

Hotai Finance Co., Ltd.

Sustainable Development Practice Principles

August 8, 2024

Chapter I General Provisions

Article 1

In order to fulfill sustainable development initiatives and to promote economic, environmental and social advancement for the purpose of sustainable development, the Company adopts the Sustainable Development Best Principles for TWSE/GTSM Listed Companies (hereinafter the Principles) for compliance.

Article 2

The Principles applies to the Company, including its entire operations and its business group.

In the course of business operations, the Company will actively fulfill sustainable development to follow international development trends and will act as a responsible corporate citizen to contribute to economic development of the country, to improve the quality of life of employees, community and society and to enhance competitive edges built on sustainable development.

Article 3

The Company shall give due consideration to the rights and interests of stakeholders in fulfilling sustainable development initiatives, and give due consideration to the environment, society and corporate governance while pursuing sustainable operations and profits to be included in corporate management guidelines and business operations.

The Company shall, in compliance with materiality, conduct risk assessment of the environment, society and corporate governance issues with respect to corporate operation and regulate the applicable risk management policy or strategy.

Article 4

To implement sustainable development initiatives, the Company is advised to follow the principles below:

1. Exercise corporate governance;
2. Foster a sustainable environment;
3. Preserve public welfare; and
4. Enhance disclosure of sustainable development information.

Article 5

The Company shall take into consideration the correlation between the development of domestic and international sustainable development principles and corporate core business operations, and the effect of its entire operation and its group as a whole on stakeholders in establishing the sustainable development policy and systems or relevant management guidelines and concrete promotion plans which shall be approved by the board of directors and then reported to the shareholders meeting.

When a shareholder proposes a motion involving sustainable development, the Company's board of directors is advised to review and consider including it in the shareholders meeting agenda.

Chapter II Exercising Corporate Governance

Article 6

The Company is advised to follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the Code of Ethical Conduct for TWSE/GTSM Listed Companies to establish the effective corporate governance framework and relevant ethical standards so as to enhance corporate governance.

Article 7

Each director of the Company shall exercise the due care of a good administrator to urge the Company to fulfill sustainable development initiatives, and shall examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of the sustainable development policy.

Its board of directors is advised to give full consideration to the interests of stakeholders, including the following matters, in performing CSR initiatives:

1. Identifying the sustainable development mission or vision and declaring the sustainable development policy and systems or relevant management guidelines;
2. Making sustainable development the guiding principles of business operations and development and ratifying concrete promotional plans for sustainable development initiatives; and
3. Enhancing the timeliness and accuracy of the disclosure of sustainable development information.

The board of directors shall appoint executive-level positions with responsibility for economic, environmental and social issues resulting from its operations and to report the status of the handling to

the board of directors. The handling process and the responsible person of each issue shall be concrete and clear.

Article 8

The Company is advised to organize irregular education and training to fulfill sustainable development initiatives, including promotion of the matters prescribed in paragraph 2 of the preceding article.

Article 9

For the purpose of managing sustainable development initiatives, the Company is advised to establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the sustainable development policy and systems or relevant management guidelines and concrete promotional plans for sustainable development initiatives and to report to the board of directors on a periodic basis.

The Company is advised to adopt reasonable remuneration policies to ensure that remuneration arrangements support the strategic aims of the organization and align with the interests of stakeholders.

It is advised that the employee performance evaluation system be combined with the sustainable development policy and that a clear and effective incentive and discipline system be established.

Article 10

The Company shall, based on respect for the rights and interests of stakeholders, identify its stakeholders and establish a stakeholders section on its website. It shall understand stakeholders' reasonable expectations and demands through proper communication and adequately respond to the important sustainable development issues which concern them.

Chapter III Fostering a Sustainable Environment

Article 11

The Company shall follow environmental laws and regulations and international environmental standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations and internal management.

Article 12

The Company shall use energy resources more efficiently and use renewable materials which have low impacts on the environment to improve sustainability of natural resources.

Article 13

The Company is advised to establish proper environment management systems based on the characteristics of the industry which shall include the following tasks:

1. Collecting sufficient and up-to-date information to evaluate the impact of its operations on the natural environment;
2. Establishing measurable goals for environmental sustainability and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis;
3. Adopting enforcement measures such as concrete plans or action plans and examining the results of their operations on a regular basis.

Article 14

The Company is advised to establish a dedicated unit or assign dedicated personnel for drafting, promoting and maintaining relevant environment management systems and concrete action plans and should hold environmental education courses for its managerial officers and all employees on a periodic basis.

Article 15

The Company is advised to take into account the effect of its business operations on ecological efficiency, promote and advocate the concept of sustainable consumption, and conduct R&D, procurement, production, operations and services in accordance with the following principles to reduce the impact on the natural environment and human beings arising from its business operations:

1. Reduce resource and energy consumption of its products and services;
2. Reduce emission of pollutants, toxins and waste and dispose of waste properly;
3. Improve recyclability and reusability of raw materials or products;
4. Maximize the sustainability of renewable resources;
5. Enhance the durability of products;
6. Improve efficiency of products and services.

Article 16

To improve water use efficiently, the Company shall properly and sustainably use water resources and establish relevant management measures.

The Company shall construct and improve environmental protection treatment facilities to avoid

polluting water, air and land. It shall also utilize its best efforts to reduce adverse impact on human health and the environment by adopting the best practical measures of pollution prevention and control.

Article 17

The Company is advised to evaluate the present and future potential risks and opportunities brought by climate change to the business and adopt the climate- associated precautions.

The Company is advised to adopt standards or guidelines adopted universally nationwide and worldwide to enforce the corporate greenhouse gas (GHG) inventory and to make disclosure thereof, the scope of which shall include:

1. Direct emissions: those from operations owned or controlled by the Company;
2. Indirect emissions: those resulting from the generation of externally purchased or acquired electricity, heating or steam.
3. Other indirect emissions: Emissions from company activities that are not indirect emissions from energy sources but originate from sources owned or controlled by other companies.

The Company is advised to compute GHG emission, water consumption and waste gross weight, establish corporate strategies for energy conservation and carbon reduction, for emission reduction, for water saving or for waste management, and include carbon credit obtainment in such strategies and subsequently implement them to minimize the impact of business operations on climate change.

Chapter IV Preserving Public Welfare

Article 18

The Company shall comply with relevant laws and regulations and the International Bill of Human Rights, with respect to rights such as gender equality, the right to work and prohibition of discrimination.

The Company, to fulfill its responsibility for protection of human rights, shall adopt the relevant management policy and procedure as follows:

1. Presenting the corporate policy or statement on human rights;
2. Evaluating the impact of its business operations and internal management on human rights and adopting the corresponding handling procedure;
3. Reviewing on a regular basis the effectiveness of the corporate policy or statement on human rights;

4. In the event of any infringement of human rights, the Company shall disclose the handling procedure of the matter with respect to the stakeholders involved.

The Company shall comply with the internationally recognized human rights of labor, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, and eliminating recruitment and employment discrimination, and shall ensure that the human resource policy does not contain differential treatments based on gender, race, socioeconomic status, age or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation and promotion opportunities.

The Company shall provide an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient and unobstructed. The Company shall respond to any employee's grievance in an appropriate manner.

Article 19

The Company shall provide information for employees so that they have knowledge of the labor laws and the rights they enjoy in the nation(s) where it has business operations.

Article 20

The Company is advised to provide safe and healthful work environments for employees, including necessary health and first-aid facilities and shall endeavor to cut dangers impairing employees' safety and health to prevent occupational accidents.

The Company is advised to organize training on safety and health for employees on a regular basis.

Article 21

The Company is advised to create an environment conducive to its employees' career development and establish effective training programs to foster career skills.

The Company shall regulate and implement reasonable employee welfare measures (including but not limited to remuneration, leave or other welfare measures), and appropriately reflect the corporate business performance or achievements in the employee remuneration to ensure the recruitment, retention and motivation of human resources for achieving the objective of sustainable operations.

Article 22

The Company shall establish a platform to facilitate regular two-way communication between the management and employees making employees obtain information relevant to and express their

opinions on operations, management and decisions.

The Company shall respect the employee representatives' rights to bargain for the working conditions and provide the employees with necessary information and hardware equipment in order to improve the negotiation and cooperation among employers, employees and their representatives.

The Company shall, by reasonable means, inform employees of operation changes that might have material impacts.

Article 22-1

The Company is advised to treat clients or consumers of its products or services in a fair and reasonable manner comprised of the following principles: fairness and good faith in contracting, duty of care and fiduciary duty, truthfulness in advertising and soliciting, fitness of products or services, notification and disclosure, commensuration between compensation and performance, protection of the right to complain, professionalism of salespersons, etc., and shall develop relevant strategies and specific measures for implementation.

Article 23

The Company shall take responsibility for its products and services and take marketing ethics seriously. In the process of R&D, procurement, production, operations and services, the Company shall ensure information transparency and safety of its products and services. It shall further establish and disclose the consumer's rights and interests policy and enforce it in the course of business operations, in order to prevent its products or services from adversely impacting consumers' rights and interests, health and safety.

Article 24

The Company shall ensure the quality of its products and services by following the governmental laws and regulations and the industrial protocols.

The Company shall comply with relevant laws and regulations and international guidelines when customer health and safety, customer privacy, marketing or labeling its products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage their rights and interests.

Article 25

The Company is advised to evaluate and manage all types of risks that could cause interruptions in operations so as to reduce the impact on consumers and society.

The Company is advised to provide a clear and effective procedure for accepting a consumer's complaint and to fairly and timely handle it, and shall comply with relevant laws and regulations such

as the Personal Information Protection Act for respecting his/her right of privacy and protecting his/her personal data provided thereby.

Article 26

The Company is advised to assess the impact its procurement has on society as well as the environment of the community of the supply source and shall cooperate with its suppliers to jointly implement the sustainable development initiatives.

The Company is advised to regulate the supplier management policy and requests the supplier comply with applicable rules in terms of environmental protection, occupational safety and health or labor rights. Prior to engaging in commercial dealings, the Company is advised to assess whether there is any record of a supplier's impact on the environment and society to avoid conducting transactions with those against the sustainable development policy.

When the Company enters into a contract with any of its major suppliers, the content should include terms stipulating compliance with the sustainable development policy of both and that the contract may be terminated or rescinded any time if the supplier has violated such policy that has caused a significant negative impact on society and the environment of the community of the supply source.

Article 27

The Company shall evaluate the impact of its business operations on the community and adequately employ personnel from the location of the business operations so as to enhance community acceptance.

The Company is advised to, through equity investment, commercial activities, endowments, volunteering service or other charitable professional services, dedicate resources to organizations that commercially resolve social or environmental issues, or participate in events held by civil organizations, charities and local government agencies committed to community development and community education to promote community development.

Article 27-1

The company is advised to promote cultural development by dedicating resources to the cultural and art activity, or cultural and creative industry through donation, sponsorship, investment, collaborative strategy, voluntary technical service, or other supportive measures.

Chapter V Enhancing Disclosure of Corporate Social Responsibility Information

Article 28

The Company shall disclose information according to relevant laws and regulations and the Corporate Governance Best Principles for TWSE/GTSM Listed Companies and shall fully disclose relevant and

reliable information on sustainable development initiatives to improve information transparency.

Information on sustainable development initiatives which the Company shall disclose includes:

1. Sustainable development policy and systems or relevant management guidelines and concrete promotion plans for sustainable development initiatives resolved by the board of directors;
2. Risks and impacts on corporate operations and financial conditions arising from three factors: exercising corporate governance, fostering a sustainable environment and preserving public welfare;
3. Goals and measures for fulfilling sustainable development initiatives established by the Company and performance of implementation;
4. Major stakeholders and their concerns;
5. Disclosure of information on major suppliers' management and performance with respect to major environmental and social issues;
6. Other information on sustainable development initiatives.

Article 29

The Company shall adopt internationally widely recognized standards or guidelines when producing sustainable development reports to disclose the status of implementation of the sustainable development policy. It is also advised to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include:

1. Sustainable development policy and systems or relevant management guidelines and concrete promotion plans for sustainable development initiatives;
2. Major stakeholders and their concerns;
3. Results and reviews of exercising corporate governance, fostering a sustainable environment, preserving public welfare and promoting economic development; and
4. Future improvements and goals.

Chapter VI Supplementary Provision

Article 30

The Company shall at all times monitor development of national and international sustainable development standards and changes in business environment so as to examine and improve its

established sustainable development framework to obtain better results from the implementation of the sustainable development policy.

Article 31

The Sustainable Development Practice Principles of the Company shall be implemented after the board of directors grants the approval. The same procedure shall be followed when the principles have been amended.