decide whether to evacuate employees or activate remote server rooms and offices in order to minimize the risk of affecting the business continuity in the event of a risk of disruption of the Company's operations.
4. Setting up the Information Security Implementation Task Force for the purpose of integrating the promotion of cross-departmental information security protection policies, resource allocation, and ensuring the separation of powers and responsibilities, with the President acting as the convener, to directly supervise the aforementioned supervisors of the departments in the execution of their daily business, and to regularly assess the overall effectiveness of the implementation of the policy, which shall be included in the performance evaluation of the relevant business departments and personnel.

**(2) Responding to the Policies of the Competent Authorities**

1. After joining the Financial Information Sharing and Analysis Center (F-ISAC), Capital Securities has actively participated in intelligence sharing and has repeatedly provided information on malicious emails, sources of attacks, and threat patterns detected through active monitoring and protection, and has also taken immediate response and preventive measures if it receives information from other industry peers or businesses, thereby fully maximizing the benefits of the financial information security joint defense. In 2022, F-ISAC invited us to participate in the information security maturity assessment to understand the maturity level of each control area and review how to enhance the information security maturity level, which would be evaluated whether to be conducted regularly in the future.

| Intelligence Sharing    | 2022   |
|-------------------------|--|
| Initiated Notifications | 8 cases<br>-Fraudulent cases totaling 7<br>(Social media, fraudulent websites) |

|                             |   |
|-----------------------------|---|
|                             | <b>-DDOS attacks: 1</b>   |
| <b>Intelligence Sharing</b> | <b>RED cases totaling 4</b><br><b>-Suspected information security vulnerabilities in information equipment 3 cases</b><br><b>-Suspected data leakage 1 case</b>                       |
|                             | <b>AMBER cases totaling 59</b><br><b>-Malicious IP and website notification 56 cases</b><br><b>-Malicious email notification 1 case</b><br><b>-Vulnerability notification 2 cases</b> |

2. We actively cooperated with the competent authorities in launching DDOS attack drills and performed regular network traffic checks to prevent DDOS attacks.
3. On October 25, 2022, we represented the securities industry to participate in a major information security incident response and notification procedure drill organized by the Financial Supervisory Commission (FSC).
4. We have restricted the possible connection methods and data acquisition mechanism of the contracted vendors, and required them to submit corresponding certificates or statements of testing safety and security.
5. In 2022, there have been other enhanced management measures, which are briefly summarized below:
  - (1) Full implementation of anti-virus software and regular security updates.
  - (2) Introduction of firewall control to protect network security.
  - (3) Implement intrusion detection and prevention system (IPS) for protection.
  - (4) Periodic inventory of illegal software installations.
  - (5) Periodic phishing site and fake mobile application detection and inspection to ensure that the Company's name and trademarks are not being used fraudulently.
  - (6) Periodic vulnerability scanning, penetration testing, APP detection, Internet of Things (IoT) device vulnerability scanning, and information security examination to ensure the overall security of hosts and network environments.
  - (7) Introduction of webpage tampering prevention system for protection.
  - (8) Introduction of DDOS flow cleaning mechanism to prevent DDOS attacks.
  - (9) Active implementation of the talent cultivation and promotion program of the Financial Information Security Action Plan, such as the requirement for information security colleagues to obtain information security certificates.

### **(3) 2022 Information Security Implementation Highlights**

1. Introducing external phishing detection and shutdown services.

In order to effectively deal with external spoofing events on the client side, such as phishing attacks or spoofed mobile applications, and to prevent the theft of customer personal data, we have introduced external phishing detection and shutdown services for 7x24 real-time monitoring and immediate removal of spoofing events and shutdowns.

2. We have promoted the Capital Securities Grand Eagle Project to integrate the company management APP, by planning a single APP platform, allowing different users (clients, sales personnel, and managers) to have different management service pages, and achieving the benefits of centralizing resources, avoiding decentralized management, and enhancing the information security level.
3. We emphasize the risk monitoring of third-party suppliers. In view of the financial industry corporate information security risk map of the 2022 iThome CIO survey, apart from the general concern about information security threats, we also pay close attention to hot threats, especially attacks using third parties as stepping-stones, and therefore, we put our suppliers into the Company's overall information security environment for evaluation. At the same time, the Company has enhanced the control intensity of contract terms, such as notification time, and refined the information security requirements of outsourced suppliers. Lastly, we have incorporated information security requirements into the selection process of information service providers for our information security system, and we are supervising the implementation of these requirements.
4. We have implemented a security oversight mechanism (SOC) to collect information on firewalls, intrusion detection systems (IDS/IPS), web application firewalls (WAF), anti-virus systems, endpoint protection (EDR/MDR), and logs of critical systems and operating systems through 7x24 real-time monitoring.

When an information security incident is identified, the Information Security Incident Response Task Force shall be activated according to the level of the incident, and the information shall be shared and notified to the competent authorities in accordance with the competent authorities' information security incident notification procedures, so as to deal with the information security incident in a coordinated and cooperative manner.

5. We continuously observe the regulations of the competent authorities and the self-regulatory standards issued by the Association, and collect timely feedback and internal and external issues in response to the results of financial inspections and external audit recommendations, and make adjustments to the Company's information security and personal data protection management system and standards on a rolling basis.
6. We organize regular information security examination every year to ensure the validity of the information security.
7. The percentage of information security employees obtaining certificates has reached 60% by 2022, and we continue to increase the percentage of

employees obtaining certificates.

8. In response to the ISO 27001 transition, the Company has hired consultants to provide assistance and counseling, and actively plans and promotes the implementation of the relevant discrepancy remediation, in order to achieve the target of ISO 27001:2022 transition and certification in 2024.
9. There was no confirmed information leakage in 2022.

## D. Privacy Protection

In order to strengthen the security of confidential information of clients and the Company in response to the active market and the growing number of clients, Capital Securities not only maintains an ISO management system to effectively manage information security and personal data, but also implements it in the continuous operation process of the Company.

In addition, the Company has established a Personal Data Management Policy, which is publicly disclosed on the corporate website, and regularly conducts internal Personal Information Management System (PIMS) drills. Furthermore, the Company also strives to strengthen the privacy security control mechanism and raise employees' awareness on privacy protection, so as to build an environment that takes into account customers' privacy protection.

With all of these efforts, there was no confirmed violation of customer privacy or Personal Data Protection Act in 2022.

## E. Operational Sustainability

Operational resilience has become the key to the sustainable development of corporate organizations. Capital Securities regularly conducts operational impact analysis and risk assessment every year to prevent the worst-case scenarios that may be faced and aims to resume service within one hour of the recovery time target, in order to maintain the continuity of its operations.

In order to protect our operations from major incidents and to effectively minimize the degree of impact and the duration of the impact, we have prioritized the 11 high-risk events that we have screened out and developed emergency response procedures so that we can implement plans according to the different types of risks at the time of the incident. Meanwhile, each task force is assigned to fulfill their respective roles and tasks in the plans.

In addition, to ensure that the core business system can continue to operate in the event of a disaster, the Company regularly organizes scenario-based drills every year, including information system backup drills, business process recovery drills, and disaster incident response drills. Through repeated drills, the Company has developed its crisis response



capability and strengthened the resilience of the organization's operations.

Since obtaining BCM certification in 2013, the Company has confirmed the effectiveness of BCM and its alignment with the organizational strategic direction through target measurement assessment, internal and external audits, and management review meetings every year, and has continued to maintain the validity of the international certificate. In 2022, we have successfully completed the ISO 22301:2019 transition and obtained the new version of the certification to ensure the operational resilience.

## **F. Risk Management**

The risk management policy of Capital Securities is to establish a risk management mechanism for risk identification, measurement, monitoring and control, to build an integrated risk management system, to conduct regular risk assessments for each aspect of risk, to develop risk response strategies, and to achieve operational goals to enhance shareholder value. In order to effectively control the risk of legal compliance in the Company's operations or in the development and introduction of new products or services, the relevant precautionary approaches/practices/measures are described as follows:

### **(1) Operational Precaution Approaches / Practices / Measures**

1. In accordance with the "Guidelines on the Content and Procedures of Assessment of Legal Compliance", the evaluation procedures for legal compliance are based on self-assessment operations. Each year, a person designated by the head of each department will conduct self-assessment operations for legal compliance using the "Legal Compliance Self-Assessment Chart" attached to the "Standard Directions for the Content and Procedures of Legal Compliance of Securities Firms". The assessment results will be submitted to the Compliance and Legal Division for record.

In addition, the Company shall conduct the following operations in accordance with the "Regulations for the Management, Assessment and Independent Notification of Compliance Risks", in order to effectively control the compliance risk.

- (a) Regulatory inventory: Identify the legal compliance obligations related to the Company's business operations.
  - (b) Select the legal compliance issues each year, and the person designated by the head of each department will conduct the self-assessment of compliance risk. The Compliance and Legal Division will review and issue the compliance risk assessment report, which will enable the management to understand the compliance risks faced by the Company in a timely and effective manner. In case of the occurrence of a major case of customer complaint for violation of laws and regulations or a penalty imposed by the competent authorities, the Compliance and Legal Division shall conduct compliance risk audits from time to time.
2. Alert Notification Mechanism:

The Company has established "Guidelines for the Implementation of the Whistleblower System", "Guidelines for Handling Business Disputes", and "Guidelines for the Use of Employee Suggestion Boxes". Anyone who detects

a risk of compliance in relation to the preceding interior regulations shall immediately notify the Company in accordance with the provisions stipulated in the preceding internal regulations.

3. In the event of a compliance risk that cannot be reported in accordance with the preceding internal regulations, the whistleblower shall notify the Compliance and Legal Division within five days of becoming aware of the risk in accordance with the Company's "Regulations for the Management, Assessment and Independent Notification of Compliance Risks." If the compliance risk is determined to be a major violation as defined in the Company's "Regulations Governing the Handling and Notification of Major Incidents" or a risk causing significant loss that threatens the Company's operations, the President shall be notified separately.

## **(2) Development and Introduction of New Products or Services related Precaution Mechanism**

In order to ensure the provision of products or services suitable for customers, Capital Securities has the following precaution mechanism:

1. As for the offshore structured products, an offshore structured products review committee shall be convened to review the products or services to be launched. As for the investment-type financial products, Capital Securities shall evaluate the suitability, based on the products' characteristics, for its customers. The unit submitting the application for the products to be launched shall fill out the "Pre-Sales Review Form for Financial Products" and submit it to the product review team for review.
2. If a dispute arises from the products or services, the customer may file a complaint by telephone, email, or in person at a service counter in accordance with the "Guidelines for Handling Business Disputes." The head of the business unit shall designate a person to understand the reason for the incident and fill out a "Customer Complaint Notification Form", stating the basic information of the customer as well as the date, unit, person, amount, content of the complaint, and the proposed handling process and plan, and submit it to the President, and send a copy to the Auditing Department and the Compliance and Legal Division.
3. With regard to the different risks faced by each business operation, the procedures and criteria for monitoring, evaluating and controlling risks through three lines of defense are adopted to establish an economically efficient business operation model that takes into account both safety and efficiency.

## **(3) The key risks and countermeasures identified by Capital Securities in 2022 are as follows:**

1. Investment Risk
  - (a) The proprietary trading for investment in domestic and foreign equity-related financial instruments is conducted in accordance with the relevant regulations of the competent authority, the procedures for analysis, decision making, execution, change and review of trading

operations are in accordance with the Company's internal audit and internal control regulations.

- (b) The cap of domestic and foreign equity-related financial instruments to be invested is based on the department's annual operational plan, which is formulated annually in writing and submitted to the Board of Directors for approval prior to implementation.
- (c) Before investing in domestic or foreign equity-related financial instruments, a trader is required to submit an "Investment Analysis Report" based on the fundamental and technical analysis of the issuing company. The Report shall be given approval for the trader to start making transactions, and it shall be regularly updated every three months and continuously tracked.
- (d) Before the daily trading, a "Trading Decision Report" is proposed. In case of discrepancy with the actual execution, a "Post-trading Decision Execution Review Report" will be submitted and shall be given approval by the responsible officer and kept for record.
- (e) Comply with the operational rules and regulations of each investment product, and submit the "Stop Loss / Take Profit Disposal Instructions" when the trading profit or loss standard is reached, which shall be given approval by the responsible officer and kept for record.
- (f) The competent authority and auditing units conduct regular and occasional audits to ensure the quality of operations and legal compliance.

## 2. Market Risk Management

Capital Securities has defined the maximum operating limit and risk value for various business operations to ensure capital adequacy maintenance and maximum loss control. Variance-Covariance method is adopted to calculate and retroactively test and examine stock-related risk values. One-day Value at Risk (VaR) is calculated with a 99% confidence interval. The control of bond-related risk value is based on bp value. The one-day VaR control position is based on Delta and Gamma values. The one-day VaR control position is calculated with a 99% confidence interval. Securities lending is based on the maintenance rate as stipulated by the competent authority. To implement risk management systems, each business unit can adjust its risk value by using futures, option and swap hedging instruments that are approved by the competent authority and the Board of Directors.

## 3. Credit Risk Management

Capital Securities has established credit limit for issuers and counterparties in accordance with the credit requirements of competent authority and the credit rating information announced by credit rating institutions. The Company follows the competent authority's rules with regards to stock credit transaction limit. For derivatives, a counterparty's credit risk exposure is calculated daily; if the limit is exceeded, the counterparty is required to provide eligible collateral or reduce its position. The investment is only permitted for those with a certain credit rating or

above, thus material information, fundraising activities, operational status, and other practices of issuer are used to measure the probability of credit violation. When the credit rating for debt position held is lower than that stipulated by investment regulations, the selling of such financial instruments will be requested. If said financial instruments cannot be sold due to liquidity issue, they will be allocated to bad debt reserves according to the probability of violation.

#### 4. Liquidity Risk Management

Liquidity risk primarily involves financial capital allocation and financial market liquidity problems. Regarding capital allocation, apart from decentralization of counterparty financial institutions, the Company also diversifies its fundraising channels, and plans and keeps abreast of its daily fund usage in advance as needed. In addition, the Company simulates special events for analysis to address unusual funding needs involving system risks. Regarding liquidity risk of various positions, the Company establishes specifications according to issuance amount, transaction amount, and counterparties, among other factors, and dynamic monitoring of market conditions is performed to manage the liquidity risks of a position.

#### 5. Other Risk Management

Capital Securities regularly detects operational risks and performs trial calculation on capital adequacy every year based on the business volume of each department's annual operation plan which is regarded as a stress scenario. The result serves as the basis for capital adequacy planning and corporate strategy.

In terms of Sustainable Development risk management, the Company begins with risk identification and management on the financing and investment perspective, and follows its "Sustainable Development Best Practice Principles" and the FSC's "Green Finance Action Plan 3.0" to gradually comply with the climate change financial risks disclosure and Sustainability Accounting Standards required by international standards. In addition, the Company regularly discloses the content and implementation results of its Sustainable Development plan to implement the goals of the FSC's "Implementation Strategies for Sustainable Development and Transformation of the Securities and Futures Industry".

#### 6. Information Security Risk

In order to strengthen management, Capital Securities has established policies such as "Information Security Policy Directions", "Business Continuity and Information Service Management Directions", "Information Security Affairs Management Directions", "Information System Development and Implementation Security Directions", "Physical Security Maintenance Management Directions", "Information Security Education and Training Directions", and "Emerging Technology Information Security Control Operations Directions", and conducts regular internal and external audits every year to review the implementation of operational procedures. Furthermore, the audit results are also submitted to the Business Continuity and Information Service Management Review Committee to maintain a good

communication with senior management so as to effectively implement internal control regulations, the ISO system and other management mechanisms.

In addition, the Company attaches great importance to the cultivation of talents and continues to keep abreast with market changes and relevant technology development trends. The Company also encourages employees to participate in external education and training to enhance their technical ability and absorb new knowledge. All units are required to follow various management procedures and internal control guidelines to ensure compliance with various risk management regulations before performing business. With regards to information security, the Company continues to promote various information security mechanisms and measures, such as information security advocacy and social engineering drills, regular software and privilege reviews. Additionally, DLP, firewall, anti-virus software, and real-time monitoring mechanisms are also adopted to strengthen information security and lessen the possibility of sensitive data leakage or malicious activities so as to ensure enhanced security information management.

## G. Legal Compliance

For cases related to compliance with laws and regulations involved in the business scope of Capital Securities, in addition to the internal inspection by the business department, the Compliance and Legal Division also provides the assistance therein so as to achieve the operational control and proper implementation of laws and regulations.

| Record of violations of laws and regulations in 2022          |  |                          |
|---|--|--------------------------|
| Aspect  | Legal Compliance   | Violation status in 2022 |
| Business operations and marketing                             | Criminal Code, Fair Trading Act, Patent Act, Trademark Act, Copyright Act, and antitrust laws  | No violation             |
| Financial and organizational planning                         | Company Act, Securities and Exchange Act, Money Laundering Control Act and related laws and regulations, and Prevention of Insider Trading Management and Operating Procedures | No violation             |
| Protection of the Company's internal and customer information | Trade Secret Act, Personal Data Protection Act   | No violation             |
| Personnel policy and management                               | Labor Standards Act and related laws and regulations   | No violation             |

## H. Unions, Associations and Other Organizations

Capital Securities and its subsidiaries actively join the membership of and participate in the activities of trade unions and associations.

| No. | Name of the union, association and other organizations                          | Participation method | Provision of financial aids such as membership fees | Participation/ Signature/ Membership with Strategic Significance |
|-----|---|----------------------|---|--|
| 1   | Taiwan Securities Association   | Executive Director   | Yes   | Yes  |
| 2   | Chinese National Futures Association  |                      | Yes   | Yes  |
| 3   | Trust Association of the Republic of China                                      |                      | Yes   | Yes  |
| 4   | Republic of China Bills Finance Association                                     |                      | Yes   | Yes  |
| 5   | Taiwan Stock Affairs Association  | Supervisor           | Yes   | Yes  |
| 6   | Securities Analysis Association, Chinese Taipei                                 |                      | Yes   | Yes  |
| 7   | Financial Planning Association of Taiwan  | Director             | Yes   | Yes  |
| 8   | Taiwan Outstanding Entrepreneurs Association                                    |                      | Yes   | Yes  |
| 9   | Brokerage Personnel Management Association                                      |                      | Yes   | Yes  |
| 10  | Taiwan ITRI New Venture Association   |                      | Yes   | Yes  |
| 11  | Yilan Chamber of Commerce   |                      | Yes   | Yes  |
| 12  | Insurance Brokerage Association of Taiwan                                       |                      | Yes   | Yes  |
| 13  | Securities Investment Trust and Consulting Association of the Republic of China |                      | Yes   | Yes  |
| 14  | Taiwan Venture Capital Association  |                      | Yes   | Yes  |
| 15  | Equity Investment Association of the Republic of China                          | Executive Director   | Yes   | Yes  |
| 16  | Taiwan M&A and Private Equity Council   |                      | Yes   | Yes  |

## IV. Climate Change

Climate change has become a global issue, especially changes in domestic laws and markets, and is a systematic risk that the Company cannot avoid. The Company is facing a major impact on the ecological environment, society, human beings, and the continuity of the Company, as well as the challenge of its response strategies.

Capital Securities, as part of the financial and securities industry, has been actively identifying, developing, and implementing actions to mitigate climate change internally under the expectations of its competent authorities and itself, while at the same time striving to leverage its influence to promote cooperation among clients and the industry in order to respond to the risks and opportunities of climate change and to continue to enhance its overall organizational resilience. In this regard, the Company follows the Task Force on Climate-related Financial Disclosures (TCFD) as a methodology for mitigating climate change. The Board of Directors and senior executives direct operational strategies, identify climate change risks and opportunities, and track and supervise them with goals on a regular basis. At the same time, the Company has improved the transparency of its disclosure of climate change-related information, and has responded positively to and expected various sectors to communicate with each other in order to promote sustainable management.

### A. Climate Change Governance of Capital Securities

Climate change has become a materiality issue impacting the sustainable development of the Company. Therefore, in order to be prudent, the governance structure has three levels, with each level being responsible for different duties and responsibilities. From the top to the bottom, it leads the direction and supervises the effectiveness, and from the bottom to the top, it implements and reports the progress and obstacles, so as to achieve the management cycle of continuous improvement.

#### (1) Board of Directors

The Board of Directors is the highest governance unit. While climate change is recognized as one of the major risks, it is also an opportunity for future business development, and is further integrated into the Company's risk management mechanism. The Board of Directors regularly receives reports on climate change action strategies and risk management measures, and confirms the content of the reports, implementation obstacles, and performance results, in order to effectively supervise the progress and resource allocation.

Taking the issue of greenhouse gas emissions as an example, the Board of Directors receives progress reports and performance results on a quarterly basis, demonstrating effective supervision and control, and at least once a year the Board of Directors receives the annual plan of sustainable development activities and the implementation status of the previous year's plan.

#### (2) Sustainable Development Committee

On November 10, 2022, the Sustainable Development Committee was upgraded to a functional committee under the Board of Directors. Climate change is a materiality issue for the Company, and it is included in the discussion

and control of the Sustainable Development Committee, which integrates the Company's resources and introduces sustainable development goals and strategies to each department.

In terms of operations, the Sustainable Development Committee reviews, formulates and promotes climate change action strategies and risk management measures based on climate and environmental trend issues and the results identified by each unit, recognizes short-, mid- and long-term plans, and manages the performance evaluation results for subsequent reporting to the Board of Directors at least once a year.



### (3) Climate Change Section and Departments of the Company

The "Climate Change Section" under the Sustainable Development Committee, led by the head of the Risk Management Department, collaborates to collect information on climate trends from the government, customers, the industry and the international community. Through the Company's risk management mechanism and performance evaluation mechanism, it reviews the identified results of climate change risks and opportunities, manages the progress and obstacles of implementation of countermeasures and the performance results, and submits them to the President on a regular basis.

## B. Climate Strategy of Capital Securities

We identify climate change risks and opportunities with reference to TCFD and its industry-specific guidelines, and discuss strategies and countermeasures in conjunction with scenario analysis. The financial or operational materiality assessment of climate change risks and opportunities is based on professionalism, experience and industry characteristics, as well as the analysis of climate change issues proposed by consultants and experts, in order to identify the degree of impact and likelihood of occurrence of the climate change-

related risks and opportunities for the Company. **The 2022 risk issues were identified as 4 transition risks (policy and legal, technology, market, and reputation) and 2 physical risks (acute and chronic); and 5 climate-related opportunities (resource efficiency, energy sources, products and services, market, and resilience) were selected.** Please refer to the description and analysis of the climate-related issues in the TCFD report for the impacts of climate risks and opportunities and the assessment of financial or operational materiality of each issue. We have formulated countermeasures and made adjustments on a rolling basis.

The ultimate goal of the "Climate Related Risks, Opportunities and Financial Impacts Framework" is to quantify and disclose the financial impacts of climate risk through the corporate income statement, balance sheet, and cash flow statement.

In response to the domestic and international climate change issues, the Company has launched countermeasures (please refer to Climate Risk Impact and Scenario Analysis and Countermeasures as well as the TCFD Report), including continuously adjusting investment and financing operation strategies, exerting financial influence on clients, and assisting clients with capital market solutions for net-zero and carbon-reduction needs, etc. Currently, Capital Securities is taking stock of the existing information on the industry exposure of the relevant investment and financing positions in order to facilitate the management of future investee companies in the face of the impact of carbon fees and other policies implemented in the future, and urges business units to prioritize companies that provide climate change solutions (e.g., green bonds, companies that are conducive to the protection of the environment, etc.) as their core business opportunities.

## (1) Climate Transition Risk Impacts, Scenario Analysis and Countermeasures

| Policy and Legal  |  |  |   |
|---|--|--|---|
| Scenario Analysis/<br>Reference<br>Scenario   | Company Operational Impacts  | Description of the<br>degree of impact<br>(including financial)<br>and likelihood of<br>occurrence                             | Overall countermeasures<br>and risk management<br>measures  |
| Countries are imposing mandatory emission reporting obligations on companies, increasing GHG emission pricing accordingly, and requiring and regulating existing products and services. | <p>Impact on the value chain (e.g., customers) due to laws and regulations or government requirements, resulting in short-, mid-, and long-term impacts on the Company's operations:</p> <ol style="list-style-type: none"> <li>(1) Continuously commissioning a third-party independent unit to conduct greenhouse gas emissions verification, resulting in the write-off and early disposal of existing assets, and the need to set aside a budget to continually activate the phase-out mechanism for high-energy-consuming equipment and operations, which will increase operating costs.</li> <li>(2) Adjustment and restriction of products and services in response to the investment and financing targets of the greenhouse gas inventory and the greenhouse gas emissions calculated by the stock investment and financing portfolio, resulting in higher transition costs.</li> <li>(3) Higher operating costs due to changes in hardware input costs (e.g., energy, water) and output requirements (e.g., waste treatment).</li> <li>(4) Higher energy costs (e.g., electricity) and increased costs of replacing equipment with new or low-carbon equipment.</li> </ol> | <ol style="list-style-type: none"> <li>(1) Degree of impact: Severe.</li> <li>(2) Likelihood of occurrence: Severe.</li> </ol> | <ol style="list-style-type: none"> <li>(1) We continue to pay attention to the regulation of policies and laws: compliance with greenhouse gas emissions and carbon tax, carbon trading regulations and other laws and regulations related to climate risk.</li> <li>(2) The Company has established a low-carbon strategy and action plan, which is implemented under the Sustainable Development Committee.</li> <li>(3) The Company has strengthened the conversion and negotiation of investment and financing positions with high carbon emissions.</li> </ol> |

| Technology   |   |   |   |
|--|---|---|---|
| Scenario Analysis/ Reference Scenario  | Company Operational Impacts   | Description of the degree of impact (including financial) and likelihood of occurrence  | Overall countermeasures and risk management measures  |
| Costs of replacing existing products and services with low-carbon goods and low-carbon technology transitions. | <ul style="list-style-type: none"> <li>(1) Write-off and early disposal of existing assets and products.</li> <li>(2) Whether the return on investment in low-carbon products is in line with expectations, start-up costs and transition costs.</li> <li>(3) Research expenditures and development capital investments in new and substitute products.</li> </ul>  | <ul style="list-style-type: none"> <li>(1) Degree of impact: High.</li> <li>(2) Likelihood of occurrence: High.</li> </ul>          | <ul style="list-style-type: none"> <li>(1) We continue to pay attention to the market trend of low-carbon transition and assist our customers and investment and financing targets to carry out low-carbon transition.</li> <li>(2) The Company has established a low-carbon strategy and action plan, which is implemented under the Sustainable Development Committee.</li> </ul>   |
| Market   |   |   |   |
| Scenario Analysis/ Reference Scenario  | Company Operational Impacts   | Description of the degree of impact (including financial) and likelihood of occurrence  | Overall countermeasures and risk management measures  |
| The uncertainty of changes in customer behavior and market information   | <ul style="list-style-type: none"> <li>(1) Decline in demand for products and services due to changes in customer preferences.</li> <li>(2) Changes in the mix and sources of revenue, and possible loss impacts resulting from a shift in the securities firm's own investment and financing portfolios.</li> <li>(3) Revaluation of assets, e.g. land valuation, securities valuation.</li> <li>(4) Revaluation of collateral due to extreme climate risk events.</li> <li>(5) Decrease in the price of securities with high greenhouse gas emissions and high energy consumption, or increase in the price of green securities incentivized by competent authorities.</li> </ul> | <ul style="list-style-type: none"> <li>(1) Degree of impact: High or above.</li> <li>(2) Likelihood of occurrence: High.</li> </ul> | <ul style="list-style-type: none"> <li>(1) The Company continues to promote green products in line with market trends and policies and laws.</li> <li>(2) We continuously reduce the proportion of investment and financing in high greenhouse gas emissions and high energy-consuming industries, and carefully select investment and financing targets with low carbon transition.</li> <li>(3) We use green labels as our branding strategy to encourage our customers to enhance their awareness of green consumption in order to increase our operating income.</li> </ul> |

| Reputation  |  |  |  |
|---|--|--|--|
| Scenario Analysis/<br>Reference<br>Scenario   | Company Operational Impacts  | Description of the<br>degree of impact<br>(including financial)<br>and likelihood of<br>occurrence | Overall countermeasures<br>and risk management<br>measures   |
| Goodwill may be damaged as a result of changing consumer preferences and increasing stakeholder concerns and negative feedback. | <p>The Company's excessive investment and financing targets with high greenhouse gas emissions and high energy consumption affect the Company's goodwill and branding strategy, resulting in unsuccessful business development:</p> <p>(1) Decrease in demand for products/services: Customers feel bad and move to other companies.</p> <p>(2) Impact on labor management and planning (e.g., employee recruitment and retention).</p> <p>(3) Decrease in available capital: investors withdraw their capital.</p> <p>(4) New services or products promoted may not be favored by competent authorities or may be judged unfavorably.</p> | <p>(1) Degree of impact: High.</p> <p>(2) Likelihood of occurrence: Moderate.</p>                  | <p>(1) The Company continues to promote green products in line with market trends and policies and laws.</p> <p>(2) We continuously reduce the proportion of investment and financing in high greenhouse gas emissions and high energy-consuming industries, and carefully select investment and financing targets with low carbon transition.</p> <p>(3) We use green labels as our branding strategy to encourage our customers to enhance their awareness of green consumption in order to increase our operating income.</p> |

## (2) Climate Physical Risk Impacts, Scenario Analysis and Countermeasures

### 1. Scenario Analysis/Reference Scenarios

The "Climate Change in Taiwan 2017: Scientific Reports" estimates future temperature changes in Taiwan for both acute (e.g., increased severity of extreme weather events such as typhoons and floods) and chronic (e.g., changes in rainfall (precipitation) patterns and extreme changes in climate patterns, increases in average temperatures, and sea level rise) situations. It is found that regardless of the warming scenarios, Taiwan is likely to warm by more than 1 degree Celsius after the middle of the 21st century (2046-2065), compared to the average temperature of the base period (1986-2005).

#### Number of days with extreme high temperature

When analyzing the warming changes in the four areas of northern, central, southern, and eastern Taiwan, regardless of RCP 4.5 or RCP 8.5, the number of days with extreme high temperatures and the temperature may increase at the end of the 21st century. The number of days with extreme high temperatures may increase by more than 90 days in the whole of Taiwan, and by more than 100 days in the central and southern areas, and the temperature of extreme high temperatures may increase by about 0.7

degrees Celsius in the whole of Taiwan.

Among them, the northern area of Taiwan (Keelung, Taipei, New Taipei, Taoyuan, Hsinchu, and Miaoli) will be the area with the most significant warming at the end of the 21st century, which is projected to reach 1.71 degrees Celsius under the RCP4.5 scenario, and 3.36 degrees Celsius under the RCP8.5 scenario.

### **Low rainfall**

When analyzing the rainfall in the four areas in the northern, central, southern, and eastern Taiwan, under the RCP 8.5 scenario, the number of annual rainfall days in the late 21st century tends to decrease, especially in the northern area; as for the maximum number of consecutive rainless days per year, the eastern area has the greatest increase; the changes in wet season flooding and dry season rainfall are greatest in the southern area, resulting in the highest rate of flooding or water shortages compared to the other three areas; and the trend of flooding in the western part of Taiwan has increased, especially in the areas south of Taoyuan, Hsinchu, and Miaoli

Regardless of RCP 4.5 or RCP 8.5 scenarios, the average rainfall in the wet season increases across the whole of Taiwan, especially in the southern area (Tainan, Kaohsiung, and Pingtung), while the average rainfall in the dry season decreases across the whole of Taiwan, especially in the central area (Taichung, Changhua, Nantou, Yunlin, and Chiayi), and the southern area (Tainan, Kaohsiung, and Pingtung).

### **Flooding**

- (1) The RCPs model (MIROC-ESM-CHEM model) predicts that RCP4.5 is a GHG-stabilized scenario: the flooding situation is also manageable.
- (2) The RCPs model (MIROC-ESM-CHEM model) predicts that RCP8.5 is a high GHG emission scenario: the flooding situation is more intense.

## **2. Company Operational Impacts**

- (1) With regard to the estimated regional impacts of extreme weather, the Company's long-term countermeasures for high-risk areas include strengthening disaster prevention drills and paying attention to the location of collaterals and the locations of investment and financing positions. Please refer to Page 26 of the TCFD report.
- (2) The RCPs model (MIROC-ESM-CHEM model) predicts that RCP4.5 is the GHG-stabilized scenario: the impact on business locations or real estate assets is evaluated, and four locations shall have countermeasures, and the impact amount is estimated to be around NT\$ 1 million.
- (3) The RCPs model (MIROC-ESM-CHEM model) predicts that RCP8.5 is a high GHG emission scenario: the impact on business locations or real estate assets is evaluated, and sixteen locations shall have countermeasures, and the impact amount is estimated to be around NT\$ 10 million or more.
- (4) Decrease or interruption of production capacity (e.g., business closure,

water and power outages), resulting in higher operating costs and impacting employee safety on the job.

- (5) Write-off and early disposal of existing assets (e.g., damage to property and assets in "high-risk" areas).
- (6) Higher infrastructure costs (e.g., flooding of branch offices, resulting in water damage to facilities and company vehicles).
- (7) Higher asset premiums and difficulty in insuring assets in "high risk" areas.

**3. Description of the degree of impact (including financial) and likelihood of occurrence**

- (1) Degree of impact: High.
- (2) Likelihood of occurrence: High.

**4. Overall countermeasures and risk management measures**

- (1) Enhancement of drainage or water shielding facilities and regular training of employees on emergency response mechanisms.
- (2) The Company conducts assessment of the possibility and risk of flooding at business locations, and plans and adjusts the business locations with a high possibility and risk of flooding after the expiration of the leases.
- (3) The Company's real estate assets are assessed for the possibility and risk of flooding, and real estate assets with a high degree of possibility and risk of flooding are planned for countermeasures. The Company also continues to pay attention to the areas where extreme weather events occur, and conducts asset transfers and avoidance in areas that may be prone to extreme weather events.

### (3) Climate Opportunity Impacts, Scenario Analysis and Countermeasures

| Resource Efficiency   |   |  |   |
|---|---|--|---|
| Scenario Analysis/<br>Reference Scenario  | Company Operational<br>Impacts  | Description of the<br>degree of impact<br>(including<br>financial) and<br>likelihood of<br>occurrence                              | Overall countermeasures and<br>risk management measures   |
| <ul style="list-style-type: none"> <li>◇ Adopting more efficient transportation methods</li> <li>◇ Using more efficient production and distribution processes</li> <li>◇ Recycling</li> <li>◇ Shifting to more efficient buildings</li> <li>◇ Reducing water use and consumption</li> </ul> | <p>Taiwan's net-zero carbon emission policy continues to promote low-carbon energy projects, and the law encourages energy-saving and carbon-reducing action plans, with incentives to be obtained.</p> | <ul style="list-style-type: none"> <li>(1) Degree of impact: Moderate.</li> <li>(2) Likelihood of occurrence: Moderate.</li> </ul> | <ul style="list-style-type: none"> <li>(1) Capital Securities will actively respond to the national net-zero carbon emission policy as the Company's vision for environmental protection, and will follow ISO 14064-1 to conduct a company-wide greenhouse gas inventory and continue to commission third-party independent organizations to verify the results.</li> <li>(2) The Company regularly reviews the results of the overall energy consumption and greenhouse gas emissions, and continuously allocates budgets for implementing a replacement mechanism for energy-consuming equipment and operations.</li> <li>(3) The Company evaluates and promotes industries that have an impact on its operations and implements net-zero carbon emission plans and green products.</li> <li>(4) The Company has established a low-carbon strategy and action plan, which is implemented under the Sustainable Development Committee.</li> <li>(5) The Company has strengthened the promotion of energy conservation and carbon reduction among employees to save energy and reduce operating costs.</li> </ul> |

| Energy Sources   |   |  |  |
|--|---|--|--|
| Scenario Analysis/<br>Reference Scenario   | Company Operational<br>Impacts  | Description of the<br>degree of impact<br>(including<br>financial) and<br>likelihood of<br>occurrence                          | Overall countermeasures and<br>risk management measures  |
| <ul style="list-style-type: none"> <li>◇ Using low carbon energy</li> <li>◇ Adopting incentive-based policies</li> <li>◇ Participating in the carbon trading market</li> </ul>   | Taiwan's net-zero carbon emission policy continues to promote low-carbon energy projects, and the law encourages energy-saving and carbon-reducing action plans, with incentives to be obtained. At the same time, the Company has begun evaluating participation in the carbon trading market. | <ul style="list-style-type: none"> <li>(1) Degree of impact: High.</li> <li>(2) Likelihood of occurrence: High.</li> </ul>     | <ul style="list-style-type: none"> <li>(1) The Company has established a low-carbon strategy and action plan, which is implemented under the Sustainable Development Committee.</li> <li>(2) The Company continues to monitor the trend of the international and domestic carbon trading markets.</li> </ul>   |
| Products and Services  |   |  |  |
| Scenario Analysis/<br>Reference Scenario   | Company Operational<br>Impacts  | Description of the<br>degree of impact<br>(including<br>financial) and<br>likelihood of<br>occurrence                          | Overall countermeasures and<br>risk management measures  |
| <ul style="list-style-type: none"> <li>◇ Developing and/or adding low-carbon products and services</li> <li>◇ Developing R&amp;D and innovation in new products and services</li> <li>◇ Diversifying business activities</li> <li>◇ Changes in consumer preferences</li> </ul> | Taiwan's net-zero carbon emission policy will strongly promote the demand for low-carbon or green products, and the competent authorities will also direct the promotion of related products into the market.   | <ul style="list-style-type: none"> <li>(1) Degree of impact: High.</li> <li>(2) Likelihood of occurrence: High.</li> </ul>     | <ul style="list-style-type: none"> <li>(1) The Company plans to issue green bonds and focus on the development of related green products to increase operating revenues.</li> <li>(2) The Company undertakes products related to the green industry and assists enterprises in issuing green bonds and investing in green energy-related industries.</li> <li>(3) The Company develops new green products to generate operating revenues.</li> </ul> |
| Market   |   |  |  |
| Scenario Analysis/<br>Reference Scenario   | Company Operational<br>Impacts  | Description of the<br>degree of impact<br>(including<br>financial) and<br>likelihood of<br>occurrence                          | Overall countermeasures and<br>risk management measures  |
| <ul style="list-style-type: none"> <li>◇ Entering new markets</li> </ul>   | Taiwan's net-zero carbon emission policy will strongly promote the demand for low-carbon or green products, and the competent authorities will also direct the promotion of related products into the market.   | <ul style="list-style-type: none"> <li>(1) Degree of impact: High.</li> <li>(2) Likelihood of occurrence: Moderate.</li> </ul> | The Company issues green bonds, underwrites products related to the green industry, assists enterprises in issuing green bonds, and invests in green energy-related industries.  |

| Resilience   |   |   |  |
|--|---|---|--|
| Scenario Analysis/<br>Reference Scenario   | Company Operational<br>Impacts  | Description of the<br>degree of impact<br>(including<br>financial) and<br>likelihood of<br>occurrence | Overall countermeasures and<br>risk management measures  |
| ✧ Participating in<br>renewable<br>energy projects<br>and adopting<br>energy<br>efficiency<br>measures<br><br>✧ Energy<br>substitution/<br>diversification | Taiwan's net-zero carbon emission policy will continue to promote renewable energy projects and government agencies will encourage energy substitution/diversification. | (1) Degree of impact:<br>Moderate.<br><br>(2) Likelihood of occurrence:<br>Moderate.                  | The Company has established a low-carbon strategy and action plan, which is implemented under the Sustainable Development Committee. |

### C. Climate Risk Management of Capital Securities

- Climate change risk issues are independently identified, evaluated, and managed through the Company's established internal risk management mechanism. The "Climate Change Section" coordinates the impact of climate change-related issues on the Company with the functional task forces and formulates strategies, action plans, and risk management policies, which are reported to the Sustainable Development Committee, and are presented to the Board of Directors annually, with climate-related performance results depending on the Company's operating conditions and the setup of implementation goals. For example, on the issue of greenhouse gas emissions, the Environmental Sustainability Section shall conduct quarterly progress reports, and then report the related performance results to the Board members for supervision and control. Lastly, the Board of Directors, as the highest governance unit, shall supervise the implementation contents and performance results of climate change action strategies and risk management measures through risk management reports, audit reports and quarterly performance evaluation results, in order to ensure the effective control of significant climate change risk issues.
- Lastly, the Board of Directors, as the highest governance unit, shall supervise the implementation contents and performance results of climate change action strategies and risk management measures through risk management reports, audit reports and quarterly performance evaluation results, in order to ensure the effective control of significant climate change risk issues.
- For the significant climate change risk issues identified during the year, the Company's business and operational impacts shall be recognized on a rolling basis through the foregoing operational procedures, internal expertise, resources and manpower, consolidated practical experience and market changes, as well as the results of trend analyses conducted by external experts, and the Company shall adjust the risk management measures for the significant climate change risk issues in order to cope with the risks, and evaluate whether to activate the risk treatment, transfer or accept the assessment operation in the future.

## D. Climate Indicators and Targets of Capital Securities

1. In response to the transition opportunities and branding strategies arising from climate change, we not only respond to energy-saving and carbon reduction measures, but also invest in green products in the market, enter new markets, and drive the industry to cope with the impact of climate change.
2. We have evaluated the results of the scenario analysis and the Company's operational impacts, and formulated short-, mid-, and long-term plans and targets to address the risks and opportunities of climate change, and to achieve the Company's set indicators and targets through the above-mentioned overall countermeasures and risk management measures. We adopt a mechanism of rolling adjustments, i.e., the Sustainable Development Committee and the Climate Change Task force integrate climate change risks and opportunities through regular performance evaluations, review climate change action strategies and risk management measures, and optimize short-, mid-, and long-term plans; and then report the performance results to the Board of Directors to supervise the implementation of the entire Company's climate change and sustainable development targets.
3. For details of greenhouse gas emissions in 2022, please refer to the Chapter on Environmental Issues.

| Targets   | 2023 (Short term)  | 2025 (Mid-term)  | 2030 (Long-term)  | Countermeasures  |
|---|--|--|---|--|
| Headquarters Greenhouse Gas Management (Base year 2023)   | Preparing capacity for greenhouse gas inventories and verifications.   | <ol style="list-style-type: none"> <li>1. Continuously conducting greenhouse gas inventories and verifications.</li> <li>2. Reducing carbon emissions by 2% from the base year.</li> </ol> | <ol style="list-style-type: none"> <li>1. Continuously conducting greenhouse gas inventories and verifications.</li> <li>2. Reducing carbon emissions by 10% from the base year.</li> </ol>   | <p>Capital Securities will take the following measures:</p> <ol style="list-style-type: none"> <li>1. The headquarters gradually plan to conduct greenhouse gas inventories and verification.</li> <li>2. We plan to purchase green power; if we cannot reduce greenhouse gases, we plan to purchase carbon credits.</li> <li>3. The Company regularly conducts greenhouse gas emission inventories and verifications in accordance with policies, greenhouse gas reporting and control requirements.</li> </ol> |
| Maintaining the likelihood and risk of high degree of flooding of real assets and business locations at less than moderate levels | Continuously conducting an assessment of the likelihood and risk of flooding on real estate assets and business locations. | Formulating a countermeasure for real estate assets and business locations that have a high likelihood of flooding and a high risk of flooding.  | Following the mechanism for real estate assets and business locations that have a high likelihood of flooding and a high risk of flooding, implementing control and supervising the progress. | The Company conducts annual assessments of the possibility and risk of flooding at business locations and real estate assets, and formulates countermeasures for business locations or real estate assets with a high likelihood of flooding and a high degree of risk.  |

## V. Environmental Issues

### A. Energy Management

In response to the national net-zero carbon emission policy, Capital Securities, as part of the securities industry, actively promotes the greenhouse gas inventories and verifications, from which it develops energy-saving and carbon-reducing strategies and action plans, and supervises the progress of implementation in order to identify and respond to the related impact activities.

| No. | Item   | 2022   |   |
|-----|--|--|---|
|     |  | Target   | Results                                 |
| 1   | Ratio of increase/decrease in energy utilization intensity over the previous year      | Decrease of 10%  | Increase of 92.87%                      |
| 2   | Ratio of increase/decrease in greenhouse gas emission intensity over the previous year | Decrease of 10%  | Increase of 95.4%                       |
| 3   | Continuously improve resource utilization efficiency                                   | The Company injects resources and manpower to improve the efficiency of resource utilization as well as for energy saving activities | Continuous implementation and promotion |
| 4   | Violations of environmental laws or regulations  | No violation   | No violation                            |

Note 1: Energy utilization intensity: Gigajoule (GJ)/million revenue.

Note 2: Greenhouse gas emission intensity: per ton of carbon dioxide equivalent (tCO<sub>2</sub>e) / million revenue

Note 3: Due to a 51.58% change in operating revenue in 2022 compared to 2021, the energy utilization intensity and greenhouse gas emission intensity increased despite a decrease in both energy utilization and greenhouse gas emission.

Regarding environmental protection issues, the Environmental Sustainability Section under the Sustainable Development Committee collects information from competent authorities, customers, the industry, and international trends to discuss and plan for impacts on the company's business activities, and leads each unit to promote energy and resource utilization efficiencies, reduce energy use, and minimize greenhouse gas emissions through action plans and risk management measures.

This year's environmental protection program has taken "greenhouse gas emissions" as the materiality theme, and has emphasized the current year's implementation situation, the impacts on business activities and countermeasures, as well as elaborated on the future plans to demonstrate the efforts to achieve environmentally sustainable development.

### B. Greenhouse Gas Emissions

#### (1) Greenhouse Gas Emission Policy

Capital Securities is aware of the impact of climate change and environmental ecology by greenhouse gases, in order to fulfill the corporate responsibility for environmental protection, we are committed to the greenhouse gas inventory, to truly control the status of greenhouse gas emissions, and to

adjust the greenhouse gas emission reduction action plans and plans in a rolling manner through the P-D-C-A cycle of improvement management methodology, and to put forward the following commitments to environmental sustainability:

1. Continuously promote the implementation measures to reduce greenhouse gas emissions.
2. Actively evaluate and utilize renewable energy.
3. Comply with national environmental protection laws and regulations.
4. Follow the national net-zero carbon emission target.

At the same time, we have made a statement on greenhouse gas inventory and voluntary reduction, as shown in the below chart, which can also be found on the Company's official website:

|  |
|--|
| <p style="text-align: center;"><b>Capital Securities Corporation</b><br/><b>Statement on Greenhouse Gas Inventory<br/>and Voluntary Reduction</b></p> <p>We are aware that the climate and environment of the earth are continuously deteriorating due to the impact of greenhouse gases, and Capital Securities, as one of the citizens of the earth, shall fulfill its corporate responsibility and in accordance with the United Nations Framework Convention on Climate Change and the Paris Agreement and other relevant international norms, hereby commits itself to the Company's greenhouse gas emission baseline inventory work, in order to facilitate the accurate control and management of the current situation of greenhouse gas emissions, and to promote the voluntary reduction of greenhouse gas emission based on the results of the inventory.</p> <p style="text-align: right;">Capital Securities Corporation<br/>President: <u>Lee, Wen-Chu</u></p> |
|--|

## (2) Greenhouse Gas Management Organization and Structure

Capital Securities has established an executive team for greenhouse gas inventory, which is responsible for the improvement of energy utilization efficiency, energy conservation measures, renewable energy utilization assessment, greenhouse gas inventory, and greenhouse gas emission control and reduction measures. We regularly report to the Environmental Sustainability Section and the Sustainable Development Committee to discuss action plans and programs related to the aforementioned issues, review implementation progress, and examine issues of company impact and trends, performance results, and target achievement status. Lastly, the Sustainable Development Committee shall summarize the contents of the meeting and submit them to the Board of Directors for effective supervision of the progress and resource allocation.

## (3) Energy Usage and Greenhouse Gas Emissions Inventory

In response to the Financial Supervisory Commission's promotion of the "Sustainable Development Roadmap", we continue to promote the ISO14064-1 greenhouse gas inventory activities and expect to first appoint a third-party verification organization to pre-assess the information in 2023, and then commission an independent third-party organization to conduct a validation in 2024, in order to optimize the information management and the overall action plan to reduce greenhouse gas emissions.

The energy usage of Capital Securities is mainly based on outsourced electricity used in the process of rendering services and operations in each business location; other than that, it is the small amount of gasoline and diesel consumed by official vehicles and emergency generators.

1. Boundary: All business locations in Taiwan.
2. Base year: 2023.
3. The types and quantities of energy used are in the order of purchased electricity, natural gas, diesel fuel, gasoline, and gas, and the respective greenhouse gas emissions are analyzed in the table below.

| Capital Securities Table of Energy Use Analysis Over the Years    |                           |                       |                          |                        |  |       |
|---|---------------------------|-----------------------|--------------------------|------------------------|--|-------|
| Year  | 2020                      | 2021                  | 2022<br>Original<br>Data | 2022 New<br>Data       | Unit   |       |
| Energy<br>type  | Outsourced<br>electricity | 8,183,673             | 7,876,856                | 7,832,447              | 9,890,058  | kWh   |
|   | Diesel fuel               | 1,060                 | 1,012                    | 1,427                  | 4,982  | Liter |
|   | Gasoline                  | 13,868                | 12,194                   | 11,989                 | 12,527   | Liter |
| <b>Energy consumption</b>   | 29,937.38                 | 28,777.03             | 28,625.13                | 36,171.59              | Gigajoule (GJ)                                     |       |
| <b>Energy intensity</b>   | 4.06                      | 2.63                  | 5.07                     | 6.41                   | Gigajoules (GJ) / per NT\$<br>1 million in revenue |       |
| <b>Ratio of increase/<br/>decrease from the<br/>previous year</b> | Increase of<br>17.72%     | Decrease<br>of 35.26% | Increase of<br>92.87%    | Increase of<br>143.72% |  |       |

Note 1: The original data for 2022 follows the scope of the previous year's inventory.

Note 2: The new data for 2022 is based on ISO14064-1 and the requirements of the Greenhouse Gas Protocol, and includes the diesel fuel consumption of the Dunnan Office (Registrar Agency Department) and

the Headquarters' generators as well as the part of the public power consumption in the scope of the inventory.

Note 3: The intensity is calculated with operating income (per 1 million in revenue / NT\$) as the denominator (rounded up to the fifth decimal place). Due to the 51.58% change in operating income in 2022 compared to 2021, the energy utilization intensity increased even though the energy usage was low.

Note 4: Energy consumption was converted according to the "Energy Products Unit Calorific Value Table" in the 2020 Energy Statistics Handbook of the Energy Administration, Ministry of Economic Affairs (MOEA), electricity: 860 kcal/kWh, diesel: 8,400 kcal/liter, gasoline: 7,800 kcal/liter.

Unit: tCO<sub>2</sub>e

| Capital Securities Greenhouse Gas Emission Analysis Table                              |                    |                   |                    |                     |
|--|--------------------|-------------------|--------------------|---------------------|
| Item   | 2020               | 2021              | 2022 Original Data | 2022 New Data       |
| Direct greenhouse gas emissions (Scope 1)  | 34.15              | 30.36             | 27.13              | 447.24              |
| Indirect greenhouse gas emissions (Scope 2)  | 4,165.49           | 3,954.18          | 3,986.72           | 5,034.04            |
| <b>Total</b>   | <b>4,199.64</b>    | <b>3,984.54</b>   | <b>4,013.85</b>    | <b>5,481.28</b>     |
| Greenhouse gas emission intensity (tCO <sub>2</sub> e / per NT\$ 1 million in revenue) | 0.57               | 0.364             | 0.711              | 0.971               |
| Ratio of increase/decrease from the previous year                                      | Increase of 13.26% | Decrease of 36.1% | Increase of 95.4%  | Increase of 166.84% |

Note 1: The original data for 2022 follows the scope of the previous years' inventory.

Note 2: The new data for 2022 is the total of all GHG emission sources, and the inventory is conducted in accordance with the requirements of ISO14064-1 and the Greenhouse Gas Protocol. The increase in GHG Scope 1 emissions is due to the addition of emergency generator diesel fuel use and fugitive emission sources (refrigerant, septic tanks, and fire extinguishers) to the inventory. The increase in GHG Scope 2 is due to the inclusion of the Dunnan Office (Registrar Agency Department) and the Headquarters and branches' share of public electricity consumption in the scope of electricity consumption inventory.

Note 3: The sources of data include electricity bills, building electricity allocation tables, and gasoline vouchers.

Note 4: The Scope 1 emission factor is based on the "Environmental Protection Administration, Executive Yuan Greenhouse Gas Emission Factor Management Table (Version 6.0.4)".

Note 5: The electricity power is based on the electricity emission factor of 0.509 kgCO<sub>2</sub>e/kWh announced by the Energy Administration, Ministry of Economic Affairs in 2021.

Note 6: Emission intensity is calculated with operating income (per million in revenue / NT\$) as the denominator (rounded up to the 3rd decimal place). Due to the 51.58% change in operating revenue in 2022 compared to 2021, the greenhouse gas emission intensity has increased despite the decrease in greenhouse gas emissions.

## C. Low Carbon Strategies and Action Plans

Capital Securities continues its greenhouse gas reduction action plans in 2022, focusing on improving energy efficiency and reducing energy use as the main action plans in order to achieve the greenhouse gas reduction targets.

| Greenhouse Gas Reduction Action Plans                    |   |
|--|---|
| Strategy   | Action Plan   |
| Personnel respond to low carbon action                   | <ol style="list-style-type: none"> <li>1. Encourage colleagues to reduce the use of elevators in reasonable circumstances.</li> <li>2. Personnel pay attention to keeping doors and windows closed in areas where the air-conditioning is in use.</li> <li>3. Advocate turning off the lighting equipment when it is not in use.</li> <li>4. Advocate turning off manually the power of electrical equipment in all units during off-duty hours, weekly holidays and consecutive holidays to reduce standby power consumption. Such as rice steamers, water dispensers, computers, printers and office machines, etc.</li> <li>5. Advocate from occasional energy-saving benefits and environmental protection concepts to colleagues through activities, e-mails or other means.</li> </ol>  |
| Energy saving activities at business locations           | <ol style="list-style-type: none"> <li>1. Control the number of elevators in operation according to the commute time.</li> <li>2. Low carbon management of air-conditioning equipment:               <ol style="list-style-type: none"> <li>(a) Control the main unit of air-cooled water chiller to dispense water and adjust the temperature of ice water upward by 1 degree Celsius to save electricity.</li> <li>(b) Set the indoor air-conditioning temperature to 26 degrees Celsius before work at 07:30 and after work at 17:00 daily.</li> <li>(c) Add small air conditioners to replace large air conditioners during off-peak hours.</li> <li>(d) Regularly clean and maintain air conditioners to improve operating efficiency.</li> </ol> </li> <li>3. Set the advertising signboard on the outside wall of the branch office to turn off after 12:00 a.m. to avoid wasting electricity.</li> <li>4. Set the power-saving mode for office machines to keep them at sleep mode during the time when they are not in use.</li> <li>5. Install time controllers in water dispensers to keep them off on holidays or during the late-night hours.</li> <li>6. Adopt responsibility zone management to turn off lighting and air conditioners that are not in use at any time.</li> </ol> |
| Replacement for high energy consumption or old equipment | <ol style="list-style-type: none"> <li>1. Prepare budgets to replace air-conditioning equipment according to energy consumption or service life conditions.</li> <li>2. Replace the old lamps with LED lamps to reduce heat and electricity usage.</li> <li>3. Replace the fire exit indicator, escape direction indicator and fire protection indicator by LED lighting equipment.</li> <li>4. Replace functional machines that consume a lot of electricity with more energy efficient ones.</li> </ol>   |
| Improve official vehicle use efficiency                  | <ol style="list-style-type: none"> <li>1. The use of official vehicles is based on the principle of shared rides.</li> <li>2. Encourage employees to use the public transportation system.</li> <li>3. Regular inspection and maintenance of official vehicles.</li> </ol>  |
| Green Procurement  | Through our procurement system, we promote the procurement of green products by requiring suppliers to provide products that meet the standards of environmental protection, energy conservation, and green   |

|                                  |   |
|----------------------------------|---|
|                                  | building materials, or green products that comply with the requirements of recycled materials and low pollution that have the same performance and less impact on the environment. In addition, we pay attention to the improvement of resource utilization efficiency of various office and electrical equipment, and actively supervise and implement them. |
| Continuous improvement mechanism | Regularly review the contracted capacity usage every year to ensure the proper implementation and effectiveness of low carbon strategies and action plans.  |

## D. Other Environmental Protection Measures

### (1) Water Resources Management

| Year   | 2020             | 2021             | 2022 Original Data | 2022 New Data    |
|--|------------------|------------------|--------------------|------------------|
| Water consumption (cubic meter)                              | 29,391           | 25,160           | 25,723             | 52,374           |
| Greenhouse gas emissions (tCO <sub>2</sub> e)                | 4.41             | 3.82             | 4.14               | 8.43             |
| Carbon emissions of increase/decrease from the previous year | Increase of 0.12 | Decrease of 0.59 | Increase of 0.32   | Increase of 4.61 |

Note 1: The original data for 2022 is based on the previous year's inventory.

Note 2: The new data for 2022 is due to the addition of the Dunnan Office (Registrar Agency Department) and the inclusion of the Headquarters and branch offices' share of public water consumption in the scope of the water consumption inventory.

Note 3: Data sources are payment slips and building fee allocation tables.

Note 4: The following data are from Taiwan Water Corporation

- (1) The carbon emission in 2022 adopted the equivalent to the CO<sub>2</sub> emitted per cubic meter of water in 2021 = 0.161 kg CO<sub>2</sub>/cubic meter
- (2) The carbon emission in 2021 adopted the equivalent to the CO<sub>2</sub> emitted per cubic meter of water in 2020 = 0.152 kg CO<sub>2</sub>/cubic meter
- (3) The carbon emission in 2020 adopted the equivalent to the CO<sub>2</sub> emitted per cubic meter of water in 2019 = 0.150 kg CO<sub>2</sub>/ cubic meter

#### 1. Water consumption information

- (a) 100% of the Company's water source is tap water, and the water used in Taiwan, the main operating area, comes from Taiwan Water Corporation. The Company does not use groundwater or water supply from other sources.
- (b) It is mainly used for drinking water, air-conditioning system, cleaning and other purposes. The main users are only for employees and some customers. In addition, all the sewage after the use thereof is legally discharged into the sewage system or the discharge water system required by the region which meets the water discharge standard for domestic sewage.
- (c) In summary, there is no significant impact on water sources.

2. Water saving measures
  - (a) Install a water-saving device to adjust the water output.
  - (b) Replace outdated water equipment and use water-saving equipment marked with water-saving labels instead.
  - (c) Advocate the correct concept of water use, post water saving slogans near the water equipment, and develop the habit of water saving.

## **(2) Waste Management**

1. Capital Securities is in the financial service industry, and mainly provides financial goods and services. The waste produced is mainly domestic waste.
2. The Company promotes waste reduction, resource recycling and reuse activities within the office, and properly distinguishes general waste from resource recycling. Colleagues sort out the waste by themselves. Subsequently, general waste will be transported to the incineration plant by the building property management company or qualified waste cleaning company for processing; as for recyclable materials, the qualified resource recycling supplier is commissioned to handle the process properly.
3. In 2022, the Company promotes the greenhouse gas inventory project. In order to ensure the completeness of the waste data in Scope 3, the Company starts to take weekly measurements of the waste from the Headquarters and branch offices, categorize the waste and analyze the data of each category. Currently, the total quantity of waste from Capital Securities' Headquarters and branch offices in 2022 is 67.4838 metric tons. In view of the waste statistics, the Company naturally promotes and actively implements waste reduction and recycling activities for a larger quantity of waste in order to reduce waste output, which in turn effectively reduces greenhouse gas emissions.

## **(3) Green Finance and Digital Transition Campaigns**

Capital Securities is committed to the protection of forest resources and actively promotes green finance and digital transition campaigns, and the related action plans are as follows:

1. We provide customers with electronic statements for all products, and continue to promote electronic statements through various promotional activities to effectively reduce printing paper and ink consumables, and minimize greenhouse gas emissions and environmental pollution.
2. We provide customers with online account opening methods such as opening a securities account, opening an additional electronic account, opening an additional trust account, and opening an additional three-in-one account (credit, securities lending, loan), etc. by using the webpage and application. Through the online account opening operation instruction video and Capital Teaching Video Network, we promote the teaching for online account opening and electronic trading, which can reduce the time spent by customers at the counter as well as greenhouse gas emissions and

environmental pollution caused by traffic

3. Meanwhile, in order to implement digital transactions, we have continuously launched service-based/trading-based APPs, such as the promotion of "Happy Trade one-account-for-all-products platform" and "LINE@ social platform", which not only achieve the benefits of reducing the use of paper and caring for the environment, but also help to minimize the greenhouse gas emissions. The results are as follows: by mid-2022, the APP has been downloaded for nearly one million times and the growth rate in the past two years has reached 90%.
4. The Company uses the bulletin board on the Internet to announce various information internally so as to reduce the number of paper copies of materials and replaces paper signatures with electronic signatures.
5. The Company advocates the improvement of resource use efficiency, such as double-sided printing or photocopying of materials, recycling wastepaper for reuse, repeated use of envelopes and kraft paper bags as internal transfer bags without violating information security or personal data protection, encouraging electronic files replacing hard copies, e-mails replacing fax paper, and other measures.

## VI. Employees

### Colleague oriented:

The Company's operations are driven by colleagues, and Capital Securities has adopted a reasonable salary system to properly take care of employees, improves talent cultivation as well as promotion and transfer, and creates a safe and healthy workplace to identify and respond to impact.

| No. | Item                                    | 2022         |              |
|-----|---|--------------|--------------|
|     |   | Target       | Results      |
| 1   | Number of occupational injury cases     | 0            | 0 case       |
| 2   | Employee complaint settlement rate      | 100%         | 100%         |
| 3   | Violation of labor laws and regulations | No violation | No violation |

### A. Labor Rights Strategies

Employees are an indispensable part of Capital Securities. They are not only the main promoters of business operations, but also the key to creating the Company's revenue and brand image. Therefore, Capital Securities Group actively promotes the concept of labor rights and spares no effort in the protection of such rights and interests, and adheres to the principle of compliance with labor laws and regulations, maintaining employee dignity, enhancing labor rights and interests, and committing itself to the promotion of human rights policy as a framework for its internal development, rules and regulations formulation as well as implementation and operations.

The Company takes employees as its foundation, works with them together towards the goal, attaches great importance to the right of employees to work, and is committed to maintaining the dignity of employees. In accordance with the relevant provisions of the Labor Standards Act, the Company does not discriminate in employment or treatment on the basis of race, class, language, thought, religion, political party, place of origin, place of birth, gender, sexual orientation, age, marriage, appearance, facial features, physical and mental disabilities, star sign, blood type, or previous union membership. In addition, the Company will not resort to exploitation or other illegal purposes and means. In the future, we will continue to pay attention thereto so as to avoid related incidents and to protect the basic human rights of employees.

The training situation on human rights policies or procedures in 2022 is as shown in the following table:

| 2022                          | Total training hours for human rights policy or procedure | Total number of employees (B) | Number of employees taking the human rights policy or procedure training course (A) | Percentage (B)/(A) |
|-------------------------------|---|-------------------------------|---|--------------------|
| Capital Securities            | 125.5   | 1,888                         | 251   | 13%                |
| Capital Investment Management | 2   | 35                            | 4   | 11%                |
| Capital Insurance Advisory    | 4.5   | 23                            | 9   | 39%                |
| CSC Venture Capital           | 0   | 4                             | 0   | 0%                 |
| CSC Capital Management        | 1   | 4                             | 2   | 50%                |

With regard to the implementation of labor rights, Capital Securities respects the voluntariness of job applicants in personnel recruitment operations and provides employees with reasonable rest time during the work period without restricting the personal freedom of colleagues in the absence of justifiable reasons. If there is a need to work overtime, the consent of the employee will also be obtained without forcing employees to work overtime. Capital Securities adheres to the attitude of respecting employees, and recruits, retains, and cultivates talents through a reasonable salary system and a comprehensive talent cultivation mechanism. Finally, colleagues have the right to resign or terminate the labor contract at any time after having giving a reasonable notice.

Capital Securities attaches great importance to the opinions and feelings of colleagues on organizational development or various operations, and fully provides smooth and diverse communication channels or complaint mechanisms, such as the sexual harassment hotline, integrity channel, employee comments box, labor-management meetings, etc. by means of the E-mail, phone, direct appointment for an interview, and others. At the same time, in order to allow colleagues to give opinions or suggestions at any time, easily and with the opportunity, we conduct continuous advocacy to all colleagues on a regular or irregular basis to ensure that colleagues can fully understand and dare to use such communication channels or complaint mechanisms, and assist colleagues in solving matters on salary and compensation, treatment, fairness and reasonableness or other rights and interests so as to allow colleagues' opinions to be dealt with as soon as possible. We also promote the optimization of our rules and systems, enhance the labor rights and interests of all colleagues, as well as enhance prosperity and eliminate adversities, so as to create a workplace that achieves barrier-free communication.

The results of the Company's efforts have been well recognized by the public. Therefore, being a constituent stock of the Taiwan Stock Exchange's "TWSE RA Taiwan Employment Creation 99 Index" reflects that the Company has balanced operational profitability with labor rights and that it is a high-quality and happy company trusted by its employees. In the meantime, we strive to be recognized by the investment market for our efforts on social responsibility and human rights policies.

## B. Perfect Team and Sound Mechanism of Talent Recruitment, Retention, and Cultivation

### (1) Team Structure of Capital Securities

1. Capital Group's personnel structure (by gender) is as shown in the following table:

| Personnel Structure Analysis Table |                     |      |        |      |        |               |               |
|------------------------------------|---------------------|------|--------|------|--------|---------------|---------------|
| Company name                       | Item \ Year         | 2022 |        | 2021 |        | 2020          |               |
|                                    |                     | Male | Female | Male | Female | Male          | Female        |
| Capital Securities                 | Fix-term contract   | 12   | 5      | 7    | 19     | No disclosure | No disclosure |
|                                    | Indefinite contract | 678  | 1,193  | 722  | 1,254  | No disclosure | No disclosure |
|                                    | Total               | 690  | 1,198  | 729  | 1,273  | 669           | 1,261         |
|                                    | Full time           | 678  | 1,193  | 722  | 1,254  | 669           | 1,261         |
|                                    | Part time           | 12   | 5      | 7    | 19     | 0             | 0             |
|                                    | Total               | 690  | 1,198  | 729  | 1,273  | 669           | 1,261         |
| Capital Investment Management      | Fix-term contract   | 0    | 0      | 0    | 0      | 0             | 0             |
|                                    | Indefinite contract | 20   | 15     | 20   | 14     | 29            | 21            |
|                                    | Total               | 20   | 15     | 20   | 14     | 29            | 21            |
|                                    | Full time           | 20   | 15     | 20   | 14     | 29            | 21            |
|                                    | Part time           | 0    | 0      | 0    | 0      | 0             | 0             |
|                                    | Total               | 20   | 15     | 20   | 14     | 29            | 21            |
| Capital Insurance Advisory         | Fix-term contract   | 0    | 0      | 0    | 0      | 0             | 0             |
|                                    | Indefinite contract | 16   | 7      | 10   | 8      | 12            | 8             |
|                                    | Total               | 16   | 7      | 10   | 8      | 12            | 8             |
|                                    | Full time           | 16   | 7      | 10   | 8      | 12            | 8             |
|                                    | Part time           | 0    | 0      | 0    | 0      | 0             | 0             |
|                                    | Total               | 16   | 7      | 10   | 8      | 12            | 8             |
| CSC Venture Capital                | Fix-term contract   | 0    | 0      | 0    | 0      | 0             | 0             |
|                                    | Indefinite contract | 2    | 2      | 2    | 2      | 3             | 2             |
|                                    | Total               | 2    | 2      | 2    | 2      | 3             | 2             |
|                                    | Full time           | 2    | 2      | 2    | 2      | 3             | 2             |
|                                    | Part time           | 0    | 0      | 0    | 0      | 0             | 0             |
|                                    | Total               | 2    | 2      | 2    | 2      | 3             | 2             |
| CSC Capital Management             | Fix-term contract   | 0    | 0      | 0    | 0      | N/A           | N/A           |
|                                    | Indefinite contract | 2    | 2      | 2    | 0      | N/A           | N/A           |
|                                    | Total               | 0    | 0      | 2    | 0      | N/A           | N/A           |
|                                    | Full time           | 2    | 2      | 2    | 0      | N/A           | N/A           |
|                                    | Part time           | 0    | 0      | 0    | 0      | N/A           | N/A           |
|                                    | Total               | 2    | 2      | 2    | 0      | N/A           | N/A           |

Note 1: The point in time for calculation is December 31, 2022.

Note 2: The total number of employees during the reporting period has not changed significantly.

2. The Capital Group's personnel structure (by region) is as shown in the following table:

| Personnel Structure Analysis Table |                     |        |                             |        |                             |               |                             |
|------------------------------------|---------------------|--------|-----------------------------|--------|-----------------------------|---------------|-----------------------------|
| Company name                       | Year<br>Item        | 2022   |                             | 2021   |                             | 2020          |                             |
|                                    |                     | Taiwan | Other countries/<br>regions | Taiwan | Other countries/<br>regions | Taiwan        | Other countries/<br>regions |
| Capital Securities                 | Fix-term contract   | 17     | 0                           | 26     | 0                           | No disclosure | No disclosure               |
|                                    | Indefinite contract | 1,870  | 1                           | 1,975  | 1                           | No disclosure | No disclosure               |
|                                    | Total               | 1,887  | 1                           | 2,001  | 1                           | No disclosure | No disclosure               |
| Capital Investment Management      | Fix-term contract   | 0      | 0                           | 0      | 0                           | 0             | 0                           |
|                                    | Indefinite contract | 35     | 0                           | 34     | 0                           | 50            | 0                           |
|                                    | Total               | 35     | 0                           | 34     | 0                           | 50            | 0                           |
| Capital Insurance Advisory         | Fix-term contract   | 0      | 0                           | 0      | 0                           | 0             | 0                           |
|                                    | Indefinite contract | 23     | 0                           | 18     | 0                           | 20            | 0                           |
|                                    | Total               | 23     | 0                           | 18     | 0                           | 20            | 0                           |
| CSC Venture Capital                | Fix-term contract   | 0      | 0                           | 0      | 0                           | 0             | 0                           |
|                                    | Indefinite contract | 4      | 0                           | 4      | 0                           | 5             | 0                           |
|                                    | Total               | 4      | 0                           | 4      | 0                           | 5             | 0                           |
| CSC Capital Management             | Fix-term contract   | 0      | 0                           | 0      | 0                           | N/A           | N/A                         |
|                                    | Indefinite contract | 4      | 0                           | 2      | 0                           | N/A           | N/A                         |
|                                    | Total               | 4      | 0                           | 2      | 0                           | N/A           | N/A                         |

Note 1: The point in time for calculation is December 31, 2022.

Note 2: The total number of employees during the reporting period has not changed significantly.

### 3. Age Structure of New and Leaving Colleagues of Capital Group:

Capital Securities adheres to the attitude of respecting employees, and recruits, retains, and cultivates talents through a reasonable salary system and a comprehensive talent cultivation mechanism. Although some colleagues left the team in 2022 due to their own career planning, the Company still continued to attract new talents to join the Capital Securities team for moving towards the identical idea together.

| 2022 New and Leaving Colleagues Age Structure Table |        |                      |                          |                 |                              |               |
|---|--------|----------------------|--------------------------|-----------------|------------------------------|---------------|
| Company name  | Gender | Age                  | Number of new colleagues | Employment rate | Number of leaving colleagues | Turnover rare |
| Capital Securities                                  | Male   | 29 years and younger | 95                       | 19.8%           | 112                          | 23.3%         |
|   |        | 30 - 39 years        | 31                       | 12.7%           | 32                           | 13.1%         |
|   |        | 40 - 49 years        | 12                       | 2.5%            | 12                           | 2.5%          |
|   |        | 50 years and older   | 1                        | 0.1%            | 17                           | 2.5%          |
|   |        | Sub-total            | 139                      | 20.2%           | 173                          | 25.1%         |
|   | Female | 29 years and younger | 75                       | 15.6%           | 102                          | 21.3%         |
|   |        | 30 - 39 years        | 21                       | 8.6%            | 25                           | 10.2%         |
|   |        | 40 - 49 years        | 10                       | 2.1%            | 21                           | 4.4%          |
|   |        | 50 years and older   | 6                        | 0.9%            | 39                           | 5.7%          |
|   |        | Sub-total            | 112                      | 9.3%            | 187                          | 15.6%         |
| Capital Investment Management                       | Male   | 29 years and younger | 1                        | 16.7%           | 2                            | 33.3%         |
|   |        | 30 - 39 years        | 0                        | 0.0%            | 0                            | 0.0%          |
|   |        | 40 - 49 years        | 1                        | 8.3%            | 0                            | 0.0%          |
|   |        | 50 years and older   | 0                        | 0.0%            | 0                            | 0.0%          |
|   |        | Sub-total            | 2                        | 10.0%           | 2                            | 10.0%         |
|   | Female | 29 years and younger | 0                        | 0.0%            | 0                            | 0%            |
|   |        | 30 - 39 years        | 2                        | 40.0%           | 1                            | 20.0%         |
|   |        | 40 - 49 years        | 0                        | 0.0%            | 0                            | 0%            |
|   |        | 50 years and older   | 0                        | 0.0%            | 0                            | 0%            |
|   |        | Sub-total            | 2                        | 13.3%           | 1                            | 6.7%          |
| Capital Insurance Advisory                          | Male   | 29 years and younger | 0                        | 0%              | 1                            | 100%          |
|   |        | 30 - 39 years        | 1                        | 25.0%           | 0                            | 0%            |
|   |        | 40 - 49 years        | 4                        | 33.3%           | 0                            | 0%            |
|   |        | 50 years and older   | 2                        | 11.8%           | 0                            | 0%            |
|   |        | Sub-total            | 7                        | 43.8%           | 1                            | 6.3%          |
|   | Female | 29 years and younger | 0                        | 0%              | 0                            | 0%            |
|   |        | 30 - 39 years        | 1                        | 25.0%           | 0                            | 0%            |
|   |        | 40 - 49 years        | 1                        | 8.3%            | 0                            | 0%            |
|   |        | 50 years and older   | 0                        | 0.0%            | 3                            | 17.6%         |
|   |        | Sub-total            | 2                        | 28.6%           | 3                            | 42.9%         |
| CSC Venture Capital                                 | Male   | 29 years and younger | 0                        | 0%              | 0                            | 0%            |
|   |        | 30 - 39 years        | 0                        | 0%              | 0                            | 0%            |
|   |        | 40 - 49 years        | 0                        | 0%              | 0                            | 0%            |

| 2022 New and Leaving Colleagues Age Structure Table |        |                      |                          |                 |                              |               |
|---|--------|----------------------|--------------------------|-----------------|------------------------------|---------------|
| Company name  | Gender | Age                  | Number of new colleagues | Employment rate | Number of leaving colleagues | Turnover rare |
|   |        | 50 years and older   | 0                        | 0%              | 0                            | 0%            |
|   |        | Sub-total            | 0                        | 0%              | 0                            | 0%            |
|   | Female | 29 years and younger | 0                        | 0%              | 0                            | 0%            |
|   |        | 30 - 39 years        | 0                        | 0%              | 0                            | 0%            |
|   |        | 40 - 49 years        | 0                        | 0%              | 0                            | 0%            |
|   |        | 50 years and older   | 0                        | 0%              | 0                            | 0%            |
|   |        | Sub-total            | 0                        | 0%              | 0                            | 0%            |
| CSC<br>Venture<br>Capital                           | Male   | 29 years and younger | 0                        | 0%              | 0                            | 0%            |
|   |        | 30 - 39 years        | 0                        | 0%              | 0                            | 0%            |
|   |        | 40 - 49 years        | 0                        | 0%              | 0                            | 0%            |
|   |        | 50 years and older   | 1                        | 100%            | 0                            | 0%            |
|   |        | Sub-total            | 1                        | 50%             | 0                            | 0%            |
|   | Female | 29 years and younger | 0                        | 0%              | 0                            | 0%            |
|   |        | 30 - 39 years        | 0                        | 0%              | 0                            | 0%            |
|   |        | 40 - 49 years        | 0                        | 0%              | 0                            | 0%            |
|   |        | 50 years and older   | 2                        | 200%            | 0                            | 0%            |
|   |        | Sub-total            | 2                        | 100%            | 0                            | 0%            |

Note 1: It is based on the end date of the reporting period, December 31, 2022.

Note 2: The subtotal is based on the number of employees in each category. For example, the denominator of the male turnover rate is the total number of male employees, and the denominator of the new hire rate under the age of 30 is the number of employees under the age of 30.

Note 3: The total is based on the total number of employees as the denominator.

4. The employee diversity distribution of Capital Group is shown in the following table:

| Employee Diversity Distribution Table |  | Capital Securities |              |              |             |              |                      |                      |                      | Capital Investment Management |           |             |             |           |                      |                      |                      |
|---------------------------------------|--|--------------------|--------------|--------------|-------------|--------------|----------------------|----------------------|----------------------|-------------------------------|-----------|-------------|-------------|-----------|----------------------|----------------------|----------------------|
|                                       |  | 2022               |              | Total        | Percentage  | 2021         |                      | 2020                 |                      | 2022                          |           | Total       | Percentage  | 2021      |                      | 2020                 |                      |
|                                       |  | Male               | Female       |              |             | Male         | Female               | Male                 | Female               | Male                          | Female    |             |             | Male      | Female               | Male                 | Female               |
| Age                                   | Under 30 years   | 243                | 237          | 480          | 25.42%      | 279          | 277                  | 192                  | 208                  | 3                             | 3         | 6           | 17.14%      | 4         | 3                    | 1                    | 7                    |
|                                       | 30 - 50 years  | 266                | 452          | 718          | 38.03%      | 275          | 498                  | 284                  | 519                  | 8                             | 9         | 17          | 48.57%      | 9         | 10                   | 17                   | 12                   |
|                                       | 50 years or older  | 181                | 509          | 690          | 36.55%      | 175          | 498                  | 193                  | 534                  | 9                             | 3         | 12          | 34.29%      | 7         | 1                    | 11                   | 2                    |
|                                       | <b>Total</b>   | <b>690</b>         | <b>1,198</b> | <b>1,888</b> | <b>100%</b> | <b>729</b>   | <b>1,273</b>         | <b>669</b>           | <b>1,261</b>         | <b>20</b>                     | <b>15</b> | <b>35</b>   | <b>100%</b> | <b>20</b> | <b>14</b>            | <b>29</b>            | <b>21</b>            |
| Educational background                | Senior high school (vocational) and below  | 78                 | 239          | 317          | 16.79%      | 89           | 266                  | No disclosure        | No disclosure        | 0                             | 0         | 0           | 0%          | 0         | 0                    | No disclosure        | No disclosure        |
|                                       | Universities and colleges (including universities, colleges, technical colleges) | 495                | 864          | 1,359        | 71.98%      | 522          | 907                  | No disclosure        | No disclosure        | 4                             | 7         | 11          | 31.43%      | 4         | 6                    | No disclosure        | No disclosure        |
|                                       | Master   | 116                | 95           | 211          | 11.18%      | 117          | 100                  | No disclosure        | No disclosure        | 16                            | 8         | 24          | 68.57%      | 16        | 8                    | No disclosure        | No disclosure        |
|                                       | PhD  | 1                  | 0            | 1            | 0.05%       | 1            | 0                    | No disclosure        | No disclosure        | 0                             | 0         | 0           | 0%          | 0         | 0                    | No disclosure        | No disclosure        |
| <b>Total</b>                          | <b>690</b>   | <b>1,198</b>       | <b>1,888</b> | <b>100%</b>  | <b>729</b>  | <b>1,273</b> | <b>No disclosure</b> | <b>No disclosure</b> | <b>20</b>            | <b>15</b>                     | <b>35</b> | <b>100%</b> | <b>20</b>   | <b>14</b> | <b>No disclosure</b> | <b>No disclosure</b> |                      |
| Function                              | Supervisory position   | 86                 | 95           | 181          | 9.6%        | 88           | 87                   | No disclosure        | No disclosure        | 6                             | 1         | 7           | 20%         | 6         | 1                    | No disclosure        | No disclosure        |
|                                       | Non-supervisory position   | 604                | 1,103        | 1,707        | 90.4%       | 641          | 1,186                | No disclosure        | No disclosure        | 14                            | 14        | 28          | 80%         | 14        | 13                   | No disclosure        | No disclosure        |
|                                       | <b>Total</b>   | <b>690</b>         | <b>1,198</b> | <b>1,888</b> | <b>100%</b> | <b>729</b>   | <b>1,273</b>         | <b>No disclosure</b> | <b>No disclosure</b> | <b>20</b>                     | <b>15</b> | <b>35</b>   | <b>100%</b> | <b>20</b> | <b>14</b>            | <b>No disclosure</b> | <b>No disclosure</b> |
| Others                                | Physical and mental disabilities   | N/A                | N/A          | N/A          | 0           | N/A          | N/A                  | N/A                  | N/A                  | N/A                           | N/A       | N/A         |             | N/A       | N/A                  | No disclosure        | No disclosure        |
|                                       | Ethnic minority  | N/A                | N/A          | N/A          | 0           | N/A          | N/A                  | 0                    | 3                    | N/A                           | N/A       | N/A         |             | N/A       | N/A                  | 0                    | 0                    |
|                                       | Foreign nationality  | 1                  | 0            | 1            |             | 1            | 0                    | 1                    | 0                    | 0                             | 0         | 0           |             | 0         | 0                    | 0                    | 0                    |

Note 1: The point in time for calculation is December 31, 2022.

Note 2: The total number of employees during the reporting period has not changed significantly.

| Employee Diversity Distribution Table |  | Capital Insurance Advisory |           |             |             |           |                      |                      |               |
|---------------------------------------|--|----------------------------|-----------|-------------|-------------|-----------|----------------------|----------------------|---------------|
|                                       |  | 2022                       |           | Total       | Percentage  | 2021      |                      | 2020                 |               |
|                                       |  | Male                       | Female    |             |             | Male      | Female               | Male                 | Female        |
| Age                                   | Under 30 years   | 0                          | 0         | 0           | 0%          | 2         | 0                    | 1                    | 0             |
|                                       | 30 - 50 years  | 11                         | 5         | 16          | 69.57%      | 6         | 3                    | 8                    | 3             |
|                                       | 50 years and older   | 5                          | 2         | 7           | 30.43%      | 2         | 5                    | 3                    | 5             |
|                                       | <b>Total</b>   | <b>16</b>                  | <b>7</b>  | <b>23</b>   | <b>100%</b> | <b>10</b> | <b>8</b>             | <b>12</b>            | <b>8</b>      |
| Educational background                | Senior high school (vocational) and below  | 2                          | 0         | 2           | 8.70%       | 1         | 2                    | No disclosure        | No disclosure |
|                                       | Universities and colleges (including universities, colleges, technical colleges) | 12                         | 6         | 18          | 78.26%      | 8         | 6                    | No disclosure        | No disclosure |
|                                       | Master   | 2                          | 1         | 3           | 13.04%      | 1         | 0                    | No disclosure        | No disclosure |
|                                       | PhD  | 0                          | 0         | 0           | 0%          | 0         | 0                    | No disclosure        | No disclosure |
| <b>Total</b>                          | <b>16</b>  | <b>7</b>                   | <b>23</b> | <b>100%</b> | <b>10</b>   | <b>8</b>  | <b>No disclosure</b> | <b>No disclosure</b> |               |
| Function                              | Supervisory position   | 3                          | 1         | 4           | 17.4%       | 2         | 3                    | No disclosure        | No disclosure |
|                                       | Non-supervisory position   | 13                         | 6         | 19          | 82.6%       | 8         | 5                    | No disclosure        | No disclosure |
| <b>Total</b>                          | <b>16</b>  | <b>7</b>                   | <b>23</b> | <b>100%</b> | <b>10</b>   | <b>8</b>  | <b>No disclosure</b> | <b>No disclosure</b> |               |
| Others                                | Physical and mental disabilities   | N/A                        | N/A       | N/A         |             | N/A       | N/A                  | No disclosure        | No disclosure |
|                                       | Ethnic minority  | N/A                        | N/A       | N/A         |             | N/A       | N/A                  | 0                    | 0             |
|                                       | Foreign nationality  | 0                          | 0         | 0           |             | 0         | 0                    | 0                    | 0             |

Note 1: The point in time for calculation is December 31, 2022.

Note 2: The total number of employees during the reporting period has not changed significantly.

| Employee Diversity Distribution Table |  | CSC Venture Capital |          |          |             |          |          |                      |                      | CSC Capital Management |          |          |             |          |          |                      |                      |
|---------------------------------------|--|---------------------|----------|----------|-------------|----------|----------|----------------------|----------------------|------------------------|----------|----------|-------------|----------|----------|----------------------|----------------------|
| Employee category                     |  | 2022                |          | Total    | Percentage  | 2021     |          | 2020                 |                      | 2022                   |          | Total    | Percentage  | 2021     |          | 2020                 |                      |
|                                       |  | Male                | Female   |          |             | Male     | Female   | Male                 | Female               | Male                   | Female   |          |             | Male     | Female   | Male                 | Female               |
| Age                                   | Under 30 years   | 0                   | 0        | 0        | 0%          | 0        | 1        | 0                    | 1                    | 0                      | 1        | 1        | 25%         | 0        | 0        | No disclosure        | No disclosure        |
|                                       | 30 - 50 years  | 2                   | 2        | 4        | 100%        | 2        | 1        | 3                    | 1                    | 1                      | 1        | 2        | 50%         | 1        | 0        | No disclosure        | No disclosure        |
|                                       | 50 years or older  | 0                   | 0        | 0        | 0%          | 0        | 0        | 0                    | 0                    | 1                      | 0        | 1        | 25%         | 1        | 0        | No disclosure        | No disclosure        |
| <b>Total</b>                          |  | <b>2</b>            | <b>2</b> | <b>4</b> | <b>100%</b> | <b>2</b> | <b>2</b> | <b>3</b>             | <b>2</b>             | <b>2</b>               | <b>2</b> | <b>4</b> | <b>100%</b> | <b>2</b> | <b>0</b> | <b>No disclosure</b> | <b>No disclosure</b> |
| Educational background                | Senior high school (vocational) and below  | 0                   | 0        | 0        | 0%          | 0        | 0        | No disclosure        | No disclosure        | 0                      | 0        | 0        | 0.00%       | 0        | 0        | No disclosure        | No disclosure        |
|                                       | Universities and colleges (including universities, colleges, technical colleges) | 0                   | 2        | 2        | 50%         | 0        | 2        | No disclosure        | No disclosure        | 1                      | 2        | 3        | 75.00%      | 2        | 0        | No disclosure        | No disclosure        |
|                                       | Master   | 2                   | 0        | 2        | 50%         | 2        | 0        | No disclosure        | No disclosure        | 1                      | 0        | 1        | 25.00%      | 0        | 0        | No disclosure        | No disclosure        |
|                                       | PhD  | 0                   | 0        | 0        | 0%          | 0        | 0        | No disclosure        | No disclosure        | 0                      | 0        | 0        | 0.00%       | 0        | 0        | No disclosure        | No disclosure        |
| <b>Total</b>                          |  | <b>2</b>            | <b>2</b> | <b>4</b> | <b>100%</b> | <b>2</b> | <b>2</b> | <b>No disclosure</b> | <b>No disclosure</b> | <b>2</b>               | <b>2</b> | <b>4</b> | <b>100%</b> | <b>2</b> | <b>0</b> | <b>No disclosure</b> | <b>No disclosure</b> |
| Function                              | Supervisory position   | 1                   | 0        | 1        | 25%         | 1        | 0        | No disclosure        | No disclosure        | 1                      | 0        | 1        | 25%         | 1        | 0        | No disclosure        | No disclosure        |
|                                       | Non-supervisory position   | 1                   | 2        | 3        | 75%         | 1        | 2        | No disclosure        | No disclosure        | 1                      | 2        | 3        | 75%         | 1        | 0        | No disclosure        | No disclosure        |
| <b>Total</b>                          |  | <b>2</b>            | <b>2</b> | <b>4</b> | <b>100%</b> | <b>2</b> | <b>2</b> | <b>No disclosure</b> | <b>No disclosure</b> | <b>2</b>               | <b>2</b> | <b>4</b> | <b>100%</b> | <b>2</b> | <b>0</b> | <b>No disclosure</b> | <b>No disclosure</b> |
| Others                                | Physical and mental disabilities   | N/A                 | N/A      | N/A      |             | N/A      | N/A      | No disclosure        | No disclosure        | N/A                    | N/A      | N/A      |             | N/A      | N/A      | No disclosure        | No disclosure        |
|                                       | Ethnic minority  | N/A                 | N/A      | N/A      |             | N/A      | N/A      | 0                    | 0                    | N/A                    | N/A      | N/A      |             | N/A      | N/A      | No disclosure        | No disclosure        |
|                                       | Foreign nationality  | 0                   | 0        | 0        |             | 0        | 0        | 0                    | 0                    | 0                      | 0        | 0        |             | 0        | 0        | No disclosure        | No disclosure        |

Note 1: The point in time for calculation is December 31, 2022.

Note 2: The total number of employees during the reporting period has not changed significantly.

## (2) Sound Cultivation Mechanism

Capital Securities invests considerable resources in cultivating talents in order to establish a sound cultivation mechanism. It also discusses and plans career development paths with colleagues with an active and open attitude for them to improve professional skills and to accumulate work experience. In addition, it actively conducts various education and training, and builds a complete education and training system using multiple training methods, such as classroom training, digital learning, on-the-job training, external training, job rotation, and project assignment, to create an environment conducive to learning.

1. It develops a comprehensive professional training plan according to the different career stages and organizational development needs of employees at all levels, and organizes courses of various types, including: new hire training, professional training, cadre development training, supervisor growth training, and inviting experts and scholars to give speeches on special topics.

- (1) On-the-job training conducted by each department itself: Each department of Capital Securities plans and conducts education and training according to job requirements in terms of the business, transaction, marketing planning, finance, human resources, legal compliance and auditing, etc.
  - (2) External further education and training:
    - External regulatory training: Our colleagues are encouraged to regularly participate in the training courses conducted by external professional institutions such as Taiwan Academy of Banking and Finance, the Securities and Futures Institute, Taiwan Securities Association, Chinese National Futures Association, and Trust Association of R.O.C, so as to keep pace with up-to-date financial expertise.
    - External professional training: It formulated the “Employee Education and Training Guidelines,” so that colleagues may strengthen their professionalism according to their individual work demands and are encouraged to take external courses in the field relating to their duties so to enhance their competitiveness.
  - (3) Internal education and training
    - Sales personnel training (elementary level): Colleagues can improve their financial expertise and service quality through intensive training.
    - Reserve cadre talent cultivation program (intermediate level): A three-month training course is planned every year through Capital Finance University for outstanding colleagues selected by each unit to learn cross-departmental and organizational skills, presentation skills, management, and leadership skills, etc. so as to improve skills of work management and teamwork cooperation.
    - Branch supervisor competency training (intermediate): Regular training sessions are held for branch managers, sales counter supervisors, and settlement counter supervisors. The contents of the courses include advocacy in financial laws and regulations, management competency training, professional sales training, outstanding supervisors' experience sharing, and explanation of financial products according to quarterly business promotional items.
    - Senior executive training: Management competency courses are planned through the annual senior executive operations meeting.
2. It sets up an E-learning platform to provide a wealth of training courses, covering information security, Personal Data Protection Act, labor safety and health education, education and training for new hires, anti-money laundering and countering the financing of terrorism training, introduction to financial products, etc. to improve the time flexibility and efficiency of learning. Such courses are also conducted in combination with competency planning to improve the willingness of employees to learn independently.

3. Colleagues must obtain relevant financial licenses in accordance with the law to perform business. Capital Securities has formulated relevant guidelines for professional examination awards and license examination registration fee subsidies so to encourage colleagues to obtain financial licenses. In 2022, the total cost of employee education and training was in the amount of NT\$ 6,236,000. A total of 3,363 person-times participated in various external professional education and training, with an average training rate of 178%. A total of 131 internal training sessions were held.
4. Meanwhile, in order to protect the rights and interests of colleagues at work, work rules have been formulated, which clearly stipulates that the job duty and location may be transferred or temporarily dispatched according to the transfer principle in Article 10-1 of the Labor Standards Act due to business needs. Full communication and coordination with employees must be proceeded with before such changes. The rights and interests of employees are all advocated during the pre-employment training of new employees.

In addition to the continuous development of employees' professional skills, we also hold health and physical fitness seminars, volunteer training for reading activities in remote areas, financial seminars, etc., so that colleagues can cultivate various interests with balanced development and achieve lifelong learning goals.

Generally speaking, expects colleagues to accumulate work experience through a systematic model and continuously improve their professional capabilities, which not only are conducive to the work content, but also can be feedback to the Company's performance. It also actively promotes funding and subsidy measures and designs diversified ways to provide colleagues with corresponding training according to their job content.

The training hours, types, targets, regions and total hours of Capital Group's employees for education and training courses that have implemented are shown in the table below:

| 2022 training hours |                          | Capital Securities |                          |                     | Capital Investment Management |                          |                     | Capital Insurance Advisory |                          |                     |
|---------------------|--------------------------|--------------------|--------------------------|---------------------|-------------------------------|--------------------------|---------------------|----------------------------|--------------------------|---------------------|
| Item                |                          | Size (A)           | Total training hours (B) | Average hours (B/A) | Size (A)                      | Total training hours (B) | Average hours (B/A) | Size (A)                   | Total training hours (B) | Average hours (B/A) |
| Group               |                          |                    |                          |                     |                               |                          |                     |                            |                          |                     |
| Rank                | Non-supervisory position | 1,619              | 58,741.5                 | 36                  | 27                            | 664                      | 25                  | 18                         | 581                      | 32                  |
|                     | Supervisory position     | 269                | 12,130                   | 45.09               | 8                             | 192                      | 24                  | 5                          | 97                       | 19.4                |
| Contract form       | Indefinite               | 1,871              | 70,406                   | 37.63               | 35                            | 856                      | 24.46               | 23                         | 678                      | 29.48               |
|                     | Fixed term               | 17                 | 465.5                    | 27                  | 0                             | 0                        | 0                   | 0                          | 0                        | 0                   |
| Work type           | Full time                | 1,871              | 70,406                   | 37.63               | 35                            | 856                      | 24.46               | 23                         | 678                      | 29.48               |
|                     | Part time                | 17                 | 465.5                    | 27                  | 0                             | 0                        | 0                   | 0                          | 0                        | 0                   |
| Gender              | Male                     | 1,198              | 24,171.5                 | 20.18               | 20                            | 479                      | 23.95               | 16                         | 437                      | 27.31               |
|                     | Female                   | 690                | 46,700                   | 68                  | 15                            | 377                      | 25                  | 7                          | 241                      | 34                  |
| Course category     | External training        | 1,888              | 45,436.5                 | 24.07               | 35                            | 373                      | 10.7                | 23                         | 35                       | 1.52                |
|                     | Internal training        | 1,888              | 25,435                   | 13.47               | 35                            | 483                      | 13.8                | 23                         | 643                      | 27.96               |

Note: The statistics are compiled based on physical/online courses uniformly planned by the Company, not including the arrangements made by the head of each department based on the departmental planning and by colleagues based on their individual self-learning and growth plans.

| 2022 training hours |                          | CSC Venture Capital |                          |                     | CSC Venture Capital |                          |                     |
|---------------------|--------------------------|---------------------|--------------------------|---------------------|---------------------|--------------------------|---------------------|
| Item                |                          | Size (A)            | Total training hours (B) | Average hours (B/A) | Size (A)            | Total training hours (B) | Average hours (B/A) |
| Group               |                          |                     |                          |                     |                     |                          |                     |
| Rank                | Non-supervisory position | 3                   | 72                       | 24                  | 3                   | 27                       | 9                   |
|                     | Supervisory position     | 1                   | 4                        | 4                   | 1                   | 4                        | 4                   |
| Contract form       | Indefinite               | 4                   | 76                       | 19                  | 4                   | 31                       | 7.75                |
|                     | Fixed term               | 0                   | 0                        | 0                   | 0                   | 0                        | 0                   |
| Work type           | Full time                | 4                   | 76                       | 19                  | 4                   | 31                       | 7.75                |
|                     | Part time                | 0                   | 0                        | 0                   | 0                   | 0                        | 0                   |
| Gender              | Male                     | 2                   | 18                       | 9                   | 2                   | 13                       | 6.5                 |
|                     | Female                   | 2                   | 58                       | 29                  | 2                   | 18                       | 9                   |
| Course category     | External training        | 5                   | 72                       | 0.8                 | 4                   | 3                        | 0.75                |
|                     | Internal training        |                     |                          |                     |                     |                          |                     |

Note: The statistics are compiled based on physical/online courses uniformly planned by the Company, not including the arrangements made by the head of each department based on the departmental planning and by colleagues based on their individual self-learning and growth plans.

### (3) Performance Appraisal

Performance appraisal is not only for the Company to evaluate the work performance of colleagues but should also be a platform and the point in time for mutual communication on duties or contents. For this reason, the Company strives to establish a fair, reasonable and effective performance appraisal mechanism that is adjustable on a rolling basis, and further conducts regular performance evaluations of colleagues. In implementation thereof, performance evaluation items and weighting are set separately for job content, general and professional functions. In addition, the advocacy and design thereof will not be based on the race, class, language, thought, religion, political party, place of origin, place of birth, gender, sexual orientation, age, marriage, appearance, facial features, physical and mental disabilities, star sign, blood type, or previous union membership, etc. resulting in discrimination or unfair situations.

Finally, the results of performance appraisal will be linked to promotions, salary adjustments and bonuses so as to promote, reward or coach colleagues for their performance. Meanwhile, supervisors at all levels actively provide colleagues with guidance on work, resources, encouragement and support as well as career consultation and let colleagues know the content of their performance evaluation in a timely manner so that they can make career plans on a rolling basis for the Company's business strategies, goals and management measures in the future.

Capital Securities' performance evaluation status in 2022, in terms of the gender, employment type, or supervisory position / non-supervisory position, is as shown in the following table.

| Performance evaluation conducted in 2022 |                          | Capital Securities                    |  |            | Capital Investment Management         |  |            |
|--|--------------------------|---------------------------------------|--|------------|---------------------------------------|--|------------|
| Item                                     |                          | Total number of people in the Company | Number of people subject to performance evaluation | Percentage | Total number of people in the Company | Number of people subject to performance evaluation | Percentage |
| Rank                                     | Non-supervisory position | 1,707                                 | 1,543  | 90%        | 28                                    | 26   | 93%        |
|  | Supervisory position     | 181                                   | 175  | 97%        | 7                                     | 7  | 100%       |
| Gender                                   | Male                     | 690                                   | 592  | 86%        | 20                                    | 19   | 95%        |
|  | Female                   | 1,198                                 | 1,126  | 94%        | 15                                    | 14   | 93%        |
| Performance evaluation conducted in 2022 |                          | Capital Insurance Advisory            |  |            | CSC Venture Capital                   |  |            |
| Item                                     |                          | Total number of people in the Company | Number of people subject to performance evaluation | Percentage | Total number of people in the Company | Number of people subject to performance evaluation | Percentage |
| Rank                                     | Non-supervisory position | 19                                    | 17   | 89%        | 3                                     | 3  | 100%       |
|  | Supervisory position     | 4                                     | 4  | 100%       | 1                                     | 1  | 100%       |
| Gender                                   | Male                     | 16                                    | 14   | 88%        | 2                                     | 2  | 100%       |
|  | Female                   | 7                                     | 7  | 100%       | 2                                     | 2  | 100%       |
| Performance evaluation conducted in 2022 |                          | CSC Capital Management                |  |            |                                       |  |            |
| Item                                     |                          | Total number of people in the Company | Number of people subject to performance evaluation | Percentage |                                       |  |            |
| Rank                                     | Non-supervisory position | 3                                     | 2  | 67%        |                                       |  |            |
|  | Supervisory position     | 1                                     | 1  | 100%       |                                       |  |            |
| Gender                                   | Male                     | 2                                     | 2  | 100%       |                                       |  |            |
|  | Female                   | 2                                     | 1  | 50%        |                                       |  |            |

## C. Compensation and Remuneration Policy and System

Capital Securities has set up a Remuneration Committee, which holds regular meetings and reviews the fairness and reasonableness of the Company's overall compensation and remuneration policies and systems. It is also responsible for the Company's annual salary adjustment, year-end and festival bonuses, the distribution of which are based on the evaluation and review of the annual profit, performance of the Company and each department, price index in society, peer salary and remuneration level, annual employee performance, reward and punishment status and other indicator items as a whole, to be submitted to the Board of Directors for deliberation and approval, so as to motivate colleagues to improve the Company's operating performance, sharing the Company's operating results.

The compensation and remuneration policy and system of Capital Securities can be divided into the following levels in addition to the director level:

- (1) The remuneration of the President, the Vice President and other high-level management levels is composed of salaries, supervisor allowances and benefits as

the fixed remuneration, with year-end bonuses and festival bonuses as the floating remuneration. The common standard of the peer industry, educational background and work experience, positions, duties and responsibilities, performance as well as reward and punishment status, and the relevance between the Company's operating performance and risks are in principle taken into account, reviewed by the Remuneration Committee, and further submitted to the Board of Directors for deliberation and approval.

- (2) Salaries, year-end and festival bonuses for managers and above must all be reviewed by the Remuneration Committee, with reference to the peer industry's common standard, colleagues' work performance, participation in the Company's operations and contribution level, functions and responsibilities, performance as well as reward and punishment status, and the relevance between the Company's operating performance and risks, and further submitted to the Board of Directors for deliberation or reference and approval.
- (3) The determination on the salary of general employees is to be approved by the President, based on in principle the common standard of the peer industry; as for the floating salary of year-end and festival bonuses, the work performance of colleagues, participation in the Company's operations and the contribution level, the performance as well as reward and punishment status, and other items are further evaluated and calculated for the distribution.
- (4) For new recruits, the determination on the salary takes into account the common standard of the peer industry, considering their educational background as well, work experience, positions, functions and responsibilities. Meanwhile, the starting (determination of) salary does not differ due to the gender factor.

| Analysis Table of Employee Salary by Position and Gender |                      |        |      |        |                          |        |      |        |
|--|----------------------|--------|------|--------|--------------------------|--------|------|--------|
| Company name   | Supervisory position |        |      |        | Non-supervisory position |        |      |        |
|  | 2022                 |        | 2021 |        | 2022                     |        | 2021 |        |
|  | Male                 | Female | Male | Female | Male                     | Female | Male | Female |
| Capital Securities                                       | 1.31                 | 1      | 1.3  | 1      | 1.04                     | 1      | 1.02 | 1      |
| Capital Investment Management                            | 0.85                 | 1      | 0.84 | 1      | 1.08                     | 1      | 1.08 | 1      |
| Capital Insurance Advisory                               | 1.11                 | 1      | 1.29 | 1      | 0.85                     | 1      | 0.76 | 1      |
| CSC Venture Capital                                      | N/A                  | N/A    | N/A  | N/A    | 1.26                     | 1      | 1.22 | 1      |
| CSC Capital Management                                   | N/A                  | N/A    | N/A  | N/A    | 0.92                     | 1      | 1.23 | 1      |

Note 1: CSC Venture Capital only have management personnel of a single gender.

Note 2: Proportion formula = (average of monthly basis salary of males and females / average of monthly basis salary of females); female salary is expressed as 1.

Note 3: The management level refers to: supervisors at the section level and above.

Note 4: N/A indicates only one single gender.

## D. Comprehensive Employee Care and Welfare

### (1) Diversified and Smooth Communication Channels

Capital Securities attaches great importance to the opinions and feelings of colleagues on organizational development or various operations, and fully provides smooth and diverse communication channels or complaint mechanisms, such as the sexual harassment hotline, integrity channel, employee comments box, labor-management meetings, etc. by means of the E-mail, phone, direct appointment for an interview, and others.

At the same time, in order to allow colleagues to give opinions or suggestions at any time, easily, we conduct continuous advocacy to all colleagues on a regular or irregular basis to ensure that colleagues can fully understand and dare to use such communication channels or complaint mechanisms, and assist colleagues in solving matters on salary and compensation, treatment, fairness and reasonableness or other rights and interests so as to allow colleagues' opinions to be dealt with as soon as possible. We also promote the optimization of our rules and systems, enhance the labor rights and interests of all colleagues, as well as enhance prosperity and eliminate adversities, so as to create a workplace that achieves barrier-free communication.

| Communication Channel |  |
|-----------------------|--|
| Item                  | Content description  |
| Communication channel | Colleagues can express their opinions through the dedicated employee of the Human Resources Office, Administration Department at the dedicated hotline: (02) 8789-8888, ext. 7121. Based on an encouraging attitude, the Company welcomes colleagues to express suggestions, clarify doubts in life or work, or protect other rights and interests.  |
| Employee comments box | <ul style="list-style-type: none"> <li>• According to the Employee Comments Box Guidelines, the direction of the proposal includes: (1) to propose specific and practical innovations or improvements to the business content, operational processes, administrative measures, rules and regulations, and risk control; (2) to make proposals for the violation of the legal rights and interests of individuals, or to affect the personal integrity, personal freedom, dignity, physical and mental health, or personal safety of individuals, or to interfere with the work of individuals, as a result of the violation of the laws and regulations, abuse of power, discrimination, or mistreatment of employees by other employee of the Company; and (3) any other proposal related to official duties or the protection of the legal rights and interests of individuals, and which can be proved to be necessary and justifiable.</li> <li>• The regulations and procedures related to the Employee Comments Box are formulated and submitted by the Human Resources Office of the Administration Department for approval. The supervisor of the Auditing Department shall be responsible for the implementation of the regulations and procedures, and the supervisor of the Administration Department shall be the first substitute.</li> <li>• Confidentiality mechanism:               <ol style="list-style-type: none"> <li>I. All supervisors and colleagues who handle employee comments box proposals shall be obligated to keep confidential the contents of the proposal and the colleagues who make the proposal. If there is any violation of the confidentiality principle, the violator shall be examined by the Personnel Review Committee and dealt with according to the relevant work rules of the Company.</li> <li>II. Employee comments box is encrypted throughout the process to avoid being intercepted and read; it is also stored in an encrypted way in the database, so that unauthorized persons cannot access the information. Authorized</li> </ol> </li> </ul> |

| Communication Channel               |   |
|-------------------------------------|---|
| Item                                | Content description   |
|                                     | <p>management personnel shall use specific account passwords and verification certificates, and can only view relevant information after verification.</p> <ul style="list-style-type: none"> <li>• Upon acceptance of a proposal, the proposal may be forwarded to the relevant units for investigation, evaluation, or deliberation in an anonymous manner as necessary; if the operation process of the unit or individual involved is sufficient to affect the Company's risk control or jeopardize the efficiency or operation, the proposal shall be approved by the President and forwarded to the risk control unit and the audit unit for completion of the audit and improvement recommendations before being submitted to the Chairman of the Board of Directors.</li> </ul>   |
| Employee Welfare Committee          | <ul style="list-style-type: none"> <li>• We set up and registered the Employee Welfare Committee with the competent authority in accordance with labor laws and regulations to provide employees with various care for employees and accept applications for welfare benefits, such as: wedding and funeral subsidies, hospitalization and surgery condolence money, maternity subsidies, travel activities subsidies, natural disasters condolence money, and emergency rescue.</li> <li>• The committee members are selected from among the Company's employees with knowledge, experience and communication skills.</li> <li>• During the meeting, the committee members conduct discussions on special topics, probing into issues incisively and listening to comments on welfare measures, colleagues' issues at work, and colleagues' life matters, and collect comments to be used as an important reference source for feedback to the Company's administrative management.</li> <li>• The funds are sufficient enough to continuously support and promote care for employees and welfare measures.</li> </ul> |
| Labor-management meeting            | <ul style="list-style-type: none"> <li>• According to the "Implementation Guidelines for Labor-Management Meetings", and labor-management meetings are conducted every quarter; Labor-management meetings are held every 3 months, and the meeting notice will be sent to each meeting representative 7 days prior to the meeting, and the meeting agenda will be distributed to each representative 3 days prior to the meeting.</li> <li>• It coordinates labor-management relations, improve work efficiency, and promote cooperation between labor and management, serving as the communication bridge. It also carries out full and proper discussions on employee dynamics, business plans and business overview, labor-management relations, promotion of labor-management cooperation, labor conditions, labor welfare planning, work efficiency, working environment, and other matters.</li> </ul>  |
| Sexual harassment dedicated hotline | <ul style="list-style-type: none"> <li>• The "Complaint and Discipline Key Points for Sexual Harassment Prevention Measures in the Workplace".</li> <li>• Colleagues may make complaints through the Human Resources Office of the Administration Department at (02) 8789-8888, ext. 7121, and the whole process will be handled in a confidential manner.</li> </ul>   |
| The Company's internal EIP website  | Matters concerning the rights and interests of all employees will be announced at any time through the Company's internal website.  |

Note: Only Capital Securities is disclosed; for other subsidiaries, it is handled in accordance with labor laws and regulations based on the number of employees and the company size.

## (2) Proper System to Extend Care for Employees

In order to be able to improve the labor rights and interests of employees, the only way to go is for Capital Securities to establish a sound employee caring system, designing diversified care and welfare measures or activities for employees, such as employee holidays, welfare bonuses and subsidies so as to fulfill the highest guiding principle of properly safeguarding labor rights and interests.

| Type  | Purpose   | Care for employees, welfare measures, and activities   |
|---|---|--|
| Employee holiday                              | Allow colleagues to rest fully, attend to both the family and life, relax their body and mind, and build up leisure life and interests in their spare time. | Properly implement two days off every week; other leave rules are subject to labor laws and regulations.   |
| Employee travel                               |   | Travel subsidies for employees at home and abroad.   |
| Financial subsidy                             |   | The “Management Guidelines for the Establishment of and Subsidies for Recreational and Public Welfare Clubs” are formulated to encourage colleagues to develop the habit of engaging in sports and public welfare activities.  |
| Health examination, advocacy and consultation | Continuous care and tracking of employees' health   | <ul style="list-style-type: none"> <li>• Conduct regular employee health checks.</li> <li>• Invite doctors from Cathay General Hospital to provide on-site health consultation services, and regularly pay visits to the Company for consultation services such as employee health education, health promotion and guidance on hygiene.</li> </ul>   |
| Welfare benefit and subsidy                   | Provide all-round comfort, support and assistance to employees, so that they can work with security and peace of mind                                       | <ul style="list-style-type: none"> <li>• Marriage, funeral, hospitalization, maternity benefits, etc.</li> <li>• Negotiate preferred deals with various special stores.</li> </ul>   |
| Employee consulting services                  |   | The Company provides assistance in dealing with legal or psychological issues.   |
| Employee and family member insurance          | Implement protection on the rights and interests of employees in the performance of their duties  | <ul style="list-style-type: none"> <li>• Provide group insurance such as employee life insurance, accident insurance, accident treatment insurance, and occupational accident insurance.</li> <li>• Provide self-pay group insurance with low prices for employees' family members, such as fix-term life insurance, accident insurance, medical insurance and cancer insurance.</li> <li>• A total of 72 users in 2022</li> </ul> |
| Advocacy, education and Training              | Maintain the healthy exercise and diet concept of employees   | Hold seminars irregularly with special topics, such as “Office Exercise”, “Office Stretching Exercise”, “Training for Office Workers”, and “Healthy Meal Plates”.  |
| Other items                                   | Gather colleagues' sense of coherence towards the Company, and strive to provide diversified care and welfare programs for employees                        | <ul style="list-style-type: none"> <li>• Hold activities to offer massage services by the visually impaired.</li> <li>• Annual selection of the most valuable player (MVP).</li> <li>• Hold seminars with special topics, such as “Office Exercise”, “Office Stretching Exercise”, “Training for Office Workers”, “Healthy Meal Plate” to promote the concept of maintaining healthy exercise and diets to colleagues.</li> </ul>  |

Note: Only Capital Securities is disclosed; for other subsidiaries, it is handled in accordance with labor laws and regulations based on the number of employees and the company size.

| Employee Welfare Expenses Analysis Table |           |           |                  |
|--|-----------|-----------|------------------|
|  |           |           | Unit: NT\$ 1,000 |
| Expense item                             | 2022      | 2021      | 2020             |
| Salary cost                              | 1,765,127 | 2,854,918 | 2,019,464        |
| Labor and health insurance costs         | 164,380   | 181,052   | 137,941          |
| Pension cost                             | 90,397    | 97,407    | 80,921           |
| Other welfare costs                      | 51,927    | 59,408    | 49,889           |
| Employee welfare cost (Total)            | 2,071,831 | 3,192,785 | 2,288,215        |
| Number of workers                        | 1,926     | 1,989     | 1,883            |
| Average employee salary cost             | 916.47    | 1,435.35  | 1,072.47         |
| Salary cost growth rate                  | -38.17%   | 41.37%    | 24.01%           |
| Average employee welfare cost            | 1,075.72  | 1,605.22  | 1,215.2          |
| Welfare cost growth rate                 | -35.11%   | 39.53%    | 21.75%           |

Note: Only Capital Securities is disclosed; for other subsidiaries, it is handled in accordance with labor laws and regulations based on the number of employees and the company size.

Note 2: The calculation period is January 1, 2022 ~ December 31, 2022.

Note 3: The number of employees is calculated by adding the average number of persons in the whole year to the number of directors.

| 2022 Parental Leave Without Pay and Reinstatement Summary Table |          |  |   |   |                            |   |                        |   |
|---|----------|--|---|---|----------------------------|---|------------------------|---|
| Company name  | Category | Number of people eligible for parental leave without pay in the current year | Number of applicants for parental leave without pay in the current year (A) | Number of people who should be reinstated in the current year (B) | Reinstatement rate (B)/(A) | Number of people remaining in office for over 12 months after reinstatement from parental leave without pay (C) | Retention rate (C)/(D) | Actual number of people reinstated from parental leave without pay in the previous year (D) |
| Capital Securities  | Female   | 25   | 3   | 2   | 67%                        | 5   | 83%                    | 6   |
|   | Male     | 27   | 3   | 0   | 0%                         | 0   | 0%                     | 0   |
| Capital Investment Management                                   | Female   | 0  | 0   | 0   | 0%                         | 0   | 0%                     | 0   |
|   | Male     | 1  | 0   | 0   | 0%                         | 0   | 0%                     | 0   |
| Capital Insurance Advisory                                      | Female   | 0  | 0   | 0   | 0%                         | 0   | 0%                     | 0   |
|   | Male     | 0  | 0   | 0   | 0%                         | 0   | 0%                     | 0   |
| CSC Venture Capital   | Female   | 0  | 0   | 0   | 0%                         | 0   | 0%                     | 0   |
|   | Male     | 0  | 0   | 0   | 0%                         | 0   | 0%                     | 0   |
| CSC Capital Management  | Female   | 0  | 0   | 0   | 0%                         | 0   | 0%                     | 0   |
|   | Male     | 0  | 0   | 0   | 0%                         | 0   | 0%                     | 0   |
| Total   |          | 53   | 6   | 2   | 33%                        | 5   | 83%                    | 6   |

Note: The Company provides employees with eight weeks of maternity leave and parental leave without pay in accordance with Article 50 of the Labor Standards Act as well as Articles 15 and 16 of the Gender Equality in Employment Act. Employees who have remained in office for six months or more and before each of their children reaching the age of three may apply for parental leave without pay until the child turns the age of three, but the leave shall not last for more than two years. For employees who need to raise two or more children at the same time, the period of parental leave without pay shall be calculated together, and the longest period shall be limited to two years for the youngest child.

### (3) Occupational Safety and Health Management System

#### 1. Implementing the Improvement of the Working Environment, Health and Safety of Colleagues

Capital Securities follows the requirements of Occupational Safety and Health Acts and regulations to establish a sound management system and implement P-D-C-A in the spirit of continuous improvement, appoint the occupational safety and health business supervisor, and hold regular meetings to respond to occupational safety and health related laws and regulations. It also regularly or irregularly (for example, in case of changes in operational activities or occurrence of abnormality) carries out hazard identification and risk assessment. If the risk assessment results show the need to carry out risk treatment measures such as transferring, offsetting or strengthening the management, we continue to seek the best improvement plan so to protect the working environment as well as health and safety of colleagues; meanwhile, we implement, supervise and command safety and health management matters based on the powers, coordinate and guide colleagues for such implementation.

Therefore, the content of each quarterly meeting covers: occupational safety and health policies, occupational safety and health management plans, safety and health education and training, health promotion, hazard prevention measures, occupational disaster investigation reports, on-site safety and health management performance, etc.

Capital Securities has taken the following measures to implement the sound working environment as well as health and safety of its colleagues:

| Aspect                             | Content  |
|------------------------------------|--|
| Control of the working environment | <ul style="list-style-type: none"> <li>• Provide a bright and tidy work environment and review the work environment regularly.</li> <li>• Provide safety protection equipment necessary for employees' safety and health.</li> <li>• Set up a fire control manager in accordance with the Fire Services Act and the Enforcement Rules of the Fire Services Act; meanwhile, the designated colleague will inspect the workplace from time to time, including various fire protection equipment and measures.</li> <li>• Formulate the handling measures for smoke hazard control.</li> <li>• Prepare sufficient first aid medicines and equipment, and arrange first aid personnel to handle first aid matters.</li> <li>• Obtain the certification of ISO22301 Business Continuity Management of British Standards Institute for the purpose of ensuring that when the Company encounters emergencies and disasters, the impact on our personnel and the Company will be minimized.</li> </ul> |
| Venue liability insurance          | <p>For all the Company's business premises and branches, insurance has been taken out for the following items</p> <ul style="list-style-type: none"> <li>• Commercial fire insurance.</li> <li>• Electronic equipment insurance.</li> <li>• Public liability insurance.</li> </ul>   |
| Advocacy, education and training   | <ul style="list-style-type: none"> <li>• Formulate the "Occupational Safety and Health Education and Training Rules", and hold safety and health related courses on a regular basis.</li> <li>• Advocate and provide employee with health knowledge according to</li> </ul>  |

| Aspect   | Content   |
|--|---|
|  | <p>the advice of professional physicians.</p> <ul style="list-style-type: none"> <li>• Provide employees with health care information from time to time, so that employees can obtain correct and effective health and safety information.</li> <li>• Hold regular fire drills, and fire control managers must undergo regular refresher training sessions.</li> </ul>  |
| Occupational safety and health personnel and plans | <ul style="list-style-type: none"> <li>• Set up an occupational safety and health supervisor and first aid personnel in accordance with the "Occupational Safety and Health Act".</li> <li>• Formulate and promote the "Ergonomic Hazard Prevention Program" to prevent ergonomic hazards from work-related musculoskeletal injuries or diseases.</li> <li>• Formulate and promote the "Abnormal Workload-induced Disease Prevention Plan", plan and take necessary safety and health measures for the prevention of diseases caused by abnormal workloads such as shifts, night work, and long hours.</li> </ul> |
| Protection of women's rights                       | <ul style="list-style-type: none"> <li>• Set up a "Staff Breastfeeding Room".</li> <li>• Provide a safe, private environment and equipment to employees with secured and safe spaces for proper storage.</li> </ul>   |

If a colleague is injured while on duty, the Company will grant sick leaves for work injury in accordance with the law and regulations as well as based on the actual situation, and assist in applying for labor insurance benefits as compensation for occupational accidents. In 2022, there were no occupational accident cases and no cases of occupational disease.

| Statistics on Capital Group's Employees Occupational Accidents |                            |                    |                                 |                           |                                      |                                     |                           |                |
|--|----------------------------|--------------------|---------------------------------|---------------------------|--------------------------------------|-------------------------------------|---------------------------|----------------|
| Company name   | Total actual working hours | Total working days | Total occupational injury cases | Total number of loss days | Disabling injury frequency rate (FR) | Disabling injury severity rate (SR) | Occupational disease rate | Mortality rate |
| Capital Securities   | 1,274,312                  | 159,289            | 0                               | 0                         | 0                                    | 0                                   | 0                         | 0              |
| Capital Investment Management                                  | 63,304                     | 7,913              | 0                               | 0                         | 0                                    | 0                                   | 0                         | 0              |

Note 1: Disabling injury frequency rate (FR) = total number of occupational injuries \* million working hours / total actual working hours. (to be rounded up to the 2nd decimal place)

Note 2: Disabling injury severity rate (SR) = total number of lost working days \* million working hours / total actual working hours. (to be rounded down to the integer)

Note 3: The number of person-time due to disabling injury: the number of cases that the worker cannot reinstate work due to occupational injuries for one day or more.

Note 4: Total loss days: The number of days during which the worker cannot reinstate work due to occupational injury is one day or more. The total number of loss days does not include the calendar days on the day of injury and the day of reinstate work

Note 5: As Capital Insurance Advisory, CSC Venture Capital, and CSC Capital Management are business entities with less than 50 employees, there is no need to fill in and report the occupational disaster statistics in accordance with Article 38 of the Occupational Safety and Health Act and Article 51 of its Enforcement Rules. Therefore, their data are not presented in the table.

## 2. Workplace Violence Complaint Handling Committee

Capital Securities has set up a “Workplace Violence Complaint Handling Committee” to protect all employees from being mistreated by supervisors or colleagues through taking advantage of their duties or positions, or being the target of physical assaults, verbal insults, intimidation, threats, and other bullying or violent behaviors, resulting in mental or physical harm, or even life-threatening by customers, targets served, and other relevant persons in the process of performing their duties.

In order to balance the allocation of the committee members' ranks, identity status and genders, the committee is currently composed of the supervisor of the Auditing Department, the supervisor of the Compliance and Legal Division, the supervisors of relevant units at the department level or above, and general employees. The percentage of non-management staff members accounts for 42% thereof and the number of female members is more than half thereof. The meeting agenda of the “Workplace Violence Complaint Handling Committee” is discussed and resolved among and by the committee members, and then submitted to the Chairman for approval.

## 3. Training Courses

| Course Description  | Total number of hours per year | Total number of trained personnel per year | Effectiveness evaluation mechanism     |
|---|--------------------------------|--|--|
| <ol style="list-style-type: none"> <li>1. Occupational safety and health related laws and regulations.</li> <li>2. Risk assessment (including hazard identification and hazard control).</li> <li>3. Occupational safety management practices (including falls, collapses, flying objects, being caught and rolled, being hit, prevention of inductive hazards, and prevention of fire and explosion).</li> <li>4. Occupational health management practices (including prevention of physical and chemical hazards).</li> <li>5. Occupational health management practices (including biological pathogens and physical and mental health hazards prevention).</li> <li>6. Occupational disaster investigation and treatment.</li> </ol> | 401                            | 30   | To obtain a certificate of eligibility |
| <ol style="list-style-type: none"> <li>1. General knowledge of fire fighting and fire prevention.</li> <li>2. Fire fighting equipment and fire prevention and evacuation facilities (including three academic training courses - operation of fire escape slings, fire hydrants, and fire extinguishers).</li> <li>3. Employee education and self-defense and firefighting training.</li> </ol>   | 108                            | 14   | To obtain a certificate of eligibility |

| Course Description  | Total number of hours per year | Total number of trained personnel per year | Effectiveness evaluation mechanism   |
|---|--------------------------------|--|--|
| 4. Fire fighting and protection plan.   |                                |  |  |
| 1. Introduction to first aid.<br>2. Dressings and bandages.<br>3. Cardiopulmonary resuscitation (CPR) and Automated External Defibrillator (AED).<br>4. Poisoning and asphyxiation.<br>5. Trauma and hemostasis.<br>6. Shock/burns and scalds.<br>7. Bone and muscle injuries.<br>8. Treatment and transportation of the injured. | 291                            | 57   | To obtain a certificate of eligibility   |
| 1. Outline of occupational safety and health regulations.<br>2. Occupational safety and health concepts and safety and health codes of practice.<br>3. Emergency response management.<br>4. Knowledge of fire fighting and first aid and drills.<br>5. Other labor-related safety and health knowledge.                           | 96                             | 32   | To pass the online test  |
| How to evacuate and escape in case of earthquake/fire.  | 31                             | 31   | According to the "Business Continuity Management Guidelines", a review meeting shall be held after the completion of the test or drill to confirm the achievement of the objectives and to propose improvement plans based on the situation. |
| 1. Knowledge of fire prevention and earthquake prevention.<br>2. Cardiopulmonary resuscitation (CPR) first aid training.  | 84                             | 28   | Practical drill  |
| Complete step-by-step analysis of CPR and AED   | 48                             | 48   | To pass the online test  |
| Instruction on the use of fire fighting equipment   | 38                             | 38   | To pass the online test  |

#### 4. Affirmed behavior

- (a) "Accredited Healthy Workplace - Badge of Health Promotion" by the Bureau of Health Promotion, Department of Health, Executive Yuan: We encourage colleagues to promote a smoke-free environment at our workplaces, actively promote healthy workplaces to facilitate work performance, and has obtained the Accredited Healthy Workplace - Badge of Health Promotion (valid period: 2019 -2024).
- (b) The badge "Taiwan i Sports" issued by the Sports Administration of the Ministry of Education.

#### (4) Retirement system

Capital Securities has formulated the "Employee Retirement Guidelines" to protect the life of employees after their retirement. For all formal employees (including appointed personnel) who have served the Company for ten years or more and reach the age of 55 years or older, or have served the Company for 20 years or more may apply for early retirement with terms and conditions more favorable than those under the Labor Standards Act.

Colleagues who meet the statutory requirements for voluntary retirement or compulsory retirement may apply for retirement at any time, and the payment standard for the pension shall be handled in accordance with the relevant provisions of Taiwan's Labor Standards Act and Labor Pension Act; The Company properly manages the pension reserve in terms of the allocation and payment thereof in full compliance with the provisions of the Labor Standards Act, or sets aside the pension monthly for employees in accordance with the Labor Pension Act.

1. **Retirement system under the Labor Standards Act:** We set aside the pension reserve within the range of 2% to 15% of the employee's total monthly salary, to be deposited into the labor pension reserve special account with the Bank of Taiwan.
2. **Labor Pension Act:** The Company sets aside 6% of the employee's monthly salary to be deposited into the individual pension account established by the Bureau of Labor Insurance; as for employees who voluntarily contribute the pension reserve, the self-contribution amount will be deducted on behalf thereof from the employee's monthly salary according to the voluntary contribution rate and deposited into the individual pension account with the Bureau of Labor Insurance.
3. **Calculation of pensions for senior managers:** to be calculated in accordance with the "Employee Retirement Guidelines" approved by the Board of Directors, and to be paid within 30 days from the date of retirement.

The pension expenses determined in 2022 and 2021 under the Pension Reserve Allocation Guidelines were in the amount of NT\$ 83,406,000 and NT\$ 90,224,000 respectively, and a total of 45 people retired in 2022.

## VII. Customers and Society

### A. Fair Treatment of Customers

#### **Belief in Fair Treatment and Upholding Customer Rights:**

Capital Securities is in charge of completely disclosing product and service information. We persist in legal compliance requirements and enhance our standards. Additionally, we hold fast to high service quality to protect our customers' rights. Moreover, we continue to maintain a trustworthy and satisfactory partnership with our customers to identify and respond to impacts.

**Exalting Financial Inclusion Spirit:** Enabling the public to comprehend, contact, and use financial instruments and services universally and conveniently is Capital Securities' key management and development strategy to identify and respond to impacts.

| No. | Item   | 2022  |   |
|-----|--|---|---|
|     |  | Goal  | Performance   |
| 1   | Percentage of complete issue resolution by customer questionnaire response service | Over 90%  | 98.32%  |
| 2   | Sustainable financial instruments or services                                      | Capital Securities underwrote over NT\$5 billion of sustainable bonds, or promotes sustainable development commodities. | Capital Securities underwrote 12 cases of sustainable bonds. Among which, 10 of them were green bonds, one of them was a social bond, and one of them was a sustainability bond, totaling NT\$8.27 billion. |

#### **(1) Promotion of Fair Treatment of Customers**

Capital Securities has stipulated the principle of "fair treatment of customers", which includes the aspects of fair and honest contract signing, duty of care and loyalty, true advertisement and solicitation, suitability of commodities or services, notification and disclosure, the sale of complex high-risk commodities, balance between remunerations and performance, complaint protection, the expertise of sales representatives, friendly services, implementation of integrity management, and others. The Board of Directors shall lead the entire company to implement and execute the aforementioned principles, and promote disclosure of product information, insistence on service quality, financial inclusion, and integrity management based on them.

## **(2) Complete Product Information Disclosure**

### **1. Requirements for Product Information Disclosure and Advertising Activities**

Capital Securities discloses information about its business or products in accordance with Financial Consumer Protection Act and other laws and decrees. Additionally, to maintain customers' rights, Capital Securities abides by the spirit of morality, sincerity, self-discipline, justice, and fair treatment of consumers in conducting advertising, business solicitation and business promotion activities required for its business. Therefore, Capital Securities has stipulated the following principles, and asks its staff to conform to the principles below:

1. To cautiously evaluate impacts upon investors to avoid misleading their judgment.
2. The content of advertisements shall avoid excess or intentional subjective speculation.
3. To safeguard our customers' rights to know, we shall make in-depth analysis and evaluation in advance. Additionally, we shall specify the sources of data, dates, the duration of calculation, and risks in documents.
4. Regarding the disclosure of financial instruments or service content, regardless of any ways taken such as written documents, print advertisements, or commercials, we shall present important information such as rates, fees, remunerations, and risks with balanced, obvious, clear, easy-to-understand methods in fonts, colors, time, and languages. Additionally, we shall comply with laws and regulations. If there is any misunderstanding, we shall be liable for clarification.
5. To state clearly information relevant to Capital Securities, and to declare permission, and specify relevant permission information in accordance with rules and regulations.
6. To pay attention to the maintenance of rational competition order.
7. To forbid the occurrence of any illegal action, and to strictly implement internal control, and to confirm self-inspection on a regular basis to avoid the occurrence of relevant risks.
8. Capital Securities and its staff shall all conform to laws and regulations.

### **2. Disclosure of Product Information by Digitization**

To respond to the trend of the digital era, the Company has developed and established the "CAPITAL One-account Pass" system and its App to help specify complete, accurate, concrete, clear, and prompt disclosure of product information. Additionally, the system has more functions to provide our customers with convenient approaches to check and command their own information anytime. The system has been established to safeguard our customers' rights comprehensively.

Now, the "CAPITAL One-account Pass" system and its App have been further developed with function optimization, allowing customers to enjoy more thorough and appropriate services and the mechanism of automatic notification of product information. These in turn exhibit the company's spirit of continual pursuit after digitalization breakthroughs,

leading the company to tirelessly reflect on deepening customers' rights.

1. The App promotes a new "ledger," and customers may open an account with the presentation of their bank accounts. Most banks, have the ledger system available.
2. Cash flow, transactions, bank statements, balance are precisely listed to present complete banking functions.
3. Customers may check their designated sum of money from stock prices they buy and sell, debits and reimbursements for drawing lots to revenues from stock dividends. Each sum of money is listed clearly on the App.
4. The App integrates investment consulting, customer service, news, Open Data, and so on, and our cloud knowledge database has been patented.
5. Customers may conduct self-learning via the App. We analyze our customers' habits, and when there is information regarding financial news, financial reports, dividends, shareholders' meetings, and so on, the App actively notifies our customers of exclusive information.
6. The App provides over 40 stock selection conditions, and customers may make their own selection strategies.



### **(3) Doing Our Best to Surpass Customers' Expectations**

#### **1. Improvement of Customer Satisfaction**

In addition to surveying customers' satisfaction with our services, Capital Securities further investigates and analyzes whether customers' problems are solved. As a result, to uphold the spirit of solving problems for our customers from the fundamentals, our customer service center has established a customer service survey and improvement mechanism by the method of continuous improvement. Therefore, we would survey and ask for feedback from our customers regarding our services for their problems being solved, and the satisfaction degree for handling their problems.

Since 2022, our customer service center has distributed 6,665 questionnaires, and retrieved 5,705 valid ones. The percentage is as high as 85.60%. For the retrieved questionnaires that are either incomplete or invalid, it is found through analysis and tracking that it might be due to the fact that the action of securities and stock trading is time-sensitive. Therefore, when customers' problems are solved or handled, they tend to

give up filling out a questionnaire as they would like to resume their trading as soon as possible.

| Table of Feedback Placement Analysis           |                  |            |
|--|------------------|------------|
| Feedback                                       | Number of people | Percentage |
| The service has completely solved the problem. | 5,609            | 98.32%     |
| The service has mostly solved the problem.     | 75               | 1.31%      |
| Some part of the problem has not been solved.  | 21               | 0.37%      |
| Total  | 5,705            | 100%       |

Note: Questionnaire groups of the statistics are retrieved and valid questionnaires.

According to the previous two statistical results, 5,684 questionnaires indicated that “the service has completely solved their problems,” and “the service has mostly solved their problems,” which already accounts for 99.63%. The data show that Capital Securities highly values customer service, as we thoroughly dedicate to our handling principles that exhibit our expertise and enthusiasm, and that vow to promptly solve, handle or respond to customers’ problems. We earnestly show that we never give up any service opportunities, as we possess the attitude to strive for the best.

## 2. Handling Customer Complaints

Although it is Capital Securities’ responsibility to meet our customers’ rights, it is unavoidable to neglect some of them sometimes. However, it is the most important for us to continue to improve them, make correction and preventive measures, put them into practice and keep track of them. We try our best to solve customers’ problems to avoid the expansion of loss of our customers’ rights, and the aggravation of risk degrees.

## B. Financial Inclusion

### (1) Financial Inclusion Strategies and Action Plan

Capital Securities has been promoting financial inclusion and continuously promoting: (1) To integrate artificial intelligence (AI) and big data analysis, we promote the interactive smart App to enhance the development efficiency of financial inclusion, which will be discussed in the sections of “Digital Finance” and “Digitization Facilitates Disclosure of Product Information;” (2) To strengthen the needs of the disadvantaged, we make sure that investment and trading are not the exclusive rights of the high-asset group. Additionally, we empathize those in need, and strive to provide investors of different groups with attentive services.

1. Comprehensive digital technology satisfies users' needs, and facilitates the young group, senior group, and disadvantaged group.
  - (a) A total of 16,102,029 people visited the official website of Capital Securities in year 2022. And the number of customers in the young group between the age of 18 and 34 and in the group over 65 years of age account for more than 30% of usage.
  - (b) Upholding the spirit of convenient operation and barrier-free use, we have designed a trading and service App interface with simple operations.
  - (c) Integration of the group's business resources and trading channels provides appropriate services that meet the needs of people from different age groups. For instance, we added the functions of intraday odd-lot trading, fund investments on a fixed-term, fixed-amount basis; and we also reduced the processing fees, providing options that are suitable for small amount investments made by low-income people. For senior citizens and customers with disabilities, we are providing our specialist services, and we have designed a trading and service App with simple interface that offers convenient operation and barrier-free usage.
  - (d) Development of the "Smart Sheet" order function allows investors to order per criteria set; there is no need to worry about missing a trading timing, and the investors' own rights are protected.
2. Students:
  - (a) We organize "CAPITAL stock investment simulation competition" in which our instructors share their experiences, and teach students investment skills along with the online simulation trading competition, and the actual operation methods of odd lot trading to enable students to profoundly experience the operation of the financial industry and stock market, and to enhance their practical experiences and professional competitiveness. The competition events lasted for one month from May 3 to May 31, 2011. A total of 51 people participated, and 10 students won prizes.
  - (b) We provide students with "industry-academia cooperation" internship opportunities, and integrate theories with practices in advance to help cultivate their knowledge of financial technology.
3. Senior citizens:
  - (a) We continue to uphold our friendly spirit, and have our specialists to help senior citizens open an account and help them with transaction services.
  - (b) We strictly control the suitability evaluation and analysis of commodities when selling them to senior citizens. Additionally, we have set up the risk evaluation mechanism, and emphasized the explanation of risks to provide them with low-risk financial instruments.

- (c) We have set up a barrier-free and people-friendly financial service section with an interface with easy operations and large fonts. Additionally, we have placed numerous warnings on our transaction interface to carry out the control and confirmation of transaction risks.
- (d) We provide specialist service and a trading and service APP interface that is designed with easy operations and offers convenient operations and barrier-free usage.



4. Customers with disabilities:

- (a) Capital Securities upholds our friendly spirit and have our specialists to help the disabled open an account and help them with transaction services.
- (b) Our branch offices make efforts to maintain barrier-free facilities and environment.
- (c) We provide the visually impaired with the voice response order system, artificial money withdrawal, and other hotline services.
- (d) We provide the hearing or speech impaired with the online order environment to safeguard their rights to use our financial services.
- (e) We provide specialist service and a trading and service APP interface that is designed with easy operations and offers convenient operations and barrier-free usage.

5. Low-income customers:

- (a) Capital Securities has been promoting investment methods for a long time to reserve one's pensions, such as Taiwanese stocks, the US stocks, and fund investment on a fixed-term, fixed-amount basis, the

services of fixed stocks or fixed stocks with non-fixed term, odd-lot trading, providing the minimum NT\$1 handling fee for odd-lot trading, and so on. We provide multiple choices for small amount investment.



(b) Capital Securities has nearly 70,000 middle class customers under 35 years of age, and they account for 22% of our entire trading users. This shows that Capital Securities has achieved greatly in our inclusive financing action and activities for low-income customers, and that Capital Securities is their trustworthy choice.

6. General workers:

Capital Securities provides those who may not be able to check financial trading data anytime due to work with prompt automatic order service to enable them to command buying and selling timing with ease.



CAPITAL Mobile Winner – Smart Sheet

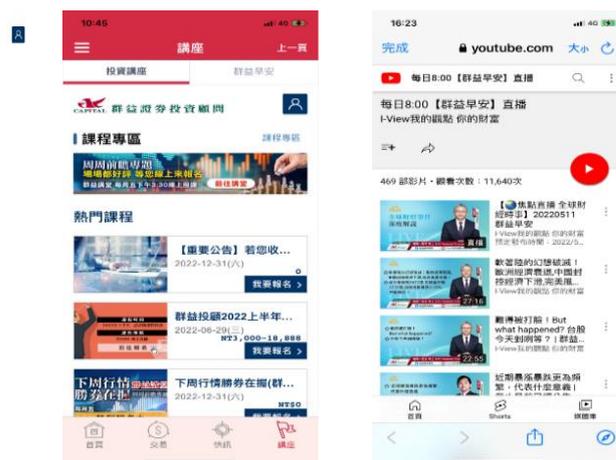
7. Investment beginners:

Capital Securities has run its financial and wealth management classroom for a long time. We provide at least one relevant seminar on average each week to provide beginners with investment and wealth management related courses and market information. Beginners may enjoy our non-stop teaching and learning services by digital online

registration or online viewing.



CAPITAL Investment Consulting Course



CAPITAL Great Eagle APP

## 8. High asset customers:

The service of professional consultation that Capital Securities provides for our high asset customers has gradually been digitized. We assist our wealth management research team to establish a digital platform to facilitate our customers to interact and consult with our advisers online, communicate with them via messages, interact via multi-party video conference, and conduct financial diagnosis on our online platform to carry out asset allocation properly for our customers, and promptly customize the most suitable financial planning for our customers, which keep gaining our customers' trust and approval.

## C. Sustainable Finance

**Implementing and Deepening Sustainable Finance:** Capital Securities will continue to innovate and develop, and actively promote green finance instruments and services to identify and respond to impacts through its experiences in issuance and sale of green finance instruments, while incorporating government policies and global trends, as well as observing investors' needs.

### (1) Transformation of Sustainable Development

Through digital technology, Capital Securities promotes sustainable finance such as E-counter, One-account Pass, CAPITAL Great Eagle APP, and others. Specifically, by integrating CAPITAL Great Eagle APP with the entries and functions of the overall company and across all job positions and types, operations are optimized, and efficiency and quality of customer services are enhanced. Moreover, Capital Securities provides customers with online contract signing and account opening, pushes notifications of exclusive

investment consulting and information about preferred individual stocks, and other digital services. Through digitalization, Capital Securities develops measures for sustainability and continues to promote sustainability transformation, allowing Capital Securities to timely seize opportunities and precisely understand the types of our customers to provide them with appropriate services and better satisfy their needs.

1. Key smart creation: Keyword tags are created to facilitate viewers to get the gist of an article, and to rapidly comprehend information about securities. These tags are integrated with our recommendation system to push notifications automatically.
2. Smart translation: A database with three languages, and the translation of five spelling systems has been built to greatly reduce the comparison time of our internal staff, and to effectively increase the probability to prevent money-laundering crimes.
3. New user vision: Using machine learning model to speculate new customers' investment preferences. And grouping was performed per trading time and investment value to provide different types of services and to enhance service quality.
4. FinTech is an indispensable key factor for green finance. Capital Securities received three patents for "New Horizons for Our New Customers," "Key Smart Creation," and "Smart Translation."
5. We introduce professional big data talents, and have formed a data team. Through the internship opportunities of "industry-academia cooperation," Capital Securities actively cultivates more students with the information engineering background to engage in the financial industry to improve the development of financial technology in the future.
6. We have successfully built data infrastructure. Capital Securities is the first securities company to be approved by Financial Supervisory Commission R.O.C. (Taiwan) to use the service provided by the platform of "MyData" with National Development Council.

## **(2) Supporting Sustainable Financial Business with Action**

1. Simplifying internal operational procedure to enhance efficiency

By the systematization of back office operation, our branch companies may save the time of checking and accessing written documents. Meanwhile, it may enhance the efficiency of verifying newly-opened accounts and totaling of orders. Moreover, the e-document system may effectively improve the efficiency of each department integrating and making decisions, and rapidly respond to the change of the market.

2. Disclosure of sustainable development information

Led by the Board of Directors, Capital Securities has set up the sustainable development committee to promote the framework of sustainable development and governance. Additionally, we adopt internationally recognized principles such as TCFD, and SASB, and

propose our sustainable development goals by qualitative and quantitative standards to implement and promote measures relevant to sustainable finance.

Furthermore, we have set up the sustainable development section on our official website to disclose the greenhouse gas inventory of our company, and other information to enable investors to command the policies, action plans and performance of issues related to environmental (E), social (S) and governance (G).

3. Incorporating sustainable development into Capital Securities' decision-making and business activities

Capital Securities will use the IR platform – multiple ESG information and responsible investment service – provided by Taiwan Depository and Clearing Corporation to help Capital Securities to comprehend the sustainable development scores of invested companies when we invest, urge these companies to place importance on sustainable development to move toward the goal of sustainable development, achieving the requirements of sustainable finance.

With respect to underwriting, investee companies are focused on and assessed through routine and unplanned methods, such as interviews, investor conferences, participation in shareholders' meetings, and others, as Capital Securities continues to understand the investee companies' industrial trends, company operation, financial state, corporate governance, and major news, as well as whether the companies properly disclose and comply with sustainable development related issues. On the other hand, Capital Securities also examines, monitors, and manages the ESG risks regarding taking the cases, counseling, and investment through internal ESG assessment method and assessment chart.

Meanwhile, to implement the spirit of sustainable development, our business units incorporate environmental (E), social (S), and corporate governance (G) issues into our operational standards in promoting our businesses to thoroughly assist our customers to participate in sustainable financial development.

4. To connect with the international sustainable financial trend, Capital Securities actively supports financial instruments related to the green industry no matter in our self-run business or brokerage. We will continue to evaluate the issuance of ETN with sustainable development concepts or other diverse commodities. Moreover, we invest and take charge of underwriting green bonds in our underwriting and self-run departments to provide investment assistance for the green industry. We support sustainable development with action.
5. With respect to investment information, Capital Securities thoroughly provides sustainable financial information such as the performance of constituent stocks with sustainable index to enable investors to comprehend and choose from.

### **(3) Promotion Results of Sustainable Finance**

Capital Securities actively assists the issuance companies to use raised funds in climate change, energy saving and carbon reduction and other relevant green investment projects. In 2022, Capital Securities took charge of underwriting 12 kinds of sustainable bonds. Among which, 10 of them were green bonds, one of them was a social bond, and one of them was a sustainability bond, totaling NT\$8.27 billion.

As of yearend 2022, Capital Securities took charge of underwriting 32 kinds of sustainable bonds. Among which, 29 of them were green bonds, one of them was a social bond, and 2 of them were sustainability bonds, which equaled NT\$15.98 billion and US\$11 million or a total of approximately NT\$16.3 billion.

#### **(4) Sustainable Financial Development Project**

Being a financial investment institution, Capital Securities continues to promote sustainable finance related projects in addition to its strategic framework in response to climate change. Furthermore, Capital Securities will be leading the enterprise and investors to possess deepened sustainable development concepts, as Capital Securities plays the role of advancing the industry's pursuit after sustainable development.

##### **1. Sustainable Finance of Green Products**

By the experience of issuing and selling green financial instruments, Capital Securities follows the policies of Taiwan's government and the international trend to observe the investment market and customers' needs. We will continue to research and develop, and promote sustainable development activities, and green financial instruments and services.

##### **2. Sustainable Finance of Digital Services**

Capital Securities continues to develop Fintech, utilize AI and big data analysis to develop related APP, digital platform (E-counter, One-account Pass, and CAPITAL Great Eagle APP... etc.) and to promote electronic bills, online account opening, and other digital procedures, thereby actualizing the belief of sustainable development and friendly environment while continuing to dedicate tirelessly in tending to the sustainable development metrics of environmental protection.

##### **3. Exemplary Sustainable Finance**

Global warming and climate change crisis are issues that the industry is bound to face. Therefore, Capital Securities has been tirelessly promoting sustainable finance, promulgating the company's energy saving, carbon reducing, and greenhouse gas reducing strategies, requiring suppliers' product standards during procurement to comply with environmentally friendly energy saving, green building material label, or other sustainable products' standards, or moreover, to comply with renewable materials, low pollution, and other equivalent effectiveness. As a result, environmentally friendly products that pose milder impacts on the environment and management of various

equipment are able to enhance usage efficiency of the resources.

## D. Digital Finance

Capital Securities has dedicated in digital finance comprehensively with various performance results. We have provided various digital financial services including opening an account (for example, customers may open a multiple-in-one account online via the CAPITAL E-counter APP), trading, account information, document signing, and electronic certificates to enhance trading convenience for our customers. For instance, there are customers' electronic statements for all products and development of E-counter APP for customers to open a multiple-in-one account online. Capital Securities has also launched "CAPITAL Mobile Winner Smart Sheet," "LINE@ social platform," "CAPITAL Great Eagle" and other service apps, allowing the customers to easily enjoy the most comprehensive and attentive services within the devices and software that they are accustomed to.

To this day, Capital Securities has even been continuously developing various advanced functions in E-counter, One-account Pass, and CAPITAL Great Eagle APP. We are not merely offering customers online contract signing, account opening, push notifications of exclusive investment consulting and messages of preferred individual stocks, and other digital services. Among which, the functions of ledgers, and checking revenues from dividends in our One-account Pass are even rarely seen in the market. Moreover, the computer-established key word hashtags by the "Key Smart Creation" investment consulting article sentiment score analysis model in CAPITAL Great Eagle APP allows readers to conveniently and rapidly understand information of individual stocks. And with the hashtag integration and recommendation system, automatic push notifications are performed. This function has been awarded with patents in new model innovation.

Further, Capital Securities continues to promote the incorporation of big data analysis and AI technology, e.g. "New Horizons for New Users", "Key Smart Creation", "Smart Translation", and smart customer service. Through automatic programming, customer types are understood precisely within the shortest period of time, so that appropriate services are provided to better satisfy customers' needs. Moreover, it is also able to achieve the promotion of paperless actions, actualizing sustainable development and the belief in environmental friendliness.

## Honors and Awards for Sustainable, Inclusive and Digital Finance

1. "Best Customer Testimonials Award", "Best Digital Intelligence System Award", and "Best Public Welfare Promotion Award" of Wealth Management Awards organized by *Wealth Magazine*.
2. "Best Sustainable Development Award" and "Best Smart Wealth Management Award" of Wealth Management Award organized by *Business Today*.

3. CAPITAL One-account Pass awarded with The National Brand Yushan Award - Best Popular Brand Award.
4. Gold Award in "Green Digital Finance Award"; and Excellence Awards in "Digital Inclusive Award" and "Digital Business Optimization Award" organized by *Commercial Times*.
5. 2022 Happy Enterprise "Gold Award" awarded by Job Bank 1111.
6. Excellence Award in "Trust Award" Diverse Trust Innovation Award - "Best Wealth Management Trust Innovation Award for Security Dealers" organized by *Commercial Times*.
7. Capital Securities awarded with 2022 Excellence Securities Rating - Non-Financial Holdings Category "Best Digital Finance Service Award" organized by *Excellence Magazine*.

## E. Taking Social Responsibility

| No. | Item      | 2022      |             |
|-----|-----------|-----------|-------------|
|     |           | Goal      | Performance |
| 1   | City Trip | 1 Session | 1 Session   |

### (1) Promoting Commodities and Services Required for Social Change and Environmental Protection

With medical advancements, the birth rate and death rate are declining year on year and the percentage of elderly population is greatly increasing. The rise of the dependency ratio of the elderly population has brought greater economic needs and care burdens. The phenomenon and problems of an aging society are gradually appearing. CAPITAL insurance is aiming at the retirement market, and focuses on medical insurance, disability support insurance and other care insurance packages to help our customers build a perfect retirement plan with economic safety and life care in the future in addition to providing them with traditional life insurance, investment insurance and other retirement plans.

To respond to the sustainable development of finance in the world, our Wealth Management Department has strictly selected diverse asset commodities (biotechnology and medicine, alternative energy, green energy architecture, carbon reduction investment, and so on) from around the world to enable investors to allocate diverse investment tools to stably increase the value of their assets and revenues as well. In facing the impact of social change, and the advancement of innovative financial technology, we actively integrate resources, research into big data, and the application of other financial technology, and continue to promote innovation plans. We command future investment trends and opportunities through innovation technology and innovative products and services that cater to social needs.

Our Fixed Income Department provides customers with professional quotes, helps them raise resources, and supports the investment of sustainable industries. Additionally, we actively help public companies use raised funds on green investment plans such as climate change, energy saving, and carbon reduction.

## **(2) Public Welfare Events and Philanthropic Donation and Social Care Events**

The brand value of Capital Securities is “Capital Cares for You,” and we have been playing the role of corporate citizen for a long time. In 2022, we held the following public welfare events:

### **1. “CAPITAL Supports Public Welfare with Love” Blood Donation Drive**

“CAPITAL Supports Public Welfare with Love” blood donation drive officially entered its 15<sup>th</sup> year in 2022. Affected by the COVID-19 pandemic, blood donation amounts have drastically reduced over the recent years, which has led to blood shortage emergency. In order to actualize the enterprise’ corporate responsibility, everyone is earnestly encouraged to donate blood. And to increase people’s willingness and allow the philanthropic love to be multiplied, Capital Securities has specially collaborated with Faith Hope Love Center. We have purchased from the Center the charity essential oil soap and other exquisite goods handmade by mentally and intellectually disabled children as the gifts for people who have donated blood at designated locations, so that while they are devoting their love by blood donation, they are also able to help the organization of disadvantaged people.

In 2022, there were a total of 19 branch offices across northern, central, and southern Taiwan who participated in the event, which included the headquarter, Donghu, Dajia, Chongde, Sanchong, Guanqian, Zhongli, Haishan, Yilan, Kaiyuan, Tanzi, Guting, Keelung, Miquan, Kaosheng, Zhongxiao, Samin, Shilin, and Dunnan branches. A total of 1,029 people were summoned to donate blood that totaled 1,466 bags. And a total of 1,500 pieces of handmade goods by the mentally and intellectually disabled children at Faith Hope Love Center were also purchased.

### **2. Promotion of “CAPITAL Loves Reading” Care for Rural Education Event**

2022 was already the ninth consecutive year that Capital Securities has been hosting the “CAPITAL Loves Reading” public welfare event, as Capital Securities expansively advocates reading in rural areas over the years. Top wealth management books were chosen to encourage students to read and to educate them with basic wealth management. And through the method of shared reading, wealth management concepts were promoted to rural education, teaching children to understand the meaning of money. Students’ parents were also welcomed to participate at the same time, allowing wealth management education to take roots in the families.

As of yearend 2022, the number of schools sponsored increased from 2 in the beginning to 15. Counties and cities serviced accumulated from 1 to 13. A total of 751 people were in the program in 2022; and more than three thousand students accumulated were benefited. In 2022, the schools Capital Securities had donated to and assisted included the following 15 schools: Dacheng Elementary School, Guishan Elementary School, Jianshi Elementary School, Jinyang Elementary School, Xiangbi Elementary School, Xiufeng Elementary School, Siding Elementary School, Ruifeng Elementary School, Gaoshi Elementary School, Tiansheng Elementary School, Longci Elementary School, Taiping Elementary School, Youmu Elementary School, Changshing Elementary School, and Shenshui Elementary School, for a total sponsorship of NT\$1.5 million.

Meanwhile, city reading trips are also held every year. In addition to providing schools with funds, Capital Securities had further devoted through physical actions by accompanying children to read and to experience the city trip. On September 16, 2022, the “CAPITAL Loves Reading” city trip was expanded to sponsor Youmu Elementary School of New Taipei City with reading educational funds and wealth management books. Students were invited to visit the National Palace Museum in Taipei City for a city reading trip, where students were taught personally to learn about calligraphy, ancient paintings, inscriptions, bronzeware, jadeaware, porcelain, books, historical documents, and more, thereby increasing children’s up-close learning experiences of the archived historical artifacts and world-renowned cultural assets at the National Palace Museum, while cultivating the students’ social and cultural contexts.

Capital Securities hopes that through its own philanthropic participation, it would set as an example and call for everyone’s attention to rural education. By actualizing the social care spirit and spreading happiness to all corners, Capital Securities is awakening the society and the public to care for rural students’ education.

### **3. Industry Lecturer Project**

Investment Banking Department executives actively participated to serve as lecturers, as they visited the schools to share about the investment banking business, helping the students to understand business contents and the talents that investment banking need, which are efforts to robustly grow a first-rate finance talent pool and to actualize our belief of giving back to the society with the enhancement of youths’ sustainable work competency.

- (1) Tamkang University: 13 senior executives were appointed to serve as the lecturer for the class on “Asset Management Practical Operation”. 14 sessions were originally planned, but due to the pandemic, 8 sessions were actually taught.
- (2) Soochow University: 10 senior executives were appointed to serve as the lecturer for the class on “Capital Market in Practice and Operation” for a total of 11 sessions.

#### 4. Active Promotion of Industry-Academia Collaboration

##### (1) Organizing Internship for College Juniors

Between July to August, 2022, the Brokerage Department organized summer internship trainings, in which a total of 25 universities and colleges with a total of 108 students from National Taichung University of Science and Technology, National University of Kaohsiung, and Ming Chuan University participated. At the completion of the trainings, 24 students began their internships in advance in their senior year for a whole year (paid with full-time salary); and 7 students became part-time staff at our branches in the first semester of their senior years. And the retention rate was 28%.

##### (2) Organizing Summer Internship for Senior Students:

Between March and April, 2022, a total of 74 students from 23 universities and colleges, including Chihlee University of Technology, Chaoyang University of Technology, Shih Hsin University, and Ming Chuan University, participated in the internship program organized by the Brokerage Department in the second semester of their senior year. At the completion of the training, 35 students began their internships in advance in the second semester of their senior year, with a retention rate of approximately 50%. The number of people retained and the retention rate drastically increased when compared with the numbers in 2021.

From January to June of 2022, Capital Securities collaborated with Graduate Institute of Technology Management at National Taiwan University of Science and Technology, Department of Information and Finance Management at National Taipei University of Technology, Department of Computer Science and Engineering at National Taiwan Ocean University, Department of Business Administration / Department of Computer Science & Information Management / Department of Big Data Management at Soochow University, Department of Information Management / Department of Computer Science and Information Engineering at Ming Chuan University, Program in Medical Informatics and Innovative Applications at Fu Jen Catholic University, where a total of 17 students participated in this session of internship. At the completion of the training, 8 students turned to full-time after graduation, and 1 first-year Master program student extended the internship program. Retention rate was 53%.

Between July 2022 to January 2023, Capital Securities collaborated with Department of Business Administration at National Taiwan University of Science and Technology, Department of Information and Finance Management at National Taipei University of Technology, Department of Business Administration at Ming Chuan University, Department of Computer Science and Information Engineering and Program in Medical Informatics and Innovative Applications at Fu Jen Catholic University, where a total

of 15 students participated in the internship program organized by Information Tech. Department during their first semester of senior year. At the completion of the training, 6 students continued and extended their internships with a retention rate of 40%.

# GRI Content Index

Capital Securities has referred to GRI Standards to report the information during the year of 2022 (from January 1, 2022 to December 31, 2022) quoted from GRI Content Index.

## GRI 1: Foundation 2021

## GRI 2: General Disclosures 2021

| GRI Standards                           | Disclosure item   | Brief description of chapters or contents   | Page           |
|---|---|---|----------------|
| <b>GRI 2 : General Disclosures 2021</b> |   |   |                |
| 2-1                                     | Organizational details  | About the Report  |                |
| 2-2                                     | Entities included in the organization's sustainability reporting            | About the Report  |                |
| 2-3                                     | Reporting period, frequency and contact point                               | About the Report  |                |
| 2-4                                     | Restatements of information   | N/A in 2022.  |                |
| 2-5                                     | External assurance  | CPA's Assurance Report  |                |
| 2-6                                     | Activities, value chain and other business relationships                    | II. Company Profile; Business Strategy and Brand Management   | 11             |
| 2-7                                     | Employees   | VI. Employees; Perfect Team and Sound Mechanism of Talent Recruitment, Retention, and Cultivation   | 53             |
| 2-8                                     | Workers who are not employees   | VI. Employees; Perfect Team and Sound Mechanism of Talent Recruitment, Retention, and Cultivation   | 53             |
| 2-9                                     | Governance structure and composition  | II. Company Profile; Members of the Board of Directors<br>II. Company Profile ; Functional Committees<br>II. Company Profile; Senior Management<br>Please also refer to the annual report of the shareholders' meeting in 2022. | 17<br>22<br>26 |
| 2-10                                    | Nomination and selection of the highest governance body                     | II. Company Profile; Members of the Board of Directors  | 17             |
| 2-11                                    | Chair of the highest governance body  | II. Company Profile; Members of the Board of Directors<br>II. Company Profile; Senior Management  | 17<br>26       |
| 2-12                                    | Role of the highest governance body in overseeing the management of impacts | II. Company Profile; Members of the Board of Directors<br>II. Company Profile; Senior Management  | 17<br>26       |
| 2-13                                    | Delegation of responsibility for managing impacts                           | II. Company Profile ; Corporate Governance Framework  | 15<br>17       |

| GRI Standards | Disclosure item   | Brief description of chapters or contents   | Page           |
|---------------|---|---|----------------|
|               |   | II. Company Profile; Members of the Board of Directors<br>II. Company Profile ; Functional Committees<br>II. Company Profile; Senior Management                         | 22<br>26       |
| 2-14          | Role of the highest governance body in sustainability reporting | II. Company Profile; Members of the Board of Directors<br>II. Company Profile ; Functional Committees   | 17<br>22       |
| 2-15          | Conflicts of interest   | III. Business Performance; Ethical Corporate Management   | 27             |
| 2-16          | Communication of critical concerns                              | III. Business Performance; Ethical Corporate Management   | 27             |
| 2-17          | Collective knowledge of the highest governance body             | I. Sustainability Strategy; Sustainable Development Committee<br>II. Company Profile; Members of the Board of Directors<br>II. Company Profile ; Functional Committees  | 3<br>17<br>22  |
| 2-18          | Evaluation of the performance of the highest governance body    | II. Company Profile; Members of the Board of Directors<br>II. Company Profile ; Functional Committees   | 17<br>22       |
| 2-19          | Remuneration policies   | II. Company Profile; Members of the Board of Directors<br>II. Company Profile ; Functional Committees<br>VI. Employees; Compensation and Remuneration Policy and System | 17<br>22<br>63 |
| 2-20          | Process to determine remuneration                               | II. Company Profile; Members of the Board of Directors<br>II. Company Profile ; Functional Committees   | 17<br>22       |
| 2-21          | Annual total compensation ratio                                 | VI. Employees; Compensation and Remuneration Policy and System  | 63             |
| 2-22          | Statement on sustainable development strategy                   | Chairman' s Philosophy  | 1              |
| 2-23          | Policy commitments  | III. Business Performance; Ethical Corporate Management   | 27             |
| 2-24          | Embedding policy commitments                                    | III. Business Performance; Ethical Corporate Management<br>VI. Employees; Labor Rights Strategies   | 27<br>52       |
| 2-25          | Processes to remediate negative impacts                         | III. Business Performance; Ethical Corporate Management<br>III. Business Performance; Risk Management<br>VII. Customers and Society; Fair Treatment of Customers        | 27<br>33<br>72 |
| 2-26          | Mechanisms for seeking  | III. Business Performance; Ethical Corporate  | 27             |

| GRI Standards                  | Disclosure item                      | Brief description of chapters or contents  | Page     |
|--------------------------------|--------------------------------------|--|----------|
|                                | advice and raising concerns          | Management<br>VII. Customers and Society; Fair Treatment of Customers                                  | 72       |
| 2-27                           | Compliance with laws and regulations | III. Business Performance; Ethical Corporate Management<br>III. Business Performance; Legal Compliance | 27<br>36 |
| 2-28                           | Membership associations              | III. Business Performance; Unions, Associations and Other Organizations                                | 36       |
| 2-29                           | Approach to stakeholder engagement   | I. Sustainability Strategy; Materiality Analysis   | 3        |
| 2-30                           | Collective bargaining agreements     | N/A in 2022.   |          |
| <b>GRI 3 : Material Topics</b> |                                      |  |          |
| 3-1                            | Process to determine material topics | I. Sustainability Strategy; Materiality Analysis   | 3        |
| 3-2                            | List of material topics              | I. Sustainability Strategy; Materiality Analysis   | 3        |
| 3-3                            | Management of material topics        | I. Sustainability Strategy; Materiality Analysis   | 3        |

## GRI 200: Economy

| GRI Standards                             | Disclosure item  | Brief description of chapters or contents                 | Page |
|---|--|---|------|
| <b>GRI 201: Economic Performance 2016</b> |  |   |      |
| 201-1                                     | Direct economic value generated and distributed                                | III. Business Performance; Operational Performance        | 27   |
| 201-2                                     | Financial implications and other risks and opportunities due to climate change | IV. Climate Change  | 37   |
| 201-3                                     | Defined benefit plan obligations and other retirement plans                    | VI. Employees; Comprehensive Employee Care and Welfare    | 64   |
| <b>GRI 205: Anti-corruption 2016</b>      |  |   |      |
| 205-2                                     | Communication and training about anti-corruption policies and procedures       | III. Business Performance; Ethical Corporate Management ° | 27   |
| 205-3                                     | Confirmed incidents of corruption and actions taken                            | N/A in 2021.  |      |

## GRI 300: Environment

| GRI Standards  | Disclosure item  | Brief description of chapters or contents   | Page |
|--|--|---|------|
| <b>GRI 302: Energy 2016</b>                            |  |   |      |
| 302-1  | Energy consumption within the organization                           | V. Environmental Issues; Energy Management  | 46   |
| 302-3  | Energy intensity   | V. Environmental Issues; Energy Management  | 46   |
| <b>GRI 305: Emissions 2016</b>                         |  |   |      |
| 305-1  | Direct (Scope 1) GHG emissions                                       | V. Environmental Issues; Greenhouse Gas Emissions   | 47   |
| 305-2  | Energy indirect (Scope 2) GHG emissions                              | V. Environmental Issues; Greenhouse Gas Emissions   | 47   |
| 305-4  | GHG emissions intensity  | V. Environmental Issues; Greenhouse Gas Emissions   | 47   |
| 305-5  | Reduction of GHG emissions   | V. Environmental Issues; Low Carbon Strategies and Action Plans   | 49   |
| <b>GRI 307: Environmental Compliance 2016</b>          |  |   |      |
| 307-1  | Non-compliance with environmental laws and regulations               | In 2022, Capital Securities did not have any major violation of environmental protection laws and regulations.  |      |
| <b>GRI 308: Supplier Environmental Assessment 2016</b> |  |   |      |
| 308-1  | New suppliers that were screened using environmental criteria        | Capital Securities selects suppliers in accordance with their performance in social responsibility and moral norms. We select suppliers with good performance, and eliminate suppliers with poor performance to encourage all suppliers to take actions to improve their social responsibility and moral norms. |      |
| 308-2  | Negative environmental impacts in the supply chain and actions taken | In 2022, there was no report of any suppliers violating social responsibility and moral norms requested by the Company.   |      |

## GRI 400: Society

| GRI Standards                   | Disclosure item                          | Brief description of chapters or contents   | Page |
|---------------------------------|--|---|------|
| <b>GRI 401: Employment 2016</b> |  |   |      |
| 401-1                           | New employee hires and employee turnover | VI. Employees; Perfect Team and Sound Mechanism of Talent Recruitment, Retention, and Cultivation | 53   |
| 401-2                           | Benefits provided to full-time           | VI. Employees; Comprehensive Employee Care  | 66   |

| GRI Standards                                       | Disclosure item   | Brief description of chapters or contents   | Page     |
|---|---|---|----------|
|   | employees that are not provided to temporary or part-time employees   | and Welfare; (2) Proper System to Extend Care for Employees   |          |
| 401-3   | Parental leave  | VI. Employees; Comprehensive Employee Care and Welfare; (2) Proper System to Extend Care for Employees  | 66       |
| <b>GRI 403: Occupational Health and Safety 2018</b> |   |   |          |
| 403-1   | Occupational health and safety management system  | VI. Employees; Comprehensive Employee Care and Welfare; (3) Occupational Safety and Health Management System  | 67       |
| 403-2   | Hazard identification, risk assessment, and incident investigation  | VI. Employees; Comprehensive Employee Care and Welfare; (3) Occupational Safety and Health Management System  | 67       |
| 403-3   | Occupational health services  | VI. Employees; Comprehensive Employee Care and Welfare; (3) Occupational Safety and Health Management System  | 67       |
| 403-4   | Worker participation, consultation, and communication on occupational health and safety                       | VI. Employees; Comprehensive Employee Care and Welfare; (3) Occupational Safety and Health Management System  | 67       |
| 403-5   | Worker training on occupational health and safety   | VI. Employees; Perfect Team and Sound Mechanism of Talent Recruitment, Retention, and Cultivation<br>VI. Employees; Comprehensive Employee Care and Welfare; (3) Occupational Safety and Health Management System | 53<br>67 |
| 403-6   | Promotion of worker health  | VI. Employees; Comprehensive Employee Care and Welfare; (3) Occupational Safety and Health Management System  | 67       |
| 403-7   | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | VI. Employees; Comprehensive Employee Care and Welfare; (3) Occupational Safety and Health Management System  | 67       |
| 403-9   | Work-related injuries   | VI. Employees; Comprehensive Employee Care and Welfare; (3) Occupational Safety and Health Management System  | 67       |
| 403-10  | Work-related ill health   | VI. Employees; Comprehensive Employee Care and Welfare; (3) Occupational Safety and Health Management System  | 67       |
| <b>GRI 404: Training and Education 2016</b>         |   |   |          |
| 404-1   | Average hours of training per year per employee   | VI. Employees; Perfect Team and Sound Mechanism of Talent Recruitment, Retention, and Cultivation   | 53       |

| GRI Standards                                   | Disclosure item  | Brief description of chapters or contents   | Page |
|---|--|---|------|
| 404-2   | Programs for upgrading employee skills and transition assistance programs                    | VI. Employees; Perfect Team and Sound Mechanism of Talent Recruitment, Retention, and Cultivation   | 53   |
| 404-3   | Percentage of employees receiving regular performance and career development reviews         | VI. Employees; Perfect Team and Sound Mechanism of Talent Recruitment, Retention, and Cultivation   | 53   |
| <b>GRI 414: Supplier Social Assessment 2016</b> |  |   |      |
| 414-1   | New suppliers that were screened using social criteria                                       | Capital Securities selects suppliers in accordance with their performance in social responsibility and moral norms. We select suppliers with good performance, and eliminate suppliers with poor performance to encourage all suppliers to take actions to improve their social responsibility and moral norms. |      |
| 414-2   | Negative social impacts in the supply chain, and actions taken                               | In 2022, there was no report of any suppliers violating social responsibility and moral norms requested by the company.   |      |
| <b>GRI 417: Marketing and Labeling 2016</b>     |  |   |      |
| 417-1   | Requirements for product and service information and labeling                                | VII. Customers and Society  | 72   |
| 417-2   | Incidents of non-compliance concerning product and service information and labeling          | N/A in 2022.  |      |
| 417-3   | Incidents of non-compliance concerning marketing communications                              | N/A in 2022.  |      |
| <b>GRI 418: Socioeconomic Compliance 2016</b>   |  |   |      |
| 418-1   | Substantiated complaints concerning breaches of customer privacy and losses of customer data | N/A in 2022.  |      |
| <b>GRI 419: Socioeconomic Compliance 2016</b>   |  |   |      |
| 419-1   | Non-compliance with laws and regulations in the social and economic area                     | In 2022, Capital Securities did not have any major violation in the social or economic area.  |      |

## Sustainability Disclosure Topics & Accounting Metrics

| Index code   | Disclosure index   | Disclosure content in 2022   | Reference/Page   |                  |                  |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |  |
|--|--|--|------------------|------------------|------------------|------------------|----------|------------------|--------|-------------|---------------|---------------|-----------------|-------------|-------------------------------------|-------------|------|---|---------|---------------|--|
| Diversity and Inclusion                            |  |  |                  |                  |                  |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |  |
| FN-IB-330a-1                                       | Percentage of gender and racial / ethnic group representation for (1) executive management; (2) non-executive management; (3) professionals; and (4) all other employees.      | <ol style="list-style-type: none"> <li>Executive management (Chairman, president, vice president, assistant vice president, and so on): 24 males (accounting for 1.3% of total employees); 19 females (accounting for 1% of total employees). 43 people in total (accounting for 2.3% of total employees)</li> <li>Non-executive management (Senior manager, assistant manager, junior manager, section chief and so on): 86 males (accounting for 4.6% of total employees); 140 females (accounting for 7.4% of total employees). 226 people in total (accounting for 12% of total employees)</li> <li>Other employees (excluding executive management and non-executive management): 580 males (accounting for 30.7% of total employees); 1,039 females (accounting for 55% of total employees). 1,619 people in total (accounting for 85.8% of total employees)</li> <li>Professionals: 2 lawyers; 5 CPAs (qualified).</li> </ol> |                  |                  |                  |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |  |
| ESG elements included in organizational activities |  |  |                  |                  |                  |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |  |
| FN-IB-410a-1                                       | Revenue from (1) underwriting, (2) advisory, and (3) securitization transactions incorporating integration of environmental, social, and governance (ESG) factors, by industry | In 2022, the total sales amount was NT\$48,728,550. The amount for consultation and securitization trading has not been completely calculated.   |                  |                  |                  |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |  |
| FN-IB-410a-2                                       | (1) Number and (2) total value of investments and loans incorporating integration of environmental, social, and governance (ESG) factors, by industry                          | <p>The amount and total of loans or investment with ESG elements included in 2022 are as follows:</p> <ol style="list-style-type: none"> <li>Domestic targets: (NT/dollars)</li> </ol> <table border="1"> <thead> <tr> <th>Industry</th> <th>Amount and value</th> <th>Industry</th> <th>Amount and value</th> <th>Industry</th> <th>Amount and value</th> </tr> </thead> <tbody> <tr> <td>Cement</td> <td>400,000,731</td> <td>Semiconductor</td> <td>2,645,435,816</td> <td>Optoelectronics</td> <td>350,474,000</td> </tr> <tr> <td>Building materials and construction</td> <td>200,000,000</td> <td>Food</td> <td>0</td> <td>Finance</td> <td>2,144,262,905</td> </tr> </tbody> </table>  | Industry         | Amount and value | Industry         | Amount and value | Industry | Amount and value | Cement | 400,000,731 | Semiconductor | 2,645,435,816 | Optoelectronics | 350,474,000 | Building materials and construction | 200,000,000 | Food | 0 | Finance | 2,144,262,905 |  |
| Industry   | Amount and value   | Industry   | Amount and value | Industry         | Amount and value |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |  |
| Cement   | 400,000,731  | Semiconductor  | 2,645,435,816    | Optoelectronics  | 350,474,000      |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |  |
| Building materials and construction                | 200,000,000  | Food   | 0                | Finance          | 2,144,262,905    |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |  |

| Index code      | Disclosure index   | Disclosure content in 2022   |                  |                                    |                  |                            |                  | Reference/Page |
|-----------------|--|--|------------------|------------------------------------|------------------|----------------------------|------------------|----------------|
|                 |  | Shipping and transportation  | 350,000,000      | Plastic                            | 200,000,000      | Textile fiber              | 325,000,000      |                |
|                 |  | Electronic components  | 404,675,524      | Computers and peripheral equipment | 956,571,426      | Plastic industry           | 0                |                |
|                 |  | Steel industry   | 358,672,000      | Chemical industry                  | 0                | Electrical and cable       | 0                |                |
|                 |  | Automobile   | 33,915,000       | Communications networking          | 17,885,000       | Biotechnology and medicine | 51,162,100       |                |
|                 |  | Electronic channel   | 0                | Electrical machinery               | 37,955,950       | Agricultural technology    | 0                |                |
|                 |  | Steel  | 0                | Other electronics                  | 305,504,932      | Others                     | 3,327,384,070    |                |
|                 |  | 2. Foreign targets: (NT/dollars)   |                  |                                    |                  |                            |                  |                |
|                 |  | Industry   | Amount and value | Industry                           | Amount and value | Industry                   | Amount and value |                |
|                 |  | Finance  | 11,772,252,122   | Energy                             | 154,938,168      | Industry                   | 522,930,655      |                |
|                 |  | Public utilities   | 0                | Non-core consumption               | 334,760,179      | Technology                 | 521,454,116      |                |
|                 |  | Raw materials  | 0                | Core consumption                   | 0                | Communications             | 780,061,988      |                |
|                 |  | Medical health care  | 313,152,514      | REITS                              | 0                |                            |                  |                |
| FN-IB-410a-3    | Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment banking and brokerage activities | Capital Securities includes ESG elements into the operational procedures of sales, or loans or investment such as to confirm forms or checklists, and to ensure that before or when our colleagues execute businesses, they evaluate ESG-related elements to ensure that sales, or loan or investment targets conform to ESG standards requested by the company. |                  |                                    |                  |                            |                  |                |
| Business Ethics |  |  |                  |                                    |                  |                            |                  |                |

| Index code             | Disclosure index  | Disclosure content in 2022  | Reference/Page |
|------------------------|---|---|----------------|
| FN-IB-510a-1           | Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations | In 2022, there was no report of such case in Capital Securities.  |                |
| FN-IB-510a-2           | Description of whistleblower policies and procedures  | Capital Securities has stipulated regulations for the accusation system. Any employee may report any crime, corrupt practice, or the violation of laws and decrees to the company via our accusation hotline and other channels. The unit that is in charge of such accusation reports is the Auditing Department that has regulated verification procedures for accusation cases, and the protection of whistleblowers.  |                |
| Professional Integrity |   |   |                |
| FN-IB-510b-1           | (1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings  | Employee professional ethics related affairs took place in year 2022, and the records in detailed statistics are as follows:<br>1. Customer complaint mechanism: There was 1 suspected case (number of employee was 1 / accounting for 0.05% of total employees). The case has been completely and appropriately handled, and improvement measures have been implemented.<br>2. And in regard to financial regulation or private civil litigation, there are no records of related affairs. |                |
| FN-IB-510b-2           | Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party  | In 2022, there was no report of such case in Capital Securities.  |                |
| FN-IB-510b-3           | Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care   | In 2022, there was no report of such case in Capital Securities.  |                |
| FN-IB-510b-4           | Description of approach to ensuring professional integrity,   | The methods adopted by Capital Securities are briefly introduced as follows:<br>3. The Company has stipulated the codes of ethical conduct, regulations on integrity management,  |                |

| Index code                                  | Disclosure index  | Disclosure content in 2022  | Reference/Page |
|---|---|---|----------------|
|   | including duty of care  | <p>operational procedures for integrity management, the code of conduct, and other internal regulations.</p> <ol style="list-style-type: none"> <li>4. Newly-recruited employees have signed the code of conduct of the CAPITAL group.</li> <li>5. Capital Securities' employees have to pass the financial professional ethics examination to become qualified sales clerks. Additionally, they shall participate in on-the-job training on a regular basis.</li> <li>6. Capital Securities holds educational training on a regular basis. The courses include the law propaganda of integrity management, of banned acts for securities dealers, and of major news and insider trading.</li> </ol>  |                |
| Systematic Risk Management                  |   |   |                |
| FN-IB-550a-1                                | Global Systemically Important Bank (G-SIB) score, by category   | Capital Securities does not have such business activities.  |                |
| FN-IB-550a-2                                | Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities | Every year, Capital Securities conducts the trial calculation for capital adequacy based on the pressure circumstances of business limits of annual operational plans of each department. Additionally, the risk limits of each department are adjusted and allocated in accordance with the results of trial calculation.  |                |
| Employee Motivation and Assumption of Risks |   |   |                |
| FN-IB-550b-1                                | Percentage of total remuneration that is variable for Material Risk Takers (MRTs)   | Variable payment accounts for 23.31% of total payment.  |                |
| FN-IB-550b-2                                | Percentage of variable remuneration of Material Risk Takers (MRTs) to which malus or clawback provisions were applied   | <p>Although Capital Securities is unable to quantify the percentage, the company's internal regulations on awards and bonuses have specified that sales clerks shall be investigated by Human Resources Committee in one of the following situations when they cause any loss to customers, or trigger customer disputes and complaints. Additionally, their sales awards shall not be appropriated to them temporarily, and they may apply for the re-appropriation of such awards upon the settlement of these controversial issues.</p> <ol style="list-style-type: none"> <li>1. To win sales awards illegitimately by persuading customers to terminate their investment and re-invest several times or to conduct frequent transactions within a short period of time.</li> </ol> |                |

| Index code                          | Disclosure index  | Disclosure content in 2022   | Reference/Page   |                      |                  |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |                             |             |         |             |               |             |                       |             |                                    |             |                  |   |                |             |                   |   |                      |   |  |
|-------------------------------------|---|--|------------------|----------------------|------------------|------------------|----------|------------------|--------|-------------|---------------|---------------|-----------------|-------------|-------------------------------------|-------------|------|---|---------|---------------|-----------------------------|-------------|---------|-------------|---------------|-------------|-----------------------|-------------|------------------------------------|-------------|------------------|---|----------------|-------------|-------------------|---|----------------------|---|--|
|                                     |   | 2. To violate laws and decrees, self-discipline, and working regulations related to the sales of financial instruments.<br>3. To violate the Company's internal control and auditing regulations.<br>4. To fail to get to know customers.  |                  |                      |                  |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |                             |             |         |             |               |             |                       |             |                                    |             |                  |   |                |             |                   |   |                      |   |  |
| FN-IB-550b-3                        | Discussion of policies around supervision, control and validation of traders' pricing of Level 3 assets and liabilities | Capital Securities does not have such business activities.   |                  |                      |                  |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |                             |             |         |             |               |             |                       |             |                                    |             |                  |   |                |             |                   |   |                      |   |  |
| <b>Activity index</b>               |   |  |                  |                      |                  |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |                             |             |         |             |               |             |                       |             |                                    |             |                  |   |                |             |                   |   |                      |   |  |
| FN-IB-000.A                         | (1) Number and (2) value of (a) underwriting, (b) advisory, and (c) securitization transactions                         | In 2022, the total sales amount made by the Fixed Income Department was NT\$45,192,900,000, and the total sales amount made by the Investment Banking Department was NT\$2,760,000,000, which totaled a sales amount of NT\$47,952,900,000. However, the amount for consultation and securitization trading has not been completely calculated.  |                  |                      |                  |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |                             |             |         |             |               |             |                       |             |                                    |             |                  |   |                |             |                   |   |                      |   |  |
| FN-IB-000.B                         | (1) Number and (2) value of proprietary investments and loans by sector   | The amount and value of self-run investment and loans in 2022 are as follows:<br>1. Domestic targets: (NT/dollars) <table border="1" data-bbox="719 890 1928 1390"> <thead> <tr> <th>Industry</th> <th>Amount and value</th> <th>Industry</th> <th>Amount and value</th> <th>Industry</th> <th>Amount and value</th> </tr> </thead> <tbody> <tr> <td>Cement</td> <td>400,000,731</td> <td>Semiconductor</td> <td>2,645,435,816</td> <td>Optoelectronics</td> <td>350,474,000</td> </tr> <tr> <td>Building materials and construction</td> <td>200,000,000</td> <td>Food</td> <td>0</td> <td>Finance</td> <td>2,144,262,905</td> </tr> <tr> <td>Shipping and transportation</td> <td>350,000,000</td> <td>Plastic</td> <td>200,000,000</td> <td>Textile fiber</td> <td>325,000,000</td> </tr> <tr> <td>Electronic components</td> <td>404,675,524</td> <td>Computers and peripheral equipment</td> <td>956,571,426</td> <td>Plastic industry</td> <td>0</td> </tr> <tr> <td>Steel industry</td> <td>358,672,000</td> <td>Chemical industry</td> <td>0</td> <td>Electrical and cable</td> <td>0</td> </tr> </tbody> </table> | Industry         | Amount and value     | Industry         | Amount and value | Industry | Amount and value | Cement | 400,000,731 | Semiconductor | 2,645,435,816 | Optoelectronics | 350,474,000 | Building materials and construction | 200,000,000 | Food | 0 | Finance | 2,144,262,905 | Shipping and transportation | 350,000,000 | Plastic | 200,000,000 | Textile fiber | 325,000,000 | Electronic components | 404,675,524 | Computers and peripheral equipment | 956,571,426 | Plastic industry | 0 | Steel industry | 358,672,000 | Chemical industry | 0 | Electrical and cable | 0 |  |
| Industry                            | Amount and value  | Industry   | Amount and value | Industry             | Amount and value |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |                             |             |         |             |               |             |                       |             |                                    |             |                  |   |                |             |                   |   |                      |   |  |
| Cement                              | 400,000,731   | Semiconductor  | 2,645,435,816    | Optoelectronics      | 350,474,000      |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |                             |             |         |             |               |             |                       |             |                                    |             |                  |   |                |             |                   |   |                      |   |  |
| Building materials and construction | 200,000,000   | Food   | 0                | Finance              | 2,144,262,905    |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |                             |             |         |             |               |             |                       |             |                                    |             |                  |   |                |             |                   |   |                      |   |  |
| Shipping and transportation         | 350,000,000   | Plastic  | 200,000,000      | Textile fiber        | 325,000,000      |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |                             |             |         |             |               |             |                       |             |                                    |             |                  |   |                |             |                   |   |                      |   |  |
| Electronic components               | 404,675,524   | Computers and peripheral equipment   | 956,571,426      | Plastic industry     | 0                |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |                             |             |         |             |               |             |                       |             |                                    |             |                  |   |                |             |                   |   |                      |   |  |
| Steel industry                      | 358,672,000   | Chemical industry  | 0                | Electrical and cable | 0                |                  |          |                  |        |             |               |               |                 |             |                                     |             |      |   |         |               |                             |             |         |             |               |             |                       |             |                                    |             |                  |   |                |             |                   |   |                      |   |  |

| Index code  | Disclosure index  | Disclosure content in 2022  |                  |                           |                  |                            |                  | Reference/Page |
|-------------|---|---|------------------|---------------------------|------------------|----------------------------|------------------|----------------|
|             |   | Automobile  | 33,915,000       | Communications networking | 17,885,000       | Biotechnology and medicine | 51,162,100       |                |
|             |   | Electronic channels   | 0                | Electric machinery        | 37,955,950       | Agricultural technology    | 0                |                |
|             |   | Steel   | 0                | Government agencies       | 5,253,816,124    | Other electronics          | 305,504,932      |                |
|             |   | Others  | 3,327,384,070    |                           |                  |                            |                  |                |
|             |   | 2. Foreign targets: (NT/dollars)  |                  |                           |                  |                            |                  |                |
|             |   | Industry  | Amount and value | Industry                  | Amount and value | Industry                   | Amount and value |                |
|             |   | Finance   | 11,772,252,122   | Energy                    | 154,938,168      | Industry                   | 522,930,655      |                |
|             |   | Public utilities  | 0                | Non-core consumption      | 334,760,179      | Technology                 | 521,454,116      |                |
|             |   | Raw materials   | 0                | Core consumption          | 0                | Communications             | 780,061,988      |                |
|             |   | Medical health care   | 313,152,514      | REITS                     | 0                | Government agencies        | 889,787,231      |                |
| FN-IB-000.C | (1) Number and (2) value of market making transactions in (a) fixed income, (b) equity, (c) currency, (d) derivatives, and (e) commodity products | (a) Fixed income: None.<br>(b) Equity: NT\$72,127,052,564.<br>(c) Currency: None.<br>(d) Derivatives: NT\$106,087,064,940.<br>(e) Commodity products: None. |                  |                           |                  |                            |                  |                |



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