



企業社會責任報告書



2020
Corporate
Social
Responsibility
Report

About this Report

(102-45, 102-46, 102-50~102-54, 102-56)



Preparation principle

This report is based on the GRI Standards published by the Global Reporting Initiatives (GRI), and the "Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" as the main framework and follows the GRI Standards: core options

Reporting period

The data and content disclosed are mainly for the period from January 1 to December 31, 2020, with some performance data backdated to information prior to 2017 or postdated to the most recent information in 2021.

Reporting scope and boundary

The information described in this report covers all business locations in Taiwan. In this report, about the Company's installment businesses in the purchase and sale of automobiles, motorcycles, equipment, etc., for the convenience of the public in reading, we use "loan", "lending," or similar easy-to-understand terms to describe the business, but the Company does not engage in any consumer fund lending business. Please understand this. If you have any questions, please contact us.

Information calculation basis

The information and statistics in this report were obtained from our own statistics and surveys. Some of the financial figures in the operating performance chapters are from the financial statements attested by independent auditors. All financial figures in the report are expressed in NTD. The data collection, measurement and calculation are all in compliance with regulatory requirements. If there are no special regulations, international standards shall prevail, and if no international standards are applicable, industry standards or industry practices shall be referred to.

Report assurance

The Company has engaged PricewaterhouseCoopers (PwC) to perform independent limited assurance on the report prepared in accordance with GRI Standards and with the Standards on Assurance Engagements No. 1, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Accounting Research and Development Foundation of the ROC (established with reference to the International Standards on Assurance Engagements (ISAE) 3000). The assurance report is attached as an appendix to this report.

Release

HOTAI FINANCE CO., LTD. (HFC) issues CSR reports on a regular basis each year, and they are available for download on the Company's website.

<https://www.hfcfinance.com.tw/HFCIPO/>

Current release: June 2021

Previous release: September 2020

Feedback

If you have any suggestions or questions regarding the contents of this report, you are welcome to contact us at

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Message from the Chairperson

The year 2020 is an unprecedented year for the world. COVID-19 has severely affected our physical and mental health, and it has also changed the way of life we are used to. In the face of the impact of the epidemic on society, HFC was the first to initiate customer care activities to help customers affected by the epidemic, and at the same time, started an internal epidemic prevention mechanism to protect employees. We believe that the more difficult the time is, the more we should work together with our customers, employees, and other stakeholders to get through it and build a stronger and more united society.

2020 is a special year for HFC, as it marked the first anniversary of HFC becoming a TWSE-listed company! Becoming a TWSE-listed company represents an additional responsibility for HFC. We

delivered strong operational results; consolidated revenue for 2020 was \$14.67 billion, up 6.9% annually; consolidated net profit after tax was \$2.79 billion, up 17.5% over last year. In addition to generating returns for investors, HFC also creates and shares value with other stakeholders. For our employees who work with HFC, we not only provide a good training system, but also reward them with a 4.71% increase in the average salary of non-management employees in 2020; for our customers, we continue to refine our financial expertise to provide them with more diverse and convenient financial services; in terms of social participation, HFC has increased the number of volunteer hours by 37%; in terms of the environment, HFC has made continuous efforts from its own green purchasing to promoting the development of green energy in Taiwan. HFC believes that sharing business results with all stakeholders is the key to sustainable development. Because HFC can only continue to grow and thrive if the society we live in thrives in a positive cycle.

Halfway through 2021, the world and Taiwan continue to face the challenges posed by the epidemic. Under the difficult circumstances, HFC will bravely face up to it, continue to enhance ESG and optimize its own constitution, pursue improvement, and become a part of the positive force of society!

HOTAI FINANCE CO., LTD.
Chairperson

田天明



Message from the

As times change, business decisions are no longer based solely on shareholder returns but rather on the interests of all stakeholders, including employees, consumers and society. Such changes are also reflected in the regulatory environment, the capital market and corporate operations. ESG has become an issue that enterprises must face in sustainable operations.

“Continuous improvement” is one of HFC’s key corporate cultures. To promote ESG, HFC identifies areas for further improvement through Plan-Do-Check-Action to expand HFC’s influence. In the core business of HFC, digital integration allows customers to enjoy more convenient services, more efficient operations within HFC, and less environmental impact. In response to the COVID-19 epidemic, we have launched a relief program to help our customers affected by the epidemic. In addition, we have also launched a digital identity verification to reduce physical contact to protect the health and safety of our customers.

On the environmental side, HFC attaches great

general manager

importance to the impact of climate change on the world. We support the government’s green energy policy and strive to promote renewable energy-related industries. We undertook loans for over 15,000 green vehicles by 2020, amounting to nearly \$5.7 billion. HFC expects to increase energy and carbon savings benefits through funding in response to UN Sustainable Development Goal 7, Affordable and Clean Energy, and Goal 13, Climate Action.

On the social side, “Don’t make charity in times of happiness but in times of misery” is HFC’s philosophy to implement social welfare. Since its establishment 21 years ago, HFC has long been concerned about social welfare issues and participated in various kinds of public welfare activities, caring for the underprivileged groups, hoping that the public can be called upon to join in through HFC’s actions the cause. In 2020, HFC supported the underprivileged groups to work in a self-sufficient and dignified way through responsible consumption.

“Motorcycle road safety” is an issue that HFC is thinking about beyond its core business in order to fulfill its social responsibility and enhance its service value at the same time. Therefore, HFC starts from young road users, promotes road safety, and works with different units for cross-the-board cooperation to expand the influence.

Looking ahead, in addition to the world’s attention on the issue of climate change, there are still many difficulties that require enterprises in the world to work together. HFC will continue to implement ESG with the philosophy of PDCA and make self-breakthroughs, hoping that HFC will become a partner that employees can rely on and work with peace of mind, a priority target for investors to carry out responsible investment, and a citizen that society can trust.

HOTAI FINANCE CO., LTD.
General manager

林彦良



2020 Key Achievement



E Environment

- Green purchases accounted for **22%** of total purchases
- Undertook over **150,000** green vehicles with a value of **\$5.69** billion
- Jointly cared for **14** hiking trails
- Planted **1,200** young trees.



S Society

- Built learning maps for a total of **8,541.9** training hours in 2020
- Employee satisfaction survey had a **100%** response rate, with **94%** of employees feeling “very satisfied”
- Average non-management salaries increased by **\$46,000** and median salaries increased by **\$38,000**
- **37%** increase in total volunteer participation hours



G Economy and Governance

- **97%** attendance of the Board of Directors in person
- Completed material climate risk and opportunity identification
- Consolidated net profits after tax increased over **17%**

Corporate Sustainability Management

(102-40, 102-42, 102-43, 102-44, 102-47, 103-1)

HFC's business philosophy “Customer First, Profession Oriented”

Customer First

The pursuit of “customer service excellence” has long been a core competency that HFC has been proud of. Based on the central idea of “People Oriented, Customer First”, HFC keeps trying to improve the service process and vows to exceed our customers’ expectations, not only with our customer-specific service team, but also with customized auto finance products. We always uphold the attitude of “leaving the simple to our customers and the troublesome to us,” as a demonstration of our value. We strive to understand the needs of our customers, meet their needs, and even exceed their expectations, always putting them as our top priority. Therefore, HFC is determined to become a benchmark company in the industry that always ranks first in customer service satisfaction.

Profession Oriented

Oriented on its financial expertise, HFC has adopted a positive attitude and a comprehensive training system to set out the potential of its employees and cultivate professional talents in the industry, while continuously improving and innovating various auto finance products to exceed customer expectations. Under the profession-oriented cornerstone, we help our employees grow sustainably and promote their satisfaction and help our customers’ dreams come true and their businesses thrive, thus creating value for society and building a better society. By bringing innovation through professionalism, we continue to bring new value to our company, employees, and customers.

Three DNAs of HFC's corporate culture



HFC's strategy for Corporate Social Responsibility Management

HFC understands that the purpose of enterprise operation is to create value for all stakeholders and enhance the enterprise's sustainable competitiveness. Under the concept of "what is taken from society, is used in society", and while developing its core business, HFC never forgets its corporate citizenship responsibility and continues to focus on corporate social responsibility, combining the 3 strategies of its business philosophy, corporate culture DNA and ESG. In 2019, we officially released the "HFC Corporate Social Responsibility Best Practice Principles" and the "HFC CSR Committee Charter" as our guideline, echoing the world's current trend of sustainable development - the United Nations Sustainable Development Goals (SDGs) - and formally established the Corporate Social Responsibility Committee (hereinafter referred to as "CSR Committee") to implement the sustainable management of HFC in an organized manner.

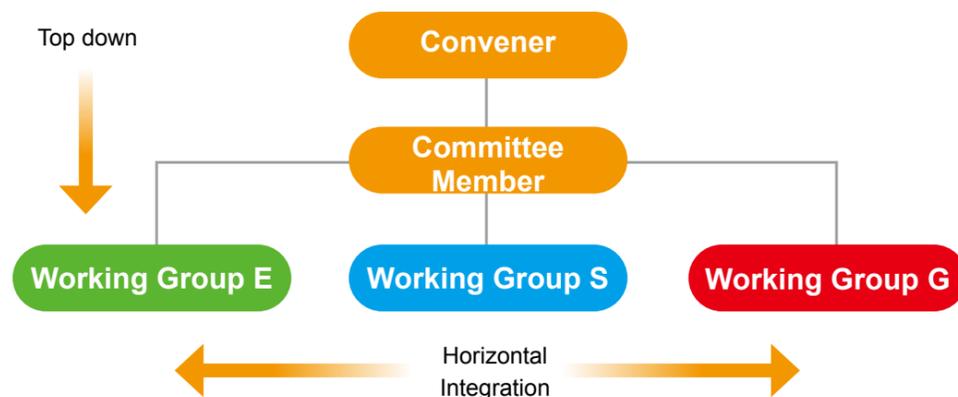


QR code for Corporate Social Responsibility Best Practice Principles.



HFC Sustainability Management - CSR Committee

HFC's governance unit for sustainability management is the CSR Committee. The general manager is the convener through a top-down promotional approach, with managers and above as committee members and the Marketing and Administration Department as a part-time unit for CSR promotion. Under the CSR Committee, various implementation groups were set up to perform horizontal integration, handle the issues of concerns to different stakeholders and promote the planned work with the relevant departments of the Company, so as to carry out the planning, promotion and execution of related business.



Sustainability Performance Management

The CSR Committee's authorities include reviewing and recommending the effectiveness of CSR implementation, planning the direction of CSR and annual implementation plans and progress. The Committee shall meet at least twice a year and report to the Board of Directors at least once on the state of its operations. The CSR Committee has reported to the Board of Directors at the end of 2020 on the operation and implementation of the three major aspects of ESG, including risk identification and management, information security, and environmental protection and public welfare volunteering.

Analysis of material topics

HFC follows the GRI Standards and adopts the materiality principle to establish a systematic process to identify material stakeholders and material sustainability topics and manage and set objectives as the basis for preparing CSR reports and responding to stakeholders. We began by identifying major stakeholders and then conducted a survey of major stakeholders to identify material sustainability topics for 2020.

1 STEP Identify key stakeholders

HFC has identified eight categories of stakeholders based on the following principles.

- The degree of influence of stakeholders on HFC
- The degree of dependence of HFC on its stakeholders

Stakeholders	Importance to HFC
Corporate Customers	Targets to whom HFC products and services are offered.
Individual customers	Targets to whom HFC products and services are offered.
Shareholders	Protect shareholders' rights and interests and treat all shareholders fairly and establish a sound corporate governance system
Suppliers	Suppliers and HFC as a sustainable supply chain
Employees	Employees are the foundation of business operation and development
Government agencies Competent authorities	Regulate and assist HFC's operations in compliance
Banks	Provide funding to support HFC operations
Non-profit groups	HFC invests material and human resources in public welfare charity and promotes social care and environmental awareness



2 STEP Collect Sustainability Topics

To facilitate the implementation of CSR and respond to international development trends, we have collected 17 sustainability topics with reference to the GRI Standards, SDGs and issues of concern to industries.

3 STEP Identify and analyze the level of concern and impact of material sustainability topics

Conduct a direct survey on a representative target from the eight categories of stakeholders identified every two years. In the previous year, a total of 220 online questionnaires were sent and received, asking about their concerns on 17 topics. This year, we re-evaluated the level of attention and impact on material sustainability topics in light of industry trends and competitors.

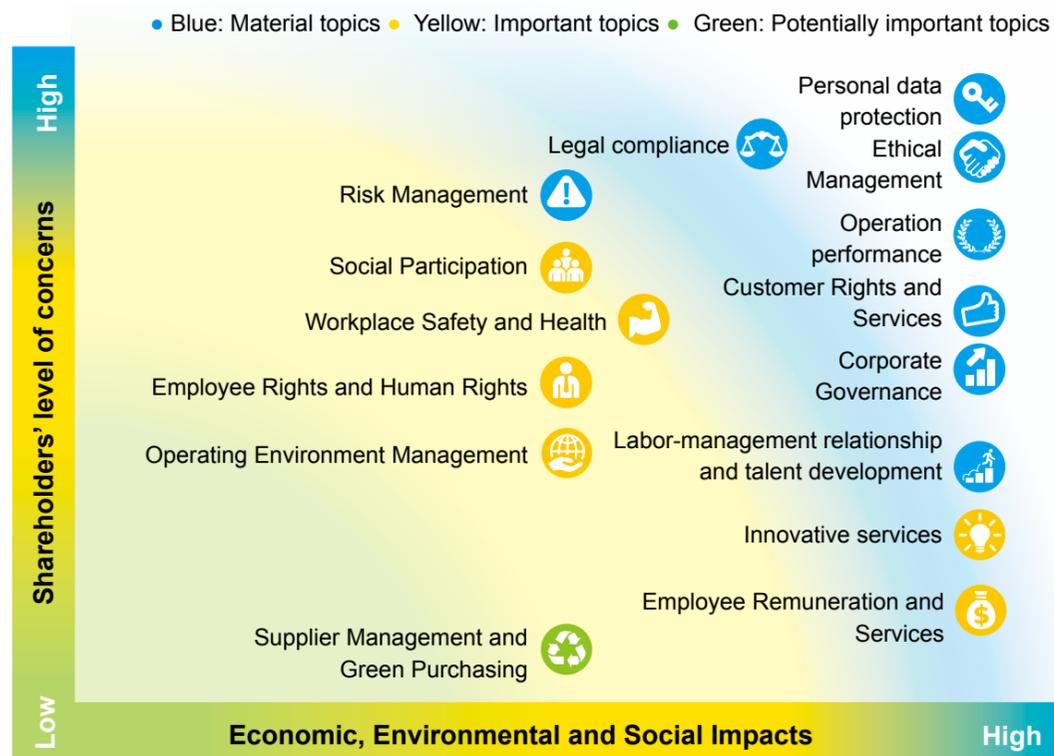
4 STEP Material Sustainability Topics Matrix

The results of 220 online questionnaires and internal discussions were sorted according to shareholders' level of concerns and economic, environmental and social impact, and selected and compiled into 15 topics to create the "Material Sustainability Topics Matrix" and "Material Sustainability Topics and the HFC Value Chain".

5 STEP The content of the review report already covered all material sustainability topics

After the materiality analysis, HFC internally identified each material sustainability topic. Each responsible unit evaluated the completeness, scope of impact, boundaries, and period of collection and reporting to meet and respond to stakeholders' concerns about important information and performance. Each responsible unit also prepared this report in accordance with the principles of completeness, responsiveness and stakeholder inclusiveness to ensure that information on material sustainability topics was accurately disclosed in the report.

Material Sustainability Topics Matrix



Material Sustainability Topics and the HFC Value Chain.

Material Sustainability Topics	Topic Description/Importance to HFC	Corresponding GRI Standards Topics	Corresponding SDGs	Corresponding Report Chapters
Personal data protection	The Company addresses potential issues such as personal data protection and security risks by focusing on the mechanism and specific implementation results of personal data protection to avoid additional expenditures and impact on the Company's reputation.	GRI 418	SDG 9	CH2 Innovation and Trusted Services
Ethical Management	Establish a corporate culture of ethical management and sound development and an anti-corruption system, which are important foundations for building the Company's culture, reputation and legal compliance.	General Disclosures GRI 205	SDG 16	CH1 Corporate Governance
Operation performance	The Company's financial results, including revenues, expenditures and earnings, are the basis for the Company's operations. Without stable operation performance, sustainable development cannot be achieved.	GRI 201	SDG 8	CH1 Corporate Governance
Legal compliance	The Company's operations are based on compliance with laws and regulations in various aspects (economic, social and environmental) and management mechanisms.	GRI 307 GRI 419	SDG 16	CH1 Corporate Governance
Customer Rights and Services	Good customer service in the areas of customer service channels, methods, feedback mechanisms, satisfaction surveys and customer rights, etc. can enhance customer relationships, which in turn helps company operations.	GRI 417	SDG 12 SDG 16	CH2 Innovation and Trusted Services
Corporate Governance	Good corporate governance in the composition and operation of the Board of Directors and functional committees as well as in the overall development strategy will protect the rights and interests of all stakeholders and contribute to the growth of the Company.	General Disclosures	SDG 16	CH1 Corporate Governance
Risk Management	The description of the Company's possible risks and countermeasures and crisis management mechanism is important for the Company's financial planning and organizational flexibility.	General Disclosures	SDG 9 SDG 13	CH1 Corporate Governance
Labor-management relationship and talent development	Employees are one of the most important assets of a company. Effective planning and establishment of education and training mechanisms and reviewing the benefits of talent development will create a competitive advantage for the Company.	GRI 401 GRI 404	SDG 4 SDG 5 SDG 10	CH3 Happy Workplace

HFC Value Chain

HFC offers a variety of equipment and vehicle installment sales and leasing services. At the beginning of negotiations with individual or corporate customers, we assess their needs, design a customized solution for them, and provide related services in the contract. In the course of our services, there is a material impact inside and outside the organization. For this, HFC assesses the impact of each material sustainability topic on stakeholders inside and outside the organization in the course of services with a consolidated analysis of material sustainability topic and respond to it.

Corresponding Environmental (E), Social (S) and Corporate Governance (G)	Material Sustainability Topics	Inside the organization	Outside the organization				
		HFC	Funding Provider (Note)	Individual/Corporate customers	Suppliers	Government	Non-profit groups
S	Personal data protection	V		V	V		
G	Ethical Management	V	V	V	V	V	V
G	Operation performance	V	V	V	V	V	V
E, G, S	Legal compliance	V	V	V	V	V	V
G, S	Customer Rights and Services	V		V			
G	Corporate Governance	V	V	V	V	V	V
E, S, G	Risk Management	V	V	V	V	V	V
S	Labor-management relationship and talent development	V					

Note: Including banks and shareholders



Stakeholders' concerns and communication channels

Stakeholders	The top 3 concerns on sustainability	Communication channels and frequency	Communication results in 2020
Individual customers	<ul style="list-style-type: none"> Personal data protection Ethical management Legal compliance 	<ul style="list-style-type: none"> Periodic official website information disclosure Periodic customer service hotline Periodic customer compliant hotline Periodic LINE mobile customer service 	<ul style="list-style-type: none"> Provide customers with the most diverse payment methods to reduce inconvenience. Provide transparent real-time information inquiry. Provide customers with online data change application service via APP, eliminating the hassle of applying in person at the counter. LINE's online customer service channel averages 10,918 inquiries per month, saving customers approximately 589,595 minutes a year.
Corporate Customers	<ul style="list-style-type: none"> Personal data protection Legal compliance Customer Rights and Services 	<ul style="list-style-type: none"> Periodic official website information disclosure Periodic customer service hotline Periodic customer compliant hotline Periodic LINE mobile customer service 	<ul style="list-style-type: none"> LINE's online customer service channel averages 10,918 inquiries per month, saving customers approximately 589,595 minutes a year.
Shareholders	<ul style="list-style-type: none"> Corporate Governance Operation performance Personal Data Protection / Ethical Management / Legal Compliance / Risk Management / Talent Development / Workplace Safety and Health / Employee Rights and Human Rights / Supplier Management / Green Purchasing 	<ul style="list-style-type: none"> Annual shareholders' meeting Quarterly earnings call Announce material information from time to time in accordance with the regulations of the competent authorities Regularly publish financial statements/annual reports/CSR reports Periodic official website information disclosure 	<ul style="list-style-type: none"> Report on operations and dividend policy to shareholders at shareholders' meetings Explain operation status at quarterly earnings calls Immediate disclose important finance and business information about the Company
Suppliers	<ul style="list-style-type: none"> Personal data protection Ethical management Customer Rights and Services 	Supplier assessment	<ul style="list-style-type: none"> Maintain good supplier relationships Suppliers all sign the supplier commitment
Employees	<ul style="list-style-type: none"> Operation performance Ethical management Innovative services 	<ul style="list-style-type: none"> Conduct annual employee satisfaction survey Quarterly labor-management meetings Promote through occupational safety officer from time to time Company internal quarterly publications 	<ul style="list-style-type: none"> Annual performance appraisals and year-end bonuses based on the Company's operating performance and individual performance, and emphasize profit sharing. Employee satisfaction score of 4.33 (out of 5) for 2020 Provide complete training resources, with a total of 8,541.9 hours of employee training in 2020

Stakeholders	The top 3 concerns on sustainability	Communication channels and frequency	Communication results in 2020
Government agencies With the competent authorities	All Topics	<ul style="list-style-type: none"> • Periodic legal audits • Periodic promotional education meetings with the competent authorities 	<ul style="list-style-type: none"> ✓ All directors are in compliance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies". ✓ Conduct periodic promotional educations for employees to implement the philosophy of ethical management and legal compliance in our daily work. The total number of employee training hours on anti-bribery reached 889 hours in 2020. ✓ Thoroughly implement risk management and control, strengthen legal compliance and compliance capabilities
Banks	<ul style="list-style-type: none"> • Customer Rights and Services • Personal data protection • Ethical management/operation performance/risk management 	<ul style="list-style-type: none"> • Announce material information from time to time in accordance with the regulations of the competent authorities • Regularly publish financial statements/annual reports/CSR reports • Periodic official website information disclosure 	<ul style="list-style-type: none"> ✓ Received "twAA-" credit rating for long term issues from Taiwan Ratings for 14 consecutive years ✓ Received "BBB" credit rating for long-term issues from Standard & Poor's for the first time ✓ Publish quarterly financial statements ✓ Explain operation status at quarterly earnings calls ✓ Published a total of 27 material information in 2020 ✓ Immediate disclose important finance and business information about the Company
Non-profit groups	<ul style="list-style-type: none"> • Social Participation • Personal data protection • Ethical management/legal compliance 	<ul style="list-style-type: none"> • Festival gift purchasing • Volunteer activities • Regular education and training 	<ul style="list-style-type: none"> ✓ Total volunteer hours in 2020 increased by 37% compared to 2019. ✓ A total of 453 people attended road safety seminars in 2020. ✓ Subscribed 1,426 gift boxes from sheltered workshop in 2020. ✓ Participated in the "Food Bank Project" in 2020 and subscribed 500 food boxes to help 500 families.

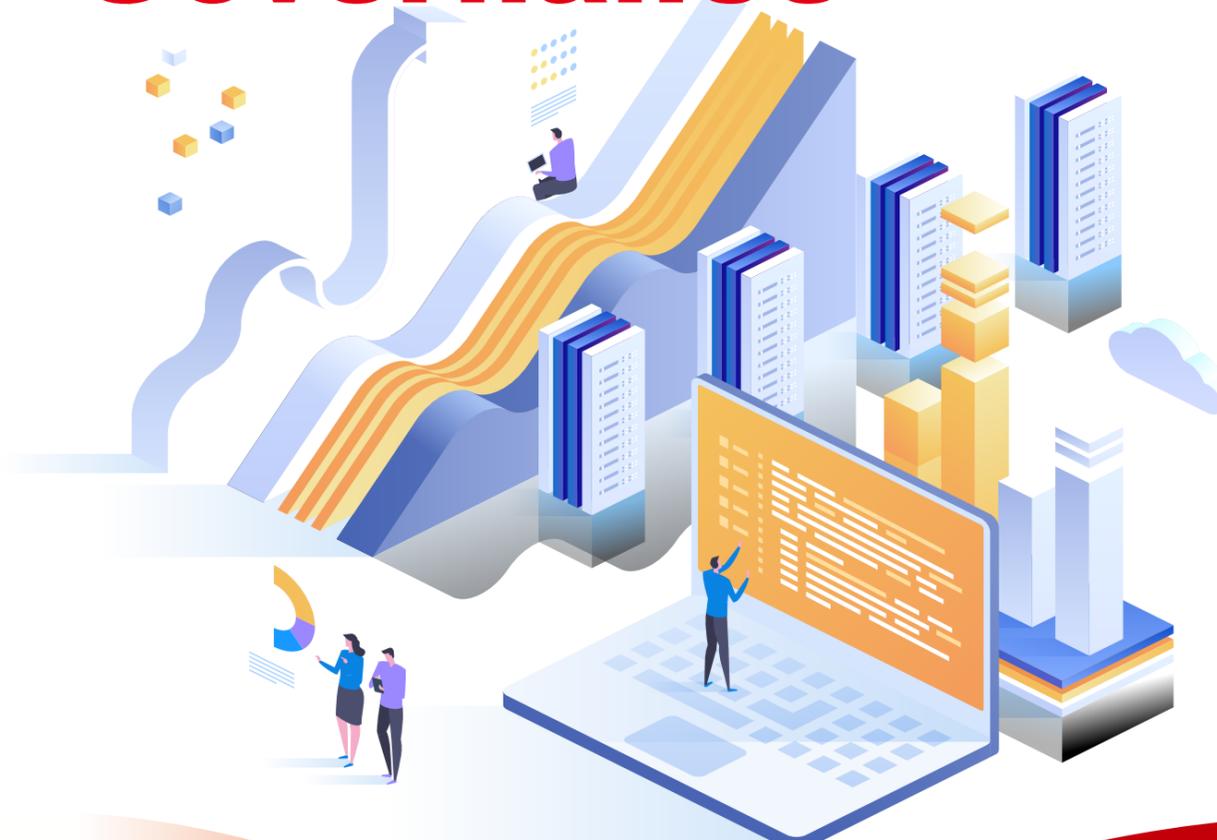
Stakeholders	Customer service hotline	Customer service area
Customer	(02) 2276-1511	https://www.hfcfinance.com.tw/contact

Stakeholders	Customer service hotline	Customer service area
Shareholders	(02) 2502-4567#1038	HFC-INVESTOR@hfcfinance.com.tw
Suppliers	(02) 2502-4567#1453	HFCFINANCE@hfcfinance.com.tw
Employees	(02) 2502-4567#1404	HFCHR@hfcfinance.com.tw
Banks	(02) 2502-4567#1408	HFCFINANCE@hfcfinance.com.tw
Whistleblower Reporting Mailbox	-	WHISTLE@hfcfinance.com.tw



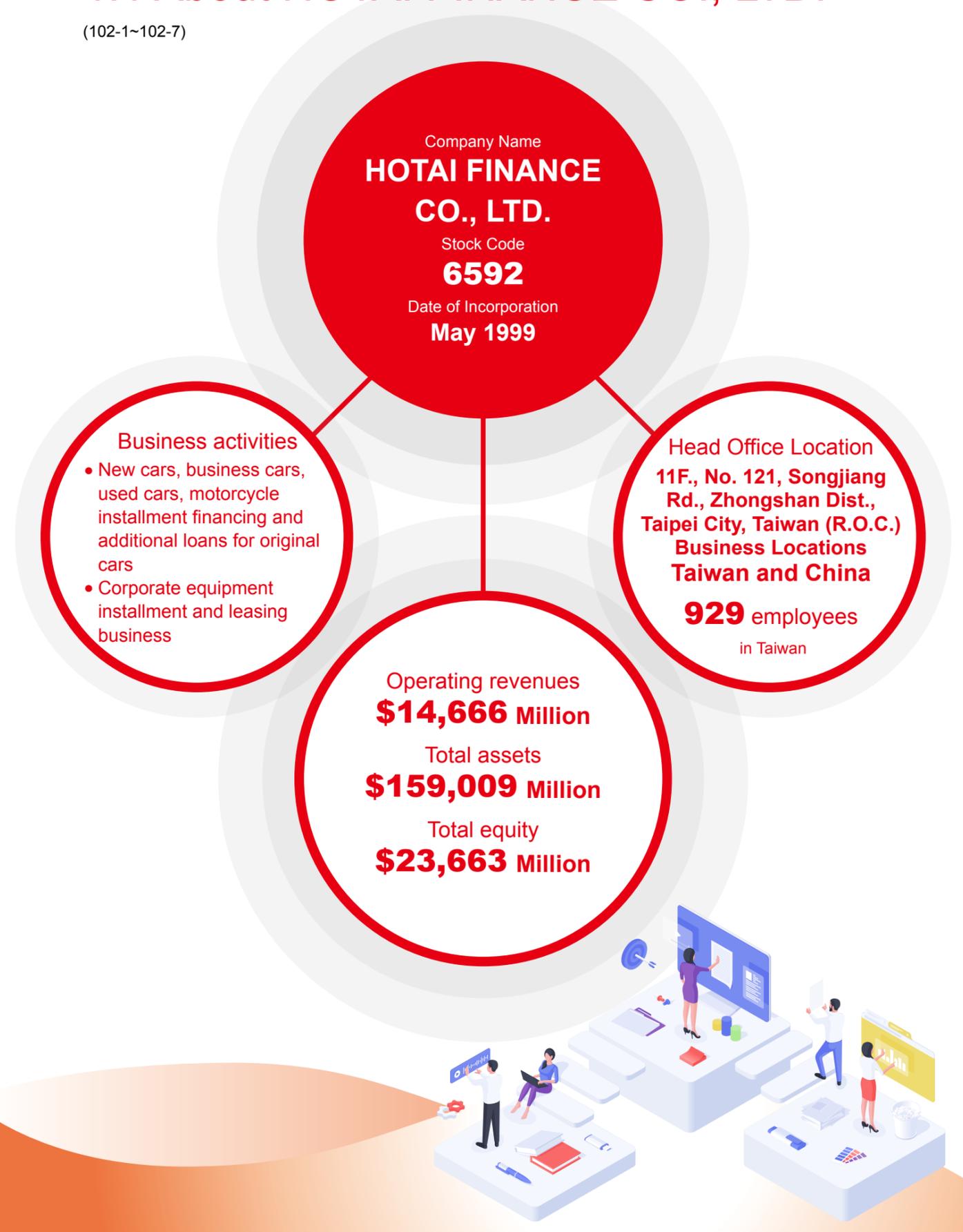
Chapter 1

Corporate Governance



1.1 About HOTAI FINANCE CO., LTD.

(102-1~102-7)



1.1.1 History of HOTAI FINANCE CO., LTD.

1999
HOTAI FINANCE CO., LTD. incorporated

2007

- Expanded into the Mainland market
- Undertook equipment leasing business
- Passed ISO 9001 international quality certification
- Received "Long-term twAA- and Short-term twA-1+" ratings from Taiwan Ratings.



2014

Implemented installment application APP
 Launched the era of mobile business

2015

Awarded the 12th Golden Torch Award as the top 10 excellent companies by the Outstanding Enterprise Manager Association



2016

- Initial public offering approved by TPEX
- National First Prize of the 13th National Brand Yushan Awards "Outstanding Enterprise"
- Awarded "Excellent Business" by Taipei Chamber of Commerce at Businessmen's Festival



2017

- Awarded the 18th Golden Peak Award as the top 10 distinguished companies by the Outstanding Enterprise Manager Association
- Awarded the 16th "Taiwan Quality Assurance Golden Portrait Award" by the Chinese Industry Commerce Economy Trade Science & Technology Development Association.
- Awarded the "2017 Annual Outstanding Businessmen of the Republic of China" from the General Chamber of Commerce of the Republic of China and was awarded the Certificate of Merit and the Golden Business Award by the Ministry of Economic Affairs




2018

- Implemented AI intelligent credit investigation
- Listing on the emerging market approved by TPEX
- Awarded "Benchmark Sustainability Award" by CESD International Forum on Corporate Ethics and Sustainable Development



2019

Listing on TWSE approved by Taiwan Stock Exchange Corporation



2020

- Entered into the automobile and motorcycle sharing business
- Received "Long-term twAA- and Short-term twA-1+" ratings from Taiwan Ratings for 14 consecutive years
- Received long term BBB and short term A-2 ratings from Standard & Poor's for the first time
- Entered into mobile services with chauffeur (Maas)
- Passed ISO 9001 international quality certification for 14 consecutive years



1.1.2 Operation performance (103-1~103-3, 201-1)

The importance of operating performance to HFC

Management Approach

Good and stable financial performance is the foundation for corporate sustainable development. Companies must be able to combine their core competencies with the philosophy of sustainable development in order to achieve sustainable impact.

HFC has put a lot of effort into the market and is precisely focusing on customer needs. In the short term, we will expand our business in the 3 directions of strengthening our core business, diversifying our products, and providing resources in invested companies to satisfy our customers' needs in all aspects. In the long term, HFC plans to continue to invest in human resources, research and development, new channels and new modes of operation in order to enhance profitability and growth, while continuously improving and optimizing the Company's operational processes through years of professional experience, so that HFC can maintain steady growth.

HFC has been rated "twAA-" by Taiwan Ratings for 14 consecutive years since 2007, with a "stable" rating outlook. In 2020, HFC, for the first time, received a "BBB" credit rating for long term issues and "stable" long-term rating outlook from Standard & Poor's. HFC continues to achieve the best credit rating among domestic auto financing companies and remains a market leader in the auto installment business. In March 2020, HFC joined forces with iRent to enter into the automobile and motorcycle sharing business and in August with Hotai Mobility Service Co. to enter into the mobile service with a chauffeur. In the future, HFC will continue to invest in the five installment and leasing markets of large commercial trucks, motorcycles, medical equipment, construction equipment and tools, and expand the scale of its product lines.

Direct economic value generated and distributed in 2020

Generation of direct economic value	15041719
Operating revenues	14665572
Rental income	25225
Interest income from deposits	7698
Other income	343224
Distribution of direct economic value	9564741
Operating costs	5232055
Employee Salaries and Benefits	1904796
Payment to the funder: Dividend payment	1596502
Income tax paid to the government	831388
Retention of economic value	5476978

Note: Based on the consolidated financial statements.

Unit: Thousands of NTD

Create value for shareholders

Subject Matters	2018	2019	2020
Consolidated net profits after tax	\$1,838 Million	\$2,376 Million	\$2,792 Million
Earnings per share	4.70	5.81	5.01
Consolidated return on assets	2.62%	2.81%	2.65%
Consolidated return on equity	16.42%	13.88%*	12.13%
Cash dividend	3.3	3.1	3.5
Dividend payout ratio **	70%	71%	70%

* Lower return on equity due to significant increase in net equity as a result of the December 2019 IPO raising \$9.15 billion

** Representing current year's dividend distribution/ current year's net profits after tax.

Pay tax honestly

HFC complies with the tax laws and regulations of the countries in which it operates, and adopts a tax governance policy of honest tax reporting, responsive tax risk assessment and information transparency. The income tax expense paid for the last three years was as follows



1.1.3 Participate in domestic and overseas organizations (102-13)

Through participation in industry associations, HFC promotes industry exchanges and works together with other enterprises for the common good in order to respond to external environmental changes and industry changes. HFC participates in the following public associations.



THE TAIPEI LEASING ASSOCIATION.
R.O.C./Director

THE TAIPEI Small Truck LEASING
ASSOCIATION. R.O.C./Member

THE TAIPEI Small Passenger Car
LEASING ASSOCIATION. R.O.C./Member

1.2 Corporate Governance (102-18, 103-1~103-3)

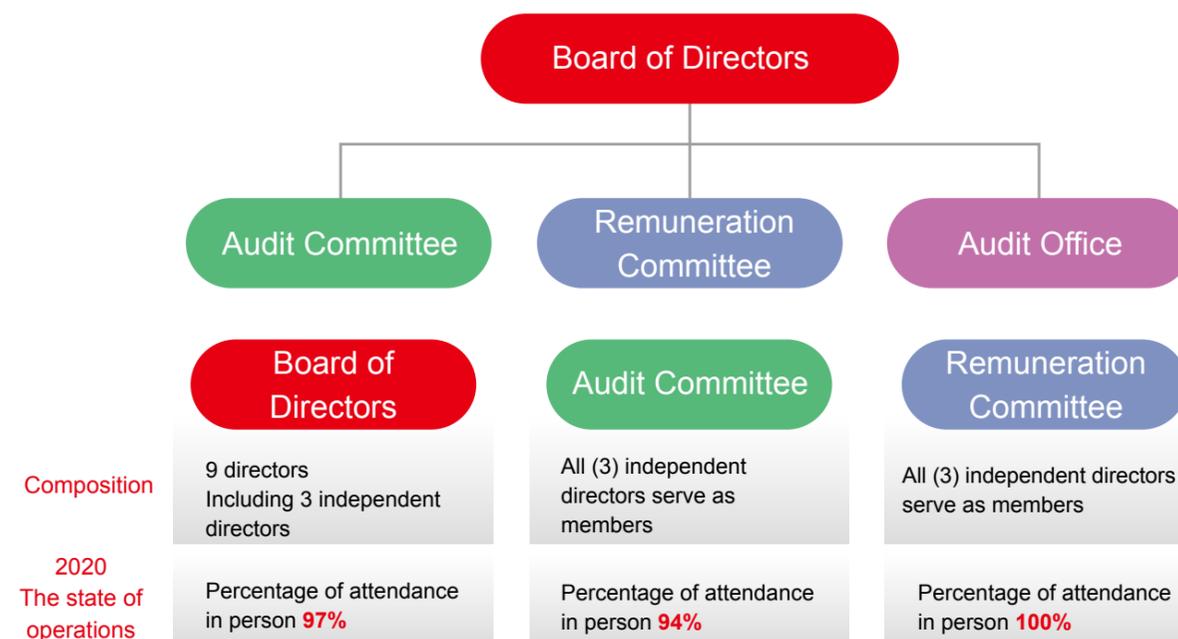
The importance of corporate governance to HFC

Corporate governance has become the focus of attention in the capital market and for all stakeholders. Good corporate governance should include a sound board of directors, transparency in finance, a culture of ethical corporate management and effective internal audit. The establishment of a sound corporate governance system helps reduce the operational risks of enterprises, enhance their competitiveness and create long-term benefits for the company and its shareholders.

Material Topic: Corporate Governance

Category	Management Approach
Policy and Commitment	<ul style="list-style-type: none"> • Corporate Governance Best Practice Principles • Rules Governing the Scope of Powers of Independent Directors • Board of Directors' Performance Evaluation Measures • Audit Committee Charter • Remuneration Committee Charter
Objective	Establish a good corporate governance system, build an effective corporate governance structure, protect shareholders' rights and interests, strengthen the board of directors' structure and operational efficiency, and enhance information transparency.
Responsibility and resource	There is a corporate governance officer.
Action Plan	Based on the corporate governance blueprint issued by the Financial Supervisory Commission and the corporate governance evaluation index of the Taiwan Stock Exchange as the highest guiding principle, we will continue to strengthen our corporate governance operations and improve the level of corporate governance.
Evaluation mechanism	Result of the Board of Directors' Performance Evaluation
Complaint mechanism	HFC Webpage Stakeholder Feedback Area Tel: (02)2502-4567 E-mail: HFC-INVESTOR@hfcfinance.com.tw

For HFC, a sound and effective board of directors is the foundation of sustainable operations. In order to establish a good corporate governance system, the Corporate Governance Best Practice Principles of HFC has been formulated with reference to the provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies established by the Taiwan Stock Exchange Corporation to strengthen and implement corporate governance, and the contents of the Principles are regularly reviewed and updated in response to the development trend of international and domestic corporate governance systems to enhance the effectiveness of corporate governance. With HFC's business philosophy of continuous improvement, we expect to implement and continuously improve our corporate governance. HFC conducted the Corporate Governance Evaluation for the first time in 2020, and the result showed we were among the top 6%-20% of listed companies.



1.2.1 Board of Directors

Starting from 2018, HFC has adopted the candidate nomination system for the election of directors. The shareholders' meeting shall elect directors from the list of candidates for a term of three years according to the Company Act. The directors' duties include establishing a good board governance system, supervising, appointing and directing the company's management, strengthening the management function, and being responsible for the overall operation of the company's economic, social and environmental aspects, and striving to maximize the interests of stakeholders.

HFC has the "Corporate Governance Best Practice Principles" that govern the composition of the Board of Directors, which should have diversity taken into account. The ninth board of directors has nine directors, including three independent directors. In order to enable the independent directors to perform their functions to the Board of Directors and the operation of the Company, HFC has established the "Rules Governing the Scope of Powers of Independent Directors", which clearly regulate the number of independent directors attending the Board of Directors' meetings, matters to be resolved at the Board of Directors' meetings, the exercise of their powers and duties, and their continuing education. Enable the independent directors to perform their functions effectively. In terms of background diversity, 67% of the directors have practical and operational management experience in the automotive industry and financial, environmental, advertising, and accounting expertise, which demonstrates the diversity in the composition of the Board of Directors. For more background information on the members of the Board of Directors, please refer to the following website: <https://www.hfcfinance.com.tw/HFCIPO/zh-TW/Company/Director>

In 2020, there were 7 board meetings held, and the percentage of attendance in person of directors reached 97%. The directors actively participated in the meetings and fully discussed the matters presented at the meetings. The directors shall adhere to the spirit of self-discipline and recuse themselves from any discussion or voting on any matters that may be harmful to the Company's interests because there are conflicts of interest with the directors themselves or the legal entities they represent in accordance with the "Procedure for Board of Directors' Meetings" Important resolutions of the Board of Directors are disclosed on the official website (<https://www.hfcfinance.com.tw/HFCIPO/zh-TW/Company/Resolution>) in order to achieve transparency in information disclosure.



In order to enhance the effectiveness of the Board of Directors, HFC has established the "Board of Directors' Performance Evaluation Measures" and conducts the annual Board of Directors' performance evaluation at the end of December each year. In addition to the overall operation of the Board of Directors, each director also needs to conduct self-evaluation for himself or herself. The aspects of the performance evaluation of the Board of Directors and the board members are as follows:

Board of Directors' Performance Evaluation

- The extent of participation in the Company's operations
- Improvement in the quality of the board's decision-making
- Composition and Structure of the Board of Directors
- Election and continuing education of directors
- Internal control



Board member performance

- Alignment of the Company's objectives and tasks
- Perception of directors' responsibilities
- The extent of participation in the Company's operations
- Internal relationship management and communication
- Internal control
- Professionalism and continuing education of directors

The evaluation indicators are measured using a five-level scale, so that the Board of Directors can keep track of the implementation status of all aspects. The performance of the Board of Directors for 2020 was evaluated as "operating well". In the future, we plan to appoint an external professional organization to conduct the performance evaluation of the Board of Directors in 2021.

HFC values the reputation of its directors for ethical conduct and leadership. We also provide directors with liability insurance. In order to keep abreast of the latest trends in corporate governance and industry dynamic, we also provide directors with the latest regulatory matters and professional knowledge courses by relevant organizations from time to time. All directors pursue further educations every year in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies". During 2020, directors actively participated in external education training courses and seminars on anti-money laundering (AML), corporate governance and securities regulations, corporate risk, digital transformation, and CSR sustainability trends, with a total of 114 hours of training.

1.2.2 Audit Committee

In order to strengthen the functions of the Board of Directors and the Company's internal control mechanism, and to assist the Board of Directors in carrying out its duty and authority to supervise the effective execution of the functions of the Company in compliance with the Company Act, the Securities and Exchange Act, and other relevant laws and regulations, including overseeing the quality of the Company's accounting, financial reporting and internal control procedures, HFC established an Audit Committee in 2018 in accordance with the "Audit Committee Charter", with all independent directors as members, which meets at least four times a year. A total of 6 meetings were held in 2020, with 94% of the members attending in person. In addition, in order to evaluate the performance of the Audit Committee, members are required to conduct annual self-evaluations on the following aspects, including (1) participation in the Company's operations, (2) perception of functional committees' responsibilities., (3) improvement in the quality of the functional committee's decision making, (4) composition and appointment of functional committee members, and (5) internal controls. The self-evaluation result for 2020 was "operating well".

1.2.3 Remuneration Committee

To enhance corporate governance, we regularly review the policies, systems, standards and structures for performance evaluation and remuneration of directors and managerial officers. Make the Company's remuneration system more transparent and fair to protect the rights and interests of shareholders. By combining the personal performance of directors and managerial officers, the Company's operating performance and future risks, we set a reasonable remuneration policy to help the Company attract and retain talents, thereby improving corporate productivity and operating performance and promoting sustainable operation development. In accordance with the "Remuneration Committee Charter", HFC established a Remuneration Committee in 2018, with all independent directors as members, which meets at least twice a year. A total of 3 meetings were held in 2020, with 100% of the members attending in person. In addition, in order to evaluate the performance of the Remuneration Committee, members are required to conduct annual self-evaluations on the following aspects, including (1) participation in the Company's operations, (2) perception of functional committees' responsibilities., (3) improvement in the quality of the functional committee's decision making, and (4) composition and appointment of functional committee members. The self-evaluation result for 2020 was "operating well".

1.2.4 Real-time disclosure of important information

Since HFC becoming a TWSE-listed company at the end of 2019, it is important to protect the rights and interests of stakeholders, transparency and integrity of the Company. HFC provides multiple channels and messages for dialogue with stakeholders and communicates important information to the public transparent and timely to enhance the connection between the Company and its stakeholders. Open, transparent and real-time financial and non-financial information, including financial statements, earnings call information, official website, articles of incorporation and various regulations, is available in both Chinese and English, allowing stakeholders to access the Company's information in a timely manner without language restrictions.

1.3 Ethical Management (102-16, 103-1~103-3)

The importance of ethical corporate management to HFC

Establish a corporate culture of ethical management and sound development and an anti-corruption system, which are important foundations for building the Company's culture, reputation and legal compliance. HFC understands our obligations and responsibilities as a corporate citizen and engages in business activities based on fairness, honesty, trustworthiness, and transparency to establish a corporate culture of ethical corporate management and good risk control mechanisms to develop a sound and sustainable business operation.

Material Topic: Ethical Corporate Management

Category	Management Approach
Policy and Commitment	<ul style="list-style-type: none"> • Ethical Corporate Management Principles • Procedures for Ethical Management and Guidelines for Conduct • Code of Ethical Conduct • Management Operations for Prevention of Insider Trading • Employee Code of Conduct • Procedures for Handling Material Inside Information
Objective	Establish a corporate culture of ethical management and sound development
Responsibility and resource	All HFC employees shall, in the course of conducting business, explain to the counterparty the Company's policy of ethical management and related regulations, and expressly refuse to offer, promise, request or accept, directly or indirectly, any improper advantage in any form or name
Action Plan	<ul style="list-style-type: none"> • Directors and managerial officers signed a declaration of compliance with the Ethical Management Principles • Suppliers signed a pledge of integrity • Education and training on ethical management
Evaluation mechanism	<ul style="list-style-type: none"> • Report regularly to the Board of Directors on the state of ethical management • All directors and managerial officers signed a declaration of compliance with the Ethical Management Principles • Suppliers sign a pledge of integrity
Complaint mechanism	This Corporation shall internally establish and publicly announce on its website and the intranet: WHISTLE@hfcfinance.com.tw

HFC has established the “Ethical Management Principles” and “Procedures for Ethical Management and Guidelines for Conduct”, which are applicable to directors, managerial officers and general employees, and stipulate that no person with substantial control of the Company shall, in the course of business conduct, directly or indirectly, offer, promise, demand or accept any improper advantage or commit any other unethical act in violation of integrity, wrongfulness or breach of fiduciary duty in order to obtain or maintain an advantage. For directors and managerial officers, there is a “Code of Ethical Conduct” that governs the prevention of conflicts of interest, avoidance of opportunities for personal gain, duty of confidentiality, fair trade, and the protection and proper use of corporate assets. In addition, the Employee Code of Conduct stipulates rules for compliance with internal regulations, honest behavior, legal compliance, attention to social ethics, avoidance of insider trading, reasonable and honest purchasing transactions, and sales activities that earn the trust of customers and provides guidelines for employees to follow. In November 2020, the Board of Directors approved the Procedures for Handling Material Inside Information, which stipulates procedures for confidentiality operations, information disclosure and abnormal handling of material information as defined by the Securities and Exchange Act and related laws of TWSE. At the same time, through internal control and educational promotion, we avoid improper leakage of information and ensure the consistency and accuracy of the information published by the Company to the outside world. The Marketing and Administration Department is responsible for revising, implementing, explaining, consulting, reporting, and filing the ethical management related procedures and guidelines for conduct. The Audit Office is responsible for overseeing their implementation and reports regularly to the Board of Directors. The aforementioned internal regulations are reviewed timely to see if they need to be modified in response to trends.

To ensure that no bribes are received, HFC requires all suppliers to sign a pledge of integrity, which stipulates that bribery is prohibited and that suppliers shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, regulations related to listing on TWSE and TPEX, domestic and foreign anti-bribery laws (including, but not limited to, the Anti-Corruption Act of ROC, the U.S. Corrupt Practices Act, the U.K. Bribery Act), or other domestic and foreign business conduct related laws. In the event of a breach, any contract or order with the supplier will be cancelled or terminated without further notice.

HFC keeps an eye on the development of domestic and international measures and regulations related to ethical management. From time to time, conduct promotional educations to employees to implement the philosophy of ethical management in daily work. In 2020, HFC also required every employee to take an online course on anti-bribery, with a total of 889 training hours for all employees. In addition, we have established and announced an internal independent whistleblower reporting mailbox in the Stakeholder Area of the Company’s website for internal and external personnel to use, with the Audit Office as the dedicated unit to take care of reporting and conduct subsequent investigations in a confidential and strict manner, and with an absolute confidential obligation to the whistleblower. No whistleblower reports or complaints were received during 2020.

1.4 Risk Management (102-11, 103-1~103-3, 417-2, 417-3, 419-1)

Importance of risk management and legal compliance to HFC

We are in an era of rapid change in the world, facing unprecedented challenges, including the cyclical nature of the economic boom and bust, the frequent dispute in global trade, the development of innovative technologies, the impact of climate change and the trend of an aging population, all of which pose material risks to business operations, among which the increasingly stringent legal environment poses a challenge. HFC needs to be able to manage risks and strengthen legal compliance in order to operate sustainably.

HFC attaches importance to risk management, pays attention to risk trends, and develops countermeasure strategies. In December 2020, HFC established a risk management policy, which specifies the responsibilities of each risk management unit: the Risk Management Department is responsible for the formulation and implementation of risk management policies, and the CSR Committee is responsible for supervision. The Board of Directors of the Company is the highest unit for risk management.

By identifying potential risks, analyzing the impact of risks, and evaluating countermeasures by each responsible unit, we can effectively control risks through centralized management and hierarchical execution according to risk characteristics and impact levels.



Management Approach

Material Risks	Risk identification	Corresponding management measures	Responsible unit
Credit risk	Loan defaults, affecting the Company's profitability and jeopardizing operations	<ul style="list-style-type: none"> There are internal operating measures A rigorous credit review and approval system and a complete examination process are in place to implement and enforce risk management. Identify, analyze and monitor assets and changes in external environment, and adjust strategies flexibly. Continue to improve and expand the knowledge of credit investigation techniques and other related aspects of loan management so as to reduce loan defaults. Establish statistical models for customer credit rating and predict the probability of customer default risk. Monitor the status of the Company's asset quality and forecast and monitor the development trend, and discuss with the relevant departments through the quarterly asset quality management meeting to respond to the situation and discuss countermeasures and feasible credit and collection policies in the future. 	Credit Review Department Risk Management Department
Legal Compliance Risk	Failure to properly protect personal data will affect the Company's credibility	<ul style="list-style-type: none"> Implement the protection of customer data in accordance with the Personal Data Protection Act and related internal regulations. All other businesses are handled in accordance with applicable economic, social and environmental regulations. HFC complies with government laws and regulations, and internally supervises various businesses and contracts to comply with laws and regulations. In 2020, there were no material violations of governmental laws and regulations that resulted in penalties. 	All relevant departments
Environmental risks	Operations are affected by changes in the natural environment or related environmental regulations	Implement environmental and energy management system, including environmental protection, energy saving and carbon reduction, waste reduction and recycling, etc.	Marketing and Administration Department
Information Security Risk	Failure to maintain information security will affect the Company's operations and reputation	<ul style="list-style-type: none"> In order to strengthen information security management and establish a secure and reliable information operating environment, we ensure data, system, equipment and network security. We have established the “Information Security Policy” by taking into account the relevant business development and needs, and the “Personal Data File Management Regulations” and other management regulations and control systems in accordance with the relevant matters stated in the Policy. 	Information Department

Material Risks	Risk identification	Corresponding management measures	Responsible unit
Talent Risk	Talent drain and talent development plan not in line with the operation will affect the Company's operation and reputation	<ul style="list-style-type: none"> • Salary and benefits to maintain competitiveness • Plan education and training to nurture professional talents in line with the company's development needs • Internal management plans are in place to help employees grow 	Marketing and Administration Department
AML Risk	KYC not carried through (Know Your Customer), resulting in the uncontrolled flow of funds	<ul style="list-style-type: none"> • We have established the anti-money laundering (AML) and countering the financing of terrorism (CFT) Program - Policy, AML/CFT Program - Operating Procedures, AML/CFT Management Operations, from policy to operational execution and internal auditing system, all of which have been fully formulated. • In order to effectively promote the AML/CFT Program, we have established the "AML/CFT Task Force" with the deputy general manager as the team leader and the members include the Corporate Finance Department, Credit Examination Department, Marketing and Administration Department, and Risk Management Department, of which the Risk Management Department is the executive unit responsible for AML. • Conduct detailed KYC checks on customers and review each possible money laundering pattern to monitor suspected money laundering situations. • Prepare risk assessment reports to identify and assess the level of money laundering and financing of terrorism risks in the product structure, as well as its own system to counteract product risks and residual risks, and conduct enhanced control measures for high-risk cases. • Regularly conduct training on AML to strengthen the concept of AML. 	First line of defense. AML Task Force Second line of defense. AML Specialists Third line of defense. Audit Office
Market Risk	Interest rate and exchange rate fluctuations will affect the Company's operations	<ul style="list-style-type: none"> • Maintain a certain percentage of medium to long-term financing to avoid the risk of market interest rate fluctuations • Undertake foreign exchange swap and interest rate swap contracts to hedge the exchange rate risk of foreign currency loans from financial institutions and effectively reduce the risk of future exchange rate fluctuations. • Adjust the structure of long-term and short-term borrowings to ensure sufficient funds to meet operating needs and reduce liquidity risk. 	Finance Department
Climate Change Risk	Failure to control the physical and transitional risks by the Company arising from climate change will affect its operations	<ul style="list-style-type: none"> • Status of Governance: The operational impact of climate change and the related implementation effectiveness were reported to the Board of Directors in 2020. • See Chapter 4 (4.1) Climate Change and Risk Management for more details on assessing the risk impacts of climate change 	Marketing and Administration Department Credit Review Department

In 2020, thanks to internal management, none of the aforementioned risks exceeded the Company's expectations and had a material negative impact.

Chapter 2

Innovation and Trust Services

With the business philosophy of "Customer First and Profession Oriented", HFC has not only established the determination of "Market First", but has also carried out the industry-leading philosophies and expectations of "Business Philosophy of Customer First", "Business Philosophy of Continuous Improvement", and "Business Determination to Carry Through" into practice, in order to maintain the leading position in the market with our core expertise and philosophy in the ever-changing industrial ecology. HFC strives for optimal performance in all aspects of our business. In terms of customer service, we place great importance on providing services that help each customer optimize their quality of life; in terms of corporate social responsibility, we are committed to shaping the rational order and principles of the industry and caring for society and environment. For the future, HFC will adhere to the spirit of sustainable operations and provide more diversified and better quality products and services to create value for all stakeholders.



2.1 Digital Innovative Services (103-1~103-3)

One of HFC's expectations is the "business philosophy of continuous improvement", which is to continuously identify problems and solve them through a daily cycle of four stages: Plan, Do, Check, and Act, in order to continue to improve and to extend diversified customer service plans and internal operation mechanism, and design action plans to meet the needs of users in response to the rapidly changing communication media of the times, in order to provide the best customer service experience.

• Material Topic: Customer Rights and Services

Category	Management Approach
Policy and Commitment	Leaving the simple to our customers and the troublesome to the Company.
Objective	Smart, Speed, Simple
Responsibility and resource	Relevant departments of the Company
Action Plan	Promotional Operations of Digitalization

2.1.1 Innovative Digital Services

"Leaving the simple to our customers and the troublesome to the Company." is the commitment of HFC to our customers. We integrate the various needs of our customers and provide one-stop solutions, including the most diversified payment methods, transparent real-time information inquiries and convenient channels for data change applications, saving customers from having to apply at the counter and travel back and forth.

The most diverse payment programs in the industry

- Automated Teller Machine (ATM) payment: Using ATMs throughout Taiwan, customers can simply go to an ATM to make a payment.
- Over-the-counter payment: Payments can be made at local post offices and First Commercial Bank or Chinatrust Commercial Bank with the payment slip.
- Convenience stores/supermarkets and other five major channels for payment collection: HFC cooperates with five major consumer channels, including 7-11, FamilyMart, Hi-Life, OK Supermarket, and Simple Mart, so that consumers can choose to make payments of less than \$20,000 at convenient channels.
- HFC Easy Pay App: Can directly use convenient store payment barcode, post office payment information, and internet banking/ATM transfer information.
- HFC official LINE account: Join the official account, then get the electronic payment barcode, and the payment slip can be available on the cell phone.
- Automated Clearing House (ACH): Can apply for automatic monthly debit payment from the regular bank account. There are currently two ways to apply for authorization: paper authorization and electronic authorization. With electronic authorization, customers can conduct authorization authentication via ATM 24 hours a day, significantly shortening the application time (21 days → 1 day).

Real-time information inquiry	<ul style="list-style-type: none"> • Official Website FAQ: HFC has compiled simple and clear information for frequently asked questions such as payment, auto-debit, data change, and halfway settlement, so that customers can quickly understand the service content and with what HFC can help through the official website, which allows our customer service personnel to handle customer inquiries more efficiently. • The official website customer area login and HFC Easy Pay App are available for users to check their payment history.
Change personal data	Official website, LINE official account, and HFC Easy Pay App: In order to provide customers with services that keep up with the times, HFC provides customers with the service of online data change application through the App to keep track of customers' status in real-time.

Digitalization of identity verification.
60%
of the identify verification is done digitally

In response to the COVID-19 epidemic, HFC was among the first to set up the video identify verification app for its telemarketing business in 2020 to reduce the risk of face-to-face contact. After completing the video appointment, customers can confirm the uploading of identify verification documents and vehicle surveys online and keep track of the progress of the cases through push notifications to ensure that important information is not missed. Considering the information security risk, the video identity verification process is carried out by dedicated personnel, and there is an information security vulnerability check mechanism to prevent information leakage. After the digital identity verification service launch in 2020, 60% of the cases are completed by digital means, replacing manual identify verification quickly and conveniently.

Digitalization of Payment Process
Easy Pay APP saves 145,000 sheets of paper, which is equivalent to reducing 926 kg of carbon emissions.

Given the popularity of smart end devices nowadays, one mobile phone per person makes mobile business more convenient. In order to make the service closer to customers' life and usage habits, HFC launched the "HFC Easy Pay" App in March 2020 to provide customers with the most instant information and convenient services, which allows customers to get the latest information about HFC's activities and make applications for data changes through cell phones. It also integrates loan and payment services, from inquiry to payment, and reduces paper and energy consumption, saving a total of 145,000 sheets of paper in 2020. HFC hopes to make customers' lives more convenient through the "HFC Easy Pay" App, simplify the cumbersome application processing and examination procedures, and fulfilling the promise of "leaving the simple to our customers and the troublesome to the Company". In 2021, HFC plans to evaluate the feasibility of introducing "paperless payment slips", which is expected to reduce 159,715 sheets of paper printing per month and eliminate the cost of delivering payment slips, resulting in an estimated cost reduction of \$698,740 per month, which will not only provide customers with a more efficient digital tool, but also reduce the burden on the environment. (Use A4 paper carbon footprint to estimate carbon emission reduction)



Easy Pay App Diverse Payment Methods



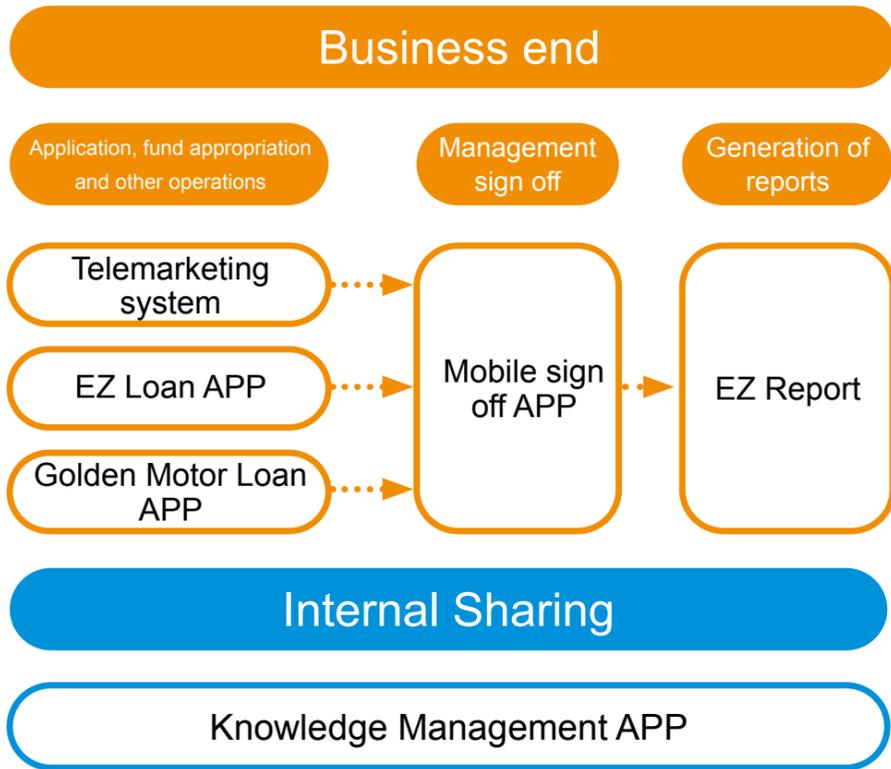
Easy Pay App Data Change/Link to Customer Service

Digitalization of cancellation.

77%
Cancellation is done digitally

HFC responds to the supervisory unit's policy of "automatic cancellation of motor insurance" and can complete the cancellation registration by the system without uploading documents through the creditor's MOEACA ID authorization and Citizen Digital Certificate verification mechanism to simplify the process of vehicle motor insurance cancellation and eliminate the need for customers to travel to and from the Motor Vehicles Offices to handle the cancellation procedures, as well as to promote paperlessness and reduce the burden on the environment. HFC has increased the percentage of cancellations online year by year, with 77% of cancellations online in 2020, an increase of 34% compared to 43% of cancellations online in 2019.

Digitalization of operations.



Application and Fund appropriation operations

For internal operations, HFC is always thinking about and identifying possibilities for further refinement and optimization. In response to the trend of digitization and in order to improve the efficiency of workflow and timeliness of cases, and to bring telemarketing closer to the actual operation, HFC introduced the "telemarketing self-application system operation" in 2020, in which the system will automatically fill in the application information after personnel applying through the system, saving a total of 199,000 sheets of paper. In the future, HFC expects to digitize the processes of credit investigation, risk assessment, and fund appropriation for loan application, hoping to achieve a one-stop telemarketing operation, and combine it with the original EZ loan and mobile sign off system to help make the application real-time and the operation progress transparent, so that employees can better control the business progress and examination results, reduce internal communication time, and improve operational efficiency.

In view of the expanding motorcycle installment market and the increase in the number of cooperative partners, in 2020, HFC officially launched the "HFC Golden Motor Loan" app, which is available for motorcycle self-underwriting and general case application, and can perform five functions, including case application, case list, report management, document tools, and personal information, to help HFC's sales representatives and motorcycle dealers jointly manage and control the status of cases, saving the time of communication and paper waste. In the future, HFC expects to gradually expand its business and plan "Heavy Motorcycle App" to continuously improve internal operation systems so that employees and partners can enjoy a more convenient and efficient operation mode.

Case management And tracking

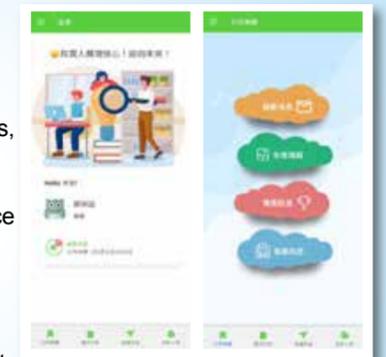
After the application is incoming, the "Mobile Sign Off" APP effectively integrates the sales units and the back office staff' operations, allowing the sales staff to easily conduct the case sign off operation, reducing the time for paperwork and allowing the staff to complete the application at any time and carrying through HFC's paperless and environmental sustainability philosophy. The HFC EZ Report is used to manage sales performance reports, helping vehicle installment, distribution and equipment staff to keep track of sales performance in real-time.



Mobile sign off APP

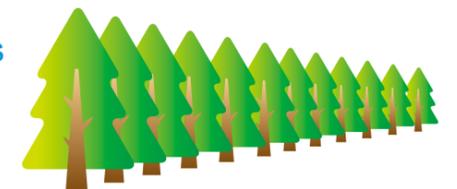
HFC Knowledge Management APP

To embrace the digital era, HFC has launched an internal knowledge management app, which provides business units with real-time access to corporate information, including business plans and company and group updates, smart charging (including legal cases, market dynamics, and mini-encyclopedia), and trial balance tools (installment/equipment trial balance and amortization table). It allows employees to keep pace with the Company's policies and developments, share case studies and legal experience, and increase convenience and improve the timeliness of business development through trial calculation tools.



Knowledge Management APP

In 2020, HFC saved **1.15 million** sheets of paper, which is equivalent to **139** trees



2.2 Service Quality

The second expectation of HFC toward itself is the “Business Philosophy of Customer First”, which aims to satisfy customers’ needs and improve their service experience as the highest goal of action. In order to provide the best service to our customers, we have extended our multiple customer communication channels, systematized the customer complaint handling process, and refined our customer service capabilities through continuous education and training and exchange and sharing.

• Material Topic: Customer Rights and Services

Category	Management Approach
Policy and Commitment	People Oriented, Customer First Standard procedures for each operation Measures for handling customer complaints
Objective	Meet the needs of each customer through superior customer service
Responsibility and resource	Operation Service Department
Action Plan	Provide multiple customer communication channels Improve customer communication efficiency
Evaluation mechanism	Regularly review the number of customer complaints and days to close the case and perform exception tracking

2.2.1 Customer Communication

Customer feedback is a key factor in HFC’s growth and progress, so we have established multiple communication channels for our customers to choose from, including the official customer service area, telephone and LINE, and responding to us with timely questions.

Communication channels	Icon/content
Telephone	Application 0800-365-365 Customer service (02)2276-1511 Halfway settlement (02)5599-9955
Line Text Customer Service	HFC Corporate Customer Service LINE Icon 

Communication channels	Icon/content
Online Text Customer Service	
Stakeholder Mailbox	Communications with relevant stakeholders are made through the investor mailbox. In 2020, most of the communications were inquiries and complaints from institutional investors. HFC is actively responding to the issues related to the institutional investors. At the same time, the customer complaint cases are transferred to the operation service department for centralized response according to the Company’s customer complaint process.

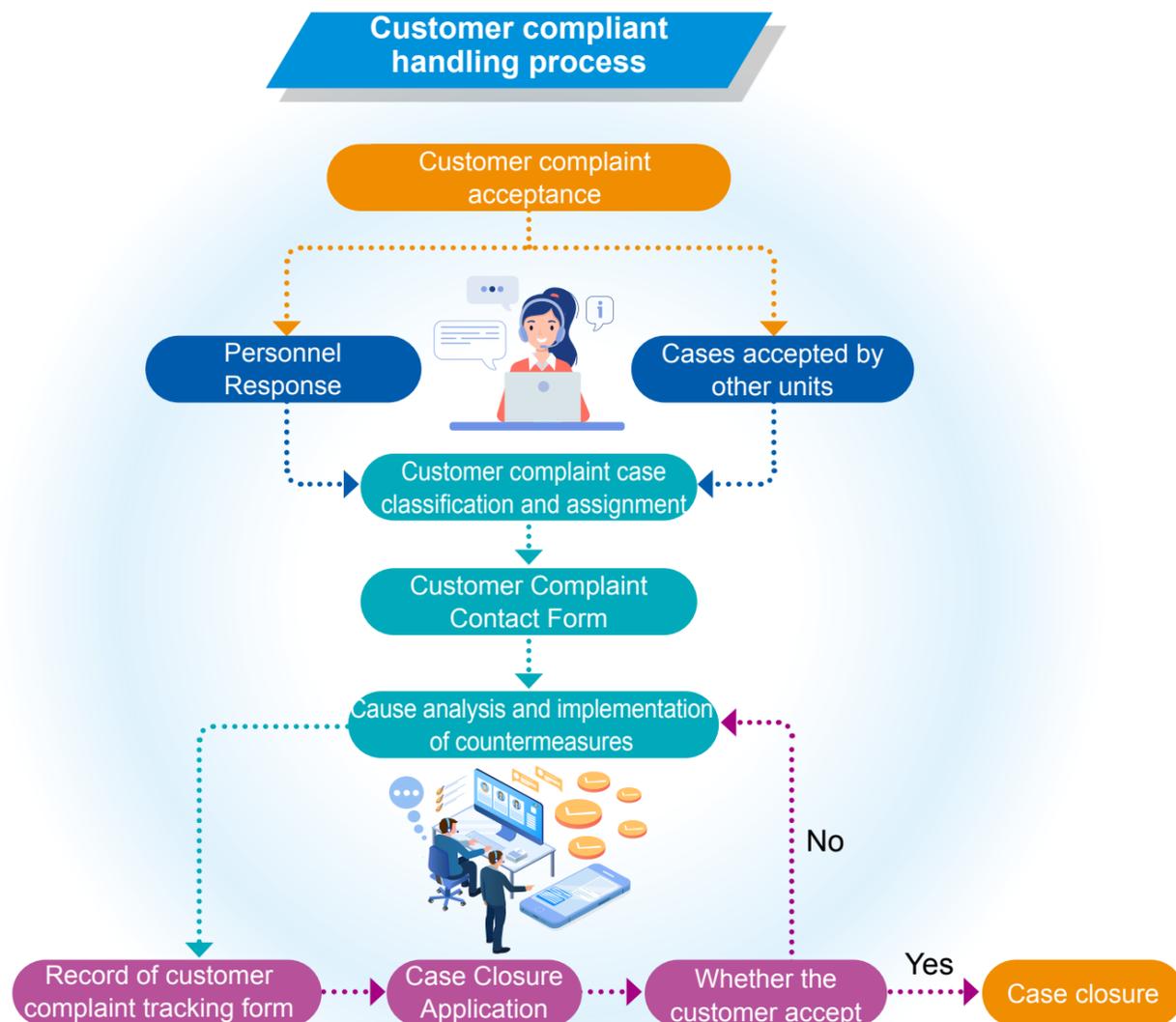
To address the issues raised by our customers, we have established a standard operating procedure (SOP) for handling customer complaints, which classifies customer complaints into material customer complaint cases (Class A) or general customer complaint cases (Class B and C). After a customer complaint case has been established, we will take the initiative to contact the subject unit and staff of the customer complaint and issue a customer complaint handling form and follow up on the status of the case with dedicated personnel. The follow-up time is based on the different classes of customer complaints, and the initial response time of the business division is regulated. The contact process is recorded on a case-by-case basis. In 2020, HFC did not have any occasions where cases exceeded customer service SOP time standards. Our representatives were able to resolve customer issues in a timely manner. In addition, we regularly review open cases on a bi-weekly basis for exception tracking and review the average number of days to close cases on a monthly basis for senior management reporting. We regularly analyze and improve customer complaints with statistical data and translate the constructive opinions of customers into practical optimization actions through systematic management to refine our services or develop more products that meet customers’ needs.

Define customer response time according to the customer complaint class

Customer complaint class	The initial response time of the business division
Material customer complaint	Class A 3 working days
General customer complaint	Class B Class C 5 working days

Number of complaints handled in 2020

Number of days of handling	A	B	C	Total	%
0~3	6	240	19	265	93%
4~5	0	18	1	19	7%
Exceeding SOP	0	0	0	0	0%
Total	6	258	20	284	100%



Optimization of customer compliant operations

Due to the significant increase in the number of HFC customers year after year, the customer service hotline is often occupied. Customers complain about the long waiting time for calls and the fact that they have to pay for their own calls. After understanding the problems and needs of our customers, we thought about how to keep up with the digital era and the changing mobile habits of our customers. We came up with the "HFC Corporate Customer Service" LINE online customer service integration solution with the following features.

- 1. ASAP:** Provide an online consultation channel as soon as possible and put the frequently used document list on LINE online customer service to download directly after receiving the reply.
- 2. Keyword:** Analyze the past highly asked questions and classify questions, and use keywords to quickly find a reply.

In 2020, 61% of customers used LINE online customer service channel of "HFC Corporate Customer Service". According to statistics, the average monthly number of inquiries through LINE online customer service channel reached 10,918, of which 34% were resolved through an automatic response of FAQ, reducing the inconvenience caused by long waiting time, With an average customer call handling time of 4.5 minutes and 131,021 inquiries a year, this translates into a saving of 589,595 minutes of call handling time.

2.2.2 Improve Service Quality

In order to improve the quality of our customer service, we record the contents of our customers' calls and responses, and hold monthly OJT courses on basic response and role-playing so that our personnel can understand how to respond to callers and quickly clarify their problems and reply to them. The role-playing course is based on FAQs and various scenarios, increasing staff's experience in handling cases and enhancing their efficiency in dealing with customer problems. In addition, when special cases are encountered, HFC also conducts case education and training from time to time so that the receiving staff can exchange and share their experiences.



Role-playing education and training

In addition to providing better customer service, HFC organizes stress relief activities from time to time to alleviate the stress and fatigue of our customer service staff in view of their hard work and help them manage their pressure and improve their health. In addition, HFC also encourages customer service staff to participate in the Company's club activities, which can enhance the friendship among colleagues and relieve the pressure of work and relax at the right time.



Stress Relief Courses

2.2.3 Customer Care

HFC attaches great importance to customer credit. When there is a possibility of delayed payment, we will first remind the customer by phone or short messages out of goodwill, and then have dedicated personnel contact the customer to avoid interest due to delinquency, which will increase the customer's burden. In case of delayed payment, we proactively intervene to understand the reason for the delay and assist with payment related issues. If the delay is not malicious, we offer an online trial payment service to change the payment date to meet the needs of customers affected by economic fluctuations. If necessary, we will assist customers with special payment schedule adjustments. In 2020, we assisted a total of 948 cases in helping customers get their lives back on track.

Since the beginning of 2020, the COVID-19 epidemic has been heating up, hitting the transportation and tourism industries hard, and decreasing taxi traffic, making those in the taxi industry the first to suffer and their livelihoods greatly affected. In addition, there are many customers who require to undergo home quarantine as they are in the service industries (e.g., medical-related businesses) or due to travel and contact histories, which may affect their payments or family economics. As a member of the society, we contribute to the community and think about how we can consolidate our core business to help the Taiwanese society and our customers get through the difficult times.

In February, HFC began internal discussions in support of the government's relief plan and drafted the "COVID-19 Vehicle Loan Relief Measures". When customers submit their requests and relevant proofs, we will grant an appropriate extension of up to six months to tide over the difficulties together with customers, depending on their payment status and relevant proofs. Since March 2020, the number of applications for extension is 3,696, of which 1,713 cases have been negotiated and agreed to be extended.

Heartwarming Care

COVID-19 epidemic
Number of extensions
1,713

The customer was in the taxi industry and a bad financial situation due to business failure and emotional instability as a family member suffered from cancer. Before the outbreak of the COVID-19 epidemic, we received negative messages of despair from the customer, and the car owner was further aggravated after the outbreak of the epidemic. HFC understood that the car was the owner's means of livelihood through the reminder of payment. When the epidemic affected the owner's income, we tried to think in the customer's place and immediately started our internal operation to design a suitable relief plan for the customer, so that the customer could have a breathing space to challenge his life again.



2.3 Information Security and Personal Data Protection

The third expectation of HFC toward itself is the “business determination to carry through”, so once the goal is set, we have the strong will to carry it out to the end. As for the two important management issues of personal data protection and the overall information security, HFC holds the determination and conviction to implement them in its daily operation and continues to pursue improvement.

2.3.1 Personal Data Protection (103-1~103-3, 418-1)

• Material Topic: Customer Rights and Services

Category	Management Approach
Policy and Commitment	Personal data file security management regulation Personal data collection, processing and utilization management regulation Personal data file entrusted management operation regulation
Objective	Personal Data Protection
Responsibility and resource	The information department serves as the dedicated department
Action Plan	Online education and training
Evaluation mechanism	877 people completed the personal data related course in 2020.

The importance of personal data protection in today’s society is evident because many countries have formulated or strengthened their personal data related regulations in recent years. HFC’s business involves a great deal of personal data about our customers, so we invest resources and manpower to protect the personal data of our customers and employees. Thanks to HFC’s efforts, there were no violations of the Personal Data Act or leaks of customer information in 2020.

To demonstrate our adherence and commitment to personal data security, the Information Department is the department responsible for planning the overall personal data protection program. HFC has established the “Personal Data File Security Management Regulation”, “Personal Data Collection, Processing and Utilization Management Regulation” and “Personal Data File Entrusted Management Operation Regulation”, which clearly set out the protection procedures and physical security controls to be followed in the authorization, use, storage, management and destruction of personal data.

• Raise awareness of personal data protection

By signing the Personal Data Security Statement on their first day at work, employees will be able to understand the importance of personal data at the outset. Every employee has a mandatory course on personal data protection every year, and through the annual course, we raise the awareness of personal data protection among our employees. The fact that any employees fail to complete the course will be included in the annual performance evaluation. In 2019, the course content we planned included the legislative history and purpose, the definition of personal data, personal data collection, processing and utilization, security maintenance measures, etc. We also provided post-course exercises to ensure employee education and training effectiveness, and 877 people completed the course in 2020. In addition, HFCs personal data files are managed by specialized personnel assigned by each department and are regularly reviewed annually to see if any new personal data items need to be adjusted or relevant measures taken.

• Internal management mechanism for personal data protection

In terms of internal operations, HFC has designed preventive operations to limit possible personal data breaches, such as authorization management; no personal data can be retrieved during internal use; and personal data is prohibited in principle from being stored on portable information devices, such as laptops and portable hard drives, and can only be used under encrypted conditions. Afterwards, internal audits are conducted to ensure that employees handle personal data in accordance with the relevant regulations

• Outsourced vendor management

HFC has outsourced some of our business to external personal data processors. Prior to collaboration, HFC carefully evaluates its data processing capabilities and its actual service performance. We ensure that they understand HFC’s personal data protection regulations and communicate with them about data access methods and security requirements. Upon conclusion or termination of the outsourced service, the outsourced vendor shall return all personal data files managed according to the contract and return all information assets used or stored during the service period. HFC’s person in charge shall remove the relevant access rights. Currently, all of our outsourced information vendors have obtained ISO 27001 information security certification, and we will continue to demand execution quality from our outsourced vendors in the future.

2.3.2 Information Security

With the advent of the digital age, new forms of cyber attacks are changing rapidly. The annual Global Risk Report published by the World Economic Forum points out that cyber attacks have been among the top 10 issues in terms of probability and impact for three consecutive years, and the impact level of cyber attacks increased in the 2020 report compared to the 2019 report. The results of this research show the importance of high-tech risks and information security faced by enterprises.

In response to information security, the Information Department is the main unit responsible for planning and developing the information security of HFC. We have established information security management measures and policies and computerized information system control operations to ensure the confidentiality, integrity and availability of information, protect the Company’s information assets from improper use and disclosure, and ensure the security of information collection, processing, transmission, storage and circulation.



Raise awareness of information security

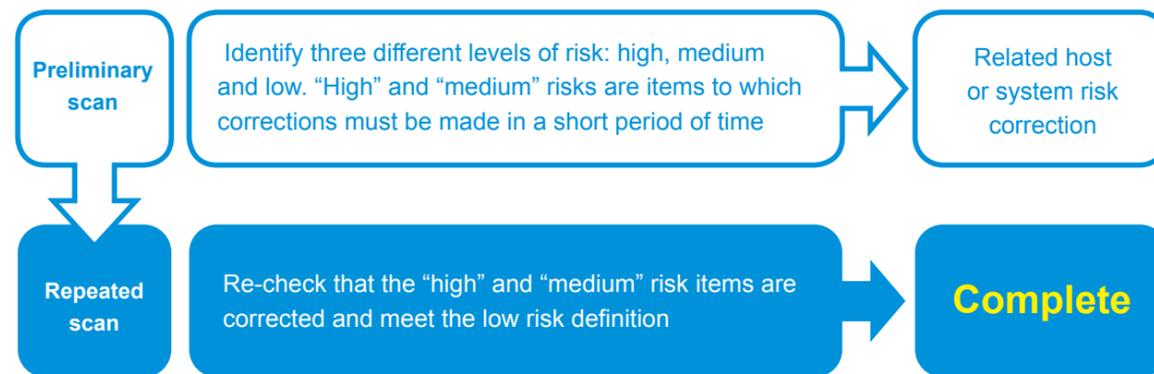
Through regular courses and periodic tests, HFC raises employees' awareness of information security. In terms of regular course planning, each employee is required to complete an annual intellectual property rights course and an information security course, and HFC uses online courses so that employees can plan their own training schedules. The intellectual property rights course covers the definition of copyright, legal liability for legal use of software and software piracy. The information security course covers information security, basic concepts of information security, common information security vulnerabilities, company information security measures, and an introduction to common computer viruses.



In the planning of periodic tests, in order to raise the alertness of employees to unfamiliar emails, and to prevent them from opening malicious emails, which may lead to malicious implantation of Trojan horses in their computers or become the target of hacker attacks, resulting in risks such as loss of corporate information and operation interruption. HFC has outsourced to professional vendors to send different types of fishing emails from time to time, such as lifestyle, social interaction, and technology, etc. By not alerting employees in advance, we can keep statistics on the opening of fishing emails by employees. After the test, the departments with the highest number of violations will be given further promotional educations, while subsequent reminders and re-education for employees will be reinforced.

Regularly review the vulnerability in information security

In 2020, HFC added and installed an automatic malicious email blocking service (ATP), which can filter out most malicious emails, phishing emails, virus emails, and even fraudulent emails. In order to enhance the information security strength, HFC also commissioned an impartial and objective third-party information security consultant to perform vulnerability scans to help check the security of network systems and system hosts, and assess the vulnerability and information security risk level. The information unit made corrections for relevant vulnerabilities based on the initial scan report, and repeat scans were performed to ensure that all material vulnerabilities were fully rectified.



Internal Information Security Audit

In order to ensure that information security operations are performing properly, HFC conducts monthly and annual internal audits, which are initiated by the Information Department and conducted by the entire company. Every month, the Information Department schedules a work rotation table to check the system's important mechanisms and requirements after they are launched. The former ensures that the important mechanisms are working properly. The latter ensures that the system development functions align with requirement planning after the new requirements are launched. Information security audits are conducted annually, and different audit topics are planned based on the current year's situation. First of all, employees conduct self-inspection based on the "Personal Computer Information Security Checklist". The Information Department assigns dedicated personnel to randomly check 10-20% of personal computers at each point. After the audit, statistics of the deficiency proportions of each department are tallied, and the annual information security audit report and Related improvement measures are prepared.



Third-party audit to strengthen information security operations

Each year, HFC will review the procedures of the information unit in the Company's standard operating procedures to confirm that they are in line with the ISO standard operating procedures and that they are in line with the current situation. In addition, during 2020, professional CPAs were appointed to interview the head of the information department to understand the organizational structure and clarification of the information unit's responsibilities and conduct the following audits. No material information security deficiencies affecting financial reporting were identified as a result of external audits in 2020.

1. Randomly check the operation process to ensure that data changes or data retrieval are properly approved in accordance with the procedures.
2. Audit whether the relevant software and hardware maintenance plans have been carried through.
3. Whether the system authorization is appropriate

Chapter 3

Employee Care

HFC is committed to creating a happy workplace by providing a sound human resources policy to provide employees with a perfect and secure employment environment. We believe that only happy employees can provide satisfactory services to our customers and create good operational performance for the sustainable growth of the Company. HFC provides a secure employment environment for its employees, and at the same time builds a comprehensive training system and smooth communication channels, offers competitive compensation and benefits, and takes care of both recruiting and nurturing, and provides genuine care and concern for its employees.



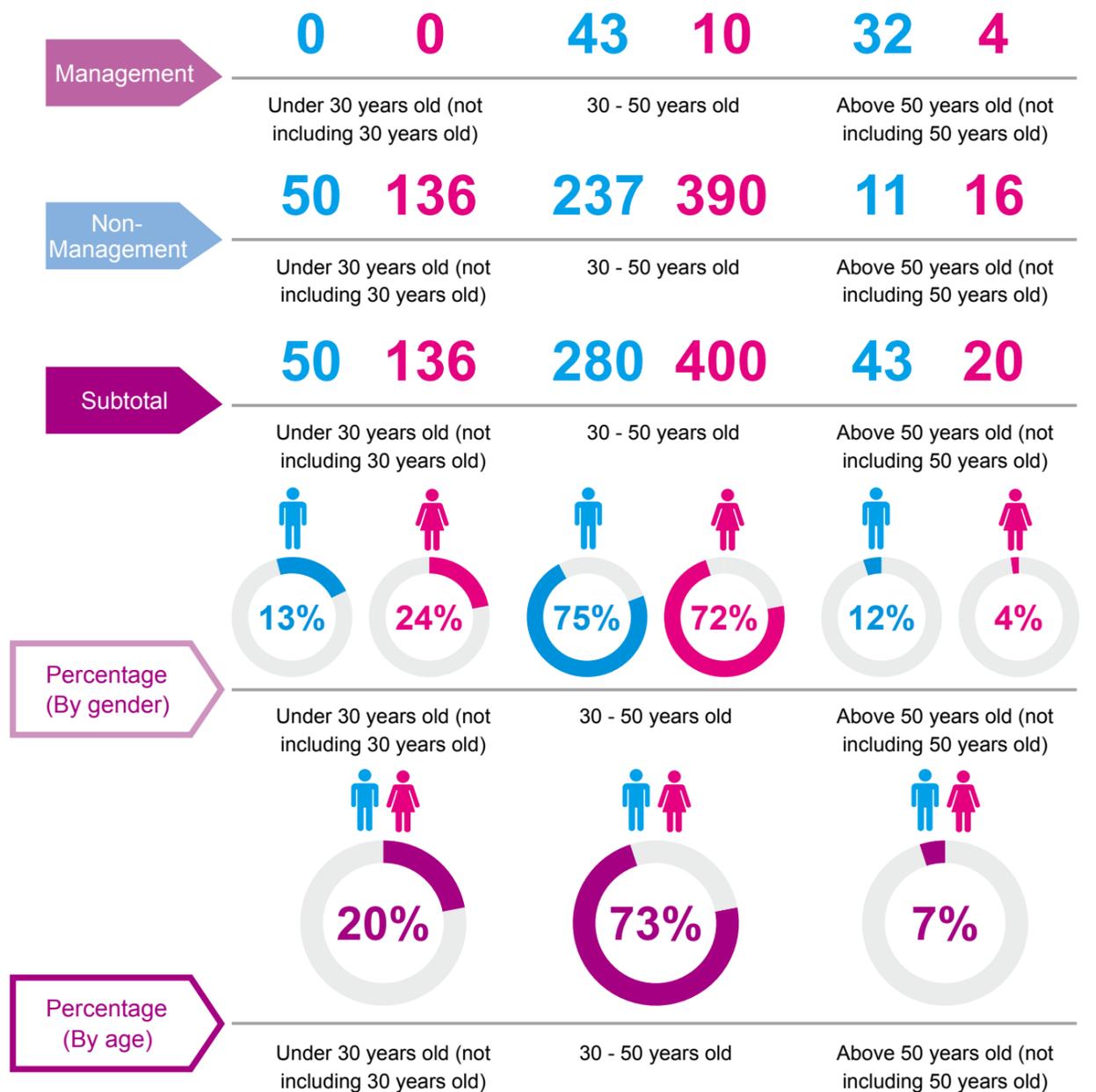
3.1 Employee Remuneration and Benefits

3.1.1 Hiring outstanding talents (102-8, 401-1, 405-1)

By the end of 2020, the total number of employees of HFC is 929, with 373 male employees and 556 female employees by gender, and 89 management employees and 840 general employees by job category. Note: The statistics mentioned in the text and tables in this chapter are as of December 31, 2020.

Classification of HFC employees by gender, age group and job category.

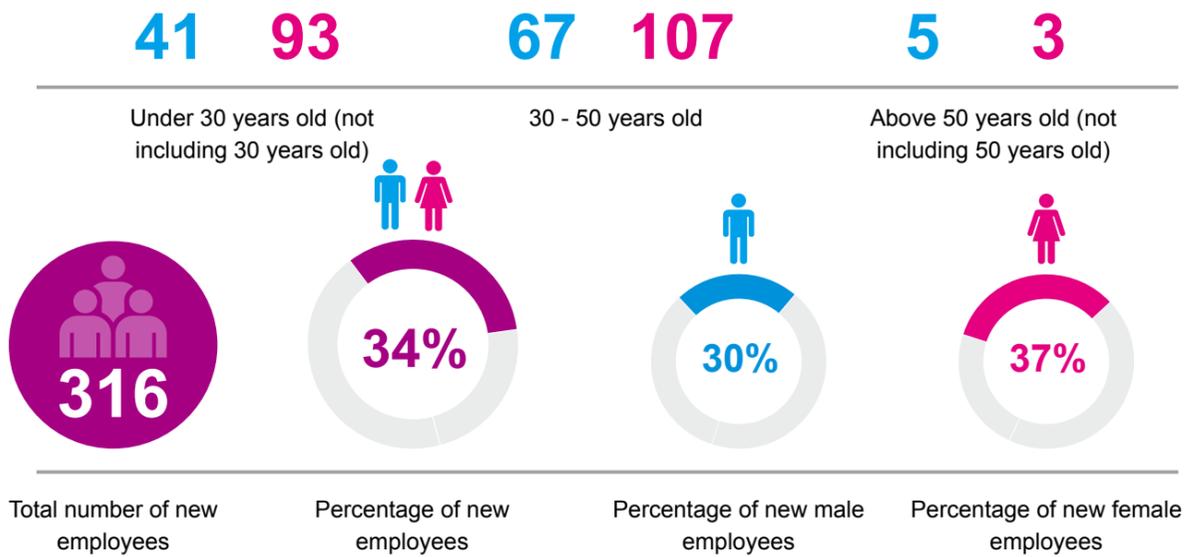
■ Male ■ Female Note: Management is at the level of assistant section chief or above; non-management is at the level of group leader or below.



In addition to creating a friendly working environment, HFC continues to recruit professionals in related fields through open channels to provide career development opportunities for employees and promote work-life balance. As of the end of 2020, the percentage of new employees was 34.02%, while the percentage of employees separating from the Company was 30.57% due to changes in market demand and other factors. However, overall, the number of employees of HFC has maintained a stable growth.

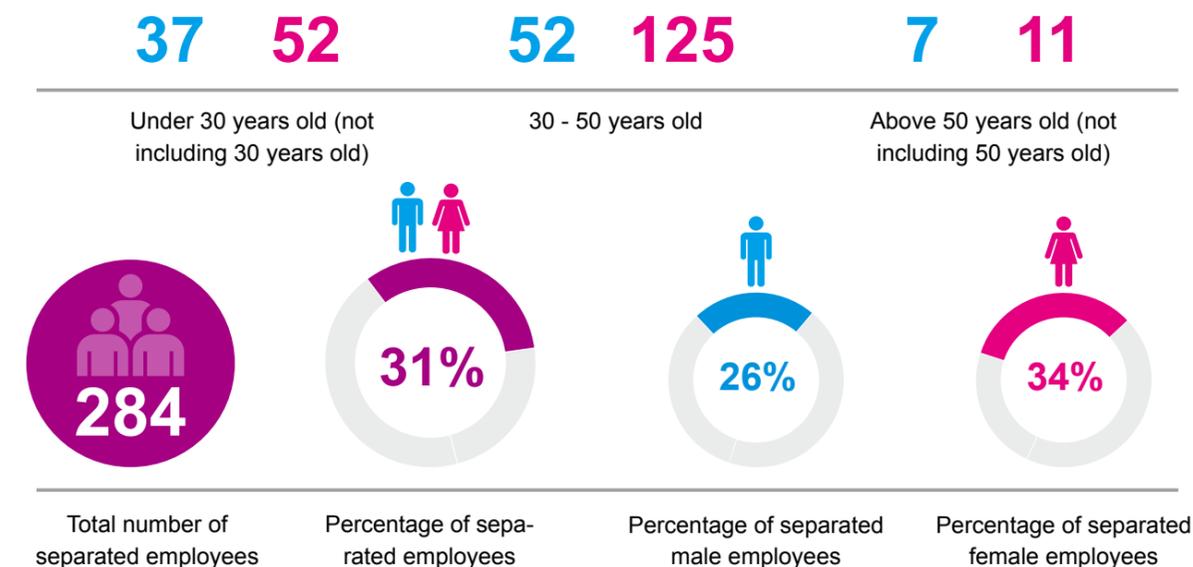
Total number and percentage of new employees of HFC

■ Male ■ Female Note: The percentage of new employees is calculated by dividing the total number of new employees in 2020 by the total number of employees in 2020.



Total number and percentage of separated employees of HFC

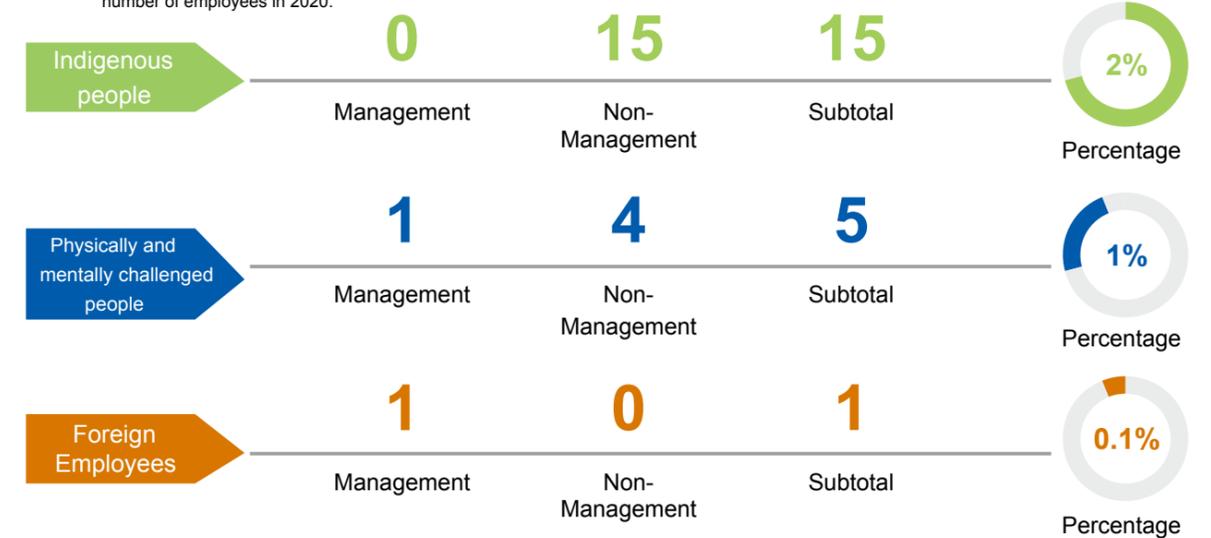
■ Male ■ Female Note: The percentage of separated employees is calculated by dividing the total number of separated employees in 2020 by the total number of employees in 2020.



HFC has spared no effort in recruiting talents and hiring employees through an open selection process, providing equal job opportunities regardless of gender, age, marriage, race, religion, nationality, etc. In addition, we also actively implement equal rights in the workplace by providing fair competition and development opportunities for employees regardless of gender, promoting gender equality and supporting diversity in the workplace. In addition, HFC employs underprivileged groups, such as indigenous people and people with physical and mental disabilities, and is committed to protecting the rights and interests of workers from underprivileged groups, providing them with job opportunities and salary benefits that are no different from those of ordinary employees. As of the end of 2020, HHR had hired 15 indigenous employees and 5 physically and mentally challenged employees.

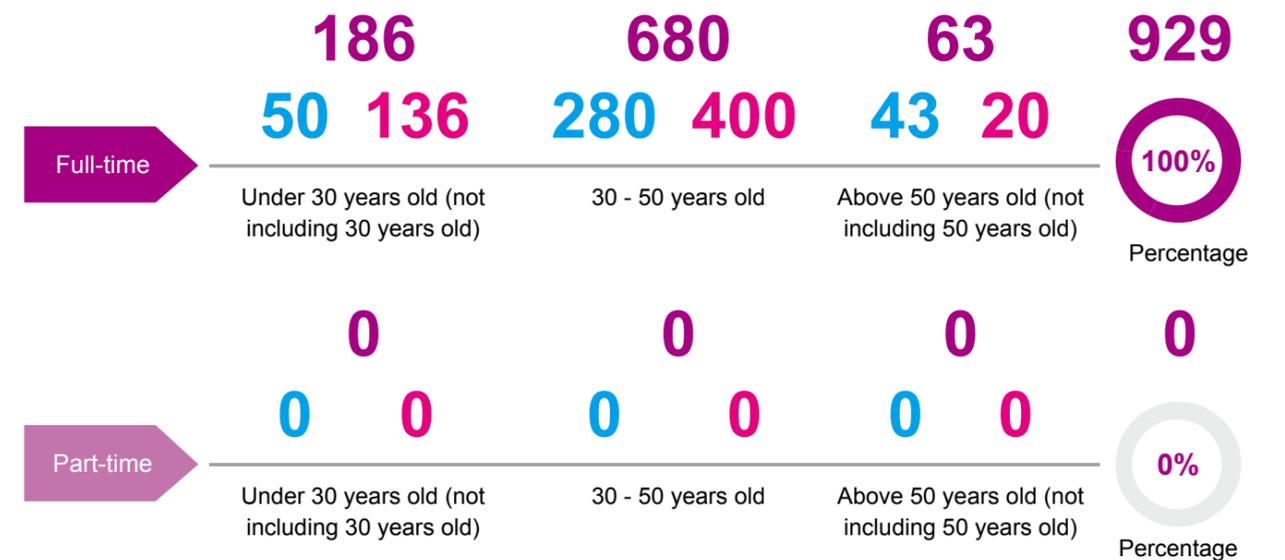
The situation where HFC hires employees from underprivileged groups

Note 1: Underprivileged groups refer to groups of people with specific physical, social, political, or economic conditions or characteristics
 Note 2: Note 2: The percentage of underprivileged groups is calculated by dividing the total number of underprivileged groups in 2020 by the total number of employees in 2020.

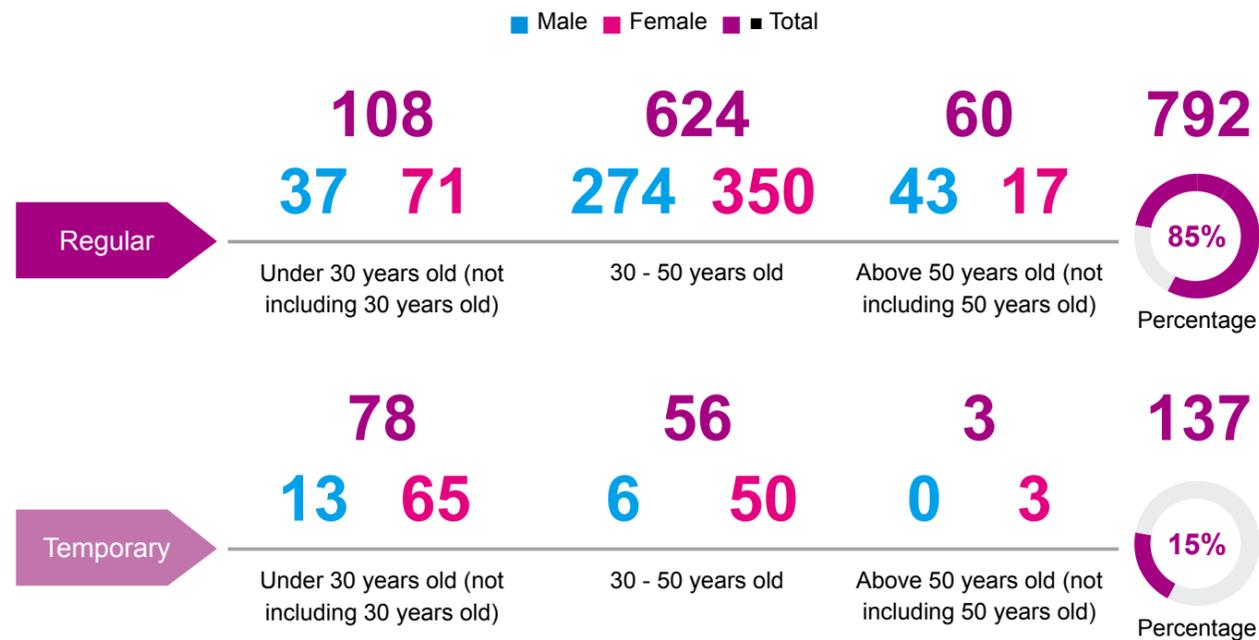


Total number of employees classified by gender and employment type (full-time and part-time)

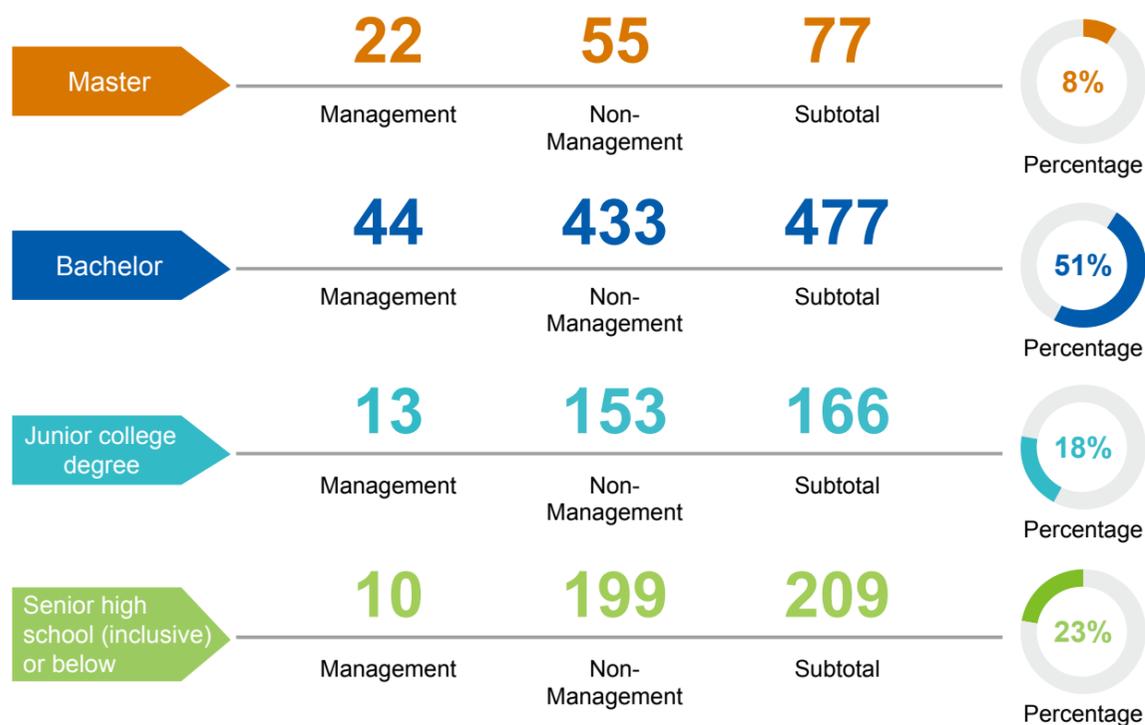
■ Male ■ Female ■ Total



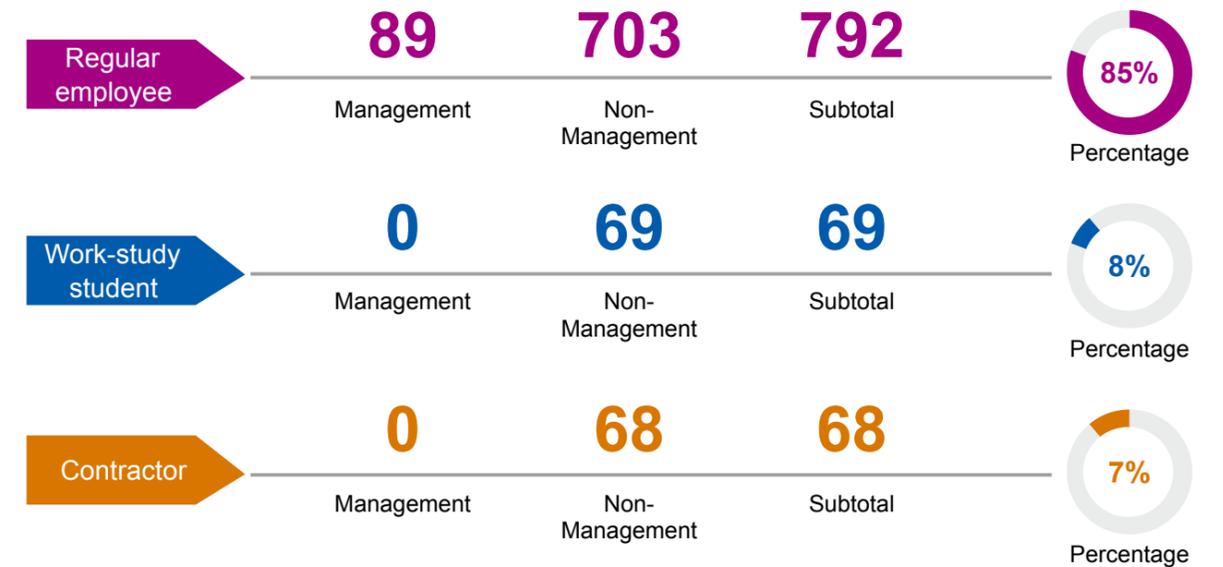
Total number of employees classified by gender and by employment contract (regular and temporary)



Total number of employees of HFC classified by education level



Total number of employees of HFC classified by employment type



3.1.2 Provide Fair Remuneration (405-2)

In order to attract talents to join the company and motivate employees, HFC offers competitive salaries and year-end bonuses that are better than the market level, as well as bonus payments and diversified incentive payments in accordance with the performance appraisal and business performance. The average annual salary can be more than 20 months. In addition, we regularly review our salary structure based on market salary surveys to ensure that our employees' overall salaries are competitive in the market, and we set different salary adjustments each year based on the economic environment and job performance to motivate our outstanding employees.

According to information revealed by the Market Observation Post System, the "average salary" of non-management full-time employees of HFC in 2020 was \$1,023,000, and the "median salary" was \$798,000. Further by industry, according to the comparison information from the Earnings Exploration and Information System of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the average salary of HFC was much higher than the average salary of similar employees in the "support services" industry (Note).

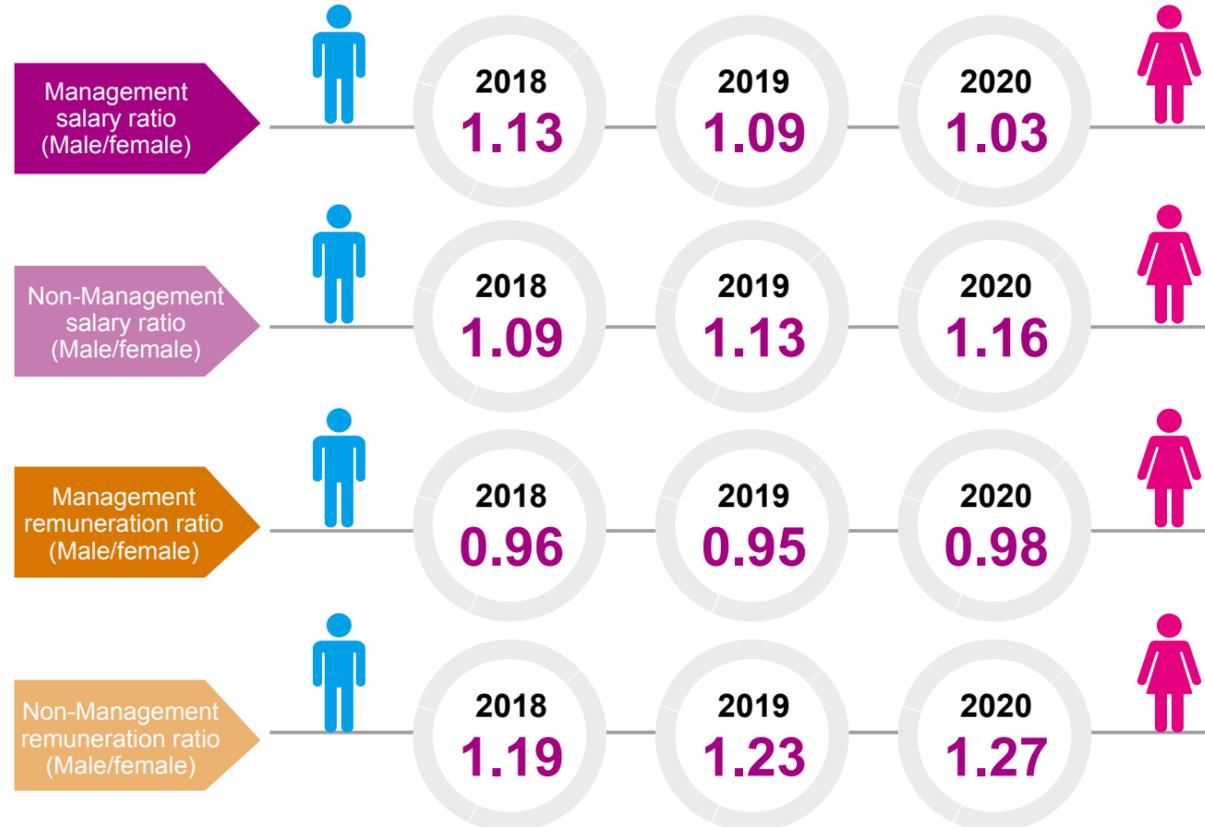
Note: According to the Earnings Exploration and Information System of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the average monthly salary of employees in the support service industry in 2020 was NT\$37,757 (averaging about NT\$453,000 per year).

As for the ratio of salary and compensation for HFC employees, the ratio of male/female compensation for management and non-management was more or less the same from 2018 to 2020; in each year, women at the management level had slightly higher salaries than men, and men at the non-management level had higher salaries than women, indicating that there is no gender-based difference in the salary levels offered by HFC. We strive to make the salary structure reasonable and fair to motivate employees to enhance their competencies and create better performance.



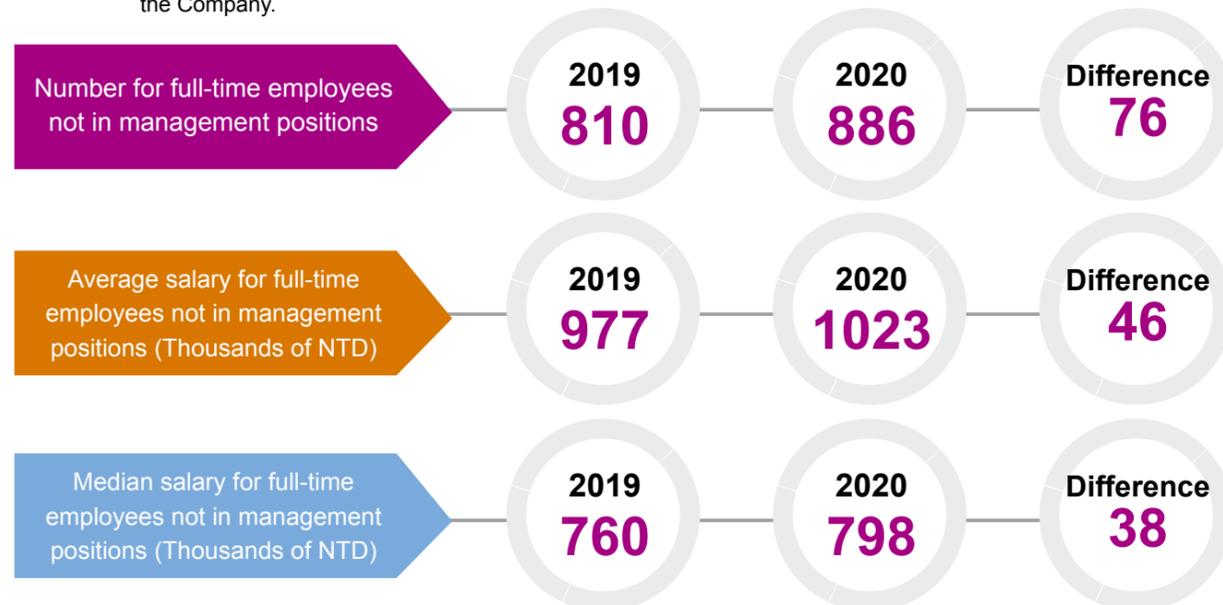
Ratio of compensation and remuneration for male and female employees in the last 3 years

Note: Salary refers to monthly salary; Remuneration refers to salary + reward (bonus). Management is at the level of assistant section chief or above; non-management is at the level of group leader or below.



Salary information for full-time employees not in management positions

Description: Full-time employees not in management positions are employees who are not managerial officers as defined in Tai-Cai-Zheng III Letter No. 920001301 and whose working hours reach the normal working hours required by the Company.



3.1.3 Provide good welfares (401-2)

In addition to fair compensation, HFC also provides a good welfare system for its employees. In 2008, HFC established the HFC Employee Welfare Committee, which provides a variety of employee welfare programs through a dedicated Welfare Committee and offers excellent benefits and welfare products to enable employees to enjoy their work and maintain a work-life balance at the same time. The benefits are listed below.



Comprehensive protection mechanism

HFC provides employees with the most comprehensive insurance system from the first day of employment. In addition to the employee labor and health insurances in accordance with laws, we also have group term life insurance, accident insurance, and travel insurance. At the same time, we also include employees' family members as the target of hospitalization subsidies and condolence payments from the Welfare Commission, providing employees with strong support and peace of mind when they work at HFC.



Retirement System and Employee Stock Options in compliance with laws

In accordance with the "Labor Standards Act", the "Labor Pension Act", and the "Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds", the Company establishes the HFC retirement measures for its employees to ensure their retirement rights and benefits. In addition, when HFC went listed on TWSE in 2019, in order to enhance the cohesion of employees and enable them to share the results of operations, employees were offered to become shareholders of the Company together, which aroused widespread reactions and recognition from employees.



Provide medical checkups and travel subsidies

The Company is committed to creating a healthy workplace environment and regularly organizes employee health checkups and provides medical subsidies for illnesses every year. The health checkup program covers general and special health checkups, etc. In 2020, HFC provided subsidies for 522 employee health checkups at a cost of \$1,636,600. In addition, HFC provides annual travel subsidies to our employees, and for sales personnel who have achieved their goals in the competition; HFC also provides overseas trips for our employees and their families so that they can balance their lives and protect their most important physical and mental health while working hard.



Application for different types of leave of absence and baby care benefits

In order to allow employees to have a family and balance work and life in a timely manner, HFC provides employees with various types of leave of absence in accordance with the Labor Standards Act, including special leave, parental leave and family care leave, as well as menstrual leave, pregnancy leave, childbirth leave, prenatal checkups leave for female employees, and paternity leave for male employees. In order to fulfill our corporate social responsibility and encourage our employees to participate in charity activities during their leisure time, HFC offers paid volunteer leaves to encourage employees to actively participate in volunteer activities. In 2020, in response to the special measures for the prevention of COVID-19, HHR also offered epidemic prevention care leaves, which are available for those who need to take care of children under 12 years old during a specific period announced by the Central Epidemic Command Center, so that employees could have the flexibility to take care of their families at the same time. In addition, to ensure the rights of female employees during pregnancy and postpartum, HFC has set up a breast milk collection and nursing room to provide them with a comfortable, safe, and relaxing space for nursing. In addition, to enable employees to work with peace of mind after giving birth, HFC has also signed preferential contracts with a number of contracted nursery centers to enjoy preferential registration fees, supplies, or pick-up and drop-off times to ease the burden of raising young children.





Other allowances and additional fringe benefits

The HFC Welfare Committee regularly provides cash gifts and presents for the three festivals, purchased from public welfare organizations. We also provide birthday gifts, wedding gifts, childbirth gifts, funeral white envelopes, retirement gifts, etc., subsidies and scholarships for children's educations, childbirth, injury and sickness benefits...etc. We also cooperate with shopping websites to provide exclusive discount prices for employees. In addition, for employees who need to purchase a car, we provide exclusive car purchase discounts and preferential loan interest rates and special store discounts so that employees can enjoy benefits in all aspects, including food, clothing, housing, and transportation.

In 2020, with the establishment of the Group's yoxi cab fleet, all HFC employees will receive a special discount on their taxi rides and enjoy more convenient commuting services. In addition, in order to increase employees' cohesion, HFC provides quarterly meal subsidies for employees, which their units can use to organize their own meal gatherings, birthday celebrations, welcome the new, send off the old and other activities or festivals.



Foreign language study subsidy

In addition to providing professional courses on the job, HFC also encourages employees to actively learn English and Japanese to improve their foreign language skills, so we have a comprehensive foreign language learning subsidy program and provide multiple learning channels and subsidies for further studies to train employees to become international talents. Additional bonuses are available for those who reach a certain threshold at exams.



Establish clubs to promote friendship

HFC encourages employees to set up various clubs and provides subsidies so that they can develop other interests beyond work, and so that they can exchange with other colleagues across departments. At present, the Company has established 13 clubs, including yoga club, singing club, LOHAS club, mountain hiking club, movie club, etc. In addition, in order to cultivate friendship among colleagues and promote inter-departmental communication, HFC also sponsors departmental activities and meal gatherings, and sets up a staff rest room to relieve employees' work pressure.



Employee Satisfaction Survey

HFC's latest employee satisfaction survey was conducted in 2020. The survey focused on nine major components, including "employee work morale, job nature, interaction with supervisors, interaction with co-workers, company environment and facilities, company salaries and benefits, education and training, performance appraisal, company development, and organizational cohesion", so as to listen to employees' opinions and serve as an important reference for HFC's future system development.

The response rate of the 2020 HFC Employee Satisfaction Survey was 100%, and the result showed as many as 94% of employees were "very satisfied" with the overall satisfaction level, with an overall satisfaction score of 4.33. The 2020 satisfaction survey showed a significant increase in work morale, management interaction, pay and benefits and performance evaluation, indicating that employees generally approved of the promotion of various welfare measures for employee care by HFC, among which the most satisfactory item was the increase of the three festivals' gift benefits, which had a positive effect. In addition, the results of the survey will be included in the final report and presented to the senior management. The policy suggestions provided by the employees in the survey will be compiled by the human resources department and provided to the relevant units for reference and improvement. The positive and satisfactory opinions will be affirmed, while the negative and unsatisfactory parts will be evaluated for adjustment, showing that HFC values and carefully considers the voices of employees. The next employee satisfaction survey is expected to be conducted in 2021.



HFC provides diversified benefits to create a happy workplace for employees



3.2 Talent Development (103-1~103-3)

Importance of Labor-management relationship and talent development to HFC

Employees are one of the most important assets of a company. Effective planning and establishment of education and training mechanisms and reviewing the benefits of talent development will create a competitive advantage for the Company. Failure to create effective employee development plans can lead to talent loss in addition to failure to meet business needs.

Material topic: Labor-management relationship and talent development

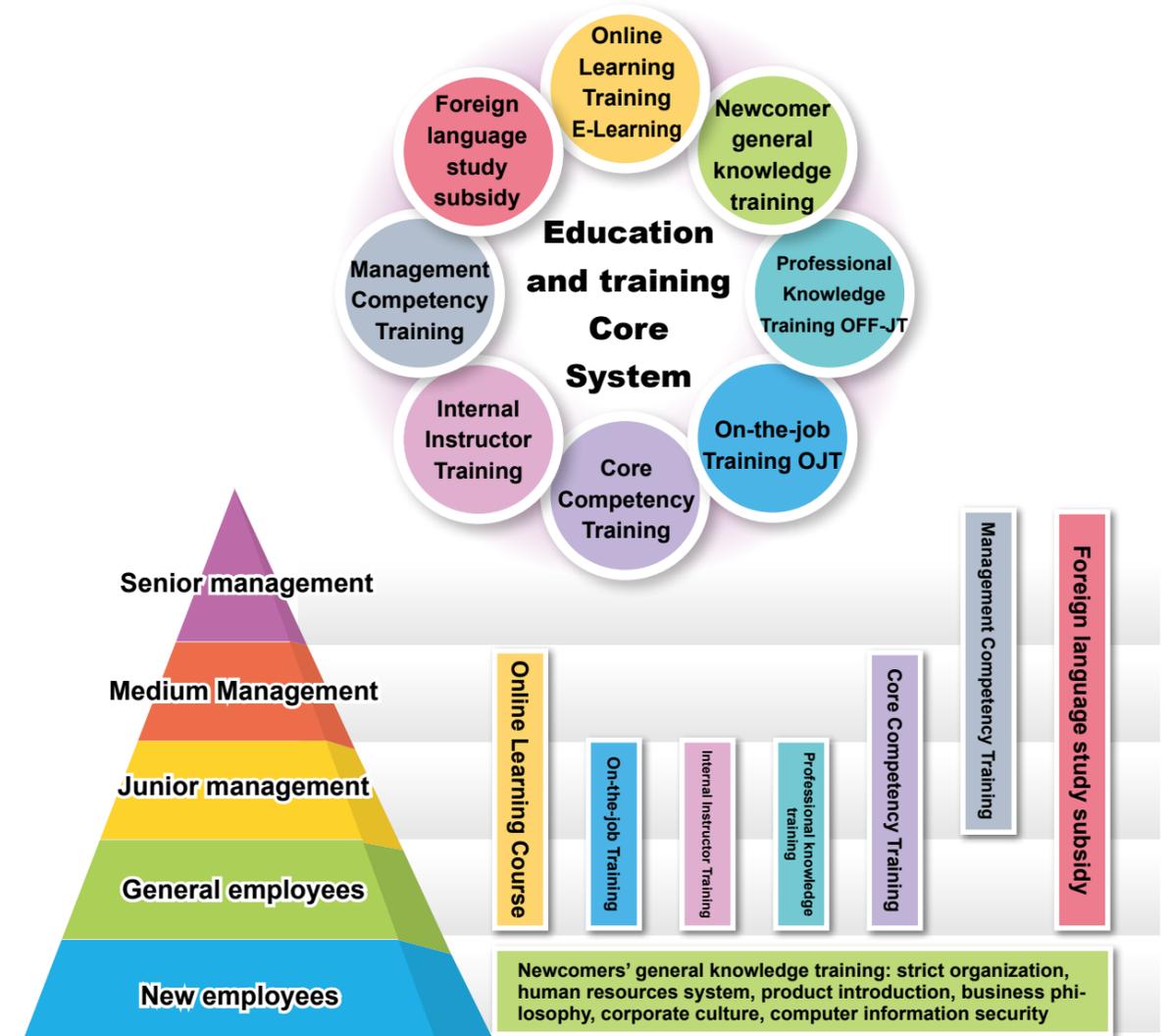
Category	Management Approach
Policy and Commitment	Implementation points for practical training Regional Sales Professional Development Training and Counseling Program Career Rotation Development System
Objective	In line with the Company's vision to provide diversified learning channels and training resources and focus on employees' continuous learning and development, we expect our employees to enjoy working and growing with the company.
Responsibility and resource	We continuously train our employees through diversified education and provide a complete education and training system through motivation, participation, application and functional education in order to improve the efficiency, competitiveness and sense of achievement of our employees, and to develop education and training guidelines to enhance the competitiveness of the Company.
Action Plan	According to the professional competencies, core competencies and management competencies, we have planned various training courses, using the HFC training road map, OJT model and online education & training as the three main axes to provide rich and diversified resources.
Evaluation mechanism	Performance Evaluation Method
Complaint mechanism	HFC HR window

3.2.1 Complete Training Resources (404-2)

In recognition of the fact that talents are one of the most important keys to sustainable corporate growth, HFC offered courses in 2020 for new employees, general employees, junior, medium and senior management. We hope that by improving employees' competencies and quality, we can help them strengthen their competitiveness in the workplace and promote the company's sustainable operations and also enable both employees and management to understand the level of capabilities required for promotion and the direction of future improvement. With the business philosophy of "customer first and profession oriented", HFC has been making every effort to cultivate talents. In the face of fierce competition in the market, HFC continues to train employees through diversified education, and aims to provide employees with a complete education and training system by means of motivation, participation, application and functional education. The three main axes of the HFC training road map, OJT model, and online education and training are designed to improve employee productivity, competitiveness, and sense of accomplishment.



HFC provides diverse learning channels and training resources for employees



Educational Training Rank Development Function Structure

HFC "GOLF" four training policy

G Group Learning

To promote common progress among employees through collective learning, such as departmental on-the-job training (OJT) learning, EMBA study sessions, management study sessions, etc.

O On-line Training

Learning or training via the Internet, e.g. EZ Learning Network, etc.

L Leverage Learning

Self-generated willingness and ability to learn, such as HFC E-News, foreign language (English/Japanese) subsidies, etc.

F Face to Face Training

Face-to-face non-virtual classes, such as business or management education & training

HFC combines the Company's vision to provide diversified learning channels and training resources, and emphasizes continuous learning and development of employees. Therefore, HFC has established the "Key points for implementing non-virtual training" to plan a complete training and development plan and career development blueprint. With the core system of education and training, HFC provides various training programs, including newcomers' general knowledge training, professional knowledge training, core competency training, on-the-job training (OJT) and management competency training, etc., so that employees can enjoy their work and grow together with the Company.

• Newcomer general knowledge training

A series of "Common Basic Education and Training Course" online courses for new employees are planned, and non-virtual courses will be held in 2021. The training or courses will cover corporate culture, internal systems and workflow, automotive and financial industry knowledge and legal knowledge, as well as computer and information security education. Assist newcomers to get to know and assimilate into the company quickly and help them to have a complete understanding of the organization and their duties.

• Professional knowledge training

According to the needs of different job functions, we provide internal and external non-virtual training courses according to the professional field, such as: sales staff, telemarketers, customer service staff and credit investigators, etc. to strengthen the professional ability and efficiency of our employees.

• Core Competency Training

General knowledge courses are designed to develop soft skills beyond professional competencies, e.g., the Workplace Enrich series. Enable employees to strengthen their core competencies in the workplace and to demonstrate good performance and interpersonal relationships.

• On-the-job Training OJT

The department heads and senior employees will guide the departmental colleagues and newcomers, and provide on-the-job education on daily work, necessary knowledge and skills through mutual discussion to strengthen the working ability of the staff together.

• Management Competency Training

We have designed a series of courses for leadership, coordination, staff training, organizational planning, project management, motivating employees and other management competencies, such as the two-year program of raw jade class for sales management to enhance the education and training capabilities. In addition, the company attaches great importance to learning new knowledge, providing books and magazines every month and holding regular study sessions to achieve mutual learning and knowledge sharing through cross-departmental discussions. In addition to professional book sharing and lectures on special topics, the annual study fair also provides soft and diversified courses, such as Team Building, to increase the interaction among management and cultivate a sound mind and body, which shows the importance of HFC places on management' training.

Management Competency Training Diversified Courses



Raw jade class

Considering that the relevant management of the sales unit should have the skills of management, leadership, communication, coaching, etc., HFC further plans a continuous and systematic two-year training project-"Sales Management Education and Training Two-year Project Plan (Raw Jade Class)" with participants including management such as directors, section chief and assistant directors of vehicle installment, channel marketing, corporate finance, telemarketing departments.

In addition to the customized design of the courses, the instructors are also employed with professional backgrounds in the auto finance industry, and have both business and management experience. Through pre-course assignments, lectures, product-specific group discussions, action plan development, refresher training reviews, and scenario simulations, as well as the viewing of certification assessment videos, management is able to better understand what they need to strengthen and improve.

HFC's 2020 raw jade class had a total of eight sessions, including the "Sales Director Competency" model development seminar, the "New Management Essence" class, and the "Continuous Improvement Program" coaching sem-



inar. After each class, the instructors provided homework assignments. They gave guidance during the class, and the participants all gave feedback that they benefited a lot from the class, with a satisfaction rating of 4.8.

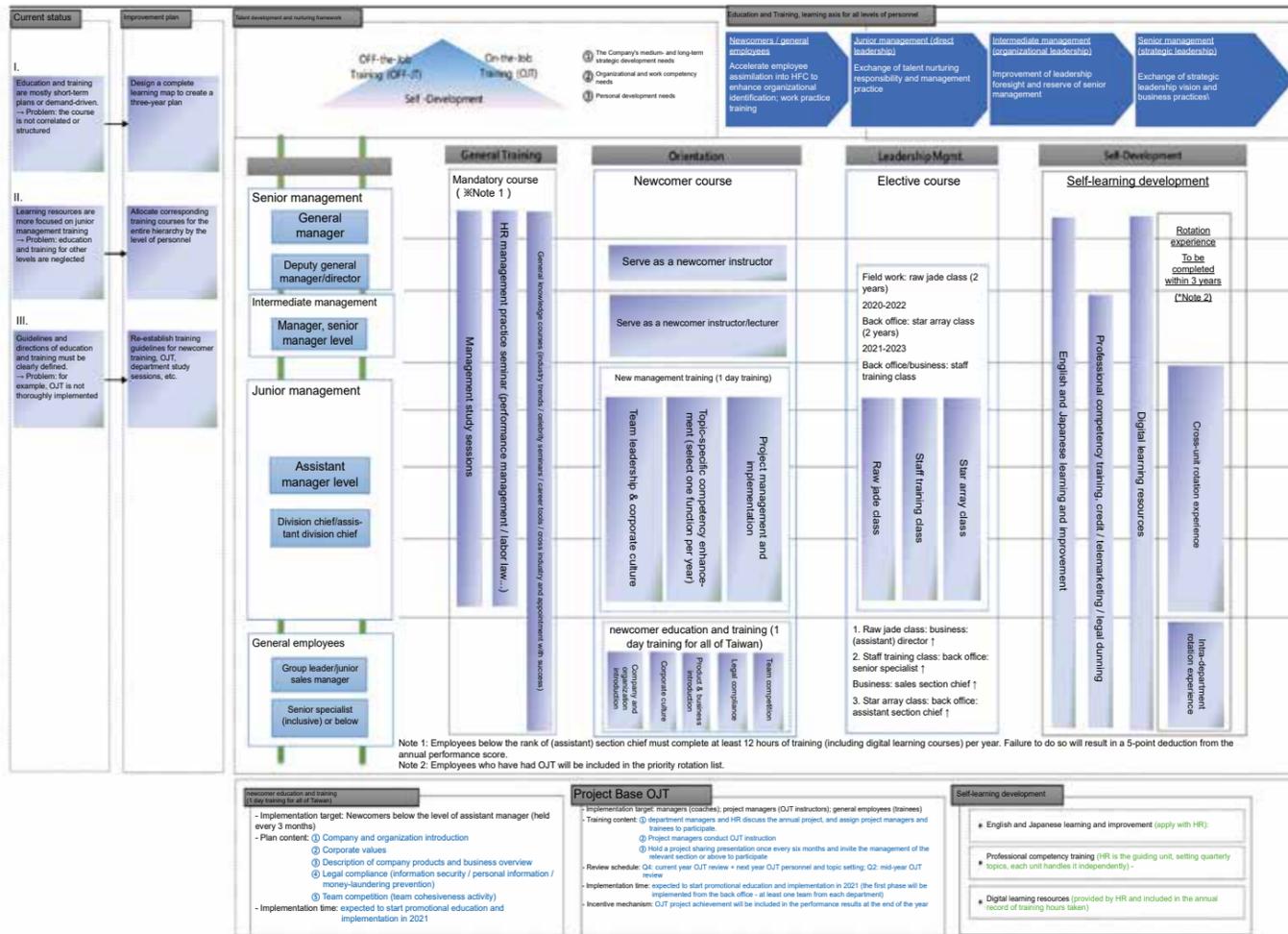
In order to pass on the wisdom and knowledge, the course materials of the raw jade class were also kept as a learning tool for future new supervisors.



● Learning Map

In order to provide more complete training resources, HFC in 2020 took stock of the implementation status of various education and training programs and review areas for improvement. In order to make the training courses more structured and connected, to extend the training targets to all levels, and to make the training objectives more clear, HFC has redefined the objectives and adjusted the course contents through the 3-year plan of Talent Academy, hoping to provide employees with a more complete learning map to build a talent pipeline at all levels.

HFC talent academy - provides a complete learning map to build a talent pipeline at all levels within three years



3.2.2 Diversified Learning Channels and Opportunities for Independent Learning (404-1)

HFC firmly believes that our employees are valuable assets and are the driving force for the Company's sustainable growth. Continuous learning and development of employees is the cornerstone to strengthen the Company's competitiveness. In 2020, the total number of education and training hours for HRS employees was 8,541.9 hours, with an average of 9.19 hours of training per employee. In addition to the training courses related to the core competencies of the workplace, HFC also provides a variety of learning channels to encourage employees to seize the opportunity to actively learn on their own to enhance their professionalism at work.

Statistics of training hours of HFC employees in 2020

Type of employees	Management	Non-Management	Total
Total hours of training received	2336.6	6205.3	8541.9
Total number of employees	89	840	929
Average number of hours of training per employee	26.25	7.39	9.19

Note: Management is at the level of assistant section chief or above; non-management is at the level of group leader or below.

● Abundant online courses

HFC provides E-Learning to employees through the online learning platform, EZ Learning, which offers quarterly mandatory courses for general employees and management, as well as a wide range of optional online courses, allowing employees to learn without the constraints of time and space, and greatly enhancing learning efficiency. In 2020, in addition to the mandatory courses for employees of all levels, general personnel can also choose from a wide range of 20 elective courses, which, according to their feedbacks, are colorful and interesting and helpful for work and life.

● Professional team of instructors

It is necessary and a long-term effort to improve the professionalism of our staff. HFC actively invests in training our employees to become internal seed instructors, to conduct internal courses on business content, product introduction, successful case sharing and other related information, to encourage our employees to grow in their professional fields by exchanging and discussing with our experienced staff and even designing teaching materials, to effectively manage knowledge and shape the learning culture of the organization, and then to act as an instructor to pass on knowledge and experience.

● Regular internal publications

HFC regularly provides employees with a wide variety of internal publications, including the quarterly newsletter "HFC You & me" and the monthly e-newsletter "HFC E-news Academy", so that they can be regularly informed of industry news, group and company updates, knowledge sharing, club world, employee world and travel information.



HFC e-Newsletter



HFC Periodicals

3.2.3 Establish a performance evaluation and rotation system (404-3)

In order to encourage employees to pursue excellent performance and achieve the purpose of opinion communication, work improvement, salary adjustment and promotion, training and development, HFC has a complete performance evaluation system. It has set up the performance assessment measure. All employees of HFC are required to undergo regular performance and competency evaluations every year, and a clear and effective evaluation and reward and punishment system have been established. Key behaviors and indicators will be set as the evaluation content according to employee's level. Through the performance and competency evaluation, HFC can identify potential and suitable talents, and enable our employees to be more engaged in their work. In addition, HFC has a well-developed career rotation system, allowing employees to move from one position to another to gain a deeper understanding of the Company's operations and become a "generalist" as a career goal.

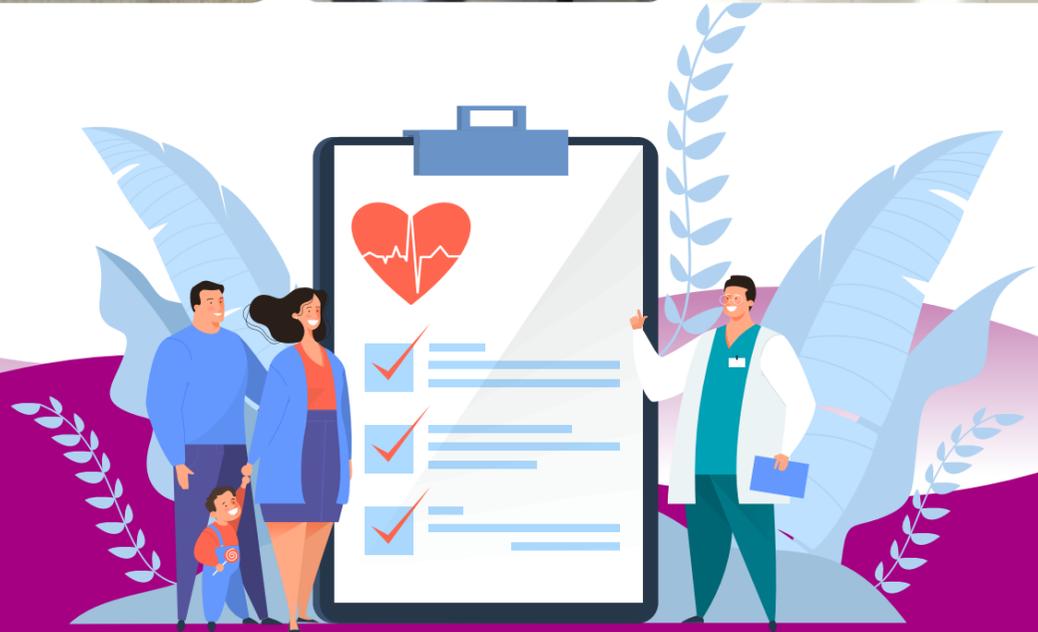
3.3 Workplace Safety and Health

3.3.1 Occupational Disaster Prevention and Drills (403-1, 403-2)

With the principle of safety first, HFC is committed to providing a safe working environment and planning and implementing safety protection measures to build a safe and reliable working environment. HFC has occupational safety and hygiene administrators at all office sites to help assess and monitor environmental safety. We also have fire-fighting facilities and first-aid kits at offices and three AEDs in our head office building to work without fear and worry.

HFC systematically arranges regular training for occupational safety personnel, and regularly disinfects workplaces every year, and cooperates with fire drills and earthquake drills in the buildings to maintain the safety of employees' operations, and actively educates and teaches employees to stop working and rescue in the event of an occupational disaster. In 2021, we expect to launch an occupational safety education course for all employees, which will require one hour of participation per person and will be mandatory for 950 people, in order to raise employees' occupational safety awareness and enhance workplace safety.

Disaster Prevention Drills in 2020



The circumstances of HFC employees on work-related injury leave in 2020

Type of leave	Number of hours for all employees		
	Male	Female	Total
Sick leave	1340.5	6631.5	7972.0
Menstrual leave	-	1024.0	1024.0
Work-related injury leave	56.0	120.0	176.0
Total number of hours	1396.5	7775.5	9172.0
Conversion of absence days	174.6	971.9	1146.5
Total number of working days	93250	139000	232250
Absence percentage	0.2	0.7	0.5

Note:

- * The number of absence days is converted to 8 hours of regular working per day.
- * The total number of working days is the sum of the actual number of working days of employees and other workers who are not employees in the month of the data, i.e., the number of daily worker attendance is calculated as one working day regardless of the length of time worked.
- * Absence percentage = Total number of absence days (work-related injury leave, sick leave, menstrual leave) / Total number of working days.

3.3.2 Create a Healthy and Safe Workplace (403-1)

HFC has a total of 14 occupational safety officers at each of its business locations to assist in assessing and monitoring environmental safety through meetings and discussions. In addition, HFC has also established a code of practice for occupational health and safety management to provide a safe, healthy, and comfortable working environment.

HFC cares for the health of employees and continues to promote annual health checkups for employees. In addition to the health checkup frequency that is better than required by laws, we also provide customized programs according to employees' duties, so that they can choose the program according to their needs and immediately ask professional medical institutions to provide consultation services if there are any abnormalities or others that need to be followed up.

HFC cooperates with affiliated enterprises to hold seminars and invite professional lecturers to give more advice to our employees. We also try to organize weight loss activities and invite interested employees to participate in order to move towards a healthier workplace life. In addition, we also hold regular management health gatherings and group sports competitions, such as bicycle rides and warm-blooded softball games, and encourage employees to set up various health-promoting clubs to provide them with a wide range of relief activities. All of these show that we are committed to maintaining the physical and mental health of our employees.

HFC epidemic prevention response

Since the outbreak of COVID-19, economic activities and people's lives have been severely affected both domestically and internationally. In 2020, when the epidemic was at its worst, in HFC, an epidemic prevention team was set up and a five-faced epidemic prevention system was established in response to the epidemic to prevent the possibility of the epidemic getting out of control.

1. Work by groups at different locations

When the epidemic was severe, HFC decided to take the first step to divert employees to work by group at different locations to reduce the possibility of clustering. We have employees work by group at different locations as quickly as possible to minimize disruption to operations and protect our employees' health.



2. Self-directed health management

We asked our employees to take their body temperature and fill out a health status form every day at work. We also made promotional education about masks in confined spaces, meeting rooms, and public transportation systems.



3. Office area epidemic prevention

In the office area, windows are opened and ventilated three times a day, and cleaners are asked to disinfect the public areas daily. In addition, the seating arrangement of employees is maintained at a certain distance, and PVC plastic partitions are used between the desks for pedestrian movement control.



4. Mechanism for visiting customers

We also have a clear policy for visiting customers or suppliers that visitors can only wait in certain areas and have their hands sanitized. If they need to enter the office area, they must follow measures such as measuring body temperature and wearing a mask.



5. Reporting mechanism

Human resources and general affairs keep abreast of the health conditions of all employees in the Company. When there are abnormal situations, we can take countermeasures at the first time. In addition, in order to keep our employees informed of the epidemic, HFC publishes weekly epidemic prevention reports, integrating the latest information released by the Central Epidemic Command Center with the latest epidemic prevention policies of the Company.



3.4 Employee Rights and Human Rights

3.4.1 Safeguard Employee Rights and Interests (406-1)

In order to actively protect the rights and interests of employees, HFC has established the "HFC Employee Code of Conduct", which not only makes every effort to comply with labor-related laws and spirits, but also encourages and supports employees' personal growth efforts in order to provide equal employment opportunities and maintain fair and stable working conditions, so as to create a safe and harmonious working environment for employees and never allow any infringement or discrimination against employees' rights and interests.

• Care for employees' working hours and provide a good working environment

Each month, the HFC HR department will provide a list of overtime employees to their supervisors and ask them to provide care and assistance. In order to provide a resting place for employees to relax during work in a timely manner, the percentage of lounges in each location is as high as 85%. The Company also cooperates with Simple Mart to set up a snack shelf in the company, with a ratio of 90%.

• Promote labor-management harmony and listen to employees' voices

In order to promote management labor harmony, listen to employees' voices, protect employees' rights and ensure unhindered communication, HFC has set up an "Employee Opinion Mailbox" on the Company's intranet site; and holds labor-management meetings at least once every three months to encourage employees to put forward relevant suggestions and proposals to create an open communication environment.

• Implement gender equality and prevent harassment or discrimination

HFC continues to promote the prevention of sexual harassment through new employee training courses, and bulletin boards on internal websites. We also have a sexual harassment complaint and investigation mechanism that emphasizes the prohibition of any sexual harassment, discrimination or intimidation. Employees are always aware of the importance of gender equality and care for underprivileged groups. Through proactive promotional propaganda and timely education, there were no sexual harassment or discrimination complaints at HFC in 2020. In addition, the composition of the Company's key meetings is based on the principle of gender parity, in the hope of achieving a working environment of gender equality and mutual respect.

3.4.2 Formulate human rights regulations (412-2)

HFC abides by labor-related laws and regulations, treats employees with the principles of fairness, tolerance and respect, creates a working environment with zero discrimination and zero harassment, and is committed to fulfilling corporate social responsibility and dedicating to safeguarding the basic human rights of employees. HFC follows the "United Nations Universal Declaration of Human Rights", "United Nations Global Compact" and "International Labor Convention" and other international human rights regulations, from safeguarding human rights in the workplace, implementing diversity and tolerance in the workplace, providing a healthy and safe workplace, respecting freedom of association, and promoting labor-management harmony, privacy protection and human rights policy propaganda and other key aspects, formulate and implement "human rights policies" so that all employees of HFC can be treated fairly and with dignity.



Chapter 4

Sustainable Environment



4.1 Climate Change Risk Management (201-2)

The world is facing the threat and impact of climate change. Countries are also actively engaged in climate change related management and measures, which shows that climate related issues are important for future global development and business operations. As a corporate citizen, HFC is also actively and progressively planning to manage climate change related issues and follow the Task Force on Climate-related Financial Disclosures (TCFD) framework recommended by the International Financial Stability Board (FSB) for climate risk, opportunity management actions and disclosures. In addition to identifying and responding to climate risks in 2020, strengthening climate resilience adaptation and reducing the potential operational impacts of disasters, we are also responding to the concerns of stakeholders and planning to further implement impact assessments in 2021, so as to gradually and completely introduce the TCFD management framework and establish comprehensive climate change risk management, contributing to the mitigation of global climate change.

Category	HFC Management Initiative
Governance	In 2019, HFC's Board of Directors approved the establishment of a Corporate Social Responsibility Committee (CSR Committee) and the general manager is the convener, with managers and above as committee members, and the Marketing and Administration Department as a part-time unit for CSR promotion. Under the CSR Committee, there are various working groups with ESG (Environment, Social, Governance) as the main axle framework to handle the issues of concerns to different stakeholders and facilitate the planned work with the relevant departments of the Company to carry out the planning, promotion and execution of the related activities, etc. At least two meetings are held each year and at least one report is made to the Board of Directors about the Committee's operations.
Strategy	According to the internal target management schedule of HFC, short-term is defined as having an impact less than three years, medium-term as three to five years, and long-term as greater than five years. We internally identify material climate risks and opportunities, assess their potential operational impact on HFC, and plan future management measures and strategies.
Risk Management	HFC integrates the concept of climate risk into all operations and business contents, identify potential climate risks/opportunities, analyze risks/opportunities, evaluate and decide on countermeasures, and manage them centrally and implement them at different levels according to their characteristics and impact levels in order to effectively control risks and opportunities.
Indicators and Goals	We comply with government regulations and requirements on environmental protection and energy. We pay attention to the impact of climate change on business operations, regularly review environmental and energy-saving goals, and continuously improve our environmental management performance.



4.1.1 Description of climate change risk and opportunity identification process



We have made reference to international literature, collected and inventoried domestic and international industrial climate-related risks and issues, screened and compiled them, and examined the impact of climate change risks and opportunities from different perspectives through internal discussions at HFC, and then conducted a comprehensive assessment based on the likelihood of impact and the degree of impact to complete the ranking of materiality.

We have identified three climate change risk issues and four climate change opportunity issues, and the potential impacts and adaptive actions for the relatively material climate change issues are described below:



Identify by consensus

3 Climate Change Risk 4 Climate Change Opportunity

Issues:

- Changes in customer behavior
- Uncertainty in market information
- Changes in consumer preferences

Issues:

- Adopt incentive policies
- Develop climate adaptation and insurance risk solutions
- R&D and innovation of new products and services
- Changes in consumer preferences

4.1.2 Material Climate Risk Identification Results and Adaptive Actions

Among the various climate change risk issues, those that have a relatively material impact on HFC are the changes in customer behavior for market risk, uncertainty in market information, and changes in consumer preferences for reputation risk. The potential impacts and corresponding adaptation actions are described below.

Category	Climate Change Risk Issues:	Potential impact on company operations	Adaptive actions
Market Risk	Changes in customer behavior	As customers become more aware of climate change, their preferences for products/services change, which may result in a change in purchasing decisions, such as a reduction in personal ownership of automobiles, or a customer's request for products and services that go beyond the current requirements for compliance with environmental standards, may result in a loss of market share if not provided or met.	We actively understand the market trend, pay attention to customer needs, and adjust our products and services quickly, such as offering preferential interest rates for green cars.
	Uncertainty in market information	International policy adjustments, or uncertain market information such as the signing of related climate contracts, can affect a company's lead time and operations, such as legislation to reduce the use of fuel vehicles resulting in a decline in the price of used fuel vehicles, which can affect its debt guarantees, incentives for ridesharing or use of public transportation, which can indirectly affect business.	We regularly review and understand international and domestic policy trends to keep abreast of market information and prepare in advance for responses and at the same time, continue to develop and design products and services related to environmental protection.
Reputation risk	Changes in consumer preferences	If consumers/customers perceive a company as a wrong-doer with respect to climate change, or if it does not have a clear image of environmental protection or climate change promotion, it will affect the perception of the company.	We continue to understand the market trends and actively design and promote green and environmental protection related products and services.

4.1.3 Material Climate Opportunity Identification Results and Adaptive Actions

Among the various climate change opportunity issues, those that have a relatively material impact on HFC are the adoption of incentive policies for energy sources, as well as the development of climate adaptation and insurance risk solutions for products and services, the development of new products and services for R&D and innovation, and changes in consumer preferences, and the potential impacts and adaptive actions in response are described below.

Category	Climate Change Opportunity Issues:	Potential impact on company operations	Adaptive actions
Energy source	Adopt incentive policies	By responding to government policies in the design and planning of products or services and developing new energy services, we can obtain relevant government incentives to reduce operating costs.	We regularly conduct in-depth research on government policies in order to develop product and service related proposals and actively seek relevant incentives.
Products and services	Develop climate adaptation and Insurance risk solutions	By combining the diversified products of the parent company Hotai Group, the Company integrates and plans its related services to reduce climate exposure and further increase revenue.	We actively research and develop relevant systems to maintain a leading business model to increase opportunities for products or services.
	R&D and innovation of new products and services	By combining the green products of the parent company Hotai Group, the Company designs and plans new products and services to enhance corporate image and brand influence, and gain support from customers and investors.	We are dedicated to designing new products and services, and strengthening our website and external promotion.
	Changes in consumer preferences	We are developing the business diversification and actively cooperating with the new energy policies of Taipower and various levels of government to develop supporting measures in order to obtain the first opportunity for green energy investment in the market.	Increase the target and amount of financing for green industry customers year by year.

4.2 Support Green Life (102-12)

According to the World Economic Forum (WEF) Global Risks 2021 report, environmental risks are still a concern even under the epidemic. Extreme climate has the highest probability of occurring under each risk. Three of the top five most impactful risks also fall into the environmental category: failure of climate action, loss of biodiversity, and natural resource crises. It is clear that environmental sustainability and climate adaptation are important and challenging issues we are facing globally.

As a corporate citizen, HFC is committed to doing its part for the environment. We echo the United Nations Sustainable Development Goals SDGs 7 Affordable and Clean Energy and SDG 13 Climate Action and cooperate with the government's air pollution prevention act to promote and implement green living from the inside to the outside in order to reduce the burden on the environment.

United Nations Sustainable Development Goals	HFC strategy
 SDGs 7 Affordable and Clean Energy	We support the government's green energy policy and actively promoted green vehicles in 2020, including electric vehicles, oil-electric vehicles and electric motorcycles, and offer special discount interest rates for electric motorcycle underwriting services.
 SDGs 13 Climate actions	We make efforts to promote renewable energy-related industries to derive the benefits of energy saving and carbon reduction

2020 HFC Green Vehicle Underwriting

	Electric vehicles	Oil-electric vehicles	Electric motorcycles	Total
Number of approved loans in 2020	84	6269	9331	15684
Amount of approved loans in 2020 (in millions)	138.17	4746.20	811.60	5695.97

Amount of approved loans for renewable energy



4.3 Operating Environment Management

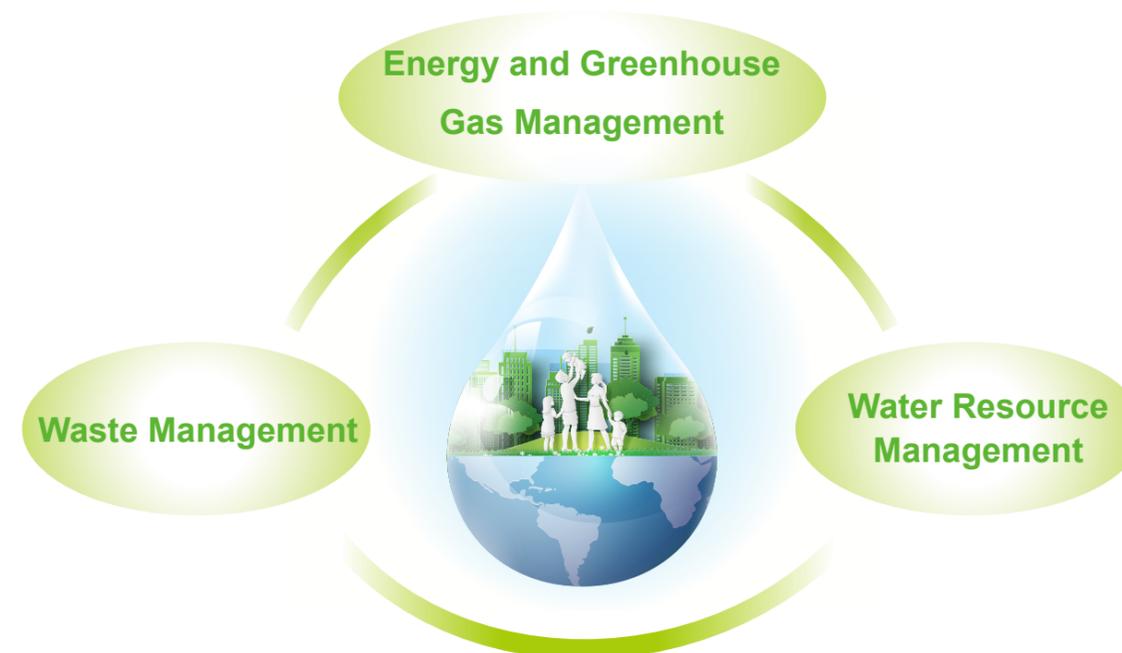
HFC adheres to the philosophy of sustainable operations. In order to achieve sustainable development of enterprise and environment, HFC pays attention to climate change, manages operational risks while growing its operation scale and formulated an environmental policy in 2020, in order to make proper use of global resources. The office environment of all of our business locations is maintained in accordance with public safety building regulations in cooperation with the building management committee. In addition, HFC takes further environment-friendly actions and works with employees to establish good habits of energy saving, conservation and resource recycling, and to deeply implant these concepts in every one's daily lives. We have established the "5S implementation regulations" to promote the green life of our employees through the movements of the five aspects of Seiri organizing, Seiton tidying, Seiso clearing, Seiketsu cleaning, and Shitsuke education.

In addition, we also promote the operation environment management according to the responsibility area, and hold 5S activity meetings to discuss the implementation status for improvement in order to achieve the benefits of a friendly environment and green life.

HFC carefully carries out the use and management of environmental resources, including energy and greenhouse gas management, water resources management, and waste management, to improve the efficiency of the use of resources, reduce the impact on the environment, and contribute to a sustainable environment.



Environmental Policy QR code



4.3.1 Energy and Greenhouse Gas Management (302-1, 302-4, 305-1, 305-2)

The energy consumption of all of our business locations is mainly outsourced electricity. In order to boost the energy-saving efficiency of our business locations, we have actively promoted to the employees of our business locations the "three offs: turn off the computer, turn off the lights, and turn off the air conditioner", set the air conditioning temperature in the office at 26 degrees, and continue to replace the general lamps in our business locations with energy-saving lamps. In 2020, we replaced a total of 415 energy-saving lamps in six business locations throughout Taiwan. We also clearly mark the locations of office lighting and provide regular guidance to employees to avoid over-opening areas that do not need to use lighting so as to form the habit of energy conservation among all employees and further reduce the impact on the environment. In addition, in



order to protect the environment, we replaced all 140 telephone system magnifiers used in telemarketing operations in 2020. We switched from battery-operated equipment to plug-in equipment to minimize the use of batteries in order to reduce environmental pollution.



Replace office area with
**energy-saving
lamps**

Reduce energy consumption

Power saving in 2020 was

76,113.30
kWh.

Savings in en-
ergy consumption was
274,070.29
MJ.

Reduction in car-
bon emissions was
38,741.67
kg

Note:

- * Energy heating value coefficients are based on the energy product unit heating value table from the Bureau of Energy, Ministry of Economic Affairs.
- * Grid emission coefficients are calculated using the "2019 Annual Electricity Emission Coefficient" announced by the Bureau of Energy, Ministry of Economic Affairs, and since the 2020 Electricity Emission Coefficient has not yet been announced, the 2020 Scope 2 Emission is calculated using the previous year's Coefficient (0.509 kg CO₂ e/kWh).

Energy consumption within the organization

Category	Year	Automotive gasoline	Electricity
Energy usage	2018	67,132.78 liters	1,398,806.18 degree
	2019	69,319.16 liters	1,544,658.05 degree
	2020	82,859.83 liters	1,663,697.68 degree
Usage per capita	2018	1,637.38 liters	1,828.50 degree
	2019	1,690.71 liters	1,849.89 degree
	2020	1,506.54 liters	1790.85 degree
Energy Consumption (GJ Gigajoule)	2018	2192.46	5036.85
	2019	2263.87	5562.04
	2020	2706.09	5990.68

Note:

- * The operating environment data was slightly improved due to the expansion of HFC's operation scale from 2018 to 2020 (continued addition of new business locations)
- * Energy heating value coefficients are based on the energy product unit heating value table from the Bureau of Energy, Ministry of Economic Affairs.
- * Electricity consumption is based on Taipower's hybrid residential and commercial time-of-use rate, and may differ from actual electricity consumption.

Greenhouse gas emission ^(Note)	(Scope 1) Automotive gasoline	(Scope 2) Electricity consumption	Total
2018 (Tons)	158.11	745.56	903.68
2019 (Tons)	163.26	823.30	986.57
2020 (Tons)	195.15	846.82	1041.98

Note:

- * The operating environment data was slightly improved due to the expansion of HFC's operation scale from 2018 to 2020 (continued addition of new business locations)
- * Grid emission coefficients are calculated using the "2019 Annual Electricity Emission Coefficient" announced by the Bureau of Energy, Ministry of Economic Affairs, and since the 2020 Electricity Emission Coefficient has not yet been announced, the 2020 Scope 2 Emission is calculated using the previous year's Coefficient (0.509 kg CO₂ e/kWh).
- * Use the greenhouse gas emission coefficient management table (version 6.0.4) and the IPCC Fifth Assessment Report GWP 100-year average as the basis for calculating carbon dioxide.
- * The scope 1 greenhouse gas emission coefficient for gasoline in category 1 is 2.3552 kg CO₂ e/L
- * The scope 2 greenhouse gas emission coefficient for gasoline in category 2 is 0.509 kg CO₂ e/Degree.

4.3.2 Water Resource Management (303-1)

The source of water used by HFC is 100% from the Taiwan Water Corporation. We do not use groundwater or other natural water bodies or other organizations' water sources. The water at each business location is for employees' use only. The used domestic wastewater is discharged through the drainage system and treated through the sewer, so there is no negative impact. In addition, we have also installed water conservators to regulate the water output and eliminate unnecessary water waste. HFC's total water usage in 2020 was 15,202 kWh.

Water usage	2018	2019	2020
Total degree of water usage	10,294 degree	11,363 degree	15,202 degree
Water usage per capita	13.5 degree	13.6 degree	16.36 degree

Note:

- * The degree of water usage is based on the monthly meter reading and billing for each unit, which may differ from the actual water usage.
- * The water consumption data was slightly improved due to the expansion of HFC's operation scale from 2018 to 2020 (continued addition of new business locations) and the increase in the frequency of disinfection as a result of epidemic prevention.



4.3.3 Waste Management

Since HFC is not in the manufacturing industry, the waste generated in the course of operation is mainly domestic waste. In order to reduce the impact on the environment, we have implemented garbage classification and resource recycling in our daily life, and we have also adhered to the philosophy of the three Rs of environmental protection, so that resources can be further recycled and reused through the following actions.

HFC environmental protection 3R philosophy



Reduce

[Externally].

- Promote HFC Easy Pay App to customers to create paperless and mobile billing to reduce the use of paper.

[Internally].

- Internal sales personnel use EZ Loan App, Golden Motor Loan App, and Heavy Vehicle App to perform loan approval operations using the online system.
- Mobile sign up app is used for management sign off to improve operational efficiency and save paper usage.



Reuse

- Encourage employees to reduce waste of resources by printing on both sides, reusing recycled paper and implementing garbage classification and resource recycling.

- Integrate the resources of information computer equipment and give them to rural schools to enhance the efficiency of use.



Recycle

Paper recycling and destruction operations ^(Note)

- 940 cases recovered in 2018
- 1,440 cases recovered in 2019
- 1,652 cases recovered in 2020



Note: The paper destruction operation is also known as sending confidential data to the destruction area, mixing it with boiling hot water, and then beating it into pulp.

Recycle - Paper recycling and destruction treatment weight

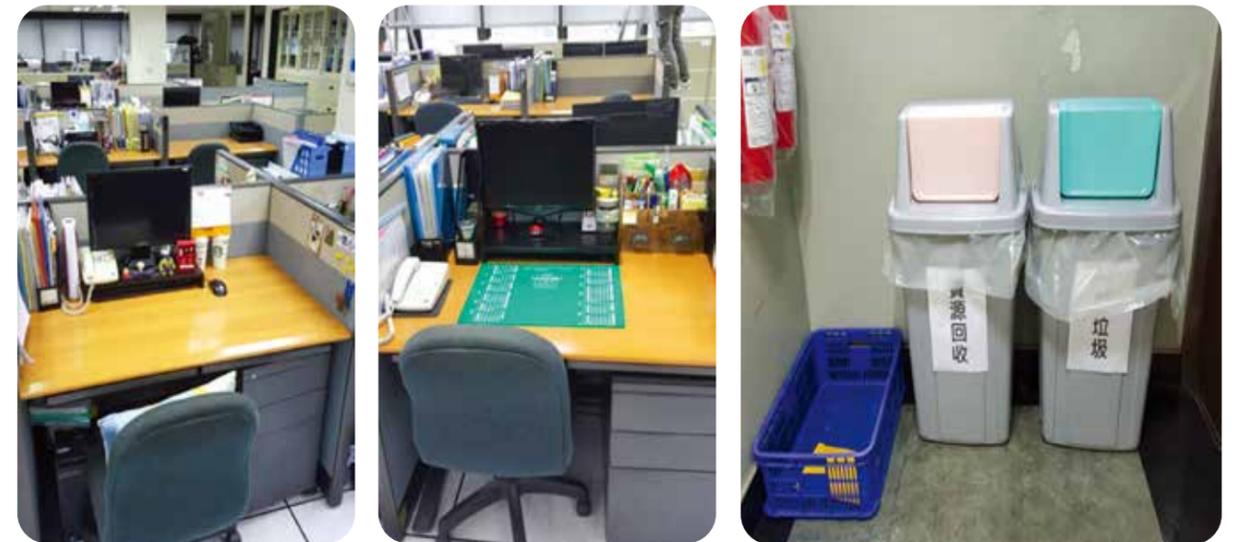


HFC understands that environmental sustainability is everyone's responsibility, so we also remind our employees of the importance of a friendly environment and promote green living internally to fulfill our environmental, social responsibility together with them.

Promoted green living content in 2020

Garbage classification

Continue to promote no trash cans around the seats in the office, so that employees can form the habit of getting up and taking the trash to the pantry for disposal and resource recycling, which not only reduces the environmental mess around the seats and thoroughly implements resource recycling, but also timely reminds employees to move their bodies more while being busy to avoid physical discomfort caused by prolonged sitting.



4.4 Supplier Management and Green Purchasing (102-9, 204-1, 308-1, 414-1)

Based on the belief in mutual trust and mutual growth, HFC has been working closely with suppliers to become a trusting partner. In order to strengthen and fulfill our commitment and responsibility to supplier management, HFC formulated a supplier management policy in 2020, aiming to work together with suppliers to promote sustainable environmental development, protect basic human rights and labor rights, and operate with ethical management to fulfill our corporate social responsibility.

In addition, we will conduct annual and daily assessments of the registered supplier list with written reviews, daily supplier records or on-site audits, and evaluate and classify suppliers according to their quality, cooperation, acceptance, industrial safety incidents and sustainability issues as a basis for risk management. Suppliers that pass the assessments shall sign a pledge to pursue the goal of sustainable development together with HFC.

HFC's suppliers are mainly in the categories of construction and repair, office furniture, internet/telecommunications, air conditioning, photocopying/office machines, etc. In 2020, the total number of suppliers with which HFC cooperated was 53, and the supplier assessment percentage was 100%. The assessment result was 98% for A grade and 2% for B grade, and there was no C grade supplier.



Supplier Management Policy QR code



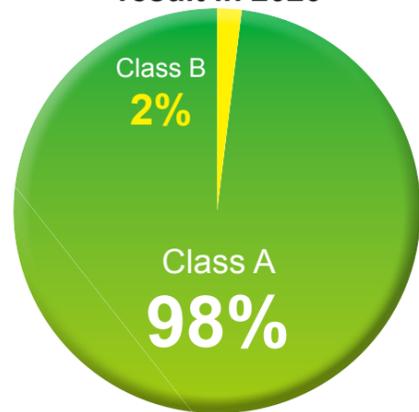
Annual Assessment

- ✓ Quality: Stability of quality in construction, supply, etc.
- ✓ Cooperation: Timeliness and cooperation of the supplier to the Company's needs.
- ✓ Acceptance: If acceptance is up to standard.
- ✓ Industrial safety incidents: Whether or not the supplier has had an industrial safety incident.
- ✓ Sustainability issue: Environmental protection and human rights assessment.

Daily assessment

We keep records of any periodicities that occur with our suppliers on a daily basis to provide a basis for an annual assessment.

Supplier assessment result in 2020



Supplier classification	Risk level	Management measures	Result	Description
Class A	Low risk	No abnormalities, qualified suppliers	98%	-
Class B	Medium risk	Abnormal, included in the suppliers to be observed or not to cooperate	2%	Have communicated with the supplier, which has improved
Class C	High risk	Abnormal, do not deal with and disqualify the supplier	0%	-

The total amount of green purchasing in 2020 was

\$6.08 million
22%
of total purchase amount

In addition, HFC adheres to the principle of local purchasing of products, parts and raw materials and works with suppliers to promote corporate responsibility, with a 100% local purchasing and the goal of prioritizing the purchasing of products with environmental labels to implement the concept of a friendly and sustainable environment. The amount of green purchasing in 2020 reached \$6.08 million, accounting for 22% of the total purchasing amount in 2020.

Chapter 5 Social Participation



5.1 Philosophy and Strategy (413-1)

In addition to its business operations, HFC also actively practices corporate social responsibility and incorporates the fulfillment of corporate social responsibility into its management approach and operational activities. In order to achieve the goal of sustainable development, we have established the "Corporate Social Responsibility Best Practice Principles" in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies". The contents of the Principles are governed by the four principles of "implementing corporate governance, developing a sustainable environment, safeguarding social welfare, and enhancing CSR information disclosure".

HHR has long been concerned about social welfare and environmental protection issues and carried out the corporate social responsibility activities of "implementing care and pursuing sustainability" according to the three ESG strategies, upholding the philosophy of "What is taken from society is used in society", and carry through the sustainable development goals of the United Nations to continue to contribute to the society, hoping to have positive influence through corporate social participation..



In addition to organizing education and training on fulfilling corporate social responsibility from time to time, HFC also encourages its employees to actively participate in public welfare activities, invites HFC employees to join the volunteer team and work together as devotion volunteers, and provides employees with volunteer leaves. Total volunteer hours in 2020 increased by 37% compared to 2019

In 2020, HFC employees participated in social welfare activities

Aspect	SDGs	Detailed Goals	Name of social welfare activities
Social welfare	SDG 8 Work with Dignity and Economic Growth	8.5	Down Syndrome Foundation Volunteer Visit
	SDG 12 Responsible Production and Responsible Consumption	12.7	Syin-Lu Sheltered Workshop Volunteer Visit
	SDG 2 End Hunger	2.1	Andrew Food Bank Volunteers
	SDG 3 Health and Wellness	3.6	Motorcycle Safety Education
Environmental Protection	SDG 15 Land Ecology	15.2	All of Central and South Taipei Mountain Cleanup
	SDG 14 Marine Ecology	14.1	Hotai Group Beach Cleanup Plastic Reduction
	SDG 13 Climate Change	13.3	Hotai Group One Tree for One Car

5.2 Social welfare (413-1)

In 2020, HFC contributed to social welfare with three components: safety education, care for the underprivileged, and social assistance. And we invested a total of 258 hours in volunteer work for social welfare in 2020, up 9.75 times from 2019.



5.2.1 Safety Education

According to the National Police Agency statistics, there were 341,972 traffic accidents in 2019, with the largest number of young people between the ages of 20 and 30, and each traffic accident may cause burden and harm to families and affect social stability. In view of this, HFC has extended beyond its business and considered how to provide customers with financing to obtain means of transportation while at the same time fulfilling its social responsibility and enhancing its service value. Therefore, we are conducting traffic safety seminars in schools, starting with young road users, in order to promote the concept of traffic safety in an ongoing manner, and to raise the safety awareness of road users and the concept of driving prevention by collaborating with different units across the board to expand and leverage their influence.

In view of the importance of safe driving education, HFC also regards this as a major mission and believes that road safety should be rooted in college campuses to strengthen their knowledge of traffic safety in order to reduce the incidence of accidents in Taiwan and indeed reduce the number of casualties. In 2020, we cooperated with KYMCO to promote the "Motorcycle Safety and Defensive Driving School Education Campaign" to teach college students good riding concepts and safety matters to pay attention to, including pre-ride inspection, proper riding posture, compliance with traffic laws, no speeding and improper turning, and maintaining a safe distance between vehicles. We hope that through the long-term establishment of correct traffic safety concepts and the creation of a safe road environment, only after every motorcycle rider has the knowledge and skills to drive safely can our traffic environment be truly improved.



2 sessions A total of 453 people



5.2.2 Care for the underprivileged

HFC has been dedicated to social welfare for a long time, and we actively invest our resources in caring for the underprivileged and giving back to society with our actions and love. We hope that through practical actions, we can arouse the public's concern for the underprivileged groups. We hope that we can help young people, underprivileged children, and children with Down's syndrome become self-reliant in society and simply make social contributions.

In 2020, social welfare organizations were affected by the epidemic. HFC took practical actions to remind the public to prevent the disease, and also subscribed 1,426 boxes of Down's Syndrome Foundation's ABRAZO gift box and Syin-Lu Foundation's portable soap gift box to each employee for the Dragon Boat Festival. In addition, the management and employees of HFC also visited the Down Syndrome Foundation's ABRAZO Chengde Store and the Heartland Foundation's Ci Tai/Syin Lu Sheltered Workshop to cheer on the shelter staff. HFC hopes that our practical actions will demonstrate our spirit of love and care for people is not falling behind. We

also hope that we can set an example for others to follow and promote the public's attention to people with physical and mental disabilities and support for their families so that more people in the community can respond together for them to fulfill their dreams.

Subscribed in total

- 1,426** Dragon Boat Festival gift boxes
- 713** Down Syndrome Foundation's gift boxes
- 713** Syin-Lu Sheltered Workshop Gift Box

5.2.3 Social assistance

Andrew Charity Association has long been supporting underprivileged children under the age of 15 in Taiwan through its "Food Bank Program," raising money and supplies on a monthly basis. The impact of hunger on children from underprivileged families is a social issue that needs to be taken seriously. However, the increasing number of recipients year after year also shows that more and more families need help. In 2020, HFC collaborated with the Andrew Charity Association to launch the "HFC Rich Food & Love, Happiness Is Everywhere" campaign. In addition to donating \$500,000 to help 500 recipient families, we also arranged for our employees to participate in volunteer services and help pack food boxes. In addition to demonstrating our commitment to social welfare, we also took action

to deliver the love of "Rich Food" to everyone in need. HFC hopes to fulfill our social responsibility as a corporate citizen and irrigate our corporate power on the land of Taiwan little by little to see the beauty of the world with love!

- Donated **\$500,000**
- Helped **500** families
- Subscribed **500** food boxes.



5.3 Environmental Protection (413-1)

We plan our environmental protection activities from three major aspects: mountain cleanup, beach cleanup, plastic reduction, and one tree for one car.

In addition to working with our parent company, Hotai Group, we also invite our employees to bring their families and friends to work together as environmental volunteers to help create a sustainable and beautiful environment for the land we grow on. In 2020, we put in a total of 1,840 hours of environmental volunteering, up 17% from 2019.



5.3.1 Care for mountains and forests with hands

Forests cover over 60% of Taiwan's land area, and in recent years, the government has promoted the policy of opening up mountain forests. At the same time, due to the global epidemic, many people have turned to outdoor sports in Taiwan and have entered the mountain and forests in large numbers, which has also created a heavy burden on the mountain environment. In order to maintain the beauty of Taiwan's mountains and forests, and to reduce the burden on the mountains and forests, HFC has continued to call on all business units for the second year in a row to conduct a total of 14 mountain cleanup activities in September 2020 in all of central and southern Taipei, in the hope of sharing and developing a mindset and habit of caring for the earth.

In total, care for **14** hiking trails with hands



5.3.2 Beach Cleanup Plastic Reduction

HFC continues to carry through the philosophy of environmental sustainability. In October 2020, we participated in the "Hotai TOYOTA Group Beach Cleanup and Plastic Reduction All Out Initiative", which combined the efforts of Hotai's affiliated enterprises and local distributors to synchronize 17 beach cleanup activities across Taiwan. HFC also invited 100 employees to participate in this event to encourage employees to get closer to nature during holidays, to enhance the friendship among colleagues, and to roll up their sleeves to do their part in making the environment friendly. On the day of the event, 11.4 tons of garbage and 50,187 bottles of discarded PET bottles were cleaned up, which is equivalent to the height of 19.8 101 buildings.

11.4 tons of garbage and **50,187** bottles of discarded PET bottles were cleaned up, which is equivalent to the height of **19.8** 101 buildings



5.3.3 One tree for one car

In addition to demonstrating our dedication to environmental protection through mountain and beach cleanup, we are also continuing to support Hotai's "TOYOTA One Tree for One Car" campaign by combining the efforts of group affiliated enterprises to protect Taiwan's retreating coastline and planting 1,200 young trees along the coast of Wujie in Yilan County in November 2020. Through coastal afforestation, we can fight against climate change and consolidate sand and prevent the problem of continuous coastal retreat. We take practical actions to plant trees, reduce carbon

and love the earth. We hope that through our efforts, we can arouse the public's attention to the problem of retreating coastline, so that Taiwan can regain its beautiful green coastline and protect our beautiful home.

Planted **1,200** young trees



Appendix



GRI Index Table (102-55)

General Disclosures

GRI Standards	Subject Matters for Disclosure	Chapter	Page Number
GRI 102: General Disclosures 2016	102-1 Organization Name	1.1 About HOTAI FINANCE CO., LTD.	19
	102-2 Activities, Brands, Products and Services	1.1 About HOTAI FINANCE CO., LTD.	19
	102-3 Head Office Location	1.1 About HOTAI FINANCE CO., LTD.	19
	102-4 Business Activities Locations	1.1 About HOTAI FINANCE CO., LTD.	19
	102-5 Ownership and Legal Form	1.1 About HOTAI FINANCE CO., LTD.	19
	102-6 Markets where services are provided	1.1 About HOTAI FINANCE CO., LTD.	19
	102-7 Organization scale	1.1 About HOTAI FINANCE CO., LTD.	19
	102-8 Information on Employees and Other Workers	3.1 Employee Remuneration and Benefits	45-47
	102-9 Supply chain	4.3 Supplier Management and Green Purchasing	74
	102-10 Material Changes in Organization and its Supply Chain	No Material Changes in 2020	--
	102-11 Early Warning Principles or Guidelines	1.4 Risk Management	28-30
	102-12 External Initiatives	4.1 Support Green Life	68
	102-13 Member Qualification of Public Association	1.1 About HOTAI FINANCE CO., LTD.	23
	102-14 Statement of the Decision Maker	Message from the Chairperson Message from the general manager	4-5 6-7
	102-16 Values, Principles, Standards, and Codes of Conduct	1.3 Ethical Management	27
	102-18 Governance Structure	1.2 Corporate Governance	24-26
	102-40 Stakeholder Groups	Corporate Sustainability Management	9-17
	102-41 Group Agreements	No Union	--
	102-42 Identify and Select Stakeholders	Corporate Sustainability Management	9-17
	102-43 Guidelines for Communicating with Stakeholders	Corporate Sustainability Management	9-17

GRI Standards	Subject Matters for Disclosure	Chapter	Page Number
GRI 102: General Disclosures 2016	102-44 Raise Key Topics and Concerns	Corporate Sustainability Management	9-17
	102-45 Entities Included in the Consolidated Financial Statements	About this Report	2
	102-46 Defining Report Content and Topic Boundaries	About this Report	2
	102-47 Tabulation of material topics	Corporate Sustainability Management	9-17
	102-48 Information Reprogramming	None	--
	102-49 Report Changes	None	--
	102-50 Reporting Period	About this Report	2
	102-51 Date of the last report	About this Report	2
	102-52 Reporting Cycle	About this Report	2
	102-53 Contact person who can answer questions about the report	About this Report	2
	102-54 Declaration of Compliance with GRI Standards	About this Report	2
	102-55 GRI Content Index	GRI Index Table	83-88
	102-56 External guarantee/assurance	Independent Auditors' Limited Assurance Report	89-91

Material Topics

Corresponding Environmental, Social and Governance	GRI Standards	Subject Matters for Disclosure	Chapter	Page Number
Society	GRI 103: Management Approach 2016	Personal data protection		
		103-1 Explain Material Topics and Their Boundaries	Corporate Sustainability Management	9-17
		103-2 Management Approach and its elements	2.3 Information Security and Personal Data Protection	40
	103-3 Evaluation of Management Approach	2.3 Information Security and Personal Data Protection	40	
	GRI 418: Customer Privacy 2016	418-1 Complaints of proven violation of customer privacy or loss of customer information	2.3 Information Security and Personal Data Protection	40
Corporate Governance	GRI 103: Management Approach 2016	Ethical Management		
		103-1 Explain Material Topics and Their Boundaries	Corporate Sustainability Management	9-17
		103-2 Management Approach and its elements	1.3 Ethical Management	27
103-3 Evaluation of Management Approach	1.3 Ethical Management	27		
Corporate Governance	GRI 103: Management Approach 2016	Operation performance		
		103-1 Explain Material Topics and Their Boundaries	Corporate Sustainability Management	9-17
		103-2 Management Approach and its elements	1.1 About HOTAI FINANCE CO., LTD.	22
	103-3 Evaluation of Management Approach	1.1 About HOTAI FINANCE CO., LTD.	22	
	GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed by the organization	1.1 About HOTAI FINANCE CO., LTD.	22
201-2 Financial Impacts and Other Risks and Opportunities of Climate Change	4.1 Climate Change Risk Management	65-67		

Material Topics

Corporate Governance					
Corporate Governance	GRI 103: Management Approach 2016	103-1 Explain Material Topics and Their Boundaries	Corporate Sustainability Management	9-17	
Corresponding Environmental, Social and Governance					
GRI Standards	Subject Matters for Disclosure	Chapter	Page Number		
Corporate Governance	GRI 103: Management Approach 2016	103-1 Explain Material Topics and Their Boundaries	Corporate Sustainability Management	9-17	
		103-2 Management Approach and its elements	1.2 Corporate Governance	24	
		103-3 Evaluation of Management Approach	1.2 Corporate Governance	24	
	Society	GRI 103: Management Approach 2016	103-1 Explain Material Topics and Their Boundaries	Corporate Sustainability Management	9-17
			103-2 Management Approach and its elements	2.1 Digital Innovative Services	32
			103-3 Evaluation of Management Approach	2.1 Digital Innovative Services	32
GRI 417: Marketing and Labeling 2016		417-2 Incidents of non-compliance with the information and labeling regulations of products and services	1.4 Risk Management 2.1 Digital Innovative Services	28-30, 32	
		417-3 Incidents of non-compliance with marketing communication related regulations	1.4 Risk Management	28-30	
		Customer Service and Rights and Interests			
Environment and Society	GRI 103: Management Approach 2016	103-1 Explain Material Topics and Their Boundaries	Corporate Sustainability Management	9-17	
		103-2 Management Approach and its elements	1.4 Risk Management	28-30	
		103-3 Evaluation of Management Approach	1.4 Risk Management	28-30	
	GRI 307: Compliance with environmental protection regulations 2016	307-1 Violation of environmental regulations	1.4 Risk Management	28-30	
		GRI 419: Compliance with society and economy regulations 2016	419-1 Violation of laws and regulations in the social and economic fields	1.4 Risk Management	28-30
			Legal compliance		

Risk Management				
Environment and Society Corporate Governance	GRI 103: Management Approach 2016	103-1 Explain Material Topics and Their Boundaries	Corporate Sustainability Management	9-17
Corresponding Environment and Society Corporate Governance (ESG)				
GRI Standards	Subject Matters for Disclosure	Chapter	Page Number	
Environment and Society Corporate Governance	GRI 103: Management Approach 2016	103-1 Explain Material Topics and Their Boundaries	Corporate Sustainability Management	9-17
		103-2 Management Approach and its elements	1.4 Risk Management	28-30
		103-3 Evaluation of Management Approach	1.4 Risk Management	28-30
		Labor-management relationship and talent development		

Corresponding Environment and Society Corporate Governance (ESG)	GRI Standards	Subject Matters for Disclosure	Chapter	Page Number
Society	GRI 103: Management Approach 2016	103-1 Explain Material Topics and Their Boundaries	Corporate Sustainability Management	9-17
		103-2 Management Approach and its elements	3.2 Talent Development	54
		103-3 Evaluation of Management Approach	3.2 Talent Development	54
	GRI 404: Education and training 2016	404-1 Average number of hours of training per employee every year	3.2 Talent Development	58-59
		404-2 Enhancement of employee competencies and transition assistance programs	3.2 Talent Development	54-58
		404-3 Percentage of employees who receive regular performance and career development reviews	3.2 Talent Development	59

Other Topics

GRI Standards	Subject Matters for Disclosure	Chapter	Page Number
GRI 200: Economy			
GRI 204: Purchasing Practices 2016	204-1 Percentage of purchasing expenditures from local suppliers	4.3 Supplier Management and Green Purchasing	74
GRI 300: Environment			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	4.2 Operating Environment Management	70
	302-4 Reduce energy consumption	4.2 Operating Environment Management	70
GRI 303: Water 2016	303-1 Water withdrawal by source	4.2 Operating Environment Management	71
GRI 305: Discharge 2016	305-1 Direct (Scope 1) greenhouse gas emissions	4.2 Operating Environment Management	71
	305-2 Energy Indirect (Scope 2) Greenhouse Gas Emissions	4.2 Operating Environment Management	71
GRI 308: Supplier Environmental Assessment 2016	308-1 Screening of new suppliers using environmental standards	4.3 Supplier Management and Green Purchasing	74
GRI 400: Society			
GRI 401: Labor relations 2016	401-1 New and Former Employees	3.1 Employee Remuneration and Benefits	46
	401-2 Benefits provided to full-time employees (not including temporary or part-time employees)	3.1 Employee Remuneration and Benefits	51-53
GRI 403: Occupational Safety and Hygiene 2016	403-1 Worker representatives in the official safety and hygiene committee formed by the employees and management	3.3 Workplace Safety and Health	61
	403-2 Type of injury, percentage of injury, occupational disease, lost work days, absence, etc., and number of work-related deaths	3.3 Workplace Safety and Health	61
GRI 405: Employee Diversification and equal opportunity 2016	405-1 Governance Units and Employees Diversification	3.1 Employee Remuneration and Benefits	45-49
	405-2 Ratio of Women to Men's Base Salary plus Remuneration	3.1 Employee Remuneration and Benefits	49-50
GRI 406: No discrimination 2016	406-1 Incidents of Discrimination and Improvement Actions Taken by the Organization	3.4 Employee Rights and Human Rights	63
GRI 412: Human Rights Evaluation 2016	412-2 Staff Training on Human Rights Policies or Procedures	3.4 Employee Rights and Human Rights	63
GRI 413: Local Community 2016	413-1 Operational Activities through Local Community Communication, Impact Assessment and Development Plans	5.1 Philosophy and Strategy 5.2 Social Welfare 5.3 Environmental Protection	76-81
GRI 414: Supplier Social Assessment 2016	414-1 Screening of new suppliers using social standards	4.3 Supplier Management and Green Purchasing	74

Article 4 of the Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies requires adding subject matters for disclosure in a comparison table.

Operating Measures	Subject Matters for Disclosure	Chapter	Page Number	
Article 4	Paragraph 1	The number of full-time employees not in management positions, the average and median salaries of full-time employees not in management positions, and the differences from the previous year for the three items.	3.1 Employee Remuneration and Benefits	2
	Paragraph 2	Corporate governance of climate-related risks and opportunities, actual and potential climate related impacts, how to identify, assess and manage climate related risks and the indicators and goals used to assess and manage climate related issues.	4.1 Climate Change Risk Management	2

Summary of Subject Matters Assured

Item	Information on the Assurance Subject	Aspect	Applicable Criteria
1	Attendance of the Board of Directors in person was 97% in 2020.	Governance (G)	A total of 7 board meetings were held in 2020. The number of attendees in the sign-in book of each board meeting is divided by the number of all directors to calculate the average attendance rate from the 12th meeting to the 18th meeting of the 9th board.
2	Directors participated in education, training courses and seminars for a total of 114 hours in 2020	Governance (G)	In 2020, a total of 9 directors, including independent directors, participated in courses and seminars, and the total number of hours of training shown on the certificates of completion was added up.
3	Total volunteer hours in 2020 increased by 37% compared to 2019	Social (S)	The growth rate of the total number of hours of volunteer activities held in 2020 and 2019 is calculated.
4	Amount of approved loans for renewable energy reached \$270 million in 2020	Environmental (E)	The total actual loan amount of the installment cases for customers in the renewable energy industry whose case approval date was in 2020
5	In 2020, the number of approved loans for electric vehicles, oil-electric vehicles and electric motorcycles reached 15,000 and the amount reached \$5.69 billion.	Environmental (E)	The total actual loan amount of the installment cases for vehicle type of electric vehicles, oil-electric vehicles and electric motorcycles, with the case approval date in 2020.



Independent Auditors' Limited Assurance Report

To HOTAI FINANCE CO., LTD.:

We have been engaged by HOTAI FINANCE CO., LTD.:(hereinafter referred to as "the Company") to perform assurance procedures on the sustainability performance information identified by the Company and reported in the 2020 Corporate Social Responsibility Report. We have completed the assurance procedures and issued a limited assurance report based on the result of our work performed

Subject Matter Information and Applicable Criteria

The sustainability performance information (hereinafter referred to as the "Subject Matter Information") identified by the Company and reported in the 2020 CSR Report and the respective applicable criteria are stated in the "Summary of Subject Matters Assured" on page 92 of the 2020 CSR Report. The scope of the aforementioned Subject Matter Information is set out in the "Boundary and Scope" on page 2 of the CSR Report.

Management's Responsibilities

The Management of the Company is responsible for the preparation of the sustainability performance information disclosed in the CSR Report in accordance with the respective applicable criteria, and for such internal controls as management determines is necessary to enable the preparation of the sustainability performance information that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

We conducted our assurance work on the Subject Matter Information disclosed in the CSR Report in accordance with the Statement of Assurance Engagements Standards No. 1, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" to identify whether any amendment is required of the Subject Matter Information to be prepared, in all material aspects, in accordance with the respective applicable criteria and issued a limited assurance report.

We conducted our assurance work in accordance with the aforementioned standards including identifying the areas where there may be risks of material misstatement of the Subject Matter Information, and designing and performing procedures to address the identified areas. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

The extent of the assurance work we performed were based on the identified risk areas and determined materiality. Given the circumstance of the engagement, we designed and performed the following procedures:

- **Made inquiries of the persons responsible for the Subject Matter Information to understand the processes, information systems and the relevant internal controls relating to the preparation of the aforementioned information to identify the areas where there may be risks of material misstatement.**
- Based on the above understanding and the areas identified, performed selective testing including inquiry, observation and inspection to obtain evidence for limited assurance.

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We do not provide any assurance on the CSR Report as a whole or on the design or operating effectiveness of the relevant internal controls.

Compliance of Independence and Quality Control Requirement

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Statement of Auditing Standard No. 46, "Quality Control of Public Accounting Firms" and accordingly maintains a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Inherent Limitations

Certain Subject Matter Information involves non-financial data, which is subject to more inherent limitations than financial data. Qualitative interpretations of the relevance, materiality and accuracy of data are subject to individual assumptions and judgments.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, we are not aware of any amendment required of Subject Matter Information to be prepared, in all material aspects, according to the respective applicable criteria.

Other Matter

The Management of the Company is responsible for maintaining the Company's website. If the Subject Matter Information or the applicable criteria are modified after this limited assurance report is issued, we are not obliged to re-perform the assurance work.

PricewaterhouseCoopers

CPA Fang-Yu Wang

June 28, 2021



和潤企業