



Hotai Group

HOTAI FINANCE CORPORATION

2022

ESG REPORT



Contents

About this Report	4
Message from Management	6
ESG Highlights in 2022	10
About HOTAI FINANCE CO., LTD.	11

1 Sustainable Development

1.1 Corporate Sustainability Management Strategy	17
1.2 Identification of Material Topics	20
1.3 Stakeholder Engagement and Their Issues of Concern	23
[Column] COVID-19 Preventive Measures in 2022	26

2 Corporate Governance

Material topic management	29
2.1 Corporate Governance	30
2.2 Risk Management	38
2.3 Ethical Management	40

3 Social Responsibility

Material topic management	43
3.1 Sustainable and Inclusive Services	46
3.2 Digital Innovative Services	49
3.3 Social Participation	61

4 Talent Values and Benefits

Material topic management	69
4.1 Employment of Talent and Remuneration and Benefits	71
4.2 Talent Development and Diverse Learning	80
4.3 Workplace Safety and Health	90

5 Sustainable Environment

5.1 Climate Change Risk Management	95
5.2 Operating Environment Management	101
5.3 Supplier Management and Green Purchasing	106

6 Appendix

GRI Index Table	109
SASB metrics	113
Summary of Assurance Engagement	114
Independent Accountant's Assurance Report	115
Greenhouse Gas Verification Statement	117
BSI Independent Assurance Opinion Statement	118



About this Report (GRI 2-2--GRI 2-3)

I Preparation principle

This report is based on the GRI Standards published by the Global Reporting Initiatives (GRI) and the “Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies” as the main framework and follows the 2021 GRI Universal Standards.

I Reporting period

The data and content disclosed are mainly for the period from January 1 to December 31, 2022, with some performance data backdated to information prior to 2018 or postdated to the most recent information in 2023.

I Reporting scope and boundaries

The information described in this report covers all business locations in Taiwan.

In this report, the Company's automobile, scooter, and equipment installment payment business is described as "loan" or "lending" to make it easier for the public to read. It does not mean that the Company does, under any circumstances, engage in the consumer loan business. If you have any questions, please feel free to contact the Company.

I 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 management method

Internal

- The ESG Committee and the head of each department review the content of each chapter to check the correctness of information.
- The Board of Directors reviews the ESG performance and strategic targets.

External

- The British Standards Institution Taiwan has verified this report in accordance with the AA1000AS v3 Assurance Standard and the GRI Standards. After verification, this report is confirmed to be in compliance with the 2021 GRI Universal Standards and the Moderate Assurance Typel of the AA 1000 AccountAbility Principles.
- The Company has engaged PricewaterhouseCoopers (PwC) to perform independent limited assurance for the selected information in the report prepared in accordance with the 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

We regularly publish an Environment, Social, and Governance (ESG) report every year, and it is available on the Company's website for browsing and downloading.

<https://esg.hfcfinance.com.tw/zh-tw/download>

Current release: June 2023

Previous release: July 2022

Feedback

If you have any suggestions or questions regarding the contents of this report, you are welcome to contact us at Investor and Public Relations Office of the Business Planning & Public Relations Department, HFC

PR@hfcfinance.com.tw

Address: 10F, No. 605, Ruiguang Road, Neihu District, Taipei City

Tel.: (02)2502-4567 ext. 16305

Company website: <https://www.hfcfinance.com.tw>

Message from Management (GRI 2-22)

Message from the Chairperson

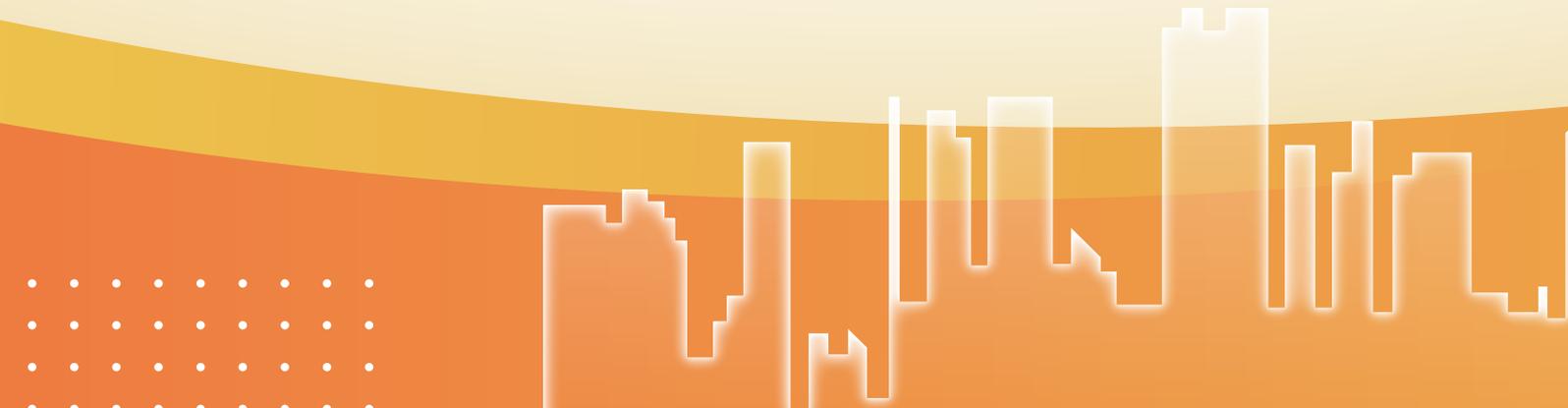
In 2022, the COVID-19 pandemic continued to affect the global supply chain, high inflation resulted in bank interest rate hikes, and geopolitical turmoil impacted the global economy. HFC, as a leader in the auto finance industry, coped with this challenging macro environment with a positive attitude and continued to increase the scope and value of diverse services, to further promote sustainable development and improve the resilience of business operations.

In 2022, HFC's consolidated revenue exceeded NT\$22.7 billion, an annual increase of 26.9%, the consolidated net income after tax totaled NT\$4.06 billion, an annual increase of 15%, and the earnings per share (EPS) after tax was NT\$7.04, an annual increase of 15.4%. We witnessed outstanding performance in various aspects of financial data. Meanwhile, we shared financial achievements with employees. In 2022, the average full-time non-managerial employee salary reached NT\$1.214 million, an annual growth rate of 2.4%; ESG investment costs also increased by 275% on a year-on-year basis. Thus, HFC has been selected as a constituent of the TWSE Corporate Governance 100 Index for two consecutive years. We have repeatedly set new highs in revenue, profit, employee salaries and benefits, and sustainable performance, and maximized the benefits for our stakeholders.

Looking forward to the next ten years of high growth, we have officially launched "HFC 3.0" plan and declaring the three major strategies for the Company's development: "organizational restructuring", "strategic innovation", "talent and digitalization", and continue to enhance the installment payment and corporate banking business, develop consumer goods business, and diversify new businesses, and actively develop green energy business and enhance ESG business, to "help consumers realize entrepreneurship dreams or buy goods", "establish a diverse installment payment ecosystem", "create social and economic vitality", and "realize the vision of sustainable business development."

HFC has regarded ESG as an important mission for the Company. Due to the continuous development and update of international ESG development and standards, Taiwan has clearly set the Net Zero goal by 2050. We actively respond to and support the Net Zero goal and vision. In 2022, we jointly invested in the establishment of He Jun Energy Co., Ltd. with Hotai Motor and Hoyu Investment Co., Ltd., to formally step into the green energy industry. With green energy business and charger business as the two major strategies, we, with the influence of the Company, have stepped into the green energy investment business from the green energy financing business, integrated upstream and downstream supply chains, and created new businesses, to provide stakeholders with one-stop solutions to net-zero circular economy, thereby striding toward a sustainable and inclusive new lifestyles, contributing to net zero, and setting an important milestone on the road to realize our ESG goals.

HFC has been established for 24 years and has served more than three million customers. We have expanded from the "car" field into the "non-car" field and from "financial leasing" into "green energy investment". We continue to develop



diversified and sustainable businesses. We aim to "achieve higher to break" through the existing limitations and frameworks, create infinite possibilities, and achieve sustainable development. HFC will adhere to the business philosophy of "customer first and profession oriented", continue to collaborate with stakeholders, and create and expand sustainable influence through each of our actions.



HOTAI FINANCE CO., LTD.

Chairperson

劉源霖



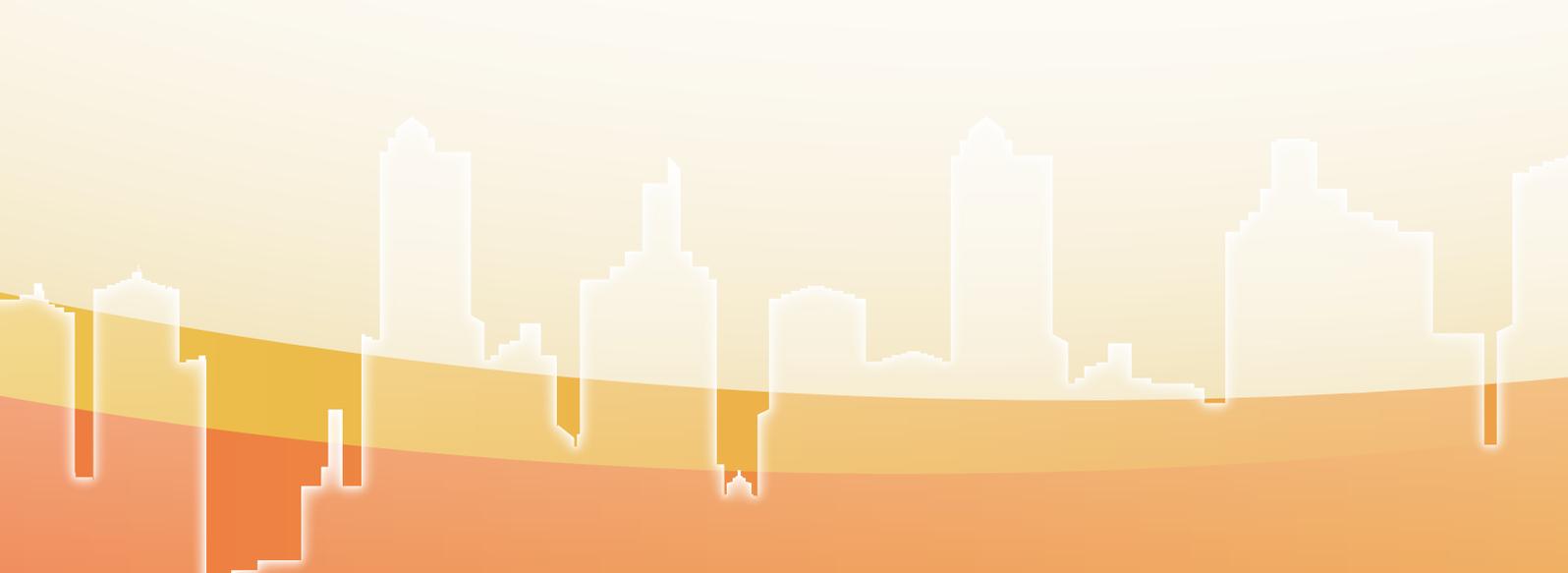
Message from the General Manager

In 2022, the world was faced with many uncertainties during the recovery after the pandemic, and the industry was facing challenges to the business operations, which accentuated the importance of "sustainable development". We firmly believe that the value of an enterprise lies not only in the pursuit of high EPS but also in the ESG achievements to enhance business resilience and respond to the ever-changing environment. While we continue to enhance our diversified business and services, we are actively integrating our core competitiveness and taking ESG actions.

In the era of globalization, we work to align our actions with the international ESG trends, develop green economy and green energy on the basis of our core business, and work with employees to facilitate environmental participation. We actively expand the green finance business. In addition to continuously increasing the amount of loans to the green vehicle and the environmental industries, we signed a three-year ESG syndicated loan agreement of NT\$14 billion with 13 banks in 2022. Over the past two years, the amount of ESG-related loans disbursed has reached NT\$39.3 billion, setting a record for ESG-related loans in Taiwan's financial market. In addition, in response to the net-zero trend, we have actively taken actions. With our industry advantages and financial expertise, we jointly invested in the establishment of He Jun Energy Co., Ltd. with Hotai Motor and Hoyu Investment Co., Ltd., and the company began operations in May 2022. He Jun Energy puts energy generation first, accelerates energy storage, and develops the charging and the power sale business at the same time, while being committed to the development of a comprehensive green energy business of energy generation, energy storage, and energy charging. By the end of 2022, we have signed contracts with 77 green energy sites with the capacity stated in the contracts exceeding 110MW, creating outstanding achievements. However, promoting environmental sustainability is a long journey. In addition to pursuing long-term and stable returns on investment, we will continue to facilitate energy transition, provide green energy solutions, and do our best to achieve environmental sustainability.

Slowing down global warming and ensuring biodiversity is the key to the balanced development of the earth's ecological systems. In 2022, we not only responded to Earth Hour for the third year but even turned off the lights for half an hour during lunch breaks every day. We are also the first company in Taiwan to have adopted Zhanghe Wetland. Meanwhile, we donated 50 pieces of waterproof waders and planned employee volunteer activities so that our employees and the public could go into the pond in person to understand the importance of harmonious coexistence between species and the environment.

Employee participation is the key to promoting sustainable development, and HFC has realized the importance of establishing a sustainable business development culture. As such, "the First HFC ESG Award" was held in 2022. Inter-departmental joint efforts inspired each other's innovative ESG actions to turn ESG ideas into actions. Meanwhile, to enhance social engagement and include it in ESG, we have formulated a volunteer participation program to link volunteer service hours with employee performance evaluation and rewards. In 2022, the total number of volunteers reached 2,118 person-times for as high as 8,706 hours.



We also work with external partners in the spirit helping those in need and have worked with Andrew Food Bank for the third consecutive year to increase the purchase of food boxes, benefiting 1,000 households. On the front line of the vehicle installment payment business, we are aware of the importance of scooter riding training, so we jointly launched a promotional video with the Taipei City Motor Vehicles Office to send the message, "Scooter riding should be trained and not count on luck", and we subsidized the cost of enrolling in scooter training classes for the economically disadvantaged to contribute our share to Taiwan's traffic safety.

We will continue to provide innovative services, reshape our corporate culture through the "Plan-Do-Check-Act (PDCA)" management model, and work with partners to create a virtuous cycle of goodness. HFC aims to become the most trustworthy partner for customers through ESG endeavors when the society is moving toward a sustainable and common good future.



HOTAI FINANCE CO., LTD.

General manager

林彥良

ESG Highlights in 2022

Environment

- Up to **100%** of our operating sites in Taiwan adopted the ISO14064-1 green house gas inventory standard.
 - The amount of green procurement reached NT\$4.89 million, an increase of **29.4%** from the prior year.
 - The amount of electric/hybrid electric vehicle and electric scooter projects under taken reached NT\$**15.369 billion**.
 - The cumulative amount of renewable energy projects undertaken from 2019 to 2022 reached NT\$**776 million**.
 - Paperless services saved nearly **6.9446 million** pieces of paper a year.
 - We promoted environmental friendliness, supported placemaking, designed green rental products with installment payment service, and created a smart production and friendly farming model, as such, we won the **Green Leadership of the 2022 Asia Responsible Enterprise Awards (AREA)**.
- 

Society

- 
- The total amount of inclusive services provided reached NT\$**10.524 billion**.
 - The average salary for non-managerial full-time employees reached NT\$**1.214 million**.
 - Total training hours reached **10,610 hours**
 - Employee satisfaction response rate was **100%**; **91.3%** of all employees were satisfied or extremely satisfied with the Company as a whole.
 - The total number of volunteers reached **2,118 person-times** for **8,706 hours**.
 - Won **HR Asia Best Companies to Work for in Asia**.

Governance

- 
- Selected as a constituent of the **TWSE Corporate Governance 100 Index**.
 - Won the **Taiwan Corporate Sustainability Awards (TCSA) Corporate Sustainability Report Awards – Gold Award**.
 - Won the **2022 Asia Responsible Enterprise Awards**.
 - Won the **76th Excellent Firm Award**.

About HOTAI FINANCE CO., LTD. (GRI 2-1、GRI 2-6)

Company Name	HOTAI FINANCE CO., LTD.
Industry	Listing on TWSE and others (same as disclosed on the Market Observation Post System (MOPS))
Stock Code	6592
Date of Incorporation	May 1999
Head Office Location	10F, No. 605, Ruiguang Road, Neihu District, Taipei City
Number of employees in Taiwan	1,093 people
Operating revenues	NT\$22,787 Million
Total assets	NT\$255,365 Million
Total equity	NT\$32,893 Million
Products and services	
Business activities	<ul style="list-style-type: none"> • New cars, business cars, used cars, motorcycle installment financing and additional loans for original cars • Corporate equipment installment and leasing business
Main product or service	Installment buying and selling and leasing services for various equipment and vehicles
Business Locations	Taiwan and China
Are there any products or services prohibited from being sold in a particular market?	No
Supply chain	
Description of supply chain	<ul style="list-style-type: none"> • Financial institutions providing funds • Eight major distributors of TOYOTA and LEXUS (about 133 sites) and more than 6,000 used car dealers and HOT Alliance car dealers across Taiwan introduce customers.
Type of downstream business	<ul style="list-style-type: none"> • Owners of vehicles and machinery/equipment buyers, nationals of the Republic of China over 18 years old, or foreigners (including juridical persons) with residence permits sign installment payment contracts with HFC and make installment payments. • HFC pays for the vehicle/equipment to vehicle distributors/equipment suppliers.
Description of downstream entities and activities	<ul style="list-style-type: none"> • Signing installment payment contracts with customers • Signing strategic alliance agreements with financing companies
Description and clarification of other relevant business relations not yet mentioned (such as joint ventures)	None
Material changes	
If the above information has changed significantly from the prior reporting period, please specify the items and reasons.	None

History of HOTAI FINANCE CO., LTD.

1999

- HOTAI FINANCE CO., LTD. incorporated

2007



ISO 9001
國際品質認證

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

2014

- Implemented an installment app to usher in 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 on Merchants' Day



2017

- Awarded the 18th "Golden Peak Award" as a top-10 distinguished company 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 Businessperson of the Republic of China" from the General Chamber of Commerce of the Republic of China and awarded the Certificate of Merit and Golden Business Award by the Ministry of Economic Affairs



2018

- Implemented AI intelligent credit investigation
- Listing on the emerging market approved by TPEX
- Awarded the "Benchmark Sustainability Award" by the 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 chauffeurs (Maas)
- Passed ISO 9001 international quality certification for 14 consecutive years



2021

- Established a subsidiary for heavy motorcycle installment payment business: He Jing Co., Ltd.
- Won two awards at TCSA
- Selected as a constituent of the TWSE "Corporate Governance 100 Index" in 2021 for the first time
- Net income hit record high
- Stepped into solar and green power business
- Received "Long-term twAA- and Short-term twA-1+" ratings from Taiwan Ratings for 15 consecutive years
- Received long term BBB and short term A-2 ratings from Standard & Poor's for two consecutive years

2022

- Invested in the establishment of He Jun Energy Co., Ltd., a subsidiary operating solar power business
- Won HR Asia Best Companies to Work for in Asia and the Green Leadership of AREA.
- Won TCSA for two consecutive years.
- Selected as a constituent of the TWSE "Corporate Governance 100 Index" for two consecutive years.
- Received "Long-term twAA- and Short-term twA-1+" ratings from Taiwan Ratings for 16 consecutive years.
- Received long term BBB and short term A-2 ratings from Standard & Poor's for three consecutive years



I Operation performance (GRI 201-1)

Since it was incorporated in 1999, HFC, aiming to meet customer needs, has combined its core business and the concept of ESG to achieve excellent financial performance as a solid foundation for corporate sustainable development.

The three aspects of "strengthening the core business", "developing diverse products", and "investing in other businesses" have been the three critical pillars of HFC's business development. Therefore, we have for a long time steadily and continuously invested in talent, research and development, distribution channel development, and new businesses and business models, providing continuous growth momentum for HFC's stable development.

HFC has been rated "twAA-" by Taiwan Ratings for 16 consecutive years since 2007, with a "stable" rating outlook. In 2020, HFC received a "BBB" credit rating for long term issues from Standard & Poor's for the third consecutive year. HFC continues to achieve the best credit rating among domestic auto financing companies and remains a market leader in the auto installment business.

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. Meanwhile, we are proactively developing a layout of green energy investment to contribute to the global Net Zero goal.

Direct economic value generated and distributed in 2022

Unit: Thousands of NTD

Generation of direct economic value	\$ 23,425,564
Operating revenues	\$ 22,787,250
Rental income	\$ 10,521
Interest income from deposits	\$ 22,678
Other income	\$ 605,115
Distribution of direct economic value	\$ 14,282,894
Operating costs	\$ 8,174,315
Employee Salaries and Benefits	\$ 2,818,624
Payment to investors: dividends paid	\$ 2,163,002
Income tax paid to the government	\$ 1,126,953
Retention of economic value	\$ 9,142,670

Note: The subsidiaries included in the consolidated financial statements include Hoyun International Limited, Ho Ing Mobility Service HI MS, He Jing Co., Ltd., Hoyun International Lease Co., Ltd., Hoyun (Shanghai) Commercial Factoring Co., Ltd., and Hoyun (Shanghai) Vehicle Leasing Ltd.

Create value for shareholders

Subject Matters	2020	2021	2022
Consolidated net profits after tax	\$2,792 Million	\$3,530 Million	\$4,070 Million
Earnings per share	5.01	6.10	7.04
Consolidated return on assets	2.65%	2.62%	2.68%
Consolidated return on equity	12.13%	14.36%	13.94%
Dividend distribution	3.5	4.2	4.5
Dividend payout ratio	70%	69%	64%

Note 1: Dividend distribution in 2022 includes cash dividends of NT\$3.5 per share and stock dividends of NT\$1 per share.

Note 2: The dividend payout ratio represents the current year's dividend distribution/current year's net profit after tax.

Pay tax honestly

HFC abides by the tax laws and regulations of the countries where we operate business and strictly abides by national laws and government policies by issuing uniform invoices or e-invoices as required and filing tax returns as per law. HFC 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

Year	2020	2021	2022
Payment of consolidated income tax	\$831 Million	\$1,116 Million	\$1,127 Million
Payment of standalone income tax	\$611 Million	\$692 Million	\$834 Million

Participation in domestic and overseas organizations (GRI 2-28)

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.





Sustainable Development

1.1 Corporate Sustainability Management Strategy

The purpose of business management is to create value for all relevant stakeholders, while continuously improving the enterprise's sustainable development and competitiveness during the process. Since it was incorporated, HFC has adhered to the business philosophy of "customer first and profession oriented", while paying attention to and fulfilling corporate social responsibility when developing the Company's core competitiveness.

In 2019, we officially released the "HFC Sustainable Development Best Practice Principles" and the "HFC ESG Committee Charter" as our guidelines for business management and sustainable development, echoing the world's current trend of sustainable development – the United Nations Sustainable Development Goals (SDGs) – to implement our sustainable management initiatives in an organized manner.

Sustainable Development Best Practice Principles

[https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20222530012505%20\(7\).pdf](https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20222530012505%20(7).pdf)



❖ Main Axis of HFC's ESG Philosophy



ESG Committee

(GRI 2-12 \ GRI 2-13 \ GRI 2-14 \ GRI 2-16)

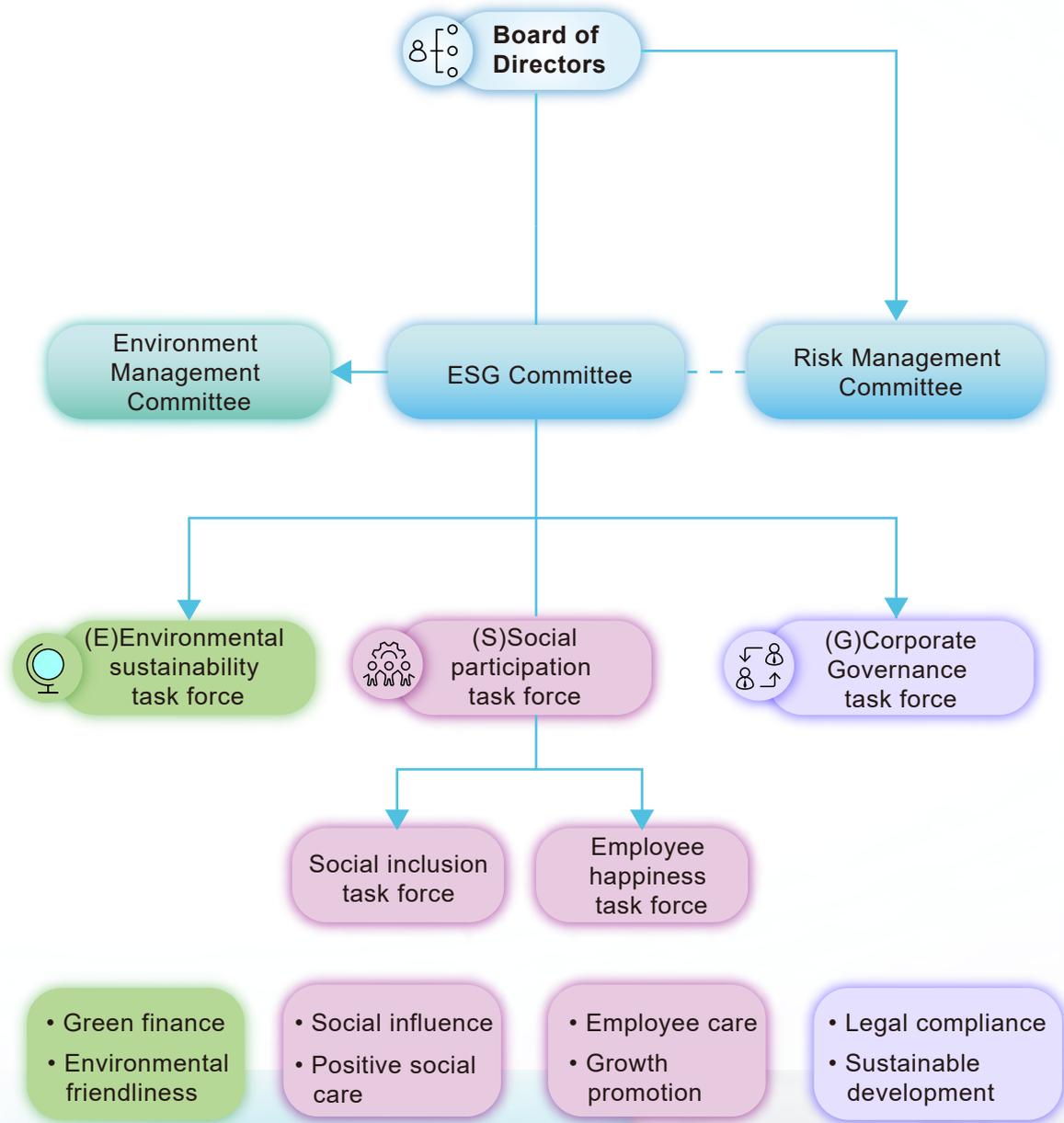
To promote and implement corporate social responsibility (CSR) policies and sustainable business development measures, HFC has established the ESG Committee in accordance with Article 27 of the Corporate Governance Best Practice Principles of HFC and the Sustainable Development Best Practice Principles of HFC. The ESG Committee is governed by the Board of Directors and consists of a total of five members, with the Chairman serving as the convener, and the members include the President, two Vice Presidents, and one Assistant Vice President. Various functional teams have been set up under the committee, including the Environmental Sustainability team, Corporate Governance team, and Social Participation team, to 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.

ESG Committee Charter

[https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20222530012505%20\(3\).pdf](https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20222530012505%20(3).pdf)



The committee should hold at least two meetings per year and held a total of two meetings in 2022 to learn about and review the achievements in 2022 and inspect the strategy for 2023. The member attendance in person reached 100%. On December 21, 2022, it reported to the Board of Directors on the ESG performance. In addition to summarizing and explaining the performance of the projects about environmental sustainability, social participation, and corporate governance, it also reported the greenhouse gas inventory and the solar energy business in response to the climate risk governance issues, indicating their importance for HFC to achieve net zero.



1.2 Identification of Material Topics

(GRI 3-1 \ GRI 3-2)

Referring to the recommendations under the 2021 GRI Standards, we have established a systematic process to identify material stakeholders and material ESG topics. We review and identify the actual and potential positive and negative impacts of various ESG issues on the Company, while managing them, and setting targets as the basis for preparing this ESG Report and responding to our stakeholders. The steps taken are as follows:

Step1 : Identify stakeholders

We have identified eight types of stakeholders based on "the degree of influence of stakeholders on HFC" and "the degree of HFC' s dependence on stakeholders"

Stakeholders	Importance to HFC
Corporate Customers	Targets to whom HFC products and services are offered.
Individual customers	
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 and competent authorities	Regulate and assist HFC's operations in compliance
Banks	Provide funding to support HFC's operations
Non-profit groups	HFC invests material and human resources in public welfare charity and promotes social care and environmental awareness

Step2 : Collect ESG topics

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

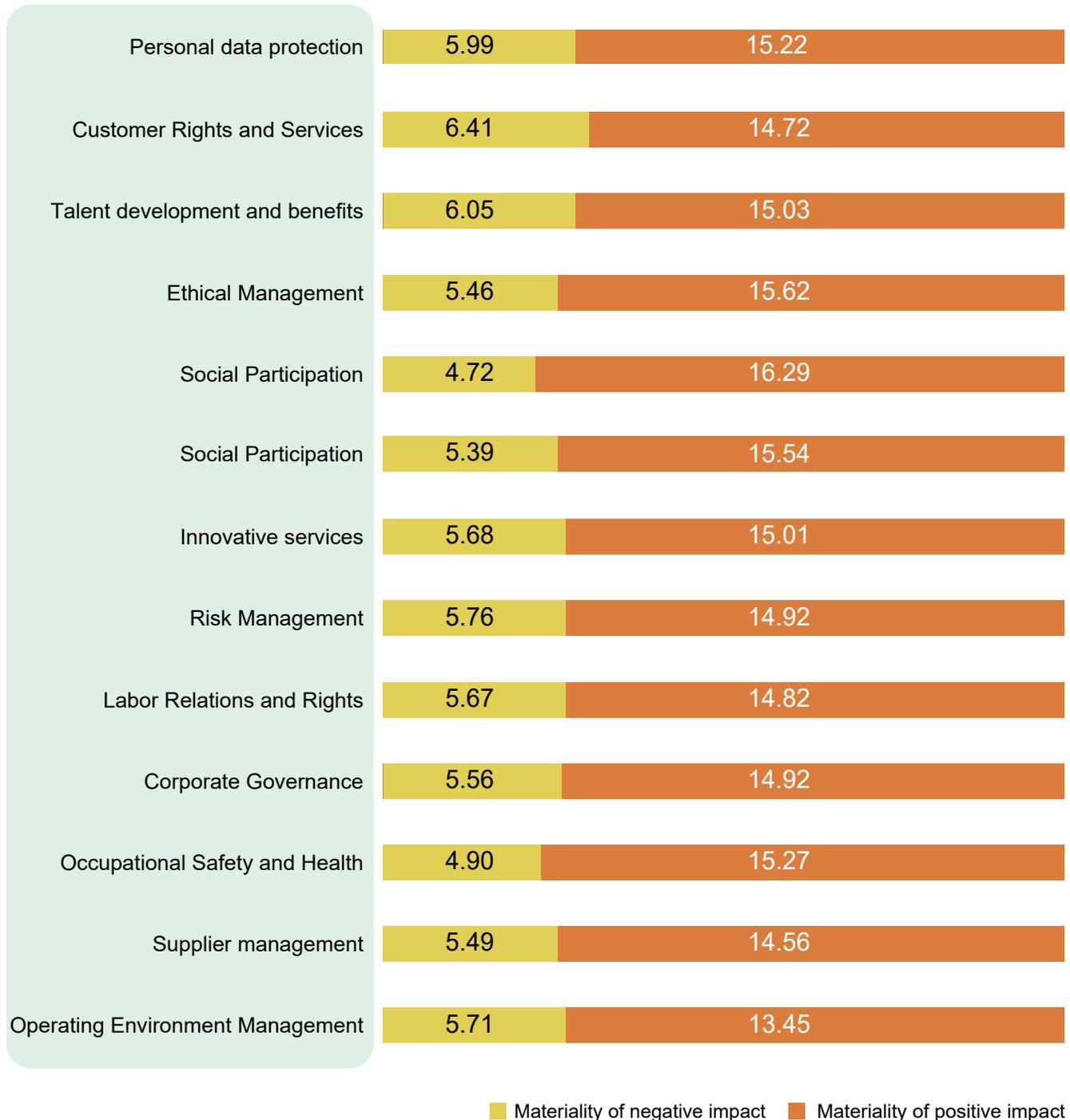
Step3 : Identify and analyze the level of concern and impact of ESG topics

Of the eight types of stakeholders we have identified, we conducted questionnaire surveys (covering 13 ESG topics) on internal and external stakeholders. A total of 305 completed online questionnaires were returned in 2022. In addition to the feedback from stakeholders, we referred to industry trends and competitors' situations to evaluate the level of concern about the material ESG topics and the extent of actual and potential positive/negative impacts to which the Company would be exposed.

Step4 : Sort ESG topics

After 305 completed online questionnaires were collected, the ESG topics were sorted based on the actual and potential negative and positive impacts of ESG topics on the economy, environment, and human beings (including human rights) as assessed by stakeholders, as shown in the Material ESG Topic Matrix.

Ranking of ESG topics



Step5 : Confirm and respond to material topics

After the materiality analysis of relevant topics, HFC internally confirmed and took the top five ESG material topics based on the level of impact. Regarding material topics, 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 topics was accurately disclosed in the report.

Material topic description and response

ESG aspect	Material Topics	Topic Description/Importance to HFC	Description of positive impact	Description of negative impact	Corresponding GRI Standards Topics	Corresponding SDGs	Corresponding chapter
S	Personal data protection	The Company's management of personal data protection mechanisms, methods, and details	Improving information security and personal data protection to protect customer privacy and prevent information leakage	Information leakage or loss of customer data is in violation of the Personal Data Protection Act and exposes the Company to litigation risk.	GRI 418 Customer Privacy		3.2.3 Information Security and Personal Data Protection
S	Customer Rights and Services	The Company's management of customer service channels, methods, feedback mechanisms, satisfaction surveys, customer rights and interests, and payment reminder mechanism	Strengthening employee service training and enhancing customer care to improve customer satisfaction	Poor customer service may undermine customer trust in the Company.	GRI 417: Marketing and Labeling	 	3.2.1 Customer rights and services
S	Talent development and benefits	The Company assists employees with career development and provides them with various education and training courses, employee competency enhancement or transition assistance programs, or care and benefit management measures.	Providing employee education and training and career planning programs to improve their professional skills and recognition of the organization and facilitating their personal growth in line with organizational development to enhance organizational competitiveness	Failure to put employees at the right positions may lead to poor organizational efficiency and affect relevant business operations; failure to provide comprehensive benefits may lead to a decrease in the employee retention rate.	GRI 401: Employment GRI 404: Training and Education GRI 405: Diversity and Equal Opportunity	 	4.2 Talent Development and Diverse Learning
G	Ethical Management	The Company's policies and management measures for ethical management, anti-corruption, and anti-bribery	Ensuring that employee behavior in line with business ethics and social expectations, increasing business reputation, abiding by fair trade practices and anti-corruption policies and management measures, to avoid penalties	If a negative event occurs, the corporate image will be tarnished, and the Company may even face a lawsuit.	GRI 205: Anti-corruption		2.3 Ethical Management

Note: Compared with the material topics for 2021, "Talent development and benefits" were added for 2022. The original material topic "Legal compliance" has been disclosed in GRI 2 General Disclosures: GRI 2-27 in accordance with the 2021 GRI Universal Standards. The positive and negative impacts of innovative services are relatively low, so it is not included in the 2022 material topics. Please refer to Chapter 3.2 Digital Innovative Services for more information.

ESG aspect	Material Topics	Topic Description/ Importance to HFC	Description of positive impact	Description of negative impact	Corresponding GRI Standards Topics	Corresponding SDGs	Corresponding chapter
S	Social Participation	The Company's actions in volunteer service, community service, social contribution projects, and social influence	Participating in volunteer and community services and projects to give back to society and care for society in multiple aspects to increase the Company's influence	The absence of communication channels with local communities and social charity groups will cause the relevant units unable to receive funds and care from companies, which may cause social issues.	GRI 413 Local Communities	  	3.3 Social Participation

1.3 Stakeholder Engagement and Their Issues of Concern

(GRI 2-29)

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. With that, we combined the analysis of material ESG topics to evaluate the impact of each material ESG topic on stakeholders in the value chain during the service process, and respond accordingly. For key material events, we have established the Procedures for Handling Material Inside Information. When a material event occurs, we will immediately report it to the directors and managers and to the responsible unit and internal audit unit as soon as possible; after formulating countermeasures, we will disclose them on the MOPS. No material event occurred in 2022.

Corresponding environmental (E), social (S), and governance (G)	Material Topics	Value Chain					
		HOTAI FINANCE CO., LTD.	Funding Provider (Note)	Individual/ Corporate customers	Suppliers	Government	Non-profit groups
S	Personal data protection	V		V	V		
S	Customer Rights and Services	V		V			
S	Talent development and benefits	V				○	
G	Ethical Management	V	V		V	○	○
S	Social Participation	V				○	V

Note 1: V means direct impact; ○ means indirect impact

Note 2: Providing funds to banks and shareholders

Stakeholders' concerns and communication channels

Stakeholders	Major issue of concern	Communication channels and frequency	Communication results in 2022
Individual customers	<ul style="list-style-type: none"> Workplace Safety and Health Personal data protection 	<ul style="list-style-type: none"> Irregular official website information disclosure Irregular customer service hotline Irregular customer compliant hotline Irregular LINE mobile customer service 	Up to 42% of customers made an average of 14,943 inquiries per month through the official Line account, 22% of which were solved through automatic direction to FAQs.
Corporate Customers	<ul style="list-style-type: none"> Customer Rights and Services Operation performance Personal data protection Innovative services 	<ul style="list-style-type: none"> Irregular official website information disclosure Irregular customer service hotline Irregular customer compliant hotline Irregular LINE mobile customer service 	In 2022, there were a total of 179,316 inquiries by phone, and the average processing time for each call was 4.1 minutes; compared with 4.3 minutes/call in 2021, and the processing efficiency has improved.
Shareholders	<ul style="list-style-type: none"> Operation performance Risk Management Ethical Management Supplier management 	<ul style="list-style-type: none"> Annual shareholders' meeting Irregular investor conferences Announce material information from time to time in accordance with the regulations of the competent authorities Regular publication of financial statements/annual reports/ESG reports Irregular official website information disclosure 	<ul style="list-style-type: none"> Report on operations and dividend policy to shareholders at shareholders' meetings Disclose operation status at quarterly investor conferences Immediately disclose important financial and business information about the Company
Suppliers	<ul style="list-style-type: none"> Ethical Management Supplier management Personal data protection 	<ul style="list-style-type: none"> Supplier classification mechanism Signing of supplier commitments 	<ul style="list-style-type: none"> Establish a supplier classification mechanism All suppliers signed a supplier commitment for all engineering projects in accordance with the "Supplier Management Policy" Suppliers' data is kept on file
Employees	<ul style="list-style-type: none"> Talent development and benefits Personal data protection Operation performance 	<ul style="list-style-type: none"> Announcement of benefits and employee education and training on job banks and the internal website Job seekers are required to sign a personal data protection consent form. Employee grievance mailbox available on the intranet Each employee is asked to fill out a satisfaction survey before the end of each year. Regular Education and Training 	<ul style="list-style-type: none"> The average amount of benefits per person exceeded NT\$55,400. Job seekers are required to sign a personal data protection consent form; each employee should sign the employee regulation statement on the first day of work. Employee satisfaction response rate was 100%; the average was 4.42 points out of five; 91.3% of them were satisfied or extremely satisfied with the Company as a whole. Up to 1,075 employees took ESG education and training courses for a total of 537.5 hours.

Stakeholders	Major issue of concern	Communication channels and frequency	Communication results in 2022
Government agencies and competent authorities	<ul style="list-style-type: none"> Innovative services 	<ul style="list-style-type: none"> Irregular legal audits Irregular promotional education meetings with competent authorities 	<ul style="list-style-type: none"> All directors comply with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" Conduct irregular promotional education for employees to implement the philosophy of ethical management and legal compliance in everyone's daily work. In 2022, we offered them a total of six courses on ethical management, with a total of 3,225 hours of training. Thoroughly implement risk management and control, strengthen legal compliance and compliance capabilities
Banks	<ul style="list-style-type: none"> Operation performance Risk Management Innovative services 	<ul style="list-style-type: none"> Announce material information from time to time in accordance with the regulations of the competent authorities Regular publication of financial statements/annual reports/ESG reports Irregular official website information disclosure 	<ul style="list-style-type: none"> Received "twAA-" credit rating for long term issues from Taiwan Ratings for 16 consecutive years Received "BBB" credit rating for long-term issues from Standard & Poor's Publish quarterly financial statements
Non-profit groups	<ul style="list-style-type: none"> Social Participation Ethical Management 	<ul style="list-style-type: none"> Festival Gift Purchasing Volunteer Activities Scooter road safety awareness raising 	<ul style="list-style-type: none"> Purchased the gift boxes from sheltered workshops for employees on the Dragon Boat Festival, amounting to NT\$970,000. Participated in the Food Bank program for three consecutive years. Between 2020 and 2022, a total of nearly 500 volunteers donated NT\$2.2 million, benefiting 2,600 households. Worked with the Taipei City Motor Vehicles Office to jointly implement the Scooter License Exam Training Program and fully subsidize the scooter training fees for people of low- and middle-income households, sponsored the scooter road safety promotion video (with over 250,000 views), and interviewed industry-government-academia personnel and published 120,000 copies of a magazine to enhance the Taiwanese citizens' road safety awareness, thereby leading to a nearly 20% increase in the number of people enrolling in scooter training classes in July-August 2022 compared to the prior year. The number of volunteers reached 2,118 for a total of 8,706 hours.

Channels for Stakeholder Engagement

Stakeholders	Customer service hotline	Customer service/email
Individual/Corporate customers	(02) 2276-1511	https://www.hfcfinance.com.tw/contact
Shareholders	(02) 2502-4567 #16301	HFC-INVESTOR@hfcfinance.com.tw
Suppliers	(02) 2502-4567 #16101	HFCFINANCE@hfcfinance.com.tw
Employees	(02) 2502-4567 #11100	HFCHR@hfcfinance.com.tw
Government agencies and competent authorities	(02) 2502-4567 #16301	HFC-INVESTOR@hfcfinance.com.tw
Banks	(02) 2502-4567 #16200	HFCFINANCE@hfcfinance.com.tw
Non-profit groups	(02) 2502-4567 #16305	PR@hfcfinance.com.tw
Whistleblower Reporting Mailbox	-	WHISTLE@hfcfinance.com.tw

**【Column】**

COVID-19 Preventive Measures in 2022

As the global COVID-19 pandemic continued to drag on, HFC adopted relevant anti-pandemic measures to ensure employees' health and safety.

❖ Employee Care

Anti-pandemic measures	Description
Work in 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.
Self-directed health management	We require employees to take their body temperature and fill in a health status form every day when coming to work. We also made promotional education about masks in confined spaces, meeting rooms, and public transportation systems.
Pandemic prevention in the office area	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 doors for pedestrian movement control.
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.
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.
Vaccination leave	From 2021, to respond to the special anti-pandemic measures, we provide vaccination leave to all employees who have been vaccinated after they submit supporting documents and an application for vaccination leave to the Company. This motivated employees to get vaccinated against the pandemic to enhance the anti-pandemic effect.



COVID-19 relief and assistance

The COVID-19 pandemic continued to escalate in 2022, and front-line service providers, including transportation and tourism operators, were dealt a severe blow, particularly taxi operators and drivers, as their livelihoods were directly impacted.

When customers encountered financial difficulties, we will consider their needs in addition to maintaining our business. How to help customers overcome difficulties during the pandemic was our top priority. Thus, at the beginning of the pandemic in 2021, we engaged in internal discussions on how, aside from assisting the front-line medical staff to fight against the pandemic, to help the industries and individuals affected by the pandemic get through the tough times together.

In May 2021, we supported the government's relief program and drafted the "COVID-19 Vehicle Loan Relief Measures". When customers submitted their requests and supporting documents, we granted appropriate extensions of up to six months to tide over the difficulties together with customers, depending on their payment status and relevant proofs. Thus, starting from May 20, 2022, the number of applications for loan extension was 556, of which 291 cases have been negotiated and agreed to be extended.

Furthermore, as HFC attaches great importance to customers' credit, if customers encountered financial difficulties during the pandemic, they might delay their payments. To maintain their credit, we would first remind them by phone or short messages out of goodwill, and then have dedicated personnel contact the customer to avoid building up delay interest, which would increase the customer's burden.

Delayed payment might indicate customers' financial problems. We would take the initiative to understand the main reasons. If customers were not delaying payment on purpose and needed urgent financial assistance, we would immediately help solve their payment problems, such as online trial calculation services, changing payment dates to meet their needs due to the impact of economic fluctuations, and adjustment to the payment schedule if necessary. In 2022, we assisted a total of 99 cases in completing remittances and the extension to get their lives back on track.



ESG

2

Corporate Governance



Selected as a constituent of the TWSE Corporate Governance 100 Index for two consecutive years



Taiwan Corporate Sustainability Awards (TCSA)

Corporate Sustainability Report Awards – Gold Award.



The corporate governance evaluation ranked in the top 6%–20%

Material topic management

(GRI 2-23、GRI 2-24、GRI 2-25、GRI 2-26、GRI 3-3)

Material Topics

Ethical Management

Corresponding GRI Index

205 Anti-Corruption

Policy and Commitment

- 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

Action Plan

- 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

- 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
- All suppliers signed a pledge of integrity

Objective

Short-term 

- No cases of corruption occurred
- Ensure that HFC abides by laws, regulations, and ethical standards
- The completion rate of anti-corruption and anti-bribery education and training was greater than 90%.

Mid- and long-term 

- No material violation occurred.
- Establish a corporate culture of ethical management and sound development

Complaint mechanism

Whistleblower Reporting Mailbox :

WHISTLE@hfcfinance.com.tw

2.1 Corporate Governance (GRI 2-9)

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.

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 sustainable business philosophy of continuous improvement, we aim to implement and continuously improve our corporate governance.

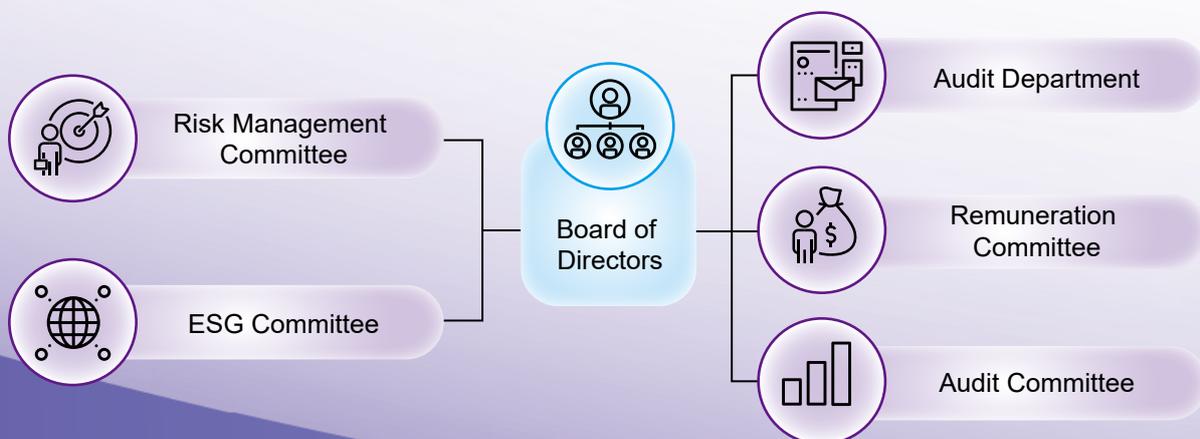
HFC participated in the corporate governance evaluation in 2020 for the first time. We ranked in the top 6%–20% in both 2021 and 2022, and the Company has been chosen as a constituent of the TWSE "Corporate Governance 100 Index" for two consecutive years in 2022, indicating that HFC's efforts in the fields of corporate governance and financial performance are recognized.

Corporate Governance Best Practice Principles

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Corporate governance structure



2.1.1 Board of Directors

(GRI 2-10、GRI 2-11、GRI 2-15、GRI 2-17、GRI 2-18、GRI 2-19、GRI 2-20、GRI 405-1)

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. HFC has established the "Corporate Governance Best Practice Principles" to stipulate a diversity policy for the composition of the Board of Directors and 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, to enable independent directors to perform their duties effectively.

Rules of Election of Directors

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Rules Governing the Scope of Powers of Independent Directors

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We have the Corporate Governance Best Practice Principles in place to ensure diversity in the composition of the Board of Directors and have an appropriate diversity policy drawn up based on our operations, business model, and development needs. In addition, the conflicts of interest and a recusal mechanism are stated in the Corporate Governance Best Practice Principles. HFC has eight male directors on the board, including two independent directors, accounting for 25%, and the length of service for the two independent directors is fewer than five years, and none of them concurrently served as employees. There are three directors aged 41–50, two aged 51–60, and three aged 61–70. All directors have practical and business management experience in the automotive industry with financial, environmental, advertising, accounting, or economic analysis expertise, which demonstrates the diversity of the composition of the Board of Directors. In addition to professional competence and practical experience, we attach great importance to directors' personal reputation in terms of ethical conduct and leadership.



2 independent directors

- accounting for 25%
- fewer than five years
- none of them concurrently served as employees

3

directors aged 41–50

2

directors aged 51–60

3

directors aged 61–70

Please visit the website: for directors' backgrounds, term of office, and relevant information.

List of corporate directors

<https://www.hfcfinance.com.tw/zh-tw/corporate/132#cms1>



Board diversity

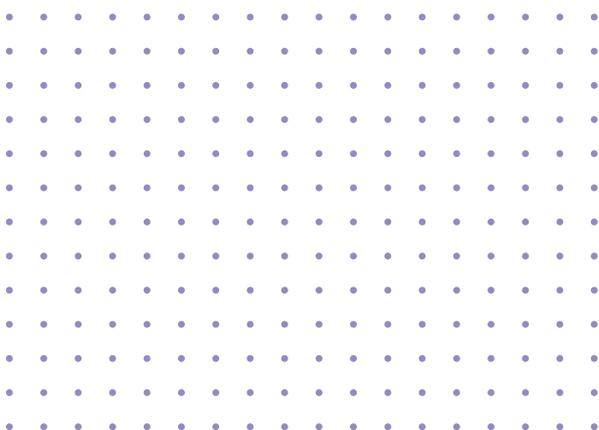
Management goal	Achievement status
The number of directors who are also the Company's managers should not exceed one-third of all directors	Achieved
There are no more than half of the directors who are spouses or relatives within the second degree of kinship of each other	Achieved
Increase the number of female directors	We will continue to strive to increase the number of female directors in the future

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.

In 2022, nine board meetings were held, and the percentage of attendance in person of directors reached 90%. The directors actively participated in the meetings and fully discussed the matters presented. 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 adopted by the Board of Directors are disclosed on the official website as per the principles of integrity, openness, and transparency.

A total of nine board meetings were held in 2022. Attendance in person reached 90%

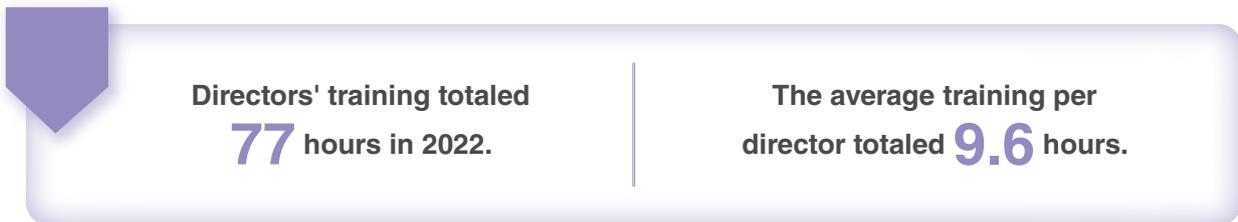
<https://www.hfcfinance.com.tw/zh-tw/corporate/131>



Continuing education of directors

We value directors’ reputations in respect to ethical conduct and leadership, and we purchase liability insurance for them. In order to keep abreast of the latest trends in corporate governance and industry dynamics, we also provide directors with courses on the latest regulatory matters and professional knowledge by relevant organizations from time to time. All directors take at least six hours of training 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 2022, directors actively participated in external education and training courses and seminars on corporate sustainability, integrity culture, information security governance and management, money laundering prevention for an average of 77 hours with 9.6 hours per director.



Board of Directors' performance evaluation

To improve the performance of the Board of Directors, HFC has formulated the Board of Directors' Performance Evaluation Measures, conducts the board performance evaluation at the end of December per year, and conducts an external evaluation at least once every three years. In 2021, we appointed the Taiwan Institute of Ethical Business to conduct performance evaluations of the board and functional committees, with a focus on the board's decision-making efficiency, professional competencies, internal control, sustainable development, and social responsibilities, while evaluating the performance of the board and functional committees by means of questionnaires and on-site interviews in terms of the composition and selection of functional committees, internal control, participation in business operations, awareness of responsibilities, and quality of decision-making. The overall evaluation results showed that the board was functioning well and the suggestions have been included in improvements. In 2022, the board performance self-evaluation indicators are as follows:

Board of Directors' Performance Evaluation Measures

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Evaluation item	
Board of Directors	Board member
1. The degree of participation in the Company's operations	1. Alignment with the Company's objectives and tasks
2. Improvement to the quality of the Board of Directors' decision-making	2. Perception of directors’ responsibilities
3. Composition and structure of the Board of Directors	3. The degree of participation in the Company's operations
4. Election and continuing education of directors	4. Internal relations management and communication
5. Internal control	5 Professionalism and continuing education of directors
	6. Internal control

Evaluation results and items to be improved: The evaluation results showed that the performance was excellent, and the overall operations are in good condition.

Remuneration policy

The remuneration paid by HFC to the directors is subject to the Articles of Incorporation based on the general level of the industry and is determined by the Board of Directors as authorized. In addition, we have a Remuneration Committee in place, and the director remuneration should be reviewed and approved by the committee before submitting it to the Board of Directors for resolution. The director remuneration is determined mainly based on the Company's operating performance (such as the achievement rates of revenue, pre-tax net income, and net income after tax) and the director performance evaluation results, including but not limited to each director's contribution to the Company and attendance.

The manager remuneration includes salary, bonus, and employee remuneration. The salary and bonuses are mainly determined according to the position and contribution; the employee remuneration is subject to the Articles of Incorporation and should be submitted to the Board of Directors for resolution and reported to the shareholders' meeting. We regularly conduct manager performance evaluation in accordance with the Manager Performance Evaluation Regulation per year. The evaluation indicators include but are not limited to each manager's achievement of annual targets, business administration skills, individual contribution to the Company's performance (such as the achievement rates of revenue, pre-tax net income, and net income after tax), leadership, and management skills; the evaluation results are taken as a reference for performance bonuses and salary increases. The manager remuneration should be reviewed and approved by the Remuneration Committee before being submitted to the Board of Directors for resolution.

Please refer to the official website for information on the remuneration <https://www.hfcfinance.com.tw/zh-tw/investor/shareholder-data>.

Chief corporate governance officer

To improve the performance of the Board of Directors, we engaged a chief corporate governance officer in 2020, who is served by the head of the Finance Department and reports directly to the Board of Directors to protect shareholders' rights and enhance the board competencies. The chief corporate governance officer's main duties are to handle matters related to the convening of board meetings and shareholders' meetings as per law, prepare the minutes of board meetings and shareholders' meetings, assist directors in taking office and training courses, provide them with information needed to perform their duties, and assist them with compliance.

Please visit the official website of HFC for the details of relevant duties performed and training courses taken by directors in 2022.

<https://www.hfcfinance.com.tw/zh-tw/corporate/132#cms4>

2.1.2 Functional committees (GRI 2-20)

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 nine meetings were held in 2022, with the attendance in person reaching 80%.

A total of **9** meetings were held in 2022 Attendance in person reaching **80**%.

Items of authority

- Formulation or amendment to the internal control system
- Assessment of the effectiveness of the internal control system
- Formulation or amendment to the procedures for handling major financial activities, such as asset acquisition or disposal, derivatives trading, loans to others, and endorsements or guarantees to others
- Matters involving directors' personal interest
- Major asset or derivative trading
- Major loans or endorsements/guarantees to others
- Raising, issuance, or private placement of equity securities
- Appointment, dismissal, or remuneration of certified public accountants
- Appointment and dismissal of chief financial or accounting officer or chief internal auditor
- Annual and semi-annual financial statements
- Mergers and acquisitions stipulated in the Business Mergers And Acquisitions Act shall be handled in accordance with Article 6 of the Law and the Regulations Governing the Establishment and Related Matters of Special Committees of Public Companies for Merger/Consolidation and Acquisition
- Other important matters stipulated by the Company or competent authorities

ESG Committee

To facilitate the implementation of the corporate social responsibility policy and sustainable development, HFC has upgraded the CSR Committee from being governed by the General Manager to being governed by the Chairman, and renamed it the ESG Committee since September 2021. It holds at least two meetings per year.

Please refer to 1.1 Corporate Sustainability Management Strategy in this report for more information.

2 meetings were held during 2022.
Attendance in person reached **100**%

Items of authority

- Reviewed the implementation of corporate social responsibility and sustainable development measures and suggestions
- Set out the main corporate social responsibility direction and outlined an annual implementation plan and progress

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 five meetings were held in 2022, with the attendance in person reaching 80%.

5 meetings were held during 2022.

Attendance in person reached **80**%.

Items of authority

- Regularly reviewed the Remuneration Committee Charter and put forth amendments.
- Formulated and regularly reviewed the standards, policies, systems, standards and structures for performance evaluation and remuneration of directors, supervisors, and managerial officers.
- Regularly reviewed the remuneration of directors, supervisors, and managerial officers.

Risk Management Committee

HFC established a Risk Management Committee in September 2021 with a total of three members. The independent directors serve as the convener and committee members. The committee should hold at least two meetings per year and is responsible for regularly reviewing the Company's risk management policies and procedures and making suggestions. It reviews changes in the quality of the Company's financial assets, risks borne, and trends every six months and regularly reviews the requirements of competent authorities and the Board of Directors for compliance, management mechanisms, and other issues related to risk management. For the above issues, it submits its suggestions and review results to the Board of Directors. A total of three meetings were held in 2022 to discuss asset quality management reports, money laundering and terrorism financing risk assessment reports, and amendment to the risk management policy. The attendance was 78%.

A total of **3** meetings were held in 2022,

Attendance in person reaching **78**%.

Items of authority

- Regularly review the Company's risk management policy and procedures and put forth proposals for discussion by the Board of Directors
- Reviewed the changes in the quality as well as risks and trends of the financial assets owned by the Company every six months and reported the review results to the Board of Directors
- Regularly reviewed the competent authority's legal requirements and the board's requirements for management mechanisms and other issues related to various risk management systems and reported the review results to the Board of Directors
- Other major risks specified by the Company or competent authorities

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.

Company website: <https://www.hfcfinance.com.tw/zh-tw>

Audit Department

The Audit Department is directly governed by the Board of Directors. With an independent and full-time internal audit mechanism adopted, the department consists of one chief auditor and five full-time internal auditors. The Audit Department adheres to the principles of independence, objectiveness, and impartiality, duly performs regular and irregular audits, and conducts business in good faith, while assisting the Board of Directors and managers in checking and reviewing the internal control system, to evaluate its operational performance and efficiency, provide timely improvement suggestions, and audit and analyze various operating activities comprehensively and in-depth to confirm that each business process is in compliance with laws and regulations. It discloses anomalies, if any, and follows up on the improvement to duly implement corporate governance.



2.2 Risk Management

(GRI 2-27、GRI 417-2、GRI 417-3)

As HFC's business operations are closely related to clients' business risks, strict compliance can effectively control risks and ensure that we can reduce the business risks, protect our reputation, and perform our duty of care as a good manager during business innovation and transformation.

With the increasingly strict legal environment to respond to changes in the situation, HFC needs to enhance its ability to comply with laws and regulations based on the consideration for various factors as well as prudently judge and manage and control risks, thereby achieving sustainable development with risks at various levels.

Thus, HFC attaches great importance to risk management and established the Risk Management Committee in 2021 to reinforce our risk control and management. It is supervised by the Board of Directors, which is the highest governing body in risk management. In addition, we already amended the "Risk Management Policy" in 2021 to strengthen our corporate governance and improve our risk control and management mechanisms.

Risk management organization

Board of Directors (the top risk management unit)

- The highest governing body for approving risk management policies and the organizational structure to ensure the effective operations of the risk management mechanism

Risk Management Committee (supervision)

- Regularly review HFC's risk management policy and put forth solutions
- Review the "Asset Quality Management Report" submitted by the Risk Management Department every six months and report to the Board of Directors

Risk Management Department (Risk management operation and measure formulation)

- Company-wide risk management
- Formulate applicable policies and operating procedures
- Take the initiative to communicate with stakeholders about risk events to reduce the potential operational impact thereof

Risk management policy

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Important risk management policy

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 in place • 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 the 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 	Credit Assessment Department
	Borrowers' defaults affect the Company's profit	<ul style="list-style-type: none"> • Establish statistical models for applicants' credit ratings and calculate the probability of the default risk. • Monitor the Company's asset quality and development trends, submit a monitoring report to the Risk Management Committee every six months, and discuss the countermeasures against the asset quality trends and study feasible credit and overdue receivable collection policies in the future with relevant departments at the Asset Quality Management Meeting every six months. 	Risk Management Department
Legal Compliance Risk	Failure to properly protect personal data may result in leakage and abuse of personal data, affecting the Company's reputation and leading to penalties by the government	<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 2022, 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	<ul style="list-style-type: none"> • Implement environmental and energy management system, including environmental protection, energy saving and carbon reduction, and waste reduction and recycling, while paying attention to the maintenance of safety in the offices and operating sites. 	Administration Department
AML Risk	Failure to implement the Know-Your-Customer (KYC) review results in improper control over the flow of funds	<ul style="list-style-type: none"> • To enhance the control of suppliers, we inspect new suppliers through Taiwan Depository & Clearing Corporation's anti-money laundering and counter-terrorism financing (AML/CTF) screening system to confirm if they are blacklisted. • In addition to monitoring high-risk cases per year, we manage high-, medium-, and low-risk cases with different intensity levels of management. (inspection frequency: high-risk cases: once per year; medium-risk cases: once every three years; low-risk cases: once every five years) • We de-identified AML/CTF cases used in education and training and shared them with our subsidiaries to enhance the Group's awareness of AML/CTF. • We set the audit indicators, perform audits regularly, and prepare audit reports according to the internal regulations. 	<ul style="list-style-type: none"> • First line of defense: AML Task Force • Second line of defense: AML personnel • Third line of defense: Audit Department
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 of the Company to control the physical and transitional risks arising from climate change will affect its operations	<ul style="list-style-type: none"> • We actively strive to understand market trends, pay attention to customer needs, adjust our products and services quickly, such as offering preferential interest rates for eco-friendly vehicles, and design and promote green and environmental products and services. • See Chapter 5 (5.1) Climate Change and Risk Management for more details on assessing the risk impacts of climate change. 	Planning Department, Debt Management Department, and Credit Assessment Department
Information Security Risk	Failure to maintain information security will affect the Company's operations and reputation	<ul style="list-style-type: none"> • 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

In 2022, thanks to internal management, none of the aforementioned risks exceeded the Company's expectations and had a material negative impact.



2.3 Ethical Management (GRI 205-3)

To maintain HFC’s culture of ethical management and corporate reputation, we manage the ethical relations between employees and stakeholders through the Company’s relevant internal systems and have established an anti-corruption system to engage in business activities under the principles of impartiality, integrity, trustworthiness, and transparency, in order to lay a foundation for robust and sustainable development

Ethical management implementation organization and process

Board of Directors	
<p>Supervisory unit: Audit Department</p> <p>Regularly supervise the implementation of ethical management and report the implementation directly to the Board of Directors.</p>	<p>Responsible unit: Relevant units</p> <p>They are responsible for the amendment to and implementation and interpretation of the Procedures for Ethical Management and Guidelines for Conduct, provide consulting services, input notifications in the system, and manage the employee code of conduct and notifications, while reporting directly to the Board of Directors on the implementation situation.</p>

We did not receive any whistleblowing cases or complaints in 2022.

With that, HFC has formulated relevant management regulations for managers at different levels and stakeholders. We have established the Ethical Corporate Management Principles and the Procedures for Ethical Management and Guidelines for Conduct for directors, managers, and employees. They require those with substantive management interests within the enterprise not to directly or indirectly provide, promise, request, or accept any illegitimate benefits, or engage in other unethical conduct that violates good faith, is illegal, or breaches fiduciary obligations in order to obtain or maintain benefits. In addition, we have formulated the Code of Ethical Conduct to regulate the prevention of conflicts of interest, avoidance of personal gains, confidentiality obligations, fair trade, and protection and proper use of company assets.

Ethical Corporate Management Principles	Procedures for Ethical Management and Guidelines for Conduct	Code of Ethical Conduct
<ul style="list-style-type: none"> • Employees • Managers • Directors <p>https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20222530012505%20(4).pdf</p> 	<ul style="list-style-type: none"> • Employees • Managers • Directors <p>https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20222530012505%20(5).pdf</p> 	<ul style="list-style-type: none"> • Managers • Directors <p>https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20222530012505%20(6).pdf</p> 

To ensure that no bribes are received, HFC requires all suppliers to sign a pledge of integrity or integrity clause, 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 pays attention to the development of measures and regulations on ethical management at home and abroad, raises employees' awareness from time to time, and implements the concept of ethical management at work. In 2022, we offered six courses on ethical management to all employees, topics including the intellectual property rights, anti-bribery, information security education, insider trading prevention, and the Personal Data Protection Act for a total of 3,225 hours.

A total of **6** education and training courses on ethical management issues were offered in 2022.

Total training hours reached **3,225** hours.





3

Social Responsibility



The total amount of inclusive services provided reached NT\$10.524 billion.



The total amount of green financial services provided reached NT\$15.7billion.



The total number of volunteers reached 2,118 person-times for 8,706 hours.

Material topic management

(GRI 2-23、GRI 2-24、GRI 2-25、GRI 2-26、GRI 3-3)

Material Topics

Customer Rights and Services

Corresponding GRI Index

417 Marketing and Labeling

Description of impact

Positive

- Strengthening employee service training and enhancing customer care to improve customer satisfaction

Negative

- Poor customer service may undermine customer trust in the Company.

Policy and Commitment

- Customers first and people at the center
- Standard procedures for each operation
- Measures for handling customer complaints

Action Plan

- Follow the standard customer complaint handling process established by the Company, assess if a customer complaint can be accepted according to the content of the complaint, and notify the responsible unit and assign it to responsible personnel for handling.
- After receiving a complaint, the responsible unit will analyze the root cause using the 5W approach or an analysis method, identify the root cause, develop countermeasures and implement them, and follow up on the processing progress in accordance with the regulations.
- OJT: 2 hours/month; continue to enhance personnel response to effectively solve customers' problems. In 2022, customer complaints dropped by about 57% compared with the prior year; also, there were a total of 179,316

customer phone calls to ask questions in 2022; the average processing time was 4.1 minutes per call with improved efficiency compared to 4.3 minutes per call in 2021.

Objective

Short-term

- Satisfy all customers' needs with exceptional and thoughtful customer services

Mid- and long-term

- Effectively and quickly solve customer problems through digitalization

Evaluation mechanism

- Based on the analysis of the usage and the number of downloads of the official Line account and Easy Pay app by customers, operating costs, and processing time, customers are enabled to pay more easily and have their problems solved quickly, while it improves service efficiency and customer satisfaction. We examine our service performance based on the satisfaction survey results.

Complaint mechanism

- Customer service hotline: (02)2276-1511
- Online contact form: <https://www.hfcfinance.com.tw/zh-tw/services/contactus>
- Official Line account: HFC Corporate Customer Service

Material Topics

Personal data protection

Corresponding GRI Index

418 Customer Privacy

Description of impact

Positive

- Improving information security and personal data protection to protect customer privacy and prevent information leakage

Negative

- Information leakage or loss of customer data is in violation of the Personal Data Protection Act and exposes the Company to litigation risk.

Policy and Commitment

- Personal data management policy
- Personal data file security management regulation
- Personal data collection, processing and utilization management regulation

The above policy commitments apply to the entire Company, with the attention particularly paid to stakeholders who are employees and contractors. We require stakeholders to sign commitments from time to time and perform due diligence on them.

Action Plan

- Establish an organizational culture
- Continue to raise personnel's awareness of this policy and laws and regulations
- Adopt the PDCA model for the personal data management system; take corrective and preventive measures according to the audit results and suggestions; improve and implement an appropriate control mechanism to maintain the operation of personal data management system.
- Online education and training: Every year

Objective

Short-term

- Comply with Taiwan's applicable laws and regulations on personal data protection and the central authority's relevant requirements

Mid- and long-term

- Collect, process, and use personal data in an honest and ethical manner without exceeding the necessary scope of the specific purpose and with a legitimate and reasonable connection with the collection purpose
- Provide appropriate security measures for personal data files to ensure that the Company can perform the duty of care as a good manager

Evaluation mechanism

- Review by management

Complaint mechanism

- Customer service hotline:(02)2276-1511
- Online contact form: <https://www.hfcfinance.com.tw/zh-tw/services/contactus>
- Official Line account

Material Topics

Social Participation

Corresponding GRI Index

413 Local Communities

Policy and Commitment

We carry out the CSR activities in the spirit of providing care and pursuing sustainability in accordance with the three ESG strategies, and the Board of Directors approved to contribute 1% of the net income after tax attributable to the parent company per year as the ESG budget from 2022 to further develop ESG sustainable policies.

- ESG Committee Charter of HOTAI FINANCE CO., LTD.
- Sustainable Development Best Practice Principles of HOTAI FINANCE CO., LTD.

Action Plan

- **Top-down approach:** The Chairman serves as the convener of the ESG Committee, and its members include the President, two Vice Presidents, and one Assistant Vice President. Led by the top managers and the heads of the three major divisions of HFC, we implement ESG projects from top to bottom.
- **Interdepartmental collaboration:** In 2022, we held the 1st HFC ESG Award at the Company through interdepartmental collaboration: employees came up with ideas of ESG activities by themselves to participate in the ESG competition; the winners were rewarded, to motivate employees to take actions to participate in society.
- Formulate a volunteer participation mechanism.
- Develop a three-year ESG education and training program.

Objective

Short-term 

- Challenge every person to participate in eight hours or more of volunteer activities per year by holding ESG activities every month

Mid- and long-term 

- Integrate our core specialty to enhance corporate image to foster corporate competitiveness

Evaluation mechanism

- Link volunteer service hours with employee performance evaluation and rewards
- Review and announce each unit' progress in the quarterly departmental meeting
- Convene two ESG Committee meetings per year to review the achievements and outlook
- Evaluate and review the effect after an activity, discuss with a given social charity organization by phone or in person to understand the implementation results and effect of the activity, and review the content and effect of the activity to ensure the implementation results in line with the organization' needs. If the implementation is not effective, review the reasons immediately and take improvement measures to achieve effective communication and better implementation effect.

Complaint mechanism

- HFC official website: <https://www.hfcfinance.com.tw/contact>
- Public Relations Office email: PR@hfcfinance.com.tw
- If there is a complaint, it will be handled by the contact point of the Public Relations Office on a case-by-case basis.

3.1 Sustainable and Inclusive Services

3.1.1 Inclusive services

Financial inclusion is an accelerator for economic growth, job creation, and the diversified and balanced development of society. HFC responds to the United Nations Sustainable Development Goal (SDG) 8 “decent work and economic growth” and SDG 10 “reduced inequality” to actively realize financial inclusion and launch diverse financial products and services in alignment with different groups’ and parties’ needs. To enable all clients to make good use of relevant financial services and promote the well-being of the public.

On the basis of this, HFC has set up direct approval projects for small- and medium-sized enterprises (SMEs) that have difficulty accessing bank resources, particularly in the fields of medical care, construction equipment, machine tools, and heavy motorcycles. As such, we approve loans through a more simplified and faster process to provide financial services in alignment with business owners’ needs and support SMEs to operate steadily and pursue their dreams pragmatically during the pandemic.

Inclusive services in 2022

Stakeholders	Service content	Number of people served (number of loan borrowers/people on instalment payment plans)	Total amount	Non-performing loan ratios (Note)
SMEs	Corporate finance services are mainly for SMEs, accounting for 91.4% of the total loan amount	A total of 2,991 loan contracts	All loans provided amounted to NT\$10.524 billion	0.83%

Note: Non-performing loan ratio = Amount of overdue cases / Total amount retained. Over the past three years, the quality of such assets has been maintained in good conditions, with the non-performing loan ratio at less than 1%.

3.1.2 Green finance

The World Economic Forum (WEF) mentioned in the Global Risk Report 2022 that in addition to geopolitical turmoil and crises, the pandemic is still raging. The world will also face daunting challenges posed by risks arising from the climate, including extreme weather events and biodiversity loss. We should flip or re-imagine a financial model for the business environment that enterprises will face in the future to make decisions for green and environmental sustainability.

Meanwhile, we actively respond to SDG 7 “affordable and clean energy” and SDG 13 “climate actions”, which echo our ESG policies, while actively striking a balance between corporate operations and environmental sustainability.

Amount of approved loans for electric/hybrid vehicles

Category	Number of approved loans in 2022	Amount of approved loans in 2022 (in NT\$100 million)	Percentage of increase in approved loan amount compared with 2021
Electric vehicles	1,753 loans	1.572 billion	235%
Oil-electric vehicles	13,148 loans	10.047 billion	10%
Electric motorcycles	19,400 loans	3.75 billion	140%
Subtotal	34,301 loans	15.369 billion	-

Amount of approved loans for renewable energy

Year	2020	2021	2022
Loans provided during the year (in NT\$100 million)	3.11	1.09	2.21
Amount of cumulative loans disbursed (in NT\$100 million)	4.46	5.55	7.76

Note : The industry category is according to the business information registered by the Department of Commerce and Industry of the Ministry of Economic Affairs.

HFC provides equipment financing to clients who cannot access funds easily to purchase equipment and provides working capital in a timely manner to allow clients to accept assignments in environmental protection industries, such as the environmental remediation (including wastewater and sewage treatment, waste disposal and treatment, and resource recycling) and recycled material wholesale industries, to facilitate the development of industries related to environmental protection.

Loans approved for environmental protection industries

Environmental protection industry	Amount of loans in 2021	Amount of loans in 2022
Pollution remediation industry (millions of NTD)	125.97	37.44
Wholesale of recycled materials (millions of NTD)	79.34	45.79

Note : The industry category is according to the business information registered by the Department of Commerce and Industry of the Ministry of Economic Affairs.

Enterprises need to influence more stakeholders and join hands to make a change. On June 20, 2022, HFC signed a three-year ESG-linked syndicated loan agreement of NT\$15 billion with a group of domestic banks. Over the past two years, HFC has taken out NT\$24 billion.

In 2022, an HFC ESG-linked syndicated loan was arranged and led by CTBC Bank. In the end, 18 domestic financial institutions joined, and the loan totaled NT\$21.1 billion. The case was closed with NT\$15 billion as the largest financing case for a single company in the leasing and installment payment industry in recent years. In addition to maintaining the business operations, the funds in this case would be used to support HFC's green development in connection with several indicative key ESG performance indicators, including the performance of low-carbon vehicles and the constituent of ESG indexes, ESG reports, and green energy development. Through green financing, we will further enhance the green sustainability performance and move toward the net-zero goal.

Promotion of diverse carbon reduction measures through green energy business

HFC established a green energy unit in 2021 to develop the green energy business and invest in new energy. The solar energy business department was subsequently separated from the unit as He Jun Energy Co., Ltd. in 2022 to be dedicated to the construction and operation of solar power plants. After a year of efforts in 2022, our self-built power plants have been operated in 36 sites as of December 31, 2022, with a total installed capacity of 11.3MW. We estimated that the approximately 7,074.88 tons/CO₂e of carbon emissions will be reduced per year ^(Note 1); we have signed contracts with 41 sites (some are under construction), and the total capacity has exceeded 110MW.



He Jun Energy Co., Ltd. business opening ceremony

In 2022, He Jun Energy worked with Laketricity Co., Ltd., a French company, to jointly invest in a new type of fishery and electricity symbiosis site, in which solar energy, land, and farming are combined to achieve a win-win situation for enterprises, fishermen, and the environment as an important milestone for He Jun Energy to promote environmental sustainability and develop green energy. There are three types of sites: ground, water surface, and rooftop. He Jun Energy invested in the acquisition of 90% of the equity in the four sites under Laketricity in Yunlin and Tainan and worked with the Fisheries Research Institute, Council of Agriculture, Executive Yuan, to form and lease out the sites. The installed capacity is 5MW, and it is estimated that the annual power generated per year may reach more than 6 million kWh and the carbon emissions may be reduced by about 3,130.48 tons/CO₂e ^(Note 2) per year. It aims to achieve 4.4GW for the capacity from the fishery and electricity symbiosis by 2025.



Fishery and electricity symbiosis plant



Merger and acquisition of Laketricity's power generation sites

Note 1: 11.3MW*1000*3.37 hours (average effective time of sunshine)*365 days*0.509 kg (electricity carbon discharge coefficient in 2021).

Note 2: 5MW*1000*3.37 hours (average effective time of sunshine)*365 days*0.509 kg (electricity carbon discharge coefficient in 2021).

3.2 Digital Innovative Services

3.2.1 Customer rights and services

Customer opinions are an important driving force for HFC's progress. To make it easier for customers to contact us, we have established diverse and multiple communication channels. Customers can communicate with us at their own convenience, while we can respond to various problems in real-time. We are always online to serve customers and solve their problems.

Communication channels	Icon/content
Telephone	Application: 0800-365-365 Customer service: (02)2276-1511 Halfway settlement: (02)5599-9955
Line Text Customer Service	LINE ID: @hfcfinancecs
Loan application consultation	https://www.hfcfinance.com.tw/
Stakeholder Mailbox	Communications with relevant stakeholders are made through the investor mailbox. In 2022, most of the communications were inquiries and complaints from institutional investors. HFC actively responds to issues related to the institutional investors. At the same time, customer complaint cases are transferred to the operation service department for centralized response according to the Company's customer complaint process.



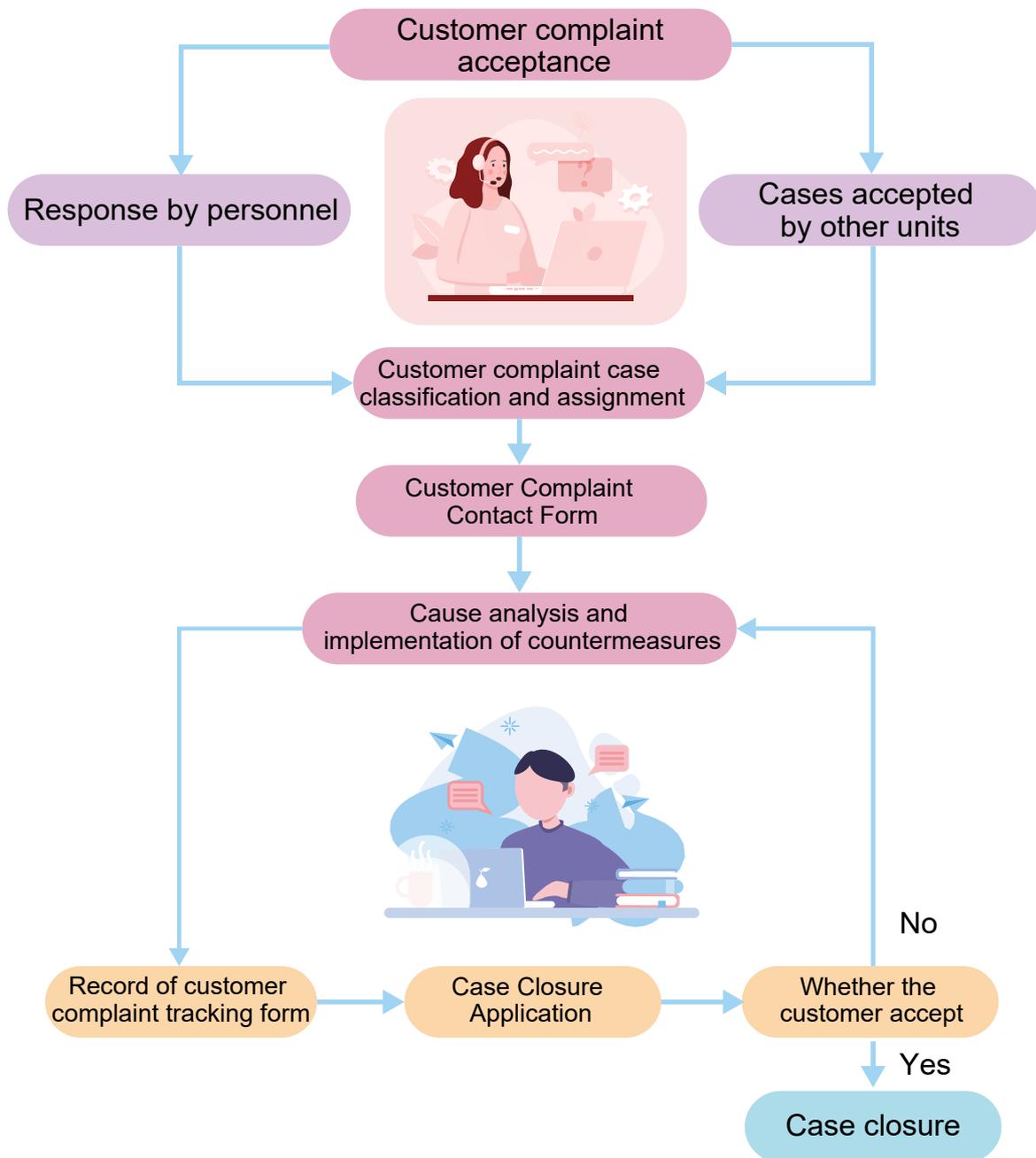
In 2022, 42% of customers made an average of 14,943 inquiries per month through the official Line account, 22% of which were solved through automatic direction to FAQs. In 2022, there were a total of 179,316 inquiries by phone, and the average processing time for each call was 4.1 minutes; compared with 4.3 minutes/call in 2021, and the processing efficiency has improved.

Customer complaint assignment and optimization

To address the issues raised by our customers, we have established "a standard operating procedure for handling customer complaints", which classifies customer complaints into material customer compliant cases (Class A) or general customer compliant 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. Follow-up time is based on different levels of customer complaints, which regulates the initial response times of the business divisions, and records of the contact process are made on a case-by-case basis to fully understand the relevant feedback from customers, which are used as the basis for HFC's continuous improvement.

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

Customer compliant handling process



Complaints handled in 2022

Number of days of handling	A	B	C	Total	%
0–3 days	9	46	7	62	95%
4–5 days	0	2	1	3	5%
Exceeding SOP	0	0	0	0	0%
Total	9	48	8	65	100%

Note: Customer complaints included letters from Consumer Ombudsmen (including court cases), false loan applications, business processing fee collection, and personal data issues

In the spirit of customer first, we did not have any case of handling a customer complaint not meeting the standard customer service deadline in 2022, showing that we resolved customer problems efficiently, and the number of customer complaints received in 2022 decreased by about 57% compared with the prior year. In addition, 95% of the general customer complaints (levels B and C) were processed early within zero to three days in 2022; we regularly checked open cases every week, and reviewed the average case closure days and reported to senior managers monthly. 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.

With the philosophy of customer first and people at the center, when HFC handles relevant customer complaints, we think from the customer's perspective in the first place and then put forth possible solutions to solve their difficulties. A customer complaint in 2022 is a case in point:



Customer complaint case and how HFC handled it

A car owner was seriously injured in an accident on the way to work, so the owner's wife called to inquire about the loan status. However, based on the Personal Data Protection Act, the customer service personnel needs to obtain relevant supporting documents before they can check the status. After she provided relevant information, the customer service personnel assisted with the trial calculation of the settlement amount, but she had doubts about the amount. After the personnel further explained that the amount included the processing fee, she could not accept it, so she filed a customer complaint.

After the customer service personnel called her again and learned that the owner was seriously injured and hospitalized and his family was in financial distress. Although he planned to sell the vehicle to raise funds to repay the loan on his behalf, he could not afford the processing fee. After discussion and comprehensively considering the customer's situation and the fulfillment of corporate social responsibility, we waived the processing fee to reduce the customer's financial burden.

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 on-the-job training (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.

We also offer education and training to customer service personnel using a scenario role-playing method to practice the question-and-answer strategy when dealing with customers, to experience the real problems that customers may have, while personnel can share their relevant experience, thereby improving our customer satisfaction and problem-solving efficiency. 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. Moreover, we enhance personnel's case handling experience through education and training on cases from time to time and improve their ability to solve customer problems.

OJT training



Customer service personnel responding to customers on the front line are prone to high pressure and physical and mental exhaustion. HFC, in consideration of their physical and mental health and hard work, organizes courses and activities for them to fully relax their body and mind, including club activities, fitness sessions (yoga classes), and a singing club offered by HFC.

Stress Relief Courses



3.2.2 Digitization and paperless operations

HFC puts users at the center, integrates customers’ various needs, and provides one-stop solutions, from payment, information inquiry to data change application. We provide customers with the most diverse and convenient services, saving customers the trouble of accessing the services over the counter.

Multiple Service Methods

<p>Payment methods</p>	<ul style="list-style-type: none"> 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. Five major convenience store/supermarket channels for payment collection: HFC cooperates with five major consumer channels so consumers can choose to make payments at convenient channels: including 7-11, FamilyMart, Hi-Life, OK Supermarket, and Simple Mart.
<p>Payment methods</p>	<ul style="list-style-type: none"> HFC Easy Pay App: 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 made available on the cell phone. Automated Clearing House (ACH): Can apply for automatic monthly debit payment from a 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 an ATM 24 hours a day, significantly shortening the application time (21 days → 1 day).
<p>Real-time information inquiry</p>	<ul style="list-style-type: none"> HFC’ s official website: 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 access the necessary information and learn what HFC can help with through the official website, which allows our customer service personnel to handle customer inquiries more efficiently. The Customers section on the official website allows users to check their payment records at any time. Easy Pay app: Enabling users to check their payment records at any time
<p>Change personal data</p>	<p>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 online data change application service through the app to keep track of customers' status in real-time.</p>

To reduce the environmental burden and implement the concept of environmental protection and sustainability, HFC continues to implement paperless operations within the enterprise and has managed to digitalize all customer service operations in addition to paperless operations, to provide customers with better and more convenient service processes. Therefore, HFC adopts digitalized service processes from the loan approval process, application receipt, disbursement, identity verification to payment, to accelerate the processing of cases.

Paperless services

Save about **6.9446 million** pieces of paper & Reduce about **52,779 kg** of CO2e emissions per year.

Note: Based on 3.8kg CO2e per pack of 500 pieces of Paper Star A4 paper (80g; 210mm x 297mm)



Digital Tools and Performance

Service	Service content	Benefits from the implementation in 2022
Easy Pay app	Provide customers with diverse payment methods and loan/payment information inquiry	<ul style="list-style-type: none"> Paper saved: About 312,305 pieces of paper/month Benefits: Keep abreast of cases and payment status in real time
EZ Loan APP	Incoming cases and disbursement	<ul style="list-style-type: none"> Paper saved: About 2,240,870 pieces of paper/month Benefits: Accept incoming cases/disburse loans anytime and anywhere, and keep abreast of the progress of cases in real time
Mobile sign-off app	Provide a mobile office for supervisors to sign off documents anytime and anywhere to increase work efficiency and customer satisfaction.	
Golden Motor Loan App	<p>The app includes the functions below:</p> <ul style="list-style-type: none"> Incoming cases: Incoming scooter cases, temporary storage list for incoming cases, and supplementary documents for new cases Case list: Review, case history, image file browsing, approval notice, and inquiry Report management: Inquiry of disbursement details Document tool: National ID card copy return form Change of password, push notifications, and logout 	<ul style="list-style-type: none"> Paper saved: About 408,148 pieces of paper/month Benefits: Improve incoming case efficiency and keep abreast of the progress of cases in real time
Identity verification by video conference	<p>Replace manual identity verification with video conferencing</p> <ul style="list-style-type: none"> Push notifications: Real-time push notifications to stay informed of important information Case list: List of cases by video conferencing to keep abreast of case progress in real time Identity verification by video conference: Make a booking for video conferencing, upload confirmed documents for identity verification by video conference or vehicle check 	<ul style="list-style-type: none"> Paper saved: About 294,674 pieces of paper/month Benefits: Immediate identity verification, a shorter waiting period for disbursement, and less case loss
Telemarketing	The system accepts incoming cases keyed in rather than through the EZ Loan app to be in line with the actual operations of telemarketing	<ul style="list-style-type: none"> Paper saved: About 458,248 pieces of paper/month Other benefits: Improved efficiency of incoming cases
EZ Report (daily performance report)	<p>Scenarios: vehicle installment payment/trade marketing/equipment (department/division/sales)/telemarketing</p> <p>Management reports:</p> <ul style="list-style-type: none"> Performance reports Orders received with vehicles not yet delivered Materials not returned Loan drawdown not set Legal collection report Incoming case management 	<ul style="list-style-type: none"> Paper saved: About 28,512 pieces of paper/month Benefits: Keep abreast of performance and case status in real time
Car Loan (heavy motorcycle app)	Incoming heavy motorcycle cases and disbursement (under development)	<ul style="list-style-type: none"> Paper saved: About 176,751 pieces of paper/month Benefits: Improve efficiency and keep abreast of the progress of cases in real time
Distribution channel service platform	<p>Scenarios: Incoming cases from trade marketing companies and disbursement</p> <p>App includes the functions below:</p> <ul style="list-style-type: none"> Incoming cases: New incoming cases and supplementary documents for new cases Case list: Review, case history, approval notice, and progress check Report management: Inquiry of incoming cases and disbursement details Change of password, push notifications, and logout 	<ul style="list-style-type: none"> Paper saved: About 2,850,057 pieces of paper/month Benefits: Keep abreast of incoming cases and disbursement status in real time
	Provide customers with digital payment methods	

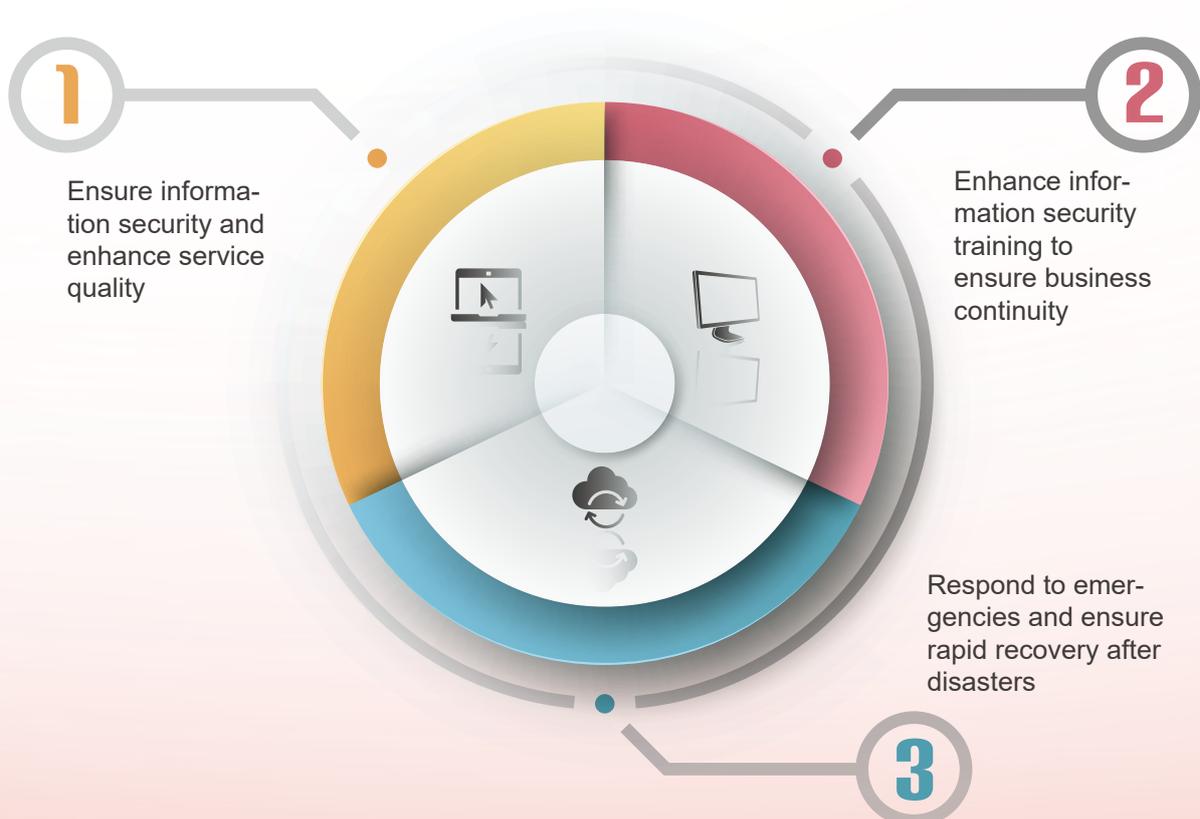
In addition to the above digitalized and paperless services, HFC has digitized all manuals and provides them to all customers by electronic means, saving the Company NT\$38,000 per month in printing and delivery, while achieving environmental protection targets. More importantly, all car owners can receive the latest information through various contact channels in a timely manner, and HFC can also keep track of the number of clicks. This allows car owners to immediately experience the convenience of accessing the information they need by clicking on the online service manual at any time, while ensuring environmental protection.

3.2.3 Information Security and Personal Data Protection (418-1)

In the digital age, personal privacy protection is a highly complex issue. To ensure that all customers' personal data is not leaked, HFC's Information Department is responsible for managing all customer data and formulating all customers' personal data protection plans. We have formulated the Personal Data Management Policy, Personal Data File Security Management Regulations, Personal Data Collection, Processing and Utilization Management Regulations, and Personal Data File Entrusted Management Operation Regulations, while having set up firewalls to prevent personal data from being leaked or abused. Thanks to HFC's efforts, there were no violations of the Personal Data Act or leaks of customer information in 2022.

HFC obtained the ISO 27001 Information Security Management System (ISMS) certification in 2022 to ensure the ISMS confidentiality, integrity, and availability. We regularly conduct organizational panorama evaluations of information department system development and maintenance and data center management every year to review the annual performance of 14 information security management and control indicators in ISO 27001.

Information security management policy





Key personal data protection items

Key personal data protection items	Purpose or effect	Performance in 2022
Regular inspection of personal data file inventory	All units keep abreast of customers' sensitive data in the business process, how it is used, and the number of years it should be kept.	We inspected the personal data file inventory on May 5, 2022.
We inspect the internal access permission system every year.	We manage the access permission of the personnel system and ensure that the personnel of each department use customer personal data with the minimum access permission.	We inspected the internal access permission system on December 1, 2022.
We offer employee personal data protection education and training every year.	All employees need to receive personal data protection education and training every year to enhance their sensitivity to personal data protection.	In 2022, we offered three courses to employees, and a total of 1,075 people completed the three courses on the Personal Data Protection Act, intellectual property rights, and information security"; we had them take a test to test their response after each course. In 2022, there were no material violations of governmental laws and regulations that resulted in penalties.
Regularly hold "personal data breach response exercises"	We held exercises to see if we could find out the relevant customer personal data use records in a short period of time when their personal data is leaked, to identify the potential reasons for the leakage and improve the response to data breach in the future.	

Internal management mechanism for personal data protection

We have dedicated personnel in each department to regulate and manage customers' personal data and hold a review meeting every year to review the relevant management regulations and items managed in a timely manner, to see if there are any measures to be adjusted, added, or deleted.

HFC has formulated relevant management measures to prevent all security breaches. For example, no personal data can be stored on portable information devices such as laptops, portable hard drives, and USB flash drives, which can only be used through encryption. Employees' access permissions to or right to retrieve personal information are also restricted.

Outsourced vendor management

At present, HFC also works with external entities for personal data processing and execution. All relevant vendors need to understand HFC's high security standards for personal data protection before collaboration. We also carefully evaluate the vendors' past collaboration records, enterprises served, and capability requirements before collaboration to ensure that both parties have a consensus on customer data security protection before collaborating. We require outsourced information vendors related to data storage, including data center management and hardware host maintenance vendors, to obtain ISO 27001 information security management system certification.

In addition, before the outsourced service is suspended or ends, the outsourced vendor should return all relevant personal data and intellectual property used or kept during the service period in accordance with the content of the agreement, and then our contact point is responsible for deleting the use, access, and other permissions for such data, to ensure that there are no information security breaches.

Information security management

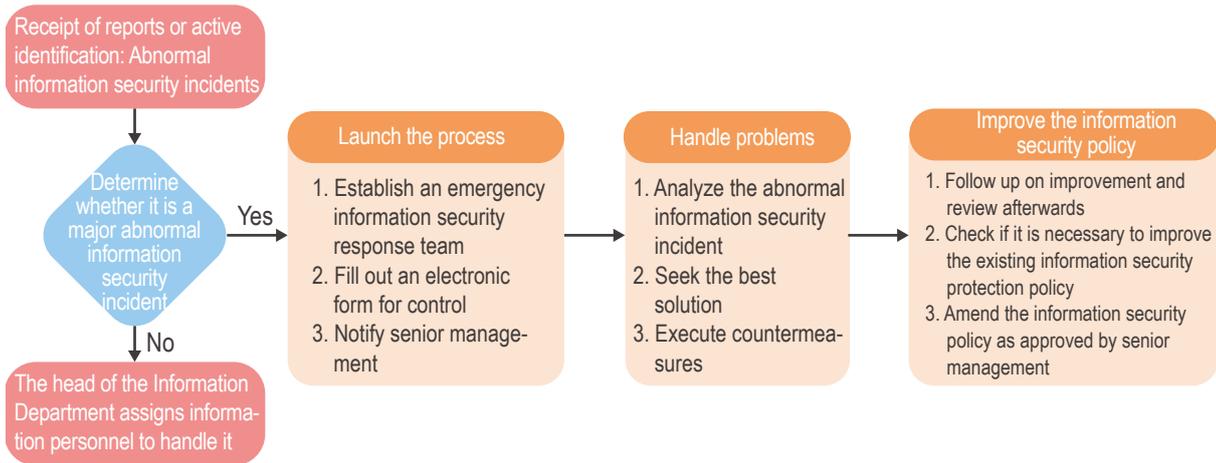
In recent years, with frequent cyberattacks and network information and product security issues, information security issues have become more important to enterprises and the public sector. How to control and alleviate such risks and reduce losses has become the priority of business management.

In the Global Risk Report 2022 published by the WEF, it is particularly mentioned that global ransomware cases in 2020 grew by 435%, and that 95% of cybersecurity incidents can be attributed to human error. With escalating cybercrime, the losses caused to enterprises are substantial. The report also mentioned that the current growth rate of global cyber threats is beyond people's ability to prevent and manage.



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.

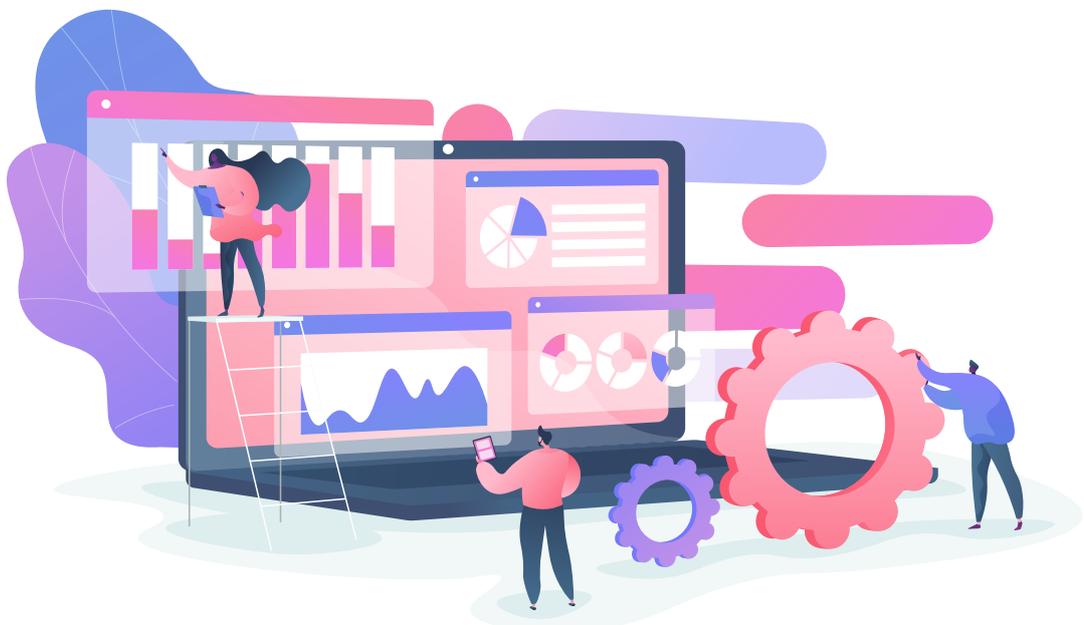
Information security incident reporting process



Note 1: Personnel from the Information Department take turns serving as the information security incident reporting contact point

Note 2: Major abnormal information security incidents are defined as those that affect the Company's reputation or disrupt the Company's operations for more than eight hours

Information security violations in the last three years	2020	2021	2022
Number of major information security incidents	0	0	0
Number of violations of customer privacy	0	0	0
Number of customers affected by information leakage	0	0	0
Total fines/penalties paid for information security incidents	0	0	0



Regularly review the vulnerability in information security

To strengthen all our systems and information security and expand the coverage, we commission an impartial and objective third party to conduct a thorough review of our systems. Therefore, HFC commissions an information security consultant to comprehensively scan the information system for vulnerabilities and rate the overall information security risk level. The scan report by the third party provides HFC with clearer suggestions for vulnerability patching, after which the entity will conduct a secondary scan to ensure that all major vulnerabilities have been completely patched.

Internal Information Security Audit

As the information security system is like the blood vessels of an enterprise, to ensure normal and secure operations of the information system, the Information Department arranges regular internal audits every month and every year, and all employees in the group must cooperate.

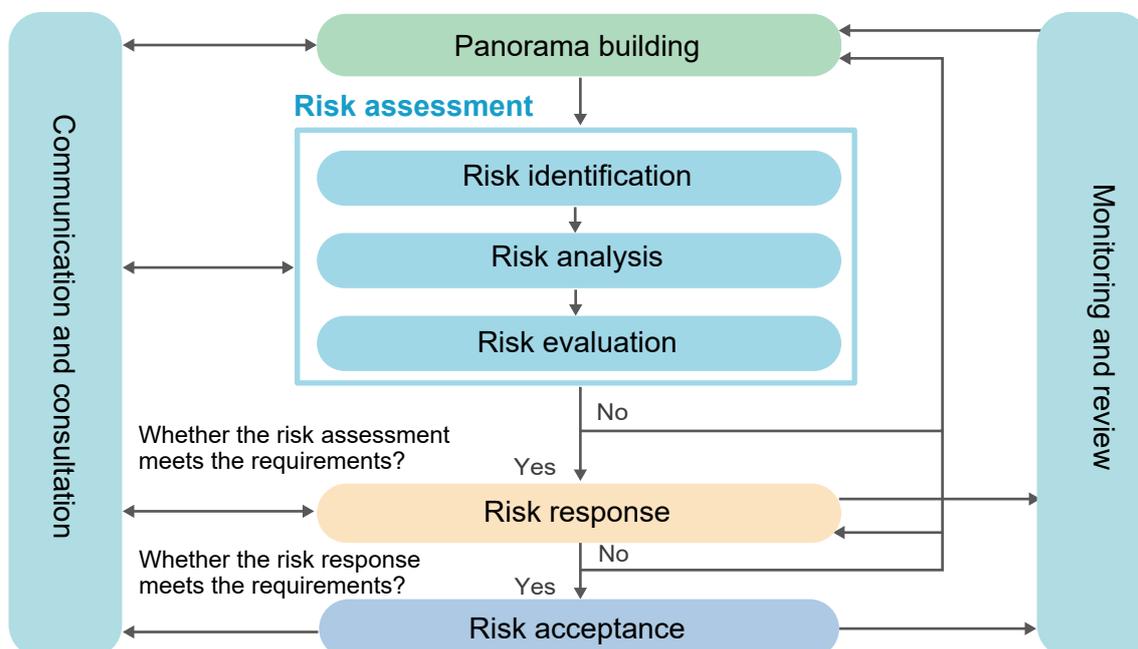
The audit mechanism and method differs by level. The monthly audit schedule is formulated by the Information Department to audit systems or system functions going live for information security risks, to ensure the normal operation and alignment of new systems or functions with needs.

For the annual audit, employees conduct self-check through the "Personal Computer Information Security Checklist". We design different audit topics every year. The Information Department assigns dedicated personnel to randomly audit 10–20% of the group's personal computers. After the audit, the percentage of defects for each department is calculated, and an annual information security audit report is prepared that covers relevant improvement measures.

Regular risk assessment

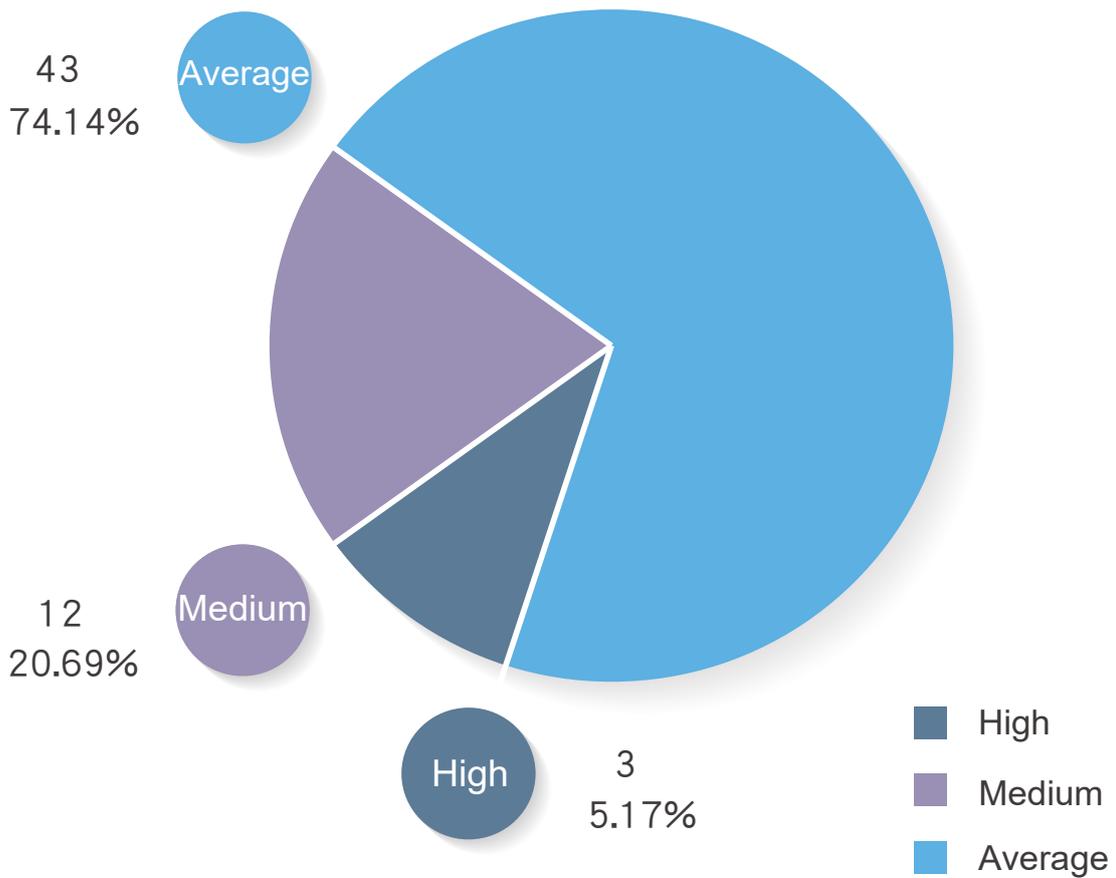
We regularly review the Company's information asset risks and formulated an information asset risk response program in accordance with the ISO 27001 ISMS process to review and improve the three high risks.

ISO 27001 ISMS process



Information asset assessment results and risk response plan

In 2022, we conducted a risk assessment of 41 information assets and identified a total of 58 vulnerabilities and corresponding threats. There were 3 high, 12 medium, and 43 average risks.



The risk response plan for the three unacceptable risks, posed to three information assets, including firewall and "server:

- Firewall: As it was unable to effectively identify the relations between the account and the user, there is a high vulnerability arising from a shared account problem. We planned to re-examine the accounts and set access permission for each account to solve the risk of the shared account problem.
- Server: As the equipment has been used for many years, there is a high vulnerability arising from inadequate system resources. It is highly risky to continue to use it. We planned to purchase new equipment and extend system resources to reduce the risk of inadequate system resources.

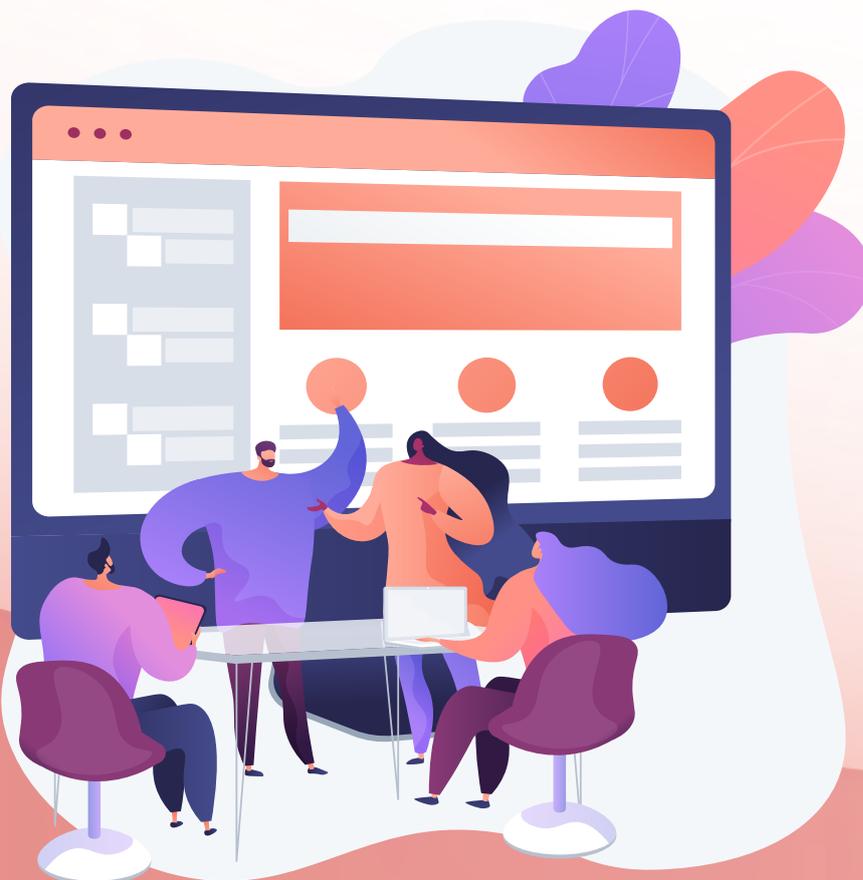
Raise awareness of personal data protection and information security

In addition to formulating relevant rules in the system for personal data protection, all our employees must be aware of the personal data protection, storage, management, and use procedures and regulations. Therefore, all employees must sign relevant personal data non-disclosure statements and agreements on their first day at work. At the time of signing such documents, they can understand our emphasis on personal data protection and learn which laws and regulations are to be followed. To ensure that all employees have knowledge of information security and the ability to protect information security, we continuously educate them through regular courses and irregular tests.

Furthermore, we list the personal data protection course and the information security course as required for all employees. Through the courses, we raise their awareness of information security once again. If an employee fails to complete the courses prior to a deadline, it will be included in the annual performance evaluation.

The courses contain a variety of information. We explain the purpose and background of the Personal Data Protection Act, the definition of personal data assets, digital personal database and online privacy content collection, processing, use, and security maintenance. We teach clear definitions in class, provide relevant learning materials, and arrange after-class exercises, allowing employees to understand the course content through questions to ensure effective learning.

Intellectual property rights and information security are also related to personal data security issues. Relevant laws and codes of conduct also need to be sorted and studied. Therefore, we offered three courses to employees in 2022. A total of 1,075 persons-times completed the personal data course, the intellectual property course, and the information security course.



3.3 Social Participation (GRI 413-1)

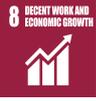
With its vision of sustainable development, HFC believes that the success of an enterprise lies in social support. As a leading auto finance company in Taiwan, HFC has a great influence on society and the environment. To give what we have taken from society back to society, how to give back to society in a long-term and stable manner has become the core of the social participation events we hold. We also hope that all our employees can become part of the social safety net.

3.3.1 Philosophy and strategy

We encourage all employees to participate in volunteer services, such as social participation projects as volunteers, and show care to those in need on-site in person. To launch a cycle of goodness, we set up a volunteer participation system in 2022 to be dedicated to social care and sustainable environment. We further linked this to performance evaluation and rewards, to motivate and reward all employees to participate in social charity projects to help those in need in a long term, to jointly create common good and leverage positive influence.

HFC has long participated in social charity and focused more on the needs of friends with disadvantages. In addition to financial donations, we are thinking about how to connect relevant resources and link the development of a sustainable environment with social care and corporate social responsibility, to form a positive cycle of social development.



Aspect	Name of social welfare activities	SDGs	Total number of volunteers and volunteer hours
Social care	<ul style="list-style-type: none"> Andrew Food Bank volunteer activities Taiwan Foundation for the Blind Sheltered Workshop volunteer activities Scooter road safety press conference volunteer services Community volunteer activities Rural revitalization product purchase Dragon Boat Festival gift box purchase 	   	<ul style="list-style-type: none"> • 2,118 people • 8,706 hours
Sustainable Environment	<ul style="list-style-type: none"> Earth Hour Adoption of Zhanghe Wetland Mountain/beach cleanup Tree planting volunteer activities Green energy social charity event 		<ul style="list-style-type: none"> • Average service hours up to 8.5 hrs.

Note: Calculate the total number of volunteer service hours applied for in 2022, and divide the number of hours by the average total number of employees (the average number of active employees on January 1, 2022 and December 31, 2022) to count the average volunteer hours.

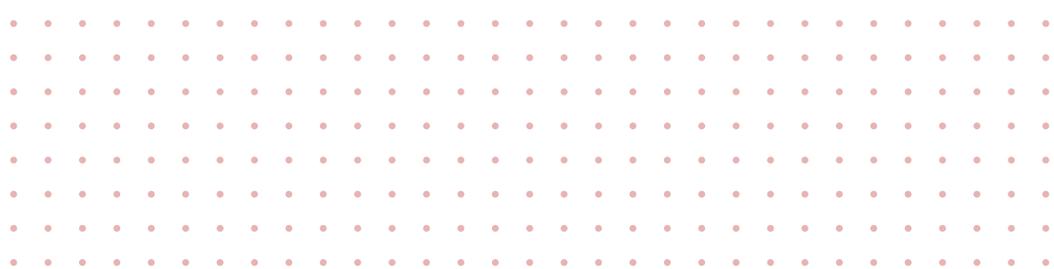
The total number of volunteers increased by **8.8 times** compared with 2021.

The total hours of volunteer participation increased by **9.8 times** compared with 2021.



ESG Award competition

To enhance employees' understanding in and dedication to ESG, we held the first ESG Award Competition in 2022. Through the competition, departments had the opportunity for communication and to inspire each other through creative local ESG proposals, thereby expanding HFC's sustainability influence and enhancing employees' commitment to and identity with the Company.



3.3.2 Social care

(GRI 413-1)

Promotion of safety education

HFC has been working in the auto finance industry for years and advocating the safety of passersby is the Company's mission. We have countless accidents related to scooters in Taiwan every year. An average of 1,000 lives are lost every year. To reduce the deaths of automobiles and scooters, advocating road users' awareness of defensive driving is the key.

Scooter installment payment is one of our core business activities. To fulfill our corporate social responsibility, we take scooter road safety as one of our major missions. We are clearly aware that it is not easy to enhance people's awareness of scooter riding training; to let more people recognize the importance of taking a scooter riding training class before taking a license test, we launched a promotional video with the Taipei City Motor Vehicles Office in 2022 to send the message, "Scooter riding should be trained and not count on luck", to emphasize the importance of a scooter riding training class and inform the public of the contents of the class to motivate more people to take the class before taking a test. We also donated this video to the Ministry of Transportation and Communications and aired it at various motor vehicles offices, riding training classes, and media platforms. It is hoped that with the joint efforts of industry, government, and academia, we can improve Taiwan's traffic safety, so that scooter road safety will no longer be a slogan.

Starting from core business

Taking road safety as the mission

An investment of

NT\$**3.2** million

A total of **32** volunteers

Furthermore, we donated NT\$500,000 to subsidize all the training cost for the qualified low- and middle-income people to take the training class, to contribute to creating a safe road environment through long-term practical actions.



Scooter riding should be trained and not count on luck

<https://www.youtube.com/watch?v=qHH9bB9VdDw>



Care for the disadvantaged and social assistance

Andrew Food Bank food boxes

Andrew Bank has engaged in “assistance to the disadvantaged, emergency assistance, disaster relief, and education and training” since 2011 and mainly taken care of the daily life and education needs of 15-year-old children in disadvantaged families.

As we pay attention to the needs of the disadvantaged, we worked with the Andrew Charity Association in 2020 to launch the project “HFC’s love for food brings happiness to everywhere”. In the spirit of “doing good together”, we invited business partners to form the HFC’s love for food alliance in 2022, including Mizuho Bank, Ltd., E.Sun Commercial Bank, Ltd., Taishin Securities Co.,Ltd., and PwC Taiwan, to send food to each corner of Taiwan. The investment over the past three years totaled NT\$2.2 million, helping 2,600 families.

With practical actions, we not only made a donation of NT\$1 million to provide customized food boxes and arranged for all employees in Taiwan to participate in volunteer services and assist in packaging food boxes through this project. We hope that the food boxes provided food for the body and the mind as it affects a person’s future development. Thus, the food boxes are regarded as food boxes for body, mind, and spirit. In addition to monthly healthy and nutritious food, the food boxes contain cards to encourage children and knowledge, to care for children with the power of words and enhance their physical and spiritual development.

An investment of NT\$ **1.31** million
 A total of **194** volunteers

Up to **855** hours of volunteer service
 Helped **1000** families



Support of friends with disabilities

We took practical actions to support the Taiwan Foundation for the Blind for two consecutive years and actively invested resources in social charity. On the Dragon Boat Festival, we purchased subscribed for the So Bright Dragon Boat Festival Gift Box and gave them to all our employees. Every festival is the busiest time for the Taiwan Foundation for the Blind Sheltered Workshop. In 2022, our employees headed to the shelter workplace to be volunteers full of enthusiasm. They completed the packaging and counting of 500 gift boxes all by themselves in just one afternoon. Each gift box is hand-packed by trained people with disabilities, and people can feel their love through each bite. We hope that our employees can also feel their love when enjoying the gifts.

An investment of

NT\$**0.97** million

A total of **57** volunteers

Up to **244.5** hours of volunteer service

3.3.3 Sustainable Environment (GRI 413-1)

Earth Hour

We spare no effort in reducing energy consumption and carbon emissions. In our daily operations, we go all out to conserve energy and raise employees' awareness of environmental protection, while regularly checking if "the computers, lights, and air-conditioners are turned off" in the workplace. In 2022, we continued to respond to Earth Hour jointly launched by the Society of Wilderness and the World Wide Fund for Nature (WWF). In addition, we worked with subsidiaries and invite partners to participate in this event to expand our influence and enable more people to understand the importance of environmental change.



Earth Hour Video

<https://youtu.be/qJ-yu950D8U>



Also, we donated the electricity costs saved during Earth Hour in 2022 to the Taiwan Foundation for the Blind Shelter Workshop for it to purchase aprons and handmade soap packaging devices to help the visually impaired friends to make dried fruit gift boxes and handmade soap products with adequate equipment, ensuring stable income. Continue to facilitate the cycle of goodness to leverage greater influence

Adoption of Zhanghe Wetland

Zhanghe Wetland is the first urban constructed wetland in New Taipei City with the functions of sewage treatment, ecological conservation, habitat restoration, and flood regulation. The total wetland area is 6.7 hectares, and the water area is about 0.9 hectares with 116 species of butterflies and 48 species of dragonflies and damselflies, and 369 species of plants, with an annual carbon sequestration capacity of 41 metric tons, equivalent to the amount of carbon emissions from a family's 20-year electricity consumption.

We spare no effort to promote environmental sustainability and became the first enterprise to adopt Zhanghe Wetland in 2022. We worked with the public sector to maintain the wetland environment. In addition to donating waterproof waders, we will have nearly 200 employees taking part in the environmental volunteer activity to remove invasive introduced species in the water and land areas and regularly maintain this wetland inhabited by more than 600 species of animals and plants, to reduce environmental impact and maintain a space where species and the environment coexist harmoniously.



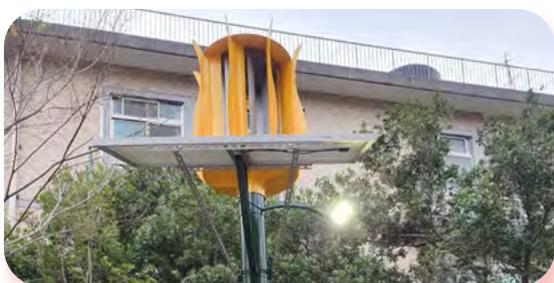
Support for Hotai Group's One Tree for One Car

We continue to support the Group's One Tree for One Toyota Car campaign, to protect Taiwan's shrinking coastlines through the Group's collective efforts. In September 2022, we planted 500 saplings in the Huanbao Repopulation Park in Keelung. In addition to absorbing carbon dioxide, it enhances soil and water conservation to prevent the continuous shrinkage of the coastlines in Keelung, to protect Taiwan's coastal forests and reduce carbon emissions. We take practical actions to plant trees and reduce carbon emissions with love for the earth. We aim to direct the attention of the problem of coastline shrinkage, so that the beautiful green coastlines can be reproduced and our beautiful homeland protected.



Green energy social charity event

In the spirit of caring for Taiwan's land, we have integrated ESG into our business strategy and core business. We adopt our core expertise and planned the Green Energy Social Charity Action project in 2023. The Catholic Huakuang Social Welfare Foundation in Hsinchu, which was in urgent need of solar street lights. The 13 street lights in the foundation were not repaired for a long time, affecting the road safety of people with disabilities and the foundation's employees at night. We immediately launched a project to replace the old lights with solar ones, to help them with green energy and light up every corner of society with green electricity, while continuing to move toward inclusive society and environmental sustainability.





4

Talent Values and Benefits



Employee satisfaction response rate was **100%**



The Average salary for full-time employees not in management positions increased **NT 28 thousands** and the Median salary increased **NT 39 thousands**.



Won **HR Asia Best Companies to Work for in Asia**.

Material topic management

(GRI 2-23 \ GRI 2-24 \ GRI 2-25 \ GRI 2-26 \ GRI 3-3)

Material Topics

Talent development and benefits

Corresponding GRI Index

401: Employment, 404: Training and Education, and 405: Diversity and Equal Opportunity

Policy and Commitment

- Based on the idea of “customer first and profession oriented” as the foundation, we are committed to establishing and sharing the basic value of mutual trust and shared responsibility through communication and dialog. We are committed to improving business performance to provide employees with fair and stable working conditions, while improving the work environment so that they can work harmoniously with vitality.
- As per Article 28 of the Articles of Incorporation, a certain percentage of the Company's profits should be provided as employee remuneration; meanwhile, we established an Employee Welfare Committee in 2008 to establish a diverse employee benefit system.

Objective

Short-term

- 2023 :
- Employee growth rate 121%
- Employee satisfaction survey response rate 100%
- Organize online and physical campus recruitment events plan more courses and company activities
- Apply for Talent Quality-management System (TTQS) certification

Mid- and long-term

- In 2022, we launched HFC 3.0 to implementing three major business principles: organizational restructuring, strategic leap forward, and soft power investment, to aim for the next decade.
- Regarding soft power investment, we plan to invest resources in talents and IT on a large scale, to respond to the major issues of talent development and benefits.



Action Plan

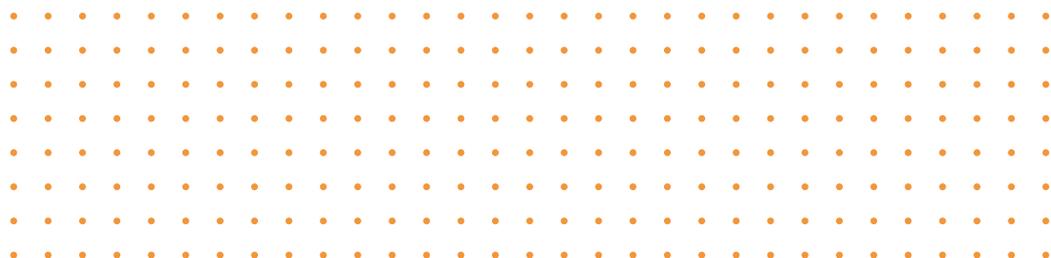
- Have 100% of the new employees sign the Statement of Employee Compliance with HFC's Regulations
- Draw up a table of division of responsibilities:
- Delegation: Assign responsibilities to managers and certain employees
- Empowerment: Managers allow and help employees do the tasks assigned to them
- Design a learning map with four major learning aspects: team learning, online courses, self-directed learning, and physical courses
- Develop the Raw jade program to train sales managers; develop a management program to train first-line managers; develop the skills program to train back-office managers; develop the Rising Star program to train back-office employees with great potential; develop a manager consensus camp to help managers to form consensus and enhance teamwork; organize the New Recruit Consensus Camp to train new recruits for relevant skills and knowledge and enhance their recognition with the Company.
- Internal rotation mechanism: The rotation system allows 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.

Evaluation mechanism

- Conduct annual employee satisfaction survey every year
- Regular performance evaluation is 100%, and regularly conduct rotation and performance evaluation
- Link the evaluation with business performance for performance bonus
- Ensure that all benefits are in accordance with the law

Complaint mechanism

- Line for employees: 02-25024567 ext. 11100
- HFC has set up an "Employee Opinion Mailbox" on the Company's internal site, HFCHR@hfcfinance.com.tw
- Hold labor-management meetings
- Employee Welfare Committee



4.1 Employment of Talent and Remuneration and Benefits

Due to industrial changes and the advent of the post-pandemic era, enterprises are faced with the challenge of insufficient talent and shortage of laborers. HFC continues to work hard to create a comprehensive and happy workplace environment for its employees. HFC firmly believes that only happy employees can provide satisfactory services to its customers, which then leads to excellent operating performance and allows the Company to continuously grow.

HFC’s sound and humane human resources policies creates a secure employment environment for its employees, and also builds a sound training system and smooth communication channels. The Company also provides market-competitive salaries, year-end bonuses, bonuses, and diversified incentives as employees’ annual salaries can reach beyond more than 20 months of salary.

The training of the Company’s employees uses a comprehensive rotation system and career planning. In addition to systematic education and training, activities, such as book club discussions and inter-departmental projects, are also held regularly or from time to time to expand employees’ horizons and elevate their mindsets, allowing them to acquire more knowledge and skills to become multi-talented individuals. Whether they are “selected for employment or placed in development”, any part that is related to human resources fully displays care and concern for the employees.

4.1.1 Hiring outstanding talent (GRI 2-7、GRI 2-8、GRI 401-1、GRI 405-1)

By the end of 2022, the total number of employees is 1,093, and there is no employee with working hours unguaranteed. By gender, there are 432 male employees and 661 female ones; by employment contracts, there are 1,046 permanent employees and 47 temp employees; by employment type, there are 1,093 full-time employees and zero part-time worker. Also, there are two types of non-full-time employees at HFC, which are external IT personnel stationed in the Company and outsourced personnel responsible for company information bag inspection, information bag digital scanning, and customer information online setting, all of whom belong to contractors, totaling 23 people (statistical data mentioned in this chapter and the tables was collected up to December 31, 2022).

	Permanent employment				Temporary				Total
	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	
Male	281	65	64	11	10	1	0	0	432
Female	354	118	145	8	26	2	8	0	661
Total	635	183	209	19	36	3	8	0	1,093
	1,046				47				

	Full-time				Part-time				Total
	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	
Male	291	66	64	11	0	0	0	0	432
Female	380	120	153	8	0	0	0	0	661
Total	671	186	217	19	0	0	0	0	1,093
	1,093				0				

Area	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan
Description	New Taipei City, Taipei City, Keelung, Taoyuan City, Hsinchu County, and Miaoli County	Taichung City, Changhua County, and Nantou County	Yunlin County, Chiayi City and County, Tainan City, Kaohsiung City, and Pingtung County	Yilan County, Hualien County, and Taitung County

Note: There is no employee in outlying islands.

Total employees by gender and age

	< 30 years old	30–50 years old	> 50 years old	Total
Male	92	305	35	432
Female	157	477	27	661
Total	249	782	62	1,093

Total employees by job level

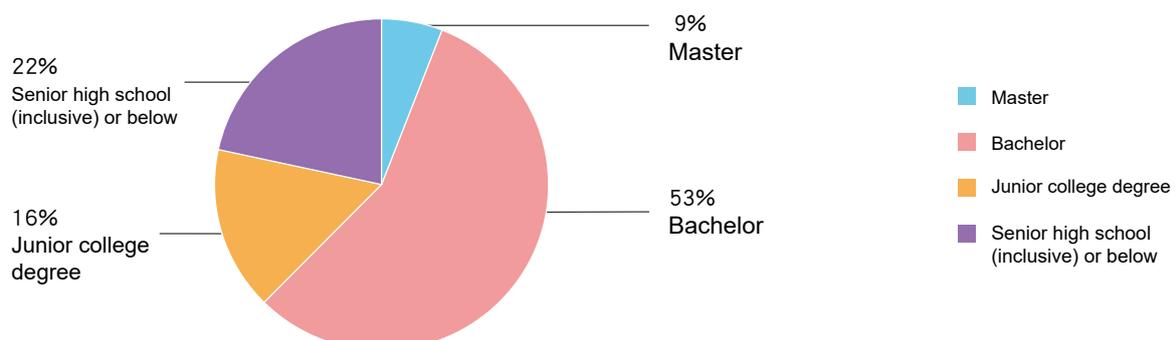
	Management	Non-Management	Total
Male	57	375	432
Female	17	644	661
Total	74	1019	1093

Note: Managers are at the level of deputy director or above; non-managers are below the level of deputy director.

Total number of employees classified by education level

Category	Number of employees			As a percentage of
	Management	Non-Management	Subtotal	
Master	20	77	97	9%
Bachelor	34	541	575	53%
Junior college degree	13	162	175	16%
Senior high school (inclusive) or below	7	239	246	22%
Total	74	1,019	1,093	100%

Note: Managers are at the level of deputy director or above; non-managers are below the level of deputy director.

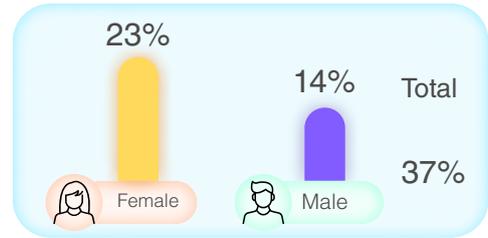


In addition to creating a friendly work environment, HFC continues to recruit professionals in related fields through open channels to provide career development opportunities for employees and promote work-life balance. As of the end of 2022, the percentage of new employees was 37%, while the percentage of employees separating from the Company was 23% 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

	< 30 years old	30–50 years old	> 50 years old	Total
Male	101	51	5	157
Female	142	98	8	248
Total				405

Percentage of new employees

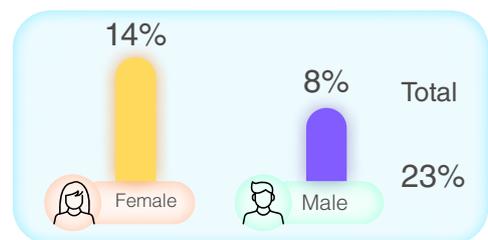


Note: Percentage of new employees = number of new employees in the category in the year / total number of employees at the end of the year.

Total number and percentage of resigned employees

	< 30 years old	30–50 years old	> 50 years old	Total
Male	53	29	6	88
Female	84	66	8	158
Total				246

Percentage of resigned employees



Note: Turnover rate (%) = number of resigned employees in the category in the year / total number of employees at the end of the year.

We spare no effort in recruiting talent through an open selection process and provide equal job opportunities regardless of gender, age, marital status, race, religion, and place of birth. Moreover, we actively implement gender equality in the workplace and provide employees with opportunities for fair competition and development regardless of gender, to promote gender equality and support workplace diversity.

To protect the rights and interests of disadvantaged groups, we actively recruit disadvantaged groups, such as Indigenous people and people with disabilities, and provide them with the same job opportunities and wages and benefits as regular employees. By the end of 2022, we have employed a total of ten employees with disabilities.



4.1.2 Provide fair remuneration (GRI 2-21、GRI 405-2)

Whether salary and rewards are competitive is one of the key factors for attracting outstanding talents and motivating employees. We raise salary by 1%–3% every September based on the price index and individual performance.

According to the information disclosed on the MOPS, the average salary of full-time non-managerial employees at HFC in 2022 is NT\$1,214,000, and the median salary is NT\$978,000. By industry, according to the information on the website of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the average salary of HFC is much higher than the average salary of employees employed in the same support service industry. According to the salary information on said website https://earnings.dgbas.gov.tw/query_payroll.aspx, the average monthly salary of employees in the support service industry in 2022 was NT\$38,540 (or about NT\$462,000 per year on average). With a further look at the relations between the highest individual annual salary of HFC and the median of all employees (excluding the highest individual annual salary), the difference is 13 times, and the difference in salary increase is 1.9 times.

Salary information for full-time employees not in management positions

Year	Number for full-time employees not in management positions	Average salary for full-time employees not in management positions (Thousands of NTD)	Median salary for full-time employees not in management positions (Thousands of NTD)
2022	980	1,214	978
2021	945	1,186	939
Difference	+35	+28	+39

Note: Full-time employees not in management positions are employees who are not managerial officers as defined in Letter Tai-Cai-Zheng-III-Zi No. 0920001301 and whose working hours reach the normal working hours required by the Company.

As HFC pursues equal competition, salary and rewards are determined by the work performance rather than specific conditions; at the same time, we also determine salary adjustments based on the economy and individual performance, to enable employees' salary to be competitive, reasonable, and fair, thereby attracting outstanding talent to join or stay and creating better operating performance. As for the salary and compensation of HFC's employees, the ratio of compensation for male managerial and non-managerial personnel to that for their female counterparts was more or less the same from 2019 to 2022. Although the remuneration to males was higher than that to females in 2022 for either managerial or non-managerial positions, the gap was not significant, indicating that there was no significant difference in the salary levels due to gender offered by HFC.

Ratio of compensation and remuneration of male to female employees over the last 3 years

Male/female	2019	2020	2021	2022
Managerial personnel compensation ratio	1.09	1.03	1.10	1.19
Non-managerial personnel compensation ratio	1.13	1.16	1.07	1.06
Management remuneration ratio	0.95	0.98	0.99	1.14
Non-Management remuneration ratio	1.23	1.27	1.11	1.13

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

4.1.3 Provide good benefits (GRI 401-2)

With labor shortage due to the pandemic, in addition to salary incentives, enterprises must pay more attention to employees’ benefits and physical and mental health and provide them with corresponding living and physical and mental support in each stage, allowing them to maintain work-life balance.

HFC established the Employee Welfare Committee in 2008. The committee envisages employees’ needs and makes plans for providing a variety of employee benefit measures, ranging from a support mechanism, travel grant, purchase of refurbished products to paternity discounts, to take care of employees’ different needs at each stage of life, that is, thereby fulfilling our corporate social responsibility.

HFC provides diversified benefits to create a happy workplace for employees

 Company cash gift	 Health care	 Family care	 Work incentives and others
<ul style="list-style-type: none"> • Spring festival cash gift • Dragon boat festival cash gift • Mid Autumn festival cash gift • Birthday cash gift • Subsidies and scholarships for children’s educations, 	<ul style="list-style-type: none"> • Hospitalization subsidy and sympathy cash gifts for employees and dependents • Travel Grants and Incentives • Abundant club activities • Regular environment disinfection and waxing • Convenient Cookware and Drinking Water Equipment • Regular health checkups 	<ul style="list-style-type: none"> • Menstrual leave, childbirth leave, prenatal checkup leave, and parental leave for female employees, • paternity leave, parental leave for male employees. • Clean and bright nursing room • Contracted nursery centers • Special store discounts 	<ul style="list-style-type: none"> • Personal accident insurance, term insurance, medical insurance, and travel insurance • Model Employee Award • Language study subsidy • Foreign Language Test Award • Car purchase discounts

Comprehensive protection mechanism

We purchase labor and health insurance for employees on their first day of work in accordance with the law and also purchase group term life insurance, accident insurance, and travel insurance to protect employees’ health and safety with a relatively complete insurance plan. In addition to labor insurance, we include employees’ family members in the Welfare Committee’s hospitalization subsidy and condolence allowance to support employees when they incur financial risks.

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 public in 2019, we reserved 10% (about 14,000 shares) for employees to subscribe for; we issued preference shares in 2022 and reserved 10% (about 5,000 shares) for employees to subscribe, to share our operating performance with employees and enhance their commitment to working together to create a better future for the Company.

Provide medical checkups and travel subsidies

Employees' health is important to the Company. To protect each employee's health and create a healthy work environment, we regularly organize employee health checkups and provide medical subsidies for illnesses every year. The health checkup program covers general and special health checkups. In 2022, HFC subsidized 667 employees for health checkups at a total cost of NT\$3,148,000.

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.

Subsidized **667** employees for health checkups



Subsidies amounted to NT\$ **3,148,000**.

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

In 2020, in response to the special measures for the prevention of COVID-19, HFC also launched anti-pandemic care leave, which was available for those who needed to take care of children under 12 years old, so that employees could have the flexibility to take care of their families at the same time. From 2021, to respond to the special anti-pandemic measures, we provide vaccination leave to all employees who have been vaccinated after they submit supporting documents and an application for vaccination leave to the Company.

Number of applicants for anti-pandemic care leave	2021	2022
	18	279

To allow employees to start a family without worries, we provide employees with various types of leaves in accordance with the Labor Standards Act, including paid leave (counted in hours), parental leave, and family care leave, as well as menstrual leave, tocolysis leave, maternity leave, and pregnancy checkup leave for female employees, and paternity leave for male employees, to increase employees' willingness to have children. We also teach them the concept that childcare responsibilities should be shared by the couple rather than being shouldered by just one family member. In order to encourage employees to give back to society and participate in charity activities during their leisure time, HFC offers paid volunteer leave to encourage employees to actively participate in volunteer activities.

Moreover, to increase birth rates, we have set up a breastfeeding room in the office to ensure that pregnant and postpartum women's childcare needs and rights will be satisfied, thereby providing employees with a comfortable, safe, and relaxing space for breastfeeding. Furthermore, we have signed contracts with a number of nursery centers to enable our employees to enjoy discounts on registration fees, supplies, or pick-up time, to alleviate their childcare burden. In response to the update of laws and regulations, HFC increased the pregnancy checkup leave to seven days from five days and expanded the paternity leave to the paternity/pregnancy checkup leave and increased it to seven days from five days starting from 2022, to create a work environment friendly to childbirth and childcare.

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

Employees communicate with each other at work. We also encourage them to network with each other in their spare time and facilitate emotional exchange between them across different departments on informal occasions. At present, the Company has established a total of 15 clubs, including yoga, singing, LOHAS, mountaineering, and film clubs, and has set up employee lounge rooms in the work environment to relieve their work pressure.

Other allowances and additional fringe benefits

We attach great importance to employees' achievements and every important milestone. In addition to providing them with cash gifts on the three major holidays, we regularly purchase gifts from charity groups to celebrate every festive moment with our employees. We also provide them with birthday gifts and wedding gifts, childbirth gifts, funeral condolence money, and retirement rewards. We provide allowances and benefits to their families, including scholarships and grants to their children and childbirth and injury and illness subsidies.

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. The HFC Welfare Committee also works with shopping websites to provide employees with exclusive discounts and signed contracts with stores to provide discounts, to take good care of employees in every aspect of their lives. In 2020, with the establishment of the Group's yoxi cab fleet, all HFC employees received a special discount on their taxi rides to enjoy more convenient commuting services.



Employee Satisfaction Survey

HFC's latest employee satisfaction survey was conducted in December 2022 to listen to employees' opinions. The survey focused on nine major components: "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, and company development". The survey serves as an important reference for HFC's future system development.

The response rate of the 2022 HFC Employee satisfaction survey is 100%, and 91.3% of the employees are satisfied and extremely satisfied with the Company. There have been significant improvements in the three aspects of the interaction between employees and managers, the nature of work, and education and training in the 2022 satisfaction survey, indicating there is widespread agreement amount our employees with our efforts in the development of the work atmosphere and training.

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 2023.

4.1.4 Safeguard employee rights and interests

HFC not only complies with labor laws and regulations and protects employees' rights and interests but has also formulated the HFC Employee Code of Conduct to treat employees under the principles of fairness, tolerance, and respect. We also support employees' personal growth and career development. We care for them and provide a positive work environment, facilitate harmony between labor and management, listen to their voices, achieve gender equality, and prevent harassment or discrimination in the workplace. As such, we aim to create a safe and harmonious work environment for employees and never allow any infringement or discrimination against their rights and interests. All these issues are what we care about and work to improve.

Care about employees' working hours and provide a good work 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 break rooms for employees to relax during work at appropriate times, the percentage of lounges in each location is as high as 56%. The Company also cooperates with Simple Mart to set up a snack shelf in the company. Snack shelves have been set up at a total of nine sites.



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 internal site; and holds labor-management meetings 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. To ensure gender equality and compliance with the law and policy, all employees signed the Statement of Prohibition of Sexual Harassment in the Workplace. 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 2022.

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.

4.1.5 Formulate human rights regulations

HFC abides by labor-related laws and regulations, treats employees under the principles of fairness, tolerance and respect, creates a work environment with zero discrimination and zero harassment, and is committed to fulfilling corporate social responsibility and dedicating itself to safeguarding the basic human rights of employees. HFC follows the "United Nations Universal Declaration of Human Rights", "United Nations Global Compact" and "International Labour Organization Conventions" and other international human rights regulations, to formulate and implement "human rights policies" from the aspects of 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, so that all employees of HFC can be treated fairly and with dignity. HFC also offers relevant courses on human rights issues. In 2022, there were 246 trainees, and the total number of training hours was 123.

Human Rights Policy - HFC Measures for Sexual Harassment Prevention and Control in the Workplace»

<https://esg.hfcfinance.com.tw/zh-tw/content/4>



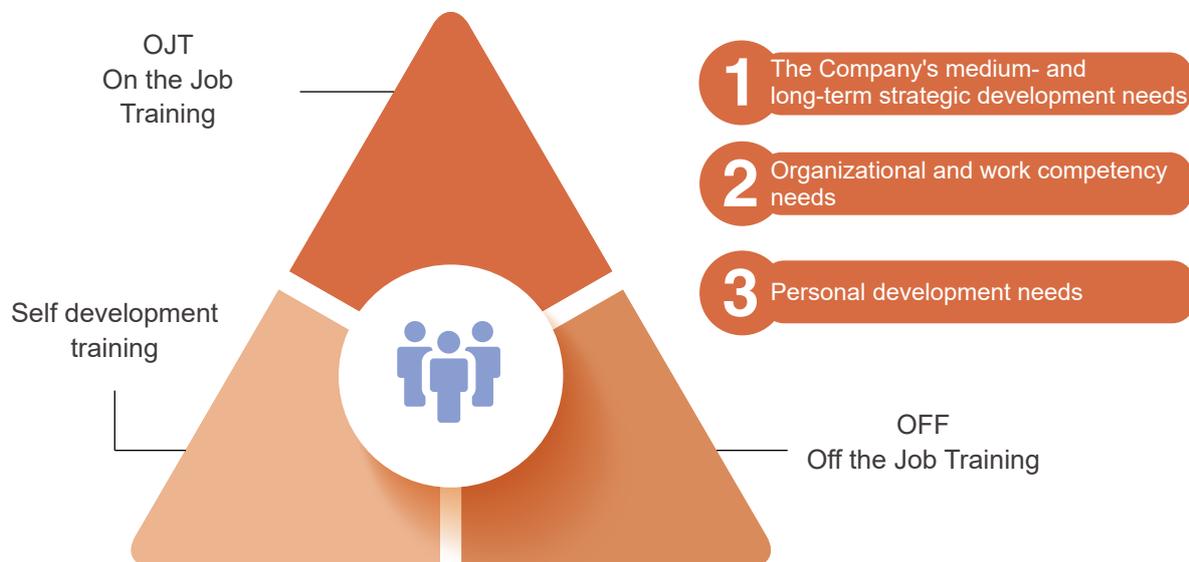
4.2 Talent Development and Diverse Learning

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 may lead to talent loss in addition to failure to meet business needs.

4.2.1 Complete training resources

Investing in talent means investing in the Company's future. HFC believes that employees' development drives the growth of the Company. In 2022, we continued to provide courses to employees at different job levels and departments, to reinforce their competitiveness in the workplace and allow them to keep pace with the times, while enabling employees and supervisors to learn about the abilities required to get promoted and the direction of future improvement.

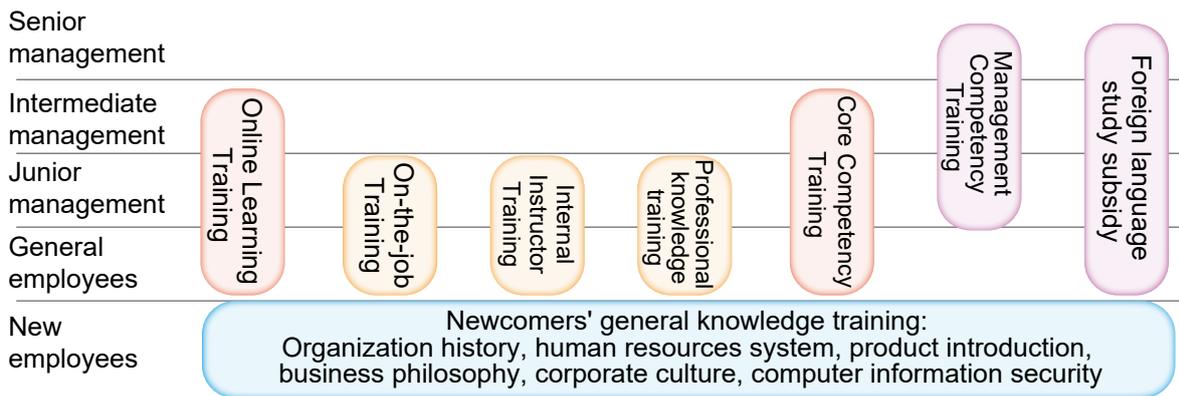
As the market is becoming more competitive and corporate development is becoming more complex, the work environment and abilities required by employees can no longer be achieved through a single learning system. Therefore, we integrated the Company's medium- and long-term strategic development needs, organizational and work competency needs, with OJT training, OFF JT, and self-development training to develop a diversified education and training system to enhance employees' work efficiency, competitiveness, and sense of accomplishment.



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 roadmaps at all levels, the Raw Jade class for sales management was offered in 2020, the Rising Star program in 2021, and the management program in 2022. The trainees include all employees and managers in the Company.



Educational Training Rank Development Function Structure



Newcomer general knowledge training

To allow new employees to adapt smoothly and integrate into HFC's corporate culture, we have planned a series of online courses of Common Basic Education and Training Courses which cover the human resources system and the dress code, computer and information security education, company introduction, the Personal Data Protection Act, anti-bribery, basic knowledge of vehicle installment payment, introduction to vehicle installment payment products, contracts and legal knowledge, application tools, and operating procedures. We provide different courses according to employees' needs for skills. All training sessions are to assist new employees in quickly learning about and integrating into the Company and getting a complete understanding of their own jobs. In 2022, a total of 246 people was trained for a total of 1,968 hours.

Professional Knowledge Training (OFF-JT)

According to the needs of different job positions, we provide internal and external training courses in alignment with professional fields; for example, to prevent various operations from being affected by the pandemic, we offered a course on mind reading in remote interview for supervisors and human resources personnel; audit skills and auditors' core knowledge and skills for internal auditors, to strengthen employees' professional abilities and work efficiency.

OJT training

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.



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.

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 managements' training.

Raw Jade class for sales management

Considering that the relevant management of the sales unit should have a set of skills that includes management, leadership, communication, and coaching, HFC has further planned the "Sales Management Education and Training Two-year Project Plan (Raw Jade Class)" with participants including management such as directors, section chiefs and assistant directors of the vehicle installment, channel marketing, corporate finance, and telemarketing departments.

The lecturers hired for the Raw Jade class also have a professional background in the auto finance industry with experience in both sales and management. They can explore issues in the industry and put forth new ideas as a basis for strategies or inter-departmental collaboration opportunities.

Through systematic courses and seminars in the Raw Jade class since June 2020, trainees have been able to listen to lectures and engage in group discussions, action plan development, refresher training review, and scenario simulations to learn together and share learning experiences with each other. The theme of the 2022 courses is "vision management and career planning". Employees understood the importance of building a team vision through easy-to-understand video clips and case discussions, to motivate the entire team.



Rising Star class

Since the middle of 2021, HFC has offered the Rising Star class on management competencies such as planning, presentation, and coaching skills for senior specialists and management. At present, a total of 22 people have been trained. To make the class effective, there is a study group in place to prompt each other to complete assignments before class to facilitate idea exchange. In 2022, we offered a total of three management competency courses: Planning Skills - PDCA Efficient Work Skills, Presentation Skills - Presentation Logic and Expression, Coaching Skills - Compulsory for Small Team Leaders, with 66 participants, and the course satisfaction score reached 4.8 points.



Management program

The main members of the management program are the managers of the Sales Department. To effectively lead and manage employees, they should take the Company's goals, management approaches, and core values as the top priority. Therefore, we offered the management program to train sales managers' team leadership, planning and organization skills, and influence. The 2022 management program contains seven-hour classes based on the theme of team leadership. A total of 27 people were trained, and the course satisfaction score reached 4.9 points.



Manager Consensus Camp

With the growth and expansion of the organization, we held a Manager Consensus Camp, covering pre-class reading, thinking, and physical classes, to quickly improve the management and administration competencies of managers at the director level or above. The theme of the 2022 camp was Green Coexistence and Bright Future of HFC to share information and knowledge on the green energy economy, with 70 trainees.

Feedback from employees:

The organizers are very enthusiastic; the entire event is great. I learned about the company culture and how to actively lead a team. The content is diverse, and the instructors are professional, and the experience shared by managers is rewarding.



Online ESG education and training

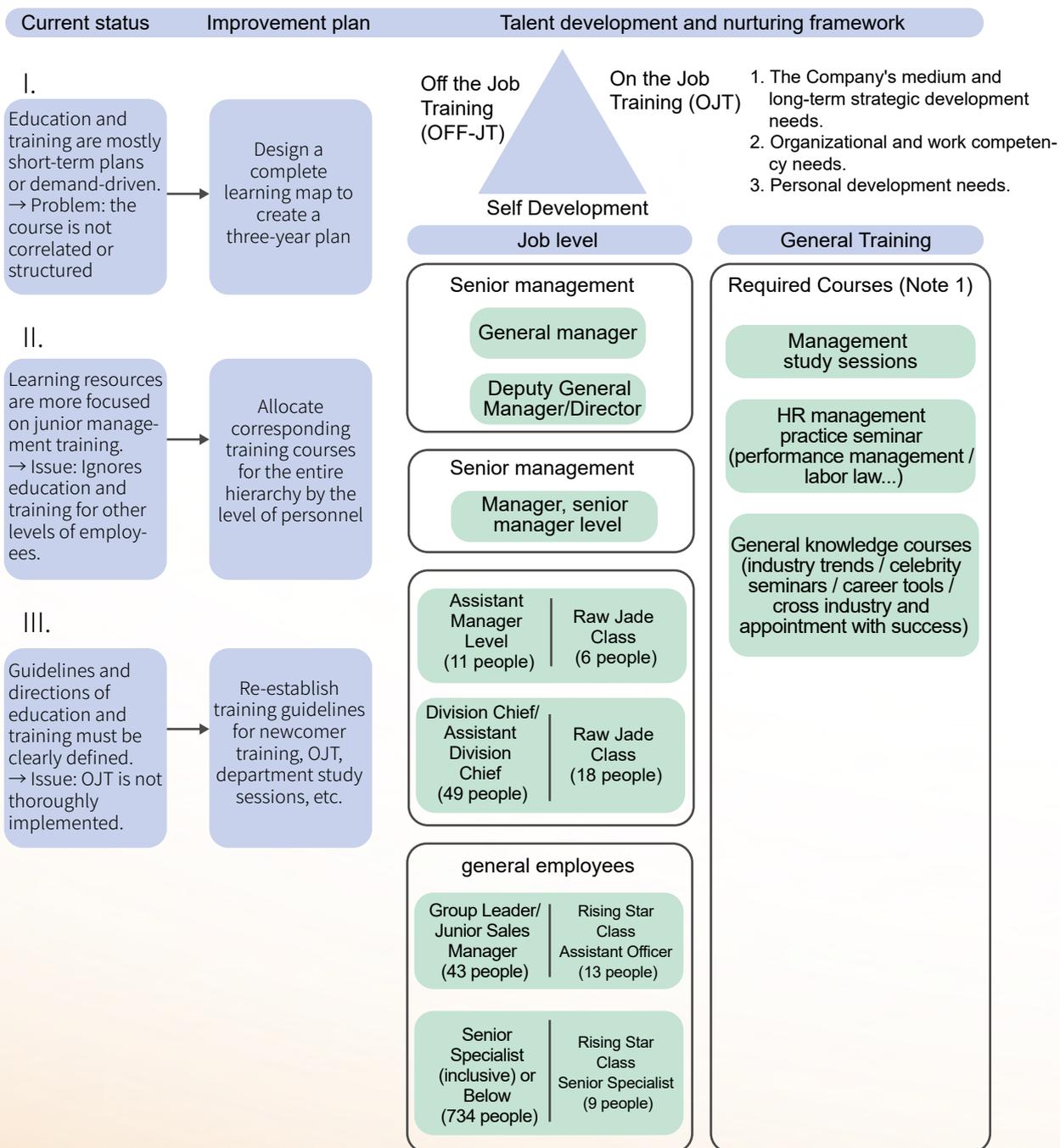
As ESG has become a required course for global enterprises, to make ESG part of every employee's DNA, we held ESG activities in the managers' consensus camp and guided employees to reflect on the significance of ESG to HFC through the introduction to trends. We also linked the concept of ESG and life experiences through interactive games, to motivate employees to come up with ESG strategies. In addition, we offered an online ESG education and training to all employees starting from 2021. Through the design of the annual theme, employees learned more about sustainability and put it into practice in their daily lives. In the training, we shared the ESG actions taken, to inform employees of the Company's ESG policies. The theme of the 2022 course is "How to Put ESG into Practice", with 1,075 trainees.

Learning Map

In order to provide more complete training resources, HFC in 2021 took stock of the implementation status of various education and training programs and continued to make improvements in 2022. 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



Note 1: Employees below the rank of (assistant) section chief must complete at least 12 hours of training (including digital learning courses) per year. Failure to do so will result in a 5-point deduction from the annual performance score.

Education and Training, learning axis for all levels of personnel

Newcomers / general employees

Accelerate employee assimilation into HFC
Enhance organizational identification; work practice training.

Junior Management (direct leadership)

Exchange of talent nurturing responsibilities.
Management practice.

Intermediate Management (Organizational Leadership)

Improvement of leadership foresight.
Reserve of senior management.

Senior management (strategic leadership)

Exchange of strategic leadership vision.
And business practices.

Orientation

Leadership Mgmt.

Self-Development

Newcomer course

Serve as a newcomer instructor

Serve as a newcomer instructor/lecturer

New Management Training (1 day training)

Team leadership & corporate culture	Topic Specific Competency Enhancement (select one competency per year)	Project management and implementation
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Newcomer Education and Training (1 day training for all Taiwan)

Company and Organization Introduction	Corporate culture
Products and Businesses Introduction	Legal compliance
Team competition	

Elective course

Field Work: Raw Jade Class (2 years) 2020-2022
Back Office: Rising Star Class (2 years) 2021-2023
Back Office/Business: Staff Training Class (2 years) 2022-2024
Raw jade class
Staff training class
Rising Star class

1. Raw Jade Class: Business: (Deputy) Director
2. Staff Training Class: Back Office: Senior specialist
Business: Business Section Manager
Newly Promoted Deputy Director
3. Rising Star Class: Back Office: Senior specialist

Self-learning development

English and Japanese learning and improvement	Rotation Experience Must be Completed Within 3 Years (Note 2)
Professional Competency Training Credit/Telemarketing/Legal Dunning	
Digital learning resources	
Cross-unit rotation experience	
Intra-department rotation experience	

New Management Training (1 day training)

Project Base OJT training

Self-Development

Implementation Targets:
Newcomers below the assistant manager level (held every 3 months)
Content of Plan:
① Company and organization introduction Content of Plan
② Corporate Values Content of Plan
③ Overview of company products and businesses.
④ Legal compliance (information security/personal information/money laundering prevention).
⑤ Team competition (cohesion-building activity).
Implementation Time:
The promotion and implementation is expected to start in 2021.

Implementation Targets:
Manager (coach); Project manager (OJT instructor);- General employee (trainee).
Training Content:
① The managers of each department and HR discuss the annual project, and assign project managers and trainees to participate in the project
② Project manager conducts OJT instruction
Training Content:
③ Hold a project sharing briefing every six months, and invite relevant class supervisors and higher ranking individuals to participate in the briefing
Review Schedule:
Q4: OJT review of the current year + OJT personnel and direction setting of the following year; Q2: Mid-year OJT review
Implementation Time:
Promotion and implementation started in 2021(Phase 1 will be implemented in the back office, and each department will send at least 1 group of trainees)
Incentive Mechanism:
OJT project achievement will be included in the performance score at the end of the year.

English and Japanese learning and improvement
(Apply to HR)
Professional Competency Training
(HR is the instruction unit, setting quarterly topics, each unit will handle it independently).
Digital Learning Resources
(Provided by HR and included in the annual record of training hours taken).

Note 2: Employees who have had OJT will be included in the priority rotation list.

4.2.2 Diversified learning channels and opportunities for independent learning (GRI 404-1)

HFC believes that employees are the Company's precious assets and the driving force for continuous growth. Employees' continuous learning and development is the cornerstone of the Company's competitiveness. In 2022, our employees received a total of 10,610 hours of education and training with 9.71 hours per person.

Type of employees	Management		Non-Management		Total
	Male	Female	Male	Female	
Total hours of training received	1,250.5	332	3,230	5797.5	10,610
Total number of trainees	86	22	346	639	1,093
Average number of hours of training per employee	14.54	15.09	9.34	9.07	9.71

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 the training courses related to the core competencies in the workplace, we provide a variety of learning channels and encourage employees to seize the opportunity to actively learn to improve their professionalism. The relevant learning channels are as follows:

Diverse 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 2022, in addition to one to two required courses for each job level and three electives for general employees, we provided as many as 34 diverse electives in each quarter and send the course enrollment status of each department to the department head every month. As we remind employees to take classes, the frequency of using the platform has increased a great deal. Employees think that the contents of the courses are diverse and interesting and have improved both their work and daily lives.

Professional team of instructors

Improving the professionalism of our staff is necessary and one of our long-term management approaches. 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 publication of newsletters and periodicals

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 access the latest industry news, group and company updates, knowledge sharing, club world, employee world and travel information.

4.2.3 Establish a performance evaluation and rotation system (GRI 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 our employees need to undergo regular performance and competence evaluation every year, and the percentage of such employees is 100%. The types of evaluation forms include KPI evaluation and competence evaluation forms and feedback questionnaires.

We have established a clear and effective evaluation with the evaluation forms and a reward and punishment system and set key acts and indicators for talent at all levels to review their work performance. Performance and competence evaluation can help us find potential and suitable talents and put the right people in the right positions, while enabling employees to be more involved 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 diversify their professional fields, so as to become a "generalist" as a career goal.

Up to **100%** of employees received regular performance evaluation.



4.3 Workplace Safety and Health

HFC attaches great importance to every employee and creates a safe and comfortable work environment and a healthy and friendly workplace for them. Preventing all work-related injuries, illness, and accidents is the Company's top priority.

To enable employees to work safely with peace of mind, we have launched relevant protective measures, including setting up occupational safety and health administrators at each office and offering education and training, to build a reliable and sound work environment and reinforce employees' concept of occupational safety, thereby enhancing safety and health management.

4.3.1 Create a healthy and safe workplace

HFC has a total of 26 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.

We encourage employees to set up various health-promoting clubs, such as the drama appreciation club, yoga club, and camping club, enabling them to relieve stress through multiple ways, showing that we spare no effort to maintaining their physical and psychological health.

4.3.2 Occupational disaster prevention and exercises

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 in offices and two AEDs in our head office building and send personnel to receive first aid and AED training, allowing employees to work without fear and worries.

HFC arranges training for occupational safety personnel, disinfects workplaces every year, and cooperates with fire drills and earthquake drills in the buildings, and actively educates and teaches employees to stop working and rescue in the event of an occupational disaster, to increase their risk awareness and enhance their response to crises.

In 2022, we launched an occupational safety education course for all employees, which required 0.5 hours of participation per person. We required all employees to take this required course and the number of participants was 1,075, to raise employees' occupational safety awareness and enhance workplace safety.

The circumstances of HFC employees on work-related injury leave in 2022

Type of leave	Number of hours for all employees		
	Male	Female	Total
Sick leave (hours)	2,247.0	4,379.0	6,626.0
Menstrual leave (hours)	-	848.0	848.0
Miscarriage prevention leave (hours)	-	-	-
Work-related injury leave (hours)	7.0	-	7.0
Others - anti-pandemic leave (hours)	2,498.5	6,904.0	9,402.5
Others - vaccination leave (hours)	116.5	389.5	506.0
Total number of hours	4,869.0	12,520.5	17,389.5
Number of hours converted from days of absence	608.6	1,565.1	2,173.7
Number of hours converted from total number of working days	111,054	173,304	284,358
Absence percentage	0.55%	0.9%	0.76%

Note 1: The unit is hour.

Note 2: The number of absence days is converted to 8 hours of regular working per day.

Note 3: 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.

Note 4: Absence percentage = Total number of absence days (work-related injury leave, sick leave, menstrual leave) / Total number of working days.



The circumstances of HFC employees on work-related injury leave over the years

Year	2020	2021	2022
Total working hours ^(Note 1)	232,250	234,112	267,675
Number of people with general occupational injuries ^(Note 2)	5	4	1
Number of people with serious occupational injuries ^(Note 3)	0	0	0
Number of deaths	0	0	0
Total number of recordable occupational injuries (persons)	5	4	1
Number of working days lost	22	89	1
Fatality rate due to occupational injuries ^(Note 4)	-	-	-
Severe occupational injury rate ^(Note 5)	-	-	-
Recordable occupational injury rate ^(Note 6)			
(Disabling injury frequency rate)	21.53	17.09	3.74
Lost day rate ^(Note 7)			
(Disabling injury severity rate)	94.73	380.16	3.74
Frequency-severity indicator ^(Note 8)	1.43	2.55	0.66

Note 1: Total working hours of all people

Note 2: Those whose number of working days lost is within 180

Note 3: Number of working days lost exceeds 180, excluding the number of deaths

Note 4: Mortality rate due to occupational injuries = number of deaths * 106 / total working hours

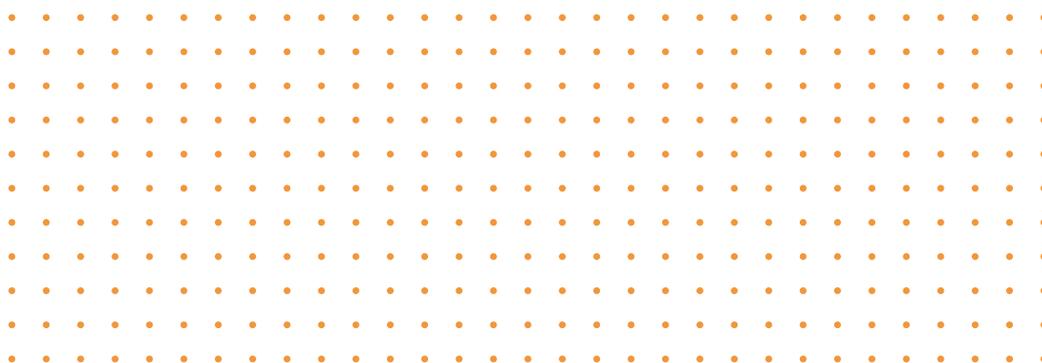
Note 5: Serious occupational injury rate = number of serious occupational injuries * 106 / total working hours

Note 6: Recordable occupational injury rate = total number of recordable occupational injuries * 106 / total working hours

Note 7: Lost day rate = total number of working days lost * 106 / total working hours

Note 8: Frequency-severity indicator = [(disabling injury frequency rate × disabling injury severity rate) ÷ 1000]1/2

In 2022, an employee suffered an occupational injury in a traffic accident on the way to work. The employee was injured in a collision with other cars and scooters. After the accident, HFC reminded each unit of raising employees' awareness of road safety and requiring them to pay more attention to intersection signs and vehicles on the way to and from work to avoid accidents.





5

Sustainable Environment



The total green purchase amount in 2022 increased 29.4%



Paperless services saved nearly 6.9446 million pieces of paper a year.



Up to 100% of our operating sites in Taiwan adopted the ISO14064-1 GHG inventory standard.



Won the Green Leadership of the 2022 Asia Responsible Enterprise Awards (AREA).

Chapter 5 Sustainable Environment

To realize the goal of sustainable environment, we actively develop green finance and green energy on the basis of our core business in line with international trends and standards. In response to the global net-zero goal by 2050, we set short-, medium-, and long-term targets for five major aspects of environmental sustainability in 2022.



Green carbon reduction

- To stay ahead of laws, we expanded the scope of greenhouse gas inventory and verification to all sites in Taiwan in 2022 and will expand to domestic and foreign subsidiaries in 2023.
- Implement the green energy charity action plans in connection with green energy, social charity, and education
- Turn off the lights for one hour, expand the actions, take carbon reduction actions, and donate the electricity costs saved to social charity groups



Green environment

- Plant trees, adopt wetlands, and maintain terrestrial ecological diversity, while enhancing the carbon sequestration capacity of natural ecological systems
- Continue to clean up beaches across Taiwan to reduce plastics and maintain marine biodiversity



Green purchases

- Live up to the principle of local procurement and jointly fulfill corporate responsibility with suppliers, and prioritize procurement of products with environmental, energy, water, and green building material labels.
- The scope of procurement includes cleaning supplies, paper, and information products; continue to increase the percentage of green products purchased



Green energy

- In response to the green energy and carbon reduction trends, we established He Jun Energy in May 2022. It provides a wide range of green energy services, including energy generation, storage, and use. It actively develops green energy services, facilitates energy transition, and is committed to developing smart solutions that are beneficial for the environment.
- By the end of 2022, it has 36 self-built power plants put into operation, with a total installed capacity of 11.3MW, equivalent to 7,074.88 metric tons of carbon emissions reduced per year.



Green finance

- With the Company's core expertise, we provide customized installment payment plans, allowing people to easily acquire low-carbon vehicles and enterprises to access green energy equipment more easily.
- We encourage customers to join the ranks of ESG and reduce activities with negative impacts on the climate to play a critical role in shaping a sustainable ecosystem.

5.1 Climate Change Risk Management (201-2)

The world is facing the threat and impact of climate change, and all countries are actively managing climate change and taking countermeasures, showing that climate issues are of great importance to global development and business operations in the future. As a global citizen, HFC is also responding to climate change issues and drawing up management measures. In 2021, we signed up for the Task Force on Climate-related Financial Disclosures (TCFD) and adopted the TCFD framework recommended by the Financial Stability Board (FSB) to take actions and disclose climate risks and opportunities, and we increase the scope of disclosures year by year to build a complete climate change governance mechanism.

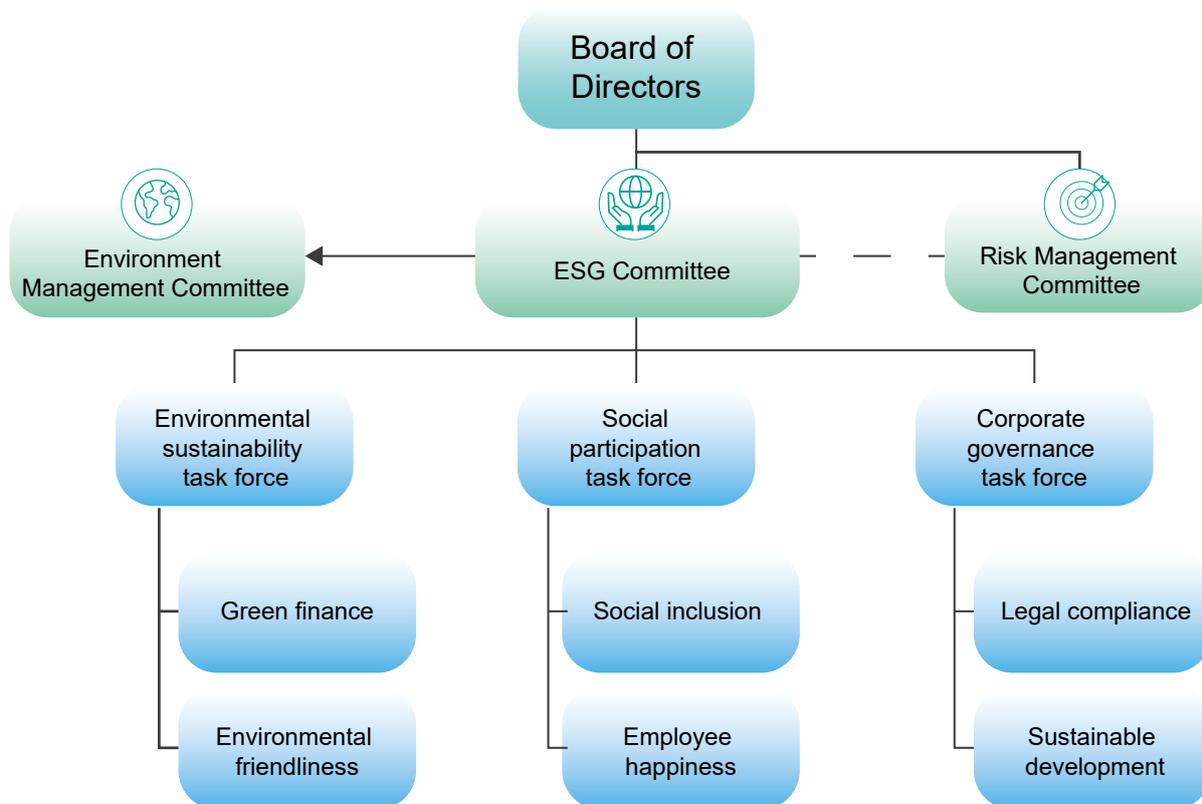
Taking the impact of climate change issues seriously, we strive to develop renewable energy industries to move toward the net zero goal. We actively identify the risks and opportunities from climate change and encourage our partners and investors to relate to our philosophy. HFC officially became the supporter of TCFD in 2021 and increased the disclosures of climate risk information in 2022. In the future, we will continue to adopt the TCFD framework, enhance the climate change governance mechanism, and live up to the corporate culture of continuous improvement to do our share to reduce the burden on the environment.

LIU, YUAN-SEN, Chairperson of HFC

Overview of HFC's climate change governance mechanism

Aspect	HFC Management Initiative
 Governance	The Board of Directors is the highest supervisory and governing body for climate change issues. The management and control mechanism for relevant issues is established under the ESG Committee, under which various task forces are established, including the environmental sustainability, the corporate governance, and the social participation task forces to respond to different stakeholders' issues of concern and work with the relevant departments to plan and execute ESG projects. They hold meetings at least twice a year and report their operations and results to the Board of Directors at least once per year.
 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, identifies potential climate risks/opportunities, analyze risks/opportunities, evaluates and decides on countermeasures, and manages them centrally and implements 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.

Climate change governance organizational chart



5.1.1 Description of climate change risk and opportunity identification process



We have made reference to international literature, collected and examined 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, and then conducted a comprehensive assessment based on the likelihood of impact and the degree of impact to complete the ranking of materiality.

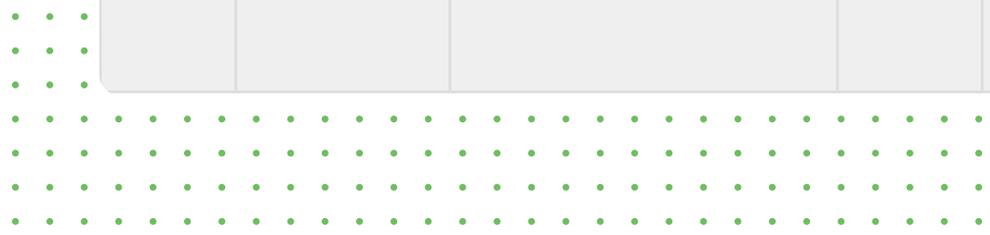
Through the above evaluation procedure, we have identified four climate change risk issues and four climate change opportunity issues, and the potential impacts and adaptive actions for the relatively material climate change issues are described below:

Climate Change Risk Issues:	Climate Change Opportunity Issues:
<ul style="list-style-type: none"> • Increased severity of extreme weather events, such as typhoons and floods • Changes in customer behavior • Uncertainty in market information • Changes in consumer preferences 	<ul style="list-style-type: none"> • Adopt incentive policies • Develop climate adaptation and insurance risk solutions • R&D and innovation of new products and services • Changes in consumer preferences

5.1.2 Material climate risk identification results and adaptive actions

Of the climate change risk issues, the issues with a relatively significant impact on HFC in terms of physical and transition risks are as follows: Physical risks: the increased severity of extreme weather events, such as typhoons and floods with immediate physical risks; transition risks: market risks from changes in customer behavior and uncertain market information and reputation risk from a change in consumer preferences. The potential impacts and corresponding adaptation actions are stated below:

Category	Climate change Risk	Potential impact on company operations	Impact period	Financial impact	Adaptation management strategies and goals
Physical risk					
Immediate risk	Increased severity of extreme weather events, such as typhoons and floods	The damage caused by climate change to solar power sites as well as the potential impact of the solar power sites on the environment will influence the perception of the public of the enterprise.	Mid- and long-term (more than 3-5 years)	Losses or business interruption caused by natural disasters may not only increase costs but reduce revenue.	Use appropriate building materials for solar power sites with safety as the principle; for example, use reinforcing steel as the construction benchmark to respond to the solar power sites in the nearshore areas.
Transition risk					
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.	Medium term (3-5 years)	Decrease in market share affects the Company's revenue	We actively strive to understand market trends, pay attention to customer needs, and adjust our products and services in real time, such as offering preferential interest rates for eco-friendly vehicles.
	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.	Mid- and long-term (more than 3-5 years)	Collateral value and operation preparation time are impacted, and costs rise	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 mitigation, it will affect the perception of the company.	Mid- and long-term (more than 3-5 years)	Poor ESG performance or lack of sustainable products or services of brands affect consumers' or customers' willingness to collaborate, resulting in a decrease in revenue	We continue to understand the market trends and actively design and promote green and environmental protection related products and services.



5.1.3 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 products and services related to the development of climate adaptation and insurance risk solutions, the development of new products and services for R&D and innovation, and changes in consumer preferences. The potential impacts and corresponding adaptation actions are stated below:

Category	Climate change Opportunity issue	Potential impact on company operations	Impact period	Financial impact	Adaptation management strategies and goals
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.	Mid-to-long-term (more than 5 years)	Reduce investment costs and increase revenue	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	Mid-to-long-term (more than 5 years)	Provide diverse products and services to 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.	Mid-to-long-term (more than 5 years)	Increase new products and service opportunities and strengthen customers' and investors' support	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.	Mid-to-long-term (more than 5 years)	Seize opportunities for investment in green energy early to increase revenue	Increase the target and amount of financing for green industry customers year by year.

5.1.4 Climate change risk and opportunity scenario analysis

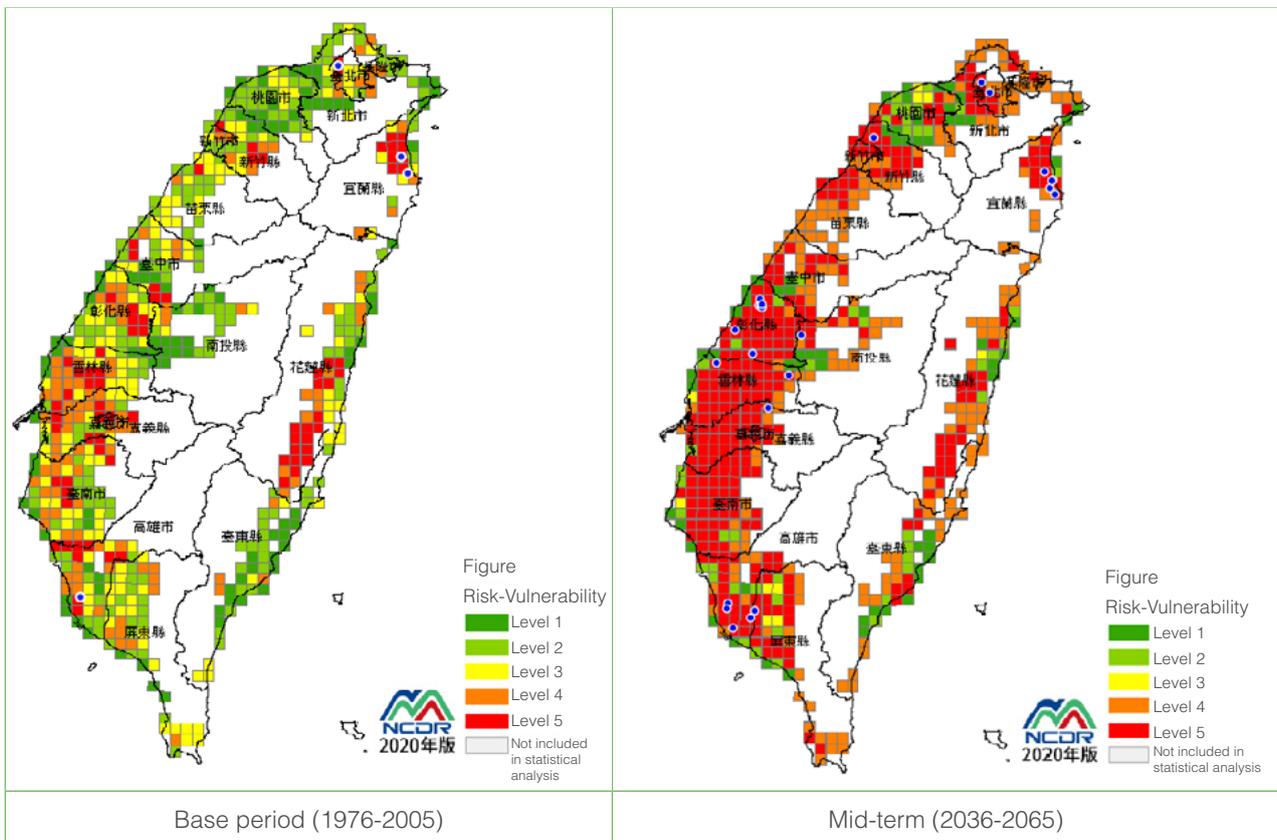
Carbon fees will be charged in 2024 due to the Climate Change Response Act, HFC began to adopt scenario analysis models in 2022 in advance to analyze the future financial impact of major climate risks and opportunities under climate scenarios. To cope with the impact of future climate change, we actively promote the new solar power plant business and established He Jun Energy with Hotai Motor and Hoyu Investment and are committed to developing the solar power plant business and energy storage business, which are critical parts of the government's pathway to net zero by 2050, indicating its importance for HFC to achieve net zero.

With that, we selected physical risk of "increased severity of extreme weather events, such as typhoons and floods" and opportunity of "R&D and innovation of new products and services" in 2022, based on the climate change risks and opportunities identified in 5.1.2 and 5.1.3 for a quantitative financial analysis.

Risk/ Opportunity	Climate change issue	Assessment scope	Climate scenario	Assessment period
Physical risk	Increased severity of extreme weather events, such as typhoons and floods	Taiwan's solar power plants under He Jun Energy	SSP5 - Scenario 8.5 in IPCC AR6	2036~2065
Opportunity	R&D and innovation of new products and services		-	2025

Physical risk scenario analysis: Increased severity of extreme weather events, such as typhoons and floods

- Assessment details: We facilitate the construction of solar power plants and established He Jun Energy in 2022 to build a layout more actively. There are 36 solar power plants in operation in Taiwan, all of which are important assets of the Company. Extreme weather events are one of the short-term risks in the Global Risk Report 2023. Typhoons and flooding may cause damage to solar power plants, resulting in increased operating costs. Before extreme weather events take place, we believe that it is necessary to learn about the potential financial impact through scenario analysis.
- Driving factors: Solar power plants may suffer losses due to extreme weather events, such as typhoons and floods.
- Potential financial impact: Increased operating costs
- Assessment results: HFC adopted the SSP5-8.5 high-emission climate scenario in the Assessment Report 6 (AR6) of the Intergovernmental Panel on Climate Change (IPCC) and the flooding risk tool on the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) of the Ministry of Science and Technology to analyze the solar power sites that may experience flooding under the RCP8.5 scenario. The risk is divided into five levels in the analysis results map and level 5 is the highest risk. A total of 31 solar power plants are located in the level 5 risk areas. When typhoons and other extreme weather events strike, a power plant's power generation performance may decrease, and the power plant or unit may be damaged; thus, it is estimated that the potential exposure amounted to about NT\$4 million.
- Countermeasures: The stability of a power generation system is considered in the site selection, design, and construction stages. Waterproof issues are taken into account in the wire material selection and design stages. To ensure that the potential impact of disasters is minimized, we purchased natural disaster insurance policy for each power plant. It is estimated that the natural disaster insurance expenditure amounted to about NT\$10 million per year.



Opportunity scenario analysis: R&D and innovation of new products and services

- Assessment details: Taiwan's pathway to net zero by 2050 has been announced, and energy transition is one of the four major strategies, which will further increase the demand for green electricity in Taiwan. HFC established He Jun Energy in 2022 to actively develop the solar power business, which will increase operating revenue.
- Driving factors: The demand for green electricity will increase in the future. Participating in the development of renewable energy, such as solar energy, may increase operating revenue.
- Potential financial impact: Increased income from feed-in tariff of power
- Assessment results: The installed capacity of He Jun Energy's solar power plants reached 11.3MW by the end of 2022. The electricity generated by the power plants is sold at a feed-in tariff. With the business continuing to expand by 2025, the estimated revenue from electricity sold at a feed-in tariff will reach about NT\$160 million (the power plant construction cost considered).
- Countermeasures: After a solar power plant is built, it needs to have good maintenance and operation model. As HFC entered the solar energy market in the initial stage, we need to expand business and enhance relevant knowledge. The above expenditure is about NT\$30 million.



5.2 Operating Environment Management

Since HFC formulated its environmental policy in 2020, all our employees have taken eco-friendly actions in daily operations in all aspects of the operations.

We regularly carry out relevant maintenance work in the office environments and operating sites, and employees implement the 5S Principles as required. Through Seiri (sort), Seiton (set in order), Seiso (clean and check), Seiketsu (standardize), and Shitsuke (self-discipline), we have established daily habits of energy and resource conservation and resource recycling. We also manage our operating environments according to the division of responsibility, conduct operating environment management to create a low-carbon space, and regularly discuss the results and improvement methods, enabling employees to develop such environmental habits unconsciously in alignment with our corporate culture, to move toward green lifestyles.



Implementation of green office at HFC in 2022

Subject Matters	Details	Implementation in 2022
 Resource recycling and sorting	Paper / PET bottles / general waste	Regular cleaning and resource sorting daily
 Energy efficient power supply	Turn off power for 0.5 hours at noon every day	Turn off the lights every day
 Green purchases	Prioritize procurement of products with environmental, energy, water, and green building material labels	The amount of green procurement reached NT\$4.89 million, an increase of 29.4% from the prior year.

As for operating sites, we actively follow up on the use of various resources and have formulated relevant regulations on energy and greenhouse gas management, water resources management, and waste management. Our operating locations and office environments are also regularly managed and inspected in accordance with applicable public safety building regulations and fire regulations.

5.2.1 Energy and Greenhouse Gas Management (302-1、305-1、305-2)

The energy consumed at HFC's operating locations in Taiwan is mainly purchased electricity. To promote the concept of energy conservation and carbon reduction in the office environment and operating locations, we ask employees to check if the computers, lights, and air-conditioners are turned off in the workplace when they get off work. The lights in the office are turned off during lunch breaks, and the temperature of the air conditioners is set at 26°C, thereby achieving sustainable development. In 2022, with the growth of the Company's scale and number of people and the effect of the lockdown measures lifted and the resumption of work in physical offices, the electricity consumption per capita increased slightly by 2.64% in 2022.

As for gasoline for vehicles, with the growth and expansion of the business, the number of HFC's sites increased to 23 in 2022, and the number of company cars increased from 62 in 2022 to 76. Thus, the total consumption of gasoline for vehicles increased, and consumption per unit increased by about 8%.

Internal energy consumption over the years

Category	Year	Automotive gasoline	Electricity
Energy usage	2020	82,859.83 liters	1,237,877.80 kWh
	2021	86,374.14 liters	1,220,179 kWh
	2022	114,470.00 liters	1,447,561 kWh
Consumption per unit/capita	2020	1,506.54 liters (per unit)	1,332.48 kWh (per capita)
	2021	1,393.13 liters (per unit)	1,293.93 kWh (per capita)
	2022	1,506.18 liters (per unit)	1,328.06 kWh (per capita)
Energy consumption (GJ)	2020	2,706.09	4,456.36
	2021	2,820.86	4,392.64
	2022	3,738.43	5,211.22

Note 1: Energy heating value coefficients are based on the energy product unit heating value table from the Bureau of Energy, Ministry of Economic Affairs

Note 2: Electricity consumption is based on Taipower's hybrid residential and commercial time-of-use rate, and may differ from actual electricity consumption

Note 3: There were errors in 2020 and 2021 electricity consumption data due to manual statistics and were corrected. In 2022, the we established a data tracking mechanism and placed documents on file to optimize the quality of the data.

Self-inspection of All Operating Locations

Greenhouse gas emissions	(Scope 1) Automotive gasoline	(Scope 2) Electricity consumption	Total
2020 年	195.33	630.08	825.41
2021 年	203.61	612.53	816.14
2022 年	271.47	736.81	1,008.28

Note 1: The greenhouse gas emission coefficient management table (version 6.0.4) and the IPCC Sixth Assessment Report GWP 100-year average is used as the basis for calculating carbon dioxide.

Note 2: Scope 1 greenhouse gas emission coefficient for gasoline is 0.0024t CO₂e/L.

Note 3: As for scope 2 greenhouse gas emission factor of purchased electricity, the 2022 grid emission factors calculated using the "2021 Annual Electricity Emission Factor" announced by the Bureau of Energy, Ministry of Economic Affairs; since the 2022 Electricity Emission Coefficient has not yet been announced, the 2022 Scope 2 Emissions are calculated using the previous year's Coefficient (0.509 kg CO₂e/kWh)

Greenhouse gas emission verification

HFC recognizes that ensuring the completeness and correctness of greenhouse gas emission data is the first step in effective management to cope with climate change. To effectively keep abreast of the impact of climate change on the Company, we took a step ahead of the government's policy schedule and adopted the international ISO 14064-1:2018 standards in 2021 for the Songjiang headquarters and conducted greenhouse gas inventory in 2020 and 2021. Although HFC is not a largest emitter of carbon dioxide emissions, we still adopted strict standards for self-inspection. In addition to categories 1 and 2 emissions disclosed as mandatorily required, we voluntarily conducted inventory of categories 3 and 4 emissions related to the operations of HFC, and we passed the third-party verification of SGS Taiwan.

The HFC headquarters was relocated from the Songjiang Office to the Ruiguang Building in April 2022, so we further expanded the boundaries of the inventory to cover the headquarters of the HFC and all operating sites across Taiwan, to keep abreast of the greenhouse gas emissions from the Company's business activities as a reference for setting future emission reduction targets. In 2023, HFC will set various energy-saving targets based on the greenhouse gas inventory results in 2022 and draw up a net-zero strategic blueprint to move toward the net zero goal by 2050.

Greenhouse gas emissions (metric tons of CO ₂ e)		2021	2022
Operating sites covered in the inventory		Headquarters	The headquarters and 23 operating sites across Taiwan
Direct greenhouse gas emissions	Scope 1	215.0248	286.2648
	Scope 2	36.1806	736.8085
Indirect greenhouse gas emissions	Scope 4	34.1009	216.6025
	Total	285.306	1239.6758

Note 1: We adopt the operational control method for the GHG organizational boundary setting method. Calculation according to the emission factor method: Greenhouse gas emissions = activity data x emission factor x global warming potential (GWP). GWP in the "Intergovernmental Panel on Climate Change (IPCC) 2021 AR6" is adopted.

Note 2: We further expanded the boundaries of the inventory from the headquarters in Songjiang to the HFC headquarters and all operating sites across Taiwan; the HFC headquarters was relocated from the Songjiang Office to the Ruiguang Building in April 2022.

Note 3: Scope 1 direct greenhouse gas emissions: The sources of greenhouse gas emissions that are directly owned or controlled by the Company are mainly gasoline for company cars and refrigerants for air-conditioning systems. The "EPA Greenhouse Gas Emission Factor Management Table 6.0.4" is adopted for the emission factor used for calculation.

Note 5: The Company's significant indirect greenhouse gas emission sources are Scope 2 purchased electricity and Scope 4 waste disposal and tap water. The emission factor was based on the 2021 carbon emission factor of the public electricity sales industry announced by the Energy Bureau, the carbon footprint emission factor announced by the Environmental Protection Administration, and the carbon emission factor announced by the Taiwan Water Corporation.

5.2.2 Water Resource Management (303-1、303-3)

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; in 2022, the total water consumption of HFC was 9.435 million liters.

	2020	2021	2022
Total water consumption (water withdrawal) (million liters)	10.073	7.894	9.435
Water usage per capita (thousand liters/person)	10.84	8.37	8.63

Note 1: The units of water usage are based on the monthly meter reading and billing for each unit, which may differ from the actual water usage.

Note 2: There were errors in 2020 and 2021 water consumption data due to manual statistics and were corrected. In 2022, we established a data tracking mechanism and placed documents on file to optimize the quality of the data.

Note 3: Water consumption per capita in 2022 = Total water consumption of an enterprise (thousand liters) / Total number of employees (1,093).

5.2.3 Waste Management

As 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.

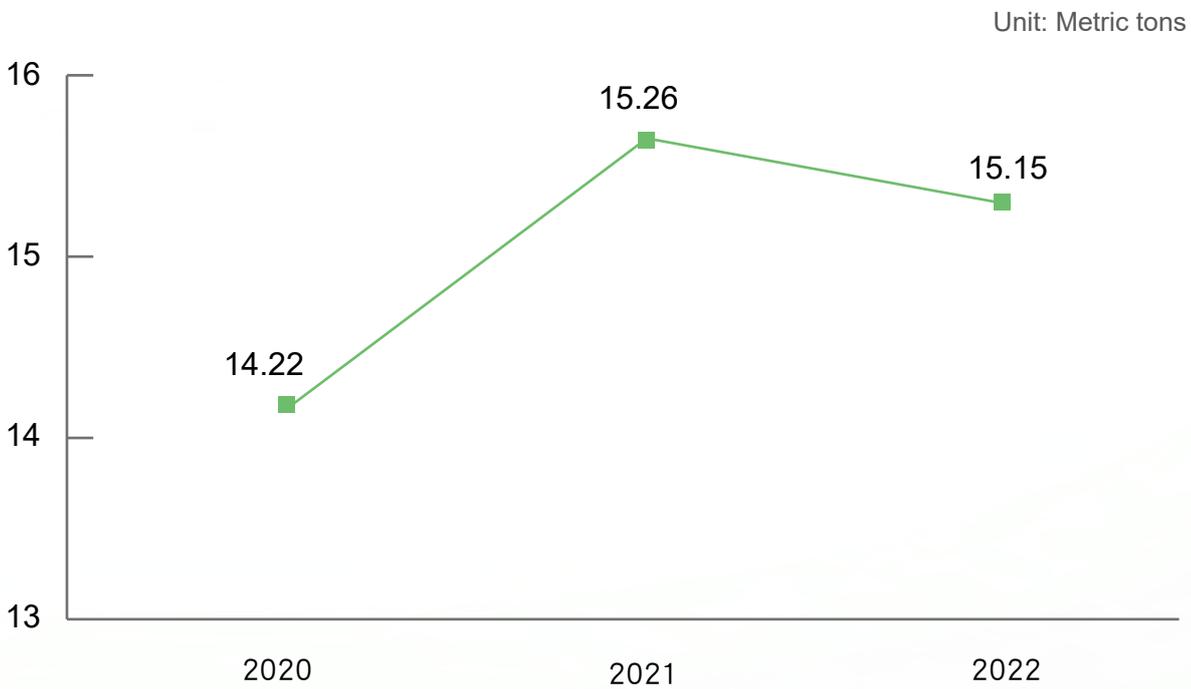
Reduce	<p>【Externally】</p> <ul style="list-style-type: none"> Promote the HFC Easy Pay App to customers to create paperless and mobile billing to reduce the use of paper <p>【Internally】</p> <ul style="list-style-type: none"> Internal sales personnel use EZ Loan App, Golden Motor Loan App, and Heavy Vehicle App to perform loan approval operations using the online system The mobile sign off app is used for management sign off to improve operational efficiency and save paper usage
Reuse	<ul style="list-style-type: none"> Encourage employees to reduce the waste of resources by using both sides of paper and reusing recycled paper and implementing garbage classification and resource recycling Donate office furniture to the Taiwan Foundation for the Blind for volunteers to work and hold meetings in a better work environment
Recycle	<p>Paper recycling and destruction operations</p> <ul style="list-style-type: none"> Recycled 1,652 boxes in 2020 Recycled 1,928 boxes in 2021 Recycled 1,503 boxes in 2022

Note: Paper destruction operations means sending confidential data to the destruction area, mixing it with boiling hot water, and then beating it into pulp

Paper recycling and destruction operations	2020	2021	2022
Number of boxes recycled (units)	1,652	1,928	1,503
Weight of boxes recycled (metric tons)	14.22	15.26	15.15

Note: HFC appoints an external third-party business to shred documents and record the number and weight of the boxes of documents shredded based on the shredding list.

Weight of paper recycled



5.3 Supplier Management and Green Purchasing

(308-1~308-2)

HCF formulated a supplier management policy in 2020. In addition to ensuring suppliers' quality, delivery, prices, and services, we require suppliers to follow relevant regulations in the fields of safety, environmental protection, and environmental sanitation, to improve the business performance of both parties, maintain basic human rights and labor rights, and, more importantly, fulfill corporate social responsibility.

In addition, we conduct evaluations of the list of registered suppliers on an annual and daily basis. We classify and grade suppliers for effective management and keep abreast of the overall situation of the supply chain at every step. Our management methods include written review, inspection of daily supplier records, or on-site audit. We also manage and evaluate suppliers' quality, work accepted, cooperation, construction site safety incidents, and ESG issues as the basis for risk management. The evaluation results are divided into three levels. The suppliers who pass the evaluation will sign the supplier commitment to commit themselves to pursuing the goal of corporate sustainable development with HFC, thereby consolidating the partnership between both parties to enhance mutual trust and growth.

HFC's suppliers are mainly in the fields of construction and repair, office furniture, network/telecommunications, air conditioners, and photocopying/office machines. We conduct a supplier assessment per year and require them to comply with government regulations on occupational safety and personnel management. In 2022, we worked with 46 suppliers and assessed 100% of the suppliers. As per the assessment results, there are 52% of the suppliers at level A (24 suppliers), 48% at level B (22), and zero at level C.

Annual Assessment

- Quality: Stability of quality in construction, supply, etc.
- Cooperation: Suppliers' timeliness and cooperation with the Company's needs.
- Acceptance: If acceptance is up to standard.
- Industrial safety incidents: Whether or not the supplier has had industrial safety incidents.
- Ethical management: Each supplier's construction project is completed on time, and the quality, price, acceptance, service, and cooperation are all up to standard.
- ESG issues: Environmental protection (such as use of cleaning products with environmental labels) 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 classification	Risk level	Management measures	Result
Class A	Low risk	No abnormalities, qualified suppliers	52%
Class B	Medium risk	Abnormal, included in the suppliers to be observed or not to cooperate	48%
Class C	High risk	Abnormal, do not deal with and disqualify the supplier	0%

In addition, HFC adheres to the principle of locally purchasing products, parts and raw materials and working with suppliers to promote corporate sustainability, with local purchases reaching 100% in 2022, while aiming to prioritize the purchasing of products with environmental protection, energy efficiency, water efficiency, or green building materials labels.

The amount of green purchases in 2022 reached \$4.89 million, accounting for 8% of the total purchase amount in 2022, an increase of 29.4% compared to 2021. We will continue to choose to work with high-quality and eco-friendly suppliers to jointly put into practice the concepts of eco-friendliness and a sustainable environment.





6

Appendix

GRI Index Table

The indicators disclosed below have been verified by an outside third party and the relevant verification results are shown in the external assurance statement.

Basic disclosures: GRI 1 2021

HFC reported information stated in the GRI Index for the situation between January 1, 2022 and December 31, 2022 with reference to the GRI Standards.

General Disclosures

	Subject Matters for Disclosure	Chapter	Page Number
GRI 2: General Disclosures	2-1 Organizational details	About HOTAI FINANCE CO., LTD.	11
	2-2. Entities included in the organization's sustainability reporting	About HOTAI FINANCE CO., LTD.	11
	2-3 Reporting period, frequency and contact point	About this Report	4
	2-4 Restatements of information	GRI Index Table	109
	2-5 External assurance	About this Report	4
	2-6 Activities, value chain and other business relationships	About HOTAI FINANCE CO., LTD.	11
	2-7 Employees	4.1.1 Hiring outstanding talent	71
	2-8 Workers who are not employees	4.1.1 Hiring outstanding talent	71
	2-9 Governance structure and composition	2.1 Corporate Governance	30
	2-10 Nomination and selection of the highest governance body	2.1.1 Board of Directors	31
	2-11 Chair of the highest governance body	2.1.1 Board of Directors	31
	2-12 Role of the highest governance body in overseeing the management of impacts	1.1 Corporate Sustainability Management Strategy	17
	2-13 Delegation of responsibility for managing impacts	1.1 Corporate Sustainability Management Strategy	17
	2-14 Role of the highest governance body in sustainability reporting	1.1 Corporate Sustainability Management Strategy	17
	2-15 Conflicts of interest	2.3 Ethical Management	40
	2-16 Communication of critical concerns	1.2 Identification of Material Topics 1.3 Stakeholder Engagement and Their Issues of Concern	20 23
	2-17 Collective knowledge of the highest governance body	2.1.1 Board of Directors	31
	2-18 Evaluation of the performance of the highest governance body	2.1.1 Board of Directors	31
	2-19 Remuneration policies	2.1.1 Board of Directors	31
	2-20 Process to determine remuneration	2.1.2 Functional committees	35
	2-21 Annual total compensation ratio	4.1.2 Provide fair remuneration	74
	2-22 Statement on sustainable development strategy	Message from the Chairperson Message from the general manager	6



	Subject Matters for Disclosure	Chapter	Page Number
GRI 2: General Disclosures	2-23 Policy commitments	2. Corporate Governance - Material topic management 3. Social Responsibility - Material topic management 4. Talent Values and Benefits - Material topic management 4.1.5 Formulate human rights regulations	29
	2-24 Embedding policy commitments		43
	2-25 Processes to remediate negative impacts		69
	2-26 Mechanisms for seeking advice and raising concerns		79
	2-27 Compliance with laws and regulations	2.2 Risk Management	38
	2-28 Membership associations	About HOTAI FINANCE CO., LTD.	11
	2-29 Approach to stakeholder engagement	1.3 Stakeholder Engagement and Their Issues of Concern	23
	2-30 Collective bargaining agreements	No labor union is in place; please refer to Chapter 4 Talent Values and Benefits for other communication channels.	

Material Topics

Corresponding environmental (E), social (S), and governance (G)	GRI Standards	Subject Matters for Disclosure	Chapter	Page Number
Corporate Governance	Ethical Management			
	GRI 3: Material topics 2021	3-3 Management of material topics	2. Corporate Governance - Material topic management	29
	GRI 205: Anti-Corruption 2016	205-3 Confirmed incidents of corruption and actions taken	2.3 Ethical Management No such an incident occurred in 2022.	40
Society	Customer Rights and Services			
	GRI 3: Material topics 2021	3-3 Management of material topics	3. Social Responsibility - Material topic management	43
	GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	2.2 Risk Management	38
417-3 Incidents of non-compliance concerning marketing communications		No such an incident occurred in 2022.	38	
Society	Personal data protection			
	GRI 3: Material topics 2021	3-3 Management of material topics	No such an incident occurred in 2022.	43
	GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	3.2.3 Information Security and Personal Data Protection	55
Society	Social Participation			
	GRI 3: Material topics 2021	3-3 Management of material topics	3. Social Responsibility - Material topic management	43
	GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	3.3 Social Participation	61

Corresponding environmental (E), social (S), and governance (G)	GRI Standards	Subject Matters for Disclosure	Chapter	Page Number
Society	Talent development and benefits			
	GRI 3: Material topics 2021	3-3 Management of material topics	4. Talent Values and Benefits - Material topic management	69
	GRI 401: Employment	401-1 New employee hires and employee turnover	4.1.1 Hiring outstanding talent	71
		401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.1.3 Provide good benefits	75
	GRI 404: Training and Education	404-3 Percentage of employees receiving regular performance and career development reviews	4.2.2 Diversified learning channels and opportunities for independent learning	88
			4.2.3 Establish a performance evaluation and rotation system	
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	4.1.1 Hiring outstanding talent	69	
	405-2 Ratio of basic salary and remuneration of women to men	4.1.2 Provide fair remuneration	74	

Other Topics

GRI Standards	Subject Matters for Disclosure	Chapter	Page Number
GRI 200: Economy			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	About HOTAI FINANCE CO., LTD. – Operation performance	11
	201-2 Financial implications and other risks and opportunities due to climate change	5.1 Climate Change Risk Management	95
GRI 300: Environment			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	5.2.1 Energy and Greenhouse Gas Management	102
GRI 303: Water and Effluents 2016	303-1 Interactions with water as a shared resource	5.2.2 Water Resource Management	104
	303-3 Water withdrawal	5.2.2 Water Resource Management	104
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	5.2.1 Energy and Greenhouse Gas Management	102
	305-2 Energy indirect (Scope 2) GHG emissions	5.2.1 Energy and Greenhouse Gas Management	102

Table of enhanced disclosures as required under Article 4 of the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies

Operating procedures	Subject Matters for Disclosure	Chapter	Page Number
Subparagraph 4	Item 1	4.1.2 Provide fair remuneration	74
	Item 2	5.1 Climate Change Risk Management	95



Climate-related information of TWSE-listed companies under Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies

Climate-related information of TWSE/TPEX-listed companies	TCFD Corresponding aspect	Corresponding chapter	Page Number
1.State board and management's oversight and governance of climate-related risks and opportunities.	Governance	5.1 Climate Change Risk Management	95
2. State how the identified climate risks and opportunities affect an enterprise's business, strategy, and finance (in the short, medium, and long term).	Strategy	5.1.1 Description of climate change risk and opportunity identification process	96
3. State the financial impact of extreme climate events and transition actions.	Strategy	5.1.2 Material climate risk identification results and adaptive actions	97
4. State how climate risk identification, assessment, and management processes are integrated into the risk management system.	Risk Management	<ul style="list-style-type: none"> • 2.2 Risk Management • 5.1.1 Description of climate change risk and opportunity identification process 	38 96
5. If scenario analysis is adopted to assess resilience to climate change risks, state the scenarios, parameters, assumptions, and analysis factors used, and major financial impacts.	Strategy	5.1.3 Material Climate Opportunity Identification Results and Adaptive Actions	98
6. If there is a transition plan for coping with climate-related risks, state the content of the plan and the indicators and targets used to identify and manage physical and transition risks.	Indicators and targets	<ul style="list-style-type: none"> • ESG Highlights in 2022 • 5.1.3 Material Climate Opportunity Identification Results and Adaptive Actions • 5.2.1 Energy and Greenhouse Gas Management • Appendix - Greenhouse Gas Inventory and Verification 	10 98 102 117
7. If an internal carbon pricing mechanism is adopted as a planning tool, the basis for pricing should be stated.	Strategy	Evaluation and planning are in progress.	
8. If climate-related targets are set, state the activities covered, scope of greenhouse gas emissions, planned schedule, annual progress, and other information; if carbon offsets or renewable energy certificates (RECs) are used to achieve relevant targets, state the source and quantity of carbon credits or the quantity of RECs used.	Indicators and targets	<ul style="list-style-type: none"> • ESG Highlights in 2022 • 5.2.1 Energy and Greenhouse Gas Management • Appendix - Greenhouse Gas Inventory and Assurance 	10 102 117
9. Greenhouse gas inventory and assurance	Indicators and targets	<ul style="list-style-type: none"> • 5.2.1 Energy and Greenhouse Gas Management • Appendix - Greenhouse Gas Inventory and Assurance 	102 117

SASB metrics

Issue	No.	Content	Information in 2022	Remark
Customer Privacy	FN-CF-220a.1	Number of account holders whose information is used for secondary purposes	HFC uses personal data in compliance with laws and regulations, and the statistical data for this indicator will not be disclosed for now.	
	FN-CF-220a.2	Total amount of monetary losses as a result of legal proceedings associated with customer privacy	None	
Information security	FN-CF-230a.1	Data security 1. Number of data breaches 2. Percentage involving personally identifiable information (PII) (=Amount of personal information/Total number of data breaches) 3. Number of account holders affected	HFC did not encounter data leakage or personal data leakage in 2022.	
	FN-CF-230a.2	Card-related fraud losses 1. Card-not-present fraud 2. Card-present fraud	N/A	
	FN-CF-230a.3	Description of approach to identifying and addressing data security risks	See 3.2.3 Information Security and Personal Data Protection	
Selling practices	FN-CF-270a.1	Percentage of total remuneration for covered employees that is variable and linked to the amount of products and services sold	It will not be disclosed for now.	
	FN-CF-270a.2	Approval rate for (1) credit and (2) prepaid products for applicants with FICO scores above and below 660	It will not be disclosed for now.	
	FN-CF-270a.3	Applicants with FICO scores above and below 660: 1. Average fees from add-on products 2. Average annual rate of interest 3. Average age of accounts 4. Average number of trade lines 5. Average annual fees for prepaid products	It will not be disclosed for now.	
	FN-CF-270a.4	Number of complaints filed with 1. competent authorities 2. Number of monetary or non-monetary relief 3. Percentage disputed by consumer 4. Percentage that resulted in investigation by competent authorities	1. 49 loans 2. Monetary: 32 cases; non-monetary: 17 cases 3. 0.01% 4. 35%	1. The competent authorities include Consumer Ombudsmen of city and county governments 2. Monetary: Disputes over interest rates, delay interest, or processing fees; non-monetary: Disputes over trading. 3. Percentage disputed by consumer = Number of letters from Consumer Ombudsmen / Number of cases held by the Company 4. Percentage that resulted in investigation by competent authorities = Number of mediation meetings/Number of letters from Consumer Ombudsmen
	FN-CF-270a.5	Total amount of monetary losses as a result of legal proceedings associated with selling and servicing of products	None	
Activity metrics	FN-CF-000.A	Number of unique consumers with an active (1) credit card account and (2) prepaid debit card account	N/A	
	FN-CF-000.B	Number of (1) credit card accounts and (2) pre-paid debit card accounts	N/A	

Summary of Assurance Engagement

Item	Information on the Assurance Subject	Aspect	Applicable Criteria
1	Attendance of the Board of Directors in person was 90% in 2022.	Governance (G)	A total of 9 Board meetings were held in 2022. 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 7th meeting of the 10th Board to the 15th meeting of the 10th Board.
2.	Directors participated in education, training courses and seminars for a total of 77 hours in 2022.	Governance (G)	In 2022, a total of 8 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	In 2022, the total number of education and training hours for employees was 10,610 hours.	Society (S)	The total number of recorded hours of training courses by employees of the entire company in 2022.
4	In 2022, total number of volunteer service hours is up to 8,706 hrs, the average volunteer hour is up to 8.5 hrs.	Society (S)	Calculate the total number of volunteer service hours applied for in 2022, and divide the number of hours by the average total number of employees (the average number of active employees on January 1, 2022 and December 31, 2022) to count the average volunteer hours.
5	The amount of approved loans for renewable energy and the environmental production industry reached NTD \$304 million in 2022.	Environment (E)	The total actual loan amount of the installment cases for customers in the renewable energy and environmental protection industries (According to the business information registered by the Department of Commerce and Industry of the Ministry of Economic Affairs) whose case approval dates were in 2022.
6	In 2022, the number of approved loans for electric vehicles, hybrid vehicles, and electric motorcycles reached 34,301 cases, and the amount reached NTD \$15.369 billion.	Environment (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 2022.

Independent Accountant's Assurance Report



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 2022 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 2021 ESG Report and the respective applicable criteria are stated in the “Summary of Subject Matters Assured” on page 114 of the 2022 ESG Report. The scope of the aforementioned Subject Matter Information is set out in the “Boundary and Scope” on page 4 of the ESG Report.

Management's Responsibilities

The Management of the Company is responsible for the preparation of the sustainability performance information disclosed in the ESG 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 ESG Report in accordance with the Statement of Assurance Engagements Standards No. 3000, “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.



We do not provide any assurance on the 2022 ESG 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 Quality Control Principle No. 1, “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

會計師 林 佳 鴻



June,20 2023

Greenhouse Gas Verification Statement

Statement TW23/00194GG



Greenhouse Gas Verification Statement

The inventory of Greenhouse Gas emissions in year 2022 of

HOTAI FINANCE CORPORATION

10F., No. 605, Ruiguang Rd., Neihu Dist.,
Taipei City 114698, Taiwan (R.O.C.)



has been verified in accordance with ISO 14064-3:2006 as
meeting the requirements of

ISO 14064-1:2018

Direct emissions

286.2648 tonnes of CO₂e

Indirect emissions

954.1884 tonnes of CO₂e

Direct emissions and indirect emissions

1,240.453 tonnes of CO₂e

Authorized by

Stephen Pao

Knowledge Deputy General Manager

Date: 30 May 2023

Version 1

TGP56A-15-6 2207
SGS Taiwan Ltd.
No. 136-1, Wu Kung Road, New Taipei Industrial Park, Wu Ku District,
New Taipei City 24803, Taiwan
t (02) 22993279 f (02)22999453 www.sgs.com

BSI Independent Assurance Opinion Statement



INDEPENDENT ASSURANCE OPINION STATEMENT

2022 Hotai Finance Corporation ESG Report

The British Standards Institution is independent to Hotai Finance Corporation (hereafter referred to as HFC in this statement) and has no financial interest in the operation of HFC other than for the assessment and verification of the sustainability statements contained in this report.

This independent assurance opinion statement has been prepared for the stakeholders of HFC only for the purpose of assuring its statements relating to its sustainability report, more particularly described in the Scope below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by HFC. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to HFC only.

Scope

The scope of engagement agreed upon with HFC includes the followings:

1. The assurance scope is consistent with the description of Hotai Finance Corporation ESG Report.
2. The evaluation of the nature and extent of the HFC's adherence to AA1000 AccountAbility Principles (2018) in this report as conducted in accordance with type 1 of AA1000AS v3 sustainability assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

This statement was prepared in English and translated into Chinese for reference only.

Opinion Statement

We conclude that the 2022 Hotai Finance Corporation ESG Report provides a fair view of the HFC sustainability programmes and performances during 2022. The sustainability report subject to assurance is free from material misstatement based upon testing within the limitations of the scope of the assurance, the information and data provided by the HFC and the sample taken. We believe that the performance information of Environment, Social and Governance (ESG) are fairly represented. The sustainability performance information disclosed in the report demonstrate HFC's efforts recognized by its stakeholders.

Our work was carried out by a team of sustainability report assurers in accordance with the AA1000AS v3. We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that HFC's description of their approach to AA1000AS v3 and their self-declaration in accordance with GRI Standards were fairly stated.

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- a review of issues raised by external parties that could be relevant to HFC's policies to provide a check on the appropriateness of statements made in the report.
- discussion with managers on approach to stakeholder engagement. However, we had no direct contact with external stakeholders.
- 8 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out.
- review of key organizational developments.
- review of the findings of internal audits.
- review of supporting evidence for claims made in the reports.
- an assessment of the organization's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000AP (2018).

Conclusions

A detailed review against the Inclusivity, Materiality, Responsiveness and Impact of AA1000AP (2018) and GRI Standards is set out below:

Inclusivity

This report has reflected a fact that HFC has continually sought the engagement of its stakeholders and established material sustainability topics, as the participation of stakeholders has been conducted in developing and achieving an accountable and strategic response to sustainability. There are fair reporting and disclosures for the information of Environment, Social and Governance (ESG) in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the HFC's inclusivity issues.

Materiality

HFC publishes material topics that will substantively influence and impact the assessments, decisions, actions and performance of HFC and its stakeholders. The sustainability information disclosed enables its stakeholders to make informed judgements about the HFC's management and performance. In our professional opinion the report covers the HFC's material issues.

Responsiveness

HFC has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for HFC is developed and continually provides the opportunity to further enhance HFC's responsiveness to stakeholder concerns. Topics that stakeholder concern about have been responded timely. In our professional opinion the report covers the HFC's responsiveness issues.

Impact

HFC has identified and fairly represented impacts that were measured and disclosed in probably balanced and effective way. HFC has established processes to monitor, measure, evaluate and manage impacts that lead to more effective decision-making and results-based management within the organization. In our professional opinion the report covers the HFC's impact issues.

GRI Sustainability Reporting Standards (GRI Standards)

HFC provided us with their self-declaration of in accordance with GRI Standards 2021 (For each material topic covered in the applicable GRI Sector Standard and relevant GRI Topic Standard, comply with all reporting requirements for disclosures). Based on our review, we confirm that sustainable development disclosures with reference to GRI Standards' disclosures are reported, partially reported or omitted. In our professional opinion the self-declaration covers the HFC's sustainability topics.

Assurance level

The moderate level assurance provided is in accordance with AA1000AS v3 in our review, as defined by the scope and methodology described in this statement.

Responsibility

The sustainability report is the responsibility of the HFC's chairman as declared in his responsibility letter. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Competency and Independence

The assurance team was composed of Lead auditors experienced in relevant sectors, and trained in a range of sustainability, environmental and social standards including AA1000AS, ISO 14001, ISO 45001, ISO 14004 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:



Peter Pu, Managing Director BSI Taiwan



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Statement No: SRA-TW-2022063
2023-05-15

Taiwan Headquarters: 2nd Floor, No. 37, Ji-Hu Rd., Nei-Hu Dist., Taipei 114, Taiwan, R.O.C.

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